KEEN ON
RETIREMENT

Will You Run Out of Money in Retirement?

Welcome to Keen on Retirement
With Bill Keen and Steve Sanduski

Steve Sanduski: Hey, everybody! Welcome back to another home-run episode of Keen on Retirement. I'm your co-host, Steve Sanduski, and we have another all-star lineup today, don't we, Mister Bill Keen?

Bill Keen: We do. We have a resident expert and managing director of Keen Wealth Advisors, Mister Matt Wilson, on the episode with us today. Welcome back.

Matt Wilson: Yep, great to be here.

Bill Keen: Steve, I wanted to make an announcement about Joel Hamilton. Joel is a senior vice president of Keen Wealth Advisors and he is a CFA as well as a CFP, and we are grateful to have him on the team here at Keen Wealth. You know, he was slated to be on this episode with us today, Steve.

Steve Sanduski: Yeah, you were saying that and ... but he's not here, so what's the big deal?

Bill Keen: Yeah, he's not available today and Matt and I were kind of concerned here and we see where his priorities are, I guess. About two hours ago, his wife had their first baby.

Steve Sanduski: Oh, well I guess that's a good reason to not be here then.

Bill Keen: We'll let him off the hook this once. I mentioned to Matt we could live feed him in from the hospital to be a part of the podcast, but we decided that we would let him at least take the day off. What do you think?

Steve Sanduski: I wonder how his wife will feel about that.

Bill Keen: Exactly. When Matt had his youngest child, Clara, I was at the hospital and I had just ... literally a few hours after. I had my computer with me in the waiting room and at one point, Matt was out, just visiting with me nicely, and he had taken over the control of my computer and was looking at some things. I think folks thought that I was at the hospital putting Matt to work, literally two hours after he had his second child. It wasn't the case.

Steve Sanduski: Yeah, you're not a slave driver like that.

Bill Keen: No, sir.

Steve Sanduski: Good. All right. Well, today we want to talk about the financial planning process and I know at Keen Wealth Advisors, there is a very well-defined planning process, but also has the ability to make it personalized for each of the clients that you work with. We thought it'd be really helpful to go into some detail here about what the Keen Wealth financial planning process is, and I know this is a presentation that you give on a regular basis and so we're not going to just deliver the presentation that you normally give, but we're going to pick out some pieces of it that I think will be really relevant to the folks that are listening here today.

Bill Keen: Eeverything that we do Keen Wealth, and I believe at any good financial advisory firm, always comes back to the financial plan. That's why we believe that this would be a great episode to go in a little more depth on how that works and the thought processes that go into being successful . I've shared with you before, Steve, I'm 24 years in this business and I've been through a lot of good times in the markets and I've been through some of the toughest times as well, and I've got to see how the plans actually work out in real life. We're going to share that today, as well as some other, more detailed information that I think our listeners will really be able to relate to.

Steve Sanduski: Yeah, and by definition, when we say "plan," that means that you're also anticipating what could go right, what could go wrong. You mentioned you've been in the business for 24 years or so, you've see the ups and downs, but by having a plan, I think it helps people be able to be a lot more comfortable when those situations arise in the financial markets and while markets go down, those aren't unexpected things. Those are things that are planned for. Those are things that are anticipated. Allocations are developed in anticipation of those sorts of things and so that's why people that plan tend to have much better outcomes than people that don't plan.

Bill Keen: You could imagine after having done this for several decades, we've seen nearly everything that can go wrong, and I think that it's so important to not be in denial about things that can go wrong or not to just put those out of our minds, but to really get our arms around them, talk about them upfront and model them into the program. You know, Steve, I've shared with you in the past, we deal with the engineering community in Kansas City, and a lot of very smart and prudent people, a lot of people that understand projects and project management and timelines, deadlines, measurement, and it speaks right into the print planning process that we do for folks on a financial basis as well. We're really looking for the things that could be a breaking point in the planning process.

I always like to start this, though, with talking about the checklist of important issues. It's not just about the asset base or the investments. It's first taking a step back and understanding and helping a client get clarity on some other issues that I want to go briefly with us today and kind of lay the framework. The first thing that we ask a client about is their family tree, and it's children, it's grandchildren, it's also their parents. We want to understand that family dynamic, and every family has a different dynamic, different belief systems about where support should come from and how long support should be available, and that would be for kids and grandkids. In this day and age, we have a lot of folks that are in what I call the sandwich generation that are supporting kids, maybe grandkids, and then also parents as well. It's a tall order, Steve, you know that?

Steve Sanduski: Yeah, and you talk about these different generations as people continue to live longer. We have advances in medical technology. We're going to have not just the sandwich generation, which a lot of people have heard about, but we may have as many as four generations living under the same roof.

Bill Keen: Well, is that an opportunity in some sort of housing market, Steve, to create a four-generational, some condo complex or something of that nature?

Steve Sanduski: Oh, I'm sure, yeah. There's definitely going to be changes in the housing industry, and just how the way that people live. That may be a whole other episode, but yeah, obviously lots of interesting things happening in society with advances in technology and today, we can only speculate on how things will evolve and what that will mean. Certainly for the financial planning profession, I think there's just a tremendous need for what financial planners provide because people like you, Bill, and me and Matt, we're all scanning the horizon to see what's going on out there and we're trying to anticipate how these changes in society will impact our clients and what we can do from a financial planning standpoint. Again, getting back to that word "plan," to anticipate some of these things and put plans in place to be able to accommodate those. Then also, just asking the right questions, and I know we'll be getting into that here a little bit as you go into the planning process. It's just the importance of asking the right questions because I think you're halfway or more to the answer just by asking the right question.

Bill Keen: A good advisor will help their client think, help them think through the issues, but then as you say, it's a great way to state it. If you ask the right questions, you get people thinking about things that they otherwise would not have thought about and there's that old saying, "You don't know what you don't know." A lot of things get missed because folks don't even know to think about them. I love the way you put that, and that's why it's so important for us to go through this checklist of important issues. It's funny; that's what I've called it for 15 years because I couldn't think of a better term for it. It's the checklist of important issues.

The second thing on that list, Steve, is we always ask about the estate plan. We want to know, does someone have an estate plan in place? Was it two podcasts ago? We had an estate planning attorney on all the podcasts with us, did a great job covering these state planning issues, but we really want to understand where someone stands. Do they have a plan in place? Have they thought about it? What is their personal beliefs about the estate plan and how they want things to work? We also look at life insurance, health insurance and long-term care. I want to understand what's in place for a family. A lot of the families we sit down with have sufficient resources not to need life insurance at that point in their life for their personal situation. Some people want to insure things that are extraordinary, which is fine, too, but we want to have that discussion.

Long-term care is an issue that we really want to get our arms around it, understand if it's in place, if it's not, and what someone's thoughts and feelings are on that topic. That's a whole industry that's in flux right now. We see long-term care premiums in some cases going up 20%, 30%, 40% a year, and people have paid into those programs and then they need at the end of their life typically, and then they don't have enough cash flow to maintain the premiums in some cases. There's a lot of things to think about. We probably will do a whole episode on that, just the long-term care.

I want to get through these quickly for us. Taxes are very important. Does someone have a CPA? Do they do their taxes themselves? Are they itemizing or are they just taking the standard deduction? What other withholdings are they having coming out of their current paychecks, and/or if they're not, are they doing quarterly estimates? We want to know if someone has losses, if they can carry forward on their tax return. Those are some basic looks at the tax return. The other issue is outside assets, small businesses. Is there debt associated with any outside asset? Have they signed on an outside business for a child?

If they do have debt, we want to understand what the interest rates are, what the terms are. I want to know, is there something out there that is not a fixed interest rate, but something that could be a variable rate because we've all gotten lulled into this false sense of money doesn't cost anything to borrow now so there's a lot of these variable rate second mortgages sitting out there on peoples' balance sheets that they're just so used to not paying any interest on whatsoever, that if and when rates start to rise, that could be a surprise. Our process is eliminating as many of the surprises as we can for a retiree and a floating rate mortgage of kind could be a surprise.

Lastly, we want to know pension. We want to know social security information. We want to know any outside income, if it's rental income or any other type of income. Finally, we get to the investment assets where we ask questions about, okay, do we have an ESOP? What is the tech status? What's the investment allocation look like inside the ESOP 401(k), other types of money into trust after tax. It's interesting because I went through that whole checklist of important information, the investments came last, and they came last purposely because you sit down with a lot of advisors. This has been my experience and it's been the experience of clients that have reported back to me, and that a good portion of the financial brokers out there just ... They don't really care about the other issues. They just want to talk about your assets. How much money do you have?

I had an episode prior about ... I had a select financial advisor and we talked about this back then. Pay attention to the questions you're being asked and see what the advisor is emphasizing. If they skim over all this important information that we talked about and want to get straight to the numbers, I would just say be on guard about that. I wanted to spend this time on these issues because five minutes doesn't give it the importance that it really is, but I did at least want to get it out there in this format of a podcast that we have to help people start to think about just really the depth of the information that needs to get collected and processed and thought through before even any of the planning can begin.

Steve Sanduski: Yeah, and what was nice about as you were going through that, Bill, I'm thinking, "Yeah, we've got a podcast on that, we've got a blog post on that so we're really hitting a lot of these topics," so I hope all the listeners on this episode, if you haven't gone back and listened to some of the prior episodes or read some of the earlier blog posts that we did, that we've got some tremendous educational information out there and, Bill, you and I and Matt, we all agree. We think an educated client is a good client, and so we really ... We're not turning you into financial planners, but we definitely want you to have some level of understanding and comfort about what is happening with your money and happening with your estate and your insurance, your taxes, all these things here. Yeah, this is all great, great information here, Bill.

Bill Keen: It's just so important for folks to get it and play it first, and then to keep everything current. With that in mind, I think we should roll Matt into this conversation here because he has just been phenomenal, 15 years almost. We're in our 15th year on the journey together and I really wanted him to add his thinking and perspective to this topic because he's got a lot of experience here.

Matt Wilson: I just want to emphasize those items that Bill just mentioned because he went through them quickly. For us in our process at Keen Wealth, that is a whole meeting. We set aside 90 minutes and in many cases, it can take up to two hours to go over all of those issues. The reason we take so much time to cover that is because understanding the why of what we're trying to accomplish is crucial when it comes to setting up these financial plans. We help people think about those things, because I mean if someone listened to this podcast, they'd have to be writing pretty quick to write down those items, we send out a confidential questionnaire and that questionnaire will walk them through those issues. We do that because, one, we think it's important that people get conscious of this before they come in, but then now they in come in with this questionnaire filled out and then we'll go through them and we'll dig in deeper, and we'll find issues that arise from time to time.

There was one recently where, you know, Bill mentioned the estate planning. We always ask do people have an estate plan. Do they have one set up and if not, what's their thought process on getting something like that in place, and what their current beneficiaries are on their retirement plans and insurance policies? We had this happen to a client of ours where they had their ex-spouse still listed on their 401(k), and they have been divorced for over 20 years. They didn't know it until we said, "Hey, why do you have that listed?" They said, "Well, I believe it's this, but I'll double check." They found out that it wasn't. Those things, if she passed away, it's going to the ex-spouse. There's no superseding that.

Bill Keen: That's right. This checklist of information, he has to get conscious of things, but, Steve, you would be surprised, or maybe you wouldn't be surprised because you're a veteran in this business. We catch multiple things in that first run through and we're able to get back with clients and say, "Hey, here's the actionable items list from our prior meeting. These are the things we found that we think there could be holes in, let's look into them," and they're not small things at times.

Matt Wilson: They're not, and many of them are irreversible, too, once they get set in motion.

Steve Sanduski: Yeah, and that's why this whole checklist process is so important because by having a checklist, things aren't going to slip through the cracks. Like I said here just a minute ago, we did, I believe it was a blog post on checklists, the whole process with checklists, so please go back and check that one out, no pun intended.

Matt Wilson: That's right.

Bill Keen: That's right.

Steve Sanduski: Yeah, so hey, why don't we ... Let's get into some more detail here. Obviously, when you're having a meeting with a client, you're having good conversation with them, but then also some software comes into play here so maybe let's talk a little bit about how software enters the equation and how you use that to help model different things that you're doing with your clients.

Matt Wilson: That first meeting, we uncover these issues. We get clarity on what the client is trying to accomplish, and we'll send them off. If there's any homework, we need any more details, they'll get back to us.

Bill Keen: We don't make it too complicated for them, though. It's not overwhelming. We help them fill in the gaps we say, don't we, Matt?

Matt Wilson: That's right. Our next step is to set another appointment, and that's a very dynamic process. We have I believe it's a 60-inch screen in our office and we have our financial planning program just right there live on the screen. We're essentially looking at it from the back office perspective. We're looking at all the input data and then we'll make adjustments as the clients are sitting there. That's crucial because if we had these all pre-printed and there was something that they wanted to change or adjust, well now you're kind of going back to the drawing board essentially, and not creating a dynamic process. For us, we've gotten phenomenal feedback on that. People just love the fact that it's there. It's visually appealing. It's not just a spreadsheet on a screen and we're just talking a bunch of numbers. We've created it in a very interactive way.

Bill Keen: It's understandable.

Matt Wilson: It is, and actionable, too. Looking back just through my tenure in our industry, financial plans back when I started were truly just glorified Excel spreadsheets that maybe had a little bit of color inserted in them, but in terms of the ability to compute all the different items and then also be understandable and actionable were lacking. That's increased significantly in the last 15 years, just our ability to convey the concepts that we want to convey and make this plan as customizable as possible to each individual client.

Bill Keen: Well, and meaningful, too, and believable. I mean, if a client doesn't have participation in the process and believe that the plan is their plan, if it's something that some institution has helped them half-heartedly fill out a one-page questionnaire, and is using it more as a sales tool than anything to try get investments, it's not really a plan and client knows that. The other thing is the client has to have faith in the person they're sitting across the table from. The people that are walking a client through a financial plan, in my mind, they'd better be walking the walk themselves and be able to explain things in a way that the client respects and values. I sit with my estate planning attorney, I sit with my tax attorney, my other advisors, and if I don't respect them, I'm going to be checking out of that conversation real quickly, and I get that, too. The clients see a financial advisor and they'd better have that level of respect and trust and confidence in that person or again, they're not going to be engaged in the process.

Steve Sanduski: Bill and Matt, let's talk about some of the most common questions that your clients have when they come to you. One of the most common questions is going to be, "Do I have enough money to retire?" Let's talk about what are some of those common questions, and then how do you use the software? How do you present it up on the screen? How do you go through this dynamic process while you're sitting there, live, with your client to help them visualize it, to understand, to identify what some of the adjustments they may need to make so that they can ultimately achieve the goals that they want to achieve? How does that process work?

Matt Wilson: The first piece of the meeting will be going over the investment assets, just making sure that we've got everything entered in correctly in the right category because understanding what tax consequences are associated with each investment is important. We'll discuss then their house situation. Are they planning to move and picking that up as a possible outflow in the future? We'll go over any liabilities and just recap what we discussed in that first meeting and then we'll go right into the goals, and that's where we look at, "Okay, we want to retire at a certain point and we want to spend a certain amount of money." That is, by and far, the most important goal with everybody that we meet with. Leaving money at the end is always an ancillary goal.

Bill Keen: That's been what we've found, Steve. We've talked about it in the past, but clients we work with in this generation, they're not, in most cases, compromising their retirements or saying, "Hey, we'll work 10 years longer to make sure the kids have 2 million or 5 million or whatever. Most people that we work with are saying, "You know what? We have a plan and we're going to execute on our plan, and if there's something left for the kids, great. If not, we're not going to postpone our retirement or compromise ourselves." That's just been our experience here.

Steve Sanduski: Right, right. Okay, so you're doing these projections, so how do you actually know? We're dealing with the future here. We have to make assumptions about rates of return, tax rates, withdrawals, unexpected expenses that may occur. How do you use the software to account for those and how do you come up with a level of confidence that the projections you're coming up with are actually reasonable?

Bill Keen: First, coaching folks into getting clarity on what they really will need to spend, and I think that's important. Most of the people that we work with have lived within their means, they've saved, they've put money aside, they're responsible, they're planners by nature, and they haven't had to do to-the-penny budgeting but I still want them to get clarity before they turn in their retirement paperwork on what they're going to need to spend so I ask folks to spend at least 90 days, maybe 6 months, and in some cases, if they could do it, for about a year, at least look back and really get the information about what they need to live.

We don't want someone to make some broad estimate and then retire, and then come back a few months after retirement and say, "Gosh, I missed it by a couple thousand a month," because at that point, it's kind of hard to get the job back if you've been somewhere for 37 years and you retired, and now you realize you probably shouldn't have. It's really important that we coach people through getting the number right up front. You asked how we run the numbers. First off, with all these variables in the future, first off, I need the accurate information going in the front end of the things we do know.

Matt Wilson: You know what we do, too, Steve? We'll ask people what they're currently clearing on their paychecks as a place to start because if that's working for them, if they're not creating a big debt load because their paychecks aren't covering their expenses, then that is a great place to start when it comes to determining what a retirement budget is. If that's working for you now, we'll start with that in our plan.

Bill Keen: It's a practical way of figuring it out, isn't it, Matt?

Matt Wilson: It is. It is, and then we'll then add back in a couple of the items that we know are expenses in the future that aren't probably being picked in that. One of the biggest expenses that many people forget about is healthcare, the health insurance cost in retirement.

Steve Sanduski: Okay, so let's say we have a couple; they're 65 years old and both of them are now retired at 65. How do you go about projecting how long they're going to live, and then how do you ... What kind of assumptions are you typically making, or is that adjusted per person on rates of return? I know there's this thing called Monte Carlo analysis, which we can possibly get into, so tell me a little bit about how that works.

Bill Keen: Once we have all what we call the factual data is accurate as it can't be, that we start running probability analysis of what the future might look like. The future is all about probabilities. In fact, I don't believe you could prove that the sun would come up tomorrow. Now, I think you could probably pretty close, probability-wise, but you can't prove it.

Steve Sanduski: I think that we can have a high confidence level that it will come up tomorrow.

Bill Keen: That's right, and yeah, please, don't anybody misunderstand what I'm saying here. I know we have a tough political season going and all kinds of different things. I'm optimistic by nature, but I'm a realist so we try to get real clear on how do we look at the future in a way that we get ranges of probabilities, and then we operate within those ranges and then stay current so life happens and then you keep your plan current. Life happens, you keep your plan current. That's the most powerful thing about this, but running thousands of simulations of what the future might look like and coming up with ranges of success that we're confident with is that's how we operate these plans.

Steve Sanduski: Okay. Now, Bill, let me ask you though, so we have these probabilities of success, you're running thousands of simulations. Now, how high of probability of success do you want to have before you can say to the client, "Okay," or maybe the client says, "All right, I feel comfortable that my plan has a 90% probability of meeting my goals," how does that work?

Bill Keen: Typically, the range that we look at is for someone to be somewhere between 75% and 90% probable, and then maintaining that range. The way for us to come up with a process where folks can look at their plan over time, and again, when we run a plan, we always capture. We capture the net worth. We capture the evaluations of the plan. We capture where we are. We're all about measurement and being able to look back and learn from the trends and not be in denial about trends. Trends are super important in anything, actually, but we look at that 75% to 90% probable and if you've done any mathematical or statistical modeling, you know that you get the bell curve when you simulations, and most of the outcomes are right in the middle of the bell curve.

Then you get some that are way out in the tails of curve, those are called outlier events. If you look at what may happen in reality, we typically strike the outliers. In this case, we say a plan doesn't need to be above 90% probable in the software that we use. If a plan is up 98%, 99% probable, it tells us that there's some room to either adjust goals in a positive way, or there's room for things to go wrong and still have the plan be in the zone. I compare it to this, Steve, in Kansas City here, our airport is pretty easy to get in and out of, and I'm not talking about the one I fly out of. I'm talking about the International airport, and I always use this as an example when I explain the range here.

Let's say you had a 5pm flight tomorrow coming out of Kansas City, KCI or MCI here. We were running a probability analysis on you catching your flight. The variable that we adjusted, the one variable was just your arrival time in the terminal. You would adjust your arrival time back to let's say 4:00 for a 5pm flight. Yeah, you might miss it a few times; 3:30, 3:00, somewhere around 3:00 or let's call it 2:30 for your 5pm flight. You have just seethed out all the variability of you catching your flight. Here's the point. If you get there at 6am in the terminal for your 5pm flight, you have no better chance of catching your flight, based on arrival time, than you would have had you got there at 2:30. The time between 6am and 2:30 was outlier. That was kind of dead time, and I use that as an example because people hate sitting in airports waiting. That's kind of like being up at 98% or 99% probable, it's yes, you can spend a little more, things could go wrong, you could retire maybe a little sooner. I would be, as an advisor, confident in advising somebody based on that scenario.

I know, Matt, we talk about the simulations as well, about a lot of people who have done the planning, some have it on their own. Most people haven't, but some that have always use straight line interest. Let's say they assume they're going to make %5 a year. I just threw the number out there, but in an Excel spreadsheet, you're just assuming 5% year in and year out. You're not assuming one year seven, one year three, one year 10, one year negative. You're assuming an Excel spreadsheet typically gives you just a straight line interest rate. If you're planning on straight line, in a world that's anything but straight line. The results can be pretty deceiving and I know you had some data on that, Matt. It' just eye-opening about why. People say, "Why a thousand simulations?" It's because we want to see out those different outcomes.

Matt Wilson: What we're looking for is just what impact does the order of returns and the volatility of returns have on someone's plan? One thing that we can say for certain is like in Bill's example of the straight line interest on the Excel spreadsheet, that your result will look nothing that. We can say that for certain.

Bill Keen: That's right.

Matt Wilson: When we run our Monte Carlo simulation, we're looking at a combination of all of different orders like that. Here's an example that I have. Let's say you have an investment that returns 5% the first year, -15% the second year, and then 25% positive the third year. Do you know what the average return is on that investment?

Bill Keen: I'm writing this down, Steve. I don't have the information. Matt's kind of quizzing both of us here I think. That was unexpected. I didn't approve this.

Steve Sanduski: Okay, I'm pulling out my calculator, 1.05 and then what was it, -15?

Matt Wilson: Minus 15.

Steve Sanduski: Okay, 1.25?

Matt Wilson: 1.25, yes, sir.

Steve Sanduski: 11%.

Matt Wilson: Well, the average. If you just added those three together and divided by three, your average return would be 5%.

Steve Sanduski: Okay.

Matt Wilson: Now, that's average return so again, this is the straight-line interest example. Now, compounded returns are significantly different. The compounded return of that is 3.7%.

Bill Keen: You made 5, you lost 15 and then you gained 25.

Matt Wilson: Yes, and so the compounded return is the actual return that you make when you have money invested. That's what our plan takes into consideration is the impact that compounding and volatility has.

Steve Sanduski: Yeah, so in that case, you are going to end up with a 3.75% compounded return for three years, gets you up to the 11% ending value after three years.

Matt Wilson: That's right.

Steve Sanduski: Yeah, so let me ask you this question.

Bill Keen: Steve's pretty smart, isn't he, Matt?

Matt Wilson: Why do you think we got him as a co-host?

Steve Sanduski: Well, I'm augmented here with the old HP12C calculator, which I'm sure many of the listeners are familiar with. I've had this thing for I'm going to say 30 years. That's one thing that hasn't gone out of style.

Matt Wilson: You might have to send it to the Smithsonian here soon.

Steve Sanduski: That's right, yeah. I used to work for HP. In fact, this calculator that I'm holding in my hand right now, actually I take that back. It's my phone. It's my phone that has the HP12C app in it. Yeah, it's pretty amazing so I don't need the calculator anymore which I still have in my collectible box here. Anyway, so here's a question.

We're talking about these sequence of returns, these probabilities of success, the confidence zone and, Bill, you had mentioned that you want to get to a probability of success, maybe somewhere in the 80% range, 85%, maybe 90% range, and then that's kind of "the confidence zone." I'm pretending I'm a listener here and I'm thinking, "Okay, if we did a simulation here and I want to make sure that I don't run out of money, and I've got an 85% probability that I'm not going to run out of money, does that mean that, you know, for that 15%, if I happen to hit that 15%, does that mean I'm going to run out of money or does it just mean ... Is it like a complete cliff? Either I make it or I'm totally bust?" How does that work?

Bill Keen: I think that some of the financial brokerage industry really speaks and tries to sell into people's fear about wanting to have the next 20, 30, 40 years, some guarantee, and the reality is we have to be nimble with this.

If you think about it from a realistic standpoint, if you are like you're saying, in the client's seat or the listener's seat right, I don't think you want a financial advisor sitting across the table from you telling you, "I'm guaranteeing your future." I think you want somebody sitting across the table from you saying, "we want to get probabilities as high as we can that we believe will be confident, but you may have to make adjustments." If you're driving toward a cliff and you can do the math and you say, "I'm 10 miles from the cliff and I'm going 70 miles an hour, so in X number of minutes, I'm going to drive off the cliff," you probably would say to yourself, "I'm going to either change my direction or I'm going to stop before I drive off the cliff." That's the same thing that I encourage clients to think about with their financial planning.

If we're up in the zone that we're confident with, those adjustments should be smaller adjustments, if they have to make any at all. We're right up front with that. We're doing the best we can to predict an uncertain future and we want to get as probable as possible with it.

Steve Sanduski: Right, and I think the key there that you've mentioned in the past is just staying current and that the plan needs to be current. It needs to reflect the current reality of financial markets returns and the clients' goals and objectives, which may change over time as well.

Bill Keen: We ask clients, "What's keeping you up at night?" And/or, "What are you afraid of? What are the things that could go wrong?" Some of things that we test for in this process is what if Social Security gets cut by certain percentages or it goes away altogether? We don't think it's happening, but what if that happened? We also look at long-term care expenses. What are some others, Matt, that we test for regularly?

Matt Wilson: If there is a pension in the plan, if there was a cut to the pension, if there was the odds of living longer. We run these plans out into ... most folks into their early 90s, and you know that's completely customizable, just based on that person's outlook, but we can look out and say, "What if they lived to 100? What impact does that have on the plan?" If inflation is higher than we anticipated ... Our plans, we typically use 3% as our inflation rate. We can say that that was higher or lower than we thought. Lastly, this has come up even more now that the market's hitting highs and we have the election coming up. What happens if there's a 20% or 25% correction? Right now, in the portfolio, we just saw that disappear in the asset base. What impact does that have? We can run those scenarios right there, live.

Bill Keen: Yeah, it's not trying to be all rose colored. It's looking at what if these things went wrong and what if they all went wrong at the same time. The first financial plan we do for a family or the first iteration is the starting point. It's not the ending point; it's the starting point for the process.

Steve Sanduski: Right, excellent. Well, Bill and Matt, as we wrap up here, is there anything else that you guys would like to add that we haven't talked about yet?

Bill Keen: A lot of moving parts, a lot of things to think about, that the most important thing to us is staying current, and I call it currency. And that also speaks to having an advisory relationship with people that you trust, that you respect, and really share where you are in your life.

A good advisor will help you walk through these issues. They'll have a checklist-driven process that gets to the point, gets to the bottom of things and a couple times a year, a good quality conversation at a meeting or two with your advisor once you have a plan in place is enough to keep it completely up-to-date. Of course, if something happens between those meetings that's relevant, you immediately can touch with your advisors and let them know that, but that is the key to this. It's staying current and keeping it updated.

Steve Sanduski: Well, Bill and Matt, thanks. Gosh, guys, another great episode here and just really talking about the importance of staying current, the importance of having a plan, this whole idea of the probability of success and the confident zone and just how that works in the planning process, so all great content, great education. Appreciate it, guys, and we'll look forward to the next episode.

Bill Keen: Thank you, Steve, and Matt, thanks again for stepping into the studio with us today.

Matt Wilson: Yep, you're welcome.