

Solving the Retirement Puzzle

UVA Friday Forum Webinar; Evan Powers CFP®

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

OVERVIEW

This generation bears more responsibility for their own retirement savings than any generation in history.

Unfortunately, most Americans are ill-equipped to handle that responsibility.

Getting the "small things" right can overcome the big obstacles that many workers face in saving for retirement.

STEP #1: Understanding Financial Advisors

Not all "financial advisors" owe clients a fiduciary duty; it's vital to know how your advisor is compensated

Comprehensive planners can help you consider the trade-offs between multiple financial goals

Within the Investment Advisor world, service offerings and investing approaches can vary widely

STEP #2: Budgeting & Savings Basics

Households that have a budget and savings plan are twice as likely to save successfully

Make "savings" a priority budget item, like rent or mortgage ("Pay Yourself First"); target 15% of pretax income

Remember the irregular expenses (both recurring and non-recurring), and account for inflation

STEP #3: Embracing Tax-Smart Investing

Roth or Traditional? It all depends on your tax rate now versus your tax rate in retirement

Both life-cycle factors and regulatory factors can impact those relative tax rates

Embracing "asset location" strategies can take advantage of differing tax treatment of different investments

STEP #4: Portfolio Management Best Practices

Risk tolerance does not necessarily imply risk capacity; don't take on more risk than your financial plan can afford

The longer your time horizon, the more likely you are to earn positive returns

Knowing the specifics of the funds you own (fees, composition) can be vital

Diversification and rebalancing can maximize risk-adjusted returns

Don't let recency bias prevent you from seeing opportunity

STEP #5: Know Your Vulnerabilities

All financial plans have vulnerabilities; know which risks can be insured against, and which cannot

Understand the impact of "counterparty risk": who owes you money?

Communication and coordination across generations can be hugely important

Don't fall victim to overconfidence in your own abilities