



**WSB
Financial
Foundation
Educational
Program**

W o r k b o o k

*A National Campaign for
Financial Literacy*

RETIREMENT
PLANNING

WEALTH
PRESERVATION

Workbook 4: Retirement & Wealth Preservation

Fill in the blanks to find out what you will learn in class 4:

Fixed, indexed, and variable annuities

Estate Planning

Income

Medicare

IRAs and retirement plans

Long Term Care

- ❖ What sources of _____ you will have for retirement.
- ❖ Understanding key differences among _____.
- ❖ How _____ work.
- ❖ What is my plan for _____?
- ❖ Does _____ cover all of my costs?
- ❖ _____ is not only for the wealthy.

Retirement and Wealth Preservation

The Good News

Average American Life Expectancy*

Age _____ for men

Age _____ for women

The Bad News:

Most people are _____ for their retirement.

Retirement has less to do with reaching age 65. It has to do with _____ saved.

What are your sources of Retirement Income?

	Amount	%
Social Security	_____	_____
Company Pension	_____	_____
Savings	_____	_____
IRA	_____	_____
401(k)	_____	_____
Spouse's Pension	_____	_____
Home Equity	_____	_____
Part Time Work	_____	_____
Other	_____	_____

If your current income is \$60k per year, how much would you need for retirement according to the 10/20 Rule?

_____ x 20 = _____

*<http://www.wsj.com/articles/rising-u-s-lifespans-spell-likely-pain-for-pension-funds-1414430683>

Traditional IRA vs Roth IRA

	Traditional IRA	Roth IRA
Tax Deduction on Contribution		
Requires Minimum Distribution		
Earnings		

Tax Deferred vs Tax Advantaged

Two types of retirement plans:

Defined _____ plan

Defined _____ plan

In 401(k) plans, you will receive a fixed payout at retirement. True or False

Pension plans are a Defined Contribution Plan. True or False

Your company is required to contribute to your Defined Contribution Plan. True or False

Pension plans are growing more popular with companies. True or False

In 2015, if you are 52 years old, your maximum IRA contribution is \$6,500. True or False

A catch-up contribution is an increased contribution for younger workers. True or False

Name 4 Advantages of 401(k), 403(b), 457 Plans:

1. _____
2. _____
3. _____
4. _____

Retirement savings contribution limits have increased

Some of the contribution limits for various retirement savings accounts increased from 2014 to 2015, along with the catch-up contributions allowed for savers over age 50. Here's what changed*:

Account type	2014 Contribution Limit (Catch-Up)	2015 Contribution Limit (Catch-Up)	% Increase
IRA	\$5,500 (\$1,000)	\$5,500 (\$1,000)	0%
401(k)/403(b) - Elective deferrals	\$17,500 (\$5,500)	\$18,000 (\$6,000)	2.9% (9.1%)
401(k)/403(b) -Total (Including employer)	\$52,000	\$53,000	1.9%
SIMPLE IRA	\$12,000 (\$2,500)	\$12,500 (\$3,000)	4.2% (20%)
SEP IRA	\$52,000	\$53,000	1.9%

It's also worth mentioning that the 2015 limits will carry over into 2016. For example, if you have an IRA, you'll be allowed to contribute up to \$5,500 (\$6,500 if you're over 50) for both the 2015 and 2016 tax years.

*<http://www.fool.com/retirement/general/2015/12/23/heres-how-retirement-saving-changed-in-2015.aspx>

Rollover Chart*

		Roll To							
		Roth IRA	Traditional IRA	Simple IRA	SEP IRA	Governmental 457(b)	Qualified Plan ¹ (pre-tax)	403(b) (pre-tax)	Designated Roth Account (401(k), 403(b) or 457(b))
Roll From	Roth IRA	YES ²	NO	NO	NO	NO	NO	NO	NO
	Traditional IRA	YES ³	YES ²	NO	YES ²	YES ⁴	YES	YES	NO
	SIMPLE IRA	YES ³ , after two years	YES ² , after two years	YES ²	YES ² , after two years	YES ⁴ , after two years	YES, after two years	YES, after two years	NO
	SEP IRA	YES ³	YES ²	NO	YES ²	YES ⁴	YES	YES	NO
	Governmental 457(b)	YES ³	YES	NO	YES	YES	YES	YES	YES ^{3, 5}
	Qualified Plan¹ (pre-tax)	YES ³	YES	NO	YES	YES ⁴	YES	YES	YES ^{3, 5}
	403(b) (pre-tax)	YES ³	YES	NO	YES	YES ⁴	YES	YES	YES ^{3, 5}
	Designated Roth Account (401(k), 403(b) or 457 (b))	YES ³	NO	NO	NO	NO	NO	NO	YES ⁶

1 Qualified plans include, for example, profit-sharing, 401(k), money purchase and defined benefit plans.

2 Only one rollover in any 12-month period.

3 Must include in income.

4 Must have separate accounts.

5 Must be an in-plan rollover.

6 Any amounts distributed must be rolled over via direct (trustee-to-trustee) transfer to be excludable from income.

*http://www.irs.gov/pub/irs-tege/rollover_chart.pdf

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Employees of public schools, universities, hospitals and tax exempt organizations 501(c)(3) are eligible to participate in: a) 401(k) b) 403(b) c) 457

Can a federal employee participate in a 457 plan? Yes or No

Can an employee make contributions to a SEP IRA? Yes or No

Can an employee make contributions to a SIMPLE IRA? Yes or No

Name some potential benefits of Rollover IRA:

Can you rollover a Traditional IRA into a Roth IRA? Yes or No

Can you rollover a Roth IRA into a Traditional IRA? Yes or No

Can you rollover a SIMPLE IRA into a SEP IRA? Yes or No

Can you rollover a SEP IRA into a SIMPLE IRA? Yes or No

Name 3 Types of Annuities:

1. _____

2. _____

3. _____

The S&P 500 may better reflect the US economy than the Dow Jones because:

- a) The S&P 500 tracks the performance of 500 companies versus the Dow Jones Industrial Average's 30 companies.
- b) The S&P 500 represents a greater cross section of the US economy.
- c) All of the above

How much money can you put into an annuity?

- a) \$5,500 per year / catch up \$6,500
- b) \$2,500 per year
- c) \$53,000 per year
- d) No limit

Contributions in annuities grow tax deferred. However, annuity distributions are:

- Taxable Tax Advantaged

Investment Performance of Annuities:

- | | | |
|----------------------------|-------------------------------------|---|
| ❖ Fixed, Indexed Annuities | <input type="checkbox"/> Guaranteed | <input type="checkbox"/> Not guaranteed |
| ❖ Variable Annuity | <input type="checkbox"/> Guaranteed | <input type="checkbox"/> Not guaranteed |

Bill is 58 years old and considering an annuity with a 10% bonus and a 10 year surrender charge period. Should he buy it?

- a) Yes b) No c) Find an annuity with a shorter surrender charge period

Immediate Annuity

You give a _____ to the insurance company in exchange for a series of _____.

Mary puts \$200,000 in an annuity. It accumulates a \$100,000 gain, resulting in a total value of \$300,000. So Mary decides to take out \$150,000 at age 60. How much tax will she pay at a 30% tax bracket? a) \$50,000 b) \$60,000 c) \$45,000

Tony is 65 and wants to retire. He chooses lifetime income with 20 years period certain option. He dies at 73. How long will his spouse continue to receive payments?

- a) 20 years b) 12 years c) Nothing. Payments end at his death.

Long Term Care (LTC)

There is a strong possibility people will need LTC.

People over 65 years of age: _____ out of 10 people.*

People between the ages of 18 and 64: _____ out of 10 people.**

To qualify for LTC, list 6 daily activities that you cannot perform:

- | | |
|----------|----------|
| 1. _____ | 4. _____ |
| 2. _____ | 5. _____ |
| 3. _____ | 6. _____ |

LTC Is Getting Costly***

Home Health Aide: \$21 per hour	\$_____ annually
Homemaker Services: \$19 per hour	\$_____ annually
Assisted Living Facility: \$110 per day	\$_____ annually
Adult Daycare Center: \$69 per day	\$_____ annually
Nursing Home (Semi-private room): \$209 per day	\$_____ annually
Nursing Home (Private room): \$233 per day	\$_____ annually

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

Risk of developing Alzheimer's Disease****

Over 65: 1 in _____ people

Over 85: 1 in _____ people

If you have few assets and live on Social Security benefits, should you buy LTC? Yes or No

*http://www.longtermcare.gov/LTC/Main_Site/index.aspx

**http://www.longtermcare.gov/LTC/Main_Site/Paying/Costs/Index.aspx

*** The costs for these services are based on national averages. American Association of Long-Term Care Insurance, 2012, AALTCI

****https://www.alz.org/downloads/facts_figures_2012.pdf

Medicare Has 4 Parts

Part A is insurance for _____.

Part B is insurance for _____.

Part D is insurance for _____.

Part C is insurance for both _____ and _____. _____ is also usually included.

Apply for Medicare

If your birthday is in the month of May, when is your Initial Enrollment period?

- a) May to November
- b) April to July
- c) February to August

If you fail to enroll in the Initial Enrollment period, you can still enroll during the General Enrollment Period from: _____ to _____.

Say you are over 65, still working, and have health insurance from your employer. If you terminate your employment in May, when is the window for your Special Enrollment Period?

- a) May to November
- b) April to July
- c) February to August

Medicare Supplement is also called MediGap because it covers the _____ that Medicare does not cover in Part A and Part B such as deductibles, copay, coinsurance and travel outside the US.

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Medicare Supplement pays for basic Dental care and Vision. True or False

Benefits of Medicare Supplement/MediGap plans differ from one insurance company to the next. True or False

Which Medicare Supplement Plan provides the most coverage?

- a) Plan A b) Plan G c) Plan F

Medicare Part C is also called _____.

When it comes to Medicare insurance:

If you think of PPO, you think about _____.

If you think of HMO, you think about _____.

Which typically costs more? a) Medicare Supplement b) Medicare Advantage

Average lifetime health care costs for a couple during retirement are _____.

Including Dental, Vision, copays, and out of pocket expenses, the cost is _____.*

Can you get Medicare Supplement coverage while retiring and living overseas?

Yes or No

Will Medicare Advantage cover you if you travel outside the plan's network or out of state?

- a) Yes b) No c) Depends on plan

Do all Medicare Advantage plans have the same coverage like MediGap? Yes or No

MEDICARE SUPPLEMENT PLANS

MEDIGAP

2015 Medicare Supplement Plans										
Medicare Supplement Benefits	A	B	C	D	F	G	K	L	M	N
Medicare Part A coinsurance hospital costs up to an additional 365 days after Medicare benefits are exhausted	x	x	x	x	x	x	x	x	x	x
Medicare Part B copayment or coinsurance coverage	x	x	x	x	x	x	50%	75%	x	x***
First 3 pints of blood	x	x	x	x	x	x	50%	75%	x	x
Part A hospice care coinsurance or copayment	x	x	x	x	x	x	50%	75%	x	x
Skilled Nursing Facility (SNF) care coinsurance			x	x	x	x	50%	75%	x	x
Medicare Part A deductible		x	x	x	x	x	50%	75%	50%	x
Medicare Part B deductible			x		x					
Medicare Part B 'excess charges'					x	x				
Foreign travel emergency coverage (up to plan limits)			80%	80%	80%	80%			80%	80%
Medicare Part B preventative care coinsurance	x	x	x	x	x	x	x	x	x	x

Out of Pocket Limit**	
\$4,940	\$2,470

Rethinking Your House

Moving to a smaller home after retirement provides some potential advantages. List 5:

1. _____
2. _____
3. _____
4. _____
5. _____

Estate Planning*

Estate planning is the process of determining the distribution of your _____ upon your death. It also covers the management of your _____ in the event of incapacity.

Everyone has an estate. List 6 items you own that are considered part of your estate:

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____

*WFG does not offer estate planning services.

Basic Estate Preservation

Everyone needs basic estate planning. You don't have to be wealthy to be affected by estate planning issues. Use this as a simple guide to get started. Consult with an attorney for advice on legal issues!

- 1. Make a will.** Who would you want your property to go to if something happens to you? If you have minor children, name a guardian in the event something would happen to you and your spouse.
- 2. Consider a trust.** If you hold your property in a Living Trust, your estate would not have to go through probate court, which is an expensive and time-consuming process. Ask your attorney if it makes sense in your case.
- 3. Make health care directives.** Every hospital has forms you can get called "Advance Directives." The purpose is to protect your wishes should you not be able to make decisions for yourself. You will have the chance to name someone else to make decisions on your behalf if you cannot. Don't put your family through the agonizing process of wondering what you would want. Do this right now: today!
- 4. Create a fiduciary power of attorney.** With a durable power of attorney for your finances, you can give a trusted person the authority to handle your finances properly if you become incapacitated or unable to do it yourself. This does not have to be an attorney, just someone you trust.
- 5. Protect your children's property.** You should name an adult to manage any money and property your minor children may inherit from you. It can be the legal guardian you name, or someone else.
- 6. File beneficiary forms.** Naming a beneficiary for your bank accounts and retirement plans make the account "automatically payable" upon your death to that beneficiary, without passing through the probate process. In most states you can register your investment accounts to transfer to a beneficiary upon your death.

7. **Consider life insurance.** If you have children or a home, you may owe significant debts or taxes when you die and life insurance may be a good idea. You can provide for all your debt and taxes to be paid as well as leave some income to your children's guardian to provide for their care and college expenses.
8. **Understand estate taxes.** If you and your spouse together own assets worth at least \$1 million, you may want to consider taking steps to reduce the estate taxes due upon the second spouse's death. Discuss tax-free gifting, or other kinds of trusts and insurance planning with your attorney and financial advisor to solve this problem.
9. **Cover your final expenses.** This is another area that life insurance may make the most sense for, rather than a prepayment plan that may be unreliable in the future.
10. **Make final arrangements** according to your wishes regarding burial or cremation, and keep this with your advance directives and other important papers.
11. **Protect your business.** If you own a business, you should have a succession plan. If you own a business with others, you should have a buy-out agreement. It is never too early to do this planning. Have this discussion with your financial professional.
12. **Store your documents.** The executor or attorney that you have appointed will need to have access to the following documents. Keep them together in a safe place.
 - Will
 - Trust
 - Real estate deeds
 - Certificates for stocks, bonds, annuities
 - Information and statements for all retirement accounts, mutual funds or other investment accounts.
 - Information on all debt: mortgages and loans, credit cards, utilities and unpaid taxes
 - Information on any funeral or final expense plans, and all insurance policies and advance directives

Basic Estate Preservation Worksheet

1. To ensure that my property will go to whom I choose when I die, I can create a simple _____.
2. To avoid the probate process, I can consider a _____.
3. I would not want my family to have to try to figure out what my wishes are if I became unable to make decisions for myself, so I can fill out _____.
4. I can give authority to a trusted person to manage my accounts and my finances if I am unable to by signing a _____.
5. To protect my children, I will name a _____.
6. To make sure all my investment accounts would go to the persons I specify, I can register and frequently update my _____.
7. To protect my children, their education and cover my debt, I will evaluate the correct amount of _____.
8. If my total estate is over \$1 million, I may be subject to _____.
9. I can direct that a portion of my life insurance proceeds goes to pay for _____.
10. To ensure my final expenses are handled according to my wishes, I will keep this instruction in a _____ along with my other important papers and will.
11. If I own a business, I need a _____ plan. If I have a partner in the business, I need a _____.
12. All my important documents: trusts, wills, agreements, insurance, debt, retirement and investment accounts, and any CDs or annuities need to be kept together, and in a _____.

Tax and/or legal advice not offered by World Financial Group, Inc, or their affiliated companies. Please consult with your personal tax professional or legal advisor for further guidance on tax or legal matters.

Have a Plan of Action:

Increase your _____.

Spend _____ . Save _____.

Reduce your _____ and _____.

Understand how _____ works.

Have a clear _____.

Have a life of _____.

Embrace _____ and expect to _____.

Find something to believe in and put your life to work for it.

Homework: 4

- ❖ Sit down with your Trainer to see if you are on track toward your retirement goals.
- ❖ Evaluate your needs for health care during retirement and what plan would be best for you.
- ❖ When was the last time you updated your wills and/or trusts? _____
- ❖ Read pages 48 to 50 and 68 to 86 of *Saving Your Future*.
- ❖ Who are 3 to 5 people who could benefit from our training?

1. _____

2. _____

3. _____

4. _____

5. _____

- ❖ Commit to introduce one person this week: _____