

# Live Well, Retire Well

## *Five Personal Finance Strategies for the Long Run*

"Nobody plans to fail; they only fail to plan"

### OVERVIEW

Only 12% of Americans think they can maintain a comfortable lifestyle in retirement...  
And only 14% of Americans were able to ace a simple five-question financial capability quiz from FINRA.  
That's not a coincidence. Education is the first step toward a sustainable financial future.

#### **STRATEGY #1: Harness the Power of Compound Interest**

The cumulative impact of inflation is significant; "play defense"  
Start saving early; falling behind makes it hard to catch up  
Use tax-deferred retirement accounts wisely

#### **STRATEGY #2: Set (and Follow) a Realistic Budget**

Households that have a budget are twice as likely to save successfully  
Make "savings" a priority budget item, like rent or mortgage  
Remember the irregular expenses (both recurring and non-recurring)

#### **STRATEGY #3: Plan for "Suboptimal" Outcomes**

"All models are wrong, but some are useful". Don't "assume" a base-case plan; stress-testing is key  
Living longer costs money... plan for it  
Know which outcomes can (and can't) be insured using formal policies

#### **STRATEGY #4: Avoid the "Classic" Portfolio Management Errors**

Define goals: know your risk tolerance, target return, annual income needs, and time horizon  
Beware of recency bias  
Invest for the long term: the longer we stay in the market, the more likely we are to earn positive returns  
Build a diversified portfolio  
Periodically rebalance to maintain a consistent asset allocation

#### **STRATEGY #5: Don't Assume You Can Beat the Market**

We tend to overestimate our abilities, but we can't all be above-average  
Even professional money managers struggle to beat the market  
Index funds can provide a market return while minimizing fees and tax consequences