



Planning Your Retirement

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A photograph of a diverse group of people, including men and women of various ages and ethnicities, sitting at a table in what appears to be a classroom or meeting setting. They are looking towards the camera with various expressions.



Council of Financial Educators
AN IRS-APPROVED 501(C)(3) NON-PROFIT ORGANIZATION

COFE is committed to providing the public with the knowledge needed to confidently navigate the ever-changing retirement landscape. Understanding that millions of people have financial questions, as well as a unique set of circumstances and retirement needs, we offer educational classes and resources to the public to address these needs.

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Jessica Lanning

- Jessica Lanning, JD, CFP®, is the “Family CFO,” advising and guiding people through their financial decisions for nearly 20 years. She is the chief strategist and founder of Lanning Financial Inc.
- *Lanning Financial Inc. is a registered investment adviser. Information presented is for educational purposes only and does not intend to make an offer or solicitation for the sale or purchase of any specific securities, investments, or investment strategies. Investments involve risk and unless otherwise stated, are not guaranteed. Be sure to first consult with a qualified financial adviser and/or tax professional before implementing any strategy discussed herein. Past performance is not indicative of future performance.*

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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?



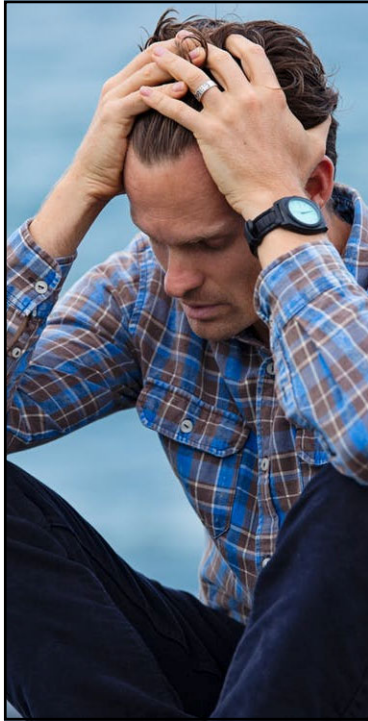
- Three options:
 1. Add up withdrawals (best)

Or
 2. What's left over (after taxes)

Or
 3. Itemization (least reliable)

(80% rule: careful!)

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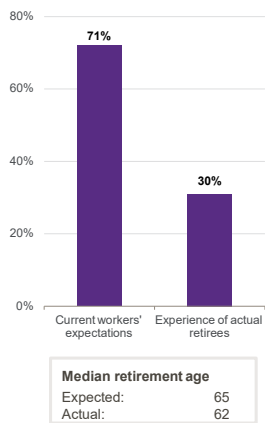
Life Happens

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

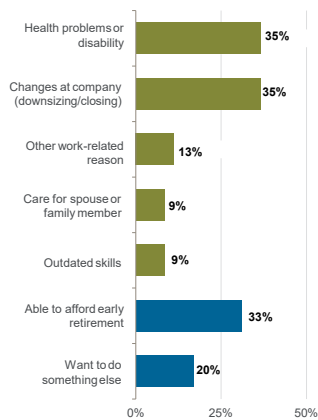
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Managing expectations of ability to work

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



Reasons cited for retiring earlier than planned



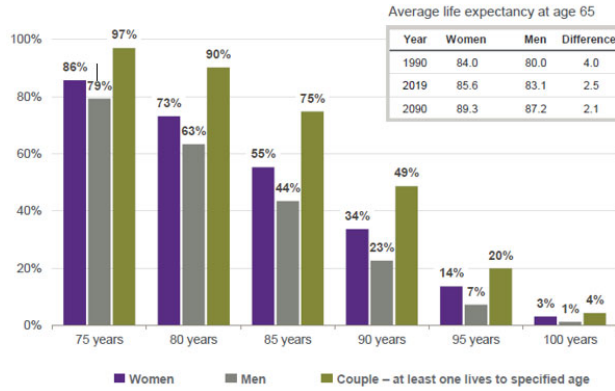
EARLY RETIREMENT

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



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: JP 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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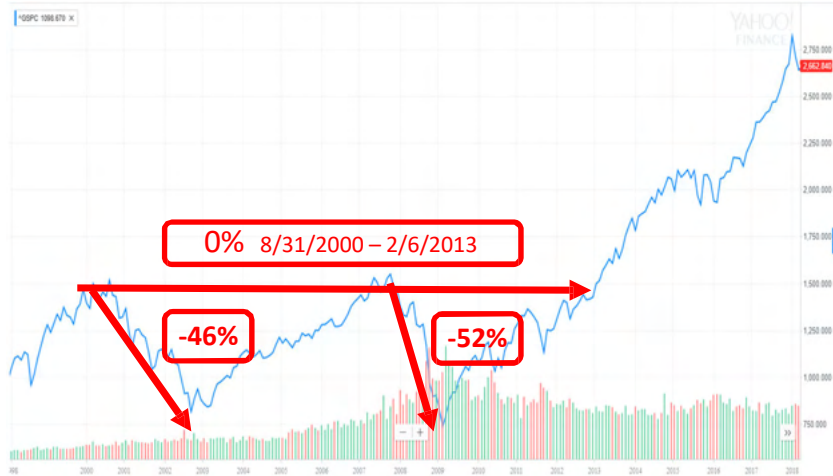
What happens to my employer plan?

- 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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S&P 500 Index

A broad large cap index and is generally considered to be the measure of average market performance.



SOURCE: <https://finance.yahoo.com/>

DISCLOSURE: Past performance is no guarantee of future results. Investments are subject to risk, including market and interest rate fluctuations. Investors can and do lose money.

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U.S. 10 Year Treasury (US10Y:U.S.)

Real Time Quote | Exchange

Yield | 5:05:00 PM EDT

2.60 % UNCH (0)

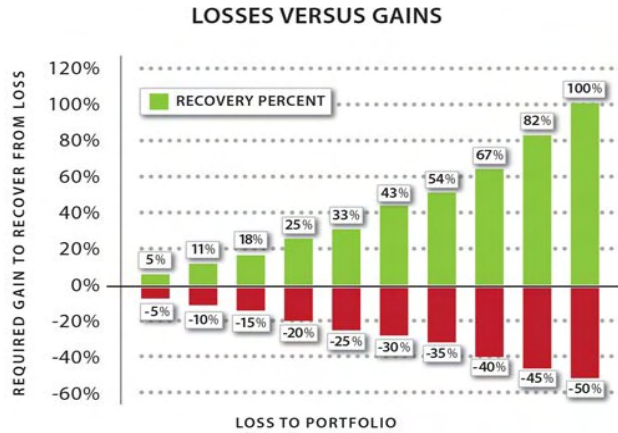


SOURCE: <https://www.marketwatch.com/investing/bond/tmubmusd10y?countrycode=bx>

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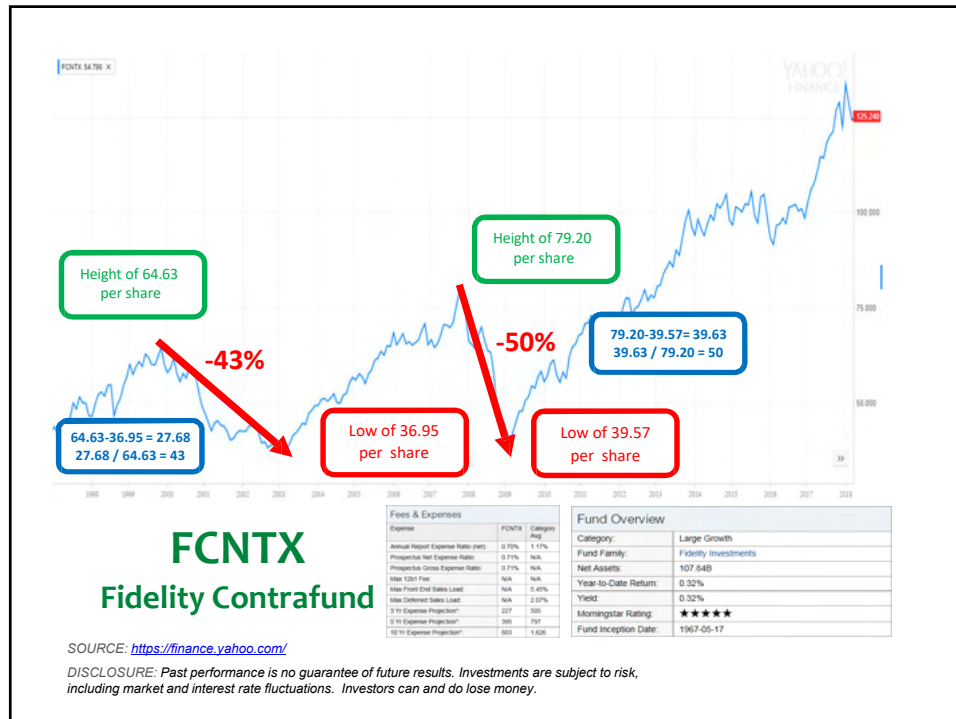
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Think Losses Are Easy to Overcome?



Source: "The Value of Downside Protection." WT Wealth Management. Web. April 2018.

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Will history repeat?



Warren Buffett (Berkshire Hathaway): Buffett warned investors specifically to expect similar crashes. "In the next 53 years," Buffett said, "our shares (and others) will experience declines resembling those in the table. No one can tell you when these will happen. The light can at any time go from green to red without pausing at yellow."

March 1973 to January 1975	59.1%
Oct. 2-27, 1987	37.1%
June 1998 to March 2000	48.9%
Sept. 2008 to March 2009	50.7%

Source: Motley Fool
<https://www.fool.com/retirement/2018/03/18/buffett-to-berkshire-shareholders-be-prepared-to-1.aspx>



John (Jack) Bogle (Vanguard, buy-and-hold): "Prepare for at least two declines of up to 50%"

Source: CNBC
<https://www.cnbc.com/video/2013/04/01/bogles-prediction-stocks-will-outperform-bonds.html>

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Asset Class Returns

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD
REIT	35.1%	EM	HG Bnd	EM	REIT	REIT	REIT	Sm Cap	REIT	REIT	Sm Cap	EM	Cash	Lg Cap	Sm Cap	REIT
EM	32.6%	Int'l Stk	Cash	HY Bnd	Sm Cap	HG Bnd	EM	Lg Cap	Lg Cap	Lg Cap	HY Bnd	Int'l	HG Bnd	REIT	EM	Sm Cap
Int'l Stk	26.9%	AA	AA	Int'l Stk	EM	HY Bnd	Int'l Stk	Int'l Stk	AA	HG Bnd	Lg Cap	Lg Cap	HY Bnd	Sm Cap	Lg Cap	Lg Cap
Sm Cap	18.4%	HG Bnd	HY Bnd	REIT	HY Bnd	Lg Cap	Sm Cap	AA	HG Bnd	Cash	EM	Sm Cap	REIT	Int'l Stk	AA	Int'l
AA	16.7%	Lg Cap	Sm Cap	Sm Cap	Lg Cap	AA	Lg Cap	HY Bnd	Sm Cap	Int'l Stk	REIT	AA	Lg Cap	AA	Int'l Stk	AA
Lg Cap	15.8%	Cash	Lg Cap	Lg Cap	AA	Cash	HY Bnd	REIT	HY Bnd	AA	AA	REIT	AA	EM	HY Bnd	EM
HY Bnd	11.8%	HY Bnd	REIT	AA	Int'l Stk	Sm Cap	AA	Cash	Cash	Sm Cap	HG Bnd	HY Bnd	Sm Cap	HY Bnd	HG Bnd	HY Bnd
Cash	4.7%	Sm Cap	Int'l Stk	HG Bnd	HG Bnd	Int'l Stk	HG Bnd	HG Bnd	EM	HY Bnd	Int'l Stk	HG Bnd	Int'l Stk	HG Bnd	Cash	Cash
HG Bnd	4.3%	REIT	EM	Cash	Cash	EM	Cash	EM	Int'l Stk	EM	Cash	Cash	EM	Cash	REIT	HG Bnd

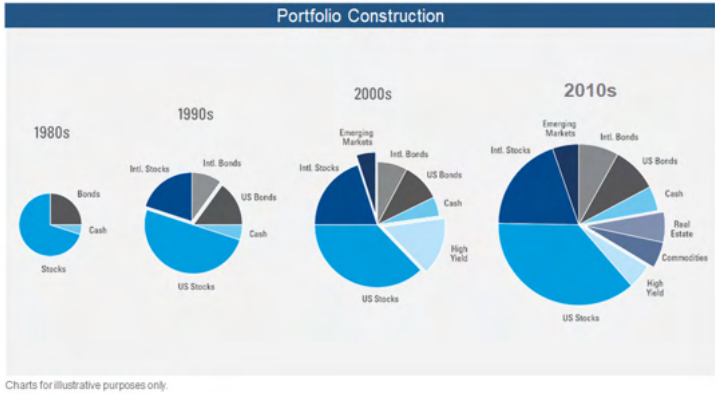
Abbr.	Asset Class - Index	Annual	Best	Worst
Lg Cap	Large Cap Stocks - S&P 500 Index	9.88%	32.4%	-37.0%
Sm Cap	Small Cap Stocks - Russell 2000 Index	8.91%	38.8%	-33.8%
Int'l Stk	International Developed Stocks - MSCI EAFE Index	4.97%	32.5%	-43.1%
EM	EM Stocks - MSCI Emerging Markets Index	6.55%	79.0%	-53.2%
REIT	REITs - FTSE NAREIT All Equity Index	7.15%	35.1%	-37.7%
HG Bnd	High Grade Bonds - Bloomberg Barclays U.S. Agg Index	4.40%	8.7%	-2.0%
HY Bnd	High Yield Bonds - ICE BofA US High Yield Index	7.44%	57.5%	-26.4%
Cash	Cash - S&P U.S. Treasury Bill 0-3 Mth Index	1.11%	4.7%	0.0%
AA	Asset Allocation Portfolio*	7.02%	24.6%	-22.4%

Past performance does not guarantee future returns. The historical performance shows changes in market trends across several asset classes over the past fifteen years. Returns represent total annual returns (reinvestment of all distributions) and does not include fees and expenses. The investments you choose should reflect your financial goals and risk tolerance. For assistance, talk to a financial professional. All data are as of 6/30/21.
 *Asset Allocation Portfolio is 15% large cap stocks, 15% international stocks, 10% small cap stocks, 10% emerging market stocks, 10% REITs, 40% high-grade bonds, and annual rebalancing.

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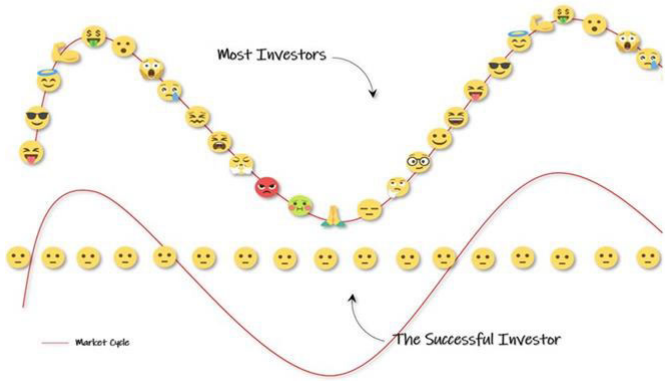
Asset Allocation and Diversification

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!



Source: Neligan Financial

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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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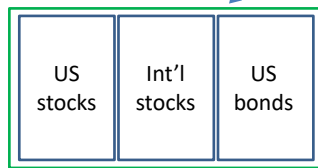
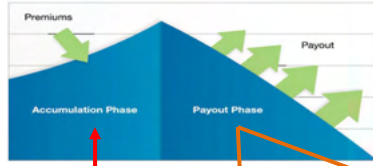
Fixed



- Promised rate
- Or a highly predictable one
- Never/rarely changes

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Variable

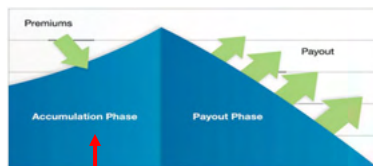


- Separate calculation
- Usually higher of the two
- Guarantees

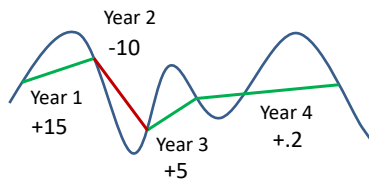
- Money is in the market
- Not protected against downside losses
- Often guarantees against loss of principal and/or high-water mark
- HAVE to take an income stream
- Once income taken, adjustments?

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Indexed



S&P500



Floor = 0
Ceiling = 11%

- Money is not the market
- Protected against downside losses
- Lock and reset
- Adjustments in payout phase

	Market	Credit
Year 1	+15	+11
Year 2	-10	0
Year 3	+5	+5
Year 4	+2	+2

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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 Northwestern Mutual has paid them every year since 1872.

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

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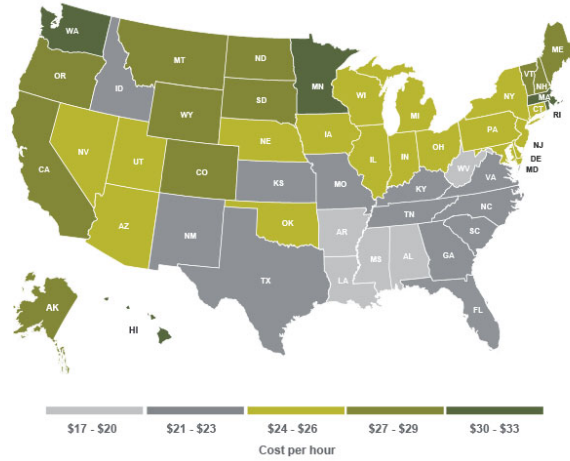


What is long-term care?

- 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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Median hourly cost of a home health aide by state



THE COST OF CARE

The median cost for a home health aide is \$24 an hour but can vary widely. While the most common starting point for care is at home, it may progress to other settings.

The national annual median cost for a private room in a nursing home is \$105,850. These costs are commonly between \$85,000 and \$135,000 but may be lower or higher. For costs specific to your area see: www.genworth.com/costofcare

Notes: Costs also vary within states by county and city. Median values are rounded to the nearest dollar. For more information on cost of care in your location see the Genworth website at: www.genworth.com/costofcare
 Source: Genworth Cost of Care Survey 2020, conducted by CareScout[®], August 2020, © 2020 Genworth Financial, Inc. All rights reserved.
 Methodology document: <https://pro.genworth.com/niproweb/productinfo/pdf/131168.pdf>

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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[Ⓞ], CA (2020 vs. 2050)

In-Home Care [Ⓞ]	2020	2050 [Ⓞ]
Homemaker Services ¹	\$73,216	\$316,435
Home Health Aide ¹	\$73,216	\$316,435
Community and Assisted Living [Ⓞ]	2020	2050 [Ⓞ]
Adult Day Health Care ²	\$23,400	\$101,133
Assisted Living Facility ³	\$73,200	\$316,366
Nursing Home Facility [Ⓞ]	2020	2050 [Ⓞ]
Semi - Private Room ⁴	\$149,650	\$646,779
Private Room ⁴	\$182,500	\$788,754

Greenville, NC (2020 vs. 2050)

In-Home Care [Ⓞ]	2020	2050 [Ⓞ]
Homemaker Services ¹	\$43,472	\$187,883
Home Health Aide ¹	\$43,472	\$187,883
Community and Assisted Living [Ⓞ]	2020	2050 [Ⓞ]
Adult Day Health Care ²	n/a	n/a
Assisted Living Facility ³	\$46,800	\$202,267
Nursing Home Facility [Ⓞ]	2020	2050 [Ⓞ]
Semi - Private Room ⁴	\$76,103	\$328,913
Private Room ⁴	\$92,710	\$400,687

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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Sign In or Create an Account

Sign In

Username

[Forgot Username?](#)

Password

[Forgot Password?](#)

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 -- 11.2%	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 -- 2.8%	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%	

Based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI0W) from third quarter to third quarter.

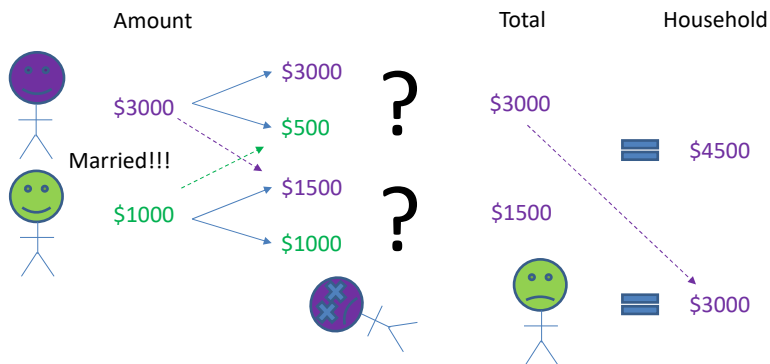
Average: 3.68%

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.

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Basics: Couples and timing



- It's PERSONAL: Ages, citizenship, health, residency, disability, widow(er), born before 1954, minor children, still working, etc.
- Often makes sense to take money early (less depletion of assets)
- Typically makes no sense to wait after 70
- Often makes no sense for spousal benefits to wait after recipient's FRA

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Special Rules for Some Workers



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:

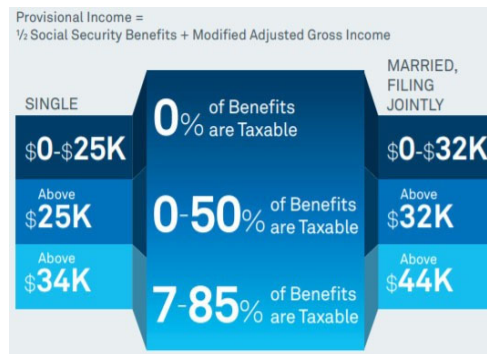
- CSRS, CalSTRS, etc.

SOURCE: Investopedia

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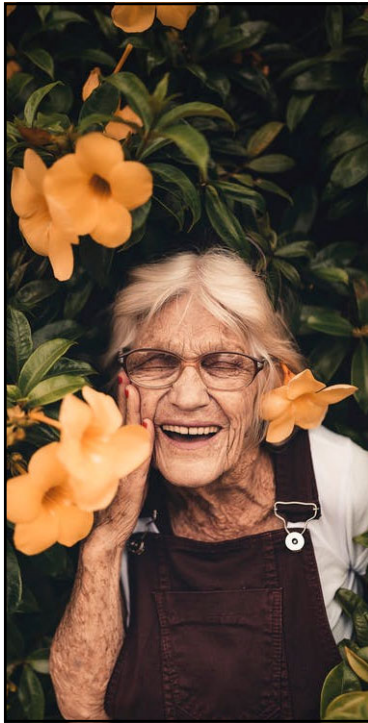
How Are Your Benefits Taxed?

- 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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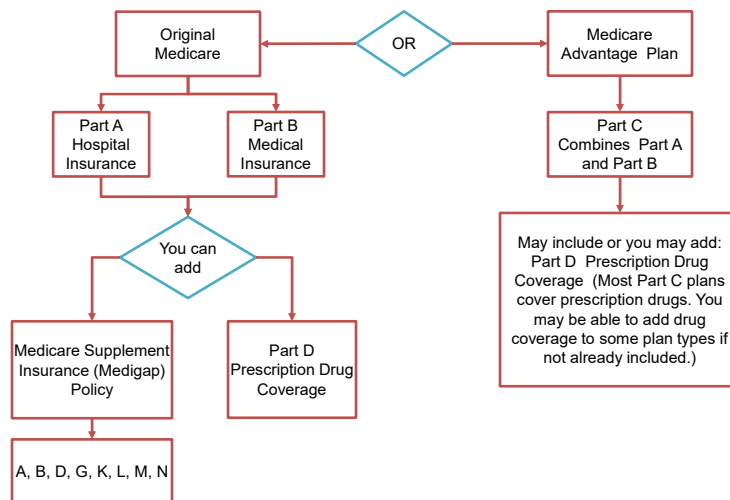
What Is Medicare?

- 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 (for 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	\$238.10
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	\$544.30
\$500,000 or above	\$750,000 and above	\$409,000 and above	\$578.30

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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