Financial Strategies for Successful Retirement®

Preview

Mark Reynolds, CFP®
Mark Reynolds and Associates

123 Main Street, Suite 100
San Diego, CA 92128
Phone: 800-123-4567
Fax: 800-123-4567
www.markreynolds.com

REYNOLDS
& Associates

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Everyone Needs Retirement Planning

Most people spend time dreaming about having the financial freedom to do what they want. This freedom may provide them an opportunity to travel, a chance to develop new skills, or the option of turning an interest into a business opportunity.

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

Americans frequently put today's pleasure ahead of their future comfort. However, 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 to take advantage of opportunities like IRAs and 401(k) plans. You can learn how to make wise choices among various investment and insurance alternatives and how to be confident that your wishes are carried out at your death.

Obviously, financial security is a goal of retirement planning. Once your finances are in place, you may consider various leisure activities. Attending this course could be an important step toward a more satisfying retirement. We are pleased to have you here!

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. ______________________________

Financial Basics

Retirement Income

Investments

Risk Management

Ways to Manage Risk

Health Insurance

Medicare

Disability Income Insurance

Long-Term Care

- Long-Term-Care Progression
- Paying for Long-Term Care
- Long-Term-Care Insurance

Changing Life Insurance Needs

Types of Life Insurance

- Term Insurance
- Cash Value Insurance

Pension Maximization Using Life Insurance

Survivorship Life

Estate Planning

Importance of Estate Planning

Estate Planning Considerations

Planning for Incapacity

Distributing Assets at Your Death

- Direct Transfer Assets
- Joint Ownership
- Trusts
- Probate

Taxes and Your Estate

- Federal Unified Gift and Estate Tax Rates
- Charitable Gifts May Reduce Estate Taxes
- Providing Money for Estate Transfer Costs
- Irrevocable Life Insurance Trust

Optional Retirement Planning Consultation

Everyone who attends this course is entitled to a personal retirement planning consultation after the conclusion of the course.

Lifestyles

While most of this course provides you with financial strategies to help you afford the retirement you want, the Lifestyles pages offer you some nonfinancial ideas to consider as you prepare for retirement.

If you think of a topic that could be added to Lifestyles, please pass it along to your instructor so that it can be considered for a future edition of this course workbook.

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. The Resource Pages found throughout your workbook discuss some of these topics. Your instructor may choose to cover some of these pages. You may wish to read some of the other pages on your own.

Financial Basics

Retirement Income

Investments

Risk Management

Estate Planning

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

When asked what they believed their major sources of retirement income would be, American workers answered like this:[1]

Employer-sponsored retirement savings plan: ______________
Social Security: ______________
Other personal savings/investments: ______________
Traditional pension: ______________
Part-time work: ______________
Individual retirement accounts: ______________

Reality

Reality paints a different picture. Here are the major income sources for current retirees.[2]

Employer-sponsored retirement savings plan: ______________
Social Security: ______________
Other personal savings/investments: ______________
Traditional pension: ______________
Part-time work: ______________
Individual retirement accounts: ______________

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

1–2) *2016 Retirement Confidence Survey*, Employee Benefit Research Institute

How Long Will You Be Retired?

People today are living longer than at any time in history. In fact, your retirement years may outnumber your working years. And your life expectancy increases as you age.

Do you have a financial strategy in place to deal with the possibility that you may live well into your 90s? Will you have enough money to be financially comfortable?

The table below shows how long an average American can expect to live.

Current Age	1941 life expectancy[1]	Current life expectancy[2] Male	Female
Birth	62.3		
40	69.3		
55	72.8		
70	79.0		
85	88.7		

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. (Most current data available.)

Are You Ready for Retirement?

Why worry about retirement activities now when retirement is years away? If you want to develop new interests and involvements, you need to start now. Fred Astaire said, "Old age is like everything else. To make a success of it, you've got to start young."

Are you prepared financially?

As life expectancies rise, your retirement years may equal your working years. Before you retire, make sure your investments are sufficient to protect your future purchasing power and to cover emergencies.

Do you love your job?

Sometimes people become so involved in their careers that retirement leaves them bored, frustrated, and alienated from many of their friends. If your career is a major part of your life, you might consider partial retirement or volunteer work.

How will you fill your time?

Use pre-retirement years to develop hobbies and interests that can help you fill your post-retirement hours.

Is your spouse ready?

Each spouse often has a daily routine, and each may be uneasy with the idea of the other spouse interrupting that routine. You and your spouse should talk about your individual expectations. The routine you develop together should provide adequate personal time for each spouse.

Where will you live?

Many people look forward to retiring and moving to a different climate. However, make sure you examine all issues regarding such a move.

Nine Reasons People Fail Financially in Retirement

1. ____

2. ____

3. ____

4. ____

5. ____

6. ____

7. ____

8. ____

9. ____

Setting Goals

Goals are the starting point of all achievements. They are the visions of the mind that must occur before the creation of the reality. Born of ideas and dreams, goals inspire planning, planning leads to action, and action yields results.

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.
4. **Implement your action plan.**

   Take action.

   Monitor your progress.

   Adjust as needed.
5. **Celebrate your accomplishments!**

Using Credit Wisely

Bad debt and necessary debt

Debt can help you create wealth — if you use it wisely. Used unwisely, debt can keep you from reaching even the smallest financial goals.

Bad debt means borrowing money strictly for consumption purposes.

Necessary debt means borrowing money to obtain a home, a vehicle, or an asset that is needed in your work. This type of debt doesn't necessarily help you build wealth, but it does allow you the means to provide for yourself and your family.

Controlling Debt

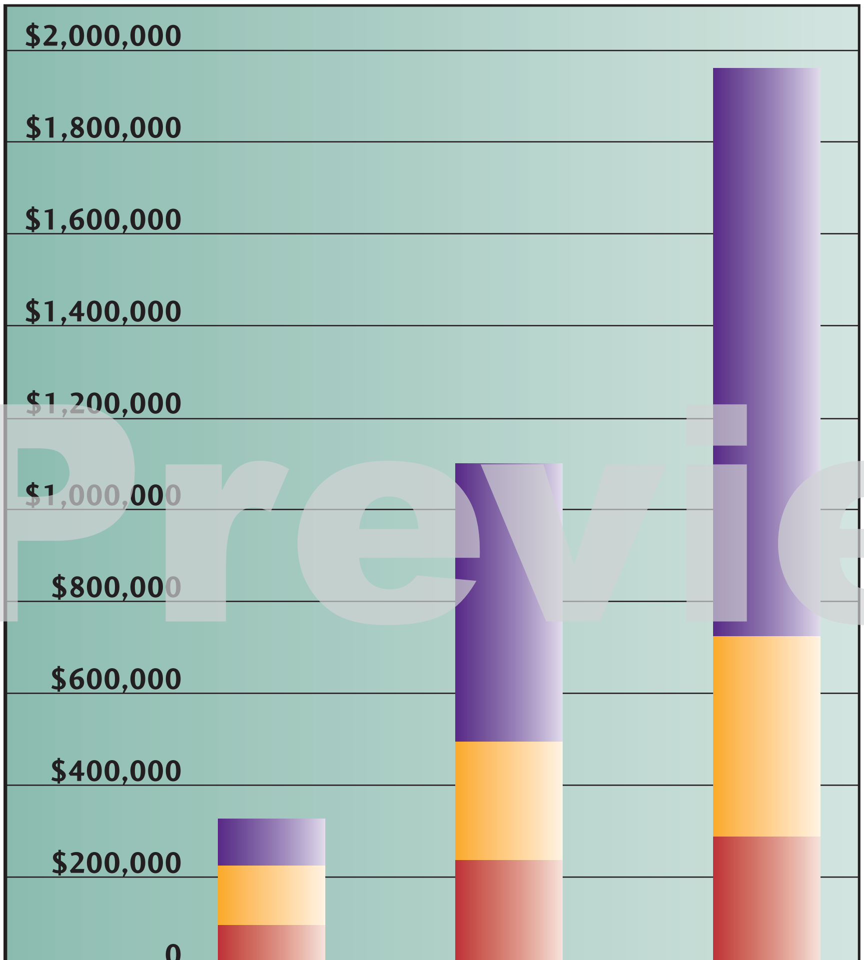
Bad debt is a double-edged sword. It is convenient, helps develop your creditworthiness, and allows you to purchase many things that you desire. However, consumer credit also can delay savings and investing, reduce the amount of money available to support your current standard of living, and cause financial and emotional turmoil.

If excessive consumer debt is a problem for you, consider the following suggestions:

- 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.

Making Compounding Work for You

Compounding takes advantage of the power of time to increase value by adding the earnings on investments to the initial principal. This total amount in turn generates additional earnings that are again reinvested.[1]



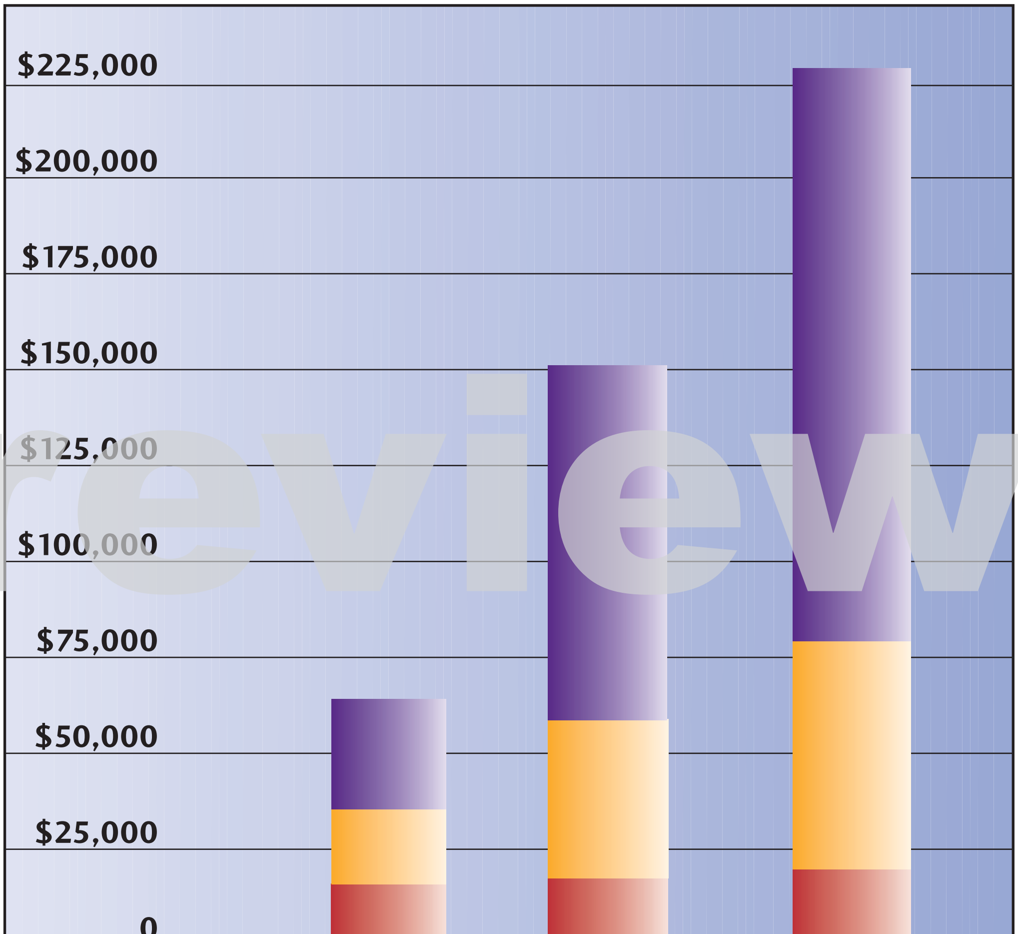
Years	4%	8%	10%
30	$331,350		
20	$222,258		
10	$149,083	$221,964	$270,704

[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. Consistent investing does not assure a profit or protect against loss. This does not represent any specific product. Monthly compounding from the beginning of the period is assumed.

Consistent Investing

Regular, consistent investing is another way to take advantage of the power of compounding. Most people can find some money each month to add to their investments.[1]

Starting amount: ________ Monthly additions: ________



Years	Invested	4%	8%	10%
30	$36,000	$69,636	___________	___________
20	$24,000	$36,800	___________	___________
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 the beginning of the 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:

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

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

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

Year	3%	6%	9%
0	$10,000	$10,000	$10,000
8			
12			
16			
24			

[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.

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