

WORKING WITH THE REAL MILLIONAIRES NEXT DOOR

The Barrel Approach for a Successful Retirement



“The Millionaire Next Door: The Surprising Secrets of America’s Wealthy” by Thomas J. Stanley and William D. Danko was published in 1996, and its influence still resonates today.



One enthusiast of the bestselling book is Erik J. Mikkelson, CFP®, president of RMR Wealth Advisors LLC, based in Madison, Wisconsin. He

built his firm around working with those who have already accumulated wealth or have the determination and ambition to do so. Mikkelson notes that his office has 54 boat slips next door – and many of the smaller, not the larger boats likely belong to the wealthier families, the Millionaire Next Door types.

“We strive to serve those who live life under the radar, are hardworking and are accumulators,” he says.

While there’s no firm minimum per se, the RMR Wealth Advisors team must be able to service clients in a cost effective manner, and that usually

means clients must have at least \$250K in assets.

When working with clients, the dialog is kept in plain English. Since clients often just want the big picture on their portfolios, Mikkelson gives them RMR’s three barrels analogy when discussing retirement. The first barrel is the most conservative, money they can access, while the second barrel is more aggressive and volatile. The third barrel is all equity exposure, with a lot more volatility but from which clients can gain their highest returns. From a financial planning perspective, clients must decide (along with their advisor) how much money is in each option. “I try to inform and educate them that spreading investments across barrels allows them the best chance when markets are off. Barrel one will get

them through it,” says Mikkelson.

He generally recommends 7 to 10 years of living expenses in Barrel 1, which is a higher amount than many other financial planners. Mikkelson points out that many clients have more money today after distributions than they did prior to 2008 when the Great Recession began. “Retirees often ask how many years are in Barrel 1. Nine times out of 10, that’s all they want to see. They like to cut to the chase,” he says.

However, retirement comes down to the ultimate interests for a client’s accumulation. Finding out what each client’s financial goals are helps the firm establish overall strategies. When it comes to long-term care, most of his clients have enough money to self-insure. That money is earmarked within a barrel. The retirement plan involves continually rebalancing and refilling Barrel 1, so in a downturn there’s no need to sell assets in Barrels 2 and 3. Distributions are monitored so clients don’t start the downward spiral of depleting capital. “The plan for most clients is to have enough money equal to or more than they have today at the end of life, whether that’s two or four more decades,” according to Mikkelson.

The firm is a truly independent, fee-only registered investment advisor. There’s no parent company or firm influencing either their advice or portfolio investment direction. There are no commissions, and they bring in independent experts for advice on legal, taxation and insurance matters. Mikkelson’s small but dedicated team truly cares about their clients. “Every person is top notch,” he says. “Everything is done for our clients’ financial future. We wake up every morning asking what can we do that day for our clients’ financial future – that’s our purpose.”

For more information, visit www.rmradvisors.com



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