Episode 2 Why Investing for Retirement is Different

Bob French 00:18
The purpose of retire with style is to help you discover the retirement income plan that is right for you. The first step is to discover your retirement income personality. Start by going to risaprofile.com/style. And sign up to take the industry's first financial personality tool for retirement planning. Now, if you don't think you've had enough risk in your life, we'll go ahead and add a few more courtesy of our hosts, Wade and Alex.

Alex Murguia 00:50
Welcome, everyone for episode two of retire with style with Wade and Alex. I'm Alex. And I'm here with Wade.

Wade Pfau 00:51
Hi, everyone.

Alex Murguia 00:53
And today, we want to talk about why retirement is different. Wade, and you want to kick it off. Yeah,

Wade Pfau 01:10
It's an important detail. It's really what makes retirement income planning is something distinct from traditional managing investment portfolios and trying to grow assets for retirement, that the nature of the problem changes when you shift from saving for retirement, to trying to spend from your assets in retirement. And that's really what we want to focus on today.

Alex Murguia 01:32
Yeah, and I hope everyone enjoyed yesterday's one yesterday, our first inaugural episode.

Wade Pfau 01:41
Gotta be more evergreen Alex.

Alex Murguia 01:43
Yeah. All right. Well, a

Wade Pfau 01:45
One week later

Alex Murguia 01:46

we're learning as we're growing here. But yeah, it was kind of a interesting thing for us. So we're excited to bring this one to you. And one of the reasons we want to talk about this with regards to what Wade was saying is, a lot of times you can make the argument why not 100% in equities? Listen, I'm retiring. I'm 65. I've got until 95. Why not just put it 100% in equities? Because I got time diversification on my side, I would you answer something like that Wade?

Wade Pfau 02:15
Well, it's a starting point, maybe that's okay for some people, but it's definitely not for everyone. And it's it's the case is, maybe if even that was right, pre retirement, it may be different post retirement. And that's because you don't get to benefit from the idea of a long term time horizon. In the same way, when you're spending from assets, there's this idea of sequence of returns risk. If you're spending from a portfolio, a dip in the market, rather than providing a buying opportunity, it's kind of the reverse of that you now have to sell more shares, to meet your spending obligations, and those assets, leave your portfolio. And that and hopefully, even as the overall market recovers, the problem is your portfolio doesn't get to recover in the same way. Because there's less left, it's, you start to dig a hole for yourself where you don't always get to benefit from, say, the next 30 years, the average market return is quite high. It's It's really what happens in those early retirement years, that's going to matter the most,

Alex Murguia 03:13
I think two way, there's another concept that I know you've written about, and I've seen elsewhere. And it's strikes home for me because you're right, I mean, what, why not 100% and equities are sequence risk, and we can really unpack that one in a little bit. But the idea that, okay, you have a portfolio and you're in your mid 30s, and you know it, let's say it's 250 grand, or something like that, and you have a 30% market hit, you're still you're still accumulating assets, you still have human capital that you can draw on for your everyday living. And so frankly, it benefits you the volatility, you're putting it away and grows and grows, right. But effectively as the value gets larger and larger, obviously, the percentile drop is the same. But nominally, it's a far greater number from that standpoint, and you want to talk about that concept, because I've always thought, you know, so I'm thinking of risk like that as a hurricane map, if you will, that the more the more years behind the portfolio, that nominal drop, you know, takes a bite, if you will.

Wade Pfau 04:18
Yeah, there's this old question, are you a stock or a bond, and that's about like your, your earnings over your lifetime. For most people, their lifetime earnings, like from working are gonna behave more like a bond. It's not as volatile as the stock market. And so when you're young, usually you're human capital, which is all your future earnings that you have yet to realize, but they're, they're waiting for you in the future. That is a significant asset. And compared to the size of your investment portfolio, it just completely dwarfs the investment portfolio. And then as you go through life and earn salary over time, you're making this shift from I have less human capital in the future. And if I'm saving part of my assets, more of my assets are now in this financial portfolio. And so when we think about if whatever my stock allocation is not just of the investment portfolio, but of all the assets that you have, over time with a fixed stock allocation in your investment portfolio, it's going to be an increasing percentage of your overall asset base, just because that human capital is decreasing over time. And that's, again, for most people, it's more like a bond. And so if you counted as a bond, you've got an increasing stock

allocation. So that's where target date funds and all the other sort of discussion about retirement is, when you're young, when you're still 30, or 40 years away from retirement, you can use a higher stock allocation, as you get closer to retirement, you tend to cut back on the stock allocation. And there's really the two competing explanations for that I gave the sequence of returns risk argument first, but also this human capital story, it leads to the same conclusion, it's, you have a lower stock allocation as a percentage of your investments when you get closer to retirement.

Alex Murguia 06:05
Yeah, I think that's a good point. And I think that's very, very important. I think we get caught up in platitudes. As we read, or even as we're talking to clients, sometimes with, you know, don't worry, just, you know, leave it alone, and don't touch it, and I get it. And that's, that's red rocks, frankly. But I think the nuance there is the human capital component. I mean, if you and I have, you know, where your kids are in school, my kids are in school, and what they're doing with their education to say this point, another way is, they're investing in their human capital, they're making themselves employable. So when they're in their professional years, they can mine from that, from that resource and use it to pay down their everyday bills, and etc, and, frankly, invest a surplus. But what you're doing the present value of all your future earnings is immense. That's where the majority of your wealth, you know, on average comes from it. And I don't think folks recognize that what if you really take a step back, I think one of the there's, there's clips of Warren Buffett talking to students, and they're asking him about investments, and his his advice to them is effectively invest in your human capital. At the end of the day, invest in your human capital, because that's the largest asset that you have. But as you're retiring now, and this goes back to why not 100%, in equities, as you're retiring, there's less and less dependence on that human capital, you've, you're mining, effectively, that human capital, hopefully, you've transitioned the surplus into investments that have grown over the long term, but when you hit that retirement age, effectively, you become less employable, your your your human capital, you've mined, what you're going to mined from, so if there's a market downturn, you don't have to, you can't draw on human capital to continue, you know, and then you hear this all the time, you know, to some extent, as you entering retirement, a lot of folks are forced into retirement, even, you know, even at that stage, so you can't rest on that anymore. So the reality is, now it's all coming from a portfolio. And you know, you throw in extra risks that we'll talk about in a moment, it becomes very difficult the argument of why not 100% and equities for certain subset of folks to see that as a viable solution, even though yes, over the next 30 years, on average time diversification will play out. You know, if you look at the rolling the rolling returns over five year, 10, year, 15, 20 year periods, why not? That's fine and dandy. But the reality is, you're no longer mining human capital, it's all coming from your investment portfolio. And there's new risks that you face, now that you didn't face while you were accumulating. And, you know, wait, I think it'd be good to sort of now that we've level set that to really talk about some of these new risks that that folks face in retirement.

Wade Pfau 08:52
Well, and to just emphasize the point you made as well, sometimes it's said that retirement is the riskiest day of your life. And what's meant by that is, it's, as you said, once you retire to the extent that before retiring, maybe you could continue working longer, but after you retire, it becomes much harder to find an equivalent job or to have the same kind of income again, with with part time work, or whatever the case may be. And so there's a significant drop to your human capital on the day you

retire, just because now your prospective future earnings decrease just to the extent that it's hard to return to the labor force again. And so you have to be prepared for that. And that, yeah, that's step one, and then the other risk retirees face. Well, it's this whole market issue that we discussed a little bit with the sequence of returns, it's it's the longevity risk. I think we should spend some time talking about that, because that's really the overarching risk of retirement, the idea of ending up it's you live so long that you outlive your assets. And then there's all the different spending shocks that can impact retirees. In terms of just you've made your budget, you know how much you want to spend on a year by year basis. But then unexpected things happen, that require you to either spend more than you anticipated or that may be pulled from your assets in ways that you have not anticipated. And you need to think about how you're going to manage that type of spending shock risk as well.

Alex Murguia 10:21
And Wade, there's a couple of concepts with regards to longevity that that I think, play into this. And Moshe Malevsky. I mean, if you haven't read up on him, you should I mean, he's very prolific. And he's spot on, on pretty much everything that at least from heights vantage point that he writes about. But there's a term called the longevity, longevity, risk aversion. You know, and I think that that's a guiding factor for a lot of folks. Do you want to talk about that a little bit?

Wade Pfau 10:55
Yeah, that's really the term of how fearful are you about outliving your assets or of having to make substantial cuts to your standard of living late in life. And so he calls it longevity risk aversion, and it's really the heart of retirement in terms of, are you someone who's not longevity risk averse, like, it's more you want to front load, you want to enjoy the early retirement years, as much as possible, you know, you're healthy, you know, you're still alive, and so forth. And if the situation happens, where you are 95 years old, you don't mind living unless at that point, just because it may never happen. And if it does, I want to just make sure I can enjoy these years, that would be someone who's not longevity risk averse, the longevity risk averse person is much more focused on. Now, I can't imagine being in a situation where I have to substantially live on much less late in life. So I'm willing to sacrifice more today, to better protect my future self and to ensure a more stable standard of living, no matter how long I might live in, in my retirement.

Alex Murguia 12:02
Yeah, and so you don't you know, it's a risk, because you don't know how long you're going to live, right? endowment funds, insurance companies, they can pull everyone's mortality and get an average and, and manage their finances like that. Whereas an individual, you don't know what that number is, even though life expectancy could be at 92, you know, consider that half of the people in that range will live beyond 90 to half will live, you know, below that. So it's, you know, which you there's good news and bad news, kind of to either side of those stories, if you're not planning it properly. And so, you know, the economist of the World will will say something along the lines of, you should plan to spend relative to the probabilities that you're going to be alive. You know, those are one of those are those statements that make a lot more sense post hoc than then before the actual experience, if you will. And so yeah, Wade alluded to earlier, and we see this a lot. Wade. Yeah, this idea of front loading, you know, from a longevity standpoint, some folks, you know, take it to the extent that maybe they err on the side of him even being a little spendthrift, where I'm going to enjoy it. Now, I need to make cuts

later. So be it. But from the aversion standpoint, what you see a lot of times is folks that are like, listen, I get the I get the whole rational player spend relative to the probability that you're going to be alive. But the reality is, is that I can't enjoy it, I literally can't enjoy it, because I know that there's always a chance I can have that Dumb and Dumber. So you're saying I got a chance, there's always a chance that, you know, you may outlive your expectations, and you may need money, and you're deathly afraid of running out of money, but also being a burden to others, you know, that sort of reverse legacy that I heard you say, Wade, that's kind of funny, you know, until it happens to you. It's kind of a, you know, mystery scene concept. And so you have this longevity risk. And so that's a risk that you just, it doesn't happen while you're accumulating, you know, accumulating, it's really just volatility. And then you can withstand the volatility and use time diversification on your side. You know, there you have it. But in retirement, these are real risks that you're now facing.

Wade Pfau 14:20
To say it another way, I'd suppose a 65 year old woman these days, if she's in reasonably good health, there's about a 10% chance to live to 100. And so how do you view that if, because for a given individual, you're either alive or not. You're either you're there alive in 100, or you're not. And if you are longevity risk averse, you're needing to feel more like you need to plan for the possibility that you're going to be part of that 10% That makes it to 100. And then that really just impacts how you frame a lot of the other retirement income decisions because you have to have that planning ahead. Add in that means maybe not spending as much today to better ensure the ability to spend at each 100. If that's the case, if you're less longevity risk averse, you're willing to roll the dice on that and say, Okay, I'm probably not going to make it to 100. And if I did, it's okay, if I have to spend less at that point, let's let's enjoy it today as much as possible.

Bob French 15:23
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Alex Murguia 15:48
And Wade, in terms of sequence of return risk and illiquid, we're going to try to identify these new risks that you face in retirement. And the reality is, some of them are additive. Some of them aren't. But they're just new nuances that you need to take into consideration. And you were talking about sequence risk. And I've always liked how and sequence risk is kind of like the hot new term that that folks have been thrown around, I think, for the last few years, for the last few years, kind of like I've read up on indexing. Okay, what else is there, ah, sequence risk, you know, that kind of thing. But I've always been interested in how that plays into the fragile decade concept. And, you know, the sort of retirement risk theme that that we're going with right now, I feel every decade for me is a fragile decade. But he's, as far as my ego is concerned, but you wanna you wanna touch upon some of those concepts with regards to retirement income.

Wade Pfau 16:42
Sure, sure. And that's something that I've quantified and sequence risk is really important for retirees. But it's, I think people are used to thinking more about, it's called a lump sum investment, like if I put

money in the market today, and I left it alone for the next 60 years, it's probably going to grow. And so the order of the returns doesn't matter. Because if you put money in the market today and leave it alone, no matter whether the good markets come now or later, or whenever they come, you'll always have the same end balance. But when you're saving for retirement, and then spending in retirement, it's a different situation. Like if, if I'm going to save for the next 30 years, I'm at the start of my career, the market returns today don't really matter, because I haven't saved a bunch yet. But by the end of that 30 years, just before retiring, those market returns are impacting all 30 years of my savings. And so they have a much bigger impact. And so that fragile decade is this, it's kind of if you define it precisely as a decade, the five years before retiring the five years after retiring, the five years before you retire, market returns have a much bigger impact on what your wealth balance will be at retirement. And then when you make that switch, where you're no longer saving, you're now spending from the assets. That just amplifies the importance of those first five years of retirement all that much more, because if if the market drops in year one of retirement, it's going to really impact what is a sustainable spending level throughout that retirement in a way that if you say had a 30 year long retirement, if the market drops in year 30, it has almost no impact by then you've either been able to spend quite a bit or not as much, but you're the year 30 of your retirement, that market return isn't really going to impact your retirement system.

Alex Murguia 18:32
So just think about, you know, for everyone to see, think about like the the role of chance in terms of your your retirement, if it's if it's just dependent on a portfolio here, you know, and your allocation, because that was the initial, you know, what, what are the new risks in retirement that you need to consider? It's not just looking at it saying I've got 30 years, it's, you know, how that random draw occurs. And, you know, you can have two people that are retiring five years apart, and they literally had the same exact strategy. But if you retired in 2007, versus 2012, or 13, I don't know if that's five or six. You know, it makes a world of difference. And one guy thinks they're a genius, the other person thinks, what have I done? You know, I've made a terrible mistake, you know, that kind of thing. And they're both following the same strategy. And so this is an interesting, kind of kind of conundrum here. Right? Same strategy, different return. And what happened? They just caught the wrong end of the sequence risk.

Wade Pfau 19:39
Yeah. And that's where sometimes people think about retirement as well. If the market crashes, like some sort of economic disaster, no one can expect to have a good retirement, but the sequence risk doesn't really work that way. We don't have to talk about an economic disaster. It could just be the markets down for a few years and then recovers. So So if you're just investing a lump sum, you'd be okay, it wouldn't matter. And if your retirement timing was right, it also may not have all that much impact on you. But if you retired, right at the start of a several year downturn that eventually recovers, that's where you may experience a very different outcome with your retirement than somebody who retired a couple years before you, or a couple of years after you.

Alex Murguia 20:25
So these are these are these new risks. So they are, you know, retirement is different how so longevity risk, you need to consider sequence of return risk, specifically, because you're in that fragile decade

where the stock market sequence that happens five years previous to retirement and five years post retirement, are gonna have a disproportionate effect than the stock returns when you're in your mid 80s, if you will. Now, when you get to your mid 80s, or maybe even before that, beforehand, you have other concerns, as well that are new to retirement. And wait, I just want about spending shots, what kind of spending shocks, you know, do you view that are relative to that date view that you view are more salient in retirement than not, not that you don't have spending shocks when you're when you're accumulating, but again, you have human capital you're working. So you know, if you're doing a good job with that, you have this income stream. And so you can leave your investments alone, and let them accumulate, again, retirement, you're no longer working, you don't know, hence retired, right? So that human capital is depleted. So now spending shocks, all of a sudden increases of increases in importance. Wade, you got the baton.

Wade Pfau 21:45
And especially the like, there's many different kinds of spending shocks. And of course, any of them can happen at any point in someone's life, but some of them become a bigger risk as one ages. And that's probably the the biggest spending shock retirees need to think about is just the idea of long term care, and needing to support a multi year scenario of needing either expensive in home care, or even moving to an institution to provide more formal, like long term care, help and assistance. And, and that's the issue where, ultimately, some people, they never have to pay a single dollar for long term care expenses. But then at the other extreme, the lifetime long term care bills for for some individuals, especially with like Alzheimer's, or other forms of dementia, that require a long stay in a nursing home, could potentially exceed a million dollars. And so that's probably the biggest spending shock risk that the retiree faces is having to manage a long, long term care event.

Alex Murguia 22:51
Yeah, I mean, so much. So a way that, you know, this is its own episode, if you will, or a series of episodes, talking about long term care, but this is we quantify these as concerns about reserves. Right. I mean, in retirement, we, you know, wait has a concept known as the for else, longevity, which we covered. And then this is, you know, sort of liquidity, which begins to deal with reserves to some extent, and, and there's a difference between having set aside for when we look, wait, when and I have looked at this in great detail, and people view reserves in two ways these they see reserves for like general reserves, my house, you know, need some refurbishing, because hurricane came through, you know, something like that, or that but they also specifically view reserves for health in a completely in its own category. So it's a quite an important topic. And, you know, way to spot on I mean, that this is something that it's one of these brace for impact kind of things and to make sure that you're ready for specifically with retirement, something that that that is it's like a cousin to this, and I'm personally experiencing this with my mom, is declining cognitive abilities. You know, from that, from that vantage point, what are your views on that, you know, as a spending shock, and the reason I say this, you know, personally here with my mom is effectively, she has a support system, so we can help her with regards to making decisions and things along those lines. But in terms of a risk, let's just say we weren't around or the social support wasn't in place. I don't know how she would be able to manage investments, if at all, and mostly she wouldn't, you know, from that from that standpoint, and she's in her late 70s. And that's not particularly all that old relative to life expectancy. And so, you know, cognitive decline is a real real issue with regards to investment risks that you'll face in retirement. And

you know, this affects how you decide to deploy your assets. You know, across your balance sheet, and so it does come up. And frankly, we see this a lot with clients at our wealth management firm as well. It's one of those things that, you know, we like to think that we're always going to be on point and sharp and so forth. But you know, what there is there is, there's a significant issue there. Now, in addition to just, I mean, my mom's is more of an Alzheimer's kind of track. But there's also just general cognitive decline. As you get older, you know, there's crystallized intelligence, and is more fluid intelligence. And let's say, crystallized intelligence would be more encyclopedia knowledge, you know, you're, you know, you're gonna trivia if you will, to kind of generalize a little bit, whereas fluid is more thinking on your feet, having, you know, dealing with stressors and still coming to a conclusion. And the reality is, is that I forget, I think it's in your mid 50s, you know, as you start, you know, going on that track, crystallized intelligence tends to baseline, but your fluid intelligence drops, you know, in a measured manner. And so this happens, this is not one of these things where you're on some sort of track with an illness, this is just the natural process of aging. And so this is something that in retirement, it's best to prepare for before it's a problem, because it's one of those things that it's not a problem until it is and when it is, it's almost like a too late kind of thing. And so how you deploy your assets for out of masses, automaticity is very important. You know, with regards to that, I mean, I use my mom example, she's 78, you know, you talk about safe withdrawal rates, and if the market goes up, and inflation goes down, you adjust your spending, etc, etc, that's dead in the water. For for someone like that. It's a non starter, Wade.

Wade Pfau 26:53
Right. And it can manifest in different ways to its people might start making mistakes, they may forget to pay bills, they might re subscribe to the same magazine, every time they get the new year subscription is running out notices that are usually not accurate. And so that can raise costs in a way that wasn't necessarily budgeted in advance, it could also just be needing to pay for more outsourcing of like lawn care, or snow removal or things that you may have done in the past, but increasingly can't always do on your own, it may be expenses for aging in place to that you didn't necessarily anticipate needing to put in a bathroom or bedroom on the first floor of the home. And

Alex Murguia 27:36
I'm sorry, I was gonna say it because it's important in terms of intelligence, that your confidence in your abilities doesn't decline, as well. So it's almost like you're a little bit of a frog in hot water, kind of, because you're not seeing the decline happening. You're You're assuming you're just you know, you're just like you were in your 30s and 40s.

Wade Pfau 27:57
Right? Yeah, my friend, Michael think I had a really nice diagram that plots that sort of behavior, where they provided a test of financial literacy skills, and saw how the scores declined with age. But the confidence in one's ability to accomplish these financial tasks did not decrease it even slightly increased with age. So there was a big divergence there between ability or, and perceived ability that can lead to trouble and can also lead to that. The other item I was just going to mention with this whole issue was the idea of elder fraud or elder abuse. And that's where as those cognitive skills decline, it becomes increasingly difficult to separate who who has good intentions, who does not have good intentions, and the impact that can have on one's finances.

Alex Murguia 28:48
Wade. So again, just to try to recap it for everyone. So, again, what are the new risks in retirement, right? Longevity, fragile decades sequence of return, cognitive decline, spending shock for healthcare, and spending shocks for like, one off things, you want to help your child with something or, again, something happens with your house, these are things that you don't have human capital to rely on, you're going to take it from your balance sheet, and you need to make accommodations for that, to be able to accomplish that. There's also divorce, you know, great divorces are up. So that's another consideration that you you know, folks need to think about, don't mean to start start a fire here. Anyone's marriage, but, you know, things happen. From an economic standpoint, there are also things that that you're going to be exposed to. And wait, I know you got in your back pocket presentations on this. But you know, you may want to discuss a little bit inflation and changing, let's say, tax policies, you know, and how do you how do you think about that?

Wade Pfau 29:53
Yeah, inflation is a big one. And for a long time that we were getting used to inflation being low and thinking it would stay that way. Certainly in 2021, the headlines about inflation started to pick up with Oh, inflation may actually be a concern in the future. And that can be a spending shock. If your spending, you anticipate will grow with inflation over time. And you built your financial plan around, say, assuming a two or 3% inflation rate. And then inflation ends up being four or 5%. That just means a lot of additional expenditures that weren't necessarily part of the financial plan. And so that's how it becomes a spending shock. You just, you need to spend more than you anticipated. And you can well do it, how do you manage that sort of risk? Or how do you manage any of these spending shocks, it's really that conversation around reserves that you have something available outside of what you've earmarked for your your budgeted goals, and for your legacy goals, and so forth, to be a resource for these type of unexpected situations, whether it's inflation, or another one is just the way you mentioned, like changing public policy or changing tax laws, every couple of years, it seems like you may have had a strategy in place, and then something changes to completely rearrange how you have to approach those decisions, whether it's with social security, whether it's with taxes, and the ability, or some of those strategies around like doing Roth conversions, and so forth. Whether it's different tools like reverse mortgages, and the rules that impact those things always are changing over time. And you have to be flexible to deal with that as well. And another risk that we shouldn't mention as well as the death of a spouse, and that's something that's inevitable, but the implications of that, and the financial as well as other parts, other emotional and other aspects of it. But how was the household set up in terms of is there one spouse who manages the family finances, and can the other spouse takeover if not just death of a spouse, but also incapacity of that spouse. And also things like social security, any if there is a traditional pension or those based on the life of one individual, or based on the life of both individuals, the tax situation changes when people have to switch from married filing jointly to filing as a single individual that can the debt with the death of a spouse, usually, the overall household expenditures will decrease somewhat, but not like by half, because a lot of expenses are the same, regardless of whether it's one or two people I

Alex Murguia 32:31

Wade, if I can jump in, I think the death of a spouse is I you know, thank you for bringing that up. I think that's one of these things that flies under the radar, whoever's listening, usually, well, let me backtrack, just a hair, usually, among spouses, what we find is that there's a division of labor, if you will, there's somebody that inherently likes this stuff better than the other spouse, and they kind of take it on, if you will. And you're probably listening, because the other spouse wouldn't be listening to retire with style, if you will. But this is these are one of these things that you'd be doing yourself a service to have a transition in place. Because, effectively, again, it doesn't become a problem until it is. And if it's been a division of labor, and we see this at our firm, you'd be surprised how many times someone comes in cold, not knowing what was happening. And even though it's not a main interest, or whatever, there should be some just conversations that take place around, you know, how things are, where things are, you know, etc, etc. It makes a huge, huge difference from from maybe providing some on wrapping with that that's of a spouse issue. I, we've seen this, we've seen someone do it really well, we've seen folks do it very poorly. And it's it's a larger issue, then oh, by the way, you got to worry about death of a spouse, it's something that, you know, you don't want like 30 years worth of work go up in flames in six months. Because a transition wasn't wasn't probably thought out. I just wanted to put that my public service announcement, if you're

Wade Pfau 34:13
providing instructions, written instructions, because I mean, even just something as simple as if you have a life insurance policy, but if no one in your family knows about it, or knows how to find it, it's kind of meaningless, and you've paid all those premiums, and they may never have the opportunity to to realize the benefit they could receive. So you do need to document these types of issues and make sure your family is prepared to to handle everything that you would be handling if if you're around at that point.

Alex Murguia 34:42
And so and so Wade to begin to wrap things up here. From our vantage point, what we're trying to do is point out that it's not as easy, you know, in retirement is different. You have a whole host of variables that now need to be taken into consideration. We've ended up with death of a spouse which is more of a financial planning consideration. But we started with longevity risk and how that affects income. We went into the whole fragile decade sequence risk, etc, etc. And because of that human capital gap, it's not as easy to just say 100% equity, call it a day, because in life happens, right? And so these are all risks that you face bending shocks, longevity, etc. And so now the question that you want to ask yourself is, how do you take these risks off the table? Because there's many ways to take these risks off the table or to minimize it or to, you know, make certain accommodations. And in the upcoming episode, we're going to really drill down into how your preferences of how you want to address these risks really lead to a strategy that resonates with you. Wade,

Wade Pfau 35:51
yeah, that's ultimately that's not everything fits into one podcast episode. But throughout this series, we'll try to do the best we can to help you find strategies to manage really retirements about the strategy is how do you meet your goals and manage the risk and finding those goals in an effective and an efficient way, in a way that resonates with you as an individual and that's the direction we'll be headed with future episodes.

Alex Murguia 36:17
All righty, everyone. Thanks for listening. I'm Alex. And I'm out of here.

Wade Pfau 36:23
Take care everyone.

Alex Murguia 36:24
Wait, do you think that's a good segue?

Wade Pfau 36:27
Work on that closing?

Alex Murguia 36:28
Yeah, right. We'll get it by the next episode, thank you, everyone. Okay, we're done.

Bob French 36:37
Wade and Alex are both principals in McLean Asset Management and Retirement Researcher. Both are SEC registered investment advisors located in Tyson's, 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 the risk including risk of loss. Past performance does not guarantee future results.