

# HERITAGE PERSPECTIVE



**HIG** HERITAGE  
INVESTMENT GROUP

A QUARTERLY PUBLICATION OF HERITAGE INVESTMENT GROUP INC.

SPRING 2017

## Heritage Update

### RETIREMENT PLANNING

Retirement planning is one of the most important things you can do to help ensure a comfortable future. Heritage employs highly-qualified wealth managers, utilizes sophisticated financial planning programs, and most importantly, brings a level of common sense and personal commitment to the planning process.

### SPRING CLEANING

Spring demonstrates the tenacity of life and is also a metaphor for renewal and transitions. Whether your financial plan is solid or requires some changes, spring is a perfect time to schedule a review with your financial advisor to make certain your plan is meeting all of your present and future needs.

### PROFESSIONAL PARTICIPATION

Nick Mattingly in our Tampa office is working with the University of South Florida to create a Personal Financial Planning curriculum. The program will launch later this year. Craig Chuang continues to be an active member of the Estate Planning council of Broward County and participates in their local industry events.

### EMPLOYEE PROFILE



Hardy Taylor, CIMA, MBA, CIMC

Hardy has been with the firm since its early days almost 23 years ago. As Chief Compliance Officer, Hardy's role is critical to the firm's longevity and success. In addition to his warm personality and terrific sense of humor, Hardy has a deep commitment to the firm, our employees, and most significantly, to our clients. Hardy and his family keep busy boating, fishing, and enjoying the Florida outdoors.

### ABOUT HERITAGE

Developing a worry-free retirement plan and attaining long-term financial security requires careful planning and a disciplined investment process. At Heritage, we utilize sophisticated planning tools that allow us to fully understand your personal situation. We work with you to carefully craft a detailed retirement plan and build the optimal, customized solution best suited to all of your long-term goals.

## Inside this Issue

Heritage Update.....	1
Retirement: Goodbye Tension, Hello Pension.....	2
The Power of Markets.....	3
Contact Information.....	4

*“A goal without a  
plan is just a wish.”*

– ANTOINE DE SAINT-EXUPERY



## Retirement: Goodbye Tension, Hello Pension

*“I hope I die before I get old.”*

— PETE TOWNSHEND OF *THE WHO*

To a teenager, old age and retirement seem unimaginable. The sense of youthful invincibility is intoxicating and “long-term planning” means counting the days until summer vacation. Inevitably, though, the spontaneity of youth gives way to a more mature view of life. As we get older, most of us will reconsider Pete Townshend’s attitude towards old age and begin to realize that we may need a better long-term plan.

If you are in your 40’s, you are cruising along and perhaps starting to think about what the road to retirement might look like. In your 50’s, you begin to recognize that the road is becoming shorter, and by the time you hit 60, the prospect of retirement is quickly becoming a large object in your windshield. We all recognize that retirement is getting closer every day, but most Americans still lack a coherent plan.

This failure in planning is certainly not due to a growing feeling of confidence about how retirement will play-out: In the early 1990s, nearly 75% of American workers said they were confident that they would be comfortable in retirement. In 2012, the figure fell to just over 50%. Stagnant wage growth, low returns on stocks and bonds, and a dramatic shift away from guaranteed pensions and towards 401(k)s and other self-directed retirement vehicles has left many Americans wondering when, or even if, they can retire.

### **A goal without a plan is just a wish**

An important first step is to think about what you want. When would you like to retire, what kind of retirement lifestyle do you reasonably envision, and what sacrifices are you willing to make in order to get there? You should consider both monetary and non-monetary goals: You may have a certain level of spending in

mind, but you should also consider how much time you would like to spend on your hobbies or on volunteer work, and whether you are willing to make certain tradeoffs. Some people are willing to reduce their retirement expenses in order to retire earlier; others would prefer to forego additional years of leisure in exchange for a greater level of spending during those years.

Once you have determined what your goals are, you need to establish a plan that will allow you to achieve them. Without a plan, your goal is not a goal; it’s a wish. Wishes are nice, and while they do sometimes come true, we do not recommend wagering your retirement lifestyle on them. You will be better-served by a well-defined retirement plan which provides you with a specific road map and a detailed understanding of how you will get there.

Your plan needs to address a variety of questions: When can you retire? How much can you spend when you get there? How will current savings and future Social Security impact the plan? How will any retirement plans (defined benefit, 401(k), IRA’s etc.) factor into the equation? What about taxes, insurance, and health care costs? What sort of legacy do you want to leave to your heirs? The answers to these questions are complex and highly individualized, and the process can often seem overwhelming.

So, whether you take it on yourself or decide to work with a qualified financial professional, designing a plan is critical to your future security and peace of mind.

*“It is imperative that you have a high level of confidence in your advisor and the plan that has been created for you.”*

### **Taking a leap of faith**

Your retirement plan is not only about being financially prepared; you must also be psychologically prepared to make the conversion. After you leave the office on your last day, you will be facing a very different life; even if your retirement plan looks solid, the transition from earning a paycheck to living off your retirement savings can be a significant source of stress. Soon after you retire, you will begin to feel differently about money and you may even begin to have second thoughts about some aspects of your plan.

In addition to providing positive cash flow, your work is a significant part of your identity and your daily environment. Changing that identity and environment after many years can often be a disorienting, emotional and somewhat stressful experience. For some, this change in routine and financial dynamics has the potential to make a transition into retirement feel more like a terrifying jump off a cliff rather than a jubilant leap into a relaxing future.



**Taking the leap with confidence**

A trusted financial planner can make all the difference. You see the retirement transition as an exciting but frightening new adventure, but an experienced retirement planner has walked many folks just like you through this same adventure, and will be prepared to keep you on track.

It is imperative that you have a high level of confidence in your advisor and the plan that has been created for you. Your emotions may try to get the better of you as you begin your life of leisure, but having trust in your plan and in the counsel of your advisor will allow you to adapt and overcome. A talented advisor will turn your retirement wishes into well-defined goals, design a plan to allow you to get there, and keep you on track along the way. And it's never too early to start.

Pete Townshend wrote those famous lyrics at the age of 20. He is currently 71, and apparently his retirement plan was to be a rock star and live a lavish lifestyle on the royalties. That turned out to be a solid plan for Pete, but the rest of us will need to be a bit more practical. If you have never had a detailed conversation about retirement with your advisor, you should address it now. If you do not have an advisor or are not confident in the one you have, it's time to actively search for a qualified partner to help you through the process. You'll probably never be a rock star, so start thinking, start planning, start working with a qualified advisor, and most important, start now.

*The original version of this article was written by Heritage for the September 2016 edition of The Light, a local magazine serving Broward County, Florida.*

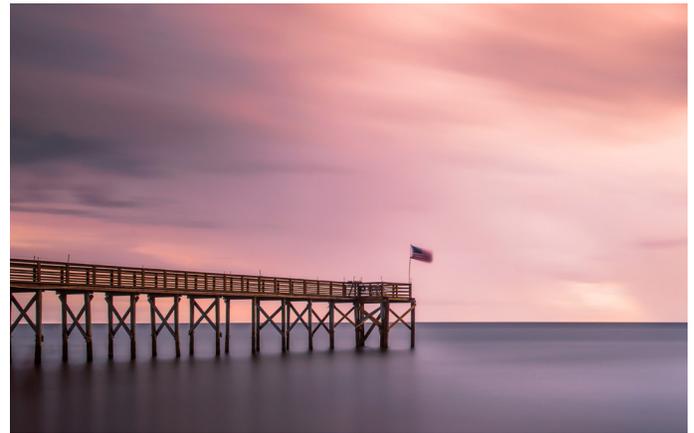


**The Power of Markets**

In 1958, economist Leonard Read published an essay entitled "I, Pencil: My Family Tree as Told to Leonard E. Read." The essay, narrated from the point of view of a pencil, describes the "complex combination of miracles" necessary to create and bring to market the commonplace writing tool that has been used for generations. The narrator argues that no single individual possesses enough ability or know-how to create a pencil on their own. Rather, the mundane pencil – and the ability to purchase it for a "trifling" sum – is the result of an extraordinary process driven by the knowledge of market participants and the power of market prices.

**The importance of price**

Upon observing a pencil, it is tempting to think a single individual could easily make one. After all, it is made up of common items such as wood, paint, graphite, metal, and a rubber eraser. By



delving deeper into how these seemingly ordinary components are produced, however, we begin to understand the extraordinary backstory of their synthesis.

Take the wood as an example: To produce wood requires a saw, to make the saw requires steel, to make steel requires iron. That iron must be mined, smelted, and shaped. A truck, train, or boat is needed to transport the wood from the forest to a factory where numerous machines convert it into lumber. The lumber is then transported to another factory where more machines assemble the pencil. Each of the components mentioned above and each step in the process have similarly complex backstories. All require materials that are sourced from far-flung locations, and countless processes are involved in refining them.

While the multitude of inputs and processes necessary to create a pencil is impressive, even more impressive are the coordinated actions required by millions of people around the world to bring everything together. There is the direct involvement of farmers, loggers, miners, factory workers, and the providers of capital. There is also the indirect involvement of millions of others – the makers of rails, railroad cars, ships, and so on. Market prices are the unifying force that enables these millions of people to coordinate their actions efficiently.

Workers with specific knowledge about their costs, constraints, and efforts use market prices to leverage the knowledge of others to decide how to direct their own resources and make a living. Consider the farmer, the logger, and the price of a tree. The farmer will have a deep understanding of the costs, constraints, and efforts required to grow trees. To increase profit, the farmer will seek out the highest price when selling trees to a logger. After purchasing the trees, the logger will convert them to wood and sell that wood to a factory. The logger understands the costs,

*Continued on back page*



*Continued from previous page*

constraints, and efforts required to do this, so to increase profit, the logger seeks to pay the lowest price possible when buying trees from the farmer. When the farmer and the logger agree to transact, the agreed upon price reflects their combined knowledge of the costs and constraints of both growing and harvesting trees. That knowledge allows them to decide how to efficiently allocate their resources in seeking a profit. Ultimately, it is price that enables this coordination.

### **The power of financial markets**

There is a corollary that can be drawn between this narrative about the market for goods and the financial markets. Generally, markets do a remarkable job of allocating resources, and financial markets allocate a specific resource: financial capital. Financial markets are also made up of millions of participants, and these participants voluntarily agree to buy and sell securities all over the world based upon their own needs and desires. Each day, millions of trades take place, and the vast collective knowledge of all of these participants is pooled together to set security prices.

*“An investor has access to the rewards that financial markets make available to providers of capital.”*

Any individual trying to outguess the market is competing against the extraordinary collective wisdom of all of these buyers and sellers. Viewed through the lens of Read’s allegory, attempting to outguess the market is like trying to create a pencil from scratch rather than going to the store and reaping the fruits of others’ willingly-supplied labor. In the end, trying to outguess the market is incredibly difficult and expensive, and over the long run, the result will almost assuredly be inferior when compared to a market-based approach. Professor Kenneth French has been quoted as saying, “The market is smarter than we are and no matter how smart we get, the market will always be smarter than we are.”

### **Conclusion**

The beauty of Leonard Read’s story is that it provides a glimpse of the incredibly complex tapestry of markets and how prices are formed, what types of information they contain, and how they are used. The story makes it clear that no single individual possesses enough ability or know-how to create a pencil on their own but rather that the pencil’s miraculous production is the result of the collective input and effort of countless motivated human beings. In the end, the power of markets benefits all of us. For an investor, we believe the lesson here is that instead of fighting the market, one should pursue an investment strategy that efficiently and effectively harnesses the extraordinary collective power of market prices in its design and day-to-day management. In doing so, an investor has access to the rewards that financial markets make available to those willing to invest.

---

In accordance with rule 204-3(c) of the Investment Advisors Act of 1940, Heritage Investment Group, Inc., hereby offers to deliver without charge, a copy of its brochure (ADV Part 2) upon request. In addition, upon request, Heritage will deliver, without charge, a copy of its corporate Code of Ethics.

POMPANO / MAIN OFFICE  
2480 N.E. 23rd Street  
Pompano Beach, FL 33062  
(954) 785-5400  
Fax (954) 933-0966

TAMPA OFFICE  
115 South Fielding Avenue  
Tampa, FL 33606  
(813) 258-1759



*Heritage Investment Group would like to thank all of our clients for their continued support. We are here to help you plan for your future. If you have any family members or friends who might benefit from our help, we would welcome the opportunity to speak with them. Please contact us at 954-785-5400.*

**H | I | G** HERITAGE  
INVESTMENT GROUP

heritageinvestment.com