

**Money In Motion**

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## Creating a Retirement Strategy

Most people just invest for the future, you have a chance to do more. Across the country, people are saving for that “someday” called retirement. Someday, their careers will end. Someday, they may live off their savings or investments, plus Social Security. They know this, but many of them do not know when, or how, it will happen. What is missing is a strategy – and a good strategy might make a great difference.

A retirement strategy directly addresses the “when, why, and how” of retiring. It can even address the “where.” It breaks the whole process of getting ready for retirement into actionable steps.

This is so important. Too many people retire with doubts, unsure if they have enough retirement money and uncertain of what their tomorrows will look like. Year after year, many workers also retire earlier than they had expected, and according to a 2022 study by the Employee Benefit Research Institute, about 47% do. In contrast, you can save, invest, and act on your vision of retirement now to chart a path toward your goals and the future you want to create for yourself.<sup>1</sup> (continue on page 2)



## The Behavior Gap and Your Financial Health

How might it affect you? “It turns out my job was not to find great investments but to help create great investors,” writes Carl Richards, author of “The Behavior Gap.” From increasing our budget mindfulness to taking a steadier approach to investing, Richards has drawn attention to how our unexamined behaviors and emotions can be to our detriment when it comes to living a happy and financially sound life. In many cases, we make poor financial decisions when experiencing panic or anxiety due to personal or widespread events.<sup>1</sup>

**The Behavior Gap Explained.** Coined by Richards, “the behavior gap” refers to the difference between a wise financial decision versus what we decide to do. Many people miss out on higher returns because of emotionally driven decisions, creating a behavior gap between their lower returns and what they could have earned.

**Excitement When Stocks Are High.** Whether in a bull market or witnessing the hype

from a product release, many investors may feel tempted to increase their risks or attempt to gain from emerging investments when stocks are high. This can lead to investors constantly readjusting their portfolios as the market experiences upswings.

**Fear When Stocks Are Low.** In response to market volatility, investors may feel the need to choose more secure investments and avoid uncertain or seemingly unsafe investments. When stocks are low, a typical response may be to sell and effectively miss out on potential long-term gains.

**Short-Term Anxiety and Focus.** As humans, viewing aspects of our lives through the lenses of current circumstances is normal. However, one emotional response to any event is letting the moment consume us. Many may find it difficult to think long-term and remember. However, making a rash decision can inhibit the long-term benefit of maintaining a balanced perspective without reactionary behavior. (continue on page 2)

## Creating a Retirement Strategy *(continued from page 1)*

Since it's impossible to predict the future, some people dismiss having a long-range retirement strategy. Indeed, there are things about the future you cannot control: how the stock market will perform, how the economy might do. That said, you have partial or full control over other things: the way you save and invest, your spending and your borrowing, the length and arc of your career, and your health. You also have the chance to be proactive and to prepare for the future.

A good retirement strategy has many elements. It sets financial objectives. It addresses your retirement income: how much you may need, the sequence of account withdrawals, and the age at which you claim Social Security. It establishes (or refines) an investment approach. It examines financial implications and possible health care costs, as well as the transfer of assets to heirs.

A prudent retirement strategy also entertains different consequences. Financial professionals often use multiple-

probability simulations to try and assess the degree of financial risk to a retirement strategy, in case of an unexpected outcome. These simulations can help to inform the financial professional and the retiree or pre-retiree about the “what ifs” that may affect a strategy. They also consider sequence of returns risk, which refers to the uncertainty of the order of returns an investor may receive over an extended period of time.<sup>2</sup>

Let a retirement strategy guide you. Ask a financial professional to collaborate with you to create one, personalized for your goals and dreams. When you have such a strategy, you know what steps to take in pursuit of the future you want.

Citations

1 – EBRI.org, 2022

2 – Investopedia.com, October 4, 2021

## The Behavior Gap and Your Financial Health *(continued from page 1)*

The market can go up or down at any given point, or it can remain the same. One thing we can control is how we handle our financial strategy. Remembering the likelihood of recovery over time — and the market's nearly inevitable up-and-down movement — can provide a more logical angle to calm the nerves.

If you're experiencing financial anxiety in response to the markets, take a breath and remember the potential for long-term gains. Of course, you can and should always reach out to your financial professional for further clarification.



Citations

1. BehaviorGap.com, May 16, 2022

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REALITY

TIP OF THE QUARTER



If you are 60 now, there is a reasonable chance that you may live into your eighties or nineties. So, with longevity in mind, prepare for retirement with wealth accumulation and wealth protection in mind.