ADD YOUR INFORMATION HERE

1

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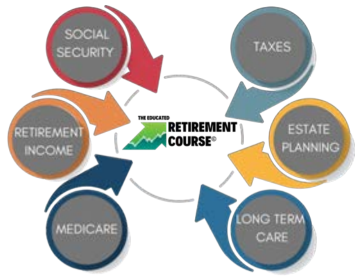
Housekeeping Matters

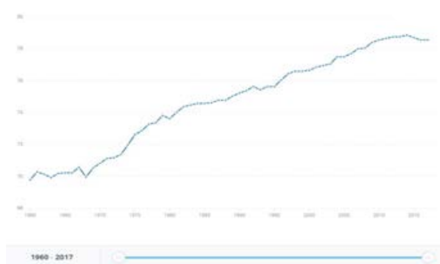
- Please silence any cell phones
- The seminar will last about 2 hours
- You will be offered a free analysis at the conclusion of this seminar

3

There are 6 crucial parts of this presentation:



Let's start with some background…



Life expectancy at birth, total (years) - United States*

20th Century Public Health Department

The Iron Lung

The "old" 60

60

60

Christie Brinkley
The "new" 60

10

80

Sophia Loren
The "new" 80

11

Dick Van Dyke

93

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Today's Family Life Cycle

"In 1900, the average life expectancy was 50 years old. According to the Centers for Disease Control and Prevention, the average life expectancy in the U.S. is currently 78.6 years old, with women living 4.9 years longer than men."

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Retirement is not what it used to be…

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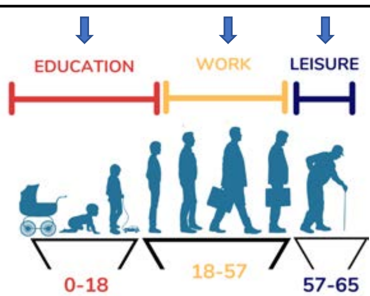

The Old Linear Life Plan

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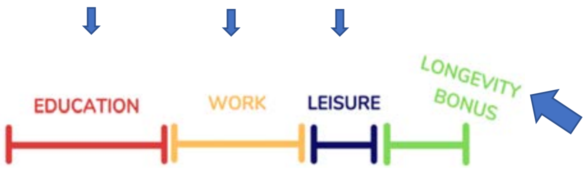


The New Linear Life Plan

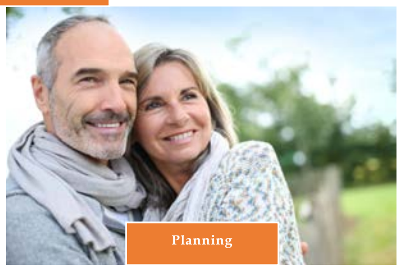
"Retirement is no longer about reaching an arbitrary age and calling it quits. It's about retiring once you're financially prepared for the years ahead"
– Kiplinger's 2019

Five Emotional Stages of Retirement*

- Planning
- Excitement
- Honeymoon
- Disenchantment
- Reorientation & Stability

Source: https://www.actsretirement.org/latest-retirement-news/blog/2019/5/23/the-emotional-stages-of-retirement/

STAGE 1



Planning

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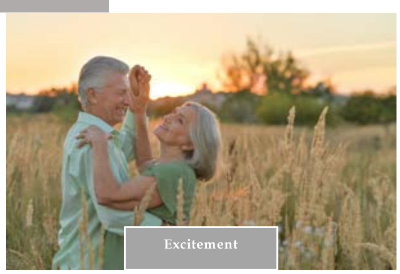
STAGE 2



Excitement

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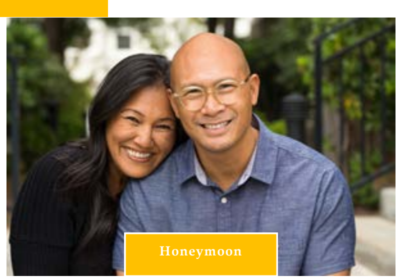
STAGE 3



Honeymoon

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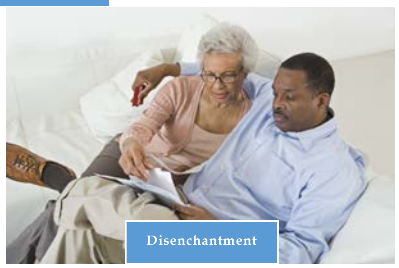
STAGE 4



Disenchantment

STAGE 5

Reorientation

Key Retirement Questions

#1: How much income will you need in retirement?

#2: How much risk are you willing to take?

Key Retirement Questions

#3: How will you plan for taxes, interest rates, and inflation?

#4: How much liquidity do you need in case of an emergency?

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Key Retirement Questions

#5: How will you protect your loved ones?

#6: What steps can you take now?

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The Three Biggest Challenges:

- Inadequate savings
- Early withdrawals / hardship
- Defined-Contribution (DC) Plan
- Generating retirement income

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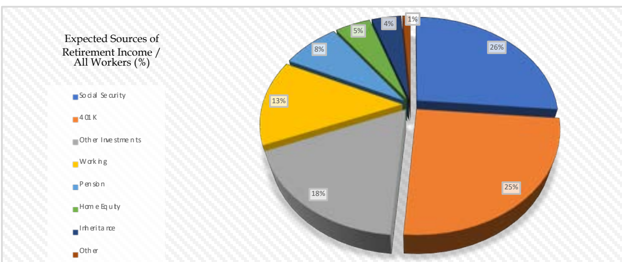
Expected Sources of Retirement Income Include Working*



* https://transamericacenter.org/docs/default-source/retirement-survey-of-workers/tcrs2019_sr_what_is_retirement_by_generation.pdf

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Retirees tend to exhibit two distinct strategies for deploying their retirement savings:

- Conserving savings for a rainy day, minimizing their withdrawals and treating savings as an emergency fund

OR

- "Winging it" by treating their savings like a checking account to pay for current living expenses, often withdrawing too rapidly at an unsustainable rate.

Neither strategy is optimal

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Social Security
Did you know?

- First Started in 1935
- In 1935, you were entitled to receive full retirement benefits at 65*
- Want to guess what the life expectancy was at that time?

LIFE EXPECTANCY
- In 1935? — 64.5
- Today? — Men 78; Women 81

*http://www.ssa.gov/history/

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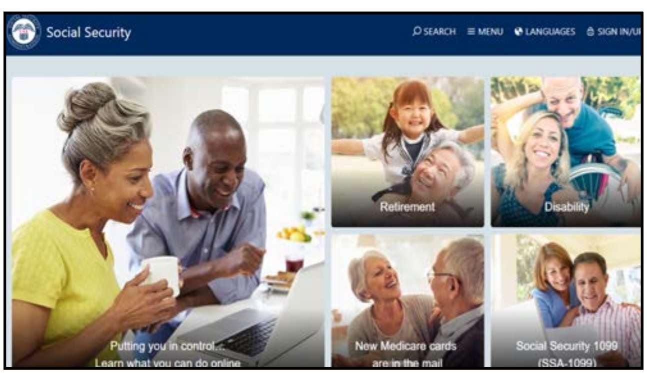

When?

Many factors to consider

- What is my overall plan?
- How long will I work?
- Taxes?
- Should I file early?
- Should I file at full retirement?
- What will my spouse receive?
- Can I change my mind?
- What other options do I have?
- When will I die?

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Did You Know That…

- 67.9 million people received benefits from programs administered by the Social Security Administration (SSA) in 2018.
- 5.6 million people were newly awarded Social Security benefits in 2018.
- 55% of adult Social Security beneficiaries in 2018 were women.

*http://www.ssa.gov

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Did You Know That…

- 54.7 was the average age of disabled-worker beneficiaries in 2018.
- 86% of Supplemental Security Income (SSI) recipients received payments because of disability or blindness in 2018.

*http://www.ssa.gov

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Social Security   SEARCH   MENU

Get Your Social Security Statement

Home / my Social Security / What is an Account? / Get Your Social Security Statement

We currently mail *Social Security Statements* (*Statements*) to workers age 60 and over who aren't receiving Social Security benefits and do not yet have a my Social Security account. We mail the *Statements* three months prior to your birthday. We issue *Statements* by mail in English (or in Spanish if you live in Puerto Rico). If you receive your *Statement* in English and would like to receive it in Spanish, or vice versa, call Social Security at **1-800-772-1213** (TTY **1-800-325-0778**), or visit your local Social Security office.

Your *Statement* has personalized messages based on your age. You can view a sample *Statement* based on your age below.

- Young workers (ages 25-34)
- Workers who are mid-career (ages 35-54)
- Workers near retirement age (ages 55 and over)

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Year Born	Full Retirement Age 100% Benefit
1937	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943 to 1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

When can I file for benefits?

- Born after 1937
- Min 62/ Max 70

Full Retirement Age

- Born 1943-1954
- Current Age is 66
- Full chart at SSA.gov

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How are my benefits calculated?

Earnings history

- Top 35 Years
- Inflation Adjusted
- Average Indexed Monthly Earnings *AIME*
- Primary Insurance Amount – FRA Benefit
- SSA.gov

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Full Retirement Age
- $2000/mo
- $24,000/yr

Min Age – 62
- Benefit $1,500/mo
- $18,000/yr

Max Age – 70
- Benefit $2,640/mo
- $31,680/yr

*Based on $2,000/mo Benefit

Age	Benefit %	Benefit $
Actuarial Reduction		
62	75.00%	$ 1,500
63	80.00%	$ 1,600
64	86.70%	$ 1,733
65	93.30%	$ 1,866
Full Retirement Age		
66	100%	$ 2,000
Delayed Retirement		
67	108%	$ 2,160
68	116%	$ 2,320
69	124%	$ 2,480
70	132%	$ 2,640

Hypothetical Example

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Working & Collecting Social Security

Under Full Retirement Age Assumed Age 64
Earned Income = **$60,000**
Earnings Test = **($17,640)**
PENALTY BASIS = $42,360
Social Security Work Penalty $21,180

Turning Full Retirement Age Assumed Age 66/67
Earned Income = **$60,000**
Earnings Test = **($46,920)**
PENALTY BASIS = $13,080
Social Security Work Penalty $4,360

Hypothetical Example

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2019 Changes to Social Security*

Social Security Wage Tax
- $132,900 (2019)
- $128,400 (2018)
- 6.2% of Earnings W-2
- 12.4% of Earnings 1099

Maximum Benefit Amount
- At Full Retirement Age
- $2,861/mo (2019)

Average Benefits Amount
- All Workers $1,461/mo
- Married Couples $2,448/mo

*https://www.ssa.gov/

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Other Proposed Changes

- Increased Full Retirement Age if born after 1960
- Decreased Cost of Living Adjustments (COLA)
- Changes to the Benefit Calculation Formula
- Reduced Delayed Retirement Credits (8%)
- Increased Payroll Taxes

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What should I consider?

- Your Social Security Taxable Wages History
- Estimated Life Expectancy
- Desired Retirement Age
- Inflation & COLA
- Potential Program Changes
- Other Income Sources
- Qualified & Non-Qualified Accounts

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RETIREMENT COURSE

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Investors Spend 475 Hours a Year Worrying About Money: Legg Mason

One hour and twenty minutes. That's how long investors spend on average each day thinking or worrying about money, according to a recent Legg Mason survey.

That adds up to nine hours each week and 475 hours over the course of one year.

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Why are so many people concerned about Running Out of Money?

All it takes is one major life-shattering event to drain your budget

- Caregiving
- A large medical expense or long-term care
- Investment losses
- Divorce
- A large home repair

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RETIREMENT COURSE

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MARKETS INSIDER

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MARKETS INSIDER


UPS


Boeing


Lockheed Martin

DuPont

LL Bean

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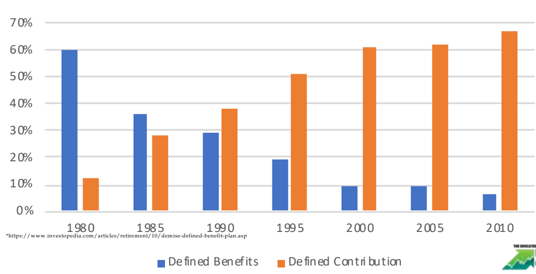
Shift in Pension Plans*



*https://www.investopedia.com/articles/retirement/10/demise-defined-benefit-plan.asp

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You must understand that money behaves differently in the distribution phase than it did in the accumulation phase

52

The 4- Cornerstones

INCOME | INCOME

Retirement Financial Plan

INCOME | INCOME

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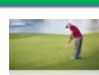
Accumulation vs. Distribution

1ST HALF of the Game of Life	**2ND HALF** of the Game of Life
Accumulation	Distribution
More Risk	**Reducing** or Eliminating **Risk**
Making Systematic ***Contributions*** to a savings vehicle	Systematic ***Withdrawals*** of Money from a Plan



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You will need straightforward retirement

income solutions

55

Distribution Phase

What you have to do…

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Income Planning:
How much can you take each year?

- 5% Rule
- 4% Rule
- 3% Rule
- Sequence Risk

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U.S.News & WORLD REPORT

Why the 4 Percent Withdrawal Rate Is Obsolete

Today's withdrawal strategies must account for falling markets and longer lifespans.

"Falling asset returns leads to investors outliving their money. If asset values drop early in retirement, portfolio withdrawals can devastate a retiree's nest egg and compound the negative impact of a 4 percent withdrawal rate"

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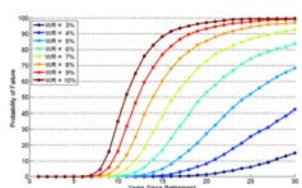
The Stanford Research Institute

Figure 2.5 Probability of Savings Depletion for Various Withdrawal Rates



Research proves that 5%, 4%, or even 3% Withdrawal Strategies for Retirement Income Portfolios is a Myth

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The Sequence of Returns

Year	Return	3.5% Withdrawal Rate	Portfolio Value	5% Withdrawal Rate	Portfolio Value
2000	-10.14%	$35,000.00	$863,600.00	$50,000.00	$848,600.00
2001	-13.04%	$35,700.00	$715,286.56	$51,000.00	$686,942.56
2002	-23.37%	$36,414.00	$511,710.09	$52,020.00	$474,384.08
2003	26.38%	$37,142.28	$609,556.93	$53,060.40	$546,466.21
2004	8.99%	$37,885.13	$626,470.98	$54,121.61	$541,471.91
2005	3%	$38,642.83	$606,622.28	$55,204.04	$502,512.03
2006	13.62%	$39,415.68	$649,828.55	$56,308.12	$514,646.04
2007	3.53%	$40,204.00	$632,563.50	$57,434.28	$475,378.76
2008	-38.49%	$41,008.08	$348,081.73	$58,582.97	$233,822.51
2009	23.45%	$41,828.24	$387,878.65	$59,754.63	$228,899.26
2010	12.78%	$42,664.80	$394,784.74	$60,949.72	$197,202.86
2011	0%	$43,518.10	$351,266.64	$62,168.72	$135,034.15
2012	13.41%	$44,388.46	$353,983.03	$63,412.09	$89,730.14
2013	29.6%	$45,276.23	$413,485.78	$64,680.33	$51,609.93
2014	11.39%	$46,181.76	$414,400.05	$65,973.94	($8,485.64)

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Let's Look at a few case studies

Jack & Susan

Mark & Petra

Rick & Karen

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Case Study #1

Jack, age 65, and his spouse Susan, age 67, are preparing to retire this year. They have been married for 35 years and raised two children who are now self-sufficient. Jack is finishing up a successful career in sales management for a small parts manufacturer and Susan has been working part-time for the last ten years doing books/payroll for an accounting firm.

They desire to have $100,000/ year in retirement income.

They have $2.5 million in investable assets, and a total net worth of $3.0 million. Neither has a pension through their employer, and they don't have LTC.

Let's look at where they are as they start to plan:

Jack's Social Security	$	30,000
Susan's Social Security	$	15,000
Desire Income	$	100,000
Deficiency	$	55,000

Hypothetical Example

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Case Study #1 (cont.)

Now, one of the other risks they face would be if one of them were to become chronically ill and need to spend down from their investible assets to cover that additional expense. The average stay in a nursing home/assisted living facility is just about three years*. If they have to peel off $300,000 or more to cover that cost, now their investible assets are down to $900,000 left of their lifetime of saving.

And that is if just one of them needs that level of care.

Hypothetical Example

*https://www.morningstar.com/articles/564139/40-must-know-statistics-about-long-term-care

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Case Study #1 (cont.)

Jack's plan before they decided to meet with an income planner was to take 3% per year from their investible assets, which would generate $75,000 per year as long as they maintained their underlying assets at $2.5 million. Here is how that would look:

Jack's Social Security	$ 30,000
Susan's Social Security	$ 15,000
3% Drawdown	$ 75,000

As you may recall from earlier in the seminar, there is no guarantee that they will be able to maintain the value of the underlying asset as they draw down income from it.

Jack's Social Security	$ 30,000
Susan's Social Security	$ 15,000
3% Drawdown	$ 37,500

Deficiently of $12,500

Hypothetical Example

64

Case Study #1 (cont.)

One potential solution for Jack and Susan would be to create lifetime income with a portion of their investable assets to cover their expenses/income needs on a guaranteed basis. Let's see what moving $1.25 million into a personal pension will do for them:

Jack's Social Security	$ 30,000
Susan's Social Security	$ 15,000
Personal Pension Annuity	$ 56,260
Total Guaranteed Income	$101,250/yr

- That more than meets their need for desired income.
- This would leave them with $1.25 million of investible assets working for them in the market.
- They will be able to achieve their retirement related goals, while protecting themselves from enforced spend-down.

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Case Study #2

Mark and Petra are both 68 and readying for retirement. They have no debt, home is paid for with zero mortgage. Neither has a pension. Kids are grown and financially independent.

He is very aggressive in his approach to investing, she is very conservative; which is leading to some planning issues.

They each have about $400k of savings, for a total of $800k, and they have about $75k in their checking/savings account.

They need $60k/year to meet their needs.

Here is how they look at their guaranteed income during the initial planning stage:

Mark's Social Security	$ 24,000
Petra's Social Security	$ 18,000
Total Guarantee	$ 42,000
Desired Guarantee	$60,000/yr
Deficiency	$18,000/yr
He Dies/She Dies	$24,000/yr guaranteed

Hypothetical Example

66

Case Study #2

We can get them retired right now by moving the $400k into an income stream. We leave $400k to be invested by Mark, and they still have the value of their home as well. May be that down the road, they move additional assets to a second income stream to assure that when one of them passes away they will have no reduction in income.

Mark has control of investing some of their assets and Petra has the certainty they will have enough income no matter what!

Hypothetical Example

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Case Study #2

Clearly, some concerns arise about how to meet their needs while both are living, and especially should one of them pass away. In addition they have different attitudes towards how to invest their assets.

Potential Solution:
Move $400k from Petra into an annuity to create the guarantee's she desires. Leave Mark with his $400k to self manage as he feels he can do this well.

Hypothetical Example

68

Case Study #3

- Although they are "wealthy" by most standards, both Rick and Karen are concerned about the economy
- They were very poor as children and they want to leave as much as they can to their children and grandchildren, maybe even help while they are still living.

Here is what their guaranteed income picture looks like right now:

Rick's Social Security	$	32,000
Karen's Social Security	$	25,000
Total	$	57,000
Deficiency	$13,000 for need	
Deficiency	$33,000 for want	

They need $70k/yr minimum for expenses, would like to have $90k if possible.

Hypothetical Example

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Case Study #3

Rick, age 75, and Karen, age 74, retired four years ago. They sold a business that they had built up over 40 years and have been receiving payments totaling $2.0 million over the past four years.

The payments are over and Rick and Karen finding themselves needing to create an income plan.

They need $70k/yr minimum for expenses, would like to have $90k if possible.

- Their investible assets are $2.3 million.
- Their home is paid off, worth $400k.
- They have $140k in their checking account
- They have a joint LTC policy which has 3 year payout period should they need it worth $220k; policy cost is $7k/yr
- Rick's health is somewhat questionable.

Hypothetical Example

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Case Study #3

By moving 30% of their liquid net worth we get them to almost $100k/yr of guaranteed income while they are both alive. Even better, should one of them pass away, the survivor will have more than their stated need of $70k/yr.

Additionally, we recommended moving another $200k into an indexed annuity with an income rider and defer it for 5 years to create additional guaranteed income as they reach their 80's.

This allows plenty of liquidity for aggressive gifting while they are alive to their two children and their church, and a chance to benefit from the market with their AUM without having to worry about all the volatility affecting their well-earned retirement!

Hypothetical Example

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Case Study #3

One thing that is making Rick and Karen nervous is that they saw their business devalued during the 2007-2009 recession, and they ended up working five more years than they planned to let their business recover so they could sell it for the price they wanted.

They want to be in the market, but they don't want to run out of money ever!

Let's see what using $700k of their investible assets does for their income plan:

Rick's Social Security	$	32,000
Karen's Social Security	$	25,000
Personal Pension	$	42,000
Total	$99,000/yr	

Hypothetical Example

72

Let's discuss

73

Required Minimum Distributions

- Effective Jan 1, 2020--RMD's now start at 72
- Updated life expectancy tables proposed by the IRS for 2021 would change how you calculate those amounts.
- However, most account holders take more than required: Just 20.5% are expected to take only the minimum in 2021, according to the IRS.
- Nonspouse beneficiaries will now have to withdraw the money within 10 years of the original account owner's death

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Statistics About Long-Term Care

- 47%: Estimated percentage of men 65 and older who will need long-term care during their lifetimes.
- 58%: Estimated percentage of women 65 and older who will need long-term care during their lifetimes.
- 2.5 years: Average number of years women will need long-term care.
- 1.5 years: Average number of years men will need long-term care.
- 14%: Percentage of people who will need long-term care for longer than five years.

© Source Genworth Financial

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Topline Results from 2018 Cost of Care Survey

Category	Year Over Year Increase	Hourly	Daily	Monthly	Annually	5 YR CAGR
Assisted Living Facilities*	6.67%		$132	$4,000	$48,000	3.00%
Nursing Home - Semi Private	4.11%		$245	$7,441	$89,297	3.44%
Nursing Home - Private	3.00%		$275	$8,365	$100,375	3.64%
Adult Day Care	2.86%		$72	$1,560	$18,720	2.07%
Home Health Aide	2.33%	$22	$138	$4,195	$50,336	2.51%
Homemaker Services	0.24%	$21	$132	$4,004	$48,048	2.85%

SOURCE Genworth Financial, Inc.

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Nursing home costs in the U.S. are rising even faster than health care

"A private nursing home room now costs 1.6 times the national median annual household income, which was $62,685 in August 2018."

Source: Genworth Financial

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Things life insurance does well..

- Replace Lost Income
- Cover Burial Expenses
- Pay Off Debt
- College Planning
- Build Cash Value
- Diversify Investments
- Business Planning
- Estate Taxes
- Coverage is Affordable
- Peace of Mind

80

Why Do You Need Life Insurance?

- Will someone in my life be adversely effected (from a financial standpoint) by my untimely death? *(This is different from "Will someone be sad by my untimely death?")*
- If You Were To Die Tomorrow, Who Would Assume Your Debt?
- Do You Have Children?
- Are You A Business Owner?

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What Else Should You Know?

- Life insurance is a big purchase and one that will stay with you for many years.
- If you have an old policy laying around, consider having it reviewed
- Even if you have a group life insurance policy through your employer, do NOT assume that it is an adequate amount.
- Insurance becomes progressively more expensive as you age

Estate Planning Failures of the Rich & Famous

Ed Koch

Estate Planning Failures of the Rich & Famous

Prince

Estate Planning Failures of the Rich & Famous

Barry White

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Don't forget to get on the calendar

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What you can expect…

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Take advantage of the offer for your analysis!

88

Thank You For

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Additional Citations

- Ken Dychtwald
- https://ourworldindata.org/life-expectancy- University of Oxford
- Emily Zulz, ThinkAdvisor
- Legg Mason Asset Management
- Wire Services
- Caitlin Devitt, DebtWire
- Steve Vernon, CBS News
- Longevity.stanford.edu

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