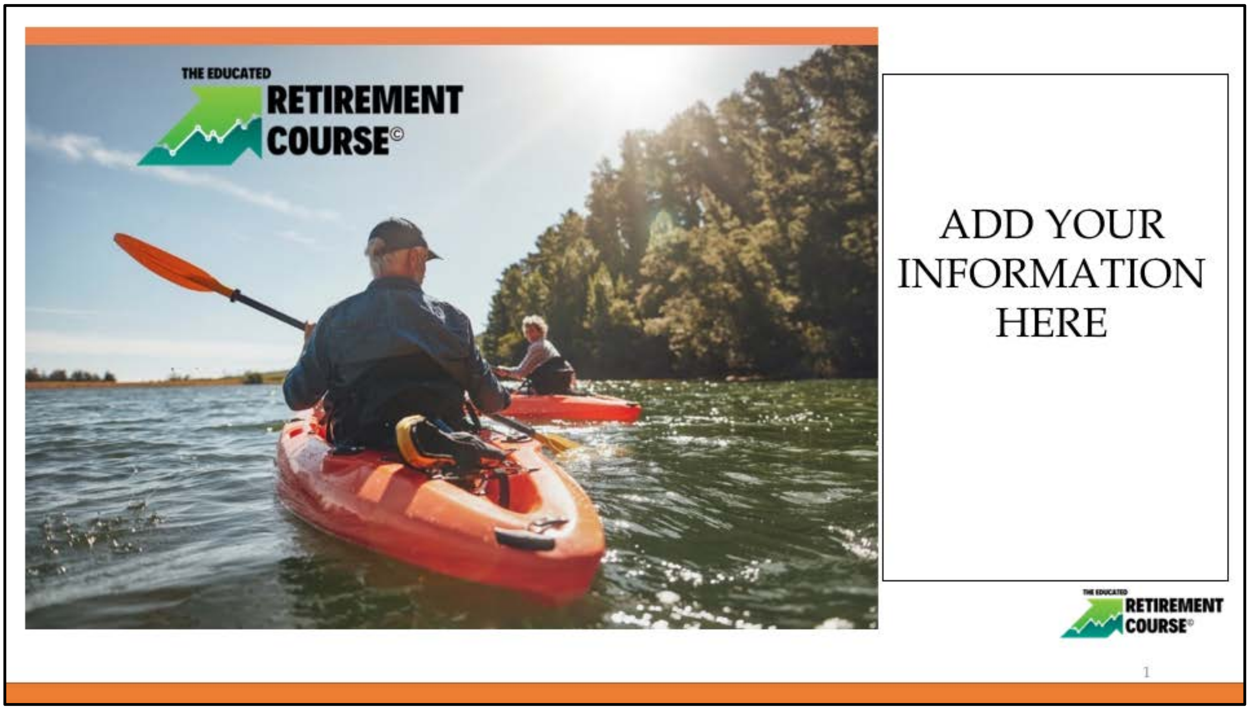
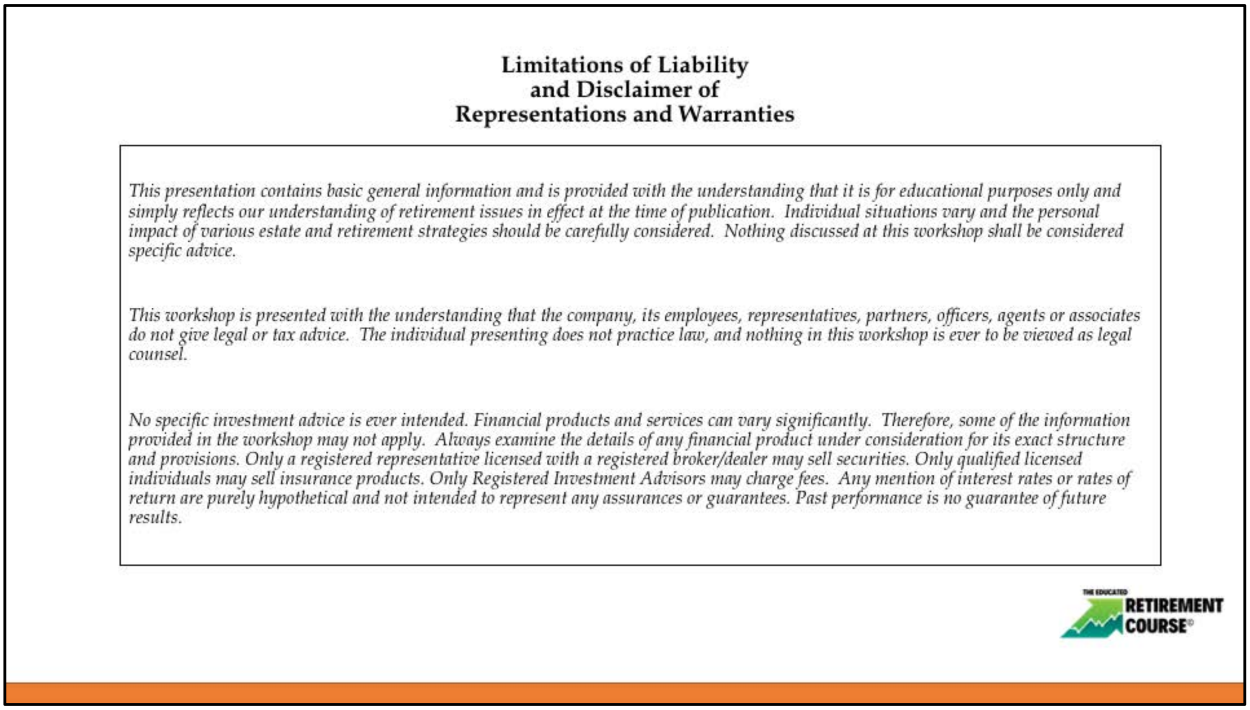


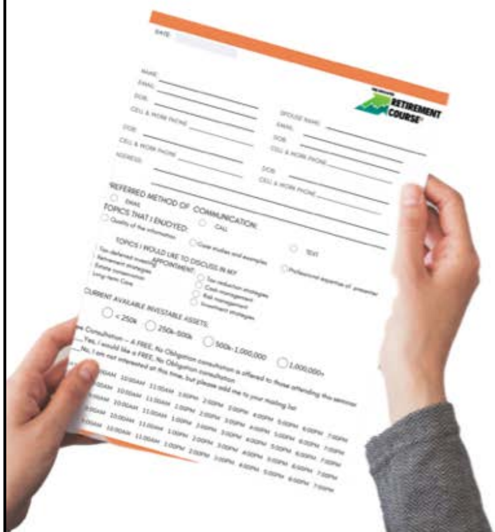
- Introduce yourself and talk about your experience
- If you have a guest who is introducing you, have them use a script

hjgj

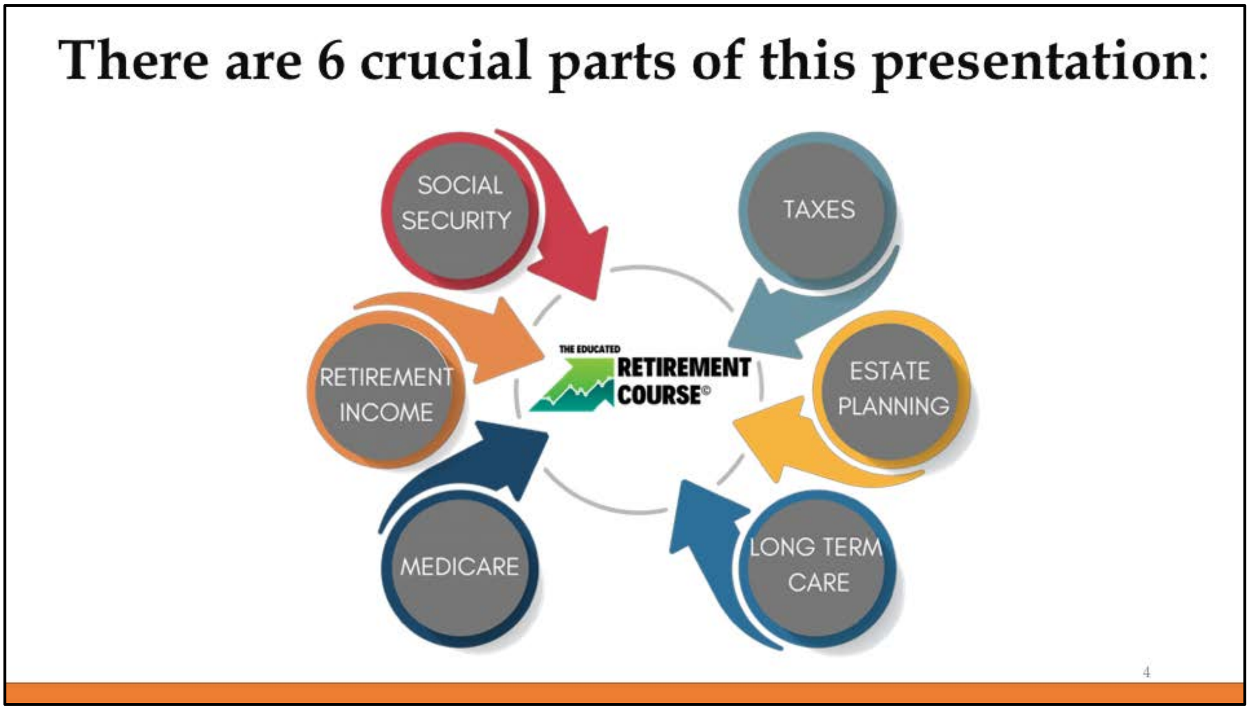


- Explain to the audience the workshop is purely for educational basis
  - Cases are generic and for education only
  - No intention to buy or sell any products
  - Each individual in the audience has a unique situation and should consult with their financial advisor, CPA, or attorney before making any decisions

Housekeeping Matters

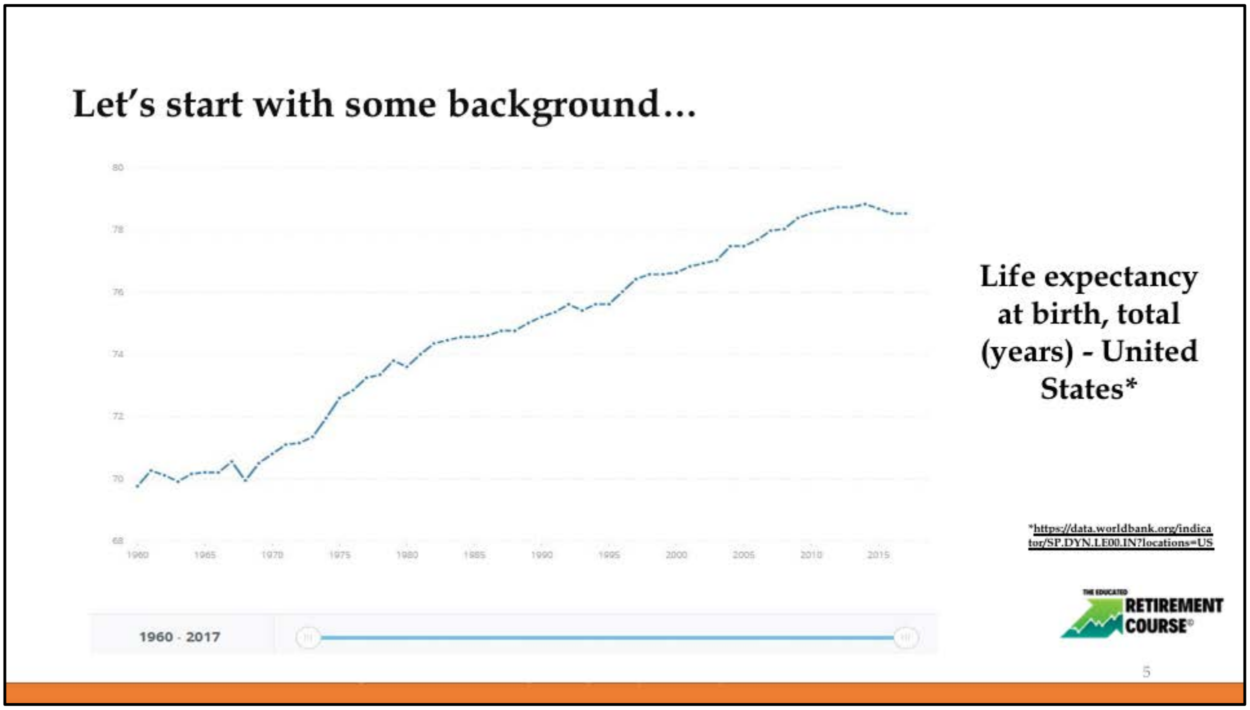


- Please silence any cell phones
- The seminar will last about 2 hours
- You will be offered a free analysis at the conclusion of this seminar



Today we will dive into the 6 main aspects of the Educated Retirement Course. Why 6? Because we believe these 6 topics are the foundation to be fully educated on retirement!

- Social Security
- Retirement Income
- Medicare
- Taxes
- Estate Planning
- Long Term Care



- For many, many, many years life expectancy was around 30. From the 1500s onward, till around the year 1800, life expectancy throughout Europe hovered between 30 and 40 years of age. Since the early 1800s, Finch writes that life expectancy at birth has doubled in a period of only 10 or so generations. Improved health care, sanitation, immunizations, access to clean running water, and better nutrition are all credited with the massive increase.

- Though it's hard to imagine, doctors only began regularly washing their hands before surgery in the mid-1800s. A better understanding of hygiene and the transmission of microbes has since contributed substantially to public health. Disease was still common, however, and impacted life expectancy. Parasites, typhoid, and infections like rheumatic fever and scarlet fever were all common during the 1800s.

- In the late 1800s, early 1900s it started to increase and by WWII it was about 56.

- But today, a male has an average life expectancy of about 78 and a woman, 82

- So you think about that for a second…from 1900 to 2019, about 120 years, we've had a 75% increase in life expectancy. We went from 44 to 78.
- Think about that if we have the same life expectancy over the next 100 years. 78 to an average life expectancy of 125 maybe 126 years old
- Now I don't know about you, but I still have kids at home. Kids that I must get through college and if life expectancy continues to increase the way it is, or the way that it has, I'll be lucky to get my kids out of the house by the age of …Well if they're going to live to 125 I'd be lucky to get them out of the house by the age of 50. Maybe 55. So that increase scares me

6

Since the beginning of time we have been looking for the fountain of youth. We've been looking for something that will stop or reverse the aging process. And while we're still on that quest today, part of that quest has been fulfilled. It's been fulfilled because today we are living longer than any time in the history of the world

20th Century Public Health Department

7

- Part of that long increase in longevity, it has many factors, but one great influencer was the public health department

- Think about life in the early 1900.
- Most people today wouldn't even recognize what this picture is – you are correct, an iron lung machine!
- …. measles, polio, scarlet fever… Those things have been 100% erased.

Today with vaccines we eliminate most viruses, we kill most bacteria. We can take an antibiotic for almost anything

During the 20th century, we isolated the generations, and each generation seemed to draw a boundary around itself and identified heavily with its own kind.

That was, of course, further motivated and suggested by advertising and marketing. Most advertising became focused on ages, mostly young, and basically picked apart the generations. So it was a combination of public mores, attitudes, images, music. The generations sort of pulled apart.

What's happening now is something that's better, healthier. We don't think of different generations as so different. We evaluate each other more in terms of, What are your interests? Who are you as a person? What do we have to share, what do we have to exchange?

60

Christie Brinkley

The "new" 60

Christie Brinkley

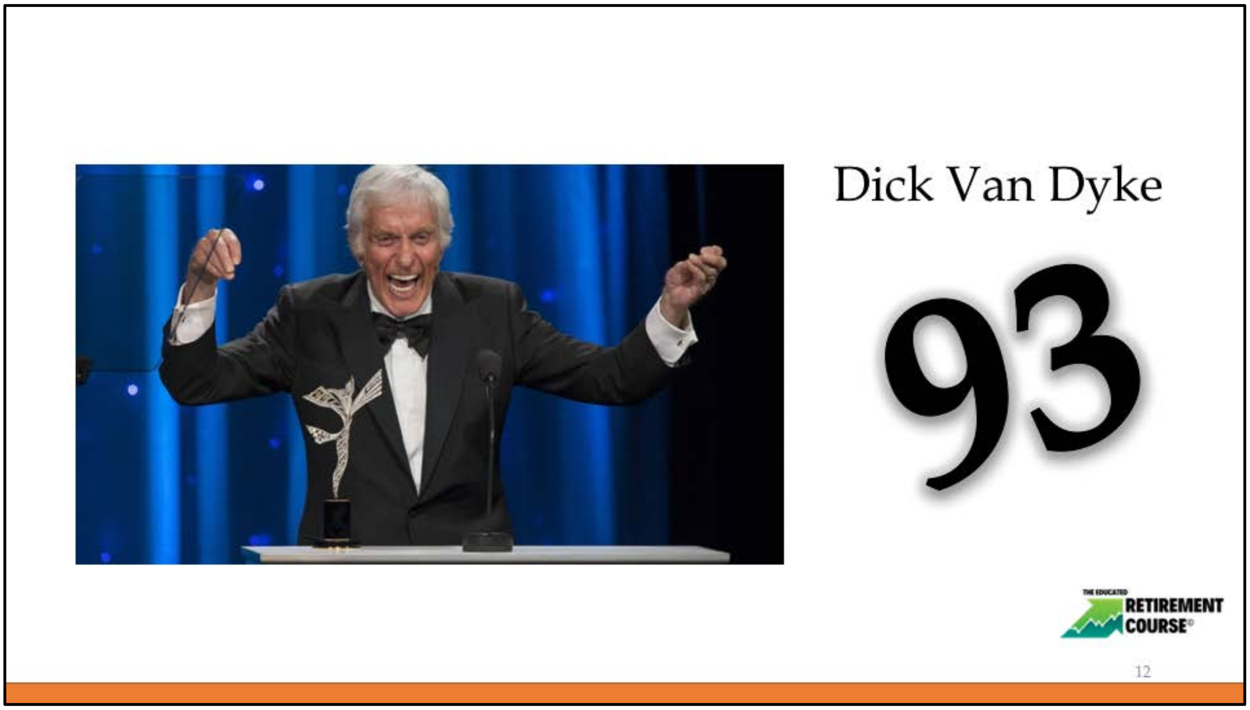
80

Sophia Loren

The “new” 80

THE EDUCATED RETIREMENT COURSE®

Sophia Loren



- At age 93, Dick Van Dyke is still keeping busy in Hollywood — and he wouldn't have it any other way.

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."

THE EDUCATED RETIREMENT COURSE®

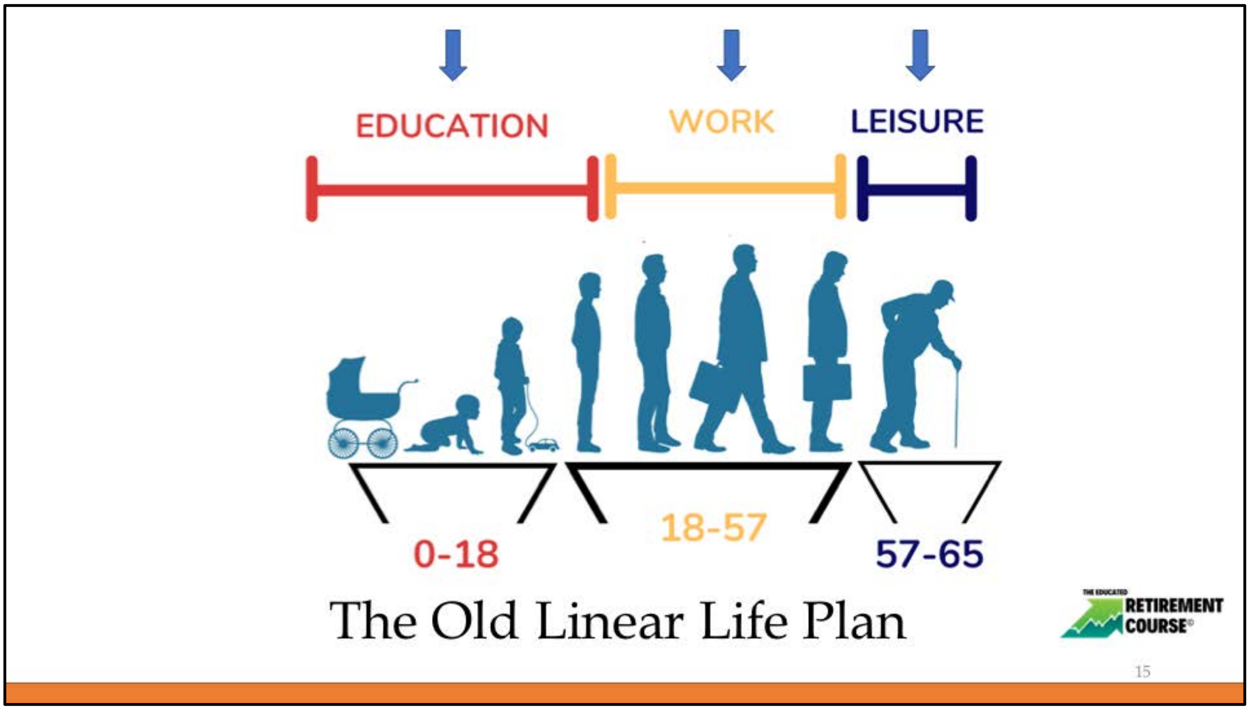
13

- When I look at the old family life cycle. It was my parents, maybe my grandparents, and the children. Typically for a very limited period of time there were three generations.

- But today's family life cycle? Six generations. Six generations. Six generations!!!

- So when I look at longevity and what influences it, I have to ask myself.. What is old?

Retirement is not what it used to be…



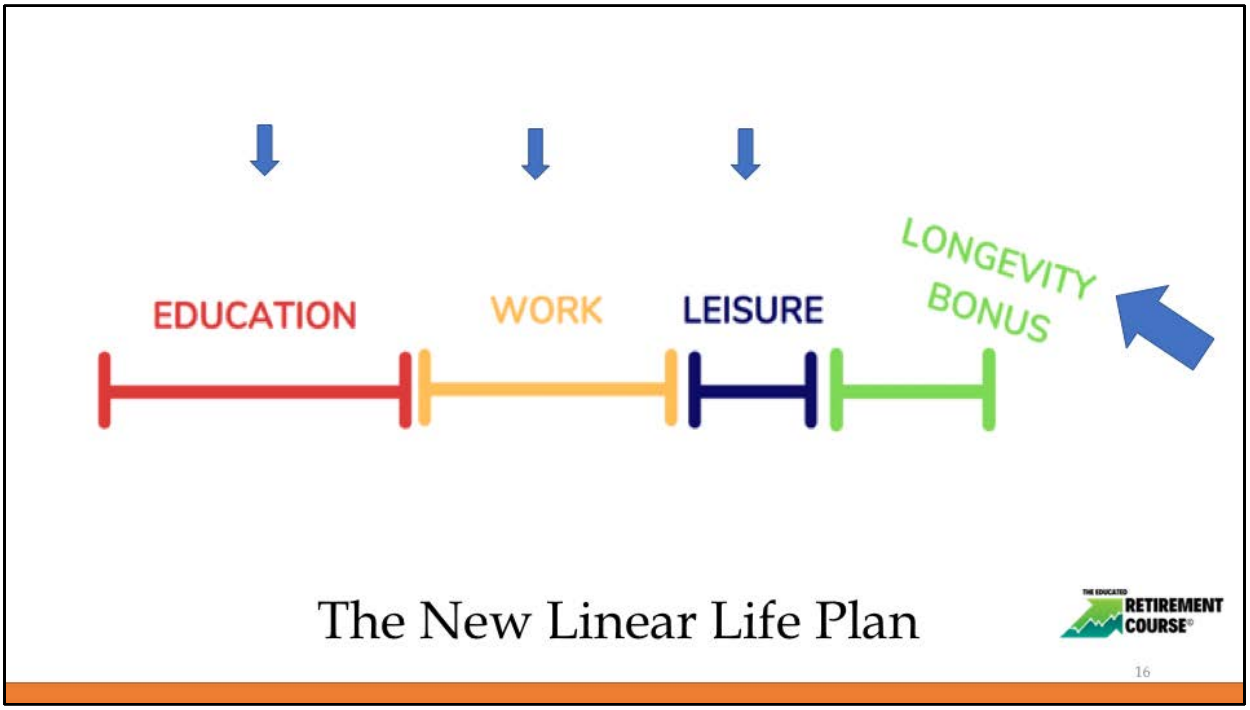
- Until recently the charting of our lives has been very neat and predictable.

- First you learned, then you worked, then you died.

- There are a number of reasons we accepted the Old Linear Life Plan.
- First it fulfilled the biological and social requirements of a short life span. Second it was tradition, you were expected to act your age.

- Third it was the law, we created Government regulations and Institutional rules that prescribed the ages at which we should go to school, begin and end our work careers and when we could retire and receive a pension. And lastly it was our own assumptions. Who hasn't said at one time or another, " It's too late for me to try that" or " If I could only have another chance to do it over again" or "If only I were younger, I would....."

- In many ways we would judge ourselves by how successful we were at following the Linear Plan. We convinced ourselves that any deviation from the Plan would leave us poor, childless and socially ostracized.



- Today we are seeing a dissolution of the Old Linear Life Plan and in its place a much more flexible arrangement, known as the New Linear Life Plan.

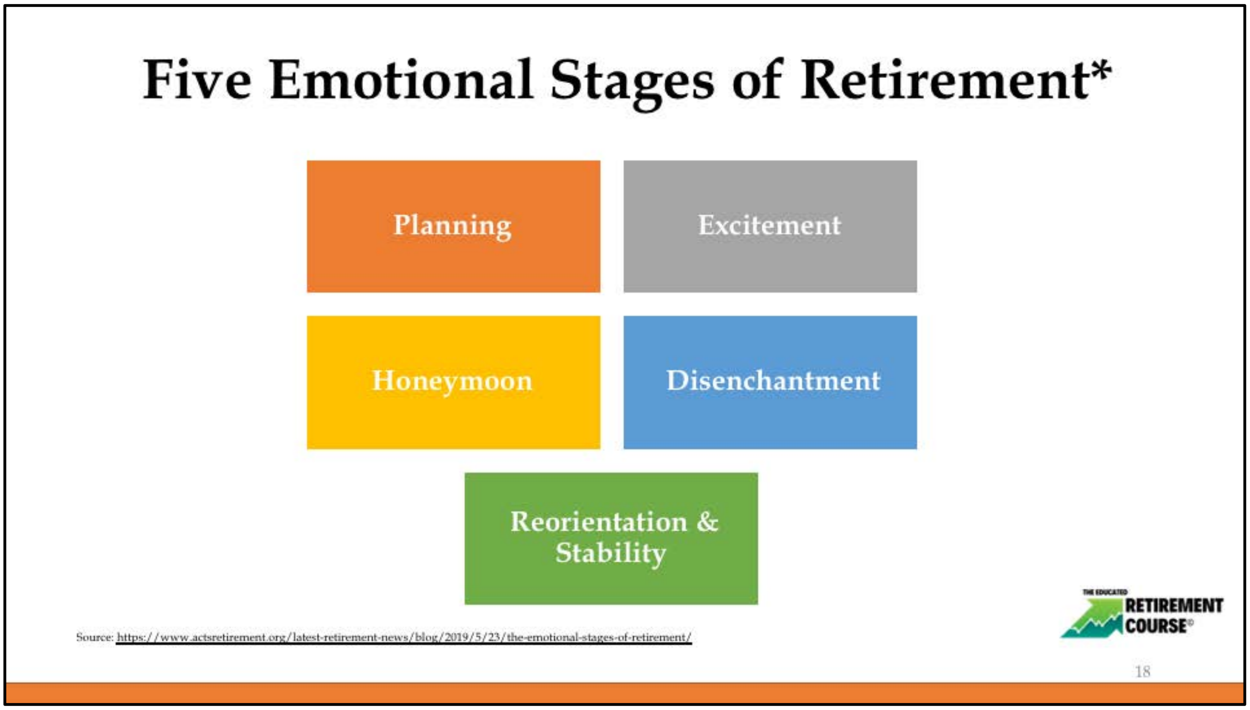
- Due mainly to the increase in life expectancy, we are starting to realize that not only will we live pass 50 and 60 but still be vigorous, active, and independent into our 80s and even 90s.
- Because of this longevity, we are beginning to find ourselves cycling in and out of several careers throughout our lives, each interspersed with periods of rest, recreation, retraining and personal reflection.

- Some of us will hit our career stride for the first time, long after it was considered time to retire.

"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

THE EDUCATED RETIREMENT COURSE®

The harsh modern-day reality is that if you do not take a proactive approach to retirement planning and allocate it properly for growth, you could be faced with the proposition of working well into your 80s or relying on your children for financial support. For those looking to avoid these situations, proper retirement planning can provide a viable path to financial stability and independence.



- Retirement is a major life transition, eliciting excitement in some and trepidation in others. Either way, it's a big change, and any change, positive or negative, can be a source of stress.

- A certain amount of stress is healthy and necessary for growth. Knowing the various stages of retirement and their challenges enables you to better understand and respond to the different responses your clients likely will have to this transition. If you are starting to consider retirement, you probably have a lot of thoughts running through your head regarding the upcoming transition. This is why we recommend you consider the emotional stages of retirement. No two retirement experiences are the same, but it is probably fair to say that you feel a mix of excitement and trepidation.

Stage 1: Planning*

In the planning phase of retirement, you begin evaluating when you should retire. You get to put your imagination to the test during this stage, deciding where you want to retire, where you want to live, and how much money you need to save.

As you plan for the impending transition, it's important to spend time preparing yourself emotionally, too. Retirement is a big change, and you don't want to do it until you know you are ready. Set some goals and expectations for your retirement so you know you aren't walking into it blind. By taking your emotions into consideration and seeking to understand them, you'll be able to transition easily into the next stage.

(*source: https://www.actsretirement.org/latest-retirement-news/blog/2019/5/23/the-emotional-stages-of-retirement/)

Stage 2: Excitement*

The closer you get to retirement, the more excited you'll begin to feel. When was the last time you didn't have to go to work? When could you do something just because you wanted to, without worrying about other responsibilities? You've been planning the logistics and details of retirement for years—but now it's time to get excited about all the new experiences you will get to have.

As the anticipation builds for your retirement, it is also common to have some uncertainty in this stage. You might wonder who you are outside of all the responsibilities that have defined you—but that's one of the most exciting things about retirement. In this part of your life, you can be whoever you want to be. The possibilities are endless, and you'll be counting down the days until retirement officially begins.

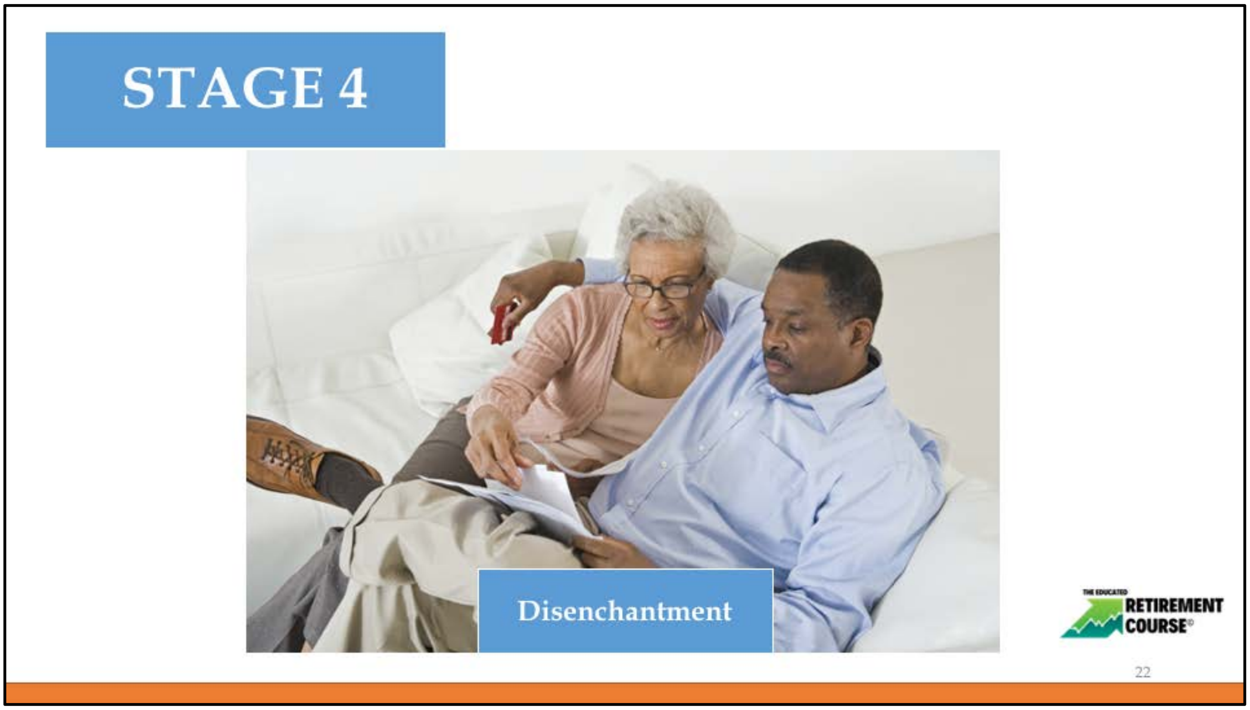
(*source: https://www.actsretirement.org/latest-retirement-news/blog/2019/5/23/the-emotional-stages-of-retirement/)

Stage 3: Honeymoon*

The "Honeymoon Stage" is common in a lot of life transitions—not just retirement. At the beginning of your retirement, you will probably be lost in all the opportunities available to you. You can learn a new hobby, visit your family, or travel to places you have never been. In this stage, you can get some much-needed rest and enjoy your retirement years.

Unfortunately, the Honeymoon Stage does not last forever. After a year or so, you might start to identify a desire for something deeper. You have worked hard for this time in your life, so it's important to get as much enjoyment out of retirement as possible—but don't be surprised when the next stage of retirement sneaks up on you.

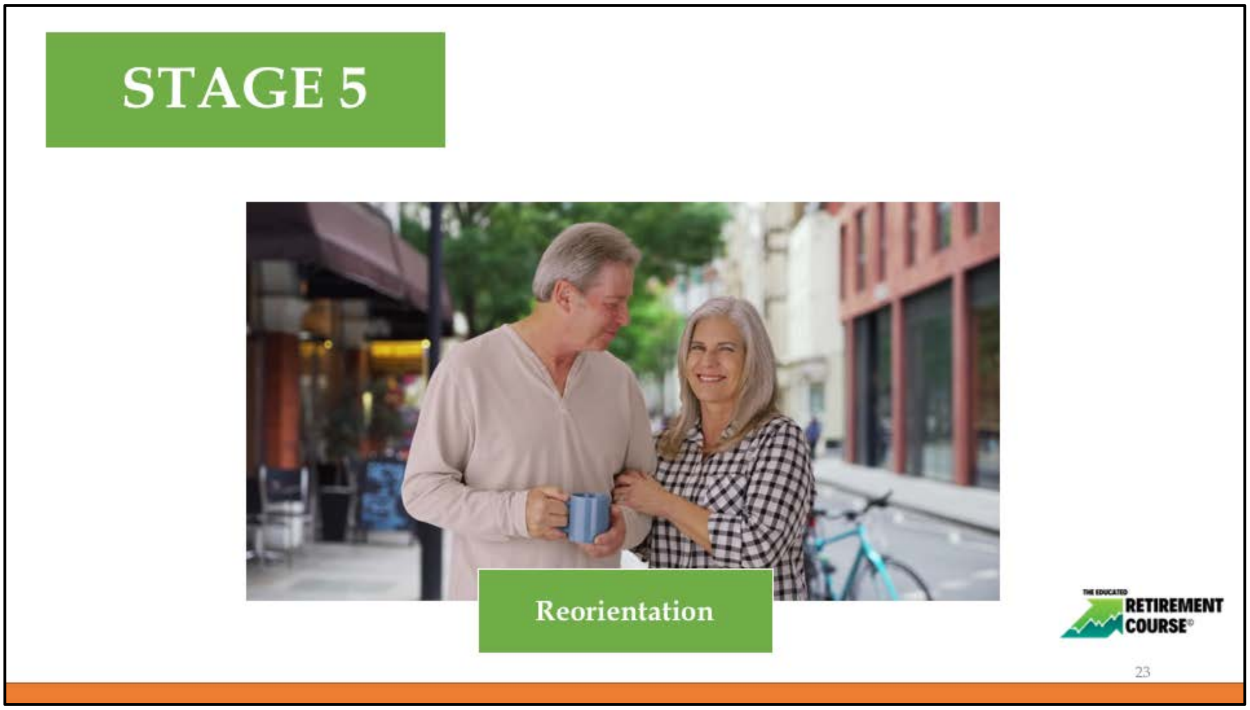
(*source: https://www.actsretirement.org/latest-retirement-news/blog/2019/5/23/the-emotional-stages-of-retirement/)



Stage 4: Disenchantment*

At this point in retirement, you might begin to think retirement isn't as fun as you expected it to be. There are only so many hobbies you can learn and places you can visit before everything starts to feel the same again. This feeling of disenchantment can sometimes be accompanied by more serious feelings of meaningless or depression. In this stage, it's important to ask for help if you need it. Talk to your family and friends about your feelings, and have them help you look for ways to create a sense of purpose again. This might be a good time to invest in something bigger than yourself—you can volunteer at a local organization, consider continuing education opportunities, or even plant a garden.

(*source: https://www.actsretirement.org/latest-retirement-news/blog/2019/5/23/the-emotional-stages-of-retirement/)

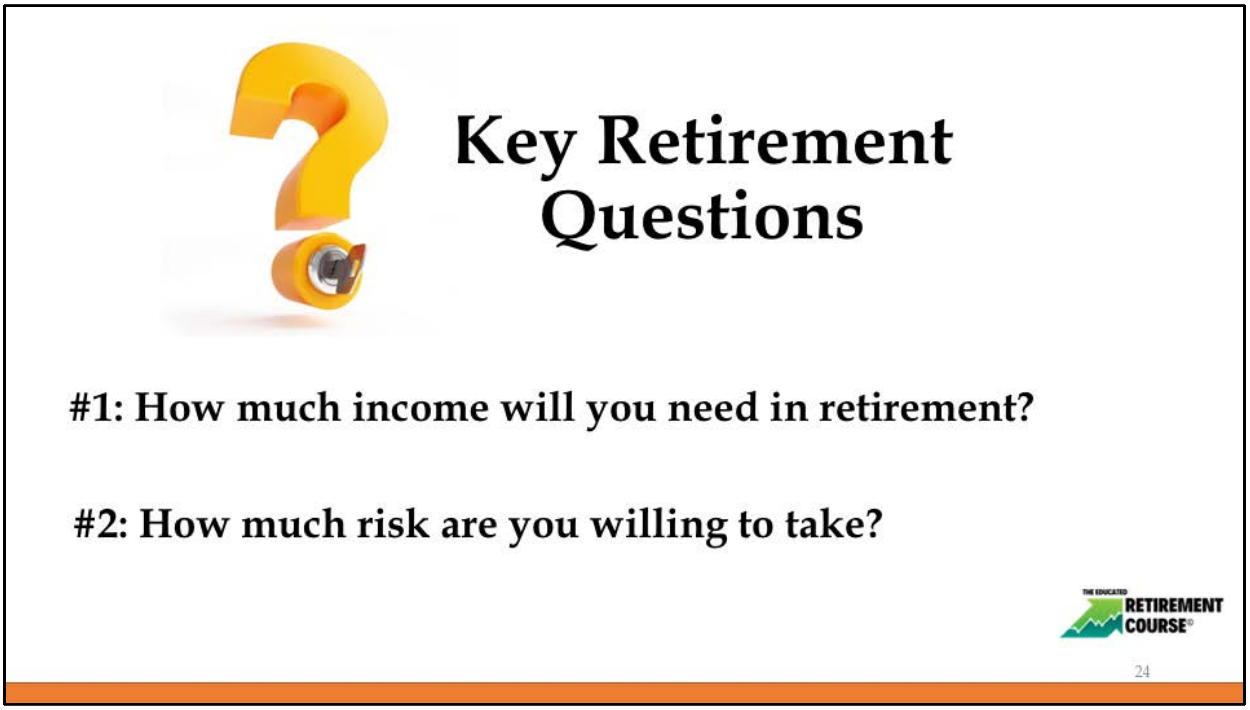


Stage 5: Reorientation & Stability*

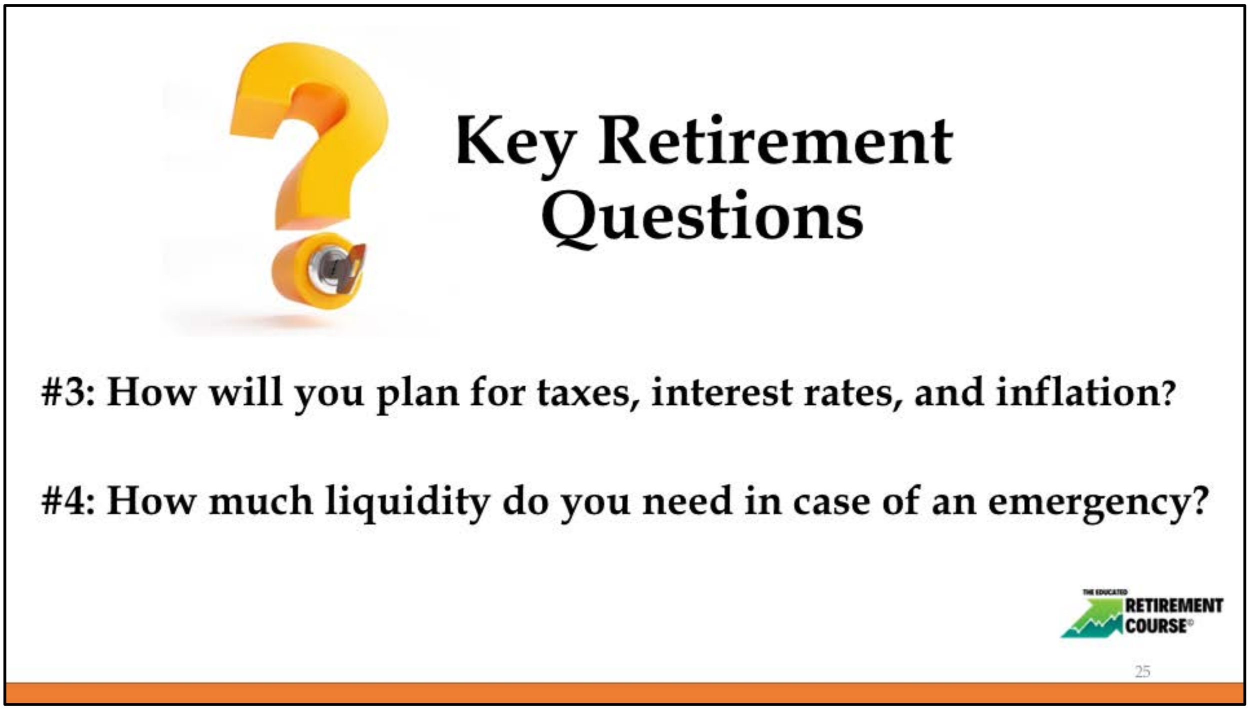
This is the final phase of retirement emotions, and it ties all the earlier stages together. You can go back to your original retirement plan and evaluate your goals and hopes for retirement. With the Honeymoon Stage out of the way and reality setting in, you can truly begin to embrace this part of your life, balancing your exciting experiences with your meaningful ones.

What are you still hoping to accomplish? How are you going to get there? As you reorient yourself in this transition and regain solid footing, you can see the big picture better than you could before. In your golden years, you'll feel more stable and accepting of this new life phase.

(*source: https://www.actsretirement.org/latest-retirement-news/blog/2019/5/23/the-emotional-stages-of-retirement/)



- When creating a retirement income plan, there are 6 important questions your plan needs to answer.
    - #1: How much income will you need in retirement?
    - #2: How much risk are you willing to take?



- #3: How will you plan for taxes, interest rates, and inflation?
- #4: How much liquidity do you need in case of an emergency?

- #5: How will you protect your loved ones?
- #6: What steps can you take now

THE EDUCATED RETIREMENT COURSE®

- *Inadequate savings*. Various studies show that roughly half of all older American workers (age 55+) have less than $100,000 in retirement savings, not close to adequate for a traditional retirement of "not working."

- According to one study, an estimated one-fourth of DC accounts experience an outstanding loan, hardship withdrawal, or early withdrawal upon job separation.

- What is a DC ? What Is a Defined-Contribution (DC) Plan? A defined-contribution (DC) plan is retirement plan that's typically tax-deferred, like a 401(k) or a 403(b), in which employees contribute a fixed amount or a percentage of their paychecks to an account that is intended to fund their retirements. The sponsor company will at times match a portion of employee contributions as an added benefit. These plans place restrictions that control when and how each employee can withdraw from these accounts without penalties

- *Generating retirement income*. Only half of all DC plans offer any options for converting balances into periodic retirement income, and typically fewer than one in five plans offer guaranteed lifetime payouts.

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

30

Social Security

THE EDUCATED RETIREMENT COURSE®

Social Security
Did you know?

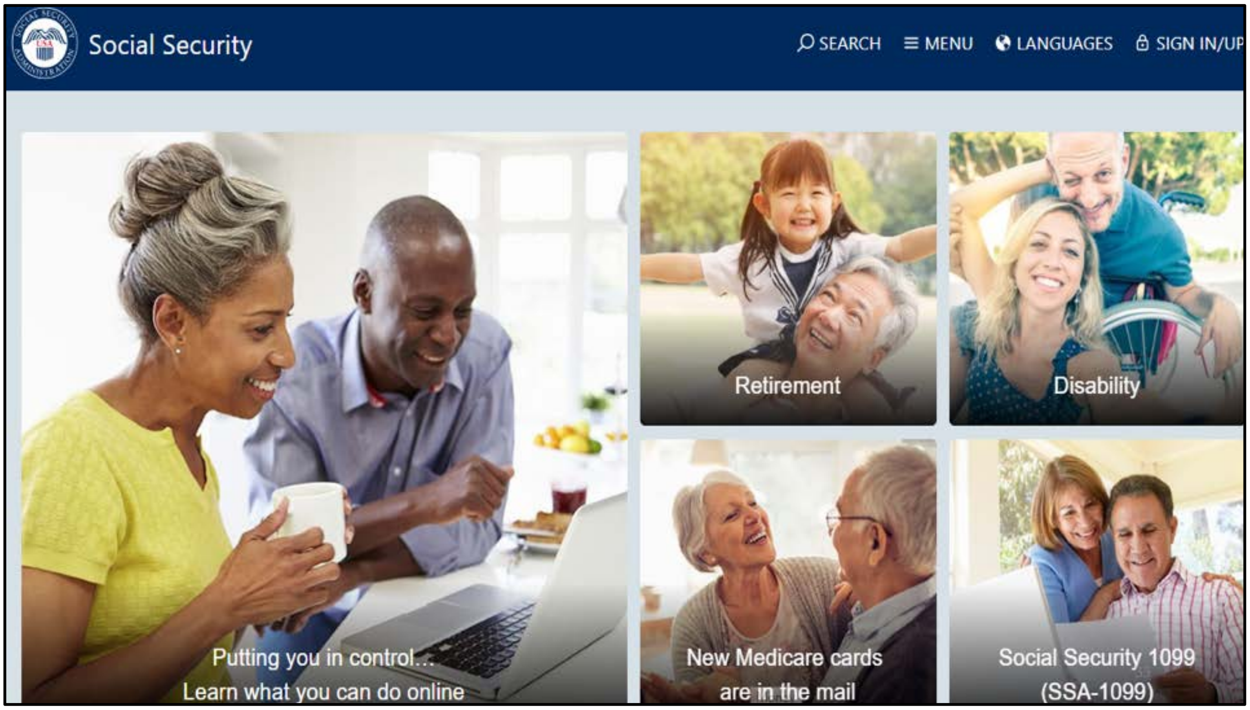
- First Started in 1935
- In 1935, you were entitled to receive full retirement benefits at **65***
- Want to guess what the life expectancy was at that time?

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

THE EDUCATED RETIREMENT COURSE©

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

32



- When you log into the Social Security Website this is what you will see

- Today, you can apply for retirement, disability, and Medicare benefits online, check the status of an application or appeal, request a replacement Social Security card (in most areas), print a benefit verification letter, and more – from anywhere and from any of your devices!

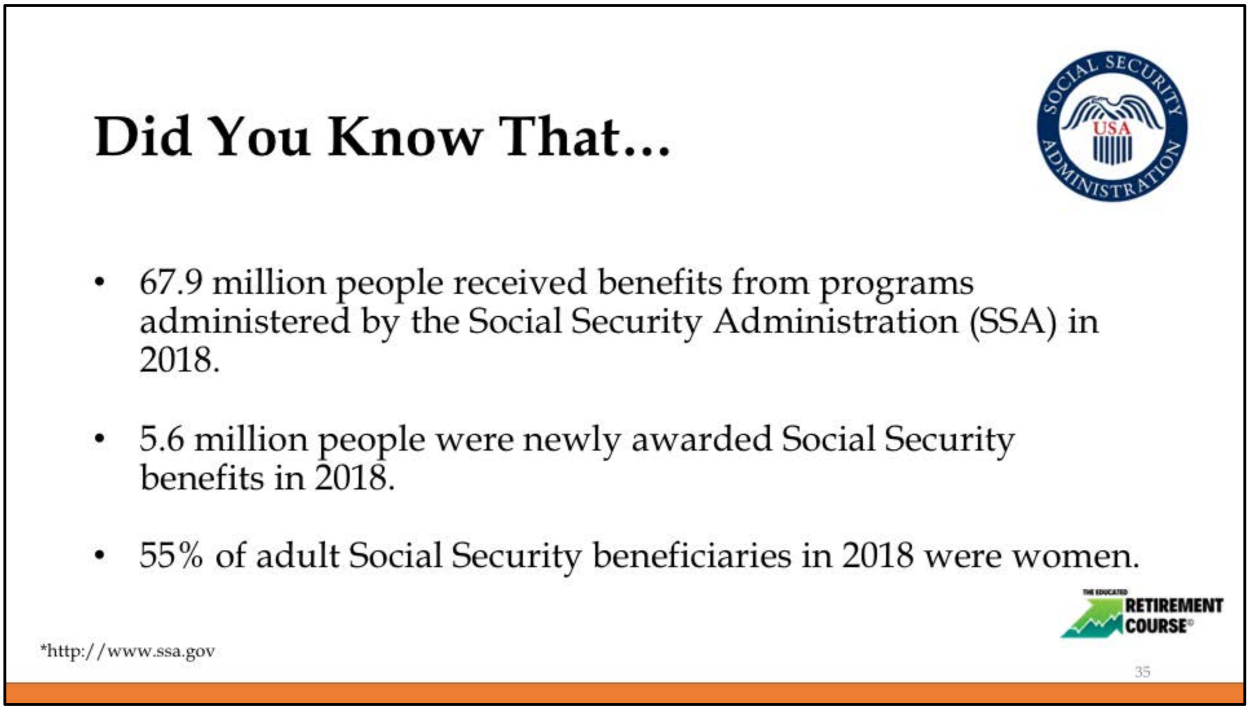
When?

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?

RETIREMENT COURSE®

- 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

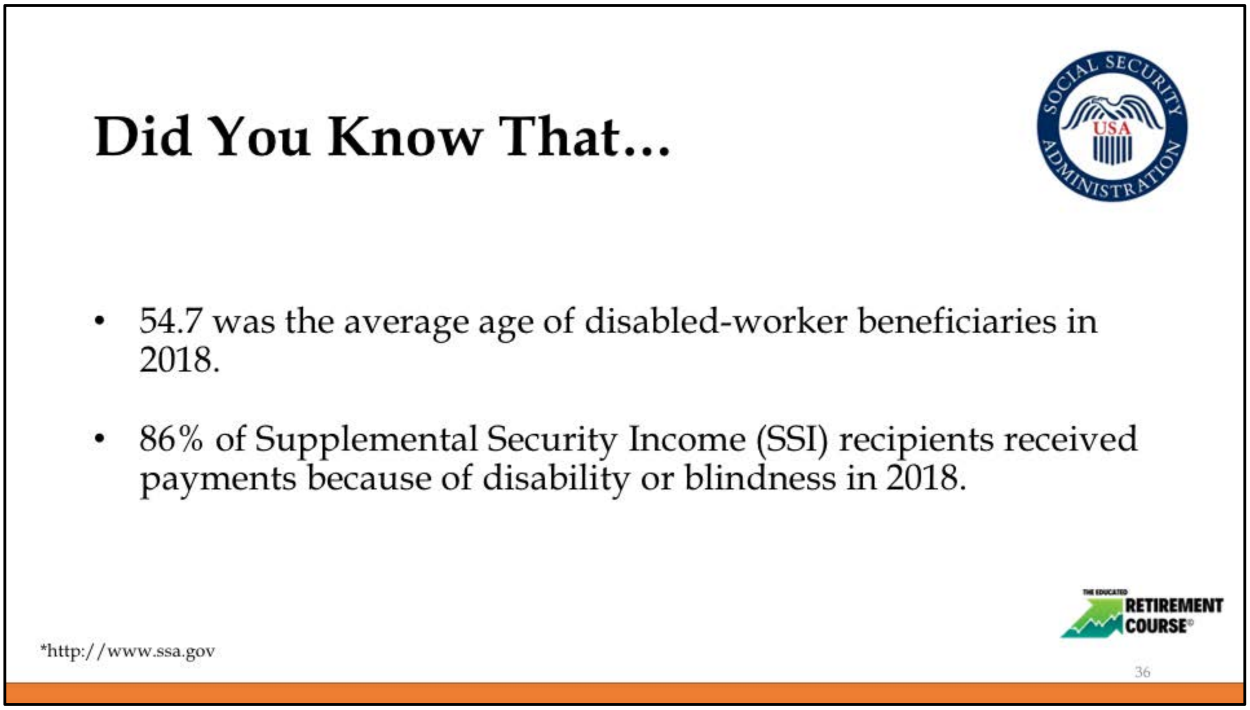


Did You Know That…

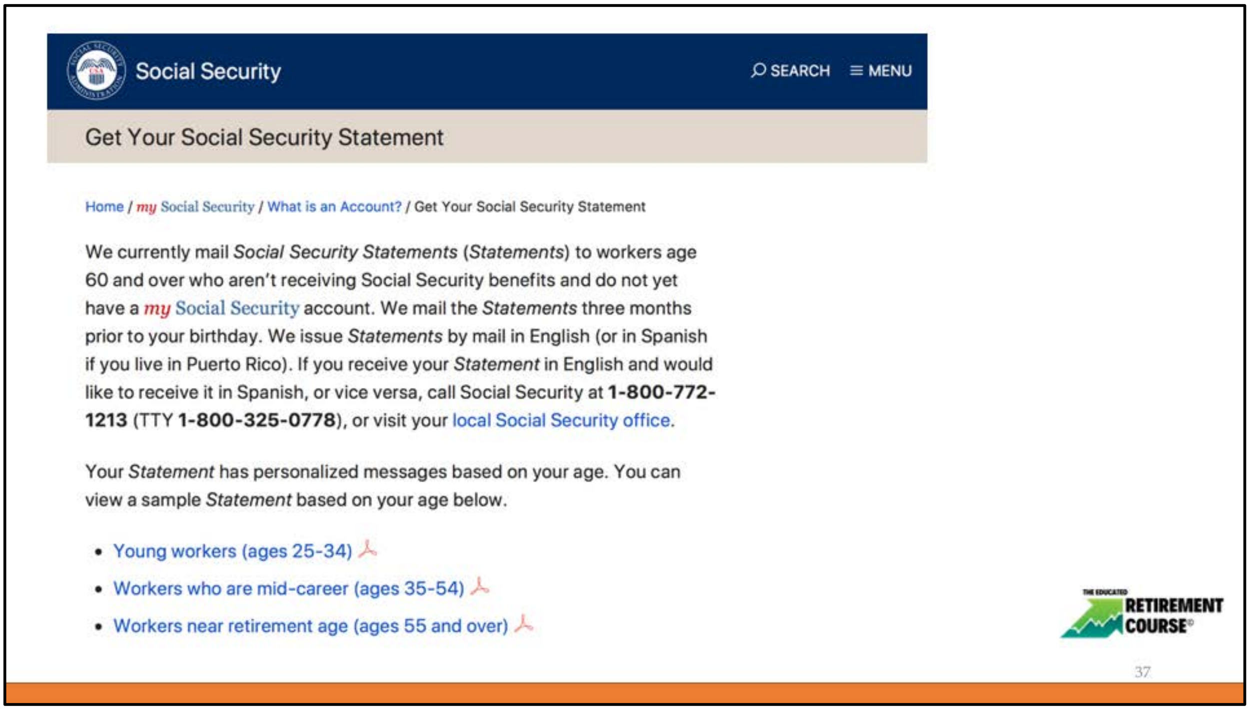
- 67.9 million people received benefits from programs administered by the Social Security Administration (SSA) in 2018.

- 5.6 million people were newly awarded Social Security benefits in 2018.

- 55% of adult Social Security beneficiaries in 2018 were women.



- 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.



- Question… Has anyone in here seen their statement online on SSA.gov? Great!

- For those who haven't, we will walk you through where to go to find your statement and how to read the statement. There is a great resource available online to help you become more familiar with all the terminology we have discussed today. For those who haven't signed up online, you can create an account at www.SSA.gov

- Here is what the page looks like. We encourage everyone to create an account if you haven't already done so. Just so you know, you will need to answer some basic security questions and as soon as you create an account, you will no longer receive mailed statement copies.

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

38

- One of the common questions we get at our office is "when can I file for benefits"?

- For most people in the room today, you will be eligible to apply for benefits at age 62 and your Full Retirement Age (FRA) will be 66, although some will have to wait a little longer. You will hear us refer to Full Retirement Age as FRA for short and for tonight's purposes we will assume that your FRA is 66. As you can see, that would mean you were born between 1943 and 1954. For many of you, your FRA will be later, an additional 2 months is added for each birth year from 1955 to 1959 and anyone born 1960 and later will have to wait until 67.

- Question… Has anyone been told that they should file immediately when they are eligible? While this may make sense for some individuals, it is almost never the best strategy for married couples and could result in the loss of hundreds of thousands in potential benefits over your lifetime. In our example later on, you will see that married couples have a lot to think about when it comes to filing for benefits and often have the most at stake if they make the wrong decision. We will go through an example for single, divorced and married filers to see the impact in more detail.

How are my benefits calculated?

Earnings history

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

39

- Calculating your FRA benefit can be fairly complicated but we will go over the basic formula. Thankfully, all this information is readily available online at the SSA.gov and your statement will show what your expected monthly income will be at FRA based on your work history. To calculate your Primary Insurance Amount, which is the amount you are projected to receive at Full Retirement Age, the SSA will use your top 35 years of work history. These earnings will then be adjusted for inflation to determine your AIME, which means that earnings from prior years will be weighted higher than current earnings. AIME stands for "Average Monthly Indexed Earnings

- The AIME calculation is important because in our experience, many people reaching retirement assume they should continue working because their current salary is much higher than it was 10, 20 or 30 years ago. Naturally, that should have a big impact on Social Security benefits, right? That's not always true because of the way the formula works. First, it includes your top 35 working years, so 1 year is only worth about 3 percent. Second, prior years are adjusted into today's dollars (using Average Wage Index –AWI), so current years are worth less than previous years. Finally, the formula has 3 "Bend Points" that are applied, which weights wages on a sliding scale. Let's see how it works.

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

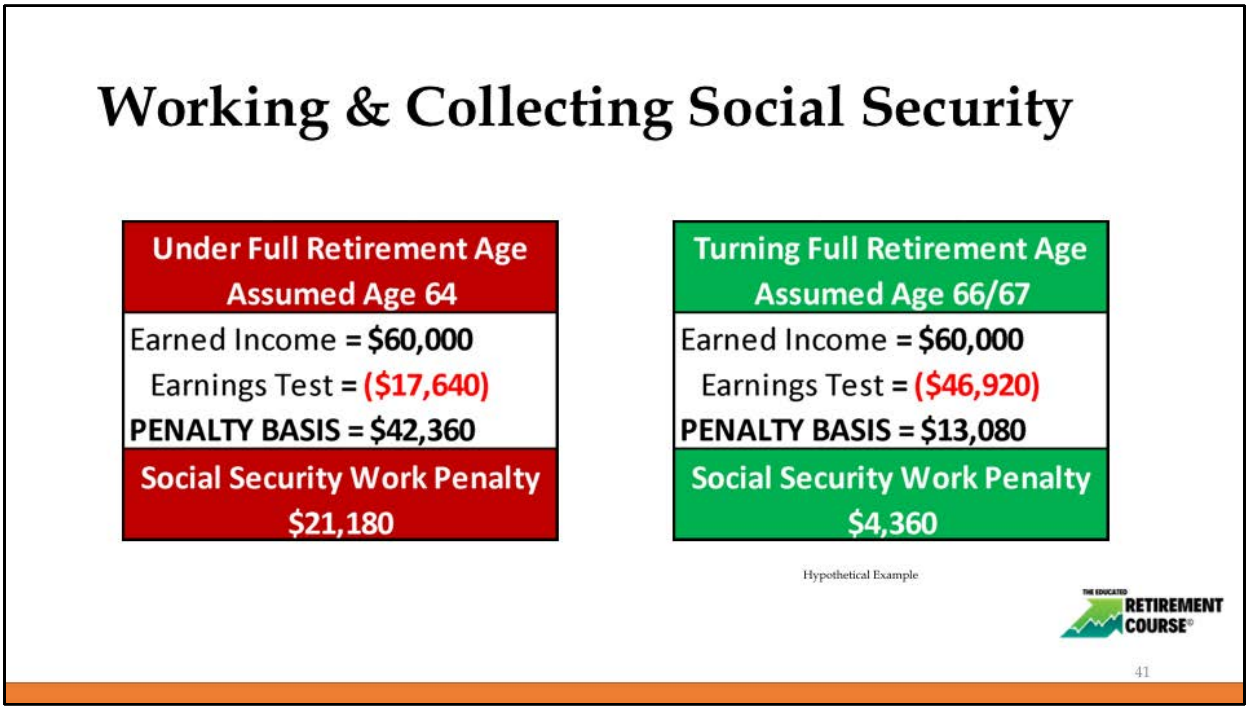
THE EDUCATED RETIREMENT COURSE®

Hypothetical Example

40

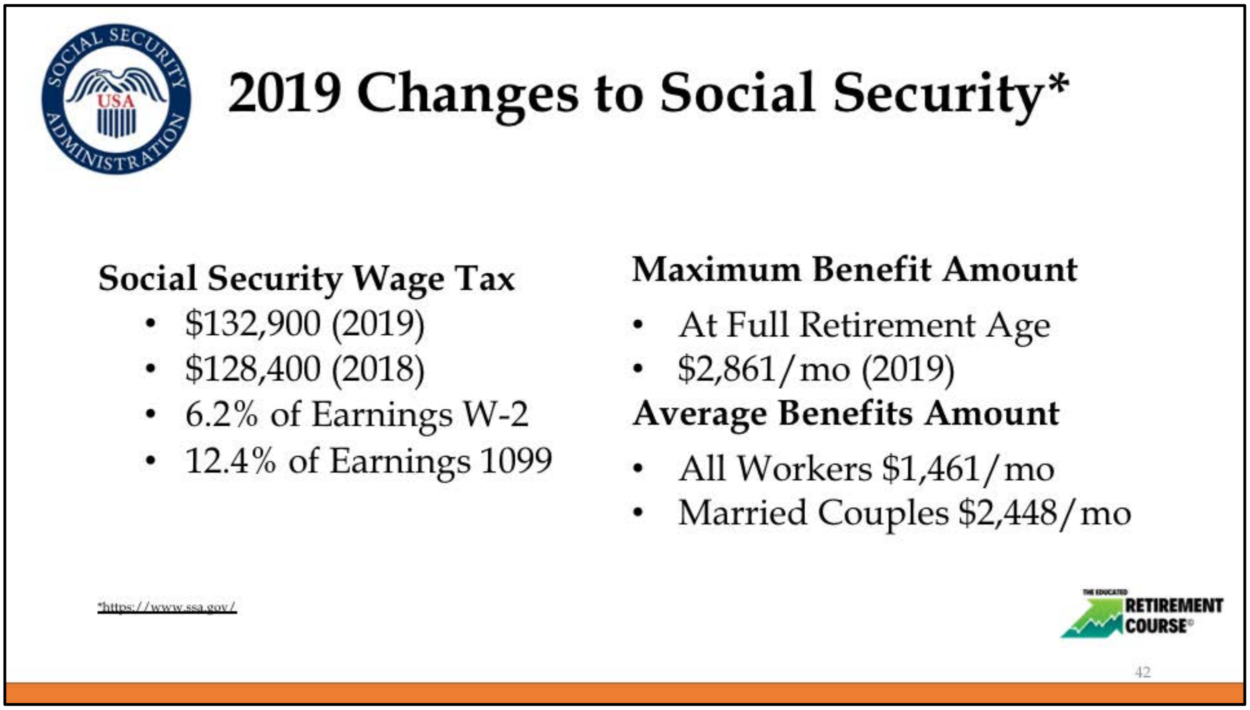
- According to recent Boston College study, 42% of men and 48% of women file for benefits at age 62, when they are first eligible and less than 5% wait until age 70, the maximum filing age. The important thing to remember is that the best filing age is specific to your situation and there are a lot of factors to consider, such as the age you are planning to retire, your health, how much income you need and your other assets. For some, filing at 62 may still be the best option, but doesn't it make sense to know what you are giving up before you make a decision?

- In this example, the benefit at FRA is $2,000 per month or $24,000 per year. If you started benefits at age 62, you would only receive $1,500 per month or $18,000 per year, 75% of your PIA. This is referred to as an actuarial reduction, basically meaning that you will receive benefits longer so your benefit amount will start lower. On the other hand, if you wait until age 70 to start your benefits, you receive 8% each year you wait after FRA and would start with at least 132% of your FRA benefit, not including any cost of living adjustments and changes to the PIA formula. Where this really starts to hit home is when the income starts increasing with COLA. Would you rather receive Cost of Living Adjustments on $1,500 or $2,640? Depending on your life expectancy and other assets, it can make a lot of sense to delay benefits, even if it’s only for a few years.



- The next most common question is "Can I work and collect benefits"? The answer is yes, but you want to make sure you understand the work penalty. If you decide to work and collect benefits before reach FRA, you can only make $17,640 before the work penalty starts to reduce your payments. This only applies to wages from your actual job or self employment income, not other sources of income, such as 401k/IRA withdrawals, interest or capital gains. For every $2 in additional "countable income", $1 in benefits will be withheld.

- For example, let's assume you are 64 and start collecting, making an additional $60,000 per year. Your work penalty basis, after subtracting the "Earnings Test" limit of $17,640, would be $42,360. This means that the work penalty would be $21,180. During the year you reach FRA, the earnings limit is much higher and the payback is $1 for every $3 in additional income. Using the same example, that would reduce the penalty to $4,360. Starting in the month you reach Full Retirement Age (FRA), the work penalty no longer applies.



- The changes for 2019 include an increase in the maximum taxable wage amount from $128,400 to $132,900. Any amount over that is not taxed for Social Security and is not added to your benefit calculation. The tax rate stayed the same and is 6.2% for both you and your employer, for a total of 12.4%. If you are currently FRA and have maxed out your benefit amounts for all 35 working years, the maximum total benefit would be $2,861 per month. Finally, the average amount for current retirees is $1,461 but keep in mind many of those filers have been collecting for 20 or 30 years. For married couples, the total is $2,448 per month. Our experience is that these amounts are much higher if you are retiring in the next 10 years or have retired in the last 5 years.

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

THE EDUCATED RETIREMENT COURSE®

43

- We talked about some changes that might happen to make sure the OASI Trust balance stays intact longer. This includes increasing the FRA, which is currently 67 for everyone born after 1960. Second, changing the measure of inflation to the chained CPI (instead of CPI-W) would decrease the COLA by 10%-20% long term. The PIA formula changes each year based on the Average Wage Index (AWI) and could be capped or frozen to limit the maximum benefits available. The 3 bend points or effective rates could also change. The 8% increase in benefits from FRA through age 70 could be reduced from 8% to a lower number to reflect the lower interest rate environment and finally, payroll taxes could be increased or uncapped for higher income earners.

- Long story short, we all need to plan for changes and build a margin for error into our retirement income plan to account for unknowns.

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

THE EDUCATED RETIREMENT COURSE®

44

- Finally, before we start the case studies, let’s talk about the factors we need to consider when planning for Social Security. It doesn’t make sense for everyone to file at 62, when you are first eligible for benefits, receiving only 75% of your FRA amount.

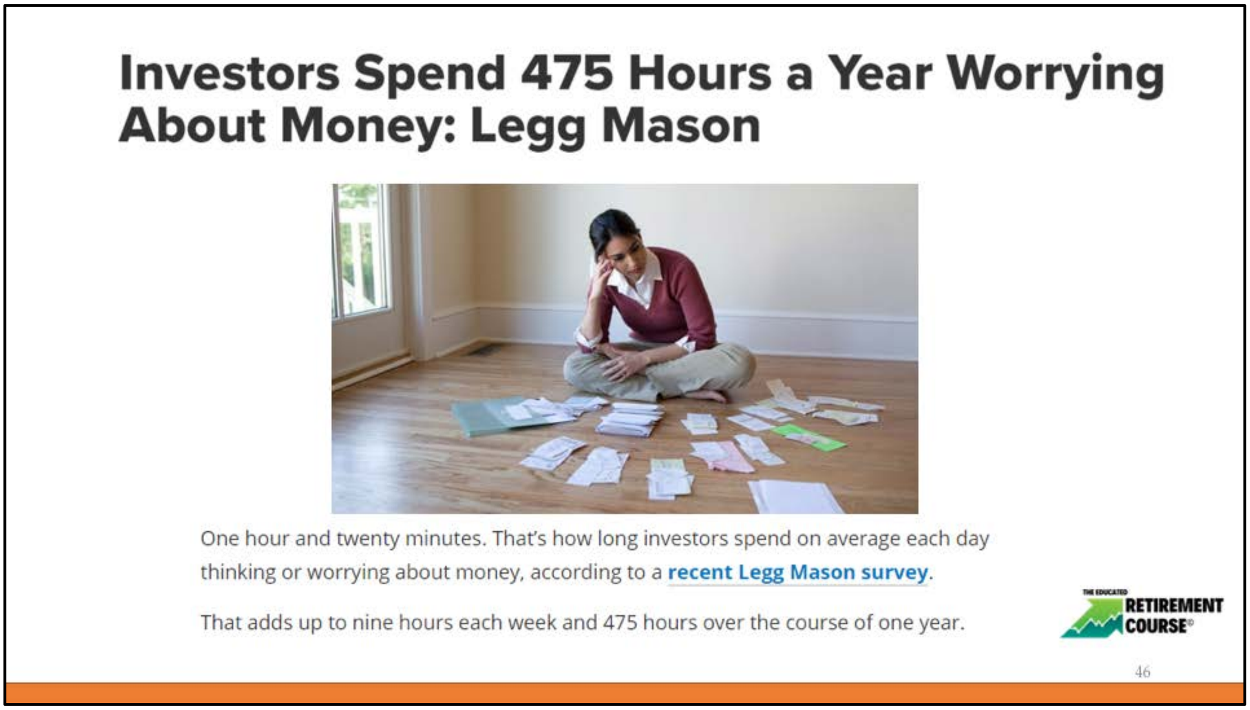
- It also doesn’t always make sense to wait until age 70, when you receive at least 132% of your FRA amount.

- The key here is finding a balance based on your specific situation, that's why we call our training “Retirement You”. Regardless of what’s going on politically or in the economy, when it comes to retirement, the focus should be on you and how these constant changes could imp[act your retirement income.

- So, what should we consider when deciding when to file for Social Security? Your Social Security Taxable Wages History, Estimated Life Expectancy, Desired Retirement Age, Inflation & COLA, Potential Program Changes, Other Sources of Income and Qualified & Non-Qualified Accounts

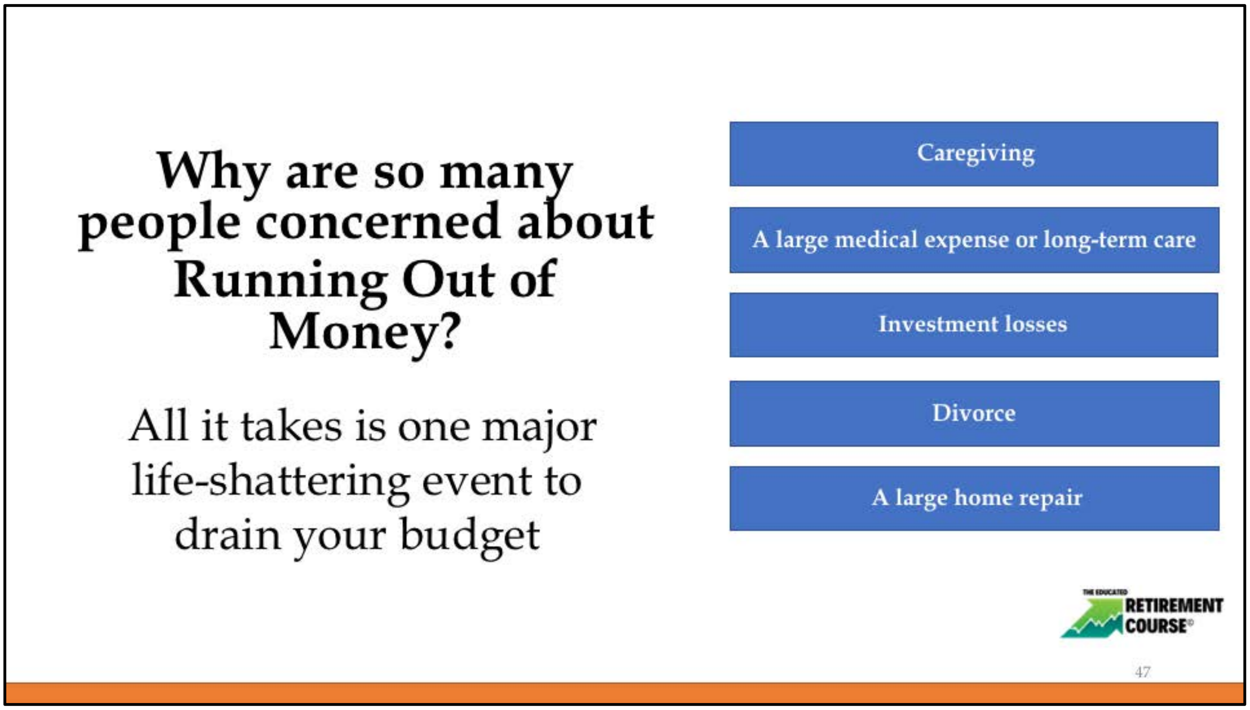
Income Planning

THE EDUCATED RETIREMENT COURSE®



- 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.



- All it takes is one major life-shattering event to drain your budget, and then your time of freedom and fun is over. You might struggle to pay your bills or end up buried in costly debt. No one wants that life.

- We may not be able to stop some financial emergencies from happening, but we can improve our ability to handle them by planning for the worst-case scenario. Here are five of these unexpected events that you should be ready for.

According to a recent report, as many as 117 pension plans covering over 1 million Americans are underfunded and could fail within the next 20 years.

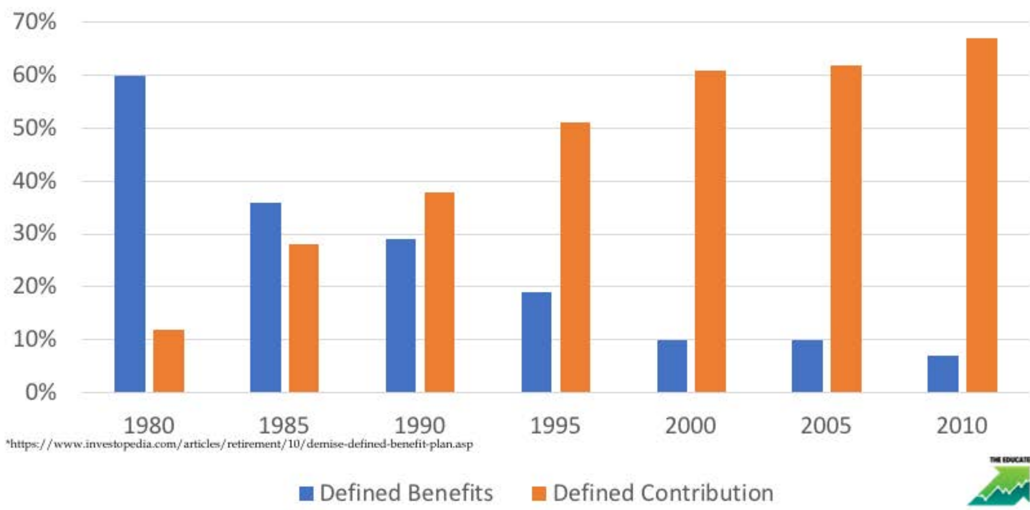
MARKETS INSIDER

THE EDUCATED RETIREMENT COURSE®

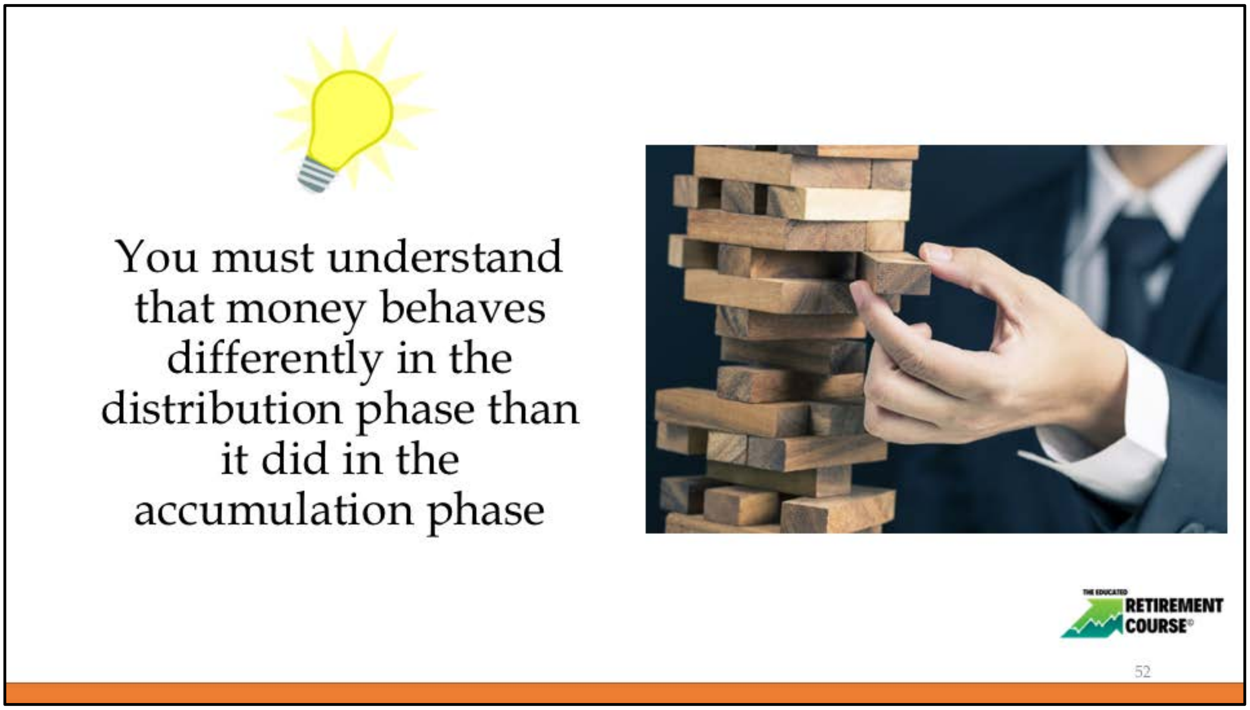
General Electric announced in late 2019 that more than 20,000 of the company's employees would see their pension benefits frozen as it moves to cut costs and reduce its mounting debt pile.

- Here are 5 other large companies that have frozen pensions in the past
- UPS, Boeing, Lockheed Martin, DuPont and LL Bean.

Shift in Pension Plans*

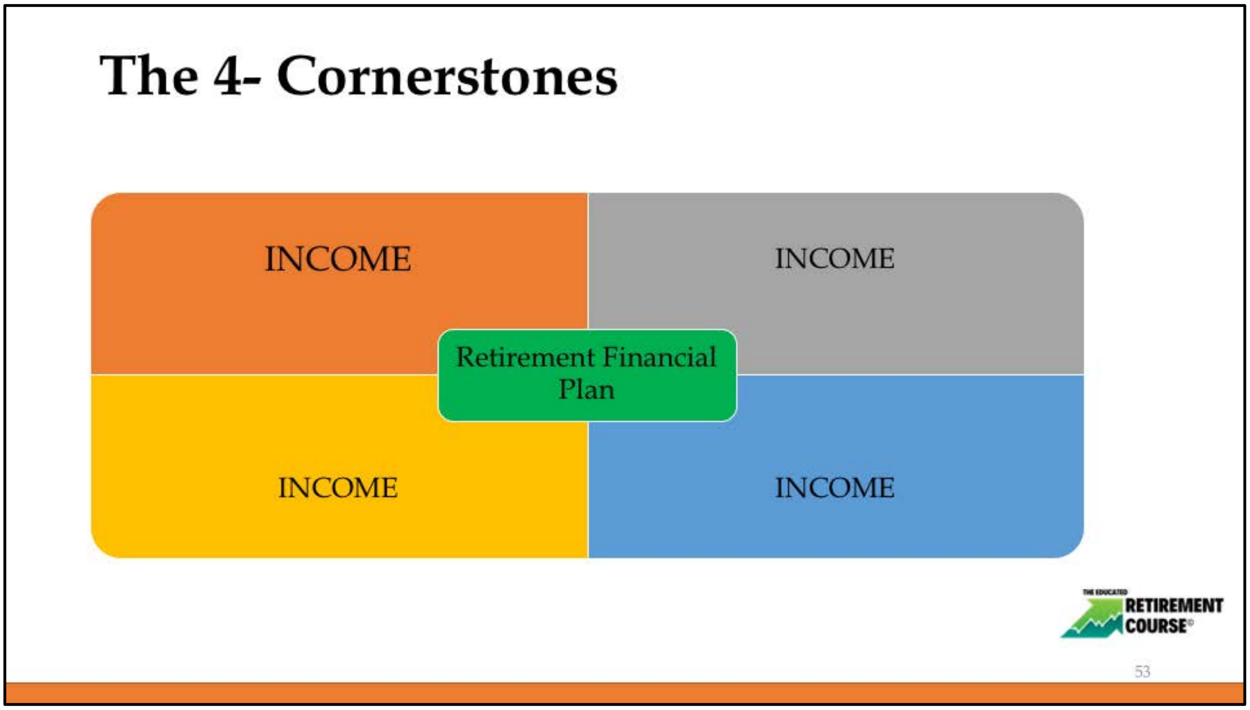


*https://www.investopedia.com/articles/retirement/10/demise-defined-benefit-plan.asp



- Therefore, as we've learned, your focus must be on:
    - Risk
        - Eliminate all unnecessary risk from your portfolio
        - Mitigate the remaining risk in your portfolio
    - The 4- Cornerstones of a Retirement Financial Plan are:
        - Income
        - Income
        - Income
        - Income

If you have all the income you need to live and have a life, you do not have to worry about what the markets, the economy or inflation is doing. You are set for life!



- The 4- Cornerstones of a Retirement Financial Plan are:
  - Income
  - Income
  - Income
  - Income

If you have all the income you need to live and have a life, you do not have to worry about what the markets, the economy or inflation is doing. You are set for life!

hjgj

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

THE EDUCATED RETIREMENT COURSE®

54

- *There's a clear need for plan sponsors and financial institutions to help their older workers and customers generate reliable, lifetime retirement income – to "pensionize" their IRAs and DC accounts*

- How do we pensionize YOUR accounts where appropriate? We will do an assessment and make a recommendation.

- Create a Private issued pension from a portion of your assets and get guaranteed income for your life and your spouses life to fill GAPS
- WITH 100% SURVIVOR BENEFIT for you and your spouse
- While giving you Access to principle (just in case), and
- Right now experts say maybe 2.6% puts you on good footing!! But that may be wrong too! It's guessing!!
  - Why guess on the most important part of retirement income planning

Income Planning:
How much can you take each year?

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

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.

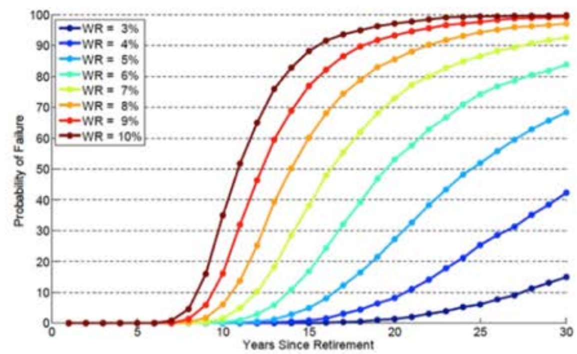
"Falling asset returns leads to investors outliving their money. If asset values drop early in retirement, portfolio withdrawals can devastate a retiree's nest egg and compound the negative impact of a 4 percent withdrawal rate"

THE EDUCATED RETIREMENT COURSE®

58

The Stanford Research Institute

Figure 2.5 Probability of Savings Depletion for Various Withdrawal Rates



Note: For systematic withdrawals–constant amount (see Appendix B for definition), portfolio invested 60%/40% in stocks/fixed income.

Source: Dr. Wade Pfau.

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

THE EDUCATED RETIREMENT COURSE®

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)

60

Sequence risk, or sequence of returns risk, analyzes the order in which your investment returns occur.

It affects you when you are periodically adding or withdrawing money from your investments. In retirement, it can mean that you earn a much lower internal rate of return than what you expected.

Let's Look at a few case studies

Jack & Susan

Mark & Petra

Rick & Karen

THE EDUCATED RETIREMENT COURSE®

61

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

THE EDUCATED RETIREMENT COURSE®

- 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.

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.

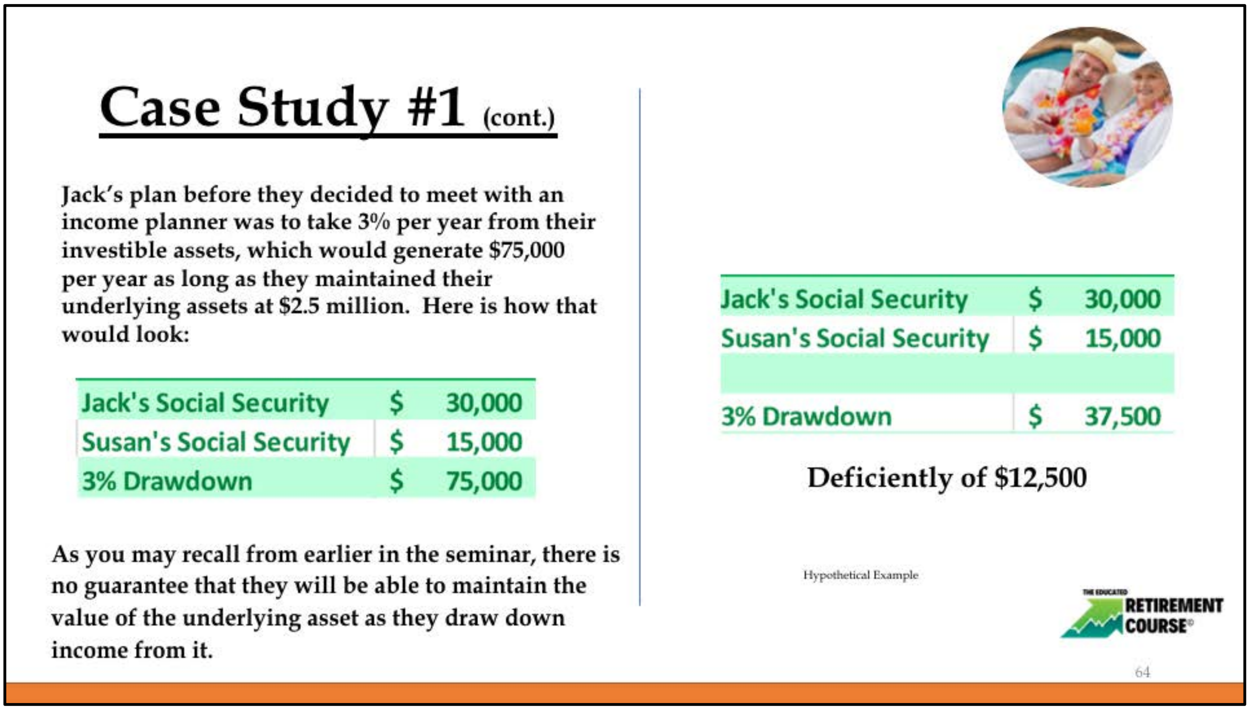
Hypothetical Example

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

THE EDUCATED RETIREMENT COURSE®

- 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.

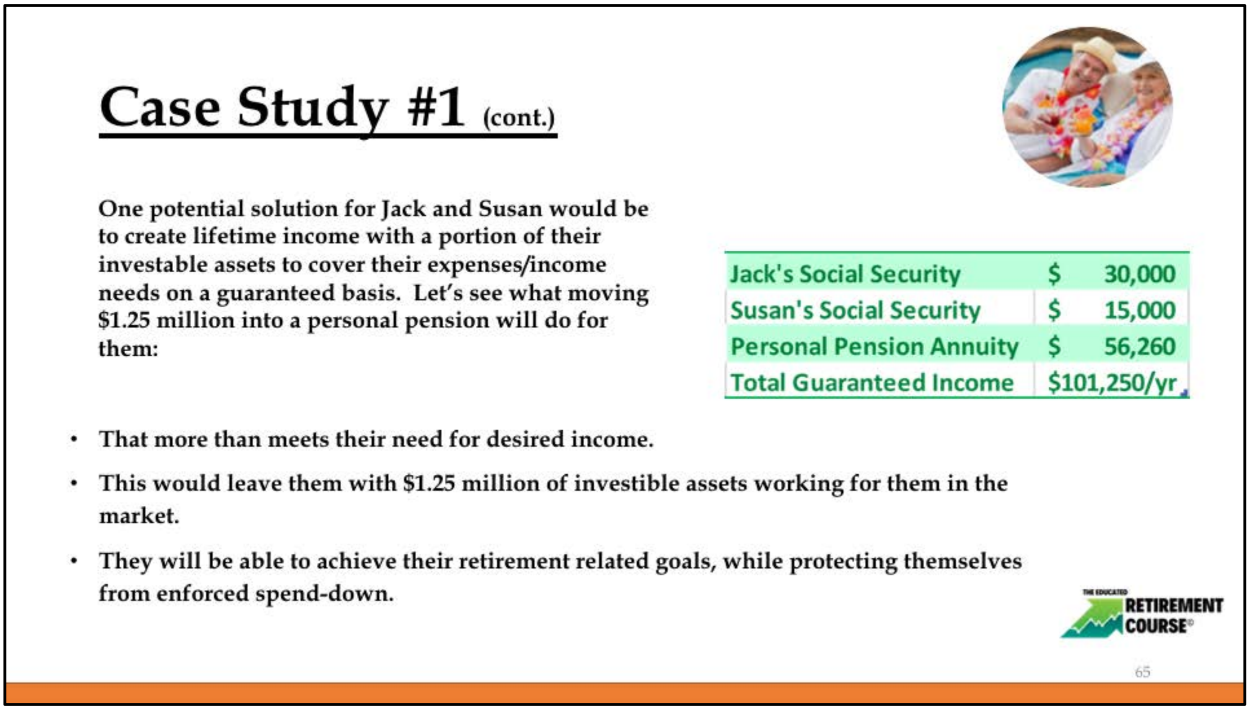


- Jack's plan before they decided to meet with an income planner was to take 3% per year from their investible assets, which would generate $75,000 per year as long as they maintained their underlying assets at $2.5 million. Here is how that would look:

- 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.

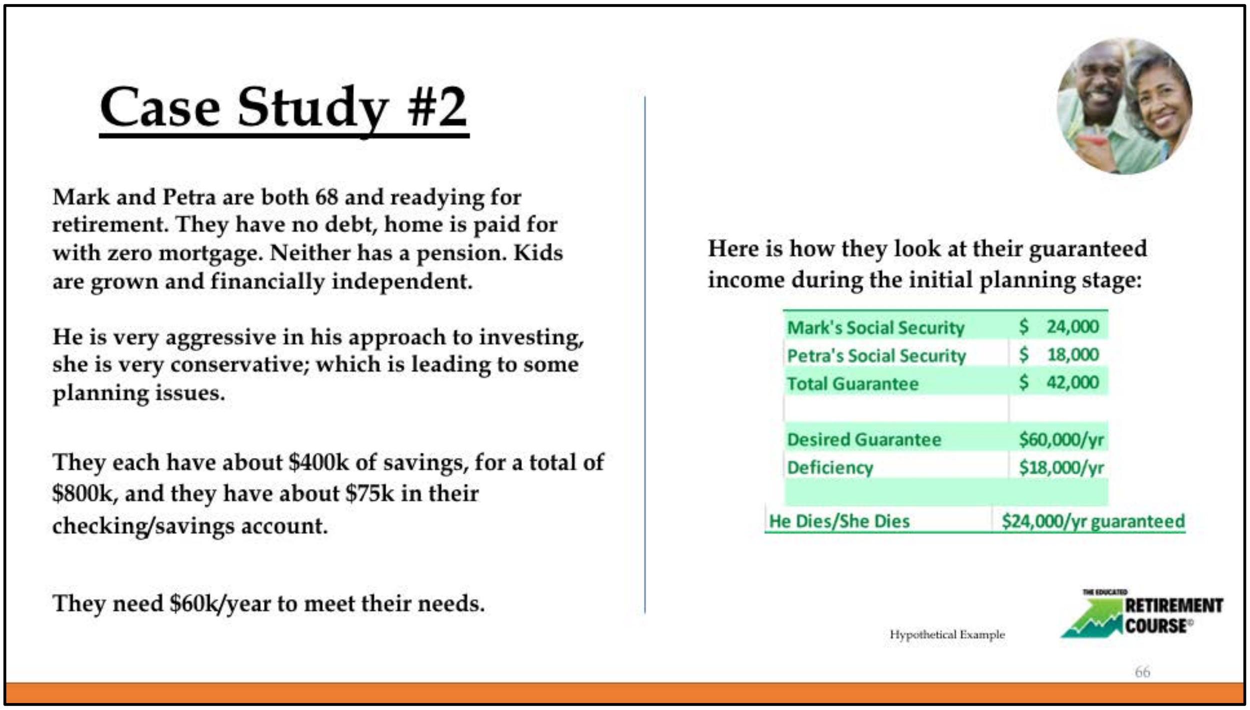
- Due to their age they will probably want to reduce the risk in their portfolio, plus there may be major adjustments in the market during their retirement that are similar to previous fatal fluctuations such as the market collapse of 2007-2009 when the market was down over 50%. Here is how that would look for Jack and Susan if their $2.5 million becomes $1.25 million:

- Deficiently of $12,500



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:

- 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.

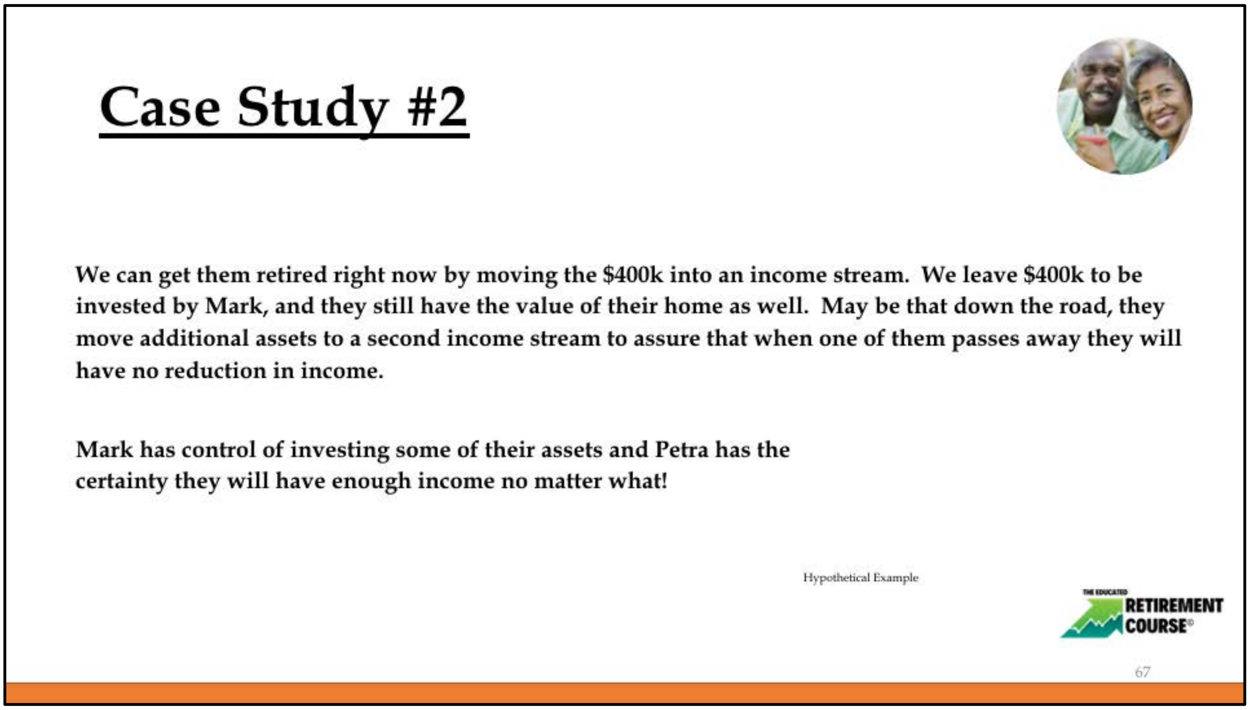


- Mark and Petra are both 68 and readying for retirement. They have no debt, home is paid for with zero mortgage. Neither has a pension. Kids are grown and financially independent.

- 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.



- 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!

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.

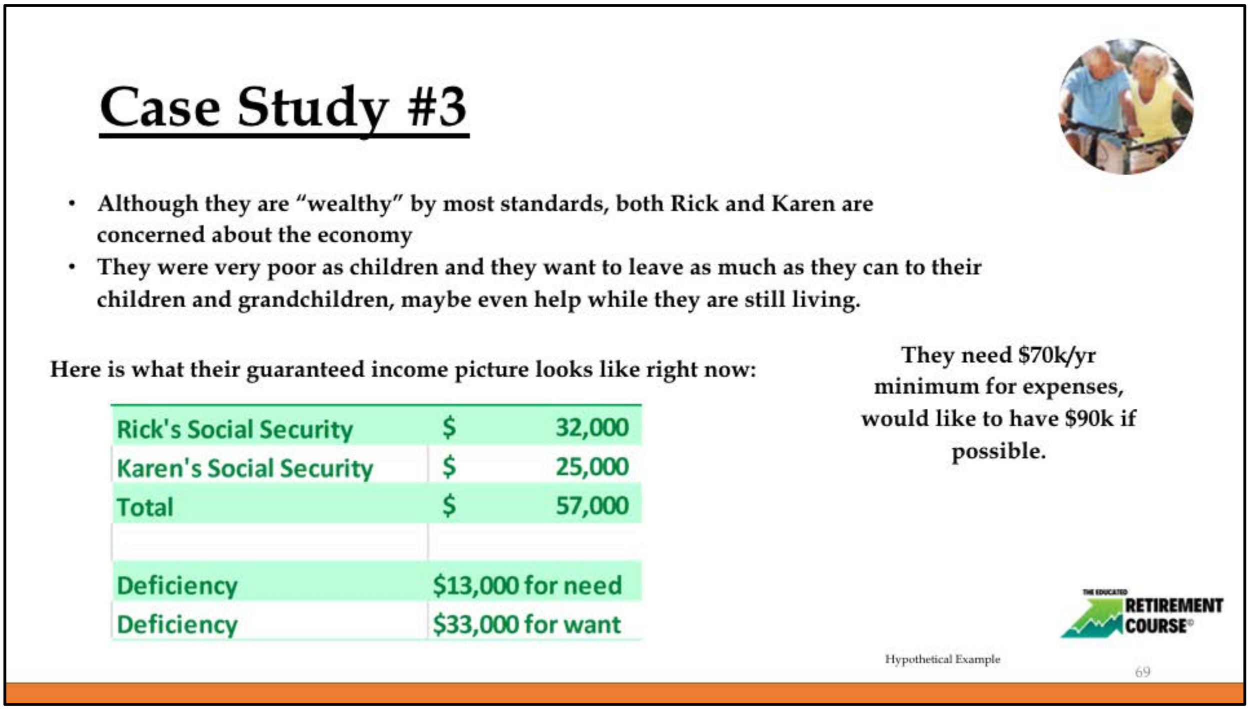
Hypothetical Example

THE EDUCATED RETIREMENT COURSE®

- 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.



- 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.

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

THE EDUCATED RETIREMENT COURSE®

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

THE EDUCATED RETIREMENT COURSE®

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:

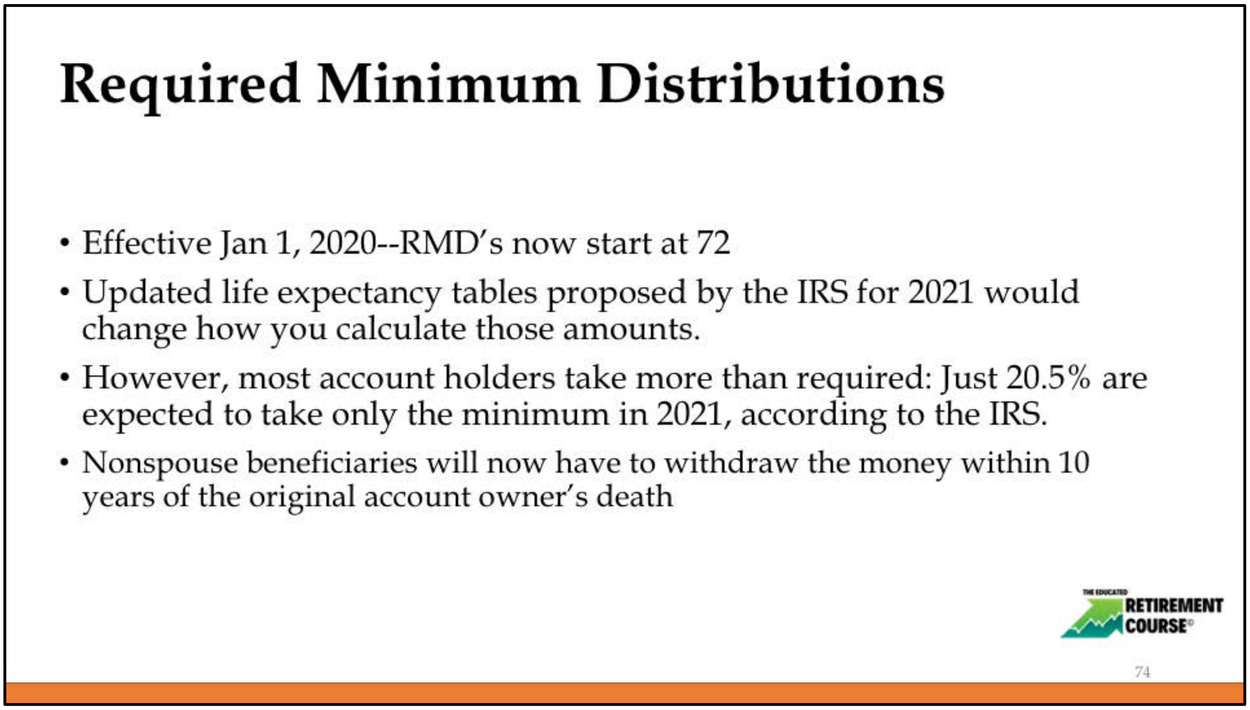
Rick's Social Security	$	32,000
Karen's Social Security	$	25,000
Personal Pension	$	42,000
Total		$99,000/yr

Hypothetical Example

THE EDUCATED RETIREMENT COURSE®

Let’s discuss

73

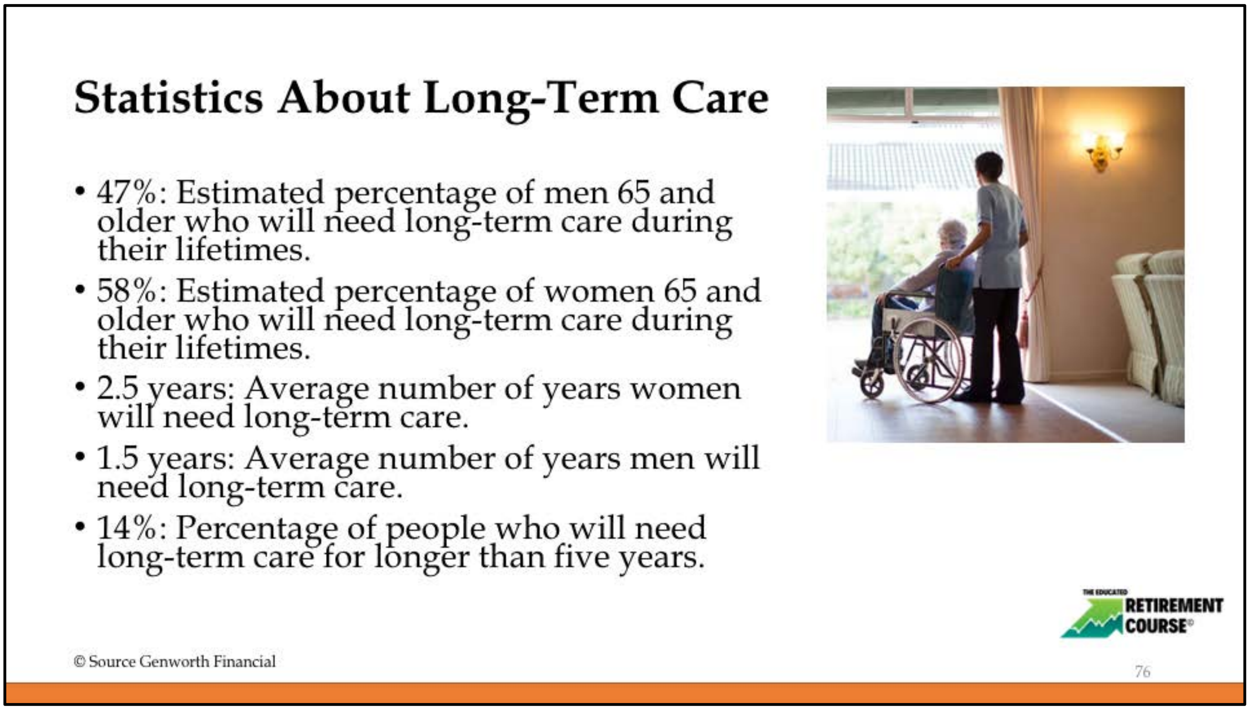


Here's how changes to required minimum withdrawals may affect your retirement account

- If you turn 70½ after 2019, you can now wait until you're age 72 to start making those mandated annual withdrawals from your retirement accounts.
- 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.

- Additionally, the Secure Act changed the rules for inherited retirement accounts. Most nonspouse beneficiaries will now have to withdraw the money within 10 years of the original account owner's death. Before, IRA beneficiaries could stretch withdrawals across many years, based on their own life expectancy.


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.

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.

77

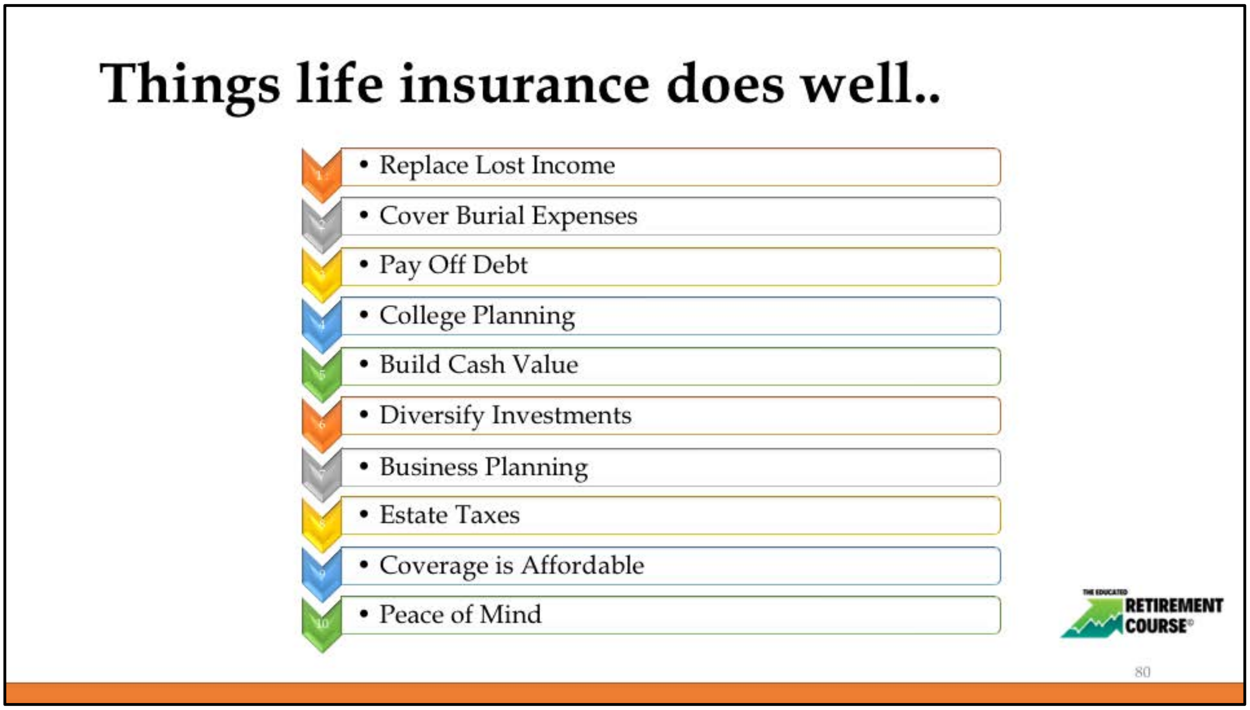
Let's dig a litter deeper and look at the Topline Results from 2018 Cost of Care Survey

- There is a Continuing Rise in Long Term Care Costs
- The year-over-year cost of any kind of long term care is rising quickly, with no sign of slowing down
- Long term care support services have outpaced the 2.1% U.S. inflation rate from 2017-2018.
- Over 15 years, all care settings have seen increases in cost ranging from 19% to 67%.

- The cost of long-term care in assisted living facilities has increased 67 percent and private nursing home rooms have increased 54 percent.

- "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


350
412
760
2522
Life Insurance &
Estate Planning



1. Replace Lost Income

Life insurance works to provide financial security to your loved ones after you pass away. You have to consider what would happen if you were to die suddenly. This is especially true if your loved ones rely solely on your income. Get yourself adequate coverage. That way, you won't leave your loved ones helpless when the monthly bills come around.

2. Cover Burial Expenses

Sadly, even a basic funeral service can run upwards of several thousand dollars. While it's possible to pre-pay for your funeral, people don't often think that far ahead. Pre-payment can ensure everything is in place for your loved ones after you die. However, there are risks to pre-payment. Life insurance can give you and your beneficiaries more of a guarantee, lifting a burden off of them as well as yourself.

3. Pay Off Debt

Just because you die doesn't necessarily mean your debts will disappear. In the instance that you and your spouse have co-signed for a mortgage or other loans, your spouse may become entirely responsible for repayment. The other outcome could result in creditors trying to collect from your estate. While that gets rid of your debts, your heirs will receive the depleted remainder. Life insurance allows those you leave behind to take care of any lingering financial responsibilities.

4. College Planning

There are a number of ways to save money for your child's education. You may not have thought that a life insurance policy would be a viable option. But insurance payouts can actually provide a good supplement your savings. If your child ends up borrowing money to get through school, the insurance proceeds could also help wipe out pesky student loans.

5. Build Cash Value

Term life insurance, a type of life insurance, stays in place for a set period of time. But another option, whole life insurance, provides permanent coverage that only ends if you cancel the policy. Whole life insurance allows you to build up cash value over time, an attractive prospect to any people. That cash value acts as an extra cushion that you can tap at any time. This may come in handy if you have a financial emergency down the road.

6. Diversify Investments

Some people also use life insurance as an investment tool with universal life policies. These policies are tied to a specific investment product. Then policyholders receive dividend payments based on the product's performance. Before you dive into this type of insurance, you'll want to read the fine print. That way you'll know the potential risks and returns before you commit.

7. Business Planning

If you own a business, it's vital that you have life insurance. This covers your obligations so your hard work doesn't go to waste. Are you involved in a partnership with someone else? You should both have coverage. That way, if one of you dies, the other isn't left holding the heavy financial bag.

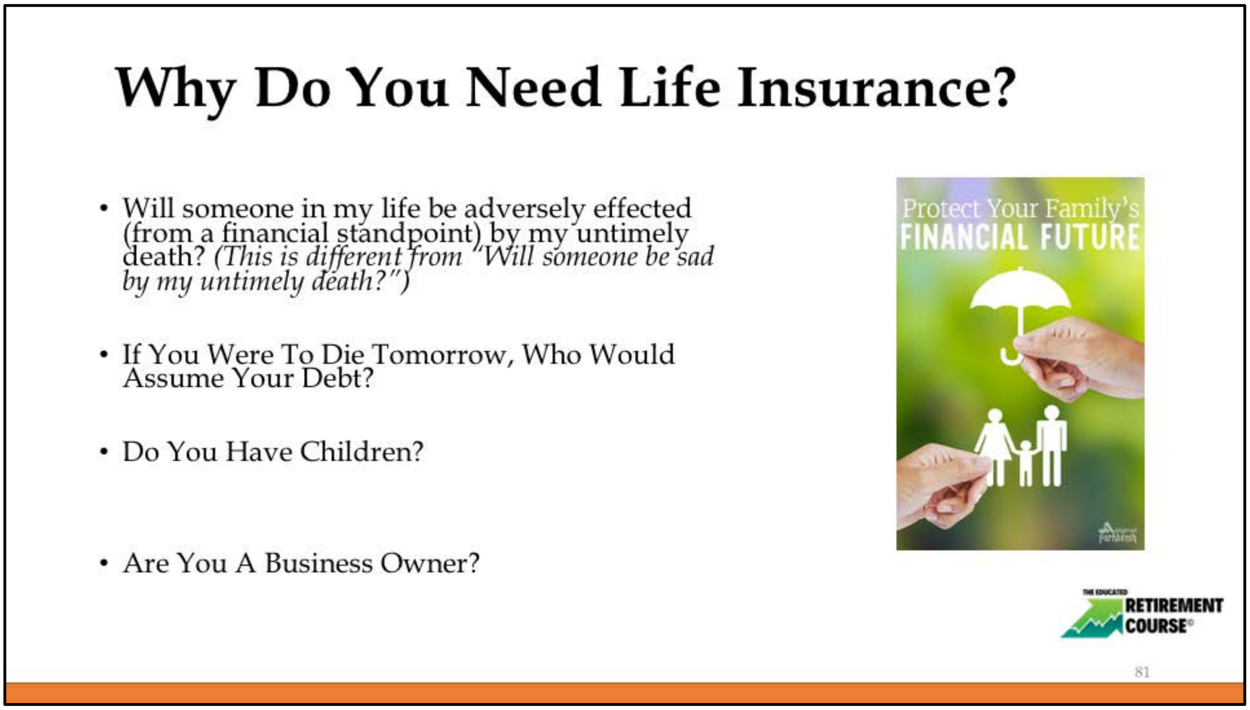
8. Estate Taxes

When someone passes away, their heirs often face estate and inheritance taxes on any assets they receive. If you're worried about your loved ones getting hit with a big tax bill, a life insurance policy can help cover these added costs.

9. Coverage is Affordable

One of the excuses people tend to make for not buying life insurance is the cost. But truthfully, coverage often ends up pretty affordable for most people. Term life tends to be less expensive than whole or universal life. Plus, the younger and healthier you are, the lower your premiums will be. Unless you smoke or have a preexisting health condition, you could find coverage for as little as $1 a day. Compare policies now to see your affordable options.

10. Peace of Mind



One of the most fundamental questions you should ask yourself when contemplating life insurance is this:

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?"

- I will be sad. But I do not want to assume your financial liabilities.

If You Were To Die Tomorrow, Who Would Assume Your Debt?

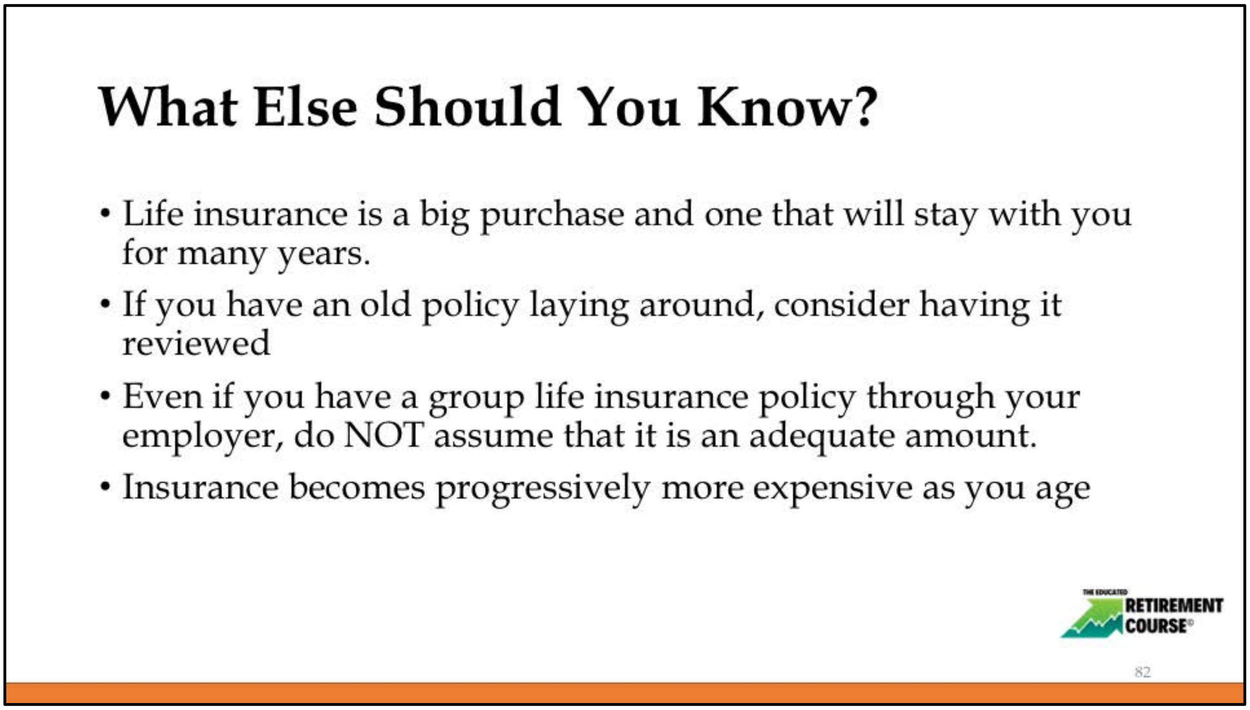
- If you own a home, a business, or have personal liabilities, someone else will become responsible for those liabilities (generally your next of kin). Therefore, your spouse, your parents or your siblings could end up having to pay your debts after the good Lord takes you.

Do You Have Children?
- Guess what? If you have kids and you don't have life insurance, you may have put your entire family at risk. I know that seems a bit harsh but it is a potential

reality. Enough said on that.

Are You A Business Owner?

- What would happen to your business if something were to happen to you? Do you have a succession plan? If you a business owner and do not have a succession plan, speak to a financial advisor to get you on track to help you create one. This could mean purchasing some type of insurance product and creating some documents determining who would inherit your business and its assets and liabilities.



- 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 by your financial advisor. It may make sense to buy more insurance (especially if your life has changed in the past few years) or to let the old policy lapse.

- Even if you have a group life insurance policy through your employer, do NOT assume that it is an adequate amount.

Most group life policies that are offered through employers will cover 3 times your salary. Even if it is an adequate amount, what would happen if you were to leave the company or get fired? You would suddenly be without any form of life insurance.

- Finally, insurance becomes progressively more expensive as you age. In fact, premiums can be almost 2 times as expensive for a 40-year old versus a 35-year-old. Try not to wait on buying insurance as it may only become more of a financial burden.

Estate Planning Failures of the Rich & Famous

Ed Koch

83

- According to reports, Koch left most of his fortune to various relatives along with some charities. He made specific cash distinctions to certain relatives (i.e $500,000 to sister and husband, $100,000 to sister in law, etc.), and left the “residuary estate” (everything remaining after specific gifts) to three nephews.

- However, what those three nephews will receive will likely be significantly reduced as a result of estate taxes. Most are familiar with the federal estate tax, because it has been a hotly debated issue in recent Washington D.C. political battles. Per terms agreed upon earlier this year, the this rate is set at 40% for portions of an estate over $5.25 million. Considering Koch’s estate was well above that, a large federal estate tax bill is due. But that is not the only tax bite–New York state taxes also apply. The estate tax in New York has a $1 million exemption level and a top rate of 16%. All told, some suggest that this means that the estate will owe about $1.45 to the federal government and $1.1 million to Albany.

- Observers have already pointed out that it likely would have been a better move for the inheritance to have been left in a trust

Shortly after Prince's 2016 death, we learned that the singer didn't have a will. If you die without a will—called dying intestate—the process of divvying up your assets is left to the state. In Prince's case, a Minnesota judge was tasked with distributing Prince's assets—estimated to be worth more than $200 million—among Prince's six siblings and half-siblings. A federal inmate who claimed to be the singer's son delayed the process. Two years after Prince's death, bankers, lawyers and consultants have earned millions, and so far, heirs haven't received anything.

When singer Barry White died in 2003, he was separated, but not yet divorced, from his second wife, who inherited everything. His live-in girlfriend of several years and nine children received nothing. A legal battle ensued, with White's girlfriend, his daughter Denise and his son Darryl filing lawsuits.

Don’t forget to get on the calendar

THE EDUCATED RETIREMENT COURSE®

What you can expect…

87

What you can expect

Financial snapshot. Before we can figure out where we're going, we need to determine where we are today. You would never attempt to give a friend directions if you didn't know where they were coming from! Much the same with your financial plan; your planner can't help guide you until he or she knows the starting point.

Be Prepared to Discuss Your Goals

You can count on being asked a lot of questions. In a good meeting, you can count on being the one doing most of the talking while being reminded that it's your money, and your decision. Most importantly, you can count on leaving the meeting with a personalized outline designed specifically to help you reach your goals.

Take advantage of the offer for your analysis!

Thank You For Attending!

THE EDUCATED RETIREMENT COURSE®

89

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