November 2021

Retirement Planning Insights

In This Issue

Up Front

Two-year anniversary and the RRC Rodeo

This month marks the two-year anniversary of my retirement planning & investment management business, **Tenon Financial.**

On November 1st 2019, I left a stable 19-year career in corporate and investment banking to start up Tenon Financial…from scratch!

My goal has always been to keep the business small and manageable. I don't want to build a behemoth of a company that I grow purely for the sake of growing. My intention is to have only about 50 clients with whom I work closely and have a great relationship.

I didn't know what to expect when I started the business. I knew my services and fees are unique and would be well-received, but I didn't know how exactly clients and I would find each other. I figured it would take about five years to get to my goal of 50 relationships.

I'm ecstatic to say the growth has been much better than I originally anticipated. At just two years into the business, I already have more than 30 clients. More importantly, they are all GREAT clients. Thank you all!

In other news, I spent the weekend of October 22-24 in Fort Worth, TX as a presenter and participant in the **Rock Retirement Club's** 2nd annual "Rodeo Roundup."

It was an AMAZING time! Over 100 members from the Rock Retirement Club met, hung out, shared ideas, built community and learned all kinds of great financial and non-financial retirement planning tips and info.

If you haven't already, definitely check out the **Rock Retirement Club** to see all it has to offer. Maybe I'll see you in Fort Worth next year for the 3rd annual Rodeo Roundup!

-Andy

Contact Us

www.tenonfinancial.com

andy@tenonfinancial.com

T: 732-902-0066

Tenon Financial LLC
406 Main Street, Suite 23
Metuchen, NJ 08840

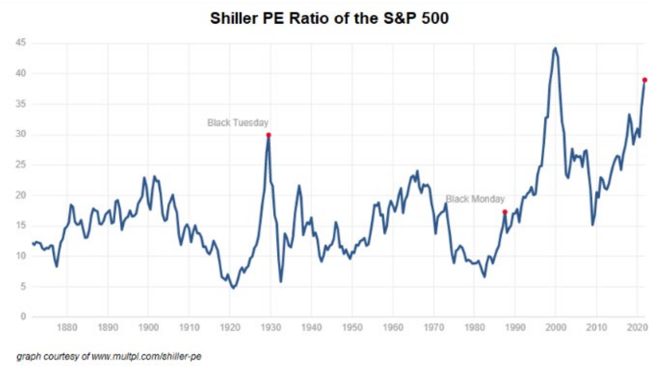
Retirement Planning News

Why investment diversity is important, especially in or near retirement

The S&P 500 is one of the most widely referenced measures of the broader U.S. stock market. As you can see in the table below, the S&P 500 has consistently produced really strong returns over the last 10 years (through October 26, 2021 year-to-date).

S&P 500 Total Returns

Year	Total Return
2021	23.20
2020	18.40
2019	31.49
2018	-4.38
2017	21.83
2016	11.96
2015	1.38
2014	13.69
2013	32.39
2012	16.00



However, just because the S&P 500 has done so well in the last 10 years doesn't mean it will continue to do so going forward. Objectively speaking, the U.S. stock market is currently very expensive by historical standards.

The chart above shows the Shiller PE Ratio over the last 100+ years. The Ratio measures the price of the S&P 500 relative to its inflation-adjusted average earnings over the last 10 years. In other words, it measures the price of the S&P 500 relative to the 10-year average profitability of its 500 constituent companies.

As you can see, in using history and the Shiller PE Ratio as a guide, the S&P 500 is quite expensive right now. Does that mean the returns of the S&P 500 will continue to be strong? Will they stall out and be flat for the next few years? Are we on the verge of a big correction? Nobody knows.

What does all of this have to do with diversification??? Just because U.S. stocks have done REALLY well over the last 10 years doesn't mean they will continue doing the same going forward. But it also doesn't mean they necessarily have to crash. Diversity means having your portfolio positioned for the expectation that maybe they'll go up OR maybe they'll go down.

Over the last 10 years, it's been increasingly difficult to make the case for having a diversified portfolio when the returns of the S&P 500 have consistently beat the returns of most other areas of the stock market. And S&P 500 returns have smashed those of bonds and cash.

However, if/when the S&P 500 party finally comes to an end, you'll be glad you don't have all of your money at that party. THAT'S diversification.

Diversification is especially important for those in or near retirement. Not only do retirees potentially not have enough time to allow their portfolios to fully recover after a big downturn, but they're also likely to be taking distributions from their accounts to meet living expenses, thereby decreasing their portfolios even further.

It may look enticing to pile more money into historically strong performing investments like those that track the S&P 500, but keep in mind "past performance is no guarantee of future results."

Having exposure to the U.S. stock market is prudent, but don't overdo it!

Practical Retirement Planning

Four podcast episodes about tax management in retirement planning

During the month of October, I was a special guest on each weekly episode of Roger Whitney's podcast, **The Retirement Answer Man.** The topic for the month was "Retirement Tax Management."

Roger and I broke down the four episodes into the following topics:

1. **Why It's Important** – Lays the groundwork for understanding how and why tax planning and management is an important part of your overall retirement and financial planning.
2. **Hidden Tax Bombs** – Details a few of the often overlooked and lesser-known taxes many retirees may face. Includes an overview of Medicare premium surcharges (aka "IRMAA"), how Social Security is taxed, the widow/widower tax penalty and premium tax credits for Affordable Care Act health insurance.
3. **The Tax Toolbox** – Explains some opportunities to try to reduce your long-term tax obligations. Discusses things such as filling up your lower tax brackets, tax-loss and tax-gain harvesting, Roth conversions and Qualified Charitable Distributions ("QCDs").
4. **How to Incorporate Into Your Retirement Plan** – Gives some recommendations for how to actually implement tax management within your retirement planning, whether you work with an advisor or are a DIY'er.

You can find links below to each of the four episodes: