

Episode 26: What is Your Funded Ratio? Part 2

Bob French 00:00

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. Whoever said retirement planning isn't like skateboarding. Certainly not us. Wade, Alex, can I tell you how?

Wade Pfau 00:48

Hi everyone. Welcome back to Retire with Style. I'm Wade and I'm joined with Alex. And we're joined today by our favorite, a special guest who's been here now I don't know how many times but I think he's past five. So he needs a special ring. Five Time guests, Bob French. To talk about the

Bob French 01:07

this is a big like Super Bowl type rings. Right? Lots.

Alex Murguia 01:14

Wade, I think we're just gonna get one of these Ember mugs. Right now grab coffee. Yeah, even better. Yes, yes. The cure for him son.

Wade Pfau 01:32

If you've been listening, you know, Bob was here last week as well, because we have a two episode story arc on the funded ratio, which can be a really powerful tool for just getting a sense on whether you're on whether you're on track for retirement. And we talked about how the funded ratio works. Last week, we may review a few bits of that as we go through the discussion this week. But this week is really intended more to talk about the interpretation of what does your funded ratio score mean? Both on the aggregate level, but also when we were talking about the real map where you have reliable income, diversified portfolio and reserves. We do also want to look at your funded ratio for each of those subcategories as well. Because then that really speaks to you may be funded overall, but you want to make some adjustments, what's in reserves, what's in the portfolio, what's in reliable income. And that's the heart of building your retirement income plan to fund your goals and retirement. So that's what this episode is going to be about. It's more on the interpretation. And Bob, so what we were talking about last week, it's funded ratio is assets over liabilities. If that number is less than one, you can define it two ways. Either the funding this is one or 100%. So if you're less than one or less than 100%, you're under funding. If you're one or 100%, you're fully funded. And if you're over one or over 100%, you're overfunded, but, but what I mean, it must not be exactly one, like what's the ranges people might think about? Where maybe yeah, a little bit to what am I worried? Or can you kind of go into that a little bit?

Bob French 03:12

Yeah. And yeah, it's important to remember that, you know, there's a little bit of wiggle room here. So if you're at no point 999 That's what you're probably okay. You know, maybe you don't go out to dinner once, and you'll be fine at that point. But within the context of the funding ratio tool that we've built at retirement researcher, and that we use in our challenges, and you know, within the retirement researcher Academy, we actually use four different categories to kind of classify the different scores. And, you know, I'll be completely upfront these are, these are largely arbitrary type distinctions here. You know, the first one, you know, starting from the bottom is just underfunded, you know, people who still have a good amount of work to do to reach the point where they can fund the goals that they're looking to fund absent, taking on any risk within their portfolio, or within their plan, I should say, you know, next up, we've got stressed and underfunded, we kind of categorize it as anything below 95% or point nine, five. Next up, we have stressed, which is kind of that area right around one. So that's actually point nine, five to 1.05. So those people were right, kind of at that level, where, you know, yeah, you got enough assets probably. But if something were to happen, if you do bring risk into this portfolio, and you know, things don't quite go your way, you know, we might start dipping down into an area where you're not going to be able to do what you want. Next up is constrained, you know, 105, to 110, or to 115, excuse me, you know, that's kind of where you start getting a little more comfortable, is still, if things don't go quite right, you know, there's still some risk there. But you're in pretty good shape at that point. And then, you know, above 115, you know, then we get into the excess funding, which is, well, you're in pretty darn good shape at that point. So you can go in and really kind of be able to pick and choose what it is that you want to be able to do or even potentially, increase your spending at that point. You have a lot more flexibility at that point to do, what it is that that you want to be able to do in retirement and how you want to do that.

Wade Pfau 05:50

And you can feel comfortable that, like always the question people have is, Do I have enough for retirement, and if you're overfunded, and you're using a tips, discount rate, and you're assuming the plan through, say, age 95. And you built in some contingencies for long term care and so forth. It's, of course, nothing's ever 100% certain, but you should be feeling in pretty good shape in that sort of scenario where you don't have to be as worried anymore about not having sufficient assets, unless you do just take on and this is where you don't need risk to make the plan work. Now you can always decide to take on a lot of risks, and your overfunded status could always switch to underfunded, because of losses and assets. But I mean, barring that sort of scenario, if you're not going crazy there, you should be in good shape. And you should feel comfortable that you have what you need to have a successful retirement. But a lot of listeners may be in that range, but a lot of people won't be and so that's kind of walk through more about thinking through these four levels that you outlined. Yeah. And again, with the underfunded and stressed, if you knew you're funded ratio, and you're coming out as underfunded or stressed, what might you want to then be thinking about?

Bob French 07:13

Yeah, so I think there's a couple of things. You know, one of the things that's really interesting is that this can be a really good gauge in terms of how much risk you want to bring into the portfolio. So if we're looking at underfunded, you know, again, I think of that, as you know, the funded ratio is just

saying, you have a lot of work to do, or you have some work to do some level of work to do, you have to make up some ground one way or the other. And we can always go, I shouldn't say we can always, but one way is reduce your spending. Another way is, if you're still working, increase your savings, either through just increase your 401K contribution, or how much you're putting away, or work longer, which also gets to reduce spending as well, obviously, the other one is to increase the level of risk in your portfolio. Again, we're starting with, you know, well, we're running this plan are really low, effectively, a really low return assumption is what that comes down to, well, you know, maybe increase the level of risk, maybe bring in some more of those risky assets to hopefully, increase what you're gonna have when you you get to that point where you retire, increase your level of assets at that point.

Wade Pfau 08:35

Because if somebody was listening, he's a professor at Boston University. If he heard Bob statement there who want to be clear, just putting a little bit more caveat around that. But you're right, if you're underfunded, you need to either increase your assets or reduce your liabilities, you can work longer, you can save more, you can plan to spend less, or you can earn a higher rate of return on your investments. But the caveat is, of course, assume that the reality is, you have to take risk to do that, and that risk may not materialize. So this really would speak to

Alex Murguia 09:10

the third option is out of your control. Right? It's yeah,

Wade Pfau 09:13

it's just it would be it's equivalent to lowering your probability of success. It's just back to this point we discussed before where a Monte Carlo based financial plan with a probability of success is a different way of thinking about the same issue, I could increase my discount rate, which assumes a higher rate of return that can make the plan look better, but it would correspond to a lower probability of success in the grand scheme. Absolutely.

Alex Murguia 09:42

Right. And we broke this down in the last episode a little more than we're planning to do today like Monte Carlo versus funded ratio and really, you know the breakdown of what the fundraiser so feel free to catch the previous episode, if you there

Bob French 09:58

Yeah, so I mean by But getting back to that, that main point there, I mean, once you are in that underfunded state, something needs to change, you need to make some adjustment to get where you want, again, to reiterate waves point there, liabilities either need to come down, assets need to go up one way or the other, that those are really the two levers that you have. And within those, you know, there's lots of different levers, you know, the, the amount of risk you take into the portfolio is one, and, you know, a prime one that a lot of people, you know, whether it's V bowtie wants us to do or not, you know, one that a lot of people will avail themselves of. So, you know, people will push on, you know, the expected return they're looking for, you know, when they are underfunded, and the more underfunded you are, you know, the more risks that you would need to take or the more you put more

broadly, the bigger the action that you need to take, you know, to get you to a place where you can fund the retirement that you're looking for, you know, if you're

Wade Pfau 11:08

in the last episode, but we didn't really explain it in detail of why a higher discount rate improves the funded ratio. And it's usually because your liabilities are further into the future than your assets, because a lot of the asset base is account values today, there are things like social security, that a higher discount rate will lower the value of your Social Security, present value. But all these cash flows that go into the liabilities are also going to be lowered with a higher discount rate. And so there could be an exception, where if maybe your plan has a huge inheritance at age 80, for example, that's an asset that it's possible a higher discount rate could lower your funded ratio. But I think for the vast majority of listeners, their liabilities come later than their assets. And therefore anytime you take on more risk, you increase the discount rate, it will cause the value of the liabilities to fall by more than the value of the assets falls. And therefore, you'd have a higher funded ratio.

Bob French 12:10

Yeah. So yeah, I mean, at the underfunded level, you're gonna need to make take some action. Flipping over to the other side, if you're in that excess funded area, it's really personal preference. At that point, you know, you're in a pretty good place, so that you can go in and decide how much risk do I want to take? Now, the question when you're underfunded, and sometimes severely underfunded, is going to be how much do I need to bring into the portfolio? Or how big of an action do I need to take? Whereas on the positive side of the equation, it's how much do I want to take? And it's really very much personal preference there. The really interesting question starts to be, as we get closer to one, as we get closer to that, you know, platonic funded level of one or 100%. You know, your capacity for risk is reduced, you're closer and closer to being right on that knife edge. And you can't withstand any downside deviation, you can't really withstand any real shocks to your plan. Well, that means that you need to be more and more conservative, you know, so it's definitely something that can help guide how much risk you want to bring into the portfolio there.

Wade Pfau 13:36

Alex, I see it's talking on the screen, but he's muted, but let me just see. Right. I mean, it's when you're overfunded, you can think of the surplus as sort of discretionary or excess wealth that you can take all the risk you want. Whether you want to take risk for the assets that are getting you to that funded level, that's, that's a question that's going to depend on your retirement styles and so forth it but you simply don't need to take risk with the the assets that cover the portion that make you funded. It's the surplus, where the sky's the limit. And that's why as you become more over funded, you have the capacity to take on more risk, you have that least capacity to take on more risk right at being funded. And then if you're underfunded, that's where there's some debate, you know, you could roll the dice or make that Hail Mary pass and take the risk and hope the pays off and you switch from underfunded, defunded, but that that entails risk, and you might get even further behind. And so depending on your viewpoints on that, either you don't have the capacity to take risk. When you're underfunded. That would be somebody's argument, or you need to take the risk to get caught up. That would be many other sites already might Yeah, I'd suggest.

Alex Murguia 14:54

Yes. No. And I was going to say that that's where I was going with my comments when I hit the mute button on the microphone was if I believe that like, I will point out, you're too far gone that the heck with it just roll the dice. Yeah.

Bob French 15:06

Yeah, I mean, there's no answer to that, you know, the conservative approach would be, well, I don't have enough money. So I'm gonna reduce my spending, you know that that would be a pretty reasonable way of approaching the problem.

Alex Murguia 15:21

But you don't want to sound like, let them eat cake. Some people just can't reduce

Bob French 15:27

it. That's where I was going. Yeah, but at a certain point, you know, that becomes a less viable strategy. And you need to start looking at the asset side of the equation, you can increase, again, your level of savings to again, to a point, you can potentially work longer, again, to a point. But at a certain point, you know, risk does become the avenue that you might want to be looking at. And, you know, the further away from, you know, fully funded you are the bigger you guys Swank. You got to swing for the fences at a certain point and hope things work out, which obviously is not a great place to be. But you know, sometimes that's where some people are.

Alex Murguia 16:11

Yeah, and we're not saying you have to swing for the fences. Yeah, it's not like oh, my god Mega Millions \$500.

Wade Pfau 16:25

smashes speakers against the wall. You need caveats.

Alex Murguia 16:33

Whoa, nearly.

Wade Pfau 16:39

It's an option towards a probability based style, but it won't appeal to everyone. Right?

Alex Murguia 16:48

More like improbable stat. Wait, just taking it back to the last episode, we talked about the real map and the funded ratio, I'd like to maybe explore a little bit, not the whole funded ratio score, but high, we can look at the components of the funded ratio relative to the real math, it'd be kind of interesting. If maybe wait, you give a little preamble on on the real map real quick, specifically, the assets and liabilities and, and then Bob can take it from there, I think on how that leads to component parts of the funded ratio scores. And it also helps you decide based on your research profile, how you want to kind of move move the chairs around.

Wade Pfau 17:34

Right, right. And so we talked last episode about how the real map is really just an illustration. And then the funded ratio is what provides the numbers to the real map. And so what the real map shows we've got three columns. On the left, you have your goals for retirement, and they're the four ELTs, longevity and lifestyle are your budgeted expenses, legacy, and then liquidity, then on the right, I'll leave the middle for less. So that's the left the goals on the right. That's your liabilities. That's the expenses associated with those goals. And that's where that's what you're quantifying with the funded ratio. Longevity is about your essential spending. Lifestyle is about your more discretionary spending to have the best lifestyle overall legacies about what you want to leave to the next generation. And liquidity is about funding contingency shocks or these contingency expenses that aren't budgeted directly. But maybe you want to have something set aside to cover a long term care event and so forth. And then the middle column is your assets. And they're divided between reliable income assets, the diversified portfolio and reserves. And so this is where you may be overfunded at the aggregate level, your reliable income plus diversified portfolio plus reserves may be greater than your longevity plus lifestyle plus legacy plus liquidity. But when you start to look at the subcomponents, there might be you might be really overfunded in one part, but then underfunded in another part. And so, Bob, could you walk us through that, that process of looking at these different components?

Bob French 19:12

Yeah, absolutely. I mean, I think this is, you know, for a lot of people, you know, a lot of our listeners probably are more on that funded side of the line. This is really where a lot of the really interesting stuff starts to happen and being able to really target how you want to put your retirement plan together, because a lot of this stuff is really going to be based on your recent scores, how you actually approach your retirement income planning and the retirement income that you want to be receiving from your plan. Because we really look at this in three different buckets. So we'll look at, you know, the money that you have in reliable income and match that up against your essential expenses. You know, we'll look at your investment portfolio and match that up against actually both your discretionary and legacy expenses. And then the third one is will look at your reserves and match that up against your contingencies. You know how much money you want to be setting aside to deal with, you know, hey, I need a new roof or long term care or whatever it might happen to be there. Now, we'll report those in kind of that same kind of funded level. And this is one of the tricky things. You know, we've got a lot of folks who are always used to seeing 100 percents on their their test scores. So they really want to make sure they maximize that. But that's not what you want to be doing here. That's not necessarily what you want to be shooting for, it's really gonna depend on what you actually value within your plant. So if you're someone who is on the total return side of the fence, you're someone who is kind of in that total return quadrate. You know, you don't necessarily need to match all of your essential expended expenses, up against reliable income. You got your Social Security, that's great. Now, maybe maybe you got a pension, I don't know, that's great. But you're comfortable having the bulk of your income, even some of your essential expenses coming from your risky assets coming from your investment portfolio. On the flip side, you know, someone who is kind of that income oriented, that safety first income protection oriented person, you know, you don't necessarily like covering many of your expenses from your investment portfolio, even your quote unquote, discretionary expenses. You know, you want to have most of your income from from those reliable income sources. No, that's fine. That's great. It's all personal preference. At that point, you'd be wildly overfunded on your reliable income

versus your quote unquote, essential expenses. But that's because you want to fund some other stuff from those reliable income sources as well. So what it really all comes down to is taking the information that the funded ratio is going to give you and helping you think through how you want to position your assets, how you want to be able to position your income sources to match what you want to actually be spending here. If you're looking for more personal advice, please know that our show is sponsored by McClean Asset Management. Learn more at McLeanam.com. That's McLeanam.com. McClain Asset Management is a wealth management firm where we help you design and implement the right retirement plan for you.

Wade Pfau 22:50

And maybe they give an even concrete example around that. Let's just say you've done the funded ratio, you're reliable income, let's say all you have is Social Security as a reliable income asset. When you match that against longevity expenses, maybe it's a 60% funded ratio, so that you're dramatically underfunded with the essential spending or that reliable income. But you've got a lot in your investment accounts. And so you're diversified portfolio when you compare it to say lifestyle and legacy goals. Maybe your dramatically, overfunded maybe 160%. There. Now, when you add them together, your reliable income plus your diversified portfolio compared to your longevity plus lifestyle plus legacy, maybe your font maybe when you combine those that say 110%, so that you are funded, then the question is, what do you do? Is this a problem? Or is this fine? And that's where depending on your retirement style, you'd answer that question differently. So Bob, what you were saying was, if your total returns, you don't necessarily worry about your that funding gap for library income you care more about my reliable income plus my diversified portfolio is fully funded compared to my longevity plus lifestyle plus legacy. So I'm fine. And if you're any of the other styles, there's going to be some concern you, but it's fixable, and what I created, you can fix this. And what it would entail is like for example, if I'm income protection, I could reposition some of that diversified portfolio into potentially some sort of an annuity. To bring that reliable income asset base higher, it increased my reliable income, lower my diversified portfolio, but then create more of a one to one match so that I do have 100% funding for reliable income. Now I've received a sold from the diversified portfolio to do that, but maybe it's now closer to 100% for the diversified portfolio as well, and that would be an income protection enhancer, let's increase the reliable income base and get that more balanced between the different subcategories. Whereas again, the total returns isn't as worried about that particular issue, then they don't need to feel like the fully reliable income needs to be fully funded, because they are comfortable drawing from the diversified portfolio to longevity expenses as well. That's one of the main differences really, yeah.

Bob French 25:27

Yeah. And it's really kind of taking apart the funded ratio and figuring out all of the different ways it can give you information about what you want to be doing within your plan. And taking that information and turning it into something that's actually usable. And these kinds of categories scores, as we call them, are some of the most actionable pieces of information here within the plan to be able to reposition and strategically place that assets that you do have have access to, and put them in the right position, you know, for how you want to achieve your goals.

Wade Pfau 26:13

Now, one other issue that comes up, and there's part of the funded ratio tool is to just show the income and the spending over time, because the funded ratio is a simplification, that will usually work. But I mentioned earlier in the episode, if one of your major assets is an inheritance at age 80, for example, that might be a big enough asset to show your plan is fully funded, though it is possible based on the timing of cash flows.

Bob French 26:43

a little immediate in that situation

Wade Pfau 26:46

yeah, you don't have the asset yet. And so the funded ratio does simplify a bit in that regard, it's not usually going to be a problem, it's really only an issue in these kind of edge cases of one of your significant assets doesn't come until much later. So but can you talk a bit more about kind of the cash flow issue that is simplified within the funding?

Bob French 27:09

Absolutely. And your point, there is actually an incredibly important one, most people, you know, they have, when they retire, they have the bulk of their assets, you know, they get their assets first, and then their liabilities are out in the future. So the cashflow issue is definitely something that you're paying attention to. But for most people, it's not a crucial issue. But as you said, there are those edge cases where you do have these assets coming in, you know, you do want to be paying attention to when is this money moving out? When is this money heading out the door? And can I actually do that is that something I can actually write a check for, you know, pay off the credit card bill for. So you know, that is something we want to be paying attention to we actually, you know, speaking of the retirement researcher funded ratio tool, we do have a way, a way we have a chart showing you, you know, where you know, where your expenses are, through time, matching that up against actually against the reliable income. The other remainder of that being looking at, you know, how much of that is going to be coming from your investment portfolio. So that is one of the things that you want to be paying attention to, when you are using a funded ratio type of tool. But it's definitely something that, you know, most people aren't going to be as impacted by so.

Alex Murguia 28:44

So it's interesting, it just listening to the last few things that you both have said, the What strikes me as it was strikes a chord with me about the funding ratio when it's broken down by you know, funded ratio on essential expenses funded ratio on discretionary and funded ratio on on like reserves, is that and I think it bears repeating. It's really the meat of the sandwich to me, is okay, if you're an income protected person, the end your aggregate funded ratio is 110% 160%. But within the within the essential expenses, if you take that category and run a sub funding ratio, just in that category in urine at 80% funded or 60%, funded and in the discretionary, where you're using your investment portfolio with discretion expenses here 160% funded, I want you to think about that. Your your fund originally comes out high but your investments your your the way you're allocating your strategy isn't aligned with your preferences, and that's what leads to anxiety on many levels. And if you take if you take the sense that assets are fungible, you And this is really relevant on many levels, you know, the way you look at reverse mortgages, the way you look at cash policies on the interest of cash value policy, that

insurance, you know, things are fungible, right. And so if you can take a portion of that overfunding in the investment side, that 60% portion, that's \$1 value, let's just say that's a hunt, that happens to be fine or grant, right, and you can use that firearm to grant and purchase reliable and contractual income, to the degree that it kind of causes that funded ratio to now the sub funded ratio is in terms of the reliable income funding ratio goes from whatever 80 to 100, and discretion, and one goes from 140 to 160, to 110, or something like that. You've really now aligned your strategy with your preferences, you know, and that's, that's really conceptually, why it's so cool. Now, there's a PC, I don't know, wait, I was gonna get into how you know, the mortality credits can actually give you an extra bump, but I don't think this is right now from a funded ratio stamp, I remember how you were kind of analyzing that. And it like, increase it, if there's an easy way to do that, and 50 words or less fine. If not, we can just punt it. But it does wonders for you just aligning your strategy with your preferences in a manner that's actually look, this is, you know, not overly engineered. Not going crazy, but you know, very simple and intuitive. That's, to me, that's the key to all of this.

Wade Pfau 31:36

Yeah, if you don't want to leave that hanging, the simple point is that an annuity can often improve the funded ratio, because the annuity pricing is based on life expectancy is the objective mortality data for the aggregate population, but I'm not building my funded ratio as though I live to my life expectancy, I'm building it as though I might live longer than my life expectancy. And so the present value of my annuity payments may be higher than the premium on the annuity. And, and so that's where it can increase the funded ratio, but not I mean, in a reasonable way, because my financial plan is not, I want my, if I want my plan to work to 95, I need my plan to work to 95. Now the annuity is going to behave better if I do live to 95. But if I don't live to 95, my liabilities would have been less in hindsight. So it's not as big of an issue. And that's where, yes, bringing in an annuity for that sort of style where it's appropriate, does actually help to boost the reliable income ratio by more than it might hurt the diversified portfolio. Because I mean, I sell the assets for the premium, but then I get an asset on with a present value that's greater than the premium I paid.

Alex Murguia 32:54

And just so people don't think we're trying to overly emphasize contractual income, think of it the other way around, your funding ratio is 100. And whatever it your funding ratio is extremely, is doing extremely well. But your total return. So your probability base, and your funded ratio for essential for essential expenses is 150. Just to say something, and your funded ratio for discretionary is below 100. And you have a decision to make at work. Do you take the pension? Or are you just take the lump sum? Right. And this could be a scenario where the recommendation could be, you know, what, take the lump sum and invest it. And you know, you're somebody that is okay, with the probability based approach that would entail you to to take a lump sum, you know, versus a pension. So it weighed you want to make sure I'm not going off the rails there. But you know, there you're, you know, you're not kind of you're you're aligning the strategy with the preference in a manner that makes perfect sense for that person.

Wade Pfau 33:58

Yeah, absolutely. That sounds right. And that's a good example of going in the other direction with it. Now, in practical terms, you may not find a lot of people who are dramatically overfunded with reliable

income, especially if they're I wanted to feel the bass to be fair. Right, yeah, theoretically, what you described could happen for sure.

Alex Murguia 34:23

Okay, I mean, I think that's good, Bob, any, any other nuances?

Bob French 34:28

I think we've we've kind of covered it. I mean, really, what it comes down to is the funding ratio is a great tool for helping you figure out you know, how close you are to being able to fund all of the things that you want to be able to do in retirement, which in turn kind of gives you a sense of what do I need to be able to do to do that? How much flexibility do I have in building my plan around my preferences if we're overfunded? How much do I need to do to get me up to that point where I am fully funded, if I'm underfunded. And then within there, we can go in and look at. Okay, what is my strategy look like? How do I need to reposition if at all, to get my plan to match up with my RISA?

Alex Murguia 35:14

Yeah, we're talking the same language. Because yeah, I think of the funder ratio as a perfect way to determine your strategy allocation, which is a precursor to the asset allocation, everyone goes right into the asset allocation. So if you really think about all what we've done so far in this entire podcast series has been the first step, let's determine your start. You know, there is a style, the style leads to a strategy, the strategy leads to solutions. Now that you have in place all of this, let's put an economic overlay to this, let's do a plan. Before you do a plan, we need to talk about budget. So we started this arc about budgeting. Okay, what are what are expenses in retirement? How do they look like? How did they change? What are the unexpected things? How should you approach it, we've talked about replacement rates versus, you know, bottom up sort of planning, you know, from a budgeting standpoint, then when once you have the numbers, what type of plan works best. We talked a little bit about Monte Carlo and we, we still have some episodes, but you know, we like to do it with the funded ratio. And so we've, we've taken you folks on this sort of trajectory here that this is how we do it, this is, you know, from starting place to, to where we are now, I think it's a great path for anyone, you know, Trump transitioning into retirement to take or for anyone that has started it, to kind of just recalibrate a little bit. So, you know, that's where we are so far as what we've done so far. And I just, I just thought it was a good moment to kind of rehash that way.

Wade Pfau 36:43

Yeah, and let me just put a plug that retirement planning guidebook, but it's following the same sort of approach there. And I think we've added a lot of nuance to that. But you know, Chapter One is about determining your retirement style. Chapter Two is about going through the different retirement risks, which is then going to be helpful to define your contingency liability for the funded ratio. Chapter Three, then gets into the budgeting, and then puts that all together to describe the funded ratio process and to explain everything you need to be able to think about what is my funded ratio. And then from there, now we we combined the Risa with the funded ratio to start thinking, okay, how am I going to actually implement this? And that's where there's more chapters in the book, and there's more episodes to come with retirement style, but we're gonna explore these issues.

Alex Murguia 37:30

Here you go, Wade, and yeah, and by the way, thank you all for listening. The response has been fantastic. It's exceeded our expectations, in terms of the number of downloads and the likes, so really, really appreciate the support. Thank you so much. And for this episode, I'll do my sign off. So thank you for listening.

Wade Pfau 37:49

Yeah, thanks for listening, everyone and Bob French. Thank you for being an excellent guest for yet another episode here.

Bob French 37:57

Thank you for having me on

Wade Pfau 37:58

less frequent guests. Absolutely. Have a great week, everyone and we'll catch you next week.

Bob French 38:05

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.