MAGELLAN FINANCIAL

RADIO 4

Topics

Top Gun Top Performer

Economic Reports this week (what do they mean in our hometown?)

Even Bengen (inventor 4% rule) not so sure today

In these Tumultuous times, are you hearing from your advisor (and is it helping?)

Study: Americans aren't' saving NEARLY enough for retirement!!

https://www.thinkadvisor.com/2022/05/24/heres-how-much-money-americans-think-theyll-need-to-retire/

Top Movie, Top Gun Soars

The theater industry may be in for a comeback after Paramount's (NASDAQ:PARA) Top Gun: Maverick brought in $156M at the North American box office to notch the best Memorial Day weekend of all-time.

"The performance of Top Gun: Maverick is a stunning reminder that when you combine one of the last genuine movie stars with great old fashioned storytelling, audiences of all ages will rush out to the theater to be a part of the communal bigger than life movie going experience."

Taxes, Roth conversion

Today's Economic Calendar

9:00 S&P CoreLogic Case-Shiller Home Price Index
9:00 FHFA House Price Index
9:45 Chicago PMI
10:00 Consumer Confidence
10:30 Dallas Fed Manufacturing Survey
3:00 PM Farm Prices

Even inventor Bill Bengen is revisiting the 4% rule — is it still the key to making money last in retirement?

In 1994, financial adviser Bill Bengen published a paper stating that retirees should plan to withdraw 4% of their assets every year, increasing or decreasing that distribution annually based on inflation.

Bengen had studied several decades worth of statistics on retirement and stock and bond returns, asking himself if retirement portfolios from the time he studied could theoretically last up to 50 years.

He found that the answer was generally yes, if retirees withdrew no more than 4% of their assets per year. And in any case they could reasonably expect their funds to last 30 years.

Where the rule stands nearly 30 years later

For two decades, the 4% rule served as the rule of thumb for financial planners and retirees in determining their withdrawal rate.

Part of what made the rule so popular is it was straightforward to understand and follow. And for those who worried about running out of money during retirement, adhering to a rule provided some assurance and peace of mind.

However, the major problem with this rule is that it is unrealistically rigid for most people.

Moshe Arye Milevsky, a finance professor at York University's Schulich School of Business in Toronto, Canada, explained his distaste for the rule in a presentation for the Financial Planning Association of Canada in the fall of 2021.

Milevsky argues that not only does its success require strictly following the principle every year, it doesn't take into account any lifestyle or market changes outside of inflation.

A better strategy, Milevsky says, would respond to multiple variables, like a retiree's age, where the retirement income is saved or invested and personal goals for retirement.

Also, the strategy is based on the market's past performance, which isn't a predictor of future performance.

Even Bengen himself has been compelled to revisit the rule in the last three decades to update it.

That's because his original research only included two asset classes: Treasury bonds and large-cap stocks.

In an interview with Barron's in 2021, he said he believes the original 4% rule will continue to hold up unless we reach "a severe inflationary environment."

What is your Advisor saying to you right now…or is it quiet?

The most important thing now is "explaining to clients what's going on, high-level, high-frequency communications," and telling them that the way they think about safe assets should be different,

The Fed has some explaining to do.

Observing the Federal Reserve's inflation decisions over the past year has been "a little bit like seeing a car crash in slow motion," El-Erian said. "I'm seeing a policy mistake gather momentum and hopefully that's going to stop."

The Fed needs to explain its delays in addressing inflation, he said.

The Fed grossly mis-characterized inflation last year by describing it as "transitory," a term that Fed Chairman Jerome Powell retired in late November, El-Erian said.

Unlike the European Central Bank, "they haven't as yet told us why their inflation forecasts were so wrong and importantly what have they done to improve their view of inflation," he said.

What You Need to Know

- Fifty-six percent of respondents expect to have saved less than $500,000, including 36% who forecast less than $250,000 in savings.
- Of participants 60 to 67 and nearing retirement, 54% reported that they will have less than $250,000 saved.
- Results of a recent survey released Tuesday by Schroders show that participants think that on average, it will take $1.1 million to retire comfortably, but only 24% expect to reach the million-dollar mark in retirement savings.
- The numbers for near-retirees have only grown worse over the past year. In the 2021 survey, 26% said they had enough money to retire; this year, 22% said that.

Investments

i. Perspectives
   a. Most clients that have an advisor RELY on how he or she sees the world
   b. Bet you ENTIRE life's work on their point of view?

ii. Tax classes
   a. Pre tax- IRA, 401k, tsp..etc
   b. ROTH – tax free
   c. After tax, non qualified funds

iii. Investment strategies
   a. Switching from passive money management to tactical (slide)