

# Your Retirement Planning Warning

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Retirement Rehab

Your retirement planning warning and what to do to avoid disaster.

Nicholas Naseem Taleb writes about interesting risks that exist but often aren't considered. He often argues that things perceived to be risky are in fact safer than those that appear to be safe. Volatility is a favorite topic of his.

Taleb notes that small amounts of volatility are perceived to be safer than large amounts of volatility. On the surface this sounds appealing.

Taleb points out that systems that have withstood more extreme pressures are actually time tested examples of safe. Something that has none or little volatility has never really been tested.

The example of this for the 40 or 50-year-old corporate executive is the steady paycheck and annual bonus.



## Don't Be a Turkey

One of Taleb's most famous example is of the life of a young turkey.

Owned by a butcher this turkey will be dutifully fed for 1000 straight days. Rightfully, the turkey feels very good about his position in life. It would also be entirely accurate to conclude the turkey has increased statistical confidence to feel this way. The butcher will keep feeding the turkey until a few days before Thanksgiving.

Suddenly and without notice, the turkey has a revision of belief at the exact moment of his greatest confidence.

Every single day before that a reinforcing pattern lulls the turkey into greater confidence that the butcher loves the turkey. It is at the moment the turkey has the most data to back up his feeling of being loved that disaster strikes—the third week in November. That's the day it's not good to be a turkey.

Corporate executives have seen volatility. Certainly the Great Financial Crisis was an extreme test of global solvency.

The question us how has that shaped your perspective on your career and your plans for retirement? [Do you plan to retire early?](#)

For the turkey, the butcher could have forgotten to feed him until late one day. The butcher could have delegated the feeding to someone who forgot. He may have forgotten entirely for a day. The next feeding was reinforcing that the butcher loved the turkey.

## The Handwriting is on the Wall

We have had two fairly severe economic disruptions since the turn of the century. All of us know people whose careers ended or changed dramatically. Some were fortunate enough to reinvent themselves. Others may have faded from our peer group.

The pace of change is accelerating—both for the good and for the bad. It was phenomenal that Bill Gates became a billionaire at only 31. It was equally crazy that Mark Zuckerberg became one at 23! It's not too unusual that neither chose a safe corporate path to amass their wealth.

As the economy continues to change rapidly, the middle class is dying. It's also creeping higher and taking workers not usually thought of as middle class. Even the high end corporate executives are affected with compensation advances muted and constrained.

Like the life of the turkey, the constant feeding of a twice monthly paycheck and annual bonus can be very misleading.

The reality of long-term stable jobs with increasing pay is not a good assumption. We assume jobs are safe because that's both what fits our own best interests and been the bulk of our experience.

Is this assumption the best one to use today to plan for retirement planning? Forget the plan you made leaving college or a decade ago. There new things to consider.

## Get Maximum Leverage from Your Retirement Planning

If you are stuck in a corporate job with only a single source of income you are in a risky position.

If you have stopped saving for retirement or are cash flow negative, the situation is even more grave.

Radically cut back on expenses and make a plan for a job loss in any case. Secure your current income while quickly building alternative income sources. Visualize the outcome you want and create the narrative that describes the bridge to there from where you are today. Make progress every day on your plan.

Senior corporate executives are in a great position to leverage the new technologies today with their superior skill-sets. Knowledge of facts may be on your iPhone but good judgment has to be honed over years of experience. Building relationships is still how business gets done. It just gets done today outside normal corporate structures and enabled by great new technologies.

It's foolish to believe that past trends will continue into the future. They won't. Things will be very different.

The future will be exciting for those who are able to capitalize on new technology and their unique skills.

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