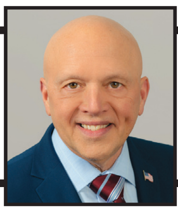
RhodyMoney

Do you have all the right stuff(ing) in your retirement recipe?



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I am certain each of us has a family recipe that has been passed around; perhaps for generations. My favorite is my mom's bread stuffing. I am salivating as I write this! I can't wait for Thanksgiving to make it again! If you'd like to get my mom's recipe, simply email me at info@masseyandassociates.com and put **STUFFING** in the subject line, and I would be honored to share it with you.

As you know, a recipe is like a roadmap in that it tells us exactly what we need to do to get what we want or where we want to go. Of course, if you don't follow the recipe and perhaps leave out one of the items; you know what happens. You taste it and perhaps say or think, gee, this doesn't taste the same as when mom made it? Can you relate?

When it comes to retirement, there is no one way to structure or plan for your retirement. The recipe that is great for you may not work at all for another family member, your best friend, or your neighbors. The goal with retirement planning is to work the "recipe" for your specific situation to achieve the retirement lifestyle that is a good fit for you and of course, your spouse if you are married.

So, what are the main ingredients that really must be in every retirement plan? Yes, I first said that everyone's recipe is likely to be different, however, there are certain elements of every retirement plan that must contain three specific elements: safety, liquidity and growth for the future. Within those three elements is where the plan can be dramatically different for each person or couple.

Everyone has a different perspective when it comes to taking risks or preferring safety. By properly implementing a plan that contains all three elements, you are stacking the deck in your favor for a successful retirement. The major difference from one person's plan to anothers is the amount of money that you put into each of these three elements. The challenge with asset placement within these three elements is that you cannot achieve all three with a single asset placement. However, you can typically get two out of three.

Let's start with this comment: every choice you make as to where you should place your assets will have both pros and cons. It's up to you to weigh each choice with the pros and cons and decide which is most comfortable for you.

In the safety category your choices are bank or credit union money, backed up by the FDIC or NCUA, insurance products that are backed by the financial strength and claims paying ability of the insurance company. Another option is US government securities like T-bills and bonds that are backed by the full faith and credit of the United States. A ten-year US government bond is currently paying only 1.6% (yahoo finance, n.d.), as of the time of this writing. In this category, you will get safety and a certain amount of liquidity, but you will not get much growth. Therefore, although the safety category is critical to a retire-ready recipe, you will not have much in the way of growth at the current rates of interest, which are historically very low.

Lastly, there are insurance-based products that do offer the ability to earn much higher rates of return than the bank, credit union or the government securities. Some of these options are very liquid as well. There are important details to consider when this type of option is recommended to you.

Moving on to category number three - growth. This is a very important element to have in your plan. These are your investments in the stock market. I will concede that you can also invest in bonds, however, the challenge with bonds is that there face value will go down as interest rates rise. As the Fed is likely to soon start its tapering plan to reduce the $120 billion per month that they have been pumping into the economy to keep rates low to stimulate the economy, this will likely lead to the Feds raising interest rates in 2022. The Fed will raise rates to keep inflation in check. So, it won't be much of a surprise to see interest rates going up which will drive down the face value of bonds. We prefer to use bond alternatives for money that historically would be recommended to be in bonds.

In the growth category, you will also have liquidity as you can sell your investments to get money out of the market, however, you will not have safety in this category.

So, there you have it! A retire-ready recipe that includes three main ingredients: safety, liquidity and growth. This is how we customize a retire-ready plan.

I wish you and all your friends and family a wonderful Thanksgiving!

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