THE MILLIONAIRE

If you are part of the Baby Boom generation (born between 1945 and 1964), you might remember a TV series called *The Millionaire* that aired on CBS from 1955 to 1960 with reruns continuing until 1980. It told stories of people who were given $1 million (over $9 million in 2017 dollars) from a mysterious benefactor who insisted on remaining anonymous. The wealthy benefactor was named John Beresford Tipton, Jr., but you never saw him on camera. At the beginning of each episode, you would hear Tipton's voice making observations and giving instructions, and you would see his arm as he reached for a cashier's check for $1 million each week as he handed it to Michael Anthony, his executive secretary. It was Anthony's job then to deliver the check to the intended recipient.

In the next scene, you would typically see Anthony delivering the check to the beneficiary and having them sign a legal statement requiring them to never reveal the source of the million dollar gift under penalty of forfeit. Once the document was signed and thanks were given, Anthony disappeared from the beneficiary's life—never to return. The remainder of the episode showed how sudden and unexpected wealth changed the life of the recipient – **for better or for worse.**

$1 million today is obviously not what it was in 1960, but it is still a significant sum. So let me pose a question: could you retire or achieve financial independence with $1 million?

According to retirement plan provider, Fidelity Investments, a good rule of thumb is to have 10 times your final salary in savings if you want to retire by age 67. So based on this formula, if you are 67 years old with a final salary of $100,000, you could conceivably retire with $1 million in savings (you can do the math based on your own salary).

Regardless, you should think in terms of income, not capital. Just because you are a millionaire doesn't necessarily mean you will be successful in retirement. $1 million should generate about $40,000-$60,000 per year in income. Add $20,000-$30,000 from Social Security or some other direct income source and you should be able to replace about 70% to 80% of your $100,000 pre-retirement income.

But it's very important to stick with your plan. There are many distractions, temptations, and hazards you will encounter in retirement. You may want to help your children and grandchildren financially. You may be tempted to spend more on your house, purchase an expensive car, take an extravagant trip, or make a large donation to charity. These are all fine, of course, if done within the constraints of the income generated from your capital/principal. However, drawing from capital can become a slippery slope. You may draw your capital down gradually at first and then, all of a sudden.

We have heard many stories of wealthy people who end up broke. Most recently, I heard actor Johnny Depp is broke after having earned hundreds of millions of dollars over his career. He joins the ranks of other movie stars, sports figures, and lottery winners who have squandered away their fortunes.

As we enter this Holiday season, we don't want to be thought of as Ebenezer Scrooge, but it is important to manage your investments wisely, and that is an ongoing process. Money does not come with an owner's manual. And when everyone thinks you're a millionaire, the temptation to spend capital/principal is greater.

Also, longevity is a real issue for this generation of retirees. People are living longer. With improvements in medical technology and healthier lifestyles, many Baby Boomers expect to live well into their 90's—maybe even to age 100. The ability to live on the income generated from investments versus a paycheck over a potentially long period of time presents a new challenge for retirees. And don't forget the rising cost-of-living, taxes of all kinds, and exorbitant medical costs.

Back in the 50's and 60's, many Americans worked for corporations that offered a defined benefit pension plan. These plans were typically non-contributory and when the employee retired they simply received a monthly income guaranteed for life. They did not have to worry about accumulating and investing assets, nor did they have to worry about maintaining a principal balance in retirement (nor did they live as long as retirees do now). Unfortunately, these retirement plans were difficult to support financially, so now, retirement planning for individuals is more important than ever before.

The responsibility of saving for retirement has now shifted from the employer, to the employee. Transitioning from a paycheck to retirement can be stressful, and clouded by the possibility of making a big mistake. Hiring a financial advisor may not guarantee your success in retirement, but it might just keep you from making a big mistake. If you have saved during your working years and now look forward to the prospect of retirement, you may want to call us at H Financial. Ask about our personalized retirement distribution and tax planning services. Let us help you manage your money **for better rather than for worse.**

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