

Getting Safely Through Retirement Guide

A New Paradigm in Retirement Planning



Over 50% of Americans are running out of money in retirement¹, and there are two main reasons for this. First, many people haven't saved enough money to cover their retirement. Second, those who have saved enough money have not addressed the financial risks facing their retirement.

Page 03

About the Founder

Page 05

Have Retirement Plans
Always Been Subject to All
These Risks?

Page 09

Risk 2 - Social Security

Page 17

Risk 4 - Sequence of Return

Page 20

Risk 6 - Long-Term Care

Page 24

Risk 8 - Medicare Risk

Page 27

Risk 10 - Lack of Income
Diversity

Page 04

A Glimpse into the Traditional
Retirement Plan Structure

Page 08

Risk 1 - Longevity

Page 14

Risk 3 - Tax Rate Risk

Page 18

Risk 5 - Withdrawal Rate

Page 22

Risk 7 - Inflation

Page 25

Risk 9 - Elder Abuse Risk

Page 32

The Five Big Lies of Traditional Retirement Plans
That Will Negatively Impact Your Retirement





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To follow his dreams, Dave left his role as managing partner of the accounting firm he had helped build into one of the largest and fastest growing firms in Las Vegas. He then moved to Puerto Rico where he began putting together the pieces that would allow him to share his knowledge on what it takes to get to a tax-free and risk-free retirement with thousands of people, just like you.

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A Glimpse into the Traditional Retirement Plan Structure

Since the 1970s, when IRAs and 401(k)s were first brought about, most Americans have taken the same path when it comes to saving for their retirement. They start with a base of Social Security and then pile as much money as they can into tax-deferred accounts. They then take what is left and spread it into their taxable, or tax-free accounts.

If you were planning for your retirement back in the 1970s, this planning process made sense because tax rates then were as high as 70% and nobody could imagine a day where tax rates would be higher. But today, we live in a period of historically low tax rates and most advisors are predicting these rates will only go up. We also face many other financial risks during our retirement years due to increased longevity

In this guide, you will learn about the top ten risks and the five lies you have been told about traditional retirement planning that are leaving your retirement subject to increased uncertainty.



Top 10 Financial Risks Facing Your Retirement

1. Longevity Risk
2. Social Security Risk
3. Tax Rate Risk
4. Sequence of Return Risk
5. Withdrawal Rate Risk
6. Long-Term Care Risk
7. Inflation Risk
8. Medicare Risk
9. Elder Abuse Risk
10. Lack of Income Diversity Risk



Have Retirement Plans Always Been Subject to All These Risks?

Past generations did not face many of the risks we face today because retirement was different then for the following reasons:

- 1. People worked longer** – The average retiree worked three years longer than we do today, which back then was 65. This resulted in more consistent income during retirement, which meant less risk.
- 2. Retirees had pensions** – Prior generations were able to match
- 3. People did not live as long** – Back in 1970, life expectancy was almost ten years less than today. The shorter your life expectancy, the less you need to worry about the financial risks facing your retirement.

their Social Security and pension to provide a guaranteed stream of lifetime income large enough to cover living costs during retirement. This meant that many of the retirement risks we worry about today were irrelevant then.



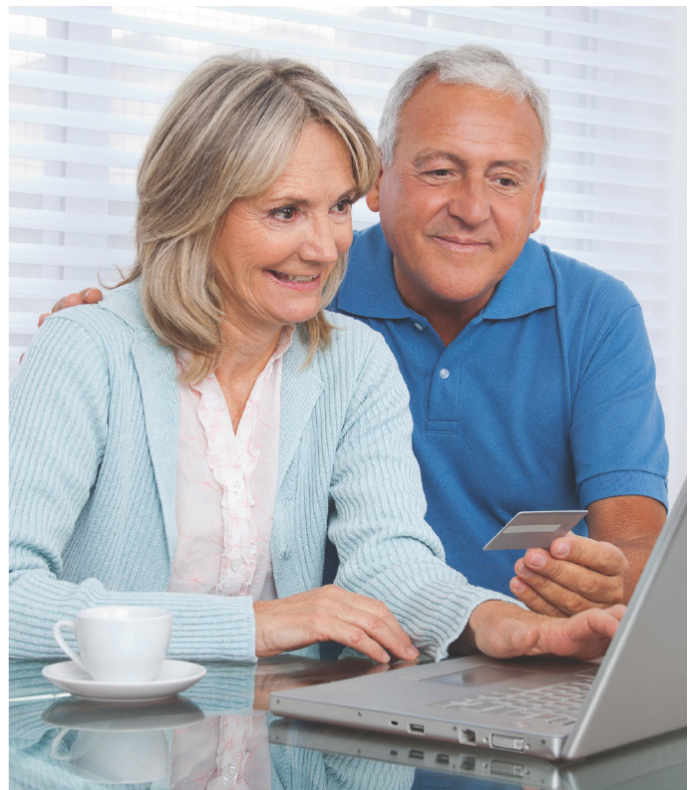
Important Considerations for Everyone

Health in Retirement

1. **Life expectancy** – Consider family and personal medical history. The longer you live, the more money you will need and the more risks you will face.
2. **Quality of retirement** – The risk of future health issues may inspire traveling and hobbies early in retirement while still in good health.
3. **Medical costs** – If you have medical conditions that will require treatment during your retirement years you will spend more money on healthcare than those who are healthy. You will need funds to cover medical premiums, deductibles, co-pays, and co-insurance.

Wealth in Retirement

1. **Assets available** – The government states that you should have \$375,000 set aside for your retirement. However, the average retiree have an average of \$163,577. Nearly 48% of those age 55+ don't have any retirement nest egg or traditional pension plan². Have you saved enough money for your retirement or do adjustments need to be made?
2. **Income needs** – Do you want to maintain your pre-retirement lifestyle? If so, you will need to have between 65 - 80% of your pre-retirement income³ available once you enter retirement.
3. **Social Security** – Social Security is only going to cover about 40% of retirement costs for the average retiree⁴. Do you have the resources to make up the difference? If not, you are going to need to save more money or lower your expected lifestyle in retirement.



Risk in Retirement

- 1. Identify the risks** – It is hard to eliminate something if you do not know what it is and what effects it can have on your retirement. Therefore, you must identify the financial risks facing your retirement and how they will impact you financially.
- 2. Risk tolerance** – Can your emotions handle a 40% drop in the stock market? Can you make up the financial shortfall if taxes double? You must determine your own risk tolerance and what risks you want to try to reduce or eliminate.
- 3. Eliminating risk** – In most cases the financial risks facing your retirement are not going to disappear. You will need to figure out what it will take using your facts and circumstances to eliminate the various risks. Are you willing to do what it takes to get safely through retirement?



"What steps are you willing to take to eliminate the risks facing your retirement?"

Risk 01

Longevity

This is the risk you will live too long, and your retirement will fall apart because of the financial risks it will face before you pass away.

A Risk Multiplier

Have you noticed the longer you own something the more problems you start to have? You buy a new car with no issues. After owning it for ten years the transmission leaks, and the interior is worn. Same goes for a home. After owning it for twenty years, the roof needs repaired; and the flooring needs to be replaced.

Longevity creates this same issue for your retirement. The longer you live the higher probability the risks we talk about in this guide are going to start wreaking havoc on your retirement.



PRO TIP

Applying for permanent life insurance will give you a good idea of your expected longevity.

Risk
02

Social Security



Social Security has two risks. The first is claiming your benefits at the wrong time. The second is having to pay taxes on your benefits.

Risk of Claiming Social Security Benefits at the Wrong Time

The government leads you to believe that it does not matter when you claim your Social Security benefits. But do not be misled by smooth government accounting. When you claim your Social Security impacts your benefits immensely.

When calculating breakeven for Social Security, our government factors in things like infant mortality, work year accidents, and premature death. Meaning they promote it is irrelevant when you claim your Social Security because it all works out the same. However, once you get to retirement age you have passed many of those things that would have shortened your life expectancy. Therefore, breakeven happens prior to death for most people since the average life expectancy for a retired male is around 84 and for a retired female is around 88.

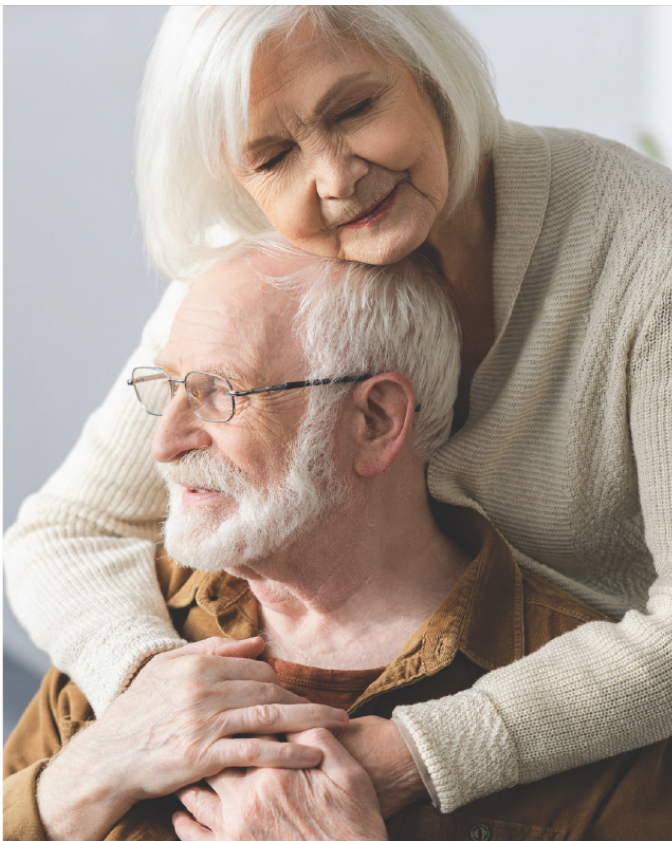
When considering higher life expectancies, it is discovered that under most scenarios Social Security breakeven is well before average life expectancy. This means that if you claim your benefits too early you could be leaving tens of thousands of dollars on the table.

Retirement Age

- ✓ 62 vs 67
- ✓ 62 vs 70
- ✓ 67 vs 70

Break-Even Age

- ✓ Between 78 and 79
- ✓ Between 80 and 81
- ✓ Between 82 and 83



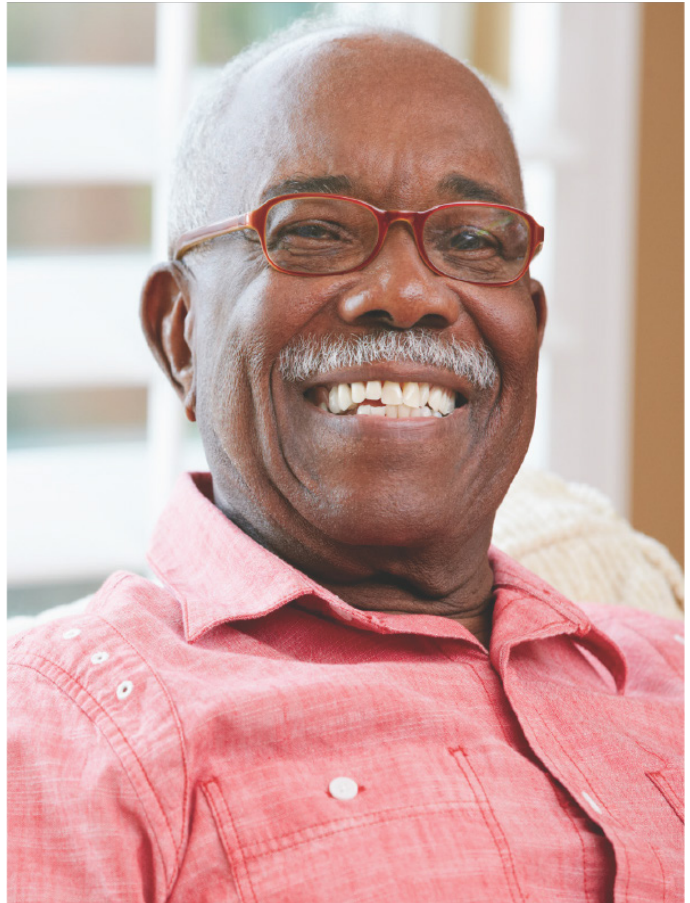
If You're Married or Have a Family, You Need to Consider Them When Claiming Your Social Security

These other people may be entitled to benefits from your Social Security work record:

- Spouse
- Children
- Former Spouse
- Parent
- Grandchild

When Should You Claim Your Social Security to Maximize Your Benefits?

If you are single or the higher income earner, and you expect to live to life expectancy, you should generally wait until age 70 to claim your benefits. If you are going to claim on your spouse's work record for your benefits, you shouldn't wait past full retirement age. If you are the lower earning spouse or you do not think you will live to life expectancy, you will need to use a Social Security benefits calculator to figure out what the best age is for you to claim your benefits.



28% of Americans underestimate their life expectancy by at least 5 years⁵.



Risk of Paying Taxes on Your Social Security Benefits

In 1983, when taxes were first imposed on Social Security, only 10% of retirees had to pay. Now, over 40% are paying taxes on their benefits. The main reason for this is because the government has not inflation-adjusted the Social

What is Provisional Income?

Provisional income is the combined income the government uses to determine if your Social Security benefits will be taxed.

What is Included in Provisional Income?

- All earned income
- Distributions from qualified plans
- Required minimum distributions (RMDs)
- 1099s from taxable accounts
- Pensions
- Rental income
- Interest from municipal bonds
- Half of your Social Security



What Are the Provisional Income Thresholds?

Married

Provisional Income	Percent of Social Security Subject to Tax
Under \$32,000	0%
\$32,000 to \$44,000	Up to 50%
Above \$44,000	Up to 85%

Single

Provisional Income	Percent of Social Security Subject to Tax
Under \$25,000	0%
\$25,000 to \$34,000	Up to 50%
Above \$34,000	Up to 85%

What is the Problem with Paying Taxes on Your Social Security?

If you must pay tax on your Social Security, you have less money to live off during retirement. Therefore, you are withdrawing more from the other retirement funds faster. However, this is often just the tip of the iceberg because the income needed to pay the Social Security tax is often taken from tax-deferred accounts. Meaning you now owe additional taxes when the money is pulled out.

On average, if you must pay taxes on your Social Security you will run out of retirement money 5-7 years faster than

someone who doesn't. In today's environment where life expectancy continues to rise, the last thing you want is to run out of money even faster.

To learn more about the benefits available to you through Social Security go to www.ssa.gov to sign up for an account.

PRO TIP

Use your Social Security statement to help guide you in your retirement planning.





Risk
3

Tax Rate Risk

The risk that taxes will be higher in the future than they are today.

In the 1970s, tax rates were as high as 70%. Today we have tax rates that are some of the lowest we have ever seen, but can they stay this way? Not if we expect the U.S. government to continue paying their bills. There are three main things that could cause tax rates to be substantially higher in the future, maybe even double what they are today.

"Regardless of what politicians tell you, any additional accumulations of debt are, absent dramatic reductions in the size and role of government, basically deferred tax increases... Unless we begin to get our fiscal house in order, there's simply no other way to handle our ever-mounting debt burdens except by doubling taxes over time." - David Walker

Medicare

Medicare is divided into four parts – Part A, Part B, Part C and Part D. The only part that we hear about having financial troubles is Part A because there is a direct accounting for it through the Medicare Trust Fund. This is the part of Medicare that is free for most retirees and is expected to run out of money by 2028. But just because the other parts of Medicare are not talked about doesn't mean they are without problems. Part B will start creating a drag on the general fund of the government within the decade, and Parts C & D will only be stabilized through higher premiums paid by you to third party companies.

Social Security

If you were to look at the current financial statements of the Social Security Trust Fund, you would see a large fund balance that makes it look like one of the most financially stable programs the government has, which it currently is. However, starting in 2021 everything changed. This was the first year the program had a loss since back in the early 1980s, and these losses will continue to stack up until around 2035 when all the money is gone. If this happens and the program is not changed those receiving benefits will only get between 75-80% of their current monthly income. Since Social Security is the most popular entitlement program the government offers, its expected taxes will be raised to help stabilize the program.

National Debt

Our current national debt is out of control, and it does not take a rocket scientist to realize it is not going down anytime soon. It is estimated by some of the country's top economists that by 2030 the national debt will be as high as \$60,000,000,000,000 (yes, folks, that is 13 zeros). If the national debt gets to this point, and interest rates stay high, the annual revenues of the government will not be enough to cover the interest on the debt, let alone start paying off some of the principal.



Any one of these three liabilities could cause taxes to rise. However, when you put them all together within the same decade what you find is a perfect storm for even higher rates.



Solution?

Tax-free investments! These investments create income that is federal tax-free, state tax-free, capital-gains tax-free, and does not cause Social Security to be taxed.

Lost deductions could cause your taxable income to be higher in retirement.

- Mortgage interest
- Charitable contributions
- Children
- Education
- Tax-deferred contributions



PRO TIP

Take advantage of these historical low tax rates by doing some Roth conversions.

Risk
04

Sequence of Return

The risk of market loss during a time when you need to take distributions out of your retirement.

Most of us lived through some type of market downturn during our working years and lived to talk about it. This is because with time our investments not only returned to their original balances but grew. When we start approaching retirement the

ballgame starts to change. If the market drops during the initial years of your retirement (first 5-10 years) your well-planned retirement can turn into a disaster overnight. The problem you face in retirement is having to take distributions from your accounts. This means you are locking in investment loss for good. When this happens, retirement assets can be cut in half in a few short years, as shown in this chart.

	Beginning of Year	Average	Annual	End of Year
Year	Account Value	Annual Return	Distribution	Account Value
2000	3,000,000	-9.00%	-165,000	2,579,850
2001	2,579,850	-11.89%	-165,000	2,127,724
2002	2,127,724	-22.10%	-165,000	1,528,962

This example is for illustrative purposes only and does not take into account your particular investment objectives, financial situation or needs and may not be suitable for all investors. It is not intended to project the performance of any specific investment and is not a solicitation or recommendation of any investment strategy.

As you can see from the chart, retirement will look different if a market downturn happens during the early retirement years. Not only would you lose assets, but you may be forced into a withdrawal rate that is not sustainable based on lifestyle.

PRO TIP

Five years before you retire start transitioning money into principal protection products you can access during the first five to ten years of your retirement.

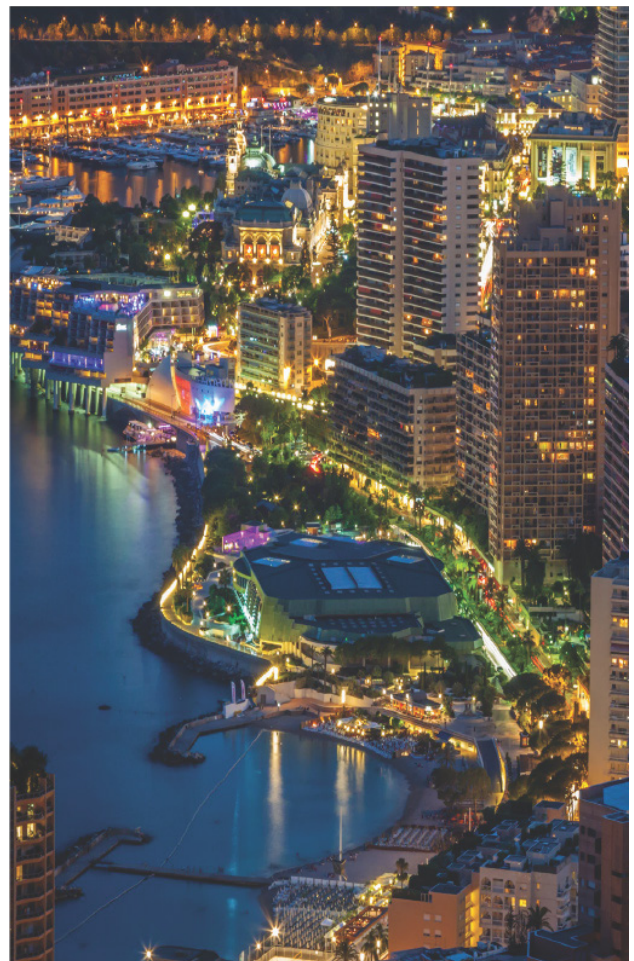
Risk
05

Withdrawal Rate

The risk of withdrawing too much money too fast from your retirement assets depleting your retirement savings before your retirement ends.

MetLife conducted a retirement study in 2008 and asked people what an appropriate withdrawal rate for retirement was. Of those surveyed, 46% responded a 10% rate. With current volatility in the market, a 10% withdrawal rate could easily cause you to run out of money within 15 years. I do not know about you, but I am hoping my retirement will last a little longer than this.

Financial planners have used a variety of ways to calculate what withdrawal rates should be and there is one method that has come out as the winner.

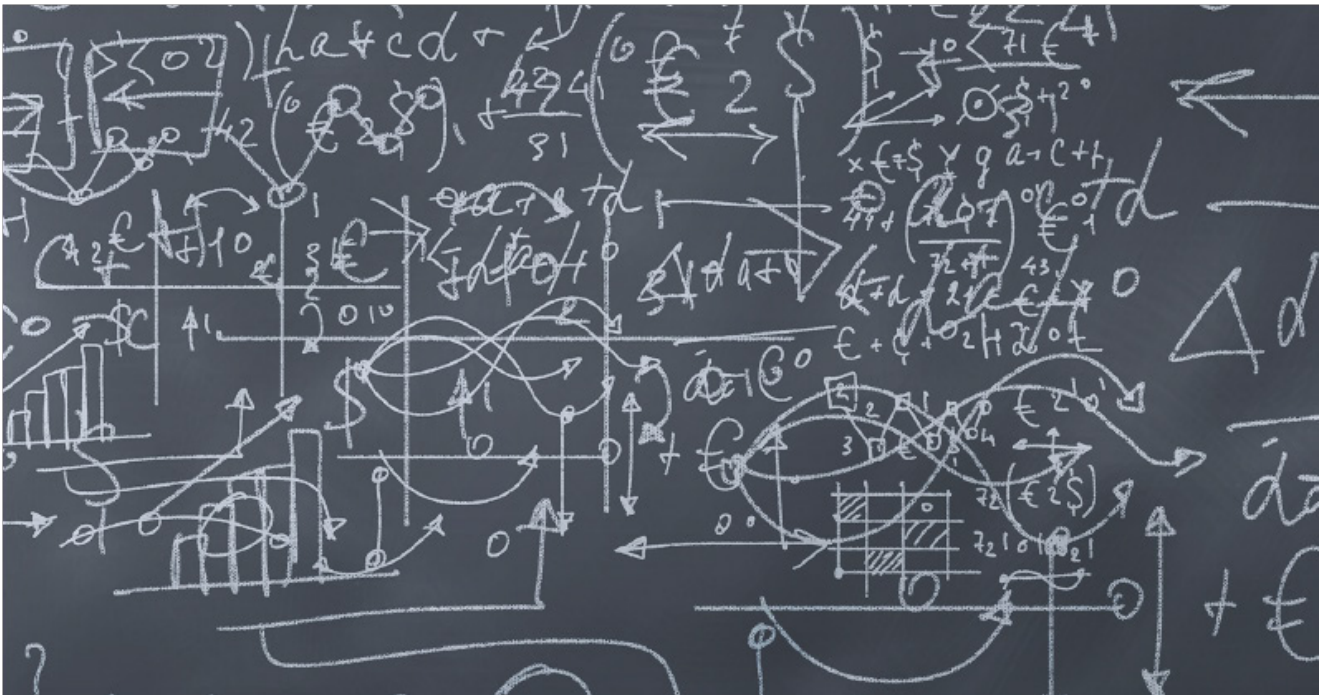


Monte Carlo Method

Stanislaw Ulam was a Polish mathematician who had a brain injury while working for the government during World War II. To pass the time, while he was recovering, he played solitaire. After hundreds of games, he realized he could use his math skills and a computer to create a formula to determine the probable outcomes of his solitaire games. He called the formula the Monte Carlo Method after the gambling hotspot in Monaco.

Then in the mid-1990s, a financial planner by the name of William Bengen decided to use the Monte Carlo Method to test the withdrawal rates of retirement plans at the time, which were coming in at around 7%, to see if the plans could withstand such large withdrawals. What he found is that even at a 5.5% withdrawal rate over 50% of the plans were failing. After much testing, he finally concluded that 4% was the correct amount, and he named his finding the Safemax rate.

The Monte Carlo Method has been used by financial planners for decades, but a lot has changed over the last 20+ years. So, is 4% still a safe withdrawal rate? Advisors have found it is too high. A better withdrawal rate is closer to 3%, with some advisors believing it is as low as 2.5%.



A simple method for calculating a withdrawal rate is to take your age and divide it by 20. Example: $60 \text{ years} / 20 = 3\%$

Solutions for Low Withdrawal Rates

- Save More
- Spend Less
- Work Longer
- Die Sooner
- Take More Risk

PRO TIP

Use principal protected products like fixed indexed annuities to potentially help you increase your withdrawal rate in retirement.



Risk
06

Long-Term Care

The costly risk of needing help because you are unable to perform daily living activities.

Most of us spent our lives trying to mitigate risk. We buy homeowners insurance to protect our homes against natural disasters. To protect our cars in case of an accident, we purchased auto insurance. We buy life insurance to protect our families in case of untimely death. Yet, most people fail to purchase insurance against one of the biggest risks facing their retirement. Statistics show that if you live to average life expectancy you will have a 70% chance of having a long-term care event.

A long-term care event is when you cannot do two of the six activities of daily living:

- Eating
- Bathing
- Toileting
- Continence
- Transferring
- Dressing

The biggest issue with a long-term care event is Medicaid is usually the only government program that will pay the associated costs. And before they step in, you must spend down most of your assets.

For most of you, who are married and only have one spouse with a long-term care need, you can keep one house, one car, about \$3,000 to \$4,000 in monthly income, and up to \$160,000 in assets. For those who are married and both spouses need long-term care or who are single, you only get to keep about \$2,000, and this money is to be used to cover your burial costs.



Medicare Only Pays the Following Towards a Long-Term Care Event

- 100% of the first 20 days if you have been admitted to a hospital for at least 3 days prior to going into the long-term care facility.
- A coinsurance for the next 80 days for all costs above their daily allowance.

Longevity and Long-term Care

Living to average life expectancy increases having a long-term care event substantially. Medical and scientific breakthroughs have contributed to longer lives, but it does not always mean you will be living the life you want.

PRO TIP

Consider permanent life insurance with a free chronic illness rider as an alternative to expensive long-term care insurance.

Risk
07

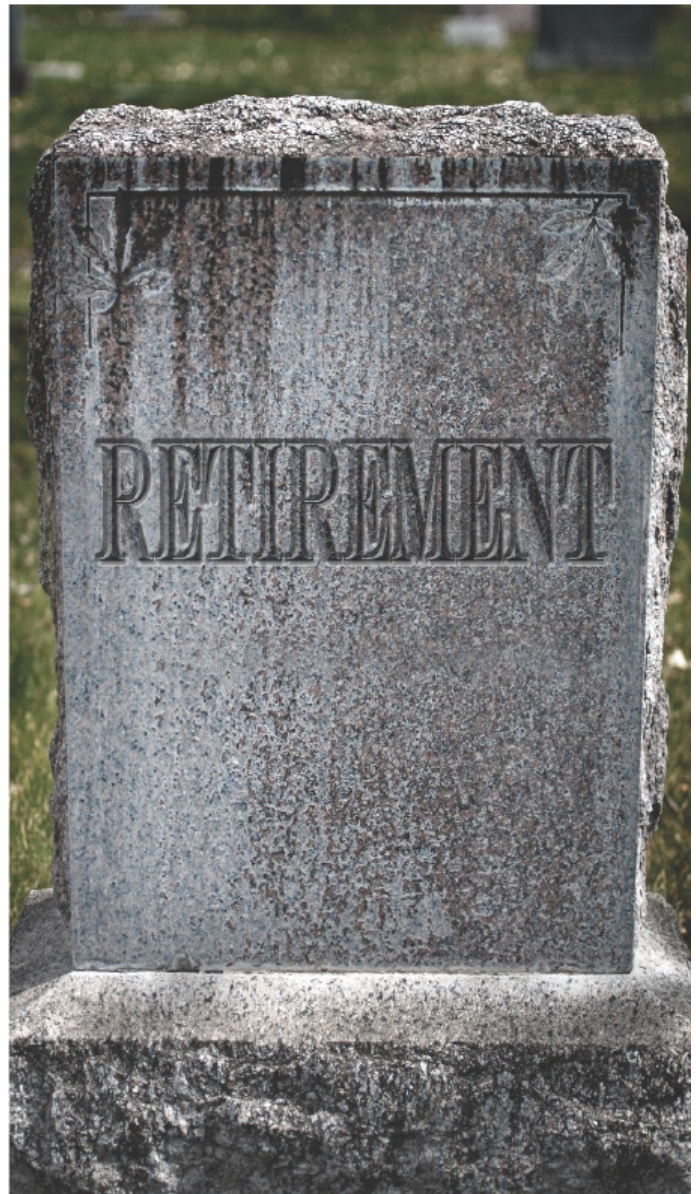
Inflation

The risk that inflation will erode your buying power during retirement.

Many people refer to inflation as the silent killer of retirement because it is something far too many people do not find a solution for. When we look back at American history, we find periods of high inflation and periods of deflation. When we look at the big picture, the inflation rate has settled at approximately 3%.

If you are working or own a business, inflation may have very little impact on your lifestyle. This is because you may have received a cost-of-living adjustment. If you are self-employed you probably adjusted the price of your services and/or products.

However, inflation's impact on your retirement may be much more problematic because if you are like most retirees your only source of inflation-adjusted income is your Social Security. Which means your overall buying power will be severely reduced since Social Security is only intended to cover about 40% of your living costs in retirement.



At some time in your life you may have heard about the Rule of 72. It is used by financial advisors to help determine how fast your money will double.

To run the calculation you take your expected rate of return and divide it into 72. The result is the number of years it will take for your assets to double.

Example

Larry has \$100,000 and is estimating an 8% rate of return. How long will it take for Larry to double his money? Divide 8 into 72, and you get 9. With an 8% return rate, Larry will be able to turn his \$100,000 into \$200,000 within about 9 years.

Now, let us use our inflation rate divided into 72 to calculate how much spending power you are going to lose during your retirement. Let's assume there is a 3% inflation rate, and you have \$100,000 of income. If you divide 3 into 72, what you get is 24. This means that within 24 years the buying power of your \$100,000 of income will only be about \$50,000.

PRO TIP

**Invest in assets that
outpace inflation.**



This hypothetical example is for illustrative purposes only and does not take into account your particular investment objectives, financial situation or needs and may not be suitable for all investors.

Risk
08

Medicare Risk

The risk you don't sign up for Medicare properly.

Most people think signing up for Medicare is a simple two-step process. First, you turn 65. Second, you fill out some paperwork. I wish I could say the process was this easy, but what we find with Medicare is a complex health insurance program – with some major consequences if you get it wrong.

Not Understanding Medicare:

- Liable for what Medicare should have paid
- Increase in premiums
- Missed Medigap guarantee period
- Gap in coverage
- Larger out of pocket costs
- Loss of freedom to choose

The best way to solve Medicare risk is to work with an insurance broker who has experience with Medicare plans. They

can help you best. If you choose to do this alone, check out www.medicare.gov for educational tools and plan comparisons.

Medicare Options

- Medicare
- Medicare with Medigap
- Medicare Advantage Plan

The average retired couple will spend \$352,000 on medical costs in retirement—\$200,000 for the male and \$152,000 for the female.

PRO TIP

If you sign-up for a Medicare Advantage Plan, do not stop paying your Part B premiums.

Elder Abuse Risk



The risk of financial exploitation after age 60.

We have all seen a news story where someone has gotten conned out of a substantial amount of money and thought to ourselves, “How could they be that stupid? There is no way I would fall for something like that.” Yet the news is filled with stories of people who never thought it would happen to them.

As we age many things happen that make it easier for those with bad intentions to take advantage of us.

- Many retirees are lonely and mistake a scam as friendship
- Our brains do not always work at the level they used to
- We have more assets than we have ever had, which makes us a target
- We often do not have others to bounce ideas off like we did during our working years

Signs of Elder Financial Abuse:

1. Fraudulent signatures on documents
2. Unpaid bills
3. Unusual activity or sudden changes in spending patterns

Stopping Elder Financial Abuse:

1. **Approach the issue as a family.** They can help monitor and discuss options.
2. **Monitor your accounts.** Double check activity and statuses on credit cards, bank statements, and credit score.
3. **Simplify your retirement.** Where possible, convert, condense, and consolidate assets.
4. **Keep current.** Read the latest articles on scams and watch the news.
5. **Keep a social connection.** Stay in touch with family and friends regularly.



PRO TIP

A well-planned retirement may reduce your chances of falling subject to elder financial abuse⁶.



Lack of Diversity

Income

Multiple streams of tax-free income in retirement allows for reducing and even eliminating risks.

Many have learned about the importance of asset diversity in financial classes. But what very few people learned is the importance of income diversity for retirement. As a result, retirees have followed the traditional retirement plan structure. They start with a base of Social Security and put as much money as possible in tax-deferred accounts— with hopes tax rates will be lower at time of withdraw. The rest of assets are left in taxable accounts or moved to tax-free ones. Superficially, this is great. However, underneath it is exposing retirement to unnecessary risks.

1. Longevity Risk
2. Social Security Risk
3. Tax Rate Risk
4. Sequence of Return Risk
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10. Lack of Income Diversity Risk

Tax-Free Income Streams

Roth IRA/401(k)s – There is nothing better than a Roth account to start diversifying your income. Not only do they allow for tax-free growth, but they also allow for tax-free distributions. The biggest issue most people have when it comes to Roth accounts is the limits that are placed on the Roth IRA. If you make too much money you cannot contribute. If you make too little money you cannot contribute. Even for those who can contribute in 2023, the contribution limit is only \$6,500 for those under age 50 and \$7,500 for those age 50 and older.

Roth Conversions – When you have a society that has spent their life putting all their money in tax-deferred accounts, then they start realizing tax rates may be higher for them in the future than they are today, what you get is a whole lot of Roth conversions. Roth conversions are happening at a rate that has not been seen in the history of America. We have until January 1, 2026, before taxes are scheduled to go up for most Americans. Many people are not going to want to miss this window of opportunity.

If you are considering conversions, keep these in mind:

1. Do NOT convert all assets within the same year. This will subject you to



higher taxes now.

2. Keep funds to pay the federal, state, and local government their share of the conversion.

Roth Annuities – This is a new concept for many people, and it is where you put an annuity inside a Roth IRA. This has become a game changer for many people because it allows them to enjoy the lifetime income benefits of an annuity in a tax-free environment.

Life Insurance Retirement Policy – We will talk about this in more detail a little later, but the correct life insurance policy can help you remove some risks from your retirement.

Tax-Deferred Assets – It is our belief there will still be a standard deduction in retirement. This means you can still have money in your tax-deferred accounts if the income they



generate does not exceed your standard deduction or create provisional income. Later, we will further explain how much you should have in these accounts during your retirement.

Social Security – 40% of those receiving Social Security will pay tax on their benefits, but you do not have to be one of them. Through appropriate planning you can get your provisional income to a level where your Social Security will not be taxed during retirement. If you have a pension or something like a pension that is producing reoccurring income, you may find keeping your Social Security from being taxed is impossible.

Life Insurance Companies

For many of you, life insurance companies are the last people you want poking around in your retirement, but if you are serious about eliminating the risks facing your retirement, you are going to find it near impossible to

remove all the risks without them. Why? Because insurance companies are designed to identify, reduce, and eliminate risk.

When it comes to your retirement, the following are two main products insurance companies offer you should consider:

Fixed Indexed Annuities – People have a lot of misgivings and misunderstandings about annuities. Today's annuities work differently compared to the annuities of the past.

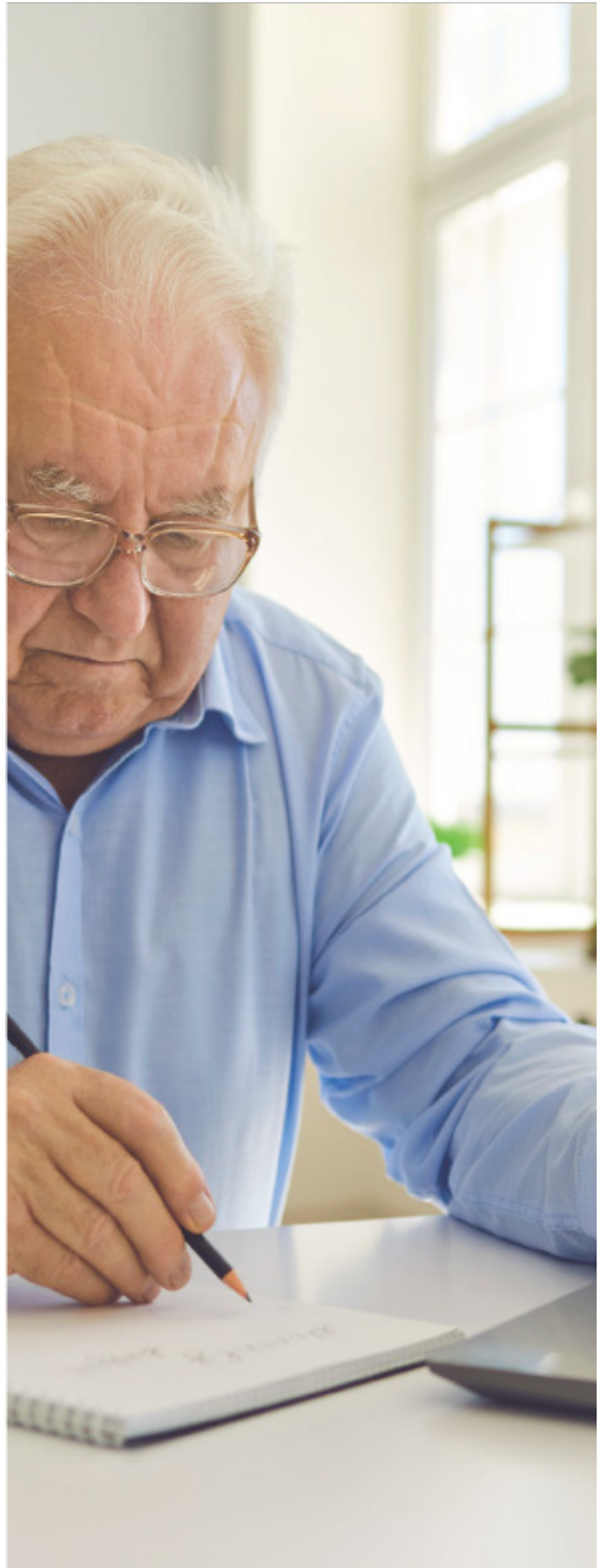
1. They have a floor. If the market goes down, your assets are protected.
2. They have death benefits. Your beneficiaries get paid out the difference if you pass before receiving your original investment back.
3. Much like Social Security, they can provide guaranteed lifetime income no matter how long you live.
4. When setup properly, the income can be tax-free.

If you like Social Security you will love fixed indexed annuities, because they give you the benefit of lifetime income with more flexibility.

Indexed Universal Life Policy –

Insurance companies offer a variety of permanent insurance products, but when it comes to removing the risks facing your retirement there is one that stands out above the rest: indexed universal life policy. The reason is because of the following unique benefits the policy offers:

1. No early withdrawal penalties if you take money out before age 59 ½.
2. Tax-free growth. The income in these accounts will grow tax-free if you meet the guidelines of the policy.
3. Tax-free distributions. Make sure you have one dollar left in the policy when you pass away and all the money you take out of the policy will be tax-free.
4. No income limits. You can earn as much or as little as you want and still contribute.
5. No contribution limits. You can put a few hundred dollars a month into these policies or thousands of dollars a month into these policies.
6. No legislative risk. History speaks for itself. In 1982, 1984, and 1988 the government made changes to these policies, but they grandfathered in everyone who had them before the changes were made.



All Indexed Universal Life Policies Are Not Created Equal

When it comes to picking a life insurance policy you want to treat it like you would if you were picking a life partner. These policies are meant to stay with you until death do you part, even though one of the main purposes of the policy is to use the tax-free cash value as an income source during your retirement years. We use the term Life Insurance Retirement Policy to identify an indexed universal life policy that meets all the criteria it should to be a good partner for your retirement.

- 1. Safe and productive growth:** Your policy should have a rate of return that outpaces inflation but has a floor so if the market drops you do not lose your principal.
- 2. Low fees:** If structured correctly, your life insurance policy, including cost of insurance, should not cost more than that of a traditional money manager to oversee your investments. The fee should be between 1–1.5%.
- 3. Tax-free and cost-free distributions:** Keeping the policy tax-free is easy. Follow your contribution guidelines so your policy does not turn into a modified endowment contract. Also, be sure to leave \$1 cash value when you pass away. If you do these two things, your proceeds will all be tax-free. The cost-free side is the hard part. Many top tier insurance companies will charge you as much

as 4% to get access to your own money during your lifetime. If this happens, you could end up losing tens of thousands of dollars to your insurance carrier.

- 4. Cost-free chronic illness rider:** This free rider is one of the key benefits that make a life insurance retirement policy so special. This rider allows you to access a portion of your death benefit prior to death if you have a longterm care event. All you do is get a doctor to confirm with your insurance company you cannot do two out of the six activities of daily living, and you can start accessing your death benefit. Most policies will allow you to access about 25% of the death benefit per year for up to four years for a long-term care event, adjusted down to your age at the time of the distribution as a percent of 100.

PRO TIP

Use principal protected products like indexed annuities and life insurance to maximize your retirement.



The Five Big Lies of Traditional Retirement Plans That Will Negatively Impact Your Retirement

Lie #1

Social Security is not going to be there when you retire, so you should pay as little as you can into the program.

Many people bought into this over the last 30-40 years. In fact, tax advisors have been leading the charge by using S-corporations to limit the amount of money that their clients would contribute into their Social Security benefits. This is allowed because with an S-corporation the owner is able to take profits from the company without the profits being subject to Social Security tax. This would then allow the business owner to take the money they would have

paid into Social Security and invest it themselves. The problem is most people never invest the money. As a result, they paid less into the program, never invested the difference and now they are struggling to figure out how to pay for their retirement.

Social Security is not only the most liked program the government has, but its stability is critical to the overall economic success of America. Therefore, we believe the program will be fixed before it goes broke. We believe this will happen by using a combination of strategies, some of which are listed here:

- increasing payroll taxes by 4% (2% to you and 2% to your employer)
- make adjustments to full retirement age
- make adjustments to early retirement age
- tax increases
- make adjustments to the family and spousal and survivor benefits

The last time significant changes were made to the Social Security program was in 1983. And we are experiencing the impact of those today. We do not believe current changes to Social Security will impact those of you who are going into retirement over the next decade. We are expecting the effect of these changes to be something the next generation is going to have to deal with.

Our favorite saying about Social Security is, "It is going broke, but it will never be broke." The program is too important to our overall economy. Too many retirees depend on this as their only source of income. That said, If the Trust Fund were to run out of money recipients would still receive about 80% of their benefits.

Lie #2

Tax-deferred investing is the best tax strategy for your retirement.

For decades now we have been told that tax-deferred investing is the most efficient way to save for retirement, but with the unfunded liabilities our government now has this is no longer the case. These liabilities are going to require taxes to be higher in the future, which means the money you have in your tax-deferred accounts may result in more money for the government and less money for you.

There are many different options out there to plan for retirement, but in order to get to a tax-free retirement it all starts with a simple three bucket system.



Taxable Bucket



Tax-Deferred Bucket



Tax-Free Bucket

Taxable Bucket – This bucket is designed to be used in case of emergencies and the amount you should have in this bucket is something most advisors agree on. You should have six months of basic living expenses in this bucket when you hit retirement. Anything over six months of basic living expenses is going to subject these assets to unnecessary risk. And anything less than six months of basic living expenses may put you at risk of an emergency disrupting your retirement.

Tax-Deferred Bucket – Most of you who have diligently saved for your retirement may have already overfunded this bucket. Mathematically, there is a correct balance for this bucket, but it varies depending on the couple or individual. The guidelines you should use for this bucket are as follows:

1. You want your required minimum distributions (RMDs) to be low enough to not exceed your standard deduction. If done correctly, you do not pay tax on the money going in or coming out.
2. You want your RMDs to be low enough that they do not create too much provisional income. Creating too much provisional income causes your Social Security to be taxed.

If you can do this, most of you can get to a tax-free retirement.

If you are single, the maximum amount you should have in the tax-deferred bucket is \$250,000. If you are married, the maximum amount you should have in the tax-deferred bucket is \$500,000. The lower your Social Security income is and the less other taxable income you have, the more money you will be able to put in this bucket.

Tax-Free Bucket – Once you have the right amount in your taxable and tax-deferred buckets you want to put everything else here. This is the one bucket you can never put too much money in because under current law assets in this bucket will be tax-free for as long as you live.

Lie #3

A stock bond portfolio mix will give you the best investment results for your retirement.

The stock bond portfolio mix has become the investment model used by most Americans.

But what we have found is this model is not providing the optimal results for your retirement. The biggest reason for this is, even if you have a diversified portfolio your chance of loss each year is over 20%. And if that loss happens right as you go into retirement, it could reduce your retirement assets by up to 15 years.

The solution to the traditional stock bond portfolio is to spread your assets into three investment buckets.

Emergency Fund Bucket - This is where you should keep the money you will need for an emergency. You should keep this money liquid, and there should only be enough in this bucket to cover six months of living expenses.

Market-Based Bucket - This is for those assets you are willing to watch go up and down with the market, but that you need for your long-term retirement success. The amount you should have in this bucket is your age subtracted from 100. This means if you are 65, you should only have 35% of your assets in this bucket. These assets will be subject to increases or decreases in the market of up to 40%.

Principal Protected Bucket - This bucket is for those assets you can't afford to lose. The amount of assets you should have in this bucket is your age divided into 100. Therefore, if you are 60, you should have 60% of your retirement nest egg in this bucket. This bucket is designed to keep your assets from ever having to go backwards. Products we use to fill this

Lie #4

Annuities are bad, and you should stay away from them at all costs

If you like Social Security, you will love fixed indexed annuities. These products are designed to provide you with lifetime guaranteed, inflation-adjusted income.

What do the experts say?

"No other investment can guarantee more income per dollar invested than the income annuity and it perfectly hedges longevity risk." –Financial Research Corporation

"Annuities allow a retiree to spend at a level that would otherwise require a high risk of failure if funded solely from an investment portfolio." –Michael Finke, PhD and Wade Pfau, PhD

"A stable income is often the difference between living well and living in a state of perpetual worry. And this truth doesn't change just because someone retires." –The American College of Financial Services



Lie #5

You should buy term-insurance and invest the difference.

Term-insurance works very well for the average American who has not saved enough money to start diversifying his retirement portfolio. However, if you are an above average saver you will find permanent insurance is one of the greatest tools you can use for your retirement.

What do the experts say?

"Life insurance is the only legal way to print money." –Ed Slott

"By having life insurance you're saying to your family, I love you. I've got you, and I'm seeing to your future no matter what." –Kelly Rowland

Here is a list of things we include when creating your risk-based retirement plan.

- **Double future tax rates**
- **Show a reasonable rate-of-return (4-5%)**
- **Inflation-adjust your annual income**
- **Maximize your Social Security benefits**
- **Plan for a long-term care event**
- **Principal protect a portion of assets**
- **Calculate an appropriate withdrawal rate**
- **Project lifetime income to age 100**
- **Budget for increased medical costs**
- **Create multiple streams of income**



What's Next?

If you are like many others who have read this guide, by now you are probably feeling a little overwhelmed. You are starting to realize that getting to a risk-free retirement is going to require you to handle your retirement planning substantially different than you have in the past. Please know, it is okay. You are not alone.



The good news is now you know the risks, and you know there are strategies to reduce them - which is far more than most Americans have. The next step is implementing the strategies into your own retirement. You are welcome to try it for yourself, but we know how difficult it can be, especially when trying to create a plan that will allow your assets to last as long as you do. Which is why we recommend you reach out to our team and let us help you put everything together.

It is easy to get started. All you have to do is reach out to our office and schedule a no-fee consultation, and we will do all the heavy lifting from there. You can schedule your appointment by going to www.retirementriskadvisors.com



" What are you waiting for? A risk-free retirement is not going to happen by itself, it needs some effort. Let's get to work!"

-Dave

www.retirementriskadvisors.com