

Passport to Retirement®



Welcome to *Passport to Retirement*. This financial course is designed to help you overcome retirement challenges and take action to help improve your financial future.

PREVIEW

Our Commitment

- Provide sound financial information
- Help you pursue your financial goals in retirement
- Offer complimentary, no-obligation consultation



The information provided in this course is not written or intended as tax, legal, investment, or retirement advice or recommendations, and it may not be relied on for the purpose of avoiding any federal tax penalties. You are encouraged to seek guidance from an independent tax or legal professional based on your individual circumstances.

Before we get started, I'd like to introduce myself and my company.

(Note to presenter: Give a brief personal background, then talk about your organization and give its location.)

Our commitment to the community extends beyond simply offering financial services. We are committed to helping people evaluate their financial situations and giving them tools to help them make informed decisions.

As part of that commitment, we use courses like this one to provide individuals with sound financial information. In this particular course, we'll discuss techniques to help you pursue your financial goals in retirement.

We hope that after attending this course, you'll want to meet with us in our office. This is a complimentary, no-obligation consultation that we offer to everyone who attends our financial events. During that meeting, we can discuss any questions you have as a result of what we discuss here. If you prefer, we can use that time to examine your specific situation and begin the process of helping you formulate a financial strategy that will suit your needs.

We know that we'll establish a working relationship with you only when *you* are confident that we can be of service. We want you to understand your options and to know how you may benefit from us.

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Workbook and Evaluation Form



Passport to Retirement®

Evaluation Form

Yes, I am interested in scheduling a complimentary, no-obligation consultation.
 No, I am not interested in scheduling an appointment at this time.

Please print:

Name _____

Address _____

City _____ State _____ ZIP _____

Email _____

Occupation _____

Please call me to schedule an appointment at:

Day Phone _____ Evening Phone _____
(Please check whether you prefer to be contacted on the day or evening.)

Session Feedback

1. What aspects of the workshop did you enjoy? Please check all that apply.

<input type="checkbox"/> Quality of the information	<input type="checkbox"/> Workbook content
<input type="checkbox"/> Concise presentation of material	<input type="checkbox"/> Case studies and examples
<input type="checkbox"/> Quality of the color graphics	<input type="checkbox"/> Professional expertise of presenter

2. Which of the following financial topics interested you? Please check all that apply.

<input type="checkbox"/> Social Security	<input type="checkbox"/> Tax planning
<input type="checkbox"/> Income strategy	<input type="checkbox"/> Legacy planning
<input type="checkbox"/> Other topics _____	

3. Please provide the names and telephone numbers of those friends, relatives, or associates who would benefit from this presentation.

name _____	telephone _____
name _____	telephone _____
name _____	telephone _____

May we say that you referred them? Yes No. Please keep my name confidential.

4. Please provide the names of two organizations (business, civic, social, fraternal, religious, or trade organizations) whose members would enjoy a retirement planning presentation.

name of organization _____
name of organization _____

We've found that people are more likely to remember something they act on rather than something they only hear about. That's why we designed this workbook so you can apply what you learn to your situation. In it you'll find helpful material that reinforces the presentation's major points and will be a valuable resource for you.

Inside your workbook, you'll also find an evaluation form.

(Note to presenter: Pull out an evaluation form for the participants to see.)

At the end of the course, please use this form to tell us whether you're interested in taking advantage of the complimentary, no-obligation consultation.

I'd like to make you two promises concerning this form. First, if you check "Yes, I am interested in scheduling a complimentary, no-obligation consultation," we'll call you a few days after the course ends and set up an appointment. Second, if you check "No, I am not interested in scheduling an appointment at this time," we won't call you directly after the course.

In exchange for these two promises to you, please promise that you will fill out this form. Many of our attendees do come in for a consultation, so we've set aside time just to meet with you.

When you do come to our office, feel free to leave your checkbook at home. I'm very interested in developing working relationships with many of you, but that decision is yours.

Now, if you'll open your workbooks to page 8, we'll begin.

How to Retire

It doesn't just happen.

10 months

10 years

11+ years



Are you prepared for one of the biggest transitions in your life? What steps have you taken thus far to prepare for retirement?

Preparing for retirement is not something that can be accomplished overnight. Initially, you'll have to analyze everything from your current income, to your net worth, to your potential sources of retirement income, to your health. You'll need a comprehensive plan to accomplish your goals, and then you'll need to review and revise your plan on an ongoing basis to make sure you're on track.

Whether you're 10 months, 10 years, or longer away from retiring, there are a number of key issues to address before you can make that move.

We're going to talk about how to make decisions that could help enhance your Social Security benefits, manage your tax liability, keep the income flowing in retirement, protect your assets from the unexpected, understand your retirement plan distribution options, and provide for your family and heirs.

Do these sound like the issues that motivated you to come to today's course?

(Elicit responses from audience.)

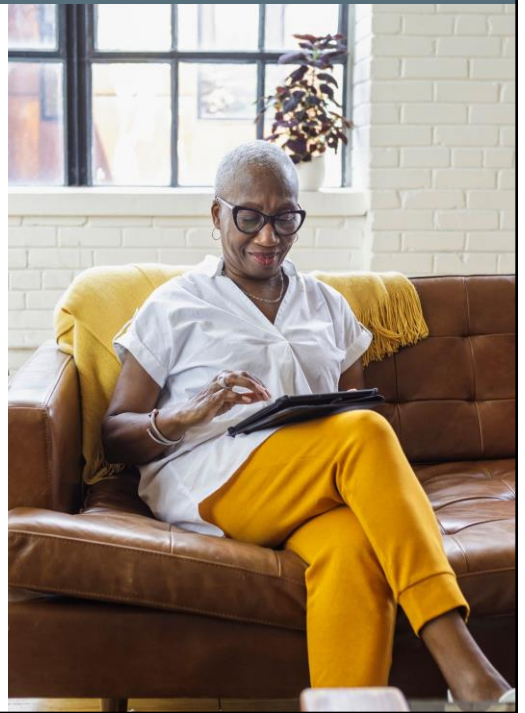
Retirement Reality

Expenses vs. Income

Total household spending by Americans aged 65 and older is only about **28% less** than spending by younger consumers.

Yet older Americans' household incomes are about **40% lower** than those of younger households.

Source: Consumer Expenditure Survey, U.S. Bureau of Labor Statistics, 2022



One reality you might face in retirement is that your expenses could be higher than you expected.

According to a consumer expenditure survey, total household spending by Americans aged 65 and older is, on average, only about *28 percent less* than spending by younger consumers. Yet older Americans' household incomes are about *40 percent lower* than those of younger households.¹

For example, in an Employee Benefit Research Institute survey, 36 percent of retirees said their overall expenses were higher than expected, and 37 percent said their health-care expenses were higher than they expected.²

Why do some people find that their retirement reality doesn't match their expectations?

Sources: 1) U.S. Bureau of Labor Statistics, 2021; 2) Employee Benefit Research Institute, 2022

Obstacles to a Successful Retirement

1. Lack of financial knowledge / Failure to plan
2. Inflation
3. Steady burden of taxes
4. Unexpected health crisis
5. Unpredictability of the financial markets
6. Procrastination



We've identified six obstacles that may keep people from having the comfortable retirement they envisioned. Some of these obstacles are external factors over which we have little control.

Your ability to pursue the retirement lifestyle you desire will depend, to a great extent, on how well you are able to overcome these obstacles.

1. Lack of Knowledge / Failure to Plan

Nearly **8 out of 10** retirement-age Americans could not pass a basic quiz on how to make their savings last throughout retirement¹

Only **46%** of workers have tried to determine a retirement savings target²

Sources: 1) The American College RICP® Retirement Income Literacy Survey, 2020 (most current available); 2) Employee Benefit Research Institute, 2022



The first obstacle most people have to overcome is their own lack of knowledge and failure to plan.

In a retirement income literacy survey, nearly eight out of 10 retirement-age Americans could not pass a basic quiz on how to make their savings last throughout retirement. And only a third considered themselves highly knowledgeable about retirement income planning.¹

An annual survey conducted by the Employee Benefit Research Institute usually finds that fewer than half of workers have tried to calculate a retirement savings target.²

Think about this for a minute. It means that more than half of workers may have no idea how much they'll need to save for retirement. And simply having a savings target is no guarantee of success either.

Many people simply lack the time to understand the financial markets and the plethora of financial terms and concepts. This is nothing to be ashamed of. I'm here to provide educational tools that will help you become more comfortable in the financial arena.

Sources: 1) The American College RICP® Retirement Income Literacy Survey, 2020 (most current data available); 2) Employee Benefit Research Institute, 2022

Financial Barometer Quiz

Financial Barometer Quiz

This self-analysis quiz will give you a quick snapshot of your financial knowledge. It's not meant to be a comprehensive test of your abilities, just a quick look at where you stand.

Page
8

SCORE

Rate yourself from 1 to 10 (10 being best) for your level of knowledge and confidence for each question.

If you scored between 46 and 60, you may be in great shape financially.

If you scored between 30 and 45, professional financial management may be necessary to help you build a strong financial future.

If you scored below 30, take action immediately. We have ideas that may help.

This scale is not intended to predict success. It is designed to help identify financial management needs.

1. Are you satisfied with the yield on your savings program? Is it sufficient to cover your living expenses for several months?

_____ points

2. Will your retirement plan meet your future needs? Will it provide sufficient income to maintain the lifestyle you'd like, even after inflation?

_____ points

3. Is your tax liability excessive? Are you adequately informed on tax-law changes? Are you reducing or deferring as much tax as possible?

_____ points

4. Do you have adequate insurance protection? Is your life and disability coverage sufficient to help protect you and your family?

_____ points

5. Are you satisfied with your investment performance? Are you comfortable with the risk factor? Are your investments well diversified?

_____ points

6. Is your estate designed to minimize probate fees and estate taxes? Have you reviewed your estate plan within the last two years?

_____ points

We've developed a short self-analysis quiz to help gauge your financial knowledge. You'll find the Financial Barometer Quiz on page 8 in your workbook. Could everyone please turn there with me?

(Pause to give participants sufficient time to locate the appropriate page.)

Let's go through this quiz together. Rate yourself from 1 to 10 — with 10 being best — for each question.

(Read each question and pause briefly to give participants time to answer.)

This self-analysis quiz is not meant to be a comprehensive test of your abilities, just a quick look at where you stand.

Diversification does not guarantee a profit or protect against loss. It is a method used to help manage investment risk.

A financial professional can evaluate your objectives and available resources and help you consider appropriate long-term financial strategies, but there is no assurance that working with a financial professional will improve investment results.

2. Inflation

Effect of 3% annual inflation



Assumes a 3% annual inflation rate. These hypothetical examples of mathematical principles are used for illustrative purposes only. Actual results will vary.

The second obstacle is inflation, which is the rise in consumer prices and the loss of purchasing power over time. It has an effect on everything — from the cost of a bag of groceries, to a car, to a home.

Although inflation was relatively low during the five-year period from 2017 through 2021 (averaging 2.9 percent), it was especially challenging in 2022, when it reached an annual rate of 9.1 percent in June, the highest 12-month increase since 1981.¹

Whether you realize it or not, you've been battling inflation throughout your working years. Yet it could be even harder to deal with in retirement when you're on a fixed income.

These two hypothetical examples illustrate the effect of a relatively low 3 percent annual inflation over a 30-year period.

A bag of groceries that costs \$50 today would cost \$121 for an equivalent purchase in 30 years — that's 2.4 times more than now. And a \$1 million retirement portfolio would have the purchasing power of about \$412,000 in 30 years.

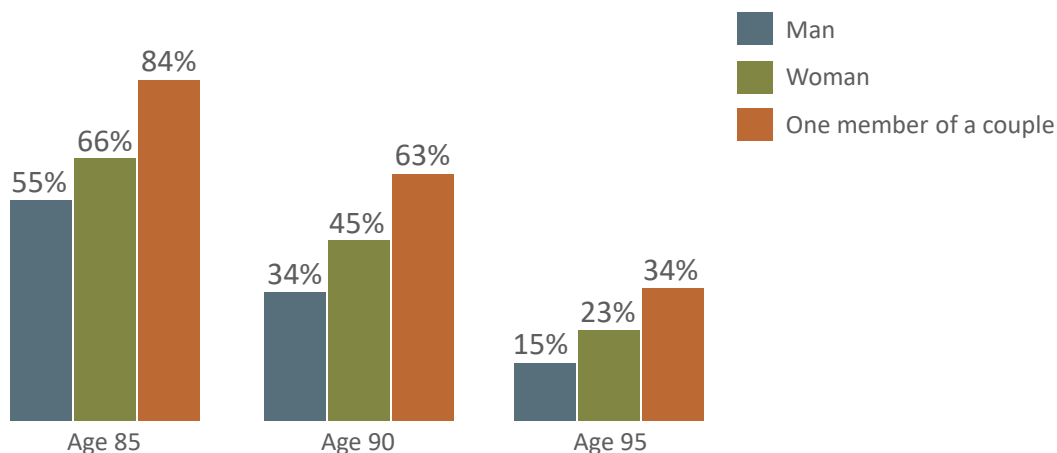
That's why it's essential for your retirement portfolio to keep pace with — and ideally exceed — inflation to avoid losing purchasing power as the years go by.

Source: 1) U.S. Bureau of Labor Statistics, 2022 (consumer price index)

These hypothetical examples of mathematical principles are used for illustrative purposes only. Actual results will vary.

Longevity Risk Compounds Inflation Risk

Probability that a 65-year-old in average health will live to the following ages



Source: Society of Actuaries, 2023

Longevity further illustrates why inflation matters: Your retirement might last for 20 or more years. The challenge is making sure that you don't run out of money before you run out of time.

Based on life-expectancy statistics, a retired 65-year-old man in average health has a 34 percent chance of living to age 90, and a 65-year-old woman in average health has a 45 percent chance of living to age 90.

For a couple, the odds are even more striking: One member of a couple has a 63 percent chance of living to age 90 and a 34 percent chance of living to age 95.

How confident are you that you will be able to live comfortably to age 90 or 95? Your retirement income strategy should include the possibility of a long life.

Source: Society of Actuaries, 2023

The Rule of 72

$72 \div \text{Inflation Rate}$

6% inflation:

$72 \div 6 = \underline{12 \text{ years}}$

3% inflation:

$72 \div 3 = \underline{24 \text{ years}}$



How many of you are familiar with the Rule of 72? The Rule of 72 demonstrates the impact that inflation can have on your purchasing power. If you turn to page 10 in your workbook, you can follow along with this simple exercise.

(Pause to give participants sufficient time to locate the appropriate workbook exercise.)

To determine how long a given rate of inflation would take to cut the purchasing power of your money in half, divide 72 by the expected rate of inflation.

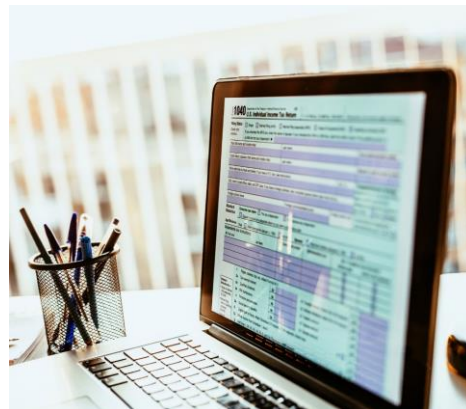
For example, at 6 percent inflation, your purchasing power would be cut in half every **12** years. As you can see, 72 divided by 6 equals 12. But with a 3 percent inflation rate, your purchasing power would be cut in half every **24** years.

Many of you can look forward to a retirement that lasts 20 to 30 years or longer. Although this time can be a very enjoyable phase of life, it can also be a very expensive one. If you do not protect your assets from the effects of inflation, your purchasing power could decrease substantially over an extended period of time.

Of course, inflation isn't the only factor to consider. So that brings us to the steady burden of taxes.

3. Steady Burden of Taxes

- Federal income taxes owed on most income sources, including on a portion of Social Security benefits
- Capital gains taxes on sale of appreciated assets
- Ordinary income taxes on withdrawals from tax-deferred accounts
- Current tax rates scheduled to increase in 2026



Taxes don't go away during retirement. So unless your income comes from tax-exempt vehicles, the rest will be taxed by Uncle Sam.

Managing your tax liability in retirement is important, because when your income exceeds specific thresholds, you could be pushed into a higher tax bracket, a higher percentage of your Social Security benefits could become taxable, and your monthly premiums for Medicare Part B (medical insurance) and Part D (prescription drug coverage) may be higher.

And when you sell appreciated assets, such as stocks or rental property, you will be subject to capital gains taxes.

Also, many investors forget that Uncle Sam basically has a “tax lien” on the assets they've accumulated in traditional IRAs and workplace retirement plans. Starting at age 73, you must start taking required minimum distributions from tax-deferred accounts, whether you need the money or not, or be subject to a penalty as high as 25% on the amount you failed to withdraw as required.

Consider, too, that the lower income tax rates implemented by the Tax Cuts and Jobs Act in 2018 are scheduled to increase in 2026.

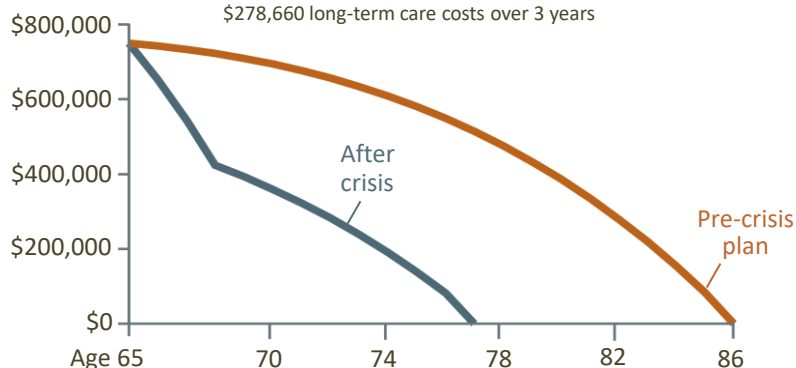
We'll discuss tax issues in more depth later during this session.

4. An Unexpected Health Crisis

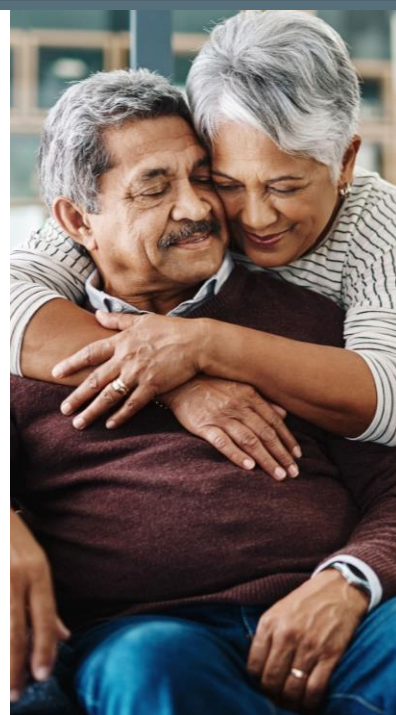
The Wilsons

Assumptions:

- \$750,000 initial portfolio
- \$45,000 inflation-adjusted annual withdrawals for income (3% annual inflation rate)
- 5% annual portfolio growth
- \$278,660 long-term care costs over 3 years



This hypothetical example is used for illustrative purposes only.
Taxes and investment expenses were not considered. Actual results will vary.



Do you know someone, a family member or a friend, who has experienced an unexpected and costly health crisis? A personal crisis could derail your plans and deplete your retirement savings. Statistically, once we reach age 65, there is a nearly 70 percent chance that we will need some type of long-term care services at least once in our lifetimes.¹

Here's an example of why you might want to be prepared for an unexpected health crisis.

The Wilsons retired at age 65 with a \$750,000 portfolio. They planned to withdraw \$45,000 annually from their portfolio for income, and hoped that this would enable them to live comfortably to age 86. Shortly after retiring, Bob Wilson suffered a stroke that required three years of nursing-home care and follow-up home care. The total out-of-pocket cost for this care was \$278,660 over three years.

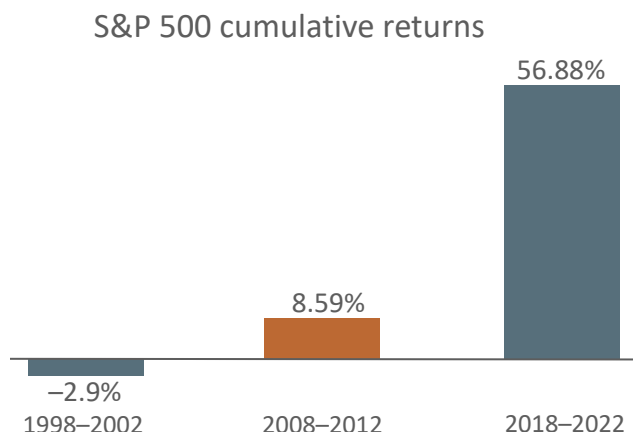
Because the Wilsons assumed that Medicare would cover any long-term care costs, they hadn't purchased additional insurance protection and weren't prepared financially.

The graph shows how these unforeseen costs affected the Wilsons' portfolio. With the couple's savings significantly depleted by the cost of Bob's care (\$278,660 over three years), continuing on the same withdrawal path would leave them without savings when they reached age 77. The Wilsons had to make an unpleasant choice: They could either reduce their standard of living or risk outliving their retirement savings.

Source: 1) U.S. Department of Health and Human Services, 2021 (most current data available)

This hypothetical example is used for illustrative purposes only. It assumes \$45,000 inflation-adjusted annual withdrawals for income (3 percent inflation rate) and a 5 percent annual rate of return for the portfolio. Long-term care assumes a first-year cost of \$90,155, indexed annually for inflation at a 5 percent annual rate. Taxes and investment expenses are not considered. Rates of return will vary over time for long-term investments. Actual results will vary.

5. Unpredictability of the Financial Markets



Source: Refinitiv, 2023, for the periods 1/1/1998 to 12/31/2002, 1/1/2008 to 12/31/2012, and 1/1/2018 to 12/31/2022. The S&P 500 composite index total return is generally considered representative of U.S. stocks. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Rates of return will vary over time, particularly for long-term investments. Past performance is not a guarantee of future results. Actual results will vary.

The fifth obstacle is the unpredictability of the financial markets.

It's a hard truth of investing: The financial markets change, often unexpectedly and sometimes dramatically. Generally, it's a case of *when* and not *if* it happens.

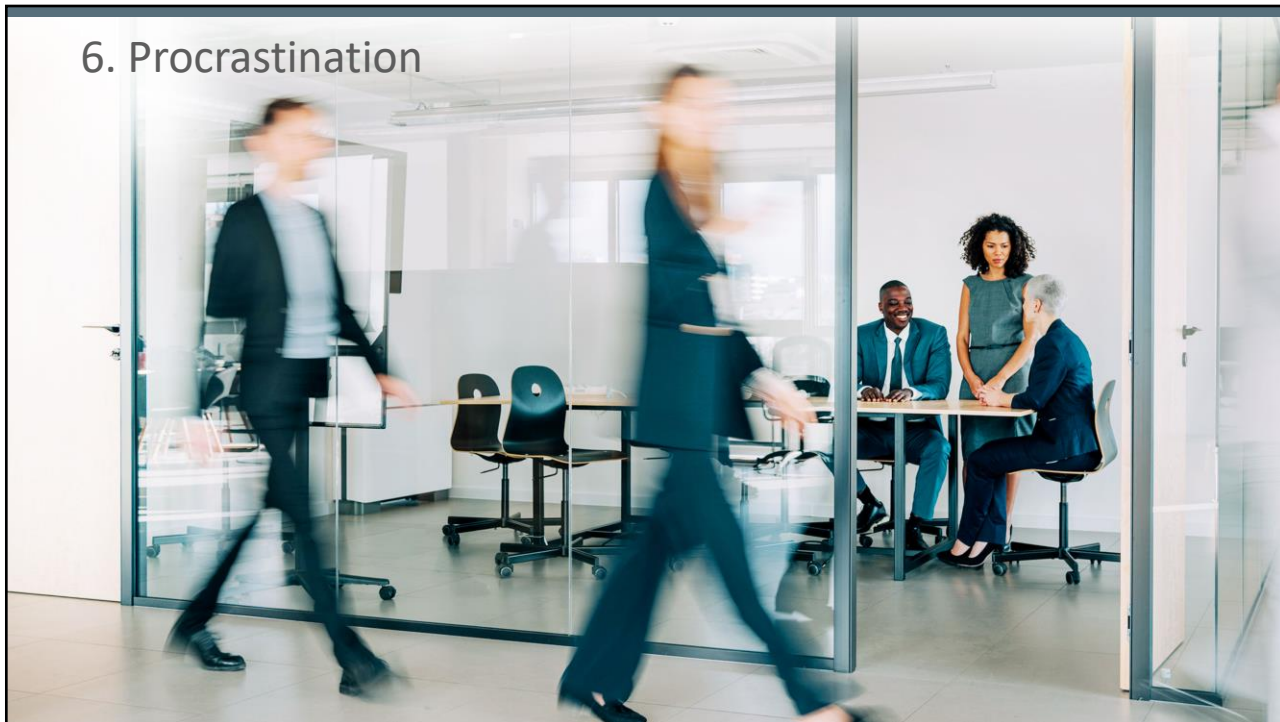
And *if* it happens when you're about to retire, or when you're in the midst of drawing down your retirement investments for income, it can affect the longevity of your retirement assets.

Consider these three outcomes, which show the cumulative returns of the S&P 500 composite stock index over three different five-year periods: 1998 to 2002, 2008 to 2012, and 2018 to 2022. (*The cumulative return looks at the total percentage increase or decrease in the value of an investment over a specific time period.*)

As you can see, these three time periods produced vastly different results. Although two of the cumulative returns were positive, the five-year period from 1998 to 2002 had a negative cumulative return.

Source: Refinitiv, 2023, for the periods January 1, 1998, to December 31, 2002; January 1, 2008, to December 31, 2012; and January 1, 2018, to December 31, 2022. The S&P 500 composite index total return is generally considered representative of U.S. stocks. The performance of an unmanaged index is not indicative of the performance of any specific investment. Individuals cannot invest directly in an index. Rates of return will vary over time, particularly for long-term investments. Past performance is not a guarantee of future results. Actual results will vary.

6. Procrastination



The most common and perhaps the most difficult obstacle to overcome is procrastination. Some people never quite get around to taking steps to prepare for the future. As a result, they often fail to reach their financial goals.

Perhaps you intended to contribute to your IRA last year or open a new Roth IRA this year. Maybe you contribute to a 401(k) plan but aren't putting in the maximum amount each year; perhaps you're not even receiving the full employer match, if one is available. Or maybe you've been meaning to invest in an annuity to accelerate your retirement savings but just haven't found the time.

As a result of our time together, I hope you will make a commitment to take action now. The simple fact that you're here today is a great first step.

Your Passport to a Successful Retirement | Session 1



Envision
Retirement



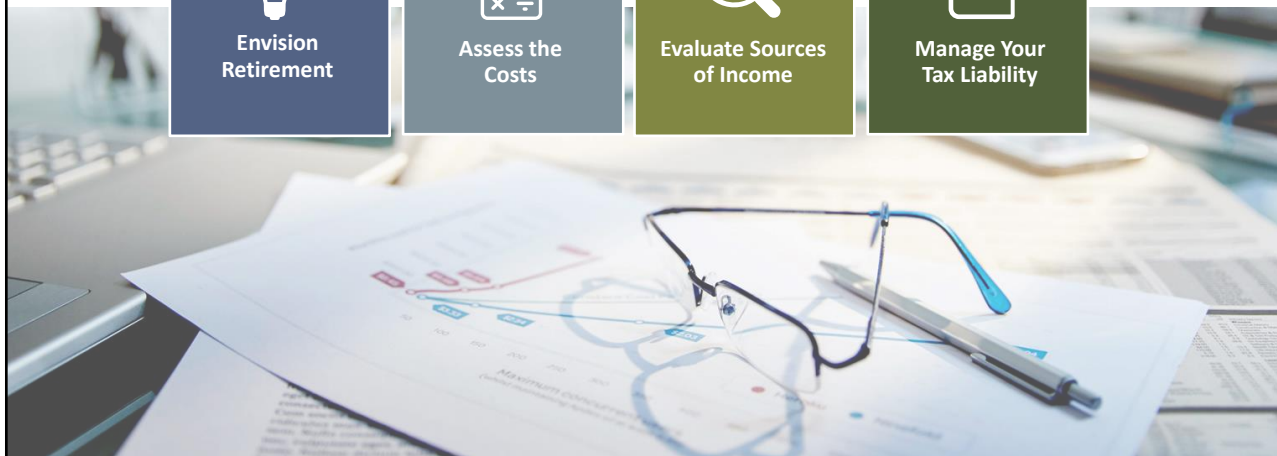
Assess the
Costs



Evaluate Sources
of Income



Manage Your
Tax Liability



To overcome these obstacles — and thus help determine how to retire the way you want — you need to address eight key steps. They serve as a passport to helping you realize a successful retirement.

First is to **envision retirement**. The goal is to help you define your vision and create the type of retirement that encompasses your objectives and dreams.

Once you know what kind of retirement you want, you'll need to **assess the costs**. Your workbook includes worksheets to help you compute these figures. I can help you determine what you have now and what you might accumulate and need in the future.

Next, you'll want to **evaluate potential sources of income**. You're no doubt aware of the most common sources of retirement income, but you might not have considered others.

Another consideration is to **manage your tax liability**. This involves strategies to help you be tax-efficient with all your sources of income, particularly if most of your retirement funds are in tax-deferred accounts.

These topics will be the focus of our first session.

Your Passport to a Successful Retirement | Session 2



Protect Your
Health &
Wealth



Invest for
the Future



Choose a
Distribution
Method to
Tap Assets



Preserve Wealth
in Your Estate

In the second session, we'll address these four steps.

We'll discuss how to help **protect your health and wealth**. In addition to looking at medical insurance eligibility and options once you reach age 65, we'll focus on risk management strategies to help protect you and your family in the event of death, a disability, or the need for long-term care.

Then we'll review how to **invest for the future**. In addition to contributing to retirement accounts, you'll probably consider stocks, bonds, mutual funds, exchange-traded funds, and other investments to help meet your long-term goals.

With these issues in mind, you'll be better prepared to **choose a distribution method to tap retirement assets** and avoid one of the greatest fears of retirees: the risk of outliving their assets.

And finally, we'll help you explore how to **preserve wealth**. You'll want to make sure that your family, not the government, is the biggest beneficiary of your estate. Proper planning can help you maintain control.