

CHAPTER  
**1**

**What? Me? Retire?**

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**W**ho needs a book on retirement investing?

Maybe you're younger—early in your career. To you, retirement investing is something you do *when* you're retired. Or close to it. Too boring to think about now. Too far away to bother. (Wrong.)

Maybe you're in retirement now or close to it. And you already have a plan. Can't be bothered. But are you sure your plan is sufficient? What's more, are you sure your plan is in fact a plan—and not just a collection of tactics?

Either way, however old you are or however far along in your career, the time to think about a retirement investing plan is *now*. This book isn't just for retirees or soon-to-be retirees but **anyone who plans to retire ever**—whether that's next week or in three decades.

## **The Imagined Dichotomy**

Many investors and even some professionals distinguish between *financial* planning and *retirement* planning—like they're two distinct phases, or the two are, inherently, radically different.

But in my view, this imagined dichotomy is wrong—this idea that you should invest one way for a period of years and then you need a whole separate set of rules upon hitting some milestone.

## Plan Your Prosperity

For most investors, whether you're 22, 52, or 82, financial planning *is* retirement planning *is* financial planning. Whether you're saving your first dollar or your four millionth (good for you!), you should consider the ultimate long-term purpose for your money, which, for many investors, is to provide for them (and their spouse) in retirement and/or leave something behind for the loved ones, a beloved cause, etc.

But maybe not! Maybe this doesn't apply to you. You don't need to think about the ultimate purpose for your money now. Maybe you're heir to a billion-dollar fortune. Your future is amply covered, you don't want to think about it, you bought this book only to level your kitchen table, and your entire purpose in life is to fritter. Fine! But for most everyone else, if you're holding this book, however old you are, you should be thinking, now, about your future prosperity.

### Two Goals ... and Some Non-Goals

I have two primary and very specific goals with this book—and some specific goals this book is *not* aimed at.

First, I hope to help you stop thinking about investing in a spliced-up way—that you should invest for a number of years one way, and then one day, a buzzer goes off signaling it's time to think about retirement. No! Instead, from the first time you fund an IRA or otherwise set money aside, I hope to get you thinking not just about retirement but about investing for your whole life. And if you haven't been thinking that way all along, there's no time like the present to change.

Sure, there can be nearer-term goals beyond retirement. You're young and newly married and want to save for a new home. Or you want to save to upgrade to a bigger home. Or you're saving for your kid's college or *your* college or a boat or whatever floats that boat. However, these should all be seen and felt as near-term sidesteps on what's otherwise a lifelong pursuit.

## **What? Me? Retire?**

So I want you, right now, to stop thinking about *investing* and *retirement investing* and start thinking about investing for the entirety of your life. I want you to think about making plans now that increase the odds you achieve your goals, whatever they may be. (Heck, at this point, you may not even be able to easily and clearly express what those goals are! Or know what's feasible. This book will help there, too.)

By the same token, if you start thinking, now and always, about the long future ahead (instead of chopped-up phases), that doesn't mean nothing ever changes about how you invest as you near retirement. It might! But not just because on Tuesday, you woke up, went to work, went to a good party in your honor—and on Wednesday, you were *retired*. And now there are new rules because you're *retirement investing*. No—this is selling yourself short and potentially exposing you to investing errors that may unwittingly increase a key risk to you long term.

Maybe, as part of your longer-term thinking, you will need to make a change, whether big or small, at some later point. Maybe multiple changes. But your circumstances and goals should determine when that change (or those changes) is (or are) made, not just a circled date on the calendar.

An investing shift—big or small—might be justified ... but perhaps 7 or 10 years *before* you retire. Or 5 years after. Or 12 years after. Or ... or ... or ... or ... But you won't know that if you think the primary driving factor is your retirement party, not your goals and the effort to increase the likelihood you reach them.

### **Benchmark for Better Results**

My second goal is helping you choose a proper benchmark. If you get nothing else out of this book, I hope you understand what a benchmark is, how important it is, and what goes into choosing a proper one.

## Plan Your Prosperity

Maybe right now you don't even know what a benchmark is. That's fine—we cover that much more in Chapter 3 and beyond. But for now, think of your benchmark as an essential investing lifeline. It's a road map, showing your planned route—and how to take detours when necessary. It lets you know how you're doing—if you're going too slow or even too fast or getting lost in the weeds or utterly turned around. It can help you stay disciplined (an incredibly important yet often overlooked facet of successful investing). Overall, the benchmark, picked properly, can increase the odds you achieve your long-term goals.

The first operative word is *properly*.

Far too many investors invest without a benchmark at all—never mind a proper one. They effectively stick their thumbs in the air, hitchhiking along with whatever tactics suit their fancy at a point in time. What's worse, they may not even realize they're doing that! They may assume they've got a rock-solid plan that makes good and smart sense—but if you don't have a benchmark (and if you don't know what a benchmark is, then you don't have one), the odds increase you may be meandering. And meandering is a bad path to prosperity.

It can happen! You can stumble into a portfolio that can provide the kind of life you need down the road through luck (sometimes known as *dumb luck*—and in effect, the same thing). But if given the choice between dumb luck and smart planning, my guess is most folks would opt for the smart planning.

And the benchmark being proper *for you* is key. If your goal is to drive from New York City to San Francisco, a map of Düsseldorf won't help much. A map of the US Eastern Seaboard is better but still falls short. You need a map that consistently shows the way and highlights the “do not go” areas. A good benchmark can do that.

Second operative words: *increase the odds*.

I say that (or some variation) throughout the book—the aim is to increase the odds you reach your goals. Note I didn't (and won't) say, “The aim is to definitively get you

## What? Me? Retire?

to your goal—I promise.” Why? This is a book on investing. Investing in anything requires some risk—which type (there are myriad) and how much depend on your unique goals and circumstances.

Plus, no one can guarantee you anything. US Treasuries are guaranteed in the sense they’re backed by the full faith and credit of the US government, and so long as the US government doesn’t go belly up, you *will* get your principal back, plus interest. (And no, I’m not one of those who thinks the US is teetering on a precipice. You need a different sort of book for that.) But you *can still lose money* investing in Treasuries if you don’t hold them to maturity. (Never mind inflation’s effect—which we cover later.)

No one can guarantee you reach your goals. Not even you can. First, investing involves the risk of loss. Can’t escape it. You could bury cash in your backyard and avoid all *volatility* risk—but you’re still fully exposed to *inflation* risk. This means having to earn and save a lot more, and/or downgrading your future cash needs and/or not minding your purchasing power being eroded over time. (More in Chapter 4.)

That’s the investing side, but there is also tremendous room for your brain to go haywire. If you have wildly unrealistic goals (e.g., “I want my money to double every year!” or “I want market-like returns but don’t want to ever experience downside!”), that can decrease the odds you reach them. If you have a great plan and a sound strategy and a proper benchmark but not the fortitude to stay disciplined over the long haul, that also decreases your odds.

Your aim should be taking steps to identify goals, picking a benchmark and a plan and then doing what’s necessary to stick to it. And my aim is to help you. That’s how we *increase the odds*.

Again, this should be a deliberate undertaking, whether you go it alone or with a professional. Not only is it critical you pick a proper benchmark, but you must also understand the risk and return characteristics of that specific benchmark. You must understand them so you can be prepared (mentally

## Plan Your Prosperity

and emotionally) to accept the shorter-term volatility of your benchmark. (And yes, unless investing in cash, all benchmarks will experience shorter-term volatility.) And no matter how prepared you are, shorter-term downside volatility can sometimes be difficult to experience. But the value of a benchmark is it can aid you in remaining disciplined (as discussed further in Chapter 3). What's more, this is where a good professional can add value as well—in helping you remain disciplined to your strategy when the going gets tough.

### ***The Non-Goals***

Full disclosure, right up front: This book won't make a benchmark recommendation or an asset allocation recommendation or provide a specific investing plan. You may think, "Then why the heck buy and read this book if it's not giving me a concrete plan?"

Because no book can do that. No Internet article can do that. They may try! But in my view, what they're giving are cookie-cutter plans or lists of rules of thumb (which are often partially or wholly wrong).

Fact is, I don't know you. I can't hope to know you via this format.

Instead, my aim is to *help you help yourself* pick a benchmark that's the foundation for a plan that's right for you. Or if you choose to work with a professional, give you a framework for improving the dialogue you have with him/her/them.

This book also isn't meant to supplant professional advice or serve as a shortcut to retirement planning. There *are* no shortcuts. No doubt, many readers hope such a book exists. In my view, it doesn't. Rather, my goal is to share some general principles and concepts I believe can help you (or you and your chosen professional) better shape your long-term investing plan. No book ever written (nor any group of books together) is the silver bullet to investing success. I say that with confidence,

## What? Me? Retire?

having written nine books and read hundreds more, at least. And whether you set up your plan on your own or with a professional, that process should be careful and deliberate.

Also, this book isn't on the nitty-gritty of portfolio management—how to pick securities and which ones and when. To cover that would require vastly more pages. Plus, that's generally what my other books are about. Read this one first, and when you're ready, read *The Only Three Questions That Still Count* (my 2007 book, updated in 2012). But you can't start deciding what to buy and sell and when and why if you don't have your road map—your benchmark.

## Definitions and a Pencil

There are other aspects of financial/retirement planning this book won't address. If you're confused about what those aspects are, the official definition of *financial planning* is ... well ... there isn't one.

*Financial planning* can be a catchall for a wide array of financial services. To call yourself a “financial planner” may not require any testing or specific certification—depending on what you do or sell.

Yes, there *is* certification for financial planners who choose it—like the “certified financial planner” (CFP). And there are professional financial planning organizations. And if you want to be a financial planner *and* sell mutual funds or insurance, you must adhere to certification and testing standards for those specific product categories.

Yet there's no official definition for what a *financial plan* is. A financial plan may include things like a budget or maybe some long-range projections based on a variety of assumptions. Or a financial plan might address insurance and estate planning needs. Or there could be some investment advice included. Or not! Or a planner might also be an accountant (whether certified or not) and do taxes. Or ... or ... or ...

## Plan Your Prosperity

The murkiness doesn't mean financial planning services are *bad*. My firm offers them to clients. Depending on your personal situation, getting advice on insurance analysis, estate planning, tax strategy, Social Security and Medicare usage, and other decisions could be beneficial.

That said, the financial plan is often a way for practitioners to get a foot in the door and sell something (or somethings) else that pays a commission—like a mutual fund, insurance, annuity, or tax services. Because being a commission-based or fee-based salesperson is often more lucrative than being a fee-based planner getting paid to do one plan, once, for a household—simply because such a strategy requires a relatively nonstop influx of new customers, which can be tough to keep up long term. Not that there aren't plenty of fee-based planners making a fine living doing just that. My firm doesn't offer any commission-based products, but it's up to others how they want to run their businesses.

But in general, when folks talk about financial planning, the major buckets included are investing, saving and budgeting, and insurance and estate planning.

There are plenty of excellent books on how to budget and save, and I don't have anything else to say on this you can't get from them. Nothing wrong with budgeting! And nothing wrong with those books. *Everyone* should have a budget. Many people don't budget, and many of them do just fine. (They'd probably do better with a budget, though.) But this book isn't meant to hector you into making your own coffee instead of spending \$7 at a fancy coffee shop.

As for insurance, I can say it's normal for young people to be under-insured (not good) and older people to be over-insured (also not good)—though that's not universally true. Remember, too, insurance is just that—protection against some form of loss. You pay for it based on the insurance firm's opinion of the risk associated with that loss and how likely it is. Insurance *is not* investment. The goals for your insurance and investments often are and (at times) *should be* at odds.

## What? Me? Retire?

For example, if you're a younger person with many earning years ahead of you, it may make sense to buy life insurance—as cheap as you can get it. Particularly if you have children. (Term life insurance can be very cheap and easy to get.) If you die tragically at age 40, aside from emotional devastation for your family, that can have long-term financially devastating effects, too. And not just if you're the primary wage earner! If you or your spouse is a full- or part-time stay-at-home parent, don't underestimate the value of that service—or the cost to replace it.

With insurance, you necessarily want to think, “What happens if I get hit by a bus next week? Next year? In five years? In 10?” With your investments, you may be thinking, “What if I live to be 90? Am I doing the right thing to ensure my money doesn't run out before then?” Those two things are diametrically opposed and have very different implications.

And you most certainly want to have a will—particularly if you have children. You can now find cheap estate planning resources online, or you can find someone who specializes just in estate planning (and/or insurance).

Estate planning might make you think of the dreaded estate tax, although this doesn't trigger until you reach estates of about \$13.6 million in 2024. Even beyond this, though, Uncle Sam hovers over many aspects of financial planning. Which type of retirement account or accounts you open 401 (k), Roth IRA, Standard IRA, and beyond carries tax implications affecting the likelihood you reach your financial goals. It is the same for how you time and sequence withdrawals from these accounts. Appendix E includes a high-level view of various withdrawal strategies, but permutations abound depending on personal circumstances. A tax professional can offer more tailor-made advice than this book can.

Budgeting, insurance, tax planning, estate planning—these are all important considerations. But this book focuses almost exclusively on the investing aspect.

## Plan Your Prosperity

Why? I'm an investor—have been my entire adult life. It's my specialty and that of the firm I founded. It's what I wrote about in my monthly *Forbes* columns from 1984 through 2016, making me the longest-tenured columnist in the magazine's history. It's what I continue to write about today in regular columns published in more than two dozen countries across five continents. And it's the subject of 11 books I've written. This is my wheelhouse. Though insurance is important, I'm not sure you want to hear what I have to say about buying it. For that, you want an insurance expert. Ditto for estate planning.

In the same way, if you need heart surgery, you see a cardiac specialist. If you have diabetes, you go to an endocrinologist. If you get cancer, you see an oncologist. Specialization is so common in the medical field now, no one thinks much about it—but that same concept is often less highly regarded elsewhere. Physicians (like many capitalists) seem to have grasped the concept if you specialize in everything, you often do nothing truly well.

And yet, it wasn't always that way. The medical field is as old as humanity, but the idea doctors should specialize is relatively new. My grandfather, Arthur L. Fisher, graduated in 1900 in the fourth graduating class from Johns Hopkins Medical—a real pioneer at an institution that defined medical innovation then and now. He did post-graduate work in Europe and specialized in orthopedics at a time specialties didn't really exist. Johns Hopkins was on the forefront of that, too—its founder and subsequent caretakers understood the power of depth of understanding.

Make no mistake: There's nothing wrong with an internist or a general practitioner. They can help with diagnosing and send you in the right direction—or at least recommend a next step. But you want the specialist to actually operate on you when an operation is called for. (And the internist doesn't want to operate either—not their thing.) And you shop around for the one you think is best for you (as much as you're able—let's not get into a discourse on the state of US

## **What? Me? Retire?**

health care). You probably don't have the GP down the block operate on your brain tumor, just because they're conveniently located.

Specialization of labor is a hallmark of capitalism and the lifeblood of global trade. It's what has allowed for rapid innovation of life-extending and life-improving goods and services. You can't have a smartphone or smart TV, a car, a home, or an ice cream cone without specialization of labor. You can't have ibuprofen or a vaccine. Heck, you probably can't get your taxes done or take a college course. You can't go online and read email. You wouldn't be reading this book!

If you've not read Leonard E. Read's short essay "I, Pencil," find it online and read it. You've probably not thought much about pencils since you were in grade school. And you may have never thought about why a pencil exemplifies the myriad benefits of free-market capitalism. But if you tried to make a pencil from scratch, the massive societal benefits of specialization of labor and profit motive would become abundantly clear almost instantaneously.

That is why I, as a longtime professional investor, founder, and Executive Chairman of a firm that manages hundreds of billions of dollars for other people and large institutions, am writing on just the investing part of retirement planning. It is my specialty and that of my firm. You want specialists for things this important.

## **Start Immediately. Now. Right Away**

This is (or should be) beyond obvious, but the sooner you start saving and investing, the more money you likely have down the road.

You've probably heard that endlessly, but my sense is many folks don't get, in their bones, the power of compounding interest.

## Plan Your Prosperity

Here's the magic demonstrated. If you're 25 now and plan on retiring at 65 and do *nothing* but max out your IRA contribution each year (\$7,000 as of 2024, or \$8,000 if you're 50 or older) and just match equities' long-term annualized return of 10%, at age 65 you'd have more than \$3.4 million. That's without a 401(k) or any additional savings. And that's assuming the IRS won't increase the IRA contribution level ever again (which it probably will).

We go into this more in Chapter 7, but the more you save early, the more you juice the power of compounding interest. Save just an additional \$2,000 a year, and you end up with nearly a million more. Max out your 401(k)—currently \$23,000—and you could wind up with far more ... over \$11 million ... before even considering employer matching contributions. It's not a paltry amount for a 25-year-old just starting out, but it's not a ridiculous amount. *Particularly* since the entire contribution for that 25-year-old may be pre-tax, lowering their tax liability and did I mention the \$11 million? Or you could contribute to a Roth 401(k). That isn't pre-tax, but the withdrawals and growth are tax-free. \$11 million tax-free will certainly help fund retirement goals.

That's serious money. Now, it relies on historical long-run returns repeating. That isn't assured, but so long as the profit motive drives businesses to invest and innovate, the chances equities get something like the historic long-term average annual return over the 40 years ahead are pretty good.

If you're young and can't save much now, start smaller, but commit to increasing the amount saved when you get raises. The sooner you start, the sooner you get the compound-interest snowball rolling.

## Plan Your Prosperity

Why is this book *Plan Your Prosperity* and not *Plan for Prosperity*? First, creating a retirement investing plan is very personal.

## What? Me? Retire?

Magazine surveys and static rules of thumb aren't sufficient, in my view. Your benchmark (and, therefore, strategy) should be personal to you and driven by your circumstances and goals.

Second, like beauty, prosperity is in the eye of the beholder. What's prosperity to you may not be to someone else. This isn't about getting over some arbitrary line in the sand or my drawing one for you. This is about determining what you want to achieve, checking to see if it's reasonable, and then doing what you can to increase the odds you get there. That's *your* prosperity.

It might mean saving \$500,000 for retirement, \$1 million, \$7 million, or \$73.546 million. Whatever your view of prosperity, you need a plan.

You also need realistic expectations. If you earn \$80,000 a year and spend \$79,000, you likely won't get to \$73.546 million. It's important to understand that now—so you can adjust your budget or get a higher-paying job or prepare your spouse for relatively reduced living standards. Also, pie-in-the-sky expectations can hurt you much worse if you end up deceived by a financial Ponzi con artist. (More on that in Chapter 5.)

To get you to your plan for prosperity, the book walks you through how to think about some key issues. The final chapter consolidates the high points for easy reference later. A word of caution: You could skip to the end and read just the high points, but in my view, it's critical to understand what's driving a good plan and why. Otherwise, it's too easy to go astray.

Make no mistake, creating a sound retirement investment strategy requires some serious homework. To start, it requires a good, hard, honest assessment of where you are and where you want to go. Often, folks don't like being that brutally honest with themselves about money. Thinking about how much money you need 10, 20, or 37 years from now isn't as enticing as thinking about a hot stock you want to buy today—or a hot car! But if you want to get to your prosperity, it's critical.

## **Plan Your Prosperity**

Then, too, creating the plan won't be nearly as hard for most people as sticking to it. Investing—no matter what you invest in—can be difficult because our unruly brains often lead us astray (in ways and for reasons covered more later in the book). All the more reason to do the work now to create a long-term plan—to counteract your baser instincts, which often are terrible investing guides. So here we go.