Retirement Income
JOURNAL

RetirePreneur: Michael Lonier

By Jenna Gottlieb *Thu, Dec 11, 2014*

Michael Lonier is the founder of Lonier Financial Advisory LLC, a firm focused on financial planning and retirement income issues. He recently developed the R-MAP Planner, a spreadsheet-based income planning tool for advisors.

What I do: I am a fee-only financial planner who specializes in lifetime and retirement planning, and retirement income management. I follow the RMA [Retirement Management Analyst] method, so I start with the income and expense cash flow over the horizon of the plan, the present value of current human, social, physical, and financial capital, and develop a net-present value household balance sheet as the basis of the plan.

From that I develop the Retirement Policy Statement Allocation for Upside/Floor/Longevity/Reserves. The floor is derived from the balance sheet as the net amount needed from financial capital to cover all future liabilities. Anything above the floor not allocated to longevity or reserves can be invested as upside for growth. As an investment advisor, I use the upside/floor amounts from the balance sheet as the basis for investment allocation, not investment-centric theories. Each sleeve of the RPS uses a risk management method appropriate to the risk being managed—diversification for upside, risk management for floor, pooling for longevity, and avoidance for reserves.

Retire*Preneur*: Michael Lonier, RMA
Company: Lonier Financial Advisory LLC
Location: Ramsey, New Jersey
Founded: 2011
Niche: Retirement income planner/Creator of R-MAP software

Who my clients are: I am still a startup firm with a small number of clients. They span a range from affluent to high net worth. They are either what RMAs categorize as “constrained” or “over-funded,” and are either nearing or in retirement.

Why clients hire me: A number of reasons. I specialize in retirement and am familiar with the terrain, so I offer specific expertise. Also, I am neither a registered rep nor an insurance agent, so clients look to me for professional planning and management services. They know I will not be pushing product sales. Perhaps even more importantly, most clients have some familiarity with the RMA method. They know that it starts with their household balance sheet and not with their investment account. The fact that it focuses on protecting their lifestyle by managing their income floor and not on maximizing market returns makes sense to them as they move away from the accumulation phase of their lives.

Where I came from: About four years ago I retired after 33 years in the publishing industry. I worked as a production and technology executive for Time Inc. and other publishers. With my spouse, I also ran our own technology consulting and production business for ten of those years, working for most of the major publishers. I've been calculating IRRs [internal rates of return] since the Apple II and Multiplan was the state of the art. I've been an investor my whole life, so when I left the publishing industry, I took my skills in planning and management and applied them to personal financial management. I'm now in my fourth year as an independent RIA.

I should also mention that I developed a comprehensive spreadsheet application called R-MAP Planner. I use it in my planning and I market to advisors (www.rmap-planner.com). R-MAP calculates the household balance sheet and Retirement Policy Statement from the annual cash flow over the full plan horizon.

My business model: I charge a fee for planning, including a first-year retainer, to establish that planning is a process not a product, and that a lifetime plan is based on a relationship, not on hourly fees. For clients who want me to monitor and/or manage their accounts, I charge a very modest AUA/AUM fee for all the assets in the plan, wherever it may be held. I use a passively managed global market equity portfolio for the upside sleeve, and bond funds, bond ladders, or SPIAs together for the floor, whichever is most appropriate to the client's balance sheet. I manage longevity and reserves as indicated by their household risk exposure and the strength of their balance sheet.

Why I work for myself: Someone once asked the actor Gene Hackman, Why do you work so much? He stammered around a bit and said, Because you never know when the phone will stop ringing. This is a second career for me, so it's all about what I can do for my clients, not what I can do for a firm. I'm in a position where I don't have to make compromises about things I feel should not be compromised. It's also fair to say that I probably had little chance of joining a firm as a late career changer.

My retirement philosophy: People have very different lives, goals, aspirations, careers, families, resources and opportunities. I wouldn't know how to wrap a philosophy around all of that, nor is that what I do. It's interesting and challenging enough to get to know them, understand where they are on the path to where they want to be, and to figure out how to help them get there. It's not unlike the work we did in the publishing industry. We came into a company, figured out how it worked and what the productivity issues were, designed a plan to reach the business goal, and then implemented the plan. Each client presents a different puzzle to solve. I can help people who are otherwise busy living their lives, and help them navigate what can be the unfamiliar, confusing, technical, and perilous terrain of personal financial management.