

Question: What is the best way to determine what the interest on 2 million dollars would be 20 years from now – will I have enough to live the lifestyle I am planning for?

Answer: If I knew with any certainty the answer to that question I'd be passing the Grey Poupon to my wife aboard some pimped-out yacht in Tahiti by now. Unfortunately, I cannot predict and no one can predict what the future will hold, what return you'll earn on your money, what interest rates will be, what investment returns will be, what tax rates will be, what the inflation rate will be, what the cost of living will be, how long you'll live, etc. You get the picture...there are no guarantees! This is what makes retirement planning so challenging.

For purposes of this column though, let's assume that interest rates and investment returns are comparable to what they are today. In that case, you could assume that a 2 million dollar portfolio invested in CDs or government bonds may generate 4%-5% annually or \$80,000 to \$100,000 per year in interest income. If instead you earn a higher yield by investing in a diversified portfolio of stocks and bonds that averages an 8%-10% rate of return, your portfolio would generate \$160,000 to \$200,000 per year.

The income from your investment portfolio, plus any pension you may collect, plus Social Security in whatever form it will be in, plus any rental income, plus any earned income you generate will be what you have to live on. Will it be enough to live the lifestyle you're planning for? Tune in again next Wednesday for the second part of this column.

Bill's Bottom-line: All financial planning and investment decisions are based upon assumptions. Assumptions create expectations. Expectations create guarantees in our mind. But in reality there are no guarantees. The more you resist this fact, the more susceptible you are to disappointment and failure.



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