FINANCIALJOURNEYS

FINANCIAL & RETIREMENT PLANNING FOR LIFE

Identify the connection between net worth and risk tolerance

Understanding your risk profile is an important component of managing significant wealth

Nobody wants to financially erode the portfolio they've built by making risky choices at the wrong time. You spend nearly half of a lifetime working hard to prepare for a secure retirement, so no wonder it isn't easy to convince yourself to embrace risk. As vital as wealth preservation is, especially when nearing retirement, returns are still an important consideration.

So how do you get over the risk hurdle? Research shows your financial advisor can help. Those who work with an advisor perceive potential higher-risk investments with less negativity. They're also more apt to recognize the importance of holding thoughtfully selected risk within an investment portfolio compared with wealthy investors who don't partner with an advisor.

But how risky is too risky when it comes to wealth preservation and generating returns for high-net-worth investors? You might be surprised.

SOMETIMES LOOKING AT THE NUMBERS IS AN EXERCISE IN PERSPECTIVE

Investors with significant wealth have a greater ability to absorb financial losses than others – but emotion can sometimes get in the way of seeing the broader context. An amount that may

(continued on next page)

FIRN, BRANCH OR FA NAME
FA title (if applicable)
12345 Streetname Lane
Cityplace, ST 00000
T 000.000.000 // T 800.000.0000
websiteaddress.com

FA NAME
FA approved title
FA approved title

FA NAME
FA approved title
FA approved title

FA NAME
FA approved title
FA approved title

RAYMOND JAMES®

Identify the connection (cont.)

initially cause "sticker shock" may actually be a fraction of your liquidity when considering the bigger picture. Your advisor may be able to run simulations that show how your unique portfolio would react to market pullbacks or changes in interest rates. Seeing these potential outcomes can help clarify the level of risk that fits your tolerance and your investment goals – and it may turn out to be higher than you thought.

AGE IS LESS IMPORTANT WHEN DETERMINING RISK FOR INVESTORS WITH SIGNIFICANT WEALTH

Your investment time horizon – the length of time you expect to hold an asset – is an important component of risk tolerance. Older investors typically have a shorter time horizon given their proximity to retirement and the usual need to make portfolio withdrawals at that time. However, age may have less impact on the overall risk tolerance of affluent investors whose income needs in retirement are already accounted for. If it's unlikely you'll need to liquidate assets in the near term to meet your spending needs, it may be appropriate to maintain a less-conservative allocation for longer.

Being too conservative can be a risk unto itself

Avoiding undue risk is always wise. However, you want to be sure to balance risk with potential return when it comes to your overall plan to outpace inflation and meet your financial goals in retirement, whether that's supporting your grandkids' education, giving to charitable causes or taking that once-in-a-lifetime trip. With the more complex planning needs that come with being an affluent investor, it's important to discuss with your financial advisor an asset allocation that can help maintain your lifestyle over the long term.

FOCUS LESS ON MARKET TIMING AND MORE ON THE TIMING OF YOUR LIFE

Creating a diversified portfolio and revisiting it as your life and goals evolve is more important than any one investment decision. Your financial advisor can help you determine which opportunities provide the best potential for reward for the risk taken that aligns with your unique circumstances, life plans and goals, and provide you with the confidence not to jump into and out of the market at the wrong time.

MORE RISK ASSETS, MORE THOUGHTFUL REBALANCING

Because private wealth individuals typically hold meaningful wealth in risk assets like equities, which can change significantly in value over time, it's important to establish a plan with your advisor for periodically returning your portfolio to its target asset allocation. It's also important for your advisor to see the whole financial picture; holding assets in multiple accounts without informing your advisor of your full portfolio may increase the risk of becoming overly concentrated or underexposed to certain markets. Your selected strategy will have important tax consequences, so talk through various approaches to determine the best fit.

CREATE A STEADY WITHDRAWAL STRATEGY FOR RETIREMENT

Capital preservation is important to prevent income loss. You'll still need to ensure your liquidity needs are met with a holistic income strategy. Consider the income sources you'll have in place, which may include Social Security, pensions, annuities, dividends, bond coupons, etc., and work with your advisor to address any potential mismatch between what'll be generated and what you'll need to maintain your desired lifestyle as well as access capital if there is ever a need.

CONFRONT CONCERNS HEAD ON

One way to bring comfort to the idea of taking on risk is to simply talk about it openly. Have conversations with your financial advisor to help you understand your risk tolerance today and how risk can affect your future. When ideas and numbers become more tangible, they become more manageable. Your financial advisor can speak directly to the matters that will impact your portfolio the most but change your lifestyle the least.

Maintaining a large portfolio into and through retirement doesn't have to mean giving up on returns and opportunities for growth, when that risk is managed thoughtfully. It just may take a true understanding of your overall financial outlook, and transparent conversations with your financial advisor, to help you get there.

There is no assurance any investment strategy will be successful. Investing involves risk including the possible loss of capital. Asset allocation and diversification do not guarantee a profit nor protect against loss. The process of rebalancing may result in tax consequences. Dividends are not guaranteed and will fluctuate. IMPORTANT: The projections or other information generated by Goal Planning & Monitoring regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. Results may vary with each use and over time.

Retirement doesn't have to mean leaving your career behind

More and more Americans are incorporating work into their retirement years

The traditional image of retirement as a time of purely leisurely pursuits is no longer the norm for many Americans. A growing number of people over the age of 65 are choosing to remain in the workforce for a variety of reasons. In fact, the U.S. Bureau of Labor Statistics expects the trend to continue, predicting that 13 million Americans aged 65 and older will be in the labor force by 2024.

So why the shift? People are living longer, healthier lives at a higher cost of living than previous years, so they need to support themselves financially for a longer period. And for some retirees, staying in the labor force is not just a means of preserving income, but an outlet to stay mentally and physically active and perhaps to pursue fulfilling "encore" careers often found in public service or education.

Taking on part-time work instead of fully retiring is also gaining traction.

According to a recent Harris Poll survey, 79% of workers between the ages of 57 and 75 want to work part-time after retiring from full-time work.

One reason for the trend is workers fearing they'll need the extra cash: Two-thirds of respondents reported not feeling financially prepared to fully enjoy their retirement, and over 20% said the financial punch of the COVID-19 pandemic has delayed their full-retirement plans.

Workers would "semiretire" if they could find a flexible work schedule, transition into a consulting role, or work reduced hours with reduced benefits, according to Harris. Unfortunately, only 21% of respondents said their current employer offers semiretirement roles, such as mentoring positions, where they can work fewer hours with more flexibility.

While many people reaching retirement age are choosing to remain in the workforce, traditional retirement is still a popular choice. In the third quarter of 2020, approximately 28.6 million baby boomers reported retiring – an increase of 3.2 million from the 25.4 million who reported being retired in the same quarter of 2019.

Whether you choose to continue working in your current profession, pursue a new career or focus on hobbies and loved ones, there are many ways to stay active in retirement. Keep your financial advisor informed as you chart a course that works best for you, as your income can affect benefits factors like Social Security income and Medicare premiums. Retirement as we know it may be transforming, but the possibilities for having a fulfilling one are endless.

Sources: Bloomberg; New York Times; Pew Research Center; Investopedia; FoxBusiness.com; AARP; U.S. News; newretirement.com; Encore.org; Fast Company; Kiplinger; Wall Street Journal; Bureau of Labor Statistics; Express Employment Professionals

The power of intergenerational connections

Building bridges between the young and the old has lasting physical, mental and emotional benefits

The number of Americans living in multigenerational households – those with two or more adult generations (or with a younger, "skipped" generation) – is on the rise.

According to the Pew Research Center, multigenerational households numbered 14.5 million in 1971, and rose to 59.7 million by 2021. "Skip-generation" households, where grandparents and their young grandchildren pair up, are also increasing in frequency. Many cultures throughout history have demonstrated the benefits of extended intergenerational connection, and multigenerational households are still the standard in many places.

> Living among people from a different era enables us to better understand and appreciate one another.

It broadens perspectives across the generational divide, decreases feelings of loneliness and improves overall quality of life. A recent Cigna study showed that approximately 79% of Americans ages 18 to 24, and 41% of seniors aged 66 and older, struggle with loneliness. Encouraging interaction between these two cohorts could prove valuable to easing that lonely feeling.

For seniors, bringing younger generations into their lives can promote happiness and encourage physical activity among some who might otherwise remain fairly idle. Research shows that when older adults spend time with younger ones there are obvious upward trends in the seniors' strength and levels of activity. Because they're happier, the older generation gets sick less often and is more apt to engage in meaningful experiences, Cigna's study says.

For young adults living solo, mixed-age interactions act as a first line of defense against isolation and depression. Intergenerational relationships also cultivate purpose and a solid support system, which encourages mental wellness.

Sharing a common purpose allows people to break away from socializing only within their own age range – and you don't have to be related to members of a generation apart from your own to benefit from living, or spending significant time, with them.

A social experiment in Sweden attempted to alleviate loneliness among young people and retirees by throwing the generations together. The Sallbo Project asks every tenant of a building that houses a mix of tenants under 25 and retirees to sign a contract promising to spend at least two hours a week with a tenant of the other generation.

Having neighbors from different generations builds a reciprocal relationship. Young people can teach older people the ins and outs of the digital world – simplifying smartphones and online bill pay – while older people can impart life wisdom and perspective for the benefit of the young. Each can share their generation's skill set with the other.

Purpose and worth evolve from feeling like you're part of something bigger than yourself. A connection with a different generation can add to your feeling of purpose and belonging. Generations are like puzzle pieces, each bringing something different to the table to form a complete picture of life.

Grab a game or find something fun to share with your generational counterparts, and start enjoying the benefits of being together.