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Chapter One of: *The Holistic Retirement Planning Revolution* *by Lane Martinsen*

Financial Advice A La Carte

"Houston, we have a problem." These were the famous words of astronaut James Lovell, captain of the Apollo 13 space mission in 1970. The astronauts on board were about to join the elite few who had the privilege of landing and walking on the surface of the moon. Two days into their lunar landing journey their dreams were dashed, and the mission was aborted after the unexpected explosion of one of the oxygen tanks. The damage caused by the blast resulted in a loss of power and cabin heat. The situation turned dire and life-threatening as carbon dioxide levels started to rise.

The mission was not accomplished, and the dream was not realized, because of unexpected problems. The astronauts' very survival was in question and it appeared that they did not have enough power to return to earth. They managed to conserve the remaining power and control the carbon dioxide levels with some makeshift repairs and after seven days in space they miraculously made it safely through the earth's atmosphere and splashed down in the southern part of the Pacific Ocean.

A variety of potential problems can arise and disrupt any long journey. In the case of Apollo 13 the problems started long before launch day. A flawed design of the oxygen tank's thermostat fan caused an arc between wires that caused combustion in one of the pressurized tanks and resulted in the devastating midflight explosion. With the knowledge gained and lessons learned from this perilous voyage, the engineers and rocket scientists made the necessary improvements and preparations for future lunar missions. Apollo 14 launched in 1971 and successfully landed on the moon as did other manned and unmanned space missions. You will face many potential problems during your retirement journey that could deplete your financial resources prematurely. Quality planning and preparation can make a tremendous difference in protecting and increasing your retirement income and assets. Before your retirement launch day, be sure your income plan is optimized and achieving "gamma." Gamma is the word used to describe the increase in spendable retirement income. Gamma is achieved through comprehensive holistic retirement planning. Retirement planning in the 21st century comes with new, and even revolutionary, challenges as well as new and revolutionary opportunities in our rapidly changing world.

Retirement is a Modern-Day Concept

Retirement income planning is a relatively new and distinct field within the financial services industry. The idea of retirement is really a modern-day concept. For most of human history our life expectancy has been less than 50 years of age. In 1900, the United States average life expectancy was only 49 years, and by 1935 the life expectancy had increased to 62 years. The leading causes of death in the past were infectious diseases, such as pneumonia, flu, and tuberculosis. Advancements in modern medicine have been truly remarkable since 1923 when Alexander Fleming discovered the world's first antibiotic. We are living much longer nowadays, and since about 1970 our time in retirement has grown substantially. This added longevity has put greater demand on our financial resources with increasing heath care costs and many other financial needs throughout our extended senior years. At the same time, the financial services industry in general has experienced explosive growth. As a result, there is more financial complexity than there was even a generation ago.

When it comes to retirement income planning, in the 1980s and 1990s much of the financial advice that was considered "good advice," if given today, would be considered far less than good and even harmful because so much has changed. The problem is, many financial advisors and financial companies are still giving the same outdated advice. They are stuck in the past and have not stayed current with the changing times. That may sound like a bold over-statement but keep reading and I will demonstrate how true it is.

Uncorrelated Financial Planning is the Norm

Holistic financial planning is something most people have never experienced. The financial advice you have typically received is given in an à la carte fashion. For example, at work you may have a 401k, 403b, TSP or a similar type of employer-sponsored retirement contribution plan. The advice and information you may have received was specific to the amount you should contribute and the options available to you within the plan, but the many other financial aspects of your life are assumed to be separate and unrelated issues.

When you purchased a house and obtained a mortgage you received financial advice specific to that one transaction. The realtor or loan officer at the bank probably wasn't thinking much about other "unrelated" financial matters that you have or will have in the future; it's simply beyond the scope of what they do. When you file your taxes each year you may have received some professional advice from a CPA or other tax professionals but again, the advice is generally limited to the task at hand, which is that year's tax return. When you purchased auto insurance, or life insurance, financed or leased a car, those were separate transactions and you probably received some advice specific to those events or transactions only.

Uncorrelated and limited financial advice is the norm. YOU are the only connecting link and YOU are the one who must make sure all the financial pieces in your life fit together for your good. We might get by with à la carte financial advice during our working years, but when it comes to retirement income planning, it is a much bigger task. Many parts will make up the whole. Uncorrelated financial advice results in financial inefficiencies and will cost you more than you may realize. Holistic planning can help you leverage unrealized opportunity.

We are experiencing a retirement income planning revolution. The word "revolution" is defined as a fundamental or complete change. The problem is, the majority of us are not aware of the details of what is happening, including many financial advisors who are doing things fundamentally the same way they have been done for decades.

The Purpose of this Book

In this book I will demonstrate that tremendous financial value can be obtained with intelligent, holistic financial planning. The difference between a typical plan versus a comprehensive holistic plan will translate into more retirement income, long-term portfolio sustainability, and the peace of mind that will come as a result.

As a holistic financial planning practitioner, I can tell you that when the many separate financial elements of your life are holistically coordinated and optimized, financial synergy happens.

Synergy and Advisor Gamma

Within the financial planning industry "Advisor Gamma" is the relatively new term used to describe the synergy that results from holistic planning. The key concept is based on the fact that "the whole is greater than the sum of its parts." More about Advisor Gamma later in the book but, for a conceptual example, when manufacturing a product with four workers, if each person can individually produce five units per hour, you get twenty units per hour in total; but when working together they can create efficiencies, and leverage their individual strengths, together they can produce thirty units per hour. This is synergy. The individuals working together produce more than they could on their own. In a retirement planning context this synergy is referred to as gamma.

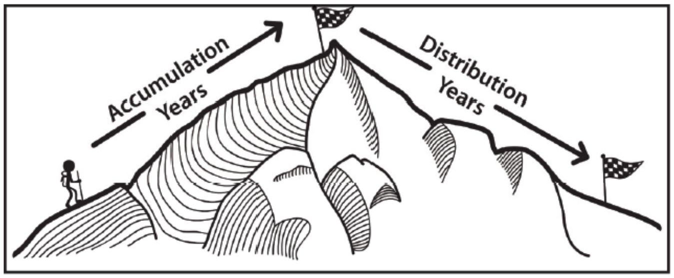
You have many separate elements that make up your whole financial situation. When we can holistically coordinate the various parts into one comprehensive plan, financial synergy happens, which translates into increased wealth, reduced risk, and more cumulative retirement income. Every situation is unique, but the benefits of a good plan can make a life-changing difference.

Two Sides of Your Financial Mountain

A good retirement plan should help you meet your financial needs for the rest of your life. **The greatest fear of those heading into retirement, or already in retirement, is the fear of running out of money before they run out of life.**

During the 40 to 45 years of our working careers we save, invest, and contribute to our retirement accounts with the goal of eventually having our money work for us instead of us working for our money.

From my experience, people often see retirement as "the goal" to achieve. However, as they approach retirement, they realize the real goal is to be able to "stay retired." Your career is like hiking up a large mountain in an attempt to reach the top, which is the retirement goal. But as you get near the top you look down and realize you have a long and dangerous journey to make down the other side of the mountain. To ensure a comfortable retirement you need to make sure you can get all the way down safely. Will your assets carry you all the way down or will they run out early and leave you stranded midway?



Two sides of your financial mountain: Accumulation side (working and saving years), and the Distribution side (living in retirement).

Will your nest egg sustain you and your spouse (if married) up to 30 to 35 years of retirement? What might go wrong during three decades of retirement and how can you best prepare for the journey?

How Much can you Safely Spend in Retirement?

Pre-retirees approaching retirement ask many of the same questions. How much is too much to spend? Will I run out of money midway through retirement? What are the risks that could cause me to deplete my nest egg prematurely? What is the best order of withdrawal? What types of accounts should I use? How much risk should I assume? What is the best Social Security strategy? What is the best way to manage debt or a mortgage? What about healthcare costs? What about Required Minimum Distributions (RMDs), and what about the taxes that have been "deferred" or postponed until retirement? The answer to each of these questions is "it depends." It depends upon your needs, desires, resources, and many other factors that we will explore in the coming chapters. To find your specific answers requires comprehensive planning.

As people approach retirement, many come to the conclusion that the financial advisor who may have helped them get to the top of the mountain is not the advisor best qualified to help them map out a comprehensive plan to get them all the way down the other side.

The financial services industry is vast and complex and full of a wide variety of financial service professionals and companies each with their own strengths, weaknesses, and areas of focus. When you have a problem with your foot it would be wise to consult with a Podiatrist. Although a Podiatrist is a skilled medical doctor, he or she is not the best choice if you have a heart condition. Likewise, if you need surgery on your foot, a Cardiologist is not well qualified for that job. Just as there are many specialties and areas of focus within the medical profession, there are areas of specialization within every profession, including the financial services industry. However, these specializations and qualifications are not as easy to identify.

Most financial advisors spend their time helping people on the accumulation side of the mountain. In contrast, a relatively small number of financial advisors are true holistic retirement planners. Making good investments and accumulating enough assets during your career is crucial, and there is great value in using a good financial advisor to help you reach your retirement goal. However, how you plan to use those assets and turn them into streams of tax efficient income is a complex financial planning matter and best accomplished with a specialist in retirement income planning.

In retirement, you still have to deal with many of the same life challenges. Additionally, you have many new challenges and risks that you did not have to deal with during the accumulation years. These include the daunting tax implications of tax deferred retirement accounts, RMDs, sequence risk, longevity risk, increasing health care costs, Social Security taxation, withdrawal sequence, inflation risk, and many others.

Mike and Linda were within one year of retiring. Mike an engineer and Linda a teacher, both had been contributing to their company retirement plans. Mike had a 401k and an IRA and Linda had a 403b plan and a small pension. They had accumulated a nice retirement nest egg but still had about $160,000 remaining on their mortgage. The first time I met with them they said, “We think we have done fairly well with saving for retirement, but we are nervous about the idea of actually withdrawing money for income.” They were hoping to travel and really wanted to purchase a lakeside cabin if possible. They were unsure of what the future tax burden would be. They were confused about Social Security claiming strategies and the best way to manage their investments going forward. When it came to planning for their retirement income (decumulation) for the next 30 years, they realized there were many questions they were unsure about.

Beware of Outdated Financial Advice

Many of the long-time rules-of-thumb are no longer accurate in our rapidly changing world. However, conventional wisdom steeped in outdated financial advice is still overwhelmingly common. When planning your journey down the other side of the mountain, you want to make sure you adequately address each of the potential risks. You can’t afford to make mistakes. In chapter 11 we give you ten specific insights to help you find the right kind of financial planner to help map out a holistic retirement plan. The following chapters will identify modern-day problems and modern-day solutions within our rapidly changing world that every pre-retiree should understand. Each chapter builds upon the previous chapter. To get the most out of this book, it is recommended to read each chapter in the normal sequence.

A Good Plan Makes a Big Difference

Before an airplane takes flight, a comprehensive written flight plan with all the details is required. The flight plan includes fuel requirements to get from point A to point B. It also includes contingency plans and identifies the locations of every airport between the starting point and the desired destination. The flight plan provides the pilot with information about the aircraft, the number of passengers, the maintenance schedule, and reports. The pilot will not take off before he or she has assessed the weather and wind conditions. Nor will the pilot take off until air traffic control gives authorization and runway clearance.

At any given moment in time there are about one million people in flight around the globe. This vast number has been referred to as the "city in the sky." The complex logistics and planning required to support a million airborne people is impressive to say the least. What's even more impressive is the incredible safety record of commercial air travel. The statistical odds of dying in a commercial flight is around 1 in 11,000,000. In 2017, we had one of the best years ever recorded without a single commercial flight fatality. When you consider the enormous number of miles traveled over the course of a year, it is a truly remarkable accomplishment. In contrast, the odds of dying in an automobile crash are about 1 in 5,000. The number of fatalities every year is in the tens of thousands, in the United States alone. It's not a true apples-to-apples comparison but my point is that good planning makes a big difference. The odds of success are substantially improved. This is especially true with retirement planning. A holistic and comprehensive retirement plan will greatly increase the likelihood of retirement success.

Uncorrelated Planning Results in Financial Inefficiencies

Before we start our descent down the other side of the mountain it is critically important that we identify potential risks that we may face during our retirement journey. What could possibly go wrong over the next 30-plus years that could disrupt our plan and deplete our retirement nest egg prematurely? Continuing with the mountain analogy, what if we get bit by a poisonous snake along the way, or what if we encounter an intense lighting storm and strong gusts of wind? How will we manage to keep warm and avoid frostbite during a cold winter? Heading out for a long backpacking excursion in the wilderness can be extremely dangerous if ill prepared. On the other hand, a well-thought-out plan with all the necessary preparations and provisions can make the experience safe, enjoyable, and fun.

Losing Money Unknowingly and Unnecessarily is Common

The typical couple or individual will have many inherent inefficiencies within their financial life. Financial inefficiencies come at a cost and will compound over time and result in additional lost opportunity costs. For example, if you lose a dollar unnecessarily to taxes, you lose more than a dollar – you also lose the future dollars that the dollar could have earned for you. Many people are losing and will continue to lose money in various ways, unknowingly and unnecessarily. A good financial plan will identify the inefficiencies, the risks, and the weaknesses, and implement solutions that can make a true difference.

We don't know exactly how long the journey will last or how long we will each live, but we need to plan for as long as we and/or our spouse might live. If you anticipate a life expectancy of age 85 and have a financial plan that will cover you only up to that point you could run into some real problems if you live past that age. Imagine you end up living to 91 years of age instead. From a financial perspective, those last six years could end up being the most difficult of all for you and your family. Of course, everyone's situation is unique. A good retirement plan should generally anticipate a minimum of 30 years in retirement.

Because of the long-term nature of retirement planning and the many variables that we may encounter in the years to come, we must evaluate the landscape and attempt to see what's on the horizon as well as what might be just around the corner. We need to be forward-looking and do the best we can to identify the major risks and the potential threats that could deplete our retirement assets prematurely. When we have a good understanding of the major risks we might face, only then can we better prepare and establish safeguards and contingency plans.

Summary:

• Retirement is a modern-day concept.

• We face many risks in retirement that can deplete our assets prematurely.

• Gamma comes from holistic planning and results in more retirement income.

• There are two sides of your financial mountain: Accumulation and Decumulation

• Do you know how much you can safely spend in retirement?

• Beware of outdated or transactional financial advice.

• A good plan will make a big difference.

• Uncorrelated planning results in financial inefficiencies.

• Losing money unknowingly and unnecessarily is common.

• Great value can be added with comprehensive and holistic planning.

About the Author

Lane G. Martinsen is a financial planning practitioner, a Certified Financial Fiduciary®, an Investment Advisor Representative (IAR), an Insurance and Annuity professional, and a Retirement Income Certified Professional (RICP®).

Lane is the Founder and President of Martinsen Wealth Management, LLC serving clients nationwide and with offices in Arizona and California. Lane is a member of the Ed Slott Elite IRA Advisor Group and a member of the MDRT Top of the Table.

Free Consultation

At Martinsen Wealth Management, LLC, we provide comprehensive and holistic retirement income planning for our clients. Our aim is to preserve and grow our client assets by reducing market risk, and tax exposure. To optimize and coordinate all sources of retirement income for a more confident and sustained retirement.

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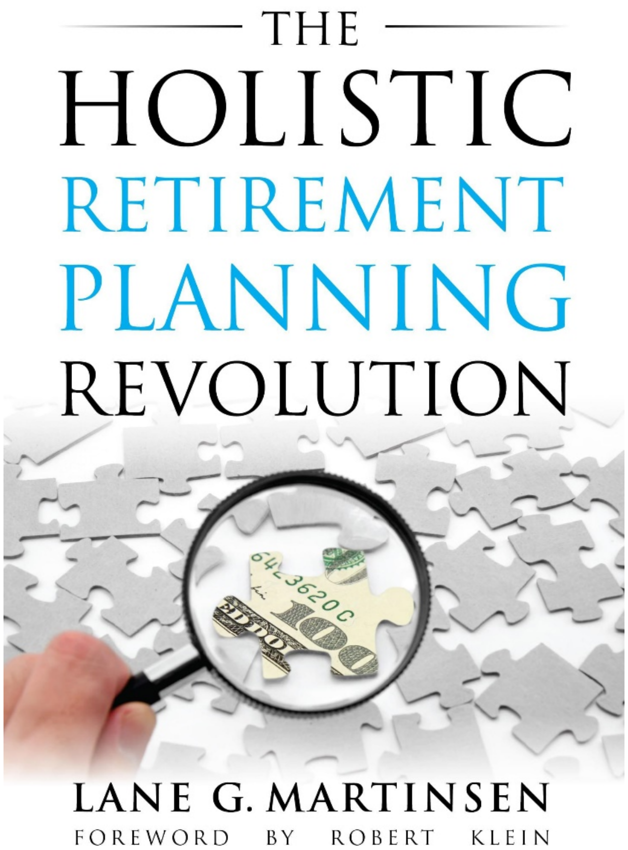

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Book Endorsement from Ed Slott:

Today, as we are living longer, retirement planning is all about income - because savings can run out! This is the number one fear I hear from retirees everywhere.

The plan in Lane's book is refreshingly different and more applicable to today's retirement realities. His book shows retirees how to generate lifelong income by making the most efficient use of your total financial picture, a/k/a Holistic Planning.

Your money can last as long as you do...and beyond. Consider this book a user's guide to a 21st century retirement plan.

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