

# The Wealth Perspective

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## Inflation?

I have a 1980 Triumph TR8 automobile. Looking on the internet I was able to find a copy of a window sticker for a TR8 that was just like mine with the same options. Even back in 1980 the EPA had that average fuel consumption price calculation on the sticker. The price of gas was based on \$1.55 per gallon. Based on that and today's \$2.83 window sticker EPA price what happened to inflation? The US bureau of Labor and Statistics says that from 1980 until 2018 prices have risen 206%. Most people would not consider the price of gas a deal, but if gas had averaged inflation over the last 38 years it would be about \$4.65 per gallon. If gasoline went up \$2.00 per gallon the electorate would be so unhappy incumbents would be in trouble come election time. That kind of shock would most likely result in a recession.

Housing prices have changed too. In January of 1980 the average price of a house was \$72,400; in January of 2018 the average price of a house was \$277,800. If we use the government's inflation figure of a 206% increase the average price of a house today would be \$217,200. There is always a debate in my industry regarding how much money someone needs to retire. Pundits love to point out the ins and outs of inflation and how your money shrinks in value over time and how much money you can draw from your nest egg to maintain your life style until you die, etc., etc., etc. As you can see from above, inflation is not the same for everything. Traveling in an RV, considering the relative price of gas, is a deal. Buying that new retirement house, not a deal. Inflation affects people a lot differently depending on their circumstances.

I have customers who live on air and I have customers who pretend they are still working and spend their investment draw just like their old pay check. Neither of these is a happy medium.

## Andy's Retirement Tips

Having medical insurance and using Medicare is crucial. Nothing sinks financial plans more quickly than unforeseen medical expenses. Look at your family history and your own health. Be practical when deciding on health benefits.

Have your home paid for. I will never forget the time a 72 year old lady came to see me. She had a house in middle Georgia and a house in Gwinnett County, both not paid for. She needed a drastic reduction in expenses. Something had to go.

A nest egg and cash flow are two different things. Yes, there really is a thing called land poor. You can own a billion acres worth many millions, but that's not going to provide money each month to live. Pensions, Social Security, dividends, bank interest, insurance payouts, rental income, and stock investment draws are the typical ways people get retirement cash flow. Paying off your house can be a great way to provide instant positive cash flow.

Live within your means. You may not have to live on air, but you always need to be mindful of spending. Don't sell off some of your stock investments to buy a car unless the stock market has had a good year. Selling shares when the market is down costs a tremendous amount in future gains.

Have cash to support unforeseen expenses. Things never seem to break down at the right time. Keep some cash around so you don't have to sell shares at the wrong time.

Don't scrimp so your kids will get a bigger inheritance. If things are going good, pamper yourself with a special vacation. Buy yourself that bumper sticker that says "I am out spending my kid's inheritance".

Thanks,  
Andy McClung CFP™  
[www.census.gov/officialdatafoundation](http://www.census.gov/officialdatafoundation)

## 2018 Market Results

S&P 500	+9.0%
NASDAQ Composite	+16.5%
Dow Industrials	+7.0%
Russell 2000	+10.1%
Dow Global	+1.5%

Source the Wall Street Journal 09/28/18

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