*Presentation:*Strategies For Managing Sequence Of Return Risk In Retirement

Presenter:

Michael E. Kitces, MSFS, MTAX, CFP®, CLU, ChFC, RHU, REBC, CASL is the Chief Financial Planning Nerd at Kitces.com, dedicated to advancing knowledge in financial planning and helping to make financial advisors better and more successful.

In addition, he is the Head of Planning Strategy at Focus Wealth Partners, the co-founder of the XY Planning Network, AdvicePay, New Planner Recruiting, fpPathfinder, and FA BeanCounters, the former Practitioner Editor of the Journal of Financial Planning, the host of the Financial Advisor Success podcast, and the publisher of the popular financial planning industry blog Nerd’s Eye View.

In 2010, Michael was recognized with one of the FPA’s “Heart of Financial Planning” awards for his dedication and work in advancing the profession.

*Session Description:*

For long-term investors, the reality is that even if markets are volatile for a period of time, as long as the portfolio stays invested, returns can average out in the long run. In the case of retirees, however, ongoing spending withdrawals introduce the possibility that if the portfolio experiences weak returns early on, it could be depleted entirely before the good returns finally show up. As a result, retirees must consider this “sequence of returns” risk when planning for retirement, and strategies to manage it, from reducing spending in the first place, to engaging in more dynamic asset allocation to reduce risk exposure, or dynamic spending strategies to adapt spending withdrawals to market changes along the way!

*Learning Objectives:*

- LO #1: Understand what sequence of return risk is, and how it affects a retirement portfolio

- LO #2: Know the origin of the “safe withdrawal rate” and how to apply it in today’s low-return environment

- LO #3: Be able to compare different types of dynamic asset allocation strategies and ways to create spending “floors” for retirees

- LO #4: Be able to apply dynamic spending strategies with clients, and understand how to set the parameters for retirees to manage along the way

*Level of Complexity:*

- Advanced

*Topic Area(s):*

- Retirement Planning

*Hour(s) of CE:*

- 1.0 hours

*Outline:*

* Basics of safe withdrawal rates 5 minutes
* Linear Projections & Safe Spending 5 minutes
* Return Sequencing 15 minutes
* Managing Sequence Risk
  + Safe Withdrawal Rates 6 minutes
  + Dynamic Asset Allocation
    - Bucket Approach 3 minutes
    - Annuitization Floor 5 minutes
    - Rising Equity Glidepath 5 minutes
    - Valuation-Based Asset Allocation 2 minutes
  + Dynamic Spending Strategies
    - Spending Ratchets 4 minutes
    - Floor/Ceiling Guardrails 4 minutes
* Summary 6 minutes

Total: 60 minutes