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Welcome to Phase 3

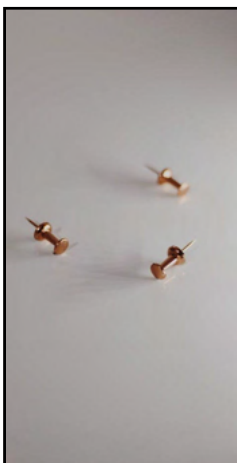
- If we were sitting here three years from today, looking back over the last three years, what has to have happened for you to feel good about your progress? (Personally, professionally, financially, etc.)
- What do you want the first three years of Phase 3 to look like?
- What do you want the last three years of Phase 3 to look like?

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Where will the money come from?

- Pension
- Social Security
- 401k/403b/457/IRA
- Annuity
- Brokerage
- Savings
- Real Estate
- Other assets

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What are you spending?

- Three options:
 1. Add up withdrawals (best)
Or
 2. What's left over (after taxes)
Or
 3. Itemization (least reliable)
(80% rule: careful!)

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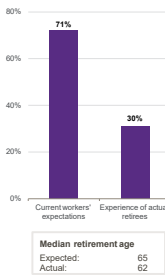
Life Happens

- Market fluctuations
- Interest rates
- Longevity
- Inflation
- Identity theft
- Health/Long-term care

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Managing expectations of ability to work

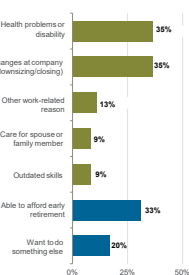
Expectations of workers vs. retirees
To retire at age 65 or older



Category	Percentage
Current workers' expectations	71%
Experience of actual retirees	30%

Median retirement age
Expected: 65
Actual: 62

Reasons cited for retiring earlier than planned



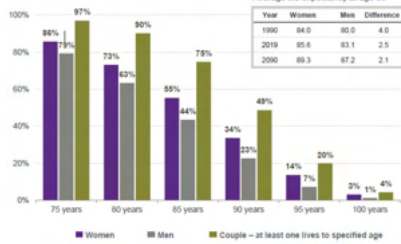
Reason	Percentage
Health problems or disability	35%
Changes at company (downsizing/closing)	35%
Other work-related reason	13%
Care for spouse or family member	9%
Outdated skills	9%
Able to afford early retirement	33%
Want to do something else	20%

EARLY RETIREMENT
You may not have complete control over when you retire, so you should consider having a back-up plan. You may have to draw income earlier and make your portfolio last longer than you anticipate.

Source: Employee Benefit Research Institute, Mathew Greenwald & Associates, Inc. Left chart: 2020 Retirement Confidence Survey. Note the supplemental March 2020 survey resulted in a change of actual median retirement from 62 to 61 (not shown on the chart because it is likely a temporary situation). Right chart: 2019 Retirement Confidence Survey. Individuals may have given more than one answer. Latest available data as of December 31, 2020.

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If you're 65 today, the probability of living to a specific age or beyond



Age	Women	Men	Couple
75 years	88%	71%	97%
80 years	73%	62%	90%
85 years	55%	44%	78%
90 years	34%	23%	49%
95 years	14%	7%	20%
100 years	3%	1%	4%

Average life expectancy at age 65

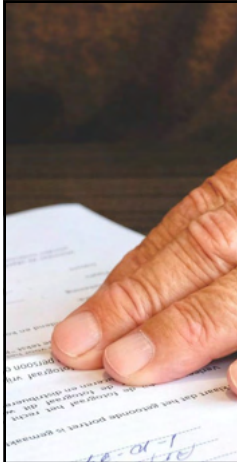
Year	Women	Men	Difference
1990	84.0	80.0	4.0
2019	85.6	83.1	2.5
2090	89.3	87.2	2.1

PLAN FOR LONGEVITY
Average life expectancy continues to increase and is a mid-point not an end-point. You may need to plan on the probability of living much longer – perhaps 30+ years in retirement – and invest a portion of your portfolio for growth to maintain your purchasing power over time.

Probability at least one member of a same-sex female couple lives to age 90 is 56% and a same-sex male couple is 40%.

Source: J.P. Morgan Guides to Retirement.
Source chart: Social Security Administration, Period Life Table, 2017 (published in 2020), J.P. Morgan Asset Management.
Source (table): Social Security Administration 2020 OASDI Trustees Report.

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Estate Planning

Probate v. Trust Administration

What it does/not do

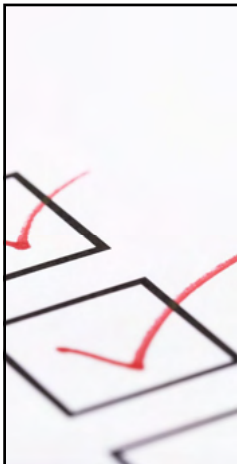
What you need:

- Will
- Revocable living trust
- Power of Attorney
- Advanced health care directive and HIPAA authorization
- IRA Beneficiaries

Password Vault (Electronic Safe Deposit Box)

Biggest challenge: Who?

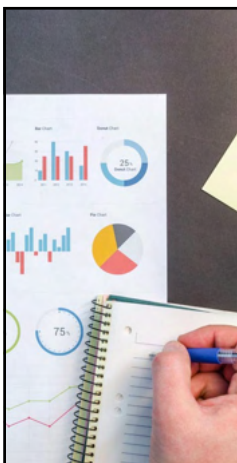
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Phase 3 - Key Takeaways

- What does Phase 3 look like to me?
- What are my sources of income?
- What are my expenses?
- How will I navigate my risks?
- Complete my estate planning.
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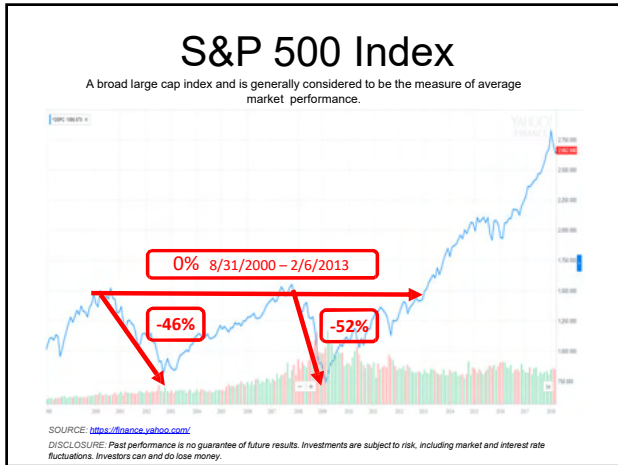
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What happens to my employer plan?

- Rollover v. withdrawal
- Access to better options, reduce costs, more control
- Leaving at >55 and accessing money <59.5
- Roth conversions of non-deductible IRAs
- Net unrealized appreciation (NUA) rule

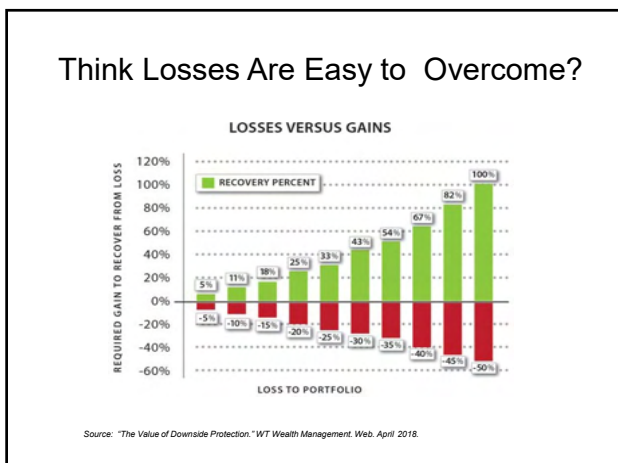
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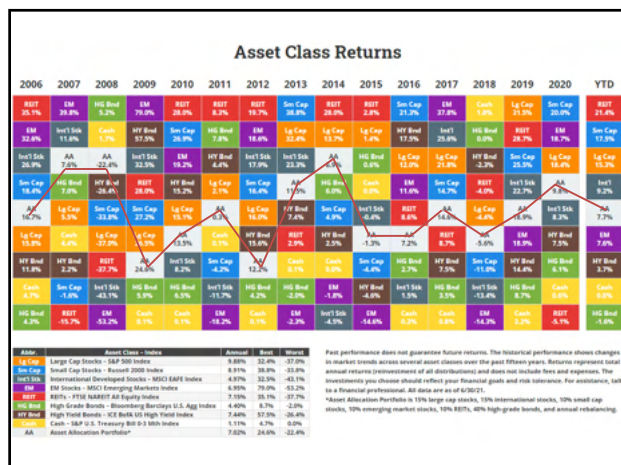
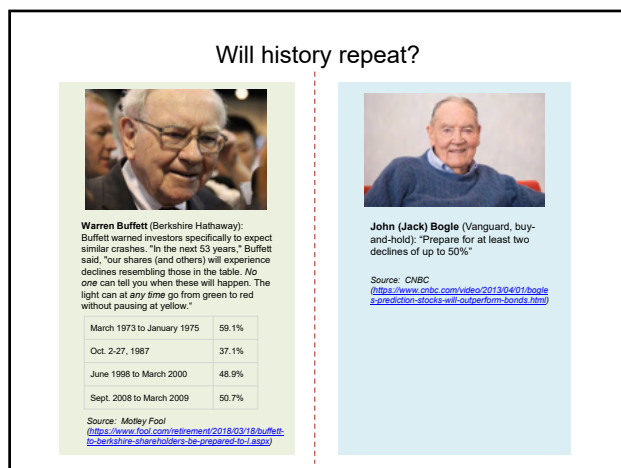
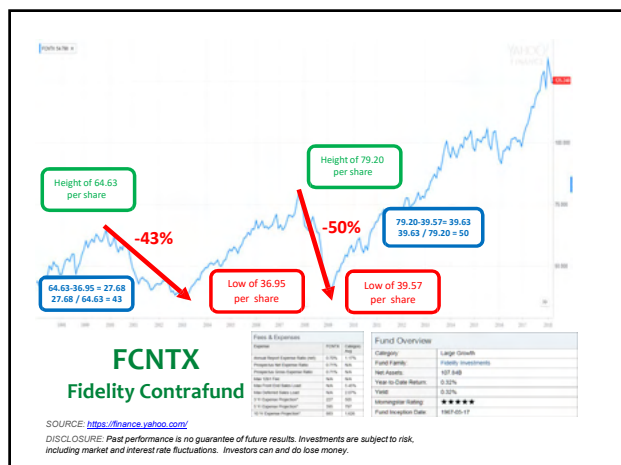
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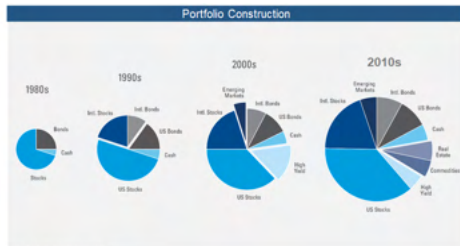


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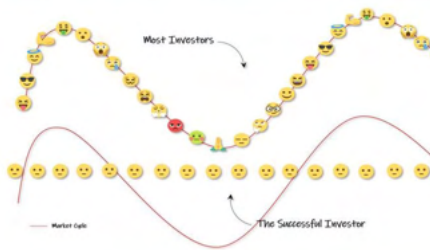
Asset Allocation and Diversification

Traditional portfolio construction methods have tried to buffer equity declines by diversifying into even more asset classes



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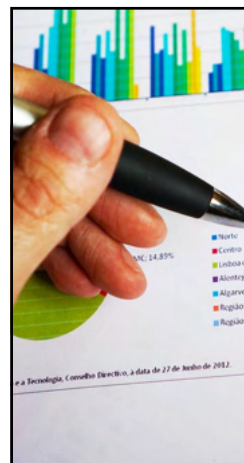
Stay calm and keep invested....be the Meh!



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What is financial planning?

- What do you want?
- What does this person do?
- What standard of care?
- How do they make their money?
- Part of team (tax preparer, attorney, Social Security expert, LTC/Nursing Care specialist, etc.)
- Fiduciary standard



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Investing - Key Takeaways

- Understand who I am as an investor.
- Understand how long my money needs to last.
- Understand what I own.
- Get help?
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Annuities – Basic Structure



SOURCE: Insured Retirement Institute

Type	Immediate	Deferred
Variable		x
Fixed	x	x
Indexed		x

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Annuity pros and cons

Type	Pro	Con	Fees
Fixed	Simple	Earn less	None to low
Variable	Max growth	Potential loss of principal	Highest
Indexed	Some growth	Limits on gain	Mid-level
Immediate	Immediate cash flow	Principal tied up	None to low
Deferred	Enable timing of payments	Cash flow delayed	Mid-level

Source: <https://www.annuityfyi.com/types-of-annuities/>

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Life Insurance

Two basic types:

1. Term
2. Permanent
 - Whole Life
 - Universal Life
 - Variable
 - Fixed
 - Indexed

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Term v. Permanent

	Term	Perm
Death benefit	x	x
Policy lives as long as you do		x
Premiums locked in for life		x
Cash value that grows tax-deferred		x
Earn dividends	x	x
Can use cash value while alive		x
Initial lower cost of coverage	x	

* Term life insurance may earn some minimal dividends that can be applied to reduce premiums. Dividends are not guaranteed, but Northwest Mutual has paid them every year since 1872.

SOURCE: <https://www.lifeinsurance.com/solutions>

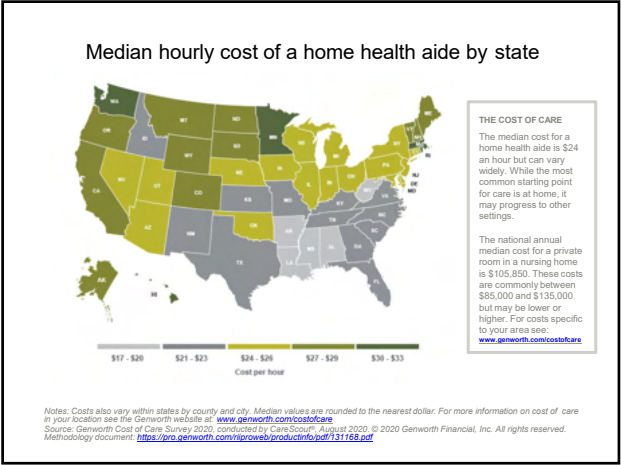
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What is long-term care?

- NOT health care
- Activities of daily living
 - Bathing, dressing, toileting, transferring, incontinence, eating
- Also “instrumental activities”
 - Housework, managing money, taking medication, preparing meals, shopping, using communication devices, pet care, emergency response

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Nursing Home/Long-term Care

70% of people over 65 will require long-term care
For an average of 3 years
Inflation at 5%

Annual Median Costs:

San Francisco Area ¹ , CA (2020 vs. 2050)			Greenville, NC (2020 vs. 2050)		
	2020	2050 ²		2020	2050 ²
In-Home Care ³			In-Home Care ³		
Homemaker Services ⁴	\$73,216	\$116,435	Homemaker Services ⁴	\$43,472	\$187,883
Home Health Aide ⁵	\$73,216	\$116,435	Home Health Aide ⁵	\$43,472	\$187,883
Community and Assisted Living ⁶			Community and Assisted Living ⁶		
Adult Day Health Care ⁷	\$23,400	\$101,133	Adult Day Health Care ⁷	N/A	N/A
Assisted Living Facility ⁸	\$73,200	\$116,366	Assisted Living Facility ⁸	\$46,800	\$282,367
Nursing Home Facility ⁹			Nursing Home Facility ⁹		
Semi-Private Room ¹⁰	\$145,650	\$445,779	Semi-Private Room ¹⁰	\$76,103	\$328,913
Private Room ¹¹	\$182,500	\$788,754	Private Room ¹¹	\$92,710	\$405,687

Source: <https://www.genworth.com/aging-and-you/finances/cost-of-care.html>

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LTC options

- Medicare: No!
- Health insurance: No!
- Family
- Friends
- Veterans' benefits
- Medicaid (MediCal)
- Annuities
- Life insurance
- Traditional policies
- Reverse mortgages


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Ann/Ins/LTC – Key Takeaways

- Be careful about what I'm offered.
- Ask lots of questions.
- Plan first, tool second. What's the goal?
- Who will provide my care?
- How to pay for it?
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Social Security

Sign In or Create an Account

Sign In

Username

Forgot Username?

Password

Forgot Password?

Sign In

Go Online and Create Your Social Security Account

www.ssa.gov/myaccount

- Create account.
- Do NOT use the calculators to get estimates.
- No paper statements unless > 60 years old, and even then it's sporadic.
- Make sure you qualify.
- Watch the assumptions:
 - You will work until FRA
 - No COLAs

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Understanding Your Full Retirement Age (FRA)

Full Retirement Age	
Year Born	Full Retirement Age (FRA)
1937 or earlier	65
1938-1942	65 + 2 months for every year after 1937
1943-1954	66
1955-1959	66 + 2 months for every year after 1954
1960+	67

- Claim before FRA = less money
- Claim at 70 = 30% more money on average
- Take SSI and work before FRA = less money
- This decision is PERSONAL.

Source: "Social Security Benefits – An Advisor's Guide to Collection Rules & Strategies." BlackRock, Inc. 2017 Edition. Web. April 2018.

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Cost of Living Adjustments (COLA)

Automatic Cost-Of-Living Adjustments received since 1975

July 1975 -- 8.0%	January 2000 -- 2.5% ⁽¹⁾
July 1976 -- 6.4%	January 2001 -- 3.5%
July 1977 -- 5.9%	January 2002 -- 2.6%
July 1978 -- 6.5%	January 2003 -- 1.4%
July 1979 -- 9.9%	January 2004 -- 2.1%
July 1980 -- 14.3%	January 2005 -- 2.7%
July 1981 -- 11.4%	January 2006 -- 4.1%
July 1982 -- 7.4%	January 2007 -- 3.3%
January 1984 -- 3.5%	January 2008 -- 2.3%
January 1985 -- 3.5%	January 2009 -- 5.8%
January 1986 -- 3.1%	January 2010 -- 0.0%
January 1987 -- 1.3%	January 2011 -- 0.0%
January 1988 -- 4.2%	January 2012 -- 3.6%
January 1989 -- 4.0%	January 2013 -- 1.7%
January 1990 -- 4.7%	January 2014 -- 1.5%
January 1991 -- 5.4%	January 2015 -- 1.7%
January 1992 -- 3.7%	January 2016 -- 0.0%
January 1993 -- 3.0%	January 2017 -- 0.3%
January 1994 -- 2.6%	January 2018 -- 2.0%
January 1995 -- 2.6%	January 2019 -- 2.8%
January 1996 -- 2.6%	January 2020 -- 1.6%
January 1997 -- 2.9%	January 2021 -- 1.3%
January 1998 -- 2.1%	January 2022 -- 5.9%
January 1999 -- 1.3%	

Source: <https://www.ssa.gov/cola>

(1) The COLA for December 1999 was originally determined as 2.4 percent based on CPIs published by the Bureau of Labor Statistics. Pursuant to Public Law 106-554, however, this COLA is effectively now 2.5 percent.

Based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPIUW) from third quarter to third quarter.

Average: 3.68%

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Special Rules for Some Workers



SOURCE: investopedia

You may be subject to the Windfall Elimination Provision (WEP) or Government Pension Offset (GPO) which means you may be eligible for a pension based on earnings not covered by Social Security which can affect the amount of your Social Security

These careers include:

- Federal, State, or Local government agency
- Non-profit organizations
- Overseas employment

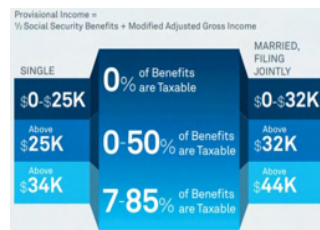
Examples:

- CSRS, CalSTRS, etc.

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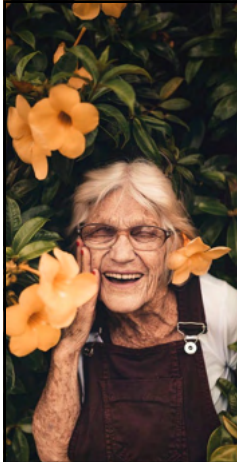
How Are Your Benefits Taxed?

- 1/3 of individuals collecting SS benefits pay income taxes
- High income individuals must include up to 85% of benefits as income
- Provisional income thresholds determine taxation



Source: "Social Security Benefits - An Advisor's Guide to Collection Rules & Strategies." BlackRock, Inc. 2018 Edition. Web. April 2018.

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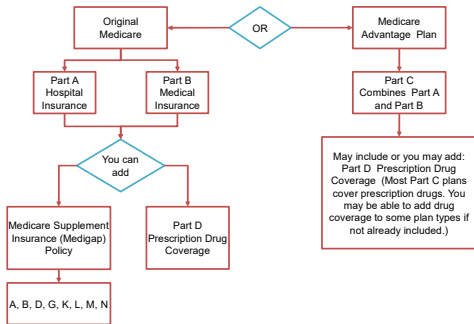
What Is Medicare?

- Medicare is a federal health insurance program for:
 - People age 65 or older
 - People of all ages with disabilities
 - People with End-Stage Renal Disease (ESRD) or Lou Gehrig's Disease (ALS).
- Medicare is made up of Four Parts:
 - PART A - Inpatient Hospital Insurance
 - PART B - Outpatient/Physician Insurance
 - PART C - Medicare Advantage Plans
 - PART D - Prescription Drug Coverage

SOURCE: <http://www.medicareacademy.com/ky/history-of-medicare.php>

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Your Medicare Coverage Choices



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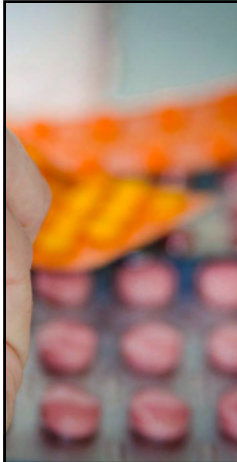
2022 Part B premium depends on 2020 income

- MAGI = AGI plus tax-exempt interest

If your yearly income in 2020 (or what you pay in 2022) was			You pay each month (in 2022)
File individual tax return	File joint tax return	File married & separate tax return	
\$91,000 or less	\$182,000 or less	\$91,000 or less	\$170.10
above \$91,000 up to \$114,000	above \$182,000 up to \$228,000	Not applicable	\$288.10
above \$114,000 up to \$142,000	above \$228,000 up to \$284,000	Not applicable	\$340.20
above \$142,000 up to \$170,000	above \$284,000 up to \$340,000	Not applicable	\$442.30
above \$170,000 and less than \$500,000	above \$340,000 and less than \$750,000	above \$91,000 and less than \$409,000	\$644.30
\$500,000 or above	\$750,000 and above	\$409,000 and above	\$879.30

SOURCE: <https://www.medicare.gov/your-medicare-costs/part-b-costs>

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What Medigap Policies Cover

- Fills gaps left by Medicare.
- Services not covered by Medicare gap policies
 - Dental care
 - Vision care
 - Hearing aids
 - Long-term care

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SS and Medicare – Key Takeaways

- Create SS account. Correct deficiencies.
- Make SS appointment.
- Medicare: Start research when you turn 64.
- 65th birthday month: sign up 3 months before/after
- Careful of HR and COBRA.
- Watch international travel on Medigap.
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Questions?

Thank you for coming!

Please complete the online survey.

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