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JIM: Welcome everybody. We have a very special guest today, Antonio Filippone, goes by Tony, and he's an author of a couple books, and he's an insurance and financial professional that does speaking around the area. He does some speaking for various organizations, and he's written these couple of books that I thought would be very insightful because most of our audience will fit into the area that he's written about.

The first book he wrote was, "Financial Planning for the Not Yet Wealthy." The second book that he wrote is, "How to have a Happy, Stress Free Retirement," and while most of our listeners I think are planning for or in retirement, I think we can all learn something from Tony, so welcome, Tony.

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TONY: Yes, thank you. Thanks for having me.

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JIM: Well, I knew we would be kindred spirits right off the bat because my whole motivation in doing this show is financial education, and it's something I think is really lacking in this country, and because of it I think our country could be in some serious trouble. We need to be able to balance the checkbook as a country, and if we're not balancing the checkbook as an individual, how do we keep our politicians accountable, and the problem that I see in our industry is everybody's out to help the person that has a million dollars to invest, but the people that aren't quite there yet, there's not a lot of advice for them.

So tell me, what was the motivation in writing your book, Tony, the first book?

01:42

TONY: Yeah, well, just like you said, I mean there's just so much lacking, so much misinformation even, and a lot of the information we get is geared for the wealthy market. As a Financial Professional we get programs all the time on how to get into, how to attract high net worth individuals, and it's like well, you know, what about the rest of us, you know, so that's why I wrote the book was to try to serve the rest of us and try to share with the people, my journey, my own financial journey.

I guess that's one of the reasons I got into this industry was because I wanted to figure out finance myself. Seemed to be such a hard to understand topic, and I felt like I was smart enough to do it but I was lost in the beginning, and so I learned a lot of lessons and I wanted to share those lessons, and out came the book.

02:43

All right, well then I know you wrote that book, and then you followed it up with, "How to have a Happy and Stress Free Retirement." What was the motivation of doing a second book? As someone who has been trying to write a book for about 15 years, I really respect the fact you got the first one done, but to have a second one done, that's amazing, so what was the motivation with the second book?

03:25

TONY: Really just came from my progression, you know, and when I first started out I was working with similar, you know, people who were in a similar world to myself, you know younger people trying to save for retirement, struggling perhaps with debt, trying to make sense of it all and somehow dig themselves out of the hole and come out on top in the end.

That was the first book, but then as, I've been doing this a long time, almost 28 years, and so I guess the people I started working with changed as I got older, and I started working with more and more people who were just getting close to retirement, because I found they had so many, they had this overwhelming amount of decisions to make and a lot of these decisions are irrevocable, right. Once you make them you can't go back and can't, you know, if you've chosen when to take social security and turned it on, you can't go back really and undo that, right. If you chose your pension, you know, option, you might have 15 pension options, you pick one, what if you pick the wrong one?

So there's all these decisions that you can't go back and fix a second time, and you need to get them right, and it's overwhelming for a lot of people. I was helping a lot of people with that, that issue, and I said, well you know, let me write a book to help go through some of the same questions that keep coming up over and over while people are going through this transition in their life.

04:58

JIM: I know retirement planning is so much more complex, because you look, you mentioned pensions and really the only people with pensions anymore are typically people working in the public sector. Private sector has all but eliminated them, and when I look at people in retirement now retire Baby Boomers that are retiring at a huge clip of somewhere around 10,000 to 14,000 a day, depending on what year you look at, and most of the folks that are the older part of the Baby Boomer generation, if they have a pension it was frozen years ago and it's fairly modest. The younger Baby Boomers for the most part don't have pensions, and Generation X which is almost as big as the Baby Boomers, most of them do not have pensions.

When you're on your own to create your own retirement income stream and you got tax issues, you got retirement issues, premature withdrawals, required minimum distributions, and the rules are always changing back and forth. You got exceptions for this, not for that. How do you do it for your clients, and what do you recommend in your book? Where do they start?

06:14

TONY: Well, I guess you got to start with your own situation. Everybody is so unique. I found that to really be true. I mean, no matter who I'm speaking to, like you said, some people have a pension, some people don't. Some people have saved really, really well, some people have not. Some people are good at managing money today. They don't have, you know, they have their debt under control. Other people are entering into retirement and still have not figured that piece out, so everyone is so different as to what kind of income they're going to need, so it's really just, I guess the first step is a self-assessment of how am I doing already on this side of retirement, is my financial house in order today, because if it isn't in order today it's only going to get harder, right, when we flip the switch and pull the trigger and actually retire, things get even much more financially difficult potentially.

How are we doing today, is our, let's do an analysis of where we're at now and what kind of an income do we need to sustain the lifestyle that we have today, and I think that's your starting point is figuring out what does it really take to run your household.

07:28

JIM: So once they do that, then what?

07:31

TONY: Well, then we have to figure out do we have the assets and income in place to really be able to retire, and when does our savings run out or does it run out, or have we saved enough, so I think that's the next big picture, and we use, you know, a software program that we plug a bunch of numbers in, but I try to find really, really simple stuff because I think a big problem with our industry is we tend to complicate things and use a lot of jargon, and we use really complicated software programs that sometimes the advisor running the program doesn't fully understand the output, you know, and I've been on that side myself where just looking at these overwhelming data streams and charts and graphs, that doesn't help anyone.

So we use a real simple tool that just shows where are they at and is their money going to last, and if not when is it going to run out, and just in 15 minutes or less we can figure out a lot of times where their point is of running out of money, and then we start to try to fix that if that's the case, if they're not going to have enough, what can we adjust in their plan so that they can meet their goal.

08:50

JIM: Well, you know, there were two solutions for the people that, or that I've seen that would deal with the people that ended up running out of money, and that is you to be able to say, Welcome to Wal-Mart, or would you like fries with that, and half that equation is no longer available so it's more important than ever to plan, would you agree?

09:09

TONY: Yeah, absolutely, absolutely, and what you said is very true. That is a big lever, by the way. I think you touched on something that there's a leader in our industry, I'm sure you've heard of Tom Hegna.

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JIM: Yes.

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TONY: He's an economist.

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JIM: Yes, he's been a guest on the program several times.

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TONY: Wonderful guy, full of insight and knowledge, and he talks, and I like the way he put it, he talks about having a hybrid retirement, and a hybrid retirement isn't anything bad. Sometimes if we haven't saved enough that's an option, you know is to work part time, and maybe it's not Wal-Mart greeter, maybe it's something that you enjoy.

I've had a number of clients go work at Home Depot or Lowe's because they were home project junkies to begin it, right. Every weekend they were re-doing something in their own house and they had a knowledge base, and they enjoyed sharing that knowledge with other people and it kept them active, kept them mentally sharp, gives you a social reason to get out of bed in the morning, so there's a lot to say for having a hybrid retirement and working a little bit beyond, but what you said too, is if you don't want to end up in that boat having to do that, then yeah, absolutely having a plan, and the younger you plan, the better.

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JIM: Yes, something like retirement is not something you just want to wing it. You want to make sure you have your I's dotted and T's crossed.

Hey, we're going to take a short break. When we come back let's dive into more of the meat of what goes into a plan, so please stay tuned.

(BREAK)

10:52

JIM: Welcome back as we continue to visit with Tony Filippone who is an author that's written a couple books, one about "How to Plan for the Not Yet Wealthy," and his second book is "How to have a Happy and Stress Free Retirement."

Tony, before the break we were talking about some pretty stressful things like not having enough money to be able to retire and stay retired, or running out of money. These are all things that are pretty scary things, and having a plan can really help alleviate that.

Let me start out with, do you feel this type of planning with all the complexities today, what does it take if someone wants to do this on their own? Is this really possible or is that the smartest thing to do?

11:41

TONY: You know, I have run into some do-it-yourselfers of course. You know, I teach a class and so I'm always meeting new people, and there are some people who have a handle on it but even the ones who really have a handle maybe on the investing side of things, they're doing their own thing, they really don't, haven't looked at it from a tax perspective. They haven't looked at it from a risk management perspective, how can they plan for if their health changes. There's just, they haven't really looked at there's something called sequence of returns risk which is, they might have the averages down but if we have a couple of weird anomaly years their whole plan could go out the window, so there's so much stuff that, I mean you and I know being in this industry we're still learning, you know. I'm sure you feel that way. I do.

After 28 years there's still stuff I'm still learning today. I can't imagine trying to tackle this not coming from this industry with the experience that an advisor can really bring to the table. I mentioned briefly a complicated thing like sequence of returns risk, that's something as an investment professional that I was not even aware of myself until probably 10, 12 years into my career, so as a novice or somebody trying to do it on their own, what kind of things are they missing. Well, probably plenty.

13:27

JIM: You know, one of my past guests was Robert Kiyosaki, the author of "Rich Dad, Poor Dad," and he was surprised that I had him on. He says, financial professionals don't like me, and I said, well why is that? Because I felt his book was one of my favorite books. I hand it out to people all the time, and he goes well, you know, I'm teaching people how to do it themselves. I said, you know what? I mean, that's great knowledge and the application of that knowledge is very powerful, but not everybody has the time to gain all that knowledge.

In his book he even said, if you're not willing to dedicate 10 hours a week minimum to look at your investment portfolio and study the market and do all that kind of stuff, then you should not be going it alone. You should be hiring a professional to help you.

I see a lot of people that they're making investment choices based on lunch room advice or hunches, and the thing that I find the most, I mean there's a lot of smart people that we serve, and I think probably even more important than trying to get in the right investment allocation and all that, is being kind of a psychologist and coach to help them to keep from making mistakes, because one thing we all get really emotional about is our money, and it's really easy for us to make a mistake with our own money because we get emotional about it.

Us as investment professionals, it's a lot easier for us to be looking over their shoulder and say, don't do this, because we're not emotionally attached to. We can stick to a more logical way of dealing with the ups and downs of the market.

What other suggestions do you have for people? You talked about having a plan. What's integral into that plan that you feel creates that stressful and happy retirement?

15:30

TONY: Well, I think probably the number one area that we can improve on just about every client who walks through the door, is having a certain amount, not everything but a portion of their money into something that is safeguarded, you know, something that is not reliant on the volatility of the market, especially if they're going to be counting on their savings to eventually generate some kind of an income throughout their retirement.

Other many people come in and they've just got kind of a lopsided plan, you know. On one side they've got a bunch of investments and maybe they've got some emergency money to full back on, and that's pretty good. If they have all that going on, they have more than most, right, so they've got some emergency money and they've got some investments, but they have nothing in the middle. We call it their Soon bucket.

We use kind of a bucket planning approach where we have Now money, Soon money, and Later money, and the Soon money is money you're going to need sooner rather than later and that can't be subject to the extreme volatility of the market. That has to be in something more conservative, and I think a lot of people miss that boat. They're either going for growth or they're going for safety. Both are important, but there is a middle ground and a certain amount of money should be in that middle ground, and that's usually where we want to start planning some kind of a base income, something, and there's lots of ways to address that, really, but that's kind of how we do it.

We take a portion of their money and put it into something that's secure that they can have a base income for the next 10, 12 years, and anything beyond that, well now we can afford to be a little more aggressive, perhaps.

17:26

JIM: You know, as you were talking I was thinking of the research paper that Dr. Wade Pfau did. He's a professor at the American College, and he talked about getting the optimal retirement. If you went 100% stocks or 100% fixed, okay, you had a 10% chance of having an optimal retirement, but if you combined safety with the risk, 90% of the time you had a more optical result, and it wasn't just a theory. He went back and tested it with what actually happened in the market, and he's probably one of the most prolific writers and speakers on the retirement subject that's out there right now, and I know there's been other professors like Moshe Moleski that's talked about these things.

That sequence of returns risk and the timing of your retirement is really everything, and if you don't have some safety nets in place, now we've never seen a recovery that we just saw this last time. I mean, we had one of the worst Marches ever. We were down roughly 35%, and then all the sudden boom, within 30 to 45 days we're almost right back to where we are. That was unprecedented. Typically it's takes three, four, five years sometimes to get back to even, and if you're retired and you're drawing money out, and as the market's going down you're drawing out more and more of a percentage of your portfolio, by the time things turn around there may not be enough backwinds or tailwinds to push you forward where you still have enough money.

I know you've seen that too, and that's what you're saying, right?

19:09

TONY: Yeah, I heard somebody put it this way recently, I thought it was really a smart way to put it, but you're kind of, in a down market you're kind of burning the candle at both ends, right. The market is taking money from your portfolio and you're taking money from your portfolio to live, so you've got a double whammy beating up on your portfolio that you will never recover from because you can't. Once the money is out of the portfolio, you can't re-gain it and it becomes this, you create this downward spiral that you can't fully recover from, and I think that's what people don't realize.

If you don't have a down market in your early years, well that might not happen to you. The problem is no one knows, right. I mean, no one has a crystal ball, so we have to prepare for that possibility and if that happens, if you're pulling money out when the market is going down, that is a recipe for financial disaster, and so you need to prepare for that, and I think that's the biggest mistake clients are making because 90% of the people walk through my door are not prepared for that. They don't know what they don't know, and they haven't prepared for that, and so to do it on your own without knowing the real danger behind not setting yourself up the right way, it's unlikely you're going to be successful in the long run.

20:42

JIM: You know, people could do a lot of research and probably set things up right from the beginning if they really invest the time in it, but then you've got to keep investing the time because the rules keep changing, so maintaining it along the way is a huge thing.

You look, with this Covid-19. I mean, first of all in 2016 we had the whole new tax code, and then here in the beginning of the year we had the SECURE Act which changed dramatically some of the options with retirement plans, and then you have Covid come inside and you have all these temporary rules, and it's a hard thing for me to keep up with, and this is my full time job. I can't imagine someone who's got a full time job and then tries to figure all this stuff out on their own, and end up with an optimal result.

Be careful. Make sure you have a team of professionals with you. It's usually not just one. It's not just an investment guy. It's not just an insurance guy, but you also have attorneys, you have CPAs, and if they're all talking together for your benefit that's a good thing. You're going to get the optimal results.

Hey, Tony, one thing I want to just say, you said something that I've learned from. I love the analogy about the candle from both ends. I've never heard that before, and I can now say I have learned two things today. I was on another interview with somebody earlier today and they shared some wisdom with me as well, and I'll tell you what, you can never stop learning.

Tony, I really want to say I really appreciate you taking the time, and any final thoughts?

22:28

TONY: Just like what you've been reiterating, which is to really seek out some help. If you're not sure, if you're trying to plan for retirement or if you're getting close, make sure you get the right help, that you're working with somebody that you feel good about and that has the knowledge in multiple fields and is really looking out for your best interests, and sometimes that person can be hard to find. You might have to meet with a couple of people to find them, but whoever sent you this podcast is probably the person to talk to, and just make sure that you have somebody in your corner helping you figure this stuff out, because without it it's a tough road.

23:12

JIM: All right, Tony. We'll have to have you on again when your third book comes out. When is that?

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TONY: (LAUGHTER) Still working on it.

23:19

JIM: All right. Thanks a lot.

23:20

TONY: All right, thank you.

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