



Build a Better Retirement Game: Design and Diversification of Assets

Anyone who's watched pro golfer, Phil Mickelson, perform some of his jaw dropping trick shots knows that golf clubs can be used in uncommon ways to great results. If you're Mickelson, that is.

For most of us, learning to employ the right club for specific areas of a golf hole is an important part of the game. It's possible to play a round of golf with only a 3 iron, but while sometimes it's a perfect club to use, other times you'll want to wrap it around a tree because it's not designed to perform the shot you are trying to execute.

Likewise, financial assets are designed to perform unique tasks in a portfolio. For example:

- Bank accounts are for immediate access and total liquidity, but make poor long-term savings vehicles due to inflation impact.
- 401(k)s and other employer retirement plans are wonderful long-term savings and growth assets, but are designed to hold your money until you retire. Accessing your money, even in an emergency, is intentionally painful.
- Roth IRAs and 401(k)s provide investment growth that is free of taxes when you retire.
- Brokerage accounts open up a host of investment options, and can play the role of growth asset in many ways, including investments with protective elements. They can also provide tax diversification.
- Real estate holdings are generally secure, income-generating assets, but are hard to liquidate and the income is often offset by the cost of taxes and maintaining the property.
- Permanent life insurance can serve as a both a protective asset and a vehicle for flexible liquidity through retirement.

Financial flexibility is a strength that many people do not enjoy. They've often put all their proverbial eggs in one basket, such as the "max out your 401(k)" advocates. This can be a good approach, so long as it doesn't keep you from building assets that work differently and that provide different benefits. When one asset isn't performing the way you need, you can lean on the other.

There is a wide range of assets available to investors, many are unfamiliar to the average person. This is one reason that working with a financial advisor can be beneficial. To build a strong, responsive financial life, you'll need a variety of assets, including assets that are completely uncorrelated to the market variability of most investments.

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