Her Retirement®

Welcome to the Masterclass & More...
“From Savings to Security”

Get comfy and grab yourself a cup of tea, coffee, water or wine.
Say hi and let everyone know your favorite hobby.

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Women + Money = _____.

Please put answer in the chat.

Housekeeping…

- Get comfy: turn off and tune out distractions
- Next 2 weeks, same time, same place, same Zoom link
- 90-minutes for each session (6 hours of retirement education)
- Try to start and end on time
- Replay links and homework will be available day after class at:
  - Masterclass Homework – Her Retirement
- Audio and video controls
- Taking notes: pen and paper
- Post questions in the chat (prize to peeps who comment most)
- Prizes from Class 1…are coming!

Convo With My Mom About Being Prepared

So what did you do today mom?

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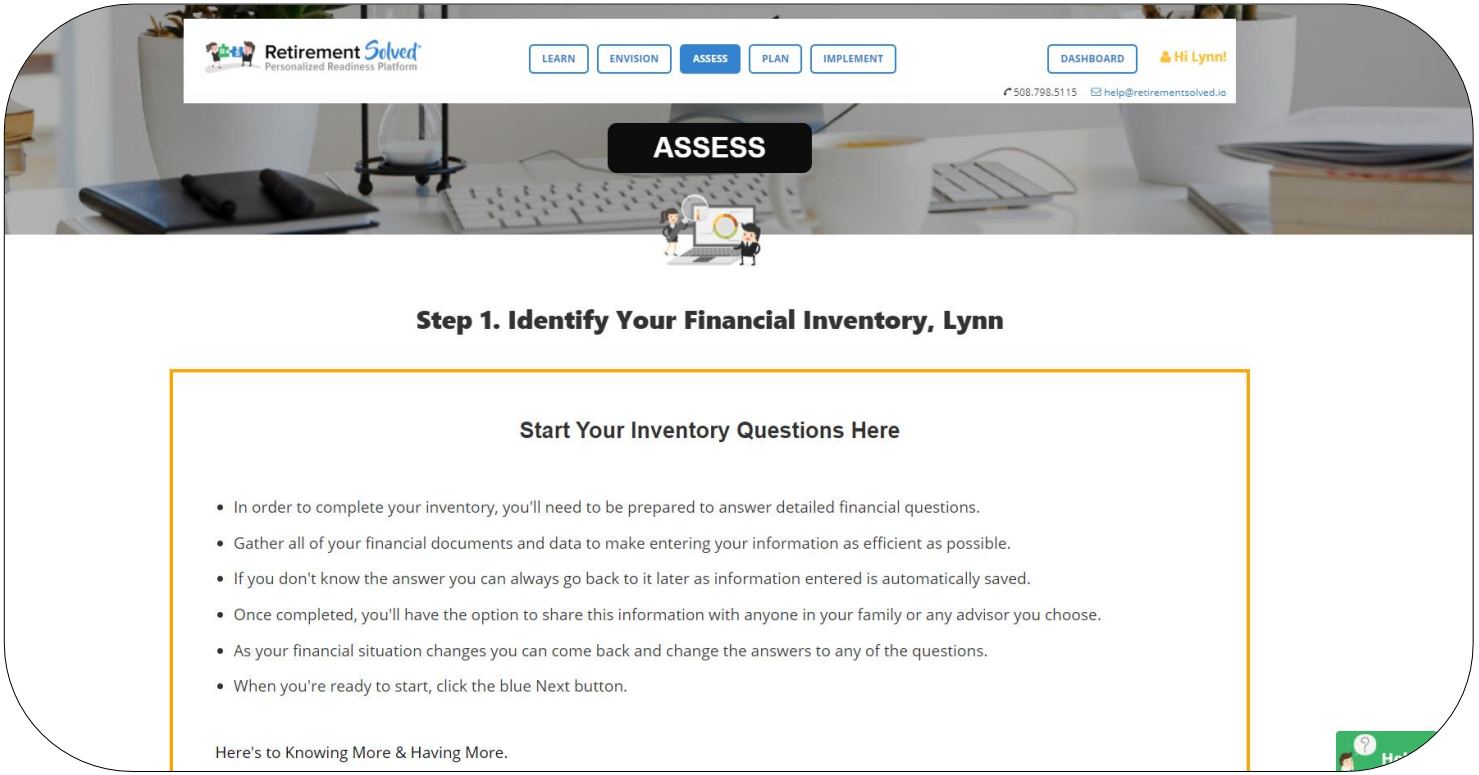
Speaking of being prepared, how did everyone do with the homework?



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Build Your Plan with these Steps

- ❑ Use the Retirement Readiness Platform to Take an Inventory and Understand Possible Gaps
- ❑ Get serious about physical and mental health
- ❑ Pre-Retirement Optimization
- ❑ Consider your goals/lifestyle desires
- ❑ Understand & address risks
- ❑ Create your Income Distribution Plan
  - ❑ Identify sources of income & expenses
  - ❑ Address any gap
  - ❑ Refine your retirement portfolio to balance growth & guarantees
  - ❑ Understand fees and portfolio costs
  - ❑ Choose tax efficient withdrawals
- ❑ Create your Income Protection Plan
- ❑ Get Reliable Guidance

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The Number One Goal of Retirement

(besides health) …

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…to Make Sure Your Money Lasts as Long as You Do

(while living your desired lifestyle)

The oldest person ever whose age has been verified is Jeanne Calment (1875–1997) of France, who died at the age of 122 years.

Source: REUTERS

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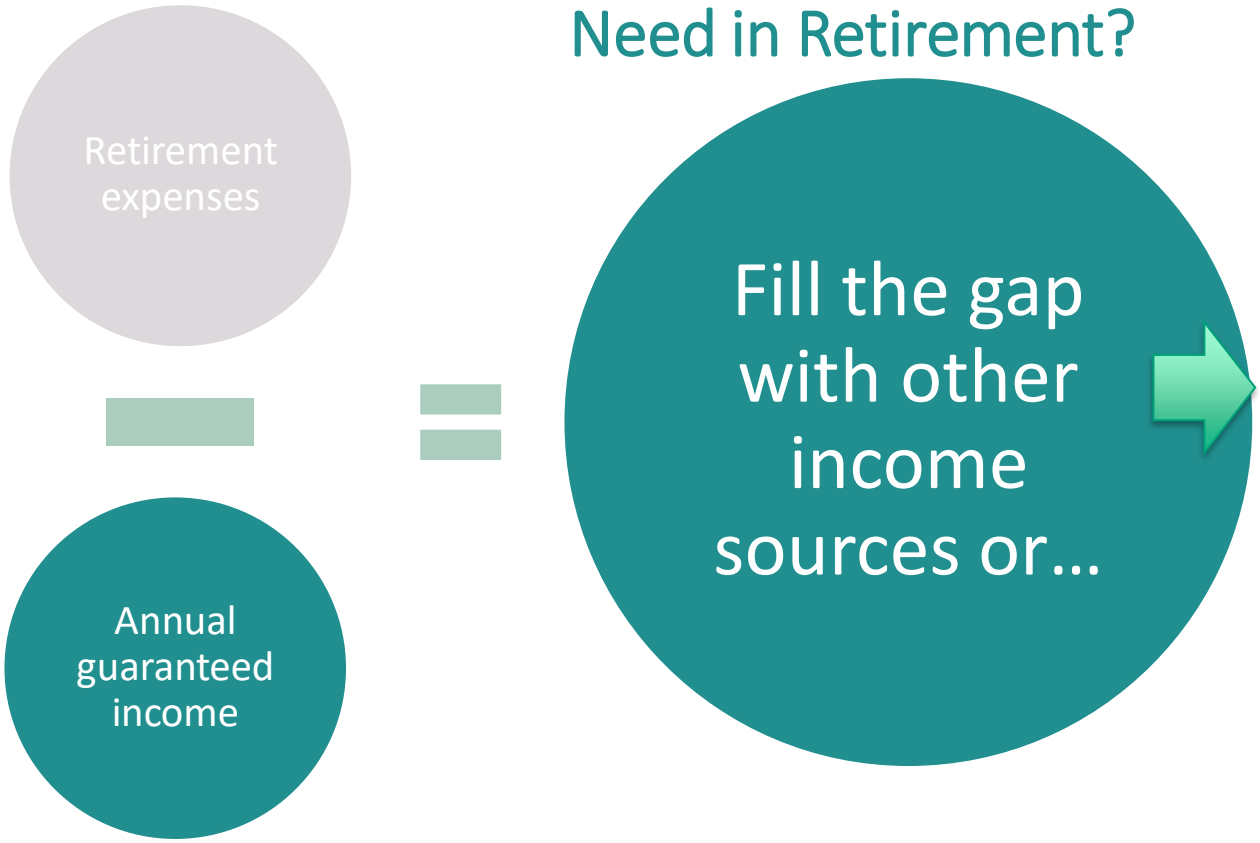
To do this, you may need...

an attitude adjustment (behavior change)
and/or a good income plan.

Retirement Income Planning

- Step 1: Calculate Your Expense Budget
- Step 2: Calculate Your Guaranteed Income Sources
- Step 3: Determine Any Gap



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Retirement Income Planning

- Step 4: Create an income from your savings and investments
- Step 5: See the impact of Multi-Discipline Retirement Strategies (eliminate need to work etc., have more to live on, leave more to loved ones)

Fill the gap by creating a retirement paycheck from your savings & investments

Guaranteed Income Sources

- Social Security Income
- Defined Benefit Pension Income

Ways to create guaranteed income:

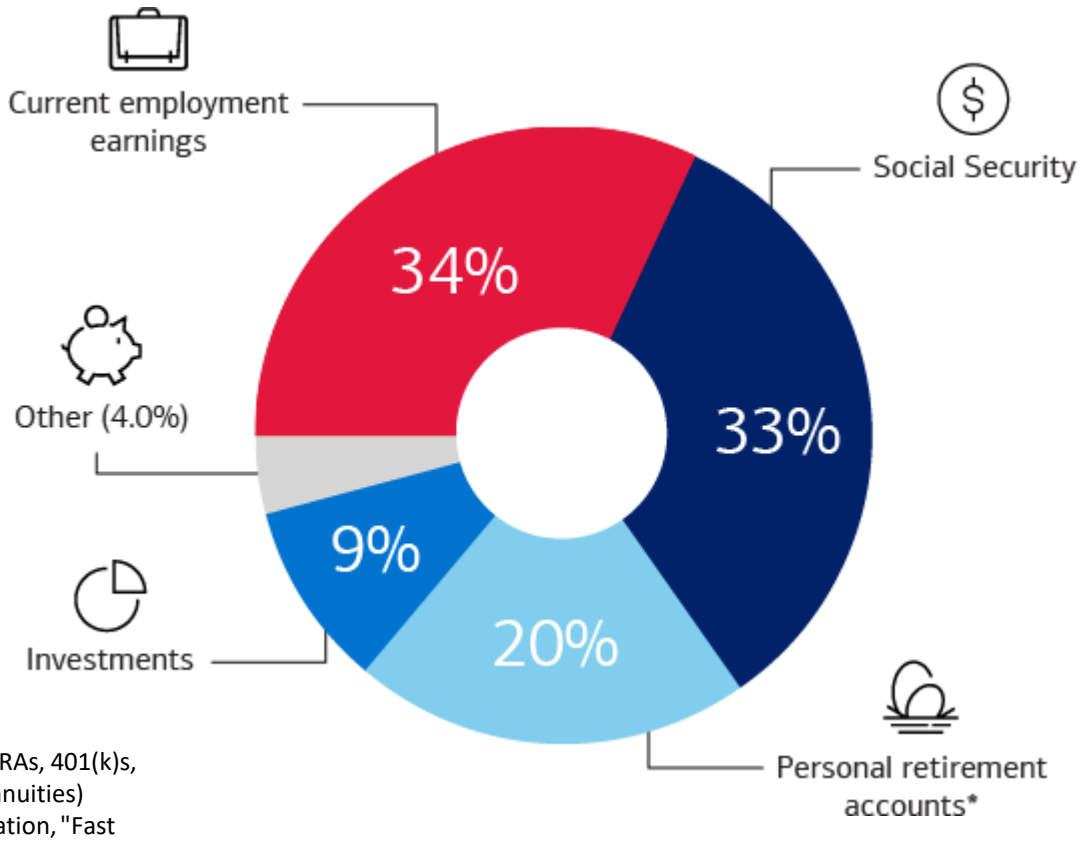
- Guaranteed Annuity Income
- HECM Loans – Tenure Option

NOTE: Each Guaranteed Income Source should be carefully considered to create the most efficient retirement plan…

Implementation of any strategy should be added only after completing a series of "retirement experiments" to assess the value before implementing.

Sources of Retirement Income

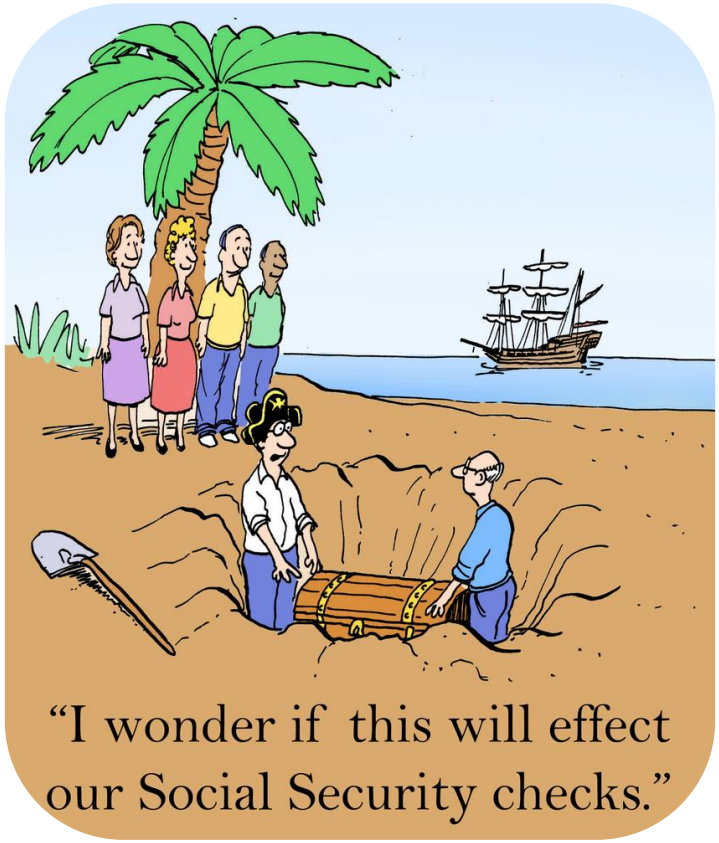
(for households Aged 65 & Older)



* (Included Traditional and Roth IRAs, 401(k)s, 403(b)s, pension plan payouts, annuities)
Source: Social Security Administration, "Fast Facts & Figures About Social Security," 2017

Social Security

Guaranteed Income Source #1



Overview

Social Security typically represents the biggest source of income (for many people).

Signed into law in 1935 during the Great Depression (Old-Age, Survivors, and Disability Insurance (OASDI) Program)

It offers a guaranteed income stream along with longevity protection, spousal protection, and even some inflation protection.

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Social Security & Women

Women earn less than men

Women who work full-time earn only about 81 cents for every dollar earned by men. They're also more likely than men to have low-wage and part-time jobs. Earning less not only means saving less but also putting less into Social Security, which translates into a smaller benefit.

Women are in and out of the workforce more than men

The typical woman is in the workforce for 32 years; the typical man, 44 years. That's mostly because women are more likely than men to take time out of the workforce for caregiving, such as raising children or taking care of elderly parents. They're hurt by years with no earnings, which results in a smaller retirement benefit.

Source: The Social Security Guide | MoneyGeek

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Social Security & Women

Women are less likely than men to have pensions and other retirement plans

Only 22 percent of retired women receive income from pensions compared with 28 percent of men. Moreover, the average pension benefit for women is only 64 percent of the average benefit for men. Also, women are more than twice as likely as men to work part-time and are more likely to change jobs. This leaves them less likely to be able to qualify for employer-sponsored pension, 401(k) and other retirement plans.

Women live longer than men

Women today who reach age 65 outlive men, on average, by 2.3 years (86.6 years versus 84.4 years). With their longer lifespans, women tend to live more years in retirement than men, are more likely to be widowed and are at greater risk of exhausting their sources of income.

Source: The Social Security Guide | MoneyGeek

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SOCIAL SECURITY—A SNAPSHOT

Number of Americans who receive retirement benefits

63 million

Maximum monthly retirement benefit

$3,011

Average monthly retirement benefit

$1,412

Gender gap: $307

(The difference between average monthly benefit of $1,503 for men and $1,196 for women)

Women account for about 56 percent of all Social Security beneficiaries age 62 and older and nearly two-thirds of beneficiaries age 85 and older. And about half of all unmarried elderly women rely on Social Security benefits for 90 percent or more of their income.

Source: The Social Security Guide | MoneyGeek

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How important is Social Security income in your retirement?

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Many Americans leave up to $110,000 on the table by getting their Social Security timing wrong.

Knowing when to claim is one of the important decisions you'll make in retirement.

Source: Americans Sacrifice $3.4 Trillion by Claiming Social Security Too Soon - UCLA Anderson Review

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Claim benefits early and you and your spouse will face a steep and permanent cut in monthly income.

Source: Americans Sacrifice $3.4 Trillion by Claiming Social Security Too Soon - UCLA Anderson Review

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Waiting until later, however, and you'll collect a **payout** that's as much as **50 percent higher**.

Source: Americans Sacrifice $3.4 Trillion by Claiming Social Security Too Soon - UCLA Anderson Review

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So, how do you decide?

Let's learn a bit about Social Security before we answer this question.

How is Your Benefit Calculated?

Your highest 35 years of earnings are indexed for inflation, then averaged, and a formula is applied to determine your benefit at full retirement age (FRA)

When you are employed and pay Social Security payroll taxes, you can earn up to a maximum of four work "credits" a year by making at least $5,640. You must earn at least 40 credits over 10 years to qualify for a retirement benefit.

Maximum Taxable Earnings (2021)

Social Security tax is assessed at 6.2% for employers and employees

- Earning threshold is $142,800
- Maximum tax of $8,853

How Do I Know What My Benefit Is?

Visit *ssa.gov/myaccount/*
to create a "My Social Security account" and view your Social Security Statement online.

Most Americans Get a “D” on a Social Security Quiz.

Source: Americans Sacrifice $3.4 Trillion by Claiming Social Security Too Soon - UCLA Anderson Review

True/False?

Under current Social Security law, full retirement age is 65 no matter when you were born.

Source: Americans Sacrifice $3.4 Trillion by Claiming Social Security Too Soon - UCLA Anderson Review

False

Someone 65 in 2021 has an FRA of 66 and four months.
Someone age 60 today has an FRA of 67.
Claiming before those ages means a reduced benefit.

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When Can You Claim Your Benefits?

Benefits are based on the age when you claim them.

- Earliest age: 62*
- Full retirement age: 66 to 67**
- Latest age: 70

*Surviving spouses can claim survivor benefits at age 60.

**Full retirement age varies depending on year of birth.

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What is Your Full Retirement Age?

The age at which you can receive a full (un-reduced) Social Security retirement benefit.

If you were born in…	Your full retirement age is…
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 or later	67

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Claiming Options

Claiming at age 62

THE CASE FOR IT

Collecting early retirement benefits may make sense if you're broke or near-broke and in the ranks of the long-term unemployed, or if you have serious health issues that may limit your lifespan. About half of Americans claim benefits as soon as they turn 62.

THE CASE AGAINST IT

You'll have to live permanently on a benefit that's at least 25 percent smaller than if you waited just a few more years to collect. (The reduction goes up to 30 percent in 2022 for people born in 1960 or later). Your annual cost-of-living adjustment (COLA) will be smaller, too. Taking this substantial cut in your fixed income will likely affect your ability to live comfortably in retirement.

Bottom line

If you're in good health and don't have enough put away to maintain the standard of living you're accustomed to, then keep working. As you near retirement, you may well be at the top of your earnings game, allowing you to maximize your Social Security benefit and your savings for retirement. You can even make catch-up contributions to your 401(k) or 403(b) plan or to a traditional or Roth IRA

Source: The Social Security Guide | MoneyGeek

Claiming Options

Claiming at full retirement age

THE CASE FOR IT

You collect 100 percent of your benefit.

THE CASE AGAINST IT

You could be collecting more. Social Security gives you an incentive to wait even longer for a bigger payout.

Bottom line

If you haven't saved as much as you should have for retirement and are in relatively good health, it may make sense to wait a little longer up until age 70.

Source: The Social Security Guide | MoneyGeek

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Claiming Options

Claiming up until age 70

THE CASE FOR IT

Your monthly benefit will increase by about 8 percent for each year after your full retirement year that you delay claiming up until age 70, which may be even more important if you're the higher earning half of a couple.

THE CASE AGAINST IT

You don't expect to live to a ripe old age, or you've saved enough to live comfortably in retirement.

Bottom line

Wait if you can. As investments go, an annual return of 8 percent is a no-brainer.

Source: The Social Security Guide | MoneyGeek

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Claiming Options

Strategies for Couples

The 62/70 Split

THE CASE FOR IT

The lower earning spouse, let's say the wife, files early at age 62 to claim a benefit based on her own record. The higher earning husband delays filing until age 70 to collect the highest benefit possible. If the husband dies after 70, his wife can take her husband's bigger benefit and drop her own.

THE CASE AGAINST IT

The lower earner who filed early will collect reduced benefits permanently.

Bottom line

If both people are in good health, delay claiming your benefit until age 70 to collect the highest payout possible.

Source: The Social Security Guide | MoneyGeek

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Claiming Options

File and Restrict

THE CASE FOR IT

Applying for Social Security but restricting your claim to your spousal benefit may boost your lifetime payout. This strategy typically works best in cases where the younger spouse is not the higher earner. Also, you're delaying your own payout so it can grow by 8 percent a year.

THE CASE AGAINST IT

Be careful. If you don't understand the restricted application language and you don't mark that option clearly on your Social Security claim, you'll receive payments from your own record and not from your spouse's.

Bottom line

Congress is phasing out this option, too. Anyone born on or before Jan. 1, 1953, however, is grandfathered in and will still be able to file a restricted application.

Source: The Social Security Guide | MoneyGeek

Claiming Options

Claiming Survivor Benefits Early

THE CASE FOR IT

If your spouse dies and you take the survivors benefit before your full retirement age, you'll collect benefits for a longer period of time.

THE CASE AGAINST IT

If you take the survivors benefit before your full retirement age, the benefit is likely to be reduced by up to 29 percent.

Bottom line

Look before you leap. Each person's situation is different so the decision to take the benefit early is a personal one.

Source: The Social Security Guide | MoneyGeek

True/False?

If I take retirement benefits before my full retirement age, they will be reduced for early filing.

Source: Americans Sacrifice $3.4 Trillion by Claiming Social Security Too Soon - UCLA Anderson Review

True

If I take retirement benefits before my full retirement age, they will be reduced for early filing.

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How Does Filing Early or Later Affect the Monthly Benefit?

Year of birth	Full retirement age	Age 62 benefit	Age 70 benefit
1943–54	66	75.00%	132.00%
1955	66 and 2 months	74.17%	130.67%
1956	66 and 4 months	73.33%	129.33%
1957	66 and 6 months	72.50%	128.00%
1958	66 and 8 months	71.67%	126.67%
1959	66 and 10 months	70.83%	125.33%
1960 & later	67	70.00%	124.00%

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How Claiming Age Affects Monthly and Annual Benefits?

Todd

Birth year: 1956 Full retirement age: 66 + 4 months

	Monthly	Annually
Age 62 benefit (73.33%)	$1,467	$17,604
Full retirement benefit (100%)	$2,000	$24,000
Age 70 benefit (129.33%)	$2,587	$31,044

Marian

Birth year: 1960 Full retirement age: 67

	Monthly	Annually
Age 62 benefit (70%)	$1,680	$20,160
Full retirement benefit (100%)	$2,400	$28,800
Age 70 benefit (124%)	$2,976	$35,712

These hypothetical examples are used for illustrative purposes only.
Actual benefits and results will vary.

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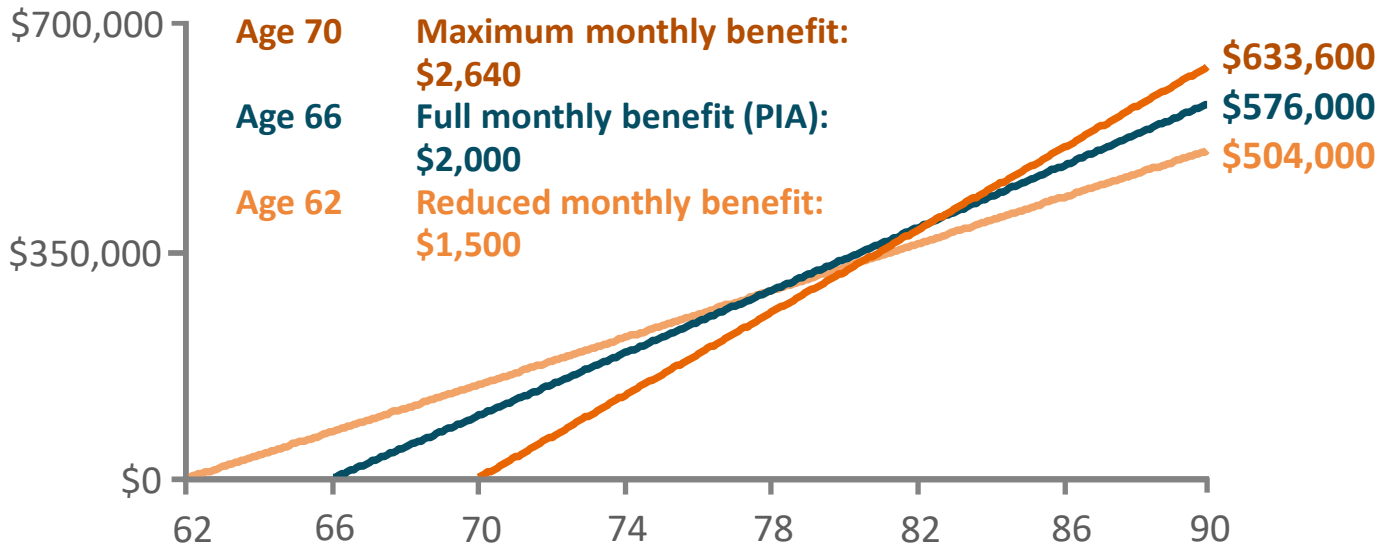
How Claiming Age Affects Lifetime Benefits?

By delaying, you might increase not only your *monthly* benefits but also your *lifetime* benefits, depending on how long you live.



Assumes $2,000 PIA at age 66.

This hypothetical example is used for illustrative purposes only. Actual benefits and results will vary.

True/False?

My Social Security benefits are taxed.

Source: Americans Sacrifice $3.4 Trillion by Claiming Social Security Too Soon - UCLA Anderson Review

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False

They are not, unless your provisional income is above certain levels.

What is Provisional Income?

The Calculation:

Adjusted Gross Income (AGI)
+ Nontaxable Income
+ ½ of Social Security benefit income
= Provisional Income

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Will Your Benefit Be Taxable?

Up to 50% of benefit may be taxable if your combined income* is:
$25,000 to $34,000 and you file as single
$32,000 to $44,000 and you file as married filing jointly
Up to 85% of benefit may be taxable if your combined income* is:
Over $34,000 and you file as single
Over $44,000 and you file as married filing jointly

Provisional Income = adjusted gross income + nontaxable income + ½ of Social Security benefit income

True/False?

Once I start collecting Social Security, my benefit payments will never change.

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False

Social Security offers a COLA to keep pace with inflation.

Understanding COLAs

2000	3.5
2001	2.6
2002	1.4
2003	2.1
2004	2.7
2005	4.1
2006	3.3
2007	2.3
2008	5.8
2009	0.0
2010	0.0
2011	3.6
2012	1.7
2013	1.5
2014	1.7
2015	0.0
2016	0.3
2017	2.0
2018	2.8
2019	1.6
2020	1.3

Since 2000 the average COLA increase has been 2.10%

Source: Social Security Administration, 2021

True/False?

If I delay taking Social Security benefits past the age of 70, I will continue to get delayed retirement credit increases each year I wait.

False

There are no additional delay benefits beyond waiting until age 70 to start.

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True/False?

If I have a spouse and he or she passes away, I will receive both my full benefit and my deceased spouse's full benefit.

False

When a spouse passes away, the surviving spouse is entitled to collect one benefit — hers or her spouse's. (Most surviving spouses are women.) That makes it so important for the highest-earning spouse to consider delaying until age 70, if possible, which locks in the highest possible benefit.

Note: Survivor's benefits may be payable as early as age 60, subject to reduction.

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True/False?

As a divorced person, I might be able to collect Social Security benefits based on my ex-spouse's earnings history.

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False

If you were married for at least 10 years, and you haven't remarried, you can choose to use your ex's Social Security earnings record to determine your benefit. It doesn't matter if your ex has remarried. All that matters is that you haven't.

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Divorce & Social Security Details

As a divorced spouse, you may be entitled to Social Security benefits based on ex's work record if:

- You were married for at least 10 years
- Must be divorced for 2 years
- You have attained the minimum age required
- You are unmarried*
  (it doesn't matter whether ex has remarried)
- Your own worker benefit would be lower than ex-spouse's benefit

Note: Remarriage after reaching age 60 does *not* affect eligibility for survivor benefits if ex is deceased.

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True/False?

Earnings from a job will reduce my benefit.

It Depends…

Earnings from a job will reduce my benefit?
If you're under full retirement age it will. If you have reached full retirement age, it will not.

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How Working Affects Your Benefit?

Before full retirement age	$1 reduction for every $2 that earnings exceed annual limit-- $18,960 in 2021
Year you reach full retirement age	$1 reduction for every $3 that earnings exceed annual limit-- $50,520 in 2021
At or after full retirement age	Earnings will not affect your benefit

True/False?

Social Security is going bankrupt and there won't be any benefits left when I retire?

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False

By 2034, 79% of a person's annual benefits will be funded.

Demographic Trends Are the Cause

- In 1945, the ratio of workers to Social Security beneficiaries was 41.9 to 1*
- In 2013, the ratio of workers to Social Security beneficiaries was 2.8 to 1*
- In 2035, the projected ratio of workers to Social Security beneficiaries will be 2.1 to 1

*Social Security Administration, 2014 OASDI Trustees Report.

What Changes Can We Expect?

Restructuring Social Security always seems to be on the political agenda. Possible future changes may include:

- Delaying full retirement age
- Reducing cost of living increases
- Modifying the benefit formula to reduce basic benefits
- Increasing payroll taxes

Signing Up for Social Security

There are three ways to apply for Social Security benefits:

1. Make an appointment at your local Social Security office to visit in person.
2. Apply by telephone by calling 1-800-772-1213.
3. Apply for Social Security online at www.socialsecurity.gov, a process that typically takes 15 to 30 minutes.

More resources: Get What's Yours: The Secrets to Maxing Our Your Social Security by Laurence J. Kotlikoff, Philip Moeller, and Paul Solman (Simon & Schuster, 2015)

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Time Out for a Tip

Medicare

The Social Security Administration also handles enrollments for Medicare, so you should use the same process to sign up for Medicare three months before you turn 65—even if you're not ready to start receiving Social Security retirement benefits. You can apply for retirement benefits later.

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So, when should I claim Social Security (and how do I avoid leaving $ on the table)?

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It depends, because everyone's situation is different.

A Retirement Income Projection, which includes Social Security & all income sources is key

- Determine maximum income
- Assess breakeven analysis
- Integrate benefit with all retirement assets to determine the highest probability of portfolio survival

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There's literally hundreds of Social Security claiming strategies. Getting a retirement income projection and advice from a retirement specialist is a fabulous idea.

Guaranteed Income Sources

- Social Security Income
- Defined Benefit Pension Income

Ways to create guaranteed income:

- Guaranteed Annuity Income
- HECM Loans (aka reverse mortgage)

NOTE: Each Guaranteed Income Source should be carefully considered to create the most efficient retirement plan…

Implementation of any strategy should be added only after completing a series of "retirement experiments" to assess the value before implementing.

Guaranteed Income Source #2

Defined Benefit Plans

- **Defined Benefit Plans**
  - Traditional Pensions are the exception
  - Company is responsible for generating a guaranteed income for life for each participant

Note: a Defined Contribution Plan is where participant is responsible for creating an income stream that will last a lifetime (and is not "guaranteed")

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Do you have a defined benefit/pension?

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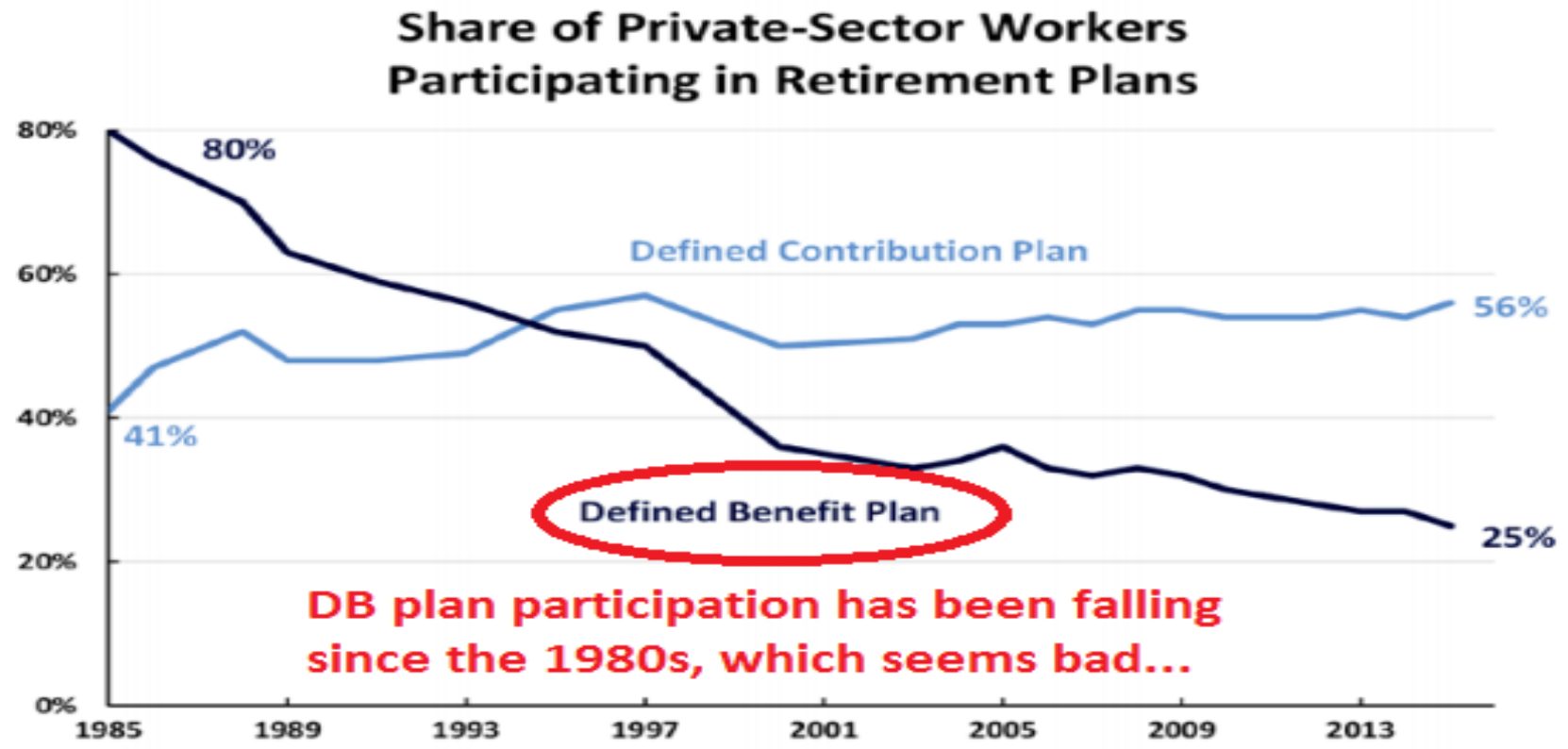
DB Plan Participation Since 1985



Sources: Employee Benefit Research Institute and the Bureau of Labor Statistics, National Compensation Survey

Notes: Employees at medium and large establishments, 1985 to 2015. "Medium and large establishments" denotes those witth 100 or more employees; data are interpolated for the following years: 1987, 1990, 1992, 1994, 1996, 1998, 1999, 2001 and 2002.

Defined Benefit Pension Plans

How They work?

Traditional Pensions pay a guaranteed monthly income for a specified period or lifetime

- Offered by Non-Profit or Private Entity
- The Entity is responsible for the guaranteeing the payments
- A formula is applied for calculating the benefit

Defined Benefit Pension Plans

How They Work?

Typical Payout Options –

- ***Lifetime Income Only***
  - Maximum payout option
  - Payments cease at the death of the pension owner
- ***Lifetime Income with Joint & Survivor option***
  - Reduced payout option
  - Payments continue to the spouse or chosen beneficiary
- ***Many other options may be available***

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Example: Lifetime Income Options

	Retiree Monthly Benefit	Survivor Monthly Benefit	Estate
Single Life Option	$1,667	$0	$0
Joint & 100% Survivor	$1,175	$1,175	$0
Joint & 50% Survivor	$1,500	$750	$0

This hypothetical example is used for illustrative purposes only.

Guaranteed Income Sources

- Social Security Income
- Defined Benefit Pension Income

Ways to create guaranteed income:

- Guaranteed Annuity Income
- HECM Loans – Tenure Option

NOTE: Each Guaranteed Income Source should be carefully considered to create the most efficient retirement plan…

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How to Create a Guaranteed Income Stream?

Create "Your Personal Pension" with Guaranteed Income Annuities

- An insurance-based contract between you and the issuer
- You pay premiums with pre-tax or after-tax dollars
- Issuer invests your money in the general account
- Earnings accumulate tax deferred
- Select from an array of guaranteed Income options
- Earnings are taxed as ordinary income when distributed

There is a surrender charge (CDSC) imposed generally during the first 5-7 years that you own your annuity contract. Withdrawals prior to age 59 1/2 may result in a 10% IRA tax penalty, in addition to any ordinary income tax. The guarantee of the annuity is backed by the claims paying ability of the issuing insurance company.

Guaranteed Income Annuities

Two Types of Annuities

- **Deferred or Accumulation Annuities**
  - Fixed, Variable & Indexed Varieties
  - Provide growth potential

- **Guaranteed Income Annuities**
  - Fixed, Variable & Indexed Varieties
  - SPIA or GMIB
  - Provide immediate guaranteed income
  - Guarantee provided by the issuing insurer

Three Types of Income Annuities

1. Single Premium Immediate Annuity (SPIA)

- Purchase with a lump-sum premium payment
- Can purchase with Non-Qualified or Qualified funds
- Pays an immediate guaranteed income for life
- Many payment options, similar to a Defined Benefit Plan
- Can select an annual inflation adjustment typically between 1-3%

N/B: Investors should consider the investment objectives, risks, charges, and expenses of the variable annuity and the underlying subaccounts carefully before investing. The prospectus contains this and other information about the variable annuity.
Index annuities are insurance contracts that, depending on the contract, may offer a guaranteed annual interest rate and some participation growth, if any, of a stock market index. Such contracts have substantial variation in terms, costs of guarantees and features and may cap participation or returns in significant ways. Any guarantees offered are backed by the financial strength of the insurance company, not an outside entity. Investors are cautioned to carefully review an index annuity for its features, costs, risks, and how the variables are calculated.

*The guarantees of fixed annuity contracts are contingent on the financial strength and claims-paying ability of the issuing insurance company

Three Types of Income Annuities

2. Variable Annuity with a GMIB Rider

- Purchase with a Lump sum or series of contributions
- Purchased with NQ or Qualified funds
- Earnings Grow Tax Deferred during the accumulation phase
- Growth is based on the returns of Separate Accounts which are similar to Mutual Funds
- As with mutual funds the value will fluctuate with the market returns

*The guarantees of fixed annuity contracts are contingent on the financial strength and claims-paying ability of the issuing insurance company

Three Types of Income Annuities

2. Variable Annuity with a GMIB Rider (GMIB)

- GMIB Rider is an additional annual expense
- Income will begin when the GMIB is “turned on”
- Typically the guaranteed income is 4-6% of the account value
- The income will be guaranteed for life by the issuing insurer

*The guarantees of fixed annuity contracts are contingent on the financial strength and claims-paying ability of the issuing insurance company

Three Types of Income Annuities

3. Fixed Indexed Annuity with a GMIB Rider

- GMIB Rider is an additional annual expense
- Income will begin when the GMIB is “turned on”
- Typically the guaranteed income is 4-6% of the account value
- The income will be guaranteed for life by the issuing insurer
- Can Purchase with a Lump sum or series of contributions
- Can be purchased with NQ or Qualified funds
- Earnings Grow Tax Deferred during the accumulation phase
- Growth is based on the returns of an investible index such as the S&P 500 Index and a percentage of the index gain will be credited
- Principle is guaranteed with no market loss potential

*The guarantees of fixed annuity contracts are contingent on the financial strength and claims-paying ability of the issuing insurance company

Guaranteed Income Sources

- Social Security Income
- Defined Benefit Pension Income

Ways to create guaranteed income:

- Guaranteed Annuity Income
- HECM Loans – Tenure Option (MDRS strategy)

NOTE: Each Guaranteed Income Source should be carefully considered to create the most efficient retirement plan…

Implementation of any strategy should be added only after completing a series of "retirement experiments" to assess the value before implementing.

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Time Out for a Tip

A Reverse Mortgage is not a bad thing!

It's been called the Swiss Army Knife or retirement planning by many researchers

How to Create a Guaranteed Income Stream?

HECM Loans: thinking outside the box

- Your home is a dead asset…can turn home equity into a **"Safety Net"** as a buffer to protect you against the what-ifs
- Your home equity is a major asset that can be integrated into a well orchestrated retirement plan
- Leading academic research indicates that the use of home equity in retirement may increase the probability of portfolio survival and also increase the legacy to loved ones.

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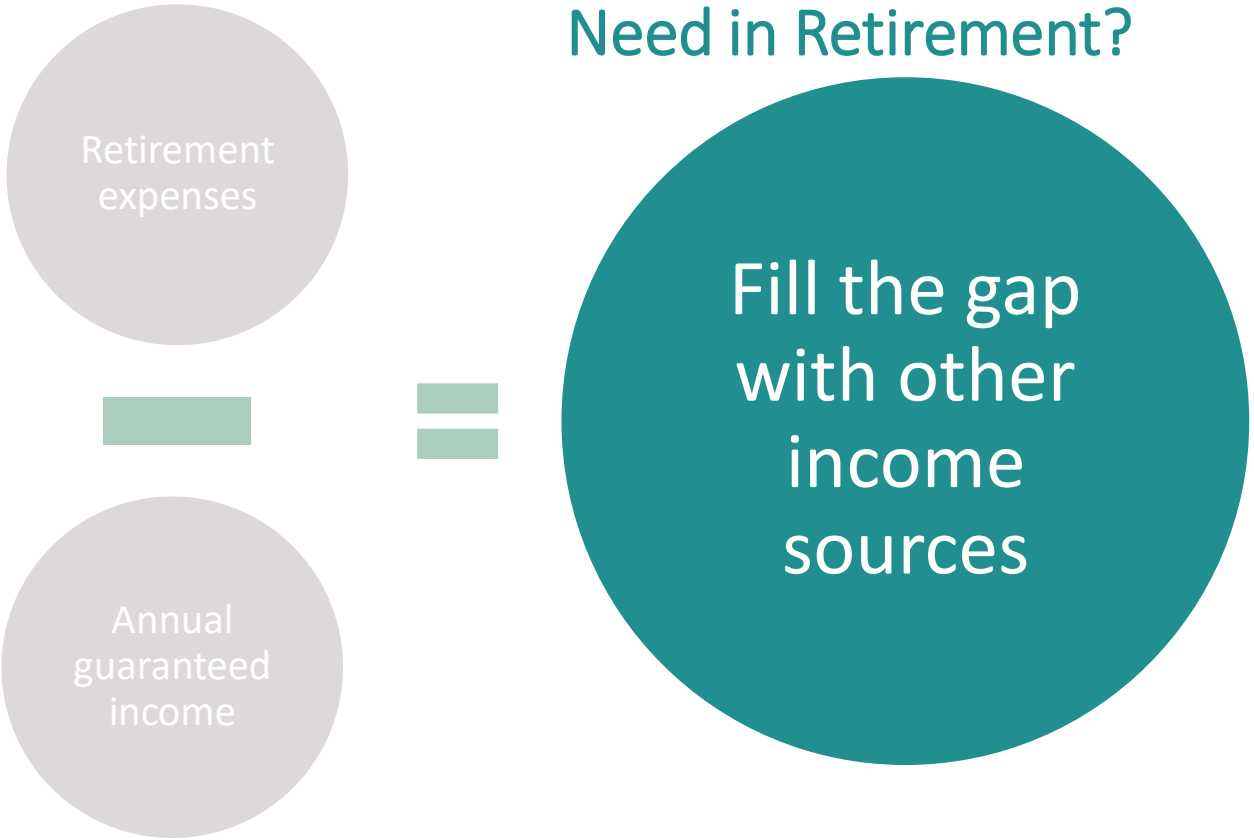
Can you name one of the four Guaranteed Income Sources?

Retirement Income Planning

- Step 1: Calculate Your Expense Budget
- Step 2: Calculate Your Income Sources
- Step 3: Determine Any Gap



Filling the Income Gap

Most people have a gap and that's where your Other Income Sources & Investments play a BIG role

Other Sources

Defined Contribution Plans

Most people today, rely on their Defined Contribution Plans (or 401k. 403b, etc) to fill the income gap

- Each participant is responsible for creating an income stream that will last a lifetime (subject to the performance of the **investment** strategy selected and the market).

Note: not a guaranteed income source because the amount you will receive is tied to the performance of the investment strategy selected and the market.

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Do you have a defined contribution plan...and what type?

Started in 1974...Incentives included...

1. Tax Deductions on Contributions
2. Tax Deferral on Gains
3. Payroll Deduction
4. Exemptions from creditors

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Are There Any Catches?

"Tax Prison"

- All distributions are fully income taxable
- 10% penalty for early withdrawal (per 59 ½)
- 50% penalty if you fail to take distributions (72)

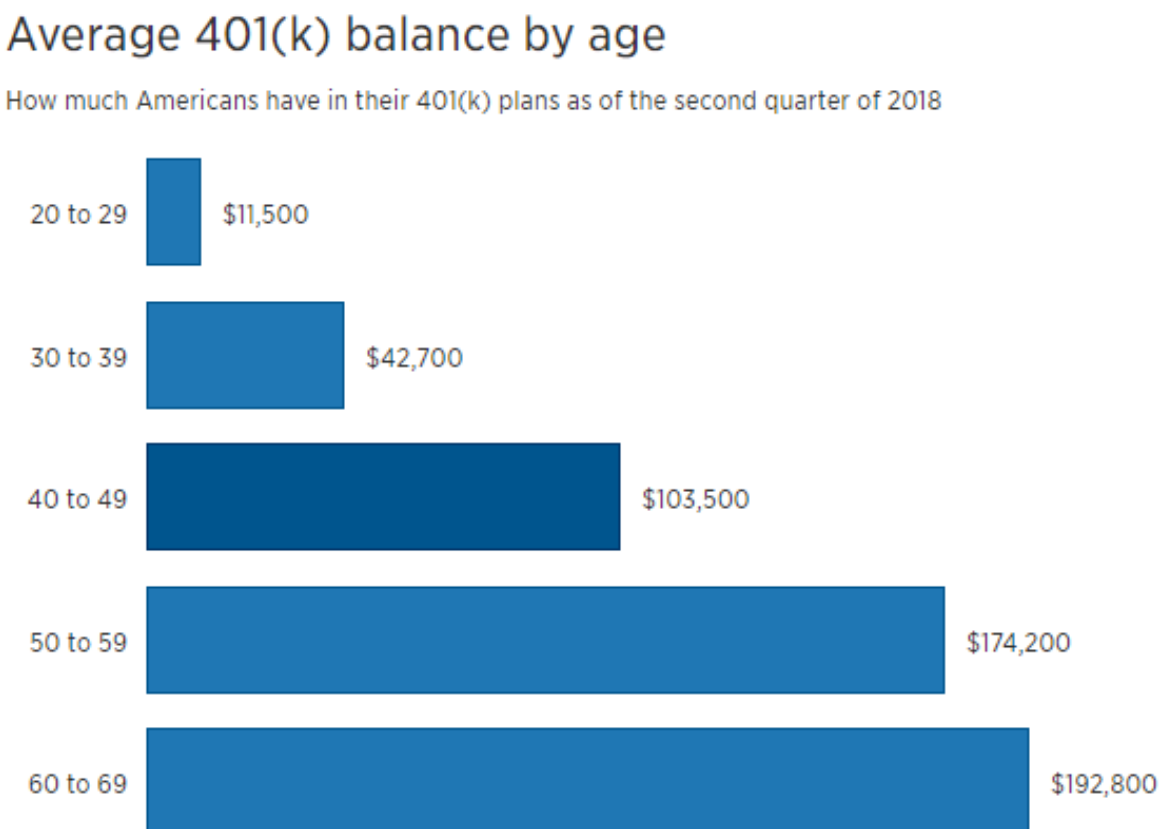
Other Sources

Defined Contribution Plans

Source: https://www.cnbc.com/2018/09/12/how-much-money-americans-have-in-their-401k-accounts.html

Other Sources

Defined Contribution Plans



Source: https://www.cnbc.com/2018/09/12/how-much-money-americans-have-in-their-401k-accounts.html

Other Sources: Defined Contribution Plan

How Do You Compare?

How much the best retirement savers and investors set aside

Using the Net Wealth to Income Ratio, Merrill strategists have found that the best retirement savers — those whose savings are greater than 90% of people in their age and salary range — have saved a total of:

Note: Calculations based on the Federal Reserve's latest triennial Survey of Consumer Finances (2016). Note: Net wealth does not include housing wealth or housing debt. Net wealth equals Financial Assets (FIN) less debt (DEBT) add mortgage debt (NH_MORT) Definition: Financial assets: (FIN) Consists of liquid assets, certificates of deposit, directly held pooled investment funds, stocks, bonds, quasi-liquid assets, savings bonds, whole life insurance, other managed assets, and other financial assets. See the definition of each asset for further details. Debt (DEBT): Includes principal residence debt (mortgages and HELOCs), other lines of credit, debt for other residential property, credit card debt, installment loans and other debt. Mortgage Debt (NH_MORT): Includes all mortgages and home equity loans secured by the primary residence income. (INCOME): Household income for previous calendar year. Includes wages, self-employment and business income, taxable and tax-exempt interest, dividends, realized capital gains, food stamps and other support programs provided by the government, pension income and withdrawals from retirement accounts. Does not take into account taxes. Social Security income, alimony and other support payments, and miscellaneous sources of income. Source: Global Wealth & Investment Management Chief Investment Office.

Other Sources

Defined Contribution Plans

401(k)s, 403bs, SIMPLE IRAs are American's answer to disappearing Traditional Pension Plans.

- Employee contributes to the plan through payroll deductions to accumulate retirement funds tax deferred
- Each participant is responsible for creating an income stream that will last a lifetime (will discuss in next section)
- Many workers today have money saved in these plans
    - As of March 31, 2019, 401(k) plans held $5.7 trillion in assets and represented more than 19% of the $29.1 trillion in US retirement assets, which includes employer-sponsored retirement plans (both defined benefit (DB) and defined contribution (DC) plans, IRAs and annuities.

Other Sources
Defined Contribution Plans

Contribution Levels (2021)

401(k) Plan (Traditional & Roth)

$19,500 + Catch-Up: $6,500

$26,000

DC Plans (basic limit) = $58,000 (w/ catch-up $64,500)

*The $19,500 elective deferral limit is also known as the 402(g) limit, after the relevant tax code section. Participants' annual contributions may not exceed 100 percent of their compensation.

**The $6,500 catch-up contribution limit for participants age 50 or older applies from the start of the year to those turning 50 at any time during the year.

***Total contributions from all sources may not exceed 100 percent of a participant's compensation.

Source: IRS Notice 2020-79.

Source: 401(k) contribution limit increases to $19,500 for 2020; catch-up limit rises to $6,500 | Internal Revenue Service (irs.gov)

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Other Sources

Defined Contribution Plans

Defined Contribution Plan Limits	2021	2020	Change
Maximum employee elective deferral (age 49 or younger)*	**$19,500**	$19,500	unchanged
Employee catch-up contribution (age 50 or older)**	**$6,500**	$6,500	unchanged
Maximum employee elective deferral plus catch-up contribution (age 50 or older)	**$26,000**	$26,000	unchanged
Defined contribution maximum limit, employee + employer (age 49 or younger)***	**$58,000**	$57,000	+$1,000
Defined contribution maximum limit (age 50 or older); maximum contribution all sources + catch-up	**$64,500**	$63,500	+$1,000
Employee compensation limit for calculating contributions	**$290,000**	$285,000	+5,000
Key employees' compensation threshold for nondiscrimination testing	**$185,000**	$185,000	unchanged
Highly compensated employee (HCE) threshold for nondiscrimination testing	**$130,000**	$130,000	unchanged

Source: For 2021, 401(k) Contribution Limit Unchanged for Employees, Up for Employers (shrm.org)

Other Sources

Defined Contribution Plans

Options When Retiring or Changing Jobs

- Leave money in current plan until needed (or until required to begin distributions)
- Roll money into a new employer's plan

Distribution options:

- Lump-sum distribution (taxable)
- Create a Lifetime annuity (tax-free)
- Rollover to an IRA (tax-free)
- In-service withdrawals at age 59 ½ (tax-free)

Other Sources

Individual Retirement Accounts (IRAs)

IRAs (Traditional & Roth IRAs)

Individual Retirement Accounts

- IRAs are tax-favored savings vehicles
- Investment plans designed to accumulate assets for retirement
- IRAs provide flexibility since you have virtually unlimited investment choices.

Other Sources

Individual Retirement Accounts (IRAs)

Traditional IRAs

- Tax deductable contributions to income limits (see next slide)
- Tax deferred growth
- Taxable withdrawals

- Subject to RMDs at age 72
- Subject to SSI Provisional Income
- Potential Increase in Medicare Premiums

Other Sources

Individual Retirement Accounts (IRAs)

Contribution Levels (2021)

IRA & Roth IRA

$6,000 + Catch-Up: $1,000

$7,000

Source: 401(k) contribution limit increases to $19,500 for 2020; catch-up limit rises to $6,500 | Internal Revenue Service (irs.gov)

Other Sources

Individual Retirement Accounts (IRAs)

IRA Deductibility Phase-Out Rules (based on AGI)

If both spouses are covered by a DC Plan

Married Filing Jointly	$105,000 - $125,000
Married Filing Separately	$0 - $10,000
Single or Head of Household	$66,000 - $76,000

If one spouse is covered by a DC plan

Married Filing Jointly	$198,000 - $208,000

Source: IRS.gov

Other Sources

Individual Retirement Accounts (IRAs)

Roth IRAs

- Contributions made using after-tax dollars
- Tax Deferred Growth – Contributions and earnings compound tax-deferred
- Tax-Free Withdrawals – Your contributions and earnings can be withdrawn tax free (subject to five-year holding period plus age restriction)

- **Tax planning flexibility**
  - No RMDs Required
  - NOT subject to Social Security Provisional Income calculation
  - No Potential increase in Medicare Premiums

Other Sources

Individual Retirement Accounts (IRAs)

Roth IRA phase-out based on MAGI

Married Filing Jointly	$198,000 – 208,000
Married filing separately and lived with your spouse	$0 - $10,000
Single or Head of Household, or Married filing separately and lived apart from your spouse	$125,000 - $140,000

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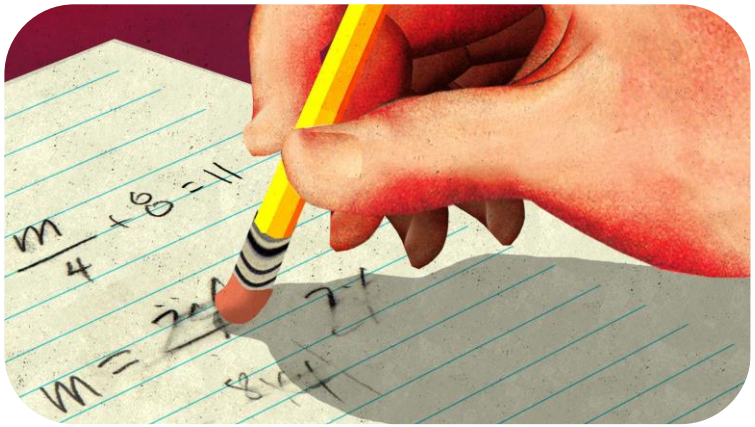
Top 10 401k/IRA Mistakes

Approximately 80% of IRA owners make these mistakes

Mistake #1

Not knowing how the NEW “Secure Act of 2019” will impact your retirement accounts



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Secure Act Benefits

- Eliminates the 70 ½ age limit for making traditional IRA contributions (You can contribute longer)
- Increases the RMD age from 70 ½ to age 72 (You can wait longer to take distributions)

Note: If you turned age 70 ½ in 2019 or earlier, you must continue to take your required distributions. The new age 72 start date will not apply to you

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Secure Act Tax Break

You may be able to neutralize the tax on your required minimum distribution (RMD)

If you have earned income

Example

$14,000 taxable IRA/401k distributions (RMD)

$14,000 IRA deposit ($7,000 your IRA - $7,000 for your spouse

= Net Zero Tax

Rules: Must be age 50 or over. Must have earned income. You cannot contribute more than your earned income. Social security, pensions, interest, dividends and rental property income are not considered earned income

Secure Act - Beneficiaries

Old rules:

Children and grandchildren could spread their distributions and taxes over their individual life expectancies

New Rules:

Children/ grandchildren and all other non-spouse beneficiaries must pay the taxes no later than 10 years after they inherit

Secure Act – Non Spouse Beneficiaries

- Cash out the account now and pay all of the taxes now
- Spread the distributions and taxes over 10 years
- Wait until the 10th year to take a full taxable distribution

Secure Act – Non Spouse Beneficiaries

- Cash out the account now and pay all of the taxes now
- Spread the distributions and taxes over 10 years
- Wait until the 10th year to take a full taxable distribution

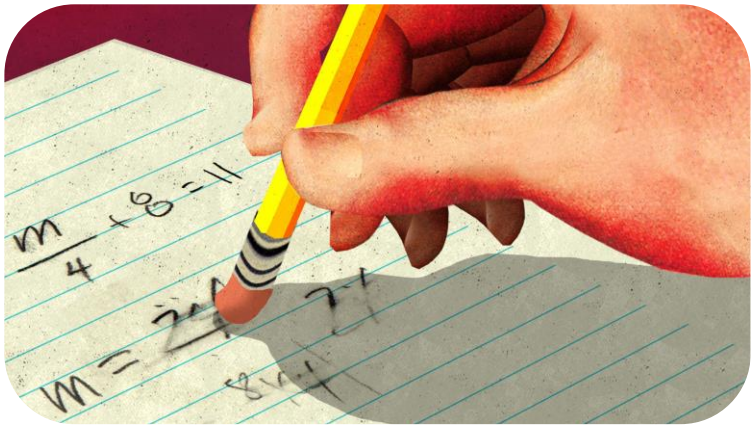
Mistake #2

Missing a required minimum distribution (RMD)

First distribution is due by April 1 of the year after you turn age 72

All future distributions are due by Dec. 31

Missed distribution causes 50% Excise Tax



This is the #1 mistake IRA owners make!!

Missed RMD Example

$10,000 Missed distribution (RMD)

$3,000 Income tax

+ $5,000 Excise Tax (½ of distribution)

= 8,000 Total tax + penalty

$8,000 to the IRS – only $2,000 from the RMD left for you

The IRS IS your money partner

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Time Out for a Tip

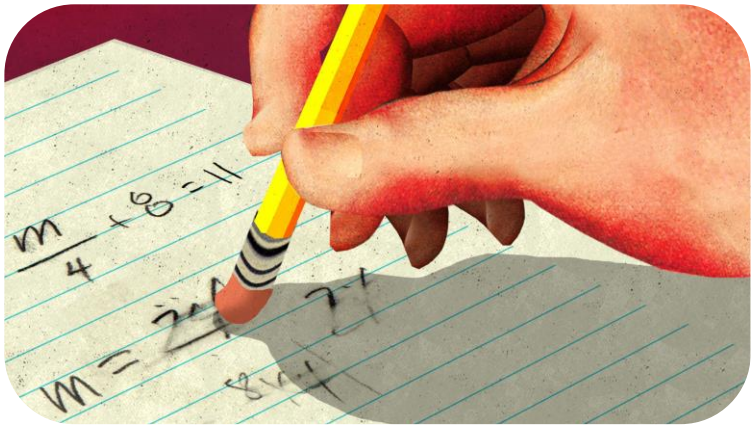
Cares Act

Eliminated RMDs for 2020,
but they are back for 2021

Mistake #3

Not properly designating beneficiaries.

Can leave a glaring hole in your estate plan.



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U.S. Supreme Court UNANIMOUSLY ruled

William Kennedy's Ex-spouse receives his $402,000 retirement plan because she was the named beneficiary.

Under the divorce decree of 1994 his ex-spouse waived her rights to any benefits from his retirement plan.

They agreed that the proceeds to be paid to their daughter but failed to change the beneficiary document.

Mr. Kennedy died in 2001

The beneficiary form trumps everything, regardless of what a well trust divorce decree or other signed documents say.

Too much too fast

It is estimated that the average inheritance is spent between 90 days and 17 months!

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“Those who save money or better at handling money than those who inherit money.”

Properly set a beneficiary document to prevents losses due to...

- Spendthrift problems
- Divorce
- Bankruptcy
- Disinheriting grandchildren
- Cost of time and probate
- Bad choices - inexperienced beneficiaries

should get a beneficiary form checkup anytime you have a precipitating event, for example, a current beneficiary passes away, or a new potential beneficiary is born, one of your beneficiaries is going through a divorce.

These are all triggering events that tell you it's time to get

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Time Out for a Tip

Get a Beneficiary Check Up

You should get a beneficiary form checkup anytime you have a precipitating event, for example, a current beneficiary passes away, or a new potential beneficiary is born, one of your beneficiaries is going through a divorce.

These are all triggering events that tell you it's time to get your beneficiary form checked out.

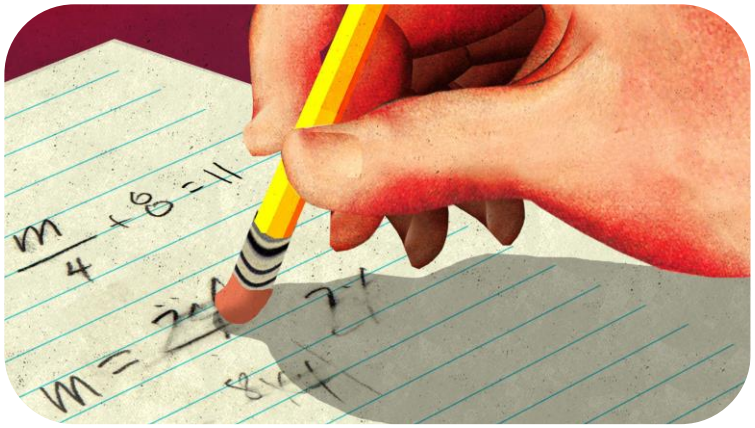
No cost

No obligation

Correct any mistakes

Mistake #4

Not knowing the new IRA/401K rollover rules could cause immediate taxation.



Roll-Over Rules

Two ways to transfer your IRAs:

1. Indirect roll-over
2. Direct roll-over

Indirect Roll-over

Current custodian sends check to you….

Your check to bank, 60 day deadline

Only one indirect rollover every 365 days.

Additional indirect IRA rollovers same year.

100% taxable - 20% tax withholding

Example

Judy has 2 accounts - IRA $50,000 and IRA $250,000.

Judy does an indirect roll-over with her $50,000 IRA in January.

Three months later Judy does a second indirect roll-over with her $250,000 IRA.

The second indirect roll-over is no longer an IRA, Judy will need to pay income tax on the entire $250,000.

Direct Roll-over

Current custodian transfers directly from one institution to another.

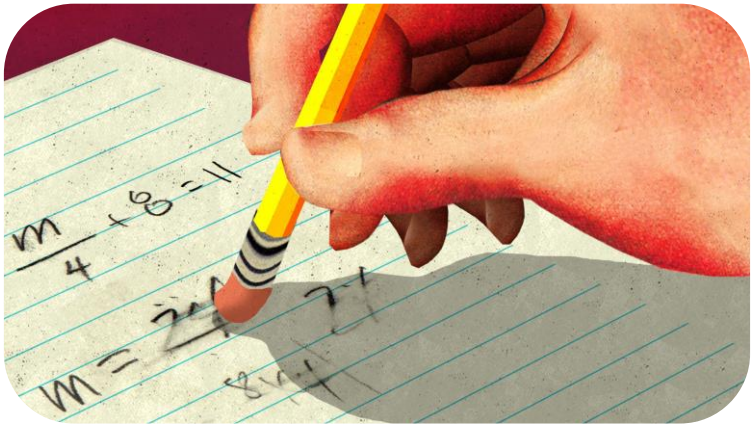
You don’t receive a check - sent directly to institution.

You can do a direct roll-over as often as you want without any tax consequences no 20% mandatory withholding.

Mistake #5

Too much of your IRA at risk can easily destroy your retirement plans.

If you need income from your IRA or want to leave a legacy for your family.



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“The most powerful force in the universe is compound interest.”

-Albert Einstein

Compound Interest Scenario: 2000-2019

	Year	S&P500	S&P acc. $100k+	FIXED acc. $100k (4.0%)
$200,000 Invested Jan. 1, 20000	2000	-10.14	89,950	104,000
	2001	-13.04	78,142	108,160
	2002	-23.37	59,880	112,486
	2003	+26.38	75,676	116,985
	2004	+8.99	82,480	121,665
	2005	+3.00	84,954	126,532
	2008	-33.84	61,000	142,000
	2019	+29.00	$219,992	219,112

Compound Interest Scenario Explanation

Here is a scenario to consider. It's January the 1, 2000, and you have $200,000 to invest. You decide to put some of it in the S&P account, and that's just money in the market. You decide to put the other 100,000 in a fixed account that's going to give you a 4% rate of return. Let's see what happens. Well, we all know 2000 through 2002 we had the tech bubble crash. Your original $100,000 is now down to $59,800, and in this fixed account at just 4% you're at $112,000. What has to happen for you to get back those losses that you just took in the market? Well, you just need some good market years, and we had five in a row. Look at 2003, the S&P jumped 26% and it worked. You are now at just over $75K, but over in the fixed account at just 4% you're at almost $117K.

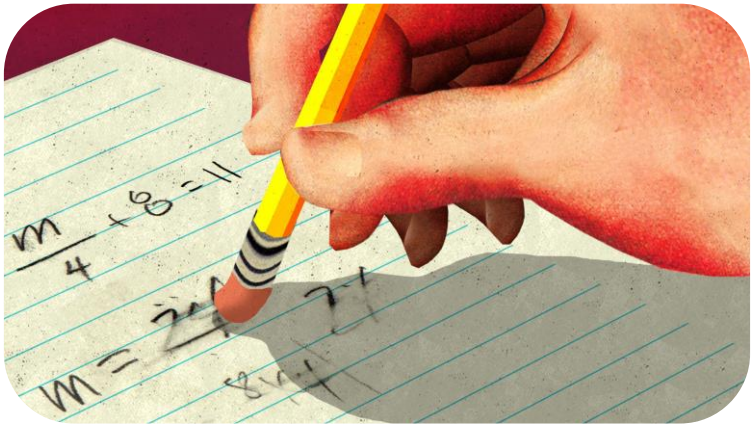
Then in 2008 we saw the great crash. We went into a recession, which had a lot to do with subprime lending, and now your S&P account is down to $61,000, and if you look over to the right column, your fixed account at only 4% has grown to $142,000. Like I said before, what needs to happen when you lose money in the market? Well, you just need some good market years to get your money back, and we had two in a row, 2009 at 23% and 2010 at 12%, but you'd only backup to $85,000 in your S&P account. In the fixed account at 4%, you're at $153,000. Let's just close this out. Between 2011 and the end of 2019, we had a couple of flat years, one slightly down year, but mostly good years. The bottom line is in your S&P account by 2019, you would have ended up with $219,992, and in the fixed account at 4% you would have $219,112.

But let me point out one thing, the S&P account balance only outperformed the 4% compounded one out of the last 19 years, and that was in 2019.

Mistake #6

Overpaying fees and loads on 401Ks/IRAs and other retirement accounts.

How to free your retirement accounts from excessive fees and loads.



$200,000 IRA - 5% Return -- 10 Years

1.5% Annual fee

$282,119 balance**

No Fee

$325,778 balance*

$43,659 or 15% more with no fee

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401k Hidden Fees

1. Investment Fees
2. Plan administration fees
3. Individual Service Fees
    a. Average 2.22%

Average Worker Pays $138,336 in fees over their lifetime!

Source: SmartAsset.com

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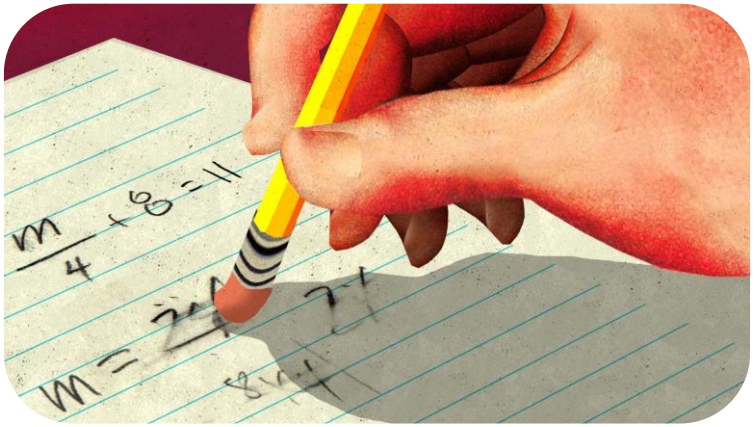
Ways to Reduce Fees

- Check for Lower-Cost Share Classes
- Replace Your Funds with Lower-Cost Alternatives
- Renegotiate with Your Current Provider
- Switch to a New Provider
- Replace Your Funds with Index Funds
- Lobby Your Employer
- Move Your Assets to an IRA

Mistake #7

Not knowing the secret to converting your retirement account.

TAX FREE INCOME



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From the first day you contributed to your retirement plan

Uncle Sam became your partner!

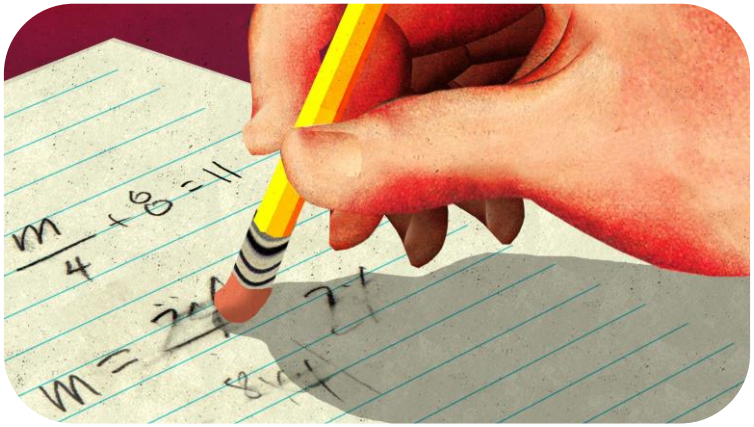
The Roth IRA conversion may be the best solution.

- Pay income tax on your IRA when you convert
- Roth IRA owners not forced to take distributions
- Distributions and gains are INCOME TAX FREE

Small tax bite today, may save a fortune in taxes tomorrow (more on this in class 4).

Mistake #8

Not moving 401k, 402b and TSP plans to more flexible IRAs.



Why participate in a 401k, 403b or TSP plans?

#1 Reason

Employer Matching Funds -- Free Money

When contributions stop -- Free money ends

Time to get YOUR MONEY out of the plan.

What should you do with your 401k - 403b when you retire?

- Leave the money in the plan
- Roll the plan to an IRA

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Leave Your Money in the Plan

- Plan guidelines can restrict access to your money
- Investment options are limited
- Limited distribution flexibility - children and grandchildren
- Most 401k - 403b plans do not offer the roth conversion
- Market risk (mutual funds)
- Fees and loads (.20% to 5% - average 2.22%)

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Roll the Plan to an IRA

- Direct roll-over avoids the 20% mandatory withholding
- Your money continues to grow tax deferred
- You control where your money is invested
- IRAs offer the roth conversion
- Eliminate market risk
- Eliminate fees and loads of 401k

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401k Rollover Opportunity at Age 59 ½

- Most 401k, 403b and TSP plans offer only mutual funds
- In-service transfers to an IRA can protect the principal from market down-turns
- Plan participants can continue to contribute after an inservice roll-over

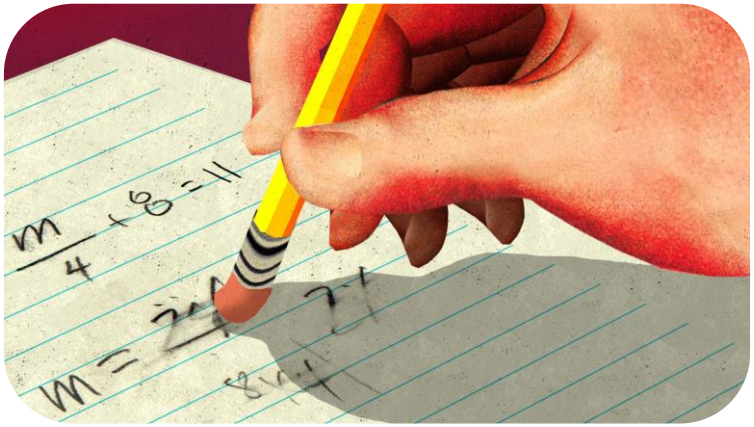
If you are laid off or change employment -- you may also be able to move your 401k Now!!

Mistake #9

Too many retirement accounts.

Retirement mess!

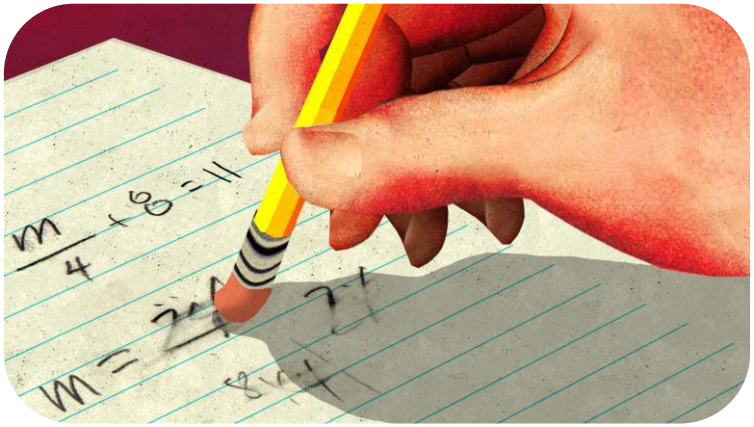
Time to consolidate



Mistake #10

Not getting a second opinion.

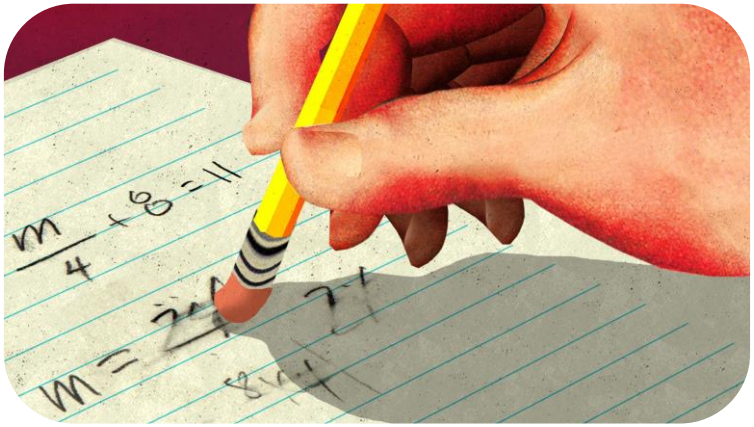
Save a ton of $ on fees, loads and taxes!



Mistake #11

Not having a plan that gives you GUARANTEED income for life.

You can turn some of your assets into a Guaranteed Income for Life.



Tom Hegna - Best Selling Author

Dont Worry Retire Happy!

It's proven…"Guaranteed income for life helps retirees live longer."

"Lifetime income stream = key to retirement happiness."

Some retirement assets can be turned into a guaranteed income for life.

[Retirees with a Guaranteed Income Are Happier, Live Longer | Kiplinger]

Avoiding Mistakes & Seek Expert Advice can make the difference between

Rapid and Over-Taxation

and

Lifetime of Income

Other Sources

Taxable or NQ Investments

Investments held outside of a retirement plan

- Examples of investment types include stocks, annuities, structured investments, bonds, REITs, mutual funds, and others
- Investments can be used to create a guaranteed income annuity
- As you approach and begin retirement, you should consider making adjustments to your investment mix to reflect changes in your circumstances

Other Sources

Deferred or Accumulation Annuities

Three Types of Deferred Annuities

- **Fixed Annuity** – Interest is based upon a fixed rate of interest and principal is guaranteed
- **Variable Annuity** – Interest is based upon investments that are similar to mutual funds.
  - Principal value will fluctuate based upon the underlying mix of investments selected
- **Fixed Indexed Annuity (The Hybrid Annuity) -** Interest is linked to an external investment index.
  - A percentage of the index will be credited to the account at each crediting term.
  - The principal value is guaranteed.

N/B: Investors should consider the investment objectives, risks, charges, and expenses of the variable annuity and the underlying subaccounts carefully before investing. The prospectus contains this and other information about the variable annuity.
Index annuities are insurance contracts that, depending on the contract, may offer a guaranteed annual interest rate and some participation growth, if any, of a stock market index. Such contracts have substantial variation in terms, costs of guarantees and features and may cap participation or returns in significant ways. Any guarantees offered are backed by the financial strength of the insurance company, not an outside entity. Investors are cautioned to carefully review an index annuity for its features, costs, risks, and how the variables are calculated.

*The guarantees of fixed annuity contracts are contingent on the financial strength and claims-paying ability of the issuing insurance company

What If You Haven't Saved or Invested Enough and There's Still a Gap?

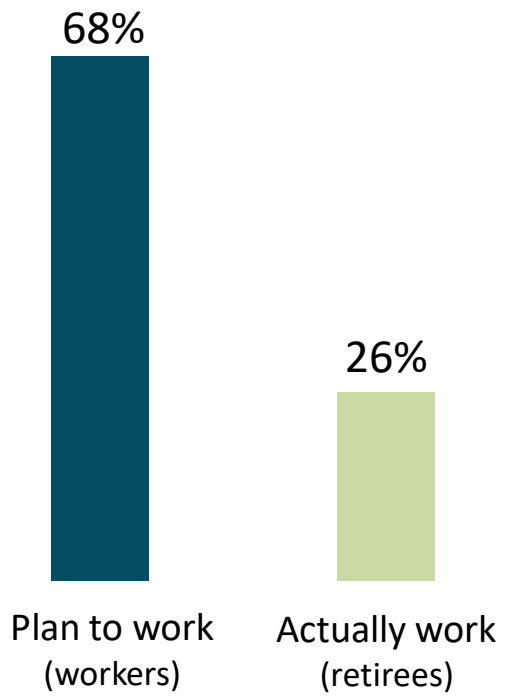
Other Sources

Part-Time Employment Income

Other Sources

Working in Retirement

- Working for yourself or someone else during retirement does provide an important source of income for many
- Potential Issues:
  - Reducing Social Security benefits
  - Creating a tax burden when combined with annuity payments from a pension plan



Although 68% of workers expect to work for pay in retirement, only 26% of today's retirees are actually doing so. Working for pay can affect your Social Security benefits

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Other Sources

Working in Retirement

Working in retirement: expectations vs. reality

If you're planning to work in retirement so you can save less today, be realistic about your expectations. The annual *Retirement Confidence Survey* from the Employee Benefit Research Institute (EBRI)* has consistently found that American workers are far more likely to *expect* to work in retirement than actually end up doing so.

In EBRI's latest report, 79% of respondents planned to work in retirement, compared with just 29% of retirees who report they have worked for pay in retirement."

* Employee Benefit Research Institute 2017 Retirement Confidence Survey: *Worker Confidence Stable, Retiree Confidence Continues to Increase*, March 2017.

https://www.ebri.org/retirement/retirement-confidence-survey/2017-retirement-confidence-survey-2017-results

Do you plan to keep working in retirement?

Other Sources

Life Insurance - Cash Values

- Life insurance can provide supplemental income for unexpected retirement costs, like long-term care or medical bills.
- Policy cash value may earn dividends or interest depending on type of contract you choose. Accumulation is tax-deferred.
- Withdrawals of premiums are tax-free.
- Loans may be tax-free
- ***No RMDs required and not subject to Social Security Provisional Income calculation***

*Guarantees, including optional benefits, are backed by the claims-paying ability of the issuer, and may contain limitations, including surrender charges, which may affect policy values.

Other Sources

Rental Real Estate Income

- Rental real estate can generate ordinary income (or losses), passive income (or losses), capital gains and depreciation
- If you own rental real estate, this can influence your tax planning during retirement

Other Sources

Inheritances

- It is important to consider any potential inheritances as a source of retirement income
- The U.S. population is currently experiencing the largest transfer of estate assets in our history
- Add this income source to your retirement projection

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If after calculating ALL your income sources and you still have a gap, don't stress yet?

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Consider These Four Words First...
Multi-Discipline Retirement Strategies

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“ Most advisors concentrate solely on managing investments. They don’t incorporate all the intricate retirement strategies that must be utilized to dramatically increase the probability of a retiree’s success.”

–Dr. Wade Pfau, Retirement Researcher

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Non-Traditional Approach

The 5 Most Important Multi-Discipline Strategies

1. **Retirement Portfolio Optimization (RPO) –** *Reducing volatility in your portfolio is imperative to creating a sustainable retirement income for life.* Properly combining a globally diversified stock portfolio, structured products and principal protected FIAs can dramatically reduce portfolio risk and thereby increase portfolio survival (meaning not running out of money).

2. **Tax Efficient Income Distribution –** *Tax efficiency in retirement will reduce taxes and ultimately increase the probability of portfolio survival.* Tax diversification (having tax-free, taxable and tax-deferred investments) in retirement offers the ability to create a tax efficient income distribution strategy.

3. **Social Security Timing** – *Proper Social Security filing and maximizing this important income source can dramatically increase the probability of retirement success.* Social Security income accounts for almost 33% of the average retirement income for retired Americans.

Non-Traditional Approach

The 5 Most Important Multi-Discipline Strategies

4. **Alpha-Efficient Portfolio Management** - *Adding positive manger "Alpha Effect" to a retirement portfolio can increase portfolio survivability when withdrawing income.* A high-quality investment portfolio incorporating low-cost passive index funds with active money managers can potentially increase returns above a "passive only" strategy.

5. **Prudent Use of Home Equity in Retirement** - *Leading academic research indicates that the use of home equity in retirement can increase the probability of portfolio survival* and increase the legacy to loved ones.

Activate
Go to Settin

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According to Several Research Studies...

Multi-Discipline Retirement Strategies Can Potentially Get You 3% or More Additional Value from Retirement...

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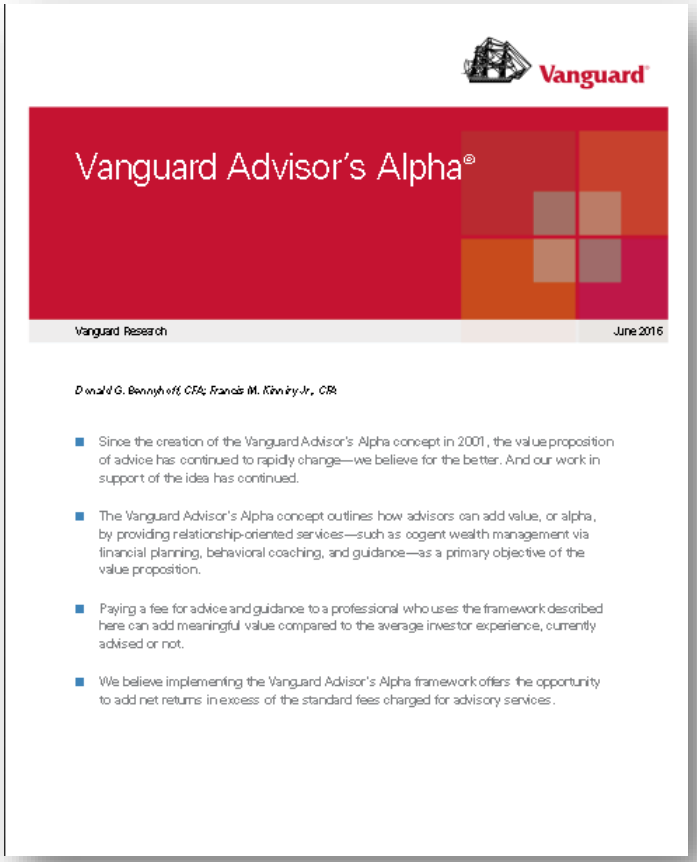

Vanguard

Vanguard Advisor's Alpha®

Vanguard Research June 2016

Donald G. Bennyhoff, CFA; Francis M. Kinniry Jr., CFA

- Since the creation of the Vanguard Advisor's Alpha concept in 2001, the value proposition of advice has continued to rapidly change—we believe for the better. And our work in support of the idea has continued.
- The Vanguard Advisor's Alpha concept outlines how advisors can add value, or alpha, by providing relationship-oriented services—such as cogent wealth management via financial planning, behavioral coaching, and guidance—as a primary objective of the value proposition.
- Paying a fee for advice and guidance to a professional who uses the framework described here can add meaningful value compared to the average investor experience, currently advised or not.
- We believe implementing the Vanguard Advisor's Alpha framework offers the opportunity to add net returns in excess of the standard fees charged for advisory services.

Vanguard Investments study…

Proper retirement strategies can add as much as 3% equivalent return to a retirement portfolio.

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Figure 1. Popular Studies Estimating The Economic Benefits Of (Portfolio-Related) Financial Advice

	MORNINGSTAR GAMMA	VANGUARD ADVISOR ALPHA	ENVESTNET CAPITAL SIGMA
Financial Planning Advice/ Dynamic Withdrawal Strategies	70bps		50bps
Asset Class Selection/ Allocation & Product Selection	67bps		28bps
(Lower Cost) Investment Selection		45bps	82bps
Systematic Rebalancing		35bps	44bps
Tax-Efficient Withdrawal Ordering	23bps	Up to 70bps	
Asset Location	23bps	Up to 75 bps	
Behavioral Coaching		150bps	
Tax Loss Harvesting			100bps
Total Advisor Value	**1.59%/year**	**>3%/year**	**>3%/year**

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Other studies…

Return can be even higher, depending on strategies deployed.

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Morningstar's research estimates a retiree can expect to

generate 22.6% more income

Investment-only portfolio...

annual income of $60,000

Retirement optimized portfolio strategies

annual income of $73,560

$13,560 MORE per year!!

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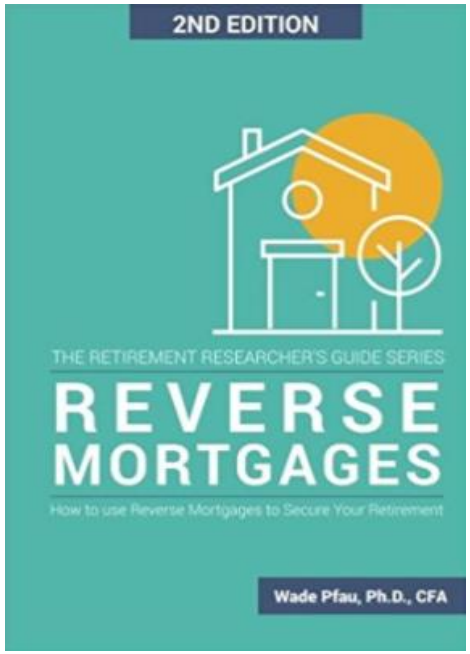
We talked about Social Security, now let's talk about another strategy

(that can also be a guaranteed income source)

MDRS Strategy: HECM Loan

How to Use HECM (Reverse Mortgages) to Secure Your Retirement



"Initiating the reverse mortgage earlier and then coordinating spending from home equity throughout retirement offers a way to meet spending goals and provide a larger legacy."

"That is the ultimate goal of retirement-income planning: using assets to allow for more income and/or a larger legacy."

Wade D. Pfau, Ph.D., CFA
Professor of Retirement Income, The American College

Source: Advisor's Perspectives, December 1, 2015

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HECM Requirements

Can I tap into my home equity to support myself in retirement ?

- Must be 62 Years of age
- Typically need 60% equity to qualify
- Owners must maintain the home as well as pay property taxes
- Any outstanding loan balance accrues internally and will be repaid upon death or sale of the property --- any equity is retained by the owners or the estate
- Non-recourse Loan – If the loan amount exceeds the home's value, the lender cannot go after the borrower, heirs or the estate.

How to Utilize a HECM?

- **Line of Credit –** Can create an increasing line of credit which can be utilize as a tax-free source of funds
- **Tenure Payment –** Can create a guaranteed income payment for life
- **Eliminate Monthly P&I Payment –** Can eliminate the P&I payments based upon your equity balance
- **HECM for Purchase –** Can purchase a home with approximately 50% payment and eliminate future monthly P&I mortgage payments

THE BIG “AHA”

A Growing Line of Credit

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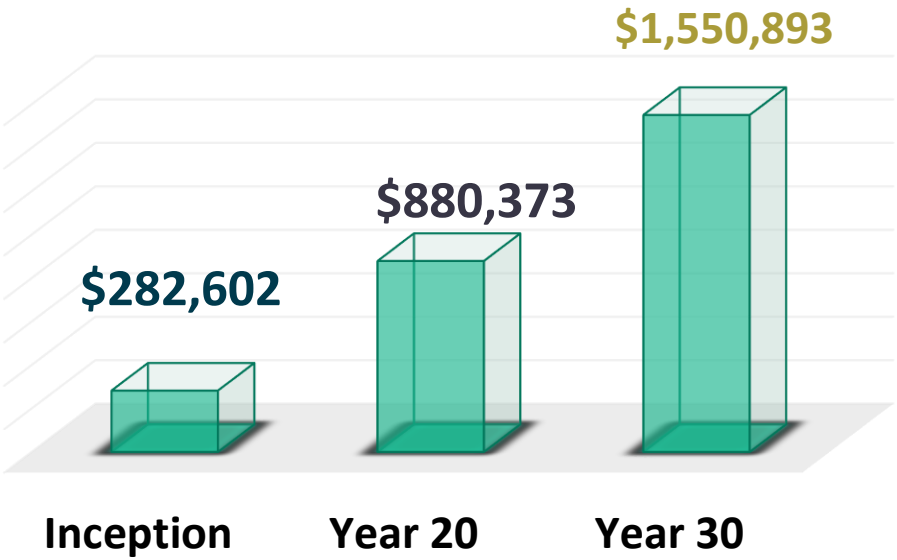
HECM Line of Credit (LOC) Growth*

62-year-old client with $800,000 Home Value



NOTEWORTHY: Line of credit is still in-force if one borrowing spouse must move to care facility, provided other spouse remains in the home. The line also remains in-force if one spouse pre-deceases the other, with same condition.

Not available in all states. Certain conditions and fees apply. Information shown for illustrative purposes only. Assumptions are: (1) 62-year-old borrower; (2) IL home valued at $800,000; (3) LOC will grow at .5% above the interest rate for an Adjustable Rate Mortgage (ARM), which uses the 1-Year LIBOR plus a margin of 3.375%. The initial interest rate is 5.195% which can change annually. There is a 2% annual interest cap, and a 5% lifetime interest cap over the initial interest rate. Maximum interest rate is 10.195%; (4) the growth rate remains at 5.695%; (5) Annual Percentage Rate (APR) is 5.695%. Maximum Annual Percentage Rate (APR) is 10.695%; (6)there are no draws taken from the line of credit by the borrower. Borrower pays down any accumulated interest annually. Rates and funds available may change daily without notice.

*If part of the borrower's loan is held in a line of credit upon which they may draw, then the unused portion of the line of credit will grow in size each month. The growth rate is equal to the sum of the interest rate plus the annual mortgage insurance premium rate being charged on the borrower's loan. Charges such as an origination fee, mortgage insurance premiums, closing costs and/or servicing fees may be assessed and will be added to the loan balance. As long as you comply with the terms of the loan, you retain title until you sell or transfer the property, and, therefore, you are responsible for paying property taxes, insurance and maintenance. Failing to pay these amounts may cause the loan to become immediately due and/or subject the property to a tax lien, other encumbrance or foreclosure. The loan balance grows over time, and interest is added to that balance. Interest on a reverse mortgage is not deductible from your income tax until you repay all or part of the interest on the loan. Although the loan is non-recourse, at the maturity of the loan, the lender will have a claim against your property and you or your heirs may need to sell the property in order to repay the loan, or use other assets to repay the loan in order to retain the property.

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Line of Credit Growth Rate

- The growth rate is always 1.25% above the initial interest rate (IIR), which is the annual rate that interest accrues on the loan balance.
  - For example, if the IIR on the loan balance is 4.00% then the growth rate on the credit line would be 5.25% (4.00% + 1.25%)

- As long as at least one borrower is living in the home and paying the required property charges (property taxes, homeowner's insurance, etc.), the line of credit is always guaranteed to grow without limit.

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Wow...that's a lot of income sources to consider

Next Week…

Class 1:
- Identifying key Retirement Risks
- Middle Way Guidance - An unbiased and balanced approach in retirement
- Safe Withdrawal Rate – How much can you safely withdraw from your portfolio

Class 2:
- Developing a retirement income plan
- Guaranteed Income sources in retirement
- How does Social Security work?

Class 3:
- Optimize your Savings & Investments: create a withdrawal strategy
- How to create a Retirement Optimized Portfolio
- How to protect your portfolio amidst market volatility
- Investment Planning – Alpha generating money management
- A hybrid strategy to generate both growth and income

Class 4:
- Minimizing your taxes to as close to zero as possible
- Pulling it all together to optimize your retirement income
- A few more tips and Are You Ready?

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Retirement Income Readiness" is being able to make this statement:

Neither a stock market correction nor rising interest rates will have a noticeable impact on either the amount of income produced by my portfolio or my ability to keep that income growing.

https://www.lifehealth.com/achieving-retirement-income-readiness-numbers-concepts/

True/False?

I learned a lot from tonight's class.

True

You learned that you should…

- ❑ *Calculate all your guaranteed retirement income sources*
- ❑ *Maximize your Social Security filing strategy*
- ❑ *Get a Retirement Income Projection Analysis and advice*
- ❑ *Determine your income gap*
- ❑ *Fund your gap with savings and investments, and other sources*

Next Steps...

1. Remember to vist the Homework page
2. Enter your info into the software Assess module
3. Get ready for next week

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Reminder!

Take action and hold yourself accountable. This class and our platform can help get you started. Our coaching can keep you going and hold you accountable while also connecting you to the resources you need.

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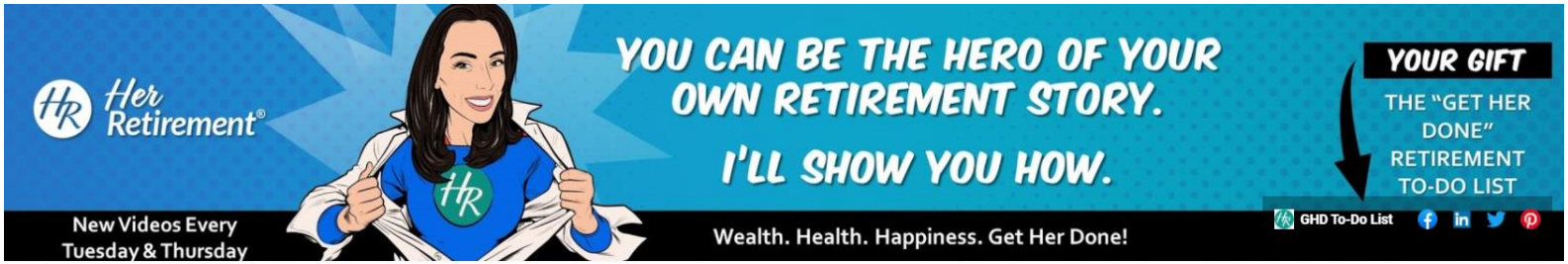
Get more support, information and inspiration

from my podcast, Youtube channel and private FB group



Links...

- Her Retirement Website
- Retirement Solved Readiness Platform
- Lynn's Blog & Podcast
- Lynn's Private Her Retirement Facebook group
- Lynn's Youtube Channel
- Coming Soon: Lynn's book

Reminder: You Can Get Help Anytime You Need It…

1. Work with Her Retirement to get fully prepared for planning and implementing
2. Request ANY type of assessment
3. Connect with a CFP to get your plan started or subject matter experts to review an existing plan and get a revised one or new one implemented, or discuss an urgent issue

Schedule time on Lynn's calendar to discuss any of the above options.

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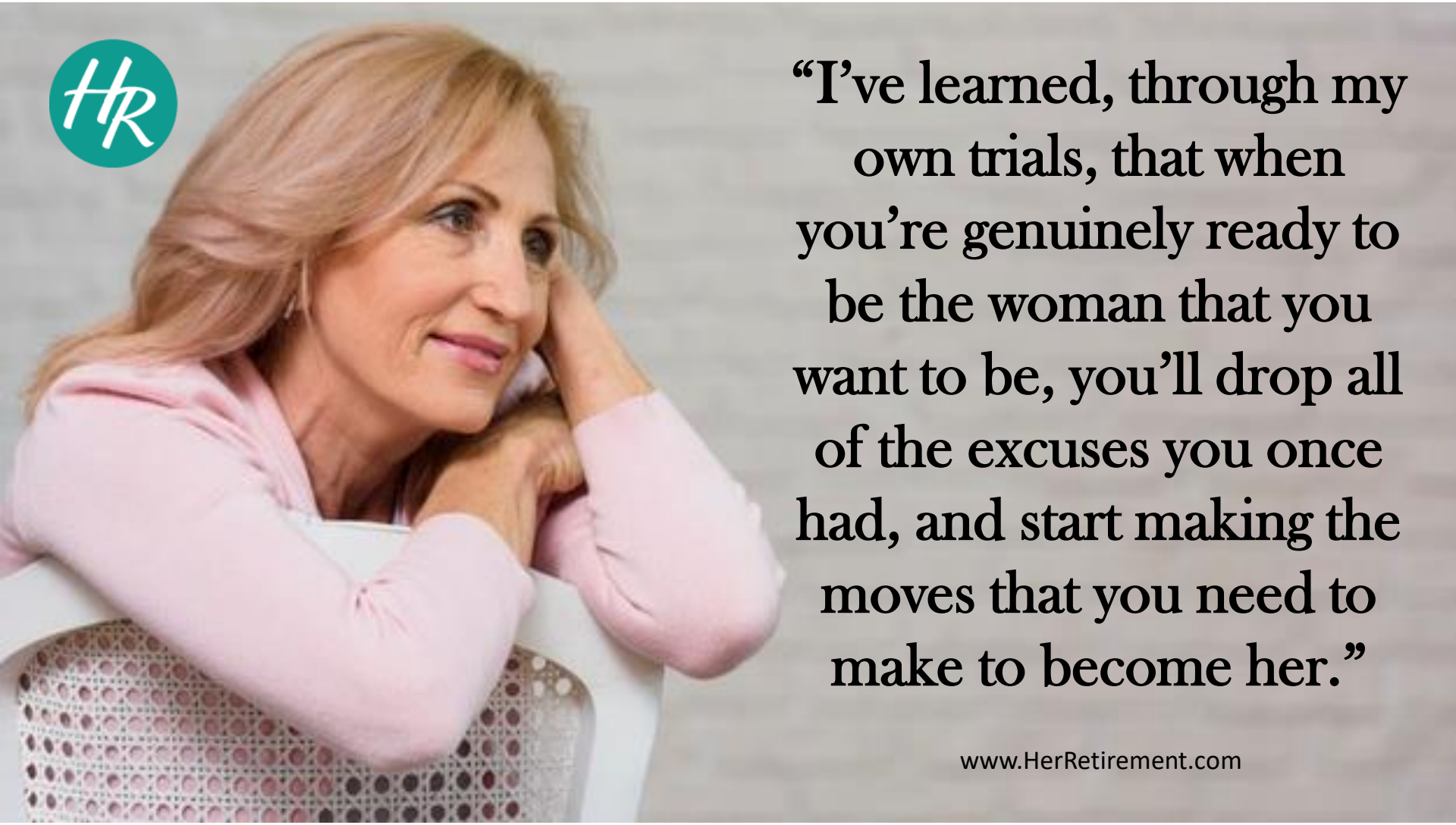

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Thank you for coming tonight.

SmartHER. StrongHER. More Secure.

Let's Get Her Done. See you next week.