

ASLEEP AT THE SWITCH

(Observations on complacency, and other Things)



I have a friend who has this motto: ‘if it works, don’t change anything. Why try something new and have it not work?’

I have a saying: if the irresistible force meets the unmovable object, do you want to be around to be part of the collision?

Right now most people preparing for retirement or in retirement have been travelling on the irresistible force (a market unlike any in history). The unmovable object is the fact there is a market correction in our future. While most people intuitively know there is a correction (some say catastrophic, some say only 20-25%), they are lulled to sleep by two common experiences.

The first common experience is this; over their lifetimes markets have crashed, corrected and careened, but in time they have always recovered. The second is that though financial advisers, media and Uncle Joe, they have, by osmosis, internally accepted these centers of influence; believing the stock market is the only instrument enabling them to retire.

In many cases, even after being confronted with the immovable object; the impact a correction can have on retirement plans, retirees and soon to be retirees choose to stay on the ‘irresistible force’ (relying on the current market) to guarantee their plans to retire and maintain the lifestyle they have foreseen for themselves.

More than a few times this year I have had people in my office who, while acknowledging these facts, went back to the financial advisers who recommend they remain ‘all in’ on the market. This is akin to being a person in charge of the switch that moves the speeding passenger train from the track where a freight train is stalled, and sleeping on the switch to avoid the crash. Facts, intuition, history and experience fail against the current of advice from centers of influence immune from the consequences of the inevitable collision of expectations against a market correction near or during retirement.

The switch from unnecessary market risk to safety needs to be opened, and that precious cargo (our hard-earned retirement dollars) placed on a track that has ‘clear’ signals for the rest of our journey.



(All Tracks Clear Ahead)

This cognitive dissonance between reinforced learned behavior and the service of prudence that combines history, the force of nature, and risk management is an intellectual and emotional struggle.

Remaining asleep at the switch is an option. Keeping valuable irreplaceable funds safe is also an option. Which will you choose?

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