<u>How will 75 million Boomers avoid the next meltdown and retire with financial security?</u>

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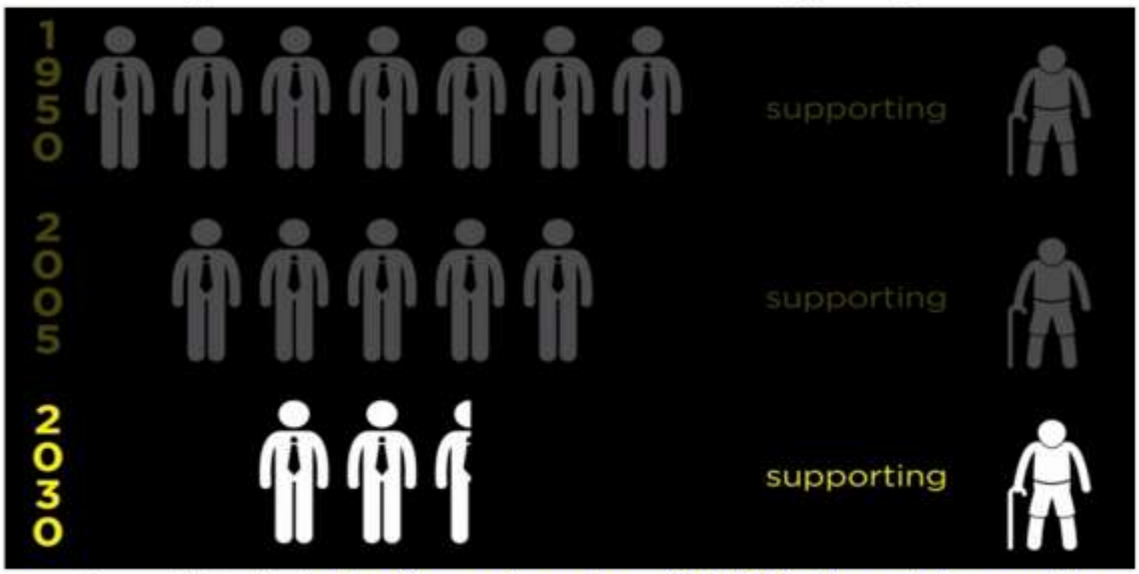
- Boomers will not avoid the next meltdown unless there are serious major changes to the way target date funds and IRAs are invested.
- Boomers need to be better protected in the Risk Zone, defending against the risk of ruin.
- Losses in the Risk Zone take an emotional and physical toll, as well as burdens our society which thankfully cares for its elderly

Who will support the Boomers? Number of workers supporting one retiree.



Source: Value Walk: http://www.valuewalk.com/2014/09/retirement-demographics

The simple and straightforward answer to this survival question is that Boomers will not avoid the next meltdown unless there are serious major changes to the way they are currently invested in target date funds and IRAs.

Most investors are unaware of the devastation that is caused by Sequence of Return Risk: losses occurring during the transition from working life to retirement. Because account balances are at their highest, lifestyles can be ruined even if markets subsequently recover. That is why Professor Moshe Milevsky calls this the Risk Zone. Unless you feel extraordinarily lucky, you want the guidance that it takes to get safely through the Risk Zone, defending against the risk of ruin. You only get to do this once.

The scary thing about the dangers that lurk ahead is that they often surprise. For example global markets are poised for a Minsky Moment. Being unlucky in the Risk Zone is like being unlucky in sky diving – there is no recovery.

As shown in the following table, investors, especially Boomers, are not being well served by current practices, but they could be. Taking a lesson from history, this table will go largely ignored until the next meltdown occurs, and then it will be too late. Please take it to heart. I have a vision of the way things ought to be, and hope you see why.

<table>
<tr><th>Serious Problems</th><th>Ideal</th><th>Current TDFs & IRAs</th></tr>
<tr><td>Excessive risk near retirement, ages 55-75 . Sequence of return risk.</td><td>Less than 10% risky . Lost 10% in 2008.</td><td>50% equity. 90% risky. Lost 25% in 2008</td></tr>
<tr><td>One size fits all is a failed model. We are all unique.</td><td>Personalized Target Date Accounts</td><td>One size. IRAs are 50% equity for all ages.</td></tr>
<tr><td rowspan="2">Ad hoc glide path pre-retirement</td><td rowspan="2">Patented Safe Landing Glide Path with real Objectives</td><td>TDFs: “Standard” glide path with US stock concentration . Phony objectives</td></tr>
<tr><td>IRAs: 50% equity</td></tr>
<tr><td rowspan="2">Ad hoc glide path post retirement</td><td rowspan="2">Bounce path increases from 10 to 40% equities</td><td>TDFs: “To” or Through” . Levels at 40% equities.</td></tr>
<tr><td>IRAs: 50% equity</td></tr>
<tr><td rowspan="2">Fees</td><td rowspan="2">Under 6 bps</td><td>TDFs: 80 bps</td></tr>
<tr><td>IRAs: 100 bps</td></tr>
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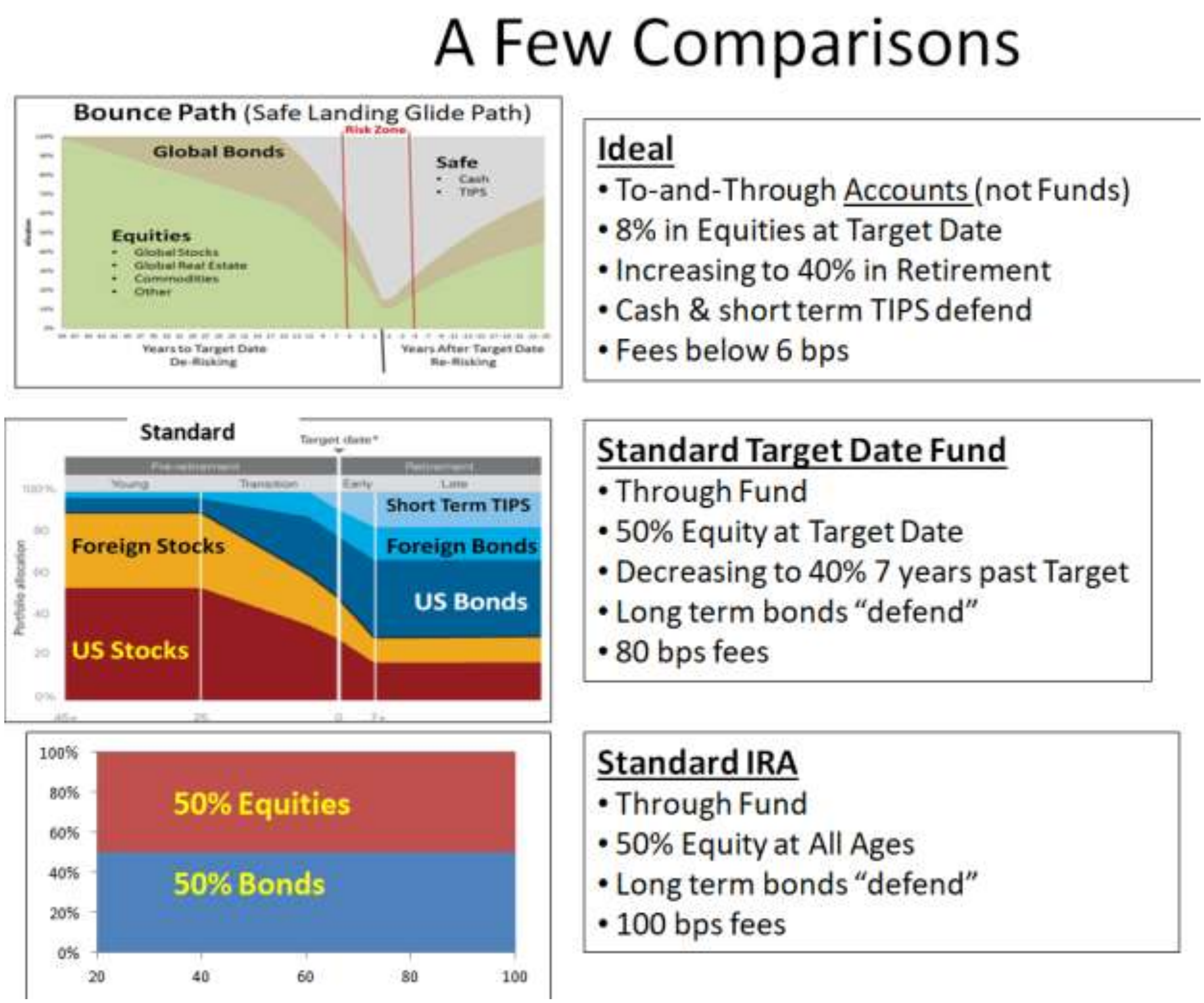
The following picture contrasts current dangerous practices to an ideal that protects.



Conclusion

Prudence could spare Boomers from financial ruin. I [define Prudence](#) as low cost, tight risk controls and broad diversification. These characteristics might not produce the best performance but they are the best for investors, especially Boomers.

Retirees cannot recover from investment losses the way they can while working. Their only course of action is to lower their standard of living, which takes an emotional and physical toll, as well as burdens our society which thankfully cares for its elderly. Can society care for tens of millions of Boomers?