Preparing for a Downturn

As hard as it may seem, given the 8 year bull market, and the highly publicized stock market surge since November the 8th, 2016, some of the most influential investors are now preaching caution.

Caution and protection are strange concepts to a financial media and business media that has cheered on this runaway train of a 'bull' market. According to Bill Gross, a noted fund manager, "stocks are at their highest risk level since before the 2008 financial crisis". (1) I personally cringe when people who know better promote this gain as an indication of some fundamental change in our economy.

I do not cringe when retail financial professionals tout these gains as some evidence of their brilliance and foresight. This is the expected behavior of the normal salesman. However, there are good people who in a fair effort, are preparing their clients for a potential retreat of the indices. The context of this advice is often focused on the portfolio at large, and not at the specific risks and anxieties of those who are retired or soon to be retired. Misunderstanding the need for safety and security, many soon to be and retired people are allowed to focus on returns, and stock performance, and not on the bigger picture of what that downturn might mean to them in the long run.

The retirement speaker and 'thought provocateur' Tom Hegna stresses the need for retirees and soon to be retirees to change their thinking about fund management in retirement. "Stocks and Bonds don't care when you die", he stresses. "They are unto themselves, either worth something or not". However, Mr Hegna elucidates, "only an annuity can provide the security of knowing that you cannot outlive your income".

"What does this mean to me?" I hear many people query. My answer is simply this: since we have had an historical opportunity to recoup not only our principal from the 2007-2009 stock market crash, but also some purchasing power that was lost due to inflation during those years, **WHY GIVE IT BACK?**

These are times that cry out for prudence with these precious funds we have struggled to recover. The only financial instrument available to us that will protect these funds from loss, allow us to participate in growth,, and not drown us in fees, costs, risks, and devaluation are ***FIXED INDEXED ANNUITIES.***

Years ago, I asked a wealthy client to tell me what would be a 'perfect' financial instrument for the 'funds he did not want to lose'.

"Well," he said, "I don't want to abandon market gains, but I'm willing to take less if certain conditions are met: (1) I want to never lose money. (2) I need some liquidity. (3) I don't want to get buried in fees, commissions, expenses and additional benefits I don't need. (4) And I want it guaranteed to pay me or my beneficiaries when we need it". He then leaned across the table and asked me. "Do you know anything like that?"

My answer was simple: "Sir, what you are talking about is a FIXED INDEXED ANNUITY."

This person has never experienced a loss. He didn't lose a dime in the 2001 crash, or the 2007-2009 crash. While his other investments suffered, this one did not. His 'hedge' against loss has paid off twice. His hedge against loss will pay off again when this market turns, as markets always do.

So when people in retirement or nearing retirement ask me "How do I 'Prepare for a Downturn'?

I simply reply: "I have a plan for that"

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