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
Financial Strategies for Successful Retirement®

© 2008, 2017 Voya Services Company

All rights reserved. This material may not be reproduced by any means without written permission.

This material is intended to provide general information and is not intended to provide legal or tax advice. This material is not intended to be used to avoid tax penalties. It was prepared to support the promotion or marketing of the matter addressed in this document. Because individual situations vary, each situation should be examined carefully to determine appropriate strategies. It is recommended that decisions be made after consultation with competent financial, tax, and legal advisors.

Seminar instructors are not agents or employees of Broadridge Investor Communication Solutions, Inc. (Broadridge) or Voya Services Company. Instructors may be licensed to provide products through insurance companies and registered to provide financial services through registered investment advisory firms and securities through broker/dealer firms. Broadridge and Voya Services Company prohibit instructors from engaging in any product endorsement or selling during the seminar. When the seminar is over, instructors may offer financial advice, products, or other services as affiliates of registered investment advisory firms, registered representatives of broker/dealer firms, and agents for insurance companies. These services are not offered on behalf of Broadridge and/or Voya Services Company. Broadridge and/or Voya Services Company do not sell or endorse any insurance or investment products and do not allow instructors to use their names to solicit insurance, securities, or other financial services or products at any time.

“Standard & Poor’s,” “S&P 500” and “Standard & Poor’s 500” are trademarks of the McGraw-Hill Companies, Inc.
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: Perception and Reality
How Long Will You Be Retired?
Nine Reasons People Fail Financially in Retirement
Setting Goals
Using Credit Wisely
Controlling Debt
Making Compounding Work for You
Inflation
Your Income Taxes
Your Investments and Taxes
Impact of Income Taxes and Inflation
Earning a Real Rate of Return
Making Your Money Last
Retirement Income

- Retirement Defined
- Social Security
- Retirement Plans
- Value of Retirement Plan Investing
- Personal Retirement Plans
  - Traditional IRAs
  - Roth IRAs
- Employer Retirement Plans
  - Defined Benefit
  - Defined Contribution
- Taking Money Out of Employer Retirement Plans
- Required Minimum Distribution/Withdrawal Rules
- Choosing Your Beneficiary
- Retirement Checklist
Investments

Investment Choices
Your Financial Foundation
Traditional Cash Alternatives
Debt and Equity Investments
   Bonds
   Stock
Corporate Distributions for Stockholders and Bondholders
Stock Exchanges
Reading Stock Tables
Comparing Market Measurements
Stock Market Fluctuations
Using Portfolio Managers
Obtaining Professional Management
Mutual Funds
Dollar-Cost Averaging
Mutual Funds for Retirement Income
The Power of Tax Deferral
Tax-Deferred Annuities
Variable Life Insurance Policies
Asset Allocation
What Is the Best-Performing Asset Class?
529 Plans
Procrastination — Your Greatest Investment Risk
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.
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

Financial Basics
- Are You Ready for Retirement? 4
- Stress and Retirement 13

Retirement Income
- 10 Tips for a Healthy Retirement 13
- The New “Working” Retirement 21

Investments
- Traveling Outside the United States 15
- Volunteerism 28

Risk Management
- Preparing for Social Change 8
- Thinking about Relocating? 27

Estate Planning
- Elderhostel 5
- Lifelong Learning 15
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**

Using Credit Wisely and Controlling Debt  
7–8

Federal Income Tax Terms  
18

**Retirement Income**

Taxation of Social Security Benefits  
8

Social Security Tips  
9

Traditional IRA Deductibility Phaseout  
17

Defined Benefit Pension Plan  
24

401(k) Plan  
26

403(b) Plan  
27

SIMPLE Plan  
28

SEP-IRA Plan  
29

457 Plan  
30

Early Retirement Distribution Choices  
37–38

**Investments**

Types of Investment Risk  
3

Safe But Not Stable  
6

Stock Classifications  
20

Individual Investment Considerations  
27

Selecting Mutual Funds  
39

**Risk Management**

Property and Casualty Insurance  
3

Important Medicare Considerations  
6

Long-Term-Care Policy Considerations  
15

**Estate Planning**

Determining Your Taxable Estate  
17

Estate Planning Suggestions  
24
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.
“Money is only a tool. It will take you wherever you wish, but it will not replace you as the driver.”

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

<table>
<thead>
<tr>
<th>Source of Retirement Income</th>
<th>Perception Respondent Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer-sponsored retirement savings plan</td>
<td>__________</td>
</tr>
<tr>
<td>Social Security</td>
<td>__________</td>
</tr>
<tr>
<td>Other personal savings/investments</td>
<td>__________</td>
</tr>
<tr>
<td>Traditional pension</td>
<td>__________</td>
</tr>
<tr>
<td>Part-time work</td>
<td>__________</td>
</tr>
<tr>
<td>Individual retirement accounts</td>
<td>__________</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Source of Retirement Income</th>
<th>Reality Respondent Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer-sponsored retirement savings plan</td>
<td>__________</td>
</tr>
<tr>
<td>Social Security</td>
<td>__________</td>
</tr>
<tr>
<td>Other personal savings/investments</td>
<td>__________</td>
</tr>
<tr>
<td>Traditional pension</td>
<td>__________</td>
</tr>
<tr>
<td>Part-time work</td>
<td>__________</td>
</tr>
<tr>
<td>Individual retirement accounts</td>
<td>__________</td>
</tr>
</tbody>
</table>

¹ 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?

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.

<table>
<thead>
<tr>
<th>Current Age</th>
<th>1941 life expectancy¹</th>
<th>Current life expectancy² Male</th>
<th>Current life expectancy² Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Birth</td>
<td>62.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>40</td>
<td>69.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>55</td>
<td>72.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>70</td>
<td>79.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>85</td>
<td>88.7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

¹ 1941 Standard Ordinary Mortality Table, National Association of Insurance Commissioners
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. __________________________________________________________
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.
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

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.

<table>
<thead>
<tr>
<th>Years</th>
<th>4%</th>
<th>8%</th>
<th>10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>30</td>
<td>$331,350</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>$222,258</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>$149,083</td>
<td>$221,964</td>
<td>$270,704</td>
</tr>
</tbody>
</table>

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.
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: ________

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.

¹
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:

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

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

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

<table>
<thead>
<tr>
<th>Year</th>
<th>3%</th>
<th>6%</th>
<th>9%</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>$10,000</td>
<td>$10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.