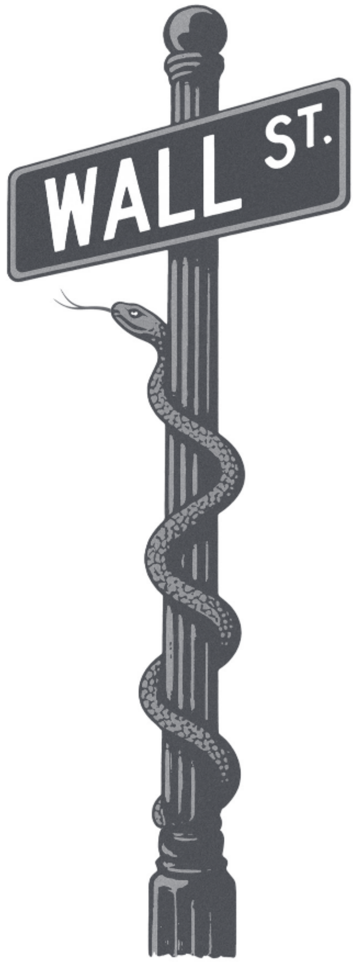
How Retirees Should Invest, Save,
And Avoid Getting Ripped Off

WALL STREET IS NOT YOUR FRIEND



What Wall Street Doesn't Want You To Know

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WHY WALL STREET IS NOT YOUR FRIEND

Have you ever wondered why Wall Street is so confusing and so difficult to understand?

Let me be the first to suggest that it is because Wall Street makes it confusing on purpose.

As wealth advisors, financial advisors, brokers—this is so confusing you can't even figure out what to call us—it is our job to say, "Hey, we can help you cut through all this garbage and ensure you are getting a fair deal."

Investors don't mind paying a fair fee. What they don't like are hidden fees, conflicts of interest (even from "fiduciaries"), and being outright misled—which frankly happens way too often. Investors just want to be comfortable that their money is going to be safe and they're going to be fine going forward. And they want their individual issues, whatever they might be, to be addressed.

Instead, Wall Street answers with an ancient version of a three-card trick—find the lady that is one of the three cards. You might know it as finding the pea under one of the three walnut shells.

It is not a stretch to say that much of Wall Street is conducting a confidence game. The Wall Street casino of today, or whatever we want to call it, offers various games that you can play. Many are all rigged to cause you to underperform and pay excess fees. Or, they cause you to fit into cookie-cutter financial plans that cost firms nothing to implement and are not in your best interest.

I am dubious of classic investing texts like *Beating the Street* by Peter Lynch. In the book, Lynch contends that stocks are not lottery tickets. He says there's a company behind every stock and a reason companies—and their stocks—perform the way they do.[1] Peter Lynch worked in a different era, and I'll leave it at that.

But I say if you have less than $10 million, or even $20 million, you walk into the Wall Street casino distracted by the flashing lights and the ringing slot machine noise and people yelling around the craps table.

Well, we know that Las Vegas wasn't built by paying out winners. Neither were the canyons of Wall Street, Boston, Chicago, London, or other cities with big business in finance.

YOUR FOUR CHOICES TO PLAY THE RETIREMENT GAME

My promise in this book is to give you the straight scoop from a guy who has seen almost everything in personal finance.

How many ways are there to handle retirement savings? Dozens? Hundreds? Thousands?

Nope. There are really only four choices when it comes to trying to win the retirement game besides doing it yourself, which is a tough slog in this complex world:

1. Insurance and annuity companies and their salespeople
2. What we call a discount or "800-number" company
3. The big-box financial-services conglomerate firm
4. The independent financial-advisor folks like my firm, Hackmann Wealth Partners

Let's explore the four choices.

Choice One

For the insurance and annuity salesperson, the answer to all financial planning questions is either an annuity or life insurance. So, that person is not open-minded enough to be the right choice when planning your retirement. Usually, they are only licensed to sell insurance and annuities. That doesn't mean those products are bad, but they should not be 100 percent of somebody's plan.

Choice Two

These are "discount firms" that you speak to over the phone. These firms can just be custodians to hold assets, but more and more, they want to serve as your financial advisors.

They offer a pretty full set of financial advice at different tier levels based on the amount of assets you have. The drawback is that you are dealing with an 800 number, and the person at the other end often turns over at some frequency. Moreover, you are typically shoehorned into lists of stock and bond mutual funds along with hundreds of thousands of other individuals. Note that I have said this dreaded phrase, "bond funds," but there is more to come on this. This model allows them to operate on a tremendous scale, literally managing trillions of dollars. Still, your outcome is really just a portfolio, not a plan, and a two-dimensional portfolio at that. At the end of the day, these firms may have a lower cost, but you also get a lower service model.

Choice Three

The bulk of assets are at number three, the so-called big-box firms where you meet with a loafer-wearing person. I also refer to these people when we talk about paint-by-numbers or two-dimensional financial planning. For these firms, there are usually only two assets: stocks and bonds in the form of mutual funds, or sometimes they pick individual stocks too. Stocks and stock mutual funds are there because we know they make money over the long term. Bonds are there because they are deemed safer than stocks.

Surprise: bond funds fell in value by 15 to 25 percent in 2022, were mixed in 2023 and down again in 2024, and some bond funds have cumulatively lost more than 30 percent in value since 2022. Turns out that in inflationary times, which may be part of our new reality, bonds are not a safe haven.

In addition, the stocks and bonds are contained in mutual funds and can have a significant level of fees. And in the "full-service" firms, these mutual funds often pay platform fees, technology fees, or other disguised "kickbacks" to the big-box firm.

If you are really fortunate, the firm advises you to put money into "alternatives" like "private REITS," "interval funds," high yield "structured notes," unit investment trusts, variable annuities, and the list goes on. These are all codes for "big fees, more risk, or illiquidity for you." Please avoid all of these and consider getting a fresh look if you have them already.

When you walk into a big-box firm, they are giving you the illusion of a full-service plan. Yet, talk to a client who has been with a big-box firm for a year or two, and they all tell the same story. Which is, "I met my advisor, and they gave me a lot of song and dance. They said to us, 'You folks seem like you're sort of moderately conservative. You seem like 65/35 kind of people. That's 65 percent stocks and 35 percent bonds. We're charging you X percent, 1 percent, 0.75 percent, 1.5 percent.'"

If you ask for a retirement plan or a financial plan, they hit <ENTER> on the only output approved by their lawyers. Out comes a statistical analysis that gives you a lot of pretty graphs and says you are 94 percent likely not to be broke at age ninety-five. They offer this up with a smile and sometimes a leather-bound folder. When our prospective clients meet us and show these to us, I ask, "How did this make you feel—confident?" The answer is always "no."

Most people want to know that they are 100 percent sure they will be OK no matter how long they live. Now, not even I can prevent a meteor from hitting the earth, and there is no such thing as a plan free from risk. But I can say that almost all investors who are close to or in retirement can adjust their plans to reduce the risk of financial calamity significantly. Often this change can allow for increased confidence in spending during retirement.

When big-box clients come to us, we do portfolio X-rays on their accounts. Often, we see three layers of fees.

Layer number one is "I'm charging you 1 percent, or 1.25, or 1.5 percent."

Layer number two is all the fees that are hidden inside the mutual funds that they put you in.

Layer number three is that most of these these mutual funds underperform lower-cost funds of comparable risk.

My experience is that Wall Street's game is to charge you 2 or 3 percent while telling you they are only charging 1 percent. You are told that you are being helped by a fiduciary, which is supposedly having someone act in your best interest. Being charged 2 to 3 percent annually is not in your best interest, even if some lawyer's contortionist analysis has said it is.

And then you have a more than $10 trillion (actively managed) mutual fund industry, which is most of the investments that they're putting you into. Rich people don't invest in actively managed mutual funds. People with $20 million or more do not invest in mutual funds with 0.75 percent, 1 percent, or 1.25 percent fees because they know those mutual funds almost always underperform the market over the long term.

Choice Four

Contrast this with the fourth level, which is an independent advisor. Our firm is one of these. The right independent advisor will focus more on your objectives, have a broader toolbox, and operate with conflicts of interest that are fully disclosed, not buried in twenty pages of legalese. There is no such thing as an advisor who is completely free of conflicts of interest, even if they are a "fiduciary."

A DIFFERENT APPROACH

We recommend what we call "objectives-based planning." This signifies that while money and your investments are important, they are a means to an end. The end is your objectives.

There are common objectives that almost everyone has:

- Don't run out of money
- Not wanting to lose 50 percent when the stock market drops 50 percent, which has happened every ten to twenty years since the stock market was created in the early 1800s
- Where possible, pay less to Uncle Sam
- Have a plan that accounts for inflation
- Budget for more fun during the early years of retirement
- Have a fallback fund for long-term care costs
- Leave more to kids than to the government

And the list goes on

This book will give you a guided tour of the ins and outs, the misdirection tricks of the trade, and the downright hocus-pocus.

MEET YOUR TOUR GUIDE

Before you take a guided tour of how to avoid the unfriendly designs Wall Street has on your money, you should meet your tour guide.

At thirty-eight, during the 2008 financial crisis and thereafter, I went from being the oldest guy on Wall Street (tongue in cheek) to becoming the youngest guy in financial planning.

Wall Street, you see, is a young person's game. For financial planning, I'm still one of the younger guys at fifty-four. In starting Hackmann Wealth Partners, I saw that in the independent financial-advisor business, there was the ability to reach a lot of people through radio and media and really add value to people's lives by helping cut through some of the Wall Street song and dance. I know that we help people stress less about this critical area of their lives. I am lucky enough to hear that day in and day out.

Earlier in my career, I was working for very high-net-worth individuals because I was in the fancy Wall Street firms or very large companies working on asset management and risk management.

When Wall Street spat me out, I moved into working with the "mass-affluent" crowd, in the range of $500,000 to $20 million in assets, but mostly $1 million to $10 million. These are people who Wall Street is trying to charge 2 percent to 3 percent—people like you. The fees are too high, the performance is lousy, and there is really a need for increased professionalism and transparency.

We are talking about white-collar and blue-collar people and small business owners who, after lives of hard work and sacrifice, have managed to save $1 to $5 million and beyond—people not born into wealth but who earned it the hard way. My view is that they deserve a tailored financial plan that is not laden with exorbitant fees, known performance drags, or talk-over-your-head investments by some advisor misusing the term "fiduciary."

Does a fiduciary in the world of financial advice always put your interest first? Most people think the answer is yes, but the answer is no. We will look at some examples in the coming pages.

So, the first step for me was a successful career on Wall Street. Next came career turbulence for me, as for most of the nation. It was the 2007–2009 Great Recession. So, I needed a new plan. I went into lending to help small businesses. By

2015, I saw there was an opportunity to help underserved private investors: people worried about their retirement finances and needing help.

That's when I decided upon a different kind of firm. I wanted to have a broad impact and spread my message via educational outreach. Since 2018, our team has been helping thousands of people on the radio and podcasts on the East Coast and across the country with straight talk to sweep away the myths of Wall Street. Investing is confusing because Wall Street designed it that way. The name of the show is "The Wall Street Sweeper," as in sweeping away the crud that Wall Street is dishing out.

So, let's come to the present and this new book to further spread this knowledge. The Hackmann Wealth Partners team is working with dozens and dozens of families and growing. The team has also grown—from one Wall Street veteran to seven people serving these families. Seven people are happy to have relationships with these families where they can answer a variety of financial questions, be it during the evening or the weekend. Oddly enough, I like to get calls and emails from clients on weekends.

My father got me interested in the securities business. He worked in the industry for over fifty years and then retired.

When I was in high school, I landed a job as a runner on the floor of the Chicago Board Options Exchange. It was my first exposure to the derivatives business. Young people like me were employed to take one piece of paper at a time from one side of the floor to the other. It was a great summer job for a high school or college student and a chance to soak up knowledge about the markets.

That was my real interest. After graduation from Georgetown University, I worked for a small firm that traded client assets for about three years. Then, night school came at the University of Chicago. I also studied for the Chartered Financial Analyst's (CFA) certification, which was a huge challenge: three years minimum of tests. The CFA is sort of the better-known "CFP" on steroids. Because I was working hard just to get credentialed, I had the CFA and my University of Chicago MBA by the time I was twenty-five years old.

Then, I wanted to get into a big Wall Street firm to further my training and experience. I will also admit to being transfixed by movies like *Wall Street*. Michael Douglas, as Gordon Gekko told us, "Greed is good." I was hired by a firm that was a predecessor to UBS. I worked for UBS and then for what's now Bank of America. I worked for Lehman Brothers, which is mentioned here because I was lucky enough to leave in 2005 before they blew up. The last big firm I worked for was called Swiss Re, a big Swiss reinsurance company.

So, from 1992, right out of college, through 2008–2009, the main thing I was doing on Wall Street was working with corporate and high-net-worth clients on risk management of large investment holdings and investments. In addition, I worked on reallocating investments for risk reduction and tax efficiency. My work was for some of the largest global banks and, to some extent, involved complex product areas—in the jargon, the equity options and derivatives market. You could call me a derivative specialist, then.

When the Great Recession hit, derivatives became somewhat less cool than they used to be. I tell people the kinds of derivatives that I worked on were not the sort that ruined the economy. The distinction is lost on some people (insert chuckle here).

There was a great simplification on Wall Street in 2008–2009, which did not include my future. I was approaching forty, sort of an old guy on Wall Street: older but hopefully wiser.

Helping individuals instead of companies was my first love. I had gained great exposure from different experiences. By 2015, I saw that Wall Street was not providing the service needed by individual investors with $1 million to $10 million in assets. It was a chance to help people looking to retire and a chance to work with individual clients.

I started as a one-person company and then extended my educational outreach by meeting clients through the media, first through the radio in Connecticut, a smaller station called WICC in Bridgeport. And then, from 2020 to 2024, we extended into Boston, New York, and Washington.

Our radio broadcast and podcast are called "The Wall Street Sweeper." My mission is to sweep away the myths of Wall Street, the clutter of excessive fees and underperformance, and the amount of risk potential retirees do not need.

Retirement planning and investing can be opaque and baffling. Even highly educated clients who are medical doctors, lawyers, and PhDs tell us, "Wow, this area is confusing. I have no idea who to trust."

WE FIELD A LOT OF FINANCIAL QUESTIONS

I have a running joke with my mother about asking, "Why do I have this need to be needed?"

At our firm we don't mind questions like "Should I buy or lease a car?" "What should I do with my kids' student loans? They're a mess, and I cosigned them."

What we do is a different world from the Wall Street casino. We are very proud of the financial guidance we provide. My hope is that this book helps you maintain your retirement sanity.

Our guided tour continues with a summary of the big six retirement risks.

But first, a word from our lawyers:

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