



Are You Ready for Retirement?

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Past performance is no guarantee of future results.



Retirement Issues

- Sufficient retirement savings?
- What are you going to do with time?
- What is your new personal purpose?
- What about non-family relationships?
- How to Stay Healthy?
- Where and how will you live?
- How to handle end-of-life issues?
 - Estate Planning
 - Long-term Care
 - End of Life Preparation

Additional Issues

- Both spouses should be involved in finances.
- Both parties must know where and what assets they have.
- Have a conversation with family and/or advisor about your plans.
- Have credit established in both spouses' names individually before you retire if possible.
- Consider what happens when a spouse dies unexpectedly.
- Be prepared with multiple copies of the death certificate and other important documents.
- Be prepared to deal with a financial institution that may block accounts (deposit accounts, lines of credit, mortgage etc.) upon the death of one of the account holders. Even though the accounts are held in joint names.



Survey Questions

Are you retired?

Yes 19%, No 81%

Have you worked out a retirement budget (income and expenses)?

Yes 23%, No 74%

Have you done any estate planning or set up a will or trust?

Yes 58%, No 42%

Are you afraid of running out of money?

Yes 65%, No 35%

HOW MUCH MONEY WILL I NEED IN RETIREMENT?

How Much Money Will I Need?

1. Start with a Current Budget and Your Retirement Income

- Essential and Discretionary Spending, inflated over time
- Record Retirement Income (Social Security, Pension, etc.)
- Create an “Investment Target” to finance the gap between income and expenses

2. Create an Investment Inventory

3. Create an Investment Accumulation Plan

- Understand your Investments Earnings Rate and Downside Risk
- Set number of years to Accumulate assets and Life-span in Retirement

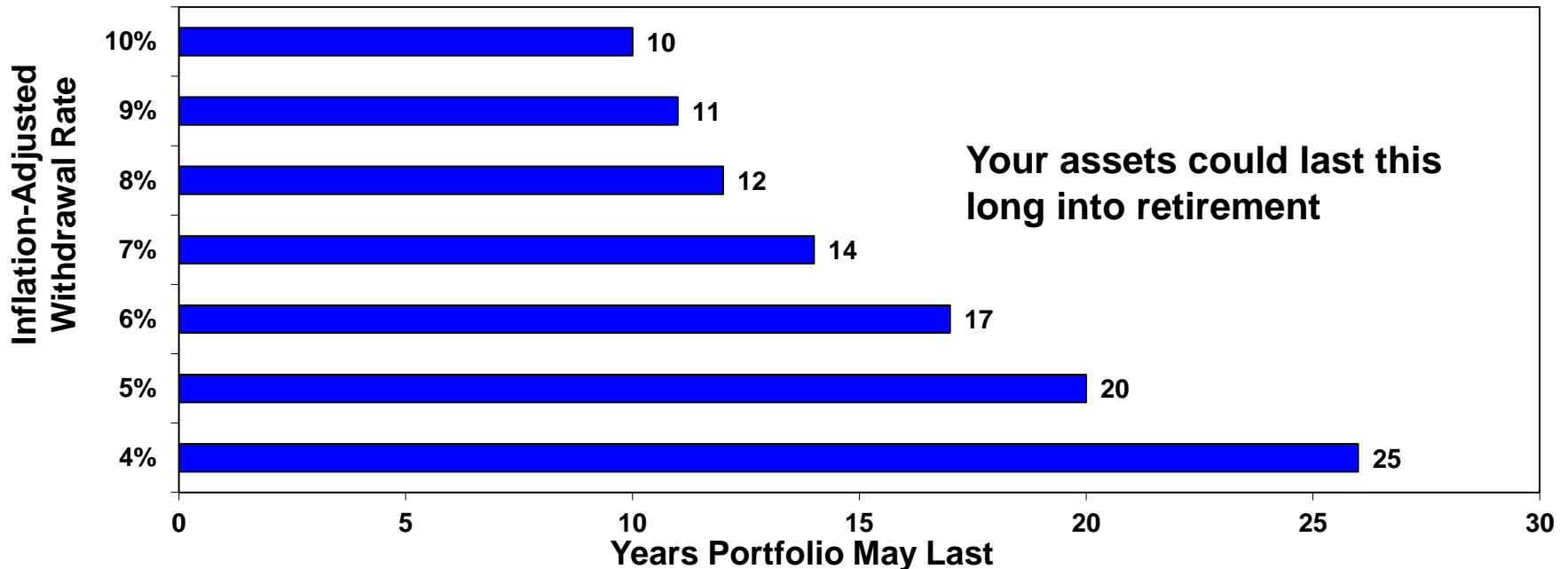
4. Create an After-Tax Investment Withdrawal Schedule

5. What if I do not or will not have enough?

- Save more
- Work longer
- Adjust expenses – LifeStyle and Living arrangements

How Much Will Be Required?

If you withdraw this % a year . . .



Source: Fidelity Investments. Hypothetical value of assets held in an untaxed portfolio of 50% stocks, 40% bonds, and 10% short-term investments and inflation-adjusted withdrawal rates as specified. Average rates of return for stocks, bonds, short-term investments and inflation are based on the risk premium approach. Actual rates of return may be more or less. The chart is for illustrative purposes only and is not indicative of any investment.

8% is the assumed rate of return.

Past performance is no guarantee of future results.

Social Security Benefit Calculator

Benefit Calculators



Quick Calculator Benefit Estimates

September 4, 2020

Information you submitted

Date of birth: 9/18/1967
Current earnings: \$50,000.00
Benefit in year-2020 dollars

Information you submitted

Date of birth: 9/18/1967
Current earnings: \$50,000.00
Benefit in future (inflated) dollars

Retirement Benefit Estimates

Retirement age	Monthly benefit amount ¹
62 and 1 month in 2029	\$1,139.00
67 in 2034	\$1,698.00
70 in 2037	\$2,158.00

¹ Assumes no future increases in prices or earnings.

Retirement Benefit Estimates

Retirement age	Monthly benefit amount ¹
62 and 1 month in 2029	\$1,574.00
67 in 2034	\$2,652.00
70 in 2037	\$3,654.00

¹ Assumes future increases in prices or earnings.

Disability/Survivor

For disability and survivors estimates, we assumed that you became disabled or died today. We did not use future earnings in calculating those estimates.

Disability	Monthly benefit amount (in today's dollars)
You	\$1,525.00

Your spouse and children may also qualify for benefits.

Survivors	Monthly benefit amount (In today's dollars)
Your child	\$1,147.00
Your spouse caring for your child	\$1,147.00
Your spouse at normal retirement age	\$1,530.00
Family maximum	\$2,667.20

Source: www.SSA.gov

Step 1

Sample Income-Expense (Budget) Statement

Income (Annual)	His	Her	Total	Tax Rate
Wages	\$50,000	\$20,000	\$70,000	
Commissions			\$0	
Bonus			\$0	
Dividend Income			\$0	
Gross Income	\$50,000	\$20,000	\$70,000	
Minus				
FICA: Social Security	\$3,100	\$1,240	\$4,340	6.20%
Medicare	\$725	\$290	\$1,015	1.45%
Federal Income Tax			\$7,399	10.57%
MA State Income Tax			\$3,121	5.10%
Net Income (Annual)	\$46,175	\$18,470	\$54,125	15.67%

Expenses (Annual)		Total
Housing		\$16,100
Mortgage	\$10,000	
Property Tax	\$4,600	
Homeowners Insurance	\$1,500	
Other		
Utilities	\$5,600	\$5,600
Personal		\$9,500
Healthcare & Insurance	\$5,200	\$5,200
Family Care		
Transportation		\$8,750
Essential Expenses		\$45,150

Discretionary Expenses		Employer Contribution
Retirement Contribution-Him	\$5,000	\$2,500
Retirement Contribution-Her		\$0
Recreation/Vacation		\$1,500
Total Discretionary Expense	\$6,500	
Total Annual Expenses		\$53,150
Discretionary Income/Savings		\$975

His Age	Her Age	Year	Net Income	Total Expenses	Retirement Funding
53	48	2020	\$54,125	\$51,650	\$5,000
54	49	2021	\$55,207	\$52,683	\$5,100
55	50	2022	\$56,311	\$53,737	\$5,202
60	55	2027	\$62,172	\$59,330	\$5,743
65	60	2032	\$68,643	\$65,505	\$6,341
66	61	2033	\$70,016	\$66,815	\$6,468
67	62	2034	\$71,417	\$68,151	\$6,597
68	63	2035	\$72,845	\$69,514	\$6,729
69	64	2036	\$74,302	\$70,904	\$6,864
70	65	2037	\$75,788	\$72,322	\$7,001

Inflation Rate = 2.00%

Source: www.SSA.gov

Social Security

(Future \$)	Him	Her	Combined
Age 62	\$18,888	\$9,444	\$18,888
Age 67	\$31,824	\$15,912	\$41,268
Age 70	\$43,848	\$21,924	\$59,760

Funding Gap	Annual	Lifetime
Age 67	\$26,883	\$672,077
Age 70	\$12,562	\$314,062

Step 2

Asset Inventory

His Retirement Plan

Investment	2020	%
Money Market Fund	\$3,000	5%
Bond Funds	\$15,000	25%
US Large Company Stocks	\$24,000	40%
US Smaller Company Stks	\$9,000	15%
Foreign Stocks	<u>\$9,000</u>	<u>15%</u>
Total	\$60,000	100%

Her Retirement Plan

Investment	2020	%
Money Market Fund	\$2,000	5%
Bond Funds	\$10,000	25%
US Large Company Stocks	\$16,000	40%
US Smaller Company Stks	\$6,000	15%
Foreign Stocks	<u>\$6,000</u>	<u>15%</u>
Total	\$40,000	100%

Cash Reserves Account

Investment	2020	%
Money Market Fund	\$3,000	20%
Bond Funds	\$7,500	50%
US Large Company Stocks	\$3,000	20%
US Smaller Company Stks	\$1,500	10%
Foreign Stocks	<u>\$0</u>	<u>0%</u>
Total	\$15,000	100%

Property Investments

	2020
Primary Home	\$325,000
Vacation Home	
	\$325,000

Debt

-\$175,000

Life Insurance

Term Life Insurance	\$50,000
Cash Value	\$0

Net Worth **\$265,000**

Asset Returns

As of April 30, 2021

Investment Indices	Investment Indices	Income	Annualized Total Return				10	15	Bear
		12 Month	YTD	1 Year	3 Year	5 Year	Year	Year	Market
US Treasury Bill 3-Mnth	Money Market Cash Equivalents	0.09	0.02	0.09	1.37	1.12	0.58	1.06	0.16
US Aggregate Bond TR	Bonds, Intermediate	1.63	-2.61	-0.27	5.19	3.19	3.39	4.36	-2.12
S&P 500 TR USD	US Large Company Stocks	1.80	11.84	45.98	18.67	17.42	14.17	10.30	-20.10
DJ US Stk Mkt Completion	US Smaller Company Stocks	1.25	12.30	78.03	19.60	18.44	13.15	10.63	-27.63
MSCI EAFE NR USD	Int'l Developed Country Stocks	1.60	6.59	39.88	6.27	8.87	5.22	3.98	-30.80

Source: Morningstar

Annualized Total Return includes Income

Target Allocation Portfolios	Target Allocation Portfolios	Income	Annualized Total Return				10	15	Bear
		12 Month	YTD	1 Year	3 Year	5 Year	Year	Year	Market
Life Income	40% Cash 40% Bonds 20% Stks	1.23	1.17	11.75	6.44	5.48	4.49	4.58	-5.02
Balanced	10% Cash 40% Bonds 50% Stks	1.13	4.53	26.87	10.46	9.76	7.38	6.61	-12.43
Moderate Growth	5% Cash 25% Bonds 70% Stks	0.91	7.07	37.12	12.46	12.25	8.86	7.42	-17.82
Aggressive Growth	5% Cash 10% Bonds 85% Stks	0.73	8.85	44.94	14.05	14.15	9.99	8.04	-21.52

Bear Market for Stocks

- Bear markets are defined as sustained periods of downward trending stock prices, often triggered by a 20% decline from near-term highs.
- Bear markets are often accompanied by an economic recession and high unemployment, but bear markets can also be great buying opportunities while prices are depressed.

Step 3

Accumulate Investment Assets

Tax Deferred IRA						Bear
Percent	Balances	Asset Class	Income	Cap-Gain	Total	Market
5.0%	\$5,000	Money Market Fund	1.0%	0.0%	1.0%	-1.0%
25.0%	\$25,000	Bond Funds	3.5%	0.0%	3.5%	9.5%
40.0%	\$40,000	US Large Company Stocks	2.0%	5.0%	7.0%	-23.0%
15.0%	\$15,000	US Smaller Company Stks	1.0%	7.0%	8.0%	-32.0%
<u>15.0%</u>	<u>\$15,000</u>	Foreign Stocks	<u>2.0%</u>	<u>5.0%</u>	<u>7.0%</u>	<u>-27.0%</u>
100.0%	\$100,000	Composite	2.2%	3.8%	6.0%	-15.7%
Inflation Rate			Inc Tax Rate			
2.0%			15.0%			

Year	His Age	Her Age	Total Expenses	Retirement Net Income	Contribution	Taxes	Portfolio Earnings	Year-End Balance	Home Value
2020	53	48	\$51,650	\$54,125				100,000	\$325,000
2021	54	49	\$52,683	\$55,207	7,500	0	5,975	113,475	\$331,500
2022	55	50	\$53,737	\$56,311	7,650	0	6,780	127,905	\$338,130
2027	60	55	\$59,330	\$62,172	8,446	0	11,737	216,618	\$373,323
2032	65	60	\$65,505	\$68,643	9,325	0	18,641	339,947	\$412,179
2033	66	61	\$66,815	\$70,016	9,512	0	20,312	369,770	\$420,422
2034	67	62	\$68,151	\$71,417	9,702	0	22,094	401,566	\$428,831
2037	70	65	\$72,322	\$75,788	10,296	0	28,176	510,040	\$455,078

- Accumulation Portfolios have a Moderate Allocation (30% Cash-Bonds and 70% Stocks)
 - Generate a 6.0% annualized return
 - Have a downside loss of -15.7% or 70% of the Large-Cap Stock return
- Retirement Contribution is 10% of salary plus a 50% Employer Match
- Retirement Balance more than doubles in 10 years

Step 4a

Create Retirement Withdrawal Schedule

Retire Age 67 - Taxable IRA Account: Essential Expenses Only

Tax Deferred IRA						Bear
Percent	Balances	Asset Class	Income	Cap-Gain	Total	Market
15.0%	\$60,235	Money Market Fund	1.0%	0.0%	1.0%	-1.0%
35.0%	\$140,548	Bond Funds	3.5%	0.0%	3.5%	9.5%
30.0%	\$120,470	US Large Co Stocks	2.0%	5.0%	7.0%	-23.0%
10.0%	\$40,157	US Smaller Co Stks	1.0%	7.0%	8.0%	-32.0%
10.0%	\$40,157	Foreign Stocks	2.0%	5.0%	7.0%	-27.0%
100.0%	\$401,566	Composite	2.3%	2.7%	5.0%	-9.6%

Inflation Rate	Inc Tax Rate
2.0%	15.0%

Total	Withdrawal Rate =	12.2%
	Discretionary Expense =	0.0%

Year	His Age	Her Age	Expenses	Social Security	Investment Withdrawal	Portfolio Earnings	Taxes	Year-End Balance	Home Value
2034	67	62	61,554					401,566	\$291,061
2035	68	63	62,785	41,268	30,934	19,978	9,902	380,708	\$296,883
2037	70	65	65,321	43,794	31,326	17,853	10,283	335,101	\$308,877
2042	75	70	72,120	48,352	34,586	10,882	11,353	183,685	\$341,025
2047	80	75	68,802	53,385	25,738	3,678	10,667	41,198	\$376,519
2048	81	76	70,178	54,452	26,252	2,050	10,881	6,115	\$384,049

- Withdrawal portfolio is a conservative “Balanced” Portfolio starting with \$401,566, earning 5.0%/year
- The Balanced Portfolio has a downside loss of -9.6% for every -23% correction in Large Company stocks.
- Social Security benefits are 65% of retirement expenses. There is no pension or part-time salary.
- Discretionary Spending is assumed to be Zero.
- There is no Long-Term Care scenario.
- With a 12.2% Withdrawal Rate, Investment Balances turn negative in 14 years.

Step 4b

Withdrawal Scenario

Retire Age 70 - Taxable IRA Account – Essential Expenses Only

Tax Deferred IRA						Bear
Balances	Asset Class	Income	Cap-Gain	Total		Market
\$510,040	Composite	2.3%	2.7%	5.0%		-9.6%
Inflation Rate			Inc Tax Rate			
2.0%			15.0%			
Withdrawal Rate =						3.6%
Discretionary Expense =						0.0%

Year	His Age	Her Age	Essential Expenses	Social Security	Investment Withdrawal	Portfolio Earnings	Taxes	Year-End Balance	Bear Mkt Balance	Home Value	Estate Value
2037	70	65	65,321					510,040		\$455,078	\$965,119
2038	71	66	66,628	58,358	18,263	25,375	10,180	506,971	458,175	\$464,180	\$971,151
2042	75	70	72,120	63,169	19,769	24,539	11,019	486,993	440,120	\$502,443	\$989,436
2047	80	75	79,626	69,744	21,827	22,493	12,166	440,628	398,218	\$554,738	\$995,366
2052	85	80	77,926	77,003	12,612	20,279	11,710	403,566	364,722	\$612,476	\$1,016,041
2057	90	85	86,037	85,017	13,925	18,908	12,928	372,120	336,303	\$676,223	\$1,048,342
2062	95	90	94,991	93,866	15,374	16,439	14,274	317,219	286,687	\$746,604	\$1,063,824
2067	100	95	104,878	103,635	16,974	12,493	15,760	230,879	208,657	\$824,312	\$1,355,191

- Working longer increases Beginning Investment Balance to \$510,040
- Working longer increases Social Security benefits from 65% to 85% of Total Expenses
- A 3.6% Withdrawal Rate increases life of Investment Balance to Age 101 (Note hidden year rows.)
- No provision has been made for potential **Long-Term Care** costs

Plan for “The Unexpected”

- Loss of Job or Forced Early Retirement
- Premature Disability
- Early Death of one partner with or without life insurance
- Long-Term Care impact, with or without LTC Insurance
- Stock Market “Meltdown” of 20%-50%
- Raising Grandchildren
- Not Enough Retirement Savings

Questions?

Other Retirement Considerations

- Pension Decisions
 - Lumpsum withdrawal versus a pension annuity
 - How much to take? (100% or 75%)
- Life Insurance to guarantee income for surviving spouse
- Annuities, to guarantee steady income
- Rollover employer-sponsored retirement plans into an IRA
- Conversion of Traditional IRA to Roth IRA
- Retiree Medical Insurance
 - Medicare
 - Medicare Supplemental Insurance
 - Health Savings Accounts if retiring before Medicare benefits available
- Long-Term Care Insurance

Other Retirement Considerations

- Estate Planning
 - Revocable Trusts (in addition to a Will)
 - Durable Power of Attorney
 - Medical Proxy
- Second-to-Die Life Insurance for Estate Taxes
- Special Needs Trust for Mentally or Physically Disabled Children
- Personal Residence in Trust with Homestead protection
- Receiving Inherited IRAs
- Gifting to reduce estate taxes
- Reverse Mortgage – the last resort

For More Information

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