

**Sound Retirement Radio**.COM  
**KKOL 1300am, Saturdays 8AM**  
**HOSTED BY JASON PARKER**



**037 Retirement Stress Test**  
**with Jason Parker & Erik Ramsey**

Welcome back, America, to Sound Retirement Radio where we bring your 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: Seattle, Tacoma, Olympia, Gig Harbor, all the good people here in Kitsap County, Jason Parker here and I've got Erik Ramsey in the studio.

Erik: Hello, hello.

Jason: Erik, welcome back to Sound Retirement Radio.

Erik: It's good to be here.

Jason: It is so refreshing to have you on the program with us in the mornings.

Erik: Thanks. It's pretty wonderful.

Jason: Yeah.

Erik: Have a cup of coffee, have a conversation, this is the life, actually, I think.

Jason: Life is good and we appreciate you, guys. I just wanted to say, I looked the other day on Amazon. Somebody, this woman, had written a new review on Amazon and it put the biggest smile on my face. I have to tell you, you know who you are, if you're out there listening and you took time out of your busy schedule to write a review of my book. Thank you, and for being so over the top positive. It was very just encouraging and it just makes me feel good when people do that kind of thing.

Erik: It's good when you create and it turns out, "You know what? It works." When you see that, you pour yourself into it. I watched you as you work on writing a financial plan. As you write, as you present, you pour yourself into it.

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Jason: Gosh, it's true. This is the flipside I've learned is it's very ... when you're all in and there's criticism, which we know there's going to be. Not everybody is going to agree with the way that you say things should go but life is so interesting and wonderful. Even in the times when you're being challenged, it's wonderful, but I love these little nuggets of inspiration and hope that other people around you. I mean, there's awesome people in this world that want to build you up and say good job and I really appreciate that. If you have not connected with us on Facebook, our Facebook community is growing. I really like that we have Facebook that creates more of a two-way street instead of just a radio show where Erik and I get to talk to people. Erik, I've got a joke for you this morning.

Erik: I was about to say I have coffee, I have not quite sunshine, but all I need now is a joke. I hope this is just awesome.

Jason: Well, so my jokes come from a lot of different sources, but this particular joke came to me from one of the boys on the basketball team that I'm coaching, 9-year old boy. He says, "Hey coach, what's the funniest bone in the body?" The radius or the ulna. The ulna! One of the kids said the funny bone but you know the answer.

Erik: It's the humerus, isn't it? It's just wow.

Jason: The humerus, the funniest bone in the body. Share that one with your grandkids.

Erik: There's two little bones in the ear called the hammer and anvil and they just went ba-dum-ping.

Jason: Erik, this morning we are going to start off with just some ... Before we get into today's episode, this is Episode 037. We're going to be talking about the four steps to a stress testing a portfolio, stress testing a retirement plan. Before we do, you have some thoughts on trust that you wanted to share.

Erik: I did. As I was just looking at life and watching the headlines, just a little bit that I do, it struck me. I want to talk a little bit about trust but by way of the fruit of the spirit. If we look at the fruit of the spirit, most people can quote them, love, joy, peace,



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patience, kindness, goodness, gentleness, and self-control. I mean, we've heard this over and over and over. Man, they're good things to live by, but what I want to point out is that some of them makes sense only in trouble. Like love, you can have love anytime. You can sit around with your favorite bowl of ice cream and say, "Wow, I'm with my loved ones and this is love and this is great," and that's good.

Love makes sense in all circumstances, but patience does not. If you're sitting there with your bowl of ice cream, there's no patience necessary. You've got your ice cream. You're not waiting for it. Patience only matters when you want something else or you want it now. Self-control is probably one of the hardest. Self-control only makes sense when everything inside of you is screaming "I want that" and you have to say no, I'm going to do that. In fact, the older term, the more literal term that we call self-control is long-suffering. It's saying I'm going to suffer a bit longer.

Jason: When I was a kid, my dad always taught delayed gratification.

Erik: It's so important. It's so important.

Jason: Delayed gratification. It's hard in this world today where you touch a button and you get this instant little jolt of goodness to your brain by being plugged in all the time to our electronic devices.

Erik: Exactly.

Jason: We want instant gratification, so patience, yeah, that's ...

Erik: What did somebody say at the microwave? Like, "I don't have all minute!" This is how we are now. To wait an entire minute is just intolerable in our lives and yet if we actually want to be whole people, we need self-control or long-suffering. My point is there are a number of virtues that we need and they only make sense when things are bad. Courage only makes sense when things are frightening. When you're sitting ... Apparently I just really want an ice cream now. I'll be honest, I do want some ice cream, but here's my illustration. You're on the couch with ice cream, you don't need courage. That is not a fearful situation, but when

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you're in the military and you've been ordered to take a hill while bullets are flying, that's an entirely different story. That's where courage matters.

I want to transition from that. Some virtues only make sense in painful times. I want to point out that I believe that God is a long-term investor and we have people come in and they want investment advice and some people only want their money tied up for a very short period. They don't want to think long-term, and for some people that really actually financially makes sense in some circumstances. So often if you want good returns, you have to have a long time horizon. You have to be a long-term investor, at least, with some portion of your money.

I believe that God is very much a long-term investor. If we go to Hebrews 12:2, the writer of Hebrews is writing to people who are most likely being attacked under Nero who was being a very cruel emperor and burning people alive. He says you need to fix your eyes on Jesus, who for the joy set before Him, endured the cross and scorned its shame and is now seated at the right hand of the Father in heaven. Who for the joy set before him, he saw the dividend, he saw the payoff and he said I want that, and so he endured the cross, all that pain, all that shame. I love that phrase, actually, "scorning its shame." Everyone's mocking him and he mocks the mockery. He's like, "Pssh, your mockery is stupid. I don't care. I know what I'm getting and I know what it costs and it's worth it."

Jason: Forgive these people for they do not know.

Erik: Exactly.

Jason: What they're doing.

Erik: Exactly. That's long-suffering, to be able to extend forgiveness to people who are killing you. I've never tried it. I hope I don't have to, but God's a long-term investor and it seems to me that to grow the fruit of the spirit, to actually grow whole people, he is very willing to put us through painful situations where he says, "You know, I want to turn you into something magnificent. I don't want to just give you nice things. I want to turn you into



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something magnificent and the only way to do that is to put you through tough times."

Jason: He has you on the potter's wheel and he's perfecting, making you better all the time. Another thing, I love that my dad used to say all this stuff to me. In fact, well I think it was last year for my dad, we put together all these sayings and quotes that he used to say to us all the time, all of our family, the ones that we remembered and it's funny that there were so many. I mean, he is very wise as I think back. When I was about 16, 17, 18, I didn't think my dad knew anything, but as I look back now he does.

Jason: He was pretty smart guy but he said, "Jason, if it's sunny all the time, you're living in the desert."

Erik: Whoa.

Jason: Whoa. I mean, really, if you're in the good times all the time ... I think we appreciate sunshine here in Washington State more than people in Arizona, who are living in the desert, right?

Erik: Exactly. We almost fear it when it comes.

Jason: You have to, you don't really ... I think those of us in Washington State, I think we appreciate the sunshine so much more.

Erik: Absolutely.

Jason: We appreciate the blessing so much more when we've been through the trials and the hardships and life doesn't go our way and then when we get those blessings, it's like, "Wow, life is good."

Erik: Yeah. I think foremost of the virtues that only come through pain I want to highlight trust because I think everything else can only actually come when there is that trust. When we say, "Man, I don't think God's pulling his weight" or "I think he's dropped the ball." That is exactly the time when trust comes in. When you have your ice cream on the couch and everything is fine, trust is impossible. There's nothing to trust. It's in those dark times where all the evidence we see says, "Nope, this isn't working." I think we've both been through places like that where we say, "No, something has gone very wrong and I've

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mistrusted. I have misplaced my trust," but the Book of Job is entirely dedicated to that.

Jason: Yeah. Wow.

Erik: For a man who says, "I see all this evidence and all of it points to the fact that God has dropped me." Frankly, that's how it was designed. God did that on purpose for reasons he never really explains in the Book of Job. He says, "Here's all the evidence that I have dropped you, what are you going to do with it?" Job decides I'm going to trust, I'm going to keep trusting. We look through the saints all through the years; if we look at the apostles, all of this. In fact, Jesus himself, he is dying and he says, "Into your hands I commend my spirit." He says, "All right, here's the last step and dad, I trust you," and then it says he died.

Trust is central to faith. In fact, faith is really just a religious term for trust. It's just religious language for trust to say, "All right, God, I'm going to bet on you and that that it's going to come out." Here's the thing: He's a long-term investor. I think he does not mind putting us through seasons of real hardship because he has very long seasons of great joy ahead. I don't know if that's encouraging but I think if we think about it and we ponder that for a while, it is encouraging. He has never dropped me even though I've gone through some tough times.

Jason: Erik, I think that is insightful, a lot of wisdom, and I know our listeners out there driving down the road appreciate you taking time to develop these thoughts and share them with our community. Folks, you're listening to Episode 037. This is Sound Retirement Planning and I'm Jason Parker. We're going to be back right after this break to talk about the four stress test components of a good retirement plan. We'll be right back after this.

(Music)

Seattle, Tacoma, Olympia, Gig Harbor, all the good people right here in Kitsap County, and for those of you tuning in from around the country listening via iTunes or podcast, what a great

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thing you're doing by making this your station for expert retirement advice. My name is Jason Parker. I have Erik Ramsey.

Erik: Hello, hello.

Jason: In the studio. Erik, today our topic is ...

Erik: Stress test.

Jason: Stress test. Why do we use this phrase? Where does this come from?

Erik: I think basically, going way back, I think it's an engineering term to say, "All right, if we put this device under stress, if we shake a piece of concrete as it would be in an earthquake or if we ..."

Jason: High winds.

Erik: Exactly. If we smack this army tank with a number of bullets, does it fall apart, does it disintegrate or can it withstand the test? I mean, an army tank that can't get hit by strong winds or bouncy balls is probably not going to be effective. We need to stress test the armor, the building, etcetera, etcetera.

Jason: Yeah. I think what really popularized the term stress test in a financial sense, I love that you brought in the engineering component because you're right, that's really where this all probably started, but the banks in 2009, after the financial crisis, our government said, "Hey, we need to have some criteria that we can test these financial institutions with. We're going to put them through a series of hypothetical stress test." Assuming different economic scenarios, will the banks be able to weather the storm because we don't want these large financial institutions ever in a position again where they're going to fail. I think that, in my mind, that's where the term stress test really gained its ground.

When we're doing retirement planning, we have to be thinking about stress testing a retirement plan from a lot of different angles. The one that most people think of is the financial, the investment stress test. I don't know if people realize the tools we have available today to do that, but there's really four different levels or four different components that we were talking about

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beforehand that we think everybody, if they're getting ready to retire, they should be considering. What were those four, Erik?

Erik: One, we can stress test your retirement test fl- ... cash flow. Not test flow. Make sure you have enough quizzes and stuff.

Jason: That's an engineering term again. That's like a plumbing term or something.

Erik: Yeah, we'd check out the cash flow. I think somebody once said, and he was a wise person, that retirement is all about cash flow. It's cash flow that will determine your quality of life in retirement rather than your net worth. I can't remember who that was.

Jason: Somebody's saying that all the time.

Erik: Somebody. I think they had amazing eyebrows, but that's all I know. Yeah, we can stress test a cash flow system and see if it'll work.

Jason: We need to paint a picture for people. Why do you stress test a plan, what it should look like? As we get in to talking about this first component, stress testing a cash flow plan, I want to tell our listeners a story. Back in I think it was 2008, maybe the first part of 2009, we were in the midst of the financial crisis. Do you remember those times, Erik?

Erik: They were sunny and golden and lovely and ...

Jason: People dancing through green-

Erik: Everyone. That was hilarious.

Jason: - Flowers, yeah. It was very, very scary for a lot of people. Very, very trying. One of the worst financial recessions we've experienced in the last 100 years. I remember we were doing an event workshop to teach some of these concepts about stress testing and a woman called. She had signed up to come to one of our events and she said that she wasn't going to be able to make it. She said that her husband had to check into the emergency room because he had broken out in hives as a result of the stress that he was experiencing caused by the financial world.



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To think that ... One of the things I'm reminded of is when the market is going up, everybody is happy go lucky, they're buying new cars, they're going on vacation, life is good. As soon as we start to see that stress introduced, boy, it has the potential. People pay much more attention to the downside of the market than they do the upside. To have a good plan, to know how you're going to address these fluctuations, if you're going to play in the stock market at all, if you're going to have some of your money allocated there, you cannot have a false expectation that it's going to go up all the time.

That gets us to this cash flow. There's a couple of different risks, I guess, as we think about a cash flow plan that we need to be thinking about.

Erik: First off, I think, is inflation. The cost of things is just going up. If you have a consistent cash flow of a \$100, that might be great today and it would have been fantastic 50 years ago or a 100 years ago, but if you plan to live for 20, 30, 40 years, and we're seeing that with people's longevity just increasing and the health increasing, inflation is going to be a very serious factor.

Jason: Absolutely. Inflation's been with us. It's going to continue to be with us. Obviously a lot of the talk right now is there's concern over deflation. We just saw Europe start their own quantitative easing program where they're basically printing money trying to get inflation to take hold because nobody wants to end up in the deflationary spiral where costs of goods and services start to go down, employers start to pay employees less money and then we get into this race to the bottom that's very hard to get out of. We don't want to see that happen. Inflation is what the Federal Reserve is shooting for. They'd like to see 2 to 3 percent inflation.

Historically, Erik, when I've gone back and researched this, over the last 100 years, based on consumer price index, the CPI, I've found that inflation has averaged about 3.35%. The last 10 years though, it's only been about 2.53%. There's going to be inflation. We know there's going to be inflation. I think if we use maybe like a 3% inflation factor, so we know that you need a

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\$100 today but next year you're going to need 3% more, I think that's a pretty conservative way to be looking at a retirement cash flow plan and stress testing it. Saying, "If we do need this much more income, is it going to work?" Some of these folks that have these fixed pensions where they've been receiving the same amount today that they were 20 years ago, I'll tell you, you talk to these folks, they'll tell you about inflation.

Erik: Right, right. It's going to hit them pretty heavily. The other real cash flow risk is longevity. Just that you're going to outlive your money.

Jason: This is a big one. I found that it doesn't really matter how much money you've saved. We've worked with people that have a couple of hundred thousand dollars and we've worked with people that have a couple of million dollars. It doesn't really matter how much you have because what happens is everybody adjust their lifestyle based on their assets. Just because they have more, they still have this fear, "Have we saved enough to be able to maintain the lifestyle that we've grown accustomed to for the rest of our life?" The big unknown is how long am I going to live, when am I checking out of this place? We have a tool that we like to tell people about and I just re-took this tool this morning just because I was curious to ... I wanted to remind of when I ...

Erik: Just because you're morbid is what it comes down to.

Jason: What's the name of the tool, Erik? Do you remember?

Erik: It's Livingto100.com.

Jason: Livingto100.com. It's a website you can go. It asks you several questions about your family, your health, your relationships, medications, activity. It asks all kinds of personal information. They used to have this calculator where you didn't have to enter any personal data, but now when you get to the end of the calculator, they make you put your email address in so that they can ... and then they instantly provide you with report. You're signing up. You've got to sign up, which that irritated me a little bit, but good news. I'm going to live to 92.

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Erik: Right. I was excited to see that. I was a little disturbed that they described your death in so much detail with all those dogs and a meteorite, which I was surprised.

Jason: A house full of like 100 cats and ...

Erik: Let's be honest, we saw the cats coming.

Jason: Oh, yeah.

Erik: Okay, that's not actually true, but ...

Jason: At least it gives us a tool to start from. Now our hope is that Living to 100 is not like incredibly accurate. That would be really freaky, if they told you the month, the day, the time, the year, what color pants you're wearing, and if you had socks on or not.

Erik: Right, right. We'd be suspicious of them, like, "Hmm." It might be a bit more involved than you think.

Jason: Ninety-two, ninety-two though, so now I have a place to work from. Now I can make some conservative assumptions about my cash flow. I know how much our budget is, I know how much we spend every month. Of course, we've done a lot of talk in the past about budgeting, how important that is, even though you've probably ... A lot of the people that we serve, high net worth individuals, don't really live by a budget during their working years. Really important that you know how much you spend before you transition into retirement so that you can have ... If you understand how much you spend, we make some conservative assumptions about inflation and then we get a feel for how long you might live together as a couple. It's really good to know.

There's an interesting statistic. I haven't seen this in a while, but the fastest growing segment of the population right now, Erik, is actually the oldest old. The people that are 90 plus. That's the fastest growing segment. I think that's really interesting to think that medicine, science, technology is keeping people alive a lot longer. Diet, exercise. Unfortunately though that doesn't always equate to ... Life doesn't always equate to quality of life.

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There are people that are alive who probably wish they ... That's a horrible thing to say, but.

Erik: You've seen it. You've seen it, but yeah.

Jason: one of the things I've found, I was talking to a friend of mine, his mom recently passed away. She was over 100. Boy, when you live that long, a lot of your friends pass away, some instances some of your children pass away before you, and so life is while we ... It's so precious and we love it so much. At that end of the spectrum it's almost like people are just saying ...

Erik: I've seen people just really grab this time and enjoy it. Sometimes they lose sons and daughters, but I've seen it so often where they're enjoying great grandkids, and at some point great, great grandkids. That's something to be savored.

Jason: Those are the ones that I really, I mean, there are people so vibrant, so alive. There's a gal that calls every weekend after our show to tell me how much she enjoys listening.

Erik: She's magnificent.

Jason: She's in her 90's and man she is vibrant, alive, more so than most 40 year olds I know. Erik, we are at that point where we need to take our next break and we'll be right back after this.

Voiceover: Are you 50 years or older and have at least \$500,000 of investable assets? If so, this message may be beneficial for you. Are you confident that you will be able to retire and not run out of money? Are you concerned about higher inflation, higher taxes, and what market volatility will do to your portfolio? If you answered yes to any of these questions, then I encourage you to take advantage of this offer. Jason Parker, the author of "Sound Retirement Planning" and president of Parker Financial is offering a free report titled "10 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.

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Jason: Alrighty, folks. Jason Parker and Erik Ramsey back in the studio with you. This is Episode 037. We're talking about the four steps of stress testing a retirement plan. Erik Ramsey, we just talked step one which is stress testing cash flow for longevity and inflation primarily. Have you saved enough to really last the rest of your life?

Erik: Yeah. Then number two, we can start looking at the portfolio itself, how well will it handle volatility. If we can imagine an army tank that can't get wet, if it rains it falls apart, that is not an effective army tank.

Jason: Not in Washington State.

Erik: No. Does it only? [Inaudible 00:24:50] might have been okay but, yeah. We can do the same with portfolio. We can say, "All right, if these market conditions come about, will your portfolio fall apart?"

Jason: Before ... I want to talk about this because we do have tools and access to some things today that we didn't have just a few short years ago, but before we do, you attended a lecture recently from a Harvard professor.

Erik: Dr. Ned, I call him. I don't know his last name but we're buddies.

Jason: You brought back some really great insight about worry and I was hoping maybe you would share that with our listeners before we talk about this component.

Erik: He said that there's three steps to really beat worry and I might have written it off if he wasn't Dr. Ned. I mean if he wasn't teaching for 30 years at Harvard Medical School. This guy's pretty legit. Brilliant advice, though. He said, "Number one, never worry alone," and I do that. I don't know if you do, but when I worry, I'm very much like my dad. I'll curl up in a little corner of the sofa without ice cream, which is probably a bad move anyway, but curl up and just worry by myself. He said that's terrible. Nothing good comes about worrying alone. Find

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people around you, worry with them and then that worry transitions into problem solving.

Number two, he says get the facts. When you worry without actual facts, your emotions go out of control and you're so much more likely to be paralyzed. If you have facts, then you can actually ... well, you can go on to the next step which is make a plan. If you have people with you, you have strong facts and you actually look at them, look at the outside world, look at the inside world, you can make a plan and that just, well, it kills the antidepressant industry is what he's claiming. I think this comes down to, in the industry of financial world, we can do this. We can worry with people.

Jason: Yes. I thought that was so insightful. It's so powerful. Never worry alone, get the facts and make a plan. There's a lot of reasons to worry today and one of the challenges I have, Erik, this program we started this year, I said there were three words that I wanted to guide to the program. Every time we get on here, I wanted it to be love, encouragement, and hope. We want that to bleed through everything that we're saying but at the same time we can't take a Pollyanna attitude, pretend that there are no obstacles or concerns that are in front of us. We have to deal with reality, we have to accept that there's some head winds and we've talked a lot about the fact that the interest rate environment is very challenging right now.

If you're going to buy bonds, this is a tough environment to do that in. The flip side is the stock market. Right now after five years of a bull market, we're seeing price to earnings ratios that just historically have not been sustainable. We've got head winds. The reality is it can create a lot of worry especially when you're making this huge transition from you've just worked, you've been accumulating your whole life, this is what you know, and you always say, "Oh, it doesn't matter if the market goes down because I have time to recover." That works fine when you have 30 years and you're adding to your money and your dollar cost averaging in, everything is great, but when all of a sudden you're retired and, let's say, you retire right when the market's



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tanking and you're pulling money out of that portfolio, unfortunately that does create worry for people.

One of the things that we have to do is, like you said, get the facts. Get the facts. Another one of the tools that we think is so incredible today is this ability to stress test a portfolio. In the past, when you would stress test a portfolio, they used things like Monte Carlo Analysis where you take historical returns, run it through a bunch of different iterations and say, "What's the likelihood of different results?" That's one way to stress test a portfolio.

Another way that people would stress test a portfolio is they would take backwards looking data. They would look at a bond mutual fund, for example, and they would say, "Well, over the last 30 years, this bond mutual fund has done really well." That was another way that people would stress test a portfolio. This is backward looking based on historical data. The problem with that is Wayne Gretzky, the great hockey player, used to say that the secret to his success was skating to where the puck was going not to where it had been. Skating to where the puck was going to be, not where it had been.

Erik: The future is it's going to be unlike anything we've had in the past.

Jason: It's going to be different. We have to accept that. What we have the ability to do is through technology, through software, we have the ability to stress test a portfolio on a forward looking approach. The tool that we like to use is called Hidden Levers. Hidden Levers, you can go to their website HiddenLevers.com, and they will actually allow you, I think, they let you plug in a couple of positions before you have to pay for the service and it's pretty expensive.

We want to be able to take somebody's retirement assets, their portfolio, and everybody says they're diversified, but we want to be able to take and apply different scenarios going forward. If we experience another market crash like we did in 2008 or 2009, how would that impact their portfolio? If there's an Ebola outbreak, how might that impact their portfolio? If there's global



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inflation, how will that impact their portfolio? If there's deflation, how will that impact their portfolio? If the European Union goes into a recession, how is that going to impact their portfolio? If the United States of America heads back into rece- ... We have all of these economic data.

We can take a portfolio and look at it from a forward-looking approach. That's what really, when we stress test a portfolio, I think that's probably all of those ways of doing things are important, but I think that's a really great tool that we have available to us today that we didn't just a few years ago.

Erik: The goal, of course, is to have a portfolio that has a very minimal risk, but a decent return for that risk.

Jason: Yeah, I always get back to retirements all about cash flow. It's your income that determines your lifestyle, not your net worth.

Erik: You were that guy! I remember you now.

Jason: The last thing you want to be doing, I remind people, is pulling money out of an account that's also falling in value, because ... Erik, you have a great little analogy there.

Erik: To pull money out of account that's falling in value were to like pull out of the market in a bull state. It's like being stabbed, bleeding, and then deciding to donate blood at the same time. It just makes a bad situation significantly worse.

Jason: One of the things that we wanted to make available for our listeners out there, whether it's via the podcast or the radio station locally, on SoundRetirementPlanning.com, on the right-hand column, we have a button people can click to request a portfolio stress test. Remember, rule number one is never worry alone. Do not lay in bed at night unable to sleep because you're allowing your imagination to run wild. Number two is get the facts. This is where we can help people get the facts. We can help you run a portfolio stress test, give you a second set of eyes, a second opinion to look this over and just say, "Hey, in a forward looking environment, how is this going to work?"

I always point to the fact, Erik, that we want this to be done in the context ...

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- Erik: Of a plan. Yes, got to be a plan.
- Jason: Yeah, because the reality is some of you out there have saved enough that you could lose 50% in one year and it's not going to impact your life at all. If you know that that's a possibility, it shines a light on it. It uncovers those dark places that are running rampant in your imagination and it just says, "Okay, now we know what the problem is, let's create a plan," which is step three which you brought back from Harvard professor.
- Erik: Let's get out of a tank that can't take rain. Let's get into a tank that can take some bullets and some hits before anything bad happens.
- Jason: Visit SoundRetirementPlanning.com and request your stress test of your portfolio if you have money invested in stocks, bonds, mutual funds, ETFs, any of those things. We can help you figure this out. Obviously we can't help everybody. There's a limit to our resources and our time, but for the first couple of folks, at least, that, let's say-
- Erik: Should we give a hard number? Let's give a hard number. Three million.
- Jason: (Laughs) No. Let's say 20, no more than 20. We'll help the first 20 people that go to the website and request the stress test. We'll help the first 20 people.
- Erik: That sounds good.
- Jason: After that, unfortunately, from a time standpoint, when I looked at my calendar every single day, I just don't ever seem to have enough time in the day to get everything done that needs to get done, but I know that we can help people. I know this is important and I know that people need to, especially if they're thinking about retirement. They're just right there getting ready to do that. They need to be taking this stress test.
- Erik: Don't worry alone. Don't worry alone.
- Jason: Yeah, that's awesome.
- Erik: Come with us.

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Jason: Yeah.

Erik: I think there's another risk that we need to be preparing for and that's premature death. So many people, like they're a team, husband and wife team, that come in and if one of them dies before the other, it really changes the financial aspects of their life, because two people are bringing Social Security. Now one of the great things about Social Security, if the higher earner dies, the lower earner will step up to their payment value. Of course, the IRS has a very technical term for that, but there is a survival benefit but it does change the nature of the financial situation.

Jason: Yeah, absolutely. I'll never forget; a gal came to my office and she said, "Jason ..." Her husband passed away unexpectedly; healthy, vibrant, life is good, and I don't think anybody ever expects to pass away, but in your 50s, that's pretty young to pass on. She said to me, she said, "You make all these plans in your mind about what retirement is going to look like, and then in an instant it changes. Everything is different." This is a hard one to plan for. Most people don't like to talk about death and dying but the reality is we need to be thinking about it.

As fun as this subject is going to be, when we get back from break, Erik, you and I, we're going to talk some more about what happens if you're married and one spouse passes away. What should you be thinking about? How can you stress test for that? This is Jason Parker and we'll be right back.

Alrighty, folks. This is Jason Parker and I've got Erik Ramsey in the program.

Erik: Hello, hello.

Jason: Today we're talking about stress testing your portfolio. This is Episode 037. Actually, not just stress testing your portfolio, but stress testing your entire retirement plan. There's really four key elements that we wanted to talk about today when stress testing. We've covered the first two which is cash flow.

Erik: And portfolio volatility.

Jason: Portfolio volatility. Under cash flow, it is all about inflation and longevity, how long are you going to live. We've outlined some

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tools for you. Under portfolio volatility, there's a lot of concern. A lot of people are worried right now based on the economic reality of the world that we live in and your three points were ...

Erik: Don't worry alone. Never worry alone, then get the facts, and then make a plan.

Jason: Make a plan, and we have the ability to help you stress test your financial assets, your investments. That's available at SoundRetirementPlanning.com. The other thing I wanted to say, we just had our webinar on how to maximize Social Security. We had really great turnout, some really great content there, but what I've decided to do, I recorded that webinar. We have it available as a replay so that's also available to people. We've got that up there on Sound Retirement Planning. If you missed the live event, the live webinar, unfortunately, you won't be able to participate in the Q&A, but if you'd just like some more tips on how to maximize Social Security, go to SoundRetirementPlanning.com, watch the replay of the webinar.

Erik: There's a pretty good chance that people have asked the question. There's just some questions that are very common, and so a replay would not be a bad idea at all.

Jason: Yeah, good. Education is the key. We found that when you are well-educated, you make better decisions, you sleep better at night, you're more informed, you have a greater sense of confidence if you're acting on the education. If you're just consuming information and never acting on it, then it's worthless, but ...

Erik: Right, right. Do you want to talk about premature death?

Jason: Premature death. Here's the reality. We're putting together a retirement plan and one of the risks we need to understand, and I hear this a lot from husbands actually, husband-wife coming to my office, oftentimes men will say to me, they say, "Jason, I just want to know that if something happens to me that my wife is going to be okay."

Erik: That's responsible. That is a responsible thing to be concerned about.



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Jason: Yeah, yeah, and you know what? I had a couple of guys not say that. I'm always a little bit concerned about those relationships and whether or not I really want those people as clients of mine if they don't care about their significant other. I don't know, it seems strange, but, so when you're doing a retirement plan what we want to do is we just want to say, "Okay, what's going to happen to cash flow?" If you have a pension, does it have a survivor benefit? If you're getting ready to start retirement, that's a good question to be thinking about. Should you elect a survivor benefit or should you just take the higher income and go by life insurance or something like that? That's one option.

Number two, we want to understand how Social Security works, because like you just said a minute ago, when one person dies, the surviving spouse steps up to the higher of the two payments, basically. That's the easiest way to think about it, technically, not exactly how it works, but.

Erik: It's like 10 paragraphs in the IRS explaining their crazy equations but it works out to being that, yeah.

Jason: You've got, let's just say hypothetically, husband is \$2,000 a month on Social Security; wife is \$1,000 a month and then husband passes away. Wife steps up to the higher. She now has \$2,000 a month coming in, but she no longer has her \$1,000 a month coming in. That's the easiest thing way to think. Where they had been receiving \$3,000 a month, now it's \$2,000 a month. Is that going to put a greater strain on future assets down the road? That's a good concern. The other thing when we're talking about death and dying is life insurance. In some instances, it makes sense for people to have life insurance to cover that need to be able to provide for a spouse. In other instances, it doesn't.

Unfortunately, people don't make usually very logical decisions about life insurance. What they tend to do is they buy it based on emotion instead of fact. I love it when we can sit down with folks and say, "Hey, you don't need life insurance," but at the same time, sometimes when doing that evaluation, they do need life insurance. Life insurance is a tricky widget. Not anybody can

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buy. You have to be healthy enough to qualify for it and usually the people that want it the most are the people that aren't going to qualify health-wise.

Erik: Right. It would be a great idea if you're not sure if you qualify for health insurance ...

Jason: Life insurance.

Erik: Life insurance, thank you ... is just to worry about it by yourself alone without any facts, without a plan. Wait a minute, no, no, that's a terrible idea. That's right. No.

Jason: Maybe under Obama Care, they will make ... so you don't have to qualify for life insurance anymore. Everybody is eligible and that's what we did with health insurance, right. You can't be disqualified. You can be laying in your deathbed and qualify for life insurance.

Erik: Bleeding.

Jason: I want \$5 million.

Erik: Shark bite.

Jason: I have no legs and my arm was bit off by the shark, but significant the application quick because that makes a lot of sense.

Erik: That would.

Jason: You know what I found, and this is another realization I have. I just want to apologize to our listeners. We want to deliver clarity, confidence, and freedom. We want hope, encouragement, love. This is what we want to shine through and it's so easy to be cynical and sarcastic. I found that it's very hard, Erik, to be ...

Erik: It's my default, Jason.

Jason: It's very hard to-

Erik: I just want to mark and I just don't want to be like that. I don't want to be that dad. I don't want to be that husband.

Jason: I made a mistake at basketball practice with the boys last night, and these are 9-year old boys and I sometimes can be sarcastic.



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We were practicing passing to the post player, the guy right under the hoop. We passed to this little boy and the ball hits him right in the hands and it flies past him. I looked at him and I said, "We got butter on those fingers? What's going on?" Of course, I thought this was funny. I thought I was being humor.

Erik: You should deflate the balls. Sorry.

Jason: This poor kid, he looked at me and I thought he was going to start crying. I was like, "Oh man." When you just realize you messed up big time. I messed up, buddy.

Erik: It cuts. It cuts so deep. Those eyes, when they look at you, like, "I thought I could trust you."

Jason: You would think by the time you reach 40, you would realize that your sarcasm, as much as we think it's funny, there's a lot of people that just don't think so. We're working on getting better all the time over here at Sound Retirement Planning and we want to have a good time. We want to face reality and sometimes a little bit of humor and sarcasm is the way that we do that, but not at the expense of people. Anyways, death and dying is reality. That's our third stress test and that's part of a good retirement plan, Erik. If somebody is putting together retirement plan, let's just look at it on a year by year basis, cash flow basis. Somebody dies, okay, bang, how is this going to impact your retirement?

Erik: I think the other one is what if somebody does not die? What if their health just declines and this is just a reality. The health expense is just sore and they're going into long-term care. They don't pass on and it just really takes a huge hit to the savings and the portfolio. Can people survive it? If not, we better find a plan.

Jason: Yeah, man, this is a tough one, long-term care. Anybody that has lived this, anybody that has had to be a caregiver, anybody that has seen a loved one go through something like dementia or Alzheimer's or massive stroke and one day they're healthy and whole and life is good and then the next day it's not.



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- Erik: It's not. This is, I think, where a lifetime of learning patience and learning trust where God is putting us through trials maybe for this big thing coming up where a loved one needs care for a while.
- Jason: A gentleman told me once, he had just had a massive stroke that really changed his life. I'll never forget, he said to me, he said, "Jason, I've been going through life I think taking things for granted." I mean to have this kind of insight is so amazing to me, but I think I've really been taking life for granted. He said, "I think having this stroke was meant to teach me humility." I thought, "Wow, what insight to be in a place where you can see your health change so radically and then be able to say, 'This is for me to get better because I need to be more humble.'" That's ... I don't know if I could do that. I think I'd have a pity party.
- Erik: I've done those pity parties and they feel so good for about 10 minutes and then they turn so toxic for years and I've just decided I'm never doing it again. Of course, deciding it and actually living it out is a very different thing. It's no good. I've told myself, "I'm going to cherish every moment, every smile of my daughter, everything my wife does. I'm going to cherish it." Actually living that out is a bit hard. Maybe these terrible things that come are what we need to kick start us into actually cherishing life because it's precious. It's fantastic.
- Jason: It's wonderful.
- Erik: It is.
- Jason: Long-term care, most people say that they would rather die than ever go to a nursing home. That's a reality. Unfortunately, the other reality is that sometimes in order to be able to provide the care that you need, you weigh 200 pounds and you're expecting your 120-year old [sic] daughter to pick you up out of bed and help you in the bathroom and help you take a shower and cook all your meals and also raise her family. I mean ...
- Erik: This is sometimes just unfair to ask that.
- Jason: It's just even not even possible. Caregivers are going to end up with some significant strains. Today in Washington State for a

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nursing home, you're looking at about \$8,000 per month to go into a nursing home. We know some folks here locally. They're paying \$10,000 a month to be in a nursing home. Assisted living might be closer to \$4,500, but boy, you've worked a lifetime saving assets and now what you have has got to last and all of a sudden you have dementia or Alzheimer's and you're paying out \$10,000 a month. Boy, that's got to be pretty healthy portfolio to support a person at 10,000 a month and also provide for the well spouse to be able to continue the lifestyle.

This gets back to the retirement plan. One of the things you need to be thinking about if you're going to stress test your retirement plan is long-term care. You don't die but you have a significant health event that starts you down this path and people make the mistake. Sometimes they think they're Tricare will cover them. Sometimes they think their Medicare will cover them. Sometimes they think they have VA benefits that are going to cover them. We found that fewer people actually qualify for a lot of those benefits and are actually planning on or thinking they're going to be able to use them.

If you're planning on that being your fallback, make sure you understand how all of those components work within this world of long-term care. We're not talking about short-term hospitalizations. We're talking about a need for care for an extended period of time.

Erik: Don't worry alone.

Jason: Don't worry alone, get a plan, get the facts and make a plan.

Erik: Right.

Jason: It's awesome.

Erik: We could do that.

Jason: This is Jason Parker. I've got Erik Ramsey in the studio. I want to remind our listeners, at SoundRetirementPlanning.com, if you would like a portfolio stress test, to visit and request that for the first 20 folks. Then also, if you didn't get a chance to visit and watch the Social Security webinar, that's also available online as

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a replay. You can watch the Social Security webinar. I'm Jason Parker and ...

Erik: Erik Ramsey.

Jason: We are signing out and we will be right back with you next week.

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