Lifetime Investment Master Plan (LIMP)

- We all face a Risk Zone in our investment lives when we are hypersensitive to investment losses
- Everybody needs a Lifetime Investment Master Plan designed to protect in the Risk Zone
- Save and protect is the key to a comfortable retirement.

"*As you embark on the exciting journey into retirement, you will experience a transition that will be both thrilling and terrifying*." Olivia Greenwell***, So You've Retired***

Despite our individualities, we all experience a time in our investment lives when we are especially sensitive to investment losses. We all must pass through the "Risk Zone" as we transition from working life to retirement. The Risk Zone spans the 5-10 years before and after retirement and is critical because our savings are at their peak. At this stage in all of our lives we figure out what lifestyle we can afford in retirement. Whatever we've saved is "enough" because it has to be. We figure out how to make it last. Losses sustained in the Risk Zone can destroy our plans, crimping our planned lifestyle. It can be shocking and demoralizing, making it a Bad Gamble.

This transition that we all must undergo necessitates a Lifetime Investment Master Plan (LIMP). The key to a comfortable retirement is to (1) save enough, and (2) invest it wisely. A wise investor will protect his/her lifetime of savings in the Risk Zone. A generic LIMP is shown as the Risk Glide Path in the following picture:

As shown in the picture, the Master Plan is to reduce risk through time in order to protect our growing pool of investments, and then to re-risk as savings deplete in retirement in order to extend the life of our savings. This is similar to a Target Date Fund (TDF), but with some critical distinctions.

More Than a Target Date Fund

Everybody's LIMP is personal and differs from a target date fund in the following ways:

- One-size-fits-all won't do. We each need to create our own specific LIMP. The shape may be similar to that shown above, but we each need to decide on the risk that best suits us individually.
- We can create and manage our LIMP far less expensively than TDF mutual funds, especially if we use low cost ETFs. Costs could be less than 3 bps.
- We need to be able to change our LIMP in response to life's events, including investment gains and losses. A plan is a plan until it needs to change.
- TDFs do not re-risk in retirement. A re-risking coupled with a sound spending policy is a good plan for our retirement years.

In a nutshell, a very special type of do-it-yourself target date fund provides a solid Lifetime Investment Master Plan.

Protect Yourself Now

Develop your LIMP now. Despite their popularity, TDFs and IRAs are ticking time bombs that could destroy the lifestyles of those in the Risk Zone when the next market correction occurs. Shockingly, risk has increased since the 2008 lesson that wasn't learned. This is a shame, but you don't have to let it happen to you. 75 million Baby Boomers are currently in the Risk Zone. If you're one of them, LIMP to safety now. If you're not a Boomer, you may come through the next market correction OK. Non-Boomers have come through the 2002 and 2008 crashes relatively unscathed, and so it may be in the next correction.

Protect yourself against sequence of return risk.

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