The Right Retirement Plan is More Than a 401(k) or an Investment Strategy

It's actually a combination of H.E.R.O.S. (Her Efficient Retirement Optimized Strategies) and they're completely different than those utilized in the accumulation phase of life. Based on your goals and data driven analysis, they balance growth and protection in proper proportions. They're backed by leading academic retirement research and the expertise of "retirement" advisors vs. gut feel or best guesses of a traditional investment advisor. And perhaps most importantly, they are stress tested against all market environments to make sure you'll have an efficient and sustainable income for life. After all, the number one goal of retirement (besides health & happiness) is to make sure your money lasts as long as you do.

Retirement Planning vs. Investment Management

According to a survey by Moss Adams, 81% of investors surveyed said they wanted financial advice on more than just investments. In fact, just 19% of investors said they wanted only investment management help from those advisors.[1]

Preparing for retirement is a multi-faceted undertaking which requires more than just managing your investments. The right retirement plan incorporates income planning and distribution, investment management, tax efficiency, Social Security timing, safe money strategies with annuities, the use of home equity, risk management and estate planning. Retiring right requires detailed, organized and thoughtful planning. And not just any advisor has the know-how, experience and commitment required to pull it all together for you.

[1] http://www.investmentnews.com/article/20070904/FREE/70831060/-client-centric-planning-pays-off

"Most advisors (and many retirement plans) concentrate on investments only. 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, Phd, Retirement Researcher

H.E.R.O.S. Overview

Her Retirement affiliated advisors rely on H.E.R.O.S. that address a retiree's top concerns in retirement, while creating the most efficient and sustainable retirement outcome possible.

H.E.R.O.S. STRATEGY #1: INCOME PLANNING & DISTRIBUTION

Concerns Addressed:

- Will I outlive my money?
- How to create an efficient & sustainable income for life?
- Taking too much out of my portfolio during retirement?
- Can I count on Social Security

The goal of income planning & distribution is to create a retirement paycheck that will last throughout retirement. This "paycheck" will be comprised of income from guaranteed sources (such as Social Security, pensions, and annuities along with other sources from working, inheritances, rental income, other passive income and/or life insurance), along with income generated from your savings & investments to fill any gap.

Income Distribution Efficiency Tactic: Proper Social Security Timing to Get More

Utilizing the optimal filing strategy and proper timing to begin Social Security benefits can dramatically increase your income and ultimately increase your retirement portfolio survival rate. Social Security accounts for approximately 33% of your income in retirement. It's critical to deploy a strategy that allows you to keep as much of your benefit as possible. It's not as simple as filing as soon as you're eligible. There are a number of factors and calculations that must be done *prior* to filing. Our affiliated advisors use a sophisticated software to decide your strategy. The software also determines how to minimize the impact of taxes while maximizing your benefits. As you may or may not know, in some situations Social Security can be taxed up to 85%. The right Social Security strategy can have a potentially big impact on your retirement outcome.

ALPHA STRATEGY #2: INVESTMENT MANAGEMENT

Concerns Addressed:

- How to protect my portfolio from market volatility and market downturns?
- How to reduce fees
- How to take advantage of manager affect?

The goal of Investment Management is to transition your pre-retirement portfolio (which was focused on growth) to a retirement optimized portfolio that balances growth and guarantees, while minimizing risk. You'll also want to have proper portfolio management and reduce your investment fees to the greatest extent possible.

Investment Management Efficiency Tactic: Hybrid Income Portfolio to Reduce Volatility
Minimizing portfolio risk increases portfolio survival. Generally speaking, as you approach and enter retirement you'll want to consider a Hybrid Income Portfolio™ (HIP) which is comprised of stocks, structured investments (SIs) and fixed indexed annuities (FIAs). Stocks will be your hedge against inflation. SIs and FIAs will be your hedge against volatility, sequence of return and interest rate risk. The structured investments and FIAs are what we call "bond busters", since they provide much better returns than bonds, but also offer the safety of bonds. The best part of the HIP is you don't have to give up return for a reduction in risk. Who says you can't have your cake and eat it too?

What the Research Says
A recent research study commissioned by Nationwide Financial and completed by Morningstar Investment Management LLC, compared a traditional 60/40 stock and bond portfolio to a portfolio consisting of stocks, bonds and fixed indexed annuities (FIAs). The study concluded that by repositioning a traditional retirement portfolio consisting of 60% equities and 40% bonds to a portfolio consisting of 36% equities, 24% bonds and 40% fixed indexed annuities (FIAs) offers virtually the same return, but with a 40% reduction in potential portfolio risk and volatility. Research has indicated that when taking income from a retirement portfolio, the portfolio with the lower volatility will last longer.

The Nationwide/Morningstar study offers irrefutable evidence supporting the benefits of FIAs in combination with traditional stock and bond investments. The 36/24/40 optimized portfolio in the study is subject to adjustment and the proper allocations should be based upon each retiree's individual situation. Some individuals may benefit from a more aggressive portfolio which would consist of more stock percentage, while some situations may require more guarantees* offered by a higher percentage of FIAs in the portfolio. Ultimately, a sophisticated retirement income projection analysis will determine the proper allocation to delegate to FIAs, Bonds and Stocks to offer the best potential retirement outcome. Our belief, based on the research, is that a Hybrid

Income Portfolio, which combines traditional investments (stocks and bonds) with an allocation to FIAs (for portfolio volatility reduction) offers the optimum blend of growth and risk reduction for maximum retirement portfolio sustainability.

*Guarantees are backed by the claims paying ability of the issuing insurance company.

Investment Management Efficiency Tactic: Money Managers Plus Index Funds Beat the Benchmark
Utilizing high quality money managers or individual stocks combined with "low-cost" index funds can yield a higher portfolio return or increased Alpha (above benchmark returns). It's imperative to utilize managers that have proven Alpha ability, in combination with indexing asset classes where Alpha is harder to attain. It's important to seek out independent investment advice which offers the ability to utilize most mutual funds (MFs), exchange traded funds (ETFs) and Separate Account Managers (SAM's) with no proprietary pressures. Our network of affiliated advisors use advanced screening criteria to identify and utilize the "best of the best" money managers to offer the highest potential returns, with no potential conflict of interest. All accounts are regularly monitored and re-balanced on regular basis to make sure your returns are maximized.

Investment Management Efficiency Tactic: Reduced Portfolio Management Fees
Low advisor fees are paramount to allowing a portfolio to outperform the appropriate benchmark over time. Our affiliated advisor's relationships with institutional money managers gives them access to institutional investments that aren't available to individual investors. These investments carry substantially less internal expenses. If fees are kept as low as possible, Alpha increases. While other advisors in the industry charge up to 2% to manage your portfolio, our affiliated advisors typically charge 50%-75% less than that!

*Note: It's important to discuss the affiliated advisor you work with to verify his/her fees. When they join our network, they take an oath of transparency in regards to everything they do for you, including their fee structure.

ALPHA STRATEGY #3: TAX EFFICIENCY

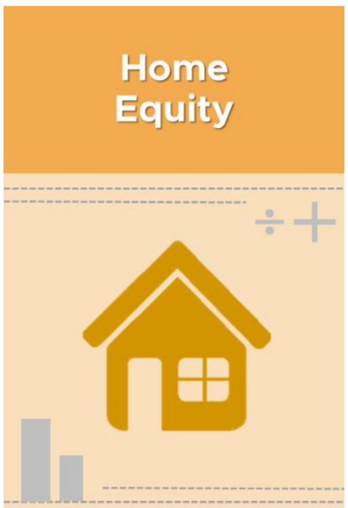
Concerns Addressed:

- Reducing taxes in retirement

This concern, among others, is addressed by proper Tax Planning Strategies. The goal of tax planning is to distribute your income in retirement in the most tax efficient manner (keep more of what you've earned), 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.

Tax Efficiency Tactic: Tax Smart Withdrawals Increase Your Spendable Income without Adding any Money to What You Have

"There's no getting around taxes" is the conventional wisdom employed by most retirement planning strategies. But there's a multitude of tax planning strategies to offset income from a variety of sources. Re-categorizing retirement assets and utilizing an *unconventional* tax efficient withdrawal strategy versus the *conventional* withdrawal strategy can reduce taxes to 0% in retirement and potentially add 5-15 or more years of portfolio survival. The most significant benefit of this is you don't have to add a single cent to your portfolio. Efficiently repositioning retirement assets and utilizing the proper sequence of withdrawals (tax-free accounts, tax-deferred accounts, and taxable accounts) can reduce the negative effect of Required Minimum Distributions (RMDs) and Social Security taxation creating a more effective withdrawal strategy.



ALPHA STRATEGY #4: HOME EQUITY

Concerns Addressed

- Creating a reserve account to be used as an income buffer or for emergencies

This concern, among others, is addressed by proper use of Home Equity tactics. The goal is to use the equity in your home as an income buffer or to fund an emergency. Leading academic research indicates that the use of home equity in retirement can increase the probability of portfolio survival while also increasing the legacy to loved ones.

Home Equity Efficiency Tactic: Prudent Use of Home Equity

Leading research indicates that the use of home equity in retirement will increase the probability of portfolio survival and increase the legacy to loved ones. HECM Loans or Reverse Mortgages have been called the "Swiss Army Knife" of retirement planning since they can be utilized as part of many diverse retirement planning strategies.[1]

[1] Using Reverse Mortgages In A Responsible Retirement Income Plan, Wade Pfau (2016)

ALPHA STRATEGY #5: RISK MANAGEMENT

Concerns Addressed:

- How much will I need for healthcare expenses?
- Protecting against a long-term care incident?

These concerns, among others, are addressed by proper Risk Management Strategies. The goal of risk management to properly construct a plan to protect your portfolio against life's what-ifs and certainties as it relates to healthcare/Medicare, long term care and death.

ALPHA STRATEGY #6: ESTATE PLANNING

Concerns Addressed:

- Leaving a legacy for my family

This concern, among others, is addressed by proper Estate Planning Strategies. The goal of estate planning is to intelligently create an estate plan to protect you, your family and your legacy. Trusts and wills are a standard starting point.

OTHER ALPHA STRATEGIES:

Behavioral Coaching (guidance through turbulent times leads to better outcomes)
People sometimes get taken in by media hype, greed-fear driven tactics and the marketing machine behind the big financial companies. Everyone has the temptation to chase returns and make uninformed, knee-jerk reactions as the volatile markets move up and down. In fact, these behaviors have been proven in numerous studies to negatively impact portfolios over the long term. The value of a Hybrid Retirement Advisor is having an advocate to guide you (and keep you calm and on track), providing experience, while also presenting you with the facts based on academic research vs. hearsay. A steady hand during turbulent times can have a significant impact on the long term survivability of your portfolio.

Evidence-Based Planning (proper planning decisions through research based advice)
According to Robin Powell, a British journalist, “All too often we base our investment decisions on industry marketing and advertising or on what we read and hear in the media or on something else altogether." Evidence-based retirement planning and investing is the idea that no advice should be given until it's backed by reliable research and evidence, and shown to be effective over the long term. Thus, evidence-based advice requires a commitment to being a student for life, consistently staying abreast of academic research and best practices, while protecting client's best interests. Most advisors aren't interested in this level of commitment or learning...it's far easier to simply collect investments, fees and commissions and call it a day.

The Value of Proper Strategies…What the Research Says?

A number of companies have conducted research to attempt to measure the impact and value of retirement strategies and advice on a retiree's financial future. This impact and value has been referred to as “Gamma, Alpha or Sigma.”

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

© Michael Kitces, www.kitces.com

David Blanchett, head of retirement research at Morningstar, conducted a study and identified that a retiree can possibly add as much as 1.59% “Gamma” to his/her retirement portfolio by employing proper retirement planning strategies.[2]

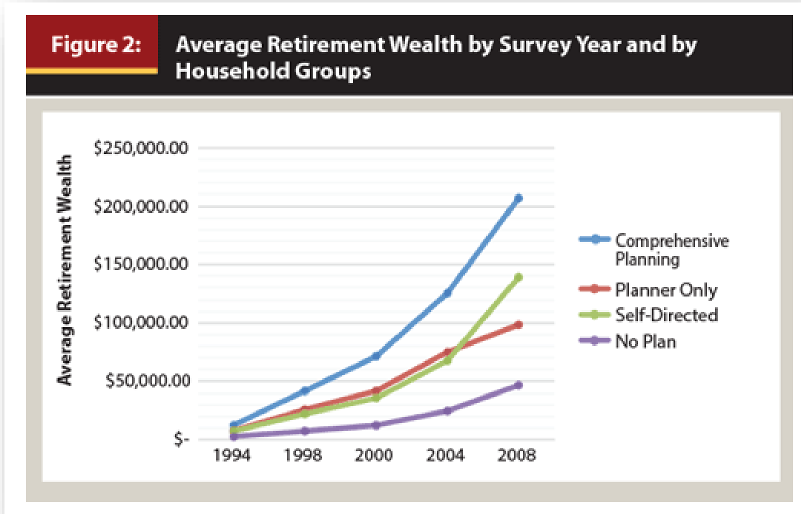
Vanguard Funds performed a similar study that concluded that proper retirement planning strategies and advice can add as much as a 3% “Alpha” to a retirement portfolio.[3]

Envestnet Quantitative Research Group’s white paper, "*Capital Sigma: The Advisor Advantage*” suggests that advisors can potentially add value in many areas including: general financial planning, portfolio management, asset allocation and selecting lower cost investments. Envestnet estimates that the benefits can add up to as much as 3% per year.[4]

[2] Alpha, Beta & Now GAMMA, David Blanchett/Morningstar Study (Aug. 2013). https://corporate1.morningstar.com/uploadedFiles/US/AlphaBetaandNowGamma.pdf
[3] Vanguard, Putting a value on value: Quantifying advisor’s alpha (2015). https://www.vanguard.com/pdf/ISGQVAA.pdf
[4] Envestnet Quantitative Research Group, "*Capital Sigma: The Advisor Advantage*" (2013)

What does this mean in dollars and cents?

Morningstar's research estimates a retiree can expect to generate 22.6% more income from what they call a "Gamma efficient income strategy." This means that an investment-only portfolio generating an annual income of $60,000 can generate $73,560 in annual income when utilizing a "Gamma strategy". This is an additional $13,560 per year.



While all three of these studies gives new and existing clients a data-driven view on the intrinsic value of advisor alpha, another study by Terrance K. Martin Jr., Ph.D. and Michael Finke, Ph.D., CFP® compared profiles of planning and advice over the span of 14 years. As they wrote in the Journal of Financial Planning: "Those who had calculated retirement needs and used a financial planner (which likely captures those who used a comprehensive planner who follows a more thorough planning process that includes retirement needs assessment) generated more than 50 percent greater savings than those who estimated retirement needs on their own without the help of a planner." Their report continues: "When average retirement wealth was examined by survey year (1994–2008), households with a comprehensive strategy to retirement planning consistently recorded higher mean values of accumulated retirement wealth."[5]

"The research is unequivocal that a competent financial guide can both help you achieve the returns necessary to arrive at your financial destination while simultaneously improving the quality of your journey."

-Behavioral Alpha: The True Power of Financial Advice, Daniel Crosby, Ph.D., Nocturne Capital, 2016

[5] A Comparison of Retirement Strategies and Financial Planner Value (2007) https://www.onefpa.org/journal/Pages/NOV14-A-Comparison-of-Retirement-Strategies-and-Financial-Planner-Value.aspx

Case Study: The Value of Alpha Efficient Strategies

Alpha Efficient Yield (AEY)TM vs. Rate of Return (ROR)
As the Morningstar and Vanguard retirement research indicates, adding GAMMA or ADVISOR ALPHA to a retirement plan can add significant value (up to 3% or more) above traditional "investment only" management strategies. Our affiliated Hybrid Retirement Advisors implement what we refer to as Alpha Efficient Strategies to generate Alpha Efficient Yield (AEY) which can potentially add additional value to your portfolio. AEY is the efficient yield that can be realized above the traditional investment Rate of Return (ROR).

When growing your assets it's important to understand your portfolio Rate of Return (ROR). However, when in retirement it's important to understand that your ROR is the baseline portfolio return. By adding the effect of AEY you have a much improved potential of success. As the research indicates, working with a retirement advisor that can add AEY to your retirement portfolio can quite possibly be your biggest catalyst to a successful retirement. The case study below illustrates the dramatic difference and value this can add for a retiree.

Creating Alpha Efficient Yield (AEY) Inputs

- **Married Couple Age 65 planning to retire at age 65**
- **IRA Balance:** $1,000,000
- **Baseline Rate of Return (ROR) estimate:** 5%
- **Retirement Income Generated at age 65-95:** $30,000 per year / inflation adjusted at 3%/year

ALPHA EFFICIENT YIELD (AEY)	**Total Income Generated** (age 65-95)	**Total Investment Account Balance** (age 95)
0% AEY (traditional "investment only" advisor)	$1,604,202.	$ 828,434.
1% AEY	$1,919,388.	$1,626,343.
2% AEY	$2,310,181.	$2,744,929.
3% AEY	$2,795,049.	$4,294,328.

In summary, if an Advisor employs Alpha Efficient retirement planning strategies and NOT just investment management a huge difference can be realized by the average retiree. The effect of Alpha Efficient Yield (AEY) can be significant.

"So, do financial advisors add value? The research strongly supports that they do, both in terms of improving means and quality of life. But they only add value when we know what to look for when selecting the appropriate partner. Our natural tendencies will be toward excess and complexity and flashy marketing, seeking out those who lead with bold claims of esoteric knowledge. What will add much greater richness is a partner who balances deep knowledge with deep rapport. Someone we will listen to when we are scared and who will save us from ourselves; a simple solution to a complex problem."

-Behavioral Alpha: The True Power of Financial Advice, Daniel Crosby, Ph.D., Nocturne Capital, 2016

A Hybrid Retirement Advisor Can Keep You on Track

Good advisors can do good things for their clients. But in the final analysis, those who provide the most value have a commitment to getting you on track for retirement and keeping you on track. In addition, a great advisor will be 100 percent committed to: educating you, leading you through a planning process, implementing a research-backed plan with proven strategies, and helping you stay on track in the face of adversity and life changes. He/she is your insurance policy against making BIG mistakes that could cost you dearly. However, an advisor unlike most insurance, will add value and protect you and your nest egg.

Many advisors make claims that they do retirement planning, but very few actually have the commitment, technology, tools and skills it requires. At Her Retirement, we eat, drink and sleep retirement. We believe no one is better positioned or equipped to help you navigate the muddy waters of retirement planning than our network of independent, affiliated retirement advisors. Every advisor in our network promises to do more to help you know more, get more, keep more and have more...now and in retirement. We welcome you to partner with us on your retirement journey and experience a smarter, progressive, efficient and more intimate kind of retirement guidance.

Her Retirement™

Her Retirement is taking a fresh approach to financial wellness in retirement. It's based on answering your most pressing questions and helping you make smart, informed financial decisions. Leveraging proprietary software and connecting you with retirement pro's and resources, our mission is to make sure you actually create and implement a retirement plan you not only understand, but have 100% confidence in. We truly believe you can know more and have more…now and in retirement.

Services are offered to anyone, anywhere within the United States.

508.798.5115 – www.HerRetirement.com
retire@herretirement.com

Sources:
1. Age Wave/Merrill Lynch, "Finances in Retirement: New Challenges, New Solutions," 2017
2. Transamerica Retirement Survey of Workers, 2016. https://www.transamericacenter.org/docs/default-source/retirement-survey-of-workers/tcrs2016_sr_perspectives_on_retirement_baby_boomers_genx_millennials.pdf
3. The Deloitte Center for Financial Services. "The future of wealth in the United States report." https://dupress.deloitte.com/dup-us-en/industry/investment-management/us-generational-wealth-trends.html