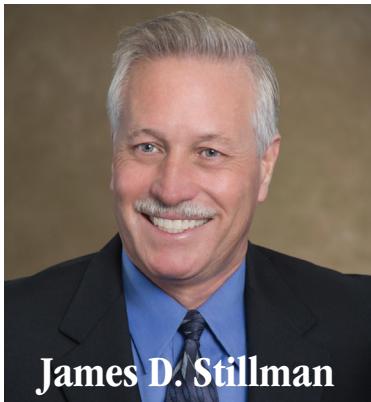


Between the Beacons

Charting Your Course to Retirement

The Changing World of Retirement Income Planning



James D. Stillman

Without question, the number one concern of retirees today is outliving their money. But what's really most important - outliving your money or outliving your income? With pensions becoming a thing of the past, Social Security getting shaky, increased stock market volatility, and longer life expectancies, old school ways of thinking when it comes to retirement planning could get you in trouble if you're not careful. In my opinion, **income planning is the key to retirement planning**.

Be sure to take a look at the sources of income you'll have in retirement and figure out if you'll have enough. If not, how can you close the gap? That's really the first step in any retirement plan. A few questions that need to be asked when assessing retirement income sources are: Is the income guaranteed for life? Does it allow for in-

flation? Are both spouses covered? Is it taxable? If it's stock market based, what will you do if the markets don't cooperate? Do you want "maybe" income or contractually guaranteed lifetime income?

I'm sure you've heard of the 4% Withdrawal Rule, also known as the "Prudent Man's Rule". Studies by prominent investment companies have generally concluded that in order to have a high level of confidence that your assets/income will last for 25 years or longer, you should draw down no more than 4% per year of your total savings. This assumes a 50/50 blend of stocks and bonds that they say should provide for growth and safety. The problem is that this rule was created in the 1990's when markets were strong and interest rates were considerably higher than now.

Over the years, both Fidelity Investments and Vanguard Group have suggested that a 4% annual withdrawal should be reasonable for retirees, but they do mention a few contingencies. T. Rowe Price recently completed a study based on the 4% Withdrawal Rule. They found that if you retired January 1st 2000, then you had an 89% chance your assets/income would last for 30 years. Unless a bear market happens, then the success rate dropped to only 6%! Yikes!

Here's the bottom line, old school retirement planning strategies are outdated, rely too heavily on mar-

kets, and may not work in the future. They require markets to "trend up" for them to work, and that's not a given. Do you want to go through retirement crossing your fingers that markets don't take a turn for the worse? There are many sources of retirement income such as pensions, social security, bonds, dividend paying stocks, REITS, rental income, annuities, etc. The trick is deciding what to use, when to use it, how to use it, and how much of your income are you willing to risk?

The two biggest mistakes retirees make is taking too much risk with too much money and not having a solid written retirement income plan that guarantees sufficient income for life. Our **Chart Your Course** retirement planning process will help address both of these issues, along with others that we feel are crucial to a successful retirement. With proper planning and the use of the right tools, a 5% - 7% income stream is achievable, and the income can be guaranteed regardless of market conditions. Special care is also given to protect your income against potential inflation, healthcare expenses, etc.

In my professional opinion, having reliable lifetime income is the key to a successful and happy retirement. Also, at some point capital preservation becomes more important than capital growth. Your age, risk tolerance, and income needs should drive your retirement

planning strategies. We see too many people talked into thinking that market-based growth is the means to all ends, but that simply isn't true.

At JDS, everything we do is designed to take the worry out of your retirement. If you'd like to set up a visit to discuss your retirement and get your own **Chart Your Course Retirement Plan**, then give us a call. Be sure to tune in to The **Safe Harbor Retirement Planning Show** every Saturday at 10am and Wednesday at 8am on WSIC radio AM 1400 or FM 100.7 where Kelly and I discuss financial planning topics of interest each week.

And remember: **The purpose of the money dictates where you put it!**

*Until Next Month,
James D. Stillman*

Chart Your Course to Retirement Seminars

Thursday November 9th at 6:30pm
At Jeffrey's
117 Trade Ct, Mooresville, NC 28117

Wednesday November 15th at 6:30pm
At Epic Chophouse
104 S Main St, Mooresville, NC 28115

REGISTRATION REQUIRED TO ATTEND
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James D. Stillman is a licensed insurance professional, Registered Financial Consultant, and Investment Advisor Representative. He is the founder and president of two companies: JDS Enterprizes, Inc. and JDS Wealth Management Corporation, a Registered Investment Advisory Firm.

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