Volatility Buffer

The fastest way to erode an investment portfolio in retirement is to sell assets in a down year. The most common mistake in retirement is to pull money out of an investment portfolio at a rate of return, before knowing the actual rate of return.

THE FINANCIAL INDUSTRY CONSISTS OF 2 SUPERPOWERS?

1. Banks & Wire houses (Rate of Return)

2. Insurance Companies & Actuarial Science (Mortality Risk & Pooling)

RETIREMENT PLANNING:

There are 2 rates that make up everyone's Retirement Income.

- Accumulation Rate
- Distibution Rate

Understanding how retirement income streams work (distribution) defines how to pack your bag in Pre-Retirement. Begin with the end in mind.

If you were going to climb a mountain, would you get a guide? What if the guide said to you that they were pretty sure you would get to the top of the mountain, but they weren't sure how you would get back down? Would you use that guide or find a different one?

WHAT IS A VOLATILITY BUFFER?

A non-correlated asset that a retiree may spend in retirement in the years following a negative return in the stock market to support their retirement lifestyle.

TYPES OF BUFFER ASSETS:

1. Line of credit on reverse mortgage

2. Cash value whole life, current assumption life, or indexed universal life insurance

3. Cash

HOW DOES A BUFFER PRESERVE WEALTH?

Bear markets are short-lived. The average length is 289 days (9.6 months). Half of the S&P's best days occurred during a bear market. Having a buffer asset gives retirees the confidence to never have to sell equity assets in a down market year.

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