VIDEO 25: 7:40

SCOTT: All right, guys. So, let's move on now to the risks that you face that could derail your goals, okay? Now this list of risks that I have here, this is not an exhaustive list, okay? These are some of the main ones that jumped out at me as I was looking at your portfolio. Not surprisingly, I'm sure you know the biggest risk you have is you have more risk than is necessary in your old investment portfolio. You're really going to see that when we get to the risk analysis, okay?

ROY: Uh-huh.

SCOTT: Now, this is important. You guys have just enough money to ensure you can enjoy the retirement you want, but any unnecessary loss of principal can have a very detrimental effect on your ability to retire and stay retired, okay? So, we need to make sure that we get maximum use out of your assets, all right, to give you guys the peace of mind that you want, all right? See, unnecessary losses will result an availability of principal being at risk when the market declines and it could have, it has really a detrimental effect on your peace of mind when we have another 2000, 2001, 2002 . . remember the dot com bubble or the 2008 housing bubble? I call these types of losses in the market "fatal fluctuations". Fatal

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fluctuations are the types of losses you just can't recover from, okay? I'm not worried about day-to-day gyrations in the market. Those are done and over with quickly. What we have to eliminate are what are called fatal fluctuations in the market. These are the things that devastate retirements. Now, in your lifetimes you've lived through four fatal fluctuations. You remember the last two. You remember the housing bubble and the dot com bubble, okay, but you were probably too young the remember the ones that happened before that. The first one that happened before that happened in 1968, all right? After World War II, we saw a big run-up of the manufacturing sector in the U.S. economy. Then in 1968 we saw inflation start to rear its ugly head, and we saw the Vietnam War at its zenith, and the market crashed in '68. So, it went up, and then it crashed in '68. Then it clawed its way back up to even by 1973. And then, in 1973, remember the OPEC crisis? Remember the gas lines? The market crashed in '73, and then it crashed again in '74 and it took it until the early 1980's just to get back up to even to where it was n 1968. That has to come off the table, all right? So, we're putting a plan together to avoid the fatal fluctuations, and that's what we really have to avoid, okay? All right. We need to ensure that you have guaranteed income that is not subject to the uncertainties of the market, especially if you choose to self-

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insure against the long-term crisis, and Patty, in your case you're going to have to self-insure, right?

PATTY: Right.

SCOTT: All right. Now, I've talked about about some negative things here, but I want to be little bit positive for a second here, guys, okay? I want you guys to think back to then you first got married, all right? I want you to think back to when you first got married, when you were doing your dance on the floor for the first time as a husband and wife, and I want you think of a little bird landing your shoulder and that bird whispering into your ear "Pssst; hey, guys . . when you get ready to retire in 30 years from now, you're going to have a portfolio of $1.5 million. What would you have said to that little bird?

PATTY: No way.

SCOTT: Crazy, isn't it? How much money were you making when you first got married? I mean, how much compared to what you're making today? It's craziness, isn't it? But, you know what you guys have done? You've accomplished something wonderful. You've got a wonderful blessing, a wonderful nest egg that you've put in place, and you should be congratulated for that. I mean, you are easily in the top 5 percent of the U.S. population. Congratulations, guys!

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Congratulations. that's awesome. Now, as I congratulate you, I want you to listen carefully here. I don't want it to sound like "Congratulations, but . ." but I need you to listen to this next part carefully, okay? Don't be lulled into a false sense of security due to the size of your portfolio. Your desired lifestyle needs and commensurate income needs require the full and proper use of your entire portfolio. In order to maintain your desired lifestyle, all you have to do is what, Patty?

PATTY: Just not lose.

SCOTT: Do you see it? Just not lose. Risk is for people trying to get the assets you already have. All you have to do is just not lose and then get reasonable conservative growth on your nest egg, and you can achieve all your retirement goals. Do you guys get it? This is vitally important right here! Remember, earlier I told you to remember Item N? Rmember, Item N was maintaining your current lifestyle? The other thing I want you to remember as we talk today is this right here. Risk is for people trying to get the assets you already have. All you have to do is just not lose and then strive to get reasonable conservative growth on your nest egg and you can accomplish all your goals and enjoy the rest of your life. Does that make sense, guys? That's what we have to

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do. Now, to drive this point home, what I want to do is I want to do a quick analogy for you here to make this point. Have you guys ever seen the movie Forrest Gump?

ROY & PATTY: Oh, yeah.

SCOTT: Remember he ran really fast in the movie? Well, if you remember, he also played football for Alabama at on part in the movie, and he ran back kickoffs, and he ran like a crazy man all over the field, and he'd cross the goal line, and he would get six points. Do you remember what he did after he crossed the goal line?

ROY: He kept on running.

SCOTT: He kept running, didn't he? He kept running. He ran, ran through the band, remember he knocked the tuba player over. It's always the tuba player. Why is it the tuba player? He knocked the tuba player over. And he ran out the tunnel, right? Question for you, Patty; after he crossed that goal line and got six points, how many extra points did he get for knocking over the tuba player?

PATTY: Nothing.

SCOTT: He got nothing, right?

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PATTY: Nothing; right.

SCOTT: But you know what he did when he did that? He took a chance. He took a chance that he could trip over that tuba player, blow out his knee, end his football career, lose his scholarship, and not get a college degree. He took an unnecessary risk. What I'm saying it to you guys is this: you've crossed the goal line. Touchdown! You have all the money you need to enjoy the rest of your life. All you have to do is just not lose. You see, guys, it's okay to walk over, hand the ball to the referee, and then walk over here to the victory party called retirement, and enjoy it for the rest of your life. Does that make sense, guys?

ROY: Uh-huh.

SCOTT: That's what I want you to focus on. You don't have to knock over the tuba player. Don't take unnecessary risks. All right. Now, another problem you have is you don't have a comprehensive, cohesive Retirement Financial Plan. Well, you do now, but it has to be fully implemented, all right? Having a plan is irrelevant unless you fully implement that plan, all right? Another problem you have is that all of your assets are completely exposed to the spend-down in the event of a long-term care crisis. Remember we talked about about the spend-down, the long-term care crisis where the government will make you spend your

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own money until you're broke, and then when they'll pick up the bill for long-term care?

PATTY: Uh-huh.

SCOTT: We don't want that, right?

PATTY: Right.

SCOTT: All right. Therefore, a long-term care strategy must be in place to protect your assets against the spend-down. You need a written self-insurance plan in your retirement plan to help you get the kind of care you want in the event of a long-term care crisis, and it shows your family exactly how to pay for care that while striving to ensure that the healthy spouse can continue to live with dignity, right?

ROY & PATTY: Uh-huh.

SCOTT: Okay. Your estate plan needs to be reviewed and put into place, right? We need to review it? It's 12 years old, right? And then we need to do a beneficiary audit. So these some of the risks that you face, okay, guys? Any questions about that? So, what I want to do now is go to the step-by-step instructions that you need to follow to accomplish you goals and overcome these risks, okay?

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