

# Retirement Rambler

**SOUTHWEST**  
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**1960 Rambler American Station Wagon**

## A Memoir

"When I was seven and my sister twelve, my dad bought a blue Rambler station wagon, a car so cruddy and styleless that even Edsel owners would slow down to laugh at you . . ." from [The Life and Times of the Thunderbolt Kid](#) by Bill Bryson, a memoir of growing up in Des Moines in the '50s and '60s. The *San Francisco Examiner* called it "snort-root-beer-out-your-nose funny." I agree.

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## This Is Not Your Father's 3-Legged Stool

It's Labor Day, 1974. President Gerald R. Ford has just signed the Employees' Retirement Income Security Act (ERISA) into law. And I have just been introduced to the pension business.

When my mentors taught me about retirement, the illustration was usually a 3-legged stool. Workers would be supported in retirement by Social Security, their employer's defined benefit pension plan, and withdrawals from personal savings. The first two sources provided guaranteed monthly incomes for life and generally represented the majority of a retiree's income. ERISA was passed to make sure that the private pension leg did not get kicked out from under the stool.

Retirees with all 3 legs were pretty confident of their income stream. It was predictable and relatively safe.

Fast forward just one generation. The predominate plan today is the 401(k) in which a participant can accumulate a handsome balance. But what happens at retirement? The tables turn.

Now the participant must effectively do the same math that the pension actuary was doing in his father's generation—calculating the amount of income that can be derived from a lump sum of money with an overriding concern for making sure the income lasts a lifetime. The actuary actually had an easier job because he could pool the risks of all retirees in the

plan knowing some would die sooner than others.

Today's retiree derives a much smaller percentage of his retirement income from Social Security and the pension plan doesn't exist except for a lucky few. Therefore, the retiree is left to determine the right rate of withdrawal from his accumulated assets and the investment strategy to support those withdrawals through myriad investment cycles. In short, the retiree has assumed both the investment and the mortality risks.

So, retirement today is not as easy as sitting on your father's stool. But, effective planning can still get you a comfortable seat.

## Market Update

Index	Feb, 2007	YTD, 2007
Dow Jones Industrials	-2.52%	-1.15%
S&P 500	-1.96%	-0.47%
Russell 2000 (small cap US stocks)	-0.79%	+0.87%
MSCI EAFE (developed foreign mkts)	+0.81%	+1.49%
Lehman Bros Aggregate Bonds	+1.54%	+1.50%
3-Month T-Bill	+0.44%	+0.88%

Source: Morningstar, Inc.

## Leaning Pear

Looking for a fun new lunch spot? In Wimberley? Stop in at *The Leaning Pear* on River Road just west of RR 12. Great soups, salads and sandwiches and wonderful patio seating on which to enjoy. And say "hi" to the proprietors, Matthew and Rachel, some of my kin.