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Successful and Predictable Retirement

To have a successful and predictable retirement, please consider the following:

1. Mitigate Market Risk (5) years before retirement
2. Cover your basic living expenses with guaranteed lifetime income
3. Use the rest of the investments to address inflation
4. Have a "plan" for Long-Term Care (LTC) and fund the plan with LTC insurance
5. Use Life Insurance as the most tax-efficient and predictable way to transfer wealth to your heirs

5 Years Before Retirement:

- Biggest risk before retirement = Sequence of returns risk
  - Mathematically and mentally manage the market being down 30% before retirement
- Consideration
  - Reduce the sequence of returns and downside market exposure by using:
    - Fixed Annuities (no fees, no downside market exposure)
    - Indexed Annuities (no fees, no downside market exposure)

At Retirement:

- Biggest risk at retirement = Sequence of returns risk & longevity
  - Negative market returns early in retirement can have significant long-term effects on the success of the retirement income plan
- Consideration
  - Have a guaranteed lifetime income that covers at least all of the basic living expenses in retirement
- Examples of Lifetime Income:
  - Social security (government) provides lifetime income
  - Pension (employer) provides lifetime income
  - Annuity (insurance company) provides lifetime incomes

During Retirement:

- Continue to invest in the market
  - Use the investment portfolio as a "hedge" for future inflation
- Biggest risk during retirement = long-term care event (monthly cash flow issue in retirement)
  - A long-term care event creates a new monthly expense of around $5,000- $10,000/month
  - This new monthly expense is in addition to all of the client's other retirement expenses
  - Where will the clients find additional funds while maintaining their retirement lifestyle?

- Consideration
  - Create a long-term plan of care
  - Consider long-term care insurance

At Death (Legacy/Wealth Transfer to Heirs):

- Retirement assets are often **not** ideal legacy assets to transfer to heirs for the following reasons:
  - The best assets for wealth accumulation are often the worst assets for transferring to heirs due to taxes
  - We have no idea what the assets will be worth when both parents pass away
  - Parents often spend less in retirement, trying to preserve assets for their heirs
- Life insurance is often a great legacy asset for the following reasons:
  - We know exactly what the life insurance costs (premium)
  - The death benefit is leveraged
  - The death benefit is paid to the beneficiaries tax-free
  - The death benefit is predictable (allowing parents to spend the remaining assets for themselves)

"How much predictability do they want in their retirement plan?"

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