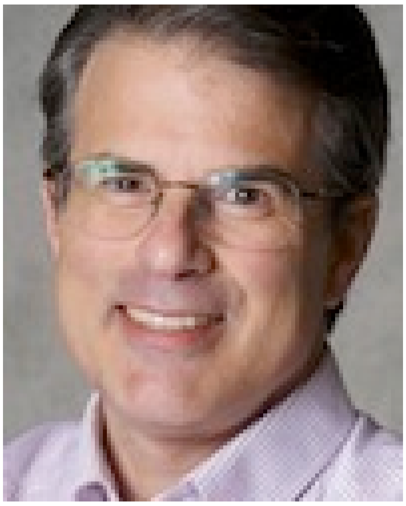
# Apple Stock, Bourbon and Cigars

By Kerry Pechter *Thu, Aug 1, 2019*

*Every summer, I try to spend a weekend with two old friends. We used to talk about our spouses and children. Now we talk most about retirement and money.*



One of my favorite summer rituals is to spend a weekend with two old friends. We've known each other for decades. We used to meet at a cabin near a pond in northeastern Pennsylvania. At night we would sit by the water, drinking bourbon or non-alcoholic beer. We would smoke our only cigars of the year.

Years ago, we talked about our wives and children. Lately, we talk about money. One has been a professor and writer. The other has written a dozen books over the years. Both are single, and both have spawned not just two grown children but one child each by a second marriage.

The professor, as I'll call him, has amassed a chunk of equity by buying and fixing up successively bigger homes. He started with a two-family row house, renting out the first floor. He rehabbed a historic townhouse in a major city, then a big white hip-roofed, chateau-style fixer-upper in the suburbs. He finally settled into a sprawling house next to a nature preserve in a desirable school district.

When he downsizes to a condo in the near future, he'll net a mid-six-figures sum. He's also saved a fair amount of money in a 403(b) plan, benefiting from a generous matching contribution and from the 2009-2019 bull market. He intends to teach part-time into his 70s. He has already claimed Social Security, which helps pay for the support of his 16-year-old.

The author, as I'll call my other friend, has been a success at writing books. There's a framed copy of a $150,000 royalty check on his office wall. Having married extremely well the first time around, he's participated deeply in the entire 35-year bull market and in the long housing boom. Unlike most people, he has had great success picking individual stocks. He started buying and holding Apple stock in the mid-1980s, and has selected other long-term winners. He does not own mutual funds. Between book projects, he travels. He has an enviable fine art collection.

Career-wise, these two men are a bit unusual. Neither has spent long periods working for a large company. Emotionally, their lives have been turbulent, though probably no more or less than many other Boomers'. Both have been do-it-yourselfers, with respect to their investments in real estate and securities. Like most professional writers, both have been, and have had to be, lifelong hustlers. I mean that in the best sense of the word.

Of the two, the writer, though the richest of the three of us, seems to be more worried about his financial situation. He finds it reassuring to keep his money at a large brokerage, and to pay a financial advisor 80 basis points a year.

As far as I can tell, he's worried about having enough yield to live on. He doesn't want his net worth to drop. Many wealthy older people feel that way. A four percent annual allowance from $2 million is, after all, only $80,000 a year before taxes. And if the stocks take a dive, an uncomfortable sense of enforced austerity threatens to set in.

An annuity might relieve the pressure, I've told him. But at today's interest rates, it would take $1 million to fund a single-life immediate annuity paying about $72,000 a year or an annuity with a living benefit paying $50,000 a year to start. That's not enough for him to live on, however, and he'd have to part with Apple stock to fund it. That would be prohibitively painful.

As an alternative, I've suggested a deferred income life annuity with cash refund starting at age 80. It would pay about $66,000 a year. If he died before recouping the entire $400,000 premium, his 10-year-old would receive the unpaid difference. He won't do it, and I won't try to persuade him. Buying risk has served him well. He's not about to become a risk-seller.