



PRATO CAPITAL

Retiring (or Staying Retired) During Uncertain Times

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Since the start of 2022, stock markets have seen increased volatility due to factors like the war in Ukraine, increased inflation, and rising interest rates. These events and the associated news coverage have created uncertainty about the future for many who are approaching retirement or already have retired.

Conclusion

The conclusion is important enough to lead the newsletter this month.

I have found that as my wife and I approach retirement, it is not just important to have a valid financial plan, it is **critical** now with so much short-term economic and market uncertainty. We don't have doubts about our financial future because our Financial Life Plan (FLP) at Prato Capital has run many different scenarios, including varying rates of inflation, market ups and downs, and the tax implications of where we decide to live. I am also comforted knowing that our FLP is updated regularly to ensure we remain on track for the rest of our lives. It brings a sense of relief to both of us that we can retire comfortably after so many years of hard work and it brings both of us tremendous joy looking forward to spending more time with family and planning activities we love. This is how we both envisioned retirement and having the FLP removed the anxiety, uncertainty, and doubts about our financial future. That is the power of the Financial Life Plan at Prato Capital and everyone would benefit from having a plan.

Impacts of Market Uncertainty and Economic

We have all heard the news over the past few months of commentators and analysts repeatedly discussing the possibility of higher long-term inflation and rising interest rates. Lately, the conversation has moved to recession possibilities and the impact of the war in Ukraine. These are all attention-grabbing topics and add to the level of uncertainty for the future. This can be especially true for those considering retirement or already on a fixed income.

Many of our friends and co-workers are approaching or already in retirement and we often hear about their fears of running out of money in the years to come. Some have delayed their retirement and others are now looking for part-time jobs to provide additional retirement income. Much of their anxiety is fueled by the headlines and noise of the media. These headlines are designed to create fears and doubts not just about investments but generally about the future. But it is very important to separate the news and headlines from your investment portfolio and your financial plan.

The Benefits of a Financial Life Plan

As a pilot with almost 40 years of flying experience in both the military and commercial airlines, I am a believer in proper planning. Since we are not always flying with calm winds and blue skies, flight planning for each flight will include the necessary fuel requirements to reach our destination while still providing allowances for weather delays, reroutes, stronger than predicted upper-level winds, and even possible diversions to an alternate airport. I do not plan for a best-case scenario. I plan for a realistic scenario with fuel reserves to allow for most unexpected situations. This disciplined approach to planning still serves me well after all this time.

It is much the same when planning for retirement. Just like with flight planning, it would be foolish to plan on a best-case scenario in retirement. With our retirement funds, we need the growth provided by stock market investments, but market volatility through our retirement years needs to be accounted for. We also need to find the proper balance between stocks and bonds in our investments to counter some of that market volatility and market risk. This is like picking the correct routing and altitudes to our destination and it requires the same discipline as flight planning.

The Financial Life Plan (FLP) is the planning tool we use at Prato Capital to get us to and through retirement. The FLP plans for the market ups and downs that will happen during our retirement years. The FLP accounts for a higher cost of living in the future. It can account for many other variables and can provide immediate feedback to “what if” questions. For example, my wife and I asked, “What if we take a family trip 5 years from now to see where our ancestors came from?” We saw the impact that trip would have on our entire retirement immediately. Everyone’s situation is unique, everyone’s FLP is unique also, and the only way to know what to expect in retirement is to have a plan.

Like with flight planning programs, it is much more than just having a financial planning program. It is the experience to use it correctly, carrying out a disciplined approach to both planning and investing, and making planning and investment decisions based on what is best for each individual client that makes the FLP at Prato Capital so effective.

Conclusion Part II

For those in or approaching retirement without a detailed Financial Life Plan, you are highly susceptible to the fear and anxiety generated by the headlines from the news media. These headlines create doubts about the future and cause stress that can mostly be avoided. The best way to separate your investment and financial decisions from the anxiety created by these headlines is to have a sound investment strategy that involves a proper financial plan. An FLP from Prato Capital can provide insights as to what the future may hold for your lifestyle in retirement and in turn, can lessen the emotional impact of today’s headlines on your finances. Having that insight has proven invaluable to me and my family and I think it can for many others as well.

Please call us to discuss how a Financial Life Plan can help you through the doubts and anxiety created by today's headlines.

To help separate investment and financial planning decisions from the short-term media headlines, we recommend referring to the following newsletters and blogs we have posted on our website:

For stock market history before, during, and after a recession: [March 2022 Blog](#), [October 2019 Blog](#).

For stock market history after significant geopolitical events like war: [March 2022 Newsletter](#).

For the benefits of having a financial plan: [November 2019 Blog](#), [September 2018 Newsletter](#).

For separating news from your investments and FLP: [February 2022 Newsletter](#).