7 MONEY MISTAKES EVERY PRE-RETIREE SHOULD AVOID

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VISION FINANCIAL PLANNING

Get to Know Me

Dear Pre-Retiree,

My name is Wade Arnold and I'm the owner of Vision Financial Planning, LLC in Allen, Texas.

I'm honored that you've downloaded this guide, and I hope you find it helpful. To give you some context about why I created this, here is some information about me…

I've been a financial advisor for 29 years. My specialties include financial planning and investment/risk management for pre-retirees and retirees. I love working with pre-retirees because I am a planner by nature. Just ask my wife how long it took me to do my research before I bought a new freezer (even though the old one had quit working)! I am also personally dealing with the same things you are – caring for aging parents, kids graduating college, entering the empty nest stage, and trying to improve my golf game. Most people want to retire at some point, but many don't have a plan in place to make it happen. I work together with clients to develop a plan that lets them prepare for what is ahead so they can enjoy their retirement.

Lots of people want to know about a financial advisor's certifications, so I will be upfront about mine. I am a CERTIFIED FINANCIAL PLANNER™ professional. I received the CFP® designation in 2003.

My investment philosophy is "Slow and steady wins the race". I believe in building a portfolio based on a risk profile and income/liquidity needs and sticking with that portfolio unless there is a change in risk profile or income/liquidity needs. If you are looking for a "stock picker" or a "market timer", I am not the advisor for you. I have found that over time, this investment philosophy serves pre-retirees exceptionally well.

I would love to hear from you to learn more about you. Please don't hesitate to reach out to me by calling me at 214-785-7556, emailing me at wade.arnold@lpl.com, or setting an appointment using the link below:

Thank you again for downloading this. I appreciate you.

Wade

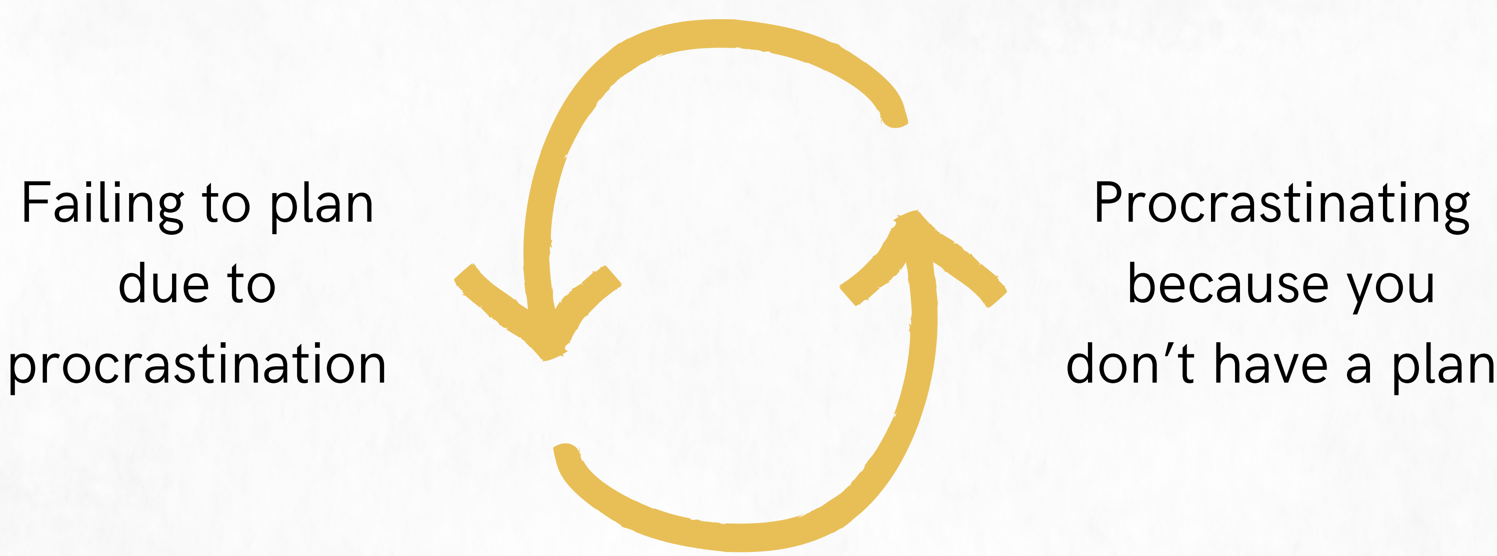
Schedule a Meeting

Mistake 1:
Failing to Plan

"He who fails to plan is planning to fail." - Winston Churchill

A survey from MagnifyMoney (1) found that the biggest money regret among Americans is not investing sooner. A whopping 77% regret not investing earlier in life. When asked to give advice to younger Americans, 54% of investors said to start as soon as possible.

I've found that many people don't have a plan because they procrastinate, and they procrastinate because they don't have a plan. It's a vicious cycle. If you're in it, you should break it as soon as you can.



Mistake 2:

Thinking a Financial Plan is Solely About Investing

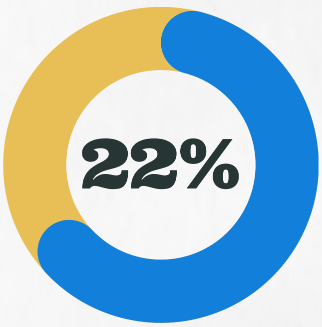
A big misconception about financial planning is that it's all about investing. Don't get me wrong, investing is a large part of financial planning. Still, there are many other parts, such as:

- **Goal identification**. This includes short, medium, and long-term goals. A good financial advisor can help you assign a dollar figure and a target date to your goals.
- **Budget and cash flow planning**. In 2021, Debt.com surveyed 1,000 Americans and found that 80% were budgeting. Out of the budgeters, only 4% were using a financial advisor to budget (2). I believe part of this is due to people not realizing that advisors can help them create – and stick to – a budget.
- **Debt management.** A solid financial plan includes how you will tackle any debt you have. For example, you may make different decisions based on the type of debt you have, such as credit card debt vs. low-interest mortgage debt.
- **Retirement planning**. Financial advisors are typically "numbers" people, who love creating spreadsheets and inputting numbers into retirement savings calculators.
- **Insurance coverage.** Insurance is an important part of protecting your financial downside, and can include health insurance, disability insurance, auto insurance, home insurance, renter's insurance, life insurance, and more.
- **Charitable giving.** Your financial plan should include your philanthropy and legacy wishes. A financial advisor can help you maximize your gifts with tailored recommendations based on your situation.
- **Estate planning.** This includes creating a will, which outlines your final wishes with regards to your assets, dependents, and who you want to administer your estate. It also includes keeping your beneficiaries up to date and establishing powers of attorney in case you become incapacitated.

Feeling overwhelmed, yet? That's okay – a solid financial plan will address each of these issues and more.

Mistake 3:

Not Communicating With Their Partners About Money



According to a survey of 191 Certified Divorce Financial Analyst® professionals, 22% of divorces are caused by "money issues" (3). If you have a spouse or partner, it is critical that he/she is involved in your financial picture.

I am interested in long-term working relationships with my clients, which means it's imperative for me to know them better to make sure the financial plan reflects the reality of the household.

I understand that most relationships have one person who handles money more than the other. Still, both partners are decision makers. Their questions and tastes should be reflected in the financial plan. For example, one partner may dream of traveling the world while another spouse imagines buying a log cabin in the woods. One partner may have an aggressive risk tolerance (more on that later) while the other finds it difficult to stomach market volatility.

Financial advisors have the benefit of working with many different couples, which gives them insight on what works and what doesn't. Consider this hypothetical case study:

Richard and Lisa Johnson, in their mid-fifties, had differing views on retirement spending. Richard enjoyed splurging on the present, while Lisa favored conservative saving for the future.

Their contrasting financial perspectives led to frequent disagreements, straining their relationship.

1. **Financial Advisor's Assessment:** An experienced financial advisor, met with the couple both jointly and individually to understand their financial concerns and aspirations.

2. **Educational Approach:** He explained the implications of various spending, saving, and investing choices, emphasizing the balance between current enjoyment and future security.

3. **Collaborative Planning:** With his guidance, Richard and Lisa set both immediate and long-term financial goals, which included a planned vacation and a fortified retirement fund.

4. **Ongoing Guidance:** Quarterly reviews ensured that they remained aligned with their goals.

   In a year, the couple:
   - Took their dream vacation within a set budget.
   - Built an emergency fund.
   - Boosted their retirement contributions.

   Their financial discussions became more collaborative and less confrontational.

   With a financial advisor's guidance, the Johnsons found middle ground, blending their desires for present enjoyment with future financial security.

Mistake 4:

Trying to Time The Market

There's a saying in the personal finance world that "time in the market beats timing the market". Yet, that doesn't stop people from trying to jump in and out of their investments at perfect times. When the market is at all-time highs, people may say they're waiting for it to cool off. When the market is in a correction (defined as a drop of at least 10% from recent highs) or a bear market (a drop of 20% or more from recent highs), people may say they're waiting for things to get better. Surely you can see the problem here.

Research from Charles Schwab (4) analyzed various market-timing strategies to see how they might have worked in the past. As always, past performance is no indication of future results, but here's what history tells us…

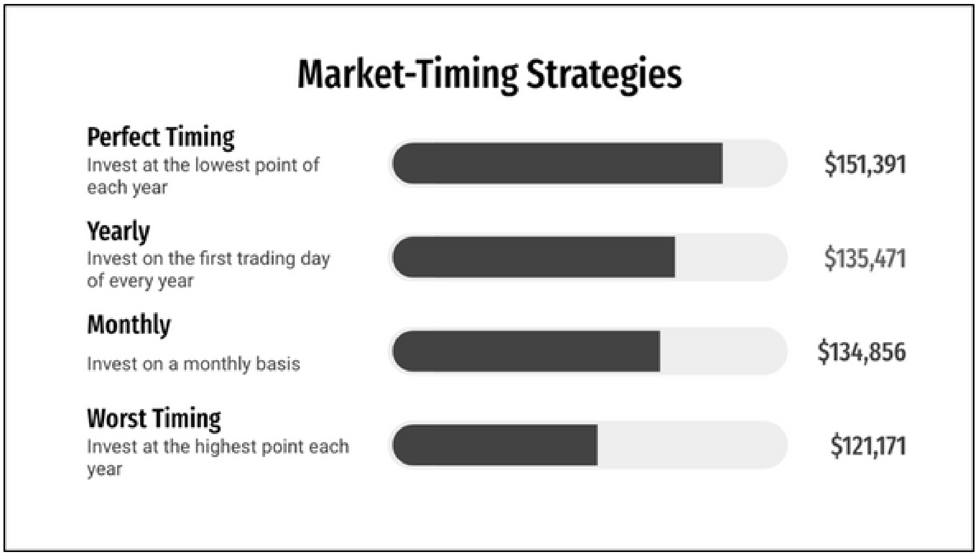
Schwab researched the performance of a few hypothetical long-term investors following different investment strategies. Each investor received $2,000 at the beginning of every year for the 20 years ending in 2020 and put the money in the stock market, as represented by the S&P 500® Index.

The first investor had perfect timing. He was able to invest his $2,000 at the lowest point of each year. For instance, instead of putting his money to work immediately at the start of 2001, he waited and invested on September 21, 2001 – that year's lowest closing level for the S&P 500. His next investment was on October 9, 2002, the lowest closing level for the market in 2002. He continued this perfect investment strategy until 2020.

The second investor invested her money on the first trading day of every year. She didn't wait, and her strategy didn't require a complicated strategy. As soon as the market opened in a given year, she put her money to work.

The third investor was similar to the second, except that he invested his money on a monthly basis. He divided his $2,000 into twelve equal portions, which he invested at the start of each month. This is known as "dollar cost averaging". You may already be doing it if you have 401(k) contributions deducted from each paycheck.

The fourth investor had the worst market timing. She invested her money each year at the market's highest point. Her first investment was on January 30, 2001 – the year's highest closing level. She continued this terrible market timing all the way through 2020.



So, what are the results?

Well, it shouldn't be a surprise that the perfect market timer had the best results. He ended up with $151,391. You might be thinking, "Wait, I thought you were telling me not to time the market."

I am. Take a second to think how someone might perfectly time the market. Maybe that person has a crystal ball. Perhaps financial news channels blare all day, every day in the background of that person's home. Imagine the time – and sheer luck – required to pull off such a feat. I'm sure you have more important things to do with your time. Especially when you consider the rest of the results…

The second investor, who invested her money immediately, ended up with $135,471.

The third investor, who made monthly investments, ended up with $134,856.

The fourth investor, with the worst marketing timing possible, ended up $121,171. Again, past performance is no indicator of future results, but our terrible market timer still ended up with nearly three times what she would have if she hadn't invested in the market at all.

Besides, it's my belief that a financial advisor should guide you through market highs and lows to help you stay the course. Every minute you're not worried about timing the market is another minute you can use to enjoy life.

If you are worried about market risk in your portfolio, please don't hesitate to reach out to me by calling me at **214-785-7556**, emailing me at **wade.arnold@lpl.com**, or setting an appointment using the link below:

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Mistake 5:

Not Knowing Their Risk Tolerance

This is another area where good financial advisors can pay for themselves. It's also an area in which do-it-yourself investors struggle because they lack an objective third-party's perspective.

Risk tolerance is an investor's ability to withstand losses in an investment portfolio. In other words, it's how comfortable you will be maintaining your positions when they decline.

Why is this important?

It's important because it helps you grow your money while being able to sleep soundly at night. An objective third-party can ask you some questions to unearth your risk tolerance and make tailored recommendations based on your answers. This one move could prevent you from making catastrophic mistakes, like selling stocks just because the stock market is going down.

Mistake 6:

Keeping Up With The Joneses

Have you ever heard the phrase "keeping up with the Joneses"?

The stereotypical Jones family has a picture-perfect house with a wonderful yard and couple of luxury vehicles in the driveway. They always have the latest gadgets and go on Instagram-worthy vacations. How can they afford all that?

They can't. They're broke.

78% of Americans are living paycheck to paycheck (6). This means that the overwhelming majority of people cannot truly afford the cars they drive and the homes in which they live.

I love this quote:

"Comparison is the thief of joy."
- Teddy Roosevelt

Don't compare yourself to other people if you don't know their entire financial picture. The person you see driving a new Mercedes could be drowning in debt. True wealth is invisible, and you can't show off your brokerage and bank statements at a stoplight.

Mistake 7:

Not Getting Help

Picture two people in a gym preparing for a workout. One person has never been to a gym before and doesn't know how to use the weights, machines, or cardio equipment. The other person is a champion bodybuilder.

BOTH of these people can benefit from a personal trainer.

The same is true in financial planning. I may be biased, but I think both inexperienced and veteran investors alike can benefit from a fresh pair of eyes. The benefit is obvious for people who are unsure what to do, but more subtle for do-it-yourself investors. Because even though DIYers may know what they're doing, that's not a reason to avoid seeking help. Based upon that logic, one could ponder why Tiger Woods has a swing coach or why Tom Brady had a throwing coach.

And in addition to the "I can do it myself" myth, there are several myths people believe that keep them from seeking help...

Financial advisors are only for rich people.

You don't need a bank account like Jeff Bezos to feel like you deserve quality financial advice. While some advisors treat their business like this, it's important to seek a relationship with someone who can see your wealth-building potential, and help get you **Retirement Ready** with a customized plan.

Working with a financial advisor is too intimidating.

I hear you. Sharing personal financial details, fear of criticism or judgement, and even asking for an advisor to repeat something in simpler terms can all be scary.

However, on the other side of those fears might just be the solution you were looking for! Here's how I do business:

1. **No judgement**. Everyone's situation is different, and while I won't ignore the facts, I aim to build confidence in your financial life.
2. **No sales pitch**. I am focused on you and your financial goals and dreams. Not the financial products others might push on you.
3. **Constant support**. I always have your best interest in mind – I'll update you with performance, relevant encouraging content, and that personal touch a lot of advisors lack.

A financial advisor will put all my money in stocks and that's too risky.

No two retirements, portfolios, or investment strategies are the same. Before I make any recommendations, I take the time to learn who you are and what you hope to achieve.

From there, I will create a plan that addresses what's most important to you, while considering your entire financial picture.

Financial advisors are too expensive.

Like anything in life, we buy things if they can save us money, save us time, or improve our lives...and I've firsthand how **Vision Financial Planning** does all three in the lives of my clients.

1. I help save you money in the long-run by taking advantage of tax & legal incentives, hedging against inflation, and increasing your return on investment (ROI) from the moment you start working with me.
2. I help save you time by taking you away from active portfolio management, research, and the stress that comes with it.
3. Lastly, I improve the lives of my clients. The value of working with me has dramatically outweighed the costs, and allows them to do more of what they love, while knowing that their financial goals are still being taken care of.

For more info, check out our fee & compensation page for our transparent costs of doing business: https://www.visionfinancialplanningtexas.com/fees-compensation

Hiring a financial advisor means I have to give up control.

While some advisors may have the elitist mindset of "I know what's best for you, and you should do as I say" I like to think about it like this - I help my clients regain control of their financial lives and give you the power to choose the goals you want most. I provide the transparent, holistic view of your finances and act as your financial sounding board to help you figure out where you want to go.

All financial advisors are created equal.

There are plenty of advisors for you to choose from but let me make a case for why I am most qualified to serve alongside you in your financial life.

1. I am a **CERTIFIED FINANCIAL PLANNER™** professional. It's my duty to provide the highest quality fiduciary advice, and I deeply care about each and every one of my clients, no matter the asset size.
2. I specialize in getting our pre & post retiree clients **Retirement Ready**, and all of my work is centered on this idea. Additionally, I am more than just a financial planner – I'm your financial partner that helps get you retirement ready beyond just your finances.

By now, I hope I've made it obvious that I am a financial advisor who works specifically with **Retirees and Pre-Retirees**. I would be honored to take the time to speak with you and learn more about your situation. If you would like to schedule an appointment, please call me at **214-785-7556**, email me at **wade.arnold@lpl.com**, or set an appointment using the link below:

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BONUS:

Questions to Ask Before You Hire a Financial Advisor...

1. How do you get paid?
2. Are you a fiduciary?
3. What is your investment philosophy?
4. Who is your typical client?
5. What are your credentials?
6. How would we work together?
7. How would you communicate with me?
8. What services do you provide?
9. What's important to you?

SOURCES

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3. https://institutedfa.com/Leading-Causes-Divorce/

4. https://www.schwab.com/resource-center/insights/content/does-market-timing-work

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6. https://press.careerbuilder.com/2017-08-24-Living-Paycheck-to-Paycheck-is-a-Way-of-Life-for-Majority-of-U-S-Workers-According-to-New-CareerBuilder-Survey

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