The Right Retirement Plan is More Than a 401(k) or an Investment Strategy

(Hint: It's a combination of Alpha Efficient Strategies)

Life is good and if you plan right and have the right help, retirement is better. We're here to help you do both right. We rely on something called Alpha to power our retirement planning strategies and to help you create an efficient & sustainable income for life. Afterall, the number one goal of retirement (besides health & happiness) is to make sure your money lasts as long as you do.

Alpha is simply the measure of return or benefit above a given average.

With our Retirement Solved™ Alpha we can potentially improve your retirement outcomes by implementing eight Alpha Efficient Strategies. The sum total of these Alpha increases gives you an Alpha Efficient plan that you'll be hard pressed to replicate either on your own, or with any other advisors.

Retirement Planning vs. Investment Management
Preparing for retirement is a multi-faceted undertaking which requires more than just managing your investments. It incorporates income distribution, risk management, tax efficiency, Social Security planning, safe money strategies with annuities, life insurance, and using the equity in your home effectively. Retiring right requires detailed, organized and thoughtful planning.

According to the Moss Adams research, 81% of investors surveyed said they wanted financial advice on more than just investments, and 65% of investors said they are okay with advisors using outside money management. In fact, just 19% of investors said they wanted only investment management help from those advisors.[1]

Retirement Alpha Effect

Recently, a number of companies have conducted research that assesses the impact of implementing proper retirement planning strategies on a retiree's financial future. This impact is measured in terms of Alpha. Adding Alpha to retiree's plan adds significant value. In theory, fees are an issue in the absence of value. If your advisor is providing not only great investment management services, along with comprehensive retirement planning, then you may be satisfied with the value you are receiving.

Figure 1. Popular Studies Estimating The Economic Benefits Of (Portfolio-Related) Financial Advice

	MORNINGSTAR GAMMA	VANGUARD ADVISOR ALPHA	ENVESTNET CAPITAL SIGMA
Financial Planning Advice/ Dynamic Withdrawal Strategies	70bps		50bps
Asset Class Selection/ Allocation & Product Selection	67bps		28bps
(Lower Cost) Investment Selection		45bps	82bps
Systematic Rebalancing		35bps	44bps
Tax-Efficient Withdrawal Ordering	23bps	Up to 70bps	
Asset Location	23bps	Up to 75 bps	
Behavioral Coaching		150bps	
Tax Loss Harvesting			100bps
Total Advisor Value	1.59%/year	>3%/year	>3%/year

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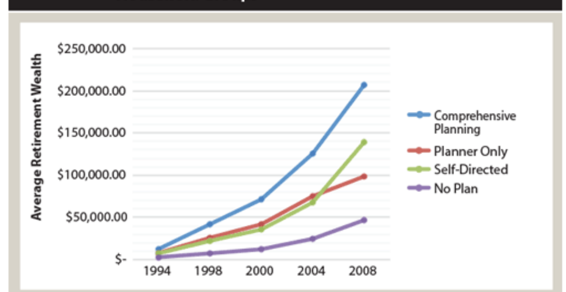
Vanguard Funds performed a study that concluded that proper retirement planning strategies can add as much as a 3% Efficient yield or Alpha to a retirement portfolio.[2] David Blanchett, head of retirement research at Morningstar conducted a similar study and identified that a retiree can add as much as 1.59% additional Efficient yield or Alpha on his/her retirement portfolio by employing proper retirement planning strategies.[3]

More recently, Envestnet Quantitative Research Group also did study summarized in their white paper, "*Capital Sigma: The Advisor Advantage*". Like Vanguard, they suggest that advisors can potentially add value in many areas including: general financial planning, portfolio management, asset allocation and selecting lower cost investments. Envestnet estimates that the benefits can add up to as much as 3%/year, which they refer to as "Capital Sigma".[4]

While all three of these studies gives new and existing clients a data-driven view on the intrinsic value of advisor alpha, another study by Terrance K. Martin Jr., Ph.D. and Michael Finke, Ph.D., CFP® compared profiles of planning and advice over the span of 14 years. As they wrote in the Journal of Financial Planning: "Those who had calculated retirement needs and used a financial planner (which likely captures those who used a comprehensive planner who follows a more thorough planning process that includes retirement needs assessment) generated more than 50 percent greater savings than those who estimated retirement needs on their own without the help of a planner."

Figure 2: Average Retirement Wealth by Survey Year and by Household Groups



[1] http://www.investmentnews.com/article/20070904/FREE/70831060/-client-centric-planning-pays-off
[2] Vanguard, Putting a value on value: Quantifying advisor's alpha (2015). https://www.vanguard.com/pdf/ISGQVAA.pdf
[3] Alpha, Beta & Now GAMMA, David Blanchett/Morningstar Study (Aug. 2013). https://corporate1.morningstar.com/uploadedFiles/US/AlphaBetaandNowGamma.pdf
[4] Envestnet Quantitative Research Group, "*Capital Sigma: The Advisor Advantage*" (2013)

Their report continues: "When average retirement wealth was examined by survey year (1994–2008), households with a comprehensive strategy to retirement planning consistently recorded higher mean values of accumulated retirement wealth."[5]

"The research is unequivocal that a competent financial guide can both help you achieve the returns necessary to arrive at your financial destination while simultaneously improving the quality of your journey." -Behavioral Alpha: The True Power of Financial Advice, Daniel Crosby, Ph.D., Nocturne Capital, October 17, 2016

Alpha Efficient Yield (AEY)™ vs. Rate of Return (ROR)

As the Morningstar and Vanguard retirement research indicates, adding GAMMA or ADVISOR ALPHA to a retirement plan can add significant value above traditional "investment only" management strategies. At Your Retirement Advisor we employ several Alpha Planning components which we call Alpha Efficient Yield (AEY) to potentially add additional value to your portfolio. AEY is the efficient yield that can be realized above the traditional investment Rate of Return (ROR).

Retirement Solved Alpha Efficient Strategies

- **Alpha Strategy #1: Reduced Portfolio Management Fees** (fees are an issue in the absence of value)

  We start with fees because it's one of our major differentiators. While other advisors in the industry charge up to 2% to manage your portfolio, we're able to charge 50%-75% less than that! Because we are more efficient on many levels and because we leverage technology and have access to high quality, we're actually able to offer more for less.

- **Alpha Strategy #2: Behavioral Coaching** (guidance through turbulent times leads to better outcomes)

  People sometimes get taken in by media hype, greed-fear driven tactics and the marketing machine behind the big financial companies. Everyone has the temptation to chase returns and make uninformed, knee-jerk reactions as the volatile markets move up and down. In fact, these behaviors have been proven in numerous studies to negatively impact portfolios over the long term. Our value is being your advocate to guide you (and keep you calm and on track), providing our experience while also presenting you with the facts based on academic research vs. hearsay. Our steady hand during turbulent times can have a significant impact on the long term survivability of your portfolio.

- **Alpha Strategy #3: Evidence-Based Planning** (proper planning decisions through research based advice)

  According to Robin Powell, a British journalist, "All too often we base our investment decisions on industry marketing and advertising or on what we read and hear in the media or on something else altogether." Evidence-based retirement planning and investing is the idea that no advice should be given until it's backed by reliable research and evidence, and shown to be effective over the long term. Thus, evidence-based advice requires a commitment to being a student for life, consistently staying abreast of

[5] A Comparison of Retirement Strategies and Financial Planner Value (2007) https://www.onefpa.org/journal/Pages/NOV14-A-Comparison-of-Retirement-Strategies-and-Financial-Planner-Value.aspx

academic research and best practices while protecting client's best interests. Most advisors aren't interested in this level of commitment or learning...it's far easier to simply collect investments, fees and commissions and call it a day.

- **Alpha Strategy #4: Investment Management Alpha Effect** (increase value through proper portfolio management)

Utilizing high quality money managers or individual stocks combined with "low-cost" index strategies can yield a higher portfolio return or increased Alpha (above benchmark returns). It's imperative to utilize managers that have proven Alpha ability, in combination with indexing asset classes where Alpha is harder to attain. In addition, low advisor fees are paramount to allowing a portfolio to outperform the appropriate benchmark over time. We partner with institutional money managers which gives us access to institutional investments that aren't available to individual investors. These investments carry substantially less internal expenses. If fees are kept as low as possible, Alpha increases.

Fiercely Independent Investment Advice – Being an independent advisor affords us the ability to utilize most mutual funds (MFs), exchange traded funds (ETFs) and Separate Account Managers (SAM's) with no proprietary pressures. Our advanced screening criteria developed over the past 30 years enables us to identify and utilize the "best of the best" money managers to offer the highest potential returns with no potential conflict of interest. We give our clients access to the industry's best money managers at the lowest possible cost. All accounts are regularly monitored and re-balanced on regular basis to make sure your returns are maximized.

- **Alpha Strategy #5: Reduce Portfolio Volatility** (minimizing portfolio risk increases portfolio survival)

Proper asset allocation and diversification are the most powerful ways an advisor can help a client manage retirement risks (volatility, sequence of return, inflation, interest rate and longevity) and achieve their retirement goals. The best part is you don't have to give up return for a reduction in risk. Who says you can't have your cake and eat it too?

A recent research study commissioned by Nationwide Financial and completed by Morningstar Investment Management LLC, compared a traditional 60/40 stock and bond portfolio to a portfolio consisting of stocks, bonds and fixed indexed annuities (FIAs). The study concluded that by repositioning a traditional retirement portfolio consisting of 60% equities and 40% bonds to a portfolio consisting of 36% equities, 24% bonds and 40% fixed indexed annuities (FIAs) offers virtually the same return, but with a 40% reduction in potential portfolio risk and volatility. Research has indicated that when taking income from a retirement portfolio, the portfolio with the lower volatility will last longer.

The Nationwide/Morningstar study offers irrefutable evidence supporting the benefits of FIAs in combination with traditional stock and bond investments. The 36/24/40 optimized portfolio in the study is subject to adjustment and the proper allocations should be based upon each retiree's individual situation. Some individuals may benefit from a more aggressive portfolio which would consist of more stock percentage, while some situations may require more guarantees* offered by a higher percentage of FIAs in the portfolio. Ultimately, a sophisticated retirement income projection analysis will determine the proper allocation to delegate to FIAs, Bonds and Stocks to offer the best potential retirement outcome.

The "unconventional" Retirement Solved Multi-Disciplined Retirement Strategy (MDRS) is our solution, combining traditional investments (stocks and bonds) with an allocation to FIAs (for portfolio volatility reduction). The MDRS offers the optimum blend of growth and risk reduction for maximum retirement portfolio sustainability.

*Guarantees are backed by the claims paying ability of the issuing insurance company.

- **Alpha Strategy #6: Income Buffer Strategy** (reduced sequence of return risk increases portfolio survivability)

Creating a lower risk Income Buffer, that is unaffected by stock market portfolio downturns, may increase the stock portfolios survival rate when experiencing severe market losses. The buffer should be in place prior to retirement to withdraw from when the stock market suffers a loss above 10%. The buffer can consist of any asset that will be unaffected by a market downturn such as cash value life insurance, a reverse mortgage reserve account, short duration high quality bonds, guaranteed Equity Index Annuities, etc. An Income Buffer should be created with 5-10 years of required annual retirement income to assure the funds are available to produce income necessary in the event of stock portfolio losses. The buffer should be utilized for income until the stock portfolio fully recovers from the loss in value. This strategy will dramatically reduce the effect of market volatility risk and sequence of return risk.

- **Alpha Strategy #7: Social Security Optimization** (maximizing this crucial benefit offers better outcomes)

Utilizing the optimal filing strategy and proper timing to begin Social Security benefits can dramatically increase your income and ultimately increase your retirement portfolio survival rates. Social Security accounts for approximately 33% of your income in retirement. It's critical to deploy a strategy that allows you to keep as much of your benefit as possible. It's not as simple as filing as soon as you're eligible. There are a number of factors and calculations that must be done *prior* to filing. Our software provides this maximization strategy as an integrated part of the overall analysis we conduct. The software also determines how to minimize the impact of taxes while maximizing your benefits. As you may or may not know, in some situations Social Security can be taxed up to 85%. Our Social Security strategy can have a potentially big impact on your retirement outcome.

- **Alpha Strategy #8: Tax Efficient Withdrawal Strategy** (reduce taxes adds portfolio value)

"There’s no getting around taxes" is the conventional wisdom employed by most retirement planning strategies. But there's a multitude of tax planning strategies to offset income from a variety of sources.

Re-categorizing retirement assets and utilizing an *unconventional* tax efficient withdrawal strategy versus the *conventional* withdrawal strategy can reduce taxes to 0% in retirement and potentially add 5-15 or more years of portfolio survival. The most significant benefit of this is you don't have to add a single cent to your portfolio. Efficiently repositioning retirement assets and utilizing the proper sequence of withdrawals (tax-free accounts, tax-deferred accounts, and taxable accounts) can reduce the negative effect of Required Minimum Distributions (RMDs) and Social Security taxation creating a more effective withdrawal strategy.

- **Alpha Strategy #9: Prudent use of Home Equity** (Improve Retirement Efficiency with HECM loans)

Leading research indicates that the use of home equity in retirement will increase the probability of portfolio survival and increase the legacy to loved ones. HECM Loans or Reverse Mortgages have been called the “Swiss Army Knife” of retirement planning since they can be utilized as part of many diverse retirement planning strategies.[1]

[1] Using Reverse Mortgages In A Responsible Retirement Income Plan, Wade Pfau (2016)

Case Study: The Value of Retirement Solved Alpha Efficient Strategies

The Retirement Solved Alpha Efficient Strategies can potentially add up to 3.0% or more additional Alpha Efficient Yield (AEY) to a retirement portfolio, inclusive of our fees. When growing your assets it’s important to understand your portfolio Rate of Return (ROR). However, when in retirement it’s important to understand that your ROR is the baseline portfolio return. By adding the effect of AEY you have a much improved potential of success. As the research indicates, working with a retirement advisor that can add AEY to your retirement portfolio can quite possibly be your biggest catalyst to a successful retirement. The case study below illustrates the dramatic difference and value this can add for a retiree.

Creating Alpha Efficient Yield (AEY)

Inputs

- **Married Couple Age 65 planning to retire at age 65**
- **IRA Balance:** $1,000,000.
- **Baseline Rate of Return (ROR) estimate:** 5%
- **Retirement Income Generated at age 65-95:** $30,000 per year / inflation adjusted at 3% per year

ALPHA EFFICIENT YIELD (AEY)	**Total Income Generated** (age 65-95)	**Total Investment Account Balance** (age 95)
0% AEY (traditional “investment only” advisor)	$1,604,202.	$ 828,434.
1% AEY	$1,919,388.	$1,626,343.
2% AEY	$2,310,181.	$2,744,929.
3% AEY	$2,795,049.	$4,294,328.

In summary, if an Advisor employs Alpha Efficient retirement planning strategies and NOT just investment management a huge difference can be realized by the average retiree. The effect of Alpha Efficient Yield (AEY) can be significant

"So, do financial advisers add value? The research strongly supports that they do, both in terms of improving means and quality of life. But they only add value when we know what to look for when selecting the appropriate partner. Our natural tendencies will be toward excess complexity and flashy marketing, seeking out those who lead with bold claims of esoteric knowledge. What will add much greater richness is a partner who balances deep knowledge with deep rapport. Someone we will listen to when we are scared and who will save us from ourselves; a simple solution to a complex problem."

-Behavioral Alpha: The True Power of Financial Advice, Daniel Crosby, Ph.D., Nocturne Capital, October 17, 2016

Retirement Solved Can Keep You on Track

Good advisors can do good things for their clients. But in the final analysis, those who provide the most value have a commitment to getting you on track for retirement and keeping you on track. In addition, a great advisor will be 100 percent committed to: educating you, leading you through a planning process, implementing a research-backed plan with proven strategies, and helping you stay on track in the face of adversity and life changes. He/she is your insurance policy against making BIG mistakes that could cost you dearly. However, an advisor unlike most insurance, will add value and protect you and your nest egg.

Many advisors make claims that they do retirement planning, but very few actually have the commitment, technology, tools and skills it requires. At Your Retirement Advisor, we eat, drink and sleep retirement. We believe no one is better positioned or equipped to help you navigate the muddy waters of retirement planning. We also believe in our Retirement Solved Alpha super powers!

When you decide to partner with Your Retirement Advisor, our Alpha will be apparent from the first time you meet with us...that is, if you're open to understanding that retirement planning requires a different approach from other financial planning you've done. As Your Retirement Advisor we promise to do more to help you know more, get more, keep more and have more...now and in retirement. We welcome you to partner with us on your retirement journey and experience a smarter, progressive, efficient and more intimate kind of retirement advice…and leave with a renewed purpose, a comprehensive plan and confidence.

About Your Retirement Advisor™

81% of baby boomers don't know how much money they'll need in retirement. Another 84% don't have a written retirement plan. Yet they control 80% of the assets in this country. Your Retirement Advisor's mission is to make preparing financially for retirement easier and more affordable, while guiding the transition into retirement with a "sustainable for life" financial plan. With its Retirement Solved™ approach, the company focuses on teaching people how to save right today and spend right tomorrow. Powered by technology, process and research, the unconventional approach integrates education, guidance, analysis and strategy for efficient and effective, one-stop retirement planning. For more information, visit: http://www.yourretirementadvisor.com

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Investments in securities do not offer a fix rate of return. Principal, yield and/or share price will fluctuate with changes in market conditions and, when sold or redeemed, you may receive more or less than originally invested. No system or financial planning strategy can guarantee future results. Therefore, no current or prospective client should assume that future performance or any specific investment, investment strategy or product will be profitable.

Index annuities are insurance contracts that, depending on the contract, may offer a guaranteed annual interest rate and some participation growth, if any, of a stock market index. Such contracts have substantial variation in terms, costs of guarantees and features and may cap participation or returns in significant ways. Any guarantees offered are backed by the financial strength of the insurance company, not an outside entity. Investors are cautioned to carefully review an index annuity for its features, costs, risks, and how the variables are calculated.

Sources:

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