

Financial FITNESS

The Retirement Roller Coaster

By Tom Rauchegger, Co-Founder of Cramer & Rauchegger, Inc.



My wife, Debbie, and I decided to take the kids to Disney's Magic Kingdom this past Spring Break. Cassie (6) and Vaughn (4) have no fear when it comes to rides. Vaughn, standing tall, just made the height cutoff for Big Thunder Mountain Railroad so we went to try it for the first time.

After we enjoyed the big drops, bumpy tracks and hairpin turns I started thinking about how similar retirement can be when

compared to the rides at Disney. Some retirees may seek the thrills and spills of the big hills while others choose a steady, smoother and more predictable ride.

If you look at the S&P 500 stock market index since 2000 the stock market has returned a total of 52% over 14 years and all of the gain has actually come over the past 2 years. That is an annualized return of less than 3.5%. It does not sound like enough when you had to endure the big drops of the S&P 500 from September 2000 through October 2002 (48% loss) and from October 2008 through March 2009 (57% loss).

If you could either ride the Monorail or Space Mountain throughout retirement, which one would you choose? We are told that the stock market always goes up over a long period of time and that may be true, but what is a long period of time? Thirty, 50 or 100 years? And more importantly how does this timeline and the potential volatility fit into your overall retirement income plan?

Many people retire in their mid to late sixties. That means that when you retire you may be permanently unemployed for more than 30 years. Most retirees draw interest from retirement savings in order to pay expenses and maintain their lifestyle. If the market is dropping and you are still drawing from your stock market savings, you may begin drawing both interest and principal to keep the same lifestyle - potentially jeopardizing your retirement.

The retiree seeking a smoother and steadier ride may want to consider establishing a growth and income plan built around both stock and non-stock market correlated assets. Allocating your savings in short, medium and long term investments will also mitigate the need to take money out of an asset or investment at the absolute worst time and help you avoid the big drops.

Most people have worked hard and saved diligently for over 40 years to travel, spend time with the grandkids, enjoy their passions, and maintain their lifestyle without worrying about the next turn. You want to stay on track to meet those goals so you can enjoy retirement. The wild ride might be fitting when you are young and still working, but the safe and secure ride suits the prudent retiree!

For more information on what type of retirement plan might best serve you please feel free to contact us at Cramer & Rauchegger. You can reach us by phone at 407-645-4433; e-mail at info@cramerandrauchegger.com or our company website at www.cramerandrauchegger.com.

Founded by Orlando natives Scott Cramer and Tom Rauchegger, Cramer and Rauchegger Inc. is an independent advisory firm that specializes in retirement management, estate planning and wealth management for high net worth clients who are close to or currently in retirement.

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