Cliff's Notes

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Should We Reconsider What "Retirement" Means?

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Mission:
Transforming Families
Vision:
Moving you to Financial Contentment
Core Values:
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An executive transition into a consulting role at age 62 and stops working altogether at 65; then, he becomes a buyer for a church network at 69. A corporate IT professional decides to conclude her career at age 58; she serves as a city council member I her sixties, then opens a art studio at 70.

Are these people retired? Not by the old definition of "retirement" is changing. Retirement is now a time of activity and opportunity.

Generation ago, Americans never retired—at least not voluntarily
American life was either agrarian or industrialized, and people toiled until they died or physically broke down. Their "social security" was their children. Society had a low opinion of able-bodied adults who preferred leisure to work.

German Chancellor Otto von Bismarck often gets credit for "inventing" the idea of retirement. In the late 1800s, the German government set up the first pension plan for those 65 and older. (Life expectancy was around 45 at the time.) When our Social Security program began in 1935, it defined 65 as the U.S. retirement age; back then, the average American lived about 62 years. Social Security was perceived as a reward given to seniors during the final years of their lives, a financial compliment for their hard work.[1]

After World War II, the concept of retirement changed.

The model American worker was now the "organization man" destined to spend decades at one large company, taken care of by his (or her) employer in a way many people would welcome today. Americans began to associate retirement with pleasure and leisure.

By the 1970s, the definition of retirement had become rigid.

You retired in your early sixties, because your best years were behind you and it was time to go. You died at about 72 or 75 (depending on your gender). In between, you relaxed. You lived comfortably on an employee pension and Social Security checks, and the risk of outliving your money was low. If you lived to 81 or 82, that was a good run. Turning 90 was remarkable.

Today, baby boomers cannot settle for these kinds of retirement assumptions. This is partly due to economic uncertainty and partly due to ambition. Retirement planning today is all about self-reliance, and to die at 65 today is to die young with the potential of one's "second act" unfulfilled.

One factor has altered our view of retirement more than any other.

That factor is the increase in longevity. When Social Security started, retirement was the quiet final years of life; by the 1960s, it was seen as an extended vacation lasting 10-15 years; and now, it is seen as a decades-long window of opportunity.

Working past 70 may soon become common.

Some baby boomers will need to do it, but others will simply want to do it. Whether by choice or chance, some will retire briefly and work again; others will rotate between periods of leisure and work for as long as they can. Working full time or part time not only generates income, it also helps to preserve invested retirement assets, giving them more years to potentially compound. Another year on the job also means one less year of retirement to fund.

Perhaps we should see retirement foremost as a time of change – a time of changing what we want to do with our lives. According to the actuaries at the Social Security Administration, the average 65-year-old has about 20 years to pursue his or her interests. Planning for change may be the most responsive move we can make for the future.[2]

Citations.
1 - dailynews.com/2017/03/24/successful-aging-im-65-and-ok-with-it/ [3/24/17]

2 - ssa.gov/planners/lifeexpectancy.html [11/21/17]

How Much Risk Can You Take?

Many market shocks are short-lived once investors conclude the event is unlikely to cause lasting economic damage. Still, major market downturns such as the 2000 dot-com bust and the 2008-09 credit crisis are powerful reminders that we cannot control or predict exactly how, where, or when precarious situations will arise.

Market risk refers to the possibility that an investment will lose value because of a broad decline in the financial markets, which can be the result of economic or sociopolitical factors. Investors who are willing to accept more investment risk may benefit from higher returns in the good times, but they also get hit harder during the bad times. A more conservative portfolio generally means there are fewer highs, but also fewer lows.

Your portfolio's risk profile should reflect your ability to endure periods of market volatility, both financially and emotionally. Here are some questions that may help you evaluate your personal relationship with risk.

How much risk can you afford?

Your capacity for risk generally depends on your current financial position (income, assets, and expenses) as well as your age, health, future earning potential, and time horizon. Your time horizon is the length of time before you expect to tap your investment assets for specific financial goals. The more time you have to keep the money invested, the more likely it is that you can ride out the volatility associated with riskier investments. An aggressive risk profile may be appropriate if you're investing for a retirement that is many years away. However, investing for a teenager's upcoming college education may call for a conservative approach.

How much risk may be needed to meet your goals?

If you know how much money you have to invest and can estimate how much you will need in the future, then it's possible to calculate a "required return" (and a corresponding level of risk) for your investments. Older retirees who have sufficient income and assets to cover expenses for the rest of their lives may not need to expose their savings to risk. On the other hand, some risk-averse individuals may need to invest more aggressively to accumulate enough money for retirement and offset another risk: that inflation could erode the purchasing power of their assets over the long term.

How much risk are you comfortable taking?

Some people seem to be born risk-takers, whereas others are cautious by nature, but an investor's true psychological risk tolerance can be difficult to assess. Some people who describe their personality a certain way on a questionnaire may act differently when they are tested by real events.

Moreover, an investor's attitude toward risk can change over time, with experience and age. New investors may be more fearful of potential losses. Investors who have experienced the cyclical and ever-changing nature of the economy and investment performance may be more comfortable with short-term market swings.

Brace yourself

Market declines are an inevitable part of investing, but abandoning a sound investment strategy in the heat of the moment could be detrimental to your portfolio's long-term performance. One thing you can do to strengthen your mindset is to anticipate scenarios in which the value of your investments were to fall by 20% to 40%. If you become overly anxious about the possibility of such a loss, it might be helpful to reduce the level of risk in your portfolio. Otherwise, having a plan in place could help you manage your emotions when turbulent times arrive.

All investing involves risk, including the possible loss of principal, and there is no guarantee that any investment strategy will be successful.

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Talking to Your Heirs About Your Estate Plan

Talking about "the end" is not the easiest thing to do, and this is one reason why some people never adequately plan for the transfer of their wealth. Those who do create estate plans with help from financial and legal professionals sometimes leave their heirs out of the conversation.

Have you let your loved ones know a little about your estate plan? This is decidedly a matter of personal preference: you may want to share a great deal of information with them, or you may want to keep most of the details to yourself. Either way, they should know some basics.
Having this talk can become easier when it is a values conversation, not a money conversation.

Values driven estate planning. You can let your heirs know that your values are at the core of the decisions you have made. You need not tell them how much they will inherit. You may let them know about the planning steps you have taken to make a difficult time a bit easier.

For example, you can tell your loved ones that you have a will and/or a revocable living trust. In all probability, your executor or successor trustee has been informed of his or her future responsibilities – but other heirs may not know who the executor or successor trustee will be.

You can tell them that you have an advance health care directive in place and inform them who you have named as an agent to make health care decisions on your behalf if you cannot do so. You can provide the contact information for your estate planner, your CPA, your retirement planner, and any insurance, legal, and medical professionals you consult. Have your heirs ever met these people? Tell your heirs the role they have played for you, your family, or your company and why the judgment of these professionals should be trusted.

Do people beyond your household need to know any of this? Think about it for a second. If you have grandchildren, nieces, or nephews, do they figure into your estate plan? Is it appropriate to let them know that you have made an estate-planning decision or two on their behalf? How about charities or non-profits you have supported – have you notified them of your intent to make a gift from your estate and could knowledge of your decision better facilitate the process? How about your business partner(s)? Do they need to be informed of particular estate-planning intentions you have?

Obviously, you must keep certain details close to the vest. Keeping everything to yourself, however, can be problematic. Are your heirs aware of the location of a copy of your health care proxy? Might they discover that you have planned for some of your estate to transfer to charity only after your death? Dilemmas and surprises like these may be avoided through communication – the type of communication that anyone planning an estate should make a priority.

Not every couple or individual does, though. BMO Wealth Management asked the high net worth clients it advises if they had disclosed the location of their wills and power of attorney forms with their heirs. Thirteen percent of respondents said their heirs had no clue; 25% said "only my spouse and I" knew the location of the documents.[1]

A 2017 Caring.com poll determined that just 42% of Americans had gone so far as to draw up a will, let alone an estate plan. So, if you have planned for the transfer of your wealth, you are ahead of many of your peers. Just see that your intentions, and some specific details, are effectively communicated.[1]

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Citations. 1 - cnbc.com/2017/11/15/12-financial-planning-documents-to-handle-health-end-of-life-care.html [11/15/17]

What's Happening at CMR…

Cliff…

Michelle and I went to visit our son's family during Thanksgiving. Because my wife's shopping partner, my son's mother in law was not in town, I was forced into action on Black Friday. We didn't start until 9 am on Friday, so I was happy about that. What an experience!

I've started to golf more than 3 to 4 times a year which I haven't done in more than ten years. The game is taking awhile to come back. I'm hopeful that it will, but I'm ten years older.

Sheri…

Zeke is saying new words every day and understands just about anything you tell him. He is growing so fast, but it is fun to watch. We are looking forward to our trip in January to visit my brother and his family for his oldest kids 5th birthday. We are also excited to go to Las Vegas in March for my niece's soccer tournament.

Margaret …

We had a wonderful Christmas & New Years spent together…. And so excited to see what 2018 have in store for us!

Roxanne…

Welcome 2018! On October 12th, 2017 I got engaged to my best friend… I am looking forward for what 2018 will bring...

Whitney …

Happy New Year's everyone! 2017 was an exciting year for my family and me! Our highlight of the year was taking a family trip to Lego Land and Disneyland this past October. We had so much fun and created so many memories. We look forward to another exciting year and can't wait for our next family adventure!

Adriana …

2018 for my family and I started with a great trip to Tokyo, Japan. It was a very different journey than what we ever experienced before, but the sightseeing was amazing and the food even more. Even though it was very cold, the kids got to experience the snow for the first time.