

Jim Otar's Swan Song on Retirement Income

By Kerry Pechter Wed, Oct 7, 2020

The famed Canadian adviser-of-advisers and author, now retired, has released his latest and last book, 'Advanced Retirement Income Planning.' It's a concise version of his magnum opus, 'Unveiling the Retirement Myth.'



Jim Otar, the Ontario-based adviser-emeritus and author, has turned his attention in retirement to writing rom-com screenplays. But he has just self-published his career capstone, "Advanced Retirement Income Planning." It's [available](#) for \$4.99 on Amazon in a Kindle edition.

I first encountered Otar via his homepage, retirementoptimizer.com, more than 10 years ago. Here was a math-minded Canadian engineer who, dissatisfied with the existing literature on retirement planning, decided to create his own—and has become modestly famous for it within this niche.

This excerpt from one of his webpages describes his journey in his own words:



Jim and Rita Otar

"I started investing in 1977. I wrote my first book ('Commission-Free Investing') in 1996 about Canadian DRIPs and SPPs, to share my personal strategies and experiences about this form of low-cost investing (before the invention of ETFs). I also started writing articles regularly for a local personal financial planning magazine called Canadian MoneySaver and met many great people at their onshore and offshore conferences.

In 1999, my wife asked me a very simple question: "Do we have enough money for retirement?" I replied, "Let me check." Nothing happened for a few weeks. That is because I could not find much about mathematics of retirement. Most experts then were recommending investing all in stocks. All have been touting the 'miracle' of asset allocation. So, when she asked me a second time if we have enough savings for retirement, I realized that I had to come up with an answer.

Otar soon found a career as adviser to clients and even to his peers. He has given hundreds of workshops and presentations to advisers on income planning. He has published more than 100 articles and several books, including his 525-page magnum opus, "[Unveiling the Retirement Myth](#)." He won the CFP Board Award in 2001 and 2002 for his articles. He contributed a chapter to Harold Evensky and Deena Katz' indispensable 2006 [book](#), "Retirement Income Redesigned."

We first featured Otar's work in *Retirement Income Journal* in 2009. We wrote at the time that he was born

"near Istanbul, Turkey, the son of an accountant who raised a few sheep, fruit trees and vegetables. In the forward to his new book he describes his first experiment with finance: growing cabbage as a cash crop. An early frost wiped out his entire investment in seedlings and manure.

He immigrated to Canada at 20, and earned undergraduate and graduate degrees in mechanical engineering at the University of Toronto. "In 1982, I went into a marine equipment business, and worked in it until 1994, when I went into the financial business. I started looking after my own investments. Then my friends and family wanted advice. I ended up getting my CFP in 2000.

"I also used to do technical analysis, and got my most recent designation, Chartered Market Technician. I did 'cross over.' I did 'bottom out.' We just followed the signals. Every technician has different signals."

Of Otar's contributions to the art and science of income planning, I have to say that his "zone theory" is my favorite. He segments clients into one of three categories: Green, Gray (or Yellow) and Red.

Green clients are overfunded for retirement, red clients are underfunded, and those in the middle need to get creative—by working longer, cutting expenses or buying life annuities—or they may run out of savings too soon. Even wealthy retirees can squander

their way into the Red zone, Otar observed, and even people with modest savings can figure out how to migrate up to the Green zone. It depends in part on their expenses, which he divides into essential, basic and discretionary.

More importantly perhaps, Otar developed the idea that he calls “aftcasting.” This was his alternative to more conventional methods of back-testing or stress-testing hypothetical investment portfolios and withdrawal rate assumptions against the markets’ historical performance.

“An aftcast uses the actual market history to show what would have happened in the past without any predictive claim for the future,” he writes in the new book. “An aftcast starts its calculation by picking a specific year in history, say 1900, at the current age of the client. Using the actual historical returns, it calculates the portfolio value over time. Once this is done, the calculation moves on to 1901 as the starting year. It repeats these calculations for all available years in its historic data base.”

This technique reflects the impact that actual sequences of events—phases of the business cycle, changes in securities prices and inflation—would have had on the performance of a portfolio, based on the year the portfolio was created in. It captures the feedback effects and correlations that created the environments that determined past portfolio performance.

At less than 100 pages, “Advanced Retirement Income Planning is a concise version of “Unveiling the Retirement Myth.” It contains all of Otar’s most important insights regarding such matters as the impact of luck, sequence-of-returns risk, and the signals that markets give when they are about to change direction. (He still can’t resist technical analysis.) I’ll stop the spoilers here and let you discover “Advanced Retirement Income Planning” for yourself. Otar’s books and articles are essential for any adviser who wants to improve his or her retirement income planning skills—and might even be useful for the ambitious amateur.