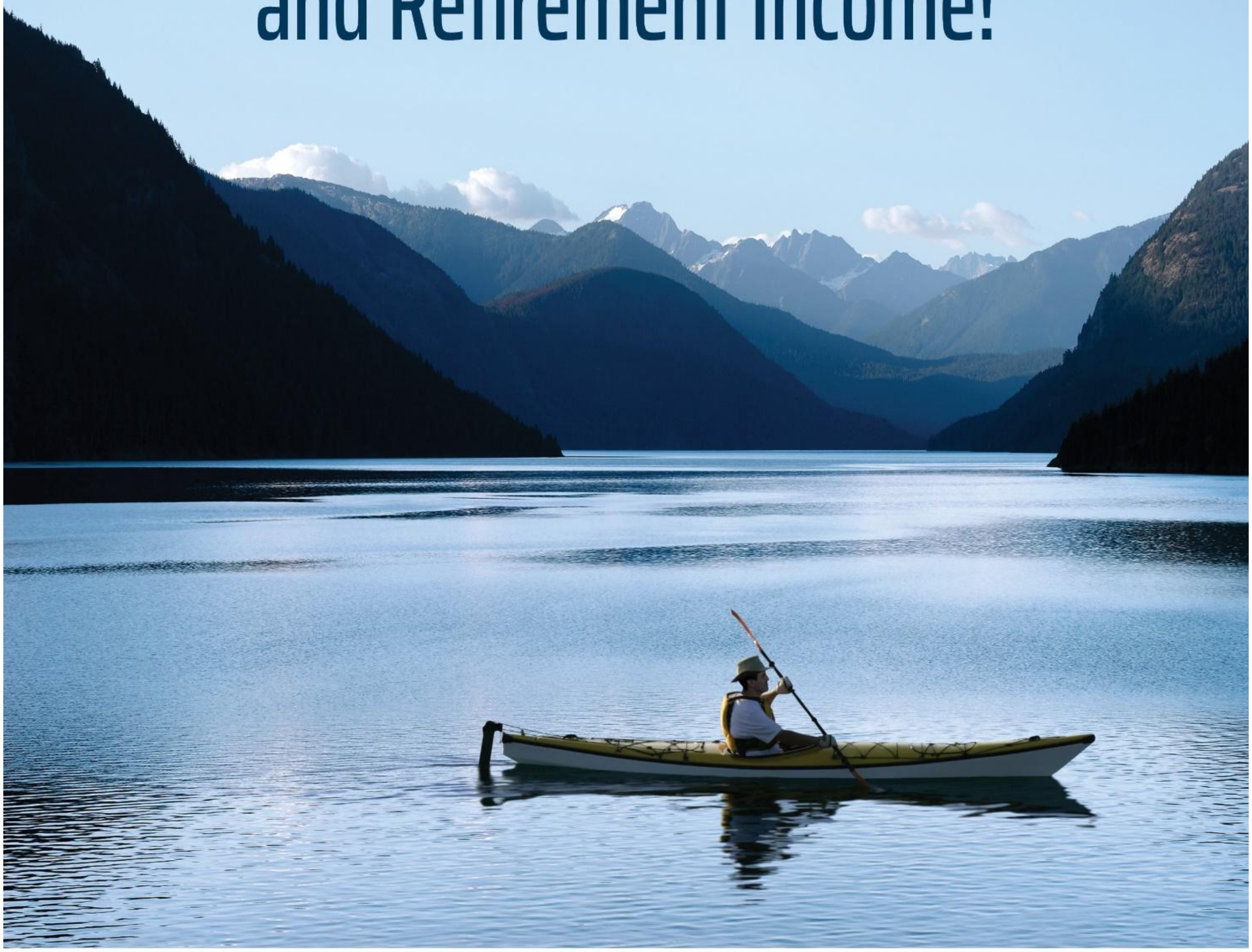
INCREASE

Your Social Security Benefits and Retirement Income!



DAVE NUTE

Please be advised that before any professional advice can be given responsibly, it is necessary to invest our time together and have a meaningful dialogue and share information that is relevant to determine which, if any, of the solutions outlined in this book are recommended for your situation !

Dave Nute, RICP®, ChFC®, CLU®,

Retirement Income Certified Professional™

Assisting with Financial, Long Term Care, Retirement and Estate Planning Solutions since 1984

Creative Retirement Planning, Inc.

Registered Investment Advisor, CRD # 138274
Washington Mortgage Broker # 117 5810

(Note: Please send all mail to 410 Salal Way, Sequim, WA 98382. No mail at either branch office below.)

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Company Disclosure

My name is Dave Nute and our company is Creative Retirement Planning, Inc.

Our contact information is detailed for you on page 3 and also on the last page of this book.

I have helped our clients with Retirement Planning issues since 1984.

I have been a licensed insurance agent since 1984, a licensed Registered Investment Advisor since 2005, a licensed ChFC® (Chartered Financial Consultant ™) since 2006, a licensed Mortgage Loan Originator since 2008, a licensed CLU® (Chartered Life Underwriter™) since 2010, a licensed RICP® (Retirement Income Certified Professional ™) since early 2013 and a licensed CFP® (Certified Financial Planner™), from early 1993, retiring this one license in February 2022.

It is my goal to help each of my clients to make their best decisions, working with what they have available, for their retirement.

If you have any further questions, please call our Sequim office at . . .

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Visit Our Websites:

www.CreativeRetirementPlanning.com

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THE AMERICAN COLLEGE OF FINANCIAL SERVICES

The RICP® educational curricula is the most complete and comprehensive program that is available to professional financial advisors who strive to help their clients create sustainable retirement income.

The rigorous three-course credential helps advisors to master retirement income planning, a key focus area that is not fully covered in other professional designation programs.

From retirement portfolio management techniques and mitigation of planning risks to the proper use of annuities, reverse mortgages, IRAs, employment sponsored benefits and determining the best Social Security benefit strategies, the RICP® provides a wealth of practical information for advisors to better assist their clients.

The American College

Bryn Mawr, Pennsylvania

is pleased to announce that

David R. Nute, CFP®, ChFC®, CLU®, RICP®

has been awarded the

Retirement Income Certified Professional®

professional designation

May 1, 2013

Dave's Comments About Retirement Income Planning & Social Security

HOW LONG *are we going to live ?*

HOW MUCH *money will we need to last that long ?*

Do we have enough money to last ?

While none of us have a ***"Crystal Ball"*** *to predict our personal longevity, and frankly, few of us really want to know . . . it is becoming more and more clear to my profession that our clients are likely to* ***LIVE LONGER*** *than they assumed they would before they decided to retire.*

If we are healthy and have enough income and savings, this extra longevity is often a positive. If we are not healthy, our healthcare will likely be more expensive than we assumed.

Whether we are healthy or not, we will have to prepare for the ***INFLATION INCREASES*** *of our living expenses. They will increase and compound with the extra years of our retirement.*

This book is about the planning choices that many of us will have to choose from. There are different solutions for different situations.

A knowledgeable professional can be a positive asset and provide extra value to help you wade through the noisy and expensive distractions.

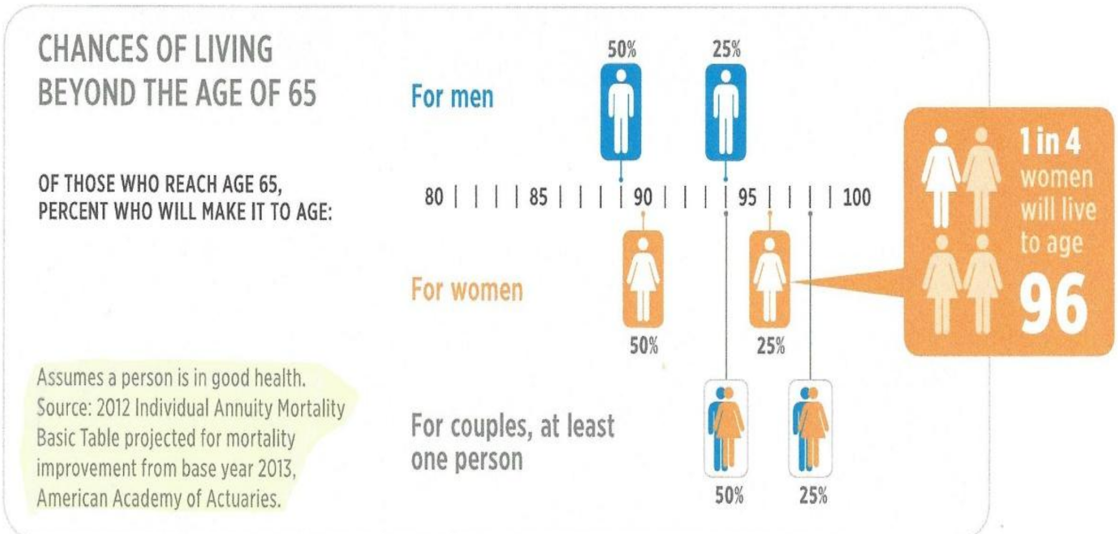
This book is a good place for both of us to start. It will help you to understand many of the various positive solutions available.

It will help us to introduce the work I do and share what I have learned over the past forty plus years, helping my clients to make life a little easier for themselves and their families.

Please feel free to call our office and we can set a time to discuss your questions and situation further.

How about you? Are you prepared to live 30+ years on your retirement dollars?

- At age 65, there's a **50%** chance of living beyond age 89 for males, age 90 for females, and for couples, at least one spouse may live to age 94.
- There's a **25%** chance of living beyond age 94 for males, age 96 for females and for couples at least one spouse may live to age 98.



Reducing the risk of running out of money

You can't predict how long you'll live. But you can reduce the risk of outliving your savings. Here are some steps you can take.

- **Review your family history.** It may be an indication of your own future – so prepare accordingly. Keep in mind that people now commonly live longer than their parents or grandparents.
- **Assess whether your retirement income is guaranteed for life.** This may include pension plan benefits or annuities. It's even better if the income adjusts with inflation to help you preserve purchasing power as you age.
- **Boost your retirement savings.** Saving for retirement is a key goal prior to retirement but it doesn't have to stop there. Dollars that went to fund college tuition or other expenses can be redirected to help lift savings during your "stretch run" to retirement.
- **Expect the unexpected.** The future rarely goes according to plan. Retirement can come earlier than expected, expenses can appear from nowhere and life can change in unanticipated ways. A bigger retirement savings cushion puts you in a better position to adapt to the unexpected.

“The Only Thing Worse Than Dying Is Outliving Our Money !”

I do not intend to be offensive or negative but I saw the above headline in an ad many years ago and it had a strong impact on me.

None of us want to run out of money, lower our standard of living or do without important and sometimes life-saving goods and services.

*So when can we really afford to retire ? We all know there are many **“Unknowns”** in the future for all of us.*

*So for us as individuals, when it comes to our personal Retirement Income Planning, none of this is an **“Exact Science”** !*

*But for larger groups it is a **“Science”** and more predictable.*

*If you are planning for your financial future on the **“Averages”** . . .*

I BELIEVE IT’S A “MISTAKE” TO PLAN THIS WAY.

*An **“Average”** is nothing more than the worst of the best and the best of the worst !*

Here is my point.

*If you’re planning for an **“Average Life Expectancy”** and you plan to spend your savings by your mid 80’s based on the averages . . .*

*and if you live **LONGER** than this, like the **MAJORITY** of us will . . .*

YOU WILL HAVE A VERY “SIGNIFICANT PROBLEM” !

So here is our first big question . . .

“HOW LONG” DO EACH OF US NEED OUR SAVINGS TO LAST ?

Here are some important facts on page 8, you might want to consider.

According to recent ***"Mortality Tables"*** *. . .*

<u>HALF</u> OF ALL <u>MEN</u> IN OUR COUNTRY

WILL LIVE PAST THE AGE OF <u>89</u> !

AND <u>HALF</u> OF ALL <u>WOMEN</u> IN OUR COUNTRY

WILL LIVE PAST THE AGE OF <u>90</u> !

What about couples ?

<u>1 OUT OF 2 COUPLES</u> WHO ARE THE AGE OF 65 TODAY

WILL HAVE AT LEAST ONE SPOUSE LIVE TO THE <u>AGE OF 94</u> !

AND <u>1 OUT OF 4 COUPLES</u> WHO ARE THE AGE OF 65 TODAY

WILL HAVE AT LEAST ONE SPOUSE LIVE TO THE <u>AGE OF 98</u> !

Current research also tells us . . .

<u>17 of every 100</u> *. . .*

or ***<u>1 out of 6 "Baby-Boomers"</u>*** *. . .*

who are now turning the age of ***<u>65</u>*** *in our country . . .*

<u>WILL LIVE TO 100 !</u>

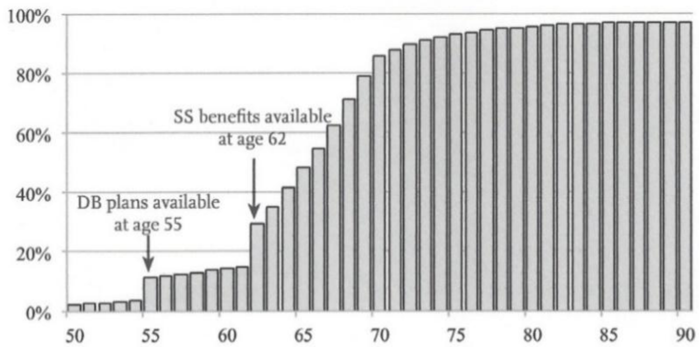
As of 2014, there were ***<u>72,197</u>*** *Americans the age of* ***<u>100 or older.</u>***

And this was a ***<u>44 % INCREASE</u>*** *since* ***<u>2000</u>****.*

But the experts are telling us by the year ***<u>2050</u>*** *. . .*

<u>THEY EXPECT ONE MILLION "CENTURIANS" IN OUR COUNTRY !</u>

Figure 2. Cumulative Percentage of Households Ready for Retirement by Age



Source: Authors' calculations.

How Working Longer Improves Retirement Readiness

Armed with the age of readiness for each household, Figure 2 reports the cumulative percentage of households ready by age. The figure shows that at Social Security's earliest retirement age of 62, only about 30 percent of households are prepared for retirement. Of these households, over 60 percent are covered by a defined benefit plan. By age 66, Social Security's current Full Retirement Age, about 55 percent of households are projected to be prepared for retirement (this figure includes the 30 percent already prepared by age 62). This finding is consistent with the results for the standard NRRI, which show that about half of households are at risk of being unprepared for retirement at age 65.[7] At a retirement age of 70, about 86 percent of households are prepared for retirement.[8]

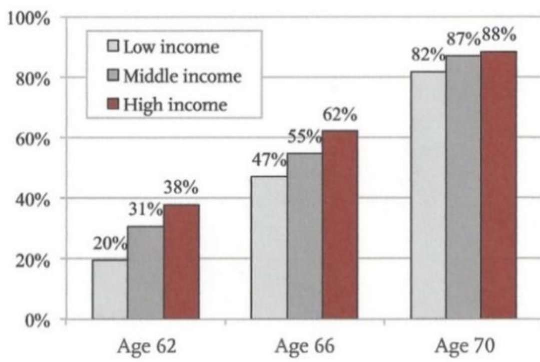
Prominence of Social Security

The steep improvement in readiness from ages 62 through 70 and the leveling off thereafter (shown in Figure 2) reflect the importance of Social Security and the pattern of its benefit payments. Social Security benefits increase by about 8 percent per year between ages 62 and 70, due to the actuarial adjustment before the Full Retirement Age of 66 and the Delayed Retirement Credit between 66 and 70.[9] After 70, initial Social Security benefits remain constant in real terms. In contrast, financial wealth (both inside and outside of defined contribution plans) grows at 4.6 percent per year until retirement and then stays constant in real terms.[10]

Readiness by Income and Birth Cohort

Social Security also serves as an important mechanism for closing the readiness gap between low- and high-income households. Figure 3 shows the percentage of households ready by income at three selected retirement ages. Thirty-eight percent of high-income households have sufficient assets to replace pre-retirement income by age 62, compared to only 20 percent of low-income households. By age 70, low-income households, who derive the bulk of their retirement income from Social Security, are nearly as prepared for retirement as their high-income counterparts (82 percent vs. 88 percent). This equality does not, of

Figure 3. Percentage of Households Ready for Retirement at Selected Ages, by Income



Source: Authors' calculations.

Please review page 11.

*This was from a recent retirement study from the **"Center for Retirement Research"** at Boston College.*

Yes, of course for most of us . . .

<u>WORKING LONGER</u> WILL HELP MANY OF US

IN THE YEARS AHEAD !

*The Center tells us at the age of **<u>62</u>** . . .*

ONLY ABOUT <u>30 %</u> OF U.S. HOUSEHOLDS

ARE FINANCIALLY PREPARED FOR RETIREMENT !

*By working to age **<u>66</u>** . . .*

ABOUT <u>55 %</u> OF HOUSEHOLDS WILL BE

PREPARED FOR RETIREMENT !

*And as a group, if we work until **<u>70</u>** . . .*

ABOUT <u>86 %</u> OF US WILL FINALLY BE

FINANCIALLY PREPARED TO RETIRE !

*So there's no question that **<u>WORKING LONGER</u>** is often our **<u>BEST SOLUTION</u>**.*

But many of us will have other choices and this is why I wrote this book.

THE CHOICES WE MAKE BEFORE WE RETIRE, OR EARLY IN OUR

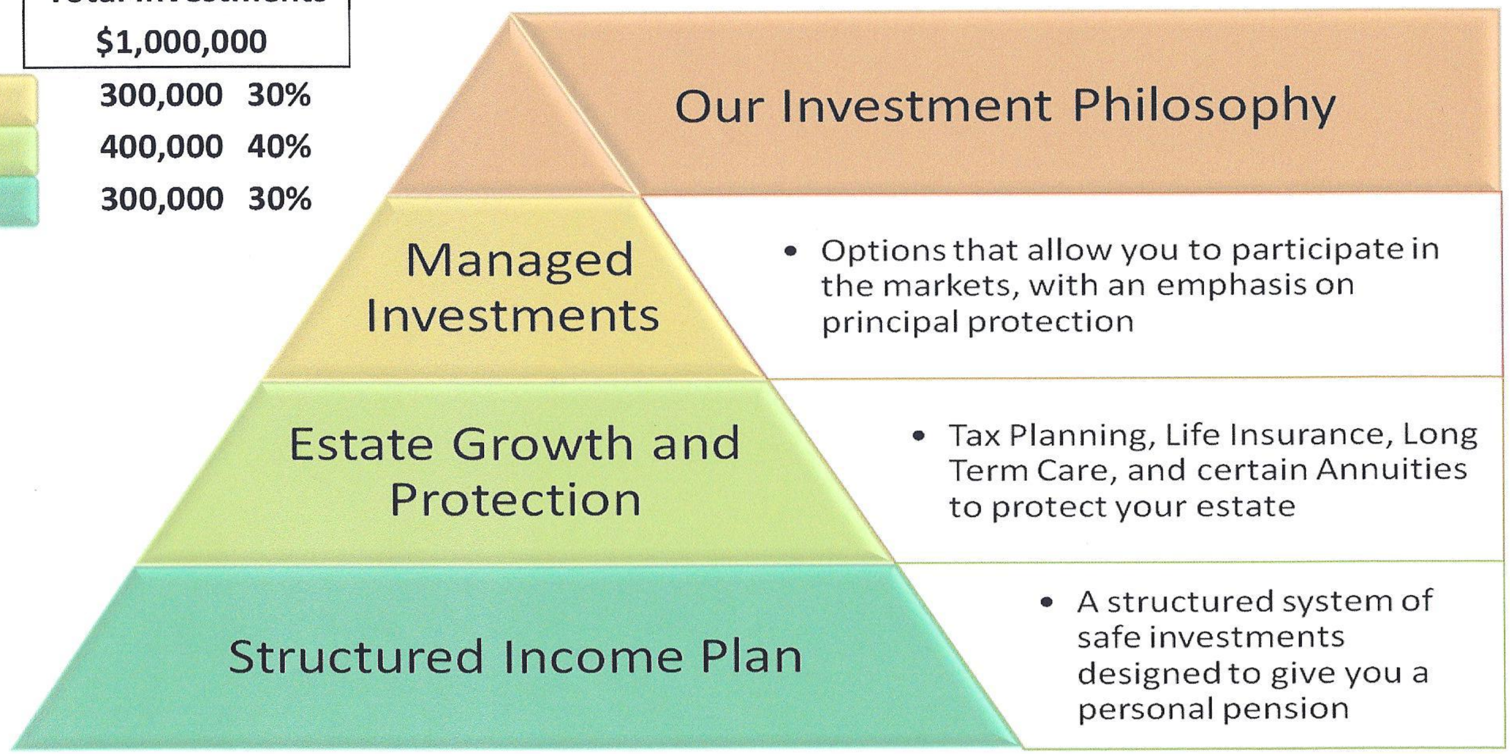
RETIREMENT, WILL OFTEN DETERMINE . . .

<u>IF OUR MONEY WILL LAST AS LONG AS WE DO !</u>

Investment Philosophy for: John and Mary Sample

Prepared by: Dave Nute, CFP®, ChFC®, CLU® Date: Oct 11, 2010

Total Investments	
$1,000,000	
300,000	30%
400,000	40%
300,000	30%



Printed on 10/11/2010

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336 West Washington Sequim, WA

Understanding Our Financial Planning Pyramid !

Page 13 illustrates a picture of my investment and planning philosophy. And here is where I often differ from your typical stockbroker.

*I start at the bottom, the foundation of our **"Financial Pyramid"**, helping our clients design . . .*

A <u>SOLID</u> and <u>SAFE</u> "STRUCTURED INCOME PLAN" . . .

<u>SOMETHING THEY CAN DEPEND UPON FOR MANY YEARS !</u>

*In this example, we assume our client has **<u>A MILLION DOLLARS</u>** . . . and we used **<u>30 %</u>** of this . . . or **<u>$ 300,000</u>** to help bridge the gap for their **"Income Needs"**.*

*The second level of the **"Financial Pyramid"** is to help our client . . .*

***<u>PRESERVE</u> AND <u>GROW</u> THEIR ESTATE
FOR THEIR "LATER YEARS" . . .***

AND FOR THE BENEFIT OF THEIR LOVED ONES.

*Out of these funds, we often want to plan ahead for the challenges of **"Long Term Care"**, possibly other **"Estate Planning"** that is important to the Client and **"Estate Taxes"** for the larger estates over $ 2 million.*

***MOST OF US WANT TO PLAN <u>CONSERVATIVELY</u>
FOR THESE NEEDS AND OTHER GOALS.***

*I have personally worked for forty years assisting our clients to plan ahead for **"Long Term Care"** and assist them during their time of need for this challenge.*

*And in addition to traditional Long Term Care Insurance, I offer special LTC Annuities and types of Life Insurance that offer **<u>EXTRA</u>** Long Term Care Benefits !*

*We have also helped **<u>OVER 1,000</u>** of our clients with **<u>REVERSE MORTGAGES</u>**.*

*And then moving up our **"Financial Pyramid"** . . . if there is anything left over, we will often put the rest in **"Managed Investments"** . . . if our client is comfortable with the extra investment risks.*

*My company is a licensed **"Registered Investment Advisor"** and I believe we offer a responsible and high quality service for our clients that is competitive in price and results.*

Some of our clients want this and many others . . .

JUST DO NOT <u>WANT</u> OR <u>NEED</u> "THE EXTRA RISKS" !

*I respectfully suggest that **"Financial Planning"** for our retirement years . .*

IS MORE ABOUT "PRESERVATION" AND "DISTRIBUTION"

AND NOT SO MUCH ABOUT "ACCUMULATION".

*As a **"Registered Investment Advisor"** . . . yes, I believe the stock market and other risks are appropriate for many of my clients . . .*

FOR THAT <u>TOP PART</u> OF THEIR "FINANCIAL PYRAMID".

*But I also believe it makes sense to be **<u>CONSERVATIVE</u>** for the part of our portfolio that we will need to depend upon . . . to pay the bills, plan ahead for medical expenses, Long Term Care and other retirement and estate planning goals !*

Financial Decisions For Sally and Sam Sample

I will share an example of a common situation and how I can help this client.

I am going to show you . . .

HOW ONE COUPLE WILL LIKELY <u>LOSE THEIR SAVINGS</u> . . .

<u>BEFORE THEY ARE "80"</u> . . .

IF THEY MAKE THE "COMMON MISTAKES" . . .

THAT MILLIONS OF RETIREES OFTEN DO !

Then I am going to show you ***"Step by Step"****. . .*

HOW WE CAN MAKE <u>FOUR OR FIVE "KEY DECISIONS"</u>

EARLY IN OUR RETIREMENT PLANNING . . .

THAT WILL LIKELY PROVIDE "ENOUGH" FOR THEM

TO LIVE A VERY "OLD AGE" . . .

POSSIBLY EVEN TO THE AGE OF 100 . . .

<u>AND STILL HAVE "SOME SAVINGS"</u>

<u>AND "MORE GUARANTEED INCOME" !</u>

One comment, this is just one situation and of course we have different solutions for different situations.

But I meet with many of our clients who have a similar situation, like this couple we will discuss . . . and if you stay with me and invest the time to understand this example, it may help you to enhance your own later years !

I will keep this as simple as I can. The names of our couple are Sam and Sally Sample.

Sally and Sam were born on the same day and they are sharing their 62nd birthday today !

Both retired last week.

*Like **MORE THAN 80 %** of Retirees today, neither Sam nor Sally have a significant pension.*

*Both will start their Social Security next month. Sam will get **$ 1,500** and Sally will get **$ 1,000**.*

*Not including their home, they have about **$ 500,000** in various accounts.*

I understand that some of us enjoy extra pensions or you have extra real estate, a business or other assets that Sam and Sally don't have.

*But with that said, their **$ 500,000** is **MUCH HIGHER** than the **"Averages"** !*

*According to a recent study from the **"Center For Retirement Research"** at Boston College . . .*

***ONLY 13 %** of Baby Boomers own **"Investable Assets"** of **$ 500,000** or more . . .*

AND MORE THAN "HALF" . . . HAVE LESS THAN $ 100,000 !

For Sam and Sally, their spending is not unusual and it is not high.

*They only spend about **$ 3,500 A MONTH** for everything else . . .*

PLUS $ 1,500 A MONTH FOR THEIR MORTGAGE.

Sally and Sam are just planning for their own needs.

If the last one of them ***"Spends Their Last Dollar On Their Last Day"****, that would be fine with them.*

So the ***"Big Question"*** *. . . just like for each of us is . . .*

<u>DO THEY HAVE "ENOUGH" ?</u>

Let us also assume life will be good to both of them.

We will assume they are one of the ***<u>FORTUNATE</u>*** *. . .*

<u>ONE OUT OF THREE COUPLES</u> WHO NEVER HAS

TO WORRY ABOUT LONG TERM CARE !

Another way of saying what I just said . . .

IS THAT <u>TWO OUT THREE COUPLES</u> WILL NEED

TO PAY <u>EXTRA</u> FOR LONG TERM CARE !

Going back to Sally and Sam, we will assume their group insurance, or Medicare Supplement and Medicare, will pay for the rest of their health care expenses. (I understand this rarely happens.)

AND WE WILL ALSO ASSUME <u>THEY NEVER HAVE</u> ANY "EXTRA COSTS" FOR ANYTHING ELSE FOR THE REST OF THEIR LIVES !

Just so we understand each other . . .

<u>IT IS RARELY THIS "SIMPLE" . . . IS IT ?</u>

I suggest we always ***"Plan For The <u>WORST</u>"*** *and then enjoy our lives and hope for the* ***<u>BEST</u>*** *!*

One thing I like about my job is I get to work and play on my computers with a lot of great software !

My favorite game is what I call the ***"What If Game"*** *! It is all about money, one of my favorite subjects !*

And the questions are . . .

IF WE DO "THIS" . . . OR IF WE DO "THAT" . . .

<u>WILL WE HAVE "ENOUGH MONEY" ?</u>

On page 20, you can see I have included all of the numbers I have already given you for Sam and Sally.

In addition, I have assumed a ***"3 % Annual Inflation Rate"*** *for their expenses . . .*

DON'T BELIEVE THE "MEDIA" OR THE "GOVERNMENT" !

<u>INFLATION IS STILL OUT THERE . . .</u>

<u>ESPECIALLY FOR HEALTH CARE AND HOUSING !</u>

I have assumed Sally and Sam earn ***<u>4 %</u>*** *from all of their* ***<u>$ 500,000</u>*** *of savings and whatever is left after expenses every year. Plus my software computes any income taxes.*

Of course, none of us have a ***"Crystal Ball"*** *. . . but I believe this is a responsible place to begin our planning.*

Assuming all of this does happen . . .

and there are ***<u>NO EXTRA EXPENSES</u>*** *for Long Term Care . . .*

and other healthcare . . .

<u>NO LOSSES</u> *in the stock market or lawsuits . . .*

and they remained disciplined and ***<u>ALWAYS</u>*** *stick to their budget . . .*

here is the problem, illustrated on page 20 . . .

Original Plan - 4 %, Soc Sec @ 62, $ 1,500 Mortgage

Year	Sam Age	Sally Age	Pension Income	Social Security Income	Monthly Cash Flows	Annual Cash Flows	Net Monthly Income	Net Monthly Expenses	Net Monthly Cash Flow		Annuity Account Value	Retirement Funds
											$0	$500,000
2016	62	62	$0	$2,500	$0	$0	$2,500	$5,096	-$2,596	5.89%	$0	* $489,130
2017	63	63	$0	$2,550	$0	$0	$2,550	$5,204	-$2,654	6.15%	$0	$477,123
2018	64	64	$0	$2,601	$0	$0	$2,601	$5,315	-$2,714	6.45%	$0	$463,911
2019	65	65	$0	$2,653	$0	$0	$2,653	$5,430	-$2,777	6.78%	$0	$449,413
2020	66	66	$0	$2,706	$0	$0	$2,706	$5,547	-$2,841	7.17%	$0	$433,548
2021	67	67	$0	$2,760	$0	$0	$2,760	$5,669	-$2,909	7.60%	$0	$416,231
2022	68	68	$0	$2,815	$0	$0	$2,815	$5,794	-$2,979	8.11%	$0	$397,370
2023	69	69	$0	$2,872	$0	$0	$2,872	$5,923	-$3,051	8.70%	$0	$376,880
2024	70	70	$0	$2,929	$0	$0	$2,929	$6,055	-$3,126	10.24%	$0	$351,249
2025	71	71	$0	$2,988	$0	$0	$2,988	$6,192	-$3,204	12.00%	$0	$320,773
2026	72	72	$0	$3,047	$0	$0	$3,047	$6,333	-$3,286	13.75%	$0	$286,990
2027	73	73	$0	$3,108	$0	$0	$3,108	$6,478	-$3,370	15.94%	$0	$250,103
2028	74	74	$0	$3,170	$0	$0	$3,170	$6,627	-$3,457	18.93%	$0	$210,030
2029	75	75	$0	$3,234	$0	$0	$3,234	$6,781	-$3,547	23.33%	$0	$166,616
2030	76	76	$0	$3,298	$0	$0	$3,298	$6,939	-$3,641	29.64%	$0	$121,116
2031	77	77	$0	$3,365	$0	$0	$3,365	$7,103	-$3,738	41.82%	$0	$72,591
2032	78	78	$0	$3,432	$0	$0	$3,432	$7,271	-$3,839	72.44%	$0	$20,454
2033	79	79	$0	$3,500	$0	$0	$3,500	$7,444	-$3,944	100.00%	$0	$0
2034	80	80	$0	$3,570	$0	$0	$3,570	$7,622	-$4,052	0.00%	$0	$0
2035	81	81	$0	$3,642	$0	$0	$3,642	$7,806	-$4,164	0.00%	$0	$0
2036	82	82	$0	$3,715	$0	$0	$3,715	$7,995	-$4,280	0.00%	$0	$0
2037	83	83	$0	$3,789	$0	$0	$3,789	$8,190	-$4,401	0.00%	$0	$0
2038	84	84	$0	$3,865	$0	$0	$3,865	$8,391	-$4,526	0.00%	$0	$0
2039	85	85	$0	$3,942	$0	$0	$3,942	$8,597	-$4,655	0.00%	$0	$0
2040	86	86	$0	$4,021	$0	$0	$4,021	$8,810	-$4,789	0.00%	$0	$0
2041	87	87	$0	$4,102	$0	$0	$4,102	$9,029	-$4,927	0.00%	$0	$0
2042	88	88	$0	$4,183	$0	$0	$4,183	$9,255	-$5,072	0.00%	$0	$0
2043	89	89	$0	$4,267	$0	$0	$4,267	$9,488	-$5,221	0.00%	$0	$0
2044	90	90	$0	$4,353	$0	$0	$4,353	$9,728	-$5,375	0.00%	$0	$0
2045	91	91	$0	$4,440	$0	$0	$4,440	$8,475	-$4,035	0.00%	$0	$0

Sally and Sam . . .

<u>WILL HAVE SPENT ALL OF THEIR $ 500,000 OF SAVINGS</u>

<u>BY THE TIME THEY REACH THE AGE OF ONLY "79" !</u>

AT THEIR YOUNG AGE OF <u>79</u> . . . THEIR 500 GRAND IS <u>ALL GONE</u>

AND <u>THEY ARE BROKE</u> . . . EXCEPT FOR SOCIAL SECURITY !

*I shared this earlier with you on pages 8 thru 10 and I will repeat this. According to recent **"Mortality Tables"** . . .*

<u>HALF</u> OF ALL <u>MEN</u> IN OUR COUNTRY

WILL LIVE PAST THE AGE OF <u>89</u> !

AND <u>HALF</u> OF ALL <u>WOMEN</u> IN OUR COUNTRY

WILL LIVE PAST THE AGE OF <u>90</u> !

What about couples ?

<u>1 OUT OF 2 COUPLES</u> WHO ARE THE AGE OF 65 TODAY

WILL HAVE AT LEAST ONE SPOUSE LIVE TO THE <u>AGE OF 94</u> !

AND <u>1 OUT OF 4 COUPLES</u> WHO ARE THE AGE OF 65 TODAY

WILL HAVE AT LEAST ONE SPOUSE LIVE TO THE <u>AGE OF 98</u> !

Current research also tells us . . .

<u>17 of every 100</u> *. . . or* ***<u>1 out of 6 "Baby-Boomers"</u>*** *. . .*

*who are now turning the age of **<u>65</u>** in our country . . .*

<u>WILL LIVE TO 100 !</u>

A summary of Sam and Sally's retirement savings is in the column on the far right. Please review this.

*At their age of **78** . . . we see they still have **$ 20,454**.*

*But when they are **79** . . . the **"Red Line"** shows us when their savings **RUNS OUT !***

*You can see, I have highlighted in **YELLOW**, in the two columns closer to the middle . . . at their age of **80**, their **"Projected After-Tax Income"** for both of them . . .*

IS LESS THAN $ 3,600 A MONTH !

All they have left is their Social Security.

*And yet in the next column to the right, assuming **3 %** **"Annual Inflation"** . . .*

THEIR "CURRENT EXPENSES" HAVE BEEN INFLATED

TO OVER $ 7,600 A MONTH !

WHEN THEIR SAVINGS IS GONE . . .

THEY CAN ONLY AFFORD ABOUT HALF OF WHAT THEY ARE SPENDING NOW !

And all of this is based on the optimistic . . .

AND LIKELY UNREALISTIC ASSUMPTION . . .

THAT NOTHING SERIOUS WILL GO WRONG !

If something unexpected does go wrong . . .

SAM AND SALLY WILL BE "BROKE" EVEN SOONER !

So obviously, Sam and Sally need to make ***NEW CHOICES*** *and* ***BETTER DECISIONS****.*

WHAT SHOULD THEY DO ?

Should they try and get their old jobs back ?

Should one or both get a part-time job ?

Should they cut-back their expenses ?

Should they take more risks with their savings to earn more ?

OR MAYBE, THEY CAN MOVE-IN WITH THE "KIDS" LATER ?

More income or less expenses will need to come from somewhere !

That is the way it works and most of us understand this !

In the following pages, I will illustrate how I pay for myself.

Some of you are investors and you have already figured out that I assumed Sally and Sam will only earn ***<u>4 %</u>*** *a year on their* ***<u>$ 500,000 !</u>***

So you call your stockbroker and they say . . .

"DAVE IS <u>TOO</u> CONSERVATIVE !"

They tell you (they ***"Sell"*** *you) that* ***<u>4 %</u>*** *. . .*

IS A "RIDICULOUS LOW ASSUMPTION" . . .

<u>AND THEY CAN GET YOU "6 %" . . .</u>

<u>LIKELY MORE . . . "PIECE OF CAKE" !</u>

My company is a licensed ***"Registered Investment Advisor"*** *and I have been doing this a long time !*

I have several million under my management for my clients.

So if you can ***<u>AFFORD</u>*** *it and if you are* ***<u>WILLING</u>*** *to take the extra* ***<u>RISKS</u>*** *. . . can you earn* ***<u>6 %</u>*** *a year ?*

Yes, I think you can over time . . .

<u>SOME INVESTORS DO . . . AND A FEW MAKE MORE !</u>

But studies have consistently proven . . .

THE "AVERAGE INVESTOR" ONLY MAKES

<u>CLOSER TO "2 to 3 % A YEAR" !</u>

From what I have observed, many investors remember the ***"Good Times"*** *. . . but they often choose to distract themselves, to forget the pain and carnage of the* ***"Bad Times"*** *!*

*But **6 %** is not **"Guaranteed Money"** today . . . and while you may not agree with me, in my opinion, Sam and Sally **DO NOT HAVE ENOUGH** to risk the loss of even one penny of what they own.*

They are already spending down too quickly for what they have !

*But let's assume I can help Sam and Sally to **EARN 6 %** instead of the **4 %** we originally assumed.*

WILL 6 % BE "ENOUGH" ?

*Please review **Page 26**.*

*Everything is **EXACTLY THE SAME** as we had on **Page 20** . . .*

EXCEPT INSTEAD OF "4 %" . . . WE ASSUME THEY'LL EARN "6 %" !

*Let's look at our **"Red Line"** and the far right column.*

*Yes, this helped . . . but it only gave them **FOUR MORE YEARS !***

AND NOW THEY ARE BROKE AT 83 INSTEAD OF 79 !

AND IF EITHER OF THEM IS STILL GOING "STRONG" . . .

THEY ONLY HAVE THEIR "SOCIAL SECURITY" !

AND THERE ARE STILL MANY YEARS BEYOND THE AGE

OF 83 FOR THE MAJORITY OF US TO PAY FOR !

*So if this is the **ONLY SOLUTION** your **"Broker"** can offer you . . .*

THEN MAYBE IT IS TIME . . .

TO GET A "NEW FINANCIAL ADVISOR" !

Original Plan - 6 %, Soc Sec @ 62, $ 1,500 Mortgage

Year	Sam Age	Sally Age	Pension Income	Social Security Income	Monthly Cash Flows	Annual Cash Flows	Net Monthly Income	Net Monthly Expenses	Net Monthly Cash Flow		Annuity Account Value	Retirement Funds
											$0	$500,000
2016	62	62	$0	$2,500	$0	$0	$2,500	$5,096	-$2,596	5.78%	$0	* $499,259
2017	63	63	$0	$2,550	$0	$0	$2,550	$5,204	-$2,654	5.91%	$0	$497,770
2018	64	64	$0	$2,601	$0	$0	$2,601	$5,315	-$2,714	6.06%	$0	$495,466
2019	65	65	$0	$2,653	$0	$0	$2,653	$5,430	-$2,777	6.23%	$0	$492,265
2020	66	66	$0	$2,706	$0	$0	$2,706	$5,547	-$2,841	6.42%	$0	$488,081
2021	67	67	$0	$2,760	$0	$0	$2,760	$5,669	-$2,909	6.63%	$0	$482,824
2022	68	68	$0	$2,815	$0	$0	$2,815	$5,794	-$2,979	6.86%	$0	$476,395
2023	69	69	$0	$2,872	$0	$0	$2,872	$5,923	-$3,051	7.12%	$0	$468,701
2024	70	70	$0	$2,929	$0	$0	$2,929	$6,055	-$3,126	7.42%	$0	$459,614
2025	71	71	$0	$2,988	$0	$0	$2,988	$6,192	-$3,204	8.86%	$0	$443,337
2026	72	72	$0	$3,047	$0	$0	$3,047	$6,333	-$3,286	9.78%	$0	$423,118
2027	73	73	$0	$3,108	$0	$0	$3,108	$6,478	-$3,370	10.69%	$0	$399,583
2028	74	74	$0	$3,170	$0	$0	$3,170	$6,627	-$3,457	11.76%	$0	$372,703
2029	75	75	$0	$3,234	$0	$0	$3,234	$6,781	-$3,547	13.01%	$0	$342,515
2030	76	76	$0	$3,298	$0	$0	$3,298	$6,939	-$3,641	14.60%	$0	$308,834
2031	77	77	$0	$3,365	$0	$0	$3,365	$7,103	-$3,738	16.72%	$0	$271,326
2032	78	78	$0	$3,432	$0	$0	$3,432	$7,271	-$3,839	19.76%	$0	$229,409
2033	79	79	$0	$3,500	$0	$0	$3,500	$7,444	-$3,944	23.39%	$0	$184,960
2034	80	80	$0	$3,570	$0	$0	$3,570	$7,622	-$4,052	29.89%	$0	$136,134
2035	81	81	$0	$3,642	$0	$0	$3,642	$7,806	-$4,164	42.16%	$0	$82,283
2036	82	82	$0	$3,715	$0	$0	$3,715	$7,995	-$4,280	73.01%	$0	$22,942
2037	83	83	$0	$3,789	$0	$0	$3,789	$8,190	-$4,401	100.00%	$0	$0
2038	84	84	$0	$3,865	$0	$0	$3,865	$8,391	-$4,526	0.00%	$0	$0
2039	85	85	$0	$3,942	$0	$0	$3,942	$8,597	-$4,655	0.00%	$0	$0
2040	86	86	$0	$4,021	$0	$0	$4,021	$8,810	-$4,789	0.00%	$0	$0
2041	87	87	$0	$4,102	$0	$0	$4,102	$9,029	-$4,927	0.00%	$0	$0
2042	88	88	$0	$4,183	$0	$0	$4,183	$9,255	-$5,072	0.00%	$0	$0
2043	89	89	$0	$4,267	$0	$0	$4,267	$9,488	-$5,221	0.00%	$0	$0
2044	90	90	$0	$4,353	$0	$0	$4,353	$9,728	-$5,375	0.00%	$0	$0
2045	91	91	$0	$4,440	$0	$0	$4,440	$8,475	-$4,035	0.00%	$0	$0

What If We Eliminated Their Mortgage Payments ?

Let's explore another solution.

WHAT IF WE COULD ALSO <u>ELIMINATE</u> SAM & SALLY'S

$ 1,500 MONTHLY MORTGAGE PAYMENT ?

The ***"Average Retiree"*** *. . .*

<u>HAS ALMOST HALF OF THEIR NET WORTH</u>

<u>BURIED IN THE "DEAD EQUITY" OF THEIR HOME !</u>

And while all of us want the security of a solid roof over our heads and a comfortable place to live . . .

THIS "DEAD EQUITY" IS <u>NOT PROVIDING US A PENNY</u>

WE CAN USE FOR OTHER CASH OR INCOME NEEDS !

Here is an interesting study Ameriprise Financial published recently.

They found that ***<u>47 %</u>*** *of* ***"Baby Boomers"*** *expect to use their home's equity to help them finance their retirement !*

For many of us, when we need more cash or income . . .

OUR HOME IS "WHERE OUR MONEY IS" !

And our ***"Dead Equity" . . .***

SITTING UNPRODUCTIVELY IN OUR HOME

<u>CAN BE VERY EXPENSIVE . . .</u>

<u>CREATING "LOST OPPORTUNITIES" IN "OTHER WAYS" !</u>

I will illustrate this for you . . . *please review page 28.*

Original Plan – 4 %, Soc Sec @ 62, <u>No Mortgage</u>

Year	Sam Age	Sally Age	Pension Income	Social Security Income	Monthly Cash Flows	Annual Cash Flows	Net Monthly Income	Net Monthly Expenses	Net Monthly Cash Flow	%	Annuity Account Value	Retirement Funds
											$0	$500,000
2016	62	62	$0	$2,500	$0	$0	$2,500	$3,596	-$1,096	2.42%	$0	* $507,525
2017	63	63	$0	$2,550	$0	$0	$2,550	$3,704	-$1,154	2.52%	$0	$514,662
2018	64	64	$0	$2,601	$0	$0	$2,601	$3,815	-$1,214	2.61%	$0	$521,374
2019	65	65	$0	$2,653	$0	$0	$2,653	$3,930	-$1,277	2.71%	$0	$527,612
2020	66	66	$0	$2,706	$0	$0	$2,706	$4,047	-$1,341	2.82%	$0	$533,328
2021	67	67	$0	$2,760	$0	$0	$2,760	$4,169	-$1,409	2.93%	$0	$538,471
2022	68	68	$0	$2,815	$0	$0	$2,815	$4,294	-$1,479	3.05%	$0	$542,985
2023	69	69	$0	$2,872	$0	$0	$2,872	$4,423	-$1,551	3.17%	$0	$546,823
2024	70	70	$0	$2,929	$0	$0	$2,929	$4,555	-$1,626	3.31%	$0	$549,908
2025	71	71	$0	$2,988	$0	$0	$2,988	$4,692	-$1,704	3.49%	$0	$551,945
2026	72	72	$0	$3,047	$0	$0	$3,047	$4,833	-$1,786	3.66%	$0	$552,974
2027	73	73	$0	$3,108	$0	$0	$3,108	$4,978	-$1,870	3.85%	$0	$552,925
2028	74	74	$0	$3,170	$0	$0	$3,170	$5,127	-$1,957	4.04%	$0	$551,716
2029	75	75	$0	$3,234	$0	$0	$3,234	$5,281	-$2,047	4.26%	$0	$549,266
2030	76	76	$0	$3,298	$0	$0	$3,298	$5,439	-$2,141	4.49%	$0	$545,472
2031	77	77	$0	$3,365	$0	$0	$3,365	$5,603	-$2,238	4.74%	$0	$540,254
2032	78	78	$0	$3,432	$0	$0	$3,432	$5,771	-$2,339	5.53%	$0	$530,523
2033	79	79	$0	$3,500	$0	$0	$3,500	$5,944	-$2,444	6.19%	$0	$517,193
2034	80	80	$0	$3,570	$0	$0	$3,570	$6,122	-$2,552	6.78%	$0	$500,945
2035	81	81	$0	$3,642	$0	$0	$3,642	$6,306	-$2,664	7.42%	$0	$481,810
2036	82	82	$0	$3,715	$0	$0	$3,715	$6,495	-$2,780	8.15%	$0	$459,644
2037	83	83	$0	$3,789	$0	$0	$3,789	$6,690	-$2,901	9.02%	$0	$434,249
2038	84	84	$0	$3,865	$0	$0	$3,865	$6,891	-$3,026	10.06%	$0	$405,420
2039	85	85	$0	$3,942	$0	$0	$3,942	$7,097	-$3,155	11.45%	$0	$372,514
2040	86	86	$0	$4,021	$0	$0	$4,021	$7,310	-$3,289	13.15%	$0	$335,573
2041	87	87	$0	$4,102	$0	$0	$4,102	$7,529	-$3,427	14.61%	$0	$297,120
2042	88	88	$0	$4,183	$0	$0	$4,183	$7,755	-$3,572	17.31%	$0	$254,578
2043	89	89	$0	$4,267	$0	$0	$4,267	$7,988	-$3,721	18.54%	$0	$214,900
2044	90	90	$0	$4,353	$0	$0	$4,353	$8,228	-$3,875	20.29%	$0	$177,505
2045	91	91	$0	$4,440	$0	$0	$4,440	$8,475	-$4,035	25.62%	$0	$136,665

Let's study the numbers.

*Like we began with, we assume that Sally and Sam are still only making **<u>4 %</u>** a year on their **<u>$ 500,000</u>**. (Not the 6 % we just saw.)*

And we assume they both filed for Social Security at age 62.

All we have done in this illustration on page 28 . . .

<u>IS ELIMINATE THEIR $ 1,500 MORTGAGE PAYMENT</u>

WITH A REVERSE MORTGAGE !

THIS CREATES THE OPPORTUNITY

FOR AN "OPTIONAL PAYMENT" IF YOU WANT

OR "NO PAYMENT" IF YOU PREFER.

It is your choice if you pay or not and you can determine the amount and the timing if you do want to make a payment . . . and change anytime !

For our example, we assume they did not need any of their other savings to pay this off and there was no extra equity to use elsewhere.

Of course we each have various situations with various amounts of debt and equity.

BUT JUST BY PAYING OFF THEIR MORTGAGE

WITH A REVERSE MORTGAGE . . .

WE CAN SEE AT THE END OF THEIR AGE OF 91 . . .

<u>THEY STILL HAVE OVER $ 136,000 LEFT OF THEIR SAVINGS !</u>

WHICH IS A WHOLE LOT BETTER THAN BEING "BROKE"

AT THE YOUNGER AGE OF ONLY 79 . . .

WITHOUT THE REVERSE MORTGAGE !

This is something many of us need to consider early in our retirement.

(We may qualify for a Reverse Mortgage at the age of 62.)

I understand this is not traditional thinking.

*I also understand this **IS NOT** the best choice for some of you.*

But it makes perfect sense for many of us and in my opinion, it will be necessary for Sam and Sally to start this early, to have more of the income and savings they will obviously need later.

*I have written another book called **"The TRUTH About HECM Reverse Mortgage Loans"**.*

*It is a solid **130 pages**, illustrating the federal HECM program and high quality ideas to help many of us preserve and enhance what we own.*

The HECM is endorsed by many of the leading professors, economists and other Retirement Income Professionals and I have shared many of their studies and comments in my book.

*In my opinion, it is a **MUST READ** for anyone who is serious and has concerns about their future retirement income and their family's legacy.*

*I have been helping our clients with Reverse Mortgages since **2005**.*

*I started doing this because I saw **THE NEED** for people like Sally and Sam and hundreds of others.*

Let's digress from our example about Sally and Sam Sample for a few pages and I will explain more about the Reverse Mortgage. I invite you to study this if you are interested.

And if you want more details, please call my office or go to my website www.NorthwestReverseMortgage.com and order your own FREE COPY of my book about this. It will be mailed promptly.

Or we can also set an appointment to discuss this or other concerns.

How Much Is Available With A Reverse Mortgage ?

*Your **"Loan Amount"** is based on **<u>THREE CRITERIA</u>**.*

*First, like for any type of mortgage, we will need to determine the **"Appraised Value"** of your home.*

The appraiser needs to be approved for FHA loans and we work with the appraiser through a lender-approved Appraisal Management Company.

*The maximum appraisal limit was raised to **<u>$ 1,089,300</u>** in December 2022, effective January 1, 2023.*

This new limit is only available thru December 31st of 2023 and it needs to be renewed by Congress by the end of 2023 to continue in 2024.

*The second part of the equation is the age of the **"Youngest Borrower"**, or the **"Non-Borrowing Spouse"**, if their age is younger.*

*The third part is based on the **"Expected Interest Rate"**, which is based on the **"10 year Treasury or LIBOR Index"**.*

THE "LOWER" THE "EXPECTED INTEREST RATE" . . .

THE "HIGHER" THE "LOAN AMOUNT" WILL BE !

SO WITH THE "LOWER RATES" WE HAVE TODAY . . .

<u>NOW IS A "GREAT TIME" TO TAKE ADVANTAGE OF THIS !</u>

The Reverse Mortgage will defer all payments thru-out all of the Borrowers' lifetimes, as long as this home remains your Primary Residence.

You also need to pay your property taxes, homeowner's insurance, HOA dues and satisfy other loan requirements, as all Borrowers agree to do.

*The Reverse Mortgage does make **<u>PERFECT SENSE</u>** as a positive solution for many of us, for many various reasons.*

Your "Loan Amount" For Various Ages

NOTES:

*The **"Loan Amount"** is called the **"Principal Limit"**. (Your **"Closing Costs"** and any mortgages, or other liens you owe, will be deducted from this.)*

*The **"Expected Interest Rate"**, in addition to the appraised value and age of the youngest Borrower, determines your **"Principal Limit"**. This can change weekly. Amounts below, are based on a 2.25 margin as of **3/30/23**. (The 10 year U.S. Treasury Bond closed that day at 3.55.)*

Principal Limit (Loan Amount)

Home Appraised Value

	$ 400k	***$ 500k***	***$ 600k***	***$ 700k***	***$ 800k***	***$ 1,000,000***
Age 62	*$ 148,000 (37.0 %)*	*$ 185,000 (37.0 %)*	*$ 222,000 (37.0 %)*	*$ 259,000 (37.0 %)*	*$ 296.000 (37.0 %)*	*$370,000 (37.0 %)*
Age 67	*162,400 (40.6 %)*	*203,000 (40.6 %)*	*243,600 (40.6 %)*	*284,200 (40.6 %)*	*324,800 (40.6 %)*	*406,000 (40.6 %)*
Age 72	*171,200 (42.8 %)*	*214,000 (42.8 %)*	*256,800 (42.8 %)*	*299,600 (42.8 %)*	*342,400 (42.8 %)*	*428,000 (42.8 %)*
Age 77	*188,400 (47.1 %)*	*235,500 (47.1 %)*	*282,600 (47.1 %)*	*329,700 (47.1 %)*	*408,100 (47.1 %)*	*471,000 (47.1 %)*
Age 82	*208,200 (52.2 %)*	*261,000 (52.2 %)*	*313,200 (52.2 %)*	*365,400 (52.2 %)*	*417,600 (52.2 %)*	*522,200 (52.2 %)*
Age 87	*234,400 (58.6 %)*	*293,000 (58.6 %)*	*351,600 (58.6 %)*	*410,200 (58.6 %)*	*468,800 (58.6 %)*	*586,000 (58.6 %)*
Age 92	*263,200 (65.8 %)*	*329,000 (65.8 %)*	*394,800 (65.8 %)*	*460,600 (65.8 %)*	*526,400 (65.8 %)*	*658,000 (65.8 %)*

Disclosure: Please note that these materials are not from HUD or FHA and were not approved by HUD or a government agency.

What Will Be Your “Loan Amount”?

*The **“Reverse Mortgage HECM Loans”** are HUD approved and insured by FHA.*

***“HECM”** means **“Home Equity Conversion Mortgage”**.*

*It is a **“Conversion”** of your home’s **“Dead Equity”** . . .*

TO CREATE “MORE OPTIONS” FOR YOU!

On page 32, I have given you some examples for various home values at different owner ages (based on the age of the youngest owner).

*This illustrates the **“Principal Limit”**, which is the **“Loan Amount”**.*

*The **“Percentage”** of the available **“Loan Amount”** . . .*

INCREASES AS WE GET OLDER!

*The amount of our **“Loan Amount”**, in relation to the **“Appraised Value”** of our home, is **ABOUT 37 %** in our early 60’s . . . and it steadily increases, up to **66 %** in our early 90’s.*

The assumption of the HECM program and lender is that the borrower(s) . . .

WILL NEVER MAKE ANY FUTURE PAYMENTS FOR PRINCIPAL AND INTEREST THRU-OUT THEIR LIFETIMES.

So the lenders need to allow for the growth of the loan, over the borrower’s life expectancy.

*And they need to keep the **“Loan Amount”** below the value of your home, so there will be sufficient collateral for the years ahead.*

How Can A Reverse Mortgage Help Us To <u>Preserve</u> and <u>Enhance</u> Our IRA(s) And Other Retirement Accounts ?

Here is another important reason why many of my clients now own a Reverse Mortgage . . . ***<u>TO REDUCE THEIR INCOME TAXES !</u>***

Many of us have most of our savings and investments . . .

<u>IN OUR IRAs AND OTHER "TAXABLE ACCOUNTS" !</u>

So if we need ***<u>MORE CASH</u>*** *. . .*

<u>WE CREATE EXTRA "TAXABLE INCOME" . . .</u>

AND THIS OFTEN I<u>NCREASES</u> THE TAXES ON OUR SOCIAL SECURITY !

AND FOR SOME OF US . . . IT ALSO <u>INCREASES THE COST</u> OF OUR "MEDICARE PART B PREMIUM" !

So if you are ***<u>WITHDRAWING MORE THAN YOUR "REQUIRED MINIMUM DISTRIBUTION"</u> . . .***

just to pay your costs of living . . .

<u>CONSIDER YOUR REVERSE MORTGAGE CHOICES !</u>

<u>ALL CASH AND INCOME YOU RECEIVE IS TAX-FREE !</u>

I understood the extra value of the Reverse Mortgage for many of my clients back in 2005.

So now my company, Creative Retirement Planning, Inc., is also a licensed Mortgage Broker and I am personally licensed as a Mortgage Loan Originator.

As I update this in mid 2023, we have helped ***OVER 1,000*** *of our clients with Reverse Mortgages.*

I have many different types of clients who use this. Some use this to just get by and others have used this to lower their income taxes, enhance their choices for Long Term Care, quality of life, etc.

If you want to learn more, I strongly feel my book about Reverse Mortgages is a ***MUST READ*** *for many Retirees !*

I have clients ***WITH FIVE AND TEN MILLION DOLLARS*** *who own a Reverse Mortgage. They have their money invested productively elsewhere and they have learned that owning a Reverse Mortgage . . .*

IS OFTEN "LESS EXPENSIVE" THAN TAKING

EXTRA "TAXABLE DISTRIBUTIONS" . . .

OR "SPENDING DOWN" . . . AND DISTURBING

THE GROWTH OF THEIR INVESTMENTS !

About ***HALF*** *of our Reverse Mortgage clients* ***DID NOT HAVE*** *any mortgage. And they got their Reverse Mortgage for the extra benefits created by a* ***"Line of Credit"****.*

For investors . . . the Reverse Mortgage can also be a very positive way to hedge your income and investment risks !

The ***"Line of Credit"*** *is a guaranteed liquid asset ! It is* ***"Guaranteed TAX-FREE Cash"*** *when you need it !*

So if the market is ***DOWN*** *and you need income for other needs . . . take what you need from your* ***"Line of Credit"*** *. . .* ***TAX-FREE !***

YOU WILL NOT HAVE TO SELL YOUR INVESTMENTS

AT A "DISCOUNT" OR CREATE EXTRA TAXES !

IT'S BEEN PROVEN IN MANY STUDIES . . .

THAT YOUR MONEY WILL LAST LONGER . . .

AND IN MANY CASES . . . LITERALLY CREATING "TENS OF THOUSANDS" OF "EXTRA DOLLARS" OVER THE YEARS !

I read one study recently and it stated, if the owner wants their portfolio to last another 30 years to finance their income needs with today's lower interest rates . . .

THEY WILL NEED TO WITHDRAW LESS THAN 3 % A YEAR !

*But instead, if they utilize their **"Line of Credit"** from a Reverse Mortgage . . .*

AND STOP SELLING THEIR SHARES IN THE "BAD YEARS" . . .

*they will be able to take **OVER TWICE** as much . . . or **6 ½ %** a year !*

*I highly recommend the book **"How To Use A Reverse Mortgage To Secure Your Retirement"**, written by Professor Wade Pfau, PhD, Certified Financial Analyst.*

(You can get a copy of this on www.amazon.com for about $ 20.)

Dr. Pfau was one of my professors for the advanced program I completed from the American College for Retirement Income Planning.

*On page 32, I have illustrated some of the various **"Loan Amounts"** available. On page 37, I have illustrated one of the most misunderstood and yet most valuable additional financial opportunities available to many homeowners, the **"Line of Credit"** for owners t have enough unused home equity . . .*

AND THE "COMPOUNDING" OF THIS TO ENHANCE THEIR OPPORTUNITIES FOR THEIR LATER YEARS !

Projected "Line of Credit" Increases !

- *Assume we have a **$ 1,000,000** home in this example.*
- *The **"Initial Line of Credit"**, Year 0, is based on interest rates from **3/28/2023**. Rates can change weekly for new loans. The numbers illustrated are **"Net"**, after estimated **"Closing and Loan Costs"**.*
- *Future growth for projections below are assumed to increase at the rate of **6.21 %** annually (based on the **"Expected Interest Rates"** from **3/23/2021** of **5.71 %** (assuming a 2.25 % margin) plus **0.50 %** for FHA Insurance. 10 year U. S Treasury rates closed at 3.537 on 3.27/23.).*
- *Assumes that you have no other debt beyond the **"Closing Costs"** for the loan. (You must keep a loan balance of $ 100 minimum.). **If your loan is paid off, the loan will be closed-out by the lending bank.**)*

Year	***Age 62***	***Age 72***	***Age 82***	***Age 92***
0	*$ 339,551*	*$ 397,551*	*$ 491,551*	*$ 627,551*
5	*458,915*	*537,304*	*664,348*	*848,156*
10	*620,239*	*726,184*	*897,889*	
15	*838,274*	*981,463*	*1,213,528*	
20	*1,132,956*	*1,326,481*		
25	*1,531,229*	*1,792,784*		
30	*2,069,509*			
35	*2,797,012*			

Note: For Example Only

Disclosure: Please note that these materials are not from HUD or FHA and were not approved by HUD or a government agency.

The <u>POWER</u> Of Your "Line Of Credit" Option !

Have you read in AARP or other magazines and publications . . .

"THAT IT MAKES MORE SENSE <u>TO WAIT</u> AND GET YOUR REVERSE MORTGAGE LATER . . .

ONCE YOU GET OLDER . . .

BECAUSE YOU WILL QUALIFY FOR <u>MORE</u> MONEY WHEN YOU'RE OLDER ?"

While this is true in some respects, I am going to show you . . .

HOW THAT ADVICE MAY COST YOU <u>HUNDREDS OF THOUSANDS OF DOLLARS</u>

THAT COULD BE <u>C-R-I-T-I-C-A-L</u> TO YOUR FINANCIAL NEEDS LATER IN LIFE !

<u>THIS IS IMPORTANT . . . SO PLEASE INVEST THE TIME TO UNDERSTAND THIS !</u>

*On page 37, I have listed an example of the values of this **"Line of Credit"**, for different ages.*

*Let's concentrate on **<u>AGE 62</u>**.*

*Using current interest rates, assuming we have a home appraised at **<u>$ 1,000,000</u>** and also assuming we have paid off the other mortgages . . .*

WE COULD SET UP A "LINE OF CREDIT" FOR THE AMOUNT OF <u>ABOUT $ 340,000</u> AT <u>AGE 62</u> . . .

***AND THIS IS “NET TO US”** . . . **AFTER THE LOAN’S ESTIMATED CLOSING COSTS**.*

WE <u>ARE NOT CHARGED</u> ANY INTEREST . . .

ON THE <u>UNUSED</u> “LINE OF CREDIT”.

Under Federal Law, our bank will have to pay us . . .

ANY AMOUNT WE WANT OF OUR AVAILABLE CREDIT LINE <u>WITHIN FIVE BUSINESS DAYS</u> OF OUR REQUEST . . .

OR FEDERAL LAW REQUIRES THE BANK TO PAY A PENALTY TO US !

AND NONE OF THIS IS “TAXABLE INCOME” WHENEVER WE WANT SOME MONEY !

*Here’s why we want to do this **<u>JUST AS SOON AS WE CAN !</u>***

<u>*OUR “UNUSED LINE OF CREDIT”*</u>

<u>*WILL G-R-O-W EVERY MONTH !*</u>

*Our **“Line of Credit”** **<u>WILL INCREASE EVERY MONTH !</u>** And this is based on the loan’s **“Actual Current Interest Rate” . . .** **<u>PLUS ½ of 1 %</u>** (the FHA MIP insurance cost.)*

*Based on the longer-term (10 year) **“Expected Interest Rates”** the banks use now to determine the **“Original Loan Amount”**, on average over time, we will assume for our example, this will **<u>GROW</u>** about **<u>5.7 %</u>** every year. (And more when rates increase in the years ahead !)*

*(The assumption for this example is the **“Current Rates”** will likely average this to a higher level over the next ten years.)*

When this 62 year old in our example is ***72*** *. . .*

INSTEAD OF HAVING THE $ 340,000 "LINE OF CREDIT" THEY STARTED WITH . . .

THEY WILL NOW HAVE ABOUT $ 620,200

OF EXTRA "TAX FREE CASH"

WHENEVER THEY WANT IT !

If you do not understand anything else . . . and if you do not feel you need a Reverse Mortgage today . . .

YOU NEED TO FULLY UNDERSTAND THE EXTRA VALUE THAT IS OFFERED TO US BY THE "LINE OF CREDIT" !

Let us go through this again on page 37.

Let's start again at ***AGE 62*** *and we start with a* ***"Credit Line"*** *of* ***$ 340,000****.*

AND IN "YEAR 10" . . . THIS HAS GROWN TO ABOUT $ 620,000 !

Now let's look at the next column to the right for ***AGE 72****. (Please note that this is also 10 years later than age 62.)*

The beginning value . . .

IS ONLY $ 397,500 *. . .* ***AND NOT $ 620,000 !***

AND THE "DIFFERENCE" COMPOUNDS MORE IN THE YEARS AHEAD !

Let's do this one more time. If we go back to ***AGE 62*** *and we look down to the* ***20th YEAR*** *of our example . . .*

THE "LINE OF CREDIT" HAS GROWN TO ABOUT $ 1,133,000 !

And if we compare this to the ***"Beginning Value"*** *. . .*

IF WE HAD <u>WAITED 20 YEARS</u> TO APPLY AT THE AGE OF <u>82</u> . . .

OUR "INITIAL LINE OF CREDIT" <u>IS ONLY ABOUT $ 491,500.</u>

So let me ask you a question. Let's assume it is twenty years later and you are now in your 80's and either you or your spouse will need more income, Long Term Care, or both.

WOULD YOU RATHER HAVE THE <u>$ 491,500</u> OR THE <u>$ 1,133,000</u> . . . TO HELP YOU ?

Now maybe the value of your home will go ***<u>UP</u>*** *. . . or maybe it will go* ***<u>DOWN</u>****.*

It would be nice to have that ***"Crystal Ball"****, wouldn't it ? But consider this . . .*

IF YOU GET YOUR REVERSE MORTGAGE <u>NOW</u> . . .

THE VALUES AND TERMS ARE <u>GUARANTEED</u> EVEN IF "ANY BORROWER"

<u>LIVES TO THE AGE OF 150 !</u>

AND ALL OF THIS IS <u>INSURED BY FHA !</u>

The bank may go out of business and the value of your home ***<u>COULD GO DOWN</u>.***

AND IT WOULD <u>NOT AFFECT</u> YOUR "UNUSED LINE OF CREDIT" IN ANY WAY !

<u>THINK ABOUT THE EXTRA SECURITY OF THIS !</u>

*And all of this is **EXTRA CASH** beyond your other investments that you will never have otherwise (unless you sold your home and this is often offset by other extra costs).*

WITH THE REVERSE MORTGAGE . . . ASSUMING WE SATISFY OUR LOAN OBLIGATIONS . . . WE CAN NOT ONLY KEEP OUR HOME . . .

BUT WE ALSO HAVE THE <u>EXTRA CASH</u> . . .

THE <u>EXTRA INCOME</u> . . . OR THE <u>CREDIT LINE !</u>

This extra could help us pay for our Long Term Care . . .

OR IT COULD <u>EXTEND</u> OUR RETIREMENT INCOME FOR MANY YEARS !

*We will have **MORE OPTIONS** to manage the rest of our money . . .*

AND KEEP OUR OTHER INVESTMENTS WORKING <u>MORE PRODUCTIVELY</u> FOR US.

We will not have to . . .

GIVE OUR MONEY TO THE BANKS FOR THEIR <u>STUPID CDs</u> AND OTHER LOW-PAYING TAXABLE ACCOUNTS . . .

JUST TO HAVE AN "EMERGENCY FUND".

REMEMBER . . . WE CAN GET CASH FROM OUR "LINE OF CREDIT" . . . <u>WITHIN FIVE BUSINESS DAYS</u>.

*We can now afford to lower our premiums and have **HIGHER DEDUCTIBLES** for our Long Term Care and other insurance.*

*We can now afford **TO INVEST FOR A LONGER TERM**.*

*Or we can **"Tone-Down"** our investments . . .*

BECAUSE WE <u>WILL NOT NEED</u> TO TAKE

ON <u>EXTRA</u> INVESTMENT RISKS !

*We can now afford to **<u>MINIMIZE</u>** our **"Taxable Distributions"** from our IRAs and other retirement accounts . . . and let them create **<u>VALUABLE NEW TAX ADVANTAGES</u>** for both ourselves and our Beneficiaries.*

AND THE <u>SOONER</u> WE PUT THIS TOGETHER . . .

THE <u>MORE SECURITY</u> WE WILL HAVE

ESPECIALLY FOR OUR LATER YEARS

<u>WHEN WE OFTEN RUN OUT OF OTHER CHOICES !</u>

How Can We <u>SAFELY</u> Earn This 4 % & More ?

New Choices For "Fixed-Indexed Annuities" !

*The **"Fixed-Indexed Annuity"** has been **<u>VERY POPULAR</u>** over the years77 with hundreds of my clients !*

*What helps to make the **"Fixed-Indexed Annuity"** **<u>UNIQUE AND COMPETITIVE</u> . . .***

IS WE SHARE IN THE <u>GAINS</u> OF THE "S & P 500 STOCK INDEX" AND OTHER INDEXES EVERY YEAR !

BUT WE <u>NEVER SUFFER</u> ANY OF ITS LOSSES !

AND WE ALSO <u>LOCK-IN OUR GAINS</u> EVERY YEAR !

WE <u>NEVER GO BACKWARDS</u> . . .

LIKE WE OFTEN DO IN THE STOCK MARKET !

Let's turn to page 46 and study our illustration.

*The **"Top Blue Line"** illustrates how much one client earned with a popular **"Fixed- Indexed Annuity"** for the 22 years . . .*

FROM 1998 THRU 2020.

*The **"Purple Line"** shows the actual results that includes . . .*

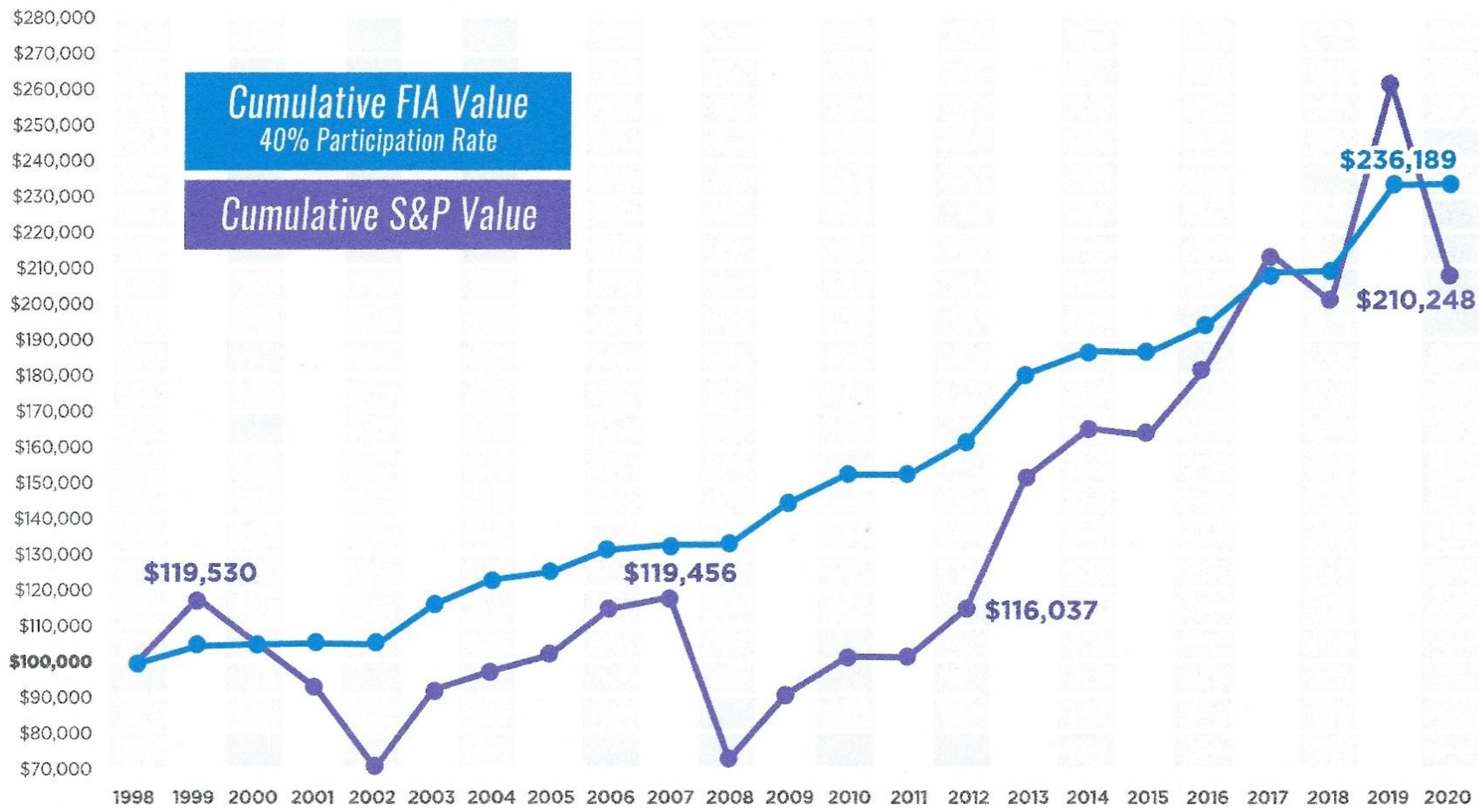
THE "UPS AND DOWNS" . . . THE "ROLLER COASTER RIDE" OF THE "S & P 500 STOCK INDEX" !

If we compare the results for these 22 years . . .

THIS CLIENT SAFELY EARNED <u>MORE</u> OVER THESE 22 YEARS WITH THE "FIXED-INDEXED ANNUITY" !

CUMULATIVE **FIA VS. S&P 500** VALUE

Quantum



This chart is a hypothetical depiction of a $100,000 retirement portfolio from January 1999 until March 31, 2020. Above is a line graph demonstrating the benefits of an FIA with a 40% participation to the SP500 with a one year point-to-point compared to the blind SP500 index with no downside protection. The purple line represents the historical performance of the S&P 500 index. The teal line represents a hypothetical Fixed Index Annuity with a 40% annual participation rate in the S&P 500 index. Each year, this hypothetical Fixed Indexed Annuity earns only 40% of the S&P 500, but it also has no exposure to S&P 500 losses. All fixed Indexed Annuity guarantees are based upon the claims-paying ability of the issuing company. The past performance of the S&P 500 index is no prediction of future performance and should not be solely relied upon in making retirement decisions. This piece is created for financial professional use only and is intended to demonstrate the benefit of a FIA with a 40% par rate to the SP500.

DISCOVER THE POSSIBILITIES | **THEQUANTUM.COM** | 800.440.1088

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The Quantum Group, USA, LLC, an Arizona limited liability company. In CA, d/b/a Quantum Distribution & Insurance Services.

While they never received ***ALL*** *of the* ***"S & P Gains"*** *. . .*

THEY NEVER LOST ONE PENNY OF THEIR GAINS !

WE DO NOT NEED TO GET 100 % OF THE "INVESTMENT GAINS" . . . IF WE CAN TOTALLY ELIMINATE 100 % OF THE "INVESTMENT LOSSES" !

THE "FIXED-INDEXED ANNUITY" IS A SMART WAY TO SAFELY DIVERSIFY AND LOWER OUR RISKS !

Over the years, the ***"Fixed-Indexed Annuity"*** *has been very popular with hundreds of my clients !*

AND IT OFTEN MAKES PERFECT SENSE FOR THE PART OF YOUR "LONG-TERM PORTFOLIO" . . .

THAT YOU NEVER WANT TO LOSE !

NEW INDEXES ARE NOW AVAILABLE !

We now have many ***"New Indexes"*** *we can use, instead of just the* ***"S & P 500 Stock Index". . .***

THAT CREATE NEW OPPORTUNTIES FOR US TO SAFELY DIVERSIFY !

A NEW SOLUTION

Lifetime Income Benefit Rider *(LIBR-2010)**

- Provides a Guaranteed Lifetime Income Benefit (LIB)
  - *Offers Choice of Level Payment or Guaranteed Increasing Payment Options*
- Added to Base Indexed Annuity Contracts+
- Allows Access to Cash Value
- Cash Value Continues to Accumulate
- Potential for income to step-up (*on level payment option only*)

+Excludes 10/10 Gold/Millennium Platinum (Index-6-05)

AMERICAN EQUITY INVESTMENT LIFE INSURANCE COMPANY

5

Do You Want To Create A "Private Pension" To Safely Enhance Your Lifetime Income ?

Let me ask you a question.

*For the part of your savings that you will need to rely on . . . to prepare ahead for your **"Future Retirement Income"** . . .*

HOW MUCH ARE YOU EARNING WITH YOUR "SAFE MONEY" ?

*Here is a **SOLUTION** for many of us . . . please review page 49.*

There are recent options . . .

THAT WILL HELP MANY OF US TO SAFELY INCREASE OUR GUARANTEED LIFETIME INCOME !

*We have had many of these coming out recently. Frankly, it is becoming increasingly difficult to compare these . . . because yes, they are complex and just like a snow-flake . . . **NO TWO ARE ALIKE !***

*This is when a professional can create **EXTRA VALUE** and help you make your **BEST CHOICE** for your needs and goals.*

*These are called **"Guaranteed Lifetime Income Riders"** . . . and these can be added to several different **"Fixed"** and **"Fixed-Indexed Annuities"** that are now offered by several quality insurance companies.*

*You may have also seen similar benefits offered by some of the **"Variable Annuities"** . . . but the **"Fixed Choices"** I offer, **DO NOT HAVE** the **EXTRA** investment costs and market risks !*

*And for this reason, **"Riders on Fixed and Fixed Indexed Annuities"** will typically offer **HIGHER** income benefits than the more costly market-risk **"Variable Annuity Options"** can prudently offer !*

Let's assume this is money you will need to help provide your ***"Future Retirement Income"****.*

If you are only earning ***<u>3 % OR LESS</u>*** *for the* ***"Safe Money"*** *that averages about* ***<u>HALF</u>*** *of your* ***"Employer's Retirement Account"*** *. . .*

WOULDN'T IT MAKE <u>MORE SENSE</u> TO TRANSFER THIS

"TAX-FREE" TO A "FIXED-INDEXED ANNUITY" WITH

A "<u>GUARANTEED</u> LIFETIME INCOME RIDER" ?

WHY NOT POSITION YOUR ACCOUNTS

AS SOON AS YOU CAN . . .

TO <u>SAFELY EARN AN OFTEN GUARANTEED 7 %</u>

THROUGHOUT THE "ACCUMULATION PERIOD" . . .

AND HAVE "HIGHER GUARANTEED LIFETIME INCOME"

<u>EVERY YEAR FOR THE REST OF YOUR LIFE !</u>

WITH THESE "NEW RIDERS" YOU WILL STILL HAVE

ACCESS TO YOUR CASH IF SOMETHING COMES UP !

<u>YOU DO NOT HAVE TO "ANNUITIZE" !</u>

WITH THESE "NEW RIDERS", YOU CAN OFTEN

PRESERVE ANY "UNUSED BALANCE" . . .

THAT YOU DO NOT NEED FOR YOURSELF
(IF SOMETHING COMES UP)

OR FOR YOUR FAMILY !

DOUBLE ***Your Income After Ten Years – GUARANTEED !***

How would you like to ***DOUBLE*** *your annual lifetime* ***GUARANTEED*** *income after just ten years ?*

Let me ask this a different way . . .

"WHY NOT" DOUBLE YOUR "GUARANTEED LIFETIME INCOME" IF YOU CAN SAFELY?

I asked a man this question. He said ***"Dave, that's a "No-Brainer"*** *!*

I am inclined to agree . . . ***especially if you will need more income later like Sally and Sam Sample !***

Remember we assumed earlier that Sally and Sam would get a ***4 %*** *annual return on their savings.*

But as we saw, this ***WAS NOT ENOUGH*** *to sustain a* ***"Lifetime Income"*** *high enough to offset their expenses after inflation over the years.*

And this is a problem many of us share.

The experts are telling us . . .

4 OUT OF 5 OF US ARE NOT CONFIDENT

that we will have ***ENOUGH*** *to live* ***"Comfortably"*** *in the years ahead.*

Like we saw for Sally and Sam . . . once the ***"Savings is Gone"*** *. . .*

THERE IS NOTHING LEFT

to produce the income we will need . . . to enjoy, or even survive, the extra years that medical science will create for many of us !

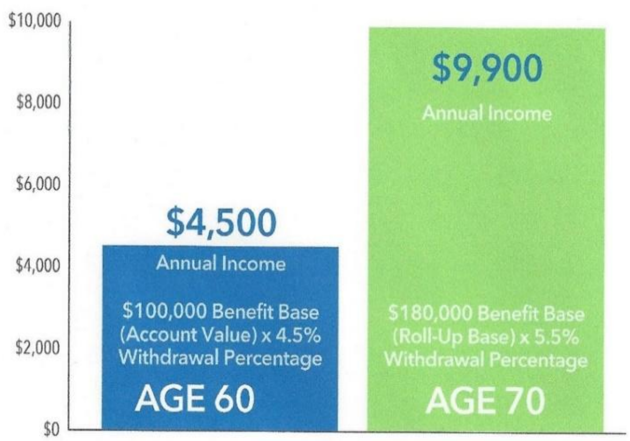
Lafayette Life Insurance Company
A member of Western & Southern Financial Group

GUARANTEED LIFETIME WITHDRAWAL BENEFIT | ANNUITIES

Product SOLUTIONS

Lafayette Life's Marquis SP single premium fixed indexed annuity creates the opportunity to do just that with the Lifetime Payout Amount (LPA) provided by its Guaranteed Lifetime Withdrawal Benefit (GLWB). This optional benefit is available at issue for an added annual cost of 0.95% (1.50% maximum with prior notice) of the benefit base. Here's how it can work:

Double Your LPA in a Decade by Delaying Withdrawals



EXAMPLE:

Individual Benefit

- Initial Premium: $100,000
- Issue Age: 60
- Index Years Before Withdrawal: 10
- Roll-Ups: 10 @ 8% (ages 61-70)

After 10 index years the annual LPA is more than double for payouts starting at age 70 and older. Example assumes no account value growth, no voluntary reductions and withdrawal of only the annual LPA after 10 index years.

For illustration purposes only.
See side 2 for terms and details.

If you could set aside money for retirement and know the annual income amount available from it would be 100% greater by delaying 10 full years to take it, would you do so? Talk to your financial representative for more information.

Continued >

LL-2728-05 (06/15)

*How **<u>SAFE</u>** Are The "Fixed-Indexed Annuities"?*

Yes, we always need to be careful with all of our financial decisions. I appreciate your need to proceed with care and due diligence!

Unfortunately, many of us become paralyzed from the complexity of most everything today. Misconceptions and poor decisions are often made by many of us . . . because we often rely on the wrong sources, do not keep up-to-date or simply stop learning.

I think it is safe to say that we are all guilty of this in one way or another, especially in the areas we do not like or have not prepared ourselves for (like the Surviving Spouse who has to step in to manage the complexity of their finances, previously taken care of by the other Spouse).

*Here are our choices . . . do not do anything and live with the results, do our homework and learn what we need to make better decisions or find a **"Trusted Advisor"** who can help us (or both of the last two).*

*With any type of financial account, the **<u>PRIMARY QUESTION</u>** is to match the account you are considering with your needs or goals . . . and is it a competitive choice and will it be there when you need or want it!*

*Is a **"Fixed or Fixed-Indexed Annuity"** a **<u>SAFE CHOICE</u>**? Will your premium, earnings and extra **"Guaranteed Benefits"** be there as promised when you need them?*

<u>HERE IS A FACT</u> . . . NO ONE HAS LOST A "PENNY"

IN THESE "FIXED TYPES OF ANNUITIES"

FOR <u>OVER 40 YEARS</u> IN WASHINGTON!

*This assumes **<u>THREE</u>** things.*

***<u>First</u>** . . . you bought your annuity from a **"Washington Approved Insurance Company"**. As a Washington licensed insurance agent, that is the only kind of annuity that any licensed agent is allowed to offer!*

__Second__ . . . the owner is required to be a resident of Washington to have this protection. (If you later move to another state, your new state limits may be different.)

*And __Third__ . . . the amount of the **"Fixed or Fixed-Indexed Annuity"** is the amount of __**$ 500,000**__ or less at the time of claim.*

*Yes, any extra amount above __**$ 500,000**__ could be __**AT RISK**__ if your insurance company becomes insolvent and can not pay their obligations.*

*To avoid this risk, we simply plan ahead and __**SAFELY DIVERSIFY**__ our money among different well-managed insurance companies . . . just like we do with our bank accounts and investments.*

*For information about __**THE GUARANTEES**__ in other states, just go on the internet to . . .*

__www.NOLHGA.com__ .

*Or for Washington State, you can go online and study the details of __**THESE GUARANTEES**__ at . . .*

__www.WALIFEGA.org__ .

Of course, we all want to be prudent and make quality decisions.

*Earlier, I shared my investment planning approach of utilizing the **"Financial Pyramid"**.*

*Our needs and wants are a __**MATTER OF PRIORITIES**__.*

*And to repeat what I stated earlier . . . the **"Fixed and Fixed-Indexed Annuities"** . . .*

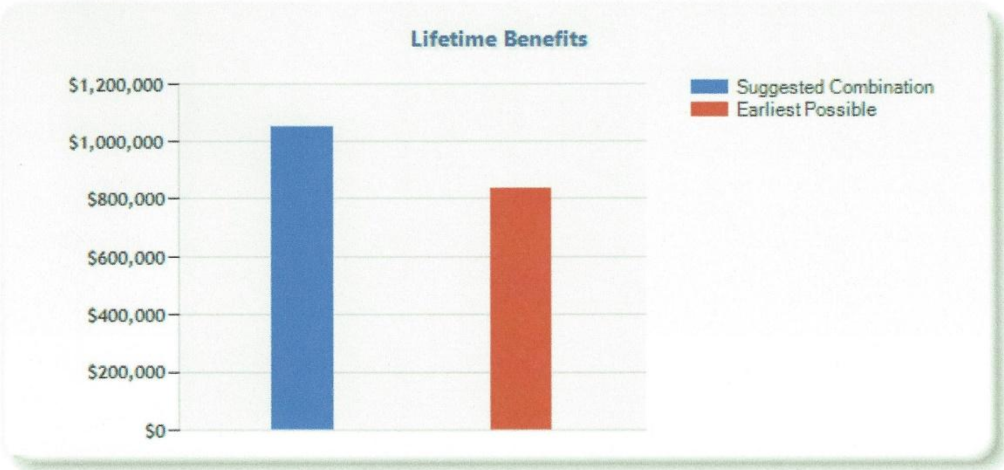
ARE A __COMPETITIVE__ AND __SAFE CHOICE__ FOR THE __FOUNDATION__ OF OUR "FINANCIAL PYRAMID" AND "LIFETIME INCOME PLANNING" !

Social Security Comparisons

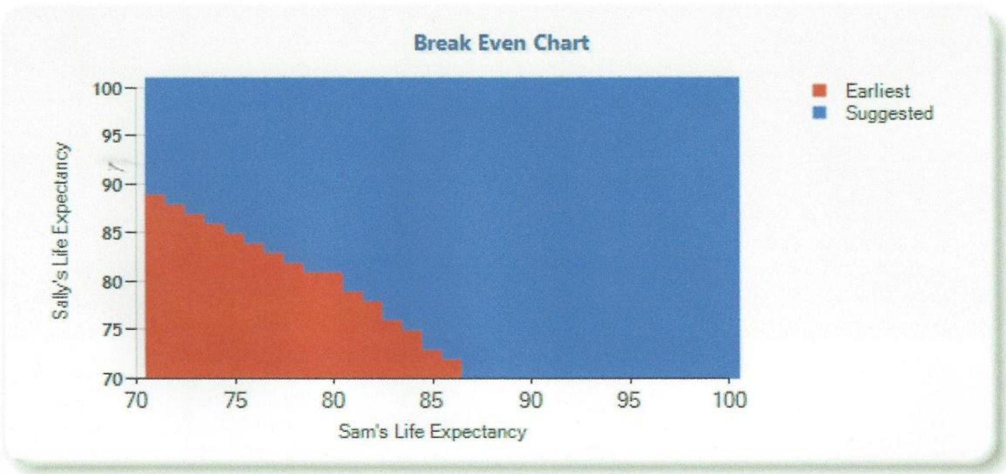
Strategy Comparison

The expected lifetime family benefit using the **suggested** strategy is: **$1,047,558**

- The expected lifetime family benefit for the **earliest** available combination is: **$836,162**



Graph represents present value of Lifetime Family Benefits. The preceding chart and comparisons assume that Sam dies at age 90 years 1 months and Sally dies at age 90 years.



Graph illustrates which of the outlined strategies provides the best outcome at any given set of whole year death age combinations. Break Even points occur at combinations where the strategy offering the best outcome changes. The Suggested strategy was determined by assuming Sam dies at 90 years 1 months and Sally dies at 90 years.

3

How Can Sam and Sally <u>INCREASE</u> Their Social Security Benefits ?

Let's go back to Sally and Sam Sample.

*With extra planning, they might be able to **<u>INCREASE</u>** their lifetime Social Security Benefits.*

*We can see on page 55 . . . if we assume they **<u>BOTH</u>** live until **<u>90</u>** and if they **<u>BOTH</u>** start their benefits at their age of **<u>62</u>** . . .*

*and if we also assume a **"2 % Annual Cost of Living Adjustment"** . . .*

they will collect a combined benefit amount . . .

*of about **<u>$ 836,000</u>** over their **"Projected Lifetimes"**.*

But if they make better choices, based on the same assumptions . . .

THEY HAVE THE OPPORTUNITY TO COLLECT ALMOST

<u>$ 211,000 OF ADDITIONAL BENEFITS !</u>

The specifics on how they can do this are on page 57.

But before I go on . . . I have an important comment to make about this.

WHEN I GAVE THIS EXAMPLE AT MY SEMINARS BEFORE 2016 . . .

THE DIFFERENCE WOULD HAVE BEEN ALMOST $ 311,000 . . .

<u>OR ALMOST ONE HUNDRED THOUSAND DOLLARS MORE !</u>

Congress changed some of the rules in November 2015 . . .

<u>AND THEIR CHANGES COST MANY OF US OVER $ 100,000 !</u>

Sam and Sally's Highest Lifetime Strategy

Your *Suggested* Social Security Strategy

Sam

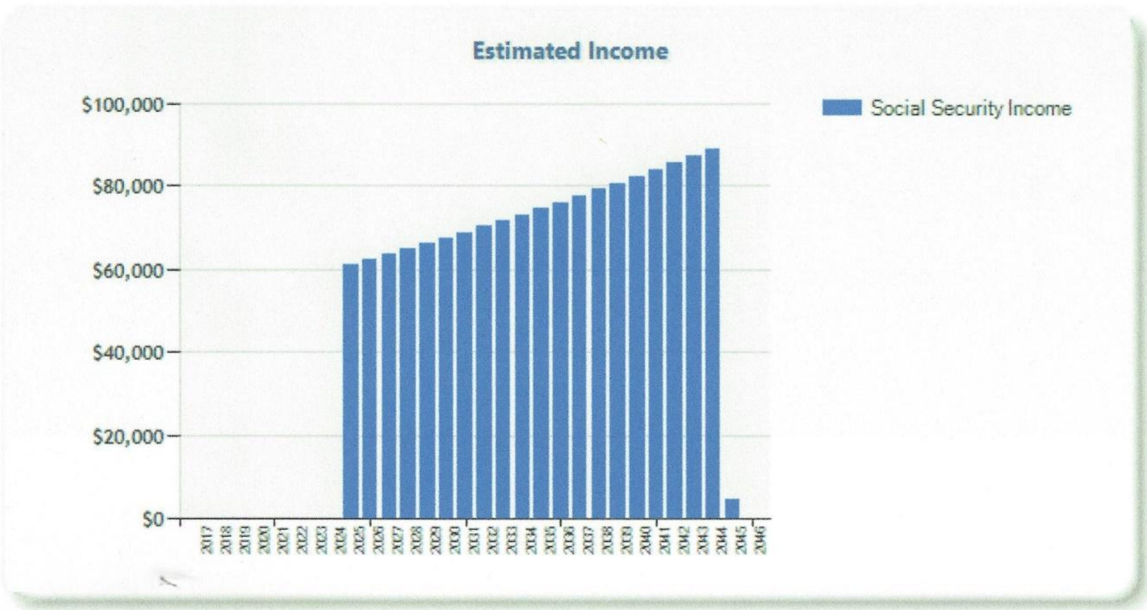
- File a standard application for benefits at your age **70 years**. Your approximate benefit would be **$3,061**

Sally

- File a standard application for benefits at your age **70 years**. Your approximate benefit would be **$2,041**

The expected lifetime family benefit using this strategy is: **$1,047,558**

Using the Suggested Election Ages



The preceding charts demonstrate future value cashflows using the assumptions outlined on the assumptions page of this report, and do not include taxes or any other source of income. The desired income line is generated based on user input and inflated for future value using the same inflation assumptions.

Summary Of What We Did For Sam and Sally !

I will summarize what we did for Sally and Sam.

*They could not afford to take advantage of the highest lifetime strategy on page 57. We decided they would need income sooner, so we started Sally's Social Security Benefits, the **LOWER** of the two, at her age of 62.*

*To help them avoid spending their savings **TOO QUICKLY** . . . we needed to **ELIMINATE** their $ 1,500 monthly mortgage payment and we did this with a Reverse Mortgage. (This offset Sam's Social Security benefit.)*

*You could argue, they have $ 500,000 of savings and they don't need a Reverse Mortgage yet . . . **but if they waited too long, they would run out of Savings early, if they postponed Sam's Social Security for later.***

*I will come back to this again later in this book . . . but a **PRIORITY**, to help our clients create more Social Security Benefits for both spouses, is to **INCREASE** the **HIGHER** of the two spousal benefits if we can afford to !*

Not only are these important decisions in themselves . . .

BUT THE TIMING OF EACH DECISION IS OFTEN CRITICAL

TO THE SUCCESS OF THE OTHER DECISIONS.

*We also decided to reposition **$ 200,000** of their savings to a **"Fixed Indexed Annuity"** with the **"Lifetime Guaranteed Income Rider"**.*

*This will **INCREASE** their **"Guaranteed Income"** for their later years. On page 59, we illustrate the new income from the **"Income Rider"**.*

*This will provide them an **EXTRA $ 1,613 MONTHLY**, starting at age 72, illustrated in the 6th column from the left.*

*This will continue for **BOTH** lifetimes for Sam and Sally, unless they want to withdraw their remaining cash surrender values, anytime they wish. (We can have the lifetime income or the cash, but not both.)*

Creating <u>MORE INCOME</u> For A Lifetime !

Retirement

The Retirement Summary shows your projected monthly income in comparison to your projected monthly expenses. The net monthly cash flow column represents either the projected surplus or deficit you have each month. The annuity account values show any balances of income benefit paying annuities and the retirement funds column to the far right contains your total retirement funds. This summary starts on your date of retirement and continues until age 100. You may or may not see a red and/or yellow line. Please note that the yellow line represents the point where your retirement funds drop below the desired minimum retirement account balance. The red line pin points where your retirement funds have been exhausted.

Year	Sam Age	Sally Age	Pension Income	Social Security Income	Monthly Cash Flows	Annual Cash Flows	Net Monthly Income	Net Monthly Expenses	Net Monthly Cash Flow		Annuity Account Value	Retirement Funds
											$210,000	$300,000
2016	62	62	$0	$1,000	$0	$0	$1,000	$3,596	-$2,596	6.69%	$211,402	* $279,941
2017	63	63	$0	$1,020	$0	$0	$1,020	$3,704	-$2,684	7.47%	$217,925	$259,043
2018	64	64	$0	$1,040	$0	$0	$1,040	$3,815	-$2,775	8.82%	$224,649	$236,198
2019	65	65	$0	$1,061	$0	$0	$1,061	$3,930	-$2,869	10.55%	$231,580	$211,295
2020	66	66	$0	$1,082	$0	$0	$1,082	$4,047	-$2,965	12.82%	$238,725	$184,208
2021	67	67	$0	$1,104	$0	$0	$1,104	$4,169	-$3,065	15.96%	$246,091	$154,819
2022	68	68	$0	$1,126	$0	$0	$1,126	$4,294	-$3,168	20.56%	$253,684	$122,990
2023	69	69	$0	$1,149	$0	$0	$1,149	$4,423	-$3,274	27.98%	$261,511	$88,587
2024	70	70	$0	$4,264	$0	$0	$4,264	$4,555	-$291	0.00%	$260,036	$92,746
2025	71	71	$0	$4,349	$0	$0	$4,349	$4,692	-$343	0.00%	$258,247	$102,627
2026	72	72	$0	$4,436	$1,613	$0	$6,049	$4,833	$1,216	0.00%	$256,111	$112,837
2027	73	73	$0	$4,524	$1,613	$0	$6,080	$4,978	$1,102	0.00%	$244,374	$131,732
2028	74	74	$0	$4,615	$1,613	$0	$6,167	$5,127	$1,040	0.00%	$232,275	$149,732
2029	75	75	$0	$4,708	$1,613	$0	$6,256	$5,281	$975	0.00%	$219,803	$167,528
2030	76	76	$0	$4,801	$1,613	$0	$6,345	$5,439	$906	0.00%	$206,946	$184,995
2031	77	77	$0	$4,898	$1,613	$0	$6,438	$5,603	$835	0.00%	$193,692	$202,068
2032	78	78	$0	$4,996	$1,613	$0	$6,532	$5,771	$761	0.00%	$180,030	$218,692
2033	79	79	$0	$5,095	$1,613	$0	$6,627	$5,944	$683	0.00%	$165,945	$234,791
2034	80	80	$0	$5,197	$1,613	$0	$6,724	$6,122	$602	0.00%	$151,427	$250,330
2035	81	81	$0	$5,302	$1,613	$0	$6,825	$6,306	$519	0.00%	$136,460	$265,258
2036	82	82	$0	$5,407	$1,613	$0	$6,925	$6,495	$430	0.00%	$121,032	$279,487
2037	83	83	$0	$5,516	$1,613	$0	$7,030	$6,690	$340	0.00%	$105,127	$292,972
2038	84	84	$0	$5,626	$1,613	$0	$7,135	$6,891	$244	0.00%	$88,732	$305,628
2039	85	85	$0	$5,738	$1,613	$0	$7,242	$7,097	$145	0.00%	$71,831	$317,378
2040	86	86	$0	$5,853	$1,613	$0	$7,353	$7,310	$43	0.00%	$54,408	$328,164
2041	87	87	$0	$5,971	$1,613	$0	$7,465	$7,529	-$63	0.00%	$36,448	$337,913
2042	88	88	$0	$6,089	$1,613	$0	$7,578	$7,755	-$176	0.00%	$17,934	$346,509
2043	89	89	$0	$6,211	$1,613	$0	$7,695	$7,988	-$292	0.00%	$0	$353,878
2044	90	90	$0	$6,336	$1,613	$0	$7,815	$8,228	-$412	0.00%	$0	$359,843
2045	91	91	$0	$6,462	$1,613	$0	$7,936	$8,475	-$538	0.00%	$0	$363,923
2046	92	92	$0	$6,591	$1,613	$0	$8,059	$8,729	-$669	0.00%	$0	$365,877
2047	93	93	$0	$6,724	$1,613	$0	$8,186	$8,991	-$804	0.10%	$0	$365,519
2048	94	94	$0	$6,858	$1,613	$0	$8,314	$9,260	-$945	0.80%	$0	$362,630
2049	95	95	$0	$6,995	$1,613	$0	$8,443	$9,538	-$1,094	1.56%	$0	$356,988
2050	96	96	$0	$7,135	$1,613	$0	$8,574	$9,824	-$1,249	1.77%	$0	$350,692
2051	97	97	$0	$7,278	$1,613	$0	$8,707	$10,119	-$1,411	1.54%	$0	$345,314
2052	98	98	$0	$7,423	$1,613	$0	$8,843	$10,423	-$1,579	2.19%	$0	$337,762
2053	99	99	$0	$7,572	$1,613	$0	$8,983	$10,735	-$1,751	2.92%	$0	$327,904
2054	100	100	$0	$7,723	$1,613	$0	$9,124	$11,057	-$1,932	3.76%	$0	$315,585

By doing all of this, based on the same assumptions we have used before . . .

SAM AND SALLY WILL NOW HAVE <u>OVER $ 315,000</u>

IN SAVINGS AT THEIR <u>AGE OF 100 !</u>

*They will also have **<u>OVER $ 9,000</u>** of **"Guaranteed Lifetime Monthly Income"** from Social Security and the insured **"Income Rider"** !*

*This is as **<u>SAFE</u>** as it gets !*

*Remember, they were going to **<u>RUN OUT</u>** of Savings at the age of **<u>ONLY 79</u>** . . .*

<u>ALONG WITH 60 % LESS INCOME !</u>

*This is what **"Retirement Income Planning"** is all about.*

This is how myself and other income planning professionals will pay for ourselves, many times over, for the ultimate benefit of our client(s) !

Let's Review Our Social Security Choices !

Here is our challenge. There are many different situations for each of us.

There are ***<u>OVER 2,700 RULES</u>*** *and over* ***<u>100,000 CLARIFICATIONS</u>*** *of these rules that regulate our Social Security Benefits !*

We have ***"Singles"*** *. . . the* ***"Disabled"*** *. . .* ***"Married Couples"*** *. . .* ***"Divorced Spouses"*** *. . . and* ***"Widows and Widowers"*** *for starters.*

Some of us have special types of ***"Federal"*** *and some have* ***"State Employee Benefits"*** *that have* ***<u>EXTRA RULES</u>*** *and require extra Social Security planning.*

Each of us has ***"Different Needs"*** *. . .* ***"Health Histories"*** *. . . and* ***"Life Expectancies"****.*

And as part of a larger group, we have ***"Different Amounts"*** *and* ***"Different Financial Assets"*** *and* ***"Various Sources of Income"****.*

So to make a ***"Long Story Shorter"*** *. . .*

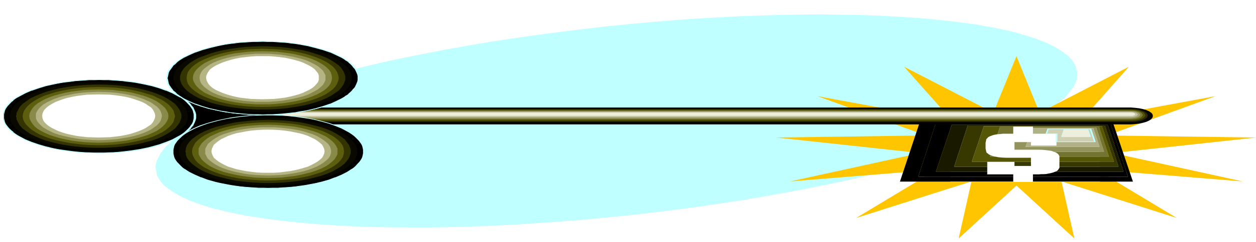
I HAVE LEARNED <u>IT WORKS BEST</u> TO HELP OUR CLIENTS

"ONE ON ONE" AT OUR OFFICES WHERE I HAVE MY

LIBRARY AND SOFTWARE TO HELP EACH

OF US MAKE OUR <u>BEST CHOICES !</u>

We can ***"Run All The Numbers"*** *. . . and we can do some* ***<u>EXTRA</u> "Retirement Income Planning"*** *and discuss related concerns when it is appropriate.*



Optimizing benefits by delaying start date

Impact of starting benefits at various ages and living to different ages.

Delaying your start past FRA will result in "delayed retirement credits" (DRC)

Accumulated benefits age

Age	70	75	80	85	90
62	$144,000	$234,000	$324,000	$414,000	$504,000
64	$124,776	$228,756	$332,736	$436,716	$540,696
66	$96,000	$216,000	$336,000	$456,000	$576,000
68	$55,680	$194,880	$334,080	$473,280	$612,480
70	$0	$158,400	$316,800	$475,200	$633,600

Full retirement benefit $2,000/month, no COLA, no discounting
For illustration purposes only.

Primary Insurance Amount (PIA)
Full retirement age (FRA)
Cost of Living Adjustment (COLA)

2011 Guide to Social Security, 39th Edition, Mercer LLC

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Please review page 62.

Here is an interesting chart for ***<u>INDIVIDUAL BENEFITS</u>****.*

Starting on the ***<u>LEFT</u>*** *. . . this is the age we* ***<u>BEGIN</u>*** *our benefits.*

And looking across the ***<u>TOP</u>*** *to the* ***"Right"*** *. . . this is the age we are measuring* ***"Our <u>Total Accumulated Benefits</u>"*** *from the time we started up thru that age.*

To simplify this, these totals do not include any ***"Cost of Living Adjustment"****.*

Look across the ***<u>TOP</u>*** *to the age of* ***<u>80</u>*** *and then down the column . . .*

AT AGE <u>80</u>, THERE IS ONLY A "DIFFERENCE" OF <u>LESS THAN $ 20,000</u> FOR ALL OF THE "STARTING AGES" FROM 62 THRU 70.

So if we live until ***<u>80</u>*** *. . .* ***<u>it really does not matter much when we start</u>****, assuming we do not need the income earlier.*

Any starting point will pay out about the same over the years.

But if we have some ***"Health or Other Longevity Problems"*** *and we do not think we will live until 80, it often makes sense to start our benefits at the earliest possible age.*

(Assuming we do not lose part of these benefits from extra employment income, earned prior to our ***"Full Retirement Age"****.)*

But if we look on page 62 and at the ages of ***<u>85 or 90</u>*** *. . .*

<u>WE CAN QUICKLY SEE THE "EXTRA VALUE" IF WE WAIT TO APPLY AT A "LATER AGE" !</u>

When to start benefits

- Can start benefits as early as age 62.
- If age 62, receive less than at full retirement age (FRA).
- Age at which maximum benefits can be attained is age 70.

Year of birth	Full retirement age (FRA)	Age 62 benefit reduction
1937 or earlier	65	20.00%
1938	65 and 2 months	20.83%
1939	65 and 4 months	21.67%
1940	65 and 6 months	22.50%
1941	65 and 8 months	23.33%
1942	65 and 10 months	24.17%
1943 - 1954	66	25.00%
1955	66 and 2 months	25.83%
1956	66 and 4 months	26.67%
1957	66 and 6 months	27.50%
1958	66 and 8 months	28.33%
1959	66 and 10 months	29.17%%
1960 and later	67	30.00%

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Please review page 64.

*The next step is to define our personal **"Full Retirement Age"**.*

*For example, I was born in 1950 . . . so like many of us, my **"Full Retirement Age"** was **<u>66</u>**.*

*Your **"Full Retirement Age"** may be different and it is all based on your year of birth, you see here.*

*For example, if our **"Full Retirement Age"** is **<u>66</u>** and if we start our benefits **<u>AT 62</u>** . . .*

*our **"Benefit Amount"** will be reduced by up to **<u>25 %</u>** for ourselves . . .*

*and up to **<u>30 %</u>** for our spouses who file on **"<u>OUR</u> Earnings Record"**.*

*And if we wait to apply until after our **"Full Retirement Age"**, then our benefit . . .*

WILL <u>INCREASE</u> EVERY MONTH, OR <u>8 %</u>

<u>A YEAR</u>, UNTIL OUR 70TH BIRTHDAY !

If you work….

… between age 62 up to year of their FRA	Give up $1 in benefits for every $2 you earn above $14,160 2019- $17,640
… in the year of your FRA up to the month of your birthday	Give up $1 in benefits for every $3 you earn above $37,680 2019- $46,290
… after your FRA	No penalty

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Full retirement age (FRA)

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When Do Your Earnings <u>REDUCE</u> Your Social Security Benefit ?

Please review page 66.

*What happens to your **"Benefit Amount"** if you want to start or restart your benefits . . . but you continue to work, or you go back to work later ?*

The answer depends on your age.

*If you have already reached your **"Full Retirement Age"** . . .*

<u>IT DOES NOT MATTER . . . YOU CAN EARN AS MUCH AS YOU WANT !</u>

*But if you are **<u>YOUNGER</u>** than this, you will need to be aware of the **<u>EXTRA RULES</u>**.*

I need to update two of the numbers on page 66. (This page was created in 2011 and these amounts change every year.)

*In the top section, the **<u>$ 14,160</u>** is now **<u>$ 21,240</u>** for **<u>2023</u>**.*

*In the middle section, the **<u>$ 37,680</u>** has been increased to **<u>$ 56,250</u>** for **<u>2023</u>**.*

*For clarification, any income you earned **<u>BEFORE</u>** you started your benefits for any part of the year **<u>DOES NOT</u>** count towards this.*

*For example, if you started your benefits on July 1st . . . whatever amount you earned for the year **<u>BEFORE</u>** July 1st **<u>WILL NOT</u>** count towards this.*

*Now if you earned **<u>TOO MUCH</u>** and lost part of your benefits . . .*

<u>YOU MAY BE ABLE TO MAKE IT UP LATER !</u>

Once you reach your ***"Full Retirement Age"*** *. . .*

Social Security ***WILL RE-CALCULATE*** *your* ***"Benefit Amount"*** *. . .*

and they will also ***GIVE YOU CREDIT*** *for any month . . .*

that you ***NEVER*** *received* ***ANY BENEFIT*** *. . .*

because of your ***EXTRA EARNINGS !***

So if you want to go back to work just be aware of this and go for it !

In addition to the ***"New Income"*** *you earn . . .*

YOU MAY GET THE "LOST BENEFITS"

BACK LATER WITH A "HIGHER BENEFIT".

And as long as you continue to work, Social Security will re-check your record every year and your additional earnings at any age may ***INCREASE*** *your* ***"Monthly Benefit"****.*

Survivor benefits

- The earliest a widow or widower can start receiving Social Security benefits is age 60.
- If you receive survivor benefits early:
  - Generally, benefits based on your age will give you about the same total benefits over your lifetime, but in smaller amounts over the longer period you receive them.
  - You can receive widow/widower benefits based on your age any time between age 60 and your FRA as a survivor. However, if you start at an earlier age, your survivor benefits are reduced a fraction of a percentage for each month before your FRA.
  - If you receive widow/widower's benefits, AND you qualify for retirement benefits that are more than your survivor benefits, you can switch to you own benefit at age 62.

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Full retirement age (FRA)

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Survivor Benefits For Widows and Widowers

*Please review page 69 and let's review **"Survivor Benefits"**.*

*There are **<u>FOUR TYPES</u>** of **"Survivor Benefits"**.*

*For now, I will only review the special options for Widows and Widowers . . . when he or she files on the **"Earning's Record"** of their **"Deceased Spouse"**.*

*To be eligible for any **"Survivor Benefit"** as a **"Widow or Widower"**, we are required to have been married to the deceased*

<u>FOR A MINIMUM OF NINE MONTHS.</u>

There are some exceptions when accidents are the cause of death before the nine months. Check with Social Security.

*The **"Surviving Spouse"** can start collecting this benefit . . . starting the month **<u>AFTER</u>** their **<u>60th</u>** birthday. They **<u>DO NOT</u>** have to wait until age **<u>62</u>** . . . like we do for **"Retirement Benefits"**.*

*If you file first for **"Survivor Benefits"** and you later want to file on your own **"Earning's Record"** . . . **<u>YOU MAY DO SO</u>** when it is to your advantage.*

*The **<u>NEW CHANGES</u>** made by Congress in November 2015 . . .*

<u>DO NOT REDUCE "SURVIVOR BENEFITS".</u>

*To qualify as a **"Surviving Spouse"** . . .*

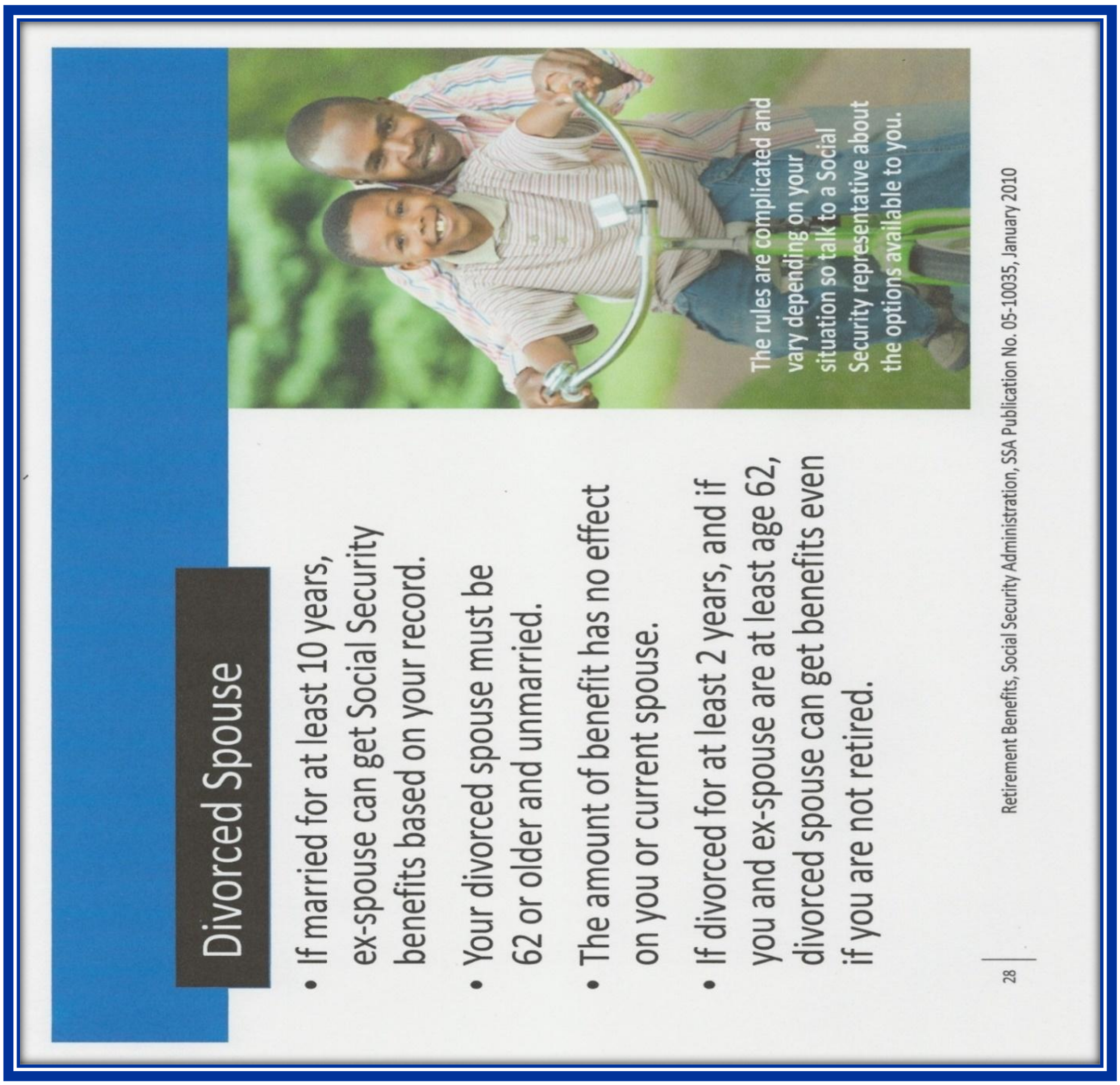
YOU MUST BE CURRENTLY "UN-MARRIED" AT THE TIME YOU FILE . . . AND YOU <u>HAVE NOT "RE-MARRIED" UNTIL AFTER AGE 59.</u>

If you had re-married previously before age 60 and are not married when you file, I am told this is acceptable. Check with Social Security.

There is ***<u>NO LIMIT</u>*** *to the number of times you were married . . .*

and as the ***"Surviving Spouse"****, you can elect to take the* ***<u>HIGHEST BENEFIT</u>*** *from any of your* ***"Deceased Spouses"*** *. . .*

as long as you were married to that person ***<u>FOR A MINIMUM OF NINE MONTHS</u>*** *(or less with accident exceptions, check with Social Security).*


Divorced Spouse

- If married for at least 10 years, ex-spouse can get Social Security benefits based on your record.
- Your divorced spouse must be 62 or older and unmarried.
- The amount of benefit has no effect on you or your current spouse.
- If divorced for at least 2 years, and if you and ex-spouse are at least age 62, divorced spouse can get benefits even if you are not retired.

The rules are complicated and vary depending on your situation so talk to a Social Security representative about the options available to you.

28 | Retirement Benefits, Social Security Administration, SSA Publication No. 05-10035, January 2010

Benefits For Divorced Spouses

Please review page 71.

*Here are some of the special rules for **"<u>Divorced</u> Spouses"**.*

*First, you had to be married to your **"Ex-Spouse"** . . .*

<u>FOR A MINIMUM OF "10 YEARS".</u>

*If your Divorced Spouse **<u>HAS NOT YET FILED</u>** . . .*

*and if you want to file on **"<u>THEIR</u> Earnings Record"** . . .*

*you **<u>MUST</u>** have been **<u>DIVORCED</u>** for a minimum of **<u>TWO YEARS</u>** . . .*

<u>BEFORE</u> *you can qualify on **"<u>Their</u> Earning's Record"**.*

*You must be **"Un-Married"** to qualify.*

*And if you have already qualified and if you **"Re-Marry"** . . .*

<u>YOU WILL LOSE THIS "DIVORCED SPOUSE BENEFIT" !</u>

*This is different than **"Surviving Spouses"** . . . who can re-marry once they have reached the age of **<u>60</u>**.*

*Your **"Divorced Spouse"** must be at least the age of **<u>62</u>** . . . before you can file on **<u>THEIR RECORD</u>**.*

<u>BUT IT IS NOT REQUIRED</u> *that your **"Divorced Spouse"** . . .*

<u>HAS ACTUALLY FILED</u> *for their own benefits . . .*

<u>UNLIKE</u> *the requirement for **"Currently Married Spouses"**.*

*The **"Minimum Age"** for you to qualify . . .*

*without any **"Qualifying Dependents"** . . .*

*is **<u>62 AND NOT 60</u>** . . . like it is for **"Widows and Widowers"**.*

Here is an interesting question and this happens often !

What if you had qualified as a "Divorced Spouse" . . .

but you <u>RE-MARRY</u> . . .

and your <u>NEW SPOUSE</u> has qualified for their benefits . . .

as a "Surviving Spouse" ?

*Can the **"Divorced Spouse"** continue collecting their **"Spousal Benefits"** . . .*

<u>EVEN THOUGH THEY HAVE NOW "RE-MARRIED" ?</u>

*We said earlier that a **"Divorced Spouse"** can not collect a spousal benefit from the earning's record of the divorced spouse if they re-marry.*

*But when the new spouse is collecting benefits as a **"Surviving Spouse"**, there is an exception . . . and the **"Divorced Spouse"** is allowed to continue their **"Divorced Spouse"** benefit !*

----

*Let's move on. Here is another situation that could **<u>INCREASE</u>** the benefit for a **"Divorced Spouse".***

*If your **"Divorced Spouse"** dies before you do . . . you may be able to **<u>RE-FILE</u>** as a **"Surviving Divorced Spouse"**.*

*This applies as long as you were married to the **"Deceased"** for a **<u>MINIMUM OF 10 YEARS</u>**.*

*And this includes time caring for a child who also qualified for **"Survivor Benefits"** from the **"Deceased"**.*

*Like we discussed previously for all **"Surviving Spouses"** . . .*

<u>YOU ARE NOT ELIGIBLE</u>

*if you were married to your Current Spouse . . . **<u>BEFORE</u>** you reached your **<u>60th birthday</u>**.*

*But the **<u>ADVANTAGE</u>** . . . rather than only qualifying for a **"50 % Benefit"** as a **"Divorced Spouse"** . . .*

YOU WILL NOW BE ELIGIBLE FOR YOUR "DIVORCED SPOUSE'S"

<u>HIGHER BENEFIT</u> THEY RECEIVED THEMSELVES !

*This is **<u>100 %</u>** of the amount they were getting when they died . . .*

*less any **"Age Adjustment"** for **<u>YOUR AGE</u>** . . .*

*if you are **<u>UNDER</u>** your own **"Full Retirement Age"**.*

*Because this is a **"Survivor Benefit"** . . . it **<u>DOES NOT</u>** matter if you married your current spouse after you turned the age of **<u>60</u>**.*

*You only get **"One Benefit"** at a time. But you can elect whatever choice is to your best advantage !*

*And if the **"Deceased"** was married at the time of death and had another **"Surviving Spouse"**, or other **"Divorced Spouses"** . . .*

***<u>ALL OF THE "SURVIVORS"</u>** are eligible for benefits . . .*

*from the **"<u>Deceased's</u> Earnings Record"**.*

*And no one else's benefit will **<u>LOWER</u>** your benefit and you **<u>DO NOT</u>** have to share or split your benefit !*

Will “Non-Covered Earnings” <u>REDUCE</u> My Benefits ?

*I need to touch on **<u>TWO IMPORTANT RULES.</u>** These apply if you **<u>DID NOT PAY</u>** Social Security taxes on any of your earnings.*

*I am referring to the **“Windfall Elimination Provision”** that applies to the **“Worker’s Earning’s Record”** . . .*

*and also, the **“Government Pension Offset”** that applies to **“Spousal and Survivor Benefits”** filed on that worker’s record.*

*These apply if any of your earnings came from the **“Federal Civil Service System”** (CSRS - not the FERS system).*

*Or if you were a teacher or public employee in **<u>15 states</u>** . . . including California, Alaska, Colorado and others.*

*I was also surprised, when I met with a bus driver who worked for the bus company who services Whidbey Island. I still do not know how they did this . . . but they elected to **<u>NOT</u>** participate in Social Security.*

*If you are the **“Worker”**, your Social Security Benefit, filed under your **<u>OWN EARNING’S RECORD</u>**, can be reduced if you receive a state or federal pension and you did not pay Social Security taxes on these earnings.*

*For **<u>2018</u>**, the maximum reduction is **<u>$ 448 per month</u>**, or no more than **<u>HALF</u>** of your **“Government Pension”**.*

*So if you had any **“Non-Covered Earnings”**, you need to understand this.*

<u>YOU DO NOT WANT TO BE SURPRISED LATER !</u>

*There is an **“Exception”**.*

*If you had **<u>A MINIMUM OF 30 YEARS</u>**, paying Social Security taxes from other work, this reduction does not apply to you.*

*For **"Spousal or Survivor Benefits"**, filed on the Earning's Record of workers who are affected by the **"Windfall Elimination Provision"** . . .*

A "DIFFERENT RULE" APPLIES TO THEM.

*This rule is called **"The Government Pension Offset"** . . .*

AND IT IS MUCH "MORE SEVERE" FOR THE SPOUSES !

*This rule **REDUCES** the potential **"Social Security Benefit"** . . .*

BY TWO-THIRDS OF THE GOVERNMENT PENSION

AND THERE IS NO MAXIMUM LIMITATION !

*For example, if you have a $ 1,500 monthly government pension, it will **WIPE-OUT** a $ 1,000 Monthly Social Security Survivor Benefit !*

***THIS IS IMPORTANT** . . . because when you look at your **"Social Security Statement"** . . .*

IT DOES NOT INCLUDE THIS REDUCTION !

*But this does not apply, if you filed for your Social Security Benefits on your **"Own Earnings Record"**.*

THIS REDUCTION ONLY APPLIES IF YOU FILED FOR A "SPOUSAL OR SURVIVOR BENEFIT" !

Some Other Considerations For A Few Of Us

*Do you have any **"Un-Married Children"** who are under the age of **18** . . . or **19** if they are still in high school ?*

*Or do you have any **"Handicapped"** or children who have qualified for **"Total Disability"**, as defined by Social Security, before they reached their age of **22** ?*

*Or do you have **GRANDCHILDREN** who are **YOUR DEPENDENTS** and their parents are either dead or disabled ?*

***IF YOU DO** . . . the way you file for your own benefits . . .*

WILL ALSO AFFECT THE "EXTRA BENEFITS"

they may be eligible for and we will need to consider this.

For example, I met with a couple from Anacortes. He was an engineer and she was a physician.

They had a pair of twins who were the age of 15.

*The wife was two years younger and she had the **HIGHER** of their two Social Security benefits.*

*The husband had just turned **66** and I advised him to start his benefit right away (and even file retroactively for the maximum time allowed) so he could have their twins file as **"Dependents"** on his **"Earnings Record"**.*

*Each of the twins will get an **EXTRA $ 1,000** plus a month for the next three years until they graduate from high school.*

*None of this will be taxable income to the parents because it is all in the children's names . . . and there will be an **EXTRA $ 72,000** . . .*

OR $ 36,000 EACH FOR THEIR COLLEGE !

***<u>EXTRA DECISIONS</u>* For Married Couples !**

*Let's discuss some of the options for **"Married Spouses"**.*

*As a **"Currently Married Spouse"** . . . if we have been married for at least **<u>ONE YEAR</u>** . . . each of us has a **<u>NEW CHOICE</u>**.*

*We can file under our **"<u>Own</u> Earning's Record"** . . . or we can file under our **"<u>Spouse's</u> Earning's Record"**.*

*If you are filing on your **"<u>Spouse's</u> Record"** . . .*

THEN YOUR SPOUSE MUST HAVE FILED

ON THEIR "<u>OWN</u> EARNING'S RECORD"

<u>BEFORE</u> YOU CAN FILE !

*You must be at least the age of **<u>62</u>**. But for many, it often makes sense **<u>TO WAIT</u>** until your **"Full Retirement Age"** and collect **<u>30 % MORE !</u>***

*However, there is **<u>NO ADVANTAGE</u>** to postpone filing for **"Spousal Benefits"** . . .*

UNTIL <u>AFTER</u> YOUR "FULL RETIREMENT AGE".

*With the exception of the **"Annual Cost of Living"**, the **"Spouse's Retirement Benefit"** . . .*

<u>DOES NOT INCREASE AFTER YOUR "FULL RETIREMENT AGE"</u>

LIKE THE <u>8 % INCREASE</u> ON YOUR "OWN EARNING'S RECORD" !

*But remember, to able to claim a **"<u>Spousal</u> Retirement Benefit"** . . .*

*your spouse **<u>MUST HAVE ALSO FILED</u>** before you are eligible . . .*

*for a **"Spousal Benefit"** on **"Their Earning's Record"**.*

LIFE LIVE

A MONTHLY NEWSLETTER FROM ADVANCED UNDERWRITING CONSULTANTS

December 2015

Recent Changes to Social Security Could Affect Retirement Strategies

On November 2, 2015, the Bipartisan Budget Act of 2015 was signed into law. The purpose of the Act was to prevent a government shutdown. The Act contains provisions that are meant to help the sustainability of the Social Security Program. In order to accomplish this, the Act derails two key social security planning strategies, namely the file-and-suspend strategy and the filing of a restricted application for spousal benefits strategy.

While the way social security credits are earned has not changed, the way they can be collected certainly has. The loss of the two key planning strategies can have major impacts on your clients' expected retirement income.

File and Suspend

Before the new rules a file-and-suspend strategy would involve the higher earning spouse filing for benefits upon reaching full retirement age and then suspending those benefits. While those benefits are suspended, the high earner would continue to accumulate delayed retirement credits until age 70, increasing the amount of the benefit until it is claimed at age 70. The lower earning or nonworking spouse would then file for spousal benefits based on the high earner's full retirement age benefit.

The file-and-suspend strategy might also have been used by a worker that is contemplating retirement. She can file and suspend her benefits at full retirement age and if she later decides that retirement is more her speed, she can collect a lump sum of retroactive benefits back to the date of her original filing.

The file-and-suspend strategy could also be used by someone facing health issues. If an individual can see a health issue looming that may shorten his life or shorten his ability to be gainfully employed, a retroactive lump sum of benefits may be more useful than the ability to accrue more delayed retirement credits.

Restricted Applications

Under the restricted application for spousal benefits strategy, the lower earning spouse would file for benefits on his own record, while the higher earning spouse would file a restricted application to receive spousal benefits based on the low earner's record. In order for this strategy to work, the higher earning spouse would have to have reached his full retirement age before filing the restricted application. This strategy allows the higher earning spouse to draw a reduced benefit based on his spouse's record while still accruing delayed retirement credits. Upon reaching age 70, when those delayed retirement credits stop accruing, the higher earning spouse would switch to his own higher benefit.

What Has Changed

The new law will effectively eliminate these strategies in the future.

Changes for Suspension of Benefits

The Act derails the file-and-suspend strategy in a few different ways.

- It eliminates a spouse's and/or a dependent's ability to receive benefits based on a suspended record. For example, a high-earning spouse will no longer be able to file and suspend upon reaching full retirement age so that the stay-at-home spouse can collect on the high-earner's record while the high earner continues to earn delayed retirement credits.
- It eliminates an individual's ability to receive benefits based on anyone else's work record while that individual's own benefits are suspended. For example, a divorcee cannot file and suspend benefits at full retirement age and then collect spousal benefits based on the ex's work record.

Lawrence J. Owens
JD, CLU, ChFC, MBA, FLMI

Linas Sudzius
JD, CLU, ChFC

Jennifer Lollar
JD

Recent Changes to Social Security Could Affect Retirement Strategies *(Cont.)*

- Workers will no longer have the option to file and suspend and then receive a lump sum retroactively back to the date of the original filing. For example, a worker with cancer might file and suspend once reaching full retirement age and then a few years later find out the diagnosis is terminal. The ability to receive a lump sum of what the benefits would have been had they been paid out from the original filing date will no longer be an option. Note: It does not appear that these changes will affect one's ability to file for six months of back benefits, once they are past FRA.

It is easy to see how these new rules and changes can and will impact all of your clients, not necessarily just those that are married.

Changes for Restricted Applications

The biggest change is in the new "deemed filing" rule. Prior to these new rules taking effect, if an individual filed for benefits before reaching full retirement age, and that individual was eligible for benefits based on her own record and someone else's record, the Social Security Administration would pay out whichever benefit amount was the highest. If however, an individual waited until reaching full retirement age to file, she could file a restricted application and choose to collect off a spouse's or ex-spouse's record, while letting her own record continue to grow.

Under the new rules, you are deemed to have filed for the highest benefit available to you. If an individual is entitled to both her own retirement benefit and a spousal benefit and she files an application, she will be paid the highest benefit no matter what her age is.

Grandfathering and Timing

There is some hope for those that are past, at, or near full retirement age. But the clock is ticking. Your clients that are near these ages need to be prepared and act fast.

Grandfathering

It seems unlikely that these rule changes will have any effect on those that have already implemented these strategies. While the Social Security Administration has yet to release much guidance, it is highly unlikely that the Administration would take away benefits individuals are already receiving and relying on. Your clients already taking advantage of these strategies will likely be grandfathered in, and no changes will be made to their benefits.

Timing is Key for File and Suspend

The changes for the file-and-suspend strategy will not take place for six months after the signing of the Act. If your clients are or were considering using a file-and-suspend strategy, and have reached full retirement age or will reach full retirement age before April 30, 2016, they will still have the ability to file and suspend. But the clock is ticking! They will need to have reached their full retirement age and have everything in order and filed and suspended before April 30, 2016.

The option to suspend benefits after reaching full retirement age has not totally gone away; rather the ability to collect benefits from a suspended record, or while your record is suspended, will be removed. If a worker were to file for benefits and then change his mind, he will still have the ability to suspend his benefits and accumulate delayed credits until age 70.

Timing for Restricted Applications

Some hope may remain for your clients that are or will be at least 62 by the end of the year. The ability to file a restricted application will still likely be available to those who are at least 62 by the end of 2015. Because of one of the Social Security Administration's odd rules, those born on January 1 are deemed to have reached their birthday the year before, so technically those who have turned 62 by January 1, 2016, will still have this option available to them. NOTE · SALLY + SAM SAMPLE

Once those clients reach full retirement age, they will be able to file a restricted application and collect any available spousal benefits as long as their spouse also has reached full retirement age and is claiming her own benefit. The biggest change here is that the spouse has to be full retirement age and actually collecting her benefit, or she will have to have file and suspended before May 1, of 2016, because after May 1, 2016, individuals can no longer collect based on suspended applications.

With all of these rule changes and effective dates, it's easy to imagine how one might miss a deadline. Because of the way these rules can work together, it is important to put plans into action sooner rather than later.

Who Is Hurt the Most?

These new rules might hurt some groups more than others.

Those Who Will Not Be 62 by 2015

Those who will not reached age 62 by the end of 2015 may have to reconsider their planning strategies. The large group of people who are at or near age 61 will be especially unhappy with these rule changes. For some married couples these changes are almost equivalent to losing $100,000 worth of prospective retirement income.

Recent Changes to Social Security Could Affect Retirement Strategies *(Cont.)*

These clients will need to learn what their options are now and how best to plan for the unexpected retirement shortfall.

Divorcees

Another group that may be affected in an unexpected and unfavorable way are divorcees. According to the old rules, an individual could collect based on an ex-spouse's record whether or not the ex-spouse was collecting her own benefits. Under the new rules, one is not allowed to collect benefits based on a suspended work record. It appears, that if an ex-spouse were to suspend her work record, it would eliminate the ex's ability to receive spousal benefits based on that work record until she started receiving her own benefit.

This change could likely lead to one ex-spouse's holding hostage another ex-spouse's ability to receive spousal benefits.

Widows and Widowers

The group that appears to be the least adversely affected by the recent changes are survivors. Survivors who are eligible for both

- benefits based on their own records and
- survivor benefits

will still have two strategies available to them. They will still be able to start with a survivor's benefit at age 60 and later switch to a higher worker's benefit. Or they may be able to start with a worker's benefit and then switch to a higher survivor's benefit at full retirement age.

Additional Thoughts

While some of the more creative claiming strategies have been taken away for your clients, planning opportunities are still available. For example, high earners can still delay claiming Social Security benefits to age 70 in order to earn deferred retirement credits.

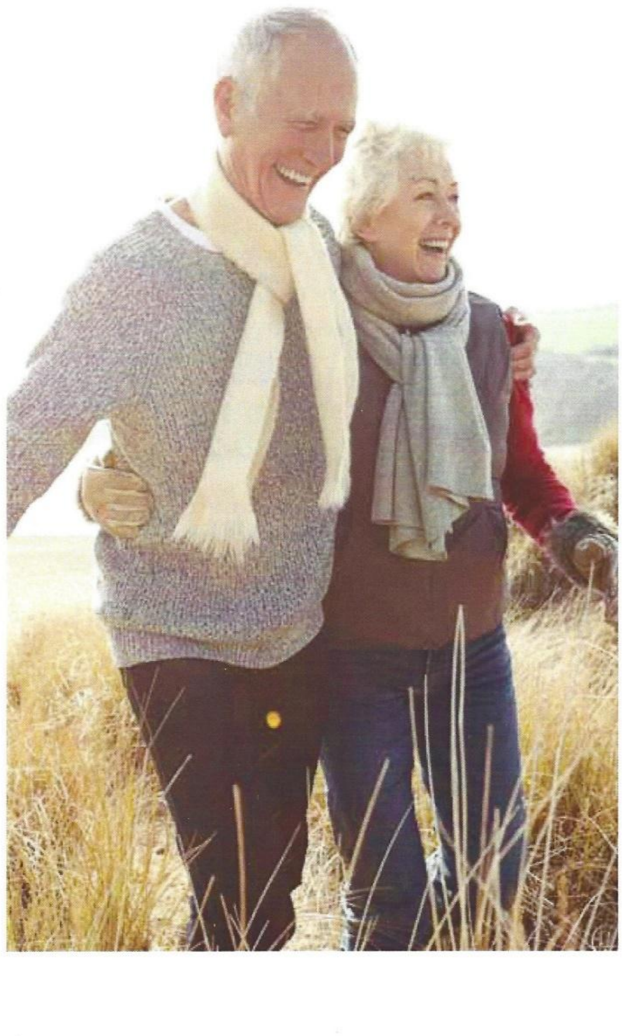
For lower earning spouses eligible for a regular retirement benefit, waiting to claim may no longer be beneficial because doing so is only advantageous if both spouses live longer.

Conclusion

Understanding these changes and what they will mean to your clients is important. Professional advisers need to take the time to familiarize themselves with these changes and the options still available. Because some of these new rules seem to put other rules at odds, the Social Security Administration will likely release some guidance on these new rules. Furthermore, because many of the consequences of the changes may be unintended, it is possible that Congress and the President will make amendments later.

These changes give you with an opportunity to review and assess your client's retirement income plans. It would also be worth checking to see if any of the available time lines will affect your client and, if so, to urge them to take action while there is still time.

While Social Security benefit's claiming strategies are changing, the need for proper planning has not changed. Helping your clients understand the options still available to them will make you an important asset in their retirement planning.



*Please review pages 79-81. Here is an excellent analysis of the **NEW RULES**, passed by Congress in November 2015.*

*Frankly, the **BEST WAY** to plan for couples is to meet with me, or another professional who has quality software to run all the numbers, who understands both the limitations and choices available with Social Security and has also invested the time together with you, to understand your other financial needs and goals for the years ahead.*

*Making your personal decisions about your Social Security Benefit choices is **NOT** just an isolated decision in itself !*

Like a leg under a table, it is only one part of the table.

*We will need to focus on the **"Table"**, the **"Bigger Picture"**.*

*We saw earlier on pages 62-63, that when planning for individuals, our **"Breakeven Point"**, regardless of when we start our **"Own Benefit"**, is if we live until about the age of **80**.*

BUT IF WE ARE MARRIED . . . THE "PROBABILITY" THAT AT LEAST ONE SPOUSE WILL LIVE PAST THE AGE OF "80" IS ABOUT "85 %" !

This is over eight out of every ten couples.

So do we start our benefits early or do we wait ?

*Men, if we have the **"Highest Benefit"** (and Ladies, I understand there are exceptions), do we start early or do we wait to file ?*

*The **"Surviving Spouse"** gets the **HIGHER** of either their own benefit or their deceased spouse's benefit.*

SO MEN, IT IS OFTEN IMPORTANT FOR OUR WIVES THAT WE WAIT AND INCREASE OUR BENEFITS !

For example, my wife Vicki and I have a typical situation.

I am 73 now and when I looked at this closely for our own situation about 11 years ago, I learned how expensive the wrong decision could be !

*The **"Difference"** for our personal choices would likely have been about **$ 100,000** if either of us lives until **85**.*

And a high majority of us will have at least one spouse live this long !

*If either of us lives until **90** . . . it will likely be **$ 200,000** more !*

*We saw earlier, almost **HALF** of us will still be living at 90 !*

*The **"Extra Difference"** will be **$ 300,000** at **95** and **$ 425,000** if one of us lives to **100** !*

*And remember . . . **ONE OUT OF SIX OF US WILL LIVE TO 100 !***

$ $ $ $ $ $ $

*So in conclusion, this is **"Serious Money"** and if you are fortunate enough to **"Live A Long Life"** . . .*

HERE IS "MY MESSAGE" FOR THIS BOOK . . .

YOU ARE GOING TO NEED IT !

$ $ $ $ $ $ $

Advisor Fees

Liquidation Fees

Management Fees

Trading Fees

Mutual Fund Co. Operational Costs

12-B1 Marketing Fees

Platform “Pay to Play” Fees

Tax Issues

MUTUAL FUNDS - DISCLOSED & UNDISCLOSED

27

What About The Top Part Of Our "Financial Pyramid" . . . Our Investments And Managed Money ?

I have also licensed my company, Creative Retirement Planning, Inc, as a ***"Registered Investment Advisor"*** *(CRD # 138274).*

Our 22 page ***"Firm Brochure"****, including our* ***"Client and Adviser Agreement"*** *and other relevant details, is available to download from our website www.CreativeRetirementPlanning.com.*

Many of our clients prefer the guarantees of fixed type of annuities, for at least a part of their portfolios, the money we want available for the bottom two parts of our ***"Financial Pyramid"****,* *illustrated on page 13.*

But some of our clients also want market and managed investments for the excess, the top part of our ***"Financial Pyramid"****.*

So the question is . . . how can I help and create ***"Extra Value"*** *for these clients ?*

If a ***"Picture Is Worth A Thousand Words"*** *. . .* ***"The Iceberg"*** *on page 85, illustrates the* ***"Total Costs"*** *of our mutual funds.*

We have the ***"Published Costs"*** *. . . or what we see* ***<u>ABOVE</u>*** *the* ***"Water Line"****.*

And we also have the ***"Unpublished Costs"*** *. . .* ***<u>HIDDEN FROM VIEW . . . BELOW</u>*** *the* ***"Water Line"*** *!*

Most investors ***<u>ARE NOT AWARE</u>*** *of the* ***<u>HIDDEN</u>*** ***"Unpublished Costs"****.*

The same is true for our ***"Investment Risks"****.*

And yes, ***"Income Taxes"*** *are often hidden and confusing !*

Mutual Fund Fee Analysis

Expense, Performance & Morningstar Rating[1]

Date: August 23, 2013 **Client Name:** [illegible] **Prepared By: Dave Nute**

Name	Ticker	Total Return 1 Yr	Total Return Annlzd 5 Yr	Turnover Ratio[4]	Class Share	12 Month Yield	Standard Deviation	Prospectus Net Expense Ratio	Personal Fund Cost of Ownership[2]	Total MF Exp Ratio	Mutual Fund Expense 07/31/13	Mutual Fund Valuation 08/22/13[3]
Non-Qualified Holdings												
Aberdeen International Equity A	GIGAX	8.17	2.50	15%	A	1.67	24.03	1.42	1.94	1.94%	$ 386.97	$ 19,946.75
Alpha Opportunistic Growth I	ACOPX	5.54		88%	Inst	1.53		2.71	2.63	2.71%	$ 271.40	$ 10,014.79
Baron Growth Retail	BGRFX	28.54	10.06	14%	No Load	0.25	20.50	1.32	3.76	3.76%	$ 1,345.11	$ 35,774.28
BlackRock Equity Dividend Inv A	MDDVX	14.09	6.17	3%	A	1.83	16.45	0.99	1.44	1.44%	$ 758.38	$ 52,665.33
BMO Government Income Y	MRGIX	-3.25	4.86	355%	Inv	2.44	3.57	0.81	1.66	1.66%	$ 2,000.73	$ 120,526.00
Calvert Short Duration Income A	CSDAX	1.41	3.78	187%	A	2.00	2.66	1.08	1.89	1.89%	$ 2,348.66	$ 124,267.51
Eagle Growth & Income A	HRCVX	18.68	9.20	20%	A	1.97	16.77	1.12	2.18	2.18%	$ 622.97	$ 28,576.81
Goldman Sachs Small/Mid Cap Growth Instl	GSMYX	29.47	11.91	51%	Inst	0.00	22.11	0.95	4.34	4.34%	$ 3,405.90	$ 78,476.91
Huber Capital Small Cap Value Instl	HUSEX	30.72	0.00	16%	Inst	0.21	28.29	1.36	2.07	2.07%	$ 759.05	$ 36,669.29
RidgeWorth High Income I	STHTX	8.27	10.88	118%	Inst	5.99	13.84	0.79	2.68	2.68%	$ 3,280.28	$ 122,398.37
TFS Market Neutral	TFSMX	2.74	4.09	607%	No Load		8.00	8.70	17.93	17.93%	$ 1,894.00	$ 10,563.30
Touchstone Sands Capital Select Growth Y	CFSIX	19.43	12.95	19%	Adv		22.76	1.12	1.49	1.49%	$ 502.83	$ 33,746.68
Mutual Fund Average	-	13.65%	6.94%	-	-	-		-	-	-		

	%	Cost	Portfolio Value
Mutual Fund Cost	2.61%	$17,576.28	$673,626.02

PLUS ADVISOR FEES !

1 Mutual Fund Rating & Performance information obtained from Morningstar Reports, DTD 7/31/2013

2 Mutual Fund Cost of Ownership was obtained from PersonalFund.com and based on 7/31/2013 month end data. Cost information assumed the following: A.) 25% Federal and 15% Dividends and Long Term Cap Gains; B.) 10-year holding period; C.) 12% annual return, Equity Funds, 8% Annual Return High Yield Bond, Moderate Allocation, & Balanced Funds, 7% Foreign Bond Fds, 6% Annual Return Bond Funds, & 6% or 5% Annual Returns for Municipal Bond Funds, State Specific 5%.

3 8/23/2013 Mutual Fund Valuations were estimated by taking number of shares held per fund, as of 1/0/1900 times fund's 8/22/2013 closing NAV.

4 Turnover Ratio is a measure of the fund's trading activity, which is computed by taking the lesser of purchase or sales (excluding all securities with maturities of less than one year) and dividing be average monthly net assets.

Information contained in this report is based on sources and data believed to be reliable, but its accuracy is not guaranteed and should not be used upon as such. The summary is for your information only and is not an offer or solicitation to buy or sell securities.

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"How Much" Do Your Mutual Funds
<u>Really</u> Cost You ?

*This portfolio on page 86, has **"Published Fund Expenses"** that are **<u>VISIBLE</u>** from the **"Fund's Prospectus"** . . . what we see **"Above The Water Line"**.*

*This is listed in the **"9th Column"** from the **<u>LEFT</u>**. The title says **"Prospectus Net Expense Ratio"** and this is stated for each fund.*

*But if we look **"Two More Columns"** to the right . . . the title says **"<u>TOTAL</u> Mutual Fund Expense Ratio"**. The **<u>TOTAL</u>**, which includes the **"Hidden Costs"** . . . **<u>IS A LOT HIGHER !</u>***

*This portfolio had **<u>2.61 %</u>** in **"<u>TOTAL</u> Mutual Fund Costs"** . . . plus there was an **<u>ADDITIONAL FEE</u>** their other **"Adviser"** was charging.*

***<u>2.61 %</u>** seems high . . . but **<u>IT IS NOT "UNUSUAL"</u>**. In an article in **"Forbes Magazine"** on page 89, the **"Total Average Costs"** for mutual funds in a **"Non-Taxable Account"** are **<u>3.17 %</u>**.*

*And if we take this one step further and identify the **<u>EXTRA</u> "Tax Costs"** in a **"Taxable Account"** . . . the **"Average <u>TOTAL</u> Fund Expenses"** are **<u>4.17 % !</u>***

<u>THIS IS "EXPENSIVE" . . . AND IT IS FROM YOUR MONEY !</u>

Think of it this way . . .

<u>IT'S LIKE TRYING TO "WIN THE RACE"</u>
<u>WITH A "300 POUND JOCKEY" !</u>

*You might have a **"Great Horse"**, or a **"Great Investment"** . . .*

*but the odds of **"Winning the Race"** . . . **<u>ARE LIKELY AGAINST YOU !</u>***

Forbes

APRIL 4 • 2011 • ONLINE EDITION

EXPERT VIEW

The Real Cost Of Owning A Mutual Fund

BY TY A. BERNICKE
CONTRIBUTOR

Few investors understand the total cost of a fund, including tax, transaction and advice fees.

In over 25 years of business, our firm has never had an initial meeting with an investor who completely understood the total costs of the mutual funds they owned. The following article seeks to simplify the many complexities of mutual fund expenses so investors are able to discover the true costs associated with mutual fund ownership. To simplify this topic, six different costs will be evaluated: expense ratio, transaction costs (brokerage commissions, market impact cost, and spread cost), tax costs, cash drag, soft dollar cost and advisory fees.

Expense Ratio

The expense ratio is frequently the only cost that many investors believe they pay when owning a mutual fund. The expense ratio is frequently used to pay marketing costs, distribution costs and management fees. This ongoing cost can be identified by reading a mutual fund's prospectus. The average U.S. Stock fund now costs .90% per year according to a recent Morningstar article (1).

Transaction Costs

A study by Edelen, Evans and Kadlec found U.S. Stock Mutual Funds average 1.44% in transaction costs per year (2). These costs can be difficult to determine, are not found in most prospectuses, and are not included in the aforementioned expense ratio. A group of cost conscious investors called the Bogleheads breaks down transaction costs into three categories: brokerage commissions, market impact, and spread cost (3).

1. The first type of transaction cost is brokerage commissions. Brokerage commissions result from mutual fund managers buying and selling stocks for mutual fund investors inside of the fund company's brokerage account(s). Discovering the additional expenses due to turnover can be a difficult endeavor. This task can be accomplished by making estimates based on information found in the Statement of Additional Information, a document mutual fund companies must make available upon request, but don't generally distribute to investors.

2. The second transaction cost even more difficult to estimate is market impact cost. The Bogleheads define market impact cost this way: "A mutual fund making a large transaction in a stock will likely move the stock price before the order is completely filled." This negatively affects mutual fund owners in three distinct ways. First, individuals receive less favorable prices on certain stocks being bought and sold. This occurs when an investor's mutual fund manager is buying or selling large quantities of stock that drives the price artificially higher or lower. Second, a fund manager may alter its investment management strategy to avoid excessive market impact costs. This can happen if a manager chooses to enter and exit stock positions over long time horizons in an effort to mitigate sudden short term movements in the securities it is trying to sell or acquire. Last, a mutual fund manager may be forced to include less favorable stocks in its portfolios to alleviate the market impact pressure on its favorite stocks. Market impact cost can be a lose-lose situation for mutual fund investors because they may get unfair pricing on both the buy and sell side of stock transactions in addition to having their mutual fund managers compromising their stock picking prowess to avoid excessive costs.

3. The final transaction cost is called spread cost. This cost also occurs when a mutual fund manager buys and sells stocks for mutual fund owners. Spread cost reflects the difference between the best quoted ask price and the best quoted bid price. This cost is also difficult to quantify. Generally, it is more excessive when a mutual fund is trading international or smaller, less liquid stocks (3).

As illustrated below, transaction costs can add substantially to the overall expense of an investor's mutual fund. In addition to being substantial, these costs are nearly impossible to accurately quantify.

Tax Costs

Many investors pay more than their fair share in taxes when owning mutual funds. This problem is most transparent when mutual funds are owned outside of an IRA, Roth IRA, 401(k), or other tax-deferred accounts. An investor who buys into a mutual fund that is holding stocks that have appreciated prior to the purchase of the fund runs the risk of paying for these stocks' capital gains taxes. Essentially, even if the investor did not benefit from the stocks' gains, this investor will share proportionately in taxes due from the sale of these appreciated stocks when the mutual fund manager makes a change. Ultimately, one can end up paying taxes on investments that other investors profited from. Before purchasing an actively managed mutual fund in a taxable account, an investor should consider contacting the company to determine the level of embedded gains within the mutual fund. According to Morningstar (MORN), the average tax cost ratio for stock funds is 1% to 1.2% per year (4).

Cash Drag

Another cost of owning a mutual fund is cash drag. Cash is frequently held by mutual fund managers to maintain liquidity for potential transactions and potential redemptions by mutual

Portfolio Comparison Report

Prepared For Seminar Guests By David Nute

December 16, 2014

Seminar Sample Portfolio: Top Holdings

- 44.5%: Bonds (Fixed Income)
- 44.0%: Stocks (Equities)
- 8.5%: Money Market (Cash)
- 2.8%: Alt (Alternative)

GF CI & CIG: Top Holdings

- 64.5%: Stocks (Equities)
- 15.7%: Bonds (Fixed Income)
- 9.9%: Alt (Alternative)
- 9.7%: Money Market (Cash)

Scenario Impact Summary

Scenario:	Seminar Sample Portfolio Return:	GF CI & CIG Return:
Past Crashes: Financial Crisis: Sep 2008 - Mar 2009 This scenario covers the most extreme portion of the global financial crisis, from the collapse of Lehman Brothers in September 2008 until the market lows of March 2009.	-22.9%	-4.3%
Adios QE: Fed Pops Bubble What if the Fed takes the air out of asset prices, whether through its wrapup of existing asset purchase or through other more aggressive actions?	-13.2%	-2.3%
Demographic Shift: Baby Bust What if aging baby boomers begin to decrease their spending and begin moving savings out of the stock market in order to support their retirement?	-9.1%	11.8%
EU Stalling: Back To Recession What if the slowdown in Europe turns into a full-blown return to recession?	-6.7%	1.7%
Rising Interest Rates: 1994 Bond Crash This is a historical scenario capturing the changes in the economy from Oct 1993 to November 1994, when 10 year treasury rates rose from 5.3% to 8%.	-3.7%	-3.8%
China Slowdown: Hard Landing: 4-5% Growth What if China experiences a hard landing, a slowing of GDP growth to 4-5% from the current 8-9%?	-3.3%	2.7%
Oil Prices: Oil Crash What if oil prices drop to below $40 per barrel and stay in that range?	3.0%	3.8%

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Here is ***"The Next Question"****.*

WHAT ARE "THE RISKS" . . . "HIDDEN" FROM VIEW "BELOW THE WATER LINE" ?

How would you like to ***COMPARE*** *the risks for the portfolio you own now, to another portfolio ?*

We can do this for you. Here is an example, illustrated on page 90.

I am comparing ***TWO PORTFOLIOS****. The first on the* ***LEFT*** *. . . is the* ***SAME HIGH COST PORTFOLIO*** *we just reviewed for the* ***"Mutual Fund Fee Analysis"****.*

This investor is also paying ***HIGH FEES*** *to the Advisor. He charged* ***2 %*** *of the portfolio's assets, in addition to the* ***"Total Portfolio Expense Ratio"*** *we just reviewed that was an additional* ***2.61 %****.*

So we have ***4.61 %*** *in* ***"Total Fund and Advisor Fees"*** *!*

It is hard to make money with this type of ***"Fixed Overhead"****.*

On the right is another portfolio I use that is far less expensive . . .

64 % "LESS COSTS" . . . WITH "LESS RISK" !

We quantified the ***"Upside"*** *for both of these portfolios and they were almost identical. We were within a quarter of 1 %, about* ***"25 Basis Points"****.*

So why would it make sense for this Owner to change ?

This software I am illustrating on page 89, shows us how our various investments and portfolios are ***LIKELY*** *to perform . . . given* ***"Different Real-Life Scenarios"****.*

With this software, we have about 60 different scenarios. I have listed seven examples for you on page 89.

What if we have a repeat of the ***"2008 Market Crash"*** *?*

We can see that our ***"Current Portfolio"*** *on the* ***<u>LEFT</u>*** *. . . is likely to* ***<u>LOSE ALMOST 23 % !</u>***

And our ***"Recommended Portfolio"*** *will likely lose* ***<u>ABOUT 4 %.</u>***

Or let's look down to the ***"Third Stress Test"****.*

The Federal Reserve Bank of San Francisco did a study and predicted how much the market will go down as Baby Boomers get older, ***"Spend Down"*** *and reduce their investments to pay the bills and other costs of living as they progress thru their future years of retirement.*

This will affect many of the companies we invest in and the value of their stocks.

The software shows the ***"Current Portfolio"*** *will go* ***<u>DOWN 9 %</u>****, while the* ***"Proposed Portfolio"*** *. . .* ***<u>WILL LIKELY INCREASE BY 12 % !</u>***

<u>SO "WHAT PORTFOLIO" MAKES "MORE SENSE" FOR YOU ?</u>

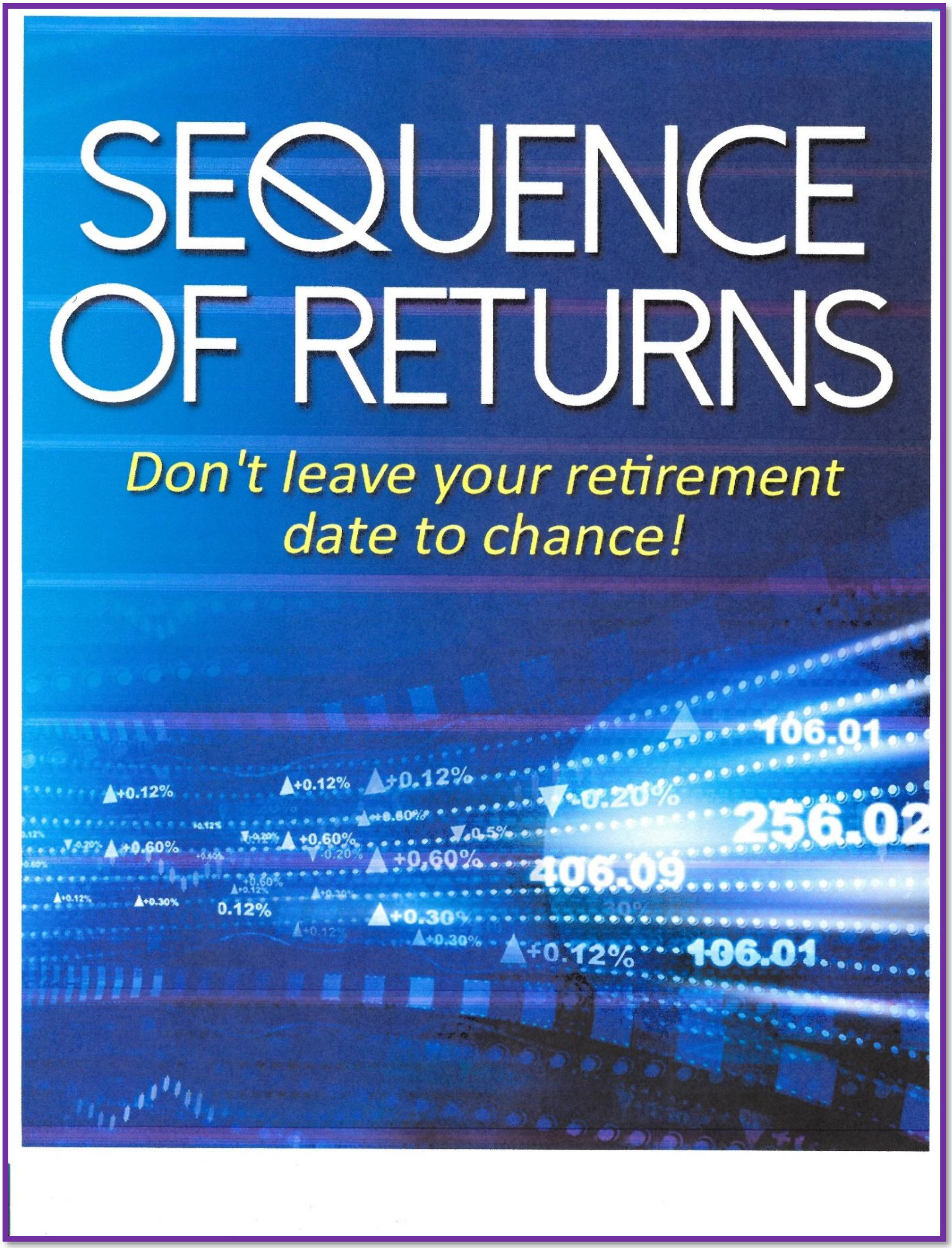
Here is where I can help to bring ***<u>EXTRA VALUE</u>*** *to many of our clients with these great software tools.*

And together with a mutual conversation and professional ***"Financial Planning"*** *. . . I can help you define your* ***"Priorities"*** *and some of the* ***<u>BEST WAYS</u>*** *to take care of them.*

So if you would like a ***"Second Opinion"*** *about what you own . . . let us set a time to discuss and evaluate this further.*

I also wrote another book in 2018 that details and explains the investment process we use further. Just call us to order your FREE COPY. This book is named . . .

<u>LOWER</u> Investment Costs, Taxes & Risks !


SEQUENCE
OF RETURNS
Don't leave your retirement
date to chance!

SEQUENCE OF RETURNS

Don't leave your retirement date to chance!

If you have the majority of your nest egg in the market, the date you choose as your Retirement Date could have a devastating impact on your "golden years" depending on the date you select. Research has shown that it is imperative to the longevity of your retirement plan not to incur losses during the initial phase of retirement, also known as the "Critical Phase."

The following report illustrates the alarming effects and the importance of "Sequence Of Returns," the order in which losses/gains are sustained in an investment portfolio.

Consult with a retirement income specialist for strategies to avoid these and other retirement pitfalls.

SEQUENCE OF RETURNS RISK

Distribution Phase: $1,000,000 Beginning Balance

	Investor A			Investor B	
Age	Annual Return[1]	Portfolio Year-End Value[3]	Withdrawals	Annual Return[2]	Portfolio Year-End Value[3]
65	-9.03%	$844,700.00	($65,000.00)	13.48%	$1,069,800.00
66	-11.85%	$679,603.05	($65,000.00)	31.15%	$1,338,042.70
67	-21.97%	$465,294.26	($65,000.00)	15.89%	$1,485,657.69
68	28.36%	$532,251.71	($65,000.00)	2.10%	$1,451,856.50
69	10.74%	$524,415.55	($65,000.00)	14.82%	$1,602,021.63
70	4.83%	$484,744.82	($65,000.00)	25.94%	$1,952,586.04
71	15.61%	$495,413.48	($65,000.00)	-36.55%	$1,173,915.84
72	5.48%	$457,562.14	($65,000.00)	5.48%	$1,173,246.43
73	-36.55%	$225,323.18	($65,000.00)	15.61%	$1,291,390.20
74	25.94%	$218,772.01	($65,000.00)	4.83%	$1,288,764.34
75	14.82%	$186,194.02	($65,000.00)	10.74%	$1,362,177.64
76	2.10%	$125,104.10	($65,000.00)	28.36%	$1,683,491.21
77	15.89%	$79,983.14	($65,000.00)	-21.97%	$1,248,628.19
78	31.15%	$39,897.89	($65,000.00)	-11.85%	$1,035,665.75
79	13.48%	-$19,723.88	($65,000.00)	-9.03%	$877,145.13

5.93%	Arithmetic Average[4]	5.93%
4.14%	**Geometric Average[5]**	**4.14%**

[1] S&P 500 dividend reinvested returns from 2000 to 2014 (DOES NOT include deductions for investment fees) obtained from the Federal Reserve database in St. Louis (FRED) and reported by New York University - Source: http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/histretSP.html

[2] S&P 500 dividend reinvested returns from 2014 to 2000 (in reverse of [1])

[3] Year-end account value after gains/losses and withdrawals

[4] **Arithmetic Average:** The sum of a series of numbers divided by the count of that series of numbers. (Investopedia) This method is used frequently by portfolio mangers to advertise fund performance because it produces a higher reported return than Geometric Average but it is the incorrect method for evaluating investment returns because it does not account for actual changes in account values.

[5] **Geometric Average:** The average of a set of products, the calculation of which is commonly used to determine the performance results of an investment or portfolio. The geometric mean must be used when working with percentages (which are derived from values), whereas the standard arithmetic mean will work with the values themselves. (Investopedia) This is the correct method to use when calculating investment performance.

Disclosure: This illustration does not represent investing, tax, or legal advice.

The Often Overlooked "Sequence of Returns Risk" !

*Please study Page 14 and compare results for **"Investor A"** and **"Investor B"**.*

Both investors started at the same time with $ 1 million at their age of 65 and withdrew the same amount of $ 65,000, at the same time of each year.

We assume this is for the same years from 2000 thru 2014.

And yes, both investors had the exact same portfolio based on the S & P 500.

And yet, "Investor A" runs out of his/her million at age 79 . . . and "Investor B" still has over $ 877,000 at his/her age of 79 !

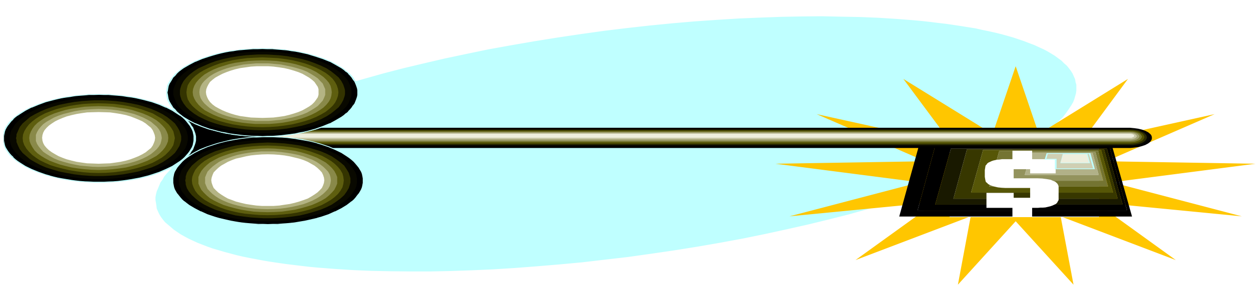
*So what is the **<u>ONLY DIFFERENCE</u>** ?*

***"Investor A"** is gets slammed by the **"Sequence of Returns Risk"**, based on the **<u>actual returns from each of the years 2000 thru 2014</u>**, in chronological order, as they actually occurred (we all know the S & P 500, had some rough times in 2000 thru 2003 and again in 2008 !)*

*For **"Investor B"**, for illustration purposes, we assumed just one difference. We **<u>REVERSED</u>** each of the 14 years returns and we started in 2014, 2013, etc., thru 2000.*

***"Investor A"** started out his/her first three years with devastating losses ! And it is for this one reason, he/she lost a large amount of compounded earnings of this lower amount of nearly half of his/her original million !*

<u>Yes, "Investor B", had exactly the same percentage losses but they were during his last three years . . . and he/she was able avoid the early losses and actually had over an EXTRA MILLION DOLLARS, compared to "Investor A", at the end of the first three years. He/she had the extra advantage of higher gains and earnings during this time and this carried thru to the end of his/her 14 years, even with losses !</u>



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Dave Nute

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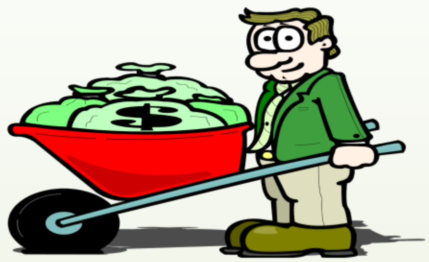

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