

## Will I Ever Be Able To Retire?

By G. Carl Mahler, Jr. CFP®



How many times have you asked that question or heard it being asked by others in the years following 2008? You remember 2008, don't you? That was the year the financial crisis brought

our markets down to its knees, making it the second worst stock market in history, second only to the Great Depression. What made it all the more devastating was it came only six years after what was called a "once in a generation event." So, there we sat, having experienced two once in a generation events in only six short years. How can anyone have any faith in our financial system again?

I have quarterly or semi-annual progress meetings with my clients. In preparation we send them a questionnaire asking them to update any financial information we might not already have copies of and asking if they have questions we'll need to address. I'm seeing one couple tomorrow who sent in their forms citing 12 things wrong with the world. They listed our national debt, foreign debt, mortgage crisis, Middle East wars, national leadership, etc., etc. You get the idea. They then said they wanted a strategy to preserve all that we've recovered since 2008, assuming "the market will go down significantly, soon." Well, we can do that, but I think these clients, like most, are missing the bigger picture and not seeing it will cost them and you a comfortable retirement.

The fundamental problem we all face in retirement is the creation of a sustainable lifetime income, and that means a long, long time. In 1946 a postage stamp cost three cents. Today, it's forty-four cents. That's inflation! Choose your own metric. Almost everything we touch will act as a good example. My point is – purchasing power is the problem, not loss of principal. Throughout history we've had bad periods, periods when principal wavered, but it has always recovered and always gone to new highs. As I see it we have five major problems:

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Carl was named in Barron's 2010 Top 1000 Advisors in America and was featured in SMART Money Magazine, Virginia Business & The Wall Street Journal.\*




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1) Life expectancy – the average retirement age in the US today is 62, according to the U.S. Conference on Aging. If you are married, one of you will likely be living to age 92. What will it take to provide income for 30 years while simultaneously growing it to keep up with rising costs? Do an exercise: assume an income you'd need if you were to retire today. Add 3% to that number 30 times to see what you'd need it generating over your life expectancy.

2) Everything we need to buy will cost more to buy every year.

3) When you understand numbers 1 & 2, there's only one rational solution, we have to produce an ever increasing stream of income to at least keep pace with inflation. At the end of the day we are trying to maintain our dignity and our independence. The minute my income stops keeping pace, I start losing both.

4) I can't keep pace with CDs or bonds. The very name implies the problem – fixed income. Fixed income is like a rattlesnake, he keeps warning you what he's going to do if you keep messing with him. Throughout US history there has only been one vehicle which has consistently produced an income that rose above increasing costs. It's the dividends generated by the great corporations of the world. Between 1935&2010, the cost of living has increased 3% per year. The dividends generated by the S&P 500 companies have averaged 5.5% over the same period, per Morningstar & Associates. As an added bonus, their stock prices have increased as well.

5) The single biggest deterrent to your achieving your retirement goals, then successfully generating enough rising income to live comfortably through a 30 year retirement, is YOU. By interpreting temporary losses as permanent, you do dumb things, like pulling your money out right about the time the markets start getting better, and/or waiting too long to get back in, long after the biggest part of the recovery has happened. I'm not embarrassed to look you in the eye and say, "you need some professional help."

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