

# the Business Ledger

The Business Newspaper for Suburban Chicago

Jan. 9, 2006

www.thebusinessledger.com

630-571-8911

## Various factors could derail retirement plans

By Gary R. Menconi, CFP®, president,  
Menconi Wealth Management Group at  
United Community Bank

According to a recent study conducted by Kelton Research, the overwhelming majority of Americans—95 percent—have financial concerns when it comes to retirement. Forty-two percent expressed fears relating to retirement income: either they will have to downgrade their lifestyle in retirement or, worse, run out of money prematurely.

Boomers need to recognize that they are transitioning from the asset accumulation phase to the distribution phase of their lives. It is here, in the “positioning and distribution” phase, that I see many mistakes.

Many retirees don’t understand the unexpected risks that could derail their retirement:

- First, falsely assuming your assets will last as long as you do. Average life expectancy assumptions can be dangerous. There is a 50 percent chance that for a 65-year-old couple at least one spouse will reach age 95.

conservative with your investments could cause you to run out of money prematurely. On the other hand, since you no longer have the opportunity to earn money back, you can’t afford to be too aggressive either.

Because you’re retired, does that mean you should no longer invest in stocks? Bonds are considered safer, but interest rates are low so yields are down. How best do you protect against the risk of rising rates and the negative impact on bond values? You have to be prepared to double your income over a typical 30-year retirement period just to maintain your lifestyle. When you’re retired, you have to get both growth and income from your retirement assets.

When I work with young clients, I explain to them the power of compounding and understanding compound average annual returns. I tell them they need to have a long-term investment perspective. Well, guess what, if you’re going to spend 30-plus years in retirement, you still need to have a long term investment perspective. Most prudent investment principles still apply in retirement: diversification, proper asset allocation, even tax deferral.

If you’re retired, why aren’t you drawing out more retirement income than you are? The answer is probably because you fear that drawing too much income will cause you to run out of money. In my experience people commonly express this concern. But what they don’t fully express is what might be their second biggest fear: the fear of spending too much will keep them from spending as much as they could.

What is different about retirement as opposed to being young is avoiding mistakes, because you don’t have as much time to recover. An area where I see not only investors but so-called financial experts making plenty of mistakes is concerning their IRAs and other retirement plans. The biggest and most costly blunders are failed rollovers, ROTH conversion confusion, putting company stock in an IRA, taking out too little and thus not maximizing low tax rates, losing out on the stretch (inherited IRAs), naming the wrong beneficiary or none at all, leaving your IRA to a trust and overlooking the estate tax break.

Navigating your way through the mine field of investment risks and tax laws can be treacherous; you’d better not step in the wrong place.



Gary R. Menconi is a Certified Financial Planner Practitioner (CFP)® and Registered Principal with Linsco/Private Ledger and was one of the first planners in the country to be admitted into the Registry of Financial Planning Practitioners. He holds a B.S. degree in management, an MBA in finance, and is a Certified Pension Trustee.

Mr. Menconi has been featured, quoted and interviewed in financial publications and newspapers. He has authored numerous articles on financial and investment advice. He has conducted over 100 personal financial planning and investment seminars and workshops for the general public and a variety of homogenous groups. Past sponsors of his workshops include libraries, hospitals, colleges, corporations and associations.

Mr. Menconi was a 15-year faculty member and chair of the Department of Finance at Lewis University in Romeoville where he taught finance at both the undergraduate and graduate level.

He has served on the boards of both publicly-held and private corporations. He is past president of the St. Joan of Arc School Board and currently serves on the parish finance committee. He is past president of the Lisle Rotary Club and currently is a trustee of the Woodridge Police Pension Fund and the Benedictine Sisters of the Sacred Heart.

Mr. Menconi is also a former director of United Community Bank in Lisle and Hinsdale. In his spare time, he coaches cross country, track & field and basketball.

His 28 years of experience and professional credentials allow him to provide his diverse clientele with objective and competent financial and investment advice and tax planning strategies. He develops and implements personal and business financial strategies including insurance, retirement and estate plans. The main focus of his practice is with small business owners, professionals and retirees located in fourteen different states.

For me, a seasoned veteran, with almost 30 years experience assisting clients plan and manage their retirements, the study is quite disturbing but at the same time not surprising. It never ceases to amaze me how many people put so little time and effort into planning their own retirement; they spend more time planning their vacations. With the decline of other income-generating sources such as company pension plans, it is more important than ever for Americans to start taking personal responsibility for protecting their financial and personal wellbeing in retirement.

Assisting clients achieve their retirement goals has been a major focus of my practice since my career began. Now that baby boomers (including myself) are turning 50 at the rate of one every eight seconds, I’m getting more and more calls for help. Fortunately, many Americans do have the means to create retirement income strategies that meet their needs—if they plan intelligently and act.

I have more than a handful of 60 or even 70-year-old clients still looking after their 95-year-old parents. My mom is 87 and very healthy; her dad lived to 96. A 30-year retirement is reality!

- Second, depending too much on government programs and company pensions. There is growing uncertainty about the long-term financial viability of both federal and company retirement programs.
- Third, not accounting for the negative effects of taxes and inflation. This dynamic duo can have a serious impact on your purchasing power and the value of your retirement assets.

Managing money during retirement, while spending it, is completely different than managing money before retirement. A thorough understanding of income tax implications is a must.

Because of the previously mentioned long life expectancies and inflation, being too