360INSIGHTS

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Do You Really Want to Retire?

By Connie Brezik, Wealth Advisor

Recently, the "I want to retire" mantra seems to be an ever more common theme. I am even hearing a greater number of people in their early 50s, with successful careers and some with high-paying positions, say they want to retire.

Marsha is a highly educated college professor, researcher, speaker and author. She loves the prestige of her occupation, the intellectual rigor, and being a leader in her field. What she dislikes is working with undergraduate students that she finds disrespectful and unengaged in their studies. At 70, she still needs to earn a living but will retire if she cannot get rid of the unpleasant parts of her job.

Nick is the chief financial officer for a large company and commutes two hours every day in heavy traffic. The job he loved changed significantly after the company's most recent merger. He has much more responsibility and much less control over his day and duties. His wife retired early, and the family is counting on his job financially as its sole source of income and for the good health insurance.

Cindy works for a wonderful company with great benefits but is bored after 30 years of doing the same job. She works directly with the public, which has become increasingly rude and demanding. Donita has a high-paying position at a large bank. But along with a high-paying position comes mountains of stress. Both Cindy and Donita are more than ready to retire.

A common thread among these retiree "wannabees" is a sense of unhappiness or discontent arising from job issues. Ungrateful students, rude and demanding customers, significant stress and the related health concerns, and changes in company structure and leadership are all factors in play. Retirement often seems like the first solution to such problems that people will consider. However, is retirement really the answer?

Full retirement is a significant life change with lots of considerations. Retiring in your early 50s or 60s leaves you with decades ahead, and you will need to figure out how to occupy that time. Quitting work before you have enough financial resources for the lifestyle you envision will not lead to a happy retirement. In addition, discussions with your spouse to understand his or her thoughts and feelings on the matter are critical.

If you are deeply unhappy with your work, figure out the root cause of your angst. Maybe your current job isn't the best match for your skills and you can make a change to put your true passions to work elsewhere. If you are a trained pastry chef but are stuck behind a desk, find a way to make a good living making those wedding cakes. Maybe you are commuting many hours a day and could instead work from home a couple days a week or get a closer job.

If you really want to retire, practice before you turn in your notice. Plan a way to take some time off and appreciate what it means for your day not to have a job. Practice not having a paycheck, and understand how that affects your budget. It is one thing to say you will cut back expenses and another to turn down friends when they ask you to go to dinner or on a trip. A poor retirement is not a fun retirement.

If there is a specific problem with your job, consider working with your employer to address the issue, or look for another job entirely that is better suited to your skills. If your financial health is not adequate for such a move, phasing into retirement may be another option.

It’s (not) a small world after all!

By Jonathan Scheid, CFA, AIF®

Disneyland has a famous ride, accompanied by an identically named song, called “It’s a Small World (After All),” that was developed to celebrate peace and togetherness. While the ride is intended to remind us of how connected we all are, our beliefs about investing may not be as unified or accepting of differences as the ride and song celebrate.

To be sure, some investors invest in a literal small world. They focus on investing in their local stock market and the companies they know and are familiar with. For U.S. investors, this strategy would have had great results over the past decade, as the U.S. was the best-performing country of all the 23 developed markets that are part of the MSCI World Index. For Portuguese investors, the results would have been disappointing, since Portugal was the worst-performing country over the past decade.

This preference for investing in our local markets is called home bias. And, while the U.S. stock market is one of the largest, the inclination to buy stocks in the country in which we live is well documented across the world. The challenge with this approach is that it ignores the vast amount of investment opportunities that are found outside of our own country.

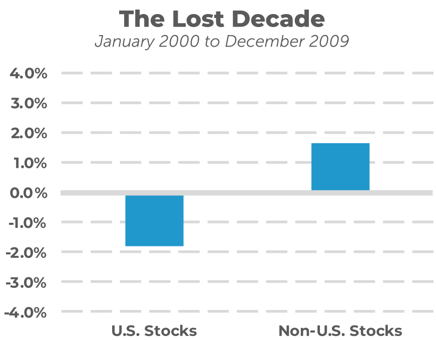
Consider the following perspectives on the non-U.S. investment opportunity set. At the end of 2018, 46% of the world's stock market capitalization was outside the U.S., and 90% of listed companies were outside the U.S. Expanding our look beyond stocks, 74% of the world's economic activity (i.e., gross domestic product) occurs outside of the U.S., and 96% of the global population lives outside of the U.S.

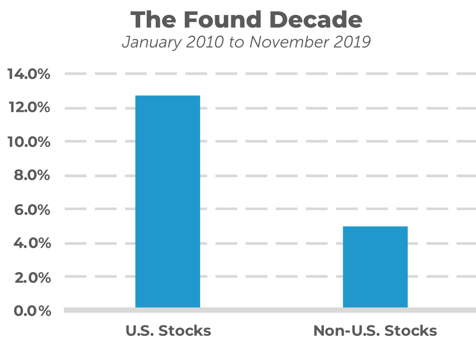
Yet, given the recent strong performance from U.S. stocks, many investors may wonder if we should invest more of our portfolio in the U.S. stock market. We would caution investors to keep the long term in perspective. Markets tend to cycle, and outperformance can occur at different times for different reasons.

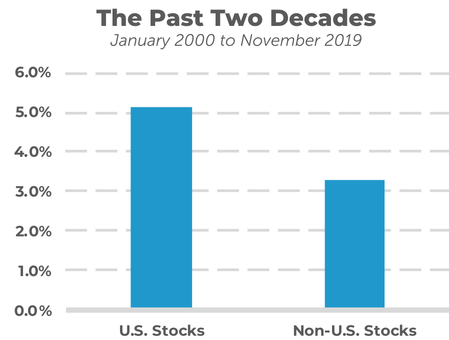
We don't have to look back too far in time to see when U.S. stocks underperformed non-U.S. stocks. Going back only a decade, U.S. stocks, as measured by the MSCI USA Index, lost money for investors in the 2000s, when non-U.S. stocks were up on average. U.S. stocks ranked 20th out of the 23 countries included in the MSCI World Index.

In the graph, we can see how the 2000s, a lost decade for returns, was followed by strong performance in the 2010s. Non-U.S. stocks posted positive results in the 2000s and 2010s, but in the 2010s U.S. stocks were up more. When we combine the returns from the last two decades, we see they average out. While U.S. stocks still outperformed over the past 20 years because of their strong recent performance, diversifying our portfolio into non-U.S. stocks helped lower volatility and deliver a more consistent return.

We feel that there are compelling reasons to invest in the "large world" of investment opportunities. Considering even just these periods, a relatively short time as far as markets go, we know there will be times when U.S. stocks outperform non-U.S. stocks, and we know there will be times when non-U.S. stocks outperform U.S. stocks. What we don't know is when one will outperform the other. Until we have a crystal ball that can tell us the winning country in advance, we will stick with the sage practice of diversification.







Morningstar, 2019

How to Make the Tough Decisions

Making decisions can be tough, especially when they're about major life transitions, like retirement, or ensuring long-term financial security, like through proper diversification. This framework can help you make choices you feel confident in, whatever juncture you may be facing.

Define Your Decision
Be specific, give it a deadline and define whom it affects – being too broad may miss the mark.

Quantify the Costs – Both Real and Intangible
Collect information, go through a self-assessment process, read some articles, check in with a friend, family member or advisor that may have experience making similar decisions and can give you guidance.

Quantify the Benefits — Both Real and Intangible
List out all possible options and outcomes. Be creative – you want as many options as possible so the best path can reveal itself.

Got Assets?
Do you have the assets and the resources to make the decision?

Weigh the Evidence
Reflect on your values and goals. Which of the options best match them? Think about how it would feel to carry out each of the options, then list them in order of priority to see where you stand.

Make the Decision
Take positive steps to implement the option you chose.

Evaluate Results
Did the results of your decision lead to the outcome you wanted? It's okay if it didn't – decisions are teaching moments. Repeat the process, use what you learned last time, and make a new decision. New information or additional options can be helpful in making a new decision!