Fall 2018 Edition

The Ultimate Guide for the Successful Steward

Welcome to the Fall Edition of *The Ultimate Guide For the Successful Steward,* Fourth Dimension Financial Group's newsletter.

"The two most powerful warriors are patience and time." Leo Tolstoy

If I were a betting man, I'd wager that you're wondering how we got to Fall already. "How is time passing so quickly?" No kidding. Well, here we are. It's this time-marches-on sentiment that underpins what we do here. In case you needed a reminder, the fourth dimension is time, hence the name Fourth Dimension Financial Group. Time matters a lot in the work we do with you.

As I'm writing this, the stock market has just lost its mind, dropping a significant amount. And while this isn't an unexpected event – markets do this – it's another reminder to focus on the fundamentals of good planning. Specifically, having a written retirement income plan, robust investment strategy, tax strategy, and a thoughtfully-designed estate plan are essentials for the sophisticated Steward. If you feel that any of these need attention, please reach out to us, we're happy to help.

Given these critical, yet somewhat diverse areas of planning, we lean on the expertise of a number of professionals to guide us. In this issue of the Steward, we'll hear from estate planning attorney, Richard Chamberlain. Richard will discuss the process of

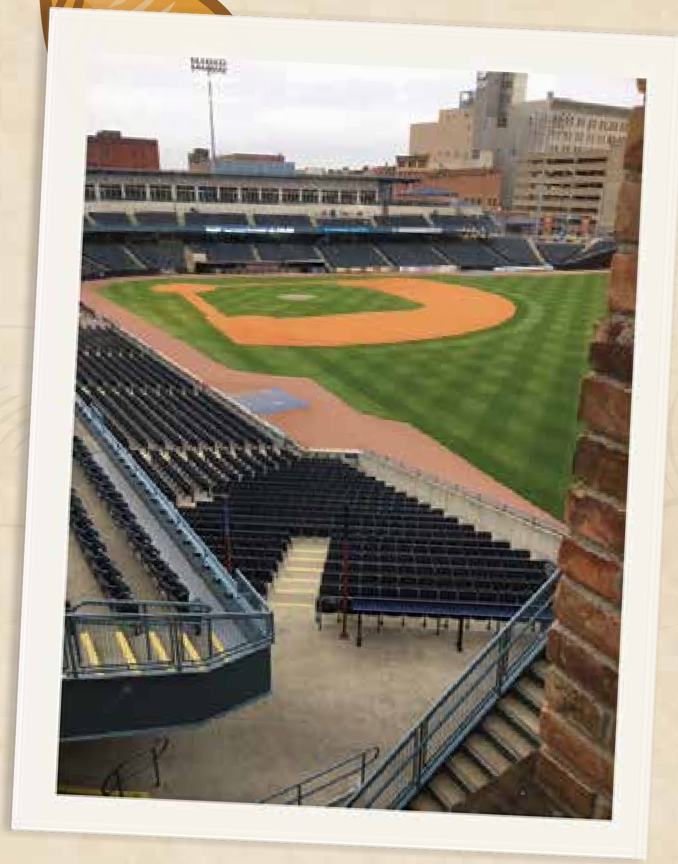
planning your estate. We're also fortunate to have a contribution from investment strategist, Stephen Hanley. Steve goes deep into the psychology behind being an investor as well as the investment manager. It's fascinating, really. I add a discussion of bucketing, one of my favorite income planning methods.

Naturally, none of this is necessary or possible without you. Your commitment to planning and understanding of the critical roles of accountability and specialization is what bring us all together. Thanks to you for choosing this relationship with us; it means the world to me and to our entire team. And with that in mind, please don't keep us a secret. If someone you know could benefit from the work we do, please consider making an introduction!

Enjoy the cooler weather and we'll see you early in the New Year for progress reviews, if not sooner.

All the best,

Adam B. Cufr, RICP®



As taken from the Roost event, when I'm retired, I want my lawn to look like this!"

Back to the Basics — Revisiting an enduring strategy.

In a recent email from a very well-known firm in our industry, the subject line stated, '[this person] Shares A New Retirement Strategy.' Always eager to add a new tool to the toolbox, I read further. What the article was sharing was a strategy that isn't 'New', but it's one that we've been using since the day Fourth Dimension's doors opened. In addition to that, I wrote an article for a national magazine on this subject in May of 2015. What were they describing? Bucketing. Specifically, using a three-bucket investing strategy to allocate assets to ensure that risk was being well-managed and income would last for the duration of a person's (or couple's) retirement. So while this author wasn't offering anything new, let's use this as an opportunity to revisit the very basics of this bucketing strategy.

What is bucketing? Bucketing (also called age-banding) can be defined as an approach to developing retirement income that segments retirement assets by category. While categories may be based on risk level of certain assets, the buckets can also be segmented by time periods designed to cover the life-span of the retiree. An example is a 3-bucket plan, with bucket 1 designed to cover years 1-5 of retirement, bucket 2 earmarked for years 6-10, and bucket 3 covering years 11+.

Bucketing, as compared to other methods of retirement income planning is a safety-first approach. Bucketing can provide substantial psychological benefits to retirees by using age-based buckets in sequence. This allows a retiree to pair investments of increasing risk or guaranteed return with the time segment that best matches the chosen investment or product. Put another way, the money that needs to be available first during retirement should be placed into the first bucket, while money that won't be needed for many years to come is placed in the second or third buckets.

Offering pension-like income certainty, bucketing has the added benefit of breaking the long time horizon of retirement into smaller segments. Bucketing allows you to utilize several smaller investment or product allocations in age-banded buckets. That way, if the markets change dramatically, the assets placed in the buckets can be adjusted to respond. It's a form of diversification that also pairs products more closely with expected timeframes of use.

There are a number of ways to fund the buckets. For example, you can invest increasingly risky assets in each successive bucket. Or, you can build the entire income plan in a guaranteed manner by using 5-year payout annuities in the first two buckets, with a lifetime income rider annuity product in the third bucket, allowing the strongest guaranteed growth of income benefits. With either direction the retiree chooses – the risk-based bucketing strategy or one of the many guaranteed options - if the retiree's needs change, there is still flexibility available to change the future buckets. If the retiree(s) passes away before 'turning on' the income from all the buckets, any remaining account balances will pass to heirs, thus avoiding the premature death risk of some other strategies.

By pairing the retirement income needed with the income derived from the bucket plan, any remaining 'extra' money is freed-up from income generation duties and is able to remain at-risk in the stock and bond markets for purposes of discretionary wants, inflation protection, long term care needs, and giving.

With these extra discretionary investment assets, the principles of prudent investing still apply, but the need for those assets to generate consistent income has been removed, thanks to the income generated by the buckets.

What are the downsides to bucketing? For one, the multi-bucket approach can be a bit more complex than other models that use a single source of income. Bucketing also requires a broader access to products in order to build it effectively.

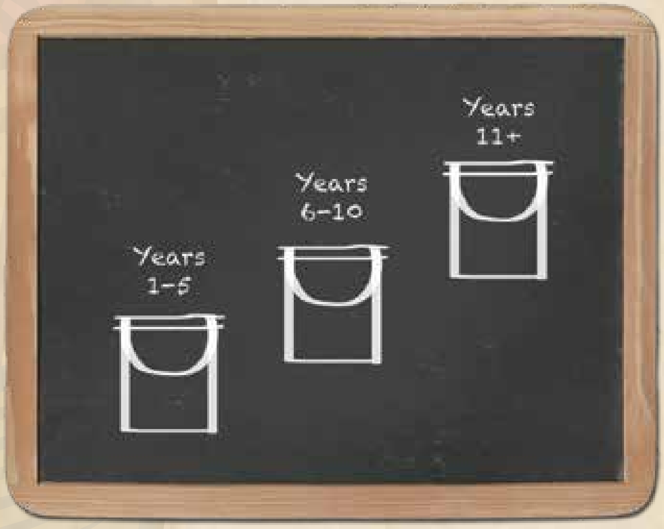
Generally, no single insurance company or investment manager will offer the most competitive options for all the buckets. Bucketing tends to work best with a combination of guaranteed income products and risk-based investments, so dually-licensed advisors can have an advantage when building a bucketed plan.

With all of this in mind, for who might a bucketing approach be suitable?

- Retirees who wish to transfer various risks such as: market, sequence of returns, frailty, and advisor risk
- Those who wish to maximize income predictability
- Retirees who desire a balance between predictable income and asset flexibility
- People who are comfortable using insurance-based products and/or individual bonds to generate income
- Those who wish to have a complete income planning methodology that leverages the best attributes of each asset for its best use

While this discussion was never intended to be an exhaustive analysis of bucketing, I hope it inspires you to learn as much as possible before committing your retirement assets to an income planning strategy. As a safety-first approach, bucketing offers a lot of flexibility for those families who wish to provide certainty and reliability of income.

In an era of ever-increasing complexity and retiree lifespans, retirees face an unprecedented responsibility to plan their retirement income prudently. Bucketing is a strategy we've been very comfortable with, long before it was declared as 'New' again.



Are Your Helpers Prepared?

For the last several years I've written for *The Steward* about how important it is to have an effective, customized estate plan designed to meet your planning needs and goals. The right estate plan will make it possible for you to make sure your assets are handled appropriately with the least amount of cost, hassle, and risk.

Equally important, but often overlooked, is making sure that your helpers (your Agents in the Powers of Attorney, your Executors in your Will, and your Successor Trustees in your Trust) are prepared to help when the time comes. They need to know what their responsibilities will be and when they will need to act.

These days, most people name their adult children or their siblings as their Successor Trustees, Executors and Agents, and that is generally a very good choice. However, they usually don't have the experience with the legal processes involved to be able to know what needs to be done. This issue has led us to write some Guides to help our clients and their appointed helpers understand the estate administration process.

For clients with Will Plans (or who have parents who have Wills as the foundation of their planning), we've written ***"You're Named the Executor. Now What?? Seven Things an Executor needs to know BEFORE doing ANYTHING."***
This Guide takes people who are named as Executors through the responsibilities that must be accomplished in order to ensure that the Estate is handled properly in accordance with Ohio law.

Special attention is given to potential pitfalls that could cause an Executor to be personally liable to the estate's creditors and/or beneficiaries.

For clients with Trust Plans (or who have parents with Trust Plans), we've written "***Successor Trustees: What You Need to Know Now.***" This Guide helps the people named as Successor Trustee in a trust understand what their role is if the Trustmaker becomes incapacitated and when the Trustmaker passes away.

Richard Chamberlain,
Founder and principal attorney of Chamberlain Law Group, Ltd

Of course, our firm is ready and able to assist with any estate administrations that arise, and we will be there to advise the Successor Trustee or Executor and to prepare the necessary paperwork for filing and documentation of the estate administration. In the meantime, you may want to take a look at these Guides, or pass them along to the people named as your Successor Trustees or Executors in your estate plan.

Just call my office **(419-872-7670)** and ask for the Guide you want, or send me an email (*richard@chamberlain-law.net*). We will be happy to send the information directly to you.

How do you measure investment success or failure?

As an advisor and portfolio manager, nothing is more frustrating for me than having a disappointed client. After all, I'm in the business to help people and to ultimately please them. I certainly empathize with the emotions that are present during market declines, but having a disappointed client when everything is going great causes so many questions to arise. What did I miss? How can they be disappointed? We've done tremendous work for them and they're ungrateful? If I'm really honest, this has lead to: they must be crazy, they don't understand how well we've done, they have no real perspective, and many other very unfair and imposing judgments.

Over the years, I've developed a strategy to avoid these scenarios from occurring as often, and even with this strategy I can quickly forget and become frustrated. It usually takes me an evening or so before I can place things into proper perspective. Since I'm likely not alone in dealing with this occasional frustration (you may feel it too), I thought it might be beneficial to share my strategy.

Understand and acknowledge we're all capable of becoming crazy, emotional, and irrational people.

Generally, behind emotion and irrational behavior lies a deeper rational thought. I'm reminded of my 18 month-old daughter who's learning to communicate. She has limited capacity for words and sentences and often runs up against an intellectual wall for communicating. Her response after she has exhausted all communication efforts without success is to throw herself on the floor and cry. While a fairly irrational behavior, it's based on a very rational thought. She simply wanted to have Cheerios for breakfast and couldn't figure out how to communicate that to us. The same concept holds true for teenagers experiencing new and deeper emotions while still developing a framework for understanding and communicating. The truth is, we're all emotional, and sometimes irrational, people regardless of age; our triggers and the way we hit intellectual and communication walls is different from one another, but we all have limitations that induce irrational behavior. So, before we start throwing stones at anyone, especially clients we care for and serve, please remember we're all in the same boat.

Ask thoughtful, clarifying questions.

If I look back, almost all of my frustrations in life could've been avoided by asking better clarification questions before starting something. When it comes to client relationships, asking the right questions up front both reduces the odds of disconnect and can lead to a quicker strengthening of trust. Without fail, any disconnects I've experienced with clients seem to have stemmed from either failing to ask the right questions or my failure to truly listen and hear what the person was communicating to me. One clarifying question that I try to ask whenever possible is:

How do you measure investment success or failure?

Admittedly, it's easy as an Advisor to hear what we want to hear during an investment conversation. I'll share an example. We recently spoke with someone who will soon need retirement income from their investments. They'd prefer to take on less than full stock market risk to limit losses during market declines, which is quite normal. Now, it's easy for us to make the leap to recommending a moderate risk portfolio with a focused-income objective in order to meet their goals. Thankfully, in this specific case, I paused and remembered to ask another clarifying question. Yes, they needed some income and yes they preferred lower risk but I still lacked the proper framework for understanding what they really wanted. When I slowed down, started listening more, and asked deeper questions, a different story began to take shape.

Stephen L. Hanley,
Investment Strategist
Evergreen Wealth Management

While they're averse to risk, this person was planning to measure success or failure against the S&P 500, an index that tracks only stocks. It turns out that what he wanted wasn't an income-focused investment portfolio at all, but he actually much preferred a growth portfolio! His logic was sound and he understood the risk, but he also understood he could keep extra cash for income needs out of the market (in a bank account) to cover 1-2 years of income and sell only select parts of the growth portfolio as needed. Failure on our part to keep pace with the performance of the S&P 500 would have failed his investment objective. Clearly, I almost blew it by forcing a structure upon him that by design would sacrifice upside growth to generate higher income and lower risk. By slowing down and asking more questions, I was able to broaden my perspective and better understand what he was ultimately looking for.

STRATEGY IN SUMMARY

For some reason, we're wired to see what we want to see and hear what we want to hear. A common attribute among the most effective Advisors I've worked with has been their ability to understand and empathize with emotional behaviors. These Advisors hold common characteristics that I've been using to improve my own advice and to further develop my own communication strategy:

1. Ask great questions. Questions allow us to dig deeper ahead of time in order to understand what might cause expectation disconnects with clients.
2. Don't be afraid to challenge norms and ask why over and over again.
3. Slow down and be intentional around listening to what the person is saying. Hearing them and repeating back what I've heard in order to validate we're on the same page.
4. Don't allow my mind to jump to a solution or product. Instead, stay in the moment to gain better understanding.
5. Be fully honest. Not only in my limitations in what I can and can't deliver, but also being honest about what I'll do, what I'm in control of, and what I don't control.

Communication, listening and understanding is hard work. Inevitably, we'll mess up at times no matter how hard we try. However, being intentional in our conversations, and being prepared with, and engaged in, some of the above tools might just improve your relationships and help avoid future frustrations, just as they're helping me better navigate mine.

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Fourth Dimension
—Financial Group, LLC—

Fourth Dimension Financial Group exists to help people seeking financial retirement achieve enough, live fully, and help others do the same. Appearing regularly in national industry publications and local media for retirement planning insights, Adam and his team of highly-focused and passionate advisors help clients achieve greater clarity in their planning.

Fourth Dimension's clients benefit from the use of world-class income planning, tax reduction, and risk management strategies, resulting in a retirement plan that works in any economic conditions rather than one built on hope and luck.

To your success,

Founder, Principal, and Retirement Income Certified Professional®

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