

PLAN YOUR PROSPERITY

THE ONLY RETIREMENT GUIDE YOU'LL EVER NEED
STARTING NOW—WHETHER YOU'RE 22, 52 OR 82



FROM NEW YORK TIMES BESTSELLING AUTHOR

KEN FISHER

WITH LARA HOFFMANS

Plan Your Prosperity

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Acknowledgments

This book, my ninth, is a bit of a departure for me. Normally, I write on the capital markets aspect of investing—what to buy and when and why and how to avoid tactical investing errors. This is the first book I’ve written that focuses almost solely on the decisions that must be made *before* you get to that point—and very critical decisions they are. And because so much later investing success depends on getting those big, early decisions right, and with so many people still looking backwards at the big bear market in 2008 instead of forward at the rest of their (potentially, very long) investing time horizon, I felt now was the time to write a book on the planning side of investing.

Books are a hobby for me, not a vocation. And as the years pass, I find more of my leisure time getting appropriated by family (a wonderful thing). So my supporting cast is of utmost importance—these books could not happen without them. First, I must thank and acknowledge Lara Hoffmans, who now dedicates most of her time to writing for me and my firm. This is our sixth book together, and we’ve got it down like clockwork. She drafts the book from my specifications and guidelines, and she marshals the research, while I get the fun part of conceptualizing, styling and editing.

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Ken Fisher
Woodside, CA

CHAPTER 1

What? Me? Retire?

Who needs a book on retirement investing?

Maybe you're younger—early in your career. To you, retirement investing is something you do *when* you're retired. Or close to it. Too boring to think about now. Too far away to bother. (Wrong.)

Maybe you're in retirement now or close to it. And you already have a plan. Can't be bothered. But are you sure your plan is appropriate? What's more, are you sure your plan is in fact a plan—and not just a collection of tactics?

Either way, however old you are or however far along in your career, the time to think about a retirement investing plan is now. This book isn't just for retirees or soon-to-be retirees, but **anyone at all who plans to retire ever**—whether that's next week or in three decades.

The Imagined Dichotomy

Many investors and even some professionals distinguish between *financial* planning and *retirement* planning—like they're two distinct phases, or the two are, inherently, radically different.

But in my view, this imagined dichotomy is wrong—this idea you should invest one way for a period of years and then you need a whole separate set of rules upon hitting some milestone.

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For most investors, whether you're 22, 52 or 82, financial planning *is* retirement planning *is* financial planning. Whether you're saving your first dollar or your four millionth (good for you!), you should consider the ultimate long-term purpose for your money. Which, for many investors, is to provide for them (and their spouse) in retirement and/or leave something behind for the loved ones, a beloved cause, etc.

But maybe not! Maybe this doesn't apply to you. You don't need to think about the ultimate purpose for your money now. Maybe you're heir to a billion-dollar fortune. Your future is amply covered, you don't want to think about it, you bought this book only to level your kitchen table, and your entire purpose in life is to fritter. Fine! But for most everyone else, if you're holding this book, however old you are, you should be thinking, now, about your future prosperity.

Two Goals ... and Some Non-Goals

I have two primary and very specific goals with this book—and some specific goals this book is *not* aimed at.

First, I hope to help you stop thinking about investing in a spliced-up way—that you should invest for a number of years one way, then one day, a buzzer goes off signaling it's time to think about retirement. No! Instead, from the first time you fund an IRA or otherwise set money aside, I hope to get you thinking not just about retirement, but about investing for your whole life. And if you haven't been thinking that way all along, there's no time like the present to change.

Sure, there can be nearer-term goals not about retirement and beyond. You're young and newly married and want to save for a new home. Or you want to save to upgrade to a bigger home. Or you're saving for your kid's college or *your* college or a boat or whatever floats that boat. However, these should all be seen and felt as near-term sidesteps on what's otherwise a lifelong pursuit.

What? Me? Retire?

So I want you, right now, to stop thinking about *investing* and *retirement investing* and start thinking about investing for the entirety of your life. I want you to think about making plans now that increase the odds you achieve your goals, whatever they may be. (Heck, at this point, you may not even be able to easily and clearly express what those goals are! Or know what's feasible. This book will help there, too.)

By the same token, if you start thinking, now and always, about the long future ahead (instead of chopped-up phases), that doesn't mean nothing ever changes about how you invest as you near retirement. It might! But not just because on Tuesday, you woke up, went to work, went to a good party in your honor—and on Wednesday, you were *retired*. And now there are new rules because you're *retirement investing*. No—this is selling yourself short and potentially exposing you to investing errors.

Maybe, as part of your longer-term thinking, you will need to make a change, whether big or small, at some later point. Maybe multiple changes. But when that change (or those changes) is (or are) made should be driven by your circumstances and your goals, not just a circled date on the calendar.

An investing shift—big or small—might be appropriate ... but perhaps 7 or 10 years *before* you retire. Or 5 years after. Or 12 years after. Or ... or ... or ... or.... But you won't know that if you think the primary driving factor is your retirement party, not your goals and the effort to increase the likelihood you reach them.

Benchmark for Better Results

My second goal is helping you choose an appropriate benchmark. If you get nothing else out of this book, I hope you understand what a benchmark is, how important it is, and what goes into choosing an appropriate one.

Maybe right now you don't even know what a benchmark is. That's fine—we cover that much more in Chapter 3 and beyond. But for now, think of your benchmark as an essential investing

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lifeline. It's a road map, showing your planned route—and how to take detours when necessary. It lets you know how you're doing—if you're going too slow or even too fast or getting lost in the weeds or utterly turned around. It can help you stay disciplined (an incredibly important yet often overlooked facet of successful investing). Overall, the benchmark, picked appropriately, can increase the odds you achieve your long-term goals.

The first operative word being *appropriately*.

Far too many investors invest without a benchmark at all—never mind an appropriate one. They effectively stick their thumbs in the air, hitchhiking along with whatever tactics suit their fancy at a point in time. What's worse, they may not even realize they're doing that! They may assume they've got a rock-solid plan that makes good and smart sense—but if you don't have a benchmark (and if you don't know what a benchmark *is*, you don't have one), the odds increase you may be meandering. And meandering is a bad path to prosperity.

It can happen! You can stumble into a portfolio that can provide the kind of life you need down the road through luck (sometimes known as *dumb luck*—and in effect, the same thing). But if given the choice between dumb luck and smart planning, my guess is most folks would opt for the smart planning.

And the benchmark being appropriate *for you* is key. If your goal is to drive from New York City to San Francisco, a map of Düsseldorf won't help much. A map of the US Eastern Seaboard is better but still falls short. You need a map that consistently shows the way and highlights the “do not go” areas. A good benchmark can do that.

Second operative words: *increase the odds*.

I say that (or some variation) throughout the book—the aim is to increase the odds you reach your goals. Note I didn't (and won't) say, “The aim is to definitively get you to your goal—I promise.” Why? This is a book on investing. Investing in anything requires some risk—what type (there

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are myriad) and how much depend on your unique goals and circumstances.

Plus, no one can guarantee you anything. US Treasuries are guaranteed in the sense they're backed by the full faith and credit of the US government, and so long as the US government doesn't go belly up, you *will* get your principal back, plus interest. (And no, I'm not one of those who thinks the US is teetering on a precipice. You need a different sort of book for that. Or a therapist.) But you *can still lose money* investing in Treasuries if you don't hold them to maturity. (Never mind inflation's impact—which we get to later.)

No one can guarantee you reach your goals. Not even you can. First, investing involves the risk of loss. Can't escape it. You could bury cash in your backyard and avoid all *volatility* risk—but you're still fully exposed to *inflation* risk. Which means having to earn and save a lot more, and/or downgrading your future cash needs and/or not minding your purchasing power being eroded over time. (More in Chapter 4.)

That's the investing side, but there is also tremendous room for your brain to go haywire. If you have wildly unrealistic goals (e.g., "I want my money to double every year!" or, "I want market-like returns but don't want to ever experience downside!"), that can decrease the odds you reach them. If you have a great plan and a sound strategy and an appropriate benchmark, but not the fortitude to stay disciplined over the long haul, that also decreases your odds.

Your aim should be taking steps to identify goals, picking a benchmark and an appropriate plan, then doing what's necessary to stick to it. And my aim is to help you. That's how we *increase the odds*.

And, again, this should be a deliberate undertaking, whether you go it alone or with a professional. Because not only is it critical you pick an appropriate benchmark, but you must also understand the risk and return characteristics of that specific benchmark. You must understand them so you can be prepared (mentally and emotionally) to accept the