JEHM has a Plan for Your Retirement L.I.F.E

Purpose-driven investing requires shifting to a new mindset.

It's been said that life is what happens while you're busy making other plans. Despite the uncertainties, however, it's wise to explore financial strategies for life after retirement.

Eric and Jennifer Lahaie, founders of JEHM Wealth & Retirement, have developed a method that helps clients assess their goals and diversify assets accordingly. "When you're working and putting money into investment accounts, its only purpose is to grow. After retirement, your money has more responsibility," Jennifer says. Eric goes on to explain, "It has to not only replace your paycheck, but also cover inflation, medical costs, potential long-term-care costs, and more. That is why, in retirement, you should shift from investing just for growth to investing for the purpose of the money—Purpose Driven Investing." To help their clients better understand this concept, they created an allocation model that provides a clear vision of how people should be investing based on what their money needs to do for them.

That model is called L.I.F.E., an acronym that stands for the four purposes of money in retirement: Liquidity, Income, Future, and Estate.

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L.I.F.E

Liquidity

Assets in this category should cover at least six to twelve months of expenses. According to Eric, "This is your emergency fund, money that is not at risk and can be accessed quickly without penalties or fees."

Income

The Lahaies begin this portion of the discussion by asking clients to consider other sources of post-retirement, steady income such as pensions and Social Security. "You have to ask yourself whether it's enough to cover your lifestyle expenses or if there's a gap," notes Eric.

Regardless, these assets should be invested with three words in mind: safe, secure, and sustainable. "The idea is to make sure your income is there as long as you are, and that means minimal volatility," Jennifer says.

Future

With liquid assets and stable income in place, "smart risk" is acceptable for funds that won't be needed for at least three-five years. "If you know where your income is coming from, it's easier not to panic when long-term investments drop in value," Jennifer says, noting that many who sold assets during the 2008 recession never returned to the market. "You have to have time on your side to confidently allow for growth so you're not locking in your losses," Eric adds. "This is a paradigm mind shift when the focus over the last thirty to forty years has been only growth."

Estate

Although many people desire to leave legacies by giving to a church, a university, or their children, most retirees, according to the Lahaies, first and foremost want to maintain their lifestyle and not become a burden to their loved ones. "Regardless of your legacy goals, your estate should be properly set up for assets to pass to the beneficiaries you want, in the way you want, and when you want—in the most tax-efficient manner possible," says Jennifer.

Within the four categories of L.I.F.E., the specific investment strategies will vary, but the core purposes should be consistent for all. During the most recent economic downturn, the Lahaies report their phones have been relatively quiet, meaning clients are confident in being able to live their Retirement L.I.F.E., knowing they'll have the income they need without interruption.