



RETIREMENT DISTRIBUTION STRATEGIES TO AVOID OUTLIVING YOUR MONEY

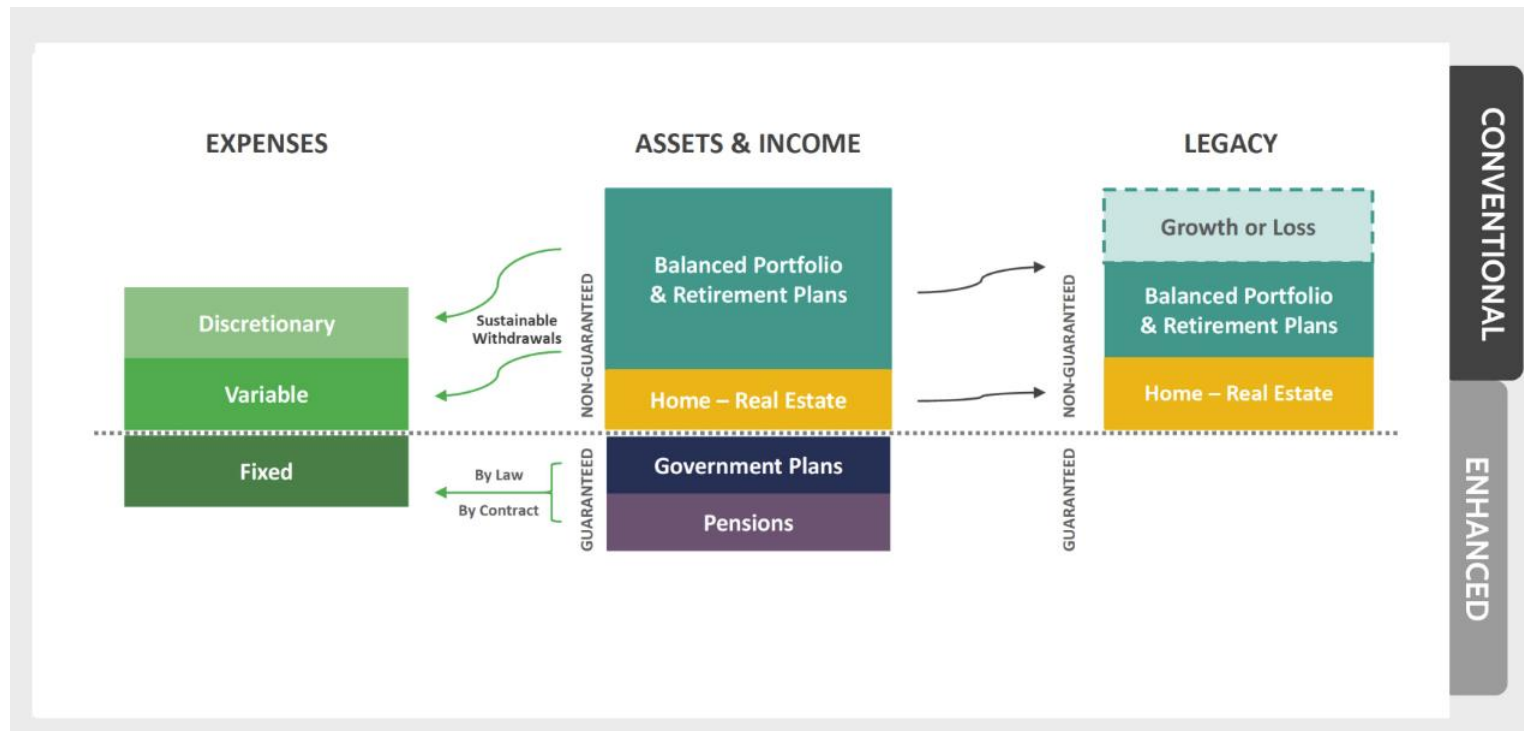
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We are going to examine two different Income Distribution Strategies:

1. Conventional Approach

2. Alternative Approach

Conventional Retirement Approach

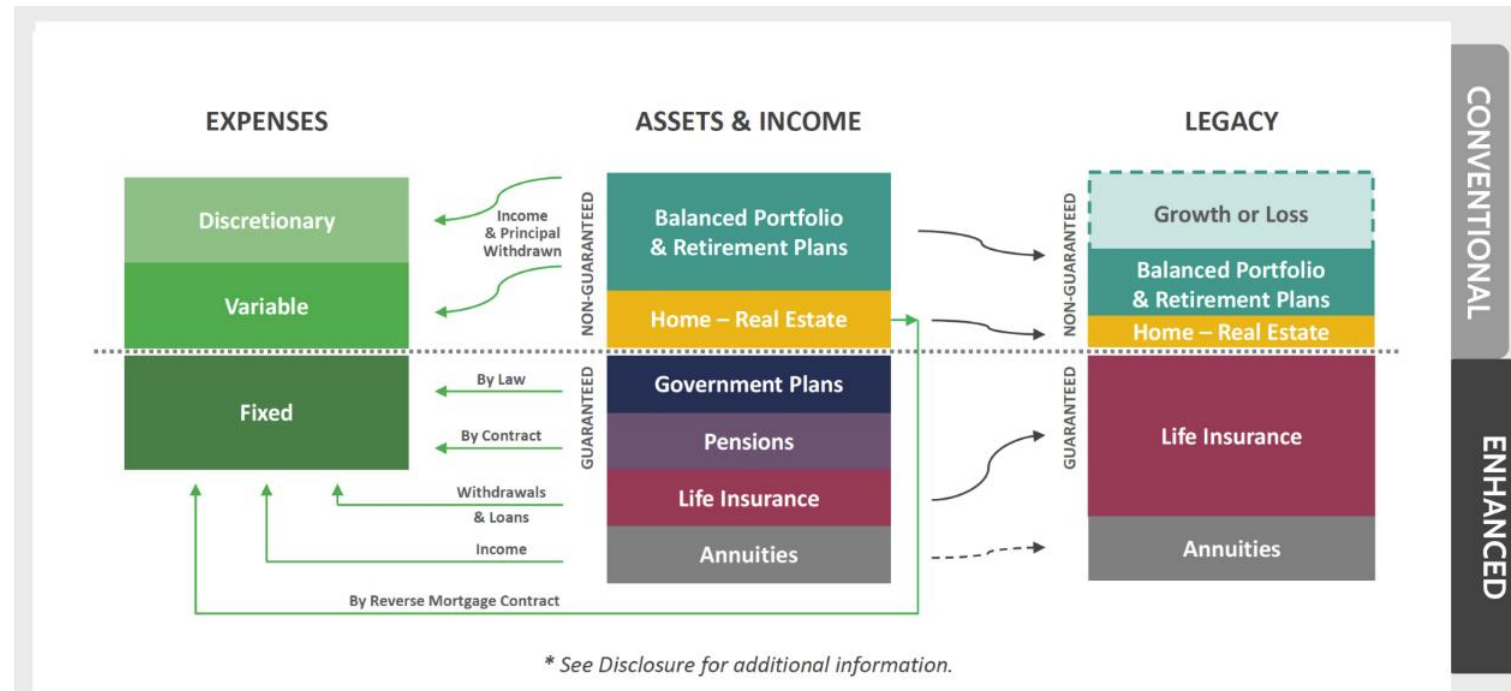


We are going to examine two different Income Distribution Strategies:

What is the Conventional Approach?

- Uses Stocks, Bonds, Cash to distribute your income need through retirement.
- Relies on the Rate of Return of Stocks, Bonds, and Cash to sustain income, protection, and legacy in retirement.
- The majority of the plan is predicated by the ebbs and flows of the markets.

Alternative Retirement Approach



We are going to examine two different Income Distribution Strategies:

What is the Alternative Approach?

- Still utilizes the markets for growth but doesn't rely solely on the markets to sustain income, protection, and legacy in retirement.
- This Alternative is typically more strategy driven using various assets types to reduce income risk and increase legacy (Legacy is for people who have a desire to pass on money to their heirs, charities, institutions, etc)
- The objective is to reduce risk and increase income, protection, and ensure legacy if desired.

What are we really talking about??



Target Retirement Income = \$70,000

Pension \$20,000

Social Security + \$25,000

\$45,000

Target Retirement Income = \$70,000 - \$45,000

Investment Income Need is ----- **\$25,000**

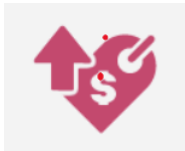
TSP/401(k)/Investments = **\$ 25,000**

ACCUMULATION



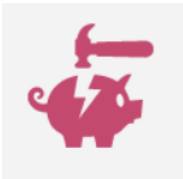
DISTRIBUTION

Retirement Risks



Inflation

Reduces buying power of our dollars over time.



Outliving Money

Need to make sure our money lasts throughout lifetime.



Tax Law Changes

Tax increases reduce spending power of income.



Volatility of Returns

Market fluctuations can negatively impact an investor's net returns and thus reduce future spending power.



Loss of Principal

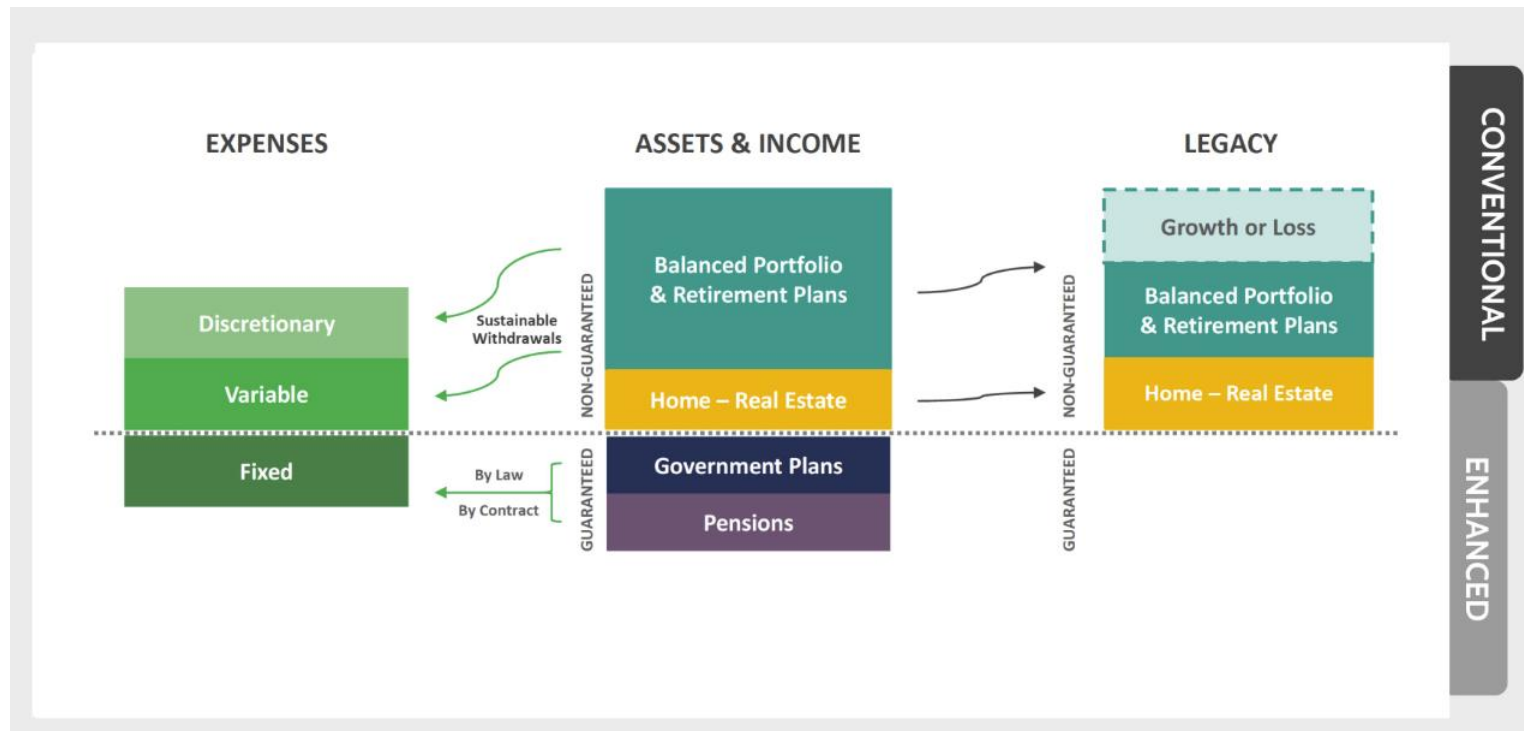
Market fluctuations, unforeseen needs, or other unknowns can reduce total value of your account.



Lifestyle Changes

Technological change, planned obsolescence, and standard of living increases.

Conventional Retirement Approach



Conventional Approach

The problems that are more pronounced in the Conventional method are:

1. Market Risk
2. Withdrawal Rate Risk
3. Sequence Risk
4. Human Behavior

MUST HAVE PLAN

Especially when you are within 10yrs of RETIREMENT

1. What's Your Withdrawal rate need?
2. What's your targeted asset allocation?

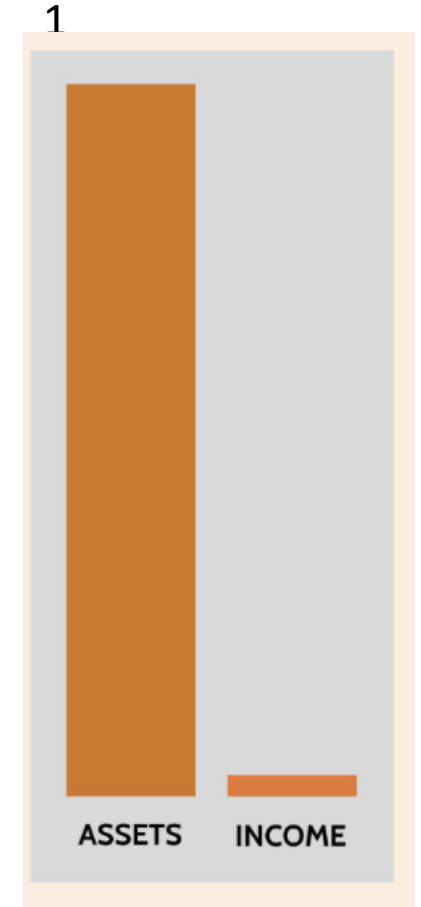
Problem: Sustainable Withdrawal Rates

Withdrawal rate research generally identifies 2.5% to 4.5% as a suggested amount for portfolios to last to life horizon

For perspective, a \$1,000,000 portfolio would generate \$25,000 to \$45,000 of Year 1 income

Or between \$2.2 and \$4 million of assets to produce \$100,000 of income per year

1 – Bengen study (1994) and other financial research over the last twenty years



Understanding the 4% withdrawal Rule

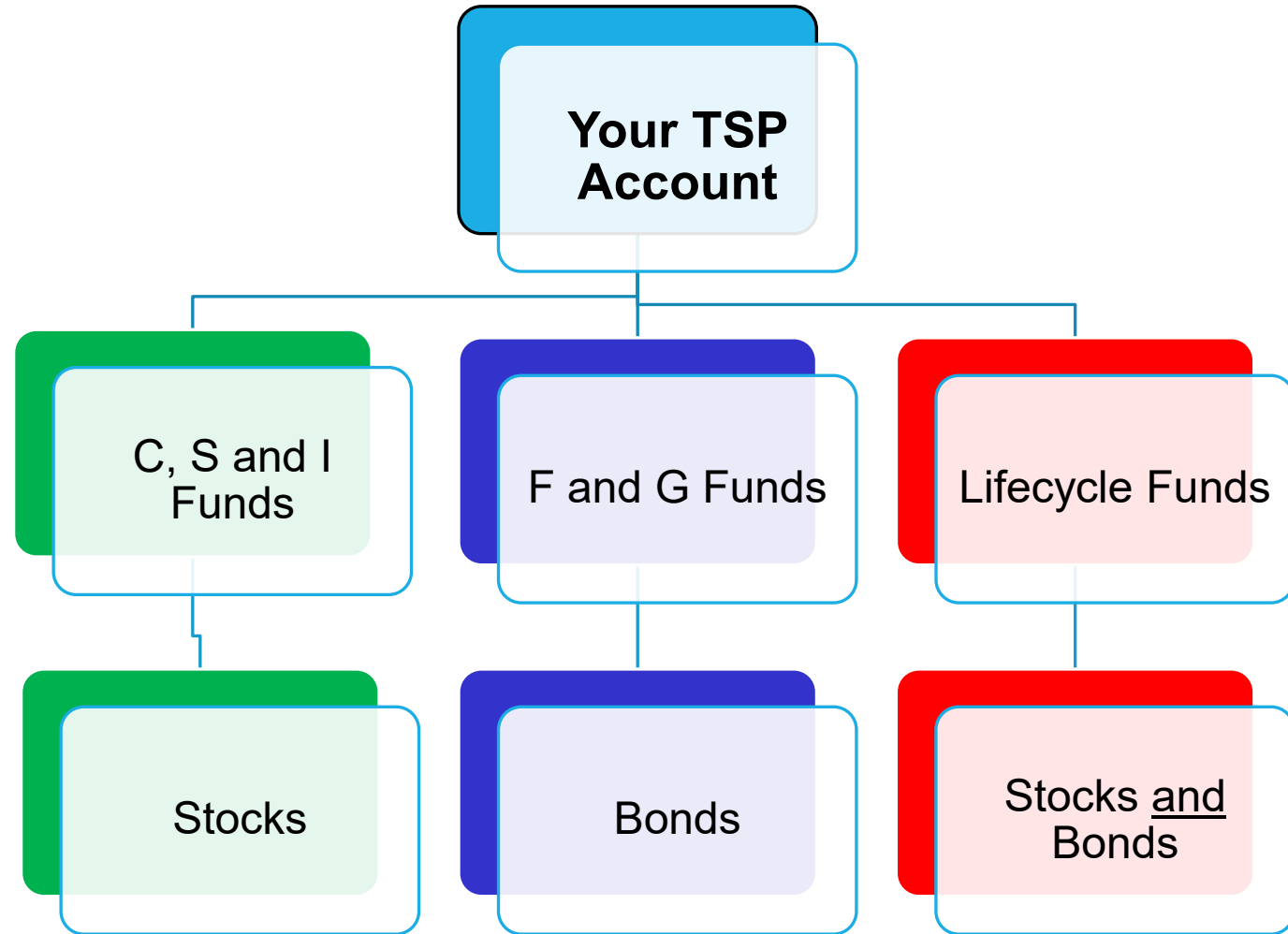
The Trinity University Study

If an investor withdraws a fixed percentage of their assets annually for retirement expenses, what is the likelihood that they will outlive their savings?

The 4% withdrawal rate and a 50/50 or 75/25 portfolio gives excellent portfolio success rates:

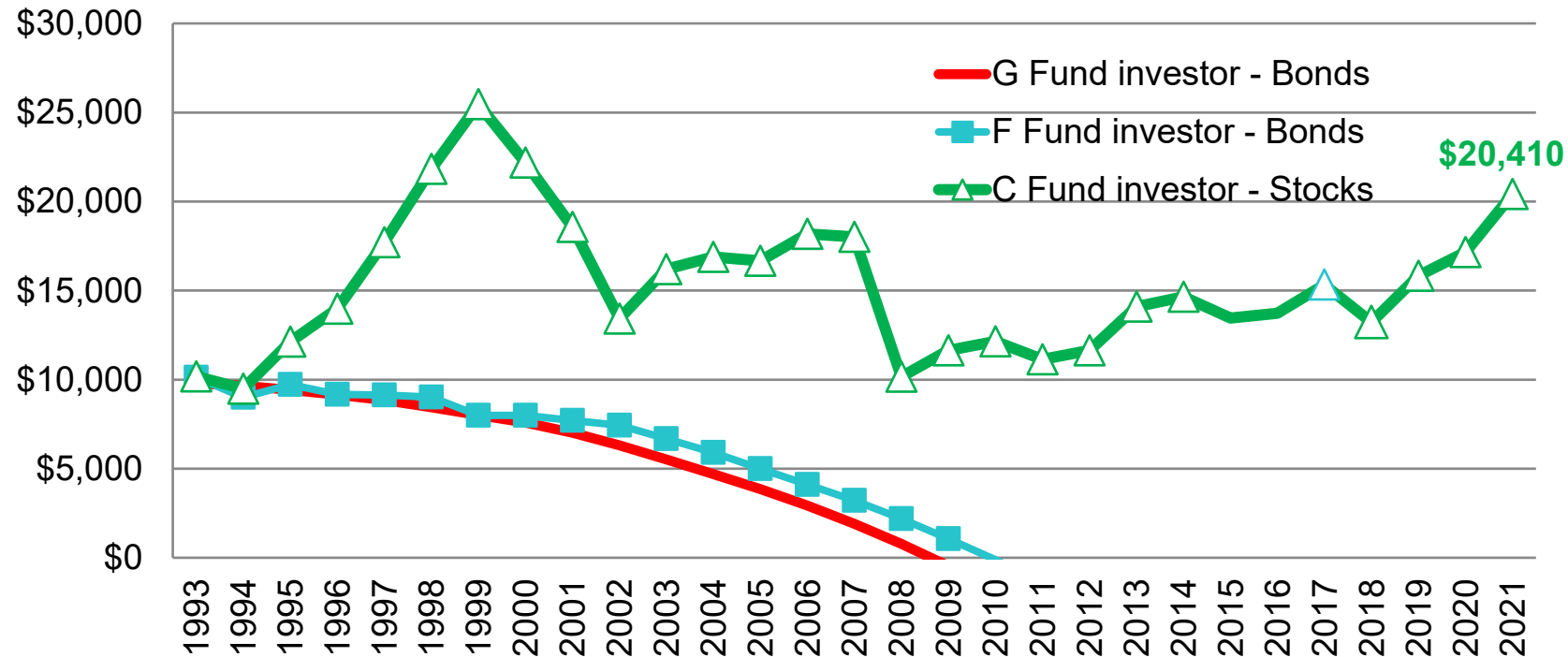
| Withdrawal Rate | 100/0 | 75/25 | 50/50 | 25/75 | 0/100 |
|-----------------|-------|-------|-------|-------|-------|
| 3% | 100% | 100% | 100% | 100% | 84% |
| 4% | 98% | 100% | 96% | 80% | 35% |
| 5% | 80% | 82% | 67% | 31% | 22% |
| 6% | 62% | 60% | 51% | 22% | 11% |
| 7% | 55% | 45% | 22% | 7% | 2% |
| 8% | 44% | 35% | 9% | 0% | 0% |

The Three Levels



Loss of Purchasing Power: What Happens When You Start Spending?

Example: At the beginning of 1993, retirees Bill, Jack and Mary each have \$10,000 in the TSP. They each invest in one fund: Bill in G, Jack in F and Mary in C. They annually withdraw enough to buy 2000 first class stamps (after paying taxes of 30%).



Note: This is for illustration purposes only. Past performance is no guarantee of future performance. All investments involve the risk of loss. The data assumes reinvestment of all income.

Target Retirement Income

Gross Income - Spouse A **\$150,000**

Gross Income - Spouse B **\$100,000**

\$0

Total Gross Income \$250,000

Less

TSP/401(k) **\$27,000**

TSP/401(k) **\$27,000**

Social Security **\$17,540**

Savings **\$0**

Mortgage **\$0**

Roth TSP **\$0**

Roth **\$0**

Non/Qualified IRA **\$0**

College **\$0**

Credit Cards **\$0**

Tax Equivalent **\$0**

Total Payments \$71,540

Target Retirement Income \$178,460

Taxable Income

Risk Score(partner)

Retirement Income Projections

Calculate

Spouse A 60 to 67

| | | | |
|-------|------|-----------------|-----|
| WD | 0.0% | Pension | \$0 |
| COLA | 0.0% | Social Security | \$0 |
| 0.0% | 0.0% | Tax Deferred | \$0 |
| 0.0% | 0.0% | Tax Free | \$0 |
| 0.0% | 0.0% | Tax Deductible | \$0 |
| TOTAL | | | \$0 |

Spouse B 61 to 68

| | | | |
|-------|------|-----------------|-----|
| COLA | 0.0% | Pension | \$0 |
| WD-> | 0.0% | Social Security | \$0 |
| 0.0% | 0.0% | Tax Deferred | \$0 |
| 0.0% | 0.0% | Tax Free | \$0 |
| 0.0% | 0.0% | Tax Deductible | \$0 |
| TOTAL | | | \$0 |

W/D Rate from Cash Assets

\$0

\$0

Total Income at year # 7 = \$0

0.0% Target Retirement Income \$178,460

Debt Window

| Type of Loan | \$/Month P&I | \$ Unpaid Balance | % Rate | Months to Pay |
|--------------|--------------|-------------------|--------|---------------|
| | | | | |
| | | | | |
| | | | | |
| | | | | |

Additional Information

| | | |
|---|---|--------|
| 0 | 0 | 54,000 |
|---|---|--------|

| | | |
|---|---|---|
| 0 | 0 | 0 |
|---|---|---|

| | | | |
|------------------|------------------|-------------------|-------------------|
| | | | 1% 0 |
| | | | 4% 0 |
| Spouse A | | | |
| Tax Deferred | Tax Free | Tax Deductible | |
| | | | 4% 0 |
| | | | 4% 0 |
| | | | 4% 1,208,733 |
| 27,000 | | TSP 750,000 | |
| Spouse B | | | |
| Tax Deferred | Tax Free | Tax Deductible | |
| | | | 4% 0 |
| | | | 4% 0 |
| | | | 4% 945,457 |
| 27,000 | | 401(k) 550,000 | |
| 7 Years | | | 2,154,190 |
| Government Bonds | Corporate Bonds | Municipal Bonds | Rate Future Value |
| | | | 5% 0 |
| | | | 5% 0 |
| | | | 5% 0 |
| Preferred Stocks | Blue Chip Stocks | Growth Securities | |
| | | | 5% 0 |
| | | | 5% 0 |
| | | | 4% 0 |
| Real Estate | Primary | Trust | |
| | | | |
| | | | 0 |

Conventional

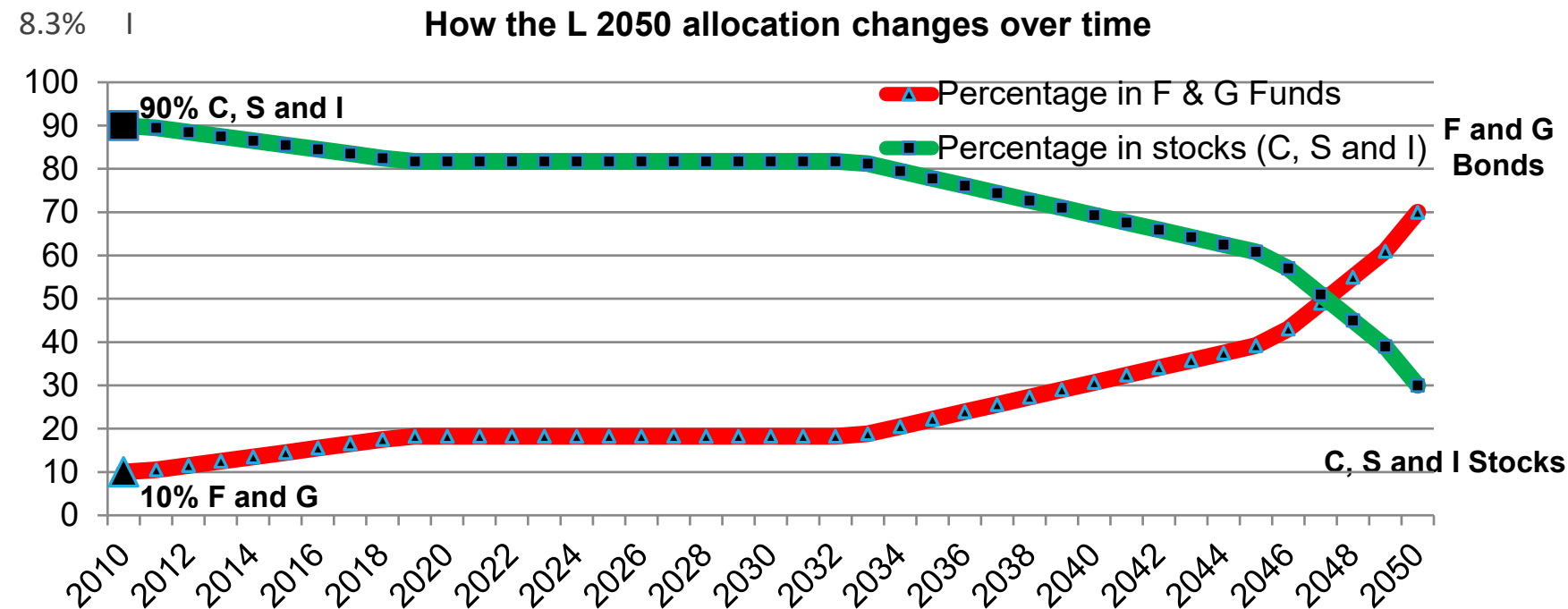
| | | | | | | | | | | |
|--------------------------------------|--------------------------|-------------------|-----------|---------------|---------------------------|----------|------------------|-------------------|-------------------|---|
| Additional Information | | Employee | Match | Add. | Regular Savings | CD's | College Savings | Rate Future Value | | |
| Taxable Income | | | | | | | | 1% | 0 | |
| Risk Score | | | | | | | | 1% | 0 | |
| | | | | | | | | 4% | 0 | |
| Retirement Income Projection | | | | | Calculate | | | | | |
| Spouse A 67 to 71 | | | | | | | | | | |
| WD | 0.0% | Pension | \$35,000 | | Spouse A | | | | | |
| COLA | 0.0% | Social Security | \$37,500 | | Tax Deferred | Tax Free | Tax Deductible | | | |
| 0.0% | 0.0% | Tax Deferred | \$0 | | | | | 4% | 0 | |
| 0.0% | 0.0% | Tax Free | \$0 | | | | | 4% | 0 | |
| 3.4% | 0.0% | Tax Deductible | \$41,097 | | | | | 4% | 1,232,549 | |
| | | TOTAL | \$113,597 | | | | TSP | 1,208,733 | | |
| Spouse B 68 to 72 | | | | | Spouse B | | | | | |
| COLA | 0.0% | Pension | \$0 | | Tax Deferred | Tax Free | Tax Deductible | | | |
| WD | 0.0% | Social Security | \$32,000 | | | | | 4% | 0 | |
| | 0.0% | Tax Deferred | \$0 | | | | | 4% | 0 | |
| | 0.0% | Tax Free | \$0 | | | | | 4% | 960,001 | |
| 3.5% | 0.0% | Tax Deductible | \$33,094 | | | | 401(k) | 945,547 | | |
| | | TOTAL | \$65,094 | | | | | | | |
| W/D Rate from Cash Assets | | \$0 | | | Savings Type Assets Total | | | | 2,192,551 | |
| | | 0 | 0 | 0 | | | | | | |
| Total Income at year # 4 = \$178,691 | | | | | Government Bonds | | Corporate Bonds | Municipal Bonds | Rate Future Value | |
| 0.0% | Target Retirement Income | | \$178,460 | | | | | | 5% | 0 |
| Debt Window | | | | | Preferred Stocks | | Blue Chip Stocks | Growth Securities | 5% | 0 |
| Type of Loan | \$ /Month P&I | \$ Unpaid Balance | % Rate | Months to Pay | | | | | 5% | 0 |
| | | | | | | | | | 4% | 0 |
| | | | | | Real Estate | | Primary | Trust | | |
| Additional Information | | | | | | | | | | |
| | | | | | Growth Type Assets Total | | | | 0 | |
| | | | | | Total Cash Assets | | | | 2,192,551 | |

Example: L 2050 Lifecycle Fund: Percentages in Stock and Bond Funds

The 2025 – 2050 Lifecycle funds begin with 90% invested in stocks (C, S and I) and 10% in the F and G funds. Over time, the percentage in stocks declines as the percentage in F & G increases. The 2055 – 2065 Lifecycle Funds are more aggressive. The funds eventually “roll into” the L Income Fund.

Current percentages for the L Income Fund are

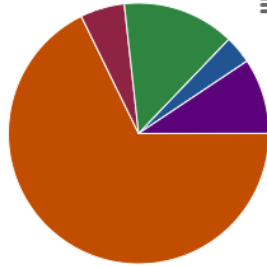
- 70.5% G
- 5.7% F
- 12.5% C
- 3.0% S
- 8.3% I



The final allocation of the L Income Fund is being adjusted by the TSP. In 2028, the L Income Fund Allocation will be 70% Bonds and 30% Stocks. Source: www.tsp.gov.

L FUNDS ALLOCATION COMPARISON

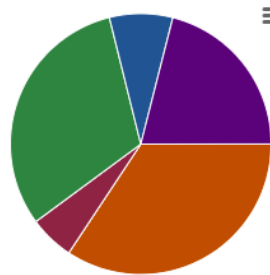
L Income



April 2025

G Fund 67.76%
F Fund 5.49%
C Fund 13.92%
S Fund 3.47%
I Fund 9.36%

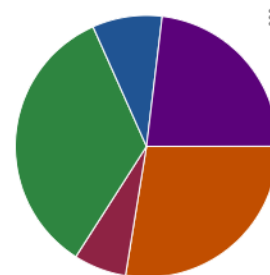
L 2030



April 2025

G Fund 34.32%
F Fund 5.56%
C Fund 31.25%
S Fund 7.83%
I Fund 21.04%

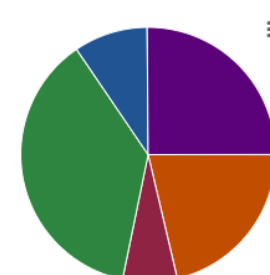
L 2035



April 2025

G Fund 27.56%
F Fund 6.50%
C Fund 34.26%
S Fund 8.60%
I Fund 23.08%

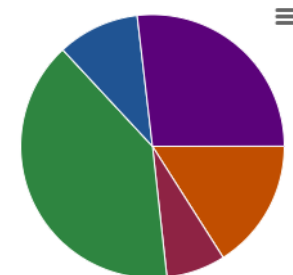
L 2040



April 2025

G Fund 21.32%
F Fund 6.92%
C Fund 37.27%
S Fund 9.38%
I Fund 25.11%

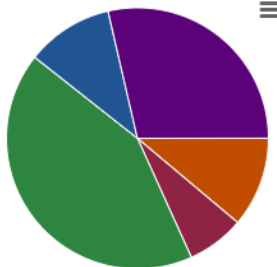
L 2045



April 2025

G Fund 15.99%
F Fund 7.26%
C Fund 39.84%
S Fund 10.05%
I Fund 26.86%

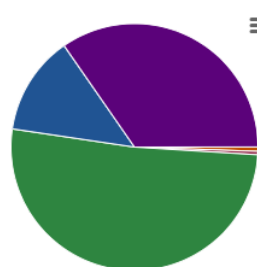
L 2050



April 2025

G Fund 11.16%
F Fund 7.09%
C Fund 42.42%
S Fund 10.72%
I Fund 28.61%

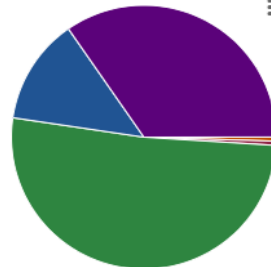
L 2055



April 2025

G Fund 0.55%
F Fund 0.45%
C Fund 51.36%
S Fund 12.99%
I Fund 34.65%

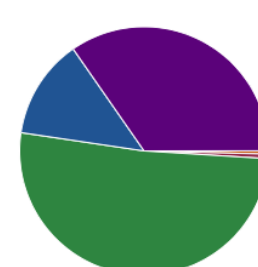
L 2060



April 2025

G Fund 0.49%
F Fund 0.51%
C Fund 51.36%
S Fund 12.99%
I Fund 34.65%

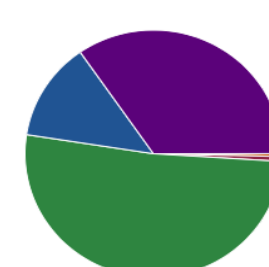
L 2065



April 2025

G Fund 0.42%
F Fund 0.58%
C Fund 51.36%
S Fund 12.99%
I Fund 34.65%

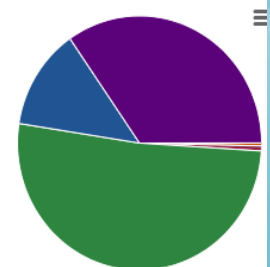
L 2070



April 2025

G Fund 0.36%
F Fund 0.64%
C Fund 51.48%
S Fund 12.87%
I Fund 34.65%

L 2075



April 2025

G Fund 0.36%
F Fund 0.64%
C Fund 51.48%
S Fund 12.87%
I Fund 34.65%

Problem: Markets Can Behave Badly

Having enough money can overcome financial risks

But it may not reduce financial concerns

Negative market returns can undo the best laid plans

- It's not a matter of *if* but *when*
- *"Past performance is not an indication of future results"*

| 25 Down Markets since 1928 | | |
|----------------------------|------|------|
| 1929 | 1930 | 1931 |
| 1932 | 1934 | 1937 |
| 1939 | 1940 | 1941 |
| 1946 | 1953 | 1957 |
| 1962 | 1966 | 1969 |
| 1973 | 1974 | 1977 |
| 1981 | 1990 | 2000 |
| 2001 | 2002 | 2008 |
| 2018 | | |

S&P 500 Total Return since inception

Problem: Sequence of Return Risk

| Year | BOY Balance | Return | Withdrawal | EOY Balance |
|------|-------------|---------|------------|-------------|
| 1973 | \$1,000,000 | -14.67% | \$79,713 | \$785,281 |
| 1974 | \$785,281 | -26.31% | \$79,713 | \$519,934 |
| 1975 | \$519,934 | 37.14% | \$79,713 | \$603,719 |
| 1976 | \$603,719 | 23.81% | \$79,713 | \$648,772 |
| 1977 | \$648,772 | - 7.19% | \$79,713 | \$528,144 |
| 1978 | \$528,144 | 6.52% | \$79,713 | \$477,670 |
| 1979 | \$477,670 | 18.45% | \$79,713 | \$471,380 |
| 1980 | \$471,380 | 32.45% | \$79,713 | \$518,764 |
| 1981 | \$518,764 | - 4.88% | \$79,713 | \$417,625 |
| 1982 | \$417,625 | 21.50% | \$79,713 | \$410,564 |

| Year | BOY Balance | Return | Withdrawal | EOY Balance |
|---------|-------------|--------|-------------|-------------|
| 1983 | \$410,564 | 22.46% | \$79,713 | \$405,161 |
| 1984 | \$405,161 | 6.22% | \$79,713 | \$345,691 |
| 1985 | \$345,691 | 31.64% | \$79,713 | \$350,134 |
| 1986 | \$350,134 | 18.62% | \$79,713 | \$320,774 |
| 1987 | \$320,774 | 5.18% | \$79,713 | \$253,548 |
| 1988 | \$253,548 | 16.61% | \$79,713 | \$202,710 |
| 1989 | \$202,710 | 31.69% | \$79,713 | \$161,975 |
| 1990 | \$161,975 | -3.10% | \$79,713 | \$79,713 |
| 1991 | \$79,713 | 30.47% | \$79,713 | \$ 0 |
| 19 Yrs. | Average ROR | 12.98% | \$1,514,547 | DEPLETED |

COMPARE

1973 - 1991

1991 - 1973

Figure 2: Forward running return sequence of \$1,000,000 – S&P 500 portfolio with annual withdrawals of \$79,713
Other starting years, rate of return sequences, market indexes, and life horizons will produce different results.

Problem: Sequence of Return Risk

| Year | BOY Balance | Return | Withdrawal | EOY Balance |
|------|-------------|--------|------------|-------------|
| 1991 | \$1,000,000 | 30.47% | \$79,713 | \$1,200,698 |
| 1990 | \$1,200,698 | -3.10% | \$79,713 | \$1,086,235 |
| 1989 | \$1,086,235 | 31.69% | \$79,713 | \$1,325,489 |
| 1988 | \$1,325,489 | 16.61% | \$79,713 | \$1,452,699 |
| 1987 | \$1,452,699 | 5.18% | \$79,713 | \$1,444,107 |
| 1986 | \$1,444,107 | 18.62% | \$79,713 | \$1,618,444 |
| 1985 | \$1,618,444 | 31.84% | \$79,713 | \$2,028,663 |
| 1984 | \$2,028,663 | 6.22% | \$79,713 | \$2,070,174 |
| 1983 | \$2,070,174 | 22.46% | \$79,713 | \$2,437,519 |
| 1982 | \$2,437,519 | 21.50% | \$79,713 | \$2,864,734 |

| Year | BOY Balance | Return | Withdrawal | EOY Balance |
|---------------------|-------------|---------|-------------|-------------|
| 1981 | \$2,864,734 | -4.88% | \$79,713 | \$2,649,112 |
| 1980 | \$2,649,112 | 32.45% | \$79,713 | \$3,403,169 |
| 1979 | \$3,403,169 | 18.45% | \$79,713 | \$3,939,634 |
| 1978 | \$3,939,634 | 6.52% | \$79,713 | \$4,108,392 |
| 1977 | \$4,108,392 | -7.19% | \$79,713 | \$3,739,017 |
| 1976 | \$3,739,017 | 23.81% | \$79,713 | \$4,530,585 |
| 1975 | \$4,530,585 | 37.14% | \$79,713 | \$6,103,925 |
| 1974 | \$6,103,925 | -26.31% | \$79,713 | \$4,439,925 |
| 1973 | \$4,439,925 | -14.67% | \$79,713 | \$3,719,986 |
| 19 Yrs. Average ROR | | 12.98% | \$1,514,547 | \$3,719,986 |

COMPARE

1973 - 1991

1991 - 1973

Figure 3: Backward running return sequence of \$1,000,000 - S&P 500 portfolio with annual withdrawals of \$79,713
Other starting years, rate of return sequences, market indexes, and life horizons will produce different results.

Solution: Sequence Defense

| Year | BOY Balance | Return | Withdrawal | EOY Balance |
|------|-------------|---------|------------|-------------|
| 1973 | \$1,000,000 | -14.67% | \$79,713 | \$785,281 |
| 1974 | \$785,281 | -26.31% | \$79,713 | \$519,934 |
| 1975 | \$519,934 | 37.14% | \$79,713 | \$603,719 |
| 1976 | \$603,719 | 23.81% | \$79,713 | \$648,772 |
| 1977 | \$648,772 | -7.19% | \$79,713 | \$528,144 |
| 1978 | \$528,144 | 6.52% | \$79,713 | \$477,670 |
| 1979 | \$477,670 | 18.45% | \$79,713 | \$471,380 |
| 1980 | \$471,380 | 32.45% | \$79,713 | \$518,764 |
| 1981 | \$518,764 | -4.88% | \$79,713 | \$417,625 |
| 1982 | \$417,625 | 21.50% | \$79,713 | \$410,564 |

| Year | BOY Balance | Return | Withdrawal | EOY Balance |
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| 1985 | \$345,691 | 31.64% | \$79,713 | \$350,134 |
| 1986 | \$350,134 | 18.62% | \$79,713 | \$320,774 |
| 1987 | \$320,774 | 5.18% | \$79,713 | \$253,548 |
| 1988 | \$253,548 | 16.61% | \$79,713 | \$202,710 |
| 1989 | \$202,710 | 31.69% | \$79,713 | \$161,975 |
| 1990 | \$161,975 | -3.10% | \$79,713 | \$79,713 |
| 1991 | \$79,713 | 30.47% | \$79,713 | \$0 |
| 19 Yrs. | Average ROR | 12.98% | \$1,514,547 | DEPLETED |

COMPARE

NO DEFENSE

WITH DEFENSE



Figure 5: Forward running return sequence of \$1,000,000 – S&P 500 portfolio with annual withdrawals of \$79,713
Other starting years, rate of return sequences, market indexes, and life horizons will produce different results.

Solution: Sequence Defense

| Year | BOY Balance | Return | Withdrawal | EOY Balance |
|------|-------------|---------|------------|-------------|
| 1973 | \$1,000,000 | -14.67% | \$79,713 | \$ 785,281 |
| 1974 | \$ 785,281 | -26.31% | \$ 0 | \$ 578,673 |
| 1975 | \$ 578,673 | 37.14% | \$ 0 | \$ 793,593 |
| 1976 | \$ 793,593 | 23.81% | \$79,713 | \$ 883,855 |
| 1977 | \$ 883,855 | -7.19% | \$79,713 | \$ 746,324 |
| 1978 | \$ 746,324 | 6.52% | \$ 0 | \$ 794,984 |
| 1979 | \$ 794,984 | 18.45% | \$79,713 | \$ 847,239 |
| 1980 | \$ 847,239 | 32.45% | \$79,713 | \$1,016,588 |
| 1981 | \$1,016,588 | -4.88% | \$79,713 | \$ 891,155 |
| 1982 | \$ 891,155 | 21.50% | \$ 0 | \$1,082,754 |

| Year | BOY Balance | Return | Withdrawal | EOY Balance |
|---------|-------------|--------|-------------|-------------|
| 1983 | \$1,082,754 | 22.46% | \$79,713 | \$1,228,324 |
| 1984 | \$1,228,324 | 6.22% | \$79,713 | \$1,220,054 |
| 1985 | \$1,220,054 | 31.64% | \$79,713 | \$1,501,145 |
| 1986 | \$1,501,145 | 18.62% | \$79,713 | \$1,686,103 |
| 1987 | \$1,686,103 | 5.18% | \$79,713 | \$1,689,601 |
| 1988 | \$1,689,601 | 16.61% | \$79,713 | \$1,877,290 |
| 1989 | \$1,877,290 | 31.69% | \$79,713 | \$2,367,229 |
| 1990 | \$2,367,229 | -3.10% | \$79,713 | \$2,126,603 |
| 1991 | \$2,126,603 | 30.47% | \$ 0 | \$2,892,002 |
| 19 Yrs. | Average ROR | 12.98% | \$1,115,982 | \$2,892,002 |

\$398,565 funded from Sequence Defense Resources. Total withdrawal of \$1,514,547.

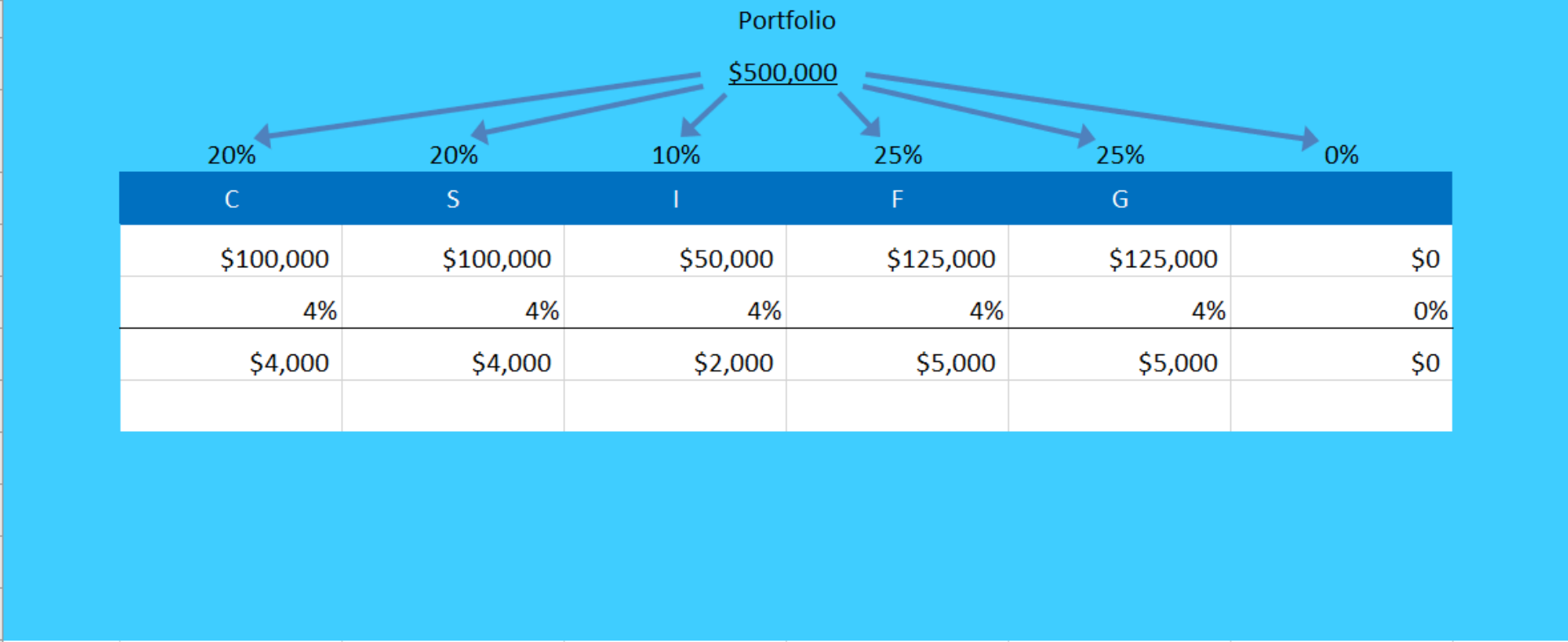
Figure 6: Same sequence with withdrawals from portfolio in green. Sequence Defense employed following down year. Other starting years, rate of return sequences, market indexes, and life horizons will produce different results.

COMPARE

NO DEFENSE

WITH DEFENSE



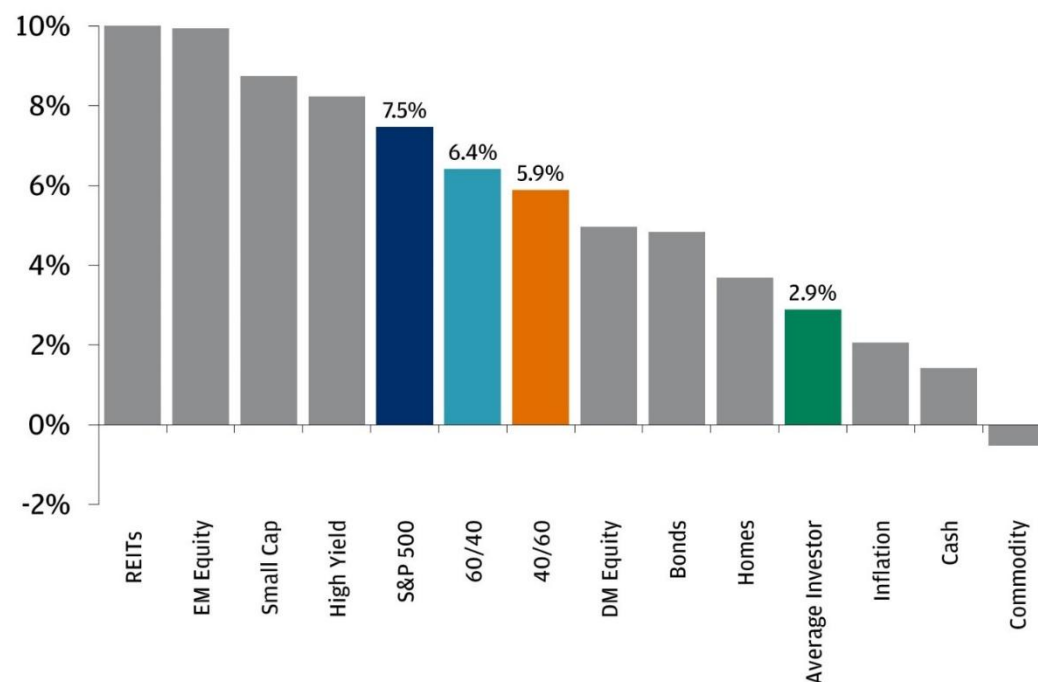


3.5%

Despite strong index returns over time, the “average investor” has underperformed a basic, indexed 60/40 portfolio by 3.5% annualized.

DIVERSIFICATION AND THE AVERAGE INVESTOR

20-year annualized return by asset class (2001 – 2020)

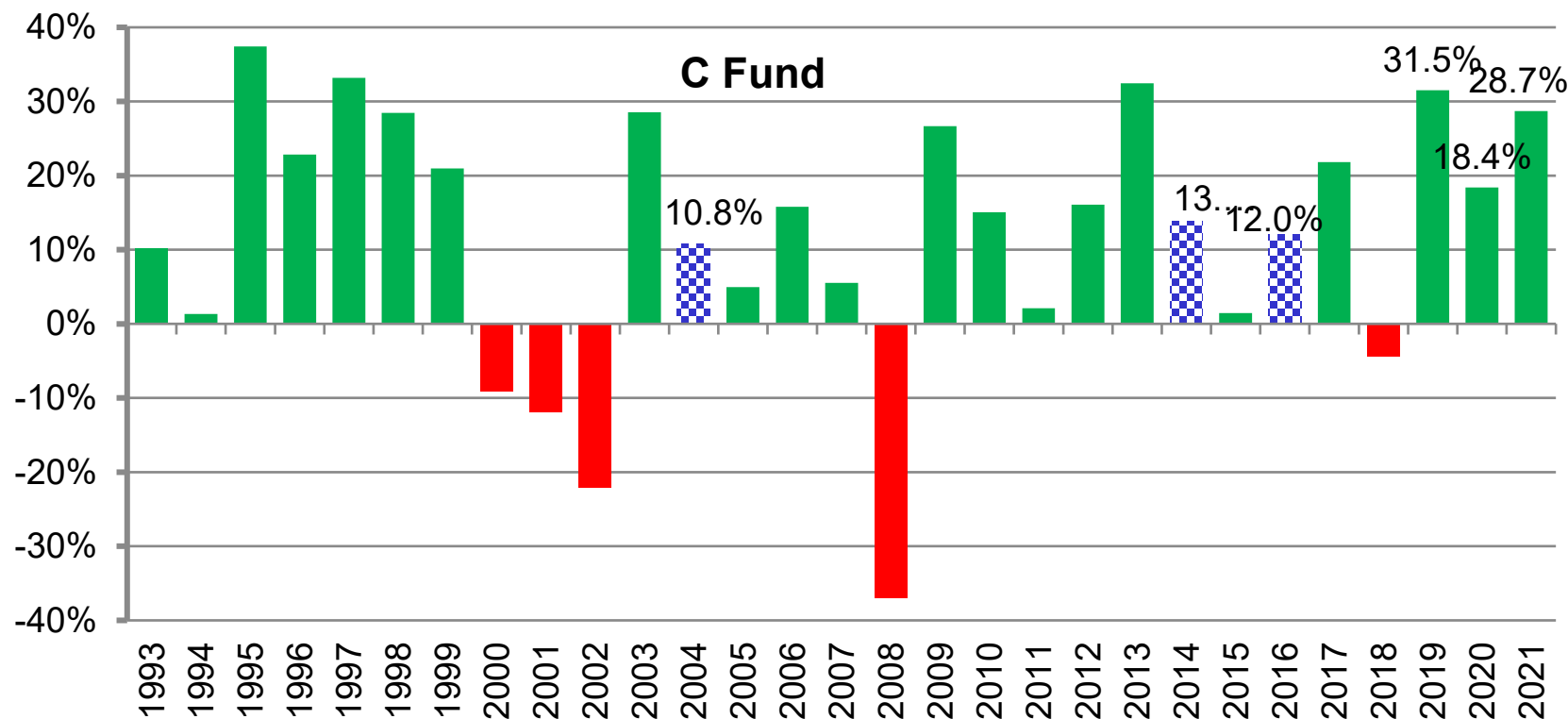


Source: DALBAR Inc., MSCI, NAREIT, Russell, J.P. Morgan Asset Management. Data as of December 31, 2020.

Volatility Illustrated: There Are Not Many “Average” Years for the Stock Market

TSP C Fund Calendar Year Returns, 1993 to 2021

The Average Annual Return for the C Fund was 12.3% for the 29-year period. But there were only three years when the returns were close to the average (+1.5% to -1.5%). The returns for all the other years were much higher or lower. That is an example of “volatility,” the high variation in returns compared to the average.



Note: The data assumes no further contributions and reinvestment of all income. It does not account for taxes. Standard & Poor's 500 Index. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. Past performance is no guarantee of future performance.

Recent Investment Returns for the TSP Funds

Rates of return (as of November 30, 2024)

| Year | G Fund Bonds/US Govt Short Term | F Fund Bonds/US Intermediate | C Fund Stocks- Large US Companies (S&P 500) | S Fund Stocks – Small and Medium US Companies | I Fund Stocks - International |
|--------------------|---------------------------------------|------------------------------------|--|--|-------------------------------------|
| Inception date | 4/1/1987 | 1/29/1988 | 1/29/1988 | 5/1/2001 | 5/1/2001 |
| 1 year | 4.43% | 6.93% | 33.84% | 38.94% | 13.08% |
| 3 year | 3.78% | -1.84% | 11.40% | 5.35% | 4.73% |
| 5 year | 2.74% | 0.09% | 15.72% | 11.98% | 6.35% |
| 10 year | 2.51% | 1.58% | 13.33% | 10.44% | 5.49% |
| Since inception | 4.65% | 5.31% | 11.27% | 9.71% | 5.16% |

TSP Fund - 2

| Year | G Fund | F Fund | C Fund | S Fund | I Fund |
|------|--------|---------|---------|---------|---------|
| 2022 | 2.98% | -12.83% | -18.13% | -26.26% | -13.94% |
| 2018 | 2.91% | 0.15% | -4.41% | -9.26% | -13.43% |
| 2008 | 3.75% | 5.45% | -36.99% | -38.32% | -42.43% |
| 2002 | 5.00% | 10.27% | -22.05% | -18.14% | -15.98% |
| 2001 | 5.39% | 8.61% | -11.94% | | |
| 2000 | 6.42% | 11.67% | -9.14% | | |

Conventional

| Additional Information | | | | | Employee | Match | Add. | Regular Savings | CD's | College Savings | Rate Future Value | | |
|--|--------------------------|-------------------|-----------|---------------|----------|-------|------|---------------------------|----------|-----------------|-------------------|-----------|-----------|
| Taxable Income | | | | | | | | | | | 1% | 0 | |
| Risk Score | | | | | | | | | | | 1% | 0 | |
| | | | | | | | | | | | 4% | 0 | |
| Retirement Income Pro Calculate | | | | | | | | | | | | | |
| Spouse A 67 to 71 | | | | | | | | Spouse A | | | | | |
| WD | 0.0% | Pension | \$35,000 | | | | | Tax Deferred | Tax Free | Tax Deductible | | | |
| COLA | 0.0% | Social Security | \$37,500 | | | | | | | | 4% | 0 | |
| 0.0% | 0.0% | Tax Deferred | \$0 | | | | | | | | 4% | 0 | |
| 0.0% | 0.0% | Tax Free | \$0 | | | | | | | | 4% | 1,232,549 | |
| 3.4% | 0.0% | Tax Deductible | \$41,097 | | | | | | | | | | |
| TOTAL | | | \$113,597 | | | | | | | TSP | 1,208,733 | | |
| Spouse B 68 to 72 | | | | | | | | Spouse B | | | | | |
| COLA | 0.0% | Pension | \$0 | | | | | Tax Deferred | Tax Free | Tax Deductible | | | |
| WD | 0.0% | Social Security | \$32,000 | | | | | | | | 4% | 0 | |
| | 0.0% | Tax Deferred | \$0 | | | | | | | | 4% | 0 | |
| | 0.0% | Tax Free | \$0 | | | | | | | | 4% | 960,001 | |
| 3.5% | 0.0% | Tax Deductible | \$33,094 | | | | | | | 401(k) | 945,547 | | |
| TOTAL | | | \$65,094 | | | | | | | | | | |
| W/D Rate from Cash Assets | | | \$0 | | 0 | 0 | 0 | Savings Type Assets Total | | | | | 2,192,551 |
| Total Income at year # 4 = \$178,691 | | | | | | | | | | | | | |
| 0.0% | Target Retirement Income | | | \$178,460 | | | | | | | | | |
| Debt Window | | | | | | | | | | | | | |
| Type of Loan | \$ /Month P&I | \$ Unpaid Balance | % Rate | Months to Pay | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| Additional Information | | | | | | | | | | | | | |
| | | | | | 0 | 0 | 0 | Growth Type Assets Total | | | | | 0 |

| | 1988 | Investment | | | | G Fund | | | |
|---------|------|---------------------------------|----------------------|-----------------------|---|--------|------------|------------|-------------|
| | | S&P 500 without dividends | Annual Withdrawal | Investment Balance | | Annual | Withdrawal | Investment | |
| | Yr | ROR | Amount | Balance | | ROR | Amount | Balance | |
| 1988 | 1 | 12.40 | 20,000 | 539,520 | · | 8.81 | 20,000 | 544,050 | |
| 1989 | 2 | 27.25 | 20,600 | 660,489 | · | 8.81 | 20,600 | 569,619 | |
| 1990 | 3 | (6.56) | 0 | 597,216 | · | 8.90 | 42,436 | 597,370 | |
| 1991 | 4 | 26.31 | 21,855 | 727,705 | · | 8.15 | 21,855 | 622,720 | |
| 1992 | 5 | 4.46 | 22,510 | 736,922 | · | 7.23 | 22,510 | 644,052 | |
| 1993 | 6 | 7.06 | 23,185 | 764,788 | · | 6.14 | 23,185 | 659,562 | |
| 1994 | 7 | (1.54) | 0 | 729,293 | · | 7.22 | 57,315 | 682,534 | |
| 1995 | 8 | 34.11 | 24,597 | 951,155 | · | 7.03 | 24,597 | 705,444 | |
| 1996 | 9 | 20.26 | 25,335 | 1,118,087 | · | 6.76 | 25,335 | 727,651 | |
| 1997 | 10 | 31.01 | 26,095 | 1,439,697 | · | 6.77 | 26,095 | 751,033 | |
| 1998 | 11 | 26.67 | 26,878 | 1,799,260 | · | 5.74 | 26,878 | 767,797 | |
| 1999 | 12 | 19.53 | 27,685 | 2,126,126 | · | 5.99 | 33,222 | 787,071 | |
| 2000 | 13 | (10.14) | 0 | 1,879,604 | · | 6.42 | 57,030 | 810,616 | |
| 2001 | 14 | (13.04) | 0 | 1,600,914 | · | 5.39 | 58,741 | 826,682 | |
| 2002 | 15 | (23.37) | 0 | 1,186,777 | · | 5.00 | 60,504 | 839,850 | |
| 2003 | 16 | 26.38 | 31,159 | 1,482,401 | · | 4.11 | 31,159 | 845,345 | |
| 2004 | 17 | 8.99 | 32,094 | 1,589,251 | · | 4.30 | 32,094 | 852,316 | |
| 2005 | 18 | 3.00 | 33,057 | 1,606,129 | · | 4.49 | 33,057 | 860,906 | |
| 2006 | 19 | 13.62 | 34,049 | 1,802,860 | · | 4.93 | 34,049 | 873,652 | |
| 2007 | 20 | 3.53 | 35,070 | 1,835,043 | · | 4.87 | 35,070 | 886,113 | |
| 2008 | 21 | (38.49) | 0 | 1,047,423 | · | 3.75 | 72,244 | 887,623 | |
| 2009 | 22 | 23.45 | 37,206 | 1,287,150 | · | 2.97 | 37,206 | 880,745 | |
| 2010 | 23 | 12.78 | 38,322 | 1,432,590 | · | 2.81 | 38,322 | 871,408 | |
| Average | | 9.03 | | 479,699 | | 5.94 | 833,506 | 871,408 | 2,303,998.0 |

| | 1999 | Investment | | | G Fund | | | |
|---------|-----------|---------------------------------|----------------------|----------------|------------|----------------------|----------------|-----------|
| | | S&P 500 without dividends | Annual Withdrawal | Investment | Annual | Annual Withdrawal | Investment | |
| | <u>Yr</u> | <u>ROR</u> | <u>Amount</u> | <u>Balance</u> | <u>ROR</u> | <u>Amount</u> | <u>Balance</u> | |
| 1999 | 1 | 19.53 | 20,000 | 573,744 | 5.99 | 30,000 | 529,950 | |
| 2000 | 2 | (10.14) | 0 | 496,994 | 6.42 | 41,200 | 542,089 | |
| 2001 | 3 | (13.04) | 0 | 413,498 | 5.39 | 42,436 | 549,044 | |
| 2002 | 4 | (23.37) | 0 | 299,258 | 5.00 | 43,709 | 553,732 | |
| 2003 | 5 | 26.38 | 22,510 | 351,385 | 4.11 | 22,510 | 553,309 | |
| 2004 | 6 | 8.99 | 23,185 | 358,547 | 4.30 | 23,185 | 553,322 | |
| 2005 | 7 | 3.00 | 23,881 | 345,103 | 4.49 | 23,881 | 553,808 | |
| 2006 | 8 | 13.62 | 24,597 | 366,590 | 4.93 | 24,597 | 556,180 | |
| 2007 | 9 | 3.53 | 25,335 | 354,119 | 4.87 | 25,335 | 557,826 | |
| 2008 | 10 | (38.49) | 0 | 190,498 | 3.75 | 52,191 | 552,768 | |
| 2009 | 11 | 23.45 | 26,878 | 210,467 | 2.97 | 26,878 | 542,583 | |
| 2010 | 12 | 12.78 | 27,685 | 211,745 | 2.81 | 27,685 | 530,599 | |
| 2011 | 13 | 0.00 | 28,515 | 183,230 | 2.45 | 28,515 | 515,667 | |
| 2012 | 14 | 13.41 | 29,371 | 182,769 | 1.47 | 29,371 | 494,352 | |
| 2013 | 15 | 29.60 | 30,252 | 218,968 | 1.89 | 45,378 | 474,233 | |
| 2014 | 16 | 11.39 | 31,159 | 218,669 | 2.31 | 31,159 | 455,229 | |
| 2015 | 17 | (0.73) | 0 | 184,518 | 2.04 | 64,188 | 433,709 | |
| 2016 | 18 | 9.54 | 33,057 | 176,241 | 1.82 | 33,057 | 409,915 | |
| 2017 | 19 | 19.42 | 34,049 | 193,564 | 2.33 | 34,049 | 387,474 | |
| 2018 | 20 | (6.24) | 0 | 140,030 | 2.91 | 70,140 | 366,658 | |
| 2019 | 21 | 28.80 | 36,122 | 178,050 | 2.24 | 36,122 | 341,379 | |
| 2020 | 22 | 16.26 | 37,206 | 191,507 | 0.97 | 37,206 | 308,779 | |
| 2021 | 23 | 26.89 | 38,322 | 245,214 | 1.38 | 38,322 | 276,799 | |
| Average | | 7.59 | 492,125 | 245,214 | 3.34 | 831,116 | 276,799 | 522,013.0 |
| | | Average | Total W/D | Balance | Average | Total W/D | Balance | |

What Type of Fed Are You?

Do It Yourselfer

You love coming to financial seminars

You can't wait to be your own full time advisor in retirement

Not Sure

You can handle the finances but not sure you want to

You can tolerate financial speak but unclear if you want to think about this in retirement

100% I'm Not Doing It!

You are in pursuit of finding the right advisor and relationships matter to you

Have you ever had someone tell you "Oh it's not hard, you can do it"

We are going to examine two different Income Distribution Strategies:

What is the Alternative Approach?

- Still utilizes the markets for growth but doesn't rely solely on the markets to sustain income, protection, and legacy in retirement.
- This alternative is typically more strategy driven using various assets types to reduce income risk and increase legacy (Legacy is for people who have a desire to pass on money to their Ares, charities, institutions, etc)
- The objective is to reduce risk and increase income, protection, and ensure legacy if desired.

Alternative Method

**Paydown vs.
Interest Only**

**Reduce
Pressure on
Capital**

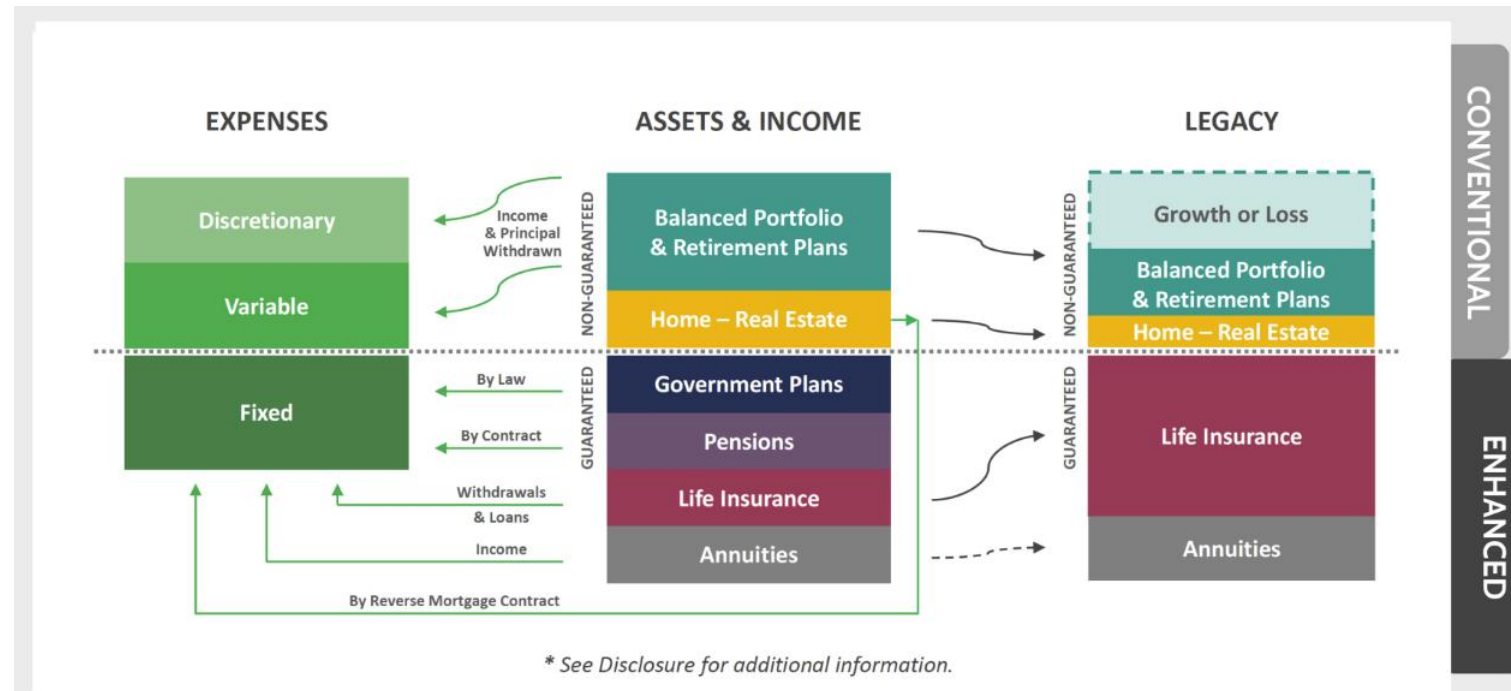
**Reduce
Pressure of
Withdrawal
Rates**

**Reduce
Income Risks**

**Reduce
Fear**

**Inflation
Protection**

Alternative Retirement Approach



Alternative

[illegible]

Conventional

| | | | | |
|--|--------------------------|-------------------|-----------|---------------|
| Taxable Income | | | | |
| Risk Score | | | | |
| | | | | |
| Retirement Income Pro Calculate | | | | |
| Spouse A 67 to 71 | | | | |
| WD | 0.0% | Pension | \$35,000 | |
| COLA | 0.0% | Social Security | \$37,500 | |
| 0.0% | 0.0% | Tax Deferred | \$0 | |
| 0.0% | 0.0% | Tax Free | \$0 | |
| 3.4% | 0.0% | Tax Deductible | \$41,097 | |
| TOTAL | | | \$113,597 | |
| Spouse B 68 to 72 | | | | |
| COLA | 0.0% | Pension | \$0 | |
| WD | 0.0% | Social Security | \$32,000 | |
| | 0.0% | Tax Deferred | \$0 | |
| | 0.0% | Tax Free | \$0 | |
| 3.5% | 0.0% | Tax Deductible | \$33,094 | |
| TOTAL | | | \$65,094 | |
| W/D Rate from Cash Assets | | | \$0 | |
| | | | | |
| Total Income at year # 4 = \$178,691 | | | | |
| 0.0% | Target Retirement Income | | \$178,460 | |
| Debt Window | | | | |
| Type of Loan | \$/Month P&I | \$ Unpaid Balance | % Rate | Months to Pay |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| Additional Information | | | | |

| | | | | |
|------------------|------------------|-------------------|-------------------------------------|--------------|
| | | | 1% | 0 |
| | | | 1% | 0 |
| | | | 4% | 0 |
| | | | | |
| Spouse A | | | | |
| Tax Deferred | Tax Free | Tax Deductible | | |
| | | | 4% | 0 |
| | | | 4% | 0 |
| | | | 4% | 1,232,549 |
| | | TSP 1,208,733 | | |
| | | | | |
| Spouse B | | | | |
| Tax Deferred | Tax Free | Tax Deductible | | |
| | | | 4% | 0 |
| | | | 4% | 0 |
| | | | 4% | 960,001 |
| | | 401(k) 945,547 | | |
| | | | | |
| 0 | 0 | 0 | Savings Type Assets Total 2,192,551 | |
| | | | | |
| Government Bonds | Corporate Bonds | Municipal Bonds | Rate | Future Value |
| | | | 5% | 0 |
| | | | 5% | 0 |
| | | | 5% | 0 |
| | | | | |
| Preferred Stocks | Blue Chip Stocks | Growth Securities | | |
| | | | 5% | 0 |
| | | | 5% | 0 |
| | | | 4% | 0 |
| | | | | |
| Real Estate | Primary | Trust | | |
| | | | | |
| | | | | |
| 0 | 0 | 0 | Growth Type Assets Total 0 | |

Characteristics of conventional vs. alternative

one strategy over the other

Conventional

1

Comfortable with Market Volatility

2

Like Full Control

3

Legacy is important to them.

4

Driven by watching the portfolio grow

5

Comfortable with all the moving pieces

- Understanding how to rebalance.
- Understands how to navigate income distributions in good and bad markets.
- Understands how to navigate RMD's when the time comes.

Alternative

1

Not as comfortable with market volatility

2

Like less management

3

Not as driven to pass on Legacy

4

Overwhelmed by the finance.

5

Like simplicity
- Not a lot of moving pieces

6

Conservative to very conservative with investments that require a withdrawal rate need of 3-4%



Retirement
Pressures

Retirement
Risks

Build
a Better
Retirement

Retire on
Your Terms

Next
Steps

**The Closer you get to retirement the
more conservative you should get!**

**Just don't take more than 4%
from your investments and you
will be fine in retirement!**

You can do this all yourself!

Don't pay fees!

I'm just going to self-Insure!

Long Term Care is Too expensive!

I'll get to that when I retire!

**I'll wait to I get closer to
retirement!**



ACCUMULATION



DISTRIBUTION

What Type Of Fed Are you ?

Do It Yourselfer

You love coming to financial seminars

You can't wait to be your own full time advisor in retirement

Not Sure

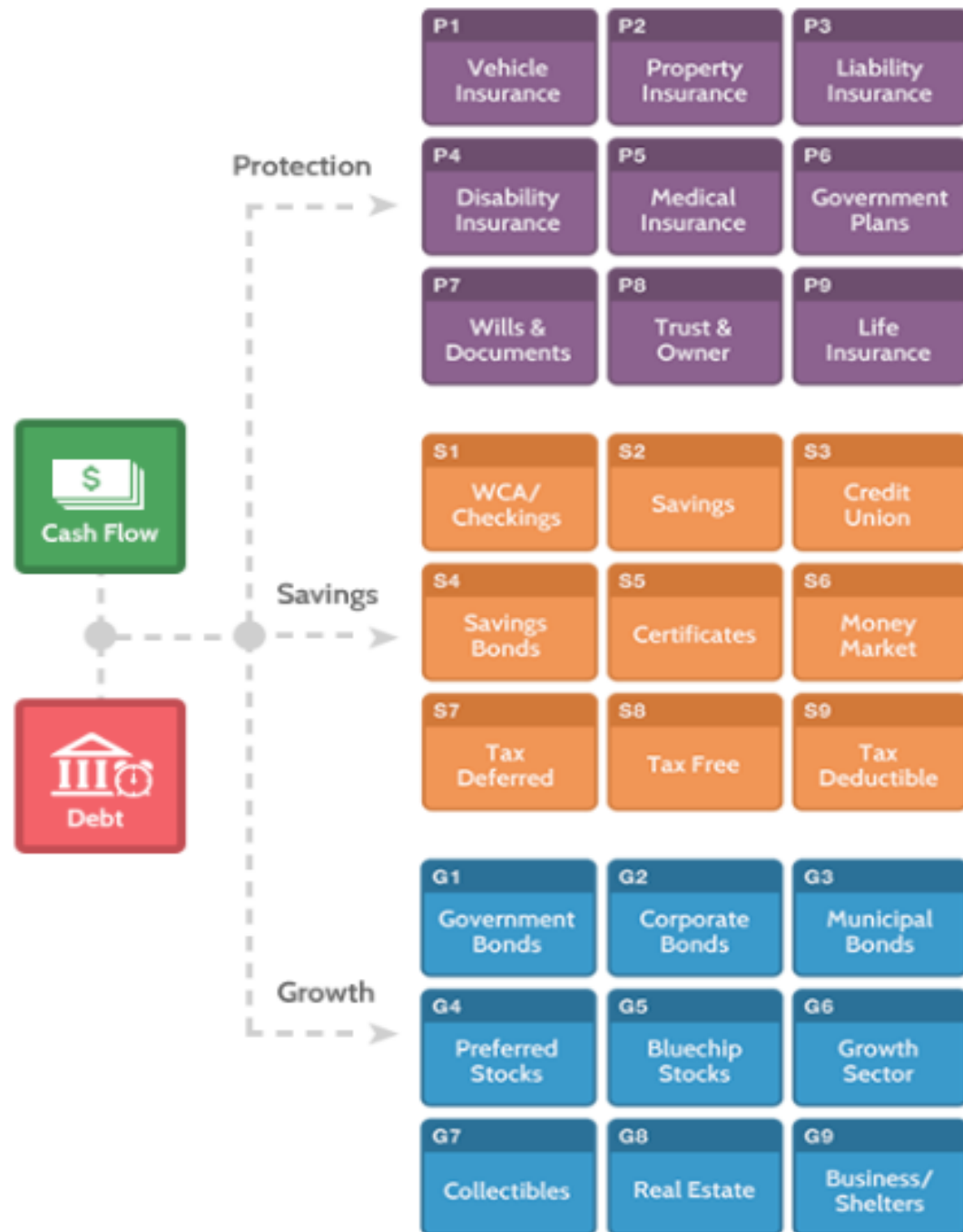
You can handle the finances but not sure you want to

You can tolerate financial speak but unclear if you want to think about this in retirement

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You are in pursuit of finding the right advisor and relationships matter to you

Have you ever had someone tell you "Oh it's not hard, you can do it"





THE SOCIETY FOR FINANCIAL AWARENESS

DC Metropolitan Chapter www.dcsdfa.org



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<https://www.surveymonkey.com/r/DCSOFASURVEY>

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