

# Talk of the Town

## A Retirement Income Wake Up Call



James D. Stillman

It sure has been a hot summer! Good thing we have Lake Norman, right? A couple of months back, Kelly and I were fortunate enough to get invited to a national “Mastermind” event in Chicago, IL. The conference was made up of approximately 100 elite advisors from across the country that specialize in retirement planning strategies. It was extremely educational. Although I’ve mentioned these things before in past articles or on our radio show, I’d like to pass along a few things I believe are becoming very important for retirees to consider and for younger folks setting up retirement plans for the future to begin thinking about.

There are two highly regarded individuals leading the way on research and study for retirement planning in the future. Their names are Wade D. Pfau and Larry Kotlicoff. Both are PhD’s and professors at some pretty well-thought-of colleges. I would suggest you do a quick Google search on them for yourself to see their impressive credentials.

Dr. Kotlicoff was recently interviewed by the Stansberry Research Group about his study titled “How to Secure a Lifetime Income Outside the Social Security System”. The interview was published in *Retirement Millionaire*. Here’s the main thing I took away from Dr. Kotlicoff’s study, interview, and report: The biggest risk retirees face is “**longevity risk**”, meaning living too long and running out of money. With 10,000 baby boomers turning 65 every day for the next 30 years, this will put a tremendous strain on economic markets, social security, and pensions. Typically, income will need to be planned on for 30-40 years of retirement with life spans getting longer and longer. Dr. Kotlicoff believes that more focus needs to be placed on guaranteed income sources such as annuities, in order for retirees to plan accordingly for their potentially longer lives. He feels so strongly about the importance of this type of planning that he even sold his mother’s home and put the proceeds into an annuity to guarantee her income for life! So, he’s not all talk. He’s actually done what he’s preaching in his own life.

Dr. Wade Pfau recently came out with a report titled “Evaluating Investments vs. Insurance in Retirement”. Kelly and I have featured Dr. Pfau on our radio show and have always admired the research he puts into retirement planning strategies. Dr. Pfau has also come to the conclusion that to plan properly for retirement, folks need to learn how to blend both insurance (annuities) and investments to make their nest egg last. There’s

that “longevity risk” thing again! I’ve been saying this for 15 years, and it’s in my book *Finding Safe Harbor in Retirement*. Folks, there are pros and cons to both insurance and investment strategies. We use annuities for safety and guaranteed income, and we use investments for growth. The trick is using the proper blend depending on your personal situation.

Here’s one more thing that both Dr. Wade Pfau and Dr. Larry Kotlicoff believe at this time for retirees (and I agree with them): BE VERY CAREFUL IN THE STOCK MARKET! This current “bull run” is the second longest in history! The average “bull run” return is 156%. Currently we’re at approximately 230%. So, what does that mean? We could be in for a major correction, and both of these gentlemen believe the risk is not worth the reward if you’re retired - in most cases.

Also, insurance companies are moving to updated mortality tables in January 2016. These tables will reflect a longer lifespan, and this will have an adverse effect on annuity income planning. So, income planning will never be more advantageous than now! There is a cost for waiting!

As always, for a free consultation, additional information, or a free analysis of your current situation, just contact us at JDS Wealth Management. We offer various free reports, a free cost & risk analysis, and a free tax analysis of your current portfolio and retirement plan. If you’d like a free copy of my book *Finding Safe Harbor in Retirement*, just let us know.

Until next month,  
James D. Stillman

### Social Security Decisions

Thursday September 10th & Tuesday September 15th  
(Check-In at 5:30pm, Doors Close at 6:00pm)



Chillfire - Denver

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