

## **Twelve Principles of 21st-Century Retirement Investing**

In his books and presentations, financial educator, author and retirement planning expert Paul Grangaard uses the Twelve Principles of 21st-Century Retirement Investing to help older investors understand important new ways to look at their financial affairs after they stop working.

The first three principles address some of the new realities faced by today's retirees. Principle #1 is "Expect to Outlive the Averages." Since almost half of the people reaching age 65 today will live beyond an average life expectancy, it's very dangerous to use averages in your own individual planning. Principle #2 is "Adjust for Changing Income Needs." Because people are living longer today, it's more important than ever to account for inflation and the possibility of fluctuating lifestyle expenses. It's simply not good enough any more to plan for a fixed amount of income throughout retirement. Principle #3 is "Create Dependable Income for the Rest of Your Life," and it's one of the most important concepts for older investors. As Grangaard says, "When you get to retirement, you have to be prepared to replace your paycheck as soon as you stop working."

The next four principles address some of the most important overall financial concepts. Principle #4 is "Count on Compounding During Retirement." Of course, compounding is key to accumulating assets for retirement, too—but when you're living longer during retirement, it's just as important over the last 20 or 30 years of your life. Principle #5 is "Invest in the Right Stuff." You need to have the right amount of money set aside in lower-risk assets to replace your paycheck, but you also need to have enough invested in growth-oriented investments to take care of your income later on. As Grangaard puts it, "you have to know how to thread the financial needle." Principle #6 is "Be a Long-Term Investor During Retirement." If you decide to invest some of your assets to go after higher rates of return, you'll need to be able to manage the risk of taking a more aggressive investment posture—and having a long-term planning horizon can really help. Principle #7 is "Know When to Sell." During retirement, most people will be overall sellers of stock market investments, since they'll have to use the proceeds to generate the income they need to live on. In fact, the real value of being a long-term investor in retirement is that you'll have more time to figure out when it's a good time to sell.

Principles #8, #9 and #10 address some of the other key issues important to all retirement investors. Principle #8 is "Don't Let Dollar-Price-Erosion Catch You Off-Guard." Dollar cost averaging into the stock market is great advice for younger investors, but dollar cost averaging out of the stock market can get you into a lot of trouble in retirement. Principle #9 is "Diversify." Diversification is important at every stage of life, and even more so in retirement. Since you will be selling stocks periodically to get more income to live on, having a well-diversified portfolio will make it more likely that you will always have something in a good position to sell whenever you need to. Principle #10 is "Keep It Tax-Deferred." Reducing income taxes is an important part of any investment strategy, and it's particularly important during retirement. You can't afford to

pay taxes too soon, because you'll be giving up too much future growth—and therefore, too much future income as well.

The last two principles focus primarily on taking action. Principle #11 is “Have a Plan.” In fact, “the goal of effective retirement planning,” says Grangaard, “is to live better during the day while sleeping better at night. Having a plan,” he says, “is the key to being able to do that.” And finally, Principle #12 is “Take Action Now.” While Grangaard offers a lot of information, theories and strategies, there is also a practical sense of urgency and a plea for action throughout the book. “It’s never too early and it’s never too late to do your retirement planning,” he says, and then wraps it all up by suggesting that “most people don’t plan to fail, they simply fail to plan.”

You can learn more about The Grangaard Strategy® approach to retirement planning, and educational events being offered in your area, at [www.TheGrangaardStrategy.com](http://www.TheGrangaardStrategy.com). Paul Grangaard can be reached at [paul@pagrangaard.com](mailto:paul@pagrangaard.com) or by telephone at 651-917-0139.

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