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Daniel R. Solin
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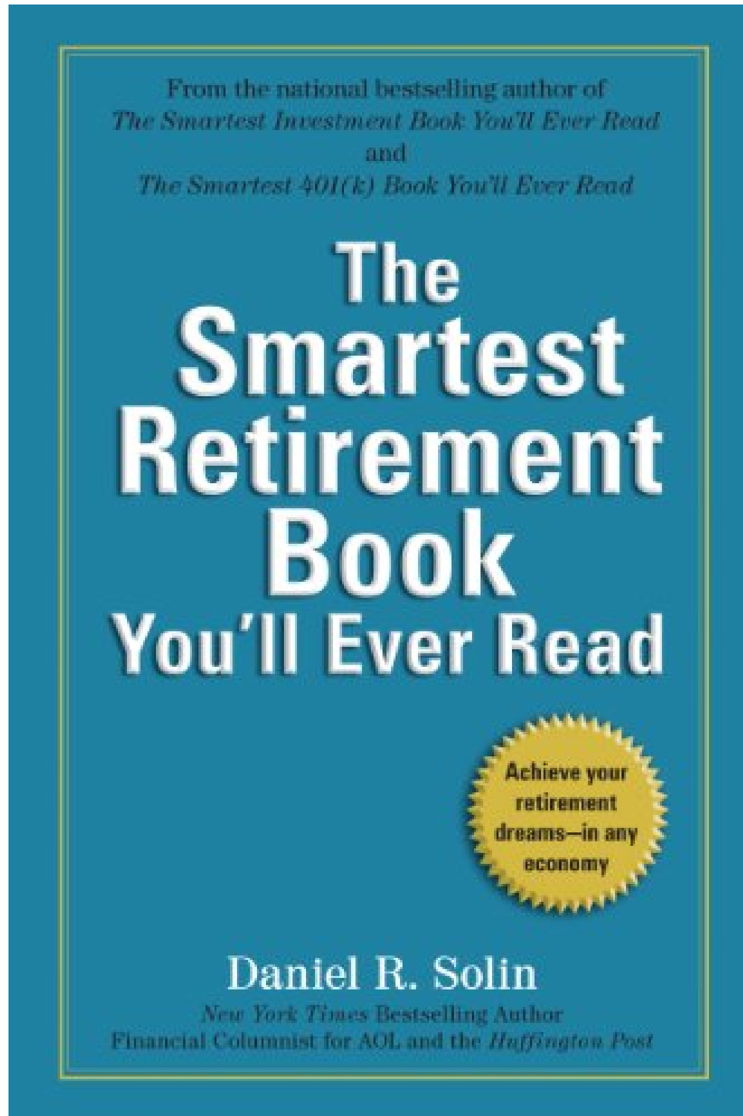

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Daniel R. Solin : The Smartest Retirement Book You'll Ever Read before purchasing it in order to gage whether or not it would be worth my time, and all praised The Smartest Retirement Book You'll Ever Read:

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Follow the advice in The Smartest Retirement Book You'll Ever Read and you will:Find simple strategies to maximize your retirement nest eggSteer clear of scams that rob you of your hard-earned savingsEnsure that your money lasts longer than you doAvoid the common mistakes that can leave your spouse impoverishedDiscover financial lifelines no matter how desperate the economy"If you want a handy guide that provides information in small chunks, Solin's book is it." -Newark Star-Ledger

"Reading this book is smart. Solin's previous entries in this series were clever, breezy guides to navigating through the financial morass without getting hurt... This new book gets into the basics of investment in context with the present economic scene, so reading the earlier volumes doesn't mean that you won't get anything out of this one. ...Solin casts his wise eye and sharp pen on other important subjects like reverse mortgages, age of social security distribution, prenuptial agreements for seniors, options and implications of delaying retirement... The best thing that Solin brings to the party is his shrewd and skeptical approach to the art and science of investing. ...there's no question that his focus is on what's best for individuals, not institutions. Throughout, Solin writes clearly with style and humor but stays on topic and doesn't bloviate or pontificate excessively. He includes a number of charts and other tools to figure out what to do with your money so it grows into the amount you will need to live on for the rest of your days." --Richard Pachter, Miami Herald "These two books are very different in format-Solin (The Smartest Investment Book You'll Ever Read) offers short chapters on a variety of retirement subjects, each concluding with a pithy summarization, while Jason (principal, Jackson, Grant Investment Advisers, Inc.) gives a more explanatory dissertation. But both are clearly written and easy to understand, tackling such topics as stocks, bonds, annuities, pensions, and cash withdrawal strategies (although Solin's book offers a handy section on care costs, Jason's does not). Jason's will be better for readers not as familiar with basic finance concepts, while Solin's may appeal to a more financially literate crowd." --Library JournalAbout the Authornbsp;Dan Solin,nbsp;a wealth advisor to high net worth investors and retirement plans for Buckingham Asset Management and The BAM ALLIANCE Director of Investor Advocacy,nbsp;is the author ofnbsp;The Smartest Retirement Book Yoursquo;ll Ever Read, Does Your Broker Owe You Money?, and thenbsp;New York Timesnbsp;bestsellersnbsp;The Smartest Investment Book Yoursquo;ll Ever Readandnbsp;The Smartest 401(k) Book Yoursquo;ll Ever Read. His award-winning books have been widely praised bynbsp;The New York Times,nbsp;The Wall Street Journal,nbsp;The Library Journal, and many financial writers, leading economists, and others.Solin is one of the most popular financial bloggers on The Huffington Post. A frequent guest on national television and radio shows, Solin has addressed professional organizations of accountants, advisors and financial planners and has testified before Congress on investor issues.Excerpt. copy; Reprinted by permission. All rights reserved.Chapter 1 Deflating Inflation Inflation is when you pay fifteen dollars for the ten-dollarhaircut you used to get for five dollars when you had hair.mdash; Samnbsp;Ewing,nbsp;humoristRetirees should be as concerned about investing their retirementnest eggs as they are about withdrawing from themmdash; the 2008market crash exacerbated these concerns and makes this issueeven morenbsp;critical.Fortunately, Smart Investing before or during retirement is not difficult. While you'll hear lots of ballyhoo about the special investmentneeds of retirees, the basic investment rulesmdash; the Smart Investingrulesmdash; are the same for everyone, no matter what their age or stage oftheir investingnbsp;lives.In Chapter 5 and Appendix B, I provide recommended portfoliosthat will take the mystery out of this process. Before jumping in, we'llreview in the chapters ahead some basic investing principles you needtonbsp;understand.Let's start with the most commonly overlooked one: inflation.Inflation: The Natural Predator of Your Nestnbsp;EggRetirees understandably worry about the stock market's gyrations.Who wouldn't, especially given the current unprecedented fiancial meltdown? But they don't spend nearly as much time fretting aboutnbsp;inflation.In recent years, inflation doesn't seem to have been much of anissue. For more than a decade, the nation's annual inflation rate hasrarely inched above 3 percent. As 2009 began, economists were farmore worried aboutnbsp;deflation.Yet even a seemingly innocuous inflation rate can flatten the cushionof a retiree's otherwise solid budget. When inflation is running at3 percent, the value of $100 will plummet to $76 in just ten years. If youwait two decades, the value of that $100 is worth no more than $56. It's easy to illustrate how destructive inflation can be if you lookat hypothetical portfolios of retirees from twenty or thirty years ago.Today's retirees can easily live that long ornbsp;longer.I used the inflation calculator from the federal Bureau of Labor Statisticsto see how much money a retiree would need today to

matchthe buying power of an American who retired with a $500,000 nestegg twenty years ago. Thanks to inflation, today's retiree wouldrequire $924,695. (You can play with your own numbers at www.bls.gov/data/inflation_calculator.htm.)The current crop of retirees will likely feel the pinch of inflationmore acutely because it is likely they will have to spend more on medicalcosts, which have been rising faster thannbsp;inflation.Unfortunately, the only inflation indexing that most retirees cancount on today is their Social Security checks, which provide anannual cost of livingnbsp;allowance.Countless research has illustrated that conservative portfoliosrun the risk of running on fumes. One landmark study examinedwhat would happen if an investor withdrew 6 percent a year from anall- bond portfolio. The study concluded that the investor had only a 27percent chance of having anything left after thirtynbsp;years.As you contemplate how you're going to structure your portfolio inretirement, you'll want to plan to deal withnbsp;inflation. The solutionmdash; as hard as this might be to swallow innbsp;today's volatilemarketsmdash; involves adding stocks to your portfolio. I'll discussexactly how you should do that in Partnbsp;Two.What's the Point?If you don't fortify your portfolio against inflation, you're likelyto outlive yournbsp;money. Chapter 7The Investing Secret Your Broker Won't Tellnbsp;YouIndex funds have a large following among institutional investorssuch as pension funds and insurance companies. Ironically,one of the most vocal advocates of index funds forindividual investors is Warren Buffett, self-made billionaireand chairman of Berkshire Hathaway Inc. [who] madehis fortune through individual stocknbsp;selection.mdash; Richard A. Ferri, CFA, author of All About Assetnbsp;AllocationIndexing can make you feel like an investing genius.Here are the major benefits of indexing:Market returns (which are superior returns) Low cost Broad diversification Tax efficiency Minimal cash holdingsLet's take a look at these more closely.Market ReturnsIndex funds make a simple promise: Everybody who indexes willearn market returns minus low transactionnbsp;costs.Here's an example: If the SP 500 index (the popular benchmarkfor blue chip stocks) generated a yearly return of 9 percent, you couldcount on the Vanguard 500 Index Fund, the Fidelity Spartan 500 IndexFund, or some other large- cap index fund to produce a return that'salmostnbsp;identical.The goal of an index fund manager is to be a clone of a correspondingnbsp;index.When an index stumbles, so will its index fund. When the index isdoing well, so will the index fund. Over time, stocks and bonds of everysize and category have grown, which means index funds havenbsp;too.It is perfectly understandable if you're not impressed by "average"market returns. After all, it's far easier to tout the stellar returnsof carefully selected actively managed funds. Unfortunately, thesereturns are almost always ephemeral. An actively managed fund canenjoy a streak of phenomenal luckmdash; but nearly all actively managedfunds eventually stumble. Their long-term (and even shorter- term)performance returns lag behind comparable indexnbsp;funds.Why do proponents of actively managed funds struggle so muchagainst those averagenbsp;returns?These stock jockeys eventually smack into a brick wall called the"efficient market." Think about it this way: Wall Street is transparentmdash;any news about any stock quickly makes the rounds, and the stock isadjusted accordingly. Consequently, it's almost impossible for professionalsto outsmart all the other investors trying to beat thenbsp;markets.The difficulty of surpassing index returns on a sustained basis iseven harder than it appears, thanks to something called "survivorbias." Every year, a huge number of actively managed funds go out ofbusiness. During one recent five-year period, according to Standard Poor's, more than one in four stock funds vanished. The funds thatdisappear are typically the ones with terrible performance statistics.Fund companies will often get rid of the embarrassing funds by mergingthem into more successfulnbsp;ones.With the dead bodies hidden away, the remaining actively managedfunds look better than theynbsp;deserve.Low Cost and Lovin' ItIndex funds are the cheapest game in town. The Vanguard 500Index Fund, which is the nation's most popular index fund, chargesshareholders just 0.15 percent to manage their assets. That means ifyou had $10,000 invested in the fund, your tab for the year would be apaltry $15. There are even cheaper class shares for larger investors. Fora new shareholder who invests at least $100,000 in the Vanguard 500Index, the cost would drop to 0.07 percent, or only $70 anbsp;year.The typical mutual fund can easily charge ten times more than acomparable index fund. People don't appreciate that price gap, becausethe difference doesn't seem wide. A fund that charges 1.7 percentdoesn't seem like a porker compared to one that charges 0.07 percent.In reality, the gulf isnbsp;huge.Let's suppose you invested $50,000 in a stock index fund that charges0.20 percent in expenses, and your neighbor invested the same amountin an actively managed stock fund that charges 2 percent. Let's assumeyou both earned an annual 8 percent return beforenbsp;expenses.A decade later, your index fund would be worth $105,964. The fundof the poor guy next door would be worth $89,542. Your neighbor'scost for holding this fund would have been $16,422.Broad DiversificationIndex funds hold more securities than actively managed funds. Bydiversifying the number of holdings, index funds reduce the risk ofhaving a concentrated position in a smaller number ofnbsp;stocks. Tax EfficiencyWhen judging mutual funds, investors look at total returns. Butperformance statistics can be misleading. When investments aren'tsheltered in retirement accounts, after-tax returns are the keynbsp;feature.Taxes can mangle the returns of actively managed funds. Too manyportfolio managers trade stocks with little regard for the tax consequencesthat are borne by the investor. Index funds are consideredparagons of tax efficiency because there is little turnover in theirnbsp;portfolios.John Bogle, the former head of the Vanguard Group, conducted astudy that illustrated how devastating the tax bite can be for activelymanaged funds. Over a sixteen-year period, Bogle concluded thatinvestors kept only 47 percent of the cumulative return of the averageactively

managed stock fund. Indexers kept 87nbsp;percent.Can you afford to leave that much of your money on the table?Minimal Cash HoldingsLarge cash holdings reduce returns in a rising market. Index fundstypically have less cash holdings than actively managed funds becausethey don't have to keep cash on hand to time the market. Index fundportfolios stay focused on meeting the returns of thenbsp;index.What's the Point?Investors who index achieve superior returns.Chapter 58Ten Golden RulesPracticing the Golden Rule is not a sacrifice; it is an investment.mdash; Author unknownThe Ten Golden Rules that I've put forth here won't work for everyone,but they should be considered by all investors, regardless ofyour age, whether you are currently planning for retirement orare alreadynbsp;retired. If you have an account with a brokerage firm, close it. I can'tthink of any reason to do business with a broker. They can't pickoutperforming stocks or mutual funds. They can't time the markets.They are expensive. They are notnbsp;fiduciaries. Never buy an individual stock or an individual bond, with theexception of Treasury bills. Your expected return with individualstocks and bonds is the same as an index of comparablestocks or bonds, but your risk is vastlynbsp;increased. If you need help coming up with a financial plan, use a fee-onlyfinancial planner (or a certified public accountant) who chargesan hourly or a fl at fee and who limits advice to preparing a planand answering yournbsp;questions. If you need assistance in making investment decisions, use aregistered investment advisor who focuses on your asset allocationand who recommends investing only in a globally diversified portfolio of low- cost index, passively managed stock andbond funds, or in an immediate annuity, where appropriate. Askthe advisor to confirm in writing that she will act as a fiduciaryin all her dealings withnbsp;you. Be sure your funds are held at an independent, well- knowncustodian, like Charles Schwab, Fidelity Investments, or TDAmeritrade. Make all checks payable only to the custodian andensure that you receive account statements directly from thenbsp;custodian. If you are investing on your own, use a well- known fund family,such as Vanguard, Fidelity, T. Rowe Price, or Charles Schwab.Consider one of my recommended portfolios (see Appendixnbsp;B). Avoid alternative investments like hedge funds, limited partnerships,and private equitynbsp;deals. Add up your monthly expenses. Deduct the amount of yourSocial Security and other income you can count on. Considerpurchasing an immediate annuity directly from a low- cost providersuch as Vanguard or TIAA-CREF for the difference. Youcan now sleep well knowing that you have enough money tomeet your monthlynbsp;expenses. Keep funds sufficient to meet two years of living expenses in anFDIC-insured savings account, a certificate of deposit, Treasurybills, or a money market fund from a major fundnbsp;family. Prepare a will. A will is the first important step in estatenbsp;planning.Sometimes intelligent retirement planning can seem overwhelming.However, these basic rules are really quite easy tonbsp;implement.You now have the knowledge to do it. Don't let anyone cause you tostray from the path toward a successfulnbsp;retirement.