

How can retirees find the best financial products?

By Len Hayduchok • January 4, 2023

Financial planners often get asked, "What is the best financial product?"

One way to answer that is with a very familiar example. Let's say a retiree is looking to buy the best car for a spouse.

A car salesperson might suggest a Rolls-Royce, but the retiree counters she would like something a bit more affordable. So the salesperson offers a brochure on a compact car, but she wants something a little bit safer. The salesperson shows her an SUV, but the customer wants something a bit more fuel efficient.

The salesperson offers a great, fuel-efficient sedan, but the retiree wants something a little more prestigious. And the salesperson returns to the Rolls-Royce.



The deal has gone full circle. The retiree was shown many different cars, all possibilities, maybe each one the best car in its class. But there were trade-offs. There were things she didn't like about one vehicle, things she didn't like about another.

The same thing is true about financial instruments.

There is no one best financial product, as every one has features a particular investor will find attractive or unattractive, and individual investors' opinions will vary.

Everyone wants products that deliver safety, liquidity and returns, but there's no single financial instrument that will deliver all three. A product will provide two of the three at best. Let's say the retiree wants something that's safe and liquid, such as money in the bank or a CD, but that's not going to give much in the way of interest. If another wants something that's liquid and pays good returns, that might be a stock, but it's not going to be as safe. And if one wants a product for the safety and returns it provides, the best option might be an annuity, which is not



all that liquid. So, every product has an advantage, and every product has a disadvantage or defect.

The issue is not to get the best product but to identify the one that meets the retiree's needs most effectively – having the features that are important and having unattractive features the retiree can live with. First, a retiree's specific objectives must be matched with products having the most-needed characteristics.

As a second step, the goal is to find the best product in its class that provides the client's most favored combination of attractive and less-attractive, but acceptable features.

It's important to carefully look at what one is trying to accomplish and put the most appropriate solutions (which are not perfect and have their faults) in place to meet their needs. It's advisable



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