



**Prepared by:**  
Advisor Advisor CLU, ChFC  
Email: [srohrig@seniormarketsales.com](mailto:srohrig@seniormarketsales.com)

**Prepared for:**  
Mike and Wendy Smith  
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# Retirement Income Strategies

We appreciate your trust and confidence in hiring us to prepare your retirement income analysis. The following pages represent a summary analysis of your current situation, which we call your “Base Case”, and a comparison to an alternate course of action, referred to as your “Plan”.

We evaluate your Base Case on three metrics:

1. Does your savings last through your specified life expectancy?
2. If your savings does not last through your life expectancy, what percentage of your after tax retirement lifestyle could you maintain?
3. If your savings does last through life expectancy, how much would you expect to leave to your children or other beneficiaries after tax?

We also highlight what happens in the event one of many different possible future economic and family situations impacts you, which we call “Stress Tests”. After all, a strategy that works well if everything goes smoothly but fails in all other situations is not desirable to most retirees, thus the analysis considers the impact of an early death, high healthcare expenses such as a long-term care need, and a down market early in retirement.

The “Plan Summary” outlines the suggested changes to your Base Case that may improve your portfolio longevity, your sustainable lifestyle, or your estate value. Because taxes play a significant role in most retirement strategies, this analysis makes the comparison on an after-tax basis.

The Plan case is then tested with the same Stress Tests that were performed on your Base case to identify any situations in which the combination of changes may create unforeseen side effects.

The final section of this report outlines the assumptions used in the analysis, including economic and stress test assumptions, portfolio return statistics, and tax rates that were used to complete the analysis.

Please keep in mind that financial planning is a fluid process and that suggestions contained herein may change based on changes to your individual circumstances or goals, and changes to our assumptions about future tax, legal, and economic environment.

# Core Assumptions

Based on your dates of birth and entered life expectancy (**85 for Mike, 90 for Wendy**), this report assumes you will need income for **25 years** in retirement. The “spendable” portion of your income, excluding insurance premiums and any debt payments will need to increase annually by **2.00%** to keep up with inflation.

## You have the following Savings:

Account	Amount	Basis	Portfolio
Mike's 401(k)	\$175,000	\$0	Moderate 60/40
Wendy's Qualified	\$0	\$0	Cash
Mike's Roth	\$0	\$0	Cash
Wendy's Roth	\$0	\$0	Cash
On-line Account	\$325,000	\$275,000	Moderate Conservative 25/75

**You do not have any specific plans to take (withdrawals) or to make contributions.**

**The following additional assumptions were used in the preparation of this analysis:**

State Tax Rate	Beneficiary Tax Rate	Discount Rate
6.00%	25.00%	3.00%

Because each state varies in how income tax is calculated and because state income tax generally comprises a significantly smaller portion of your overall tax bill, this analysis assumes a state income tax rate of 6.00%.

The beneficiary tax rate is applied to any taxable amounts that are not spent during the lifetime specified in this analysis. The beneficiary tax rate is important because it highlights the difference in value of different types of accounts. For example, the value to a beneficiary of inheriting a Roth IRA, which would generally be income tax free is most often higher than the value to a beneficiary of inheriting a traditional IRA, which would generally be taxable as ordinary income upon withdrawal.

The discount rate is the method used to adjust the value of cash flows that occur at some point in the future to allow a fair comparison of costs that are paid today with benefits that are paid in the future. For example, it would not make sense to pay an additional \$50,000 in tax to create estate growth of only \$50,000 in twenty years. You could consider the discount rate as a reasonably safe return on assets, should you choose to save rather than spend those assets today in exchange for some future benefit. A higher discount rate will make future benefits less attractive. A lower discount rate would make future benefits more attractive.

The analysis also uses current federal marginal income tax brackets, deductions, exemptions, and phaseouts, which are detailed in the appendix.

# Plan Case - Executive Summary

Our analysis would suggest that you could increase your estate value by \$55797 by implementing the following changes:

1. Purchase a deferred annuity with \$150,000 from On-line Account with an annual expenses of 1.00%, with a Fixed 4% allocation. The hypothetical annuity also has an income rider with a 8.00% Simple rollup on the income base and a 2.80% payout rate when the income under the rider is set to begin on January 01, 2019 and a rider fee of 1.00%
2. Social Security Instructions:

## **Instructions for Mike**

You should file a standard application for benefits at your age **66 years**. This will allow your spouse to collect a spousal benefit under your earnings record. Your approximate monthly benefit would be **\$1,530**.

## **Instructions for Wendy**

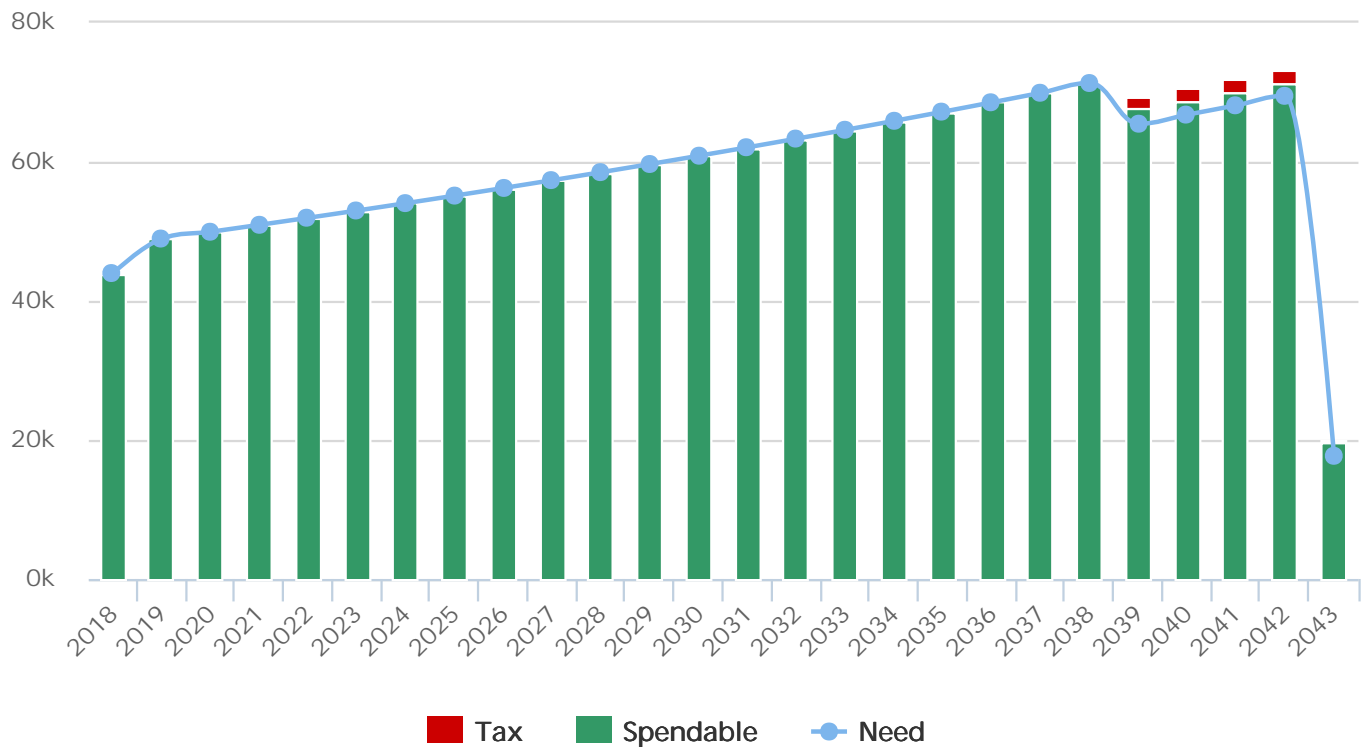
You should file a Restricted application for only your spousal benefit based on your spouse's earnings record at your age **66 years**. This allows you to continue to earn delayed retirement credits on your own benefit. Your approximate spousal benefit would be **\$765**.

File for your own benefit at age **70 years**. Your approximate benefit on your own earnings record would be **\$1,655**.

# Base Case - Income Plan Results

Portfolio Longevity 25 years	Income Floor \$48,000	Estate Value \$207,390
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Income By Result



This report focuses on the amount of after-tax, spendable income you may have at your disposal for each year in your retirement. The bar chart for each year represents your total income. The green portion of the bar is the spendable portion and the red portion is the portion paid in taxes. The blue line represents your need for after-tax spendable income. Ideally, the green bar will neither exceed nor fall short of the blue line.

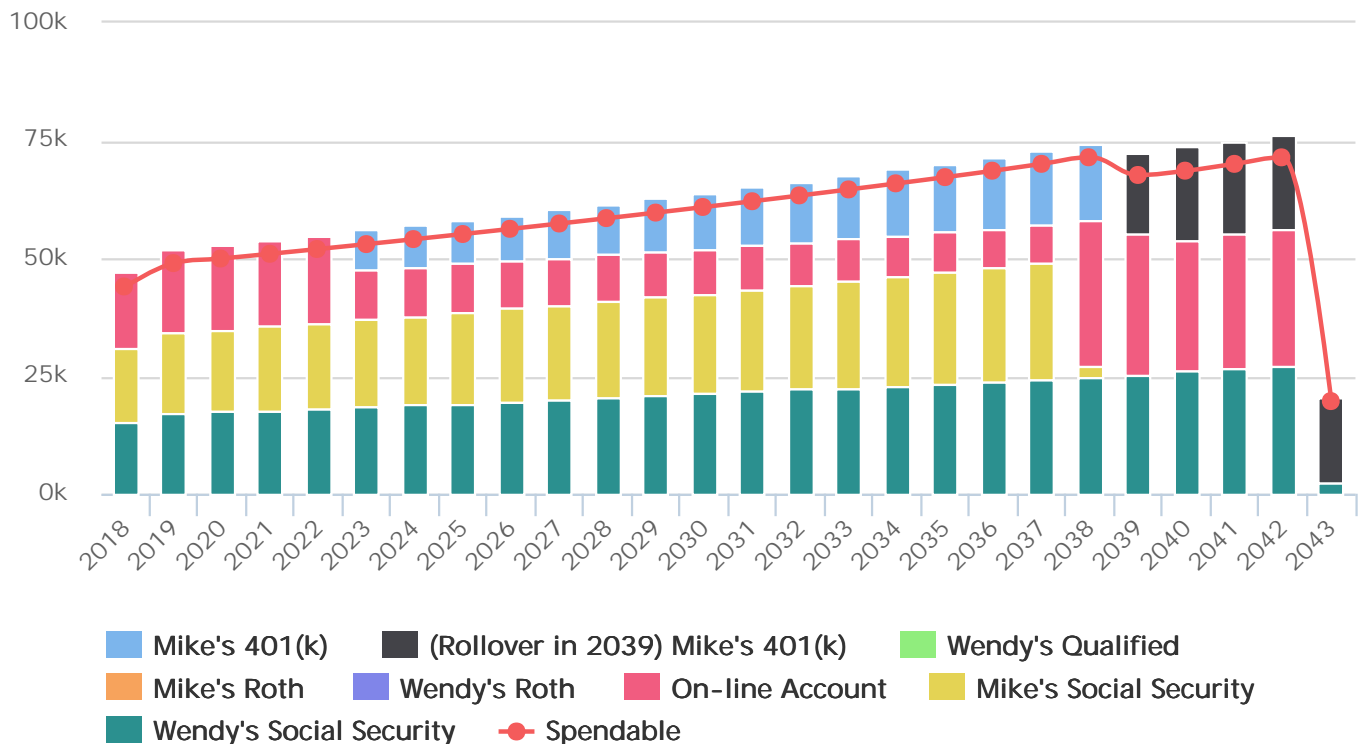
In this case, your income sources exceed your income need, and the green bars extend above the blue line. In general, when this occurs, there may be opportunities to use the excess income to increase your estate value. We assume these funds are saved into your Non-Qualified account.

# Base Case - Income Plan Details

In the "Base Case" we assume you elect Social Security as early as possible and use any non-qualified funds to pay living expenses while deferring withdrawals from Qualified accounts for as long as possible. Withdrawals from Qualified accounts begin only when they are necessary, and are taken only to the extent necessary to meet your income needs or to satisfy Required Minimum Distributions beginning at 70½. Roth assets are assumed to be used only when other options have been exhausted.

- You would begin to receive a Social Security benefit from **Mike's Social Security** totaling **\$15,400** in **2018**
- You would begin to withdraw **\$16,200** from **On-line Account** in **2018**
- You would begin to withdraw **\$8,355** from **Mike's 401(k)** in **2023**

## Income By Source



## Base Case - Table of Cash Flows

Year	Mike's Social Security	Wendy's Social Security	Mike's 401(k)	On-line Account	(Rollover in 2039) Mike's 401(k)
2018	\$15,400	\$15,400	\$0	\$16,200	\$0
2019	\$17,124	\$17,124	\$0	\$17,712	\$0
2020	\$17,472	\$17,472	\$0	\$17,995	\$0
2021	\$17,820	\$17,820	\$0	\$18,298	\$0
2022	\$18,180	\$18,180	\$0	\$18,597	\$0
2023	\$18,540	\$18,540	\$8,355	\$10,561	\$0
2024	\$18,912	\$18,912	\$8,783	\$10,449	\$0
2025	\$19,284	\$19,284	\$9,232	\$10,337	\$0
2026	\$19,680	\$19,680	\$9,702	\$10,178	\$0
2027	\$20,064	\$20,064	\$10,195	\$10,041	\$0
2028	\$20,472	\$20,472	\$10,710	\$9,858	\$0
2029	\$20,880	\$20,880	\$11,250	\$9,672	\$0
2030	\$21,300	\$21,300	\$11,759	\$9,517	\$0
2031	\$21,720	\$21,720	\$12,347	\$9,306	\$0
2032	\$22,152	\$22,152	\$12,895	\$9,136	\$0
2033	\$22,596	\$22,596	\$13,461	\$8,949	\$0
2034	\$23,052	\$23,052	\$14,046	\$8,744	\$0
2035	\$23,508	\$23,508	\$14,648	\$8,548	\$0
2036	\$23,976	\$23,976	\$15,267	\$8,361	\$0
2037	\$24,456	\$24,456	\$15,926	\$8,222	\$0
2038	\$2,079	\$24,948	\$16,541	\$30,859	\$0
2039	\$0	\$25,440	\$0	\$29,747	\$17,070
2040	\$0	\$25,956	\$0	\$27,970	\$19,690
2041	\$0	\$26,472	\$0	\$28,788	\$19,642
2042	\$0	\$27,000	\$0	\$29,128	\$20,105
2043	\$0	\$2,295	\$0	\$0	\$18,354

## Base Case - Stress Tests

	Portfolio Longevity	Income Floor	Estate Value
<b>Need</b>	<b>25</b>	<b>\$48,000</b>	<b>-</b>
<b>Base Case</b>	<b>25</b>	<b>100%</b>	<b>\$207,390</b>
Mike Needs LTC	21	34%	\$0
Wendy Needs LTC	25	100%	\$150,917
Down Market	25	100%	\$17,222

**If Mike needs LTC** - The portfolio would run out with 4 years remaining in retirement. 34% of the spendable income need would continue to be met. The expected estate value would be \$0.

**If Wendy needs LTC** - The portfolio would last through retirement. 100% of the spendable income need would continue to be met. The expected estate value would be \$150,917.

**If down market early in retirement** - The portfolio would last through retirement. 100% of the spendable income need would continue to be met. The expected estate value would be \$17,222.



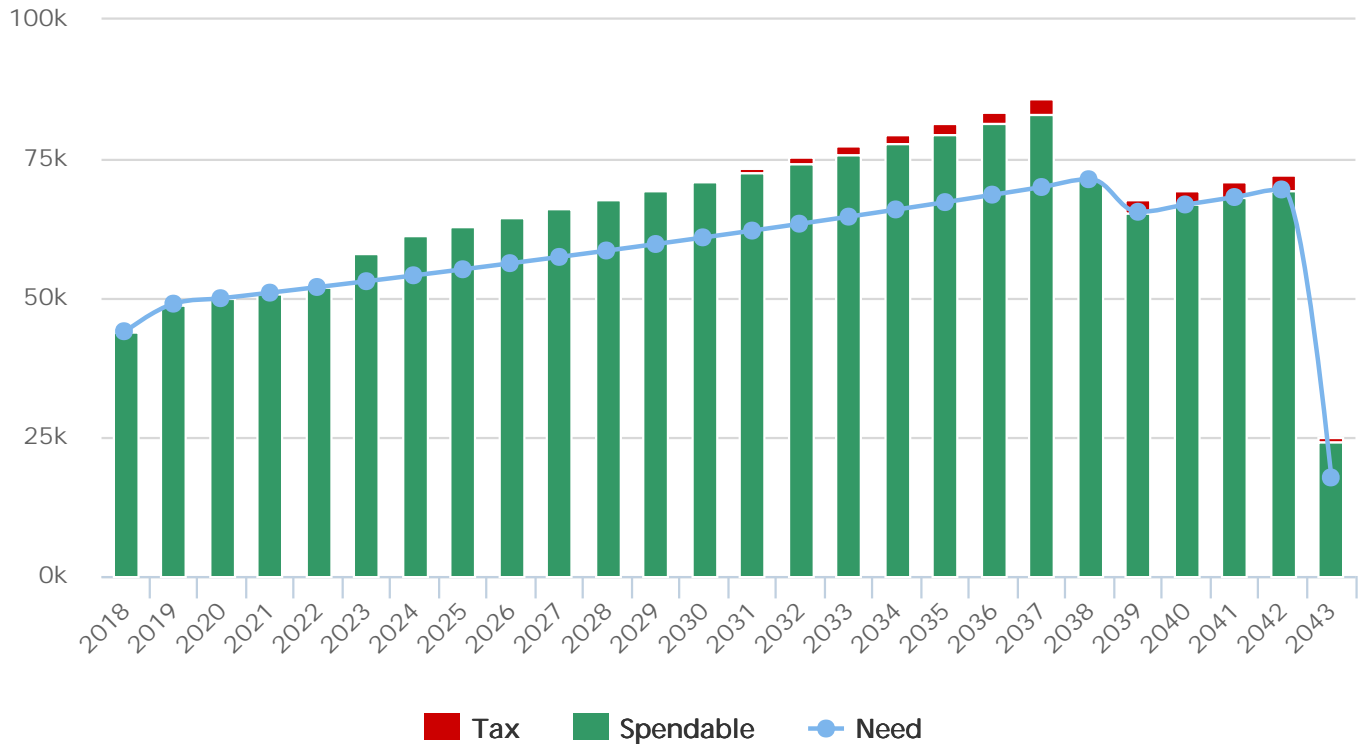
# Plan Case - Income Plan Results

Portfolio Longevity  
**25 years**

Income Floor  
**\$48,000**

Estate Value  
**\$263,187**

## Income By Result



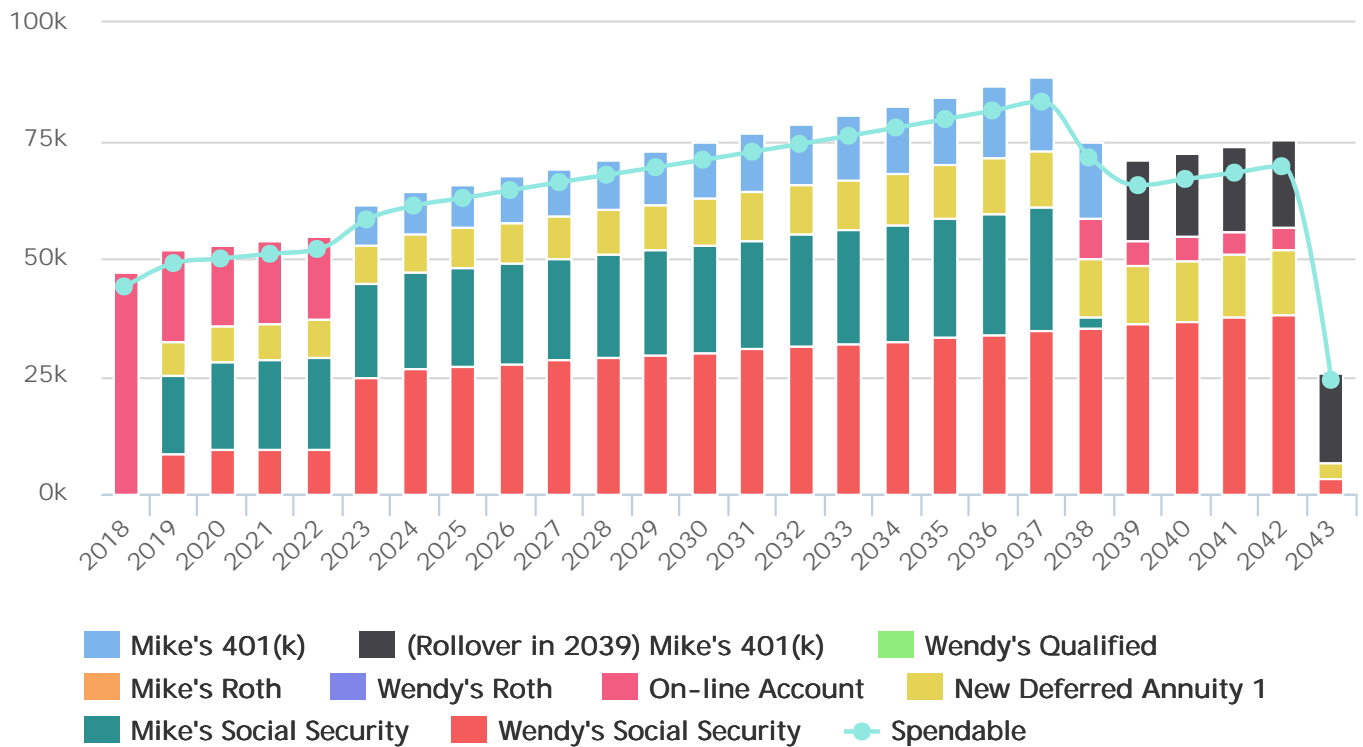
This report focuses on the amount of after-tax, spendable income you may have at your disposal for each year in your retirement. The bar chart for each year represents your total income. The green portion of the bar is the spendable portion and the red portion is the portion paid in taxes. The blue line represents your need for after-tax spendable income. Ideally, the green bar will neither exceed nor fall short of the blue line.

In this case, your income sources exceed your income need, and the green bars extend above the blue line. In general, when this occurs, there may be opportunities to use the excess income to increase your estate value. We assume these funds are saved into your Non-Qualified account.

# Plan Case - Income Plan Details

- You would begin to withdraw **\$47,000** from **On-line Account** in **2018**
- You would begin to withdraw **\$7,290** from **New Deferred Annuity 1** in **2019**
- You would begin to receive a Social Security benefit from **Mike's Social Security** totaling **\$16,830** in **2019**
- You would begin to withdraw **\$8,355** from **Mike's 401(k)** in **2023**

## Income By Source



## Plan Case - Table of Cash Flows

Year	Mike's 401(k)	On-line Account	New Deferred Annuity 1	Mike's Social Security	Wendy's Social Security	(Rollover in 2039) Mike's 401(k)
2018	\$0	\$47,000	\$0	\$0	\$0	\$0
2019	\$0	\$19,425	\$7,290	\$16,830	\$8,415	\$0
2020	\$0	\$17,365	\$7,494	\$18,720	\$9,360	\$0
2021	\$0	\$17,602	\$7,704	\$19,092	\$9,540	\$0
2022	\$0	\$17,829	\$7,920	\$19,476	\$9,732	\$0
2023	\$8,355	\$0	\$8,141	\$19,872	\$24,863	\$0
2024	\$8,783	\$0	\$8,369	\$20,268	\$26,748	\$0
2025	\$9,232	\$0	\$8,604	\$20,664	\$27,288	\$0
2026	\$9,702	\$0	\$8,845	\$21,084	\$27,828	\$0
2027	\$10,195	\$0	\$9,092	\$21,504	\$28,380	\$0
2028	\$10,710	\$0	\$9,347	\$21,936	\$28,956	\$0
2029	\$11,250	\$0	\$9,609	\$22,368	\$29,532	\$0
2030	\$11,759	\$0	\$9,878	\$22,812	\$30,120	\$0
2031	\$12,347	\$0	\$10,154	\$23,268	\$30,720	\$0
2032	\$12,895	\$0	\$10,438	\$23,736	\$31,332	\$0
2033	\$13,461	\$0	\$10,731	\$24,216	\$31,956	\$0
2034	\$14,046	\$0	\$11,031	\$24,696	\$32,592	\$0
2035	\$14,648	\$0	\$11,340	\$25,188	\$33,252	\$0
2036	\$15,267	\$0	\$11,658	\$25,692	\$33,912	\$0
2037	\$15,902	\$0	\$11,984	\$26,208	\$34,596	\$0
2038	\$16,439	\$8,522	\$12,320	\$2,227	\$35,280	\$0
2039	\$0	\$5,099	\$12,665	\$0	\$35,988	\$17,042
2040	\$0	\$5,007	\$13,019	\$0	\$36,708	\$17,538
2041	\$0	\$4,868	\$13,384	\$0	\$37,440	\$18,077
2042	\$0	\$4,770	\$13,758	\$0	\$38,184	\$18,587
2043	\$0	\$0	\$3,536	\$0	\$3,246	\$18,886

## Plan Case - Stress Tests

	Portfolio Longevity	Income Floor	Estate Value
<b>Need</b>	<b>25</b>	<b>\$48,000</b>	<b>-</b>
<b>Plan Case</b>	<b>25</b>	<b>100%</b>	<b>\$263,187</b>
Mike Needs LTC	20	70%	\$0
Wendy Needs LTC	25	100%	\$205,929
Down Market	25	100%	\$136,777

**If Mike needs LTC** - The portfolio would run out with 5 years remaining in retirement. 70% of the spendable income need would continue to be met. The expected estate value would be \$0.

**If Wendy needs LTC** - The portfolio would last through retirement. 100% of the spendable income need would continue to be met. The expected estate value would be \$205,929.

**If down market early in retirement** - The portfolio would last through retirement. 100% of the spendable income need would continue to be met. The expected estate value would be \$136,777.

# Appendix:

## Asset Classes

Name	% Turnover	% CG	% OI	% Dividend	Duration (years)
<b>CashMoney</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.50%</b>	<b>0.00%</b>	
Down Market	0.00%	0.00%	0.20%	0.00%	0
Recovery	0.00%	0.00%	0.00%	0.00%	0
<b>Fixed 2</b>	<b>0.00%</b>	<b>0.00%</b>	<b>2.00%</b>	<b>0.00%</b>	
Down Market	0.00%	0.00%	0.00%	0.00%	0
Recovery	0.00%	0.00%	0.00%	0.00%	0
<b>Bond</b>	<b>40.00%</b>	<b>-0.50%</b>	<b>3.80%</b>	<b>0.00%</b>	
Down Market	20.00%	-9.80%	3.80%	0.00%	2
Recovery	0.00%	0.00%	0.00%	0.00%	0
<b>Equity</b>	<b>20.00%</b>	<b>5.00%</b>	<b>0.00%</b>	<b>2.00%</b>	
Down Market	40.00%	-30.00%	0.00%	2.00%	2
Recovery	0.00%	12.00%	0.00%	2.00%	3
<b>Fixed 3</b>	<b>0.00%</b>	<b>0.00%</b>	<b>3.00%</b>	<b>0.00%</b>	
Down Market	0.00%	0.00%	0.00%	0.00%	0
Recovery	0.00%	0.00%	0.00%	0.00%	0
<b>Fixed 4</b>	<b>0.00%</b>	<b>0.00%</b>	<b>4.00%</b>	<b>0.00%</b>	
Down Market	0.00%	0.00%	0.00%	0.00%	0
Recovery	0.00%	0.00%	0.00%	0.00%	0

## Portfolios

Name	CashMoney	Fixed 2	Bond	Equity	Fixed 3	Fixed 4
Cash	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Fixed 2%	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%
Fixed 3%	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%

<b>Name</b>	<b>CashMoney</b>	<b>Fixed 2</b>	<b>Bond</b>	<b>Equity</b>	<b>Fixed 3</b>	<b>Fixed 4</b>
Fixed 4%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Conservative 100% Bonds	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%
Moderate Conservative 25/75	0.00%	0.00%	75.00%	25.00%	0.00%	0.00%
Moderate 60/40	0.00%	0.00%	40.00%	60.00%	0.00%	0.00%
Moderate Aggressive 75/25	0.00%	0.00%	25.00%	75.00%	0.00%	0.00%
Aggressive 100% Equities	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%

# Disclosures

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In order to consider the impact of incomes paid in different periods, the income floor number is adjusted for inflation. The lifetime tax number is adjusted to account for the fact that taxes lost early in retirement could have been invested and generated some type of return. The Estate value is also adjusted to account for the fact that money received by a client's heirs at some point in the future is not the same as money that could be given to them today.

Here is where you add disclosures