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## July 2019 Newsletter

Happy
**INDEPENDENCE DAY**

SELECT CLUB

Our success comes from referrals from our valued clients. Please consider sharing us with your family and friends.

Becoming a *Select Club Member* is as easy as providing a referral that results in a client meeting. The first referral initiates your membership and each additional referral in 2019 that results in a client meeting will be an entry into the *Select Club* quarterly drawing.

# Financial Independence, Retire Early? Not So Fast.

By George Papadopoulos Published: January 6, 2019 | Wall Street Journal

The FIRE movement--financial independence, retire early--has become the rage, with many bloggers tirelessly writing posts and selling books promoting the idea that you can spend more years in retirement than working. A recent Wall Street Journal piece titled “The New Retirement Plan: Save Almost Everything, Spend Virtually Nothing” has generated almost 1,000 comments.

Let’s face it, the lure of quitting your 9-to-5 job to retire early and be financially independent is popular because it’s attractive, even seductive.

What’s more, the main themes of FIRE are certainly welcome: Live below your means, save more, be less materialistic. Most of what people with good money habits do so one day they can have the freedom to do what we want--in other words, retire.

But is FIRE all it’s cracked up to be? Is it even possible for most people? I don’t think so.

For one thing, it appears that many of those touting the movement might have quit their 9 to 5, but they didn’t stop working. They’ve started online businesses espousing the benefits of FIRE, and are working more hours than ever before.

Most people, though, aren’t cut out to pursue financial independence by building a robust online business. It requires unique skills and, let’s face it, you’re not really retired. You’ve simply moved from working “for the man” to working for yourself, which really means signing up for increased working hours, a healthy dose of daily stress and high personal costs.

Then there are those people who aren’t starting a business. They just want to retire young and live off their savings for a lifetime. Can they do it? I have strong doubts.

A big problem is that it’s near impossible to know how much money you need for retirement as there are numerous uncertainties involved in retirement planning. I tell clients that I can produce the best retirement plan for them if they could just tell me the exact date they die, the exact investment returns of their portfolio every year, and, of course, we have to assume that life won’t throw a surprise or two their way in the years ahead.

That isn't the only concern I have about FIRE. I'm also not too fond of is taking the saving part to extreme levels. Living frugally in substandard housing, eating brown bananas or sharing Netflix passwords might help fund an earlier retirement. But it comes with a cost: Your life won't be all that enjoyable for quite a few years. What's more, doing it for 10 years won't result in enough savings to sustain 30-40 years of retirement bliss.

Certainly, if you have multimillions of dollars invested in the stock market, you might live off dividend income. But relying on stock-market appreciation to pay your utility bills and other retirement-living expenses is risky. One down year could result in many years to recover your initial investment. The S&P 500-stock index lost 37% of its value in 2008, for example. If you had a $1,000,000 in an index fund, you would have ended the year with a loss of $370,000. And even though the market saw positive returns each following year, it was not until 2012, when the S&P 500 gained 16%, that you would finally recouped your $1,000,000.

If your plan was to withdraw $50,000 at the beginning of the year to live on, it would have taken you until 2014 to get back to your original $1,000,000 investment, and that's in large part because the S&P 500 saw a banner year in 2013 when it gained 32.4%.

Nobody can consistently time the market and there will be years of negative growth. If your retirement nest egg is exposed to a number of bad years and you're regularly reducing your initial investment for living expenses, you could run into trouble fairly quickly. This is especially true if a sustained bear market occurs right when you begin your retirement. Therefore, it is always a good idea to keep building a cushion to account for such an eventuality.

And then there's the cost of health care. Leave your 9 to 5 and you'll need to purchase private health insurance each year until you're eligible for Medicare at age 65. In 2014, the average monthly premium for individual health-care insurance coverage was $271 per month for individual coverage. Just four years later, the average cost climbed to $440.

Health-care costs are projected to accelerate over the next decade as Americans age and medical prices rise. The Center for Medicare and Medicaid Services (CMS) estimates that health-care spending will increase by 5.5% each year between 2019 to 2026.

Add the uncertainty with Obamacare and its important (for some it is life saving) pre-existing conditions coverage and whether that will be part of the picture in the years ahead. I believe you will see fewer people retiring, and that many who are retired will go back to work for a company offering group health-insurance benefits if Obamacare is overturned.

For most people, monthly expenses don't decline in their retirement years. While commuting and eating out costs may go down, those budget-line items are typically replaced by other expenses. In retirement with more time on their hands, many people engage in hobbies and activities that cost money. A sound retirement plan ensures your assets can sustain potential growth in spending over your lifetime.

Retiring early is as much a personal decision as it is a financial decision. And once you do achieve the financial security, it's wise to be sure you won't need to re-enter the job market. Technology moves so fast that re-entering the work force at the level where you left your career will be near impossible. Since you forfeited the career momentum you had in your peak earning years, you're probably looking at a lengthy job search and less pay if you can find a decent position.

Maybe the best approach is to find something you love doing, keep healthy and never retire. It seems to be working out well for Warren Buffett and Charlie Munger.

## Grilled Chicken and Mango Skewers

***Ingredients***

*3 medium ears sweet corn*
*1 tablespoon butter*
*1/3 cup plus 3 tablespoons sliced green onions, divided*
*1 pound boneless skinless chicken breasts, cut into 1-inch cubes*
*1/2 teaspoon salt*
*1/4 teaspoon pepper*
*1 medium mango, peeled and cut into 1-inch cubes*
*1 tablespoon extra virgin olive oil*
*Lime wedges, optional*

***Directions***

1. Cut corn from cobs. In a large skillet, heat butter over medium-high heat; saute cut corn until crisp-tender, about 5 minutes. Stir in 1/3 cup green onions. Keep warm.
2. Toss chicken with salt and pepper. Alternately thread chicken and mango onto 4 metal or soaked wooden skewers. Brush with oil.
3. Grill, covered, over medium heat or broil 4 in. from heat until chicken is no longer pink, 10-12 minutes, turning occasionally. Serve with corn mixture; sprinkle with remaining green onions. If desired, serve with lime wedges.

### Quote of the Month:

*"We will not be remembered by our words, but by our kind deeds".*