



MISSION: RETIREMENT

"There are people who make things happen, there are people who watch things happen, and there are people who wonder what happened. To be successful, you need to be a person who makes things happen."

- Jim Lovell

Over a period of 30 years, the things that you want to buy and need to buy, to preserve your lifestyle and independence, will rise and you will see costs triple.

One of my favourite movies is Ron Howard's excellent drama *Apollo 13*. It tells the story of a mission to the moon that went terribly wrong. Near the end of the movie, the astronauts are exhausted from six eventful days in space and are now only a few hours from Earth. The spacecraft is coming in at too steep an angle which will cause it to burn up during re-entry. Houston Control is stalling on giving instructions to the astronauts because they simply don't know the best way to deal with this. Meanwhile, an increasingly anxious Jim Lovell (Tom Hanks) calls down to Houston:

"Houston . . . We . . . We just can't throw this together at the last minute. So, here's what you're gonna do. You're gonna get the procedure up to us, whatever it is. And we're gonna go over it step by step so there's no foul-ups. I don't have to tell you we're all a little tired up here. The world's getting awfully big in the window."

This scene reminds me of what it is to be a retiree today. Most see the challenges but there are no set procedures, every retirement is different and risky. You no longer have the luxury of future paydays that will offset market losses or adverse spending. You're dealing with unknown longevity, inflation, health, tax rates, and to make matters worse, you've only got one

chance to get it right.

The margin for error is small and mistakes can set you back. In the sport of golf, the golfers who win championships are not the ones who hit the most great shots, they are the ones who hit the lowest number of really horrible shots. And so it is with success in retirement: those who make the least mistakes, increase their chances of finishing well.

Last year, I had occasion to speak with Canadian astronaut Rick Hadfield. Rick Hadfield was the famous commander of the International Space Station. I asked Commander Hadfield about the actual Apollo 13 mission as compared to the way it was depicted on film. He told me that the real events in space are not as dramatic as Hollywood versions but his answer is useful to anyone considering a successful retirement: "Success is never left to luck. Missions to space carry such incredibly high risk that before a commitment to launch is made every conceivable iteration of failure is studied and practiced." Commander Hadfield continued, "The process of preparing for a mission to space is not about planning for success, rather, it is 100% about planning against failure."

Commander Hadfield's comments reinforced my advice to retirees: Be prepared, avoid big mistakes.

Over thousands of years on this planet, humans have learned and adapted from making mistakes. Our species is young, curious and brave. We've made many discoveries and inventions pushing boundaries ever higher and higher. In a single generation, we went from the first flight over the sand dunes of Kitty Hawk, to



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space travel. We try, fail, learn and try again. We improve processes to avoid future loss.

Risk management is in every aspect of our lives - it dictates that no airplane is allowed to take off without a flight plan and no ship can set sail without a plotted course, yet many still attempt to embark on a financial journey through retirement without a date-specific and dollar-specific plan.

You're not the first person to retire. There are many time-tested principles and practices that you can employ to be more confident that you are making all the right moves. Because in modern retirement, one of two things will happen: *you will outlive your money, or your money will outlive you.*

There are only two things that you must buy in retirement: Lifestyle and independence (as you define those terms). This means that there is really only one investment objective in retirement: Always being able to pay the price lifestyle and independence demands. The operative word in the previous sentence is *always*, so let's start there: How long is always? Always turns out to be a very long time - longer than most retirees think! Modern-day retirements are of unprecedented length - each generation is living longer than any generation in human history.

This is really good news - we have more time than any generation before us... more time to travel, explore, learn and deepen the relationships that are important to us. Like I said, good news, but this good news has implications: a couple of seventy year-olds must now realistically plan to sustain lifestyle and independence for nearly thirty years.

In today's long retirements, the primary risk is that you don't grow your income to offset inflation in the long run. StatsCan began keeping track of consumer prices about 95 years ago. They track the rate at which prices rise for many of the things that Canadians buy. Their study of these increases allows them to estimate that the long-term rate of inflation is 3.8%. So, let's just round it up to an even 4%. Remember that this is an AVERAGE, which

just means that about half the time it's been lower, and the other half higher.

Over a period of 30 years, the things that you want to buy and need to buy to preserve your lifestyle and independence will rise and you will see costs triple... you will not notice it day-by-day or even year-by-year, but you will notice that things that you reasonably expect to pay \$100 for today could be at least \$300 in the future. So this brings us to the key question that all people in retirement or looking toward retirement must have an answer for: *What is your plan to quadruple your income in retirement?*

It should become a matter of utmost concern that as the cost of lifestyle and independence rise, your after-tax income must be rising at more or less the same rate, or you will have to begin consuming capital to make up the difference and run out of money.

The best way to defend against this reality is to get the facts and face the facts with a realistic plan. Please contact me and we can help you develop a plan, making sure that you will always be able to buy lifestyle and independence.

About Luke Kratz:

Luke has a process that he has refined over the past 27 years to help people maintain their lifestyle and independence in retirement - allowing them to enjoy the peace of mind that comes with increased confidence.



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