Collier Legacy Planning llc

Raymond Loth
Licensed Insurance Professional
2380 State Road 44, Suite E
Oshkosh, WI 54904
920-233-0033

Enjoying Retirement

I have often wondered what I will do, if or when I retire. So I did some research on what some people like to do when they retire. I have found in my research that a few people don't know what to do, but many others have found satisfaction in broadening their interests in other activities.

Some things people do are: learning a musical instrument that has always fascinated them, taking classes at the local college, participating in walking or reading groups with friends, or joining the local gym. Others stop by the Senior Center to see what activities they provide. Volunteering is also fun. As Bart Cormier stated in *The Wall Street Journal*, "There's a deep satisfaction from knowing that you have changed someone else's life for the better."

One thing you may notice is that you have more time to do the things you love. Relax and enjoy your down-time. You will find you have more time to socialize and get to know people. Often times I've noticed that retirees are happier and more content now that they are retired.

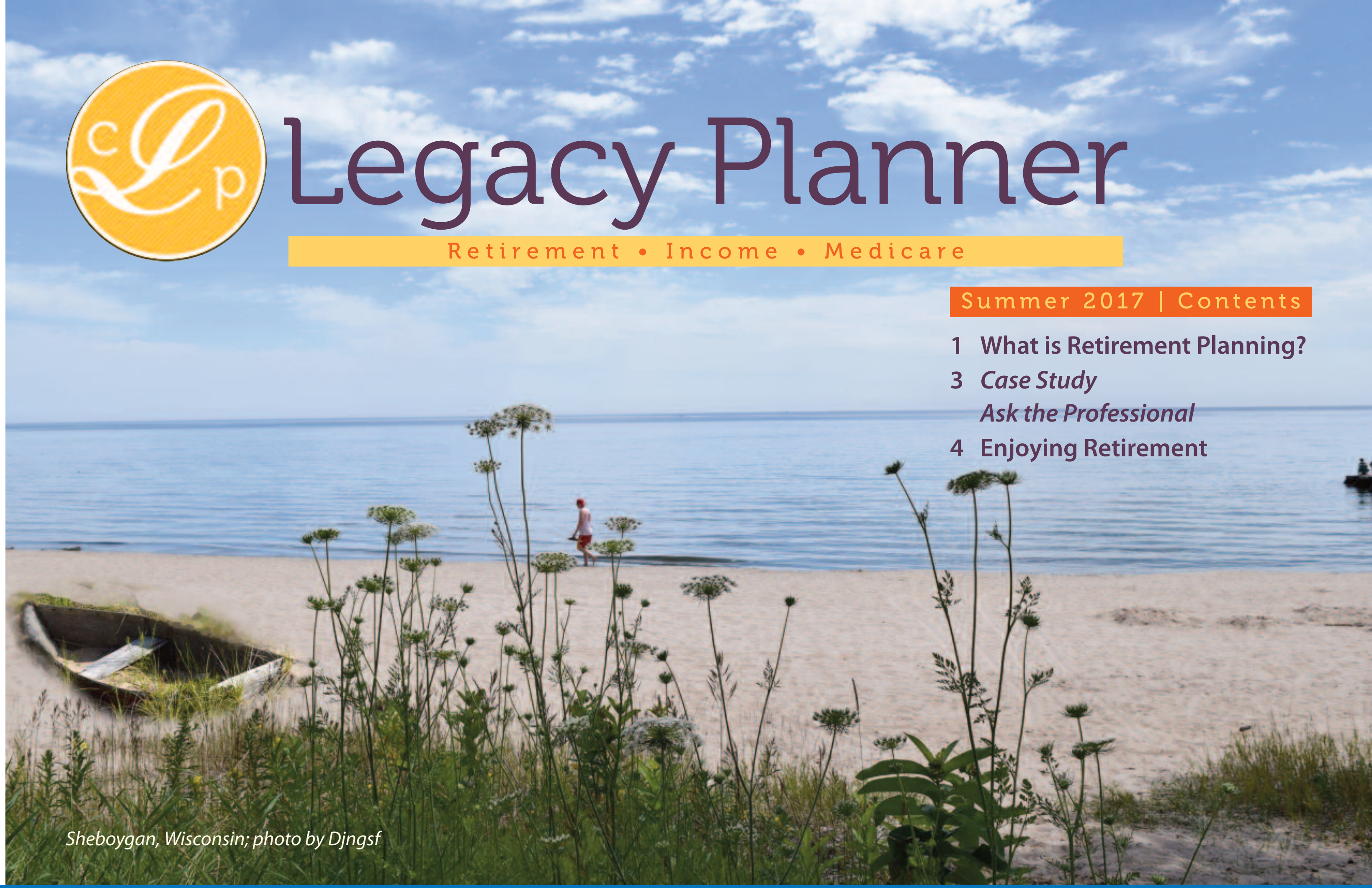
One major thing that I got out of my research is that I can enjoy my pre-retirement time now by spending more time with my family. I appreciate this because building relationships that last a lifetime are truly the most rewarding. Bill Sears was quoted in *The Wall Street Journal* as saying ***"Don't wait until you retire to start enjoying life, appreciate that every day you're as healthy as you're ever likely to be."***

Congratulations to those of you who are already retired and may the rest of us enjoy the pathway!
—*Melissa Bloemers*

Legacy Planner

Retirement • Income • Medicare

Summer 2017 | Contents



Sheboygan, Wisconsin; photo by Djngsf

What is Retirement Planning?

By Raymond Loth

Retirement planning is an ongoing process. Retirement planning is also a balance of science (mathematics) and art (communication). In many respects ***retirement planning is essentially projected budgeting***.

One of the primary challenges of retirement planning is that there are many unknowns including longevity, activity levels, health, portfolio performance, and medical costs for oneself as well as possibly a spouse. Then there are the more general unknown economic factors like inflation/cost of living, market fluctuations, taxes, reliability of pension sources, etc. Some common questions that come up include:

Should I use one of those fancy retirement calculators?

Retirement calculators are only as good as the numbers that we put into them, the assumptions we make. The natural tendency is to over-estimate expected returns on investments and under-estimate how much we spend-both in the general budget as well as in large purchases. The calculator is not going to remind us of how much we actually spend eating out or reveal our hidden plan to buy a new fishing boat! The impact of inflation also has to be factored in. Small differences between assumptions and reality compound over time.

I like to be very conservative in what numbers I use, with the idea that things could be even better than the projections. We use a very comprehensive calculator that even categorizes income sources as respects taxation and shows after-tax income for each year.

How much income will I need to retire?

That is very unique to you. It is often addressed relative to your expenses while working. It matters greatly on what you plan to do in retirement. Spend most of the winter traveling in warmer climates or a lot of time visiting children/grandchildren all over the country and you'll no doubt spend more than you did while working. On the other hand, if you plan to spend most of your time hiking, gardening, reading books, kayaking, etc., you may spend less.

So how much do you spend? For most of us it is more than we think—that is not a criticism, just reality, mine too. Life is expensive! I find that one simple way to get a feel for what a family actually spends is simply to look at what they are saving from their net take home pay year after year. Employer 401k (or similar) plans are great, but if that is where the majority of the savings continues to be and after-tax accounts aren't increasing (IRA contributions notwithstanding), then the

"What is Retirement Planning?" continues on the next page.

household is essentially spending all of what it is earning… even if the paper budget says otherwise.

Keeping good track of a budget is a very good idea if you are starting to look down the road to retirement. Giving thought to how you will spend your free time (and money) will also be helpful.

How large of a nest egg will I need to retire?

That depends largely on your established income sources and budget.

Persons with large pensions in addition to Social Security and low expenses may have lifetime income that well exceeds their current expenses. If they don't need savings to supplement income, then savings might be more for a safety net, fun money, legacy for the estate, etc. Survivorship spousal benefits are a vital consideration for pensions.

If Social Security is the primary structured income source, then the nest egg will become an important component of future income. Some government agencies have advocated the idea that peoples 401k values should be given in terms of a monthly annuity income for life…because that is what it is for.

"I was so nervous about this.
I was like, how do you find a good person,
it's like a shot in the dark.
Then she recommended you and
you exceeded my expectations.
I'm not just saying that, I really mean it."
—Omro client, March, 2017

When seeking income, people like to think more in terms of principal preservation. So a 5% return on $1,000,000 means you can generate $50,000/yr. income and still preserve principal. However reality for many is more about considering a safe drawdown of principal. A significant and often under-recognized risk to figuring a safe amount for steady withdrawals is the **"sequence risk"** (the risk of receiving lower or negative returns early in your retirement). A 25 to 40% loss in your portfolio may be survivable if you are in your late 80s or early 90s. But if that event happens with 30 years of retirement left, it could be devastating… Due to this and other factors many in the industry suggest reducing safe expected withdrawal percentages from the 6, 7, or even 8% of the past to sometimes even as low as 4%.

In deciding how large of a nest egg you will need to retire, I think there is a lot of merit to the growing recommendation that for most people you should start with having at least enough to provide, even guarantee, income that will cover your realistic cost of living for life.

We recently set up an account that, after just 5 years, will provide a *guaranteed lifetime income* of 8.9% of the original principal!

Other factors: There are of course innumerable other factors that are important to retirement planning including taxes, estate planning, long term care, etc. Hence the fact that it is an ongoing process—which includes multiple parties.

It may be that people are becoming more desirous of retiring earlier than may have been the case in years past. There are understandable reasons for this, it does however emphasize the need to "count the cost" even as mentioned in the Bible. Oftentimes what can facilitate these objectives is to avoid all or nothing thinking. A partial retirement where you go from full-time to part-time work can be a great stepping stone.

While we can't foresee or control much of what lays ahead as respects retirement we can do much to prepare for and participate in the process. As Winston Churchill once said "History will be kind to me for I intend to write it."

I would like to **thank those of you who have allowed me to assist you** in this process for your family. As always, if you have questions or know someone that you think we can help, we are available at (920) 233-0033 or raymond@clpwi.com.

"To make money they didn't need,
they risked what they did have and did need."
—Warren Buffet, *The Wall Street Journal*, January 20, 2015

Case Study*

Mr. and Mrs. ABC came to me some years ago seeking options for one of their accounts. They **did not feel comfortable with the risk of many investments, but couldn't see letting the money just sit at the bank** with minimal growth.

We discussed the indexed annuity, which is a **unique class of financial products** born from the traditional "fixed annuity". These accounts are inherently principal protected meaning you take NO market risk. Also, when we use these for asset growth there are NO annual fees. The "indexed" version of a "fixed annuity" retains the above features as well as higher growth potential than a basic "fixed" rate (please see side 1 of the enclosure to this newsletter).

This couple felt that these features aligned very closely with their objectives so they decided to open an account with $50,000.**
As the years have gone by and economic uncertainties persist they have appreciated the knowledge that **each year's growth cannot be lost** due to market volatility.

With these inherent features in place, after 5 years their account has **grown to $64,794. This equates to over 5.3% annual growth.** What though if they needed to take all the money out early, say now, after just five years? After applicable surrender charges the cash surrender value they would receive would actually be $63,986! That still equates to over 5%/yr. principal protected growth.

This couple is very pleased with the features and performance of this account. They have often mentioned how they value the **confidence of knowing that these funds are safe from any future market corrections.** I am glad that they have given me the opportunity to work with them and for the additional business and referrals that they have made since.
—Raymond Loth

* This example is not intended to represent or explain any particular company or product offering, but rather is to be educational in a general sense. Any actual details of such products are available in company specific materials and can be provided upon request.

** For simplicity and confidentiality the numbers in this case study have been proportionally adjusted.

Marc Ryckaert (MJJR), Wikimedia Commons

Lupine

Ask the Professional...

Why haven't I heard of the companies that you work with before?

We all understandably want to have confidence in the custodians of our money. The mental images created from advertising are powerful. So why don't we see the logos from some of the companies we work with (see page 2) during the 5:30 news or on Super Bowl ads?

There are **two basic approaches that insurance companies** take to acquiring new business. One is through a process known as "direct" marketing which includes a lot of advertising. The other is known as an "independent" marketing model which doesn't typically use traditional advertising. The companies offer many of the same account types and of course operate in the same financial world.

"Direct" marketing companies have commercials of… whales jumping out of the ocean, rocks of Gibraltar, classic cars, etc. They are directing you to an agent who is an employee, typically located in the corporate building. That agent is "captive" to the company and as such can only sell for and represent that company. I don't think that they really offer whales or classic cars, I'm pretty sure that's just kind of a marketing thing!

"Independent" marketing companies however market through the actual agents themselves that they contract with. Those agents (like me) are considered independent in that we can contract with whatever and however many such other companies we want to. This enables us to essentially shop the competition for you. I typically find that most companies have what I call their sweet spots. **Certain companies are better at certain things so I pick and choose based on the client objectives.**

In exchange for not having the benefits of being an employee we get paid a commission from the company. Gregory Gambone in "Insurance Business Growth: Direct vs. Independent Agents" said: *"They may present consumers with insurance solutions that include an array of policies from multiple carriers. No single insurer may prohibit or restrict the independent agent's recommendations or activities. However, such freedom also means that these brokers have little to no support for most of the basic business expenses commonly covered in captive agent contracts... This often puts the independent broker at a disadvantage because successful campaigns may take monumental time, energy and money to create and implement, which detracts from time focused on selling policies."*

Okay, enough of that. **So are the companies I work with any good? YES, VERY GOOD!** A number of them have been in business since the mid-to -late 1800's. Some also rank in the top 5 in the industry in various ways. Many also maintain A or even A+ ratings by agencies like S&P or AM Best and have higher "solvency ratio's for each $100 of liabilities" than companies that may be considered household names.

I'm sorry that you aren't likely to see any of my contracted companies during the Super Bowl…but some of them do have some pretty nice pens I can give you next time you stop in the office! *—Raymond Loth*