

January 2020

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Notices

Gear Up for Tax Time

If we prepare your tax returns, over the next month we will be sending out your 2019 Tax Letter & Organizer. Once you have gathered all relevant tax documents, please provide your information as soon as possible so that we can get all returns done prior to April 15th.

Mallard E-Mail Update

Are you receiving our e-mail newsletters (which are different from this quarterly newsletter)? If not, let us know by sending an e-mail requesting to be added to our e-mail newsletter list.

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MALLARD ADVISORS LLC

Comprehensive Financial Planning
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THE QUARTERLY MALLARD CALL

The Secret to a Fulfilling Retirement

William D. Starnes

Retirement is hard. It is emotionally hard even if you are fully financially prepared for retirement. It can be jarring for many new retirees to go from an environment of structure, deadlines, and meetings to...well, pretty much *none* of that. With days no longer occupied with these responsibilities, retirement is like a blank canvas. While this can be liberating, it can also be intimidating as you first gaze upon the pure white canvas—especially if you have no idea what you want to “paint”!

Many people have worked hard for forty years in order to provide for their families, save for retirement, or maximize their lifestyle...and they are tired. Tired of working because they have to. Tired of having to show up on time. Tired of *not* having the flexibility they desire to alter their hours, schedule, or responsibilities. While spending decades working and preparing for a financially secure retirement, little to no time has been spent thinking about what retirement will really be like.

We may look forward to retirement so much that we may fall under the illusion that retirement will be easy. We may think it will be akin to sipping margaritas on a beach, or playing golf full time. However, it is important not to romanticize retirement as a life-long vacation. While it may feel that way for the first few weeks or months, the reality of the new situation will set in. Without proper planning, that reality can be one of boredom and purposelessness. For some, as in the movie, *Groundhog Day*, retirement can be an endless re-living of the prior day. Others may find that golf has become their new all-consuming “job”.

Retirement will not be pure bliss because life is not pure bliss, and boredom is not blissful. We are not built to just relax. We are built to strive and grow. Andy Rooney once said something like, *Everyone wants to live on top of the mountain, but joy and growth come from climbing it.* Those who retired to get out of the rat race may find themselves longing for aspects of the race: specifically identity, purpose, and social relationships.

Prior to retirement, when you are asked what you do for a living, you may say “I am an engineer”, or “I am in banking”. This changes after retirement. Who are you now? There can be a feeling of lost identity that can't be under emphasized especially for those who took great pride in their profession. We also have a sense of purpose while working and this purpose drives us. It drives us and may even excite us as we work toward solving challenging problems, using our creativity, or simply

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Announcements

In case you missed it, in the 11/25/19 e-mail Mallard Update we discussed the fact that Schwab plans to buy TD Ameritrade (subject to regulatory approval) with a deal expected to close in late 2020.

In the 12/23/19 e-mail Mallard Update, we reviewed the SECURE Act and the big changes it makes to IRA's starting in 2020 including the deferral of the required minimum distribution start date, the elimination of the “stretch” provisions for non-spouse IRA beneficiaries, and the fact that workers can now make IRA contributions even if they are over age 70 & 1/2.



accomplishing projects. Finally, while we may not appreciate it when working, the relationships we develop over many years provides a valuable social outlet. If I were to ask you to name the number of friends you have outside of work, it may cut the numbers down quite a bit. We need to rebuild our social network as it is well-known that having a robust network of friends and family leads to a longer life and more happiness.

Now imagine your identity, purpose, and friends are gone...overnight. It would likely not be a surprise that a study published in the *Journal of Population Aging* found that those who were retired were about twice as likely to report feeling symptoms of depression than those who were still working. Research from the London-based Institute of Economic Affairs found the likelihood that someone will suffer from clinical depression actually goes up by about 40% after retiring and this particularly affects men. This could certainly be due to this lost identity, purpose, and friendships.

Everyone would love a retirement that avoids this "transition trauma" which occurs when moving so dramatically from the rat race to the side lines. Once retired, clearly the goal is to discover a *new* purpose and develop additional social relationships as these will provide for a more fulfilling, happier, and healthier retirement.

Don't simply retire from something. Instead, have something to retire to.

I used to listen to personal development guru Tony Robbins who would talk about the core elements of a fulfilling life. I believe these elements are also necessary for a fulfilling retirement life: growth and contribution. We feel a sense of growth and contribution when we are engaged in activities we are passionate about, challenge us, are meaningful to us, and give us the sense that we are helping others. What we really want in retirement is a meaningful purpose to jump out of bed in the morning and meet the day with excitement.

Growth can refer to learning, achieving, exercising, or engaging in creative hobbies such as writing, art, or music. Getting immersed in any of these activities can be fulfilling which is a hint to what should continue in retirement.

The second item we need in our life is **contribution**. Eleanor Roosevelt said (*in the Monterey County, Calif., Herald*): "When you cease to make a contribution, you begin to die."

In fact, we must contribute beyond ourselves in order to help us feel fulfilled. According to researchers at Stony Brook University, when we're generous, our brains release several chemicals that give us a sense of joy. So,

with a mission to serve others, then not only will we leave a legacy of giving, but we will be more fulfilled in life.

Can a focus on growth and contribution result in a new purpose and foster new social relationships? I certainly believe so. In fact, there are several activities and themes that successful and joyful retirees incorporate into their retirement life where a natural by-product is purpose, meaning, and building friendships. Certainly they choose the activities they feel gives their life meaning and purpose and even better, they now get to do them on their terms.

Growth Activities Include:

Learning - With additional time, you can finally ask, "What really interests me that I have not yet explored?" Retirement provides the time and opportunity to explore these interests. This may be self-learning or something more formal, such as taking courses or pursuing an additional degree. In Delaware, many clients take (and teach) courses at the University of Delaware's Osher Lifelong Learning Institute which has one of the country's largest lifelong learning programs. The University also has **Over Age 60 Tuition-Free Degree** programs. Clearly mastering a new subject or earning a college degree is growth.

Creative Outlets - I have a client who retired which afforded him the time to focus on landscape photography. This new endeavor blossomed into something much more than merely a hobby of snapping photos. Through online learning and attending numerous photography workshops, he gained an invaluable education and skill that allowed his passion and talent to grow. These workshops took him to places in both this country and exotic locations around the world. This led to exploration, adventure, meeting some interesting people, and making new friends along the way. It is a very creative and fulfilling outlet for him that even resulted in a small business as his art is now on display and being sold online on his own website.

A New Career - Retirement is not necessarily about stopping employment. It may be a time to find employment that does not include the same time commitment, tasks, or pressures of your prior career. It may be part-time work, or even an opportunity to explore something more entrepreneurial. For example, I have one client, a retired executive, who published a book and worked the speaking circuit (but only traveling to those locations both he and his wife desired). He was not a professional writer or speaker. Instead, in retirement he continued his growth by learning and applying these new skills on his terms.



Spiritual Refocus - Retirement may provide some the opportunity to revisit, re-affirm, or discover our spiritual or religious beliefs. Certainly we can grow closer to our higher power by spending more time in prayer, meditation, bible study, or simply being more involved with our church. Many of us know retirees who are quite involved with their church by volunteering to help others, work in the church, or participating more heavily than they could otherwise have while working.

Travel & Adventure - If there is one almost universal desire of pre-retirees, it is to travel more while they are still healthy. While working, many never had the vacation time to really travel, explore, or engage in adventures such as hiking Machu Picchu, or skydiving (which President H.W. Bush did every 5 years until his 90th birthday). Exploring and traveling certainly leads to growth as we learn about different cultures, meet new people, or learn the history of places visited. I have one client that travels with a particular group that focuses on learning about the Catholic histories of different locations around the world.

Fitness - Nearing retirement can also bring on awareness of our limitations and mortality. Some may even think, "It's all downhill from here...." It certainly does not have to be. In the book, *Younger Next Year*, the authors make a very compelling case for making your fitness your new "job" in retirement in an effort to live a vibrant and healthy life in the face of aging. Their suggestion—keep moving. My mother-in-law just told me, "Bill, at my age, you must constantly fight against inertia and just keep moving." Once the body stops moving, the cells figure that is must be time to start dying. Fight inertia and keep moving.

Contribution Related Activities Include:

Volunteering - Most retirees want to volunteer to help others. As with many of the other activities discussed, volunteering certainly provides us with a purpose and social interaction with others with a similar passion to help. *Volunteer Delaware* has a search feature that can help you find an opportunity that will both fulfill your interests and help others.

Philanthropy - Many studies have been done to capture the benefits of giving, and they generally show that giving makes you feel good. We all know this intuitively. Helping others makes *us* feel better whether with our time or our money. According to researchers at Stony Brook University, "Generosity and compassion...have consistently shown that improved mood, better physical health and increased longevity are connected to giving – whether it's monetary donations or volunteer hours invested on the weekend."

Can a focus on the previous activities of growth and contribution result in a new purpose, friendships, and even a new identity? What do you think?

Write the Resignation Letter

Perhaps you are financially ready to retire, but not sure if you are ready in other ways. One suggestion is to write a letter (just to yourself) as if you are resigning now, and as if you are not turning back. Explain why you are retiring and what you have appreciated and will miss. Also write about what you would miss if you did NOT retire today. The purpose is to help you move along in the process by making it feel real. It will help you uncover and process your feelings about retiring.

Practice Retirement

Another method of easing this transition is to "practice retirement" now, before retiring. If you see yourself doing some of the aforementioned activities in retirement, try to incorporate them now. Also plan out a typical retirement week on a calendar. Are you able to fill your days with meaningful activities of growth, contribution, and social engagement?

Ask for Help

If you can't fill a typical retirement week with meaningful and engaging activities, or if writing the resignation letter uncovered new feelings of dread, then it is time to get help. Hire a life coach. Speak with a therapist, or attend a "Design Your Life" type workshop. Work through your feelings, identify what you value, and plan your retirement life with excitement for what you will explore and accomplish next.

Are You Ready To Make the First Brushstroke?

Yes, retirement can be scary—especially when you are focused on what you are leaving behind, rather than on the new directions you can go. This is why you must have something to retire to. If you think you are being put out to pasture and that you are too old to try new things, or meet new people, that just may end up being true. You could run the risk of spending years staring at the blank canvas of retirement.

Instead, I hope you now have some tools to begin your retirement painting. These are the growth and contribution activities. The **result** is a fulfilling retirement of meaning, purpose, family, and friends. Make that first brushstroke on that canvas and create a colorful retirement painting that reflects who you are.



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We just completed the final quarter, not only of the year, but also the decade, so it's as good a time to reflect on the market not only for the past year, but also for the past 10 years. The short version is that we have just experienced a 10-year bull market. There was not a single stock market drop of 20% or more (i.e., a bear market), and only a few 10% corrections since June 2009. This is highly unusual given that historically bear markets occur about every 4-6 years. People who record the history of the markets will remember that the investors of the 2010's participated in the longest bull market in American history.

As you can see in the table below, every major asset class saw positive returns in 2019. The U.S. stock market (as measured by the total return of the Vanguard 500 Index) saw a total return (including reinvested dividends) of 31.3% for 2019. What is more, the U.S. stock market has had only two negative years (2008 & 2018) in the last 17 years!

Stocks dropped fast in December 2018, and many were certain that the negative returns would continue through 2019. Stock prices dropped again in August with reports of an *inverted yield curve*. This inversion was reported as a certain signal of an impending recession. The signal turned out to be false and the yield curve subsequently steepened. See our e-mail update of 08/30/2019 where I said, "Inverted yield curves are good to understand and recognize what they mean, but they should not be used as a sole indicator to manage portfolio allocations."

Naturally, nobody can predict when or how this bull market will end, how deep the coming recession or bear market will be, or, really, anything other than the fact that all past downturns were followed by upturns which eventually took the markets and the economy to new heights.

Summary of Asset Class Total Returns (as of 12/31/2019)

Asset Class*	Ticker	One Month	Three Months	12 Months	Annualized		
					3 Year	5 Year	10 Year
GLOBALLY DIVERSIFIED BALANCED PORTFOLIO**							
60% Equity / 40% Bond	DGSIX	2.1%	5.6%	18.2%	8.0%	6.2%	7.4%
STOCKS							
Larger-Cap	VFINX	3.0%	9.0%	31.3%	15.1%	11.6%	13.4%
Smaller-Cap	NAESX	2.2%	8.1%	27.2%	10.2%	8.8%	12.7%
International - Developed Mkts	VGTSX	4.3%	9.0%	21.4%	9.8%	5.8%	5.1%
International - Emerging Mkts	VWO	7.0%	11.3%	20.4%	10.6%	5.1%	3.5%
Real Estate	VGSLX	0.8%	0.6%	28.9%	8.4%	7.2%	12.0%
Inflation Hedges	*	6.3%	8.6%	14.9%	2.8%	1.4%	2.8%
BONDS							
U.S. Investment Grade Bonds	VBMFX	(0.2%)	0.0%	8.6%	3.9%	2.9%	3.6%
Global Bonds	VTABX	(0.4%)	(1.3%)	7.9%	4.4%	3.8%	-

* Each asset class is represented by a relevant Vanguard Index fund except for Inflation Hedges where the Morningstar Category average for "Natural Resources" is used. All data is provided by Morningstar and includes reinvested dividends.

* All returns are net of (i.e., after) fund fees, and include reinvested dividends.

* Past performance is not indicative of future results.

** This portfolio is represented by the DFA Global Allocation Fund (60% Equity / 40% Bond) - DGSIX