Episode #347 – When Should I Take Risk?

Hello everybody, welcome to another episode of Money Script Monday. My name is Michael Clementi and first of all, I want to thank you for joining us today. I titled this episode "When Should I Take Risk?" because when I think about this and when people approach us with that subject, "When should I take risks? What's the best strategy? What's the best product?," there really is no one set answer. There's no set answer for everyone in the world, but there is an answer, and it has to be your answer. That's what we're going to go over today to see where you are in life, what you're looking to do, and when you feel you need to take risks, and you have the ability to work with a financial advisor and make those educated decisions with you.

Behind me, we wrote a mountain and it's going to represent Mount Everest. That mountain also represents your financial journey as well as your retirement journey. The reason we chose Mount Everest is because unfortunately, there's been about 390 people who have passed away while trying to climb Mount Everest. A majority of those people did not pass away when trying to climb up Mount Everest, but actually on the descent of Mount Everest. They reached their goal, but then when trying to come back down to their normal life, unfortunately, they passed away. They probably took on too much risk, just the same as you may not be able to get to your retirement journey to life expectancy by taking on too much risk.

Breaking down the initial phase of your financial journey is when you're younger, probably between 30 to 40, you're getting that first career, you're making the most money you've made in your life, and you're also saving the most money you've saved in your life as well.

I'll use myself as an example. Me and my wife. We're fortunate to purchase our first home in Southern California in February of 2024. Over the last five years, we saved every single bonus check. Every single time we got a large lump sum of money, we put it away and we acted like we didn't even know it was there. Because of that, we are now able to not only move out of our apartment but buy a new home. This home just does not represent a bigger place to live, but it represents the first asset we own together. It's going to appreciate over time, we're eventually going to sell and move to a different home.

Since we have now created more wealth for ourselves, we are in what we call the accumulation phase of our financial journey. Again, when you're between 30 to 40, all the way into your late 50s, that's where you're going to be. Because you have so much time until you reach that retirement date between 60 and 65, you have time to take bigger swings and bigger risks.

What's very important for you at this phase in your life is to create more assets and bring up the value of those assets. Your goal from a young 30- to 40-year-old is to accumulate wealth. That's your number. One goal is to try to build your net worth by the time you're 60 to 65 and I wrote down some sample accounts to invest in: stocks, bonds, mutual funds, and even real estate. But that all depends on what you would like to do.

When you start creating that wealth for yourself, when you build up that account from thousands to tens of thousands, maybe even hundreds of thousands, it's time to work with the money manager so they can input you in those stocks, bonds, mutual funds. More importantly, to figure out your retirement goal. How much you want and how to create a plan to get you there. We call that again the accumulation phase of your financial journey between about 30 to late 50s.

At some point, you're going to be approaching retirement. That's going to be between 60 to 65 where you want to start thinking about how am I going to keep more of this accumulation? How do I keep my assets and distribute them safely throughout my retirement? We want to start pivoting from those higher-risk volatility accounts into a portion of the low-risk volatility accounts or even a 0-risk volatility account. Some accounts I wrote down were annuities, indexed universal life insurance, and also thinking about doing Roth conversions.

The reason is annuities and life insurance have a 0% volatility floor so you can move some of these assets into a strategy where you can limit some top side but limit all downside. I'm guaranteeing a portion of my retirement for the rest of my life. Annuities have really good benefits where you can create a guaranteed lifetime income almost like a pension plan or your social security so you can make sure that this benefit is going to last all the way until you and your spouse's life expectancy.

The second one is index universal life insurance. Not only is it going to help your family when you pass away with the tax-free death benefit, but again the money inside is protected from volatility. And when you access it, it's a tax-free benefit as well. You're limiting volatility as well as the tax burden you'll be facing on those retirement accounts.

Just to recap, you've built your net worth, you're rounding the corner to retirement, and you're planning to distribute this money safely through guaranteed lifetime income tax, free income, and most importantly, 0% volatility so you'll never lose money to any volatile markets. The plan is to continue this strategy and use it for income and systematic withdrawals to sustain your retirement lifestyle. You want to enjoy retirement and make sure that no matter who's in office, or what World War is going on, your money is protected safely, and your lifestyle is protected safely.

The goal is to continue this all the way until what we call the legacy phase, around 75 to 80 or above. At this point, you've done all your playtime with retirement. You're more settling down, living a more conservative lifestyle. You may have a weekly plan in your retirement community. At this point, we want to make sure that you have any life insurance in place for any other beneficiaries in your family, including your spouse. You look into some long-term care plans, meaning that if you ever need to have in-home care nursing home facility, you have a plan in place that's going to guarantee that benefit, so it doesn't become a financial burden to other family members, and you've created that plan. Then, also create an estate plan for yourself. Work with an estate planning attorney so that when your heirs do take over that estate, there's no confusion amongst the family members and there's a whole plan in place that you did while you're alive.

Again, I wanted to talk about this and bring this up today because there is no right answer. I'll repeat that over and over again. There's no right answer for you and me, but there is an answer and that depends on everything we just talked about. I want you to think about this video after you're done viewing it. Work with the financial advisor to go over what your goals are, when you want to accomplish them, and identify where you are on this financial journey, where you are on the mountain, so you can create a retirement lifestyle that you'll never outlive, and it'll make your dreams come true. Again, my name is Michael Clementi. I want to thank you so much for attending and we'll see you next week.