

# SECURE RETIREMENT HANDBOOK

Following the right path to a secure retirement.

2019 Edition



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# Introduction

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When can you afford to retire? How long will your nest egg last? If something happens to you, what can you do to ensure your family is taken care of? How can you protect your nest egg from major financial market declines? Depending on who you ask, the answers to these questions may vary.

**The goal of this guidebook is to provide valuable information that will help you organize a financial plan and place you on the right path to a secure retirement.**



# How Much Do You Need to Comfortably Retire?

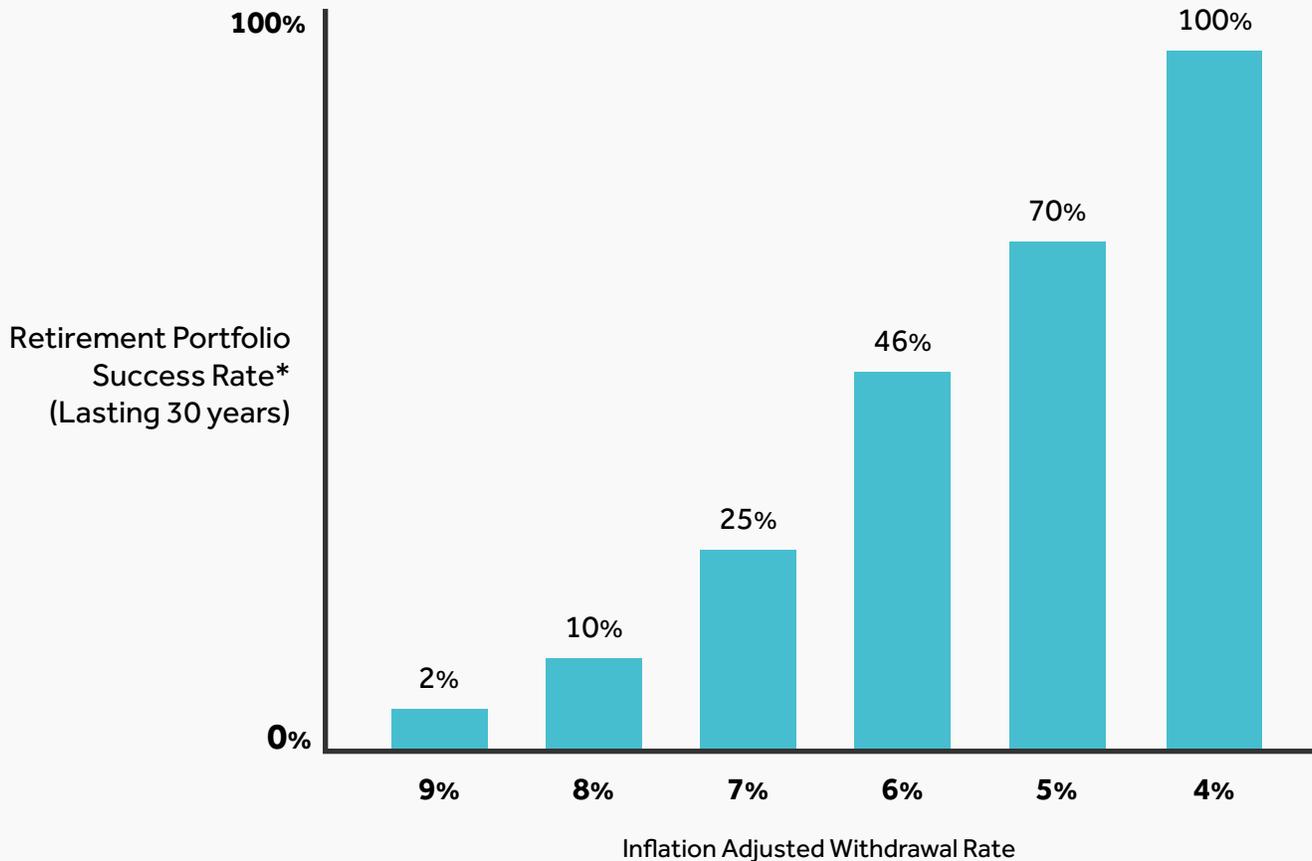
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Do you know how much you can spend and retire in comfort? A simple way to figure this out is to use a **Safe Withdrawal Rate (SWR)**.

What exactly is a safe withdrawal rate? It is the amount you can withdraw from your savings while maintaining a low risk of running out of money in retirement. All things being equal, the lower your withdrawal rate, the longer your hard earned money will last. So, what is a conservative target for a SWR?

Financial studies show a retirement portfolio with an investment mix of 50% in stocks and 50% in bonds, and a withdrawal rate of 4%, had a 100% success rate of lasting at least 30 years. In the 63 hypothetical 30-year retirement scenarios that occurred between 1926 and 2017 (1926-1955, 1927-1956, and so on) the retiree's

## Retirement Portfolio Invested in 50% Stocks & 50% Bonds



**The lower your withdrawal rate, the longer your money will last.**

Source: <https://www.forbes.com/sites/wadepfau/2018/01/16/the-trinity-study-and-portfolio-success-rates-updated-to-2018/>

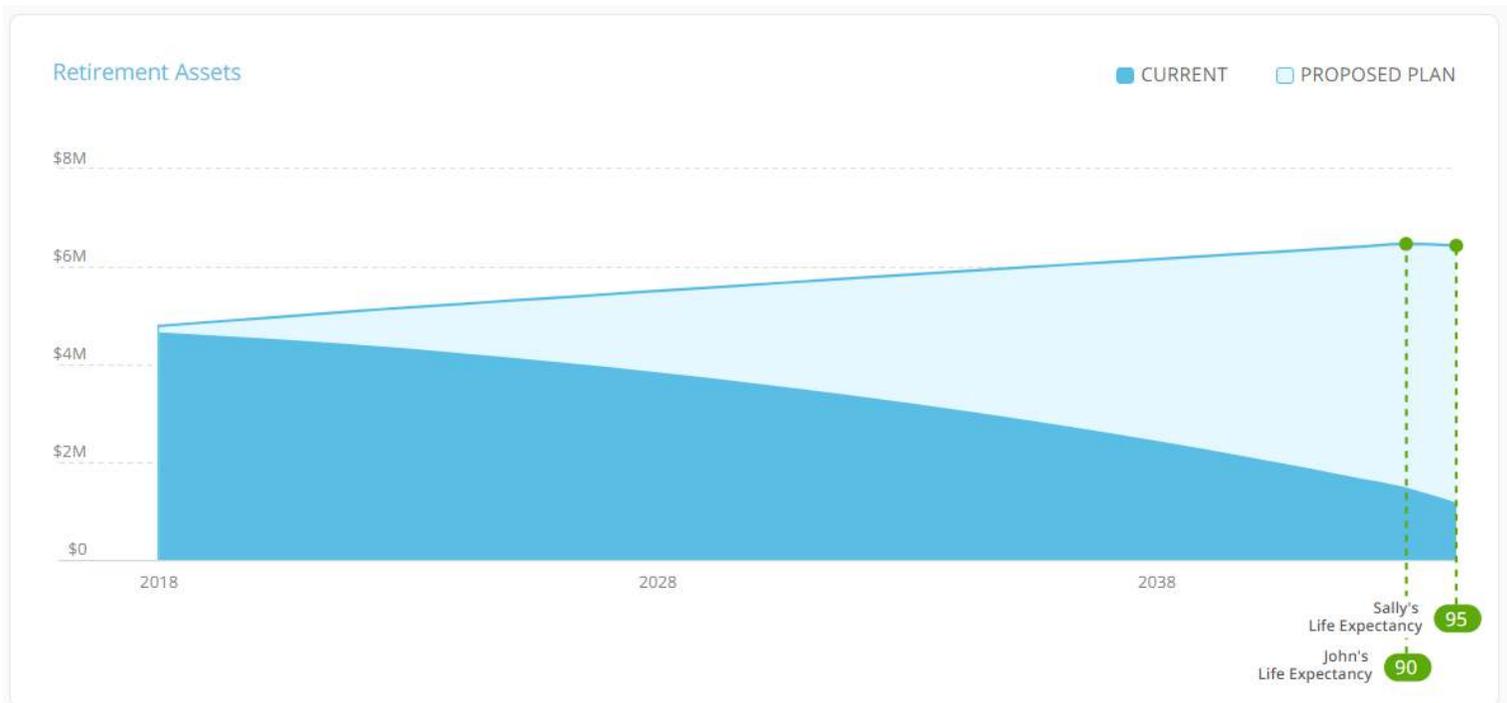
nest egg would not have run out of money in each scenario. These retirement forecasts included periods of inflation, deflation, world wars, recessions, the dot-com crash, real estate bubbles, and the global banking crisis.

How can you use the 4% safe withdrawal rate to come up with a nest egg target? Use the rule to work backwards. For example, if you need \$40,000 from your savings every year to live on (after taking into consideration other forms of retirement income ie: social security, part time work, etc...), simply divide your annual spending need (\$40,000) by 4% (or multiply your spending by 25). In this example, a reasonable target for \$40,000 in withdrawals equates to a \$1,000,000 retirement nest egg.

## How Much Do You Need to Comfortably Retire?

25x Your Annual Spending Provides A Conservative Target.

$$\begin{array}{ccccccc} \$40,000 & \times & 25 & = & \$1,000,000 \\ \text{Annual Spending} & & \text{Multiplier} & & \text{Retirement Nest Egg} \end{array}$$





### **Bottom Line:**

While there is no “correct” answer to how much you need to retire, using a 4% withdrawal rate has historically been a conservative benchmark for a secure retirement.

While following a conservative safe withdrawal rate is a good start, contact [pamela@pringturner.com](mailto:pamela@pringturner.com) to schedule a retirement assessment and receive your own personalized retirement plan recommendation



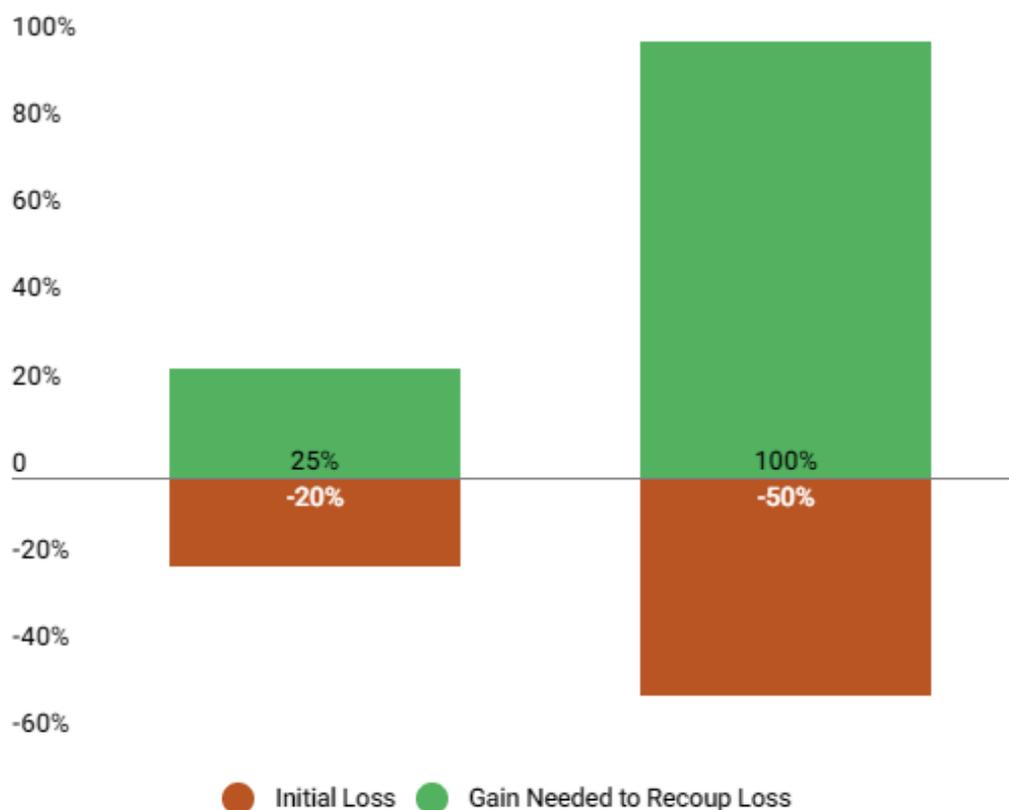
# The 6 Keys to Investing in Retirement

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## 1. Avoid Big Losses

Losses in investing are inevitable, but it is absolutely critical that you **avoid big losses**.

The diagram below demonstrates the importance of not losing big. For instance, if your portfolio losses -20%, you need to gain +25% to make back the loss. A larger decline of -50% requires a much more difficult 100% advance. The deeper the declines, the greater the gain required to get back even.



### The gain required to recover from a large loss is exponential.

Limiting losses is even more crucial during retirement because you depend on withdrawing portions of capital from your investment portfolio. Withdrawals impair gains while intensifying losses, making it even more important to generate consistent portfolio returns with minimal losses. A secure retirement will be hugely dependent on playing a great game of investment defense.



#### Bottom Line:

Occasional losses are inevitable. This is why it is absolutely critical to protect yourself against large losses by incorporating many layers of risk protection into your retirement portfolio.



## 2. Protecting Yourself from Major Market Declines

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Like the seasons of the year, the economy also goes through its own series of seasons called the business cycle. A bell shaped curve provides the best illustration of the business cycle and the repeated ups and downs of the economy. **You can use the business cycle to make investment adjustments to better prepare for the road ahead.**

Typically, the stock market suffers declines, often substantial losses, associated with recessions. Over the last century, three out of every four bear markets for stocks (-20% or greater declines) have occurred during recessions.

# The Business Cycle



**~75% of Bear Markets Occur During Recessions**

The real value of understanding the business cycle is that it helps you look ahead and anticipate economic turning points without extrapolating current financial market conditions indefinitely. In simple terms, it will help you identify whether it is an appropriate time to emphasize offense (grow wealth) or defense (protect wealth) in your retirement portfolio.

Doesn't it make sense to have an active plan for investment management? By that, we mean a plan to reduce your exposure to stocks in anticipation of a recession and boost your stock exposure when the economy is expected to grow. For instance, during a recession, your asset allocation could include a significantly lower exposure to stocks, a healthy mix of high quality bonds and extra cash to stabilize your retirement nest egg. The opposite is true when the economy is accelerating into growth mode, as it makes sense to have higher exposure to stocks during favorable market conditions.



## **Bottom Line:**

Over the last century, three out of every four major stock market declines (-20% or more) have occurred during economic recessions. You can better prepare for the road ahead and protect your valuable retirement nest egg by using the business cycle as a roadmap. **[Learn more about the Business Cycle Roadmap.](#)**



## 3. Emphasize High Quality Investments

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How can you earn better investment returns with less risk? Invest in quality! Yes, it's that simple. You can earn better returns with less risk by focusing your investments in high quality businesses.

What is a high quality business? High quality companies that consistently grow their earnings regardless of the underlying business atmosphere. These financially strong companies tend to be the cream of the crop in their industry, with key competitive advantages that allow them to continually prosper over the long run.

The financial ratings firm Standard and Poor's (S&P) has published quality rankings for stocks over many decades. This service provides an easy method to track quality. Its rankings range from A+ (highest) through D (Lowest); the better the growth, stability of earnings and dividends, the higher the ranking.

## High Quality = Better Returns

High quality stocks generate better returns over the long run. In an S&P study, over the 30 year time span between 1981-2011, High Quality Stocks (S&P Ranks B+ or Better) earned average annual returns of 14.9% significantly outperforming its Low Quality counterparts (B or lower) at 8.7%.



Sources: Standard & Poor's, Atlanta Capital, Pring Turner Investment Management

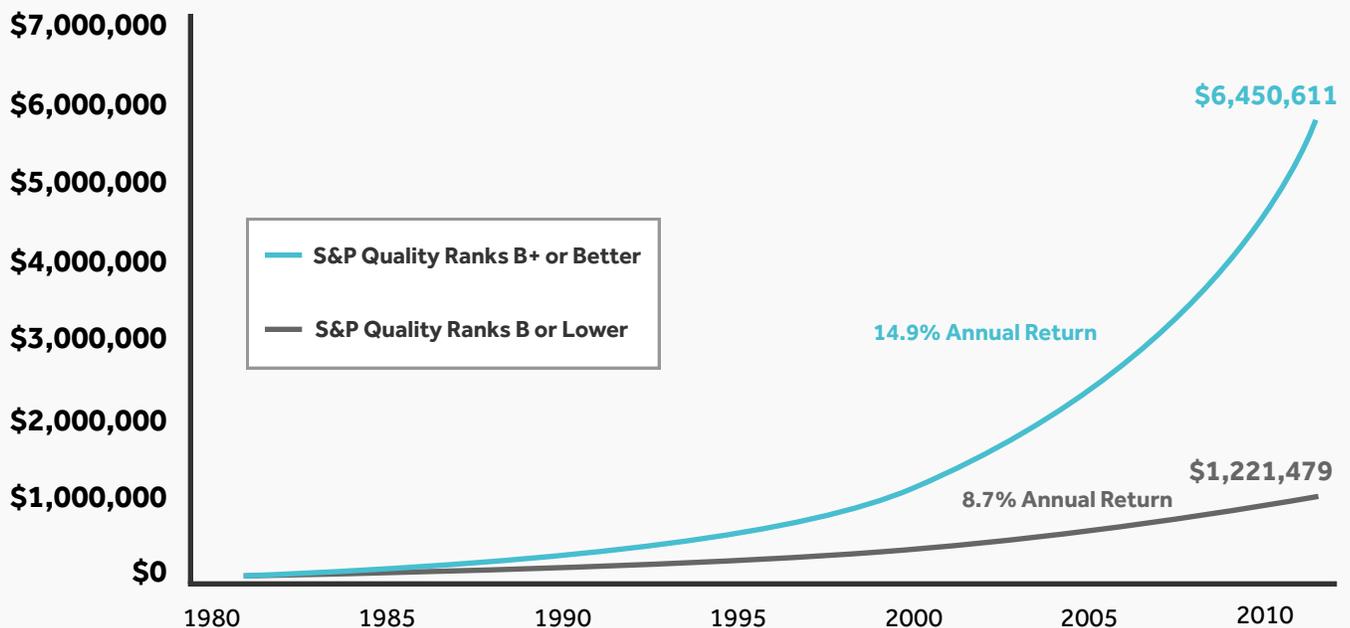
## Why Do High Quality Stocks Outperform in the Long Run?

It's easy to forget that buying stocks is actually becoming an owner of a company (you get much more than just a volatile ticker symbol). Just as the financial success of your local coffee shop owner depends on how profitable their business is, your financial success will ultimately be determined by the business results of your investments. Since high quality businesses are those with steady and superior earnings growth, their stocks generate higher returns over their low quality counterparts in the long run.

To put the High Quality vs. Low Quality results from S&P's study in dollar terms, if you retired in 1981 and invested \$100,000 in low quality stocks and left it alone it would have grown to just over \$1.2 million by 2011. Not too shabby! However by comparison, a \$100,000 investment in high quality stocks would have grown to \$6.4 million – over 5 times the low quality amount! That is a remarkable \$5.2 million dollar difference over 30 years.

### High Quality vs. Low Quality Stock Returns

Hypothetical \$100,000 Investment from 1981 to 2011



Source: Standard & Poor's, Atlanta Capital, Pring Turner Investment Management

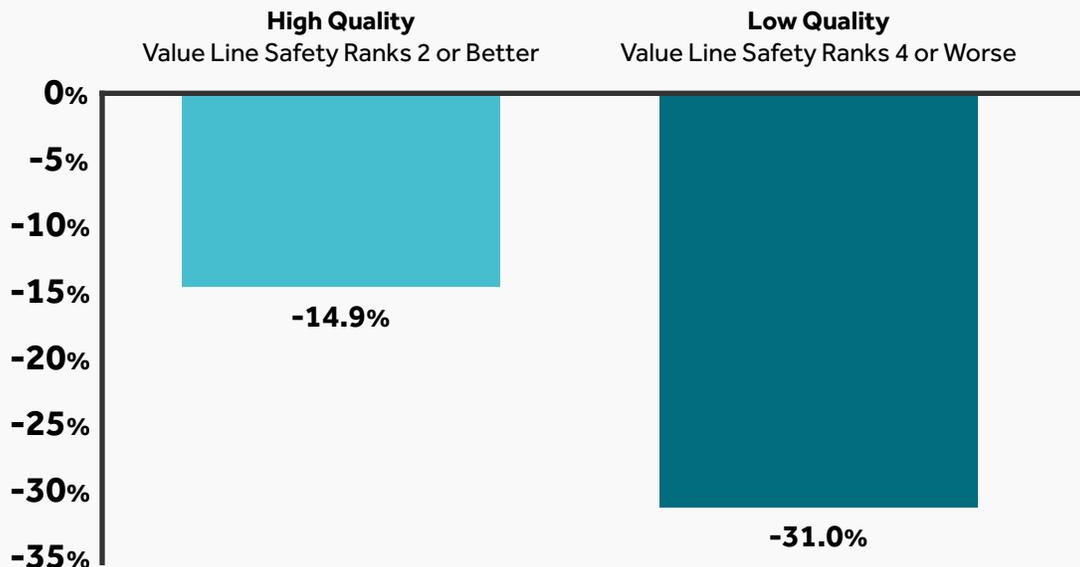
Given the superior performance of high quality investments, you might find it fascinating that they actually are less risky. Who said you can't have your investment cake and eat it too! That's right, better returns with less risk, the ultimate investment combination.

## High Quality stocks are Less Risky

ValueLine is an independent research firm that ranks companies by "Safety" ratings. Their rating system compares and combines a company's balance sheet, financial strength and price stability to arrive at a safety rating (similar to the S&P Quality Rankings). We compiled the ValueLine safety rank data during the last 16 major market drawdowns from 1972 – 2016 to calculate and compare high quality vs. low quality performance. **As shown in the table below, high quality stocks go down much less (-14.6% on average vs. low quality stocks -31.0%) during significant stock market declines.**

### High Quality vs. Low Quality

Average Drawdown During 16 Stock Market Corrections from 1972 - 2016



Sources: Value Line Subscriber Manual, Pring Turner Management

By focusing on high quality investments, you not only can increase your returns but also lower your risk.

As discussed in the [Avoiding Large Loss section](#), going down less in a bear market makes it much easier to recover from the decline and ultimately allows you to reach new recovery highs much faster.



### **Bottom Line:**

By focusing your investments in high quality stocks, you not only can increase your returns and lower your risk, but you may also sleep better at night.

**Is your retirement portfolio invested in high quality? Email [jim@pringturner.com](mailto:jim@pringturner.com) for a complementary quality review analysis and to learn where you can improve the quality of your retirement portfolio.**



## 4. Value Investing

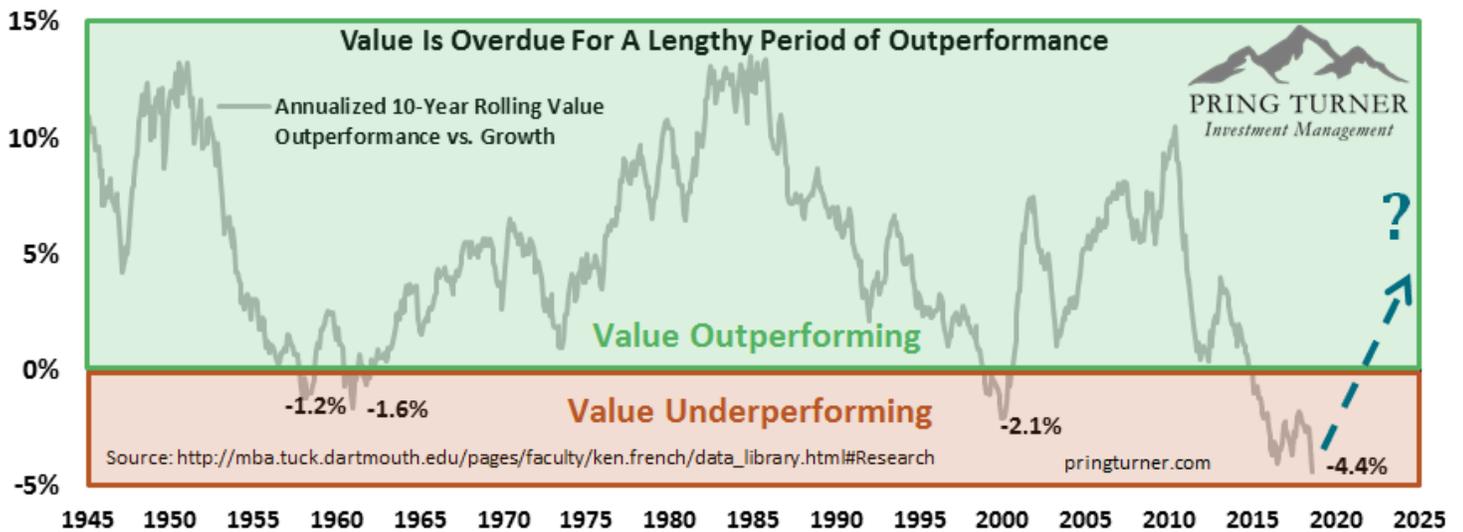
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Finding the price of a stock is easy. Determining the "value," is a more complicated task. Value can be characterized in many ways. For example, the price to earnings or P/E ratio is calculated by dividing the price of the company (P) by the earnings per share (E). Essentially, the P/E ratio represents how much an investor is willing to pay for one dollar's worth of today's earnings. As stock prices decline, P/E ratios fall and indicate better value for investors (assuming earnings don't fall more than price - underscoring the importance of investing in high quality companies that consistently grow their earnings).

Value is not only as a fundamental measure but also a sentiment indicator. Sentiment is continually moving from a position of excessive optimism to one of pessimism, and vice versa. Why, at one time, are fearful investors willing to pay only a low price for \$1 of earnings, while at another time they are eager to pay a high price for that same \$1 of earnings? The answer lies in the extremes of

confidence or lack thereof. Investors can be extremely confident (or even greedy) when they are willing to pay a high price for earnings. Similarly, investors can be overly pessimistic (or fearful) when stocks are trading at extremely low valuations.

Purchasing stocks of high-quality companies at attractive valuation levels will add another important layer of protection into your retirement portfolio. While growth investing gets the glamorous headlines, value quietly gets the better results over the long run. Of course every few years we expect value investing to encounter some rough patches. Such has been the case in recent years as value investing has experienced its longest dry spell in over 70 years. So, what can value investors expect looking forward?



This chart compares investment styles and illustrates that every period of under-performance for value vs. growth investing in the past has experienced a return to value's pre-eminence with strong relative performance. We believe that today's environment is quite similar to the early 2000's following the dot.com bust when leadership changed and value stocks outperformed for a number of years.



### **Bottom Line:**

In the long run, value investing outperforms growth investing. By incorporating valuation yardsticks into your investment decision making process you will add another layer of protection in retirement.



## 5. Make Dividend Growth A Priority

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Income from dividends is a significant contributor to positive long-term stock performance, especially during retirement. While income may lack the appeal and excitement of growth-oriented investing, it can be a very effective strategy for a secure retirement.

Many associate the term compounding with capital gains. Compounding can also be accomplished with stock dividends. An advantage of dividends vs. income from bond investments is that, in many instances, payments are periodically increased (this is especially true for high quality companies). Given today's low interest rate environment, a gradually rising dividend stream from high quality companies can produce dependable income that helps offset inflation in your retirement years.

Consistent income serves as a stabilizing cushion for your retirement portfolio and can act as a shock absorber when markets drop. Share prices will always move up and down, but dependable income helps provide consistent performance with less volatility.



### **Bottom Line:**

Make dividends an important component of your investment strategy in retirement. Markets will always move up and down but consistent dividend income serves as a protective shock absorber

**Are your investments providing dividend growth? Email [jim@pringturner.com](mailto:jim@pringturner.com) for a dividend review analysis and to learn how you can improve the income of your retirement portfolio.**



## 6. Protect Yourself from Yourself

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It's no coincidence that investment advisors are one of the fastest-growing areas within the financial service industry. Clearly many are recognizing the benefits of working with an advisor. One major benefit of working with a financial advisor is that they can help protect you from your yourself.

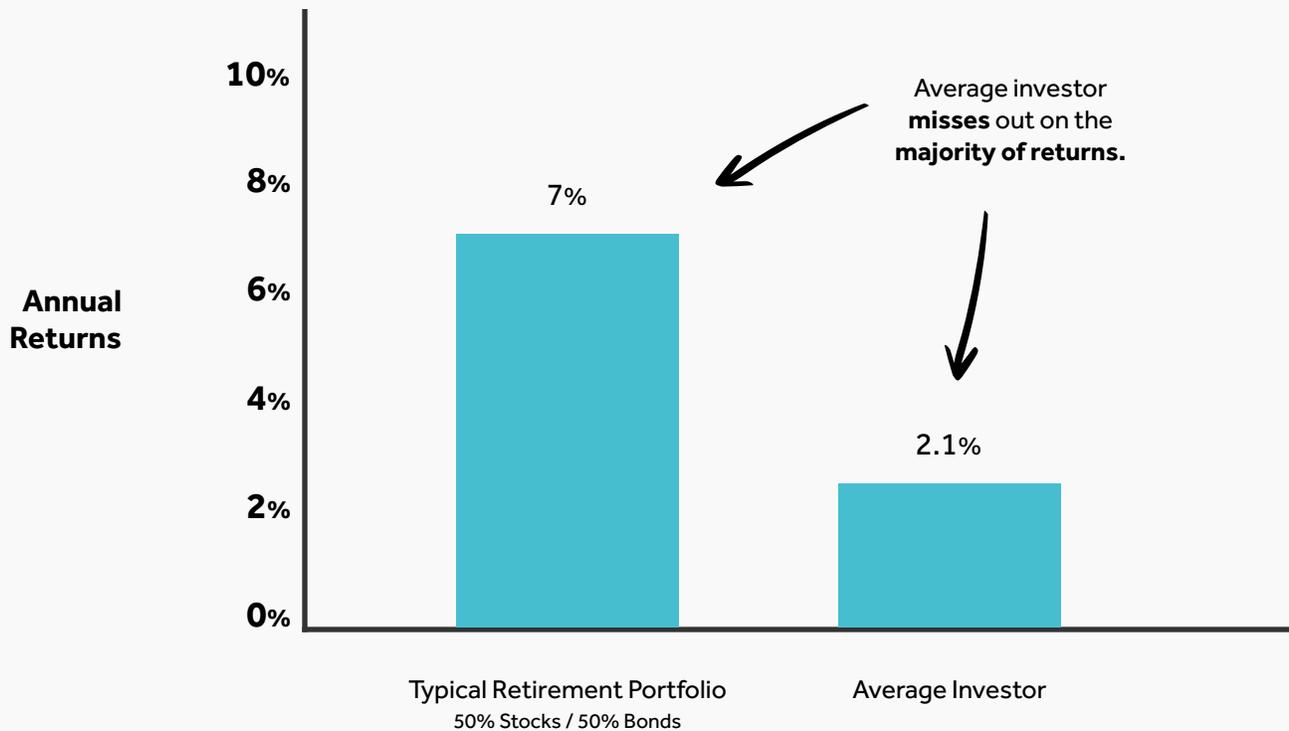
**“The investors chief problem - and even his worst enemy - is likely to be himself.”**

Benjamin Graham

## Investment Advisors Keep You From Buying High and Selling Low

Financial studies over the years have demonstrated that the average investor earns less - in many cases, much less - than mutual fund performance would suggest. According to data from a J.P. Morgan Asset Management study, **"In 2015, the 20-year annualized return for a typical retirement portfolio (50% stocks/ 50% bonds) was 7% while the 20-year annualized return for the average investor was only 2.1%, a gap of 4.9%."** Why is this?

### 20 year Annualized Return



A major reason there is a tendency for investors to let emotions drive their financial decision making. As the study results clearly demonstrate, investors left to their own tend to buy high and sell low. Many chase past-performance results and consequently invest after an investment has demonstrated success; often that is late in the game.

**We simply attempt to be fearful when others are greedy and to be greedy only when others are fearful.**

Warren Buffett

### Investment Advisors Can Help Keep Your Emotions in Check

An investment advisor can help you keep your emotions in check and steer you clear of making self-forced mistakes. They can help you contrast the comfortable feeling in buying a recent strong performing investment to another one that has perhaps been an underperformer, offers good value, but is not highly touted. It takes a lot of courage to go against the crowd and purchase a new potential emerging winner when the markets are in turmoil.



#### Bottom Line:

There is no sugar-coating it: investing is not easy. Ultimately, you have to consider whether you have the time, knowledge, experience and, most importantly, emotional fortitude to successfully invest on your own.

**If you would like an experienced and knowledgeable investment advisor on your side, you are welcome to call Pring Turner at 925-287-8527.**



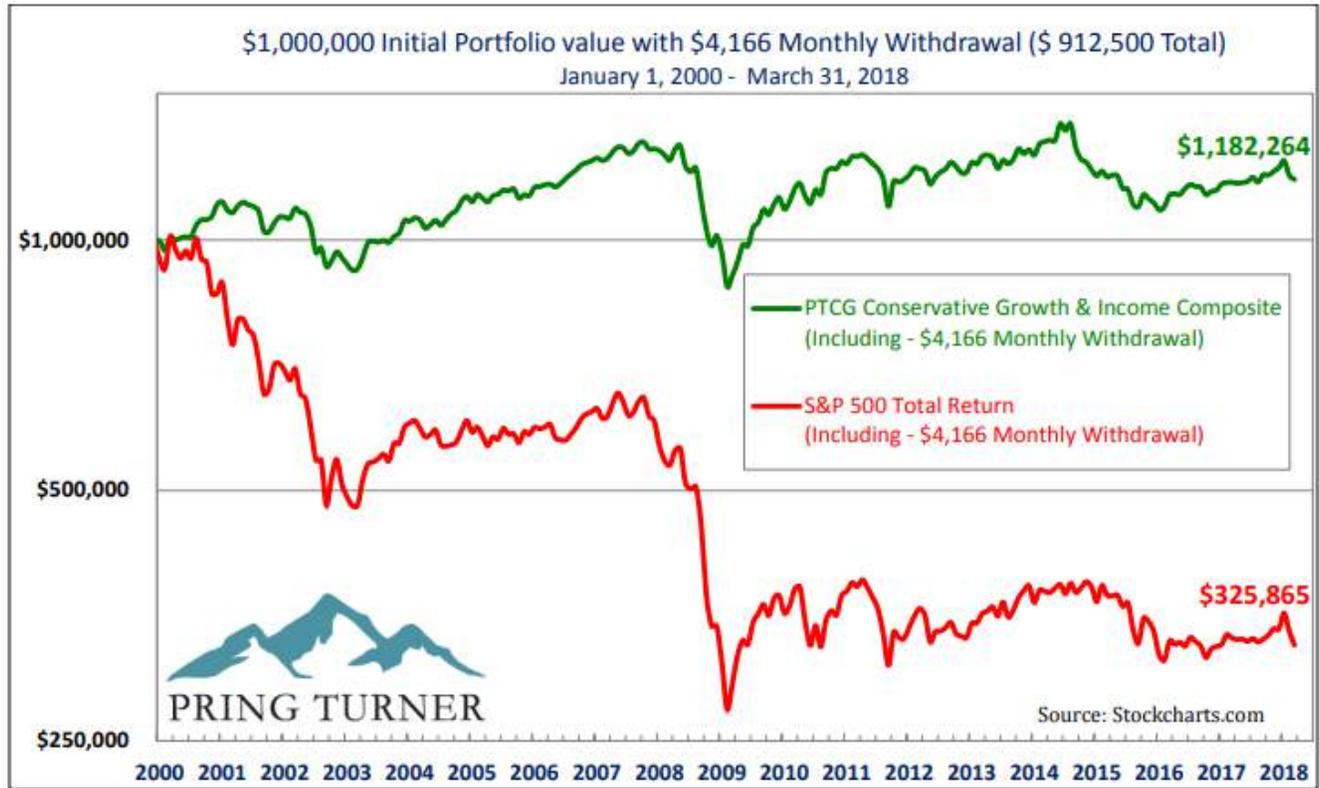
## Proven Investment Track Record for Retirees

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The disciplined investment strategy outlined in this guidebook has delivered steady growth with less market risk.

The following case study of an initial \$1,000,000 investment portfolio illustrates the impact of an initial 5% withdrawal rate (\$50,000 annually, \$4,166 monthly) during the challenging stock market environment retirees have encountered this century.

If you retired with \$1,000,000 in 2000, passively invested those funds in an S&P 500 index fund, and took regular withdrawals you are clearly destined to outlive your hard earned savings.



Over eighteen years later (as of 3/31/2018), you would be left with just \$325,865. During the same difficult period, the investment strategy discussed in this guidebook helped retirees protect their standard of living and preserve their valuable nest egg as this retirement balance would have grown to \$1,182,264 despite taking \$912,500 in total withdrawals.

**! Note: See Pring Turner GIPS performance disclosures starting on page 31**



# Financial Continuity

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You may be an avid investor and planner, but who will be the steward of your valuable retirement nest egg in the event of age and/or health related issues? Will your spouse or loved ones be up to the task of managing your personal affairs, while also making day-to-day investment decisions? You may find it comforting to have an experienced and knowledgeable financial team that you can trust on your side. Working closely with a CPA, Estate Attorney, and Financial Advisor will create a strong support team and provide financial continuity for your spouse and loved ones, ensuring steadfast support for years to come.



## **Bottom Line:**

Make sure you have a well thought out financial continuity plan, in case something unexpected happens to you or a loved one.



# Benefits of Working with Pring Turner

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**Our team of experienced retirement professionals can help you organize, design and execute an effective financial plan for your retirement years.**

## **1** **Answers to Your Retirement Questions**

Receive a thorough retirement forecasting analysis and plan that answers your important questions. In addition, through our ongoing communication and educational services, we can become your go-to retirement resource.

## **2 Added Protection During Market Downturns**

Protecting your valuable retirement assets is the top priority. This safety-first approach is focused on protecting your money during market downturns. The goal is to generate returns that meet your retirement goals, without subjecting your wealth to significant losses.

## **3 Financial Continuity**

You may find it comforting to have an experienced and knowledgeable financial team on your side. We provide financial continuity for your spouse and loved ones, ensuring steadfast support for years to come.

## **4 Coordinated Planning with Your Trusted Professionals**

Your path to a secure retirement includes a well-organized plan of action. We work closely with your other professional advisors (i.e. CPA and Estate Attorney) and can recommend professional specialists where needed. This way, your entire financial support team can coordinate efforts so you can focus your precious time and energy on what is most important to you.

## **5 Straightforward Pricing – No Fine Print, No Surprises**

We do not receive compensation from commissions and strive to keep your transaction costs low. Your interests are 100% aligned with ours, which means we look out for your financial best interests, at all times.



# Retirement with Pring Turner

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Still have retirement questions? Not exactly sure what to do? Want help getting started? Our knowledgeable team of investment professionals can help you organize, design and execute an effective financial plan for your retirement years.

[Get Started Today →](#)

or

**Call Pring Turner: 925-287-8527**

To find out how we can help you prepare for a secure retirement.

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Pring Turner Capital Group ("Pring Turner") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Pring Turner has not been independently verified.

**Definition of Pring Turner:**

Pring Turner is registered with the U.S. Securities and Exchange Commission under the Investment Advisers Act of 1940. The firm offers investment management services to individuals, IRAs, family trusts, corporations, corporate retirement plans, foundations and, as sub-adviser, to other investment advisers.

**List and Description of the Firm's Composite(s):**

A complete list and description of all of the firm's composites is available upon request.

**Formal Description of the Composite:**

The Composite was created on November 2011 and was previously referred to as the "Conservative Growth Composite" up and until October 2011. It is comprised of fee-paying; fully discretionary accounts managed by the firm without substantial liquidity or investment management constraints. The Composite includes portfolios following our conservative investment style that stresses preservation of capital, income, and growth to attain superior returns with low risk through both good and bad market cycles. The minimum account size for this Composite is \$50,000.

**Currency:**

Valuations are computed and performance is reported in United States dollars (\$). Total firm assets represent the aggregate fair market value of all discretionary and non-discretionary assets managed by the firm and include all fee and non-fee paying assets. Individual portfolios are valued in a manner that is consistent with the definition of fair value and the GIPS valuation principles. We do not use subjective unobservable inputs to value portfolio investments.

**Presence, Use and Extent of Leverage or Derivatives:**

The Conservative Growth & Income Composite does not employ leverage or derivatives.

**Benchmark:**

The S&P 500 is our benchmark. The Conservative Growth & Income Composite contains portfolios following our conservative business cycle investment style. Tactical asset allocation decisions, sector rotations, and quality adjustments are made in an attempt to outperform the S&P 500 (on a risk-adjusted basis). Portfolios within the composite are diversified into multiple asset classes (equities, fixed-income, and cash/equivalent investments). The S&P 500 is solely a stock index based on the market capitalization's of 500 large companies and does not hold any fixed income or cash/equivalent investments. Pring Turner's goal is to outperform the S&P 500 over an entire business cycle (on an absolute performance and risk-adjusted basis).

The S&P 500 Index is calculated on a total return basis with dividends reinvested and is not assessed a management fee. "Standard & Poor's®" and "S&P 500®" are trademarks of The McGraw-Hill Companies, Inc.

**3-yr. Standard Deviation:**

The 3-Year Standard Deviation represents the annualized standard deviation of actual composite and benchmark returns, using the rolling 36-months ended each year-end.

**Measure of Internal Dispersion**

The Composite's internal dispersion is measured using an asset-weighted standard deviation of returns in the composite.

**Fee Schedule**

The investment management fee schedule for the composite is 1.25% on the first \$1 Million and 1.00% on amounts over \$1 Million. Actual investment advisory fees incurred by clients may vary. Further information regarding Pring Turner's investment advisory fees is described in Part 2A of the firm's Form ADV.

**Bundled Fee Portfolios/Other Fees**

Clients employ fee-in-lieu-of-commission brokerage accounts or commission-based accounts. The fee paid to the broker-dealer covers the registered representatives' services, brokerage execution, and custody. Various other fees may also be charged by a broker-dealer and/or custodian (e.g., wire fees).

Net performance figures are presented (a) gross of withholding taxes and (b) net of all investment management fees, custodial fees, trading expenses, and other fees. Actual investment management fees paid to the firm are used to calculate investment performance. No account included in the composite has a performance based fee arrangement.

The performance figures include income, realized and unrealized gains and losses. Performance figures also include foreign withholding taxes on dividends, interest income, and capital gains.

**Additional Information**

Policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request. Past Performance is not a guarantee of future results.

The investment results shown are not necessarily representative of an individually managed account rate-of-return.



**CELEBRATING  
40 YEARS**