Financial advisor puts his mark on retirement plan

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Preparing for retirement can be just as complicated as working the job people had when retiring.

Surrounded by 401ks and IRAs, making sure enough funds will be available for the long-term retirement is the goal for reitrees.

Curtis Cloke, a financial advisor at Two Rivers Financial Group, has received a trademark for his retirement formula that creates those long-term funds. The trademark formula is called Thrive Income Distribution System.

The formula was inspired by good ol' trial-and-error during Cloke's career.

"I came across two phenomenas," Cloke said. "I had two cases where prospective clients came to me who had lived through the market cycle. They outlived their funds. It completely wiped them out."

That incident, tacked on with starting in the financial advisor business in 1987, another bear-market year, Cloke was inspired to find what part of retirement funding is not risked in the market, but still adds to the funds. Since 1999, Cloke has been working with various calculation-system products.

Cloke has teamed up with Garth Bernard, a previous vice president of retirement strategies group at MetLife. He left the insurance company in April to get into consultant work. He has since worked with Cloke on Thrive. Bernard has more than 20 years of experience in financial services. Cloke said other goals of Thrive included creating a reliable income source that grows with inflation, flexible to the changing needs of the retiree and the family and keeps tax cost low.

At the same time, Cloke said he knew there would be concerns about such retirement funds such as low return and won't keep up with inflation.

"If you lose $20,000 when the market drops, while distributing assets monthly for income, but the market recovers, the lost funds won't be able to keep up with the retiree's income standards," Cloke said. He called this phenomena negative sequence of returns risk.

Income annuities is the foundation for Thrive, which are contracts made with a one-time payment intended to secure funds for a determined number of years.

Of course, making those funds last during the retirees lifetime is key.

"I don't have any retiree who does not think they will last at least 20 years," Cloke said.

When presenting the formula to other financial and retirement plan advisors, Cloke uses the proverbial wheat-and-chaff analogy. The wheat calculates the present value of a person's assets needed to fund income on a cost of living adjustment basis. Chaff highlights the value of assets not needed to fund income during retirement. Those assets will be used for emergency funds, large purchases during retirement or to make up for any losses through inflation.

Thrive works on what Cloke called "buckets." Each bucket has a determined amount of the retiree's assets that are strategically spent during the retired years. The activity of those buckets provide the retiree's financial needs during those certain years while limiting tax expenses.

"This provides a low cost, strong guarantee people can count on through thick and thin," Bernard said. "This gives them that piece taken care of that was keeping them up at night."

Bernard said that kind of attitude is important during the current economic downturn. Companies quitting employee pension plans takes away a source of happiness for the employees, he said.

"People with 401k, one-third of their retirement has disappeared overnight. They are scared," he said.

Thrive gives people a sense of security.

"It's like driving on rails. The car will never get off the tracks. It will work," Bernard said, "but the guarantee is only as strong as the guarantor."

Thrive is being tested with financial advisors in Des Moines, Chicago and New York. Cloke said those brokers will keep track of questions asked about Thrive and the response from potential users. Software about Thrive also is being developed to help educate those in the business and for those who are interested in the plan.

As with any retirement plan, Cloke emphasizes retirees to give them ample time to prepare. Cloke said people considering retirement must review their financial situation five years before their expected date of retirement. What happens during those five years will be instrumental during the first 10 years a person is in retirement.

"I call it the red zone," Cloke said about that 15-year timespan. Red zone is football lingo when a team is within 20 yards of scoring. "Within those five years you need to position yourself and calculate what your needs are going to be. If you don't know, you better know."