

## **Reversing The Flow**

In the late 1800's my old home town of Chicago had a big problem. The water flowing from the Chicago River into Lake Michigan contained contaminants that were affecting the City's water supply. In one of the great engineering feats early in the past century, a series of locks were constructed that actually reversed the flow, bringing fresh clean water into the Chicago River.....which they dye Kelly Green every St Patrick's Day.

People nearing retirement have been conditioned through years of putting money away, that it always flows into their investments and retirement accounts. Reversing that flow "ain't easy" for them. While retirement, not having to work, is often a very pleasant thought, pulling money out of accounts to replace the paycheck is not very comfortable for most people. While we can assure them with the financial equivalent of engineering that they can do this, everyone I've worked with has shown at least some discomfort with taking money out.

### **Cash Flow**

One consultant to our industry observes that money isn't very important, but it does rank up there close to oxygen in how we use it every day. From your normal household bills, to checking things off your "Bucket List", we all have a continuous need for financial resources. As money flows out of your checkbook, you need a source to refill that balance for the next set of bills to arrive on your doorstep. Paychecks provide that source for much of our lives. When paychecks stop, the source changes.

### **Net Worth**

One of my favorite conversations with younger people is about changing their paradigm. At the start of someone's career they are seeking a large paycheck. As a result, they can think that money is an "income game". When you think this way success is measured by the size of the compensation package. This is fine as long as there is always an increasing paycheck arriving on the doorstep. But what happens if that paycheck stops either temporarily or in retirement?

While income is needed throughout life, it turns out we are all actually in a "net worth game". This is why the people who enjoy long term success know that they need to be putting money away from every paycheck. They know that life's emergencies and the money they need for retirement can only be sufficient if they have enough net worth. Stack up enough reserves and your paycheck can become optional. One of my stated goals for clients

is to help them reach the point where they no longer need a paycheck. Only through a large enough net worth is this possible.

## **Planning**

How much will be enough? We cannot know with any certainty what the future will bring. Still, using historic averages, we can project what might be likely and test different scenarios to see if certain amounts of net worth might be enough. One of the joys for us in financial planning today is that either in our office or on your computer at home we can help you look at results of dozens of different scenarios. We can change different inputs like retirement age or 401(k) contributions and you can see the results immediately. It helps people get a sense of what might be enough.

## **The Fun**

A big focus of the work that my associate, Tasia and I do is on helping people accumulate and grow their net worth. While we enjoy this pursuit, the real fun is in sending money back to people. Interestingly enough, most of our clients in retirement are reluctant to "ask for money".....even though it is theirs. There is something in these savers that has to get used to enjoying the benefits of the wealth they have worked hard to build.

One client, who waited until age 70 when pulling money out of IRAs becomes mandatory, was asking for the minimum required. Some exhaustive studies have shown that pulling 4-5% out will allow the nest egg to continue to grow to keep up with inflation. It was so much fun telling this dear person that we could increase the monthly amount she had calculated by a couple of hundred dollars. When you hear "Really?!", in a positive way from someone you care about, it makes our work a great deal of fun.

## **Bottom Line**

I like to envision retirement being like floating down a slow river on a perfect summer day, allowing the current of your accumulated net worth to gently carry you along a beautiful landscape of years that could be "golden". After years of paddling up the stream of saving and investing to build your net worth, when you have gone far enough up stream, be sure to enjoy the ride that your hard work has won for you. When it comes time for us to send you money, please relax and enjoy the reversed flow. We'll do our best to make sure the amounts are appropriate to the size of your nest egg.

## **Your Feedback**

I would love feedback on this newsletter. Future issues may include a host of good ideas, insights, specific steps to take financially, life insights and of course "Wit and Wisdom". Most importantly, I'd like it to be of value to you

and to encourage an exchange of great ideas and insights. Please send your feedback to:

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