RETIREMENT

Life-Cycle Investing: Targeting a Comfortable Retirement

Tailoring an investment strategy to phases of the life cycle is not a new idea. But we were struck by an approach developed by UBS that refines and details life-cycle investing.[1] Dubbed the "3L" blueprint, it allocates wealth to three strategies in varying degrees at different ages: the *Liquidity* Strategy, which is designed to assure adequate cash flow over the short term; the *Longevity* Strategy, designed to preserve and grow wealth long-term; and the *Legacy* Strategy, focused on directing excess capital to families and charities during and after the investor's lifetime.

This broad-brush approach was formulated for high-net-worth investors, but we believe that its principles can be applied, with modifications, to a wider universe of investors and that the approach has some interesting applications for those in and near retirement. The UBS chart on the facing page *(Figure 1)* shows how the relative weights of the three strategies might vary over time for a hypothetical (high-net-worth) investor. Of course, it would look different for other investors.

1. https://www.ubs.com/global/en/wealth-management/chief-investment-office/life-goals/liquidity-longevity-legacy/2019/us-wealth-with-purpose.html?campID=CAAS-ActivityStream

INTERPRETING THE "3L" CHART

The Three Strategies:

The Liquidity Strategy, structured to meet short-term expenses, should be conservatively allocated to cash equivalents and short-term bonds.

Longevity, focused on maintaining and building wealth, particularly in an investor's middle years, typically emphasizes stocks, longer-term bonds, other higher-risk assets, and protective resources like insurance.

Legacy, for those investors who find themselves with more capital than they need to maintain their own lifestyles, especially in their later years, can allocate aggressively, since its goal of providing for others is usually long-term.

The Life-Cycle Phases:

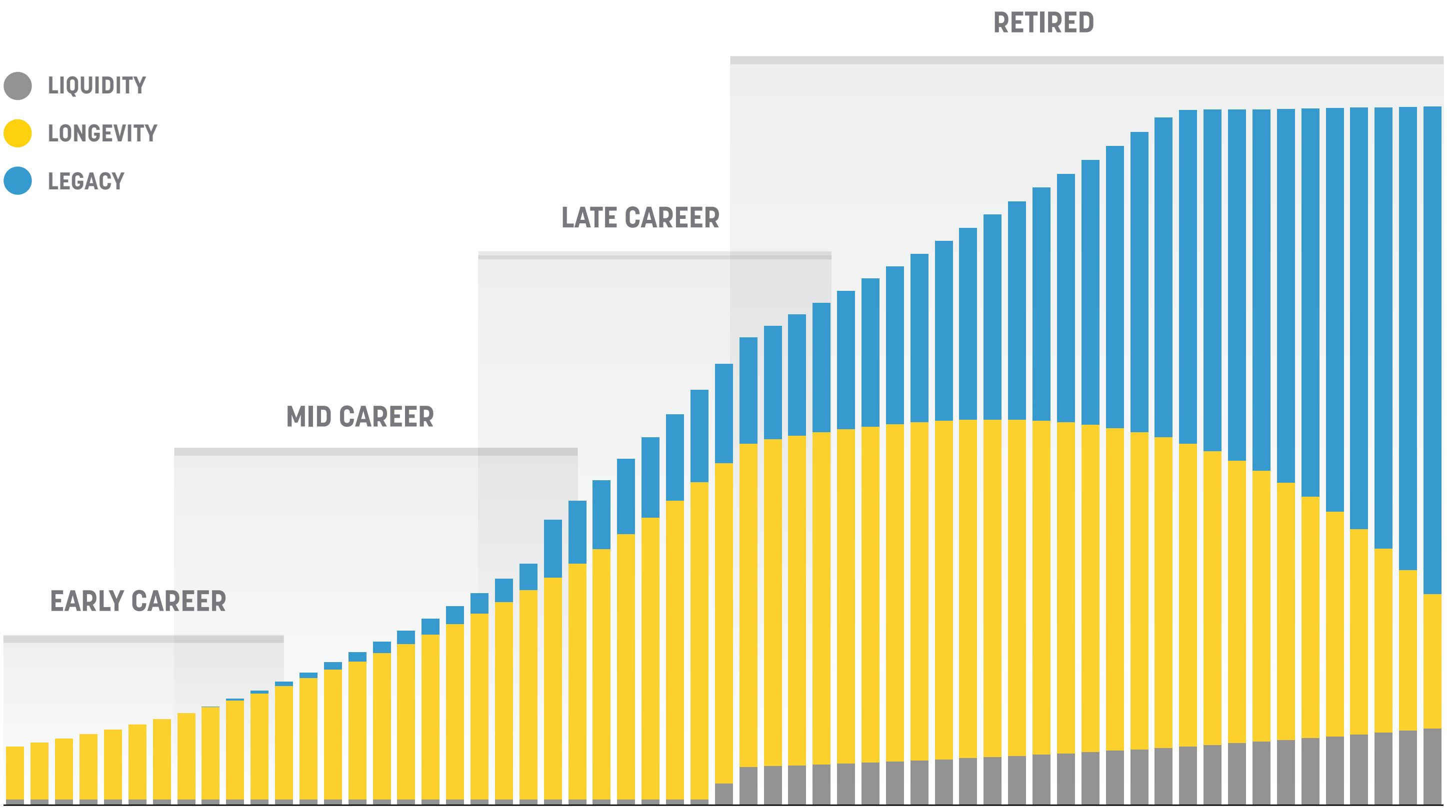
As approximations, we think of "Early Career" as investors between their 20s and mid-30s, "Mid Career" for mid-30s through early 50s, "Late Career" between the mid-50s and mid-60s, and "Retired" as investors from their mid-60s on.

Observations:

- Each of the strategies is represented throughout an investor's life cycle, to different degrees.
- Liquidity becomes more important in retirement, since having ready money to meet expenses can be challenging after earned income terminates.
- Allocation to the Longevity Strategy peaks in the Late-Career years—when growth of capital for many needs, including preparation for retirement, is most important.
- For fortunate retirees who can earmark gifts to their families and philanthropic causes, the Legacy Strategy becomes dominant. And so for retirees who are sure they have enough allocated to Liquidity, taking *more risk* rather than less with the remainder of their assets can make sense—a counterintuitive conclusion.

FIGURE 1: THE RELATIVE SIZE OF EACH "3L" STRATEGY AND THE RESOURCES THAT THEY CONTAIN CHANGE THROUGHOUT THE INVESTOR'S LIFE CYCLE

CHANGING SEGMENTATION FOR A HYPOTHETICAL ULTRA HIGH NET WORTH INVESTOR



EARLY TO MID CAREER

Liquidity strategy
- Current income
- Emergency savings

Longevity strategy
- Earnings potential
- Disability insurance
- Investment assets
- Business interests
- Primary residence & mortgage

Legacy strategy
- Life insurance
- Children's educational savings

MID TO LATE CAREER

Liquidity strategy
- Current income
- Emergency savings
- Borrowing facilities

Longevity strategy
- Earnings potential
- Investment assets
- Primary residence
- Property & casualty insurance
- Pensions

Legacy strategy
- Investment assets
- Business interests
- Other home(s) and mortgage(s)
- Life insurance
- Children's trusts
- Donor-advised fund

RETIRED

Liquidity strategy
- Retirement income
- Investment assets to match spending
- Borrowing facilities

Longevity strategy
- Investment assets
- Primary residence
- Property & casualty insurance
- Pensions

Legacy strategy
- Investment assets
- Business interests
- Other home(s) and real estate
- Children's trusts
- Grandchildren's trusts
- Life insurance (estate tax)
- Donor-advised fund

Source: UBS

Working with People's United Advisors, Inc.

INVESTMENT MANAGEMENT

TRUSTS, ESTATES & CHARITABLE PLANNING*

INSURANCE, SECURITIES & ANNUITIES**

MULTI-GENERATIONAL PLANNING

PRIVATE BANKING*

BUSINESS, NOT-FOR-PROFIT AND MUNICIPAL SERVICES

RETIREMENT PLAN SOLUTIONS

***Services provided by People's United Bank, N.A.**

****Services provided by People's Securities, Inc.**

Securities and insurance products are offered through People's Securities, Inc., an insurance agency and Broker/Dealer, member of FINRA and SIPC. People's Securities, Inc. is a subsidiary of People's United Bank, N.A.

People's United Advisors brings pragmatic, thoughtful wealth management solutions to individuals, families, and organizations.

For more information on our investment offerings please contact us at:

wealthmanagement@peoples.com

(800) 772-8778

www.peoples.com/wealth

www.linkedin.com/company/peoples-united-advisors/

AN RIA INSIDE A BANK – A GREAT IDEA!

We deliver Uncommon Expertise to all of our clients. As part of an organization with over 175 years of experience, we're not new to this.

We are stable, secure, and regulated.

We don't sell. We solve.

We are fiduciaries, always acting in the best interest of each of our clients.

Our culture is one of prudence and risk-aversion.

We deliver solutions that matter, and do so through honest language.

Experienced and tested, we are focused on delivering complete solutions.

FOR ADDITIONAL INSIGHTS AND THOUGHT LEADERSHIP, PLEASE GO TO:

WWW.PEOPLES.COM/WEALTH