HINDSIGHT
FINANCIAL

10 THINGS

I Wish You Knew

Before Retirement

1. If you are not saving at least 15% of your income for the majority of your working years, it is very unlikely your savings will replace sufficient income in retirement. As bankruptcy filings by people aged 65 and older are increasing, many are finding they need to work harder in retirement than in their working years to make ends meet.

2. Uninterrupted compound growth is the 8th wonder of the world and the key to long term sustainable wealth. Those who understand it, earn it. Those who don't, pay it. The financial system depends on you getting this wrong.

3. A typical retirement portfolio consisting of stocks, bonds, and cash can only sustain approximately 3% annual withdrawals; otherwise, there is an unacceptable risk of running out of money before running out of retirement. This means a $1M portfolio is needed to generate approximately $30,000 of gross income. This income puts you at the poverty line.

4. Deferring taxes until retirement means all of my taxes are now due in retirement — where I can least afford to pay them. My success will now be largely dependent upon who will be in office and how much of my wealth the government decides to take through taxation.

5. Traditional financial planning strategies create many unexpected consequences, benefitting the financial institutions and the government more than anyone has ever explained to you.

6. Retirees can not rely on average rates of return to plan their income. It is the sequence of portfolio returns that determine the outcome. We are not in control of this sequence, and even the best money managers fail to outperform the market consistently.

7. Most retirees will forfeit as much as 20% of their Social Security award to social security taxation. This is a second tax on the same dollar — remember you paid for your Social Security with after-tax dollars - and can add up to $300,000 in lost retirement income.

8. Paying off my home was a bad financial decision that has handcuffed much of my wealth to the bank. They are in control of the equity. It is their equity — not mine.

9. When it comes to money and financial plans, complicated is usually a bad thing. Consumers get dazzled by complicated strategies. Retirees rightfully prefer simple.

10. Never kill the forward momentum of your money's growth! OPM (other people's money) is critical to wealth building and retirement spending.

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