

RETIREMENT INCOME PLANNING



Overview

- The journey towards retirement
 - Retirement Red Zone
- What you may encounter along the way
- How to complete the puzzle



The Journey Towards Retirement

- Tax qualified plans (IRA's, 401(k), 403(b) and Roth accounts)
- After-tax investment accounts
- CD's and other cash alternatives
- Social Security benefits
- Pensions and other defined benefit plans



Retirement Red-Zone

- Defined in our industry as the 5 to 10 years before and 5 years after beginning retirement
- This time period is important for planning
- We know what we are retiring “from”, but what are we retiring “into”?



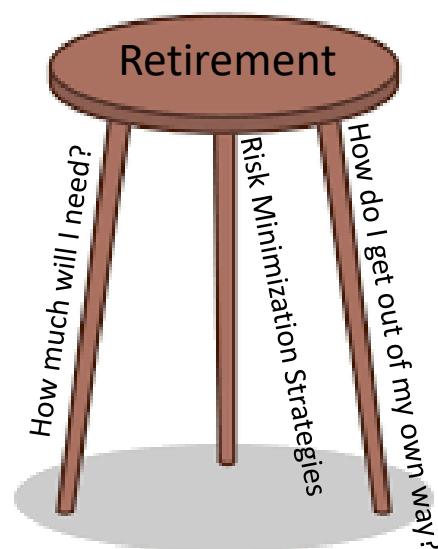
Retirement is Changing

- Being a millionaire is no longer enough
- Living longer
- Skyrocketing health care costs



Three-Legged Stool of Retirement Planning

Will I run out of money?
Inflation
Family member needs help
Suddenly single
The house needs a new roof
New grandbaby...college!!!
Weddings!
Medical scare
Long Term Care



How do I maximize my returns?
What if I live too long?
What if we have a recession?
What's the best way to withdrawal what I need?

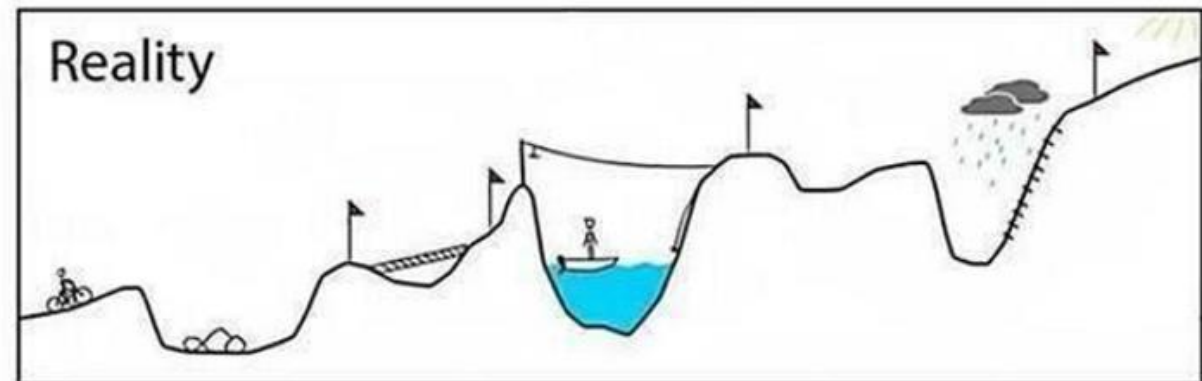
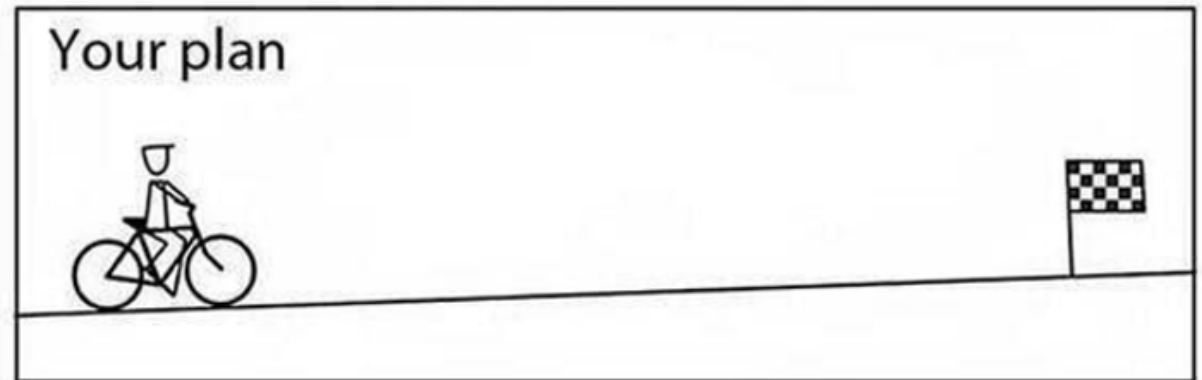
How do I see my blind spots?
Investing is counter-intuitive
Selling after a market correction
I will hold a lot of cash on the side, just in case

Planning Fallacy “How I Envision the Future vs. How the Future Unfolds...”

The tendency to underestimate how long a project may take as well as costs and risks associated with the project

Examples:

- Remodeling a home and the costs and time for completion were underestimated
- Retirement at “X” age vs the actual retirement age
- Arriving to your destination “on time”
- Going to the gym and getting healthy



Loss Aversion

Broadly speaking, loss aversion describes the pain of losing is psychologically twice as powerful as the pleasure of gaining

The fear of losses can prevent us from taking even well-calculated risks, with potential worthwhile returns

Examples:

- Real estate market
- Selling an investment to harvest losses to offset taxes
- The lone sock in the drawer...

**PAIN
FROM
LOSS**

**PLEASURE
FROM
GAIN**

Herding...

- We are hard-wired to herd
- Investing in meme stocks
- The dot-com bubble



Ways to Overcome

- Add a strategic reserve to your spending estimates (Planning Fallacy)
- Manage your risks, understand your fears and triggers (Loss Aversion)
- Sticking to your long term financial and investment plan (Herding)



Putting it Altogether....

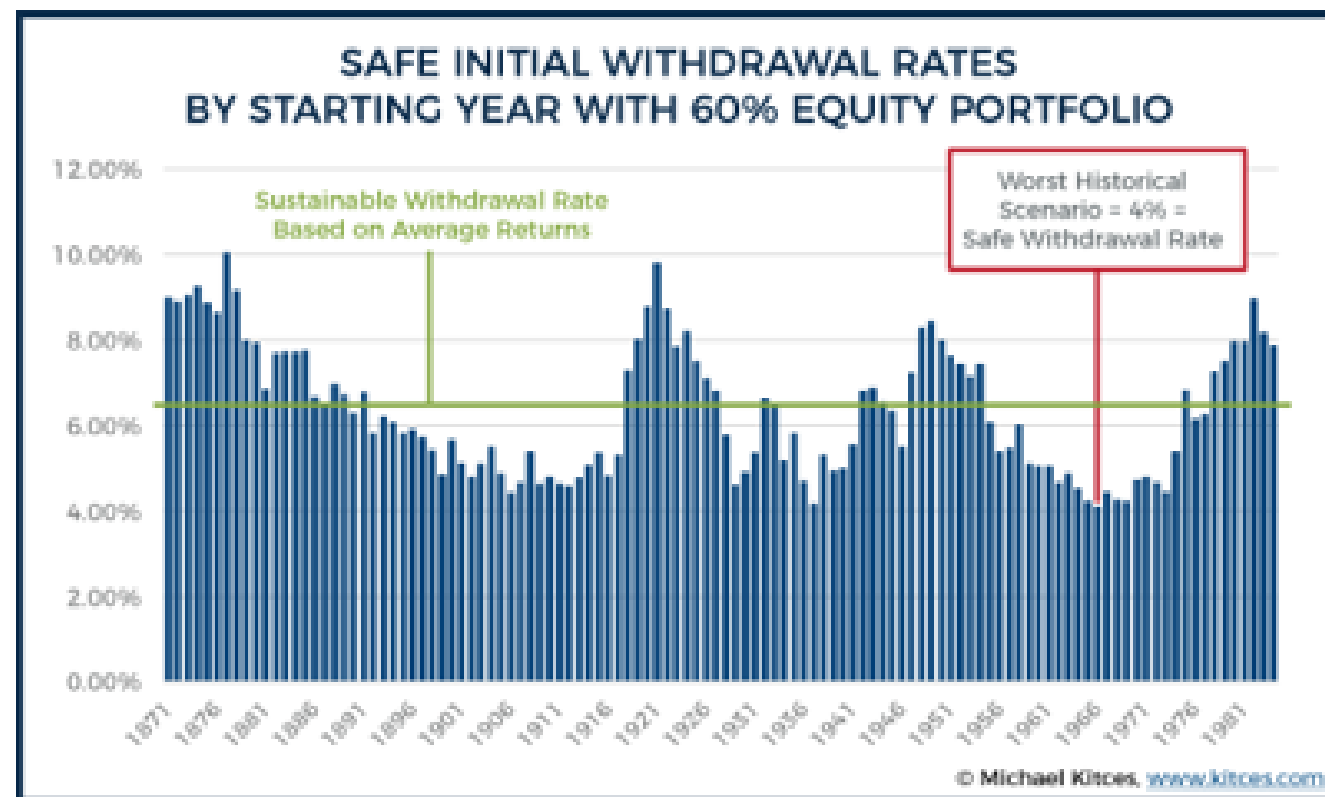
- Avoid analysis paralysis
- Implement a strategy that you can live and sleep with
- Control what you can control and plan for what you can't

“Often when you think you're at the end of something, you're at the beginning of something else.” – Fred Rogers



How do you know how much you can withdraw?

- 4% = *conservative* “universal” initial withdrawal rate
- 4% became the standard recommendation -- even though a higher rate would be acceptable in many scenarios
- Question: What is the likely safe withdrawal rate under *current* economic circumstances?



Retirement Guardrails

- Dynamic Income Planning
- Designed to provide bumpers to prevent portfolio failure
- Early warning signs to inform potential changes to a retirement strategy based on portfolio withdrawal rates or portfolio values resulting in an increase or decrease in income

Short Term Income Plan

Based on your inputs and chosen assumptions, including an investment portfolio balance of \$2,922,591, your plan calls for monthly income of \$9,035 (\$8,579 after taxes). These amounts may change over time. The plan reported on here includes a plan for income adjustments. The Income Adjustment Plan below shows estimates of when this plan would call for a change in income.

Proposed Income

This month
\$9,035
\$8,579 after taxes

Balance

\$2,922,591

Income Adjustment Plan

↑ **\$10,039** (\$1,004 increase)
Portfolio ≥ \$3,247,323 (+11.1%)

If your portfolio balance were at or above \$3,247,323 (11.1% more than your current balance), your plan would call for a \$1,004 increase in income to \$10,039.

↓ **\$8,584** (\$452 decrease)
Portfolio ≤ \$1,755,221 (-39.9%)

If your portfolio balance were at or below \$1,755,221 (39.9% less than your current balance), your plan would call for a \$452 decrease in income to \$8,584.

Retirement Income Style Assessment (RISA)

- Retirement income personality quiz
- Learn what your preference for generating retirement income
- Increase your understanding about the risks and trade offs associated with the different styles and sources of retirement income

Research show that

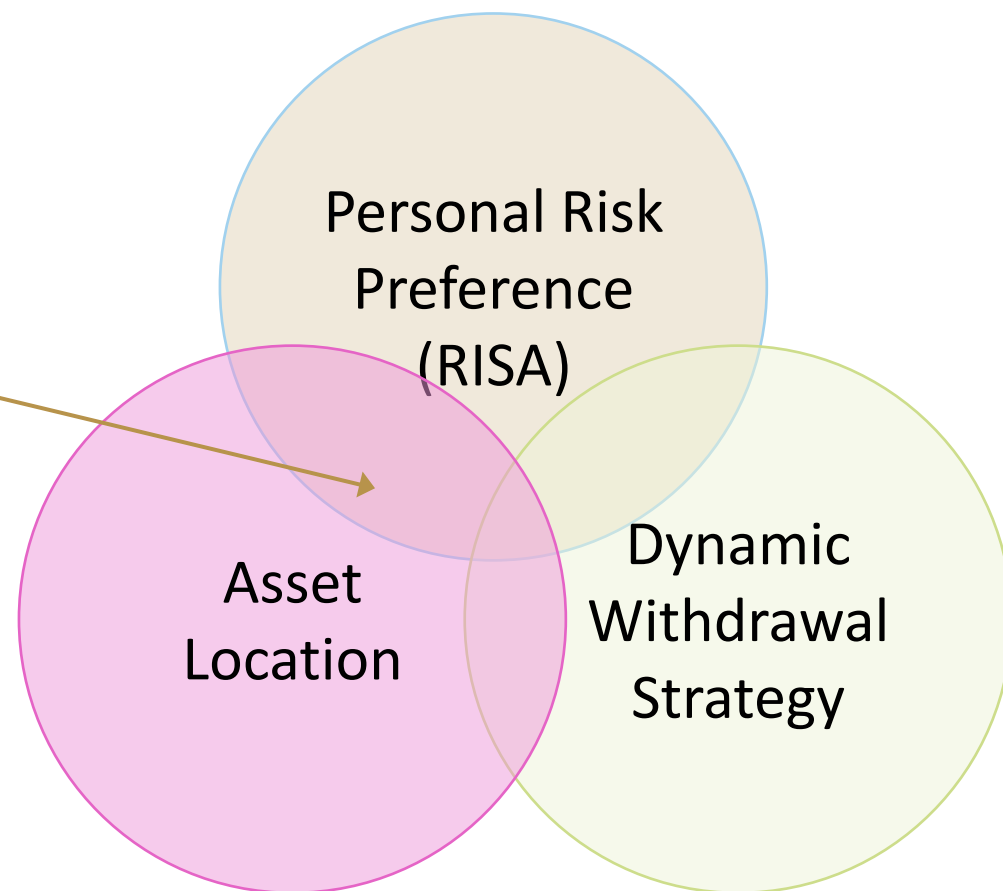
- Less than 35% of investors are comfortable with a Total Return Approach for their retirement income
- About 35% of investors like the idea of contractual or protected income as part of their retirement picture
- The remaining groups like a combination of the two with variations based on their preference for optionality or a committed strategy for implementation



Wealth Utilization is Different From Wealth Accumulation

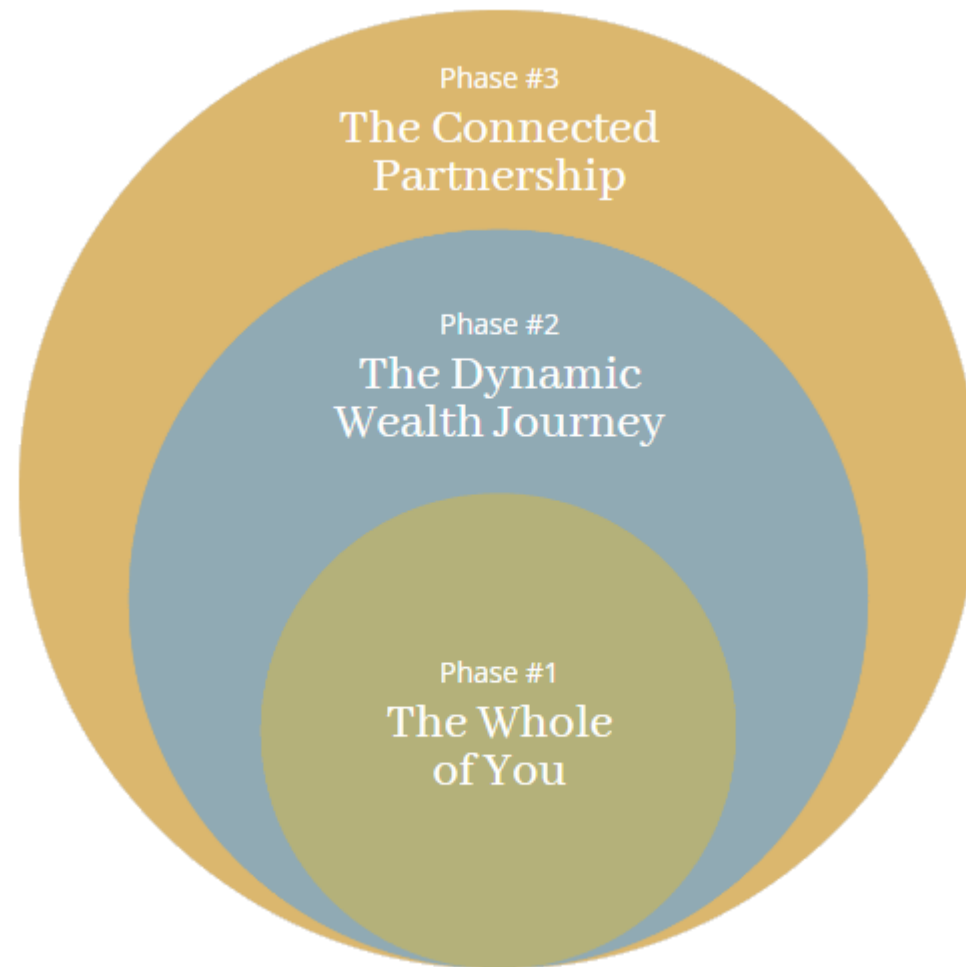
Simultaneous
Optimization of ...

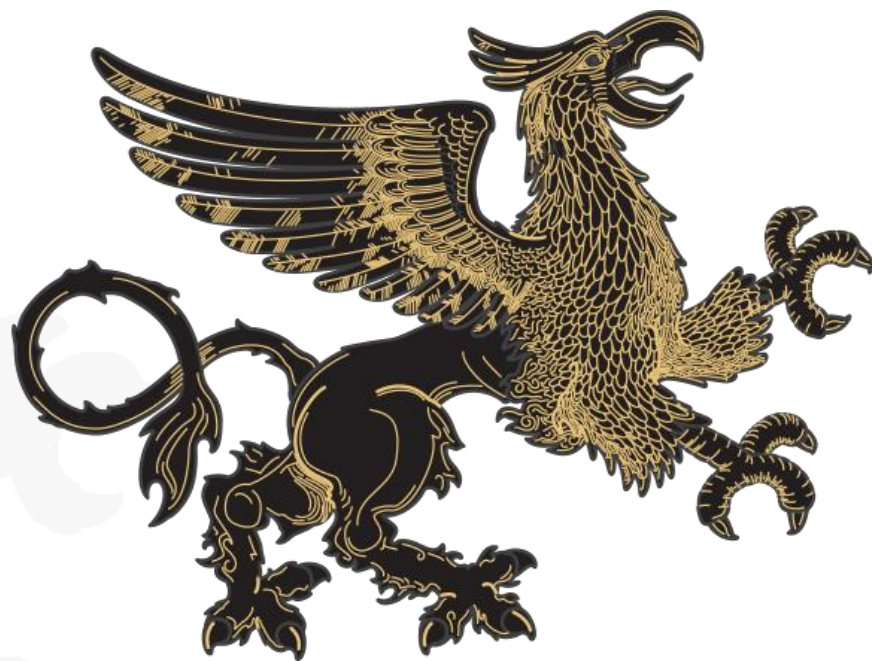
- Income generation
- Tax efficiency
- Asset growth



Take the RISA

- Contact clientsupport@griffinblack.com to gain access to your personal invitation to take the RISA to learn your retirement income style. In the subject line include RISA
- Griffin Black will contact you to set up a review to cover your Income Style





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