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FORTUNE.COM

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PUBLISHED  
FEBRUARY 2016

# FORTUNE

## — LAST THINGS FIRST —



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Einstein said it best: “We cannot solve our problems with the same thinking we used when we created them.” This is key to creating a good income plan. And, it’s probably key to solving any problem that may arise.

It’s no secret the retirement system can be a mess. It’s working great for those who were able to amass a small fortune while raising families, paying off mortgages, sending kids to college, and weathering an unpredictable and capricious stock market.

But the landscape has shifted since baby boomers graduated. Per the Employee Benefit Research Institute (EBRI), in the early ‘70s, over 80% of workers with employer-sponsored retirement plans had a defined-benefits pension<sup>1</sup>. They didn’t have to worry about investing wisely while working, or trying to determine a so-called “safe” amount to withdraw once retired. That risk shifted to the pension. All a worker had to do was put in their time and contribute, knowing their income was secure for life.

Average retirement was 13 years, and income was predictable. That changed in the early ‘80s with the advent of the 401(k) — created as a tax-dodge for highly compensated individuals, not a model for our retirement system.

By the 1990s, people embraced the new system, and tens of millions of people poured trillions of dollars into the markets. Today, it’s estimated nearly \$24 trillion is invested in these plans<sup>2</sup>. The flood of new investments supercharged the markets to over 1600% growth between 1980 and 2000<sup>3</sup>. Planning techniques, like Monte-Carlo Planning and the 4% Rule, came into fashion, and people felt secure in the knowledge that markets would return to 18% annually forever — and life was good.

Then reality crept in.

Today, only about 30% of workers who participate in an employer-sponsored plan have a defined benefits plan or pension<sup>4</sup>. And the average length of retirement has gone from 13 to 18 years<sup>5</sup>. That’s the average, meaning today’s retirees have to plan for a potential 36-year retirement. The markets have destroyed nearly half our wealth, twice in a decade, and only 4% of those without pensions have adequate savings — representing one of the most serious financial crises in our history<sup>6</sup>.



It's time to change our thinking. In order to move into a "more now, more later" lifestyle, we need to turn our planning approach on its head by restoring a stream of reliable, safe, and predictable income that is guaranteed to live as long as you we do.

Some of us won't see our eighties or nineties, but a lot of us will. So we need to plan for it. Done right, we can leverage the lower likelihood of needing it — but only if we spread that among a large group of people. Otherwise, we'd absorb 100% of the very real risk of running out of money.

By using and maximizing assets and income streams that spread the longevity risk and are guaranteed for life, we can remove the No. 1 threat to our retirement: outliving our money. It starts with making smart decisions about Social Security, pensions, and income annuities. These can help with lifetime income and remove the longevity risk, restoring the balance and security enjoyed by our parents.

Then, it's possible to really plan. By doing this, you remove the need to spend only 2.8% — sometimes getting as much as 6–8% a year, or even more, from day one.

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<sup>1</sup>EBRI. Private-Sector Workers Participating in and Employment-Based Retirement Plan, by Plan Type, 1979-2011. [www.ebri.org/publications/benfaq/index.cfm?fa=retfaq14](http://www.ebri.org/publications/benfaq/index.cfm?fa=retfaq14)

<sup>2</sup>Comtois, J. (2014, March). U.S. retirement assets reach \$23 trillion — ICI. [www.pionline.com/article/20140326/ONLINE/140329919/us-retirement-assets-reach-23-trillion-8212-ici](http://www.pionline.com/article/20140326/ONLINE/140329919/us-retirement-assets-reach-23-trillion-8212-ici)

<sup>3</sup>Farrell, C. (2010, March). Bloomberg Business: The 401(k) Turns Thirty Years Old. [www.bloomberg.com/bw/stories/2010-03-15/the-401-k-turns-thirty-years-oldbusinessweek-business-news-stock-market-and-financial-advice](http://www.bloomberg.com/bw/stories/2010-03-15/the-401-k-turns-thirty-years-oldbusinessweek-business-news-stock-market-and-financial-advice)

<sup>4</sup>History of Pension Plans. (1998, March). [www.ebri.org/publications/facts/index.cfm?fa=0398afact](http://www.ebri.org/publications/facts/index.cfm?fa=0398afact)

<sup>5</sup>Statistic Brain Research Institute. (2016, January). [www.statisticbrain.com/retirement-statistics](http://www.statisticbrain.com/retirement-statistics)

<sup>6</sup>Nari Rhee, P. The Retirement Savings Crisis: Is It Worse Than We Think? Washington, D.C.: National Institute on Retirement Security.

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