034 Retirement Planning with Jason Parker & Erik Ramsey

Announcer: Welcome back, America, to Sound Retirement Radio, where we bring you concepts, ideas and strategies, designed to help you achieve clarity, confidence and freedom as you prepare for and transition through retirement.

Now, here is your host, Jason Parker.

Jason Parker: Seattle, Tacoma, Olympia, Gig Harbor, all of the good people right here in Kitsap County and for those of you tuned in from around the country, thank you so much for listening and making Sound Retirement Radio your destination for expert retirement advice.

I'm so excited, we're on January 2015, so many possibilities on the horizon and I'm really excited about some of the work that we're going to be doing here in 2015 and I want to tell you about that, but before I do, if you haven't notice, my voice is a little raspy and I love it when my voice gets a little raspy because when my voice gets like this, I start singing Johnny Cash songs especially sitting in the studio with these good microphones and the headsets on. I won’t torture you guys with my singing.

We do have a bad joke for you this morning and I know how much you enjoy this but before I get into the joke, I want to tell you what to expect for 2015. We developed our purpose statement here at my firm a couple of years ago, and in that purpose statement, one of the things we’re looking to become is faithful stewards. We like to think of ourselves as faithful stewards, and we want to further to find what it means to be a faithful steward.

This year, I have a new person we’ve brought on to the firm. His name is Erik Ramsey. Erik is with me in the studio this morning. Erik, welcome.

Erik Ramsey: Hi. How’s it going?

Jason Parker: Welcome to Sound Retirement Radio.

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Erik Ramsey: It’s good to be here.

Jason Parker: I have to say, Erik’s background is in ministry. He has his Master’s in New Testament Theology. Having his insight and wisdom to be able to bring to the program every Saturday morning, every Sunday afternoon to share with our listeners and start the show off that way is something I’m really excited about. That being said, Erik, I know that you have a joke that your brother told you recently. Why don’t you share that with our listeners?

Erik Ramsey: All right. Here we go. How many boys with ADHD does it take to change a light bulb?

Jason Parker: How many?

Erik Ramsey: Do you want to go ride bikes?

Jason Parker: See, I’m not the only one with bad jokes.

Erik Ramsey: They’re terrible.

Jason Parker: Erik, we’re in 2015, a lot of possibilities, a lot of opportunities, hurdles to overcome but I was hoping we could start this morning with a message. What have you prepared for us this morning? What direction are we going to go?

Erik Ramsey: As we’re talking earlier, we’re trying to figure out, how do we actually become faithful stewards with our money? To do that, I was thinking that it might be best to start laying out some ideas. What does it mean to be Christian and dealing with money? Our goal this year is to take some time to try to go beyond just talking about money in general and to those in thoughts on how Christians in particular ought to manage their money.

Of course, this is somewhat tenuous issue because there’s always a large spectrum of people who call themselves Christians but they believe very many different things. I say this not to be judgmental. I just want to recognize the breath of Christian beliefs and traditions. I always get nervous when somebody says Christians believe because they're probably about to just overgeneralize. It just always happens.

Christianity is a very broad spectrum. Nevertheless, the believe there are a number of fundamental ideas that are common to almost all denominations and these ideas can guide us to live better and more fulfilled lives. As you and I were talking about where we wanted this topic to go, it became very clear that to develop practical ideas of how we should view taxes or share our money, a strong foundation needed to be built at a philosophical and theological level. Only ones who understand the reasons why we exist, and why God wants us to do anything and we really start figuring out what he wants us to do on a more day-to-day levels.

Now, however, before we go to all the trouble of considering what a Christian perspective on finance might be, we should probably talk about why we need a Christian perspective in the first place. I think the primary reason for Christian perspective could be called just simple obedience to reality.

An important fact about the financial world is that facts are important. No matter how much people try to avoid it, reality will always reassert itself upon the economy. We see this on very small scales every day. For example, if you pull up to our bank balance, if we look at the ATM, we're going to see a very distinct number for our bank balance, and that's just a firm number. Of course, we can do all sorts of things like we can yell and make pouty faces at the ATM and people might laugh at us, but it's not going to change that number. That number is pretty fixed.

Jason Parker: That's reality.

Erik Ramsey: It is reality. We better get used to it. Of course, there are some ways to bend reality a little bit like using credit. We can buy all kinds of things we can to afford on credit which feels fantastic for a little while. However, reality will inevitably reassert itself on us and we find ourselves handing over huge portions of our paychecks to credit companies, and that's no fun. In short, reality wins. It always wins.

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Similarly, we can be assured that reality will work itself out on the large scale. For a while, it was assumed that homes would keep appreciating and valued between 4% and 10% a year without end. It seems that we even say that out loud. We can see that that is just a stupid idea but on the whole, America bought it. The idea was completely at odds with reality and a few years later, reality came in and won.

Now, that point, those who had believed this all said, with the best of intentions, they still lost. Sadly, even those who believe the idea because they were well-meaning individuals and they were told this by well-meaning people at banks or whatever, they also lost out. Reality always wins.

Let’s say this, reality can be a very good thing to build up on but it’s a very hard thing to balance off of, but now I must come to one of the most important philosophical issues of all time that we’re going to approach it from a financial perspective that that question is, is there a God? This is essentially the most important question of them all because if there actually is a God, then there’s an entire level of reality below and above what is generally called the physical universe.

Alternately, if there is no God, then our finite world is all that there is and there is no infinite questions worth asking or answering. There’d be no point in trying to manage our money for eternal purposes because both the terms eternity and purpose are meaningless. Of course, the question of God is the question we really want to get right because it deals with one of the most fundamental aspects of reality. As you said before, reality is a great thing to build on but a hard thing to balance off of.

As you can probably guess, we’re going to proceed with the assumption that there is a God and that we can affect meaningful change in this life and the next. What we do actually matters. Of course, this brings us to the next point which is that what we do with our money is probably one of the most revealing details of our faith. A quick look at our spending clearly reveals what we actually value, be it dining out, or investing, or whatever, you can see it in the checkbook.

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If none of our financial decisions are directed towards eternal values, then we can't really claim we believe deeply in them. This is much like someone casually saying that, "Yeah, I think my broker is probably embezzling all my money and yeah, I think he's actually getting in a cab right now for the airport, and man, I probably should do something about that someday." Nobody would say that. This is important. This is something we need to get on right away. If somebody is embezzling your money or stealing from you, you act now.

In the same way, if we accept that God is real, then His reality needs to be deeply imprinted on our finances. If God is real, then He is more important of a reality than the NASDAQ or the CPI which really are just going to change and pass away in time.

Finally, I believe we can actually find a powerful hint to that eternal question of whether or not there is a God. If we assume that reality will, in time, always assert itself on the financial world, then we ought to be able to tell if finances directed towards eternal ideals tend to, in time, pay off. I would submit that we could study this important question, is there a God, by looking at older people around us that have spent their lives towards greater purposes and see how it's turned out.

In my experience as I've watched my parents as I've lived around very godly people, my experience has match that of J. Cliff Christopher. He is an author regarding church finances, and he's basically said that he has never met an unhappy [tiger 00:09:19]. When we, again, say this, before we go any further trying to develop a Christian perspective on finances, when we say that reality is a very great thing to build on but it's very hard to balance off of, reality will win. Therefore, we need to figure out if there is a God and how to financially deal with that fact.

Obviously, I personally believe there is one, and I don't want to balance off an eternal issue. When I come to dire, even in my life, I want to work towards it, I want to build on reality.

Jason Parker: It's going to be a great way to start 2015, move into 2015. Erik, thank you so much for preparing that side.

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Erik Ramsey: You’re welcome.

Jason Parker: That is awesome. As we transition here, let’s talk about goals because that’s something that everybody likes to do in a New Year. They’ve got it at the forefront of their mind and for many of the people out there that we serve right now, they’re thinking about retirement as a goal either 2015, maybe 2016, maybe some time in the next five years, Erik. Let’s have a conversation about that this morning.

Erik Ramsey: Absolutely. Retirement is probably one of the greatest goals. In my mind, we can spend our lives trying to save money so that we can do something, and then, at retirement, we finally have the time to go out and do what we want. That’s a pretty powerful goal.

Are there any big mistakes from last year that you saw people making in the retirement world that you really picked up on and learned from, from 2014?

Jason Parker: Yeah, I love that question about mistakes because I think it’s one that we get a lot and it’s one where people have a lot of apprehension. In fact, I heard that the biggest fear people have is they’re preparing for retirement. It’s not choosing the wrong stock, the wrong mutual fund, the wrong investment tool. It’s not worrying about annuities or life insurance, or long term care insurance.

The biggest fear that people have as they prepare for any transition through retirement is the fear of making an irreversible financial mistake. That’s the number one fear that they have. I believe that the work that we do delivers clarity, confidence, and ultimately freedom to people’s financial lives.

Erik Ramsey: Absolutely.

Jason Parker: That being said, Erik, I know we’re at that point where we need to take our first break. When we get back, we’ll talk more about what it means to avoid mistakes as you transition and prepare for retirement.

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Seattle, Tacoma, Olympia, Gig Harbor, all the good people here in Kitsap County and for our loyal listeners tuning in from podcast, and iTunes, and however you access information, maybe it's right from streaming on the website soundretirementradio.com. Thank you for being here. My name is Jason Parker. I have Erik Ramsey in the studio.

Erik Ramsey: Hello.

Jason Parker: It is 2015.

Erik Ramsey: Yay.

Jason Parker: We're talking about goals. We're talking about retirement because many of you want that to be your reality coming up, whether it's 2015, maybe it's 2016. Erik, we're just talking about mistakes. I learned a lot every year and I want to always be learning. I always want to be getting better. One thing I learned, Erik, and I'm reminded of, 2015 was a weird year in terms of money and in terms of the stock market. The market has been running really hot for a really long time, and here is something that I learned that I think is really critically important.

In a good year, when we're making money in the stock market, if we make 10%, 15%, 20%, it doesn't really change anybody's attitude or perspective, or life. They're satisfied but sometimes if, let's say, we help our clients achieve a 10% return but the market does 15, they're a little disgruntled. They'll say, "Hey, the market is at 15%. Why we only have ten?" That's a challenge.

Then, the other side of that though is in a bad year when we are performance isn't what it should be and the market is down. That does impact people's lives significantly. In a bad year where the market is not performing, where the investments aren't performing, and all of a sudden, they're seeing their money slipping through their fingers – I'll tell you – that seem to have a much more significant impact on people's psyche, on the downside than the upside results do.

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One of the things I'm reminded of that's so important is when you have a plan, you make your plans hopefully in good times and in not crisis management mode. The whole idea is you want to have a good plan that leads you through that you stay committed to in good times and in bad, of course, you got to make adjustments as you go, and so you want to be willing and nimble to make those adjustments.

One of the biggest mistakes so many people make is just not having a plan in the first place. They're just bouncing from one idea to the next without ever really sitting down and putting together a plan for how we're going to deal with both opportunities and obstacles in the future.

Erik Ramsey: You're saying that when times are bad, our ability to gauge between what is a wise adjustment and what is just panic is very difficult.

Jason Parker: What a plan does for you is it helps you navigate those waters. You have a map before you start your trip across the country, you know exactly where you're going to go and how you're going to get there. There's probably going to be times when you have to take a detour and that's okay as long as you still know where the destination is, but so many people don't. They start this thing. They don't even have a map.

You would be amazed that the number of people that come in to my office after they've retired and that's okay. I don't want to discourage people or make them feel bad for that because there is still time but what I want to avoid and we have to face the reality, the market does not go up forever without a correction and we've been running too hot for too long, all of the fundamentals of this market say that this is not sustainable. What we're doing right now, it can't continue this way.

If you wait until you're in crisis management mode to make a decision, and you're basing it on fear and adrenalin, you're not going to make good decisions. The best time to make decisions is when you have a clear head, you can think clearly, you're not in crisis management mode, and that's what we want to encourage people to do in the New Year, is really develop a plan and make sure that in good times and bad times, you stick with the plan and you understand how it works, and why it works with us.

Erik Ramsey: If you're saying that the market is just running too hot, and now we're due for a big correction. In fact, we're seeing that now. Are you still hopeful for this coming year? Surely, a correction, a downside correction can't be fun. Can you still have hope now?

Jason Parker: The market has always been a volatile place. It's going to continue to be a volatile place. It's what makes it awesome. Without risk, there is no reward. If we just put our money in the market and just went up all the time without any downside that is not a risk-reward scenario. That's not the way that reality works, coming back to your topic this morning of reality. That, unfortunately, is just not reality. Unfortunately, that's what some people's expectations are. They just expect the market to always go up under all conditions.

Yes, I'm very hopeful but here's the key. The market is going to be volatile. We can look at things like Robert Shiller becomes very well-known especially recently. He's all over the news. Recent Nobel Prize winning economist, and he talks about cyclically adjusted price-to-earnings ratio.

This is a fundamental way of being able to look at the value of the stock and say, is it fairly priced based on historical standards? We know that the cyclically adjusted price-to-earnings ratio, this is a price of the stock, divided by earnings, adjusted for inflation for ten year segments. We have all of this data and we can look back 130 years, and say that average cyclically adjusted price-to-earnings ratio has been about 15, maybe 15.5.

We know that if the market as indicated by the S&P 500 is below that number, then we would say the market is a bargain. It's a good time to buy. If it's above that number, we would say it's a little bit expensive. Erik, where do you think the cyclically adjusted price-to-earnings ratio is right now?

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Erik Ramsey: First off, I would love to learn how to pronounce that because you sound so wise as you say it. I think it must be hot. It's just been running so hot for so long.

Jason Parker: It is high. Here's the deal. It's over 25 right now.

Erik Ramsey: That's wow.

Jason Parker: Historical standards in average would be about 15-and-a-half, and we're at 25. Now, here's the reality. In the last 130 years, there have only been three instances where the cyclically adjusted price-to-earnings ratio has been at a rate higher than it is right now. Do you know what those years were?

Erik Ramsey: The happiest years of American history, most likely. Everyone was just the …

Jason Parker: Yeah. They really actually probably were the happiest years. It was 1929.

Erik Ramsey: That's a good year.

Jason Parker: Right before the stock market crashed.

Erik Ramsey: That was a bad year.

Jason Parker: It was 2000.

Erik Ramsey: That was a great year.

Jason Parker: Right before the stock market crashed.

Erik Ramsey: Then it got bad.

Jason Parker: We had bubble burst. Then, it was 2007 right before the financial crisis. These were really wonderful happy times. Everybody was going. My friend described that the other day. He said, "Jason, I feel like I'm on a sailboat, and on my radar, I can see a hurricane in the distance but right now, it's sunny and beautiful, and everybody is out with their picnic basket up on the bow of the boat and they got their ice chest out, and they're enjoying a cold drink, and they're acting like there is no

problem, and I'm sitting here looking at the radar screen seeing a hurricane coming our way, and everybody else around me is just like in Long Island."

How often do we see that in people's financial? That's where a lot of people are right now today. The market has been doing really well. Everything is good. We're spending money, we're buying new cars, let's go buy our vacation house down in Maui, but the reality is there's going to be an adjustment. We don't know, we can't say when that's going to happen but what we do know is that the market doesn't go up forever. It's a seesaw. It's up and down, up and down.

Over a long enough period of time, I can have confidence that the market is going to do well and that is a key core component that I try to teach people in the book is that time is the cure to the vault holding the stock market. When you construct a plan, you need to make sure that you're doing that with time on your side and making sure that income planning, cash flow is your focus and your emphasis. It's your income that determines your lifestyle and retirement, not your net worth.

As we talk, I just love this raspy voice that I have. This poor basketball kids, I'm coaching my son's basketball team, and they're running up and down the court, they're nine years old, and I'm out there yelling, "Good job." Man, it is fun. Good time.

Erik Ramsey: It's awesome the age groups that you're now working with, the nine-year-olds and people into retirement. You get to bookend life and see it from all sides.

Jason Parker: Yeah, I never really thought about that. That is true. You know what? They're so awesome on both sides of the spectrum. I love the nine-year-old kids, the enthusiasm, and the energy, and the drive, and the desire, and that sparkle, and dream in their eye. Then, I love the retirees, the people that we meet, the wisdom that they bring.

Just yesterday, we were sitting in that meeting together, and this just is wonderful people that we get to meet. I always feel blessed when we get to meet people that share values and

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at the end of our meeting, these folks asked me if they can pray for me, and I have to tell you, how awesome is that?

Erik Ramsey: That was very moving to just say, wow, okay, people care and we have reason to hope in some things so huge.

Jason Parker: That is a reality that I can get excited about. That's a reality.

Erik Ramsey: Let's face it, some of these retirees, they have just as much sparkle in their eyes as some of these nine-year-olds.

Jason Parker: Very true.

Erik Ramsey: There is sass deep down inside, and you think, "This person is trouble." Let's go get in trouble together. It sounds fun, yeah. If we're looking at such volatility in the stock market and especially if you're going to enter retirement now, is there some way to hedge against that craziness? Because man, somebody could enter retirement now, dump it all in the stock market, and then they would have to wait maybe ten years before it comes back because we don't know, no one knows what the stock market is going to do. Is there not some way to get some defense against the craziness?

Jason Parker: Boy, that is a great question. That's a really wonderful question. The answer is absolutely. Absolutely but you know what? I'm reminded, I've met with people, I've talked with people who are preparing and planning to retire right around 2007, and then in 2008, financial crisis hit and today, they're still working. They're still working.

Now, the market is back up. Their 401K has recovered. They're thinking, "Okay, we can finally do it. We're back to that place that we need to be." Then, there's the potential on the horizon for a correction. The question becomes, what do you do? How do you structure this? Now that you're shifting out of this space of your life where you've been in accumulation mode and re trying to grow your portfolio as much as you can/

Now, you're going to shift into preservation mode. You got to be focused on income. How are you going to construct the portfolio that can weather that storm? Not just weather the storm but also create the greatest degree of confidence in your mind so that when you're going through all those periods of turmoil and there are going to be periods of turmoil.

No matter if we're using a tactical asset allocation or strategic asset allocation, you can have the best investment strategy in the world, but you can never guarantee that you're always going to have a positive year. It's just impossible to do.

One of the things I teach, again pointing back to the book, *Sound Retirement Planning*, and for those of you that have read the book and we have, I think, 29 reviews on Amazon right now and of those 29, I think 27 of them are a four or five-star review, and I have to tell you, that's just amazing.

Erik Ramsey: I give you two stars. I am just kidding.

Jason Parker: It means so much to me when I get those positive reviews because it makes me feel like geez, people are appreciating and value the work that we do and I wish that those one and two-star reviews didn't bother me so much because I pour my heart into the work that we do but it really does bother me. I know it shouldn't.

Everything I read says you got to let go of the negatives and cling to the positive but Erik, I just realized, we're at that point again where we need to take our next break. We're going to take a break and we'll be right back.

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Jason Parker, the author of Sound Retirement Planning and President of Parker Financial is offering a free report titled *Ten Things to Know about Planning Your Retirement Income* that may provide you answers to the above questions and much more. Call his office at 1-800-514-5046 to receive your report free of charge. Again, call now at 1-800-514-5046.

Jason Parker: All righty, folks. This is Jason Parker. I've got Erik Ramsey in the studio with me. Erik?

Erik Ramsey: Hello. Hello.

Jason Parker: We are back. We're discussing New Year's goals and resolutions for 2015. Many of you want to retire and we want to help you, we want to educate you, we want to provide you with the tools, the information that you need to be able to make better decisions so that when you make that decision that you feel really good about it.

One of the top search queries that bring people to our blog … By the way, if you didn't notice, all of these shows that we do, they're archived at soundretirementplanning.com. Soundretirementradio.com also points you to Sound Retirement Planning. We have the transcripts of all these programs. If you want to go back through and read through them, you have the ability to do that. By all means, we want to encourage you to access the resources. We have a lot of resources, a lot of tools that are available to you right there at Sound Retirement Planning.

We're talking about New Year's new resolutions. There's all this energy and excitement. People are working out. I'm drinking my water. It's wonderful.

Erik Ramsey: I've switched from coffee to tea and I think it's working so far. I resolved not to write 2014 in checks and I failed. What about you? Do you have any New Year's resolutions for this year?

Jason Parker: Yeah, I do. I do. From a fitness standpoint, I enjoy running. I run three days a week right now, Monday, Wednesday, and Friday. I want to continue that but I just turned 40 this year and my hips are starting to hurt a little bit. My knees are starting to hurt a little bit. One of my resolutions is to drink two glasses of water a day, very simple but I write it up on my board. I put two boxes and then, I got to check those off throughout my day.

You'd be surprised, last night I got home, and I realized, I only had got one glass of water. Now, I don't know how much coffee I drink during the same period of time but I realized last night as I was sitting after we got home from basketball practice, I need to have my second glass of water. That's one of my big resolutions.

The other thing I'll share with you is I had this wonderful opportunity to go on vacation with my family over Christmas break, and it's just so good to be able to focus on your family and really give some serious thought and consideration to what's most important in your life. As I was walking along the beach enjoying the sunshine and the birds chirping, there were three words that I just kept thinking about and meditating on. I'm not going to share those three words with you right now but they are my foundation for what the 2015 year is going to look like.

I'm excited about that. I'm excited to be able to … Maybe what we can do is have people try to guess what those three words are based on the content that we bring them, and the attitude, and the direction of what we're doing. I hope people can try to guess what those three words are that I'm thinking about and focusing on.

Erik Ramsey: Should we have some kind of reward if anybody can get it correct?

Jason Parker: Let's do that. Let's have a little contest. I'll tell you, they can connect with us on Facebook or they can send us an email, and either way, if they get it right, what would you give them? A free copy of the book?

Erik Ramsey: There we go and two glasses of water.

Jason Parker: You've got it, 2015, folks. There's your challenge, if you can guess the three words, post them up on our Facebook page on soundretirementplanning.com. Become a fan on the Facebook page, and if you can guess what my three words are for 2015 that are going to guide and direct, and I'm going to meditate on, and think about, and pray over, we'll give you a free copy of *Sound Retirement Planning*, the book.

Erik Ramsey: Two glasses of water. This will be refreshing stuff.

Jason Parker: Erik, I'm very glad that you are going to be a part of this radio show going forward. This is going to be much more enjoyable. I tend to be way too serious and Heather, our Chief Operations Officer here, she cracks me up. She's like me. She's too serious most of the time but on all of the emails she sends and her signature, the signature is "Warm Regards, Heather Henrichsen".

She says to me the other day, I walked in her office and she's giggling, and I said, "Heather, what are you laughing about?" She goes, "Erik just sent me an email," and she said that he signed it, "Piping Hot Regards, Erik Ramsey."

Erik Ramsey: I want to stuff it up a little bit. Warm Regards, that was okay. Let's just up it. Just Piping Hot.

Jason Parker: Piping Hot.

Erik Ramsey: It might be pancakes.

Jason Parker: We needed somebody that's not so darn serious around here. Thank you for being a guest or being not just a guest but a regular person that's going to be on the program every week with us, hopefully. That's why you're here.

Erik Ramsey: I'm excited. I'm very excited actually.

Jason Parker: What about you? Do you have any resolutions, any goals for 2015?

Erik Ramsey: Looking back over 2014, and all of my life, I've traveled quite a bit. I've gone to Africa several times and worked just with some amazing people but those have been very tough journeys. What I've realized is that attitude is everything. What you can face with a bad attitude us so much smaller than what you can face with an attitude that, I'm going to be optimistic about this. I'm going to look forward. I'm going to put some passion into it. Above all, never ever do the self-pity thing.

I think this year, one of the biggest things for me is to have a positive attitude because life is going to throw us curve balls. If you have kids, if you're married, if you have family, if you are dealing in any way with the financial world, you're going to get hit with a curve ball, and I've just decided, I'm going to have a good attitude this year to face the realities, to look at the problems, and say, "All right. Now, we're going to solve it." Not bury your head in sand in any way but to always face the problems and move on. I think those are biggest ones.

Jason Parker: That's great. I like that.

Erik Ramsey: I'm excited. Let me ask this, if you were to have one New Year's Resolution for retirees, if you could say, I want all of our clients and all retirees to succeed in this one New Year's Resolution, what would that be?

Jason Parker: That's a great question. I get back to just the fundamentals of what we do and the fundamentals of what we do is not about a financial product. It's not about the best investment strategy. It's not about the best financial tool. It's not about the best insurance contract. It's about really understanding what's most important in your life.

As we were meeting with some folks just yesterday, and I see all the time, people come in and they want to retire, they want to put together a plan. We go through that first meeting of discovery and just asking a lot of questions, finding out what's important to them. Then, they come in for that second meeting. The second meeting is where we've designed their retirement plan based on the path that they're on. Not making any recommendations, we're just saying, "Okay, here's where you're at."

We get to that spot where we look at their financial life on a year-by-year basis, and that's the moment where it's going to work or it's not. To be able to say, "You did a good job and it's going to work out," and to see people's body relax, and their shoulders just sink, and they take that deep breath, boy, that is so awesome but one of the things I learned is that there is this … I like what Zig Ziglar said, he says, "Happiness is not a when or a where." Sometimes people get this idea that happiness is going to happen or occur when they retire.

One of the things I really feel passionate about is people going into retirement with a purpose and one of the reasons I think that there is so much apprehension and fear associated with this life change is because people aren't sure they've devoted their entire lives, eight, ten, 12 hours a day to building a career, to adding value to people's lives, and now, everything is going to change and what's that going to look like?

I guess, my hope for people as they go into 2015 is that when somebody asks them, "Hey, what's the purpose for your life this year? What's the most important thing to you?" that they could confidently be able to answer that question. I know what the purpose of my life is. I know what I'm doing. I know why I get out of bed in the morning. I know what I'm excited about.

Gosh, if the purpose of their life is to just spend their waking hours looking at their financial investments, I'm afraid we may have missed our mark because it's important, we are pass with being good stewards of the resources we're given but gosh, I don't think that that's the reason that we're here. I don't think that's the reason we wake up every morning. I'd say purpose is what I would hope for.

Erik Ramsey: The money, you're saying, it's a means. It's not an end.

Jason Parker: Right [crosstalk 00:35:37]. How do we make it such a focus? How does it become our everything? How is it that people will choose to put relationships second and money first? You see this all the time when people inherit money, when kids inherit money, when somebody passes away, all of the sudden, the relationships become secondary and the money becomes everything. You see this in marriages. I've read that one of the number one causes for divorce is financial strive. Why would you do that? Why would you put money ahead of a relationship but we do it all the time.

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Erik Ramsey: Right. Somebody said that money makes a good servant but a terrible master.

Jason Parker: Yeah.

Erik Ramsey: You have to keep it in the right place. Obviously, we need to make sure we're doing our finances well but it needs to be on the right spot.

Jason Parker: We have some really exciting things we're going to talk about the last segment of the show but before we get there, we need to take our next break and we will be right back after this.

All righty, folks. Welcome back. This is Jason Parker. I have Erik Ramsey with me. We're talking about New Year's resolutions. I'm excited for 2015. Even with, Erik, as we look out into the marketplace today, there is a ton of volatility. Holy buckets, when you see the market dropped 320 points in one day …

Erik Ramsey: That's quite a hiccup.

Jason Parker: It makes you sit up straight and say, "Oh man, I'm just about to retire. Now, the market is going to fall apart on me." How many people do we hear that from?

Erik Ramsey: It's no fun to hear from anybody. Let me ask this, in this situation, tell me what place income has in such a market and in retirement?

Jason Parker: Great question. Retirement is all about cash flow. It is your income that will determine your lifestyle in retirement, not your net worth. I will tell you, I meet with people all of the time and they come in, and they have a net worth of several million dollars but unfortunately, in some instances, that net worth is tied up in land or assets that are not producing any cash flow for them.

You can have all of the assets in the world but at the end of the day, it is your income that determines your lifestyle. There's really two core components to retirement. Number one is having a good budget. You have to know how much money you're spending.

One of the things I've learned over the years is it doesn't matter how much income you have. If you don't have discipline to live within a budget, it's never going to be enough. You're just going to spend, spend, spend, spend and at the end of the day, at the end of the week, at the end of the year, you're going to say, "Where did all the money go?"

Erik Ramsey: It's not just having a great budget. You actually have to live by it? That's un-American of you really. Come on.

Jason Parker: I know I wouldn't be very popular running for congress with the idea of having to budget and actually living within our means.

Erik Ramsey: No, no.

Jason Parker: But that's why I'm not running for congress. Instead, I'm helping people with their financial, with a concept. For my wife and I, when we really found financial peace through budgeting, we actually learned this from Dave Ramsey. How you'd love to work that Dave Ramsey does, and we took Financial Peace University through our church. I remember people looking at me like, "Hey, aren't you a financial adviser? You've got a book out. You got your own radio show, wealth management. What are you doing here at Dave Ramsey's Financial Peace University?" The moment, Erik, that I get to the place where I can't learn anymore, that is a dangerous place.

Erik Ramsey: Very dangerous. Very dangerous.

Jason Parker: Yeah.

Erik Ramsey: Life will smack you with new lessons.

Jason Parker: One of the big lessons I took away from Dave Ramsey, his Financial Peace University, is his how to budget using the envelope system. My wife and I, we really struggled with using our debit cards because it's so easy to swipe that thing and even with all the technology.

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In my book, I talked about using that financial tool called mint.com. I'm a big fan of that. I think it's a really great way to be able to track your spending electronically but using the debit card all the time, we're against that in credit cards. That's not part of our makeup but using the debit card is a really hard way to maintain your budget because it's just so easy to swipe it. You don't even have to swipe. You just tap it now and many of you got Apple wallet, and Google wallet, and all these different things. It just makes it so easy to spend money.

What we found is if we take our paycheck every two weeks and we stick cash in envelopes, we know how much money we have for groceries, we know how much money we have for dining out, we know how much money we have for babysitters, we know how much money we have for haircuts and when that's going to happen, and yes, it's true, I spent my haircut money on our family vacation this year. Now, I'm paying the price and I look like …

Erik Ramsey: I can give you a haircut and that will make you want to budget better.

Jason Parker: This is huge. For people who are getting ready for retirement, great exercise, great thing to do before you get there. On the website, Sound Retirement Planning, under the resources tab, we actually have an old school, old fashioned budget data gathering form. This is a form you can print out and you can just start to get a feel for how much money you spend in all of these different categories of your financial life.

Once you know what your budget is, the next piece to a really good retirement plan is understanding your cash flow, designing an income plan. What I've learned is that you don't want a lot of volatility when it comes to your income. You don't want your employer to say, "Hey, this month, I'm going to pay you this much money. Next month, I'm going to pay you half. The next month, I'm going to pay you double." It's just very hard to create a good income plan with a lot of uncertainty and people sleep better at night when there's a greater sense of confidence.

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One of the best things people can do when designing their retirement plan is to understand how much money you spend, how much money do you need every month, and then we can equate that to years, and we can say, "Do you have enough to actually support that for 30 years of unemployment?" because if you think about it, Erik, that's what retirement is.

To be fair, most of the people that we serve say they are busier in retirement than they were during the working years but you're just not earning anymore. You have to know that what you have is going to support you. Time is the cure to the volatility of the stock market. The more time you have, the more risks you can afford to take.

When you're constructing your plan, I believe diversification is a two-step process. First, you diversify your time horizon. Then, you diversify the financial vehicles you use. What you want to do is the money that you need in the short-term, say a year to five years, that needs to be safe securing guarantee. The last thing in the world you want to be doing is taking money out of an account that's also fallen in value.

I don't know if it's a great analogy or not. I appreciate it. I don't know if our listeners will. We'll find out but share with us that analogy that you have.

Erik Ramsey: To be taking money out of a stock account that has fallen in value, I equated that to being stabbed and bleeding, and then donating blood at the same time. You're taking a very bad situation that you never want to be in, having a falling stock market. It's inevitable, very much unlike being stabbed but sorry, I just really got sidetracked there. Do you want to go ride bikes? It's a bad situation. Then, to draw money out of it then, that's just making it so much worse. You're saying, you got to solve for income first.

Jason Parker: All for cash flow. The money that you need in the short term needs to be safe, secured, and guaranteed. The more time you have, the more risks you can afford to take. It is such a simple concept. There is that saying, keep it simple.

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Erik Ramsey: Stupid.

Jason Parker: I try to leave the stupid part out of there.

Erik Ramsey: It wasn't there.

Jason Parker: What's another word to somebody, keep it simple …

Erik Ramsey: Soccer teams?

Jason Parker: Time is the cure to the volatility of the market. The money you need short term is safe, secured, and guaranteed. The money you need in the long term, you take more risks with. There's two primary risks that we're trying to solve for. One is inflation because we know that that's what the Fed wants. They want inflation and darn it, they're going to keep printing money until they get it.

Ben Bernanke throwing money out of the helicopter. We are going to get inflation and I guarantee you, they're not going to light up on the quantitative easing until they see that happening. Don't fight the Fed. One risk that you have is obviously inflation.

I guess another risk we have is deflation. This is a big concern with oil dropping the way that it is. We could end up in a deflationary environment, and then that could create a spiral that could really be ugly. That is what the Federals are fighting very, very hard against. We don't want to end up in a deflationary environment.

Erik Ramsey: Can you explain why that is?

Jason Parker: Deflation is bad news for the economy. See, Milton Friedman once said, he said, "None of us want to pay more money for goods and services but we all want to be paid more money for goods and services." We all want to earn more but none of us want to accept less money for what it is we do every year. When you start going into a deflationary environment where things become worthless and people start getting paid less, that is destructing. It's destructive for an economy that's based on growth. We just can't go there.

There is a target right now. The Fed would like to have about a 2.5% inflation target. They'd like to see the economy growing. It's a good, healthy sign of an economy that's adding jobs and adding opportunities, and people are being paid more, and they're spending more, and ultimately, that's a sign of a good economy.

We want inflation but the other big risk is market volatility. Inflation typically, not always but typically it's a slow moving train and it eats away your purchasing power over time. Stock market volatility on the other hand, the other big risk that we face, that is something that can wipe you out very quickly. We saw it in 2008, people lost 30%, 40%, 50% of their money.

One person I'll never forget that came in to my office, these folks had millions and millions of dollars, and they're sitting across the table from me, and the wife is not happy, and she said, "Jason, we lost 85% of our money in 2008." Bad time to take withdrawal. Bad time to take withdrawal. Now, the good news is these people, they have the worth, the net worth. They live very humbly, very conservatively, and they have really good income. They don't need the money to live on but she was not happy seeing her portfolio drop 85% in a single year. The two risks are really inflation and stock market volatility.

I outlined this on the book, and one of the things that we wanted to do here today is if you have not had a chance to read the book, we'd like to give away a free … Actually, I think we said three free copies.

Erik Ramsey: We have three, yeah.

Jason Parker: Yeah. If you are interested, if you're preparing for retirement, education is key and we want to send you a free copy of the book, my new book, Sound Retirement Planning. Give us a call and just leave us a message. It's a recorded bind. Let us know what the address is that you'd like us to send it to. We'll send you one copy please just per household and we're only going to give away three copies but Erik, go ahead and give them that number.

Erik Ramsey: It's 1-800-514-5046, for three copies.

Jason Parker: Three copies but not three to one person here. We want three different people that will get it.

Erik Ramsey: That's right.

Jason Parker: 1-800-514-5046. Let me also say this as you request a copy of the book, the reason that I started this radio show over five years ago is because I believe education is key to people having a greater sense of confidence in their retirement plan but education without action, there's a verse in the Bible, it's faith without …

Erik Ramsey: Works is dead.

Jason Parker: Faith without works is dead. I love that. You can have all the faith in the world but if you're not exhibiting it, if you're not living it, you can have all the education in the world but if you're not going to put in action, that's not going to get you anywhere unfortunately. Really, the aim of providing you good information is to be able to give you confidence to take action and that's really what we want people to do, is take action.

One more time, let's give them that phone number. If they'd like a free copy of the book, give us a call at 1-800-514-5046. Since this is Erik Ramsey's first day on the program, I think if you enjoyed his presence this morning, if you enjoyed the second voice, this wisdom that he brings at the start of the program, would you let us know that in some way. Erik's email address, his personal email address is erik@parker-financial.net, and I'm going to give that to you again. It's erik@parker-financial.net or leave him a message on our Facebook page at Sound Retirement Planning.

I'm excited to have him. This is going to be an incredible year. We have so much good value to bring to your life as you're

preparing for retirement. Erik, anything you want to leave our listeners with?

Erik Ramsey: 'm excited for this year. It's like most years, it's just going to be an adventure, but I think we have reason to be hopeful and excited, and there's so much to learn, and that just makes me very happy. I am so, so very glad to be here.

Jason Parker: All right. Until next week, folks. This is Jason Parker and …

Erik Ramsey: Erik Ramsey

Jason Parker: Signing out.

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