

# AI-01841 13 Retirement Blunders

Owner	© Rigel Arcayan
Tags	Investing
Created time	@July 17, 2025 6:22 PM

## Retirement Investment Blunders: A Study Guide

### I. Understanding Investment Risks and Disclosures

- **Key Concept:** All investing involves risk.
- **Important Note:** Past performance does not guarantee future returns.
- **Specific Risks Mentioned:** Loss of principal, currency fluctuations (foreign markets).
- **Fisher Investments' Stance:** General views, not personalized advice or performance reflection. No guarantee of accuracy for past or future forecasts.

### II. Detailed Breakdown of 13 Retirement Investment Blunders

This section reviews each identified blunder, its rationale, and suggested alternatives or precautions.

#### Blunder #1: Placing "Big Bets"

- **Definition:** Concentrating a large portion of retirement savings in a single investment.
- **Common Examples:** Employer stock, "hot tips," Initial Public Offerings (IPOs) based on hype.

- **Risks:** High probability of losing a significant portion of savings (e.g., Enron, Tyco). Market already discounts widely known information. Potential for scams.
- **Recommended Action:** Diversify your portfolio. Avoid emotional investment decisions.

## Blunder #2: Being Too Conservative in Investing

- **Definition:** Investing predominantly in assets traditionally considered "safe havens" like bonds.
- **Hidden Risks: Long-Term Volatility:** Over 30 years, stocks have historically shown lower volatility and higher returns than bonds.
- **Interest Rate Risk:** Bond prices move inversely with interest rates; rising rates can lead to losses if liquidated.
- **Inflation Erosion:** Conservative, fixed-income strategies may not keep pace with inflation (see Blunder #5).
- **Recommended Action:** Engineer investment strategy based on personal financial circumstances, cash flow needs, and investment time horizon.

## Blunder #3: Falling for a Ponzi Scheme

- **Definition:** A fraudulent investment operation where returns are paid to earlier investors with money from more recent investors.
- **Key Red Flag:** The money manager also acts as the custodian of funds (e.g., Bernie Madoff).
- **Protection:** Ensure an independent, distinct, and separate third-party custodian holds your investments, limiting the money manager's control to investment decisions.

## Blunder #4: Paying Excessive Fees

- **Definition:** Incurring high costs on investments, often unnoticed.
- **Impact:** Reduces end amount significantly due to out-of-pocket expenses and loss of compounding returns.

- **Example:** A 0.9% difference in annual fees on a \$1,000,000 investment over 20 years can result in over \$800,000 less in the end amount.
- **Recommended Action:** Be aware of all fees and choose investments with transparent, lower fee structures.

## Blunder #5: Not Planning for Inflation's Long-Term Effects

- **Definition:** Underestimating the impact of inflation on purchasing power over time.
- **Impact:** Even low inflation rates (e.g., 3%) can significantly erode spending power over decades (e.g., \$50,000 today becomes \$66,789 in 10 years to maintain purchasing power). Specific expenses like long-term care and college tuition may inflate faster.
- **Risk for Conservative Investments:** Fixed-income strategies may not generate sufficient growth to counter inflation.
- **Recommended Action:** Factor inflation into retirement planning and ensure your portfolio is structured to keep pace with cost of living increases.

## Blunder #6: Relying on "Common Knowledge"

- **Definition:** Making investment decisions based on widely accepted, but often outdated or incorrect, advice or trends.
- **Examples: Age-based asset allocation (e.g., "100 minus your age in stocks"):** May lead to insufficient growth for longer retirements.
- **Following the herd:** Often leads to buying high and selling low as information is already "discounted" into the market.
- **Taking advice from "talking heads" in mass media:** Speculation is common, and major financial decisions should not be based on it.
- **Recommended Action:** Cultivate healthy skepticism. Understand that market rarely does what most believe. Inform yourself beyond common adages.

## Blunder #7: Trying to Time the Market

- **Definition:** Attempting to predict market highs and lows to buy or sell at optimal times.

- **Difficulty:** Almost impossible even for professionals; corrections and recoveries are fast. Bear markets, though fundamental, are also hard to predict.
- **Consequence of Missing Best Days:** Missing even a few of the best market days can drastically reduce long-term returns (e.g., missing 10 best days from 1988-2022 means losing over half of end value).
- **Recommended Action:** Be a patient, disciplined, long-term investor. "Time in the market, not timing the market."

## Blunder #8: Buying Gold or Other Commodities

- **Rationale Often Pitched:** Safety during volatility, protection against financial collapse and hyperinflation.
- **Problems: Historical Performance:** Stocks have significantly outperformed gold over the long term (e.g., since 1973, stocks 11.0% annualized vs. gold 6.2%). Gold's strong periods are hard to predict.
- **Fear-mongering:** Purveyors often use scare tactics.
- **Recommended Action:** Stick to traditional investments more likely to rise long-term unless you genuinely believe in an imminent societal collapse (in which case, food and shelter are better investments).

## Blunder #9: Buying Annuities

- **Perceived Benefits:** Safe, dependable, predictable returns, guaranteed income.
- **Problems: Complexity:** Complicated insurance policies with fine print, conditions, and riders.
- **Illiquidity:** High surrender fees make it costly to exit.
- **Taxation:** Often taxed at ordinary income rates, not lower capital gains rates.
- **Returns:** Quoted rates may be before fees, and insurance companies may "reset" rates.
- **Fees and Charges:** Multiple layers of fees reduce principal.

- **Inflation Risk:** Many fixed annuities lack inflation protection, eroding purchasing power.
- **Survivor Benefits:** May not provide assumed coverage for beneficiaries.
- **Recommended Action:** Exercise extreme caution. Understand all terms, conditions, and fees. For many (especially those with portfolios over \$1,000,000), they are not a prudent investment.

## Blunder #10: Mismanaging Retirement Withdrawals

- **Challenge:** Balancing generating income with preserving principal over a long retirement.
- **Common Mistakes: Withdrawing too much:** Assuming 10% annual withdrawal because of average market returns is a "recipe for disaster," especially during bear markets.
- **Withdrawing too little:** Cheating oneself out of enjoyable experiences or not utilizing accumulated wealth if no legacy is desired.
- **Guidance:** Market does not move in a straight line; large withdrawals during down markets are dangerous.
- It's acceptable to reduce principal if your nest egg is sufficient and goals allow.
- **Rule of Thumb:** Most people should plan on withdrawing no more than 5% from their portfolio annually.
- **Recommended Action:** Strategically plan withdrawals considering longevity, inflation, market volatility, and personal goals.

## Blunder #11: Ignoring International Stocks

- **False Assumption:** Owning US multinational companies provides sufficient international diversification.
- **Reality:** Stocks tend to behave like other stocks from their home country, regardless of international revenue exposure. US and non-US stocks frequently change leadership.

- **Benefit of Diversification:** Reduces portfolio return volatility and smooths returns by hedging bets between US and non-US markets.
- **Recommended Action:** Globally diversify your portfolio, as it reduces overall risk.

## Blunder #12: Letting Political Beliefs Drive Investment Decisions

- **Problem:** Political ideology creates bias, leading to irrational investment choices.
- **Historical Data:** Neither Democratic nor Republican administrations consistently lead to better or worse stock market performance long-term.
- **Short-Term Anomalies:** Election year and inauguration year returns can vary significantly and counterintuitively based on party.
- **Market's View on Politics:** The market dislikes change due to new legislation (taxes, regulations, spending) and its unpredictable consequences. Political gridlock can be good for investors.
- **Recommended Action:** Remain politically and ideologically agnostic when making investment decisions. Check political beliefs at the door.

## Blunder #13: Trying, but Failing, to Diversify

- **Definition:** Believing one is diversified when investments are actually similar in style or underlying assets.
- **Common Example:** Owning multiple mutual funds that have similar investment styles and stock selections. This leads to inefficiency rather than true diversification.
- **True Diversification:** Increases the investable opportunity set and reduces long-term volatility.
- **Achieving True Diversification:** Easier with larger portfolios (\$1,000,000+) by purchasing individual securities or carefully selecting truly different funds.
- **Recommended Action:** Understand the underlying assets and investment styles of your holdings to ensure genuine diversification across different asset classes, geographies, and sectors.

### III. Fisher Investments' Approach and Client Services

- **Fiduciary Duty:** Obligated to put clients' interests first.
- **Fee Structure:** Simple, transparent, based on portfolio size (no commissions).
- **Investment Approach:** Tailored, custom-fit to unique situations and goals, adaptable to changing needs and markets.
- **Dedicated Service:** Ongoing support, market updates, resources on Social Security, Medicare, tax efficiency.
- **Annuity Evaluation Program:** Free analysis for current annuity holders, potential fee credits for qualified investors liquidating annuities and funding a Fisher Investments account.

## Quiz: Retirement Investment Blunders

**Instructions:** Answer each question in 2-3 sentences.

1. What is a common "big bet" that investors often make without realizing its inherent risk?
2. Explain why "conservative investing," often associated with bonds, may not be as safe as it seems over a long time horizon.
3. What is the primary red flag to look out for to protect yourself from a Ponzi scheme, as highlighted in the text?
4. How do even seemingly small differences in investment fees impact an investor's long-term returns?
5. Why is it crucial for retirees to plan for inflation, even when inflation rates appear low?
6. According to the text, why is relying on the adage "your asset allocation should be based on your age" potentially problematic for retirees?
7. What is the main reason attempting to "time the market" is discouraged for long-term investors?
8. Why does the text advise against buying gold or other commodities as a primary investment for retirement?

9. List two significant drawbacks of annuities that might make them an imprudent investment for many retirees.
10. What is the recommended annual withdrawal percentage from a retirement portfolio, and why is withdrawing significantly more than this figure dangerous?

## Quiz Answer Key

1. A common "big bet" is holding a large portion of retirement savings in one's employer's stock. While it might seem like loyalty, it concentrates risk and can lead to massive losses if the company faces unforeseen issues, as seen with Enron or Tyco.
2. "Conservative investing" with bonds may not be safe long-term because stocks have historically shown lower volatility and higher returns over 30-year periods. Additionally, rising interest rates can cause bond prices to fall, leading to losses if liquidation is needed.
3. The primary red flag for a Ponzi scheme is when the money manager also acts as the custodian of the funds. This lack of independent oversight allows the manager to control and potentially loot the account, as in the Bernie Madoff case.
4. Even small differences in fees significantly impact long-term returns by directly reducing out-of-pocket expenses and, more importantly, by losing the power of compounding returns on the money unnecessarily spent on fees. This can amount to hundreds of thousands of dollars over a lifetime.
5. It is crucial to plan for inflation because even a seemingly low rate (e.g., 3%) can drastically erode purchasing power over time, requiring significantly more money to maintain the same spending power after a decade or two. Specific expenses like healthcare and college tuition may inflate even faster.
6. Relying on the age-based asset allocation adage is problematic because people are living longer, and following this advice might shortchange a retiree's lifestyle by not providing enough growth from their portfolio. It doesn't account for individual circumstances like health or longevity.

7. Attempting to "time the market" is discouraged because it's nearly impossible to predict market drops and recoveries accurately. Missing even a few of the market's best performing days can drastically reduce an investor's overall long-term returns.
8. The text advises against buying gold because, despite its appeal during uncertainty, it has historically not been as good an investment as stocks, with significantly lower cumulative returns over the long term. Its strong performance periods are also very hard to predict.
9. Two significant drawbacks of annuities include their illiquidity, often locking investors in with high surrender fees, and their complex fee structures which can erode principal. Additionally, they may offer limited inflation protection and often tax returns at ordinary income rates.
10. The recommended annual withdrawal percentage is no more than 5% from a portfolio each year. Withdrawing significantly more, especially during market downturns, is dangerous because it rapidly depletes the principal, requiring disproportionately large gains to recover and risking running out of money in later years.

## Essay Format Questions

1. Analyze the concept of "risk" as presented in the source material, differentiating between immediate and long-term risks, and discussing how blunders related to "being too conservative" and "not planning for inflation" illustrate these different risk profiles.
2. Discuss the importance of "diversification" as a recurring theme throughout the blunders. Explain how the failure to diversify manifests in "Placing 'Big Bets'," "Ignoring International Stocks," and "Trying, but Failing, to Diversify," and what true diversification aims to achieve.
3. The source frequently warns against emotionally driven investment decisions. Elaborate on how emotional factors, biases, or external influences (like "common knowledge" or "political beliefs") contribute to poor investment outcomes, using specific blunders as examples.

4. Compare and contrast the blunders of "Paying Excessive Fees" and "Buying Annuities." How do these two blunders, despite their different nature, similarly impact an investor's long-term financial goals and overall wealth accumulation?
5. Given the advice on "Mismanaging Retirement Withdrawals" and "Trying to Time the Market," synthesize the core philosophy Fisher Investments advocates for long-term retirement investing. What are the key principles an investor should embody based on these two blunders?

## Glossary of Key Terms

- **Asset Allocation:** The strategy of dividing an investment portfolio among different asset categories, such as stocks, bonds, and cash, to balance risk and return.
- **Annuity:** A contract offered by an insurance company that typically promises to pay the owner a regular income stream, often for life, in exchange for a lump-sum payment or series of payments. The source highlights various drawbacks.
- **Bear Market:** A market condition in which securities prices fall and widespread pessimism causes the negative sentiment to be self-sustaining. The source defines it as a market down 20% or more.
- **Bonds:** A debt instrument issued by governments or corporations to raise capital, typically offering fixed interest payments to investors over a specified period. Often perceived as "safe havens" but carry interest rate and inflation risks.
- **Commodities:** Raw materials or primary agricultural products that can be bought and sold, such as gold, oil, or grains. The source generally advises against them as primary retirement investments.
- **Compounding Returns:** The process of earning returns on both the initial principal and the accumulated interest or gains from previous periods. It significantly magnifies wealth over time, especially when fees are low.
- **Conservative Investing:** An investment approach focused on preserving capital and minimizing risk, often through investments like bonds. The source

warns against being *too* conservative due to long-term inflation and growth risks.

- **Corrections:** A market decline of 10% to 20% from a recent peak. The source notes they come without warning.
- **Custodian:** A financial institution that holds securities and other assets in safekeeping for clients. An independent custodian is crucial to prevent fraud in investment management.
- **Diversification:** An investment strategy that mixes a wide variety of investments within a portfolio. The goal is to minimize risk by investing in different assets that would react differently to the same event. The source emphasizes "true diversification" over "false diversification."
- **Employer Stock:** Stock in the company an individual works for. Holding a large portion of retirement savings in employer stock is considered a "big bet" and a blunder due to concentration risk.
- **Excessive Fees:** Investment charges that are disproportionately high and significantly erode long-term returns.
- **Fiduciary:** A person or organization that acts on behalf of another person, legally bound to act in their best interests. Fisher Investments states they operate as a fiduciary.
- **Fixed Income Investments:** Investments that provide a regular, predictable return in the form of interest or dividends, such as bonds.
- **Inflation:** The rate at which the general level of prices for goods and services is rising, and subsequently, purchasing power is falling. A significant concern for long-term retirement planning.
- **Initial Public Offering (IPO):** The first time that the stock of a private company is offered to the public. Investing heavily in IPOs based on "hot tips" is considered a "big bet."
- **Interest Rate Risk:** The risk that the value of a bond or other fixed-income investment will decline due to an increase in interest rates.
- **International Stocks:** Equities from companies located outside of an investor's home country. Ignoring them is a blunder, as they offer important

diversification benefits.

- **Liquidity:** The ease with which an asset can be converted into cash without affecting its market price. Annuities are noted for their poor liquidity.
- **Money Manager:** An individual or firm that manages the financial assets of others.
- **Mutual Funds:** Investment vehicles that pool money from multiple investors to purchase a diversified portfolio of securities. The source warns against false diversification when investing in multiple mutual funds with similar styles.
- **Ponzi Scheme:** A fraudulent investment operation that pays returns to earlier investors with money taken from later investors, rather than from actual profits.
- **Purchasing Power:** The value of money in terms of the amount of goods or services it can buy. Inflation erodes purchasing power.
- **S&P 500 Total Return Index:** A market-capitalization-weighted index of 500 leading publicly traded companies in the U.S., often used as a benchmark for the overall stock market's performance, including dividends.
- **Securities:** Tradable financial assets, such as stocks and bonds.
- **Surrender Fees:** Penalties charged by an insurance company if an annuity contract is canceled or surrendered before a specified period.
- **Time in the Market vs. Timing the Market:** The principle that long-term participation in the market, rather than attempts to predict its short-term movements, is key to successful investing.
- **Volatility:** The rate at which the price of a security or market moves up or down. High volatility implies higher risk.
- **Withdrawal Rate:** The percentage of a retirement portfolio withdrawn annually to cover living expenses. The source suggests no more than 5%.

### **Retirement Investment Blunders to Avoid: A Detailed Briefing**

This briefing summarizes key insights and actionable advice from "13 Retirement Investment Blunders to Avoid," focusing on common pitfalls affluent investors face and strategies to navigate them effectively for long-term financial security.

## I. Overarching Principles for Sound Investing

The document emphasizes several foundational principles that underpin successful long-term investing, particularly for retirement:

**Long-Term Perspective and Patience:** Markets are unpredictable in the short term, but consistently demonstrate upward trends over extended periods. "For the patient, long-term investor, the stock market has offered strong average annual returns of around 10%."

**Disciplined Decision-Making:** Emotional and biased decisions are detrimental to investment success. Investors are urged to "cultivate a healthy skepticism" and avoid acting on "hot tips" or "common knowledge."

**Diversification is Key:** Spreading investments across various asset classes and geographies is crucial to mitigate risk and smooth out returns.

**Awareness of Hidden Risks:** Seemingly "safe" investments can harbor significant long-term risks, especially concerning inflation and liquidity.

**Professional Guidance:** Given the complexities of retirement planning and investment management, seeking advice from an independent, fiduciary financial professional is highly recommended.

## II. Key Blunders and Their Countermeasures

The source identifies 13 specific blunders, each with detailed explanations and proposed solutions:

### Blunder #1: Placing "Big Bets"

**Description:** Concentrating a large portion of retirement savings in a single investment, such as employer stock or a "hot tip." This creates disproportionate

risk for potentially limited reward.

**Examples:** The collapses of Enron and Tyco illustrate how even seemingly stable companies can quickly lose value, devastating employee holdings.

**Key Takeaway:** "Diversify your portfolio. It's smart and relatively easy." Avoid making investment decisions based on emotion or unverified information, as the market likely already reflects widely known information.

### **Blunder #2: Being Too Conservative in Investing**

**Description:** Over-relying on traditionally "safe" assets like bonds, which can jeopardize long-term financial objectives due to lower returns and susceptibility to inflation.

**Risks Highlighted:** Over a 30-year horizon, "stocks actually have had lower volatility as well as more uniform and higher returns than bonds."

Rising interest rates can cause bond prices to fall, leading to losses if liquidated.

**Key Takeaway:** "Investing too conservatively may put your long-term financial objectives at risk." Investment strategy should align with personal financial circumstances, cash flow needs, and time horizon.

### **Blunder #3: Falling for a Ponzi Scheme**

**Description:** Becoming a victim of financial fraud, often perpetuated by schemes where the money manager also acts as the custodian of funds. Bernie Madoff is cited as a prime example.

**Safeguard:** Ensure your investments are held by an "independent, distinct and separate entity from your money manager," such as a highly respected third-party brokerage or large bank. This separation of custody limits a money manager's ability to "make transfers and loot your account."

#### **Blunder #4: Paying Excessive Fees**

**Description:** High fees, even seemingly small percentages, significantly erode long-term returns through both direct costs and the lost power of compounding.

**Impact:** An example illustrates that a 0.9% difference in annual fees over 20 years on a \$1,000,000 investment can result in over \$800,000 less in the investor's pocket.

**Key Takeaway:** "Considering how hard you worked for your money, it simply doesn't make sense to pay high fees."

#### **Blunder #5: Not Planning for Inflation's Long-Term Effects**

**Description:** Underestimating how inflation erodes purchasing power over time, particularly for expenses like long-term care and college tuition, which often rise faster than general inflation.

**Illustrative Impact:** "After just 10 years, at a roughly 3% inflation rate, what used to cost you \$50,000 will now cost you nearly \$67,000. That's a whopping 34% increase just to maintain the same purchasing power."

**Key Takeaway:** Retirement plans must account for inflation to ensure a portfolio keeps pace with the cost of living. A conservative, fixed-income strategy may not provide sufficient growth.

#### **Blunder #6: Relying on "Common Knowledge"**

**Description:** Making investment decisions based on popular but often misleading adages, following herd mentality, or trusting "talking heads" in the media.

**Specific Adage Debunked:** The "age-based asset allocation" rule (e.g., 60% bonds at age 60) is criticized because longer lifespans require more growth than bonds typically provide. "By following conventional advice of owning more bonds as you age, you might be shortchanging your retirement lifestyle."

**Herd Mentality:** "One of the biggest reasons individual investors generally do worse than the market averages is that they tend to follow the herd, buying when the market is nearing its peak and panic-selling when the market is down."

### **Blunder #7: Trying to Time the Market**

**Description:** Attempting to predict short-term market movements to buy low and sell high, which is "almost impossible and mistakes can be very costly."

**Risk of Missing Best Days:** Missing even a few of the stock market's best performing days can drastically reduce long-term returns. For example, missing just the 10 best days from 1988 to 2022 would reduce cumulative return by over half.

**Key Takeaway:** "It's Time in the Market Not Timing the Market, That's Important." Discipline and patience are emphasized.

### **Blunder #8: Buying Gold or Other Commodities**

**Description:** Investing in commodities, particularly gold, as a safe haven based on fear-mongering about economic collapse.

**Performance Comparison:** "Since 1973, the average annual return of stocks has been 11.0%, while gold has been 6.2%." The cumulative return difference is stark: stocks at 17,092% versus gold at 1,848%.

**Key Takeaway:** While gold may have periods of strong performance, it has historically not been as good an investment as stocks over the long term.

### **Blunder #9: Buying Annuities**

**Description:** Investing in complex insurance products often sold as "safe" with "guaranteed income," but which frequently come with hidden fees, liquidity issues, unfavorable tax treatment, and inflation risk.

**Problems Highlighted:Liquidity:** High surrender fees make it difficult and costly to exit.

**Taxes:** Often taxed at ordinary income rates, not lower capital gains rates.

**Returns:** Quoted rates may be before fees, and insurance companies can "reset" rates.

**Inflation:** Many fixed annuities offer no inflation protection, eroding purchasing power.

**Key Takeaway:** "A guaranteed income stream is not the same as a guaranteed spending-power stream." Investors should carefully read and understand the complex contracts.

### **Blunder #10: Mismanaging Retirement Withdrawals**

**Description:** Difficulty in transitioning from saving to spending, leading to mistakes like withdrawing too much too early, especially during down markets, or too little due to fear of touching principal.

**Withdrawal Rate:** "Most people should plan on withdrawing no more than 5% from their portfolio each year."

**Market Volatility Impact:** A 10% annual withdrawal assumption is disastrous because "the market doesn't move in a straight line." Large withdrawals during bear markets can lead to an unrecoverable position.

**Key Takeaway:** Strategic planning of withdrawals, considering personal goals, longevity, and market conditions, is essential for peace of mind.

### **Blunder #11: Ignoring International Stocks**

**Description:** Concentrating investments solely in US stocks, believing US

multinational companies offer sufficient international diversification.

**Benefit of Diversification:** While US stocks often lead, "non-US stocks actually performed better slightly more frequently" from 1970 to 2022. Global diversification "can help reduce the volatility of your portfolio's return over time" and "smooth out your returns."

**Key Takeaway:** Owning both US and non-US stocks hedges bets and reduces overall portfolio risk.

### **Blunder #12: Letting Political Beliefs Drive Investment Decisions**

**Description:** Allowing political affiliations and biases to influence investment choices, despite historical data showing that "the stock market can do well regardless of whether Democrats or Republicans are in power."

**Illustrative Example:** Stock market performance averages during election and inauguration years show counter-intuitive trends (e.g., strong Republican election year followed by poor inaugural year, inverse for Democrats).

**Key Takeaway:** Political beliefs "matter, but not in terms of your investing." Market "hates change" and reacts to legislative actions regardless of party.

### **Blunder #13: Trying, but Failing, to Diversify**

**Description:** Believing one is diversified by owning multiple mutual funds, when those funds may have similar investing styles and stock selections, leading to "false diversification" or "inefficiency."

**True Diversification:** "True diversification increases your investable opportunity set and helps reduce volatility in the long term."

**Actionable Advice:** For portfolios of \$1,000,000 or more, purchasing individual securities to build a globally diversified portfolio makes sense and allows for tailored strategies.

### III. Fisher Investments' Approach

The document concludes by promoting Fisher Investments' services, highlighting their core values and distinguishing factors:

**Fiduciary Obligation:** Committed to putting clients' interests first.

**Transparent Fees:** Fee structure based on portfolio size, aligning interests with client success.

**Tailored Investment Approach:** Custom-fit retirement plans based on individual circumstances and goals.

**Dedicated Service:** Ongoing support, market updates, and resources on Social Security, Medicare, and tax efficiency.

**Complimentary Evaluation:** Offer a free portfolio review for qualified investors with \$1,000,000 or more in investable assets.

**Annuity Evaluation Program:** Specifically offers free analysis of existing annuities and potential fee credits to offset surrender penalties for clients liquidating annuities to fund a Fisher Investments account.

### IV. Important Disclosures

It is crucial to note the disclaimers provided at the beginning and throughout the document:

**Risk of Loss:** Investing in securities always involves a risk of loss.

**Past Performance:** Past performance is never a guarantee of future returns.

**General Views:** The content represents general views of Fisher Investments and should not be considered personalized investment advice or a reflection of actual performance.

**No Forecast:** Nothing is intended as a recommendation or forecast of market conditions.

**Illustrative Purposes:** Examples are for illustrative purposes only and do not guarantee future results.

1. **Long-Term Perspective and Patience:** Markets are unpredictable in the short term, but consistently demonstrate upward trends over extended periods. "For the patient, long-term investor, the stock market has offered strong average annual returns of around 10%."
2. **Disciplined Decision-Making:** Emotional and biased decisions are detrimental to investment success. Investors are urged to "cultivate a healthy skepticism" and avoid acting on "hot tips" or "common knowledge."
3. **Diversification is Key:** Spreading investments across various asset classes and geographies is crucial to mitigate risk and smooth out returns.
4. **Awareness of Hidden Risks:** Seemingly "safe" investments can harbor significant long-term risks, especially concerning inflation and liquidity.
5. **Professional Guidance:** Given the complexities of retirement planning and investment management, seeking advice from an independent, fiduciary financial professional is highly recommended.
6. **Description:** Concentrating a large portion of retirement savings in a single investment, such as employer stock or a "hot tip." This creates disproportionate risk for potentially limited reward.
7. **Examples:** The collapses of Enron and Tyco illustrate how even seemingly stable companies can quickly lose value, devastating employee holdings.
8. **Key Takeaway:** "Diversify your portfolio. It's smart and relatively easy." Avoid making investment decisions based on emotion or unverified information, as the market likely already reflects widely known information.
9. **Description:** Over-relying on traditionally "safe" assets like bonds, which can jeopardize long-term financial objectives due to lower returns and susceptibility to inflation.
10. **Risks Highlighted:** Over a 30-year horizon, "stocks actually have had lower volatility as well as more uniform and higher returns than bonds."

11. Rising interest rates can cause bond prices to fall, leading to losses if liquidated.
12. **Key Takeaway:** "Investing too conservatively may put your long-term financial objectives at risk." Investment strategy should align with personal financial circumstances, cash flow needs, and time horizon.
13. **Description:** Becoming a victim of financial fraud, often perpetuated by schemes where the money manager also acts as the custodian of funds. Bernie Madoff is cited as a prime example.
14. **Safeguard:** Ensure your investments are held by an "independent, distinct and separate entity from your money manager," such as a highly respected third-party brokerage or large bank. This separation of custody limits a money manager's ability to "make transfers and loot your account."
15. **Description:** High fees, even seemingly small percentages, significantly erode long-term returns through both direct costs and the lost power of compounding.
16. **Impact:** An example illustrates that a 0.9% difference in annual fees over 20 years on a \$1,000,000 investment can result in over \$800,000 less in the investor's pocket.
17. **Key Takeaway:** "Considering how hard you worked for your money, it simply doesn't make sense to pay high fees."
18. **Description:** Underestimating how inflation erodes purchasing power over time, particularly for expenses like long-term care and college tuition, which often rise faster than general inflation.
19. **Illustrative Impact:** "After just 10 years, at a roughly 3% inflation rate, what used to cost you \$50,000 will now cost you nearly \$67,000. That's a whopping 34% increase just to maintain the same purchasing power."
20. **Key Takeaway:** Retirement plans must account for inflation to ensure a portfolio keeps pace with the cost of living. A conservative, fixed-income strategy may not provide sufficient growth.
21. **Description:** Making investment decisions based on popular but often misleading adages, following herd mentality, or trusting "talking heads" in the media.

22. **Specific Adage Debunked:** The "age-based asset allocation" rule (e.g., 60% bonds at age 60) is criticized because longer lifespans require more growth than bonds typically provide. "By following conventional advice of owning more bonds as you age, you might be shortchanging your retirement lifestyle."
23. **Herd Mentality:** "One of the biggest reasons individual investors generally do worse than the market averages is that they tend to follow the herd, buying when the market is nearing its peak and panic-selling when the market is down."
24. **Description:** Attempting to predict short-term market movements to buy low and sell high, which is "almost impossible and mistakes can be very costly."
25. **Risk of Missing Best Days:** Missing even a few of the stock market's best performing days can drastically reduce long-term returns. For example, missing just the 10 best days from 1988 to 2022 would reduce cumulative return by over half.
26. **Key Takeaway:** "It's Time in the Market Not Timing the Market, That's Important." Discipline and patience are emphasized.
27. **Description:** Investing in commodities, particularly gold, as a safe haven based on fear-mongering about economic collapse.
28. **Performance Comparison:** "Since 1973, the average annual return of stocks has been 11.0%, while gold has been 6.2%." The cumulative return difference is stark: stocks at 17,092% versus gold at 1,848%.
29. **Key Takeaway:** While gold may have periods of strong performance, it has historically not been as good an investment as stocks over the long term.
30. **Description:** Investing in complex insurance products often sold as "safe" with "guaranteed income," but which frequently come with hidden fees, liquidity issues, unfavorable tax treatment, and inflation risk.
31. **Problems Highlighted:Liquidity:** High surrender fees make it difficult and costly to exit.
32. **Taxes:** Often taxed at ordinary income rates, not lower capital gains rates.
33. **Returns:** Quoted rates may be before fees, and insurance companies can "reset" rates.

34. **Inflation:** Many fixed annuities offer no inflation protection, eroding purchasing power.
35. **Key Takeaway:** "A guaranteed income stream is not the same as a guaranteed spending-power stream." Investors should carefully read and understand the complex contracts.
36. **Description:** Difficulty in transitioning from saving to spending, leading to mistakes like withdrawing too much too early, especially during down markets, or too little due to fear of touching principal.
37. **Withdrawal Rate:** "Most people should plan on withdrawing no more than 5% from their portfolio each year."
38. **Market Volatility Impact:** A 10% annual withdrawal assumption is disastrous because "the market doesn't move in a straight line." Large withdrawals during bear markets can lead to an unrecoverable position.
39. **Key Takeaway:** Strategic planning of withdrawals, considering personal goals, longevity, and market conditions, is essential for peace of mind.
40. **Description:** Concentrating investments solely in US stocks, believing US multinational companies offer sufficient international diversification.
41. **Benefit of Diversification:** While US stocks often lead, "non-US stocks actually performed better slightly more frequently" from 1970 to 2022. Global diversification "can help reduce the volatility of your portfolio's return over time" and "smooth out your returns."
42. **Key Takeaway:** Owning both US and non-US stocks hedges bets and reduces overall portfolio risk.
43. **Description:** Allowing political affiliations and biases to influence investment choices, despite historical data showing that "the stock market can do well regardless of whether Democrats or Republicans are in power."
44. **Illustrative Example:** Stock market performance averages during election and inauguration years show counter-intuitive trends (e.g., strong Republican election year followed by poor inaugural year, inverse for Democrats).
45. **Key Takeaway:** Political beliefs "matter, but not in terms of your investing." Market "hates change" and reacts to legislative actions regardless of party.

46. **Description:** Believing one is diversified by owning multiple mutual funds, when those funds may have similar investing styles and stock selections, leading to "false diversification" or "inefficiency."
47. **True Diversification:** "True diversification increases your investable opportunity set and helps reduce volatility in the long term."
48. **Actionable Advice:** For portfolios of \$1,000,000 or more, purchasing individual securities to build a globally diversified portfolio makes sense and allows for tailored strategies.
49. **Fiduciary Obligation:** Committed to putting clients' interests first.
50. **Transparent Fees:** Fee structure based on portfolio size, aligning interests with client success.
51. **Tailored Investment Approach:** Custom-fit retirement plans based on individual circumstances and goals.
52. **Dedicated Service:** Ongoing support, market updates, and resources on Social Security, Medicare, and tax efficiency.
53. **Complimentary Evaluation:** Offer a free portfolio review for qualified investors with \$1,000,000 or more in investable assets.
54. **Annuity Evaluation Program:** Specifically offers free analysis of existing annuities and potential fee credits to offset surrender penalties for clients liquidating annuities to fund a Fisher Investments account.
55. **Risk of Loss:** Investing in securities always involves a risk of loss.
56. **Past Performance:** Past performance is never a guarantee of future returns.
57. **General Views:** The content represents general views of Fisher Investments and should not be considered personalized investment advice or a reflection of actual performance.
58. **No Forecast:** Nothing is intended as a recommendation or forecast of market conditions.
59. **Illustrative Purposes:** Examples are for illustrative purposes only and do not guarantee future results.

## **FAQ: Retirement Investment Blunders to Avoid**

### **What is a "big bet" in retirement investing, and why should it be avoided?**

A "big bet" refers to concentrating a large portion of retirement savings in a single, high-risk investment, often based on emotion or a "hot tip." This is highly risky because if that single investment fails, it can devastate your retirement savings. Common examples include holding a significant portion of your employer's stock (as seen with Enron or Tyco) or investing heavily in an initial public offering (IPO) or a "sure thing" pitched by someone. The market often incorporates widely known information into stock prices already, and "sure things" can be scams or simply wrong. Diversifying your portfolio across various investments is crucial to mitigate this risk.

### **Why might being too conservative in investing be a blunder for retirees?**

While "conservative investing" might sound safe and prudent, it carries long-term risks, particularly concerning inflation. Many "safe haven" investments, like bonds, might provide less volatility in the short term, but over longer periods (30 years or more), stocks have historically shown lower volatility, more uniform, and higher returns than bonds. Additionally, bond prices move inversely with interest rates, meaning you could lose money if you need to liquidate bonds during a rising interest rate environment. Investing too conservatively, especially without accounting for inflation's erosive effects on purchasing power, can jeopardize long-term financial objectives and may not provide enough growth to cover increasing living expenses in retirement.

### **How can investors protect themselves from Ponzi schemes and excessive fees?**

To protect against Ponzi schemes like Bernie Madoff's, ensure that your investment custodian (the entity holding your funds) is independent, distinct, and separate from your money manager. While a money manager makes investment decisions, an independent custodian prevents them from directly controlling and potentially looting your account. Regarding excessive fees, they can significantly reduce your net returns over time. Even small differences in annual fees (e.g.,

1.5% vs. 2.4%) can lead to hundreds of thousands of dollars in lost compounded returns over decades. It is crucial to be aware of all fees and charges associated with your investments and opt for transparent fee structures that align the manager's interests with yours.

## **What is the long-term impact of inflation on retirement savings, and how should it be planned for?**

Inflation erodes purchasing power over time, meaning that a fixed amount of money will buy less in the future. Even a seemingly low inflation rate, like 3% annually, can significantly diminish spending power. For example, what costs \$50,000 today could cost nearly \$67,000 in just 10 years at a 3% inflation rate, a 34% increase. It's essential for retirees to consider inflation's impact on specific expenses that tend to rise faster, such as long-term care or college tuition. A conservative, fixed-income investment strategy may not generate sufficient growth to keep pace with inflation, risking your long-term retirement goals. A thoughtful plan should be developed to ensure your portfolio grows enough to maintain or increase your purchasing power.

## **Why is it problematic to rely on "common knowledge" or try to time the market?**

Relying on "common knowledge" like the adage to reduce stock holdings and increase bond holdings as you age (e.g., "100 minus your age" rule) can be problematic. People are living longer, and such formulas might not provide enough growth for a comfortable retirement. Not all individuals of the same age have the same financial situation or longevity expectations. Following the "herd" is also not a recipe for investing success, as market advantages are often "discounted" by the time information becomes common.

Trying to time the market (buying low and selling high) is nearly impossible and can be very costly. Market corrections and recoveries happen rapidly and without warning. Investors who try to exit the market to avoid negative volatility often miss the best days for market growth, which frequently follow downturns. Missing even a small number of the best performing days can drastically reduce long-term returns. Instead, a patient, disciplined approach with "time in the market" generally yields better results.

## **Why are gold, other commodities, and annuities generally not recommended for retirement portfolios?**

Gold and other commodities are often pitched during times of fear and uncertainty as safe havens. However, their performance can be highly unpredictable, and they have historically underperformed traditional investments like stocks over the long term. For instance, since 1973, stocks have had an average annual return of 11.0% compared to gold's 6.2%, leading to a significantly higher cumulative return for stocks.

Annuities, while offering the appeal of guaranteed income, are often complex insurance policies with hidden drawbacks. They can be illiquid, locking up your funds with high surrender fees. They may be taxed at ordinary income-tax rates rather than lower capital-gains rates. Their promised returns can be misleading, subject to "resets" or quoted before fees. Many annuities come with a multitude of fees and charges. Crucially, fixed annuities often lack inflation protection, meaning the purchasing power of your guaranteed income stream can decrease significantly over time.

## **What are the challenges in managing retirement withdrawals, and what is a general guideline?**

Transitioning from saving to spending in retirement can be complex and stressful. Mismanaging withdrawals can put your retirement at risk by either running out of money too soon or being too stingy and missing out on enjoyable experiences. A common mistake is assuming you can withdraw 10% annually based on historical stock market returns; however, markets don't move in a straight line. Large withdrawals during down markets can quickly deplete a portfolio, making recovery difficult. Conversely, some investors are too afraid to touch their principal, even if their nest egg is large enough to last their lifetime and their goals don't require leaving a large inheritance. While individual circumstances vary, a general guideline suggests withdrawing no more than 5% from your portfolio each year to help ensure longevity of funds.

## **How does international diversification and avoiding political bias benefit a retirement portfolio?**

Ignoring international stocks means missing out on a significant portion of the global equity market (the US makes up roughly 68% of the developed world's

equity markets). While US companies may have international revenue, their stock behavior tends to align with their home country. US and non-US stocks often trade leadership positions, and diversifying globally can help reduce portfolio volatility and smooth out returns, regardless of which market performs better in any given period.

Allowing political beliefs to drive investment decisions is another form of bias that can lead to costly mistakes. Historical data shows that neither political party is consistently better or worse for the stock market over the long term. The market can perform well under both Democratic and Republican administrations. Political gridlock, while frustrating, can even be beneficial for investors as it limits legislative changes that often alter property rights through taxes, regulations, or spending, introducing unpredictable consequences. Checking political biases and focusing on fundamental investment principles are key.

## **List 22 Guidelines**

Here are 22 guidelines for investing in retirement, drawing on the provided sources:

1. **Acknowledge that investing in securities involves a risk of loss.**
2. **Understand that past performance is never a guarantee of future returns.**
3. **Be aware of additional risks in foreign stock markets, such as currency fluctuations.**
4. **Avoid placing "big bets,"** such as holding a large portion of your retirement savings in your employer's stock or investing a significant amount based on hot tips or initial public offerings (IPOs). Instead, **diversify your portfolio.**
5. **Avoid making investment decisions based on emotion,** as this can lead to heartache and regret.
6. **Be highly skeptical of any investment pitched as a "sure thing,"** as it could be a scam.
7. **Recognize that your own investment predictions or "hot tips" could simply be wrong.**
8. **Avoid being too conservative in investing,** as seemingly safe investments like bonds may not be as prudent as they sound over longer time horizons.

9. **Engineer your investment strategy based on your personal financial circumstances, cash flow needs, and investment time horizon.**
10. **Protect yourself from Ponzi schemes** by ensuring that your custodian (the firm holding your funds) is an independent, distinct, and separate entity from your money manager.
11. **Actively seek to minimize excessive fees**, as even small differences in fees can significantly reduce your end amount over your lifetime.
12. **Plan for inflation's long-term effects** on your purchasing power and create a strategy to ensure your retirement portfolio keeps up with long-term cost of living increases.
13. **Anticipate that expenses in retirement might be higher than during working years** due to factors like traveling, home improvements, medical or long-term care, or assisting adult children and grandchildren.
14. **Cultivate healthy skepticism and avoid relying on "common knowledge"** in investing, such as rigid age-based asset allocation rules which may not provide enough growth for modern longevity.
15. **Tailor your investment strategy to your unique personal situation**, rather than relying on simple formulas that may not fit everyone.
16. **Avoid following the herd in investment decisions**, as this often leads to buying when the market is nearing its peak and panic-selling when the market is down, causing individual investors to generally do worse than market averages.
17. **Strive to be an informed investor.**
18. **Exercise caution regarding investment speculation found in mass media** and avoid making major financial decisions based on what you hear or read there.
19. **Focus on "time in the market, not timing the market"**. Trying to perfectly time market corrections or bear markets is nearly impossible, and missing even a few of the best days for market growth can significantly reduce your long-term returns.
20. **Be cautious about buying gold or other commodities** as "safe investments" during uncertainty, as stocks have historically provided significantly higher

average annual and cumulative returns over the long term.

21. **Carefully evaluate annuities**, as they are often complex insurance policies with potential drawbacks such as high surrender fees, higher ordinary income tax rates, unclear returns, multiple fees, lack of inflation protection, and inadequate survivor benefits.
  22. **Strategically manage retirement withdrawals**. Balance factors like inflation, market volatility, interest rates, and longevity. Avoid fixed high percentage withdrawals, especially during down markets. It is acceptable to reduce your principal if you have a large enough nest egg and it aligns with your goals, but most people should plan on withdrawing no more than 5% from their portfolio each year.
  23. **Diversify into international stocks**. This can help reduce the volatility of your portfolio's return over time and smooth out returns, as US and non-US stocks tend to change leadership positions often.
  24. **Avoid letting political beliefs drive investment decisions**. Remain politically and ideologically agnostic, as historical data shows neither political party is significantly better or worse for the stock market in the long term, and political bias can cloud your judgment.
  25. **Ensure true diversification** rather than false diversification (e.g., owning multiple mutual funds that are similar in investing style). True diversification increases your investable opportunity set and helps reduce long-term volatility.
- 
1. **Acknowledge that investing in securities involves a risk of loss.**
  2. **Understand that past performance is never a guarantee of future returns.**
  3. **Be aware of additional risks in foreign stock markets, such as currency fluctuations.**
  4. **Avoid placing "big bets".**
  5. **Diversify your portfolio.**
  6. **Avoid making investment decisions based on emotion.**

7. **Be highly skeptical of any investment pitched as a "sure thing".**
8. **Avoid being too conservative in investing.**
9. **Engineer your investment strategy based on your personal financial circumstances, cash flow needs, and investment time horizon.**
10. **Protect yourself from Ponzi schemes.**
11. **Actively seek to minimize excessive fees.**
12. **Plan for inflation's long-term effects.**
13. **Anticipate that expenses in retirement might be higher than during working years.**
14. **Cultivate healthy skepticism and avoid relying on "common knowledge" in investing.**
15. **Tailor your investment strategy to your unique personal situation.**
16. **Avoid following the herd in investment decisions.**
17. **Strive to be an informed investor.**
18. **Exercise caution regarding investment speculation found in mass media.**
19. **Focus on "time in the market, not timing the market".**
20. **Be cautious about buying gold or other commodities.**
21. **Carefully evaluate annuities.**
22. **Strategically manage retirement withdrawals**