

# HOUSTON BUSINESS JOURNAL

Strictly Houston. Strictly Business.

Vol. 39 No. 22 Week of October 10–16, 2008

houston.bizjournals.com

## Executive retirement: Bad time to exit, good time to make plans

BY THORA QADDUMI  
HOUSTON BUSINESS JOURNAL

For a corporate executive, now may not be the time to put their career behind, says Jeff Kanaly, vice chairman of Kanaly Trust (www.kanaly.com).

“Given the volatility in the investment markets and the questionable stability of economic growth, there are a few reasons why putting off retirement is a wise decision,” he says.

### DIFFICULT WITHDRAWAL

“Trying to predict the cash flow that investments might be able to provide would be difficult, given the constant ups and downs of the market. The reality is that the market can swing from a couple percentage points up to a few percentage points down in one day, and the likelihood that portfolio returns will be steady is smaller than in times of relative quiet in the markets,” he says.

“Eventually, the volatility will settle. That’s the natural course the market takes. During a more stable time, investors will be able to better predict the amount of money they can comfortably withdraw and maintain throughout their retirement years. But right now, predicting consistent returns and subsequent withdrawals could prove to be a challenge,” he adds.

Kanally advises executives to remember that the sequence of returns over the years of retirement can have a dramatic impact on a portfolio’s sustainability.

“Retiring when the markets are down or struggling to stay sideways may not be the savviest decision for someone concerned about making money last throughout retirement,” he says. “However, if cash flow is using lower growth or flat markets and it’s feasible to comfortably retire now, then the growth in future markets will help as long as investments are wise.”

A corporate executive with stock options at or below the exercise price is well advised to do some research on his own firm and evaluate its future prospects.

“Compare perception of the company’s near-term future (two to three years) with an analyst’s view of its near-term outlook,”

Kanally says. “Then overlay the results with the general market.”

This won’t give an answer that is 100 percent correct, he adds, but it will provide a basis for a decision.

### BURNING BRIDGES

“Leaving a company during unsettling times may leave a bad taste in an employer’s mouth,” Kanaly says. “The adage ‘don’t burn your bridges’ holds true even after leaving the professional world for a life of relaxation and leisure.”

He notes that an employer’s assistance may be needed in the future.

“I once had a client who came to me with a list of 250 things he planned to do after retirement. Being the resourceful corporate executive he was, it took him just four months to complete the list,” he recalls.

Whether for the money or the enjoyment, an executive might want to step back into his career to some degree in the future.

“Corporate executives have more value than they realize,” he notes. “They have an extensive list of contacts, are very creative and make terrific consultants and mentors.”

Thinking strategically as opposed to tactically about retirement is important and that seemingly long “to-do” list may be shorter than a retiree thinks.

“Consulting a few hours a week for a former company may start sounding like a nice idea, so never burn that bridge,” Kanally advises.

### STARTING TO PLAN

Although it is a bad time to actually retire, the time is ideal for retirement planning, he stresses.

“The perspective during a time of volatility and uncertainty helps in the planning process. Committing to a lower portfolio withdrawal rate and visualizing what part-time work in retirement might look like helps the aspiring retiree plan with discipline,” he says.

Kanally says those pondering retirement now should revisit their plans on five fronts:

- What realistically can be expected

from current savings and investment portfolio, in terms of the cash flow that will be generated?

“It is important to realize that volatile markets will always be a possibility,” he says.

*‘Retiring when the markets are down or struggling to stay sideways may not be the savviest decision.’*



Jeff Kanaly  
Kanaly Trust

- What adjustments could be made to retirement lifestyle (taking on part-time work, delaying retirement, taking fewer trips, etc.)?

- Is it realistic to work another two to four years in order to ensure a comfortable retirement? Weigh the options. What makes the most sense?

- Do not forget any extra monetary obligations such as paying for part of a grandchild’s education, funding a daughter’s wedding or even future family dependency.

- When reassessing the individual situation, factor in unforeseen events. The current situation could change in a day’s notice. It is vital to prepare for the unexpected occurrences.

### BOTTOM LINE

“It is no secret that the American economy has seen better days,” Kanaly says. “Boomers thinking about heading into retirement need to seek help to properly assess the situation. The bottom line is: Everyone needs to be prepared. Retirement can be enjoyable, relaxing and comfortable — but only if the person who is retiring is ready for it.” ■

tqaddumi@bizjournals.com • 713-395-9660