

Living and Investing in Retirement – Goals-based Wealth Management

Living in Retirement

Preparing for and living in retirement is a daunting challenge for today's retirees. A generation ago, most Americans could count on a traditional pension to cover many of their expenses in retirement. Fast-forward 30 years and traditional pensions have been replaced almost entirely by self-directed investment vehicles like 401(k)s and IRAs, wherein investors must generate their own retirement incomes out of Social Security and lump-sum savings and assume the attendant risk of not meeting their goals, having sufficient cash flow and running out of money.

Goals-based Wealth Management

Goals-based wealth management varies by individual and is all about focusing on your personal goals in retirement. For example, do you want to have a second home, travel, support your parents, fund your grandchildren's education or provide a legacy for your favorite charity in retirement?

Once you have established your goals, have you taken inventory of your current assets? Do you know where all of your assets are and are they consolidated in one place? In other words, can you see your assets in one report or on a single website? Do you know what your real estate is worth? Do you know what your expenses and liabilities are? What will be the cost of health care in retirement? Have you defined your retirement time horizon based on reliable actuarial tables?

Do you have Social Security or a pension to supplement your retirement? What are your income needs in retirement? Do you know your net worth?

Retirement Funding Ratio

Your funding ratio is a measure of your progress toward your retirement goals. It is calculated as the present value of your savings and future savings divided by the present value of anticipated expenses in retirement net of other sources of retirement income such as Social Security and a pension. Is your retirement plan fully funded, mostly funded or partially funded? Your funding ratio is important since it drives the necessary rate of return that you require of your portfolio and the level of risk that you will need to take, or not take to ensure that you do not outlive your retirement assets.

Goals-based Retirement Plan

Once you have established your goals and determined your retirement funding ratio, do you have a goals-based plan to ensure that are you going to be able to achieve your goals? For example, do you have sufficient retirement income, is your portfolio sufficiently diversified relative to cash, bonds, stocks, annuities, alternatives, etc.? Is your portfolio in line relative to your risk tolerance? Are you achieving your target return on your investments consistent with your funding ratio and is your plan on track? Additionally, living in retirement will present many challenges that will require you to not only have a goals-based plan but to keep it updated.

Investing in Retirement

Investors who are already retired have new unknowns, or at least newly relevant unknowns, such as irregular expenses, medical expenses, the need for liquidity and the increased attention to longevity risk and legacy objectives. As this stage, retirement strategy is still highly sensitive to a poor sequence of returns – that is to say, poor investment performance early in retirement. While going to a highly conservative portfolio invested mostly in cash or high-quality bonds is an option for those who are actively drawing down their accounts, it is an expensive and risky alternative relative to the low projected returns for all but those investors who have a fully funded retirement plan. The risk of outliving one's assets is high against the backdrop where life expectancy continues to expand each and every year.

Even more importantly, retirees are exposed to the risk of over-estimating the degree to which wealth can be stretched into retirement income.

Summary

These are challenging times for most investors, whether actively employed or retired. Both economic and political events around the world seem to come more often and unexpectedly that have an impact on your goals-based retirement plan. Proper planning, portfolio and risk management is of utmost importance in retirement. Answering the following representative questions can help you assess whether your

plan and portfolio strikes the appropriate balance:

- Does the portfolio have enough liquidity to meet immediate and unexpected living expenses?
- Does the portfolio have enough growth potential to ensure that you do not out live your retirement assets?
- Is the portfolio courting too much risk?
- Does the portfolio have a well-thought-out drawdown strategy?
- Do you have adequate inflation protection?
- Is the portfolio insulated from economic, political and spending shocks?
- Do you have a plan and are you reviewing it regularly?
- Are you flexible to ongoing market and portfolio changes and do you have a backup plan?

The Personal Planning Committee (PPC) suggests that you consult with an experienced licensed investment professional to either complete your goals-based plan, update the plan or adjust your goals based on changing conditions in the economy, political arena or market. Licensed financial professionals understand the importance of tailoring each client's retirement and investment goals-based program to their goals and short and long term income needs.

For additional information on this topic, please visit St. Christopher's website.

St. Christopher's Personal Planning Committee

Formed to provide education about personal planning and referrals to qualified professionals in fields of legal, financial and health planning, the Committee works to encourage parishioners to develop and keep updated their personal health, financial and asset or estate plans. We encourage discussions within families.



We manage the Cloister Society and celebrate those who have made or planned gifts to St. Christopher's, unless they choose to remain anonymous.

We will be long-term stewards of St. Christopher's, cooperating to build the church's Endowment.

Committee Members

Errol James	(508) 432-1331
Jill MacDonald	(508) 945-2764
George Olmsted	(508) 945-3686
Philip Reed	(508) 237-5158
John Sargent	(508) 255-1005
Pieter Schiller	(508) 945-1934
John Trimble	(508) 945-9989
Allen Ward	(508) 945-5517

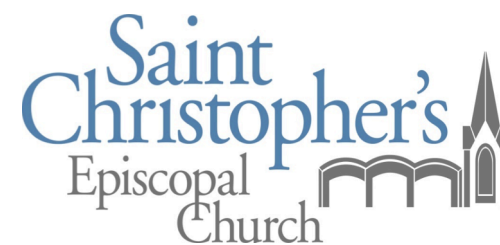
www.stchristopherschatham.org/personal-planning

St. Christopher's

EPISCOPAL CHURCH

625 Main Street
Chatham, Mass. 02633

(508) 945-3333



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**Personal Planning
for Your Future**