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# FINANCIAL NEWSLETTER

September 2023

**Safeguarding Your  
Retirement Income:  
*A Novel Approach  
to Financial Security***

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WEBINAR

September 14th

10:00 AM

RSVP 385-393-4775



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## Financial New\$letter

September 2023,



### **Safeguarding Your Retirement Income: A Novel Approach to Financial Security**

I recently delved into a captivating short novel that unexpectedly shed light on a critical retirement income issue while weaving a compelling narrative. Yes, you read that right – a novel that masterfully imparts essential investment insights. The book, titled "The Volatility Shield: How to Vanquish the 4% Rule & Maximize Your Retirement Income" by David McKnight, ventures beyond the conventional and into the realm of financial wisdom. Join me as we

explore this literary journey and its profound lessons.

In the heart of the novel, we meet Ted Hardy, a former football star turned retiree at the age of 50, armed with an IRA nest egg of \$3,000,000. Ted is on a quest for a retirement strategy that will secure his financial well-being over the next 35 to 40 years.

However, as life unfolds, unforeseen challenges arise, exposing the inherent vulnerability of Ted's retirement plan.

Ted's financial advisor proposes an enticing scenario: a balanced portfolio (60/40) of stocks and bonds that could potentially yield an annual average of 8% to 9%, allowing Ted to withdraw 5.5%, or \$165,000, each year. Alongside this, future Social Security payments are expected to contribute around \$24,000 annually. Ted and his stepson, Jack, find solace in this projection. Yet, as time passes and circumstances change, the true test of this plan emerges.

At age 69, Ted faces an aneurysm that diminishes his cognitive abilities, requiring full-time care and assisted living. Jack steps in to manage Ted's affairs, leading him to reevaluate the investment strategy. Upon scrutinizing Ted's investment statements, Jack discovers a pivotal concept – Sequence of Return Risk. This phenomenon emphasizes the significance of the order and magnitude of investment returns during the distribution phase of retirement.

The novel introduces the idea of a "volatility shield" as a safeguard against market fluctuations. This shield, as coined by the author, serves as a separate account designed to cover living expenses during downturns, preserving the primary investment portfolio's ability to recover and generate sustainable income. The key principles of the volatility shield are simple yet profound: no market loss, productive growth, and establishment prior to retirement.

Intrigued by the novel's lessons, I embarked on a journey of my own, dissecting Ted's situation through financial analysis. One strategy involved splitting the \$3,000,000 IRA into two parts: the first, invested in a manner similar to Ted's original plan, while the second, allocated to a 4% money market account, was tapped into only during favorable market conditions. This meticulous approach resulted in a combined end balance of \$2,440,175 – a clear triumph over the Sequence of Return Risk.

For those who favor innovative solutions, such as the Kai-Zen strategy – a tax-efficient retirement income approach – an even

more promising outcome emerged. By substituting the money market account with Kai-Zen for half of the funds, the combined total soared to an impressive \$18,950,549. The benefits were undeniable: a means to safeguard against market volatility while potentially reaping higher rewards.

**Upon reflection, several key takeaways surfaced:**

1. When navigating retirement, having a dedicated account to weather market downturns is essential. A money market account, while not glamorous, can provide valuable stability.
2. The secondary account's productivity should diverge from market trends – a zig when the market zags.
3. For those considering a strategy like Kai-Zen, early implementation is paramount, requiring foresight and preparation.
4. With a productive secondary account, withdrawing 8% from the stock market during favorable periods could be feasible.

In essence, "The Volatility Shield" beckons us to reimagine retirement planning beyond the confines of traditional wisdom. Through Ted's journey, we unearth the importance of safeguarding our financial future, while embracing innovative strategies that offer the potential for a secure and fulfilling retirement. As we delve into the pages of this unexpected financial novel, we embark on a quest of our own – one that holds the promise of financial tranquility and resilience in the face of uncertainty.

-Jim Barlow, MS, CFP

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## What is Kai-Zen

Kai-Zen is a strategy that helps you maintain your current lifestyle in the event of a chronic illness, premature death, or an inability to sufficiently save for retirement. Protecting your earnings is critical to insuring your ability to save for retirement. Due to limitations, traditional retirement plans are typically insufficient for high-income earners. If you want to maintain your lifestyle in retirement, you need a proactive strategy that puts more money toward protecting your future income without putting a drain on your current finances.

Kai-Zen is the ONLY strategy that uses leverage to help you acquire more of the benefits you need to financially protect you and your family. Its unique fusion of financing and life insurance offers you more protections and the potential to earn more for retirement than



you could obtain without leverage.

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THE Kai-Zen® STRATEGY  
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**Quotes Jim sent his family this past month:**

*"The more you explore your Unique Ability, the more you're doing your work, not someone else's. You'll reach a level of Unique mastery that becomes increasingly obvious and impactful to yourself and those around you, the more your life's work begins to feel like a sacred calling. Your Unique Ability defines and clarifies your Mastery—what you and you alone are uniquely suited to do" Dan Sullivan & Benjamin Hardy*

*"Don't aim at success. The more you aim at it and make it a target, the more you are going to miss it. For success, like happiness, cannot be pursued; it must ensue, and it only does so as the unintended side effect of one's personal dedication to a cause greater than oneself or as the by-product of one's surrender to a*

*"I can carry on playing at this level because I like hitting the tennis ball.... There are [other players on the tour] who don't have the right motivation. You don't need to talk to them. I can see it. If you can find the thing you do for its own sake, the compulsive piece of your process, and dial that up and up, beyond the imaginary ceiling for that activity you may be creating, my experience is the world comes to you for that thing and you massively outperform the others who don't actually like hitting that particular ball. I think the rest of career advice is commentary on this essential truth." Novak Djokovic*

*"We want solutions, but what we really need are*

person other than oneself. Happiness must happen, and the same holds for success: you have to let it happen by not caring about it. I want you to listen to what your conscience commands you to do and go on to carry it out to the best of your knowledge. Then you will live to see that in the long-run—in the long-run, I say! — success will follow you precisely because you had forgotten to think about it.”

Viktor E Frankl

attitudes. You don't need abs, but rather an attitude of training. You don't need the answer, but rather an attitude of curiosity. You don't need an easier life, but rather an attitude of perseverance. Attitude precedes outcome.” James Clear

## Jim Barlow

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