DEVELOP AN INCOME STRATEGY THAT WORKS FOR YOU

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Exercise – Sequence of Returns

Situation Assumption: IRA Value; $500.000
•Age: 65 Years Old •Income Needs: $30,000

This is a hypothetical example. Your individual circumstances will vary.

Imagine from the picture above that the returns listed are the first four years of a person's retirement accounts earnings.

Scenario 1: Begin at 27%, and move clockwise:
Year 1: 27%, Year 2: 9%, Year 3: 7%, Year 4: -15%

Scenario 2: Begin at -15%, and move counter clockwise:
Year 1: -15%, Year 2: 7%, Year 3: 9%, Year 4: 27%

Due to withdrawals, the income in scenario 1 lasts 37 years, whereas the income in scenario 2 lasts 23 years. Please note: sequence matters only if withdrawals are being made. If it so happens that you experience losses in the early years of your retirement, the affects it can have on your income lasting as long as you need it to can be severe.

Is income to age 88 enough?

Life Expectancy at Retirement

% OF 65 YEAR OLD LIVING TO THAT AGE			
AGE	JOINT	MALE	FEMALE
80	90.6%	68%	80.6%
85	**78.4%**	**49.3%**	**65.3%**
90	**57%**	**29.5%**	**44.5%**
95	30.6%	13.4%	23%
100	11.5%	4.2%	8.6%

Source: Society of Actuaries 1996 US Annuity 2000 Mortality Table

You can see from the graph above, that when looking at the percentage of 65 year olds that will live to age 90, the chances are likely. There is a 57% chance that one of the people in a married couple will live to age 90, a 29.5% chance that a male age 65 will live to 90, and almost a 45% chance that a woman age 65 will live to age 90.

This exercise helps illustrate a type of risk known as "longevity risk," and can point to the importance of having an income strategy that meets your needs. Financial products, such as annuities, can help during retirement by providing a guaranteed* source of income, that cannot be outlived. Retirement goals are different for everyone. For some, it means jet-setting around the world to check off items on the so-called "bucket list." But, for others, their retirement goals include having a reliable income source and spoiling the grandchildren on their birthdays. Working with a financial professional to outline your expectations of living in retirement and looking into strategies to help ensure that you meet those expectations through an appropriate strategy should be a goal of yours when nearing, or early in, your retirement years. As demonstrated above, the sequence of returns early in retirement can affect your strategy greatly, so meeting with qualified professionals, such as insurance agents, tax advisors and financial planners, who can work together on developing a strategy, is important to achieve success.

**Annuities are backed by the financial strength and claims paying ability of the issuing insurer.*

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The shift from a pension to a personal retirement account has been significant. According to the January 2011 report from Harvard Kennedy School titled "The Drawdown of Personal Retirement Assets," in 2008, private sector personal retirement accounts totaled $7.1 trillion, while assets in traditional programs added up to just $2 trillion. The report also noted that research has shown most people who hold products like an IRA don't take any withdrawals from their account until age 70 ½, when they are required to take minimum distributions. The report identifies this as an important distinction because making the decision of when to take money out of retirement vehicles is just as important and impactful to one's retirement as creating the strategy itself.

A 2010 study asked the four following questions of all groups of boomers, Generation X, and Generation Y[6].

1. **How would you rate your current personal financial situation?**
2. **How confident are you that you will meet your retirement goals?**
3. **How do you think your financial situation will change five years from now?**
4. **What would you do with $25,000 in cash right now?**

The younger boomers answered these questions differently than the other groups interviewed. Only 8% said they would rate their current personal financial situation as "very good." 45% of younger boomers ranked their situation as being neither very good nor very bad. Interestingly, 11% of younger boomers were very confident that they will meet their retirement goals. This optimism is important. It could indicate that young boomers think, despite the previous economic challenges, things will improve. In fact, 10% of younger boomers said they think their financial situation will be much better five years from now.

Younger boomers have a few years before they will retire, so they may be more confident in allowing that time to make positive changes in their financial situation. However to answer the fourth question in the survey, 56% of younger boomers said they would use $25,000 in cash right now to pay down debt. In addition, the report states that younger boomers were the most likely generation to report they were personally impacted by the economy.

This indicates younger boomers are aware of what is currently happening in the world but are optimistic that they will be able to move forward in a positive nature in the years to come. This means that developing an appropriate strategy remains an important factor. Optimism about the future is important, but that alone does not bring about positive effects to one's retirement. According to a recent study, retiree confidence in having enough money for a comfortable retirement jumped in 2014 with 28% of retirees reporting that they are very confident, up from 18% in 2013[7]. Being able to identify for oneself whether putting off retirement is desired, necessary, or even possible is essential to properly planning for retirement, whenever it will happen. Not only is it important to consider the age in which you want to retire, but it can be life changing to plan for contingencies as early as possible, before you plan to retire.

It's true we can't control the greater economy and how it might swing. However, prior planning can help us to be confident in our retirement strategy for potential unknown events. Addressing your retirement needs and concerns early on can make a difference in your confidence level as you enter retirement.

6. MDRT Financial Planning Attitude Tracker, Based on Generational Financial Confidence Study 2010
7. 2014 Retirement Confidence Survey. http://www.ebri.org/surveys/rcs/2014/

Where do You Stand?

With the stats in mind, we want to know what you think about your situation. The first step to understanding what could be best for you is finding out what you think is most important.

Answer the questions below for how you feel in your current situation. This will help you analyze where you stand now so you can easily identify areas of improvement to reach your goals as we move forward.

How old are you?______________________________________

When do you want to retire? __________________________

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What would you do with $25,000 in cash right now?

a. pay down debt

b. buy stocks/bonds

c. go on vacation

d. buy a fixed annuity

e. buy a new car

f. buy variable annuity

g. hide it under the mattress

h. buy life insurance

i. don't know

j. none of the above

Rate the following questions on a scale of 1-10 (10being highest) based on how you feel currently about your retirement strategy.

How confident are you in your current retirement strategy?
1 2 3 4 5 6 7 8 9 10

How would you rate your current personal financial situation?
1 2 3 4 5 6 7 8 9 10

How much do you think your situation will change 5 years from now?
1 2 3 4 5 6 7 8 9 10

How much do you trust your financial professional?
1 2 3 4 5 6 7 8 9 10

How much do you think your current financial professional knows about you personally?
1 2 3 4 5 6 7 8 9 10

How likely is it that you will change financial professionals in the near future?
1 2 3 4 5 6 7 8 9 10

How comfortable do you feel about the future impacts of the economy on your retirement strategy?
1 2 3 4 5 6 7 8 9 10

Setting Goals

As people continue to age, their goals and current situation changes; when the focus once might have been on collecting as much money as possible, the goal now may be to simply be comfortable when you stop working. Or, perhaps your focus is on providing for loved ones in this life and after you leave. The old adage holds true; to understand where you want to go is to know where you have been.

Setting goals may seem to be a trivial and silly exercise, but the process of thinking through your goals and writing them down can bring focus and confidence in your decisions. Most importantly, as you write down goals in regard to financial security in retirement – it becomes easier to recognize how your goals and, potentially, your strategies change over time.

How do you start?

Generally, you start where you are now. Figure out what your situation is currently, what you would like to change about it, and what is realistic. Then, reach for the sky. Part of the fun of setting goals is to imagine your perfect world.

Next, clearly identify what is different between your perfect world and where you are now. More specifically, find out what it is that may stand in your way and how you may be able to remove any roadblocks in your way. It can be helpful to set limits for yourself as well. Determine what it is that you won't compromise on, and how that affects the rest of the picture.

In the end, you don't need to have all of the answers right now. In fact, it's usually best that you don't. Goals need to be flexible, but achievable. They need to be able to move with you as you go through the twists and turns of life.

So, when setting goals, it's important to keep in mind three things:

1. **Make them achievable**
2. **Make it real for you**
3. **Have fun!**

The best way to reach your goals is to think about them seriously and work toward them every day of your life. Your retirement can be whatever you want it to be. Set goals now to help ensure it is everything you will want and more.

Now It's Your Turn

If you have put together an income strategy, you have probably put some thought into what your goals are already. Whether you have goals already in place or you haven't spent much time on them before, we think it's important that you consider your goals once or twice before you come to our office. It's difficult to make decisions on how best to fund your retirement if you are also making major choices about what your life might be like at the same time.

Use the following worksheet to jot down some ideas on your retirement goals and get the conversation going.

1. Describe briefly a typical day in your life right now. Where do you go? What do you worry about? Who do you see? How much money do you spend?

2. Has anything happened recently that has changed/ impacted your routine? (Describe)

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3. What are the three things you like most about your routine today?

4. What are the three things you would most like to change about your routine today?

5. Describe what the perfect retirement is like for you.

6. What are the aspects of your perfect retirement that you absolutely would not compromise on?

7. Consider your current financial situation and strategy. Is what you answered in question 5 feasible based on where you are now?

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8. If you answered No to question 7, what do you think you would need to do to change your answer to Yes? ________

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Take some extra time to answer any additional questions that came to you while you went through this short worksheet. Retirement is extremely personal and only you can fully understand the questions and answers that apply to you so that you can develop the right strategy.

Changing the Game

Young boomers are still about a decade away from collecting Social Security, accessing their pensions, or utilizing other financial vehicles for significant care. However, that doesn't mean young boomers should continue to treat their money the way they did in their early 30s.

So, what is one to do?

Admittedly, a perfect answer to every person's situation cannot be defined in a printed report such as this. However, it is a great way to learn about a possible solution that you may not have known about or considered before. Without knowing what the world will be like when you retire, it can be difficult to know challenges you may face. A few challenges that can affect many are inflation, outliving your money, and poor market conditions. Single-payment immediate annuities, what some refer to as "Lifetime Income Annuities" can help protect against such challenges*. Single-payment immediate annuities (SPIA) work in exchange for the lump sum payment, where the annuitant receives a guaranteed** stream of payments that cannot be outlived. However, they do not retain access to the premium, although there may be some pay out options available for beneficiaries in the event that the annuitant does not outlive premiums paid.

Lifetime income annuities offer guarantees** in the way of income and upside potential but no downside loss in the market. The greatest benefit of this product is that the "lifetime income" truly is for the lifetime of the annuitant. Even after the initial premium amount and the contract's value has been paid out, the annual income remains the same. Annuities are long-term products of the insurance industry designed for retirement income. They can include limitations, such as surrender charges and holding periods, and need to be evaluated in light of your individual circumstances before making a purchasing decision.
If you are curious about how these products can work for your specific situation, contact our office for a no-obligation meeting. This meeting can help put things in perspective for how annuities may fit into your financial picture and can help put things in perspective for how it might, or might not, work for you.

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*** Guarantees are backed by the financial strength and claims paying ability of the issuing insurer.*

Where Does That Leave You?

The first thing you can do to move forward is sit and think a little more. Review the goals you wrote down earlier and see if they still make sense to you. Talk about them with your loved ones to see if they fit with what all of you were thinking.

Then, call our office for a no-obligation appointment. We will talk to you about your goals and how you reached the decisions you have made to this point. It will be helpful if you bring in this report with your notes on the goals you would like to set in your retirement.

Of course, part of our process is to talk to you specifically about your goals and how you view your retirement, as well as how you might be able to make that a possibility. As discussed within this report, your situation can change. It's unlikely that you will complete the worksheets in this report on the same day you visit our office. Therefore, it can be very helpful to review your answers in our meeting and have a conversation about what other ideas came up from completing the worksheet or whether anything has changed for you even since then.

Mostly, it's important to take action. Creating goals and considering your situation is incredibly important. But, without action to move toward those goals, it can all go for naught. Meeting with our office is a great way to bring goals and action together. We will get to know each other and help you discover how using products such as annuities can add a strategic element to your overall plan for retirement.

Annuities are not FDIC insured; are not obligations or deposits of, and are not guaranteed or underwritten by any bank, savings and loan or credit union or its affiliates; are unrelated to and not a condition of the provision or term of any banking service or activity. Annuities are long-term products of the insurance industry designed for retirement income. They contain some limitations, including possible withdrawal charges and a market value adjustment that could affect contract values.

Call our office today to schedule your appointment and get moving to the retirement you want. Respond and learn how life insurance and annuities can be used in various strategies for retirement.

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