Episode 134: YouTube Live Q&A (not really): Answering Your Questions About Portfolio Allocation in Retirement

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SPEAKERS
Bob French, Wade Pfau, Alex Murguia

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. Time for more listener questions. Today we're talking portfolio allocation in retirement.

Wade Pfau 00:47
Hey everyone, welcome to retire with style. I'm Wade, and I'm here with my trusted co host and companion, Alex Murguia, and we're continuing our series on the Q and A questions that came in. And Alex, I think you're wearing the same clothes as last week. Is that your new favorite shirt?

Alex Murguia 01:05
Yes, it reminds me of you, so I wear it all the time. It's very luxurious. So I just like to like, you know,

Wade Pfau 01:14
yes, soft. I'll leave it at that.

Alex Murguia 01:20
Plus the stripes are very slimming for me. Oh, yeah, and I need all the help I can get.

Wade Pfau 01:24
Yes, you look you're wearing the same shirt too.

Alex Murguia 01:27
What's up with that?

Wade Pfau 01:29
What's with that favorite shirt too? Summer? It's you probably should be wearing short sleeve shirts, but you've got your your velour for July, I think.

Alex Murguia 01:40
Yes, yes, Christmas in July. Why not velour? That's the way I see it.

Wade Pfau 01:48
Monday, Washington, DC, summers, yeah,

Alex Murguia 01:50
right, yeah. All right, all right, all right. Let's get to business. Wade, come on, man, you're always bringing this down with chit chat.

Wade Pfau 01:59
We've got another three questions that I thought we're going to get through the whole rest of the questions last week, but we had so much discussion on two questions, so just kind of see where

Alex Murguia 02:11
Rob did great, huh?

Wade Pfau 02:12
He's wonderful, and He's our resident expert on executive compensation for employees.

Alex Murguia 02:20
Sure you scared them away. I said, Hey, Rob, you want to do the next one now? You guys, you guys, do your thing. I'm busy. I think that was you, man, carry

Wade Pfau 02:30
on here. It's too much small talk in the last episode.

Alex Murguia 02:35
All right. Question. I'll read it. I'll

Wade Pfau 02:37
read it. More dramatic with your reading this time.

Alex Murguia 02:40
Let me see if I can do a good job. And I'm not reading these beforehand. So let's just, let's just knock it out. How, if at all, should a recent or near retiree think about their portfolio in a world that you can get low 2% real yields on tips from five to 30 years. While perhaps a real yield at this level is still low versus real equity returns, it seems to provide a floor on returns that and can mitigate investment risk and inflation risk better than this product would at almost any time in the last vente annuals, 20 years. 20 years. Yes, thank

Wade Pfau 03:21
you. Do that translation reading of the question.

Alex Murguia 03:28
Thank you.

Wade Pfau 03:29
Thank you. Yeah, and this is something that I think about a lot. It's an important point. And it's not reading or the question, the not the reading, the question, the issue, the issue in the question the fact that tips yields are well over 2% at least. Of course, they fluctuate, but as of the time of recording 2.2 2.3% real interest rates on tips are not at all out of the question. So if you've already won the game, why keep playing? Is kind of the issue. I know that phrase came up in a previous episode from William Bernstein, maybe from a different we're

Alex Murguia 04:06
giving him a hard time. It was during the YouTube Live where you were talking about the funded ratio, and we're talking about, like, a 115 funded ratio. You, you kind of like, are locked in, yeah, and if, and then the question was, well, there, I don't know if it was like they were making fun or they were serious, but it was almost like a comment of So you're telling me, just put it all in tips now. It had that kind of vibe to it.

Wade Pfau 04:28
Okay, you're going to be more funded when interest rates are higher. If you're a normal person whose liabilities are more backdated than their assets, the only real exception to that might be if you're expecting a huge inheritance in the distant future. Higher interest rates might lower your funded ratio. But for the typical person, your assets are more front dated because there a lot of them are just account balances. The present value is the value today, whereas the liabilities are more backdated because it's a lifetime spending goal. It's going to run through age 95 so when interest rates are higher, you'll be more funded. So at a 2% real interest rate you're going to your retirement is going to look a lot more funded than it would at a 0% real interest rate, which was kind of where we were. There's been points in the recent history where 0% was optimistic about a real rate of return that's risk free. Now you can get well over 2% so what? What do you do with that information? Is ultimately the question, and yeah, I don't think this is an issue. It's not market timing. It's not saying interest rates are higher than they'll ever be, and therefore, put everything in tips or anything like that. It's more if you can meet your retirement spending goals with tips that impacts how much risk you might want to take in your financial plan.

Alex Murguia 05:53
I think the phrase income is the outcome is the way to go, if this provides you the ability to live within your standard of living in retirement, it seems like a good deal, frankly. I mean, there could be some tax considerations. Is it all in a tax deferred account? Is it all in taxable account? And how does that play off? Since tips are somewhat a little more inefficient in attack, not a little, but they're inefficient in a taxable account. Do you have the cash flow to pay the taxes, etc, etc. But to me, I remember when tips had come out, I want to say it was even around like, oh, one in that range, and they were extremely high the tips rates. And I remember, yeah,

Wade Pfau 06:36
when they first came out in 1997 you could get over 4% real yield,

Alex Murguia 06:41

yeah. So it was, it was before, like, a one. And I remember, though, I think it was Bodhi about people that said something along the lines of, why wouldn't you just log in on this and call it a day? Because any person that you can offer a rate this high to fund their retirement, it seems like a no brainer. And I remember at the time thinking, Man, this guy is boring. Like, what is the fun in that, you know, kind of thing, honestly, I got everything in that. And then boom, you had the you had the stock market crash, you know, the bubble collapse, Enron, all that kind of malfeasance and and it struck me for whatever reason a couple of years after that, thinking, Man, this guy was right, you know, all of a sudden, then Bodhi really had it locked in, right? And so to some extent, I think we're in that that kind of strategy now, not in strategy that's wrong way, but we're kind of in that milieu right now where tips are quite high relative to what you've seen historically. And if it fits your style in terms of time segmentation, if it fits your if you're able to do that and maintain a standard living that's very comfortable for you, there's a lot to be said, yeah, for that game and locking it in well,

Wade Pfau 07:54
and to be clear, weren't I don't think either of us are suggesting put all your money and tips, but it's more everything else being the same, tips look a lot more attractive at 2% plus yields than they do at 0% yields. And so whatever you might have done in the past relative to Now, taking some of that risk off the table with tips is a lot more attractive now than it was in the past. It's not saying we you should put all your money in tips. It's just saying it's more attractive now than in the past. And so if you want to have a higher allocation, it's back. We talked about this as well. In the past is when you're with your funded status, you kind of take the least amount of risk right around when you're perfectly funded. Then as you become overfunded, that surplus is more surplus wealth that you can invest more aggressively because it's not needed to maintain lifestyle. And that's kind of the situation here with the higher tips yields, you're gonna have a higher funded status, which means you'll have more surplus wealth, so you can lock in more of the basics and then invest that surplus in a more aggressive manner. And

Alex Murguia 09:01
if I wanted to put some planning parameters around that, I would say this, yeah, not 100% on any, you know, that kind of stuff, other than Pokemon cards. I wouldn't put 100% on anything. But effectively, look at your essential expenses. Consider your Social Security income from that, or if you have pension income from that, figure out how much do you cover with that from your essential expense, for your essential expenses, and try to get the next level of if you, if you have this sort of proclivity, then try to look at the next healthiest amount you can put in tips to cover essential expenses with that. That, to me, would be the reasonable slug that you would want to be looking at. That's how I would handle it. From a pure financial planning perspective, it's a funded ratio. How much of your essential expenses are covered from reliable sources already? What if it's 80% see if tips can cover the remaining 20% you know that that kind of thing? Wade. I.

Wade Pfau 09:59
Yeah, I think I've had my say on this question.

Alex Murguia 10:04
Okay, should I? Should I go see if I can go to for two, see if I can go two for two. On my ingredients, monologuing. All right. All right. Let me get in character. What percentage would you recommend for a couple to have assets in taxable, tax deferred and tax avoided accounts?

My thoughts, it my thoughts. It would be best to have a third in each currently, my own retirement saving is at 33% taxable, 49% tax deferred and 17% Roth because we didn't have Roths until later in our career. They are the lowest. Our estate will go to charities so when we die. So damn it. I almost had it. Our estate will go to charities when we die. So it is not the traditional leaving it to children. This may make a difference in how you look at it.

Wade Pfau 11:01
Take it away. Wade, all right, yeah. And so this general point about like, is there some sort of rule of thumb that I should maybe be for tax diversification? I want a third taxable, a third tax deferred and a third tax exempt? I think you really have to move away from that kind of thinking, because it really doesn't apply to retirement because of the withdrawal order sequencing, your goal always becomes to spend from the taxable account first, so you're effectively pushing the taxable account towards zero on purpose. So you don't need to have it be a third necessarily at the start of retirement. Another thought is, yes, this point about the legacy going to charities rather than to adult children is a relevant factor because it means you're not necessarily going to be thinking about Roth conversions from the perspective of because you have to consider, if your children receive an inheritance in their in their highest lifetime tax brackets, you want to offset their taxes. Any money going to charity, the charity will pay at a 0% rate, and so you never really want to do a Roth conversion on funds that'll go to a charity. The only reason you might consider Roth conversions is for your own tax planning to help reduce future RMDs, which the RMDs if they're going to trigger things like the Irma surcharges and so forth, that could be a reason still to consider Roth conversions, but with the idea that the money will go to charity, and if you already feel like you're overfunded, you may also think about things like qualified charitable distributions to get money from the IRA with to offset the need to take the RMD, that could be another way to avoid those sort of tax implications, so that, because the charitable intention for legacy, there may be a much weaker case to even consider Roth conversions. So this idea that they were a third taxable, half tax deferred, and then the rest, the other sixth is in Roth. They don't necessarily need to work towards changing that from where it is right now. It's more the money in that tax deferred account, whatever ends up going to charity, will go at 0% they could do Roth conversions to help with RMDs in the future, but also, if they're funded for retirement, I'm pretty sure they're going to have some legacy. They can offset the RMD problem by using qualified charitable distributions at that time. I think they're generally in pretty good shape and not necessarily needing to do a whole lot of specific tax planning. It's they are going to think about spending the taxable account first and then just blending from from tax deferred and tax exempt for the subsequent part of retirement?

Alex Murguia 13:51
I agree. I would you've answered the blocking and tackling part of this question, but I when I read this too, I'm picking up on this theme that I'm also seeing, let's say in social media. And you know, I kind of scroll through Twitter. I'm kind of more of a drive by Twitter person and the like. And even on YouTube, I see a lot of this movement, especially pre retirees, about tax diversification, this idea of tax diversification, and, oh, you should have a taxable amount, a tax deferred amount, and a tax free amount. That's kind of a third, a third, a third, right? That kind of stuff, like if there's some benefit to it. And

Wade Pfau 14:36

just to be clear, that the goal of tax verification, it's never as simple as a third, a third, a third. If that's something you're seeing on YouTube or Tiktok or whatever, that's kind of a weird way to approach tax diversification. It's not that simple. But please continue. Yeah,

Alex Murguia 14:51
yes, thank you. Are you done with no, you're right. You're right. It's just one of those, right? But I would. Say this, I there's a practical reason why you may not want everything in a tax deferred account or a tax free account. And from my own personal standpoint, you kind of want liquidity as you're accumulating. And so I've had the I've been fortunate that I can max out tax deferred and this and that. But let's say, if I didn't, I'd probably just leave a little bit in taxable anyways, for for just liquidity issues, buying a car or something that's like, 10 years away, 15 years away, and you're still going to be pre retirement. You kind of want to have it on here, right? It's not necessarily a buffer asset, unless you add it in, like cash or something like that, but there's, there's reasons for just having taxable accounts handy, right? But that's, again, financial planning, having it handy convenience, if you will, because you don't want, you want to be, it's like being house rich but cash poor. You know, to some extent, when you're 30s or 40s, you don't want to be like 401, K rich, but cash poor, either, right? And so there's that, you know, a little bit of a exposure that you would want, but that's about the extent that I would think, Oh, I need this great tax diversification, because weight is 100% correct. When you get to that distribution phase, you know, there's an order of operations of how you want to distribute, and the tax deferred and tax free are very valuable accounts, you know? And so there you have it. And so the way I would look at it, these are one of these things that there's nothing there, there for the most part. And I would suggest live your life as is, make reasonable contributions to your Roth. Make reasonable if you qualify, make contributions to tax deferred if Roth isn't available. And then if you can have something left over to invest, yeah, do. So, you know, that's beyond just a cash account, because it's, it's it's just, it's helpful during life slings and arrows, while you're accumulating, to be able to have something you can tap into, but you don't always just want to leave it in cash, you know. And then when you retire whatever it is it is, doesn't have to be more complicated than that. I would not go through the trouble of trying to be precise and making it a third, a third, a third. I personally think it's a big waste of time. It's almost like asking someone to paint paint the walls a 10th time, just for the hell of it. It's almost like busy work that you don't need to

Wade Pfau 17:25
do, and also may lead to inefficient decisions, because it's like if it stops you from saving because you'd have to put it in your taxable account, but that would make your taxable account too big relative to the others it tax diversification is a nice to have, but it is more of a secondary consideration, it's important to open a Roth at some point, because you need the five years of having a Roth account open before you can get qualified distributions from it. But, and it is nice to have diversification, but first take advantage of tax advantage savings space, have a basic Roth, but then figure out, based on where you are with your income, should you contribute to a traditional account or a Roth, comparing today's tax rates versus where you'll be in the future, and then beyond that, you want something. You want some liquidity in a taxable account, but your surplus savings then goes in a taxable account. And if you're a big saver and you're filling up the tax defer to tax exempt space, you might end up with a much higher percentage in the taxable account. And that's okay, it's tax diversification. Just means having some of each it doesn't mean equalizing the amount of each,

Alex Murguia 18:32
and that's some, and that's some in the taxable is kind of quasi enough for like, expenses, you know, if you will, I would say, What Happens Wade, and this is not for this question, but it comes up. It's, I'm amazed how many advisors on social media are very religious about this. And you know, you feel like responding, don't be an idiot. You know kind of thing, but you let it go, because who has time for that? But what is your take on somebody that would say, Yeah, but look, I have a taxable I'm gonna, I'm gonna actually maximize my taxable account. Because I'm not a trader. I'm not gonna touch this money for 30 years. They think. But, you know, whatever, if I need it I can, but I'm gonna leave it alone for 30 years. Let's just say 20. I'm gonna leave it alone for 20 years in an index fund that's low cost and low internal tone over so I'm not going to get these taxes on a year to year basis on dividends and things like that. Dividends versus, yeah, but you know, I mean, it's going to be minimal, you know, for, I mean, you know, it's going to be minimal taxes. I'm not going to trade it. I'm just going to leave it there. And to me, that's going to be better when I retire, because I'll just pay capital gains. I won't pay before the, you know, income on the IRA or 401, K,

Wade Pfau 19:44
yeah. Well, that's an asset location point, right? The tax efficient growth assets tend to go to the taxable account. The less, lower returning, less tax efficient bonds and so forth tend to go to the tax deferred account. And then. Less tax efficient but higher potential return type assets, small cap, value, that sort of thing tends to go in the Roth account, and that's asset location. The only I mean asset diversify, or tax diversification, you want some just to create more flexibility with being able to generate retirement income in a manner that doesn't force you to have negative tax consequences. So you want some money in a Roth, so that if you need a little more spending power, but if you took it from the IRA, you'd have to pay a Medicare surcharge, so you can source it to the Roth. That's why you want the tax diversification. But it's you just want some tax diversification. Again, you don't have to worry. You save what you save? Don't worry about the exact percentages in each type of account. Just focus more on asset allocation, asset location, having some diversification and having a good basis. Then for retirement, are

Bob French 20:54
you getting close to or are you in retirement? Well, investing during retirement is a little bit different than during your working years. Your investments are there to help you pay for retirement, and now is when they need to earn their keep to make sure you're on the right track. Download retirement researchers eight tips to becoming a retirement income investor by heading over to retirement researcher.com/eight tips again, get retirement researchers eight tips. Becoming a retirement income investor by going to retirement researcher.com/eight tips. That's the number eight tips.

Alex Murguia 21:33
So this is effectively one of these points that in the grand scheme of financial planning, don't worry about being overly precise. Just get a healthy exposure to the variety of these three accounts, specifically from the taxable you know, as you're accumulating it, it's good to be able to dip into it every once in a while, if you need me, that's that's all I have to add. And then when you distribute, it's good to have deferrals and tax free accounts for the reasons Wade just mentioned, especially

Wade Pfau 22:03

especially with the Roth accounts to give that's the maximum flexibility of being able to cover spending needs without having anything go into your adjusted gross income, which creates all the secondary the Social Security tax torpedo And Medicare Irma surcharges and so forth.

Alex Murguia 22:21
All right, Okay, last question, and

Wade Pfau 22:24
it's the shortest of these questions, well, but

Alex Murguia 22:26
this is the shortest. But interestingly enough, this could be a nice answer, because it covers some of the research you've been doing. And it it kind of, I want you to to me. I'm like, you see Wade, this whole Wade, and I have been in the back, behind the scenes. There's a study that that we're doing right now, and we're going to see how it turns out. And it's about, what are some optimal allocations with annuities from a, you know, for defined contribution plans and things like that, you know, if we had to determine defaults and things like that. And so here, this question is interesting, what is the optimal retiree asset allocation model portfolio assuming life annuities will be replacing the optimal bond portion, for instance, in a 6040, stock to bond portfolio with 40% in life annuities, how should I invest actual products in parentheses, the remaining stock portion of my long term portfolio?

Wade Pfau 23:24
Yeah. And so this question, I think they're, they're making the point I agree with, which is the efficient frontier for retirement income is stocks and life annuities versus stocks and bonds. So you're allocating your bonds into protected lifetime income sources, and then you don't touch your your stocks. But then I think this question is getting more at well, given, given that I'm doing this, like, how should I actually invest in the stocks for

Alex Murguia 23:52
readers, why don't we do Why would this even be a consideration? Okay, this person is, yes, he's checked the box. He wants to do this. But for our readers, why? Why should annuities be introduced into the efficient frontier, if you will? And what role should they play within the stock to bond? You know, dynamic? Yeah,

Wade Pfau 24:17
yeah. So that's the whole like, if you take a simple income annuity. Your premium goes to the insurance company. They put that into their general account, which is mainly a fixed income portfolio. So you're effectively, they're investing your funds in in bonds. There might be a small equity allocation, but it's bonds with like they're able to take some premiums that households struggle with longer maturity, less liquid, a little bit more credit risk, institutional pricing, because they're such a big player in the markets, they might be able to generate a higher yield, and then they offer you a lifetime income payment that will be higher when interest rates are higher, because they'll earn. More interest in their general account, and then at the same time, the longevity or mortality credits those subsidies if you end up living a long time, more and more of your income comes from those who ended up not living as long. And that allows annuities to support higher levels of spending than bonds. So it really becomes a workhorse for supporting spending in retirement. Puts less pressure on your other investments, and so when I have this

protected lifetime income, I have more reliable income, I have more risk capacity. My lifestyle is not as vulnerable to market volatility. I've got my lifestyle covered, or my is, at least my essential spending covered, so I can potentially take more risk with the remaining investments, and that's really the story why you're not necessarily selling stocks to purchase the annuity. It's more you're replacing your bond allocation with the annuity. Now, you might need some bonds just for the liquidity, for contingencies and so forth, but otherwise, your stocks are more for discretionary types of goals, and so you've got stocks and life annuities. Now, that being said, how do you invest the stocks and that in parentheses, actual products. So in this format, we can't speak about specific products. That's part of the

Alex Murguia 26:20
regulation. So real quick, just because this person said, Life annuities, I didn't, you know, technically, that's not real.

Wade Pfau 26:32
That's hard. That's another time for income annuities.

Alex Murguia 26:36
There you go. Income annuities. Any doubts how do you think about that versus the other types? If you were to introduce the fixed, indexed annuities or a Rila with living benefits, Does, does your equation change? No, no. It's

Wade Pfau 26:50
the same story, assuming we're talking about with the living benefits. So an index annuity with a lifetime income withdrawal benefit, a variable annuity with a guaranteed lifetime withdrawal benefit. It has different implications for what the contract value might do. But if you just treat the living benefit as a protected lifetime income stream, the conversation becomes the same. It's you can think of that more as a bond replacement in the overall allocation so that you're not

Alex Murguia 27:23
so the key is, if it's not the the SPS, Dias, whatever it is, there's a living benefit to it. Hence you have that floor,

Wade Pfau 27:34
yeah, and but and then does that mean you now whatever stocks you would have had in a 6040, stock bond portfolio, you'd have a different set of stocks with a 6040, stock annuity portfolio. I don't think that necessarily really impacts you're still whatever stocks you're going to hold, although I guess that's coming more from the passive investing perspective of you. Just the total stock market index is whatever you have in stocks you want to be well diversified with the total market index. There is some research around like, just the longer the time horizon, the more kind of you might go towards the emerging markets or the small cap values that are more volatile but tend to have higher returns. I mean longer time horizon. We're talking 20, 3040, years. It may take that long so you might tilt that direction a little bit with higher risk capacity. But otherwise, generally speaking, this decision that we're talking about in this question doesn't necessarily impact the specific stock investments that you're choosing for the stock side of the ledger. Yeah,

Alex Murguia 28:38

it doesn't. But I would say focus on capturing market risk, and you do that with a total market portfolio. You know, within that the what decision trees, and again, we're not actually naming products, simply because this is just not the forum for something like that. Wade and I are managing principles of McLean asset management and the like many people that you hear on podcasts or whatnot, or not many, but they're quite a number, and they're not registered investment advisors, so they can spout whatever silliness they want, and they don't have like compliance or anything like that, which mistakes are made, you know, When you do stuff like that. But ultimately, there's inflection points, decision points you want to make so you so active versus passive. I wouldn't bother with active because I'd rather just go to Vegas or something like that. So, and that's my own preference. Now, when it comes to passive, you want to ask yourself, it's you want to get market exposure versus fixed income, you know you want to capture that market premium, you do that by simply buying a total market index within that since it's market cap weighted, you're going to get really a large cap blend exposure. So that's the first decision, right? How much? Stock to stock, the bonds. This one, annuity to bond, annuity to market. So you get the general market now, within the market, you get your your slug of just general market exposure. And then, as Wade said, their premiums to be had. But they're not, they're not all the time there, because it's a risk story, at least in my interpretation, they're more risk. That's more of a risk based story. So you're not going to get these premiums every year within certain sections of the market. If not, they'd be overcharged out and so what are premiums that, to me, makes sense to tilt your portfolio towards there's value Premium Stock. So what that means is, there's the market, total market, then value stocks, a value index, not value in terms of Coca Cola is a valuable company, but value based on accounting metrics. All right? So there's that, there's price to sales, price to book, right? Yeah, they're all more or less the same. People tend to focus on price to book valuations because they're more consistent, if you will. And add a sample, they seem to work well, but there's that, right? There's the value premium. So you want to get a little bit tilt towards value. Another factor in explaining the very the variations of stock market returns is a tilt towards profitability. There used to be what was called that small cap effect, where small cap stocks effectively had a premium over large cap stocks, further research has indicated that's, that's usually the cause of within the small cap stocks, you know, there's, there's highly profitable ones you know, that have a bit of a value till and if you focus on probability with that value, you get that profitability premium embedded in it, right? And so you could do that with small cap value, as Wade had explained earlier. You know how much you know it's beyond the purview here. And Bob and I will get into that with Wade as well as we get into a further investing arc in portfolio construction. But you don't have total market. You want to have value exposure. You want to have small value exposure as well small cap blend, not as much as I we used to recommend, simply because I'm not sure that's an actual premium to be had. I think small cap stocks, you know, it's one of those that, over the long term, you can make the case, maybe they do, maybe they don't, and if they do, it's usually because the profitability is kicking in, not because of their their small All right, there's also momentum, but momentum becomes a difficult play within the market. It can help you from, like, avoiding losses as opposed to avoiding losers. You know, it can help you in terms of, from an emission standpoint, as opposed to a commission standpoint, simply because it gets very expensive, you know, just trading on momentum. And so from that standpoint, again, where are we total market value exposure, small cap value exposure, to a lesser extent, small cap REITs are an interesting place, simply because it's a different breed of stock from the market. So there's REITs, and then you get a similar representative sample of those asset class exposures on the international side, how much I wouldn't? I personally don't like to do the actual representation of a global market index, simply because I live in the United States, and I'm more worried about what's happening here. And to me, that's that's more relevant from a from a currency exposure, what you know as those stocks get translated back here. So that's, that's the best generalized answer I can give when it comes to that. Wait, any holes in that that I didn't get to? I

Wade Pfau 33:33
think you covered that well. So that's really how you want to think about the stock side of the whole equation, and it's not gonna be too much impacted by this particular choice, except that you may just have a longer effective time horizon with what's left. So,

Alex Murguia 33:49
yeah, I mean, the only thing I would add to that is I've seen a lot, and we saw it in the last episode, or was it this one, where, you know, the rest is invested in Vanguard and growth indices. To me, what about growth? What about the growth index?

Wade Pfau 34:01
Yeah, you went on a past episode. Okay, I'll

Alex Murguia 34:04
do it, right? They've been hot lately. I don't technically you're paying for you're paying for the privilege of investing in growth stocks. And so the expected return on that is actually not necessarily a premium to value over the long term. I'll just leave it at that, since I've discussed it previously, all right, and

Wade Pfau 34:25
that will conclude our Q and A episodes. So thanks everyone for sharing your questions, and we'll come up with a another arc on a retirement related topic for the future. So please stay tuned and join us with retire with style. Thanks everyone.

Alex Murguia 34:42
Thank you, and we'll catch you soon. And Wade. Wade is in vacation at this point. I don't know if you're

Wade Pfau 34:51
back from the trip, so ready to get going here again with All right, everyone,

Alex Murguia 34:56
take it easy. You.

Bob French 35:00
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