Make Your Money Last

Jack Monteith, CFP®, CPA

Living a long life without the worry of running out of money.

This paper approaches the issue of living a successful retirement from a financial standpoint. Of course, living a healthy life and staying active is just as important, if not more important than the financial component. But my observations over the past 30 years of experience have taught me that without the peace of mind of financial security, no matter how healthy you are, the stress of worrying about running out of money before you run out of life can be devastating. This paper is focused on how to be financially independent without worrying about outliving your money. Most of the following advice applies to whatever stage of life you are in.

Spending too much too early.
You have just retired. You are financially free, no more going to work. You have a million dollars, or two million, or even more. Let's buy an expensive RV or beach home. Let's travel the world. The problem is all these things cost a lot of money, and in truth, one million, or even ten million dollars is not worth what it used to be. Planning and forecasting before you make early retirement decisions are critically important to living a long, financially successful life.

Entering retirement without your home paid off.
With current mortgage interest rates so low it seems logical to have a mortgage, but to many people owning a home free and clear provides peace of mind. It can be very comforting to know that no matter how bad the economy is, you still own your home free and clear. Financially you should think of your debt-free home as bonds, in your overall investment portfolio. This allows you to be slightly more aggressive with your other investments. And, as we will discuss later, your home can act as a financial safety net later in life.

Avoid credit cards and other consumer debt.

At the time of this writing, current credit card interest rates are averaging 16.21%. On a monthly credit card balance of $10,000, you would need to pay $135 per month in interest only. Rule of thumb: if you can't completely pay off your credit card each month then you should not have a card.

Both partners should be involved and understand their finances.

This is especially important upon the death of one of the spouses. Many years ago, a surviving spouse came to me inquiring about her deceased husband's pension. Long story short, the husband had elected monthly pension benefits based on his life, instead of a joint life with his spouse, so the benefits evaporated without her knowledge.

Possibly even more dangerous, if a surviving spouse has not been involved and doesn't understand their finances, they become easy prey to unscrupulous advisors. A fellow advisor shared the story of his client's mother who had recently lost her husband. Three weeks later she was wined and dined by a well-dressed gentleman who talked her into putting over $400,000 into a variable annuity. Shortly after that, the well-dressed salesman stopped coming around. On closer examination, it was discovered that the salesman was paid a 10% ($40,000) commission. This commission was paid by the widow.

Don't gage your financial success against neighbors and friends.

They may have big homes, new cars, and lots of toys, but all of those *things* could be encumbered by debt. Stay focused on your plan to financial independence.

Don't loan money to relatives and friends; unless your financial plan demonstrates you can have a healthy retirement without being paid back.

Don't be tempted by investment opportunities that seem too good to be true. Avoid 'get rich quick' pitches. Passive, global investing isn't sexy, and in the short term it may not be exciting, but it is evidence based and rewards those with patience and discipline.

Failure to plan for the three stages of retirement.

Stage 1. Early retirement – the first five to ten years. This period is the most active. Travel, maybe a vacation home, RVs, and home improvements generally occur during this stage. As a result, during this period of retirement your spending increases.

Stage 2. The slow down period – the next ten to fifteen years of retirement. Traveling and acquisition of *things* is mostly behind you. You are more comfortable with staying home and enjoying time with your adult children and grandchildren. This period sees a slowdown in overall spending. However, this is also the time of your life when you become more inclined to begin gifting to family members.

Stage 3. The final years of your life. Spending needs increase during this stage as you deal with health issues and the likely need for assisted living.

You don't want to reach this stage and have run out of money. It is critical to design a plan to travel through the first two stages of retirement and still have enough money for a successful stage 3. This requires initial planning and ongoing monitoring and adjustments to the plan.

Spending too little during the first stage of retirement.
We most often see this with people who have not planned for the three stages of retirement. They have put too much emphasis on stage 3 of retirement. The early stage of retirement may be the most enjoyable time of your life; don't forget to enjoy your success. Proper planning by an experienced advisor is useful to plan for traveling through the three stages of retirement.

Choosing the right advisor.

I suppose this is when most authors would make their pitch and explain why they're the only ones that can help you. Sure, we would appreciate you reaching out to us at Monteith Wealth, LLC, but not all readers will. So, just in case, let's explore how to find a good advisor.

What you should demand from a top tier Advisor:

a. He or she should have a legal fiduciary responsibility to put your interests above their own. They should offer to show you proof that they are held to this Fiduciary responsibility.
b. Stay away from any advisor that does not have at least 10 years of experience. At this stage of your life, you don't want them to be learning their trade at your expense.
c. What are their credentials? I recommend you work with an advisor who has earned the CERTIFIED FINANCIAL PLANNER™. The CFP® is one of the most trusted credentials an advisor can achieve. The CFP® professional has a fiduciary responsibility to put your needs and welfare above their own.
d. Are they also a CPA experienced in tax law and preparation? Or is one of their team members a CPA? Tax laws are complicated and investment decisions should not be made without clearly understanding the impact of taxes.
e. How do they get paid? Commissions on sales of products? Service fees, or both? We strongly recommend hiring an advisor that is compensated only by fees for service. These advisors are commonly referred to as *fee-only*. You don't want an advisor making investment decisions with the conflict of receiving a commission.

f. Does your advisor work alone or with a team? From my experience, you should expect a team at your disposal. A team that intimately knows and understands your unique situation. A team that you have quick and easy access to.
g. How many clients does the Advisor work with? From my long experience, I suggest that you choose an advisor that does not work with more than 150 clients. Any more than that and it is difficult to stay current with each of their clients.

You’ve spent much of your career saving for your retirement. Like most people you probably started saving modest amounts and as the years went buy you increased your contributions to your retirement savings. If you don’t already have a proven and trusted Advisor, it is extremely important that you work with one now. At this stage of your life, you cannot afford to make financial mistakes. I do not intend to cause alarm, but it is tragically common that people come to us for advice too late. There is indeed a point of no return.

Build your retirement plan.

Now it's time to build or modify your retirement plan. If you don't currently have a good Advisor to help you with this, interview several advisors to find one that is competent, experienced, and has your best interests in mind. A well-thought-out plan can help you to take the emotions out of investing. It will be built to withstand the good and bad stock market periods. A good advisor will hold you accountable for sticking with the plan.

We at Monteith Wealth, LLC have over 30 years of experience in helping clients achieve financial independence. Call or email us for a no-cost, no-pressure, discussion of your financial situation.

Call us at: 406-219-2504
Email us at: contact@monteithwealth.com