

Whodathunkit?

How can I communicate the dangers out there to retired people, the potential for tragedy? What will make people listen? I recently counseled two retirees within hours of each other, people who began their retirement in similar circumstances but for one of whom life has taken a catastrophic turn. The large international company from which he retired, the company once omnipresent in his life, unfailingly a source of security, a faithful provider for his entire adulthood, has recently fallen on hard times. Why is this a problem, since he is now retired and no longer dependent on salary from that company? Because most of his retirement assets remain invested in that company's stock!

My frustration is more than that of wishing I could have had the opportunity to advise this man to invest in ways to try to protect him from this awful fate. It is more than knowing it is now too late. My greatest frustration is the knowledge that if we had talked before his devastating decision my advice would likely have been ignored.

Consider the second man I met with that day. He too had kept most of his retirement wealth in one stock--yes, that of the company to which he has dedicated most of his working life. When advised of the dangers of this strategy, he refused to even entertain the possibility that one day his lifelong employer might be in dire straits--and that its failure could ultimately mean his own financial ruin. Not my company, he said. Not me.

He had not seen the first man's tears. And in recent months he has not seen what I have. He has not seen golden years turn gray, a personal Great Depression relived one family at a time, a miserable experience made worse by the fact that it is not one shared with the retired neighbors--unless those breadwinners worked for the same company and made the same unwise choices. And not having seen the tears and the hard times, this retiree's mistake is an understandable one. Human nature is to project the present into the future. Human nature is to stick with the familiar, to fear the unknown, to resist change.

But anyone in retirement, or even approaching retirement, if he is to steep him- or herself in the risks of the stock market, should at least reduce the risk associated with a particular company failure by rigorously diversifying. He should diversify beyond one industry as well; certainly, entire industries have

collapsed for long periods of time-even forever. Also, he may be wise to look beyond stocks, beyond bonds, to investment choices with less market risk-keeping in mind that alternative investments may have risks of other types. (Diversification does not assure against market loss.)

Ultimately, the retired person's priorities should be to preserve principal while achieving a desirable level of growth and income. How does one accomplish this? The answer can be long and complicated, and allows for many different opinions, but no conscientious advisor would agree that it includes having all, or even most, of ones retirement funds in a single stock, however seemingly sound the company.

How could anything big and bad happen with titans like Walmart, like ExxonMobil, you ask? I honestly do not know. I truly hope the only surprise for these two great companies (chosen purely for example), and for all companies, is that the news is eternally good. But remember the mighty Kmart, the mighty Enron? Bankrupt! Whodathunkit?

How much is familiarity worth, of what value is a grand past performance and the prediction of an equally grand future, when the chance of failure, however remote, means personal poverty?

No matter how much you know about the company from which you retired, there is much you do not know. And there is much you will never know about retirement planning. Please seek expert advice as you approach retirement, and if you have already reached retirement and not yet sought good counsel, then this step is all the more important. Act before it is too late. Shop for an advisor based on his experience and credentials. Look for someone who specializes in the asset and income preservation phase of life-as opposed to the earlier in life asset accumulation phase. Also, look for the professional who listens long and well, for this may be the best measure of how much he cares.