

5 Benefits All Retirees & Pre-Retirees Demand For Their Portfolio!

By Mark Charnet

Every retiree shares the fear of **market losses** resulting in “running out of money before running out of life”. He or she also worry’s about inflation eroding their purchasing power, especially if forced to live on a fixed income. Secondly, the fear of a **debilitating illness and the costs** of that illness draining their portfolio, ranks high on the list of forces of potential portfolio demise. Third, is the risk of a **liability lawsuit**, if involved in an accident, altercation or something as simple as a pedestrian slipping and falling while crossing your property and suing you for their injuries; even if they were crossing your property after robbing your house, believe it or not! Force number four is **the cost of Long-term care** and the responsibility of not being a burden to your spouse and family. Lastly is the cost of dying and **the taxes that death generates**, both at the state and federal level. This expense can be the greatest drain on a family’s bequest to their kids, but need not be if properly planned for.

So what are the **5 benefits** that virtually all retirees desire for their portfolio? The first is **guaranteed income** for the rest of their life and their spouses’ lifetime. Second, is **safety of principal**, guaranteed not to lose a penny, regardless of market conditions. Third is **liquidity**, the ability to immediately get their hands on large sums from their portfolio. Fourth are **tax-advantages**, the ability to keep more of what they earn and the requirement to pay less in income and capital gains taxes. Fifth would be **growth of principal**, to always have growth in the portfolio while simultaneously withdrawing the systematic income necessary to surpass the effects of inflationary erosion in purchasing power over time.

In my 28 years of experience in the financial services community, I have found it extremely rare to find a properly structured portfolio encompassing all 5 of these benefits simultaneously. If even one of these benefits is missed, results may be severely compromised causing financially fatal consequences.

Having “more month than money” causes stress and dependence on others. For most people, this is an unacceptable circumstance and is to be avoided at all costs. So, what’s the cost? The first is education and I’m happy to report that all American Prosperity Group representatives provide this required financial training with absolutely no cost or fee, free for the asking or by attending one of our educational workshop series. Protection from liability risk, health care costs, potential devastating long-term care expenses and dealing with the confiscatory nature of our government at death, can all be accomplished with a properly structured insurance protection program paid for by a percentage of the portfolio’s annual return, not to exceed 2%, in most cases about half of that. To combat the risk that market losses can have on the income that the portfolio generates, a properly structured portfolio has the equity (another word for stock) allocation protected by an insurance company guarantee, which varies by company and product. Though these optional benefits come with annual fees, it is this author’s opinion that the benefits and protection provided are a requirement, where the benefits outweigh the costs by a wide margin.

With recent stock market volatility and reduction in the major stock market indexes of 45% in 2008 into the first quarter of 2009, retirees can hardly afford to “self insure” in fear of stock and bond market losses, exacerbated by withdrawals necessary to survive, having the potential to exhaust one’s portfolio years before death occurs.

Complacency is no longer an option when it comes to retirement, estate and portfolio protection planning. The time to take action is now! Remember the 6 P's; **PRIOR PLANNING PREVENTS POOR PERFORMANCE – PERIOD!** If you agree with the premise of this column and don't have all of the answers, don't be a spectator! Get involved with the responsibility of your portfolio management. If your current Broker or Advisor is not speaking the language of the second paragraph of this article outlining the 5 benefits that every retiree desires for their portfolio, perhaps it's time for a new advisor! (*You might want to read that paragraph again.*)

It still amazes me that there are no courses in High School covering portfolio management, probably because those that qualify to teach these courses are not qualified to teach in the High School only because they lack the required teaching certificate or degree. This catch 22 situation perpetuates ignorance and worse, financial illiteracy. If through happenstance or good fortune, one has accumulated a sizeable portfolio, where was the education available to learn the methods of portfolio withdrawal without harm and to preserve, protect and perpetuate the accumulated wealth to the next generation? These are the responsibilities of wealth accumulation, wealth management and inter-generational wealth transfer; each a course unto themselves. Because of the society in which we were born and live, it is the responsibility of each of us to learn the rules of the "money game" BEFORE it's too late. Need help? Your resource can be a phone call or email away and there is never a charge or fee for a consultation. Your move....

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