Your Cabot Retirement Action Plan
Introduction

At Cabot Wealth, we understand the importance of securing a better, longer, and wealthier retirement for yourself. That's why we have designed this plan to help you maximize your savings and navigate the intricacies of retirement both before and during this significant phase of your life.

The transition into retirement often sparks an increased interest in investing. As individuals approach retirement or after they have retired, they find themselves with more free time and a more direct interest in how their investments are performing. Even those who have diligently saved for retirement may have entrusted their investment decisions to a 401(k) or IRA manager during their working years. If you fall into this category, rest assured that you are in good company and can quickly catch up on the essentials.

On the other hand, if you have been an investor throughout your life, you may be contemplating how your investment strategies should adapt to retirement. This plan is here to assist you in that regard as well.

Investing for retirement differs from the strategies employed during one's working years. While capital appreciation remains important, most retirees also seek a new goal: income. In the past, you may have used investment accounts to accumulate funds for significant purchases or expenses, such as a house or college education. However, the focus during your working years was on making money, rather than withdrawing it.

Now let's delve into the nuts and bolts of retirement planning. It is likely that you will employ a variety of investments and strategies, and you may need to adjust your approach several times throughout your retirement journey. While many investors aim for more aggressive investing before retirement to accumulate a sizable nest egg, gradually transitioning to a more conservative approach as their margin for error decreases, this pattern may not apply to everyone.

Your retirement journey may begin in a conservative position, driven by concerns...
about living solely on your savings. However, as you experience positive outcomes, you may find yourself ready to embrace a more aggressive approach.

No matter where you are in your retirement planning, there is an investing system that can help you achieve your goals. The remainder of this report will guide you in discovering the most suitable strategy for your needs.

Section 1: Growth Investing

Growth investors buy stocks that are rising and that they believe are likely to keep rising. Growth investing involves a greater degree of volatility than dividend or value investing. But it also has the potential for much bigger rewards.

Growth investors usually invest in companies that are growing—or projected to grow—earnings at a faster rate than the overall market. Their goal is to discover these companies as they’re becoming more popular, and then benefit as large investors pile into the stock, driving it up.

Of course, the risk in growth investing is that you’re buying less mature companies that usually don’t pay a dividend. If the share price declines, you don’t have a quarterly dividend payment to cushion the fall. But while they are growing, these stocks have a good chance to outpace the market—sometimes by a considerable amount.

Section 1a: Buying Growth Stocks

Mike Cintolo, Chief Analyst Cabot Growth Investor, Cabot Top Ten Trader

At Cabot Growth Investor, all our growth stocks must meet our rules for growth stock investing—a rigorous analysis that requires a thorough knowledge of a company and the action of its stock. These rules form the foundation of growth stock investing.

1. Invest in Fast-Growing Companies: You’ll usually find them in today’s fast-growing industries, where revolutionary new technologies and services are being created. As you study the companies in these growth industries, you should favor lesser-known companies that have yet to reach peak perception. Frequently these will be smaller companies, where growth potential is greater!

2. It’s OK to Be Wrong – But Not to Stay Wrong: Relative performance (RP) studies are a superb way to identify successful companies and to avoid problem companies. RP measures how a stock is performing relative to the market. You should buy stocks that are consistently outperforming the market. This is a good indication that they are under accumulation by big, usually institutional investors, week after week, month after month, and that the companies are succeeding. The best investing tips come from the performance of the stocks themselves. (Ignore hot tips!)
3. **Use Market Timing to Guide Your Investing:** Be cautious when the broad market is against you and aggressive when it’s with you. Don’t underestimate the power of the market to move stocks, both up and down. When Cabot’s market timing indicators are signaling a bull market, don’t delay. The trend is up, so stocks will be going up. Buy our recommended stocks and hang on as long as the ride is profitable.

4. **Once You’ve Invested in a Stock, be Patient:** Recognize that time is your friend. Frequently stocks don’t go up as fast as you might want them to. But if you can develop a persistent and tolerant attitude coupled with plenty of patience, you’ll have a great advantage. We call this STAYING POWER. (The need for patience does not apply to losses).

5. **Diversify Your Portfolio:** For the Cabot Growth Investor Model Portfolio, 10 stocks provide plenty of diversification. Smaller investors can do well with as few as five stocks, but you should never have all your eggs in one basket.

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**Section 1b: Selling Growth Stocks**

*Mike Cintolo, Chief Analyst Cabot Growth Investor, Cabot Top Ten Trader*

No matter the year or the market environment, the most common questions we field at Cabot concern selling. Because, as the “second half of the battle,” selling is a different animal altogether. When you sell your stock, you’re giving up hope, essentially eliminating any possibility of greater profits. Mentally, it can be tough to do, which is why it’s so important to develop a set of rules and tools. In the heat of the moment, these rules will give you a clear, repeatable path to follow (even when your emotions tell you otherwise)

1. **Cut losses short:** This is, was, and always will be the cardinal rule for growth stock investors; you never want your loss from your cost basis to exceed 15% to 20%; if you’re on your toes, you’ll likely get rid of a loser at 10% or less. (We’re not talking about trailing stops here, which are often counterproductive.)

2. **Never let a solid profit turn into a loss:** This is such a common mistake. If you develop a 15% to 20% profit in a stock, and things begin to head south, you shouldn’t allow the stock to fall all the way back to your buy price. Notice that this and the first rule of selling concern protecting your capital. If you’re able to accomplish that goal, it’s simply a matter of time before you nail down some big winners that propel your portfolio higher.

3. **After an extended rise, sell on a big-volume break below the 50-day moving average:** Institutions tend to add to winning positions after a stock has dipped to its 50-day line, so if a leading stock clearly breaks its 50-day on big volume, it’s telling you institutions are not only failing to support the stock, they’re dumping it! And that often tells you a longer, deeper base-building period (at best) is upcoming, so selling at least some of your shares is prudent.
4. **Huge downside volume is a red flag:** If a stock falls sharply on triple normal volume, it’s telling you big investors are bailing out. That’s not always a sign to sell, but you should put your stock on probation; demand that it hold up and begin to advance in the days following the drop. If it doesn’t, that’s a good indication that some sort of top has been put in.

5. **Sell after an outsized negative reaction to an earnings report:** Earnings season can make or break a stock. If you witness a huge gap down (more than 10% or 15%, usually through a major support level like the 50-day line) right after a company’s quarterly report, you should sell. Even though you’ll feel “late” in selling after a big drop, our studies show that most big earnings-induced gap downs lead to lower prices in the ensuing weeks.

6. **After an extended rise, consider selling some shares on abnormal strength:** We believe that “offensive selling” can help you keep a good portion of your profits. In this case, abnormal strength might mean a 20% to 40% jump in just a week or two (or less!) after a multi-month rise, possibly on some good news (an upgrade, a stock split, a new contract, a new CEO, etc.). While such news probably contains longer-term positives, many institutions will sell into such strength, so taking a few chips off the table is prudent.

7. **Consider selling a piece of a big winner when market timing turns negative:** If the Cabot Tides and Two-Second Indicator turn bearish, it’s likely most stocks are going to have a rough time in the weeks to come. So if you have a big winning stock, consider selling a quarter or third of your shares, ringing the cash register, and raising some cash.

8. **Remember that you can always buy a stock back:** This is an important psychological tool. Too many investors believe selling is an all-or-nothing decision, but with commissions either small or nonexistent these days, you can freely get back into a stock. You shouldn’t hesitate to sell simply because you fear the stock will run higher without you; if the stock resumes its advance, you can get back on board.

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**Section 1c: Early-Stage Stocks**

*Tyler Laundon, Chief Analyst Cabot Small-Cap Confidential, Cabot Early Opportunities*

Everybody has their own system for finding great stocks to build wealth. Some are more successful than others. Many systems could work better, if only the people pushing the buttons could stick with them! Over the years I’ve developed a system that helps me identify early-stage growth stocks that can help investors achieve their long-term investing goals.

1. **Find Big Ideas That are Part of Big Trends:** There are a zillion trends out there that seem good. But it’s the really big and durable trends that you need exposure to for building long-term wealth. Current examples include cloud computing and personalized health care. Really big trends are so big there’s many ways to play them. That translates into lots of
stocks, M&A potential and flexibility for investors to be right on the trend, but wrong on the occasional stock, and still make money.

2. **Look for Revenue Growth Above 20%**: Growth is a must-have for a young company and the more the better. Beyond the obvious that revenue growth shows demand for products and solutions, these types of companies are sure to raise capital through equity raises and convertible debt offerings to fuel their growth. The pace of that growth needs to be great enough to overcome the dilutive impact of such capital raises and keep investor confidence high. If a company is pre-revenue, there should be other metrics available that show concrete progress to a value-creating goal (i.e. favorable trial data for biotech companies, rising recoverable oil estimates for oil exploration companies, etc.).

3. **Look for Earnings Growth Above 20%**: It should also go without saying that EPS growth is necessary. Attractive early-stage growth stocks don’t need to be profitable. But they do need to be trending in the right direction, even if there is the occasional quarter or year where EPS ticks down due to investments, acquisitions or other short-term reasons. Earnings growth that’s faster than revenue growth is a plus as it shows the business has leverage to increase profitability as it gets bigger.

4. **A Strong Chart**: It seems like an obvious statement to buy and own stocks that have good charts that are going up. But I still get tons of emails from subscribers wondering if an ailing stock is a “deal.” No! Sure, there are always examples of a banged-up stock that pops on an earnings report or takeover. But what are the chances you can identify these opportunities with any regularity? Life doesn’t need to be that difficult. Buying on a pullback or a dip when the longer-term trendlines are still up is fine, and often a very good idea. But don’t try to be a hero and buy the proverbial falling knife. You’re just too likely to get hurt.

5. **Look For Companies with Good Business Models**: Big Trends and Big Ideas are great. But a company is only going to start gushing cash if management has developed and implemented a rational business model to seize the opportunity. The hard part for investors is that understanding a company’s business model takes time, and not all are willing to roll up their sleeves and get a little dirty. I’ll do a lot of that work for you, but you should still tune in to what I say to make sure you “get it.”

6. **Invest in Durable Business Models**: This is part two of the above. A rational business model is essential. But it also has to provide the flexibility to allow for innovation as time and markets change. Otherwise, investors will be in for, at best, a few tough years as management retools the business, or, at worst, left holding a beat-up stock with no hopes of recovering. Thus, we want to own companies with rational business models that can evolve. These are the ones that will truly stand the test of time.
7. **Look for Repeatable Positive Events and Catalysts:** Pick any stock and you can figure out at least one potential reason for it to go up. But early-stage growth stocks that deliver long-term gains tackle value-creating initiatives over and over. Examples include new products that resonate with the market and help drive deeper, more profitable relationships with customers. Also important are acquisitions that make sense, are aligned with the business model, are integrated relatively smoothly and are a more efficient way to acquire technology and talent than building from within.

8. **Look for the Scarcity Premium:** Value investors are scared of expensive stocks. True growth investors love them. P/E of 3,000? Bring it on! When a company is young typical valuation metrics are not the right ways to evaluate it. It’s more important to look at trends in revenue and earnings growth, valuation relative to peers, valuation relative to the stock’s history and valuation measures that look far enough into the future, when the Big Idea will be more understood by the crowd (who you can sell to if and when you wish).

9. **Have Your Own Opinion AND Seek Help:** Investors are responsible for their own actions. You can read research reports from the best numbers guy or strategic thinker out there. But it’s your cash and your future. Be a skeptic, understand that even the best companies in the world are less than perfect. Your opinion of the stock’s potential is what brings the entire stock selection process full circle. At the same time, most of us need help identifying early-stage growth opportunities, vetting them, and following along as a company matures.

10. **Try Not to Sell Too Early:** It’s incredibly hard to hold on to stocks for a long-term. That’s especially true when talking about early-stage growth stocks because a lot of them go through meaningful corrections, then take off again. That’s why it’s so important to focus on everything I’ve just said, from big trends to business model, to durability and scarcity premium.

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**Section 2: Value Investing**

The objective of value investing is to find stocks priced incorrectly by the market. Specifically, value investors seek companies that are worth substantially more than their current stock prices. After finding stocks that are underpriced, value investors typically hold for a fairly long time, usually one to three years. Value investors believe you should sell a stock when it becomes overvalued, that is, when the stock price is significantly more than its true worth.

Many investors have made fortunes using a value-based approach—Warren Buffett is the most well-known value investor. Perhaps more than any other type of investing, value investing is focused on the fundamentals of a company’s balance sheet and income statement. Fundamentals include current assets, long-term debt, earnings, dividends, cash flow and book value.
Section 2a: How to Start Your Value Portfolio

Chief Analyst Cabot Turnaround Letter, Cabot Value Investor Bruce Kaser

You are aware that you can put that money into mutual funds and exchange-traded funds (ETFs), but you enjoy the idea of the stock market enough that you’d like to try your hand at owning stocks. Great idea! Here’s my advice on how to proceed. You’ve heard that investing in stocks can be risky; that you can literally lose all of the money in your stock portfolio! True, but that rarely happens. So, I’m going to show you how to lower your potential risk so that you can best enjoy your investing experience.

1. **Make sure the companies you select are expected to see their profits rise** both this year and next year. Sounds a little bit like voodoo, right? How can you possibly know what will happen in the future? Fortunately, Wall Street analysts spend their entire days studying Nike’s (NKE) and Apple’s business operations and balance sheets. They are relatively accurate at telling investors how the profit situations look for those companies, several years into the future. Profits are commonly discussed as earnings per share (EPS). For example, if a company is expected to earn $1.26 in 2018 EPS, that literally means that the company will earn $1.26 profit this year for every single share of the company’s stock. In reality, the profit number could be in the hundreds of millions of dollars, or even billions of dollars. But investors go right to EPS so that the number is clear, simple and comparable to other stocks. There are many websites that tell you the expected EPS numbers. Do an internet search, ask a friend, or call your brokerage firm to ask their representative how to look up those numbers. There are many other ways to measure companies and stock success. You have your whole life ahead of you to learn those things. If your goal is to see your stocks rise while eliminating some of the very biggest risks in the stock market, EPS is the linchpin to getting you to the goal.

2. **Divide your money up evenly** into four or five stocks from different industries and sectors. If you buy five technology stocks, and technology stocks proceed to have a bad year in the market, you’re not going to have a pleasant investing experience. Let’s eliminate that risk by selecting stocks from a variety of walks of life. Here’s a random assortment of famous companies that represent a diversified stock portfolio: Microsoft (MSFT), PepsiCo (PEP), Chevron (CVX), Nike (NKE) and JPMorgan Chase (JPM). And here’s who not to do: Intel (INTC), Apple (AAPL), Microsoft (MSFT), Micron Technology (MU) and Oracle (ORCL). No matter how well those five technology companies are performing from the perspective of revenue and profits, the stock market can easily go through a phase where technology stocks fall and underperform for many months, and that goes for any single sector, too. That’s what we’re avoiding by diversifying your stocks.

3. **Resist the urge to trade your stocks.** The stock market and all of its nuances are as complicated as any other new subject that you decide to study, e.g. cooking, engineering or psychology. You are too new at stock investing to have any sense of when and why to
buy and sell, so just don’t do it. Remember, you’re buying shares of famous companies. Those companies are not going out of business! Their share prices will probably rise if you hold them for several years ... or decades. When you divide your money among four or five stocks, you’re going to end up with disparate numbers of shares of each stock, e.g. 16 shares of one stock and 80 shares of another stock. The number of shares doesn’t matter. The dollar amount matters. Again, we’re lowering risk by not placing big bets on one stock over another.

4. **When you have additional cash to invest, add to the stock with the lowest value.** If three of your stocks rose, one stayed about the same, and one fell, then you buy more shares of the one that fell. That’s because its share price is on sale today. Your goal is to keep those five stocks at relatively even dollar values as the months and years progress.

5. **Here’s the most important reason to sell.** You’re going to look at the earnings estimates periodically, maybe once every three months or so. If you notice that one of the companies is expected to see profits stop growing, you are going to sell that stock. For example, one year McDonald’s (MCD) delivered $6.66 EPS. Analysts then expected the company to report EPS of $7.68 and $8.25 the following two years. Great! Earnings per share are growing. However, if you went to examine the actual numbers in that last year, you would see that its number has changed to $7.70, which was bad news—it means earnings growth had come to a halt. You don’t wait until the year arrives when your stock begins reporting flat profits. By then all of the professional investors have become disappointed in the company’s prospects, and enough of them have sold that they will have put a lid on the share price. You sell before everybody else learns of the disappointing numbers.

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**Section 3: Income Investing**

There are different kinds of income investing. Depending on your risk tolerance, you may want to use more than one in your personal retirement plan. High-yield investors’ top priority is current income, so they buy securities primarily for their high current yields. When fishing in the high- yield pool, you will always have to sacrifice some security, growth potential or simplicity for the big payout.

However, some high-yield investments can payout double-digit returns each year— before price appreciation. Dividend growth investors want income now, but also want higher income in the future. They buy investments with rising payouts that will create a robust future income stream. Dividend growth investors can choose from a wide variety of investments, with a wide range of current yields, volatility and risk levels, price appreciation potential and other factors. Safe income investors want to own holdings are low-risk, low-volatility and generate very reliable income. These high-quality investments can usually be held for years, through most market conditions.
Section 3a: Off-the-Radar Cash Generators

Tom Hutchinson, Chief Analyst Cabot Retirement Club, Cabot Dividend Investor, Cabot Income Advisor

Although the need for investment income has never been greater, decent returns are hard to find. Today, unlike a generation or two ago, many retirees can reasonably expect to live another 20 or 30 years. That’s fantastic. But it means that maintaining financial health will be much more difficult. In order to make your savings last, you will have to find a way to generate a decent income while protecting your principal. Here is a way to do this. In order to incentivize certain businesses, the U.S. government has granted special tax status. Companies with this advantage pay no taxes at the corporate level provided the bulk of earnings are paid out in the form of dividends or distributions. Because these securities are able to pay out money normally lost to taxes, they pay higher yields than regular corporations. Let’s go over some of these types of high-yield stocks.

1. Master Limited Partnerships (MLPs): Master Limited Partnerships are a form of investable security that benefit from special tax status. According to Section 7704 of the Revenue Reconciliation Act of 1987, for a partnership to be classified as an MLP, 90% of its income must be generated from real estate, natural resources or commodities. That includes exploration, development, mining, production processing, refining, or transportation of any mineral or natural resource. MLP designation provides a special tax loophole that was created to encourage the natural resource industry. The effect is that MLPs pay no tax at the corporate level so long as 90% of income is paid out to shareholders in the form of distributions. This is a huge income advantage over regular dividend-paying stocks because money otherwise lost to taxes is added to the dividend. As a result, MLPs are some of the best income-paying securities on the market. Profits go right into your pocket instead of Uncle Sam’s. While MLPs can include shippers, agricultural companies, and miners, the overwhelming majority are in the energy industry. Most of the energy MLPs are involved in what is called midstream energy, which is the middle of the process of getting oil and gas out of the ground and selling it to end users. Midstream companies provide infrastructure support for the industry, such as piping and storing of oil and gas. The beauty of the midstream business is that these MLPs are not overly exposed to the risk posed by volatile energy prices. They simply charge a fee for the services of transporting and storing oil and gas. Such companies are like toll collectors on the energy highway and have dependable and predictable income streams. These MLPs have the ideal business model from which to pay shareholders a regular income. In addition, many pipelines face little competition and operate near-monopolies in their area. Once these pipelines are built, they require little expense beyond routine maintenance and just spit out cash.
2. **Real Estate Investment Trusts (REITs):** Real estate has historically been one of the best investments. After all, they’re not making any more land. A home is the single largest investment most people will ever make. In fact, home ownership has typically been the number one means for individuals to build wealth. Aside from owning a residence, there are other ways to invest in property that are well worth considering for a number of reasons, including:

- **Inflation protection:** Land as well as any building on top of it is a hard asset. Real estate is a tangible thing that tends to increase in value during times of inflation or a falling dollar. After all, paper money isn’t backed by anything but confidence while real estate has enduring physical properties that are always worth something.

- **Diversification:** Real estate is a great way to diversify your investments outside of the stock and bond markets. Holding more asset classes can lower the overall risk of your investments.

- **Income:** Few investments lend themselves to generating an income like real estate does. You allow a tenant to live or work on your property in exchange for paying you a regular income in the form of a lease or rent.

While there are many benefits to owning real estate directly, there is a downside — it’s a lot of trouble. First, you have to decide on a property or type of property that you can afford and manage. Then you have to shop around to find something. If you’re lucky enough to hunt down a property that fits your parameters, you will likely have to haggle over price. When you’ve jumped through those hoops, you get to deal with lawyers and closing costs. At that point, you can make repairs and then go out and sign up tenants, who — it’s to be hoped — turn out to be reliable. Only after all that are you ready to begin your new job as a landlord. If that sounds like an awful hassle, relax. There is a much easier way to reap the benefits of investing in real estate. The modern real estate investment trust (REIT) was created in 1960 as part of the Cigar Excise Tax Extension Act, signed into law by President Dwight D. Eisenhower. The intent was to give all investors the opportunity to invest in real estate without significant outlay and to give real estate ventures access to capital. The first REIT was listed on the New York Stock Exchange in 1965 and since then, REITs have become a fairly common and widespread asset class. In fact, REITs have spread to markets all over, enabling access to real estate investments across the globe. Today, there are over 200 actively traded REITs on U.S. exchanges. These REITs are involved in a wide array of real estate investments including apartments, office complexes, hospitals, shopping centers, and mortgages.

3. **Business Development Companies (BDCs):** Venture capital, or private equity (PE), is money provided to young and growing businesses that otherwise wouldn’t have access to sufficient capital. This money is typically lent at very high rates of interest and/or in exchange for equity stakes (a percentage of ownership). Growing businesses with big
ambitions need large amounts of capital in order to expand and grow to the next level. But such enterprises often have difficulty getting sizable enough loans from risk-averse banks, and they are too small to access the capital markets by issuing stocks or bonds. Thus, they are forced into the hands of wealthy individuals and institutions that have money and are itching to earn high returns. In essence, these venture capitalists can provide desperately needed money to businesses that can’t get the necessary funding any place else. Thus, they are in a position to dictate very favorable terms. For many years venture capital investments used to be the domain of the rich and famous. And the rich got richer. But now, every investor can tap into this lucrative practice though an investment security called a Business Development Company. A Business Development Company (BDC) is a class of security that trades on the major exchanges in the United States. The securities are the publicly traded stocks of companies that specialize in providing capital to small, upcoming businesses in the initial stages of their development in exchange for high rates of interest and/or equity stakes. Here are the three things BDCs do when they invest in privately held companies:

- Lend money at high rates of interest
- Take a percentage of ownership in the form of equity stakes
- Provide an active consultancy role in the management of a company.

A BDC provides stockholders with the ability to retain the liquidity of a publicly traded stock, while sharing in the possible benefits of investing in emerging-growth or expansion-stage privately owned companies. They are primarily designed to limit risk. For example, BDCs cannot invest more than 25% of assets in any one company and cannot borrow more than they have in equity capital (a maximum debt/equity ratio of 1:1).

Section 4: Putting It Together

Especially if you’ve invested for a long time and are used to having capital appreciation as your number one goal, actually using the money you’re earning can be difficult to reconcile with your investing strategy. That’s why this plan presents investments and strategies that are just for retirees and those planning for their retirement. It can help you be as comfortable using your savings as you are investing them.

Section 4A: How Much Income Do You Need?

Nancy Zambell, Chief Analyst Cabot Money Club

In retirement, you still want to make money, but you also probably want to cash in some of your investments to pay for things. That can mean selling a chunk of stock so you can afford a luxury cruise, or just withdrawing a little bit every month to pay the bills. Or both. For investors who’ve
spent all their lives adding to their nest egg every month, helping it grow by carefully choosing the best investments, it can be stressful, disorienting and even a little scary to suddenly start doing the opposite. Even with the money there, you might not be sure how much you can use, and that might keep you from going on that cruise or make you anxious about paying your bills every month.

So you’ll want to set some goals for your investments. There are many different ways to approach this, each with their strengths and weaknesses. We’ll begin with an approach you’ve probably seen before: the “retirement calculator.”

Many advisors think these calculators have more weaknesses than strengths, and we won’t argue. Most use an average annual return on investment to calculate investment returns, which can create unrealistic projections. They also assume that you can roughly estimate your annual spending for the next 30-plus years. But even using generous assumptions, it’s hard to account for unanticipated expenses, like medical bills. It also oversimplifies retirees’ spending habits—many retirees can and do adjust their spending when their circumstances change, which the calculators don’t account for.

But despite their drawbacks, running some numbers through a retirement calculator can give you a good starting point for deeper planning.

If you’ve already used one of these calculators, feel free to plug in those numbers in this exercise. If not, the retirement calculator below accounts for more variables than most, including “modern” retirements where you’re still earning some income. Give it a try here: http://financialmentor.com/calculator/best-retirement-calculator

Some of these numbers are almost guaranteed to change but filling out the worksheet will give you a starting place for your income investing.

Section 4B: How Much Income Can You Expect?

Nancy Zambell, Chief Analyst Cabot Money Club

While retirement spending calculators can give you an idea of how much income you’ll need to generate in retirement, they also make a lot of assumptions. Expenses are very difficult to predict—especially health-related expenses—and these calculators usually don’t take into account retirees’ ability to adjust for changes in life circumstances. If you have higher medical expenses one year, for example, you may choose to cut back elsewhere rather than dip into your savings.

Another thing you can’t control is the market. Over a long enough period of time, the stock market’s trend is up, but it’s impossible to predict what it will do from year to year. Even expected equity returns based on historical averages are just guesses.

All these uncertainties can make planning for retirement seem futile. But don’t despair. You don’t have to know exactly what’s going to happen in the future to make a solid plan.

When you pack for a vacation, you don’t know exactly what the weather will be like, but you can still
plan fairly well based on forecasts. If you’re going to San Francisco in June, you can find out that the average high that month is 66º and the average low is 53º, and be reasonably sure you don’t need a heavy coat, but you’ll probably want a jacket. If the weather turns out to be unseasonably warm during your trip, at worst, you’ll regret the wasted space the jacket took up in your luggage. You can also look at the average number of rainy days in June and decide whether to bring a raincoat or umbrella. In San Francisco, it rains about 13% of the time in June. If you decide not to bring a raincoat, and it rains one day of your trip, you’ll probably think you made the right call. If it rains every day of your trip, you’ll wish you’d brought a raincoat and umbrella! But the odds of that happening are so small, the possibility of it happening doesn’t necessarily make it worth packing the extra items.

Retirement planning is, believe it or not, similar. It’s impossible to know exactly how your portfolio will perform over the next 10, 20, 30 or more years, but you can predict a range of likely situations, and position yourself accordingly.

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**About Cabot Wealth Network**

Cabot Wealth Network, established in 1970, is a trusted independent source of advice for individuals striving to take control of their investments and find the best stocks. Its investment advisory services deliver high-quality advice to more than 200,000 individual investors and investment professionals in 141 countries. Headquartered in historic Salem, Mass., Cabot Wealth employees take great pride in providing intelligent investment advice and timely, personal service without the hype and fabricated claims. Cabot is a member of the American Association of Individual Investors, Better Business Bureau, Specialized Information Publishers Association, and the Salem Chamber of Commerce.

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