

# *The Retiree's Rear View Mirror— How IS Retirement? And, the Retirees' Advice to You!*

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**I**n May 2001, the Retirement & Insurance Committee sent surveys out to 436 pilots who retired in 1998, 1999, and 2000. The purpose of the survey was to determine how these pilots had invested their retirement money, discover what types of returns they had experienced, and learn their general impressions of

what has happened since retirement. ALPA has also been studying these responses in hopes of developing a line of business to help retirees with their investments on a fee-for-service basis. What follows is a distillation of the 122 surveys that were returned to us.

### **Investment providers used**

<p>American Express Financial Advisors Asset Planning Solutions Asset Preservation Group Brian Oliphant Compass Point Cortright Co. Dewitt Capital Management Dowling &amp; Yahnke Inc. A G Edwards Fidelity—P.A.S. Fidelity Investments First Capital Management First Service Capital Management First Union Bank First Union IRA Trust Fisher Investments Inc. George Pierce Gieser Glen Woody Associates Harbor Capital/Frank Russell Investment Co. Hefren-Tillotson State Street Bank William Sweet &amp; Associates</p>	<p>J. T. Capital Linsco/Private Lender Corp.—American Funds Merrill Lynch Monteverde Group Morgan Stanley Dean Witter Morris Financial One Source Financial Inc. Paine Webber Parker Hunter Phoney Financial Service PNC Advisors Presidential Securities Prudential Securities Raymond James Financial Rench &amp; Muir Financial Advisors Retirement Planning Specialists Ross Johnson, CPA Run Money Schwab Smith Barney Southstone Financial Resources Wadell &amp; Reed T.O. Richardson</p>
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## Comments

When asked if they were satisfied with their choice of providers, 97 said yes, and 25 said no or declined to answer. The reasons they were or were not satisfied varied greatly. Here are some of their comments:

- Personalized service and advice on all related subjects. Good returns, reasonable fees, no hard sell.
- I've been with same advisor for 20 years.
- Everything has happened the way it was advertised.
- Not as conservative as I had planned.
- Top-notch service, well-versed managers.
- Very professionally operated, stays abreast of hourly market changes, sends monthly financial analysis.
- Did a lot of hand-holding in a very bad market.
- Because my planner is our friend, we fully trust him to do well by us, and he has.
- He seems to update my risk tolerance for long-term investing.
- Having total banking services and investment management under one roof is a big plus.
- Knowledgeable, good results, conservative, available at all times.
- No exit strategy for a down/bear market.
- Not satisfied with return.
- Good service, low charge rates, diversified investments.
- Fidelity doesn't give you expertise unless you sign up for one of their programs.
- Cortright has good market and planning knowledge; sets realistic goals for client.
- Very thorough and communicates frequently; online account summary daily.
- A CFP I trust; an investment strategy I endorse.
- Very personal and independent.
- Local, always available, willing to explain at my level.
- Market timing and brokerage technique.
- Conservative, technically oriented management.
- Satisfied, because he is always available to answer inquiries and makes you feel he has your interest at heart.

- My investment choices have performed 3½ percent better than my investment advisor.
- Didn't promise and didn't expect the moon.
- Portfolio is well diversified; has survived depressed market well.
- Can move my money if I desire; good quarterly report.
- Good personalized service; good return on investment.
- Investment advisor stayed in higher-risk securities too long during market downturn.

The responses to the question regarding what rates of returns were promised and what rates were actually experienced were as varied as the returns. Providers quoted ranges from less than 0 to 26 percent. Some providers performed up to the clients' expectations, and others fell woefully short. On average, however, the return rates promised and attained were between 5 and 15 percent.

## What worked

When asked what worked for them, the respondents offered the following comments. (We must warn you here—what worked for some did not work for others, so the same comments may appear in the next column!)

- A long-term approach.
- Personal advisor.
- When the market was down 20 percent, my portfolio was down 5 percent.
- Keeps me away from the money!
- Annuities.
- Nothing so far with investing!
- We are very pleased with the 75 percent lump sum and 25 percent annuity.
- My financial counselor is only a phone call and four miles away.
- Monitoring, not interfering.
- Stocks.
- Being well diversified.
- I have learned to invest without the expense of a money manager who would not expend the time or energy that I have for my investments.
- FastTrack software and two advisors paid annually.
- Even though the market overall has done poorly this past year, in the long run everything will even out.

- .. Develop a plan and follow it.
- .. Patience.
- .. Past record of 23 years at 15 percent.
- .. Diversification in good quality mutual funds and high interest-bearing variable annuities.
- .. Indexed mutual funds.
- .. Manage my own lump.
- .. Professional newsletters.
- .. Investing my lump sum at my own discretion.
- .. Bill paying on line, all tied to my Schwab account.
- .. Conservative choices—bonds, etc.
- .. Communicating frequently, good planning, and diversification.
- .. Heavily invested in equities.
- .. When the market is down, go for a walk.
- .. Sixty-eight percent equities, 32 percent fixed.
- .. Taking early distributions.
- .. NASDAQ prior to April 2000.
- .. Don't get involved in the day-to-day decisions.
- .. I'm a CFP, so I'm managing it myself.
- .. Asset allocation.
- .. Being conservative.
- .. Managed my own money.
- .. Balanced approach.
- .. Leave funds alone for long term.
- .. Vanguard Mutual Funds.
- .. My own asset allocation.
- .. Interest has closely matched monthly withdrawals.
- .. COVA annuity—12 different funds.
- .. I don't expect but just a point or two above 30-year bond—conservative investment only.
- .. Staying the course with 50 percent index funds and 50 percent Magellan.
- .. I do it myself with my broker.
- .. I use a 60-40 split w/solid stocks, very little or no speculation.
- .. Very conservative, very diversified portfolio, and not greedy.
- .. Mutual funds—diversified; review often.

- .. REITs.
- .. Doing it myself. With other accounts, going with index funds.
- .. I put 60 percent of my assets in bonds.
- .. A 50/50 mix of income producing investments and growth stocks.
- .. Invest long term and don't chase the market.
- .. Stay the course long term.

### **What didn't work**

As a follow up to the previous question, we also asked what didn't work:

- .. Day-to-day monitoring.
- .. Unusual stock market.
- .. Mutual funds.
- .. Really only wanted Fidelity to return a conservative “inflation factor,” but the portfolio advisory service couldn't even do that. I guess I'll have to look elsewhere.
- .. Too much tech.
- .. Day trading.
- .. Day-to-day monitoring.
- .. Buy and hold.
- .. High tech.
- .. Using a full-service broker!
- .. Not selling in July 2000.
- .. Investing a portion of personal savings with a professional—did good with market being up, awful with market plunge. Conservative investment of lump sum allows me to ride out market with personal investments.
- .. Timing.
- .. “Dot-com” stocks in the past eight months.
- .. My own stock picks.
- .. Heavily invested in equities.
- .. Self-directed IRA for 2001 was down about 20 percent.
- .. NASDAQ since April 2001.
- .. International, mostly small cap.
- .. Completely aggressive approach.
- .. Stock in the Dow Industrials.
- .. So-called investment hedges.
- .. Someone telling me what to do never works.
- .. A “down” market—but it's back as of today.
- .. Choosing my own buys and sells.

- .. NASDAQ and tech stocks.
- .. Dollar cost averaging in a declining market.
- .. Hard assets (gold, silver).

### Free advice from respondents

We also asked if there were any specific details or arrangements that retirees would like to provide. Respondents offered creative comments, solutions and suggestions, which we offer up here for what they are—free advice. You know the old adage about free advice: you get what you pay for. So, don't blame us!

- .. Placed my 401(k) with financial planner connected with a bank because partial withdrawals were not permitted by our current 401(k). (Author's comment—we're still working on this one.)
- .. It is important to look at volatility as well as performance.
- .. Make a plan early (the earlier the better). For example, how much money do I want to retire with? Then, work backwards from age 60 to present age, figuring inflation and anticipated rate of return.
- .. Max out your 401(k).
- .. Put \$2,000/year (or maximum legally allowed) in an IRA.
- .. Check your plan at least every six months, but don't worry too much about the day-to-day fluctuations.
- .. You *must* have/obtain financial discipline.
- .. NO investing with other pilots!
- .. Finances take priority over toys; the toys can come later.
- .. Get the spouse involved in the planning and investing.
- .. I left one firm because the market in 1999 was returning 70-80 percent, and I was only making 15 percent. DUMB! Went to another firm on the recommendation of another pilot and lost 40 percent of my money! I have since returned to my original choice and am hunting to get my money back—best investment is in CDs.
- .. Do not be in a rush to get fully invested. In hindsight, perhaps it would be best to take up to a year to fully invest your lump sum.
- .. All of my lawyers and tax planners work closely with my financial planner, so wills and estate plans are fully coordinated.
- .. Place some money in an annuity.
- .. Took the annuity and rolled my Company 401(k) into an IRA. These were mostly in Money Market funds during the down market, and I lost no monies. In 2001, I am reallocating to achieve the right mix, putting the monies "on autopilot" for future use, and doing fine.
- .. Switching to a financial service that has an active buy/sell strategy.
- .. Took the 50 percent lump, 50 percent annuity. I invested the lump in touted Fidelity funds, which included some Money Market (my IRA). The only reason I have not lost a *large* amount of money on these Fidelity Funds is because of the Money Market return on part of the investments. Had I not taken the 50/50, I'm afraid that I would not have been able to pay all my bills. The pension portion is very comforting.
- .. Let the fund manager do what I pay him to do within my established guidelines.
- .. Do not fall in love with any investment; sell it if it doesn't perform. *No one* can take care of your investment better than yourself.
- .. Found all fees too expensive.
- .. Would be very interested if a service kept their fees in line with Vanguard.
- .. Gave them five months to perform, and then I pulled the plug when they underperformed.
- .. I spread my lump sum between four mutual funds and five stocks.
- .. I need to roll over into a new account with another service.
- .. I chose the annuity payment. If one is married with family obligations and is concerned about the lump sum, I suggest purchasing a term life policy to offset the lump sum. It's a lot cheaper than paying a broker his fee or commission.
- .. Rolled lump sum into Money Market IRA in September 1999 and am now ready to buy into the stock market.
- .. Go with a pro.
- .. The firm I selected is very thorough and professional; covers investing planning, estate planning, long-term care, and insurance. Will help create and maintain overall plan for client. Reasonable costs. Helps client find what specifically works for them.

- .. Stick with a large, reputable firm (public).
  - .. Take the indemnity program—simple, less work, more service.
  - .. I retired six months ago, so it is too early to evaluate. However, I'm happy with the results so far.
  - .. Nothing cute, just a mix of mutual funds.
  - .. I discuss my long-term objectives monthly and quarterly, but keep my emotions away from the day-to-day decisions. Fisher has had my funds for only seven months and so far, so good.
  - .. I have used 60 percent equity (50 percent growth, 50 percent value), 30 percent fixed, and 10 percent Money Market. I have been converting some every year into a Roth IRA. My goal is to convert a fourth of deferred money into Roth IRA.
  - .. Be sure to shift portfolio to reflect retirement goals.
  - .. Tax is not shown in real world scenario!
  - .. I trusted what has worked in the past: our 401(k) with Fidelity, with a large amount of cash. No one seems to understand that a portion of the cash needs to be aggressively traded, or the "tax man" will soon have your retirement!
  - .. Five years cash reserve in Money Markets and bonds, remainder in equity funds.
  - .. Most of these "managers" cannot even match an index 500 fund. Why give them 2 percent?
  - .. I know enough about myself not to do it alone (financial matters, that is). I try to avoid the day-to-day investigation to see how things are going.
  - .. The COVA annuity has worked OK for me. Dropped 18 percent but has recovered. I would not recommend an annuity because of the up-front costs. Performance has been acceptable through this two-year market.
  - .. I use four money managers. Three have done well, one not so good.
  - .. Rolled lump sum distribution and 401(k) into moderately conservative investments.
  - .. Great flexibility and choice of investment vehicles.
  - .. A cash reserve to carry through one to one-and-a-half year to offset a flat market.
  - .. Be careful of overly optimistic returns. Do not hand over your retirement funds to an investment advisor and assume that person knows all.
  - .. The market for the past year has demonstrated the validity of diversification.
  - .. Don't use a professional financial manager. They are not as interested in your money as you are!
- So, that's it in a nutshell. We hope you find this information interesting and helpful. As always, if you have questions, please contact a member of the Retirement & Insurance Committee, as listed in the gray pages of *US AIRWAVES*.

