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FINANCIAL MANAGEMENT



Three Simple Words For Retirement Success...

Recently I've been conversing with individuals who are faced with the dilemma of being of retirement age but unable to retire – either because they failed to save enough for retirement, or because they lost a lot of their retirement savings to market downswings, or both.

My most recent conversation was with someone who had been saving for retirement with an IRA and a Roth IRA. Like many, he experienced huge losses during the market crash of 9/11 and moved his money from the stock market to Cash. He got back into stocks when the market began to rise again in 2004-2005. Then, in 2008, he again fell victim to the market crisis and experienced a big decline in his portfolio.

After being beaten and battered by the markets over the past 10 years, he gave up on stocks and moved all his IRA and Roth IRA money into “variable annuities” that offer a guaranteed income in the future, on his accountant’s suggestion.

While I can understand his distaste for the markets, I do believe that with a little knowledge or with a good advisor, he could have prevented this terrible outcome.

[What should he have done?](#)

First let me say, having seen many such crises (and their aftermath) over my 30 years as an advisor – the Dow losing 500 points in a single day when it was at 2,200, the Savings & Loan crisis and deep recessions in 1991, post 9/11, 2008, and so on - I am speaking more from experience than from hindsight.

In every single crisis, investors that held through the crisis came out better than those that panicked, cashed out and stayed out.

Selling may have seemed like the right thing to do at the time, particularly if you thought you could exit early and avoid a bigger downturn. Even if you had avoided the downturn, you had another, much harder decision to make...when to get back into the market.

At such an uncertain time, when so many were crowing about the “end of the world”, could you be sure that the market wouldn’t keep declining if you put your money back in? Would you have the gnawing feeling that as soon as you got in, stocks would start plunging once again?

Fatigue, fear or fake-out – whatever the reason, most people held too much cash in 2009-2011 and missed out on an awfully big upswing.

Invest the “Right” Money

So what’s the lesson? First, stop trading the market and thinking you know where the market’s headed. The market always does what you least expect.

Second, instead of plowing all your wealth in, only invest money that’s “right” for the market. This is:

1. Money you don’t need for groceries or rent.
2. Money you won’t need for emergencies.
3. Money you will only need much later in life – such as for retirement or a young child’s education, etc.

Grow Your Own Snowball

Investing your wealth for retirement is like building a giant snowball over a lifetime. Keep rolling it along, wherever life takes you – through jobs, marriage, children, layoffs, new jobs – don’t stop rolling, and it will get bigger. Make it live alongside you - accumulating to give you peace of mind and to throw-off income in your retirement years. Beyond that don’t fuss too much over it either. Tend to it adequately, not overly. Keep it free from debris, and it should grow nicely.

As for my friend’s accountant-recommended “guaranteed” annuity investments. Did he or the accountant read the 181-page prospectus? I doubt it, and why is the prospectus 181 pages anyway? This brings me to

Lesson 3: Always carefully read the fine print and don’t invest unless you understand it.

Remember... there is no free lunch, so know what you own!