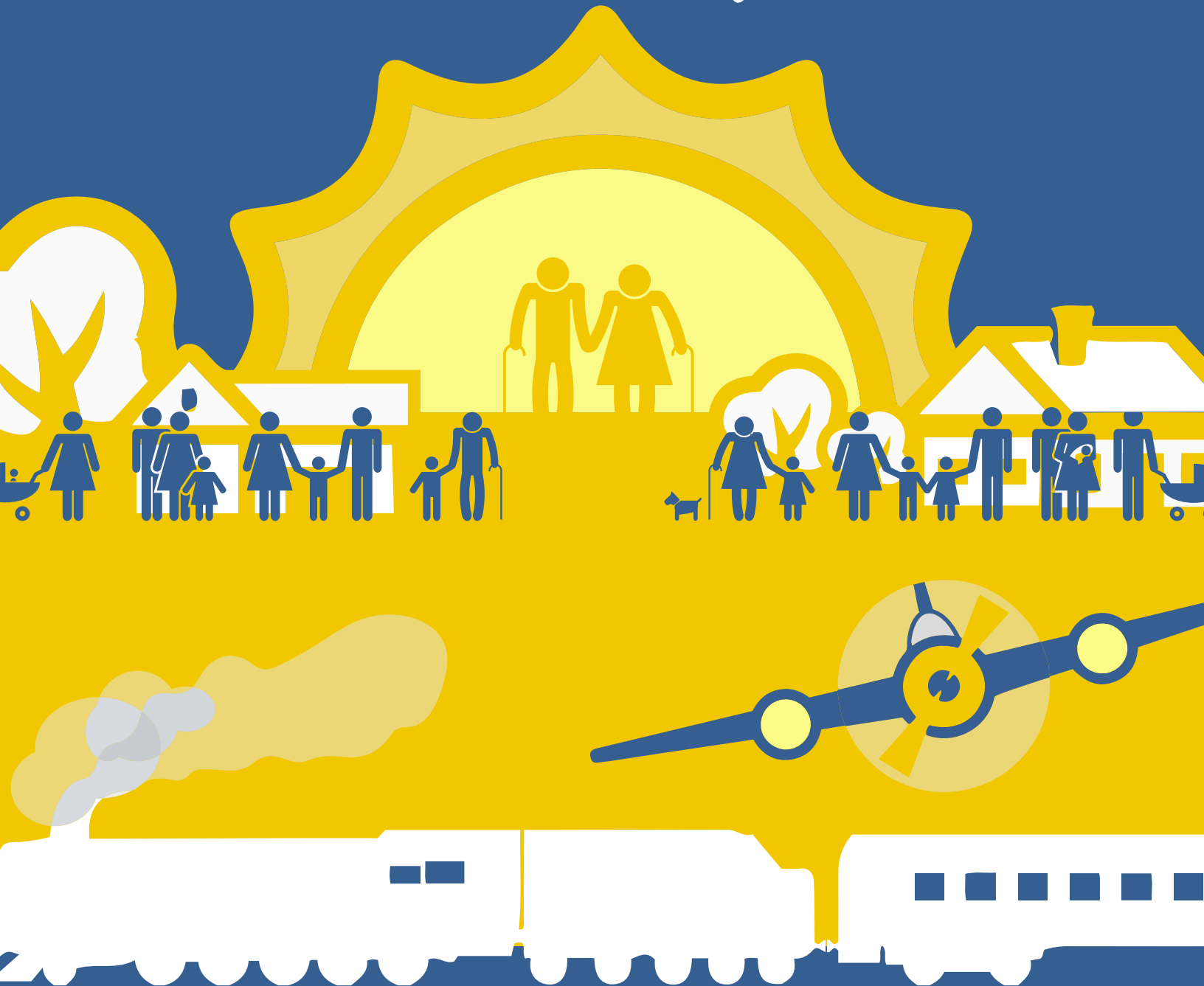


The Multi-Tiered Retirement:

Are You Prepared?



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There are many written definitions of retirement circulating through dictionaries across the globe that you can easily find with the click of a mouse. [Wikipedia](#) and [Merriam-Webster](#) define Retirement as follows.



The point where a person stops [employment](#) completely.^{[1][2]} A person may also semi-retire by reducing work hours.



The act of ending your working or professional career; the act of retiring; the state of being retired; the period after you have permanently stopped your job or profession.

Is retirement a homogeneous period of time in one's life that is simply defined by not working anymore? If that's the case, then planning should be pretty simple, right? All we need to do is calculate how much money we need to save to provide for life after work and all will be ok; right? Wrong!

In fact, the definitions I found online could not be farther from the reality of what retirement really is. Society as a whole has failed both the Baby Boomers and Generation X by selling retirement (and the process of planning for it) as a simple money issue; accumulating money and distributing money; a fancy way of saying saving and spending. Financial advice has been driven by a belief that basic asset allocation (another fancy term that means spreading your money out over several kinds of investments) with your retirement savings will accumulate over time (saving) and provide you with modest distributions (spending) that should last your entire life. Television commercials depict this dream on a daily basis; retired couples strolling on the beach, or playing golf, or traveling with friends, followed by a celebrity voice describing promises of investment and insurance strategies to

help you pay for these golden moments of recreation. But, defining and planning your retirement is so much more than how to pay for your travel.

Over the past 20 years, I've seen people of all ages struggle with the emotional side of retirement as well as the transition through the different tiers of retirement. With a little discipline and a [winning strategy](#), the savings side of retirement planning is pretty simple. On the other hand, there are some not-so-simple parts to the retirement puzzle the financial planning industry is failing to help people with:

- Figuring out what you're going to do for the rest of your life
- The right timing of your retirement
- Managing the different stages of a multi-tiered retirement





Planning

People are living longer. Retirement is often a 20, 30, or even 40 year proposition. It is now possible to experience a retirement that lasts longer than the pre-retirement years of working and saving for retirement. With retirement now possibly lasting 2-4 decades, planning for it requires a much deeper strategy besides a good target series fund in your 401k, followed by a rollover to an IRA and a 4% withdrawal rate.

We teach our clients that retirement is comprised of three distinct tiers that all have a different effect on your savings and your emotional well-being. We call these tiers:

The Go-Go Tier

The Slow-Go Tier

The No-Go Tier

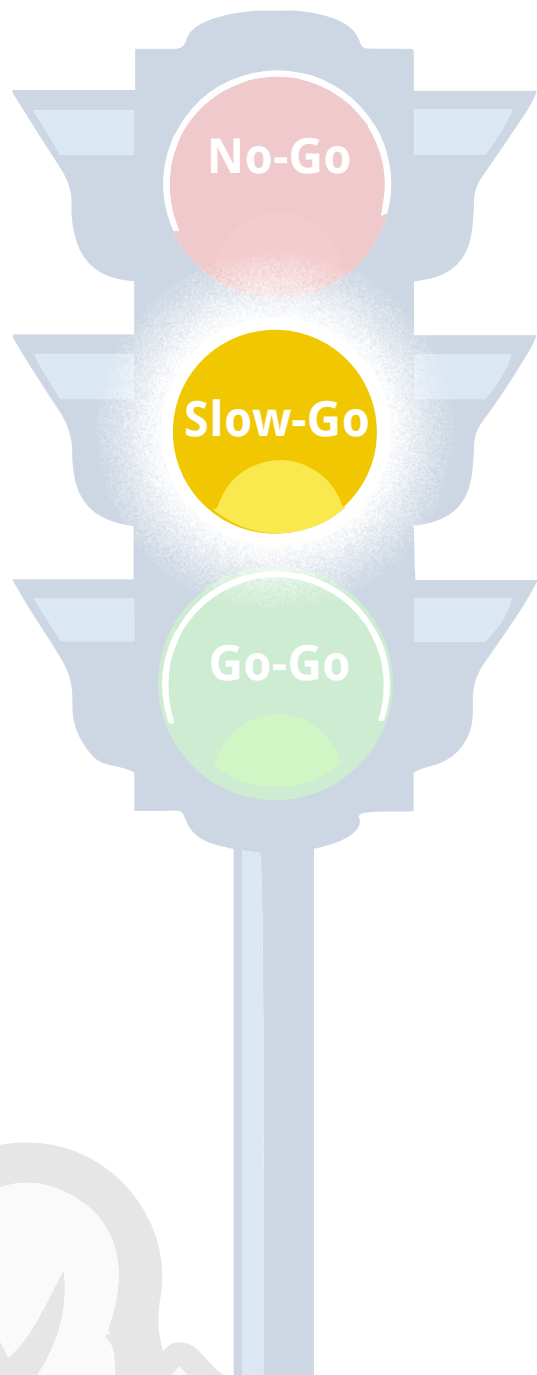
Each tier requires proper planning as our lifestyles change dramatically throughout each transition from one tier to the next. There's no set formula that dictates how long each tier lasts, and the transitions from one to the next are sometimes not very well defined. Proper planning is paramount so that when a transition from one tier to the next does occur, you are ready and prepared.



The Go-Go Tier

The Go-Go Tier is the time often defined by freedom, constant activity and recreation. Traveling to see the grandkids, visiting the bucket list destinations one always dreamed of, and dining out with friends regularly are signature experiences of the Go-Go Tier. Work can still be a big part of the Go-Go Tier, but now all work happens out of choice rather than obligation. Assuming one has uncovered their true unique ability and found a way to give it to the world, one can spend a significant portion of his or her life in this “doing” space.

Although costs can become high in the Go-Go Tier, typically these costs do not come with significant inflation. Travel, food, and entertainment have not seen a great deal of inflation the past few decades so planning for this tier is quite different than the latter tiers of retirement, where inflation is moving at hyper-speed. **Allocating a portion of your retirement savings to the Go-Go Tier can be set at a more conservative pace, where growth keeps up with or slightly exceeds core inflation (1-2%).**



The Slow-Go Tier

We enter the second tier of retirement somewhere between 5-15 years after we retire. Physically we are still in good shape. We have reached a point in life where we have “been there, done that” and prefer to enjoy staying close to home. We invite the kids to come visit us. We cook more than we dine out, and we really get connected to our home and a small community of inner circle relationships. Couples will often remodel their home to reflect how they want to use it at this point in their lives. Cost of living tends to decline a bit, as we do not spend as much on travel and leisure. However, a home renovation in the Slow-Go Tier could weigh heavily on one’s assets, so careful planning is necessary.

Planning for the Slow Go Tier requires a look into the things in life one truly enjoys; the simple things. Long walks, Sunday drives, watching the grandkids play little league baseball, a favorite movie, cooking a favorite dish. The Slow-Go Tier also comes with great contemplation. It is a time in one’s life where we really decide if we have truly lived our life’s purpose. We sit back and enjoy seeing our legacy within our kids and grandkids. Financially we can take our foot off the gas pedal as our spending generally slows. This tier can have the least demand on our assets, so setting aside a portion that modestly grows beyond inflation is wise. **Taking a little calculated risk with some tax-efficient growth is what we recommend to our clients for Tier II.**





The No-Go Tier

The last tier in retirement is one that can last 10 or more years. One of the realities of life is that at some point, our bodies will age and not function as they used to. We may spend most of our time at home and/or visiting doctors. We will need more medical care and possibly help around the house with our every-day tasks like cooking, cleaning, bathing, and driving.

It can also become the most expensive tier in retirement. Financial preparation for this tier requires some complex planning, separate from the planning required for tiers I and II. Your savings must grow at a much greater rate than core inflation, as prices of healthcare and homecare are accelerating at a rate much higher than core inflation. Despite inflation decreasing in healthcare since the [enactment of the Affordable Care Act](#), healthcare costs still grow at a rate that is almost 3 times that of core inflation.

Once the financial preparation is complete, the more difficult task of preparing for the emotional transition that occurs between tiers II and III must begin. This is no easy conversation, but it's certainly one that can help minimize the fear of unknowns surrounding old age and dying.

It is critical to understand that retirement is not a standardized time in life that simply means life after work. It's a multi-tiered phase in life that can last as long as four decades. It requires customized planning that encompasses financial and emotional preparedness, rather than an over simplified one-size-fits-all investing blueprint built by large mutual fund companies, banks and brokerage firms.

Defining retirement and properly planning for it is not a small task. It might feel so overwhelming that you decide to let it sit on the back burner to deal with it later. Unfortunately, later often becomes too late, and something happens where one is forced to make decisions he or she is not prepared for.

So let's get retirement off the back burner and take a small step together by first helping you define your retirement. Forget Wikipedia and Webster. Let's define your retirement. I'll even give you a head start by letting you see my personal definition of retirement:

Retirement: (n) re-tire-mint: a major life transition point where one has achieved financial independence and a clear vision of life's true purpose. Occupation becomes choice rather than necessity.

To help you get even closer to envisioning your multi-tiered retirement, I wrote another white paper called the 30 Year Plan for a Retirement on Purpose. If you are interested in a FREE copy, please send me an email at matthew@401kMasters.com and I'll send it to you right away.



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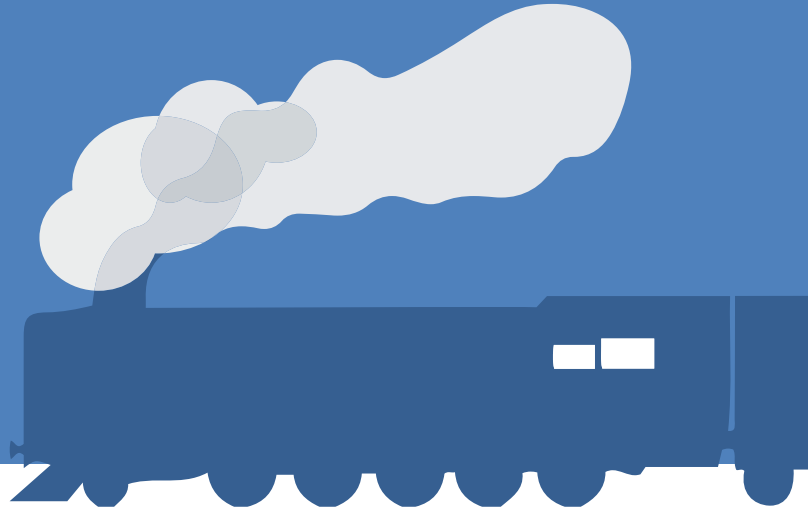
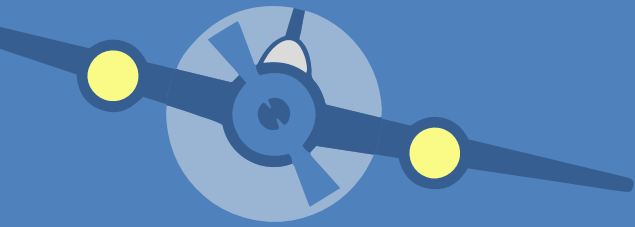
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