RETIREMENT PROTECTION
SOLUTIONS

The Retirement Planning Roadmap:

10 STEPS to an ideal retirement

The Retirement Planning Roadmap:

10 STEPS to an ideal retirement

Welcome

Retirement. It's been on your mind – in some form or fashion – since the day you started working. "Start early and start investing for your retirement." That was the message.

Now fast forward to today. Some of you followed that advice but many, of course, did not. So, where do you go from here?

Whether you are approaching retirement or perhaps already retired, you are not alone if you are looking at your retirement years with **some level of uncertainty**.

The good news is there are steps you can take – even at this late stage – to help you achieve the retirement life you had planned.

We prepared this Roadmap to give you and others a proven path to a successful, enjoyable and stress-free retirement – even if your working years are behind you.

In these 10 steps, we have provided what we think is common-sense advice that should not be ignored or taken for granted. But we've also introduced some cutting-edge investment strategies you can implement right away to grow your portfolio while managing risks.

It's all part of a comprehensive retirement plan that also takes into account tax planning, withdrawal strategies, inflation projections, random market events, distribution timetables and much more.

When you are ready, **we invite you to schedule a complimentary One-on-One Retirement Planning Strategy Session** where we can review your financial picture and help you develop a retirement plan for you moving forward.

Watch our Video Series

Want to dive a little deeper into these strategies?

Our CEO Larry Spoth, who you may know as the TV host of The Money Report on CBS Channel 9 and Channel 7, has created a series of short videos including a Retirement Planning Masterclass. It's information you can use and it's all complimentary.

Visit here: www.RPSmasterclass.com

RETIREMENT PROTECTION SOLUTIONS

RETIREMENT PROTECTION SOLUTIONS

10 STEPS to an ideal retirement

1. Set Your Retirement Plans
2. Assess Your Current Financial Situation
3. Estimate Your Retirement Expenses
4. Estimate Your Retirement Income
5. Set Your Retirement Date (or Age)
6. Help Maximize Your Retirement Contributions
7. Reduce or Remove All Debt
8. Adapt Your Investment Strategy
9. Plan Your Social Security Start Date
10. Explore Long-Term Care Insurance

STEP 1

Set Your Retirement Plans

Before we start talking about your financial situation during retirement, take a moment to assess your retirement plans.

What are you looking forward to doing in your retirement? You must have thought about this for a long time. Well, now the time has come to take action.

Are you planning to travel, or build a retirement home, or buy a boat or spend more time on the golf course? Or maybe even start a new business – something you've always wanted to do.

For many, retirement is simply a different way to spend your time. But some activities also come with a cost – and you need to be prepared for that.

A good place to start is to consider factors such as:

- Where do you want to live?
- What activities do you want to pursue?
- What major expenses do you anticipate?
- How is your health?

For many people, their retirement plans are simply to continue with their current lifestyle – and that is just fine – but remember, you may not have the same income you had while working.

So, just maintaining your current lifestyle is going to require some planning.

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STEP 2 Assess Your Current Financial Situation

It's obvious, but worth repeating: you can't start planning your future until you know where you are right now.

This is where you take stock of your current financial situation.

Calculate your net worth, including assets, debts, and savings to include accounts like 401k, 403b, TSP etc. List out all your accounts and assets.

If you are not yet retired and still contributing, how much are you contributing and what is your employers match?

Good financial planning will need to project your growth prior to retirement including any contributions. Remember, for some, your retirement could last 30 to 40 years depending on your health and life expectancy.

Knowing your financial situation is critical to be able to formulate a retirement plan. This will allow you to apply different investment strategies we will discuss in this guide.

The question is, how and why do we use different investment strategies to max our income and potential growth? Risk always exists, so we must take that into account.

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STEP 3

Estimate Your Retirement Expenses

You're probably familiar with this exercise. We all go through it from time to time – right after we realize our expenses have gone through the roof.

So, we sit down and list out all our monthly expenses – item by item:

- Housing costs
- Auto costs
- Medical costs
- Food costs
- Entertainment costs
- Insurance costs

Then we add it all up and decide what needs to be cut.

You may have noticed that as you get older, some of your expenses may already be dropping. As kids move out of the home, for example, your grocery budget is lower. Or you may have decided in retirement, you don't need two cars anymore.

But whatever number you eventually land on as your monthly expenses, don't get too comfortable with that … because there is always inflation.

Inflation is a critical factor in your retirement plan. It may not seem like a major concern on a year-to-year basis, but when you project out your expenses for the next 20 years, it can be a real eye-opener.

Inflation is always with us

Simply having an income goal is not the same as income with inflation. Solid financial planning will look at your projected expenses, and then apply an inflation factor to that projection.

Let's say Joe and Mary are age 63 and just retired, and have set an after-tax income goal of $10,000 to meet their monthly expenses.

If we apply an average inflation rate of 3.27% every year, their expenses will grow to $12,627 at age 70 and $20,461 at age 85.

These are dramatic increases and planning must take this into account.

This is a hypothetical example provided for illustrative purposes only; it does not represent a real life scenario, and should not be construed as advice designed to meet the particular needs of an individual's situation.

STEP 4

Estimate Your Retirement Income

This is perhaps the greatest challenge for new retirees – getting used to a reduced income.

It's not always the case, of course. Some are able to supplement their pension with investment income, rental income or a part-time job to give them pretty much what they made while working.

But most have to deal with their new reality of a lower retirement income.

Many retirees can't handle the reduced income, and therefore start pulling from their retirement accounts.

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It would be one thing to pull money from the dividends generated from your investments, but if you are drawing from the investment itself – the principal – you are setting yourself up for financial problems down the road.

Beware of a spenddown crisis

You saved your money over the years for retirement, and now you're retired. Shouldn't you be using that money to support your lifestyle in retirement?

Seems logical until you look at the numbers.

When you start pulling money from your principal, you will be reducing your retirement accounts at an accelerated rate – known as a "spenddown" crisis.

On the next two pages, we take a closer look at the spenddown crisis and how you could avoid it.

RETIREMENT PROTECTION SOLUTIONS

STEP 4

Estimate Your Retirement Income

RETIREMENT PROTECTION SOLUTIONS

What is a spenddown and how will it affect my investments?

Let's say your retirement started in the year 2000. As you can see, the market went up and down from 2000 to 2019 (based on the S&P 500). You can't control fluctuations in the markets, but you can control how much you withdraw from your accounts.

Using this scenario, 5% of the portfolio (or $35,000) was withdrawn every year eventually wiping out the entire balance of $700,000 in just 20 years.

So, what went wrong and how can you avoid it?

TRADITIONAL Financial Planning Method

Year	Beginning Balance	Historical Return	Annual Withdrawal
2000	700,000	-10.14%	35,000
2001	594,020	-13.04%	35,000
2002	481,560	-23.37%	35,000
2003	334,019	26.38%	35,000
2004	387,134	8.99%	35,000
2005	386,937	3.00%	35,000
2006	363,545	13.62%	35,000
2007	378,060	3.55%	35,000
2008	356,481	-36.99%	35,000
2009	202,565	26.45%	35,000
2010	211,886	15.05%	35,000
2011	203,507	2.12%	35,000
2012	172,080	16.00%	35,000
2013	159,013	32.39%	35,000
2014	164,180	13.39%	35,000
2015	146,477	1.38%	35,000
2016	113,016	11.96%	35,000
2017	87,347	21.83%	35,000
2018	63,774	-6.78%	35,000
2019	26,823	31.49%	35,000
	-10,752	6.86% NOT FOR INCOME	665,000

Traditional portfolio management rides the wave with no active plan. When market is down income is taken from principal.

CHART SOURCE: https://investopedia.com/terms/s/sequence-risk.asp https://ycharts.com/indicators/sp_500_total_return_annual

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STEP 4

Estimate Your Retirement Income

RETIREMENT PROTECTION SOLUTIONS

How can I avoid a spenddown crisis?

Now let's see what would happen with a different strategy – a strategy that doesn't touch your principal, but instead only draws money from your dividend income.

Not only do you not run out of money in 20 years, your portfolio could have more than doubled during the same time period – even with the fluctuation in the markets.

Most importantly, in this example, you would still be able to generate $35,000 per year to supplement your retirement income. Of course, this will vary with the size of your portfolio and dividend yield.

How can you make this work for you? Let's schedule a personalized, One-on-One Retirement Planning Strategy Session where we can walk you through this strategy as it might apply to you.

ALTERNATIVE Financial Planning Method

Year	Beginning Balance	Historical Return	Annual Withdrawal	Dividend Income 5%
2000	700,000	-10.14%	0	35,000
2001	629,020	-13.04%	0	31,549
2002	546,996	-23.37%	0	28,003
2003	419,163	26.38%	0	25,793
2004	529,738	8.99%	0	30,898
2005	577,361	3.00%	0	32,981
2006	594,682	13.62%	0	33,723
2007	675,678	3.55%	0	37,169
2008	699,665	-36.99%	0	38,158
2009	440,859	26.45%	0	34,342
2010	557,466	15.05%	0	41,155
2011	641,364	2.12%	0	47,855
2012	654,961	16.00%	0	47,176
2013	759,755	32.39%	0	53,818
2014	1,005,840	13.39%	0	69,253
2015	1,140,522	1.38%	0	75,334
2016	1,156,261	11.96%	0	74,113
2017	1,294,550	21.83%	0	82,029
2018	1,577,150	-6.78%	0	97,844
2019	1,470,219	31.49%	0	90,584
	1,933,191	6.86% NOT FOR INCOME	0	1,006,778

Traditional portfolio management rides the wave with no active plan. When market is down income is taken from principal.

Pull dividends for income without touching principal.

This is a hypothetical example provided for illustrative purposes only; it does not represent a real life scenario, and should not be construed as advice designed to meet the particular needs of an individual's situation.
It is important for investors to understand that dividends are paid at the discretion of the board of directors and are therefore not guaranteed.

STEP 5

Set Your Retirement Date (or Age)

For those of you who have not yet retired, you may be wondering if there is a right time to retire.

This is largely a personal decision setting aside some restrictions or deadlines you might have with your employer.

Assuming you have some flexibility with your retirement date or age, there are several factors that can go into this decision.

One big factor is financial

- Will your current savings be sufficient to maintain your desired lifestyle?
- Should you work longer to pay off some outstanding debts before you retire?
- Do you want to wait to receive Social Security to help maximize your benefits?
- Are you restricted in some way from collecting your pension before a certain date or age?

Another consideration could be the job itself. Some might enjoy their work and want to continue as long as possible. Others might be experiencing burnout and are counting the days to retirement.

And then, of course, there are more personal considerations. Your health or the health of your spouse might dictate your decision. Or you might want to retire at the same time as your spouse.

Whatever goes into your decision, be aware there might be some legal or tax implications associated with your retirement age.

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RETIREMENT PROTECTION SOLUTIONS

STEP 6

Help Maximize Your Retirement Contributions

Throughout your career, you've heard the same advice – to take advantage of every opportunity to save for retirement.

To that end, you've probably been encouraged over the years to set up payroll deduction to keep you disciplined about your savings.

And no doubt you're familiar with tax advantages of an Individual Retirement Account (IRA) which allows to defer payment on taxes until you're retired.

Your company may have also offered a retirement benefits plan such as a 401(k) and might have even offered to match your savings with its own contribution.

The advice then – and the advice now – is to help maximize your contributions to these programs.

When your employer offers to match your contributions, this is free money. You don't want to miss this opportunity to "max out" your contributions.

Even if you've been less than stellar about saving for your retirement, if you're still working and still eligible to receive a company match on your savings, it's never too late.

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STEP 7

Reduce or Remove All Debt

Debt can be a valuable and necessary tool for daily life by purchasing the things we want or need – such as our home, our transportation, our education and sometimes our health.

But debt can also be a stranglehold over our lives and over our future. This is true for anyone – even those with great wealth.

This is especially true with high-interest debt such as your credit card debt.

At this point in your life, as you approach a time when your income is likely to drop, you don't want to let debt to be a part of your life.

If you still have time, if you have the opportunity, this is a good time to reduce or, hopefully, remove whatever debt you currently have. Do this before you retire – if you can.

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STEP 8

Adapt Your Investment Strategy

Your investment strategy has probably changed over the years.

When you were younger, your investments were probably highly diversified with a good mix of growth and income investments with different levels of risk. And why not? As a young person with many working years ahead of you, you could afford to manage a little risk in your investments. You had plenty of time to recover.

But now you're retired – or about to retire – and your new circumstances are going to affect your investment strategies. Your risk tolerance is probably lower than before because this is not a good time to suffer any major losses with your investments.

But risk aside, you also need regular monthly income.

You have your social security benefits and maybe a pension, but there are no more weekly paychecks coming in. So, you may need to use your investments to supplement your income.

One way to do that is to shift your portfolio to a larger percentage of income-generating investments. This allows you to generate income for yourself – without touching the core assets, or principal, thereby maintaining and perhaps growing your assets even while you're retired. This is a way to avoid the all-too-common "spenddown crisis" we discussed earlier.

What types of investments are good for retirees?

What investments you choose is a personal decision, but the list below provides you with some guidance for investing during your retirement.

- Dividend-Generating Stocks
- Interest-Paying Bonds
- Annuities
- Treasury Securities
- Certificates of Deposit (CDs) – insured by the FDIC
- Indexed Retirement Accounts
- Buffered Notes

RETIREMENT PROTECTION SOLUTIONS

STEP 9

Plan Your Social Security Start Date

Setting your retirement date is not the same thing as setting your Social Security start date – although they are often the same dates.

You can retire but decide to put off collecting Social Security. You could also continue working, but still collect Social Security at the allowable age.

When to start your Social Security is a personal decision that should be made within the context of your retirement plan.

The right Social Security start date is a crucial decision that can significantly impact your retirement income and financial security.

Why would you delay collecting Social Security?

The main reason for delaying Social Security is that it could result in increased monthly benefits. You are eligible to receive Social Security at age 65, but if you can wait until age 70, your monthly benefits will be higher.

RETIREMENT PROTECTION SOLUTIONS

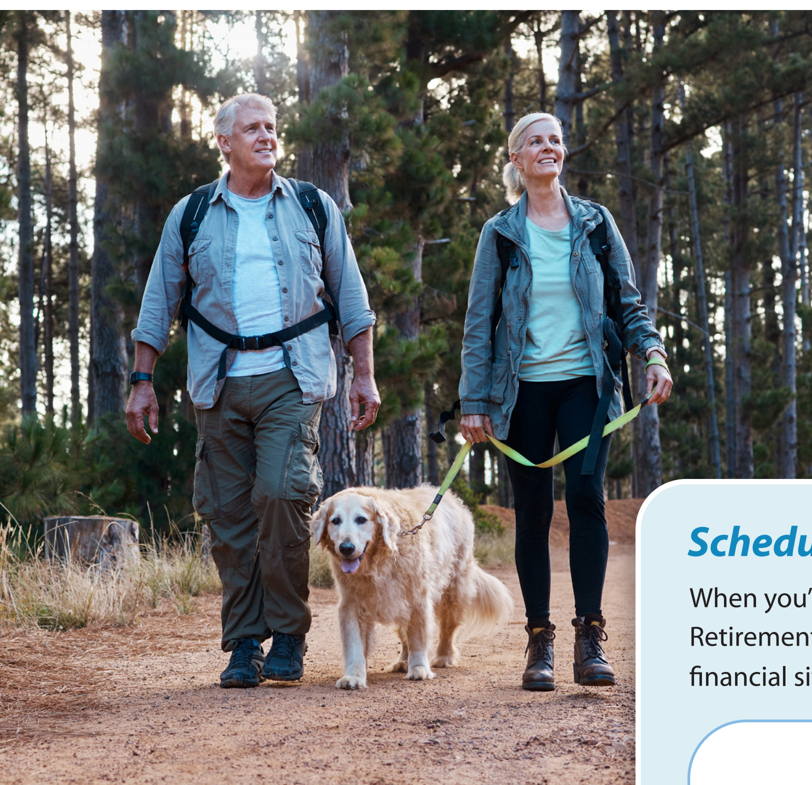
STEP 10

Explore Long Term Care Plans

Long term care insurance policies can provide confidence for an elderly population.

Everyone is going to face some type of health care issue as they get older. The only question is will those health care issues also create financial problems.

A Long-Term Care (LTC) Plan can help protect you from financial disaster in the event of a serious and long-term health problem. But it can be expensive.



One alternative structure is to look for Indexed Universal Life policies that have LTC provisions. Typically, the LTC coverage lasts for either 5 years or 7 years.

An alternative to LTC can be structured into a good retirement plan at no additional cost – no monthly payments.

The Indexed Retirement accounts mentioned previously are often used as a bucket of money that can sit there and accumulate. They are a great product to back up your retirement plan and they are also a great source of money in later years to help with LTC coverage.

People sometimes think of it as self-insuring without paying anything monthly. This is not actually Long-Term Care policy, although it's planning for unknown needs with no cost. A possible alternative for Long Term Care insurance policies.

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The Retirement Planning Roadmap:

10 STEPS to an ideal retirement

Seek Professional Advice

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We put together these 10 Steps to give you some insight and guidance in planning your own retirement.

If you decide to take this information to develop your own retirement plan, that's okay. We're happy to share our information with you.

But if you believe your best results will more likely be achieved by seeking professional advice, let's have a chat.

Retirement planning is a complicated business that requires a comprehensive understanding of tax strategies, investment decisions and risk management.

Consult with a financial advisor who can tailor a plan to your unique needs – one entirely based on what is right for you and your retirement.

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What are the Next Steps?

Thanks for taking the time to review The Retirement Planning Roadmap. We hope you were able to gain some insight for your own retirement plans.

At this point, we'd like to invite you to watch our Retirement Planning video series.

If you are short on time, start with the **Mini-Series**. The videos are just 10 minutes long.

Then take some more time to watch the full Master Class video. It may prove very valuable as you enter this very important phase of your life. Don't make a mistake after saving and working your whole life.

Then, when you're ready, schedule a **one-on-one Retirement Planning Strategy Session**. Reserved for individuals with more than $500,000 in assets, your Strategy Session will result in a personalized Retirement Plan. If you are not quite at $500,000 yet, that's ok. Book the meeting anyway.

This is an intensive exploration of your retirement options that usually require up to three meetings (via Zoom or in our offices in Tysons Corner VA).

We look forward to hearing from you.

Thank you,

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Retirement Planning and Financial Advice

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