"I Just Want to Go to Cash."

Ross F. Hoffman, President
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Recently, I was speaking with someone who had just sold his business and decided to retire. He told me he was also thinking of selling all of the stocks he owned, so he and his wife could live off the combined proceeds for the rest of their lives. He wondered whether his plan would work after factoring in the taxes involved.

"I just want to go to cash," he said. He isn't alone in that sentiment. We hear it from business owners who are nearing retirement. They also want to go to cash and/or buy real estate, because these are familiar assets they can touch and feel. "

"**Going to cash" is easy to understand.**

Then again, he was indirectly asking me what I thought by floating the idea past me. There is certainly nothing wrong with wanting to move a portion of your wealth into cash or cash equivalents. Depending on the circumstances, we routinely help families do just that, so they know the money will be there for them, come what may.

But, as with most things in life, there are important trade-offs. You want to make such moves with your eyes wide open to the advantages and disadvantages of going to cash.

The Lure of Going to Cash

To help this particular business owner think through his options, I began by assuring him that he was wise to be wary about participating in the stock market. There is plenty of academic and circumstantial evidence that most investors approach the stock market more like gamblers or speculators instead of prudent investors. They seek to utilize predictions and forecasts instead of patiently "being there" to capture expected long-term returns.

It's no wonder that this is the typical approach to investing. After all, few individual investors are ever formally taught how to invest. Instead, they buy what sounds good at the time, based on hot tips from random sources.

I call this the "shopping cart" approach to investing. Every time you see or hear something that looks or sounds good, you mentally click, "ADD TO CART," and the next thing you know, it's one of your investments.

When Cash Isn't Quite King

So I asked this business owner, "What if you could design your perfect investment? What would it look like?"

He thought for a moment and listed the following: "It would have to be diversified all around the world, so I wouldn't have all my eggs in one basket. It would be easy to manage so I wouldn't have to spend a lot of time. The right trades would occur mostly automatically, so I wouldn't have to do something every time a crisis or unexpected events happen."

It wouldn't expose me to too much risk, too many taxes or excessive costs. It would be easy to reconfigure if my circumstances changed. Oh, and if I needed to get to some money quickly or draw an income stream from it, I should be able to do so without too much hassle."

"That's quite a bit," I said. "Is there anything else?" He thought some more and said, "Yes, there is. I'd like for it to at least keep up with inflation, if not beat it…while still being safe."

Defining "Safe" Investing

This was an important milestone in our conversation. "Help me understand what 'safe' means to you," I said.

"Well, I don't want to lose any of the money I've already got."

"I see," I replied. "Then I guess going to cash is right for you. "It won't do any of the other things you told me would represent your perfect investment. But it is true you are highly unlikely to lose any of the money you've already got, so I guess we're finished here."

Of course we weren't finished. Even for this businessman and his wife, preserving what he'd accumulated turned out to be one small component of what really represented his desired investment experience.

In other words, "safe investing" also includes considering all that is important to you about your wealth: How much income do you need, what expenses are you planning for, when will you need to access your money, how often do you want to access it, and how much (if any) do you hope to leave for your children and grandchildren?

In other words, safe investing usually requires far more than cash alone can hope to address. It means considering a balance between preserving what you've got and continuing to invest as needed to cover all that you will want during the rest of your well-lived life.

Managing Your Money for the Long Haul

After some 40 years of working with individuals and families, I have come to believe investors often experience a disconnect between their questions and their real concerns.

When asking about the "safe" or "best" investments, what they seem to be seeking at a deeper level is a connection between how they invest their resources and their most important goals.

Do I have enough?

How much risk do I need to take to live the life I want for my family and myself?

Many successful people and families are use to assessing risks and weighing tradeoffs in their professional lives. But if they are unfamiliar with the 60-plus years of scholarly research guiding evidence-based investing, they are often left to depend on the promotional sound bites that reduce investing to what feels like a game of chance.

What a shame, because it doesn't have to be that way.

Instead, here is a five-step roadmap to chart your course and find an investment plan that drives the life you want to live.

1. Find an advisor who is a fiduciary. If your advisor is not willing to establish a fiduciary relationship with you and your family, then find one who will.

All “fiduciary” means is that your advisor legally pledges to act only in your best interest. If he or she cannot do that (brokers are not legally able to make such promises), then conflicting incentives might be influencing the advice.

Move on.

2. Make sure the advisor fee you are paying includes comprehensive planning and wealth management services. Often we find families paying 1 percent or more to stand-alone money managers. When you can secure an advisor who engages your family in fully coordinated wealth and/or retirement planning for similar rates, why would you pay more for less?

Move on.

3. Make sure your advisor puts your personalized planning ahead of product promotion. Many trading professionals pose as your trusted advisor but are actually well-trained sales people, with underlying incentives undisclosed to you.

Here’s one way to tell who is whom: Is he or she advising you according to a clear, personalized plan you have crafted together, directly tied to your goals and capturing your risk/return tradeoffs? Or is your advisor merely enabling your same old, unreliable and unsatisfying “shopping cart” approach to selecting random holdings?

4. Be sure your advisor documents your investment plan in a written IPS—Investment Policy Statement. To ensure that you and your advisor rely on your plan as a touchstone to guide you both through thick and thin, it should be in writing, and signed by both of you. Revisions should be documented and signed as well.

5. **Invest according to reason instead of reaction**. Avoid speculative investing based on chasing hot or cold stocks, or reacting to short-term market movements. Use an evidence-based strategy that focuses on the factors you can expect to control to patiently capture long-term market returns, managing the risks involved and minimizing the costs.

We believe our five-step roadmap offers an effective model to guide your objective financial decisions. Augment it with probability planning (the odds of having enough money given your assets, earning, spending and goals). Factor in inflation too, and you're well on your way to objectively evaluating when – or if – it's time to "go to cash."

You may still decide to do so, but it is better to know the expected consequences of that decision ahead of time. When it comes to managing your life's savings, ignorance is not bliss.

An Invitation to Learn More

Over the years, we've focused on helping families balance their goals for keeping what they have while safeguarding their future. We also helped them manage their investments accordingly.

If you would like to explore what achieving investment balance might look like for you and your family, I invite you to join us for a one-hour, no-cost and no-obligation session to ask us the questions with which you've been struggling and to find out more about our approach. There is no time like the present to get the answers you need to determine what you should be doing with your investing for the rest of your life.

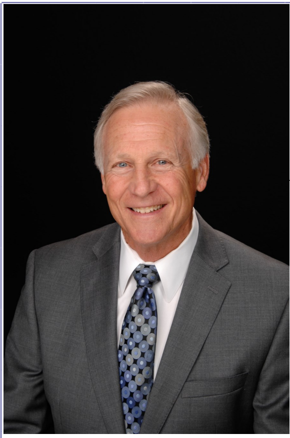
If you would like to know more, I would be happy to send you two of my articles:

"Income Allocation Plus Asset Allocation," and

"Do You have a Minimum Wage Retirement Plan?"

Just email or call me on my direct line below with no obligation of course.

In the meantime, be well and stay well.



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Hoffman & Associates, Financial & Estate Advisors, Inc.

Ross F. Hoffman is President and Chief Executive Officer of Hoffman & Associates, Estate & Financial Advisors, Inc. He has over 40 years of professional experience in financial, estate, and investment advising. Ross believes everyone should have the opportunity, the freedom and the best information to decide what estate, retirement, and business transition plans work best for them.

Ross has earned the most respected professional designations, including Accredited Wealth Management Advisor (AWMA), Accredited Investment Fiduciary (AIF®), Certified Financial Planner (CFP), Chartered Financial Consultant (ChFC), and Chartered Life Underwriter (CLU). He earned his undergraduate degree from UCLA, has attended the U.S. Army School of Finance, and works with the Center of Fiduciary Studies based at the University of Pittsburgh.

Ross is an accomplished speaker. He has lectured on Family Wealth Counseling, Evidence Based Investing, Exit Planning, creative uses of life insurance, charitable estate planning to professional groups including the Ventura County Bar Association and the Santa Barbara CPA/Law Society; and has taught estate and gift tax planning. He is a former co-host of the weekly internet radio show entitled, "Conscious Investing."

Ross coaches his clients through a proprietary process designed to help investors financially, intellectually, and emotionally manage and understand their wealth. Ross was in "Navigating the Fog of Investing", a documentary film on the investment industry.

Ross is a prior member of Vistage (formerly TEC), an organization for CEOs, for over 25 years. They presented him the "Widest Range of Knowledge Award" as a Vistage member.

His community involvement has included Vice Chairman and Cabinet member of the Ventura County United Way, Technical Advisory Committee member for the Ventura County Community Foundation, Deferred Giving Board member for the Ventura County Medical Center, Board member of the American Lung Association, Board member of the Ventura County Planned Giving Council, Deferred Giving Committee member for the Boy Scouts of America and a past member of the Estate Planning Council. Ross was on the Board of Segue, a nonprofit, dedicated to keeping kids in school and helping them develop career paths.

Ross's outside interests include golf, daily workouts and time with his family. He also wrote **Back And Better, 37 Rapid Recovery Exercises I Use When Injured or Bedridden**.