5 KEYS TO A SUCCESSFUL RETIREMENT

A COMPANION GUIDE

5 KEYS TO A SUCCESSFUL RETIREMENT

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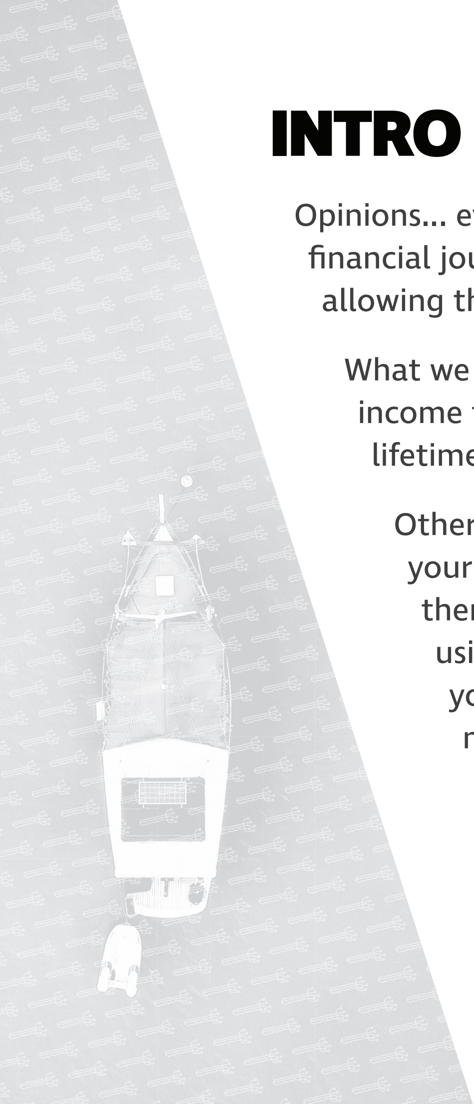


INTRO

Opinions... everyone has one. It's important to remember this fact as you begin your financial journey. No one, no matter how smart they claim to be, has a crystal ball allowing them to see into the future.

What we **can** identify is a need for safe, reliable income in retirement. This isn't an income that lasts ten or twenty years, but one that is guaranteed for your entire lifetime.

Other important topics to explore are situations that can interfere with building your nest egg and how to avoid them, or how to empower yourself to overcome them. Sometimes we must leave our comfort zone and reassess our situation using tools and knowledge we acquire along the way. Remember to trust yourself. Trust your family. Trust your financial professional. And as hard as it may be sometimes, trust the government. Don't let greed overwhelm your sense of security and avoid foolish risks with your retirement savings.

We hope this resource will help you as you begin your journey, providing essential keys to pay attention to as you traverse the Financial Red Zone, when you turn age 52.

KEY ONE

Shifting Your Financial Perspective

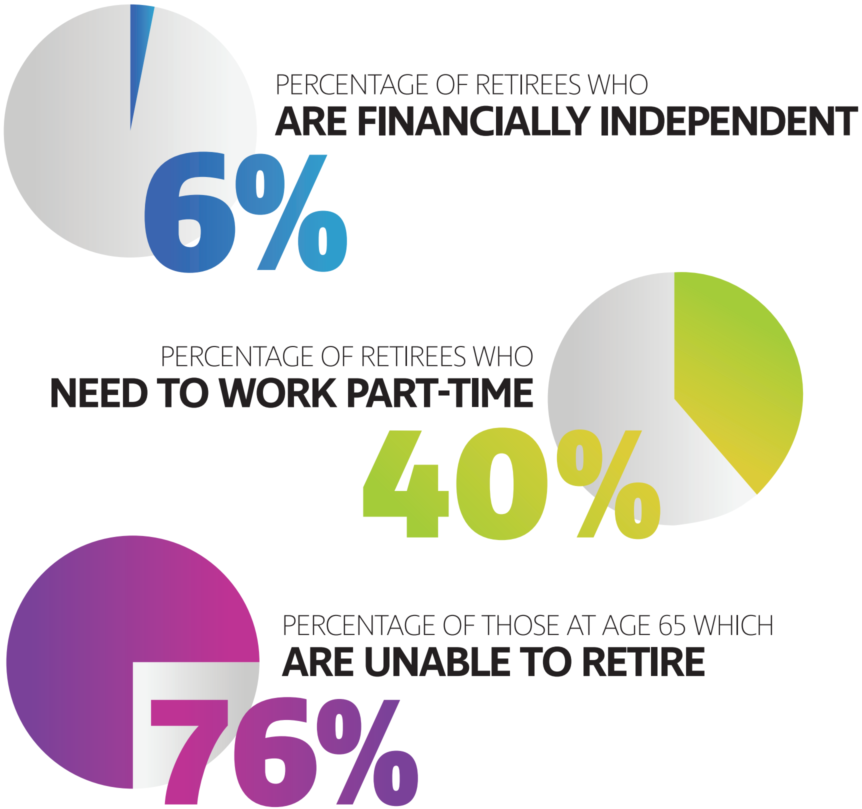
Did you know that there are folks who spend more time planning a two week vacation than they do planning for their own retirement? Let's take a look at why taking some time to plan your future retirement income is crucial.

ACCUMULATION SHIFTS TO DISTRIBUTION

Historians studying the American retirement system would note the transition from employer- based pension programs to defined contribution plans, such as the IRA or 401(k), as incredibly significant. A survery performed by the Insured Retirement Institute found that 36 percent of older Baby Boomers, those likely to have a pension, felt more secure heading into retirement, compared to only 25 percent of younger Baby Boomers[1].

The fact that fewer companies are offering pensions these days isn't the problem though. The problem is our lack of education and proper, trustworthy advice on the topic.

[1] Insured Retirement Institute, 2012, New IRI Research: Majority of Boomers Lack Optimism in Their Financial Future, accessed 12 September 2019, <https://irionline.org/resources/resources-detail-view/new-iri-research-majority-of-boomers-lack-optimism-in-their-financial-future>.



A common concern people express while planning for retirement is running out of money. According to the Bureau of Labor Statistics, only 6% of retirees are financially independent in retirement while 40% of those over 65 need to work part-time and 76% are financially unable to retire at the age of 65[1].

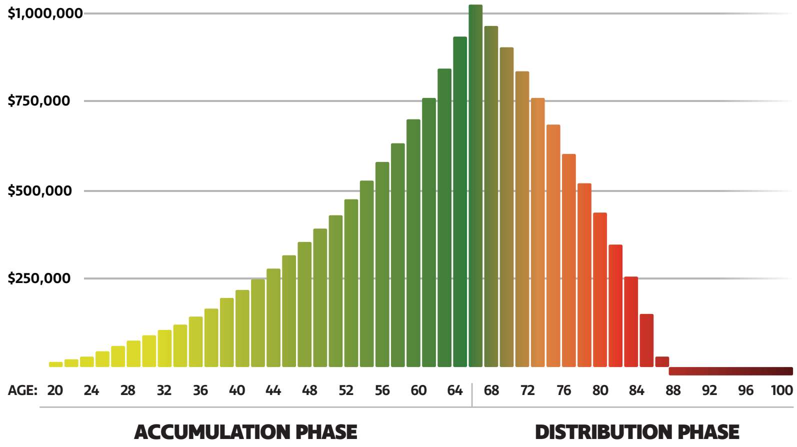
This is why developing a Total Retirement Income Plan is vital to giving you the confidence that you'll never run out of money once you stop working.

Did you know that you could spend up to a third of your life in retirement? With this statistic in mind, we need to shift our mentality from accumulation of funds to distribution of funds. A part of developing a Total Retirement Income

1 Bureau of Labor Statistics, 2017, Older workers: Labor force trends and options, accessed 12 September 2019, <https://www.bls.gov/careeroutlook/2017/article/older-workers.htm>.

Plan is understanding and clarifying your life and financial goals. By partnering with a fiduciary retirement advisor, you can create a tailored plan designed to utilize your assets to meet these goals in a safe, reliable manner that is time-tested and takes advantage of modern financial tools and law.

Before developing that plan, we need to often change our mind-set going in:



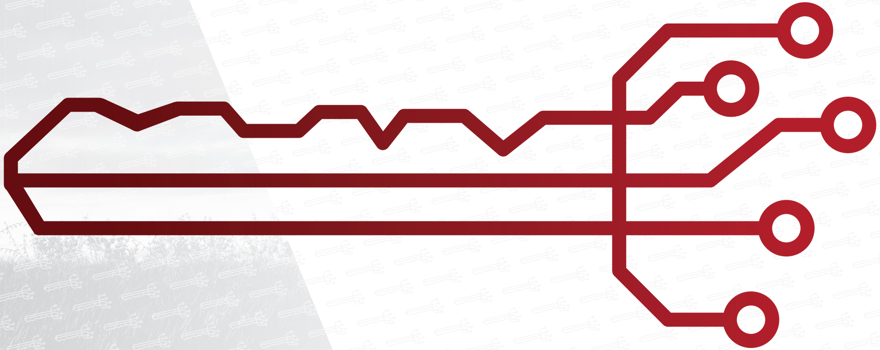
- **Shift your thinking** from accumulation to distribution of funds.
- **Limit financial risk** through asset allocation and sustainable withdrawal rates.
- Develop an optimum strategy for **sequencing liquidation** of funds.
- Understand and **have confidence** you will never run out of money despite new risks such as market volatility, inflation and long-term illness.

We often spend forty years or more climbing up a mountain (accumulation) so we'll have enough to spend the next thirty years climbing down a mountain (distribution). Don't forget where most climbing accidents/mistakes occur: on the downward climb!

Most financial advisors only focus on the climb up because as soon as you start going down, they no longer earn money. Plus, most financial portfolios, when stress-tested, have a high probability of running dry without intervention from a skilled, fiduciary retirement planner.

Any retirement advisor worth his salt will make sure your money lasts for as long as you live – even if you make it past 121. If you and your spouse are 65, there is a high probability that one of you will live to 95. That's why you need to plan for 30 years of retirement. Be sure to stress-test your portfolio and then you'll see the value of developing a Total Retirement Income Plan.

Safety can sometimes win over risk. Consider converting some of your 'risky' IRA/401K money that is currently in the market into income you can never outlive.



KEY TWO

Understanding an Investment's Purpose

Saving for retirement can be a challenge. One thing to remember is that the tools that brought you to this point are not always the most suitable ones to utilize once you retire.

A great example of this concept is a market investment. While it can be painful to see the market go down in your working years, at least you can buy more stock "on the cheap" and have the time to potentially see it grow again. In retirement, such an investment can be detrimental if not used wisely and with the right allocation. Imagine a market crash happening sometime during your retirement years. Instead of being able to buy more stock at "a discount," you will now have to pull those reduced funds out in order to pay bills, not giving you the opportunity to see it grow back. This is a painful lesson and a common reason many retirees have had to go back to work after recent market crashes. This scenario is also why developing a Total Retirement Income Plan is so important.

Don't lose confidence though. Real safety with growth is achievable, and it is why discussing appropriate tools and asset allocation with an retirement planner is key. Some of these tools have contractual guarantees in place to prevent any loss of money while still potentially gaining 5, 7 or even 9% annually. We often hear folks say that "it is too good to be true," but by assessing investments properly and understanding their purpose and timing, it becomes clear that it is true — and it is a strategy millions are utilizing.

What you need to walk away from this knowing is that each investment tool has a purpose. Let's look at the difference between some of the tools you may currently be using and some that may be unused or altogether new to you. An easy way to approach this is by assigning colors to our various investments.

This chart is made up of averages and won't list every possible investment classification, but it should give you a firm understanding of what we're talking about.

INVESTMENT CLASSIFICATION	Stocks, Bonds, Mutual Funds, IRA, 401(k), 403(b), SEP, Variable Annuity	CD, Money Market, Checking, Savings	Fixed Annuity, Fixed Index Annuity
TYPICAL RETURNS	↓ -30 - 30% ↑	0.5 - 1% ↑	3 - 7% ↑
LIQUIDITY	Moderate	High	Low
TAXES	Taxable	Taxable	Deferred
PROTECTION	Low	High	High
GAIN POTENTIAL	High	Low	Moderate

RED MONEY

This group includes stock market funds, like stocks, bonds, mutual funds — where your 401k, 403b and IRA money usually gets parked for the long haul.

With red money, you might earn a lot, but you might lose a lot. There is very little, if any, safety or protection in red money. Back in 2008, a lot of people were planning to retire the next year, only to have their portfolio suddenly gutted by 40%. That rude awakening left many of those same people working today, still trying to catch up.

YELLOW MONEY

This list is comprised of the money you have in the bank, in CDs, in money market accounts, and in checking and savings accounts.

It's accessible (liquid), safe and has FDIC guarantees. The problem is that this money is making less than 1% and is decreasing in value every day due to inflation, which has averaged around 3% over the past number of decades[1].

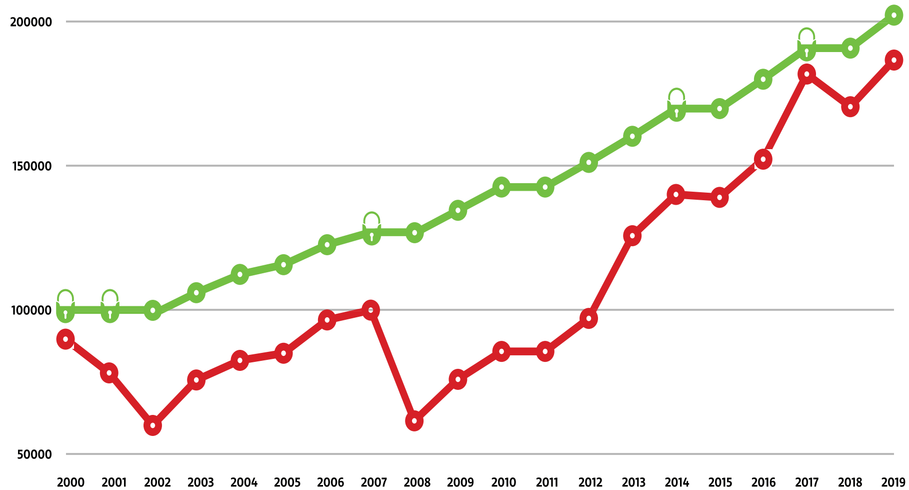
GREEN MONEY

This list contains options that many people don't even know exist.

1 InflationData.com, 2014, Long Term U.S. Inflation, accessed 12 September 2019, <https://inflationdata.com/Inflation/Inflation_Rate/Long_Term_Inflation.asp>.

It is made up of investments that get safe, moderate gains without any risk of market loss. Typically you can count on growing green money at 6-8% a year, even up to 10% a year, with the confidence that you'll never lose it.

This graph illustrates how a fixed-indexed annuity works. It is not intended to show past or future performance of a particular strategy. It shows the historical performance of the S&P 500 since 2000[1]. The hypothetical fixed-indexed annuity assumes a $100,000 purchase payment, allocated to an S&P 500 annual point-to-point index strategy with only a 6% cap for each calendar year.



So with that overview, in your opinion, what percentage of your own total portfolio do you think would be most appropriate for each color in your retirement? And how is your current portfolio

1 Macrotrends, 2019, S&P 500 Index - 90 Year Historical Chart, accessed 12 September 2019, <https://www.macrotrends.net/2324/sp-500-historical-chart-data>.

allocated?

Typically, folks like to keep about 10% in Yellow Money, to have a safety net, a 3-6 month cash reserve fund in the bank to use when the washer breaks, when the car bites the dust, or property taxes come due. Then they may want to allocate 30-50% in Red Money during retirement, to keep some involvement in the stock market. This strategy would then leave 40-60% to go into Green Money.

What about yourself? Remember, it's up to you! What is your risk tolerance? What is your comfort zone?

KEY THREE

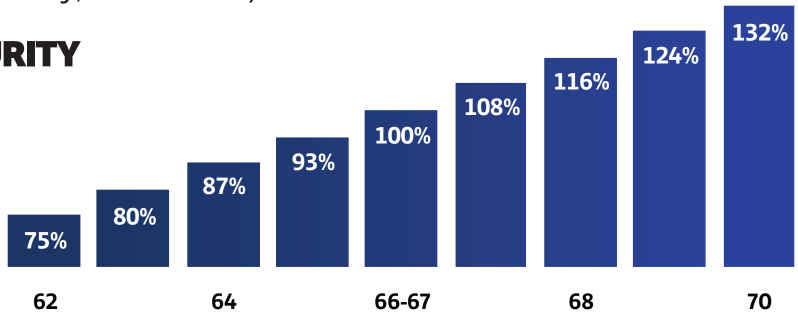
Maximizing Social Security

Most folks want to begin taking Social Security as soon as they are able. But when should you start taking advantage of this retirement income benefit into which you've been contributing?

Social Security provides around half of the retirement income for 64% of today's retirees. Among seniors aged 65 and older, 35% live in a household dependent on it for 90% of their income. In 2018, Social Security lifted over 22 million Americans above the poverty line (Source: CBPP, based on data from the Census Bureau Current Population Survey, March 2018).

WHEN TO BEGIN TAKING SOCIAL SECURITY

About 34.3% of Americans start Social Security at age 62 and get only 75% of their full retirement amount – because they are desperate for more income and don't think they can survive without it.



Others wait until 70, and get 132% of their full retirement amount. This is accomplished by drawing on other sources of income first. By waiting eight years to start their payments, they gain 8% per year in addition to inflation increases.

By waiting until 70, the amount of your Social Security check increases by 76%. The key is planning

1 USA Today, 2018, What's the Most Popular Age to Claim Social Security, accessed 12 September 2019, <https://www.usatoday.com/story/money/personalfinance/retirement/2018/06/19/whats-most-popular-age-to-take-social-security/35928543/>.

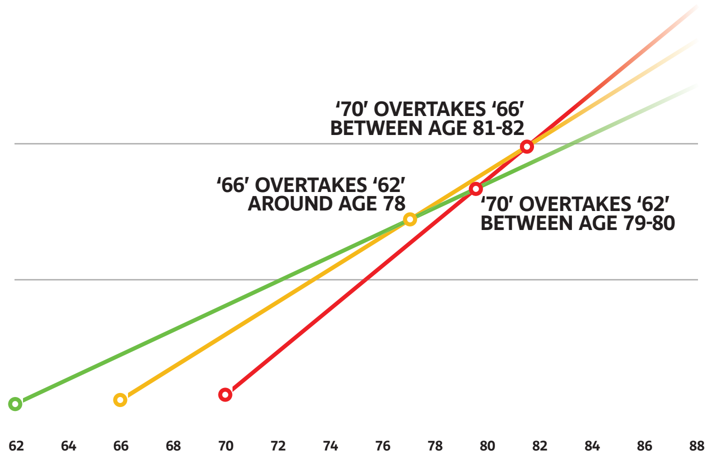
ahead to have enough income from other sources until age 70.

That is where green money comes in. Those who have a permanent life insurance policy with cash value can start taking tax-free withdrawals, as loans, to fill that 5-8 year gap. Others will simply take part of their retirement fund and place it into a safe investment that pays all that money back plus 7-10% annual gains, all within a 5-10 year window.

THE BREAK EVEN POINT

A fundamental point to consider when debating what age to draw on Social Security is: when will you break even? If you're going to defer a Social Security check for 5-8 years, how old will you need to be before your larger checks pay you more money than the smaller ones on which you missed out?

When comparing multiple scenarios, the answer is between the ages of 78-82. If you expect to live longer than than this, you would be wise to wait. But if you have serious health impairments now, go ahead and start your payments early.



All you need to do to get that extra income growth is make sure that you have enough income before age 70, which is discussed when developing a Total Retirement Income Plan.

SPOUSAL BENEFIT

A disappointing aspect of Social Security is that the government doesn't recognize what our non-primary breadwinner partners do in raising children and maintaining a household if they weren't the primary breadwinner.

Don't worry, we've got a tip for you!

Spousal benefits can add up to 50% of the primary earner's benefit at full retirement age. It is calculated based on the primary earner's work record.

Beginning at 62 years of age, as long as the primary earner is receiving their Social Security benefits, the spouse can begin receiving benefits as well. You should remember, just like the primary earner's benefits, spousal benefits are reduced if they

are taken before full retirement age. However, unlike the primary earner’s benefits, they will not increase if you wait to receive them after full retirement age.

Your work record will determine whether you are eligible for this benefit. If one spouse's benefit is less than 50% of the other's, the one earning less is entitled to the benefit. But if the lower-earning spouse is eligible for a larger benefit on their own, they will collect that amount instead.

One last thing: If you and your partner are separated due to death or divorce, you can still apply for a spousal benefit as long as you were married for at least ten years.

Social Security currently pays the average retiree about 40 percent of pre-retirement earnings. If you contribute to Social Security, you will receive a personal statement each year. To get a more accurate estimate of your retirement benefits, call the Social Security Administration or use their online calculation tool.

KEY FOUR

Managing Health Risks

You can have the most beautiful retirement income plan in the world but if you or your partner require long term care it can smash your plans like a wrecking ball.

“But I’m healthy! There’s no reason to worry!” is heard all too often on the lips of pre-retirees. The problem is, we’re all just one car wreck, one heart attack, or one stroke away from losing the ability to function without assistance in activities of daily living.

LONG TERM CARE

The statistics are alarming: 70% of us will need long term care at some point, and yet only 10% of Americans have any kind of long term care insurance in place.

The current cost of long term care averages tens, sometimes hundreds of thousands of dollars per year. This cost will most likely double 20 years from now. Taking that into account, the average couple will spend at least $250,000 on long term care expenses before they die.

But what about Medicare? Your Medicare plan will cover the first 100 days, but only if you’re in a facility. After that, or if you choose to stay at home, you’re on your own.

If you need more convincing, let’s look at some other compelling arguments in favor of long term care insurance.

REASONS TO GET LONG TERM CARE INSURANCE

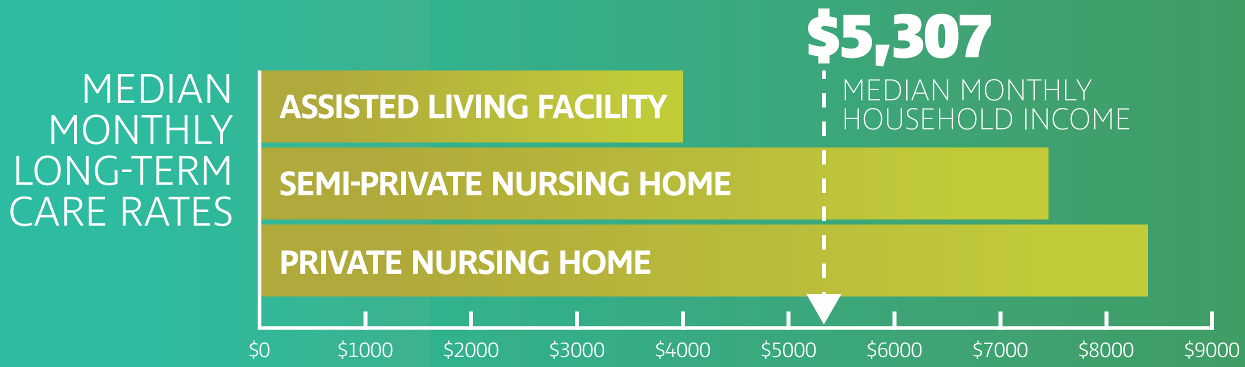
TO PROTECT ASSETS

$63,684

MEDIAN ANNUAL HOUSEHOLD INCOME

FEDERAL RESERVE ECONOMIC DATA: REAL MEDIAN HOUSEHOLD INCOME

GENWORTH COST OF CARE SURVEY 2018, CONDUCTED BY CARESCOUT®, JUNE 2018



REASONS TO GET LONG TERM CARE INSURANCE

TO RELIEVE BURDEN ON THE FAMILY

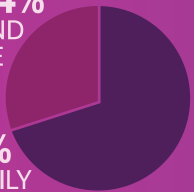
1 IN 6

AMERICANS PROVIDE CARE FOR A FAMILY MEMBER, RELATIVE OR FRIEND

HTTPS://WWW.ACSIAPARTNERS.COM/CONSUMERS/LTC-FAST-FACTS/

OF THE $533 BILLION SPENT IN HOME-BASE CAREGIVING IN RECENT YEARS...

29.64% HOMECARE AND NURSING HOME SERVICES COMBINED



70.35% UNPAID FAMILY CAREGIVERS

70% HAVE WORK-RELATED DIFFICULTIES DUE TO CAREGIVING

5% TURN DOWN A PROMOTION

4% RETIRE EARLY

6% GIVE UP A JOB

REASONS TO GET LONG TERM CARE INSURANCE

TO RETAIN HIGH QUALITY CARE

$22 MEDIAN HOURLY RATE OF HOME HEALTH AIDE

$245 MEDIAN DAILY RATE OF A SEMI-PRIVATE NURSING HOME

$275 MEDIAN DAILY RATE OF A PRIVATE NURSING HOME

HTTPS://WWW.GENWORTH.COM/AGING-AND-YOU/FINANCES/COST-OF-CARE.HTML

REASONS TO GET LONG TERM CARE INSURANCE

TO CHOOSE CARE AND PROVIDER

MEDIAN ANNUAL COST OF CARE

$48,048 HOME-MAKER SERVICES

$50,336 HOME HEALTH AIDE

$18,720 ADULT DAY HEALTH CARE

$48,000 ASSISTED LIVING FACILITY

$89,297 SEMI-PRIVATE NURSING HOME

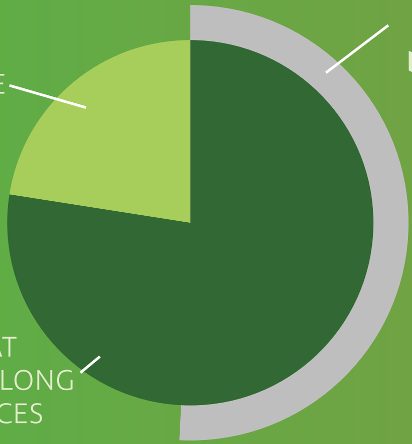
$100,375 PRIVATE NURSING HOME

HTTPS://WWW.GENWORTH.COM/AGING-AND-YOU/FINANCES/COST-OF-CARE.HTML

REASONS TO GET LONG TERM CARE INSURANCE

TO STAY AT HOME

22% OTHER PREFERENCE



50.6% LONG TERM CARE USERS RECEIVE LONG TERM CARE SERVICES AT HOME

HTTPS://WWW.GENWORTH.COM/AGING-AND-YOU/FINANCES/COST-OF-CARE.HTML

78% PREFER TO STAY AT HOME FOR THEIR LONG TERM CARE SERVICES

REASONS TO GET LONG TERM CARE INSURANCE

TO ENJOY PEACE OF MIND

47%

OF PEOPLE AGES 40-50 ARE MORE SCARED OF COSTS OF GETTING SICK THAN DYING

84 MILLION

OF WORKING AGE ADULTS CANNOT AFFORD TO PAY FOR LONG TERM CARE EXPENSES

REASONS TO GET LONG TERM CARE INSURANCE

TO HAVE A PLAN FOR THE FUTURE

NUMBER OF AMERICANS WHO ARE OVER 55 AND HAVE LONG TERM CARE INSURANCE

1 IN 10

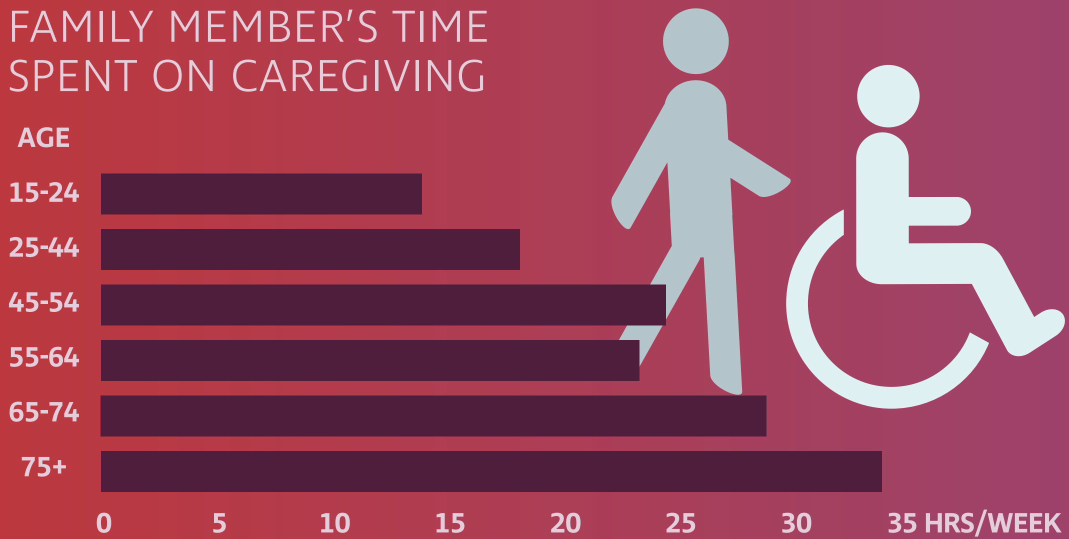
$31,408

MEDIAN INCOME OF HOUSEHOLDS WITH PEOPLE 65 AND OLDER

REASONS TO GET LONG TERM CARE INSURANCE

TO MAINTAIN INDEPENDENCE

FAMILY MEMBER'S TIME SPENT ON CAREGIVING



REASONS TO GET LONG TERM CARE INSURANCE

TO LEAVE A LEGACY

$1.5 MILLION

AVERAGE AMOUNT OF INHERITANCE FROM BABY BOOMERS

50%

MEDIAN INCOME FOR HOUSEHOLDS OLDER THAN 75 IS LESS THAN HALF OF THOSE 60-64

$24,000

AVERAGE RETIREMENT INCOME OF SENIORS

BUREAU OF LABOR STATISTICS (2018)
HTTPS://WWW.NEWRETIREMENT.COM/RETIREMENT/AVERAGE-RETIREMENT-INCOME/

REASONS TO GET LONG TERM CARE INSURANCE

TO PRESERVE QUALITY OF LIFE

21%

OF AMERICANS WHO TRAVEL ARE SENIORS

$526 BILLION

USED BY AMERICANS IN LEISURE TRAVEL

$126 BILLION

AMOUNT SENIORS WERE WILLING TO SPEND ON THEIR TRAVEL WHEN PLANNING

All of those are great reasons, especially when 70% of us will need it someday. So, why don't more people insure themselves?

EXCUSES AND SOLUTIONS

In a word, it's expensive. After age 55, the premiums start to go up beyond what most people are willing to pay. Plus, at this age it's more difficult to qualify for it, since you need to be quite healthy to get approved.

Many people think: What if don't need it? Won't all my premiums then go to waste?

The current trend is to get a hybrid plan with either single premium life insurance or with an annuity which allows the value of those policies to TRIPLE in value if you do need long term care later on. The cool part is, if you end up not needing care, all the money you put into it goes to your heirs. There is even one company that will give you back all your money if you ever change your mind for any reason!

The Pension Protection Act of 2010 says that if an annuity product is PPA compliant, your can receive Long Term Care benefits from the gains on that annuity tax-free even if you funded it with qualified money from your IRA or 401(k)! If you are already an annuity owner, you can upgrade that existing annuity to a PPA-compliant annuity tax-free, and then take tax-free distributions to cover qualifying long-term care expenses in the future. And remember: if you don't need it, you pass on any unused portion to your children. Kids tend to like that.

KEY FIVE

Mitigating Financial Risk

When considering retirement you may have ideas of what you would like to do. You may be looking forward to having more free time, remaining independent, and spending more time on the lake, on the golf course, or with family. Coming up with the numbers you need to accomplish this or figuring out where that money will come from is a harder thing to define.

So let's look at some specific Green Money alternatives that will help generate the kind of growth you want without putting any of your money/principal at risk for market losses.

THE BOND GAME

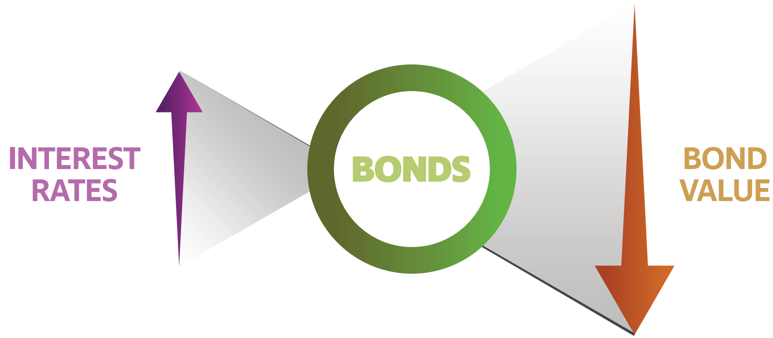
Traditionally, people in their sixties start shifting Mutual Funds and Stocks into Bonds, thinking that they will provide the slow, steady, safe growth they want in retirement. However, there are actually better solutions available.

Over the past few years, we've seen historic lows on interest rates. That's the first problem with bonds. With low interest rates come very low rates of return. CDs pay 1.29%[1] if you're lucky; 10 year

1 Wells Fargo, 2019, Savings Account and Time Deposit Rates, accessed 12 September 2019, <https://www.wellsfargo.com/savings-cds/rates/>.

treasury notes pay only 1.78%[1]. That's bad enough, but do you expect interest rates to go up or down in next decade?

It's also important to remember that when interest rates rise, bond values go down - and fast.



GREEN MONEY ALTERNATIVES

So what green alternatives exist that are better than bonds? Here are six alternatives to review and see if one may fit your unique situation. The ones you like best will be based on your personal goals, risk tolerance and time horizon.

Option 1 6-8 years;
9-10% simple gain (65% total)

Option 1 would provide excellent moderate growth with miniscule risk; you'd invest a minimum of $15,000 for 6-8 years and you would get back a 65% gain, which is about 9-10% annually.

There would be no risk from the stock market, interest rates, or global instability.

1 MarketWatch, 2019, U.S. 10-Year Treasury Note, accessed 12 September 2019, <https://www.marketwatch.com/investing/bond/tmubmusd10y>.

Option 2 5-10 years;
7-8% simple gain (Paid monthly)

Option 2 would provide you with a 7% gain over 5 years, or 8% gain over 10 years. The minimum investment is $25,000. For example, if you deposited $126K, you would start getting paid $1500 every month for 120 months, a total of $180K. This would be a great option for closing the income gap between ages 65-70, as you wait for your social security payments to grow 8% higher every year!

Option 3 10-14 years;
5-7% annualized
Guaranteed income for life rider & tax deferrals

Option 3 would be an excellent choice for someone in their 50s. You'd deposit any amount above $5K, wait 10-14 years, during which time you would earn 5-7% annually. You could lock in a lifetime income guarantee, as it would continue to pay you for as long as you live, even past 121.

This plan would be especially attractive if you had a large 401k and expected to have required mandatory distribution problems. When you turned 70½ and had to start paying taxes on withdrawals, option 3 would help by extending your tax deferral out another 10-14 years.

Option 4 Triple the value of assets for Long Term Care

Option 4 would involve transferring some qualified money into a Long Term Care hybrid annuity or life insurance policy that would triple its value for long term care expenses and then come out tax-free. When you passed away, whatever remained would go your heirs tax-free.

Option 5 5 years; 3.15% guaranteed (MYGA)

Option 5 would appeal to the very conservative person who keeps all their money in the bank and needs absolute guarantees to make a move. A MYGA is a multi-year guaranteed annuity. At this time, it would offer a 5 year 3.1% annual rate that is 100% guaranteed.

Option 6 5-7 years; 6.5 - 7% gain (FCID CD)

Option 6 would also appeal to a person who wants a FDIC insured CD. These are Market-Linked CDs, sold by large world banks, such as Deutchbank, with a term of 5-7 years. If a particular bucket of commodities did well during the years you held it, you could potentially earn up to 7% – but those rates not guaranteed.

By utilizing one or two of these six alternatives, you would be shifting some of your volatile ‘red money’ into steady, dependable ‘green money’. Current stock and bond portfolios aspire to earn 6% – but now you know ways to invest in safe alternatives that will provide even better gains — without any market risk.

CONCLUSION

Remember that it is never too early or too late to begin positioning your portfolio, so that your money is protected and allocated in the right investment classes.

Be careful taking advice from unreliable sources, whether it be a generic website, an ‘advisor’ or a friend. Do your homework and be vigilant when designing your retirement plan. It is your money after all.

While we tried to cover many key areas to retirement planning in this resource, it is wise and often necessary to partner with a fiduciary advisor who can develop a comprehensive plan that takes into account your specific situation and goals. If something doesn‘t feel right or you just don’t understand and the advisor isn’t explaining themselves well, get a second opinion. Don’t be pushed into something you don’t understand.

If you are retiring soon, we do recommend that your plan is grounded in guaranteed lifetime income. Don’t settle for projections and uncertainties with what should be your firm foundation.

BROADCASTING
EXPERTS