Why aren't individual investments projected?

The **Life Event Planners** don't project each individual investment. Instead, the value of your entire portfolio is projected.

For example, you may have a bond that returns 8 percent per year and it will mature in 12 years. You know that this bond gets 8 percent, so why can't you enter 8 percent for this particular bond? One reason is that you may not be able to get another bond for 8 percent when this bond matures.

Since your plan is a projection over 40 to 50 years, it wouldn't be prudent to assume that you can get another bond for 8 percent, let alone assume that you will even reinvest the proceeds from this bond into another bond. Bond returns might be down at the time the bond matures and it would not be good planning for you to expect to be able to get another bond with the same rate of return.

Stocks are even more volatile. Just because one stock might be consistently giving you a 10 percent dividend doesn't necessary mean that it will give you 10 percent over the next 40 years. Dividends, like prices, are subject to change.

The most important consideration for long-term planning is predicting the rate of return that you think all of your investments will average.

The **Life Event Planners** take this more consistent long-term planning approach by helping you determine what rate of return all of your investments will average, and then using that return rate in your plan.

Once your plan works at a given rate of return, you need to try to achieve that average rate of return on all of your investments. If one investment fails, and you are well-diversified, you don't necessarily need to worry. You'll still be able to retire because that investment will merely bring the average rate of return down. You may have another investment that brings it back up.

This approach provides a better long-term prediction of how your plan will work because it doesn't assume that one particular investment will continue to perform as it has in the past. It assumes that, on average, all of your investments will provide a particular rate of return. If one investment does very well while another does poorly, your plan might still work if you average your predicted rate of return.