

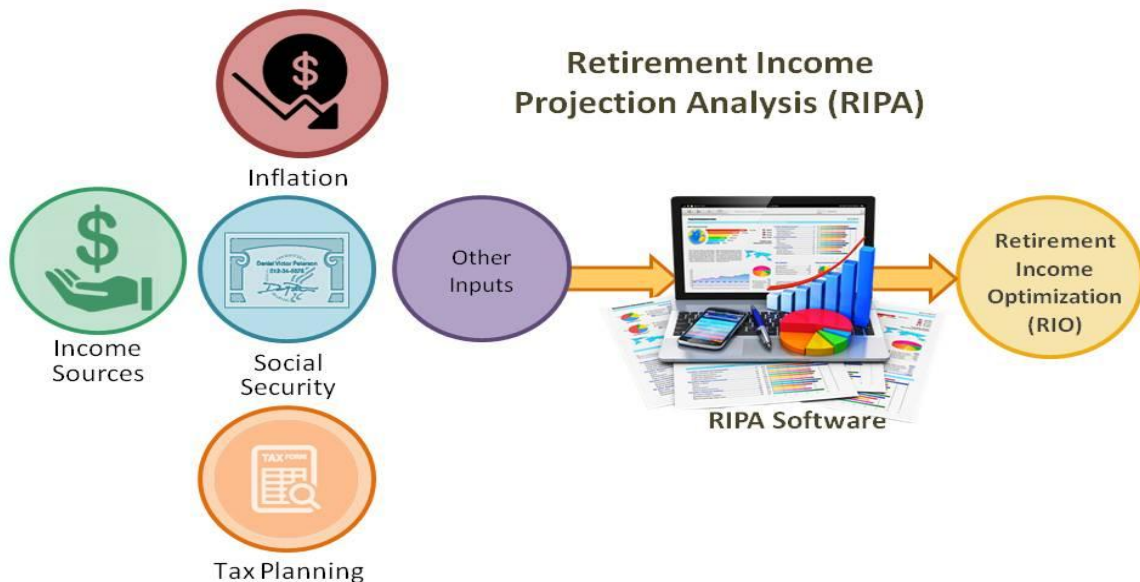
## Retirement Income Optimization (RIO)

Our **Retirement Income Optimization™** or **RIO** strategy factors together retirement income; retirement plan distributions; Social Security; investments and tax planning. Our strategy addresses things such as:

- How will you generate your retirement income and will it last a lifetime?
- How to suitably invest retirement assets for growth, while minimizing portfolio volatility and preserving principle?
- When to apply for Social Security to try to maximize income benefits?
- What's the appropriate income distribution method to utilize, which reflects each client's individual needs?

Generating an income for life is perhaps the biggest fear of people approaching retirement. As life expectancies and healthcare costs continue to rise the risk of outliving your assets has increased as well. If you choose to work with a Your Retirement Advisor affiliated advisor for your plan design, he/she will address these questions and issues by performing a Retirement Income Projection Analysis™ (RIPA).

### Retirement Income Projection Analysis Gives You Valuable Insight



RIPA is Your Retirement Advisor's proprietary process and software used by our affiliate advisors to test a variety of inputs and variables (listed below), while providing the optimal retirement outcome. It gives you valuable insight to make educated and calculated decisions about your future.

- Cash flow: income sources, expenses, savings
- Income distribution
- Investments
- Retirement plan distributions
- Social security benefits
- Part time income
- Tax effect
- Health care costs
- Estimate inflation
- Estimated rate of return

## **Income Projection Inputs**

### **Cash Flow**

To analyze your cash flow, the RIPA examines your income sources, fixed expenses, discretionary expenses, taxes and savings. Analyzing your cash flow will help make sure you're bringing in more money than you're spending.

### **Income Distribution**

Income distribution planning for retirement can be a very complex and stressful process for many. Taking income from your portfolio is much more involved than simply growing your assets over time. At the same time, retirees today face some formidable challenges when entering what we call The Retirement Danger Zone. This is the time shortly before or shortly after retirement when the retiree can, inadvertently, either "make it or break it" by making key retirement decisions.

### **Investments**

Your Retirement Advisor affiliate advisors collaborate with and follow the principles and theories of leading financial academics. Time tested and up to date research is critical to determining your investment philosophy. This philosophy includes proper diversification across different asset classes (stocks, bonds, equity indexed annuities and alternative investments), asset allocation and active withdrawal strategies. The primary goal of your investment strategy should be to reduce volatility while getting the highest return possible.

Based on the outcome of the RIPA, your advisor will make recommended portfolio adjustments or other changes by presenting a Portfolio Reallocation Grid. Portfolio costs have a direct impact on portfolio performance. Therefore, our advisors strive to keep total expenses as low as possible by using a number of different strategies. We efficiently structure your portfolio to give you the highest net after-tax value over time.

Because of the proprietary nature of our RIO strategy, advisors are able to create customized combinations of products that can potentially significantly increase your outcome. Our affiliated advisors

research hundreds of products and test them against your goals and variables to find just the right combination of risk reward and cost.

### **Retirement Plan Distributions**

Many individuals have most of their retirement assets in tax-deferred accounts that are subject to ordinary income tax. It's important for a retiree to shift his/her assets from tax-deferred accounts to tax free accounts using Roth conversions so that you can have more control over taxes once in retirement. When doing a Roth conversion you prepay the taxes on the amount converted, allowing you to benefit from all future growth and income, tax free. When you work with an YRA advisor, we'll include these strategies in our RIPA to help you get the most value from your investments.

### **Social Security**

There are a plethora of Social Security filing strategies based on your personal situation. We take into consideration many factors when determining the timing of your filing. Based on your situation, our Social Security timing report and RIPA will give you the most advantageous filing choices.

### **Tax Planning**

A RIPA without considering tax implications is ignoring a factor that can have a significant impact. Tax laws are extremely complex, and taxes in retirement and on retirement assets can be even more complicated. We also employ tax efficient strategies such as tax diversification, tax loss harvesting and other strategies such as defined contributions and benefit plans, tax efficient portfolio rebalancing, charitable giving, and real estate strategies. Our RIPA takes tax effects into consideration and helps you make key decisions so that you keep more of your assets.

### **Other Considerations**

The Retirement Income Projection Analysis also incorporates health care costs and long term care costs. Inflation, estimated rates of return and sequence of return risks which stress test your portfolio are also calculated for true optimization outputs. Without these components, a true income optimization report cannot be produced.

### **Sequence of Return Risk Stress Testing**

Once all variables are input into the RIPA system a "stress test" is performed under several market volatility assumptions, known as Sequence of Return Risk Stress Testing. Reducing volatility in the retirement portfolio is paramount to increasing the lifespan of the portfolio as you begin taking income from it. It's imperative to analyze your retirement outcome against many different simulated market environments (both negative and positive) to assure your portfolio will last a lifetime. Numerous recent studies prove mathematically that portfolios with lower volatility outlast those with higher volatility, when taking income from the portfolio.

### **The RIPA...Your Retirement Benchmark**

The RIPA is perhaps your most valuable retirement benchmark...helping you understand where you are, where you want to be and what changes need to happen in order to get you there. As Your Retirement Advisor, we suggest that you include a RIPA as the foundation of your plan design strategy. There may be tools in the marketplace you can use to reach similar RIPA results, or perhaps your current advisor can offer this type of analysis, but we have yet to find such a comprehensive tool. Contact Your Retirement Advisor for your customized Retirement Income Projection Analysis.