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What does "Comfortable" look like?

Most hard-working people dream of a comfortable retirement. In my 15 years as a financial advisor, this has been by far my client's number one goal.

What does "comfortable" look like? Each person's vision is different, but I think some common themes would resonate with many people;

- Retire with little or no debt
- Have a diversified portfolio that provides liquidity for emergencies
- Have multiple income streams to support lifestyle
- Be able to leave something to family or charity for positive legacy.

1. Review all of your debt structures. Now is a good time to be a borrower, not a lender. The exception is for those in need of financing in this difficult lending market, because it creates opportunities to loan. If you have a home loan, then you should have reviewed refinancing options. If you did this two years ago or more, then review again with your bank, loan broker, or whatever method best suits you.
2. Be careful to maintain liquidity when there are alternatives. I get an inquiry on a regular basis regarding clients being pitched the purchase of private real estate loans as first or seconds. Real estate is a good diversifier, but it is illiquid, and transactions costs are very high. I always compare yields on private real estate with publicly traded REITS. Both have their own risks and rewards, but I know I can get out of my REITS with a push of a button and a transaction cost under $10. At a conference I attended with the great real estate investor Sam Zell, he echoed this sentiment on the importance of liquidity.
3. Social security, pensions, investment income, personal loans, and other income streams should be constantly monitored. Rates will not stay low forever, and you must be prepared for this eventuality. Currently, the US Government has done everything possible to tell the investing public they would like to keep rates low for as long as possible. Politics is changing the landscape of what retirees might expect from the entitlement programs, so don't be overly reliant on these sources of income.
4. With people living longer, I have witnessed a shift towards legacy sentiment. A common theme I hear from clients is that they supported their children through education, a first house, and various other levels of financial support, so now it's the parents turn to enjoy their money and

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whatever is left at death will be more then they got from their parents. If you have not reviewed your trust documents within the last five years, then it might be a good time to review. Also, check your insurance policies and accounts to make sure they are titled properly. Make sure that copies of your trust are in a secure place accessible to those involved. The debate to share your trust with those involved is an individual decision and goes back to your comfort level in discussing.

For high-income earners, please tighten your relationship with your tax advisor. You need to do everything possible to maintain your after-tax income. Talk to your tax professional about strategies. I am always amazed at how many high-income earners don't have a proper retirement plan. We opened several profit sharing plans in the final weeks of 2012, and the tax savings was estimated at $15-20k per plan.

We are entering 2013 with much discussion on global economics and politics. Personally, I would like a huge wish list of changes, but reality is compromise. The simplest formula is found in spending less and increasing revenue. There is no magic wand that can change the types of deficits our country and many others face. This translates into a great deal of volatility or denial. Denial, in my opinion has run its course. If you make a lot or have a lot, be prepared for those wanting to take.

The Fiscal Cliff was the latest worry from our politicians. Today is Jan 2, 2013, and the markets are responding positively. I don't understand why everyone is happy, as I am more than disappointed. Basic math always leads to truth, and the truth is you can tax the rich 100% and still not reduce the deficit; we need more spending cuts and reforms. The can has been kicked yet again…

For 2013 I will continue to look for bargains, try to make wise investment decisions, and place a focus on yielding investments regardless of changes in tax laws. In my opinion a good dividend stock will still be a good stock.

All the best for 2013,

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President

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