How Do You Make It Last?

By Sherwin M. Lesk, CFP®, J.D., LL.M.

My Uncle Jack, may he rest in peace, had some connection Ь exactly what Iôm not sure Ь to RCA. Thanks to my uncleôs connection, my parents, sister and I occasionally would receive from him a handful of long-playing records; today, I think those old LPs would be called vintage vinyl. So it was in 1965 that I became acquainted with and fell in love with Tony Bennettôs styling and artistry, a love that has endured for 51 years.

Fifty-one years is a long time Ь a time span older than some of you reading this. Your retirement years may number less than 51, although lately Iôve seen headlines saying average lifespans are increasing. Moreover, my wife Donna and I have nonagenarian friends. So, who knows? But however long your retirement years last, itôs important that you have the financial wherewithal to live them out with dignity. Given how important having that needed capital base is, we frequently are asked how much money is needed to fund oneôs retirement. To paraphrase Tony Bennett from *How Do You Keep The Music Playing*, ñHow do you make [the money] last? How do you keep [your capital] from fading too fast?ò

Because our Newsletter has previously visited retirement planning, to keep things fresh weôll be asking questions this time rather than offering answers. Weôre mindful that itôll be the post-holiday ñblueò period when you come upon this page and that youôll likely not be in the mood for being peppered with many inquiries, so today weôll make inquiry only twice. For starters, how much money do you spend per year? That question seems basic enough, but in practice it often admits of no easy answer. Many of us simply do not know the dollar amount that annually passes through our hands. Not having some realistic number with which to work makes speculative any answer to the capital fading too fast concern and can result in unwarranted feelings of security or despair when the number-crunching results are displayed.

Weôre not asking you to be like the husband in the Mike Royko column (*A little accounting software is a dangerous thing)* who used his computer to track every penny he and his wife spent and who became ñsuspiciousò about the 32 percent decrease in the guest bathroomôs toilet paper roll because he and his wife did not have any guests that year. But we are asking you for feedback. If you pay for most items by check/debit card, go through your check registers/bank statements. If you tend to charge things, review your monthly credit card billing statements. If you mostly use cash, save and look over your register receipts. Too much work you say? If nothing else, look at your federal and state income tax returns and Form W-2. Amounts you cannot account for were likely saved or spent; amounts saved should be relatively easy to determine by studying your account statements.

After youôve determined your annual spend, consider what you want to accomplish during your post-employment years. Trying to determine when you have enough to retire without knowing what you *really* want to accomplish can result in you taking on too much or too little investment risk; either of those paths can be harmful to your financial health. When doing retirement planning, we might find that given certain inputs (e.g., annual spend; inflation outlook; after-tax investment return; length of post-employment period), a client appears well-positioned. Upon hearing that assessment, a client will sometimes ask if we think they should change their portfolio mix to up their stock market exposure. Doing so could increase the after-tax rate of investment return, but it could also have the opposite effect. The party that hears heôs well-positioned sometimes becomes emboldened to take on more investment risk. Perhaps that feeling is a variant of the ñhouse money effect,ò or perhaps that feeling results from how the marketôs been performing of late. If you find yourself suddenly asking whether you should up your stock market exposure, also consider if the new risk-reward relationship is worth taking on. Is there some charitable bequest/generational legacy/grandchildrenôs college cost-of-attendance you want to fund, and is being able to do so important enough to you that you are willing to put your retirement money at risk? Ask yourself what would have a more meaningful impact on your retirement years: doubling your nest egg, or seeing it cut in half?

On December 20, 2016, NBC aired *Tony Bennett Celebrates 90. The best is yet to come*. As the program neared its conclusion, I heard the orchestra play the opening to *How Do You Keep The Music Playing*. I remarked to my younger daughter, Sari, who was watching the program with Donna and me Ъ the musical tastes of my older daughter, Jorie, lie elsewhere, so she was talking with friends Ъ my surprise that he chose a song with a fair degree of difficulty. I neednôt have worried. The following morning, Mike Leonetti and I were reviewing a retirement plan with clients. Somehow, while discussing how long this coupleôs retirement years might last, talk turned to *The best is yet to come* special that aired the previous evening. We all agreed that even at age 90, Tony Bennett had nailed that programôs final number. Hereôs hoping that when you assist us in planning your golden years, you nail it as well.