# ACHIEVING SUCCESS IN RETIREMENT

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# PLANNING FOR RETIREMENT RECOGNIZING THE RISKS

Retirees face numerous risks that we consider when building a plan.

## Longevity
(Outliving your money)

- Long retirement horizons due to longer life expectancies
- Outliving assets

## Inflation
(Things cost more over time)

- Erodes the value of savings and reduces returns
- Healthcare inflation 6+%

## Spending and Withdrawals
(Running out of money)

- Wants vs. needs
- Sustainability of withdrawals
- Impact of spending behavior

## Market Risks
(Can't control the markets)

- Uncertain returns and income
- Return sequence
- Asset allocation and location

## Unknowns
("What if…")

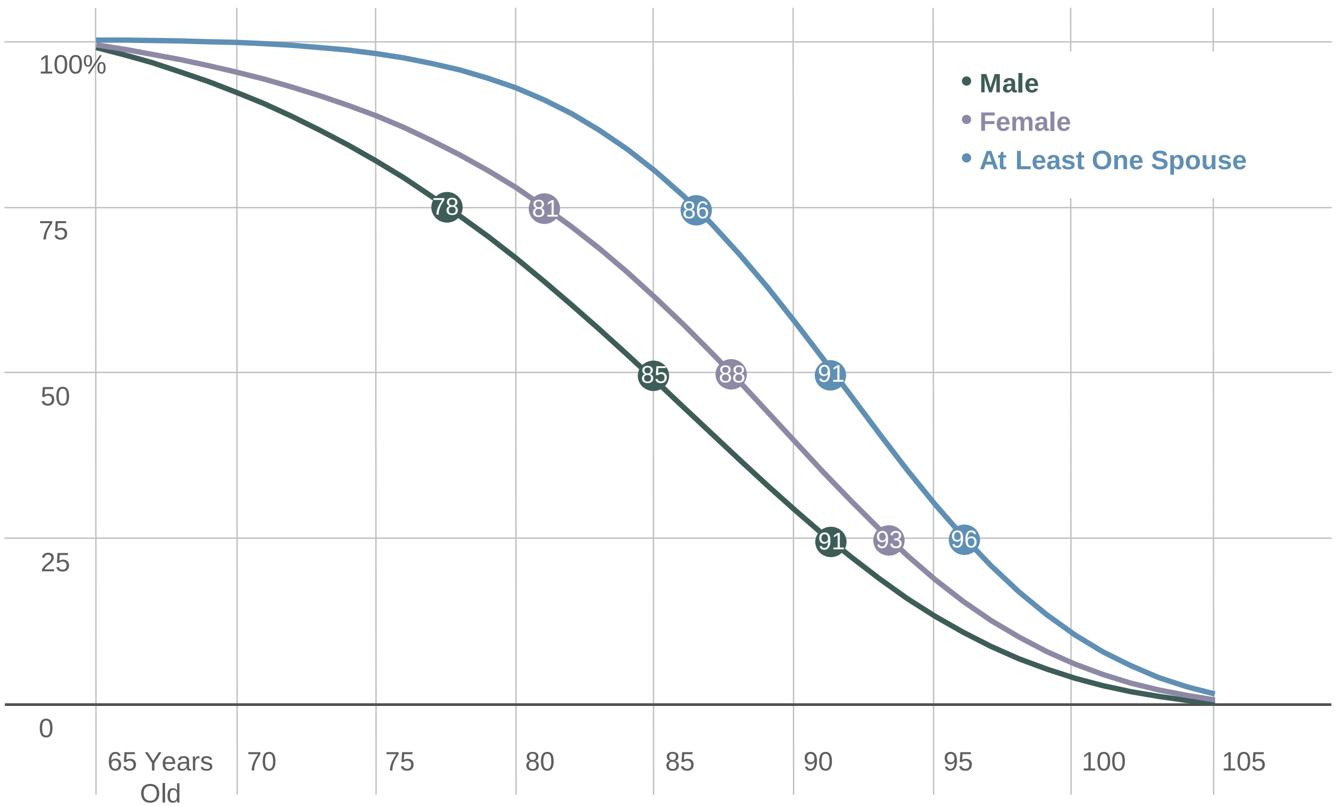
- Long-term care needs
- Potential disability
- Medical expenses
- Early death of a spouse
- Other unexpected expenses

# PLANNING FOR RETIREMENT RECOGNIZING THE RISKS

## OUTLIVING YOUR MONEY

Retirees should plan for a long retirement; a couple aged 65 has an 85% chance that at least one of them will live past 85. Outliving your assets is a significant risk to address as you near retirement.

### Probability of a 65-Year-Old Living to Various Ages




Source: Annuity 2000 Mortality Tables. • Created by Raymond James using Ibbotson Presentation



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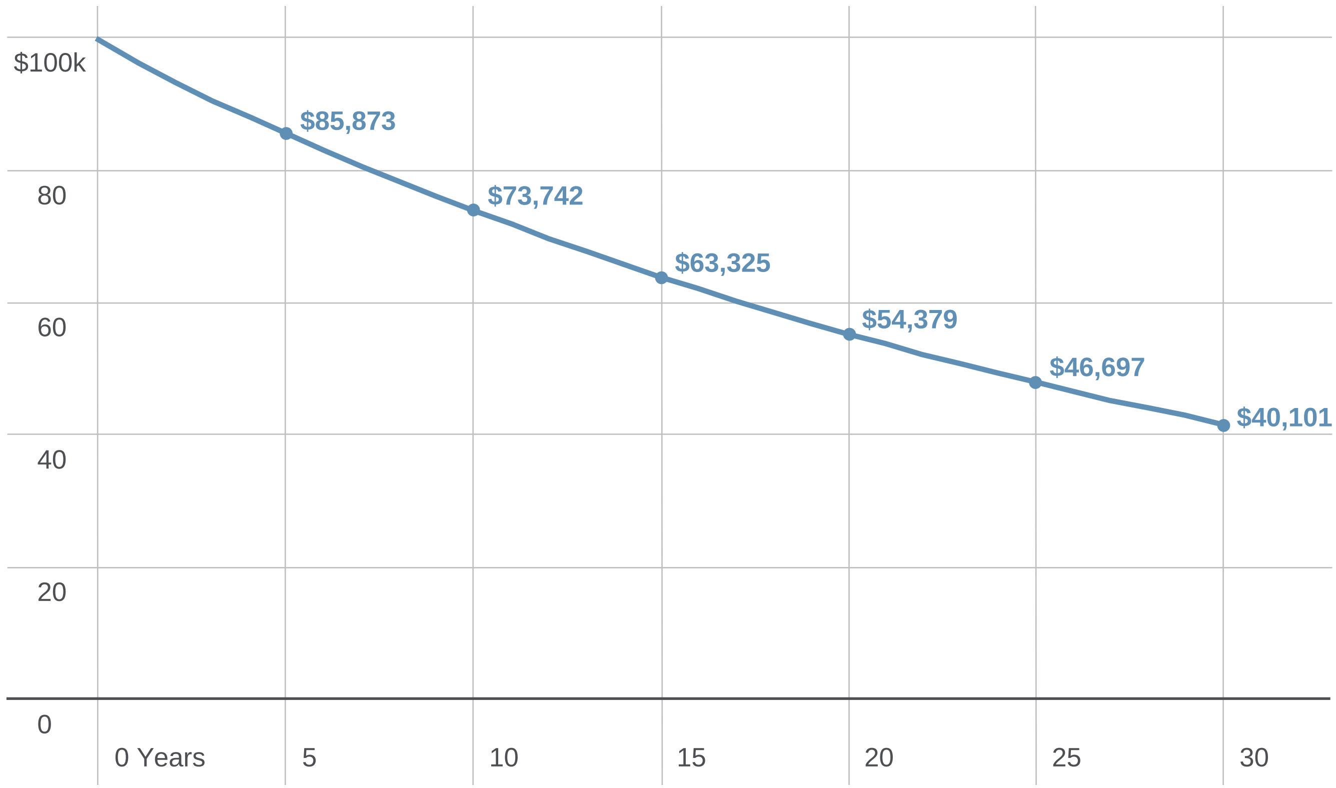
## THINGS COST MORE OVER TIME

With today's longer life spans, the effects of inflation can significantly erode your purchasing power

### Effects of 3% Inflation on Purchasing Power




**Part performance is no guarantee of future results.** This is for illustrative purposes only and not indicative of any investment.





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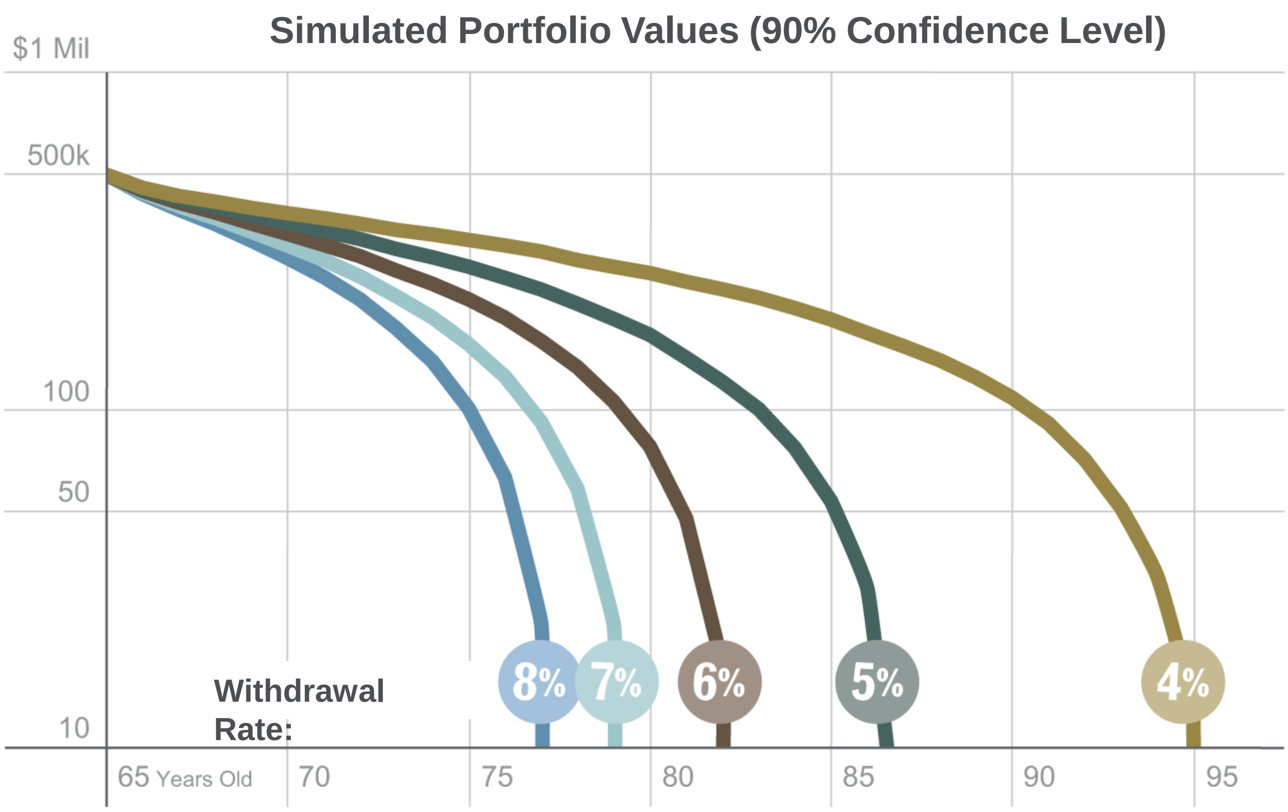
## RUNNING OUT OF MONEY

You must strike a balance between income generation today and the need to grow your assets for the future. Structuring a spending policy that reflects a sustainable withdrawal rate is key.




**An investment cannot be made directly in an index.** · IMPORTANT: Projections generated by Morningstar regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Results may vary over time and with each simulation. This is for illustrative purposes only and not indicative of any investment. · Created by Raymond James using Ibbotson Presentation Materials ·  3/1/2011.

*See additional disclosures on next slide.*

## Discussion of Simulation Criteria and Methodology

This is for illustrative purposes only and not indicative of any investment.

This image looks at a hypothetical 50% stock/50% bond portfolio and the effect various inflation-adjusted withdrawal rates have on the end value of the portfolio over a long payout period. Each hypothetical portfolio has an initial starting value of $500,000. It is assumed that a person retires at age 65 and withdraws an inflation-adjusted percentage of the initial portfolio wealth ($500,000) each year beginning at age 66.

Annual investment expenses were assumed to be 0.88% for stock mutual funds and 0.74% for bond mutual funds. As illustrated, the higher the withdrawal rate, the greater the chance of potential shortfall. The lower the rate, the less likely an investor is to outlive their portfolio. Therefore, retirees who anticipate long payout periods may want to consider assuming lower withdrawal rates. T

he image was created using Monte Carlo parametric simulation that estimates the range of possible outcomes based on a set of assumptions including arithmetic mean (return), standard deviation (risk), and correlation for a set of asset classes. The inputs used are historical 1926–2009 figures. The risk and return of each asset class, cross-correlation, and annual average inflation over this time period follow. Stocks: risk 20.5%, return 11.8%; Bonds: risk 5.7%, return 5.5%; Correlation –0.01; Inflation: return 3.1%. Other investments not considered may have characteristics similar or superior to those being analyzed. The simulation is run 5,000 times, to give 5,000 possible 35-year scenarios. A 90% confidence level indicates that there is a 90% chance of the outcome being as shown or better. Higher confidence levels are chosen in order to view tougher market conditions. A limitation of the simulation model is that it assumes a constant inflation-adjusted rate of withdrawal, which may not be representative of actual retirement income needs. This type of simulation also assumes that the distribution of returns is normal. Should actual returns not follow this pattern, results may vary.

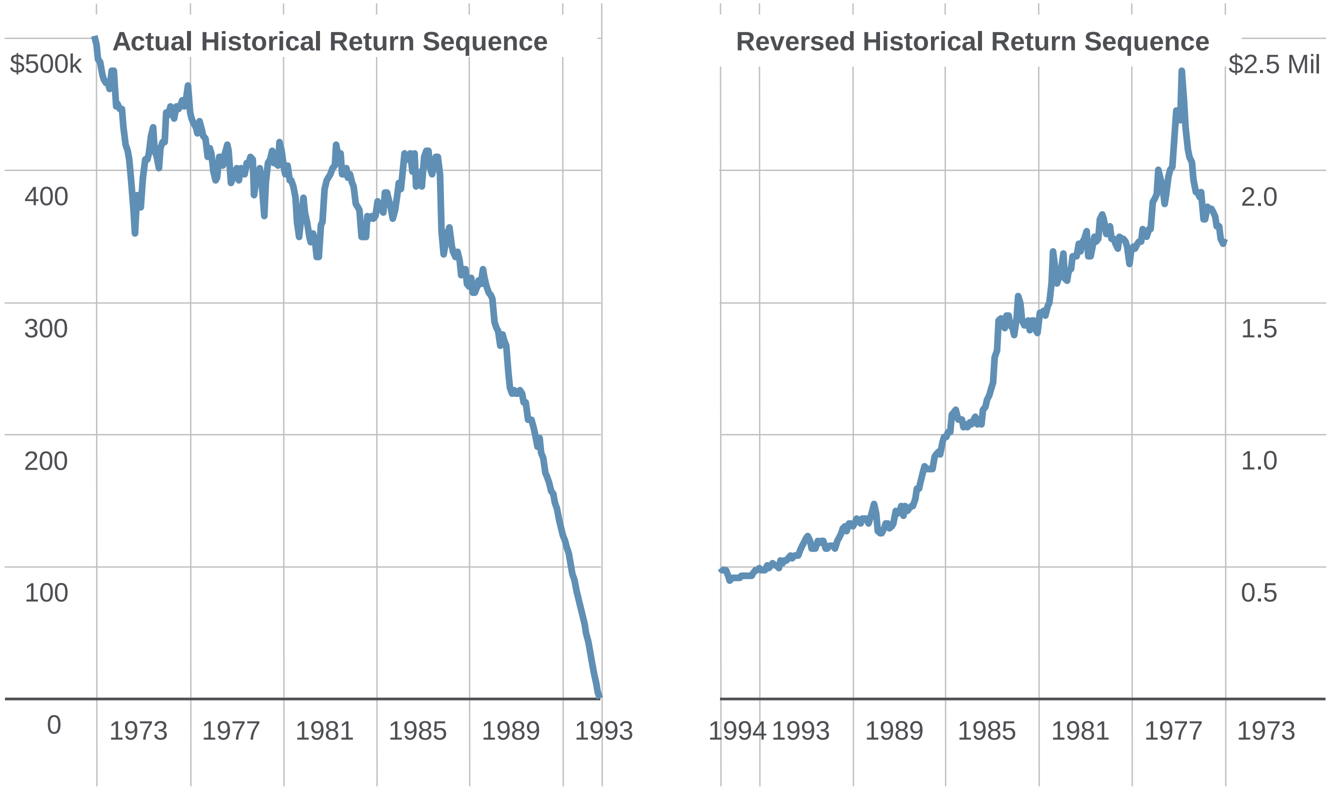
Government bonds are guaranteed by the full faith and credit of the United States government as to the timely payment of principal and interest, while returns and principal invested in stocks are not guaranteed.

**About the data:** Stocks are represented by the Standard & Poor’s 500®, which is an unmanaged group of securities and considered to be representative of the stock market in general. Bonds are represented by the five-year U.S. government bond, inflation by the Consumer Price Index and mutual fund expenses from Morningstar. An investment cannot be made directly in an index. The data assumes reinvestment of income and does not account for taxes or transaction costs.

## CAN'T CONTROL THE MARKETS

A consecutive sequence of poor market returns can negatively impact the sustainability of your retirement assets and withdrawals, particularly during the early years of your retirement.

### Sequence of Returns Matters




**Past performance is no guarantee of future results. • An investment cannot be made directly in an index**. Hypothetical value of $500,000 invested at the beginning of 1973 and August 1994. Assumes inflation-adjusted withdrawal rate of 5%. Portfolio: 50% large-company stocks/50% intermediate-term bonds. This is for illustrative purposes only and not indicative of any investment. Created by Raymond James using Ibbotson Presentation Materials © 2011 Morningstar. All Rights Reserved. 3/1/2011



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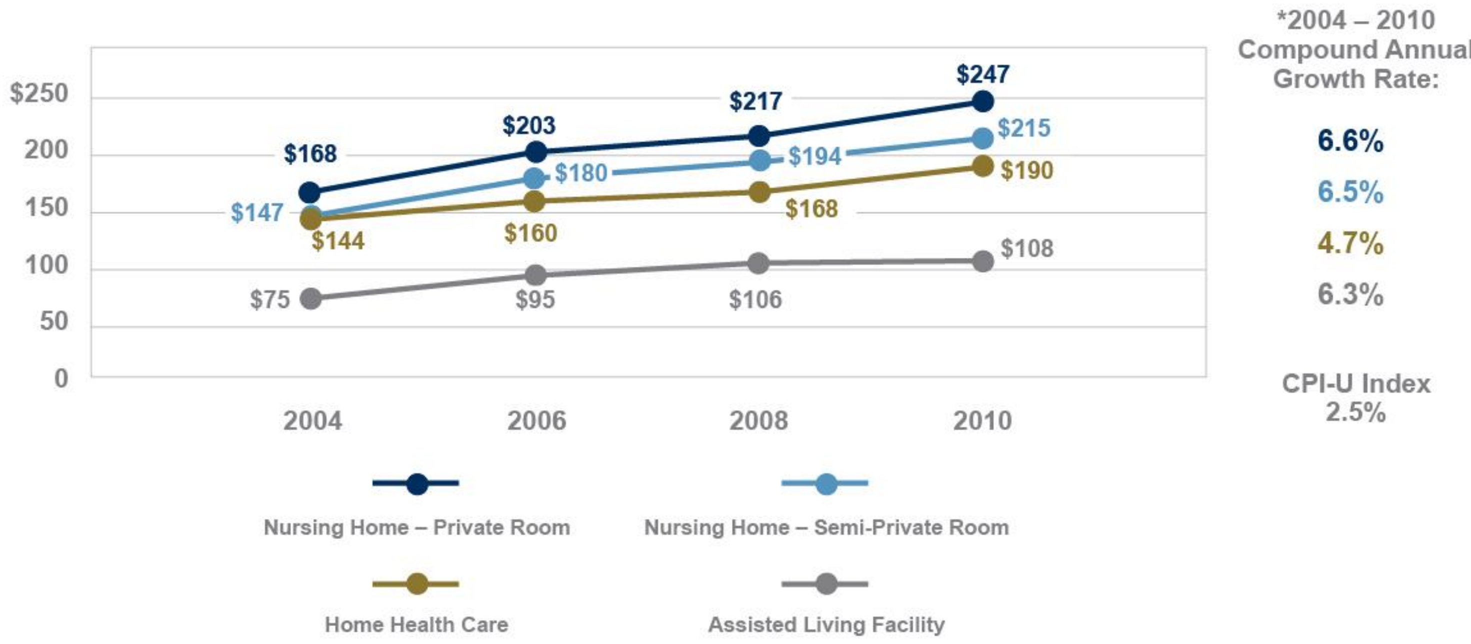
**"WHAT IF…"**

You face the risk of many unforeseen costs throughout a lengthy retirement. Some unknowns are easier to protect against than others. As the rising costs of long-term care help to illustrate, it's important to consider which unknowns you can protect against and take action early on.

## Average Daily Rates by Type of Care

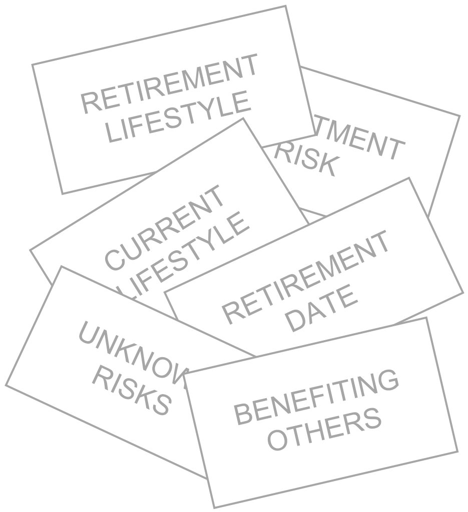
### Trend Data (2004 – 2010)




Source: Prudential, 2010

# PLANNING FOR RETIREMENT PRIORITIZE RETIREMENT OBJECTIVES

Retirement planning requires individuals and families to prioritize among competing objectives and establish where they might be willing to sacrifice to achieve reasonable outcomes.




**MOST IMPORTANT**
(not willing to sacrifice)

- CURRENT LIFESTYLE
- RETIREMENT LIFESTYLE
- INVESTMENT RISK
- BENEFITING OTHERS
- UNKNOWN RISKS
- RETIREMENT DATE

**LESS IMPORTANT**
(willing to sacrifice as needed)

# PLANNING FOR RETIREMENT UNDERSTAND SPENDING

One of the first steps in establishing a retirement plan is to quantify your expense requirements, differentiating between your unique needs and wants.

**NEEDS**

**Essential Expenses**, e.g.,

- Mortgage
- Insurance
- Food
- Clothing
- Healthcare

**WANTS**

**Non-Essential Expenses**, e.g.,

- Travel
- Entertainment
- Club memberships
- Charitable giving
- Legacy for heirs

**YOUR FINANCIAL INVENTORY**

**STEP 1** Look at your monthly income sources.

| Income | Monthly |
|---|---|
| Social Security Person 1 | $ |
| Social Security Person 2 | $ |
| Pension payments (if any) | $ |
| Other | $ |
| Other | $ |
| Total Income Monthly | $ |
| Total Income Annually (x12) | $ |

**STEP 2** Review and list all of your assets.

Indicate which of your financial assets are available and designated for funding your retirement by checking the box in the right-hand column.

| Financial Assets | Owner | Location | Value | Designated for Retirement? |
|---|---|---|---|---|
| Checking account 1 | | | $ | ☐ |
| Checking account 2 | | | $ | ☐ |
| Bank savings/deposits | | | $ | ☐ |
| CDs | | | $ | ☐ |
| Brokerage account 1 | | | $ | ☐ |
| Brokerage account 2 | | | $ | ☐ |
| College savings/529 | | | $ | ☐ |
| 401(k) | | | $ | ☐ |
| IRA 1 | | | $ | ☐ |
| IRA 2 | | | $ | ☐ |
| Roth IRA 1 | | | $ | ☐ |
| Roth IRA 2 | | | $ | ☐ |
| Annuities,* Income Producing | | | $ | ☐ |
| Annuities,* Tax Deferred | | | $ | ☐ |
| Other | | | $ | ☐ |
| Total Financial Assets: | | | $ | |

*Annuities you own that have not already been included in the account values listed

Data Gathering Worksheet



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# **PLANNING FOR RETIREMENT** UNDERSTAND SPENDING

In order to meet the expenses you quantified, we'll need to account for every source of reliable income in retirement, as well as a current inventory of your assets that are intended to support income in retirement.

## RELIABLE INCOME

**Consistent income from:**

- Social Security
- Pension payments
- Part-time employment
- Other income

## RETIREMENT ASSETS

**Financial assets, including:**

- 401(k)s
- IRAs
- Roth IRAs
- Annuities
- Brokerage and checking accounts
- Certificates of deposit

# PLANNING FOR RETIREMENT UNDERSTAND OTHER FACTORS

There are other factors we will discuss that could impact your spending decisions and the way we allocate your assets throughout retirement.

## OTHER ASSETS

**Includes:**
- Business
- Real estate
- Collectibles

## RISK MANAGEMENT

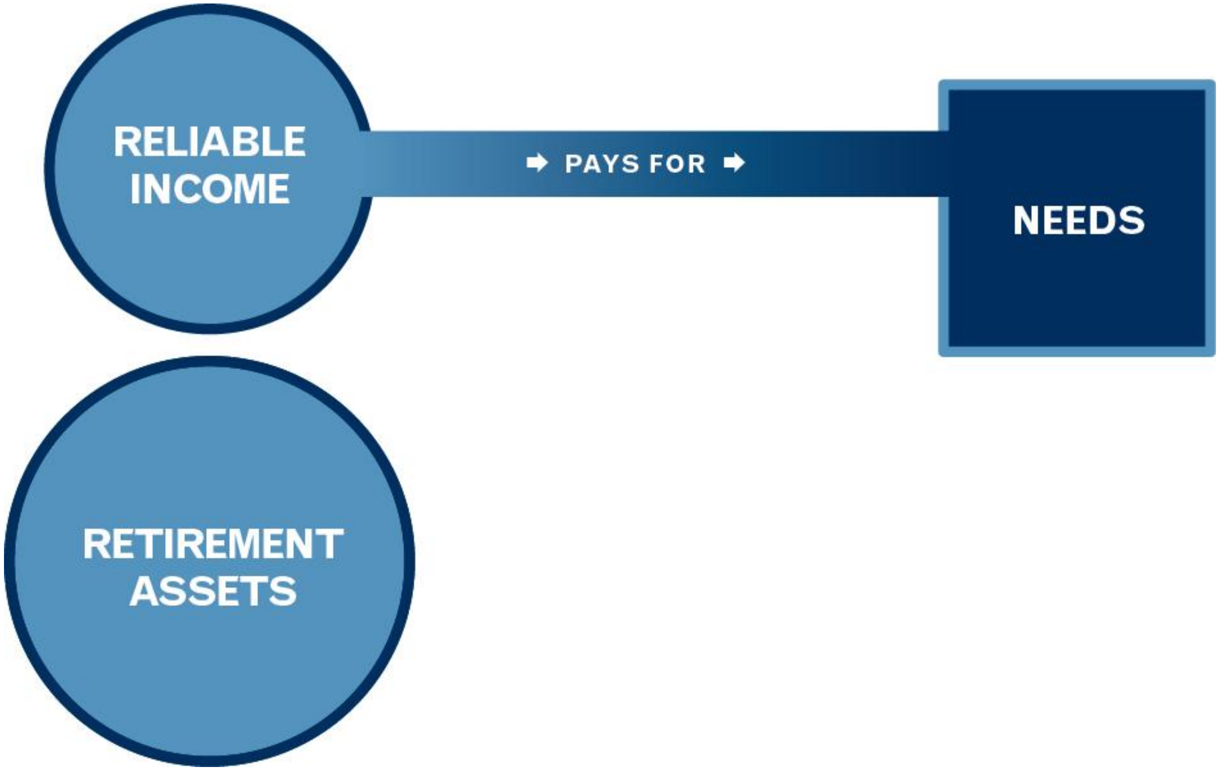
**Includes:**
- Cash reserve
- Life insurance
- Long-term care needs
- Disability

## BENEFITING OTHERS

**Includes:**
- Supporting family members
- Leaving a legacy
- Charitable giving

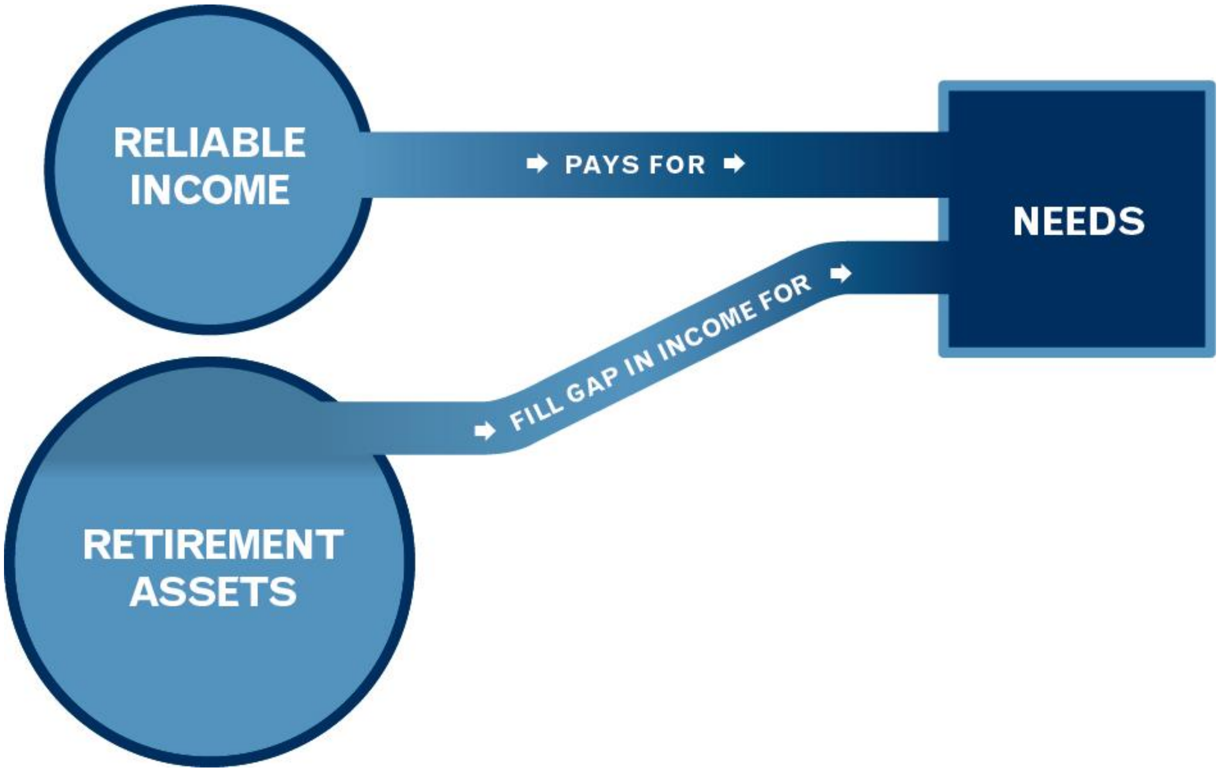
# PLANNING FOR RETIREMENT IDENTIFY NEEDS GAP

Once we quantify your sources of income, we can determine whether that income is sufficient to fund – at a minimum – those expenses you have identified as “needs.” It’s probable that you’ll need to withdraw from your assets you’ve designated for retirement to meet these needs.



## PLANNING FOR RETIREMENT DESIGN FOR NEEDS

If your reliable income isn't enough to at least cover the needs you've identified, we'll analyze how your assets are allocated, and evaluate how your portfolio could be structured to generate income for your needs.





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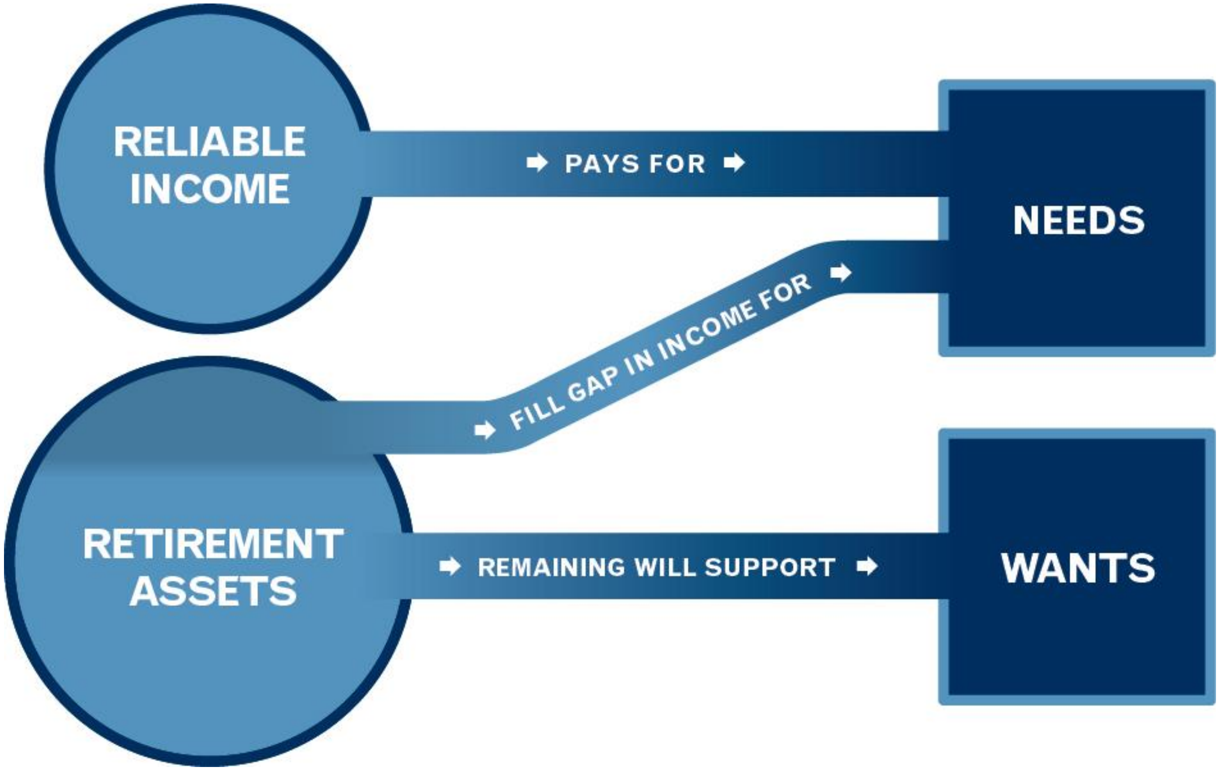
# PLANNING FOR RETIREMENT DESIGN FOR WANTS

Once we've identified how much of your retirement assets will be required to fill your needs, we'll determine what withdrawal rate is sustainable to support your wants.



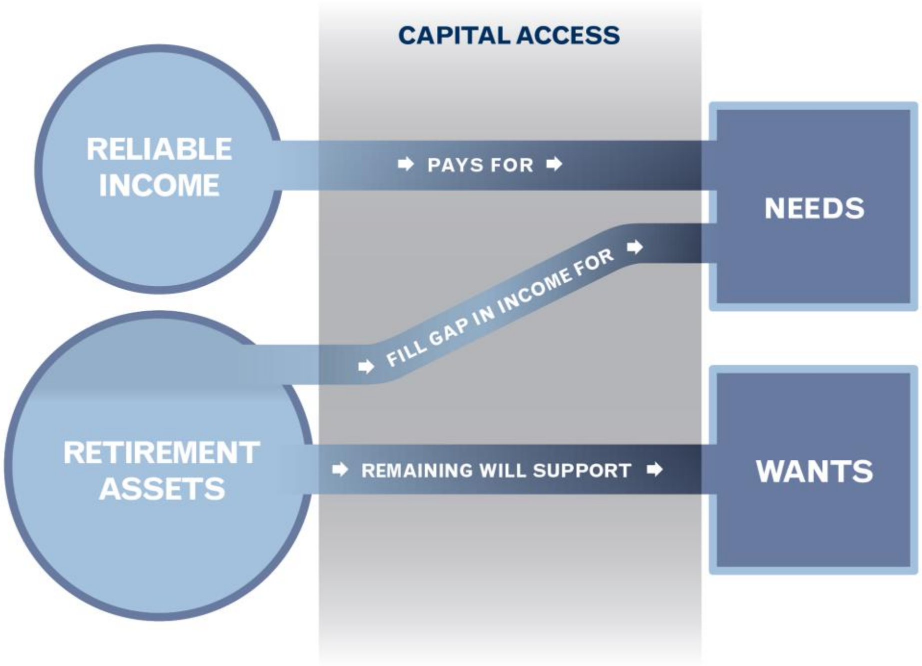

Creating your unique spending policy will help you to understand how much of your portfolio can be spent on non-essential expenses by setting up a sustainable withdrawal rate over time.

# PLANNING FOR RETIREMENT MANAGING CASH FLOWS

Cash management is an important factor in implementing a retirement income strategy and monitoring progress.

Direct deposit

Investment income and withdrawals

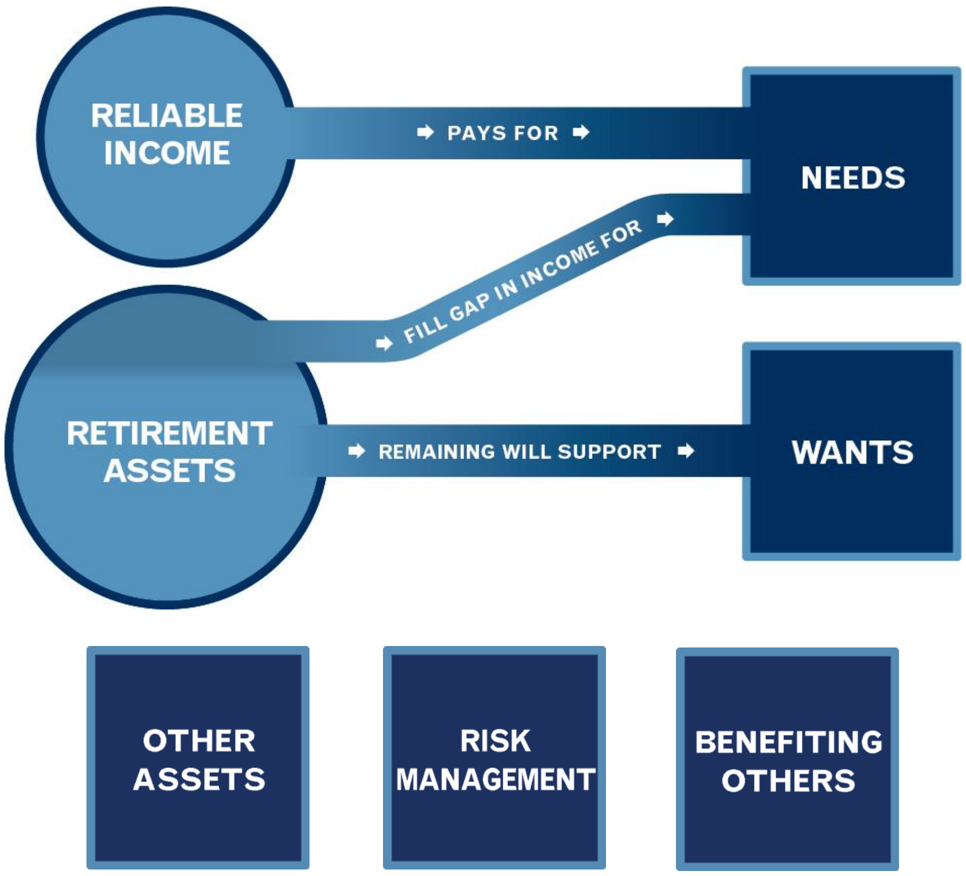



- Debit card
- Credit card
- ATM access
- Check writing
- Online Bill Pay
- ACH to external account

Consolidating direct deposits and withdrawal activities through a Capital Access account improves our ability to monitor your progress against your goals and make adjustments to our strategy as necessary.

# PLANNING FOR RETIREMENT IMPLEMENT AND MANAGE

After we've thoroughly discussed these factors, we'll implement a plan that reflects what is most important to you and balances the risks you face throughout retirement. Then we'll monitor and adjust the plan as needed.



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# PLANNING FOR RETIREMENT KEY DECISIONS

In order to implement your retirement framework, we will analyze key decisions with you to improve the overall effectiveness of your plan. Some key questions we will address:

Which assets should I hold in my tax-deferred accounts versus my taxable accounts?

▼

Which accounts should I withdraw income from first?

▼

When should I start taking Social Security?

▼

Should I roll over my 401(k) into an IRA?

▼

Whom should I designate as beneficiaries for my IRA or qualified plans?

▼

Is a Roth IRA conversion right for me?

▼

What tax decisions do I face when I leave my employer?

# OUR TEAM

Our team is committed to professional development and teamwork. We participate in numerous forms of continuing education programs throughout the year to further our ability to serve our clients.

Learn more about our team at www.ownyourtime.com

# THE RAYMOND JAMES ADVANTAGE


The decision to hire a professional financial team should take into account the quality and professionalism of the firm that stands behind it.

In choosing to do business with our team, you are also doing business with Raymond James.

It is important that you understand how our team’s relationship with Raymond James benefits you by providing us the tools and resources to execute our mission to serve clients to the best of our abilities.

# THE RAYMOND JAMES ADVANTAGE

Why Raymond James?

**The Firm Has an Individual Client Focus:** Raymond James is a firm with its roots in the business of providing financial guidance and planning to individual investors and families. This remains the firm's primary business today. Raymond James has been a leader in the industry with client-focused decision-making since the company's founding in 1962.

**Full Resources of a Large, Multinational Financial Services Firm:** Raymond James is one of the largest financial services firms in the United States, with the scale and resources to support a wide array of products and services. With more than 10,000 associates worldwide and revenues of $2.9 billion in 2010, the company's business includes investments brokerage, professional asset management, insurance solutions, trust services, investment banking, and private and commercial banking.

**A Culture of Independence and Objectivity:** As financial advisors, we are given flexibility and independence to serve our clients without a corporate "push" of proprietary products. We have access to one of the widest platforms of product choices and account types in our industry with access to over 6,500 mutual funds, 100 money managers and 60 insurance carriers.

**Consistent Leadership and Independence:** Chairman Tom James has fostered a culture of consistent leadership and independent thinking that enables firm employees and financial advisors to act in the best interests of clients and be innovative in our solutions to meet their needs.

*Raymond James' culture and extensive resources enable us to serve our clients effectively with their best interests as our top priority.*

*Raymond James was the first financial services firm to create a Client Bill of Rights and Responsibilities in 1994. Today, our industry has recognized this document as a best practice and many firms have followed its example.*

# PLANNING FOR RETIREMENT OUR COLLABORATIVE PROCESS

Planning your retirement is an ongoing process, even after you stop working. Here's how we'll work together.

**YOUR ROLE**

| | | | |
|---|---|---|---|
| **Articulate** how you envision retirement, including your priorities, goals and fears.<br><br>**Gather** and provide information regarding your finances: income, expenses, assets and liabilities. | **Review** the proposed approach and verify that it meets your income needs and reflects your priorities<br><br>**Develop** a sustainable spending policy that differentiates your needs from your wants. | **Ask** questions to fully understand our recommendations.<br><br>**Complete** paperwork to implement solutions and transition your assets. | **Adhere** to agreed upon spending policy.<br><br>**Communicate** frequently to ensure we are on the right track. |
| **UNDERSTAND** ► | **DESIGN** ► | **IMPLEMENT** ► | **MANAGE** |
| **Facilitate** a discussion of your priorities, goals, and fears.<br><br>**Educate** you on key risks in retirement given your specific financial situation.<br><br>**Organize** the information you provided and document your current financial situation. | **Analyze** your unique situation based on the information you provided.<br><br>**Propose** a viable investment approach for retirement; one that addresses your needs, balances risks, and reflects a sustainable withdrawal from your assets. | **Execute** the agreed upon plan using specific solutions that reflect your unique situation.<br><br>**Provide** you confirmation when plan has been implemented. | **Monitor** the plan regularly and recommend necessary adjustments.<br><br>**Incorporate** changes that occur in your life and update plan as needed.<br><br>**Discuss** your progress toward meeting your objectives. |

**OUR ROLE**



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## PLANNING FOR RETIREMENT NEXT STEPS

In order to begin the process, we'll take action in the following ways:

- Confirm retirement priorities
- Collect relevant data
- Quantify needs and wants
- Analyze existing assets and predicted sources of income
- Implement plan
- Continually monitor portfolio and manage plan

### For Our Next Meeting

- ❑ Complete and bring the "Solving the Retirement Puzzle" worksheet
- ❑ Gather and bring documents on the provided checklist