Episode 99: Time Segmentation as a Retirement Income Strategy

00:00
Alex Murguia
Hey, everyone, Wade and I here. And we have announcement as we gear up for 100th episode of Retire with Style, if you can believe that.

00:10
Wade Pfau
That's right, Alex. It's hard to believe, but we're going to do a live Q and A session on YouTube as a recording for episode 100. So catch us on YouTube with all your questions on October 11. That's a Wednesday at 01:00 p.m.. Eastern Time, and it's going to be hands on deck. Bob French will join us as well to make sure we have coverage for any question that you asked related to retirement and investing.

00:32
Alex Murguia
All right, everyone. Hey, everyone. Just wanted you to know that we've looked far and wide, high and low. Is that how it goes?

01:00
Wade Pfau
Wait.

01:03
Alex Murguia
I don't know. And we finally found our listener. Wade.

01:08
Wade Pfau
Yeah, that's right. Alex. We'd like to send a special birthday wish to Alan Brady. Thanks for listening to the show.

01:15

Alex Murguia
And Alan, happy birthday, but please tell one person. This way I can tell Wade we doubled our listenership. All right, thanks for listening, man. Hey, everyone.

01:25
Alex Murguia
Welcome to retire with style. I'm Alex, and I'm here with my trusted companion, Wade Pfau. And off we go. Right, Wade?

01:37
Wade Pfau
Hey, everyone. That's right. Oh, you're skipping this small talk?

01:41
Alex Murguia
No, off we go to start with the small talk. All right, so what's the number, man?

01:46
Wade Pfau
Yeah.

01:50
Alex Murguia
What'S the number on the push up?

01:51
Wade Pfau
Yeah, I've not gotten up to 100 a day yet, but I'm still gradually, like, 40 a day in that range.

01:58
Alex Murguia
41 shot, or are you doing them ten at a time?

02:01
Wade Pfau
No, not in one shot. I can't do more than 20 in one shot.

02:04
Alex Murguia
All right, we'll get working on it. We're just happy you're at the gym, man. We're just happy you're at the gym. Right? Everyone's a winner. Everyone is a no.

02:15
Wade Pfau
I'm doing that's right. And this weekend I'll be in Bethesda for they still have I thought usually they sell out, but I just checked the registration's open if anyone is interested. That's always a big event.

02:28
Alex Murguia
Where? In Bethesda?

02:30
Wade Pfau
At the Marriott. I understand it's a big facility, like the Marriott Conference Center or something like.

02:37
Alex Murguia
Bethesda Circle around there. I think I know where that is. It's kind of a go to. It's not at the hotel. They're moving out, these guys.

02:44
Wade Pfau
The super eight.

02:45
Alex Murguia
Yeah, whatever that is. Yeah, you would thought they would be able to get the Hilton, right? So they seem smarter. Isn't that the commercial? Is it Hilton or is it Hyatt? I don't even know. I did stay at a Hyatt last night. No, the commercial where they asked things and they were like, I did stay at the Hyatt last night. Never mind. You don't get the reference. All right.

03:08
Wade Pfau
I don't see so many commercials these days.

03:10
Alex Murguia
Yes, you're reading? You're reading streaming. Oh, streaming. What do you have on your streaming?

03:18
Wade Pfau
Nothing in particular, really.

03:22
Alex Murguia
All right. Fire away, man. Let's kick it off.

03:27
Wade Pfau
All right. Yeah. Okay. So theme this week is time segmentation. We're going to do an arc on that. I gave Alex some materials to read, but I understand you did not get to that. So you don't even know. I've got to ask myself the question.

03:41
Alex Murguia
I know this cold wade. Come on, man. I know this cold. I know this cold. Time segmentation, otherwise known as bucketing, right?

03:49
Wade Pfau
Otherwise known as bucketing. Yeah, and probably more commonly known as bucketing. I don't know who gave it the time segmentation name, but in the popular media, you'll see the term bucketing more frequently, maybe. And it is one of the four retirement income styles.

04:02
Alex Murguia
Time segmentation sounds smarter. It sounds more like sophisticated when you say that, I guess, as opposed to bucketing or something like that. Someone said, hang on, we have to reframe this to justify the advice we give.

04:16
Wade Pfau
That's right.

04:17
Alex Murguia
All right.

04:17
Wade Pfau
You segment your investments based on the time horizon. But yeah, that's the goal. And so I don't know how to really introduce this other than there's no clear definition of what bucketing or time segmentation means. If you ask 100 different advisors what it means, you'll get 100 different answers. Those answers can vary along a number of different factors, just like, well, how many buckets are we talking about? What types of asset classes are we including in each of the buckets? And then a real simple one that I know is near and dear to your heart. When we talk about the bond side, are we using bond funds for these buckets? Are we using individual bonds being held to maturity for these buckets? And then a big factor, and that's where a lot of these bucketing strategies kind of fall apart, is you need some clear mechanism for how you're going to replenish how you're going to as you spend money in the short term bucket, how are you going to replenish that from the long term buckets?

05:13
Wade Pfau
And Jonathan Guyton, who's a critic of bucketing, wrote a column once where he said, there's no there. You talk about having all these buckets. It's really just a way to frame an asset allocation, but there's really nothing going on behind the scenes. It's some sort of framing type effort to think about asset allocation that doesn't really do anything.

05:35
Alex Murguia
Oh, we're just getting the dirty laundry out of the way, right? Please listen, it'll change your life.

05:46
Wade Pfau
Well, if your retirement income style is.

05:49
Alex Murguia
Time, there we go.

05:50
Wade Pfau

Yeah. There can be something to it, certainly. And it's kind of funny because when we get into this, the approach I'll use to describe bucketing or time segmentation, it's the asset dedication approach that Stephen Huxley and Jay Brent Burns developed. And frankly, they don't even think of themselves as time segmentation, I think, because they oh, and there's that famous thing that's been in the news. Everyone in the country is getting that.

06:16
Alex Murguia
Oh, really? What was this alert? What happened? Just my mom driving again.

06:22
Wade Pfau
No. At 220 Eastern time, every phone in the country is going to get an alert.

06:26
Alex Murguia
Really? I had no idea.

06:28
Wade Pfau
When we're filming, it's 218 the news. It's some sort of test of the emergency broadcasting service. Well, don't panic.

06:39
Alex Murguia
I thought my mom started driving. So there's a silver alert or something like that.

06:46
Wade Pfau
Did not be able wait, I can't hear you, everyone. One of the rare cases where we're not 100% live, we are cutting back in here after we got completely thrown off by the emergency alert that everyone in the country received.

07:05
Alex Murguia
Yeah.

07:10

Wade Pfau
We had a little bit of a technical gaffe at the same time and so we decided to pause and resume. But were talking about so asset dedication. They don't think of themselves as time segmentation, I think, because they just don't want to be lumped in with all this kind of can get to be nonsense at some point with just, oh, there's all these buckets, what are we doing with it? But I think of them really as the Platonic ideal of time segmentation. So when I think of time segmentation, I think of asset dedication. And I'll really kind of use that framework in the episode today to explain what time segmentation is. So that Platonic ideal, I know appeals to you, Alex, in terms of this is the true essence of what time that's like, Bob loves what they do.

07:55
Alex Murguia
He's always saying platonic.

08:00
Wade Pfau
But so what they call their own work is dedicated portfolio theory. And it's the same idea of what time segmentation is about. It's using assets based on what they were intended for. More so than and this is the critique they would have of a total returns investing approach. Let's just start with that. They critique risk tolerance questionnaires. I know you're not a big fan of risk tolerance questionnaires either, but the reason they critique a risk tolerance questionnaire is because it treats bonds as a less volatile version of stocks. You've got stocks and they're volatile. You've got bonds and they're volatile. You add bonds to the portfolio to try to reduce the overall volatility. But short term market volatility, the whole idea of modern portfolio theory is not really all that important to a household. For them, risk is just simply that you're not able to meet your financial goals.

08:58
Wade Pfau
And so what does it mean to have a less volatile portfolio if you're overfunded, your portfolio can be volatile and not necessarily be risky. If you're underfunded, you may have all your money in cash, but that's going to ensure you run out of money and so you have a very risky portfolio. So they really try to move away from using volatility to measure risk and looking much more at using assets for their intended purpose. Bonds are fixed income assets. They provide a fixed income. You hold them to maturity to provide coupon payments and their face value at the maturity date. You know that in advance, stocks are the growth asset. They're meant to provide growth. And so in a time segmentation model, you have bonds earmarked to cover short term expenses so that you can focus on providing a runway for stocks to grow so that you're not forced to necessarily sell from your stock portfolio in case there's a market downturn and so forth.

09:55
Wade Pfau
You give your portfolio more time to recover before you have to dip into it. And so you're really using

assets differently based on their intended purpose. Stocks to fund short term expenses. Sorry, bonds to fund short term expenses, stocks to grow and provide a resource to help fund expenses over the could.

10:12
Alex Murguia
Also be cash that you have on the side. It doesn't necessarily have to be bonds or something like that. It could even be my guest. But two questions volatile or volatile? That's a volatile.

10:26
Wade Pfau
Okay, excellent pronunciation.

10:29
Alex Murguia
But you say volatility, not volatile.

10:33
Wade Pfau
Right? Volatility, volatile.

10:35
Alex Murguia
Okay. There we go. All right. The other piece is, how does this pertain to the Risa? Because I get it right, but just for folks that are listening here, it's part of your style, and I agree there are a couple of things there. But in the Risa matrix, in the framework, where does time segmentation fit in and what are those factors that they're pulling for?

10:59
Wade Pfau
Yeah, so time segmentation is the upper left hand quadrant. It's the safety first. You want contractual protections and optionality oriented. And I think you can get that sense with what I was saying before about how asset dedication describes the idea of bonds. You don't use bonds as a less volatile version of stocks. Like in a total return portfolio, you hold bonds to maturity. You get the contractual protections through the individual bonds to support those upcoming expenses, and then you get the optionality through the growth portfolio that's earmarked more for longer term expenses, but gives you the flexibility to make adjustments and changes and decide you want to change how much you want to spend and so forth. You have a lot more flexibility for that growth portfolio, but you're getting the contractual protections through the short term.

11:51
Alex Murguia
Okay.

11:52
Wade Pfau
Rather than treating it as a big asset allocation.

11:55
Alex Murguia
Got you. And in true jeopardy fashion, you gave the answer before. So why are these considered a behavior strategy? Why is this considered a behavior strategy? You were kind of alluding to it, but I want to make it just explicit.

12:11
Wade Pfau
Well, yeah, I mean, in some sense, we usually think of the total return approach as the more rational strategy that you invest for total returns. You can spend capital gains. You can spend principal. You can spend cash flows. And so if you have a 60 40 portfolio, it's because your risk tolerance told you that's the appropriate risk adjusted return or the appropriate amount of risk to take for your ability to stomach short term volatility. And maybe in some sense, that's the behavioral approach. I don't know. I guess if you're a time segmentation advocate, you might say it's the more rational approach. But I would say time segmentation is the more behavioral approach because it's more of a mental accounting framework. We're not thinking about a total returns investing portfolio anymore, and we don't even know, like, if we're going to be 60 40 stocks and bonds.

13:04
Wade Pfau
That's not to do with any sort of risk tolerance questionnaire. It's behavioral in the sense of let's use our bonds to build short term funding. And if I'm a more conservative investor, I just want a longer bond ladder, which means I'm going to have a higher bond allocation, but I'm not trying to target any particular asset allocation. And then also behaviorally, the idea is people tend to panic when there's a stock market have the next however, many people tend to panic when there's a stock market downturn, but if I know that I have however many years covered with bonds, then I don't have to panic and worry about my stocks. I have this window to let my stocks try to recover from any sort of market downturn before I'm forced to sell stocks, and then psychologically or behaviorally, that can help me stay the course, to not panic, to not sell my stocks after a market downturn, to move forward and to manage market volatility more successfully.

14:05
Wade Pfau
So that's the kind of behavioral idea, you're not forced to sell your stocks, and that should make it easier for you to hold on to your stocks.

14:12
Alex Murguia
But you're saying at the end of the day, it's a framing exercise. Because if you view all of your assets within just a single asset allocation, view effectively if you have short term, if you're dedicating bond funds, bonds, cash, whatever it is, you're dedicating a certain amount of your assets to fund the short term expenses that you have in, like, let's just say, very secure instruments as you use them up. What's happening in aggregate for your household is you're becoming more aggressive because, okay, the first year bucket is depleted, right? The moment it gets depleted, you technically have less in stock to bonds, assuming that bonds was your financial instrument of choice, and so you're increasing your asset allocation. So that's why at the end of the day, it is this sort of asset allocation view. It really is an aggregate. Now, you don't frame it like that, so you're able to stomach that volatility a little bit more, so much as the markets can refill the buckets as they're depleted or after a certain amount of time.

15:25
Alex Murguia
And that's the rub there. Now Wade. I will say this. Total return. People get caught up in the 4% distribution or the 4.2% distribution or the 3.8% distribution, and they think that there's this search for what's the perfect distribution at any given point in time. There's always this perfect distribution based on some previous thing that it's worked out for them on an Excel sheet. I think in a general sense, directionally, you see the same thing with Bucketing, and I think it's a favorite of engineers. I mean, Total Return is but Bucketing is a favorite of engineers too, because they create these layers of safety upon safety. It's trying to have these failsafes constantly in many iterations. And I think it tends to get over engineered because at the end of the day, all you're doing is playing around with the asset allocation. You're not really changing and you can't immunize yourself from this.

16:26
Alex Murguia
But they create all these different layers. It's almost like they're playing a game of tower defense video games, those tower defense games where you create these sort of barriers as the attacking barbarians are coming in. And hopefully those barriers, they start depleting, but over time, you get enough energy and you can replenish those barriers. It's really kind of that game, nothing more. But there's no perfect layering, and many times I know you've received them, we get emails from somebody saying, hey, I've got the perfect laddering strategy. I do this, and then I do two twirls in the air and I replenish it after doing two twirls, because when I do two twirls, it works great. You get a lot of things like that and you see this a lot in popular consumer blog posts where somebody's retired and they have nothing to do. So they start up a

financial blog site or something like that, and they talk about how this marvelous laddering strategy is working for them, hence you should do it too.

17:31
Alex Murguia
And this is going back to your point about guidance. There really is no there. It's just this illusion of safety through layering. But at the end of the day, all that's happening is you're getting more aggressive with your portfolio. You just choose not to see it that way.

17:48
Speaker 3
Hey there, folks. This is Brie from Retirement Researcher, popping in with an exciting announcement leading up to episode 100 of the Retire with Style podcast. We could not be more grateful and appreciative to be sharing this milestone with each and every one of you that tune in with us week after week. So with that being said, in honor of our 100th episode, retirement Researcher is sponsoring a giveaway. Please visit retirementresearcher.com 100 to enter for your chance to win one of three prizes. We will be closing this giveaway next week on Tuesday, October 17, so be sure to get your entries in now. For more information about everything you need to know about our 100th episode celebration, including the giveaway and the live Q and A session, you can visit retirementresearcher.com 100 or click the link below in the show notes. Once again, that's retirementresearcher.com 10 zero.

18:45
Speaker 3
Good luck and thanks again for listening.

18:50
Wade Pfau
Right, yeah, definitely. We want to unpack that a little further about asset allocation and the fact that with bucketing, you pretty much allow your asset allocation to be dynamic. You're not trying to hold a fixed portfolio allocation. If you keep your same short term bucket and then your stocks are growing, you're going to have a higher stock allocation. If you stop replenishing your short term buckets and let your bonds deplete dependent on which is depleting faster, the stocks or the bonds, you could have a more aggressive stock allocation. And it's a dynamic invariable asset allocation. And really when we start talking about the whole question of is bucketing a better way to invest? Well, the answer is generally no, it's more of a behavioral thing. But if it is a better way to invest, it generally relies on letting you increase your stock allocation over time.

19:46
Wade Pfau
It's like a rising equity glide path. And in general, higher stock allocations will do better in simulations. So if

you have a mechanism that will let your stock allocation creep up, that might show outperformance relative to a fixed asset, but that's a big, I.

20:01

Alex Murguia

Would say it's not like an equity glide path. I think, remember, everything's on a dimension right there's, hardcore. If you're all the way on safety first and you're towards the middle between optionality and commitment orientation, that could be a more traditional bond lighter. But as you move towards probability based, but still on the safety first side, to me that's what a rising equity glide path is. It's just instead of individual bonds, you're using a bond fund. And so you're assuming that old ballast, you can take funds from there for a while because of the conservative nature of it, but you're forcing a higher allocation over time. And yeah, if someone ever points out, but this bond ladder did so much better than the traditional 60 40 portfolio, and the bond ladder started at, I don't know, 40 60 or 50. The reality is that as you've been depleting on average, if you take the aggregate allocation over ten year period of those two funds, sure, the total return was consistently at 60 40, but probably the laddering strategy ended up having a higher average equity allocation over ten years than the other one.

21:15

Alex Murguia

Hence that's why it did better, because you were invested in riskier assets for a disproportionate amount of those assets relative to the 60 40.

21:25

Wade Pfau

Yeah, especially if you're not replenishing the short term buckets. If you're spending that money and not refilling it from the long term buckets, you can be more assured that you're going to have a rising equity glide path. It doesn't always have to work out that way and some ways makes time segmentation inferior total returns. And if you're automatically replenishing the short term bucket every year, that can actually deplete your growth buckets before your short term buckets. And so you'd have a lower stock allocation over time, so it's not automatically going to lead to a rising equity glide path, though in any sort of argument that time segmentation is a better way to invest. You can be assured that argument is going to rest on having a rising equity glide path or increasing the stock allocation over time. And to ask a dedication, folks, that's okay, they disagree with Ristan's questionnaires.

22:23

Wade Pfau

They disagree with having a static total returns asset allocation. It's back to that point about bonds are meant to fund expenses, stocks are meant to provide growth. So you don't choose your asset allocation up like before the fact. Your asset allocation falls out of, well, if I want an eight year bond ladder, how much bonds will it take to do that? And then the rest can go into stocks. There's my asset allocation. I don't really care in advance what that's going to be. It's chosen more based on what I wanted to fund with my short term buckets than it is based on any sort of desire to have a particular stock bond.

23:02

Alex Murguia

And they're not too stingy about the equity simply because if you've earmarked eight years of assets to fund, your retirement income needs well, mazeltov, right, more power to you that you can do that. But after, they're not too worried because they would be like, yeah, put the rest in the markets because you already have eight years of assets dedicated, accounted for, if you will, to cut yourself a check. So the little bit of leap of faith is surely by then, after eight years, if there was a market downturn, it would have recovered. That's why it's a little bit of a behavioral thing, because you're just assuming that, okay, the markets will recover, and then when it's time to replenish, I think eight years is a good number to give them to be able to dip back into the equity markets and pour the surplus into the buckets again.

23:59

Wade Pfau

Yeah, and that's where there's definitely a strong emphasis on this idea of stocks for the long run, because I think for most advocates of bucketing, there's a pretty strong faith that the stock market will recover by the time you're forced to sell from it. And you can really even see that reflected in asset dedication. One of the terms they developed is the equity yield curve, where they just look at, based on different investing horizons, what asset allocations give you. The best performing worst case scenario, you want to maximize the minimum or the best outcome in the worst case scenario based on time horizon. And if it's a short horizon, just a couple of years, usually bonds are going to give you the best performance in the worst case scenario because stocks are quite exposed to significant losses in the short term. But once you start getting past ten or 15 or even 20 or beyond years, the least risky based on this sort of analysis, like the best performing allocation, the worst case scenario can get pretty aggressive.

25:06

Wade Pfau

And they talk about like at the longer end of their equity yield curve in that 25 30 year range. We may be talking about like emerging market funds, small cap value asset classes that are generally thought to have high expected returns, but high volatility over extremely long time horizons may give you a better worst case performance than anything else. And so there really is this sense of we want to have as much in stocks as possible. The only constraint on that is that need to build those short term buckets. And because we're relatively confident in the stock market, we'd like to have those short term buckets, not be filled with too much. But that's again, back to if you're a more conservative investor, instead of having a three years of expenses covered in your bucket, you might have eight years or ten years and that's how you get the higher bond allocation.

25:59

Wade Pfau

But ultimately bonds are a burden. You don't want them. You really want to have stocks because over longer holding periods in this mindset, you're going to feel comfortable that you'll get a better investment performance from those stocks and you have a significantly long enough holding period to be able to take advantage and capitalize on that. And you're not really worried about the risk that stocks underperform over that longer time horizon got you.

26:30
Alex Murguia
I'm just trying to think about the general assumptions in the bond ladder in terms of thinking of their questions in somebody's head, something that you didn't address because we're saying from bonds, from individual bonds. So effectively the collective dividends that the yield payments that those bonds make, you're using it, but also we're fully expecting for those bonds to go to maturity, to mature at par in which you will also use that money to deploy it to cover your retirement expenses. You want to talk about that a little bit in your way?

27:07
Wade Pfau
Yeah, you're spending coupon payments and then you're spending the face value at maturity. And so it can get complicated with replenishing. So you don't necessarily need the full spending amount for that final bucket or that final year of spending if you're pretty sure you're going to replenish before then. But without the replenishing, you just work backwards. If I want to build an eight year bond letter, I first buy enough of the eight year maturity that its face value and coupon payment in that final year is going to cover my expenses for that year. Then I go to year seven and I can deduct the eight year bonds coupon payment from what I need in year seven and then just buy enough seven year bond to fill that gap. And then in year six, I've got two coupon payments already coming in. So I don't need as much bond in year six, but I buy enough bond to fill the remaining gap and you work your way back.

28:00
Alex Murguia
I'm also assuming here because if you think about the trade offs that you're making with risk and Return, I'm assuming you're not striving for yield, you're not hunting for the highest yield possible. When we're talking individual bond funds, keep in mind I don't think in my head and Wade, correct me if I'm wrong, I just want you to say it, though. We're not saying buy Carnival Cruise Line ten year bonds at whatever 9% versus the US treasury at whatever 6%. We're assuming that these are as close to AA risk free that you can get like government style. We're not thinking high, you have corporates in the slightest. But I don't want to speak for.

28:47
Wade Pfau
You, right, especially if you're going to hold one individual bond, you don't really want to have much in the way of credit risk because you're depending on that to cover a year's spending. So indeed, you're not

looking to just maximize yield purely by taking risk. To do that, you are looking for what you feel are pretty safe bonds in that regard. It's going to either be government, US government, like Treasuries, or maybe allocating to a few different very high quality corporate bonds. But right, it's not just about simply maximizing yield, though. In the context of once you get into looking at bonds with enough safety, then of course you do want to pick from the highest yielding options, but you don't want to stretch and take.

29:34
Alex Murguia
And you are taking them to maturity. It's just the companies can always go under or something like that. So it's not that you'd be selling an eight year bond in year four and then you have to eat whatever the difference in value is relative to the economic standing of that company at the time. We're assuming you're taking them to par anyways, maturity anyways, but you have risk for equity at that point and I wouldn't want to cast the die on the bond side of things. Wade, now, how do we reconcile this? Because I think it's apparent from folks listening to us, this is not our own personal style. We don't fall in this time segmentation quadrant because we believe in what we just said in terms of all of these sort of caveats that we gave, that we're like for us. Personally, I think there's other fish to fry if you ask me.

30:27
Alex Murguia
But if someone comes up and says, I'm in the time segmentation quadrant, again, at the risk of speaking for you, we're not like, you shouldn't do that. This is not right to me. If it fits you, if it resonates with you, if it's something you could stay disciplined with, et cetera, it's fine. Wade.

30:50
Wade Pfau
Yeah, people have different preferences, they have different ways of viewing the world. I personally am more of a risk wrap style, which is I am comfortable investing in the markets and depending on the markets for growth, but I'd feel more comfortable having some sort of guardrail behind. That. However, I understand that other people are behaviorally more comfortable with time segmentation because it pretty much is the case that, yes, the stock market will probably do fine over a long enough holding period. I personally wouldn't want to depend on that and wouldn't feel comfortable depending on that for my own retirement. But if you're comfortable with that idea, then by all means do what makes you comfortable. If framing asset allocation in that manner, and if having those short term buckets gives you the confidence to invest and to feel comfortable and to feel positive that the markets will do fine by the time you ever have to sell any of those assets, then that's fine.

31:54
Wade Pfau
And it's okay to build a strategy around that. It is a viable strategy, for sure. At the margins, it's just about is there truly a better way to invest? Well, we don't know until we see what happens in the future. It's a viable strategy. It's a viable yeah.

32:09
Alex Murguia
And the last thing I think is this is anecdote, and anecdote is not evidence. I get it. But this is a talk show, effectively. So good old storytelling, right? In my view, Wade, what I've experienced speaking with professionals or individuals, it seems to me a total return person, a risk rep person, and income protection person. They can reconcile that there are different strategies that can be effective, and they're more into that. Okay. It's preference. It seems to me in our conversations, the time segmentation camp is the most on a relative basis, the most adamant about this is the best strategy. Right. Those are my interactions. Do you find that or not?

32:55
Wade Pfau
Yeah, I think I know where you're coming from with that. Certainly every style has its adherents who think it's the best and everyone should use it. But no, I know what you mean. You'll see, in the time segmentation crowd efforts to apply everyone, I mean, well, there's this whole idea that time segmentation is somehow a superior way to invest. It's not, but I know where you're coming from because there are definitely people who express that sort of opinion.

33:25
Alex Murguia
Yeah, they're talking to us, and we just nod because we don't want to go into like a 20 minutes, not so fast kind of discussion, more common courtesy. We nod and just kind of move on. But afterwards we're like we realize this.

33:43
Wade Pfau
At the beginning, we talked about how if you ask 100 people what time segmentation means, you'll get 100 different answers. Some of those answers can involve really just making time segmentation into a comprehensive approach that can accommodate any other style as well. So maybe your buckets include lifetime income annuities, maybe your buckets deemphasize individual bonds and just focus on it's a perpetual bucket.

34:08
Alex Murguia
It's a flooring bucket. All of a sudden, the perpetual bucket.

34:13
Wade Pfau
Yeah. So you can see explanations of time segmentation that do somehow broaden it to accommodate any

other style as well. And we're more narrowly defining Time Segmentation in terms of a pure time segmentation approach for the purposes of this series of episodes. Now, we do still have more content, but I think at this point, we could save it for a part two episode. We want to actually talk about the key part of Time Segmentation. How do you draw from the long term buckets to replenish the short term buckets? So we should cover a few different methods to do that and then really dig in deeper into that question of is bucketing a superior way to invest, or is it more of a behavioral way to justify an asset allocation? And I think we can save that all for another episode. But I know we're going to have this broken up because we're coming up on episode.

35:12
Alex Murguia
Yeah. And again, we just wanted to lay the groundwork on the next arc will be Time Segmentation, because it's the quadrant that we haven't covered yet. We did total return. We did a whole arc on Total Return. We did a whole arc on Annuities, of which embedded within that was income protection and risk graph. And so we hadn't done Time Segmentation yet. So this is the preamble, if you will, to get on that on ramp to talk about it. But yeah, we have a special Century Edition episode next time around. So before we got too into it, we just wanted to lay the groundwork right?

35:48
Wade Pfau
That's whoever would have thought we'd make it 100 episodes? But here we are next week on Retirement.

35:52
Alex Murguia
All right, everyone. Well, thank you for listening in on this quick hit episode. And we'll catch you next week for episode 100. And then we'll roll up our sleeves and go into the Ins and outs all things time segmentation. Right, Wade?

36:11
Wade Pfau
That's right. Thanks, everyone, and catch you next time on Retirement.

36:15
Alex Murguia
Sorry, wade, do you think for the 100th episode, you can get 100 push ups in you got seven days, man.

36:24
Wade Pfau
That's a good goal. Yeah, I'll see if I can get just do ten sets of ten.

36:32
Alex Murguia
Do ten sets of ten.

36:33
Wade Pfau
We got ten sets of ten.

36:35
Alex Murguia
All right. Okay, everyone, peer pressure. You see, peer pressure will get way to do 100. I know you got it in you. I know you got it in you. All right, everyone, thanks for listening in today.

36:50
Wade Pfau
All right, bye, everyone.

36:53
Speaker 4
Wade and Alex are both principals of McLean Asset Management and retirement researcher. Both are SEC registered investment advisors located in Tysons, Virginia. The opinions expressed in this program are for general informational and educational purposes only and are not intended to provide specific advice or recommendations for any individual or on any specific securities. To determine which investments may be appropriate for you, consult your financial advisor. All investing comes with a risk, including risk of loss. Past performance does not guarantee future results.