

# **RETIREMENT PLANNING / WEALTH PRESERVATION**

# What We Do

*We help Families, Individuals, and Businesses with basic concepts on how to save money, grow their money, protect their money and accumulate wealth to help set them up for a better financial future through financial education.*

## Our Platform

<i>Retirement</i>	<i>Investments</i>	<i>Life Insurance</i>	<i>College Planning</i>
<i>Healthcare</i>	<i>Long Term Care</i>	<i>Final Expense</i>	<i>Estate Planning</i>

### National Campaign for Financial Literacy



# How we help Individuals & Families

## *Building a Proper Financial Foundation:*

*Like building a house, you should start with a solid financial foundation and build it from the ground up.*



*What does protection mean?*

# Debt Roll Up

*What is the effect of this repayment schedule?*

- **Present Debt Repayment Schedule - A**

Creditors Largest to Smallest	Describe What Was Purchased	Balance	Int Rate	Monthly Payment	# of Remaining Payments	Real Debt Mo. Pmt X Remaining Pmts
1 <sup>st</sup> Horizon	Home	158,400	6.75	1,038	348.5	361,706
US Bank	Line of Credit	30,000	7.50	356	120.1	42,739
Chrysler Credit	Dodge Pickup	27,000	6.00	530	58.9	31,241
VISA	TV & Misc.	6,000	12.00	86	120.2	10,339
VISA	Clothes/Vacation	1,500	22.24	50	44.2	2,211
Nordstrom	Clothes/Christmas	1,200	11.10	50	27.3	1,363
Sears	Furniture	700	21.00	26	36.7	955
Target	Misc.	525	18.00	25	25.4	635
Macy's	Christmas	150	21.60	25	6.4	160
		<b>225,475</b>		<b>2,186</b>	<b>348.5</b>	<b>451,349</b>

# Debt Roll Up

*What is the effect of this repayment schedule?*

## Present Debt Repayment Schedule - B

Creditors Largest to Smallest	Balance	Minimum Monthly Payment	Roll Up Payment Amount	Amount of Monthly Payment	# of Remaining Payments	New Pay Off		
1 <sup>st</sup> Horizon	158,400	1,038	1,248	2,286	348.5	145.6		
US Bank	30,000	356	892	1,248	120.1	65.7		
Chrysler Credit	27,000	530	362	892	58.9	48.2		
VISA	6,000	86	276	362	120.2	33.5		
VISA	1,500	50	226	276	44.2	16.9		
Nordstrom	1,200	50	+	176	=	226	27.3	12.3
Sears	700	26	+	150	=	176	36.7	8.4
Target	525	25	+	125	=	150	25.4	4.7
Macy's	150	25	+	100	=	125	6.4	1.2
		<b>2,186</b>	<b>100</b>	<b>2,286</b>	<b>29 years 348.5</b>	<b>12.2 years 145.6</b>		

# Debt Roll Up

	WAS	NOW
Total Current Debt:	\$225,475	\$225,475
Total Monthly Payments:	\$2,186	\$2,286
Total Real Debt	\$451,349	\$332,722
Total Until Debt Free	29 years	12.2 years

***What a difference just an additional \$100 can make!***

***What about an extra \$200? \$300?***

# Are you prepared for retirement?

Are you worried that you aren't prepared for your retirement years? The truth is, you're not alone. There's no better time than right now to start planning for retirement.

**1 in 4 AMERICANS**



**have absolutely nothing saved for retirement**

**1 in 4 BOOMERS**



**have less than \$5k saved for retirement**

**1 in 5 AMERICANS**



**don't even know how much they've saved**

# WHAT SOURCES OF INCOME WILL YOU HAVE FOR RETIREMENT?

*18% comes from pension, if you are lucky.*

*Only 7% from 401k.*

*Do you have other savings?*

*Will you have to borrow from your home equity?*

*Or will you have to work much longer into old age.*





## RETIREMENT CRISIS

*The Great 401(k) Experiment Has Failed for Many Americans*

*You need to know this number **\$18,433**. That's the **median amount in 401(k) savings account**, according to a recent report by the Employee Benefit Research Institute. Almost **40 percent** of employees have **less than \$10,000**, even as the proportion of companies offering alternatives like defined benefit pensions continues to drop.*



# HOW MUCH DO YOU NEED TO RETIRE?

## Formula 10/20

To be assured of having enough money for a **comfortable retirement**, they advise you to have a total of **22 times** (round down to 20 times) your **annual income** by the time you retire. Thus if you make \$50,000 per year, the target retirement number should be \$1,000,000.

As to **protecting your family**, financial professionals suggest **10 times your annual income** to meet the insurance need for your family. This amount of money will allow the surviving spouse to take care of the children for the next 10 years or more, giving them enough to transition.

**if you die too soon, you'll need 10 times your income.**  
**and if you live too long, you'll need 20 times your income.**  
**Hence the formula 10/20.**



# SAVING FOR RETIREMENT

## What do you have?



*401(K), 403(B),  
457*

*IRA  
ROTH IRA*

*PESION*

*SOCIAL  
SECURITY*

*CASH VALUE LIFE  
INSURANCE*

*STOCKS  
BONDS*

*SAVINGS*

*HOME  
EQUITY*

*ANNUITIES*

# TRADITIONAL IRA vs. ROTH IRA

	TRADITIONAL IRA	ROTH IRA
Tax Deduction on Contributions	<b>YES</b> (Income limits apply if you have access to a work plan)	<b>NO</b>
Require Minimum Distributions	<b>YES</b> , by age 70 1/2	<b>NO</b>
Earnings	<b><i>Taxed at Withdrawal</i></b>	<b><i>Never taxed unless withdrawn early</i></b>



# SAVING FOR RETIREMENT

## Two Types of Retirement Plans

**DEFINED BENEFIT PLAN or  
Traditional Pension**

**DEFINED CONTRIBUTION PLAN:  
401K, 457 Plan**

## Small Business Retirement Plans

**Simple IRA**

**SEP IRA**

**KEOGH Plan**

# QUALIFIED PLAN CONTRIBUTION TABLE

Account Type	2018 Contribution Limit (Catch Up)	2019 Contribution Limit (Catch Up)	% Increase
IRA	\$5,500 (\$6,500)	\$6,500 (\$7,000)	1.18%
401(k)/403(b) Elective Deferrals	\$18,500 (\$6,000)	\$19,000 (\$6,000)	2.9% (0%)
401(k)/403(b) – Total Including employer)	\$55,000	\$56,000	(1.8%)
SIMPLE IRA	\$12,500 (\$3,000)	\$13,000 (\$3,000)	4.2% (0%)
SEP IRA	\$55,000	\$56,000	(1.8%)

# ROLLOVER IRAs

## ***Potential Benefits:***

- *Continue tax deferral*
- *Increase Investment Options*
- *Potentially lower fees*
- *Simplification*

***Control your Money!***

# ROLL OVER CHART

	ROLL TO							
	Roth IRA	Traditional IRA	Simple IRA	SEP IRA	Governmental 457(b)	Qualified Plan1 (pre-tax)	403(b) Pre-tax	Designated Roth Account 401(k), 403(b), or 457(b)
Roth IRA	YES	NO	NO	NO	NO	NO	NO	NO
Traditional IRA	YES	YES	YES	YES	YES	YES	YES	NO
Simple IRA	YES After 2yrs	YES After 2yrs	YES	YES After 2yrs	YES After 2yrs	YES After 2yrs	YES After 2yrs	NO
SEP IRA	YES	YES	NO	YES	YES	YES	YES	NO
Governmental 457(b)	YES	YES	NO	YES	YES	YES	YES	YES
Qualified Plan 1 (pre-tax)	YES	YES	NO	YES	YES	YES	YES	YES
403(b) (pre-tax)	YES	YES	NO	YES	YES	YES	YES	YES
Designated Roth Account (401(k), 403(b), 457(b))	YES	NO	NO	NO	NO	NO	NO	YES



# ANNUITY: A REVERSE BET

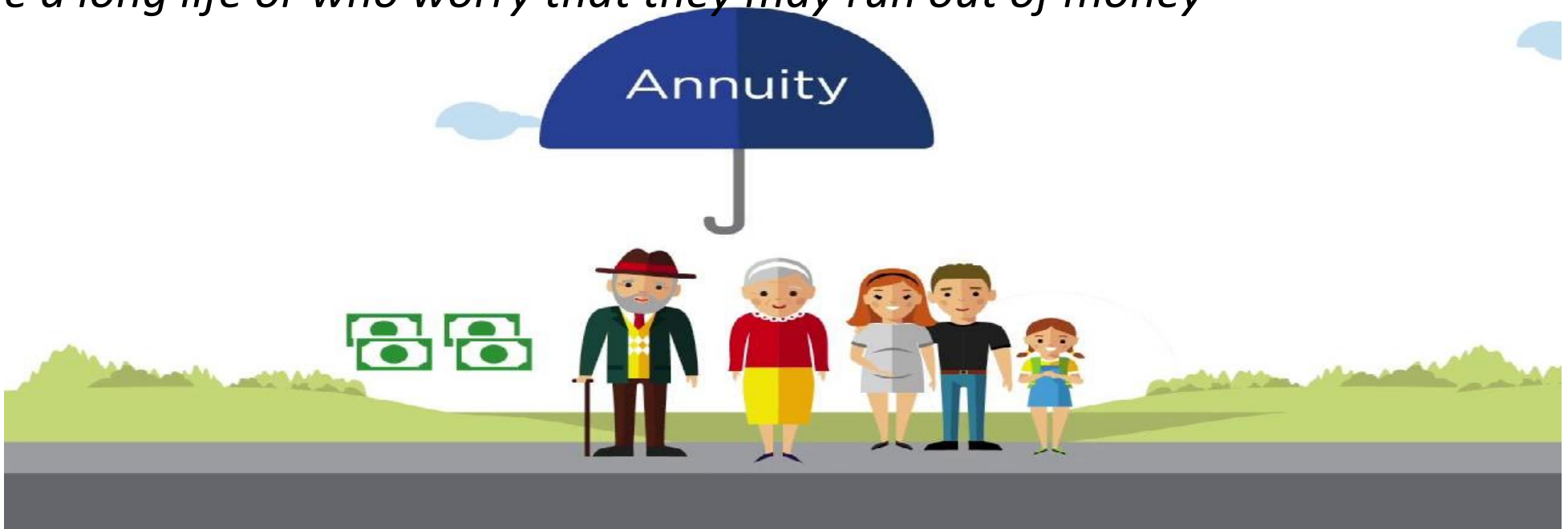
## **Life Insurance:**

*If you die too soon => your family will get a big death benefit payout.*

## **An Annuity:**

*If you live too long => you will win with the long term payout from the insurance company.*

*Lifetime Income Payout option from an annuity is a good solution for people who live a long life or who worry that they may run out of money*



# TYPES OF ANNUITIES

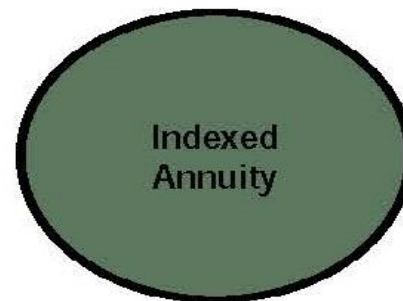


*Will Depend on your Investment Choices:*

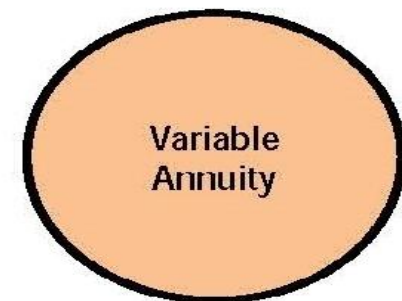
FIXED ANNUITY	INDEXED ANNUITY	VARIABLE ANNUITY
Guarantees a fixed rate of return	Returns credited by a market index such as the S&P 500	Returns depend on the performance of the investment choices/portfolios



Low Risk



Moderate Risk



High Risk

# ANNUITY PHASE

## **Accumulation Phase**

- *After-tax dollars, no limit on contribution.*
- *Grow tax deferred*

## **Distribution Phase**

- *Cash out lump sum*
- *Lifetime Income*
- *Period certain (5,10,20,30 yrs.)*
- *Life income with period certain*
- *Joint and survivor*

## **Remember**

- *Taxed as ordinary income when withdrawing on gains.*
- *59 ½ age rule applies*
- *Normal surrender charge is between 5-7 years. Be aware of longer periods that may affect withdrawals, especially near retirement age.*

# ANNUITY PREMATURE WITHDRAWAL TAXATION

- 10% penalty if withdrawn before 59 1/2*
- IRS assumes that earnings are withdrawn first.*
- Withdrawn money pays taxes as ordinary income.*

## **For Example:**

*Your annuity grows \$10,000 after purchase. You decide to withdraw \$5,000*

## **For Example:**

*If your tax bracket is 25%,  
you pay 10% penalty on \$5,000 = \$500  
and you pay 25% tax x \$5,000 = \$1,250.  
Thus, Total Tax/Penalty = \$1,750.*

# ADVANTAGES OF THE 401K ROLLOVER ANNUITY

**Guaranteed Principal**

**Flexibility:** Potential to change your investment options to suit your goals.

**Income Protection:** peace of mind if you live too long.

**Death Benefit protection.**

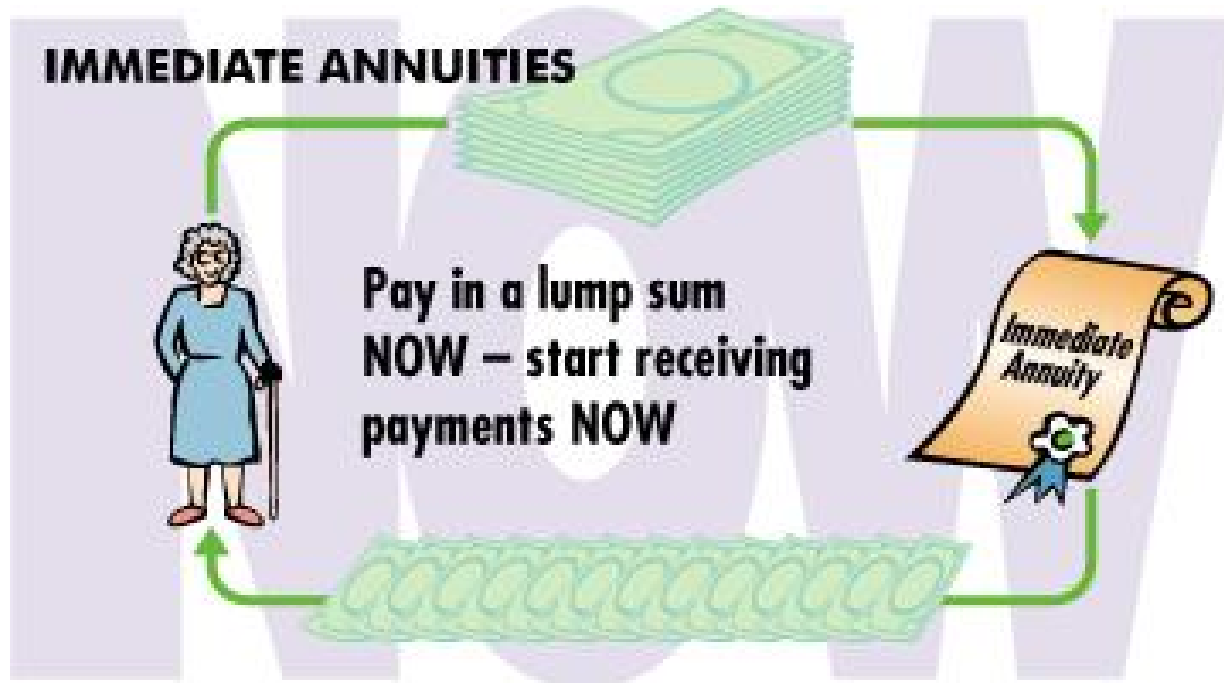


# IMMEDIATE ANNUITY

*You give a **large lump sum amount of money** to the insurance company in exchange for a series of **payments**.*

*The monthly check is determined by the size of your account, the interest rates and your life expectancy.*

*You will receive it for life, or you can choose other options such as period certain or joint and survivor with your spouse.*



# LONG TERM CARE (LTC)

*There is a good chance that you will need LTC:*

*70% of people over 65 will require some LTC services.*

*40% of those receiving LTC are between 18 and 64 yrs old.*

People over 65 who will require long term care

**2 out of 3 people<sup>1</sup>**

Average length of majority of long term care claims

**3.8 years<sup>2</sup>**

Average life expectancy after Alzheimer's diagnosis after age 70

**4-7 years<sup>3</sup>**



# WHAT IS LONG TERM CARE (LTC)?

*LTC is the help you need when you are not able to do some of the basic activities of daily living, such as:*



Eating



Bathing



Dressing



Transferring



Toileting



Walking or  
moving around

*Long Term Care is often associated with older people, but accidents and illness can happen at any age. Think about people who have had a stroke, chronic illness, Alzheimer's...*



# THE EFFECT OF LONG TERM CARE ON RETIREMENT SAVINGS & ASSETS

Type of Care / Service	Hourly or Daily Cost	Annual Cost
Home Health Aide	\$21 per hour	\$30,660
Homemaker Services	\$19 per hour	\$27,740
Assisted Living Facility	\$110 per day	\$40,200
Adult Day Care Center	\$69 per day	\$25,185
Nursing Home (Semi Private Room)	\$209 per day	\$76,285
Nursing Home (Private Room)	\$233 per day	\$85,045

# MISCONCEPTIONS ABOUT LONG TERM CARE

*When buying a life insurance policy with LTC, it is possible that you may qualify for life insurance coverage but not for LTC.*

**TRUE** or FALSE

*The average annual cost of LTC in the US is \$83,000:*

***Who will pay for it?***

***Who will take care of you? Your spouse?***

*Risk of Developing Alzheimer's Disease:*

***Over 65: 1 in 9***

***Over 85: 1 in 3***

*If you have few assets and live on Social Security benefits, should you buy LTC?*

**YES** or NO

# RETIREE HEALTH CARE COSTS, MORE THAN YOU THINK

*The average lifetime retirement healthcare premium cost for a hypothetical couple is **\$266,589** (which includes Medicare Part B and Part D coverage as well as supplemental insurance, according to Health View's latest report. **Assume life expectancy of 87 years for men and 89 for women.***

**Table: COST PROJECTIONS FOR A 65-YEAR-OLD COUPLE**

	Age 65	Age 70	Age 75	Age 80	Age 85	Overall Costs
Annual Costs	\$6,999	\$8,498	\$10,345	\$12,304	\$14,530	\$266,589
Monthly Costs	\$583	\$708	\$862	\$1,028	\$1,211	
Future Dollar Costs		\$9,851	\$13,902	\$19,169	\$26,243	\$402,034

*you include dental, vision, co-pays and other out of pocket costs, the average cost estimates rise to **\$394,954**.*

***Retiree health-care costs may be more than you think!!***

# RE-THINKING YOUR HOUSE

*Do you still need the same amount of Space?*

*Moving to a new, smaller place may offer advantages.*

*Easier for upkeep*

*Lower maintenance costs*

*Look for an area with lower property and income taxes*

*Look for an area closer to your doctor*

*Equity from downsizing can be put into savings for retirement*

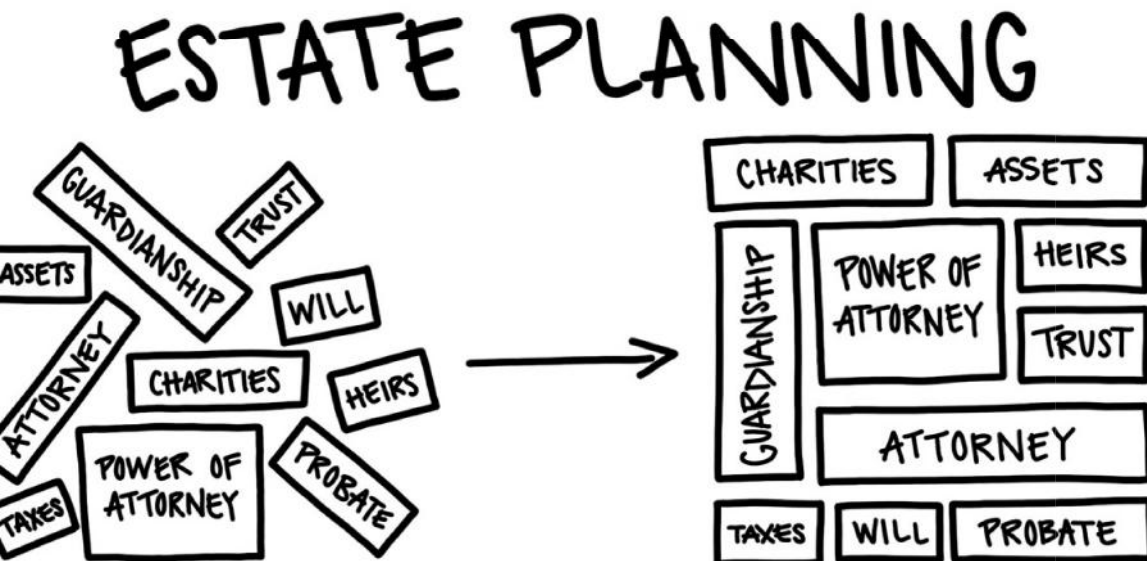
*Better weather*



# ESTATE PLANNING

**ESTATE PLANNING** is a process of determining the distribution of your assets on your death.

estate Planning also covers the management of your professional affairs in the event of incapacity.



# WEALTH PRESERVATION

***Everyone has an Estate:***

***Your estate is everything you own minus your debt:***

*Car, Home, other Real Estate*

*Bank accounts: Checking, Savings, CDs*

*Stocks, Bonds, Mutual Funds*

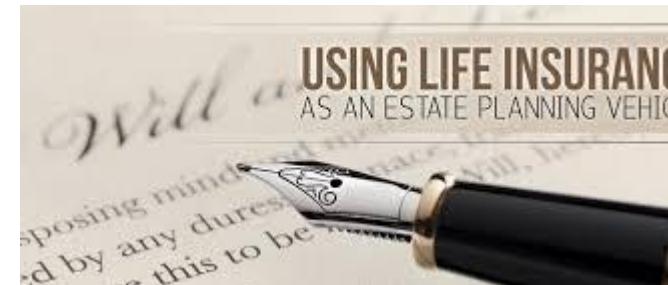
*Annuities*

*Retirement, Pension Plans*

*Businesses: sole proprietor, corporation, LLC, partnership*

*Furniture, Personal Possessions*

***Thus, everyone needs to have an estate plan, not just the wealthy***



# ESTATE PLANNING WORKSHEET

) To ensure that my property will go to whom I choose when I die, I can make a simple will.

) To avoid the probate process, I can consider a trust.

) I would not want my family to have to try to make decisions for me, so I can fill out Advance Directives.

) I can give authority to a trusted person to manage my accounts and finances if I am unable to by signing a Power of attorney.

) To protect my children, I will name a legal guardian.

) To make sure all my investment accounts would go to the persons I specify, I can register and frequently update my beneficiaries.

) To protect my children, their education and cover my debt, I will evaluate the correct amount of life insurance.

# ESTATE PLANNING WORKSHEET

If my total estate is over \$1 million, I may be subject to estate tax.

I can direct a portion of my life insurance proceeds goes to pay for final expense.

To ensure my final expenses are handled according to my wishes, I will keep instruction in a safe place along with my other important papers and will.

If I own a business, I need a succession plan. If I have a partner in the business, I need a buy out agreement.

All my important documents-trusts, wills, agreements, insurance, debt, retirement, investment accounts, and any CDs or annuities-need to be kept together safe place.

**Here's a tip:**

**You can have all important documents stored in digital form for easier access, especially when traveling.**



## DO YOU KNOW?

*If you leave your assets to your child and if the child is a minor, the court will **appoint a Guardian** who will take care of the assets as well as the child?*

*And the child will get **all the inheritance** when he or she reaches legal age?*

*If you don't have a plan, the **government** has one for you and you may not like it.*

*If you have children and are **remarried and you pass away**, the assets go to your current spouse.*

*The serving **stepparent (current spouse)** has no obligation to support the deceased spouse's biological children.*

*You have a responsibility to **plan ahead**.*

*The best time to start an estate plan is **now**.*

*Life is **unpredictable**. You never know what's going to happen.*

# WHEN YOU TRAVEL

*You should have ready:*

*Power of Attorney  
Health Care Directives  
Last Will and Testament  
Child travel consent/child  
medical consent if you travel  
with a minor whom you are not  
a parent of or share joint  
custody of.*

***Just in case !!***



# WHAT IS YOUR GAME PLAN?

GLASBERGEN  
by Randy Glasbergen  
www.glasbergen.com



**“Here’s our new retirement plan —  
At age 65, we’ll get divorced then marry  
other people who planned better.”**

## **Investments and Financial Planning**



**“I retire on Friday and I haven’t saved a dime.  
Here’s your chance to become a legend!”**

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