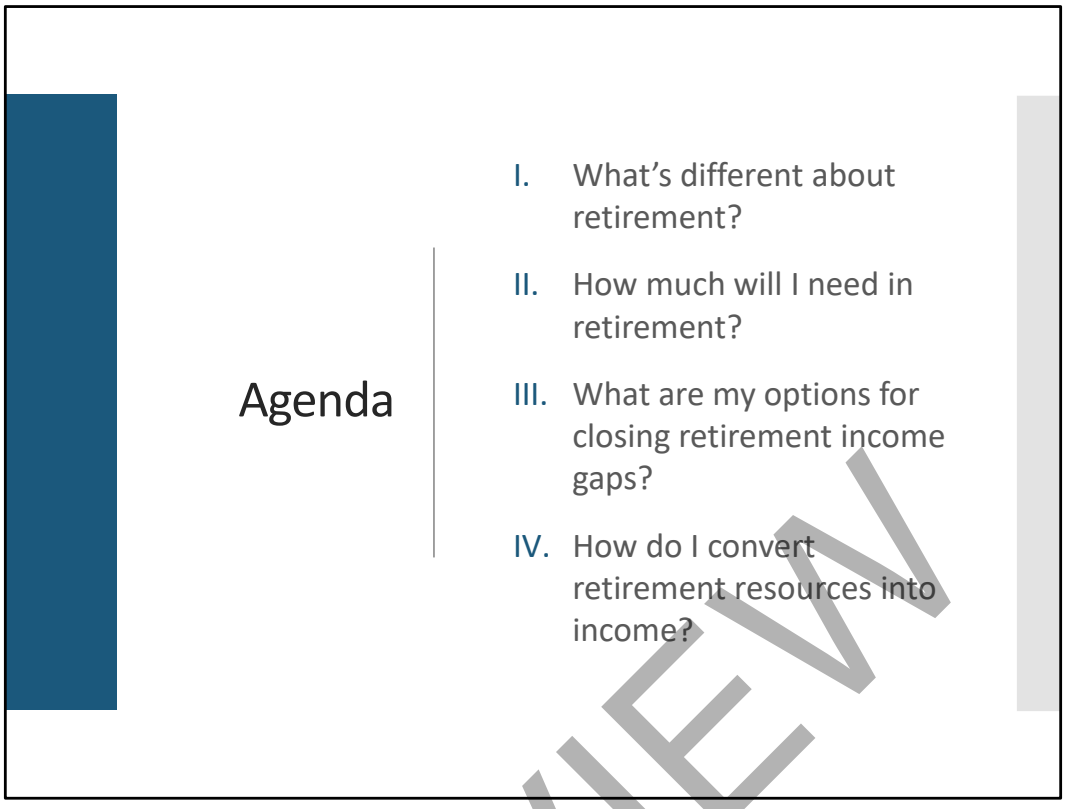
Welcome to "*Managing Your Retirement Income." My name is* _____, *and I am a* _____ *(add any designations you might have). I have been a retirement advisor /counselor for . . . .[give any relevant experience information as needed].*

How many of you are already retired? *[Wait for a show of hands.]* **How many of you are planning to retire in less than 2 years? Two to five years? More than five years?**

Great, then this workshop is for you! You know, the idea of retirement is a relatively new concept. A child born in 1900 had a life expectancy of 47 and people worked for as long as they could and then moved in with their children. The idea of stopping work one day because you got to a certain age and felt like it never entered their minds. Your parents retired and your grandparents retired, but what about your great grandparents? So it's only taken a couple or three generations for us to go from where "retirement" was something that our predecessors never thought of to where we think of it today as one of our inalienable rights …..life, liberty and the pursuit of retirement.

But over the past 2 to 3 decades, the retirement landscape has changed and we are in a new retirement environment where people are living longer, want to retire earlier, have higher lifestyle expectations than their predecessors and have a real reason to be concerned about health care costs and how to invest for a 30 year retirement, AND we now have more personal responsibility for our retirement plan than those who have gone before us.. Therefore, its has never been more important to have a plan for the first 5 years of retirement and the last 5 years so you don't run out of money before you run out of breath. So what are we supposed to do……we'll begin to answer that question today.

Each of you has a handout that contains the slides from this presentation. Please follow along during the workshop and take notes. I also encourage you to ask any questions you might have as they come up.



Let's look at our agenda for the next hour.

Paraphrase slide
During this session we'll address these four important retirement planning questions:

[Click through the animation and read slide]

By covering these topics, how many of you feel your time will be well spent today? *[wait for show of hands, head nods]*

Transition
Then let's get started on how managing your money for income is different from accumulating savings for retirement.

Read slide title. Ask the audience **" What do you think are some answers to this question".** Respond to answers and, if necessary, provide some of your own.

Answers may include:

- I don't have to set an alarm clock every morning to go to work
- You're spending the money you were saving during your career
- Your spending on leisure activities will go up and other expenses associated with work will go down.
- You're not planning to a date. Before retirement, you plan to a date when retirement begins. In retirement, you're planning to make sure your money lasts as long as you do, but you don't know when that will be.
- Health issues may be a greater concern
- You may not want to take the same amount of risk with your investments that you were prior to retirement.

What are the primary risks you'll face as a retiree?

- You outlive your savings
  1. Longevity Risk
- Your expenses increase faster than your retirement income over time
  2. Inflation Risk
- Your health and long-term care costs become your largest expense
  3. Healthcare Cost Risks
- Your investments' income and real values fluctuate and/or decline over time
  4. Investing Risks

Introduction
The main reason retirement income planning is different than retirement accumulation planning is because of the additional risks we will face during retirement. There are many of them but let's focus on the four primary post-retirement risks that we need to manage when creating a retirement income plan. [Click]

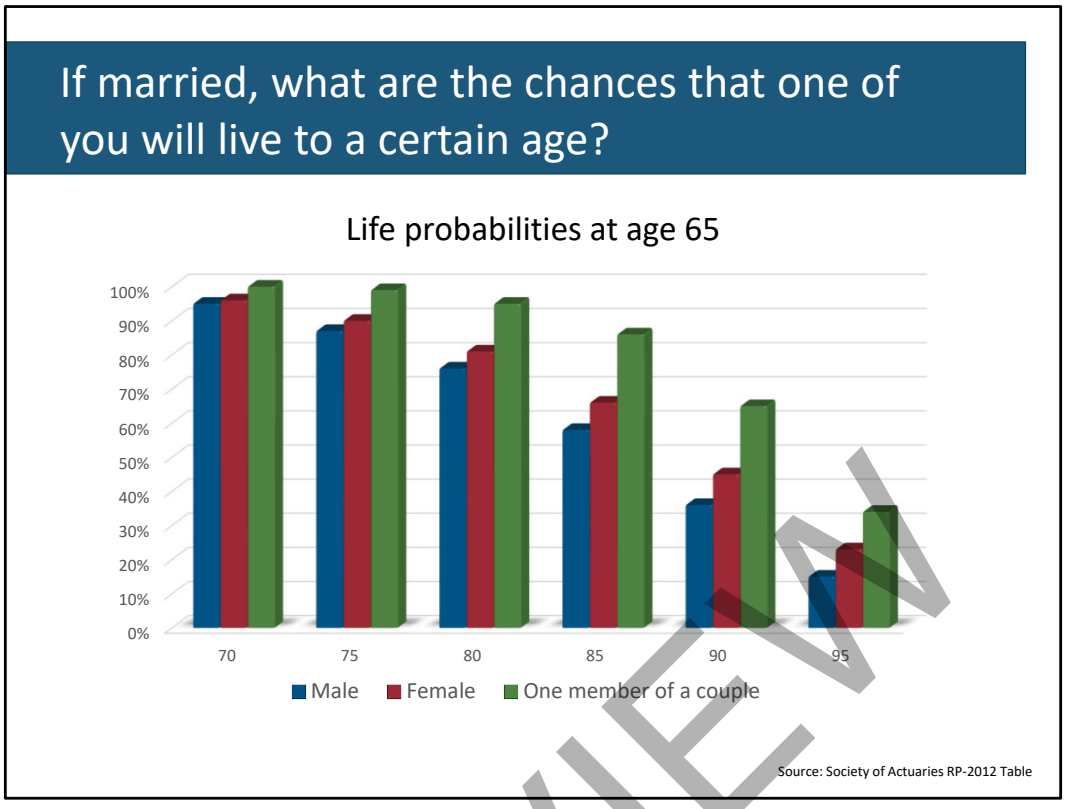
Paraphrase slide
Longevity risk is that you may outlive your money. Studies show that retirees generally underestimate how long they might live and therefore how long their money needs to last. [Click]

Inflation risk means that your dollars don't buy as much in the future as they do today. While you are working, you are able to address these rising costs with increases in your earnings. Most retirees, however, depend very much on fixed or guaranteed income that provides little to no protection from inflation. Over time there becomes a gap between their interest income and their expenses. [Click]

We all want to stay healthy, but even our best intentions can't prevent a sudden illness or a health condition from appearing and bringing with it even more expenses. Our increasing longevity therefore results in a larger concern for meeting the expenses of long-term care. It is important to also note that cost of health care has historically increased more than the average rate of inflation—sometimes as much as 10 or 12% higher! [Click]

And finally, market risks in retirement are as much about the ups and downs of the value of your investments as they are about not being invested appropriately so the value of your investments are protected from inflation over time and last as long as you need them to.

Transition
Let's take a closer look at these four primary retirement risks and what you can do to manage them.



Introduction

Continuing on with longevity risk, this chart is showing if you are 65 today, what is the percentage chance of getting to a particular age going forward.

Paraphrase slide

All the way to the left side, we see that a 65-year-old male has a 95% chance of living to age 70 (the blue bar), The red bar indicates that a female has about a 96% chance of making it to 70. But what I really want to draw your attention to is that for couples, the green bar shows that if you are both 65 today, there is almost 100% that one of you will make it to age 70.

Notice that at age 85, which is close to the average life expectancy for an individual, there's more than an 80% chance that one of a couple will live that long. And then at 95, all the way to the right side, we see that there is a little more than 30% chance (or 1 in 3 chance) that one of you is going to still be living. Those are pretty good odds, and if one of you does get to 95, Who is it most likely to be? *[Wait for responses…yes, women]*

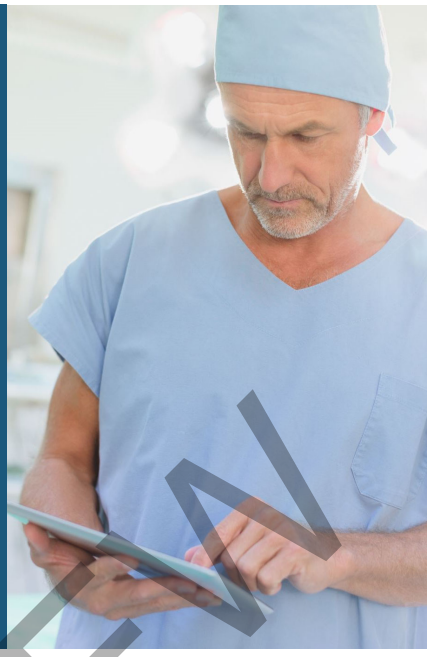
Did you know that 73% of women age 85 and older are widows and two-thirds of Americans over age 65 living in poverty are women

But since we really don't know for sure who will die first, you need three plans: one for if both live longer than expected, which of course is the plan you want; but you also need one for if he dies first; and also for if she dies first. And realize that when a spouse passes away, expenses don't get cut in half.

Lack of long-term care insurance can wipe out even the best-laid plans:

- Assisted living facility base rates[1]:
  Average: $54,000/year
- Home health care[1]:
  Average: $27/hour
- Long-term care[1]:
  Average semi-private room cost: $94,900/year

- Annual long-term care insurance cost[2]:
  Ranges from $2,686 at age 50 to $8,979 at age 70



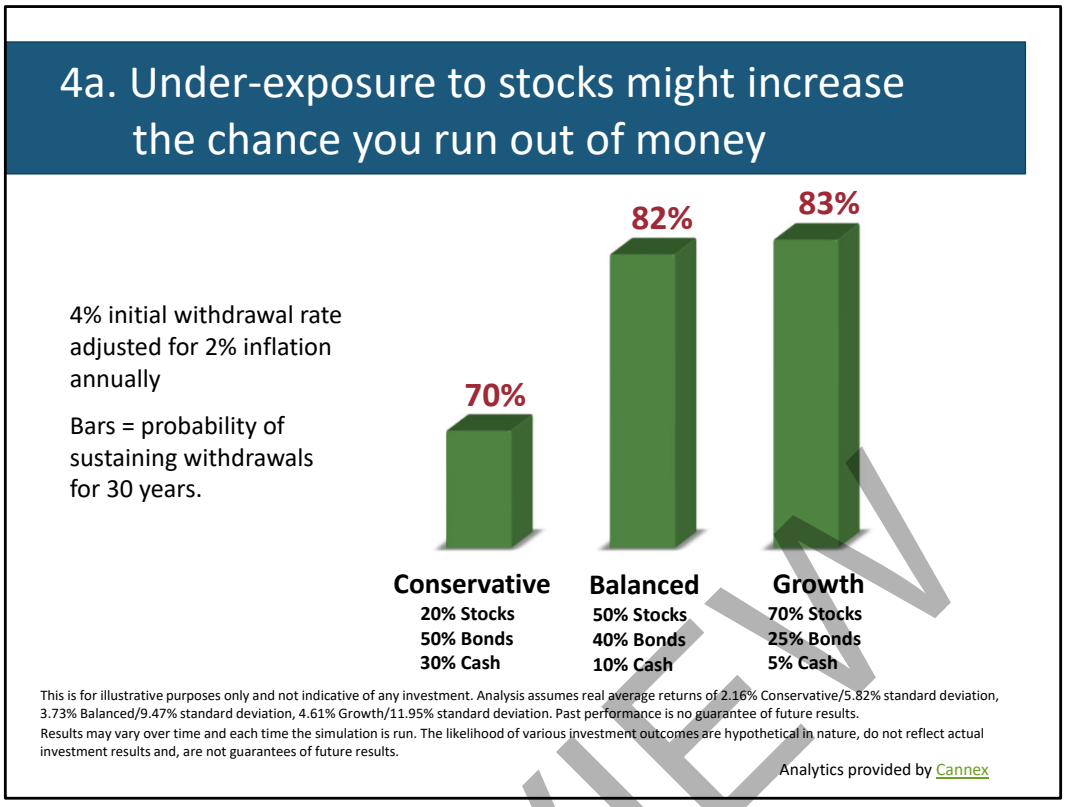
[1] Genworth Cost of Care Survey 2021; [2] Policy coverage is assumed to be 5 year benefit, $200 per day, 90 day waiting period, with 3% inflation coverage. Source: ltcfeds.com.

Introduction
Medicaid's long-term care coverage is limited and therefore shouldn't be your only long-term care coverage. You could do everything right but without a long-term care plan your savings could be wiped out in a short amount of time. If you're single that may not be as big a concern as for those who are married, but everyone should want some control over their long-term care needs.
Paraphrase slide
[Click through for each of the first 3 bullets and read each.]
[Click] and review long-term care insurance cost

So long-term care insurance is rather expensive and if you decide to obtain a long-term care policy you'll need to determine when timing is best. When starting earlier you will pay less in premiums for more years versus waiting and paying more in premiums for less years. But it's also important to consider that the longer you wait, the more you risk having a health issue that will prevent you from being accepted.

Something to think about is if you start paying $2,686 per year in premiums starting at age 50 and pay those premiums for 35 years, the total paid premiums will be is a little less than $100K. That's a lot of money but is about the same cost as just one year of long-term care today. In 35 years, the actual cost of long-term care will most likely be well beyond double that amount and therefore it won't take very long to get your premiums back

There are also other ways to think about meeting your long-term care needs. One way is if you have enough savings to take care of a few or more years of long-term care and also maintain a life insurance policy, the life insurance proceeds can replenish resources for a surviving spouse or others. For many a reverse mortgage could be an option. A reverse mortgage allows you to tap into the equity in your home without a spouse having to move and we'll talk more about that idea again a little later.



Introduction
So how might your investing allocation to stocks affect the chance you might run out of money during retirement using a SWP?

Paraphrase slide *[Note: emphasize how the bars show different percentage allocations to stocks, bonds and cash.]*

This example assumes an initial withdrawal rate of 4.0% of the portfolio, adjusted for inflation. So just as shown in our previous example, on $100,000, the initial amount taken in the first year would be $4,000 and that dollar amount would be adjusted for inflation each year thereafter. The bars show the probability of savings lasting 30 years when invested in a conservative, balanced or growth portfolio.

When looking at the conservative portfolio, lower returns and inflation has a greater impact on your ability to beat longevity risk and savings only has a 70% chance lasting 30 years. But when investing in a balanced portfolio, there is an 82% chance the portfolio will last 30 years.

The challenge, of course, is that to increase the chance of success, you need to assume more short-term market risk. At the same time, you can see that when investing in the growth portfolio there is only a 1% increase in the percentage chance that savings will last 30 years when compared to the balanced portfolio (83% compared to 82%). So this tells us that at some point further increasing a portfolio's market risk would not be helpful.

The one thing about a SWP is regardless of how we invest, there are no guarantees that our savings will last a lifetime and we'll see if we can solve that problem a little later with at least a portion of our savings.

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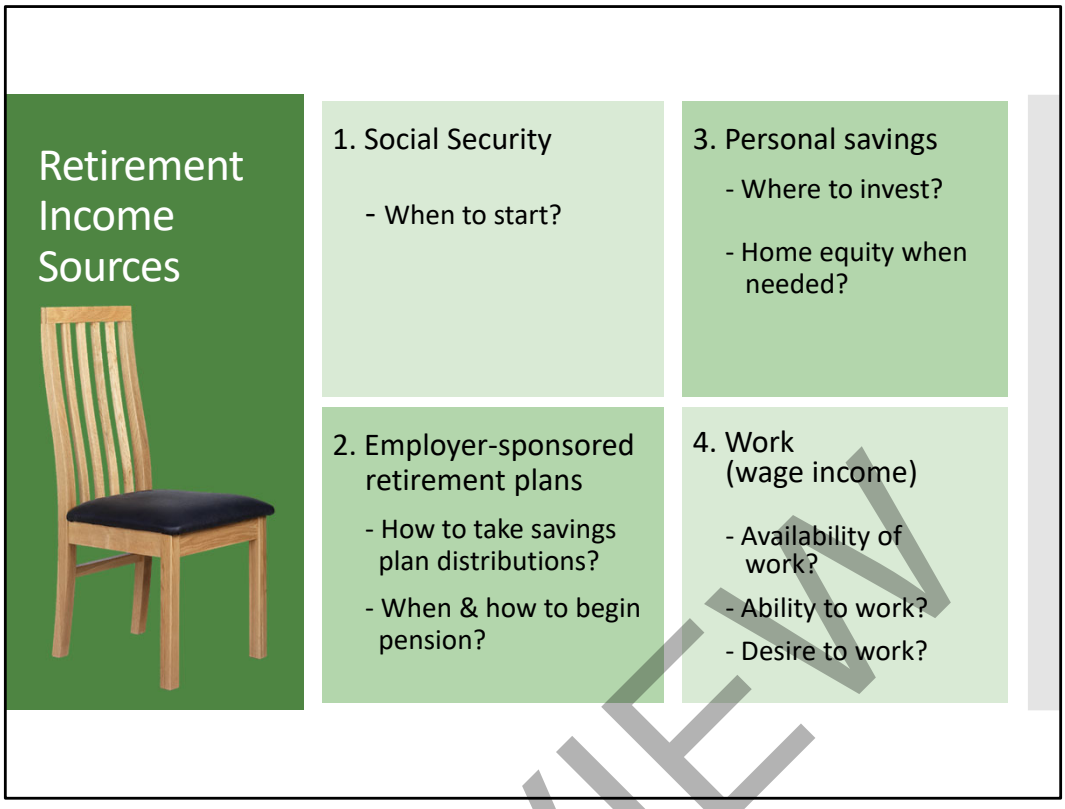
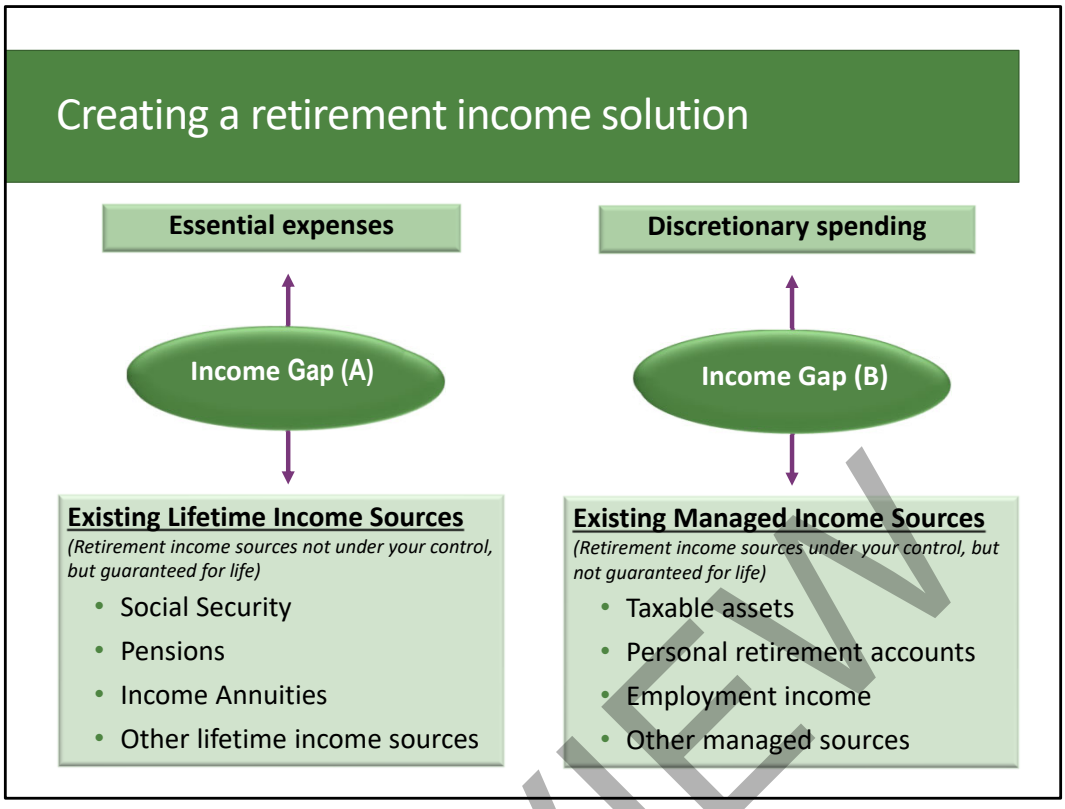
II. How much will I need in retirement?

Introduction

Now that we've reviewed the four primary retirement risks, lets look at one of the biggest questions pre-retirees have, which is "how much will I need in retirement" Since everyone's situation is different, we won't be able to determine your specific answer today, but let's talk for a few minutes about how you can get there.



First looking at our retirement income sources, for years we used to only talk about the 3-legged stool... Social Security, employer retirement plans and personal savings. For some, today it might be a four-legged chair and working after what some would consider normal retirement age is part of the plan. Yes, it's an oxymoron to say you're working and retired but it usually means bridging the time between work and retirement age because of need or just the desire to work for a little longer in your current career job or by doing something all together different. But remember that if working a little longer is part of your plan, there needs to be the availability to work, you will have to have the ability to continue working and maintain the desire to work.



Introduction

This is an important slide because more than anything else that I'm going to show you today, it helps us understand how to create a retirement income solution.

It starts by taking budgeting for retirement one step further by breaking down your expenses into the two categories of essential expenses and discretionary or lifestyle expenses.

Paraphrase slide

At the very least I think we all want to make sure that we will have income to meet the basic essential needs for housing, food, clothing, healthcare and whatever else they deem to be essential. Therefore, it makes sense that the first goal when creating an income plan should be to meet essential expenses with lifetime income sources like Social Security and a pension plan, if you have one. If you don't have enough lifetime income sources to meet your essential needs, then the first challenge is to fill Gap A, with other sources of lifetime income.

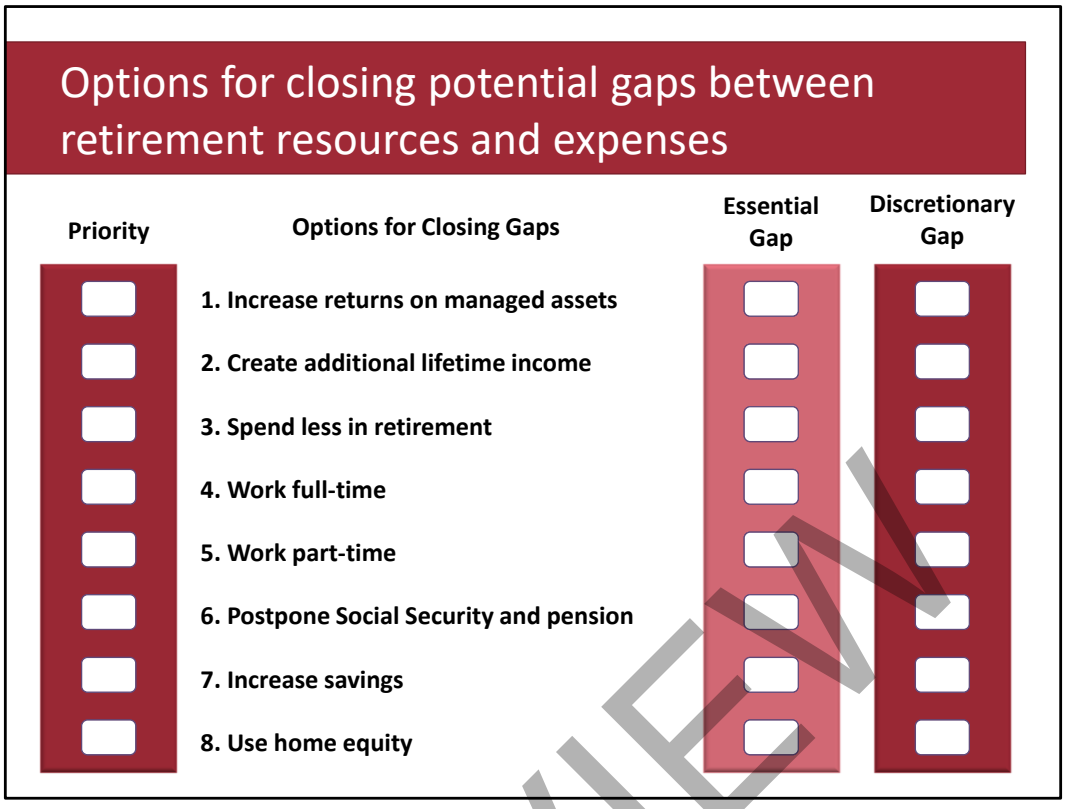
Notice that one of those sources is an annuity and we'll talk more about how an annuity can help create additional lifetime income shortly.

Once we have a plan to fill Gap A, we need to see if we have a Gap B, which is the gap that may exist between our discretionary, or lifestyle spending goals, and savings in your employer retirement savings plans, IRAs and other investments you may have. As mentioned earlier, for awhile as you transition into retirement, it may also include employment income. Using software we will be able to determine if you have enough savings to meet your desired discretionary savings.

If you have filled Gap A but still have a Gap B when you're getting ready to retire, you have an important question to answer. Do you want to retire now with the savings you have, **or** save more to have the retirement you want? The answer to that question determines what you do next. You can either decrease your discretionary spending goal so you can retire earlier or continue to grow your nest egg until you have filled Gap B so you can retire the way you want to. In minute, we'll look at other options for filling potential income gaps

III. What are my options for closing retirement income gaps?

In this section we'll take a look at options for closing gaps you may have between your essential needs and lifetime income sources and/or between your discretionary needs and managed income sources.



Introduction

Here are the eight options to consider for closing retirement income gaps. Once you determine which options are on the table and which are off the table, you can determine how to prioritize them and how to use them to fill essential and discretionary needs. In many cases, a combination of options may be needed.

Paraphrase slide

[Read the eight options]

Transition

Let's now take a look at each of these options in more detail.

One Option Will Lead to Another

- Options #4 and #5 - Work full-time or part-time
- Option #6 - Postpone Social Security and pension
- Option #7 - Increase savings

Result:

- Reduced number of self-funded retirement years
- Increased Social Security and pension benefits
- Additional savings and time for investment returns

Run the numbers!

Paraphrase slide

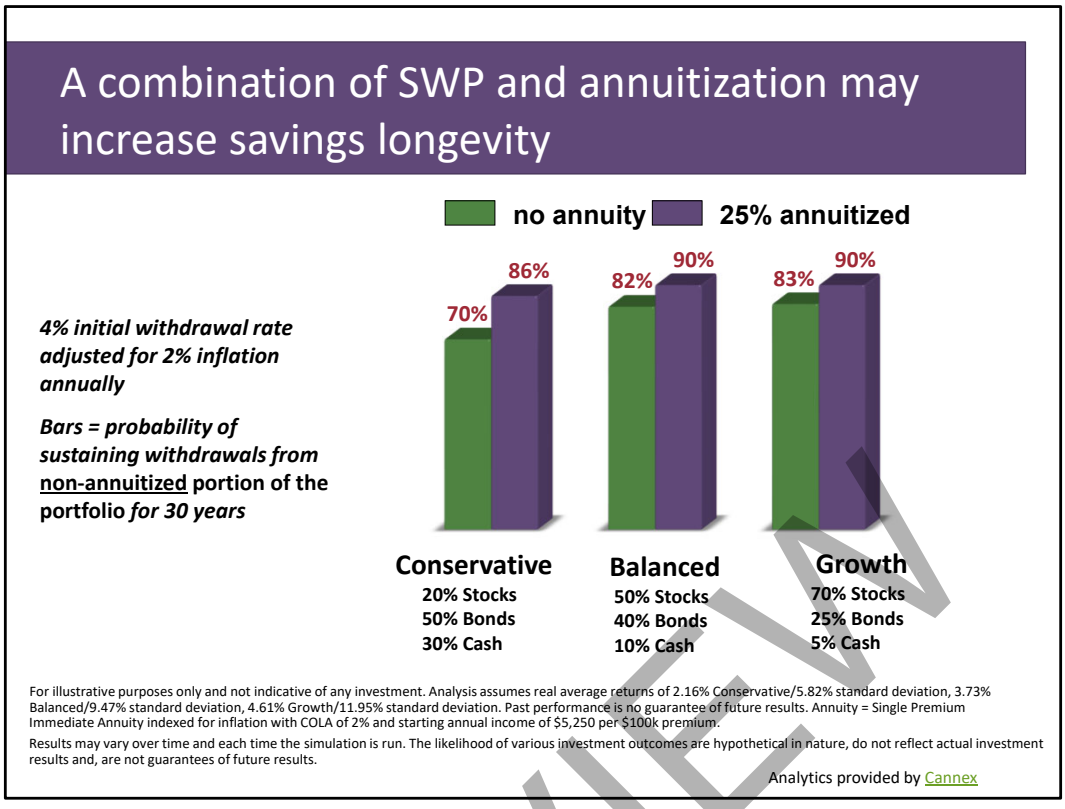
So the good news is, don't think that if you have a 10-year income gap you'll need to work 10 more years. By continuing to work a few years, first of all you'll reduce the amount of time in retirement, and then you'll save more in your employer retirement plan and IRAs and increase your Social Security and Pension payments. By combining all those things, you may be able to fill a 10-year gap in as little as 3 or 4 years. [Click]

But you have to Run the Numbers to see how applying options for filling gaps will get you to where you want to be.

IV. How do I convert retirement resources into income?

Introduction
So far, we've answered questions about how retirement is different, how to determine how much you will need in retirement, and what are the options for closing any income gaps you may have. When it comes to creating a retirement income plan, where the rubber really meets the road is figuring out how to convert retirement resources into income.

Transition
So to help our wise owl friend retire with confidence, let's review a few of the concepts we have already talked about and apply them to creating a lifetime retirement income plan.



Paraphrase slide

The green bars in this slide are a repeat from the slide I showed earlier and indicate the percentage chance of various portfolios lasting 30 years when using an initial withdrawal rate of 4% and then adjusting for 2% inflation each year.

But now the purple bars have been added to show that by purchasing an income annuity with 25% of savings, we have not only created a guaranteed source of income to pay for essential needs, we have also potentially increased the percentage chance that the remaining non-annuitized savings will last 30 years. How can that happen? Well remember that in addition to creating a source of lifetime income, another advantage of an annuity is that you can safely receive more money annually for a dollar annuitized compared to what you could take if you managed it yourself with a SWP. So we're getting a higher percentage of income than 4% from the annuity and therefore we can take less than 4% from the remaining savings.

As a result, when looking at the conservative portfolio, we see that without the annuity there is a 70% chance that the portfolio will last 30 years. But when adding the annuity to the mix, you have a guaranteed source of income created with 25% of savings and the rest now has an 86% chance of lasting 30 years. So, although not shown, we have now created the bar we were looking for earlier that says there is a 100% chance that at least some of my savings will last 30 years. At the same time, for retirees who's only source of lifetime income is Social Security and are concerned about stock market risks, annuitizing a portion of retirement savings can dramatically impact how long the rest of their savings might last. Even the growth portfolio benefits, though not as much, and in this case the percentage chance of savings lasting 30 years goes up from 82% to 90%. As before, there's really no added benefit for taking the additional risk of a growth portfolio.

TRANSITION

Retirement planning is not one size fits all and your specific plan for making sure you don't run out of money before you run out of breath will require an evaluation of your particular facts and circumstances to determine what potential combination of retirement income solutions is best for you.

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It has been my pleasure to be with you today and thank you for your time and attention. Retirement can truly be the best time of your life, if you plan for it to be! I hope the information I have presented to you today will be helpful as you begin to think about your own plan. There is a lot to think about but, the time you put into your plan now will absolutely be worth the effort when the time comes to retire.

Just remember, goals without action are just dreams, action without goals merely passes time, But goals with action can change your life.

Thank you!