THIRD WHEEL MEDIA

Financial Podcast Notes
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"IN THE NEWS"

In The News: 1st Q Earnings, An "Out of Whack" Economy & Being In Debt After 75

Former Fed Chairman Alan Greenspan thinks the US economy is "out of whack" and headed for a downturn. Do you agree? Meanwhile, major companies have reported great 1st quarter results. Does that refute Greenspan's comments and mean the market is headed for a good year? And having debt past age 75 is considered the new normal. How should you handle debt in your retirement years?

Headline #1: Many major companies reported strong earnings in the 1st quarter of the year. Is that a good sign for the market for the rest of the year?

Headline #2: Former Fed Chairman Alan Greenspan says the US economy is "out of whack" and likely headed for a downturn. Do you agree?

Headline #3: A recent USA Today article explains that carrying debt past the age of 75 is now the new normal. How do you advise people on handling debt heading into retirement and beyond?

MAILBAG SUGGESTIONS

Saul in ____________
I own my office building but have considered selling it when I retire. Would I be better off to keep it and collect rent from a new tenant, or sell it and invest the assets?

Marie in ____________
I have three whole life insurance policies that were sold to me back in the 90s. Is that too many? Should I drop one or two of them?

Hank in ____________
If my primary retirement concern is taxes down the road, does that mean all of my retirement savings should be going into Roth?

Daniel in _______
What is an appropriate guess for inflation when you're planning for retirement in the next two to three years? Does it matter if inflation is higher in early years of retirement compared to later years?

Brent in _______
My brother-in-law works in finance and I heard him telling some folks at a recent party that everything is overvalued right now and there's nothing worth investing in right now. What does he mean by overvalued and is that true?

Samantha in _______

My mother has accumulated about $4 million in savings. She's lived frugally her whole life and saved a lot of her own money, but also got a nice bump in savings after the passing of two different husbands. She's still spry enough to get out and enjoy some of that money, but she's so nervous about losing it or wasting it. Would meeting with a financial advisor help her feel a little bit better about enjoying herself? Can we do something to empower her?

TELL ME A STORY

Storytime: When It Was OK To Let Emotions Take The Wheel

We often warn against letting emotions drive your decision-making when it comes to financial and retirement planning. But there's always an exception to the rule and sometimes you just have to let your emotions take the wheel.

Tell us about a time when you decided that it was appropriate to rely on emotions to make a financial decision…

#1

Risky, But Popular, Investments

It's probably common sense when you think about human nature, but some of the riskiest investments are also the most popular. At least the risky ones generate a lot of interest, even if most folks don't end up actually making an investment. Let's look at some of these popular and risky investments.

(Note to advisor… Feel free to cover the pros and cons of each strategy. Do people ask you about these investments often? What do you tell them? Are any of them useful to your typical client?)

- **Cryptocurrencies**
- **Marijuana stocks**
- **Foreign currencies**
- **Metals (Gold, silver, etc…)**
- **Oil stocks**
- **IPOs (Initial Public Offerings)**
- **Options**

Concluding thoughts: How do you point clients in the right direction when they desire high returns, but are hesitant about the level of risk required to thrive in these investment environments?

#2

Getting Started: A Financial Plan's First Steps

For some folks, the idea of putting together a financial plan can be overwhelming. But it's less threatening if you just focus on a first step to get you started. But depending on your situation, your most logical first step could be one of several things…

1) Decide what you want retirement to look like.

This could be a conversation between spouses, or just some time thinking by yourself. Where do you want to travel? What will your hobbies be? Where will you live? There are plenty of people who have never really stopped to think about what they want retirement to look like. And it's hard to plan until you know what you're planning for.

2) Do a financial inventory.

How many accounts do you currently have? If you're like most people, you've accrued more accounts than you need and can probably consolidate a bit.

What investments do you have in those accounts? For some people, it's been years since they actually paid attention to what they're invested in.

How much are you currently saving? Should you be saving more? Should you be saving less and focusing more on debt payoff?

Get a clear understanding of what you have and what it's doing.

3) Develop an income plan.

If you already have a clear picture of what you want retirement to look like, you might be ready to start developing an income plan.

How much income are you going to need in retirement? How much will it need to increase to keep up with inflation? How will that income be affected by the death of a spouse? What investments will you use to generate income?

4) Determine how much help you need.

For some people, the first step should be determining what areas you need help in, and then seeking out that help. Some people need help primarily with taxes. Others need help mainly with estate planning. For others, investment guidance is the primary need.

Determine where you need the most help, then seek out the right professional(s) to guide you and get the process started.

#3

Things You Can't Control (And Things You Can)

In retirement planning, there are many things that are completely out of your control. Fortunately, the things that you can control allow you to deal with those things you can't.

1) You can't control what happens in the market, but you can control how much market risk you expose yourself to.

2) You can't control how long you live (for the most part), but you can control how much emphasis you put on creating lifetime income streams.

3) You can't control what tax rates will look like in the future, but you can control how much of your wealth you leave in places that will be taxed in the future.

4) You can't control what will happen with Social Security in the future, but you can control how heavily your income plan relies on Social Security.

#4

Making Bad Financial Assumptions

Be careful of making assumptions about certain areas of retirement planning before you really know the facts. Some of these assumptions could be correct, but they could just as likely be wrong…

1) A Roth IRA will save you money in the end. (Or maybe the opposite view that a traditional IRA will save you money). Why is this a risky assumption?

Do the math before making an assumption either way on this. For young people with their highest-earning years ahead, a Roth will almost always make the most sense. But if you're already in the middle of your highest-earning years, the answer isn't always as clear. Sometimes forgoing the tax break that comes with a traditional IRA contribution could be detrimental, but there are still cases where you'd be better off to take the tax hit now and contribute to a Roth instead.

Getting some good advice and accurate projections can make a big difference for you.

2) Delaying Social Security, if possible, will yield the most income over the long haul.

Maybe, maybe not. For some people, waiting is the wrong thing to do. Other people start taking it too early and then figure out a year or two later that they've made a mistake. Much of it depends on your life expectancy as well as other assets and income streams that you have.

Get some good advice and don't just rely on a friend's opinion or an online calculator that isn't customized to you.

3) Putting most of your money in bonds creates a safer portfolio.

Sometimes the interest rate risk involved with bonds can be just as volatile as the market risk associated with owning stocks.

4) Taking a lump sum is always the best approach.

If your employer is offering you a choice between a lump sum or a monthly pension, evaluate your options carefully. Often you'll find that taking the lump sum is better because it gives you much more freedom and flexibility to create a plan that's better customized to your situation. But sometimes the pension that you're being offered is good enough that it can't be beaten by anything that you could do with the lump sum.

Don't let a broker tell you that taking the lump sum is your best option without showing you why. His reasoning could simply be that taking the lump sum is the only way that he gets to manage the money.