

Planning during uncertainty: Retirement and other goals

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TRANSCRIPT

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Lorna Kapusta: Hello everybody, and welcome to our wealth management webinar series. I'm Lorna Kapusta; I'm the Head of Women Investors at Fidelity. So today we're here to talk about something we know has been on the minds of many of you, as well as many of us, which is uncertainty. Specifically, we're going to talk about how to plan for your evolving needs and goals when you just don't know what is coming next in the world or in your life, so we've all experienced that a bit as of late. So today, I am joined by Viktor Misko, and Jodi Coochise, both who understand how to plan financially and emotionally for a wide range of scenarios, as they do this day now, and have been for years. We're going to explore how to be more proactive in planning, and how we process emotions and really think through how to utilize those emotions, but then put them to work in a positive way as we do our planning. And most important, what hopefully it can help us get to is really to that less stress and peace of mind.

So let's start out with some quick intros. Viktor, I'd love to start with you. Can you tell us a little bit about yourself?

Viktor Misko: Absolutely, Lorna. Thank you for having me on this call. I'm a CERTIFIED FINANCIAL PLANNER™, and in my role as a wealth planner, I help create and implement customized financial plans for individuals and families. And overall, I serve as a go-to person for my clients, ongoing financial advice.

LORNA: Great, excited to kind of dive into some good conversations with you. And Jodi, over to you. Can you tell us a little bit about yourself?

Jodi Coochise: Of course, yes, thank you, Lorna, and I'm also really looking forward to this conversation today. So I'm a psychologist and executive coach, and I'm also a consulting partner



for Fidelity's Center for Family Engagement. And in that work, our team works to help people better understand how emotions can impact our decision-making, and we work at trying to help people better understand how to have better communication and relationships with clients, with our colleagues, as well as with the people just who are in our life and are important to us.

LORNA: Well great, and you know, today's discussion is going to start off a little bit differently. Because of the many questions we got around how to handle uncertain times, and some of the conversations we've had, Jodi, with you and your team, the Fidelity Center for Family Engagement did provide us with kind of a set of guidelines that are utilized, and we'd actually like to start off going through those, and just talking a little bit more about them. So let's actually start with the first one: avoid reactivity by checking in with yourself and processing your emotions and experiences. Jodi, can you talk a little bit about that, and what that means?

JODI: Of course. So reactivity is when we are making decisions and we're responding to a situation, and we're primarily doing that from an emotional place. And the downside to being in that reactive place is that when our emotions get stronger and more intense, our ability to see options and to be creative in being able to navigate our ability to see nuance all decreases. So when we're in that reactive mindset, you know, we're just not able to see everything that's available to us. We're not as good at being able to talk through different options, and so it really puts us in a position where then we're making decisions that aren't as well thought out, and we're just doing things that might not later end up being the best choice for us because, in that moment, we're simply just trying to make a choice that we believe is going to help us feel better emotionally. And it may give us an allusion of, like (sighs), relief once you make that choice. However, sometimes those choices, because they're not as thought out, we end up having to deal with an emotional response down the road. So our—one of the things we talk with people about is the importance of trying to notice when we're in that reactive space, and then try and step out of it.

LORNA: Jodi, that makes a lot of sense, and I know I personally have experienced that in many situations; I'm sure many people can relate. But I think talking through it is going to help us. So Viktor, I'm sure that you experienced this on a regular basis in planning with your clients. Can you talk a little bit about any recent situations you have, and what do you share and how do you help?

VIKTOR: Sure. Emotions and money are closely connected, and as you can imagine, I don't have a shortage of examples to illustrate that. I'd say, the most common mistake people make is really equating planning to investing. And really, without proper planning, investing becomes very reactive, which is exactly what you don't want to do. So when it comes to examples, I recently had a client who was worried, and really rushing to capitalize on market recovery, and hoping to obtain quite an aggressive allocation, despite just entering retirement. I reminded him that without a proper plan, really the joy of short-term returns is quickly wiped out by volatility or correction, if the risk is not properly assessed. So my guidance was to build a plan that can work in any market conditions, right? You know, we also satisfy his request in a way, you know, position a portion of his

assets, you know, towards more aggressive allocation, or we pull towards wealth accumulation or long-term growth. And this is one of many examples that we face day in and day out.

LORNA: I'm sure you face that day in and day out, especially as of recent, I guess, I would say in the past year-and-a-half, but for many years, so very helpful.

Let's move on to principle number two. So Jodi, listen. Life is messy and uncertain; we've all obviously lived through that, and you can't predict the future. I think we all wish we had a crystal ball, but we don't. So you know, one of the things that I think would be helpful for us to talk about is the second principle around being in times of heightened uncertainty and reactivity. How do we adopt a proactive mindset that seeks opportunities? And can you talk a little bit about that and, you know, how we can do that?

JODI: Yeah, I think when we're adapting that proactive mindset, I think the first piece is noticing that our emotions are high, and making sure we're taking a moment to just attend to those, and to take deep breaths, to step away, to try and get ourselves to a calmer place. And when we can do that and then step back into looking at the information in front of us, and especially if we're making decisions, when we're in a proactive mindset, we want to be curious, we want to see what the options are, we want to be able to think through. If I choose option A, how does that play out? If I choose option B, how does that play out? We want to be able to have that kind of more in-depth thought process and exploration.

The other thing about the proactive mindset, in addition to just being curious, is we really have to step away from this idea that there is a right answer and to reference this idea of the uncertainty. Like, we live in an uncertain world, and it's hard sometimes to accept that we don't know what the future is going to hold, but we don't have to wait until we feel certainty to make really good decisions. The decisions come from the ability to just be able to see the nuance, see the options in front of us, think through them. And when we're doing that, we are in a proactive mindset, and we're able to really get to a place where whatever we decide ends up being a good fit for us; it ends up being maybe a right answer for us in our situation and our family. But we stay away from this idea that there's a right and wrong; because I think that puts a lot of pressure on us to then, you know, kind of find this magical answer that may not exist because of our inability to have that crystal ball and to be able to predict.

LORNA: That's really interesting. So Viktor, we'd love your perspective on this, because if you think about applying a proactive mindset to planning, no one could have predicted, well, the global pandemic. But how does planning and a proactive mindset, how does that play out in getting to a better place when a global pandemic does happen?

VIKTOR: On this one, I'm going to talk about kind of a post-pandemic world, you know, a little later; but really, as I mentioned early, when meeting clients, especially in early stages, in what we call kind of an introductory and on-boarding process, I stress the importance of building the plan

that can be tolerated, on both the upside and downside, meaning that in good markets and bad markets. I don't really correlate proactive mindset with planning for specific outcome. For me, proactive mindset is really centered around understanding potential risks, and planning around them. For example, many of our clients are getting close to retirement or entering retirement. So we often talk about five key risks that we can be aware of and plan around. Those are: longevity, health care risks in retirement, right, things like market risk, staying diversified, the risk of inflation, right, and we're going to talk about inflation towards the end of our call. And also, you know, things like withdrawing too much, too quick. Those things are real, and that's something that we can be aware and plan around. And also being proactive is aligning your assets with a specific purpose, specific goal, right? Focusing on things like protection, and growth, and accumulation, and such. All in all, right, proactive mindset is being as holistic as we can be, and planning around risk, rather than solving for it.

LORNA: Again, makes a ton of sense and really helpful, so thank you both. So let's actually shift on to our final principle, because before you start to plan, step back, and look at your larger life circumstances in a systematic way. Planning considers your whole life, whole family, whole self, which is really important of course. So Viktor, can you start us off with this one? And just, you know, what are the benefits of adopting this holistic and systematic approach to planning?

VIKTOR: Yeah, absolutely Lorna, as you can imagine, it's near and dear to me; it's something that I'm passionate about and I've chosen as a career, and been able to actually, you know, fulfill and practice this holistic craft day in and day out. But you know, for me holistic is really meeting clients, or where they are in life at this present time, right? What does it really mean? It means really understanding their background, their story, where they're coming from, how do they get here—really centering the conversation about things like, what's important, what are their priorities, but also who is important in their life, and who are they planning with and for, right? Beyond that, it's talking about their hopes and wishes and fears and concerns, right? Staying as comprehensive as possible, right, and beyond that, really incorporating financials, right? It's really understanding numbers, right, getting to help them understand their current position, getting to organize. But all in all, it's how do we connect all aspects of their life in a plan, right? I think it's interesting, because Jodi mentioned playing out, right, run scenarios, right? That's analyzing what-if scenarios, but I strongly wanted to understand the client, what's important to them, and build a plan that connects all aspects of their life. That's my definition of holistic.

JODI: I would add to that—I love that, Viktor, and this idea, you know, the way in which you meet clients where they're at and gathering all of that, their stories. And I think there's a piece here too of also understanding like the impact of the decision. Like a person makes a choice in a moment, and the ability to then even think about how that's going to impact the family members or us down the road. And we can't predict it with certainty; it's not like we're going to be able to like, you know, again, predict that future. But I think it's just the—getting in the habit of thinking about the fact that there's influence, and that's what that systemic kind of element really means for me is that, you know, we don't live in a vacuum in any of our realms that we live within. When we make

a choice, when we do something, when we have an action, there's an influence that that has to the people around us. And it's not about changing the fact that that influence exists. It's just more about being mindful of it. And I think, you know, as you were describing that, I was thinking about how all of that information you get allows you to help that client not only think through that, but helps you to start to think about, like, how do we put together something that really accounts for all of that? And I think that's just such a cool thing, approach, to be able to bring to your clients.

VIKTOR: It's very exciting for clients themselves. They really like that level of engagement, and I welcome that.

LORNA: I was actually just going to say thank you both. And Viktor, with what you said, I think for everybody, myself and for everybody else who's joined us today, just really hearing about the depth that you go to really fully understand, and then understand when changes are happening and support, I think is really nice to just for all of us to hear more about that process and how you work through it with your client.

So now we're actually going to shift over because we did get a number of questions prior, and I want to make sure we can get to as many as possible. So I'd kind of like to shift into those specific questions. So what I would say is we're going to give examples where there may be variations of your question that you asked, and we intend hopefully to kind of cover with, you know, our thoughts on how to approach things. So the first one that I came in, and I will tell you, no surprise that we get a number of questions around this was because of the pandemic. And this person is suddenly assessing the possibility of retiring early and they hadn't been planning on that timing previously. So what are things that they should consider and assess for their options and adjusting their plan? Viktor, do you want to start us off with that one?

VIKTOR: Sure, happy to, right? You know, it's a quite common discussion for us. And the first thing that I would suggest is really avoid making any rash decisions. It's quite common when we get in a position of uncertainty—emotion takes over and oftentimes forces us to make irrational choices. Second, I would strongly assess their current preparedness towards retirement. In this case, numbers matter. You know, we get into things like sources of income, their assets, their liabilities, their expenses. We're going to talk about the big picture. Beyond that, you wanted to perhaps project whether it's going to be a short-term or prolonged stay, meaning that you may have to have a withdrawal strategy in place. I think the theme of this discussion is also being proactive—is saving or accumulating cash reserves. This is really the reason why you do that, and this is the time to perhaps lean on those cash reserves, right, while you go into these difficult times. There's definitely an element of, you know, process here without making any rash decisions. I do see quite frequently for clients that are in this uncomfortable position, they may see an element of positivity, meaning that when they go through this process, you know, with me or with a Fidelity professional, they may find themselves very much ready for retirement, right? Therefore, they can breathe, and they can make their next decision predicated on their desire to work, perhaps, versus their need to work, which is a really comfortable position to have, to be in.

LORNA: I'm so glad that you shared that, because I do think depending upon, you know, how you planned before, how much you saved, and what you've done, there can be a lot of joy in this, or a lot of kind of positive emotions. And I think this concept of emotion, be it surprise, positive, it's all about emotion coming into play when these changes come up. So Jodi, can you talk a little bit about the financial with the emotional, and why something that's this significant a moment that can be emotionally charged, how can you work through it, and what are the recommendations you have?

JODI: Yes, as we get surprised, as something unexpected happens, a natural and normal response is to experience emotions; and Lorna, I love that you pointed out both. Like sometimes it's anxiety and fear. Sometimes it's excitement, and sometimes it's joy. And any emotion, good or bad, or any combination, as they get stronger and more intense, our ability to be able to just think through things in that more rational place decreases. And it's not a mark of how strong we are, or how smart we are. It's just how our brain works. And as emotions get stronger, our capacity to think clearly decreases. So when something unexpected happens, or if we're dealing with a lot of uncertainty, step number one is being able to check in and just say, how am I handling this? Do I feel really strong emotions? It's okay to feel worried when all of a sudden something happens, and now the questions about the future come. When we validate our feeling of being like, yes, of course I'm feeling worried, that brings our emotional levels down. It's not about eliminating the emotion, it's just about bringing them back down to a level that's less intense, and as the intensity level comes down, our ability to think in these more productive ways comes back online for us.

So some of the ways that I will talk with clients to be able to do this is, first and foremost, notice your breathing. Our breathing is the first thing that goes when we get really emotional in any way. It gets shorter, it gets kind of stunted a little bit. We're catching our breath and we're not taking full deep breaths, so focus on, can I just like slow my breathing down? I also talk with people about checking in with the thoughts, and not what they are, but how quick are they coming? A lot of times when we're in those intense emotions, one of the reasons why we have a hard time thinking through is because we've just got so many things running through our head, and they're coming through at such a quick pace, that we're just not going to be able to kind of look at them and utilize them. So if I can slow my thoughts down—and sometimes one of the best ways to do that is to start to talk to somebody out loud—but talk in an even, like slowed-down pace. I don't know if anybody's ever had this experience, but when I get really anxious or worried, and I'm sharing it with somebody, my story's really, really fast, and that can actually feed my emotional response. And I can take that deep breath and go, okay, here's what's happening, here's my concerns, here's my questions. It's going to feel forced, and that's totally fine, because you are. But the more I slow down, my thoughts will also slow down, my emotions come down, and then I get to be able to get in these conversations like with Viktor. I can sit down with him and the information that, where he's providing, I get to think through it at a more even pace, which means I'll be able to kind of take it in and consider it in a more complete way. And the role that Viktor gets to play is a really valuable one, because he gets to be that person. You know, when I'm really stressed about something, I have my trusted person that I go to that just has a calming presence, and I know that when I talk

to them, they're not going to get caught up in my emotional reaction and get sped up with me. They're going to stay kind of more even for me. And the role that Viktor's in as the advisor, that's what they're there to do too. Like, they have all this wonderful information, but they're also the calming presence, and if we allow ourselves to be influenced by their calm, we'll get back to that more grounded place and be able to kind of think through the decisions that are in front of us.

VIKTOR: Yeah, I appreciate you saying that, Jodi, because we're talking about being a calming presence for our clients, and you know, that's what we do, right? Numbers are going to tell part of the story; it's not everything. And oftentimes, you know, when they're kind of the midst of it, and sometimes discussing with, you know, their coworkers or their friends and family may potentially even accelerate that feeling, you know, and forces irrational decisions. So taking a step back and recognizing every client has a story and every client is in this position, just to be present. And then, of course, engaging with the numbers—that's critical, and that's something we don't take lightly.

LORNA: I can say personally for me and my husband, I know that our advisor has been like a game-changing presence for us in many different situations. And so, I've been able to personally experience it myself and I'm very thankful.

So, I'm going to shift into another question, which is in, no surprise, health care. So you know, a lot of heightened concern is over feeling like you've planned for health care, and that you're able to protect yourself and your family from what comes. So one of the typical questions we've been getting is, you know, the pandemic has kind of really created a ton of worry around health care costs, and how to best prepare. So, what can people do to take steps to better prepare, Viktor?

VIKTOR: Yeah, sure—quite frequent conversations for us. I mentioned five key risks in retirement, you know, not planning for health care expenses, is just one of the pitfalls that one can certainly fall under. Well, let's talk about some numbers first; we'll kind of build on it. Fidelity conducts a number of studies, and one of the studies is retiree health care cost estimates. An average retired couple, right, 65 or older, in 2021, project to spend over \$300,000 in after-tax savings for their health care expenses in retirement. Some of those expenses had to deal with long-term care, right, beyond that \$300,000. And if you take 65 and older, 70% of those folks will face some form of long-term care event that ultimately, you know, will require services, either at home, or in assisted living in a nursing facility. Beyond that, when we talk to our clients and those who are getting ready to retire, we're planning until late 80s, and even 90s, right, sometimes even beyond. So you know, with all in mind, the concern is real.

From the practical point of view, there's certainly things that you can do, and you know, some of those things are taking place when you're working. For example, health savings account. If you have a high-deductible plan through work, health care plan, you're able to save towards an HSA. It's a great way for you to reduce your tax liability, grow your money tax free, and now also distribute that for qualified health care expenses, right, you know, on a tax-free basis—critical way to really pinpoint that. Long-term care. Long-term care is, also can be, certainly complemented

with your existing assets. But there's some policies that you can structure that can really minimize use of your own personal assets and can be also extremely, extremely tax efficient. When it comes to health care expenses—again, we are thinking about the central expenses and health care expense is a part of those central expenses. Therefore, we are using guaranteed streams of income to cover those essential expenses and, you know, that's something that's been working quite well.

And finally what I would say too, because you know, people are worried, it's post-pandemic. I did touch on folks in retirement, but what I would really stress is really overplanning and over-analyzing, right, and trying to solve for a health care event, right? It's very difficult to do, right? We don't know when it's going to happen or if it's going to happen, and oftentimes that overanalysis, you know, leads to simply lack of implementation. You want to have a conversation with a Fidelity professional—you want to talk about it, you want to create a solution. But again, it's very, very difficult to solve for something. I believe Jodi alluded to really solving to something earlier, today too. So I want to just highlight that.

JODI: Yeah, I think sometimes we go in with the mindset that, you know, especially in this context, I'm going to go and I'm going to get information, and then I'm going to have the solution. And so, we don't realize that we're actually walking into that conversation with the expectation that we will find certainty. And yet we're talking about things that we can't predict with absolute certainty. And so I do think sometimes it helps us if we can walk into a conversation like that with an acceptance and awareness that the end goal of this conversation probably will be me still feeling uncertain, because the situation is inherently uncertain, but to feel like I approached it in the most thoughtful and grounded way that I could. I got all the information, I looked at all of these different resources and options, and I really was thoughtful about how I approached it. And that shifts our focus from, can I get that guarantee that I'm looking for, which of course we are, like that would make us feel better. But we also have to accept that that's not possible. But if I can shift my attention to, can I walk away from this conversation feeling like I really thought all the things through, I paid attention to what I did know, and I feel like I got to a better place, I may still have a degree of uncertainty left in me, you know, left over, but it's minimized. And I can feel good about that, so I think that's also really important when we go into conversations like this is to be aware—am I expecting to walk out of here feeling completely good and fine about something that's just, you know, really unknowable? I might not get that, and it didn't mean that my conversation wasn't effective, or it didn't mean that I didn't get what I was supposed to get from it. It just means that I'm dealing with something that's kind of unknowable.

VIKTOR: And it's our role as really advisors to kind of follow up on it to really manage those expectations, and kind of set the tones and talk about our past experiences in various situations—kind of combine things that are guaranteed and things that are not guaranteed, things that are controllable and things that are not controllable, right? Because that's what it's all about, right? And you know, sometimes clients' expectations will be solving for something, and again, it's our role as advisors to kind of navigate through a fairly complex world.

LORNA: So thank you both, and I know that we've done a lot of research. I also talked to thousands of clients, and I would actually say also, in this idea of sitting down, getting information, and preparing and actually taking some steps, you realize how much better you feel, because you're being—our theme—proactive, and preparing as much as possible. So I appreciate you guys both providing them. So, you know, we've been talking about the pandemic, and we talked about a couple examples of life change. But there's others—there's changing career, there's people who may retire from one thing but are considering, or just considering starting a business. We also have a number of people who had kids move back in, adult children move back in with them. So what advice can you offer for approaching planning during any major life change? Viktor, let's start off with you.

VIKTOR: Yeah, sure. You know, just a quick reminder. Clients come to us at the time of change. Most of the time that they solicit our opinion, our advice, where, you know, things are kind of dynamic, things are moving and shifting. And you mentioned several of those, you know, real-life examples that clients can turn to us. I think one thing I would remind them is really when you're going through a major life change, recognize that you're not alone, and you have professionals who can help you financially and emotionally, right, through this life change. And as I mentioned earlier, right, recognize where you are in life, right? What's your current state? How are you prepared, right? What's the kind of big picture here? And from our perspective, we can help with numbers, right? Where do you stand? Are you ready for something like this? And how would you tackle this life change moving forward? It could be not a single answer. Every family is different; there's family dynamics that actually play the role in this, and that's something we also incorporate into planning.

One thing that I lean heavily beyond just the numbers and, you know, planning resources—Fidelity has a dedicated page on live events on Fidelity.com. So if you wanted to learn more and beyond your conversation with someone that you trust or a Fidelity professional, you can reference a dedicated page, and that page has a number of themes, and it's pretty much encompassing every possible life event, from marriage, to divorce, to paying off debt, to losing your job, to you know, unfortunately, losing a loved one. All of those topics are extremely, extremely, you know, again, topical to our clients, and you can build on that conversation, and then circle back with your financial professional to further...

LORNA: Hey Viktor, what I would say, I know I've talked to a number of clients who have used that set of experiences, because it does cover so many life events—in fact, almost every life event. But it's also built with our clients. So was there a top question—what are the dos and don'ts? What answers are they looking to get if they're thinking about something or something may be coming, let's say, thinking about a divorce? It is chock-full of, to your point, to prepare for situations, things for you to think through. And it's really kind of built on, really the feedback of the people that we work with every day to make it as helpful as possible. So I just want to say, I think there's a lot there that people should take advantage of. With that said, Jodi, I know you talk a lot about, you know,

major life changes, and there's a ton of emotion that comes in with that. Can you talk to us a little bit about that?

Whoops, we might have had Jodi freeze.

JODI: Yeah, I'm back, I think. (laughs) So, hopefully it'll come through, and I think my connection for whatever reason is a little choppy, so I apologize. With change, it's going to raise a slew of emotions, and that's going to be impacted by a lot of things—whether it's an expected change versus an unexpected, whether it's a change for the better, or whether it's going to be a change that sort of feels like a downgrade of some sort. And you know, there's the emotions about what's coming, the unfamiliar. You know, whenever change happens, it means we're stepping out of familiar into unfamiliar, so there's an inherent uncertainty, unknown, that will raise natural responses of anxiety. There's also a loss component to change, even those changes that we're looking forward to. We're losing what was in our familiar, and so when change is coming, one thing that can be really helpful is to explore all of those emotions, and to be able to allow what might feel like conflicting emotions to just exist—make the space for them, and to ask questions like, so what changes are going to come when we do this? What are going to be the upsides to those changes? What might we be losing with those changes? And to just give ourselves, you know, the permission, and especially within families, like the example of, you know, the adult children moving home. I will talk with clients where they feel torn between, well, you know, I feel bad because there's not really space for them, and I don't know what to do, and yet at the same time they're like, but I like having them home. And it's like, when they describe it like that, it's almost like they feel like they have to choose which emotion they've got to go with. And my response is always, it gets to be all of it. And it's important to acknowledge that yes, your home dynamics are going to change, and there's going to be some things, hiccups, in that. There's going to be some hard things with that. And, there's also going to be some positive things that come from them being around more often. In our world today, most adult children don't live close, you know, and you don't get to see your kids and your grandkids or your parents on a daily basis once you've reached a certain age. So it's this little moment of opportunity, and if we can see the opportunities, we can also acknowledge the downsides and not judge ourselves for seeing them. That allows us to maneuver change in a much more effective and meaningful way. And I think it starts with letting the emotions come up and exploring them—but not necessarily getting stuck in them and caught up with them—coming back to the principles from the beginning. When we're in reactivity and we're being guided primarily by the emotion, that's not necessarily going to be helpful to us. It's by acknowledging the emotion, making sure that it's not the only thing guiding, and that we're using other things. And if we can do that balance, then we can navigate change better than even we will give ourselves credit for being able to.

VIKTOR: Yeah, and I just want to dive in financially, right? If someone has this conversation with someone like yourself, professional like yourself, right, if you wanted to go back to finances and kind of play it out, we have tools and resources that can kind of measure that what-if scenario,

right? If you have—if you're helping a loved one, what does it mean, right, financially, right, beyond just helping? Is it the financial help? Is it the emotional help? If it's the financial help, does it impact your own plan, right? Now you know, someone's moving—your children are moving back with you. What does it mean, right, financially? Will you be helping them for a while, right? Maybe it's buying another place. You can use certain financial tools that we have access to to play this forward, to illustrate the impact on the plan and kind of connect the dots, right, all together.

LORNA: Viktor, very helpful. And I actually want to fast-forward that into another question that's coming in. So we've been talking about life changes, those different situations. But listen, there's a lot of growing anxiety that we're all experiencing around uncertainty around taxes and the markets. I know we're hearing about a market top, inflation. So, what I'd love for you to talk about is, if those are all, also, as we go forward, in our head, and it's a bit overwhelming, how can we handle some of the unknowns? And then what are those options, like you just talked about, for us to kind of be preparing for some of those unknowns in the best way possible?

VIKTOR: Yeah, sure, I'd be happy to. Well, we talk about being proactive, we talk about uncertainty. I mean, almost every conversation begins and ends with some level of uncertainty. So first and foremost, I want to take a step back and really focus on what we know, and really what's working in their financial plans right now, right? What are some of the things that we can control, right? What are some of the things that we can kind of get ahead of on what we have, right? Inflation—let's start talking about inflation. Inflation is a pretty common theme anywhere you go, especially in our space. It's real, it's rising, and may be for some time. We're living in quiet and unprecedented times, right? There's no playbook in dealing with post-pandemic recovery in the modern era. So, you know, at this point in time, inflation is driven by, you know, a very simple thing—the demand-side, or supply-side is not catching up with demand-side, right? And eventually, that's going to adjust. And from that perspective, our Fidelity professionals feel that it's going to adjust over time. It's not permanent; we feel it's temporary. The timing of it, it's unknown. Hence you do want to adjust your portfolios to deal with inflation.

I can talk about really specific things that we can do about inflation, but I can certainly touch on, you know, things like taxes and market top too before I get into the inflation, and ways to deal with inflation. So let's talk about rising income taxes, right, something that a lot of our clients are fearful of. There's a varying degree of conversation that we can gauge our clients with, for example, how to manage taxes, how to defer, how to reduce taxes, right? But again, it's something that we need to control the outcome—we don't want to overreact or engage in these conversations without really fully knowing the outcome. And Lorna, you mentioned market top. Market's always in flux, right? And this is where staying diversified is absolutely critically important, right, and ensuring that you have a proper plan that kind of connects all the dots, right? So we talked about inflation, taxes, we talked about market top, so we can spend more time on inflation as well.

LORNA: You know, it'd be great if you can spend time on inflation because, specifically, we are getting questions that are coming in around how it's going to affect lifestyle in retirement. And what else can people do, Viktor?

VIKTOR: Yeah, so let's be a bit more practical here and specific. So taking also a step back, how do you really plan to overcome the inflation, right? If the average annual rate of inflation historically is at 2%, 2.5%—that you know, logic would say, that investors would need a structured portfolio with potential return that can be greater than 2.5%, right? The numbers are a little different now, right? Most recent number—we have 5%, 5.4%—it's much higher than historical averages. If you want to talk about specifics, stocks tend to be a better inflation hedge than bonds. And if you combine those two asset classes, stocks and bonds, you have your inflation hedge, right? And of course you want to be mindful of the risk that you're taking. If you go a little deeper, you can talk about specific equity investments, right? I mentioned, you know, U.S. and international stocks, specifically value stocks, also things like commodities, precious metals, real estate investment trusts, right? This is kind of equity-like investments. When you wanted to stay on the fixed income side of the equation, you can look at treasury inflation-protected securities, high-yield bonds, international bonds, so, so many variety of options you have available at your disposal. So whether you are an expert investor, someone who is leveraging Fidelity for a platform, you can certainly take advantage of that. And if you feel that, you know, a couple things that I mentioned, may be outside of your area of expertise, you know, we can help. We can help; we can put together a plan that can create a, not only inflation hedge, but certainly would incorporate it into the overall plan.

LORNA: Thank you for the reminder of we can help. I mean I always say that's what you, thousands of people like you, are here to do. I also though want to provide some more specific information because of the number of questions that we've gotten on a couple of these topics. So to learn even more about inflation protection, you can go to go.fidelity.com/inflation21, and we do have quite a thorough content piece on that. I'm going to say it again, go.fidelity.com/inflation21. In addition, for those of you who are in our audience today—and I know that there's a lot of questions on potential tax changes on the horizon—so our next wealth webinar, which is on September 8th, we are going to cover that in much greater depth. So Viktor, in the meantime, there's a couple more questions—I say a couple—a lot of questions coming in on another topic that a lot of folks just really want to understand about, which is the required minimum distributions, which now start at 72. So, people are approaching that age wanting to know how their withdrawal strategies might change if Congress pushes that back to age 75. Can you talk to us about that?

VIKTOR: Yeah, I'm not surprised that we're getting a lot of questions and, you know, especially for this type of webinar, RMDs, a lot of our clients are concerned, and a lot of clients are really worried about that. Let's talk about what's kind of in the works. Congress is indeed considering changing RMD age again. They call it Secure 2.0, and the key proposals would affect retirees in terms of pushing the age of 72 to 73 in 2022, and then 74 in 2029, and potentially 75 in 2032, right? So, a lot of things on the table—not sure if that's going to pass—but that's something we can strongly be aware of in the context of being proactive.

Moreover, a lot of clients that we work with, they're kind of really worried about missing, taking, that distribution because there's a penalty; there's a steep penalty of taking, not taking the distribution within the period of time—usually it's a year, and it's 50%. There's a proposal that potentially would lower that percentage to 25%, right? So I'm sure it's going to be a welcome thought for a lot of our clients.

And I wanted to kind of remind our clients that we don't know exactly what will pass, when it's going to pass, right; what's going to be the timing and implementation of those changes. But one thing I can give you a peace of mind of, that we are very qualified in having those discussions as it relates to your specific circumstances. And then we look at your specific circumstances, how does this change really impact you? And what are some of the things that you can incorporate into the decision-making process if these things do come to fruition?

JODI: And Viktor, I would just add to that, because as I hear you talk about all of these different things, you know, I can imagine that clients, because of the emotional impact of the uncertainty—and this is one thing on our team that's Fidelity's Center for Family Engagement, we talk about—is this idea of a check engine light, and that you know, when we're navigating something, and we notice that our stress level, our distress level is rising, it's like a check engine light's going off. And if we don't attend to it, and we just try to ignore it and keep barreling forward, we may not really understand that those emotions are sometimes getting in the way of our ability to really think through all of these different things. And kind of going back to something I said earlier, as stress levels get higher, our cognitive capacity, our ability to think clearly, our ability to take in information, our ability to process that information, it starts to go down; it gets temporarily kind of turned off because our brain's trying to manage the increase of emotions. So when that check engine light goes off for us, and I'm like wow, I'm feeling really stressed, if I just ignore it and I keep going forward, I may not actually be making decisions with all of my full capabilities. But if I can notice that there's a lot on the table, there's a lot of options, I might have just had a conversation with Viktor, and wow, there's all these things, and what do I do? If I can get myself to kind of slow down and get to a more calm place, I will increase my ability to take in all that information and to really think about it and to dialogue about it in a way that's going to be more helpful. And I think all of us have a check engine light; some of us have ignored it pretty consistently, so we're not always good at noticing when it's there, but if we can better at noticing it, and it's really just like when do I start to feel overwhelmed? When do I start to feel really stressed? When do I feel that draw to just make a decision quickly so that this feeling goes away? Those are all good indicators that your light is off, it has gone off, and then it's about coming back to those very simple kind of strategies in the moment trying to just bring those, that emotion, down so that then I can reengage with that conversation with Viktor. And that can happen even in these meetings that you're having, like you notice mid-meeting that that was really overwhelming, to be able to just hit the pause button, take those deep breaths, and then go okay, so what were you talking about with that option? And that reset is a way for us to then fully open our mind back up so we can take in that information.

VIKTOR: Yeah, I totally agree with you, Jodi. I think, you know, there's a lot of terms that we're using in today's discussion: unprecedented, overwhelming, playing out right, looking for magical answers and stuff, right? We're living in certainly interesting times, and sometimes us as advisors, it's very easy to be overwhelmed, right? There's a lot of information coming from us, right? We're learning, we're adjusting to times, right? You know, no one is a subject-matter expert these days, right? The world is changing way too quick. You turn into a lifetime learner, right, to help our clients. But what I would say, really, my goal, when clients come to my office, my goal is for them to live in a better place than they originally came in, right? And sometimes it's a more difficult task than it is, right, because it's so easy to get overwhelmed, so I really appreciate you saying those things about, you know, check engine light, because it's really a combination of financial and emotional, what we do.

LORNA: So thank you both for all of your suggestions and the discussion today. I think a matter of being proactive, being practical, like being realistic, all became kind of very fair and very good in the discussion. I know for me, and I'm hoping for everybody who joined, today was nice to take a pause, and to realize, to check in and see what that check engine light looks like. So, you know, love that and very much appreciate it today. So, Viktor, Jodi, again thank you for joining us, and for everybody, hopefully you saw what was on the screen about taking steps to either join us again, or visit us on our insights hub. But I think more than anything else, as Viktor said, we are here to help. That is what we all do day in and day out. We have been through some really challenging and changing times, and will continue to; that's what life is. But we really enjoy working together to make sure that everyone feels like they can check that engine light, and take some steps that they feel good about, I think, more than anything else—feel that peace of mind.

So thank you all for joining us today, and then we look forward to our next discussion in September.

VIKTOR: Thank you.

JODI: Thank you.

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