Jessica Lotito

From: Gabor Nagy
Sent: Friday, September 22, 2017 9:14 AM
To: Gabor Nagy
Subject: Just because you have a plan, doesn't mean it's going to work (September Client Newsletter)
Attachments: 09-2017 Newsletter.pdf

This is a phrase I have uttered to countless clients, friends, etc. over my professional life. The first question you have to ask is: Is the plan based on inductive or deductive reasoning? Meaning, are you focused on the right input or are you focused on the output (i.e. trying to predict the future given different sets of variables)? If you're doing the latter, your odds of success are greatly reduced. But be warned, if you're doing the former, but your input is not sufficient or is not properly allocated across your model, success will be dependent more on luck than good planning! We have developed a Rulebook for our clients that maximize the odds of success for their financial life. These Rules are based on inductive reasoning. Rule #2 is "Save at least 15% gross earned income each year". That's fuel in the gas tank.

When planning for retirement, everyone's focus is on the withdrawal rate. How much income can you withdraw from your portfolio, IRA, etc. when you're no longer working? In today's environment, the recommended safe withdrawal rate is between 2-4%. But the focus of retirement planning should first be on the savings rate leading up to retirement. This was articulated in the preface to a 2011 white paper by Wade Pfau, PhD., a Tokyo professor with a doctorate in economics from Princeton. He concluded that a savings rate of 16.62% over a 30 year period was the minimum percentage that could be expected to deliver satisfactory results over every 30-year accumulation period. If you want to increase odds of success, increase your rate of savings.

The first step to financial success is good savings habits. But the next question is where should it go? The remaining Rules pertain to how that fuel should be allocated between the Protection, Savings, and Growth components. Our objective is to create plans that work under all circumstances, not just when things go smoothly. And when you reach retirement and look to draw income from your model, proper allocation of financial vehicles usurps asset allocation. This is where our expertise lies. In real life stress tests (i.e. the tech bubble of 2000, the financial crisis of 2008, pre-mature death, job loss, etc.), our planning held up where others fell apart. The proof is in the pudding as they say.

Speaking of inputs, I saw my doctor earlier this month and the conversation was focused on what we put into our bodies. The first step to good health is good eating habits. Simple stuff, everybody knows this. But do we really do it? Even if we think we're eating healthy, what we're consuming may not be as good for us as we thought/were told. Here's a website that he directed me to use as a resource. I've already made some changes to my diet (as I'm sipping my green tea right now!) and I'm feeling great. I hope you find some things in here that are useful to you.

www.nutritionfacts.org

Enjoy this beautiful fall weather and don't hesitate to reach out even just to say hello!

Best Regards,

Gabor

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