Welcome to

Financial Strategies for Successful Retirement®

I

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Everyone Needs Retirement Planning

Most people spend time dreaming about having the financial freedom to do what they want.

Unfortunately, most people do not spend enough time preparing for the financial realities of retirement.

Many Americans have discovered that it is possible to increase their retirement savings without seriously reducing their standard of living.

This course will give you knowledge that you need.

Once your finances are in place, you may consider various leisure activities.

My Objectives

Please take a few moments to list your reasons for attending this class. Identifying what you want to receive from this experience will help you focus on the information that is most helpful to you.

1.____

2. _______________________________________

3.____

4.____

5.____

Agenda

Financial Basics

Retirement Income

Investments

Risk Management

Estate Planning

Optional Retirement Planning Consultation

IV V VI VII VIII

Lifestyles

The Lifestyles pages offer you some nonfinancial ideas to consider as you prepare for retirement.

Lifestyles Directory

RESOURCE PAGE INDEX

Some retirement planning topics need more explanation than your instructor has time to provide. Other topics are important to some people but not to others.

X

RESOURCE PAGE INDEX

X

How This Course Can Help You

This course will help you learn how to:

- Assess your retirement income needs.
- Understand a variety of investment choices.
- Potentially increase your investment returns.
- Use federal tax laws to your advantage.
- Make wise use of your employer-provided benefits.
- Protect yourself and your family from economic catastrophes.
- Transfer your possessions to the next generation.
- Develop a plan to meet your retirement goals.

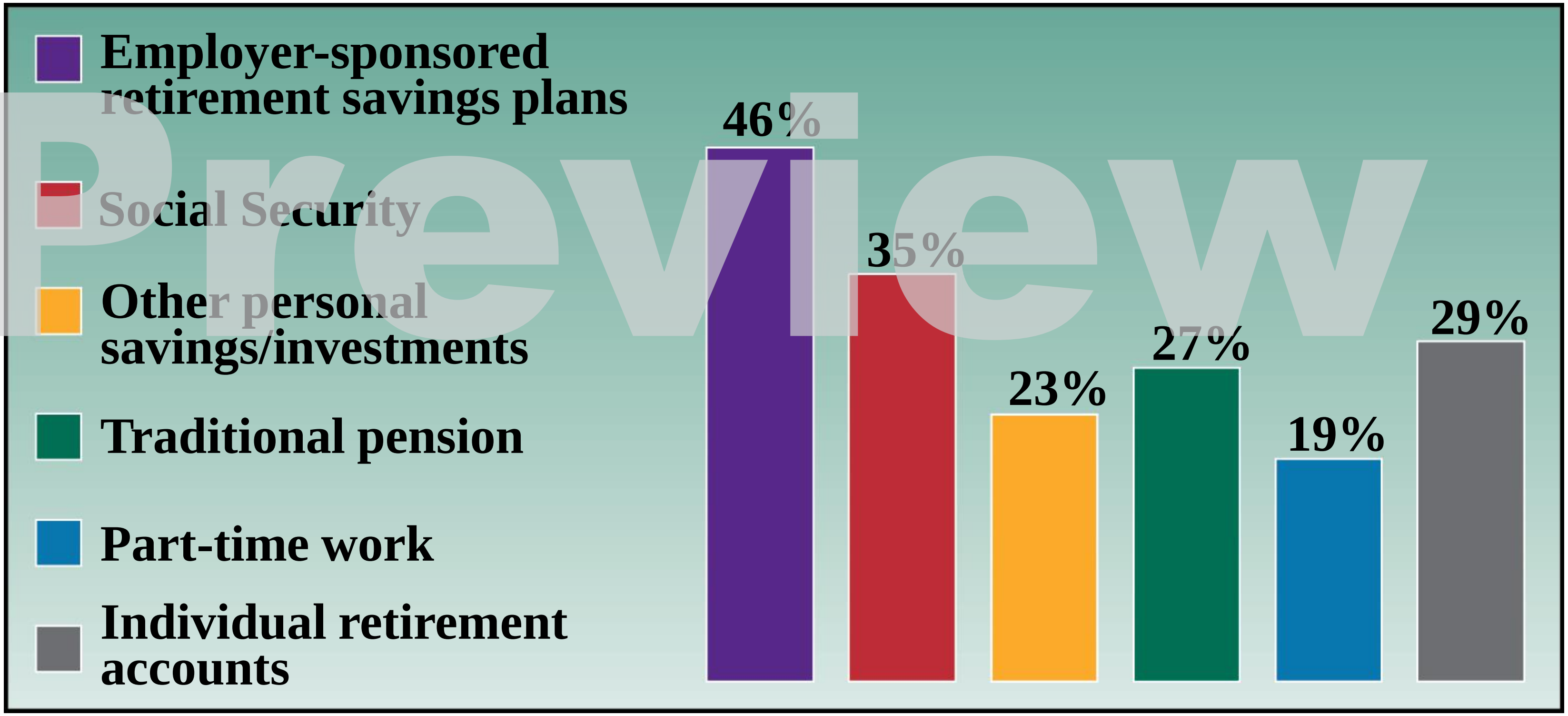
Financial Basics

"Money is only a tool. It will take you wherever you wish, but it will not replace you as the driver."

Ayn Rand

Retirement Income: Perception and Reality

Perception[1]

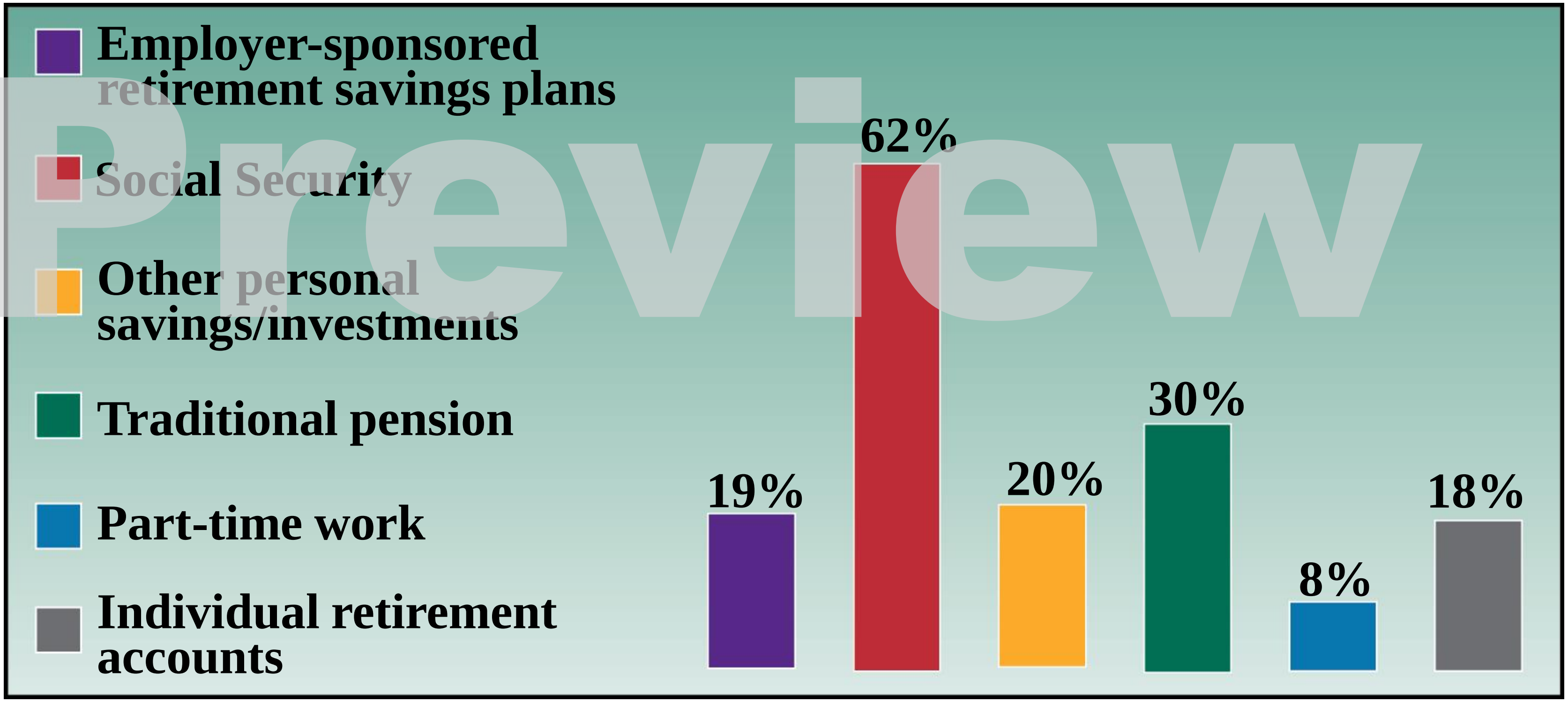


* Totals to more than 100% due to multiple responses being allowed.

[1] *2016 Retirement Confidence Survey*, Employee Benefit Research Institute.

Retirement Income: Perception and Reality

Reality[2]



* Totals to more than 100% due to multiple responses being allowed.

[2] *2016 Retirement Confidence Survey*, Employee Benefit Research Institute.

How Long Will You Be Retired?

Current age	1941 life expectancy[1]	Current life expectancy[2]	
		Male	Female
Birth	62.3	76.4	81.2
40	69.3	78.7	82.6
55	72.8	80.6	83.9
70	79.0	84.4	86.6
85	88.7	90.9	92.0

[1] *1941 Standard Ordinary Mortality Table*, National Association of Insurance Commissioners.
[2] *National Vital Statistics Report*, Vol. 65, No. 4, National Center for Health Statistics, 2016. Figures show life expectancy for 2014.

Are You Ready for Retirement?

Are you prepared financially?

Do you love your job?

How will you fill your time?

Is your spouse ready?

Where will you live?

Nine Reasons People Fail Financially in Retirement

1. *Procrastination.*
2. ______
3. ______
4. ______
5. ______
6. ______
7. ______
8. ______
9. ______

Does a Convenient Time Ever Come?

We're 25. We can't save money now. We're just getting started and don't earn very much. It takes everything we have to pay the bills and have some fun. Besides, we don't plan to retire for another 30 or 40 years. We have lots of time.

We're 35. Our family is growing. Our mortgage and car payments are very high. We need to invest in ourselves so we can get promoted. When we have higher-paying jobs, we will have money to invest. But we can't afford anything now.

Does a Convenient Time Ever Come?

We're 45. We spend all of our extra money on our children. We work hard and think we deserve a good lifestyle. We should be able to save after the children are on their own.

We're 55. Retirement is staring us in the face. We need to get started on our investments. But our careers have peaked. We need all of our income to live. Our parents are facing health-care issues that we may need to finance, and our children still need some help. We can't afford to set anything aside right now.

We're 65. Who, us? Sure, investing is a great idea, but we're 65. Social Security doesn't go far. We should have started years ago, but it's too late now.

Nine Reasons People Fail Financially in Retirement

1. *Procrastination.*
2. *Failure to set clear financial goals.*
3. ____________________
4. ____________________
5. ____________________
6. ____________________
7. ____________________
8. ____________________
9. ____________________

Setting Goals

These are the steps in goal setting:

1. **Dream.**
2. **Reduce the dreams to writing.**

   Make them specific.

   Quantify them.

   Set them within a time frame.
3. **Organize the dreams.**

   Prioritize them.

   Determine a course of action.

   Break the goals into subgoals.

Setting Goals

4. **Implement your action plan.**

   Take action.

   Monitor your progress.

   Adjust as needed.

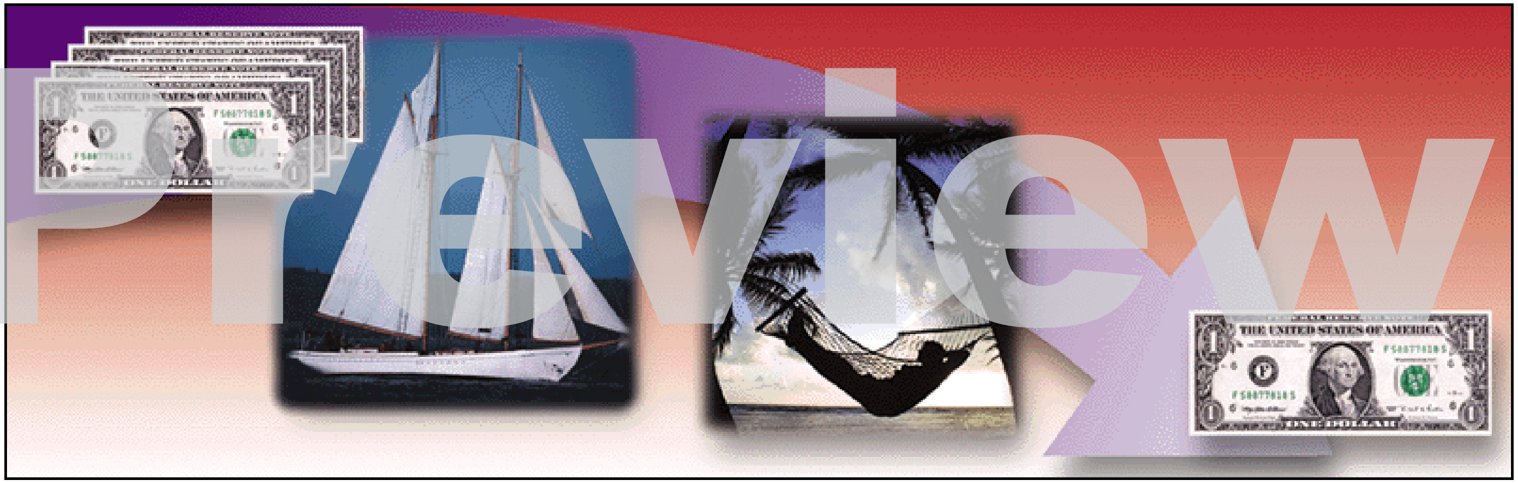
5. **Celebrate your accomplishments!**

Nine Reasons People Fail Financially in Retirement

1. *Procrastination.*
2. *Failure to set clear financial goals.*
3. *Failure to establish plans to meet their goals.*
4. *Unwise use of credit.*
5. ____________________
6. ____________________
7. ____________________
8. ____________________
9. ____________________

Using Credit Wisely

Bad debt



Using Credit Wisely

Necessary debt

Controlling Debt

- Start paying cash for your purchases.
- Use debit cards instead of credit cards.
- Close all nonessential accounts.
- Pay as much as you can on each credit card account each month.
- When one account is paid off, divert the payment amount to other accounts or to savings.
- Except in rare situations, don't sell investments to pay debts.
- Seek credit counseling, if appropriate.

Nine Reasons People Fail Financially in Retirement

1. ***Procrastination.***
2. ***Failure to set clear financial goals.***
3. ***Failure to establish plans to meet their goals.***
4. ***Unwise use of credit.***
5. ***Lack of understanding about what money can do for them.***
6. ______
7. ______
8. ______
9. ______

Making Compounding Work for You[1]

Years	4%	8%	10%
30	$331,350	*$1,093,573*	*$1,983,740*
20	$222,258	*$492,680*	*$732,807*
10	$149,083	$221,964	$270,704

[1] The hypothetical investment results are for illustrative purposes only and should not be deemed a representation of past or future investment results. Actual investment results may be more or less than those shown. This does not represent any specific product. Monthly compounding from beginning of period is assumed.

Consistent Investing[1]

Starting amount: *0*

Monthly additions: *$100*

Years	Invested	4%	8%	10%
30	$36,000	$69,636	*$150,030*	*$227,933*
20	$24,000	$36,800	*$59,295*	*$76,570*
10	$12,000	$14,774	$18,417	$20,655

[1] The hypothetical investment results are for illustrative purposes only and should not be deemed a representation of past or future investment results. Actual investment results may be more or less than those shown. Consistent investing does not assure a profit or protect against loss. This does not represent any specific product. Monthly compounding from beginning of period is assumed.

Double or Nothing: The Rule of 72

The Rule of 72 quickly estimates how long it will take for you to double your money. The formula is:

$$\frac{72}{\text{Rate of return}} = \text{Number of years to double value}^{1}$$

Examples:

$$\frac{72}{3} = 24 \text{ years to double the value}$$

$$\frac{72}{6} = 12 \text{ years to double the value}$$

$$\frac{72}{9} = 8 \text{ years to double the value}$$

[1] The actual numerator is 71.773+. The hypothetical investment results are for illustrative purposes only and should not be deemed a representation of past or future investment results. Actual investment results may be more or less than those shown. This does not represent any specific product.

Double or Nothing: The Rule of 72[1]

Year	3%	6%	9%
0	$10,000	$10,000	$10,000
8			*$20,000*
12		*$20,000*	
16			*$40,000*
24	*$20,000*	*$40,000*	*$80,000*

[1] The actual numerator is 71.773+. The hypothetical investment results are for illustrative purposes only and should not be deemed a representation of past or future investment results. Actual investment results may be more or less than those shown. This does not represent any specific product.

Procrastination — A Costly Mistake[1]

$4,000 per year, 10 percent return					
Age	**Bill**	**Tom**	**Age**	**Bill**	**Tom**
45	0	$4,000	55	$4,000	0
46	0	$4,000	56	$4,000	0
47	0	$4,000	57	$4,000	0
48	0	$4,000	58	$4,000	0
49	0	$4,000	59	$4,000	0
50	0	$4,000	60	$4,000	0
51	0	$4,000	61	$4,000	0
52	0	$4,000	62	$4,000	0
53	0	$4,000	63	$4,000	0
54	0	$4,000	64	$4,000	0

[1] The illustration does not consider tax implications or withdrawals. It assumes an annual contribution at the beginning of the year and a 10 percent rate of return compounded monthly from the beginning of the period. The hypothetical investment results are for illustrative purposes only and should not be deemed a representation of past or future investment results. Actual investment results may be more or less than those shown. This does not represent any specific product.

If Tom invested the full 20 years, he would have $267,042.

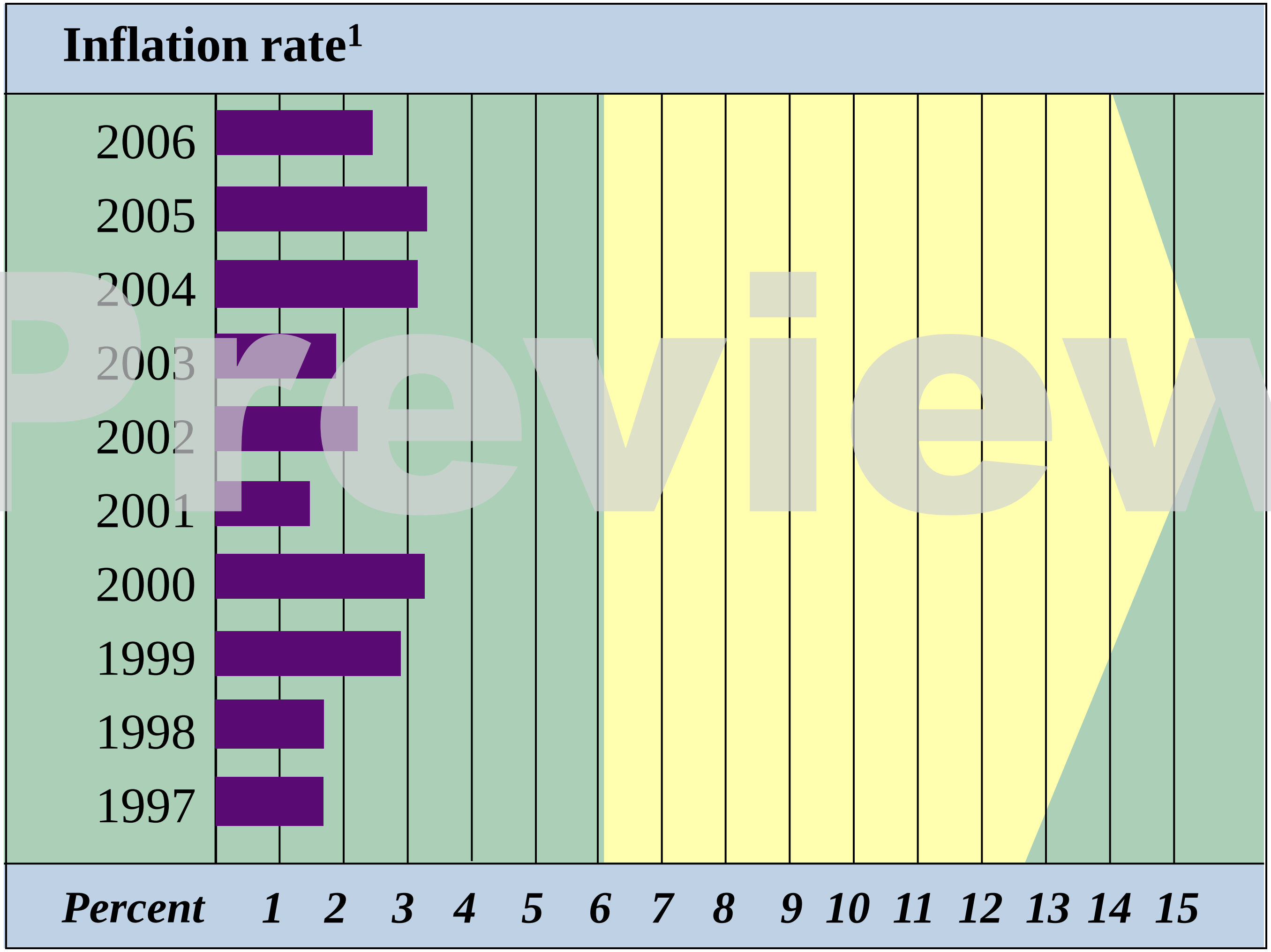
Stress and Retirement

The following life events are potential stressors.

Life Event

- Retirement
- Business readjustment
- Change in financial state
- Change to different line of work
- Change in responsibilities at work
- Spouse begins or stops work
- Loss of spouse
- Change in living conditions
- Revision of personal habits
- Change in residence
- Change in recreation

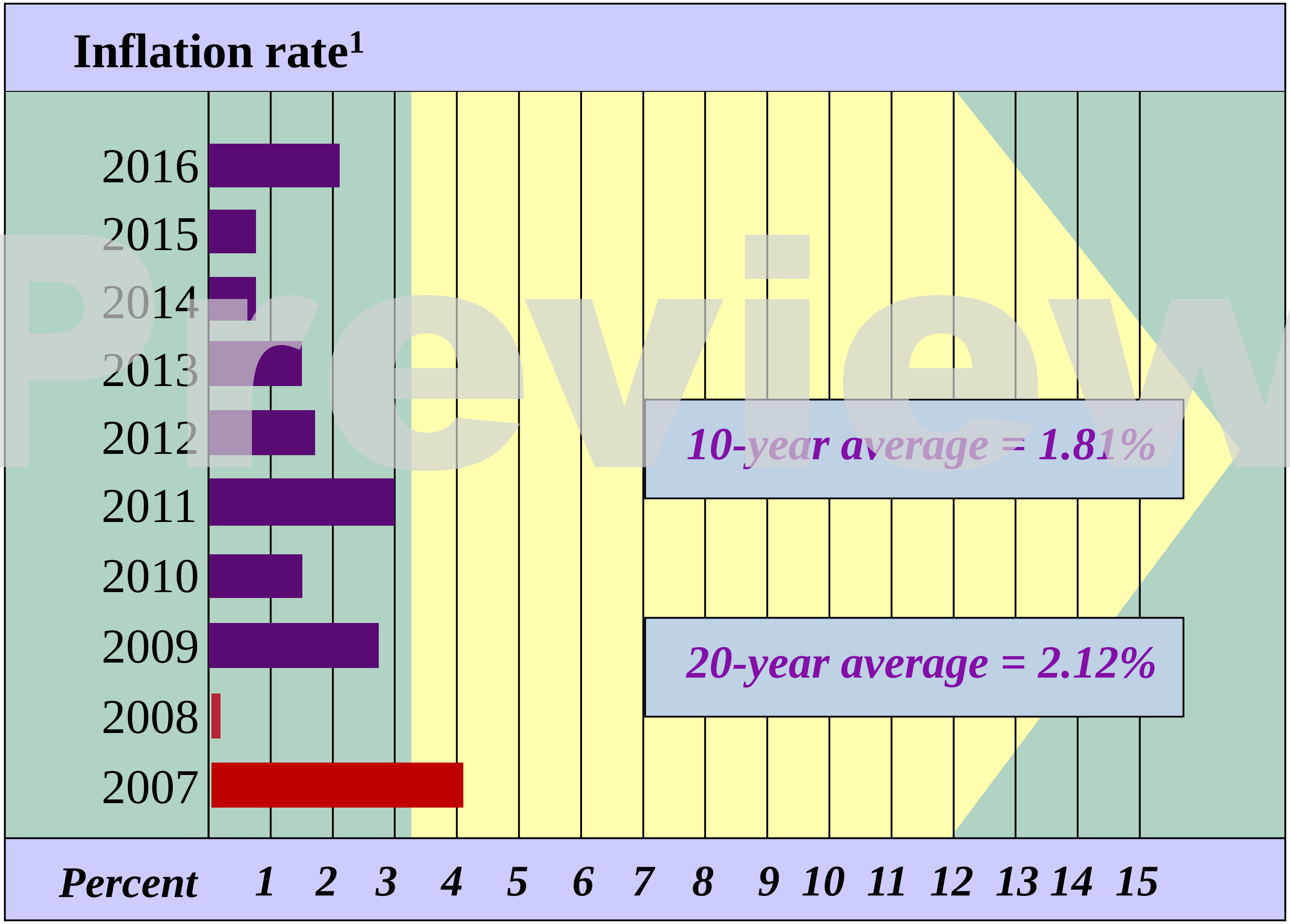
Inflation



[1] Consumer Price Index, December 31, 1996, through December 31, 2016.

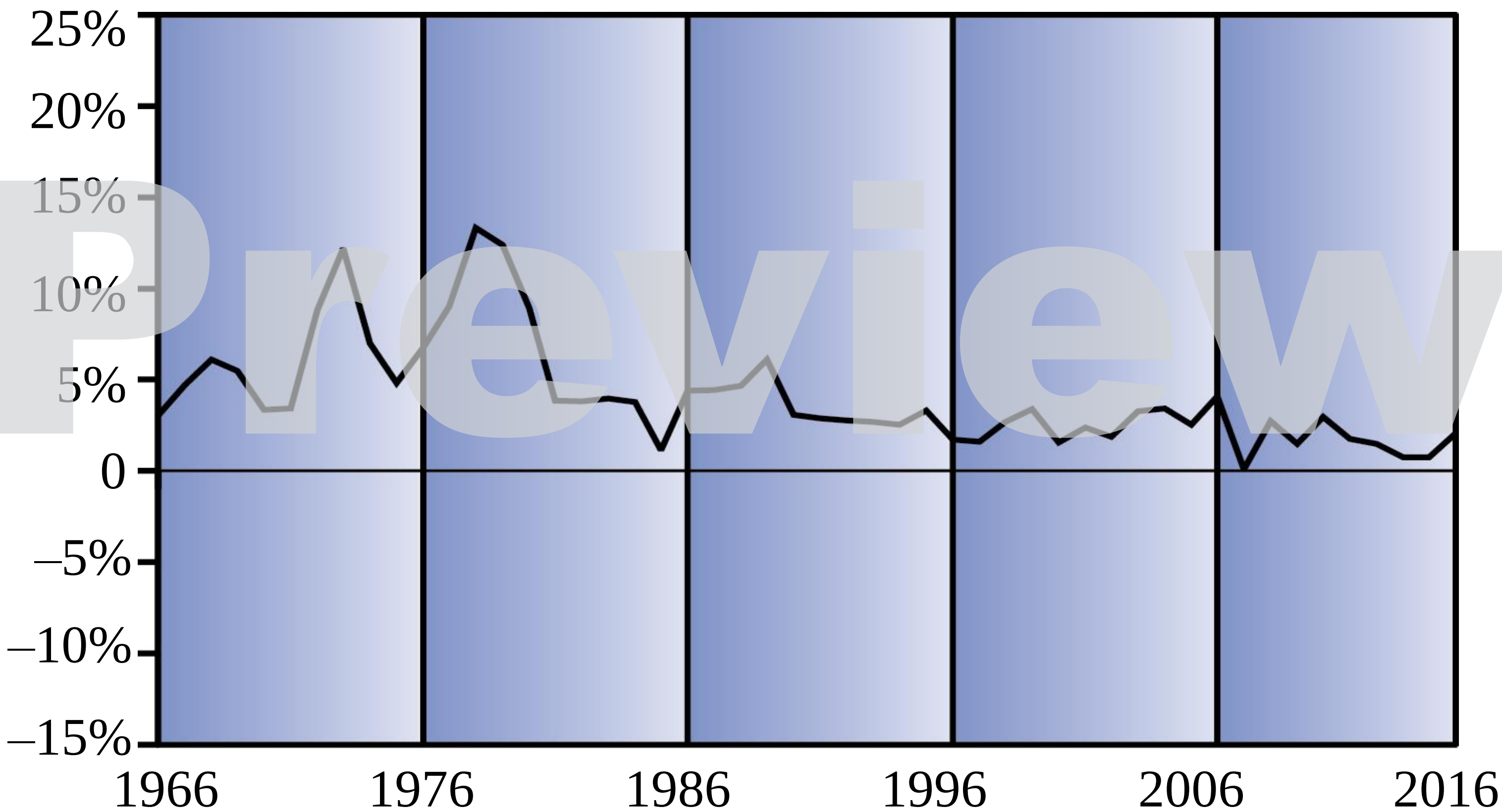
Inflation

2016 was 2.07%



[1] Consumer Price Index, December 31, 1996, through December 31, 2016.

Inflation Rates from 1966 Through 2016[1]



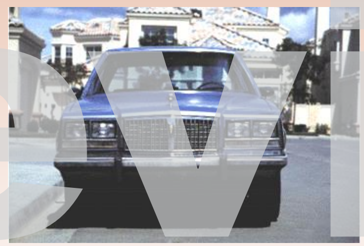
[1] Consumer Price Index, December 31, 1966, through December 31, 2016.

Rising Prices

	1970	1985	Today	In 15 years[1]
Postage[2]	6¢ 	22¢ 	49¢ 	88¢
College[3]	$1,205 	$3,372 	$20,090 	$53,459

[1] Projections are based on the average annual increase since 1970 for each item.
[2] One-ounce first-class letter, United States Postal Service, 2017.
[3] One year of in-state tuition, fees, room, and board at a public four-year college, 2016–2017 school year, *Trends in College Pricing 2016*, College Board.

Rising Prices

	1970	1985	Today	In 15 years[1]
Auto[4]	$3,430	$11,925	$34,663	*$77,497*
				

[1] Projections are based on the average annual increase since 1970 for each item.
[4] Average price for a new automobile in 2016, Kelley Blue Book, 2016.

Future Impact of Inflation

Future purchasing power of today's dollar[1]	
Today	$1.00
In 10 years	$0.74
In 20 years	$0.55
In 30 years	$0.41

[1] These illustrations assume 3 percent inflation and monthly compounding from beginning of period.

Future Impact of Inflation

Future price of goods and services[1]	
Today	$1.00
In 10 years	$1.35
In 20 years	$1.82
In 30 years	$2.46

1 These illustrations assume 3 percent inflation and monthly compounding from beginning of period.

Nine Reasons People Fail Financially in Retirement

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7. ______
8. ______
9. ______

SIMPLIFIED FORM 1040

Latest revision for

1040 FEDERAL INCOME TAX FORM

Department of the Treasury – Internal Revenue Service

Part 1	Income	Your Social Security Number __ __
1. How much money did you make last year?		
2. Send it in.		

Your Income Taxes[1]

Tax year 2017 federal income tax brackets and rates						
Married filing jointly		Single		Head of household		Tax Rate
Taxable income		Taxable income		Taxable income		
At least	But not over	At least	But not over	At least	But not over	
0	$18,650	0	$9,325	0	$13,350	10%
$18,650	$75,900	$9,325	$37,950	$13,350	$50,800	15%
$75,900	$153,100	$37,950	$91,900	$50,800	$131,200	25%
$153,100	$233,350	$91,900	$191,650	$131,200	$212,500	28%
$233,350	$416,700	$191,650	$416,700	$212,500	$416,700	33%
$416,700	$470,700	$416,700	$418,400	$416,700	$444,550	35%
$470,700 and up		$418,400 and up		$444,550 and up		39.6%

[1] These rates are for the 2017 tax year. IRS, 2017.

FEDERAL INCOME TAX TERMS

Gross income

Adjusted gross income (AGI)

Standard deduction

Itemized deductions

Exemption

Taxable income

Tax credits

Your Investments and Taxes

These are the primary types of investment earnings:

- **Interest**
- **Dividends**
- **Capital gains**
- **Capital gains distributions**

Your Investments and Taxes

Type of income	Federal income tax treatment
Interest	Ordinary income
Qualified dividends	Taxed at a maximum 20% rate[1,2]

1 Qualified corporate dividends are taxed at the same rates as long-term capital gains: 20 percent for those in the 39.6 bracket and 15 percent for most other taxpayers, except those in the 10 and 15 percent federal brackets, who pay no dividend taxes.

2 As a result of the Patient Protection and Affordable Care Act, some higher-income individuals may be subject to an additional 3.8 percent Medicare unearned income tax on net investment income if their adjusted gross incomes exceed $200,000 (single filers) or $250,000 (married joint filers). Unearned income includes capital gains and dividends.

Your Investments and Taxes

Type of income	Federal income tax treatment
Capital gains	
Asset held less than 12 months	Ordinary income
Asset held at least 12 months	Taxed at a maximum 20% rate[2,3]
Capital gains distributions	Same as capital gains, based on how long the mutual fund held the assets
Tax-deferred	Taxed as ordinary income when withdrawn[4]

[3] Gains on investments held longer than 12 months are subject to a maximum 20 percent rate, which applies only to taxpayers in the 39.6 percent income tax bracket. All other taxpayers are subject to a maximum rate of 15 percent, except lower-bracket individuals. For taxpayers in the 10 and 15 percent federal income tax brackets, the long-term capital gains tax rate drops to 0 percent.

[4] Additional penalties may apply.

Current Year Tax Benefit Comparison

Taxable earnings[1]

Investment	**$4,000**
Annual return	**3%**
Taxable earnings	**$120**
Federal income tax bracket	***28%***
Current income tax owed	***$34***

[1] The hypothetical investment results are for illustrative purposes only and should not be deemed a representation of past or future investment results. Actual investment results may be more or less than those shown. This does not represent any specific product.

Current Year Tax Benefit Comparison

Tax-deferred earnings[1]

Investment	**$4,000**
Annual return	**3%**
Deferred earnings	**$120**
Federal income tax bracket	***28%***
Current income tax deferred	***$34***

[1] The hypothetical investment results are for illustrative purposes only and should not be deemed a representation of past or future investment results. Actual investment results may be more or less than those shown. This does not represent any specific product.

Current Year Tax Benefit Comparison

Tax-deductible contributions[1]

Investment	**$4,000**
Tax-deductible contribution	**$4,000**
Federal income tax bracket	***28%***
Current income tax reduction	***$1,120***

[1] The hypothetical investment results are for illustrative purposes only and should not be deemed a representation of past or future investment results. Actual investment results may be more or less than those shown. This does not represent any specific product.

Current Year Tax Benefit Comparison

Tax-free income[1]

Investment	**$4,000**
Annual tax-free return	**3%**
Tax-free income	**$120**
Federal income tax bracket	***28%***
Income tax avoided	***$34***

[1] The hypothetical investment results are for illustrative purposes only and should not be deemed a representation of past or future investment results. Actual investment results may be more or less than those shown. This does not represent any specific product.

Impact of Income Taxes and Inflation

Beginning amount[1]	$10,000
Return	3.0%
Annual income	*$300*
Income tax	*–$84*
Net after income tax	*$216*
Inflation on investment and net	*–$212*
Net purchasing power	*$10,004*
Real rate of return	*0.04%*

[1] This simplified illustration assumes investment is made at beginning of year. Return on annual income is compounded annually. Inflation on investment is calculated from beginning of year. Inflation on return is calculated annually. Calculations assume 28 percent income tax bracket and 20-year average rate of inflation of 2.12 percent. The hypothetical investment results are for illustrative purposes only and should not be deemed a representation of past or future investment results. Actual investment results may be more or less than those shown. This does not represent any specific product.

Earning a Real Rate of Return

Inflation rate	Return needed for 2% net return after taxes and inflation[1]			
	Federal income tax bracket			
	15%	**25%**	**35%**	**39.6%**
2%	4.75%	5.39%	6.21%	6.69%
3%	5.95%	6.75%	7.78%	8.38%
4%	7.15%	8.10%	9.35%	10.07%
5%	8.35%	9.46%	10.92%	11.75%
6%	9.55%	10.82%	12.50%	13.44%
7%	10.75%	12.19%	14.06%	15.14%
8%	11.95%	13.54%	15.63%	16.82%

[1] This assumes investment is made at beginning of year. Inflation on investment is calculated from beginning of year.

Making Your Money Last

Rate of withdrawal[1]	Expected rate of return					
	5%	6%	7%	8%	9%	10%
6%	37	$	$	$	$	$
7%	25	33	$	$	$	$
8%	20	23	30	$	$	$
9%	16	18	22	29	$	$
10%	14	15	17	20	27	$
11%	12	14	15	17	20	25
12%	11	12	13	14	16	19
13%	10	11	11	12	14	15
14%	9	10	10	11	12	13
15%	8	9	9	10	11	12
16%	8	8	9	9	10	10
17%	7	7	8	8	9	9
18%	7	7	7	8	8	9
19%	6	7	7	7	7	8
20%	6	6	6	7	7	7

[1] Withdrawal rate is based on original investment. The hypothetical investment results are for illustrative purposes only and should not be deemed a representation of past or future investment results. Actual investment results may be more or less than those shown. This does not represent any specific product.

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4. *Unwise use of credit.*
5. *Lack of understanding about what money can do for them.*
6. *Failure to understand and apply tax laws.*
7. *Failure to prepare for the unexpected.*
8. *Neglecting to plan their estates.*
9. *Failure to develop a winning attitude.*

End of

Financial Basics