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Finance Leaders Share The 5 Essentials for Smart Investing with Jeff Klauenberg

By: Jason Hartman - September 10, 2019

Asa part of my series about The 5 Essentials of Smart Investing, I had the pleasure of interviewing Jeff Klauenberg, MA, CIS, CFP®, founder of Klauenberg Retirement Solutions in Laurel, Maryland. Prior to becoming a financial planner, Jeff worked as a clinical psychologist developing treatment plans for children with academic and/or behavioral difficulties and for those who were developmentally disabled. In a career move, Jeff decided to combine his clinical background in analysis and goal planning with his interest and knowledge in investing and became a CERTIFIED FINANCIAL PLANNER™ practitioner and a Certified Income Specialist. His fee-based firm specializes in managing the retirement years and transitioning wealth to the next generation.

Jeff believes that securing one's retirement, particularly in uncertain and changing times, requires continuous oversight by an integrated team of professionals. That's why he established a team of CERTIFIED FINANCIAL PLANNER™ (CFP®) Professionals, a Certified Income Specialist (CIS), a Certified Retirement Counselor® (CRC®), and a Certified Public Accountant (CPA)/Personal Financial Specialist (PFS). Jeff and his team's personal service has earned them a reputation for excellence and award-winning service in the industry.

Jeff and his wife, Sue, have five children and six grandchildren. They have lived in Laurel for over 30 years and have been actively involved in school activities and volunteered as various commissioners with the Laurel Boy's and Girl's Club.

Thank you for doing this with us! Our readers would like to learn a bit more about you. Can you tell us the "backstory" about what brought you to the finance industry?

A cascade of events led to my becoming a CERTIFIED FINANCIAL PLANNER™ practitioner. My father died when I was in the Coast Guard stationed in Vietnam. A year later, my mother had a heart-attack and had to retire. I was able to leave active duty to help my mother out. Although she was financially OK, my father's Social Security was reduced due to his railroad pension, something we were not aware would happen. Mom's finances needed to be managed, we had to figure out retirement.

After moving home, I went to college and graduated with a master's in clinical psychology. After working for a couple of years, the clinic I was working for downsized due to a grant reduction. Due to this, and a few other factors, I found myself reevaluating my choice of profession.

Caring for my mother heightened my awareness of the need for good retirement planning, and I gravitated to that field. I joined a financial service agency and quickly obtained my life insurance and securities licenses. I then went to night school and received my CERTIFIED FINANCIAL PLANNER™ certification.

After 5 years, I broke away from the agency and started my own financial planning firm, Klauenberg Retirement Solutions, in 1983. Since then, I have progressively refined and grown my firm. Today my clients have a team working for them.

Can you share with our readers the most interesting or amusing story that occurred to you in your career so far? Can you share the lesson or take away you took out of that story?

In the year 2000, I was trying to develop strategies for what I thought was going to be a bad stock market, after a 40% return on our growth models in 1999. As the markets were dropping, I was sitting with a good client of mine, Jack, who I respected for his undiluted comments and advice. I had moved all my clients' retirement assets into cash for safety. This was a move that I had not done since the beginning of my portfolio management career in 1983. I told Jack that I was concerned about the drastic move and asked how he felt. He said very quickly and without much thought — typical for Jack — that he thought it was a good idea for my other clients, but he wasn't that worried. I asked him why he wasn't worried about his retirement savings. He said that he had the government's CSRS civil service pension which more than covered his expenses and needs. He said that he had no interest in losing money and appreciated that we had moved to safety, but that the account with us was for fun and games and for his children.

I checked with my other government CSRS clients and got similar answers. The lesson I learned is that when living expenses are covered by guaranteed income, retirements are more enjoyable and market gyrations are no more than a nuisance. From that moment, I wanted to help all the rest of my clients feel that same comfort and security about their retirements. This led me to develop a retirement income strategy based on the CSRS concept which separates my firm from many other firms.

The real test came in 2008 with the financial crisis and a market drop of over 50%. Our retired clients had a low level of concern because they knew their living expenses were covered by guaranteed income. Their concerns were further tempered by our defensive action with their portfolios.

Are you working on any exciting new projects now? How do you think that will help people?

We have been seeing a lot of misunderstanding and confusion with new clients about their Social Security benefits and Medicare. Did you know that poor planning can reduce the Social Security check that you receive by up to 60%? Neither does almost every new client that we talk to. I'm talking about clients that would have missed out on tens of thousands of dollars from Social Security and who would have paid hundreds of thousands more in taxes during retirement. This led me to develop an educational workshop to teach how Social Security and Medicare work and how to make your retirement income more tax efficient.

The new ideas I have learned while developing this workshop have changed our retirement income planning to also focus on tax efficiency as we create a guaranteed monthly distribution, just like a paycheck. Our individualized plans break each client's retirement into 5-year segments. Assets are set aside into each segment to provide the income needed for those 5 years. This allows us to find the most efficient investments for each segment with regard to risk, liquidity, and taxes. Think about it this way — you shouldn't be investing the money you plan to use in the next 5 years in the same way that you are investing money you won't need for more than 20 years.

Now our clients can easily visualize their retirement. They can plan their retirement goals and activities better based on 5-year periods. They are also very comfortable knowing that their first 5 years of income are guaranteed, and that their assets are growing for future 5-year guaranteed income periods.

Ok. Thanks for all that. Let's now jump to the main core of our interview. According to this report in Fortune, nearly two-thirds of Americans can't pass a basic test of financial literacy. In your opinion or experience what is the cause of these unfortunate numbers?

Breaking our population down into 3 overly simplified groups, low income, middle income and high income, I would say that there is a high percentage of each population who are financially illiterate. Some because "it is not their thing," others because they rely on someone else, like a spouse, and many others who were just not taught.

Unfortunately, financial literacy is not taught in most schools. There are online resources that teach financial literacy. The Financial Planning Association, of which I'm a member, has consumer outreach programs and collaborates with government agencies, public interest groups and the media on projects to educate consumers. However, something like planning for retirement is not something most people are going to research in their spare time. It is not urgent, and it is something people feel they can put off until tomorrow.

Throughout my years of practicing financial planning, I have noticed that interest in financial information arises only when someone must do something. For example, who cares about what mortgage interest rates are and what type of mortgage you should have if you are not buying a house? The same thing with Social Security. How important is it to know when to start your benefits when you are 30 years old?

Although it would be nice if everyone knew some financial basics, the truth is we can't know everything. We tend to

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focus on what is important to us at the time and that is usually our family, job and career.

If I have a pain in my stomach that is bothering me, I could go online and research it at WebMD. What I will most likely do is go to my doctor. The same holds true with plumbing and electrical problems. We call a professional.

The solution is twofold. First, it would be great to have a trustworthy, independent advisor available to go to when you have a big decision to make. If you are considering a credit card or a mortgage, it would help to have someone to ask, "is this appropriate for me?" Second, personal finance has to be taught in schools. Children need to be exposed to basic financial concepts.

If you had the power to make a change, what 3 things would you recommend to improve these numbers?

1) Easily available sources of information on specific financial topics that are written to be understood by all levels of education, understanding and abilities. A quick explanation that is easily understandable, and then a more in-depth description for those who want a deeper understanding. This could be done both in print with websites, pamphlets, etc. and in person with well-advertised public education forums.

2) Point of sale brochures explaining the financial concept. If you are getting a mortgage, you should be given "Learn about Mortgages" and "Buyer Beware" pamphlets to be read before you sign. Some financial products, like annuities, already do this. But it should be a much more widespread concept.

3) Personal finance should be taught at all grade levels in school. This could be integrated into the current curriculum or added as separate courses depending on age. For example, kindergarteners could learn to save in their piggy bank, while high schoolers might have a type of work-study program. This course could teach them to budget their earned income as well as other topics.

Ok, thank you! Now to the main question of our interview: You are a "finance insider." If you had to advise your adult child about 5 non intuitive essentials for smart investing what would you say?

1) It's not how much you invest, it's how often. Many people, particularly young people, feel that they don't have enough money to invest. They think that investing is for those with a lot of money. The truth is, it is not about the money, it is about the habit. Pay yourself first. The first step is figuring out how much you can afford to pay yourself by creating a goal budget. Make a general budget of what you think you are currently spending. Then, make a goal budget of what you want to limit your spending to in the future. Include a savings goal as part of your goal budget and fund it before any non-essential expenses have a chance to steal this money from your future self. If your employer offers a retirement plan, take advantage of it. If not, start your own IRA.

2) Most people don't realize how easy it is to do financial management. All you need is a computer, some upfront time to setup your program and a little attention on a monthly basis. We have a wealth management program that we link our clients and some of their adult children up to. By linking their financial accounts, banking, investments, 401k, and mortgage, their account balances are automatically kept up to date. If they link their checking account and credit cards, their spending will be kept up to date. Before they know it, they will have an up to date budget and financial overview. Now they can start making smart decisions about where they stand and what they can afford. Our program also has tutorials and an educational section to help clients learn about different financial topics.

3) When you get married, the smart move may be to do a small wedding and reception and instead put the money towards a new home. This will get you both off to a much better start.

4) Get help from a financial professional as early as you can. Many people think that they are not ready to talk with a professional, but the earlier you do, the better off you will be. If you are just starting out and do not have a lot of assets to invest, it can be difficult to find a professional that will be willing to work with you without making you pay a hefty fee. However, you may be able to get an in with a financial professional by piggy backing on your parents or someone else close to you.

5) A credit card helps to establish credit and provides more protection than a debit card. But they should only be used for short term convenience. Remember that a credit card is not a ticket to living beyond your means.

None of us are able to achieve success without some help along the way. Is there a particular person who you are grateful towards who helped get you to where you are?

I feel that my unique talent in this business is that I understand my clients and develop creative solutions to their needs. I attribute this ability to my parents and a graduate school professor.

Dad was a paymaster for the B&O railroad. But what he really was, was a creative builder. He could build or fix anything out of nothing. My parents rented a broken-down old clapboard house on the water for a little money and Dad turned it into a terrific vacation home.

Mom could read you like a book. She was perceptive and understanding. She knew what was going on with me within two minutes of my walking into the house. Mom was a good "listener."

I went to Loyola College in Baltimore for my master's in clinical psychology. A professor there, Dr. Helweg, made me his teaching assistant in his psychology class. He helped pull out my instincts and traits that I had learned from my parents and strengthened them. He would give me case studies and ask me "What do you see, who is this person, and what needs to be done?" He helped develop my analytical skills. It's interesting that this analytical skill also helps me analyze the stock market. After all, it is a function of human behavior.

Can you please give us your favorite "Life Lesson Quote?" Can you share how that was relevant to you in your life?

"Keep facing forward putting one foot in front of the other. This is the only way to go through life's ups and downs and move from one steppingstone to the next. Ever onward!"

I, like many people, have been through a lot of ups and downs. As I look back to how I got to where I am today, both personally and professionally, I can say that I would never have expected to have achieved or even had the chance to do many of the things I have done.

When there was something I wanted to accomplish, I figured out how to do it and I never let a setback or failure stop me. I learned very early that life is full of failures, but they are only steppingstones to the next success. If you don't experience failure, you are not trying hard enough and will never succeed. Dream, and then go after it!

You are a person of great influence. If you could inspire a movement that would bring the most amount of good to the greatest amount of people, what would that be? You never know what your idea can trigger.

Education is very important to me. I have never stopped studying and learning. I have a learning disability — dyslexia. When I was in elementary and junior high school in the 50's and 60's, the school did not know anything about dyslexia and therefore what the problem was. I was very smart, but a poor student.

I left the counseling field because the government and society did not see the importance of helping young people and wanted to reduce the pay scale while increasing the workload for the counselor.

I have always felt that the focus should be on children. If you start a child off with all of the right resources and support, they will grow up to be healthy and productive adults. Our school systems, from early childhood on, need to be our top priority and fully funded.

Thank you for the interview. We wish you continued success!

For over thirty years, Jeff Klauenberg, CFP®, has focused on finding solutions to retirement problems. Klauenberg Retirement Solutions has continually aimed to be on the cutting edge of financial and retirement planning with comprehensive knowledge to develop solutions for their clients' retirement and estate planning needs.

To contact Jeff, call 301-317-0401 or visit www.klauenbergretirementsolutions.com