# FUTURE RETIREES
# Are You Protecting Your Principal?

### The average American faces a real dilemma heading into retirement.

Future retirees face a real dilemma heading into retirement. Sadly, individuals only have a finite investing time horizon until they retire. Therefore, as opposed to studies discussing "long term investing" without defining what the "long term" actually is – it is "TIME" that we should be focusing on. So the real question is...

### "How long do YOU have until retirement?"

For many people it's less than 15 - 20 years, which brings up a serious problem...

### There are periods in history, where returns over a 20-year period have been close to zero or even negative

At some point we're going to have our third recession this century and without further injections from the Fed to boost asset prices, stocks will go lower. During an average recessionary period, stocks lose on average 33% of their value. Such a decline would set most investors back more than 5-years from their investment goals...which brings up another question.

### "Is your personal investment time horizon long enough to offset such a decline and still achieve your goals?"

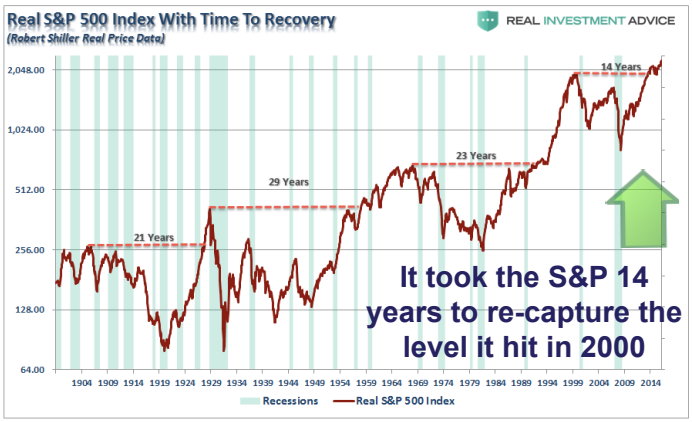
As an investor, you must have a well-thought-out investment plan to deal with periods of heightened financial market turmoil. Decisions to move in and out of an asset class must be made logically and unemotionally. Having a disciplined portfolio review process that considers how various assets should be allocated to suit one's investment objectives, risk tolerance, and time horizon is the key to long-term success.

**Massive losses or drawdowns must be avoided at all costs...**

Emotions and investment decisions are very poor bedfellows. Unfortunately, the majority of investors make emotional decisions because, in reality, very FEW actually have a well-thought-out investment plan. Retail investors generally buy an off-the-shelf portfolio allocation model that is heavily weighted in equities under the illusion that over a long enough period of time they will somehow make money. Unfortunately, history has been a brutal teacher about the value of risk management.

### What goes down may take a long time to come back!

The chart below shows how long it takes for indexes to reach prior levels after hitting highs




| Starting Value | % Draw Down | $ Loss | Ending Value | % Return Back To Breakeven |
|---|---|---|---|---|
| $100,000 | 10% | $10,000 | $90,000 | 11.11% |
| $100,000 | 15% | $15,000 | $85,000 | 17.65% |
| $100,000 | 20% | $20,000 | $80,000 | 25.00% |
| $100,000 | 25% | $25,000 | $75,000 | 33.33% |
| $100,000 | 30% | $30,000 | $70,000 | 42.86% |
| $100,000 | 35% | $35,000 | $65,000 | 53.85% |
| $100,000 | 40% | $40,000 | $60,000 | 66.67% |
| $100,000 | 45% | $45,000 | $55,000 | 81.82% |
| $100,000 | 50% | $50,000 | $50,000 | 100.00% |
| $100,000 | 55% | $55,000 | $45,000 | 122.22% |
| $100,000 | 60% | $60,000 | $40,000 | 150.00% |
| $100,000 | 65% | $65,000 | $35,000 | 185.71% |
| $100,000 | 70% | $70,000 | $30,000 | 233.33% |
| $100,000 | 75% | $75,000 | $25,000 | 300.00% |

**Even a small drawdown requires a high percentage to break even. For future retirees the message is simple...**

**PROTECT YOUR PRINCIPLE**

*"There are many ways to run into a secure and comfortable retirement, but doing nothing is not one of them!"*

ROSE ADVISORY GROUP


312.617.8936
darryl@roseadvisorygroup.com
www.roseadvisorygroup.com

1821 Walden Office Square, Ste. 400 Schaumburg, IL 60173 | 3333 Warrenville Rd, Ste. 200 Lisle, IL 60532