



# BEWARE THE BLACK SWAN

*By Evelyn Preston, The Money Lady*

We humans want life to be predictable and safe to clearly see the road ahead with no blind curves or barriers. Think emergency funds and retirement accounts, health and house insurance; even daily exercise counts as a safety net. Like a metaphoric trip through life—itinerary, reservations and tickets—we plan ahead to avoid uncomfortable surprises.

Therefore, when the unexpected strikes—personal, political, financial—or when the unimaginable explodes (9-11), the 2008 Mortgage Meltdown), we grab at excuses or clichés: “The market was overdue for a correction” or “it’s out of our hands.” Even positive events (Google’s meteoric rise, soaring home prices), make us scratch our heads at such unpredictable deviations from the norm.

Called Black Swans for their rarity (until 1697 all known swans were white,) these strange phenomena refer to the existence of high-impact, hard-to-imagine occurrences that are beyond realistic expectation—extraordinary events that can especially upend our financial lives.

Until recently, we’d followed the tried and true and believed in the conventional wisdom of decades to prepare for the future:

- ‘70s—tax free compounding; rise of IRAs and retirement vehicles.
- ‘80s—accumulation of wealth—more market based investments, variable annuity options.

Then came “The Millennium” with greater disruption in civic and business life. The shift to personal responsibility—and management—of our own retirement accounts has increased risk during the past 20 years.

Then just as we begin to age—longing for continuity and stability—Black Swans swim onto the scene more often and with greater intensity, almost becoming common. Uncertainty adds to Risk, the Great Issue of Our Time. Now we need Deliberate Immunization to avoid damage from rare events—to prepare for the unknown.

## **Key Questions for Investors**

- What do recent events (Government’s ideological divide, trade wars, unstable Mideast) portend for the long term investment environment?
- Is your current retirement plan realistic, flexible and on course?
- What kind of risk-exposure threatens “retirement buckets” (cash, insured programs, income producing investments)?
- How will you best face potential Black Swans?

## **Possible Roadblocks**

Moving toward and into retirement, transitions may speed up; job loss, illness, a spouse’s death, downsizing, family needs, help for children/grandchildren.

Current uncertainties may obscure the future due to: inflation, life expectancy, healthcare costs, government changes and intervention, fixed costs increases, market fluctuations.

### Expectations and Exposure

- Do you know where your money is; do you know how it's doing?
- Have you balanced increased risks against your money personality?
- Are you relying on Government reform? (Check new Secure Act for inherited IRAs, follow Estate Tax legislation.)
- Will you take your chances, hope for the best, seek advice from a pro?

### New Strategies Help Prepare for the Future

- Rethink Buy-and-Hold strategies vs. a Black Swan upset on long-term plans. Asset allocation, rebalancing, diversification is only part of the new equation.

Add ability to shift resources among retirement "baskets" for maximum growth, i.e.: (Mutual fund required distribution moves to a guaranteed annuity allowing yearly 10% withdrawals to use for retirement income—maximizes growth; lowers risk.) Measure real returns yearly/quarterly—keep track and remain nimble.

### Risk Management—To Have Enough Money and Not Outlive Assets

"It's not how much you have but how much you keep." ROI = "return of" is as important as the "return on" investments.

Unlike accumulation strategies, withdrawal is the 3rd stage of financial planning! Living well in retirement comes via living benefits: growth, fixed yields, extra savings. Continue to learn and access necessary information; enlist experts: estate attorney, financial planner, insurance and tax professionals.

### To Combat Inevitable Black Swans...Title Your Own Reality Show!

Are you a Survivor? Do your investments need an Extreme Makeover? Are you in The Great Race? Will you be The Biggest Loser? Can you be the Winner Takes All!



Evelyn (Evie) Preston is a financial columnist for A050 and has worked as a financial advisor for over 25 years. She can be reached at 650.494.7443. Her book: *Memoirs of the Money Lady* is available at [www.evipreston.com](http://www.evipreston.com).

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