Retirement Power Hours

Your Retirement Advisor

Hello & Welcome to Retirement Power Hours

Please put your full name in the chat window and grab yourself a cup of tea, coffee or water

We’ll be starting shortly

Presented by: Brian Saranovitz
Your Retirement Advisor
435 Lancaster St., Suite 358
Leominster, MA 01453

Retirement Power Hours Masterclass

(the very first of its kind in the industry)

www.RetirementPowerHours.com

Hi there. I’m Lynn Toomey

I’m the Co-Founder of Retirement Power Hours and I’ll be your host for this Masterclass.

Housekeeping

- Please let us know your full name by entering it into the chat if you haven't already.
- Get comfy: turn off and tune out distractions
- Next 4 weeks, same time, same place, same link
- 90-minutes for each session (6 hours of retirement education)
- Replay links
- Audio and video controls
- Presentation
  - Presentation page numbers
- Taking notes
- Asking questions

Disclaimer

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.

Why Are You Here?
What is Your Favorite Hobby?

Retirement Power Hours

Your Retirement Advisor

Let's Meet Your Instructor

- Brian Saranovitz of Your Retirement Advisor
- YRA is a one-stop retirement advisory practice focused on pre-retirees 50-70 years old
  - Offices in Acton, Worcester & Leominster
  - Services offered online across US
- Resident retirement "geek"
- Investment Advisor Representative with 30 years experience
- Founder: Tax Smart Network
- Former professional football player: Patriots, USFL, Arena.

www.YourRetirementAdvisor.com

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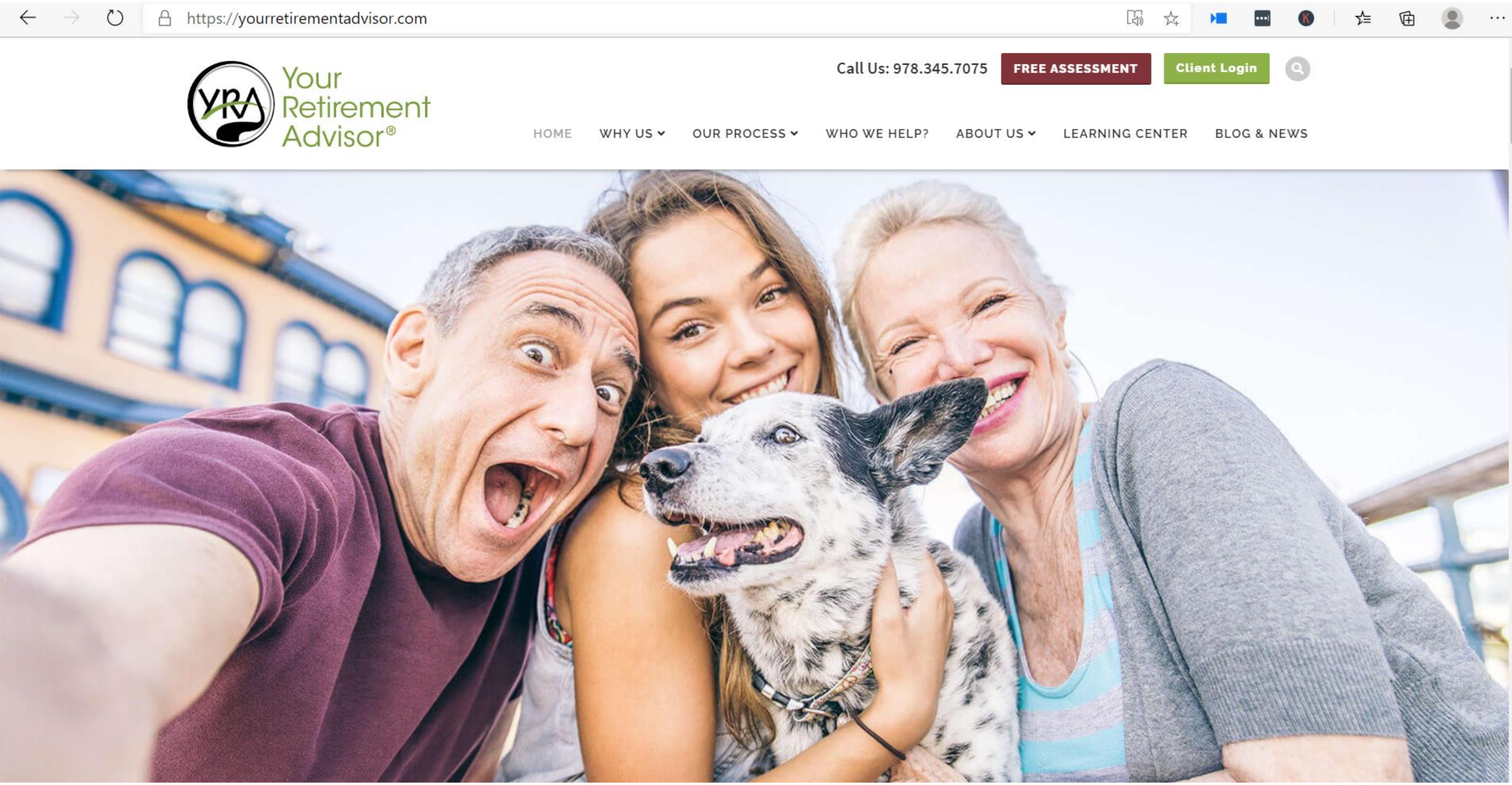
Your Retirement Advisor

Brian Featured in National News Media

& author of many white papers

Listing in this publication is not a guarantee of future Investment success. This recognition should not be construed as an endorsement of the advisor by any client.

https://yourretirementadvisor.com/2018/08/07/brian-saranovitz-featured-in-forbes/



www.YourRetirementAdvisor.com

We are Retirement Educators

Retirement Power Hours

Your Retirement Advisor

Teaching Classes at Colleges Since 2015

Unbiased Education

Content based on Academic Research & Statistical evidence

Integrating Taxes, Home Equity, Traditional Investments, Life Insurance & Annuities to maximize a retirement

Powerful and reliable. We’re 100% committed to it (and you should be too)!

Retirement based on Research

NOT Wall Street or Insurance Industry Rhetoric

"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."

-Robin Powell, financial journalist

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Some of the Researchers We Follow

- **Moshe Milevsky,** PhD
  Professor of finance at York University a leading authority on the intersection of wealth management, financial mathematics and insurance
- **Michael Finke,** PhD
  Chief Academic Officer at The American College of Financial Services
- **David Blanchett,** PhD, CFA, CFP
  Head or retirement research at Morningstar and thought leader in the fields of wealth management and retirement
- **Jack Guttentag,** PhD
  Professor emeritus of finance at the University of Pennsylvania and Consumer advocate
- **Wade Pfau,** PhD
  Professor of Retirement Income in the PhD in Financial and Retirement Planning program at The American College of Financial Services
- **Larry Kotlikoff,** PhD
  Professor of Economics at Boston University
- **Michael Kitces,** CFP, CLU, ChFC, RHU, REBC & CASL
  Financial planner, commentator, speaker, blogger, and educator.

We Believe in the Middle Way

(Might Just Be the Better Way)

Siloed Financial Services Industry

- **CPAs Prepare Taxes –** Typically focus on tax returns NOT tax planning
- **Insurance Agents** – Typically focus on annuities & life insurance
- **Investment Advisors -** Typically focus on traditional investments (stocks & bonds)

Extremism in Different Siloes Can Harm Your Retirement

- **Insurance Industry Zealots –** "*You Could Lose all your money in the market overnight.*" *Wealth Beyond Wall Street*

- **Investment Industry Zealots** – *"Insurance and Annuities are overpriced and sold by commissioned salespeople who are out to rob you."* *Ken Fisher*

Siloed, Biased and Ignorant Beliefs Can Hurt You. Beware of such fear tactics!

A Better Way….“The Middle Way”?

“The Middle Way is a path of moderation and wisdom between extremes” – Buddha

The Middle Way approach to retirement planning considers all financial facets of retirement and tailors the plan to individual needs

A Balanced Advice Option

Hybrid Retirement Advisors

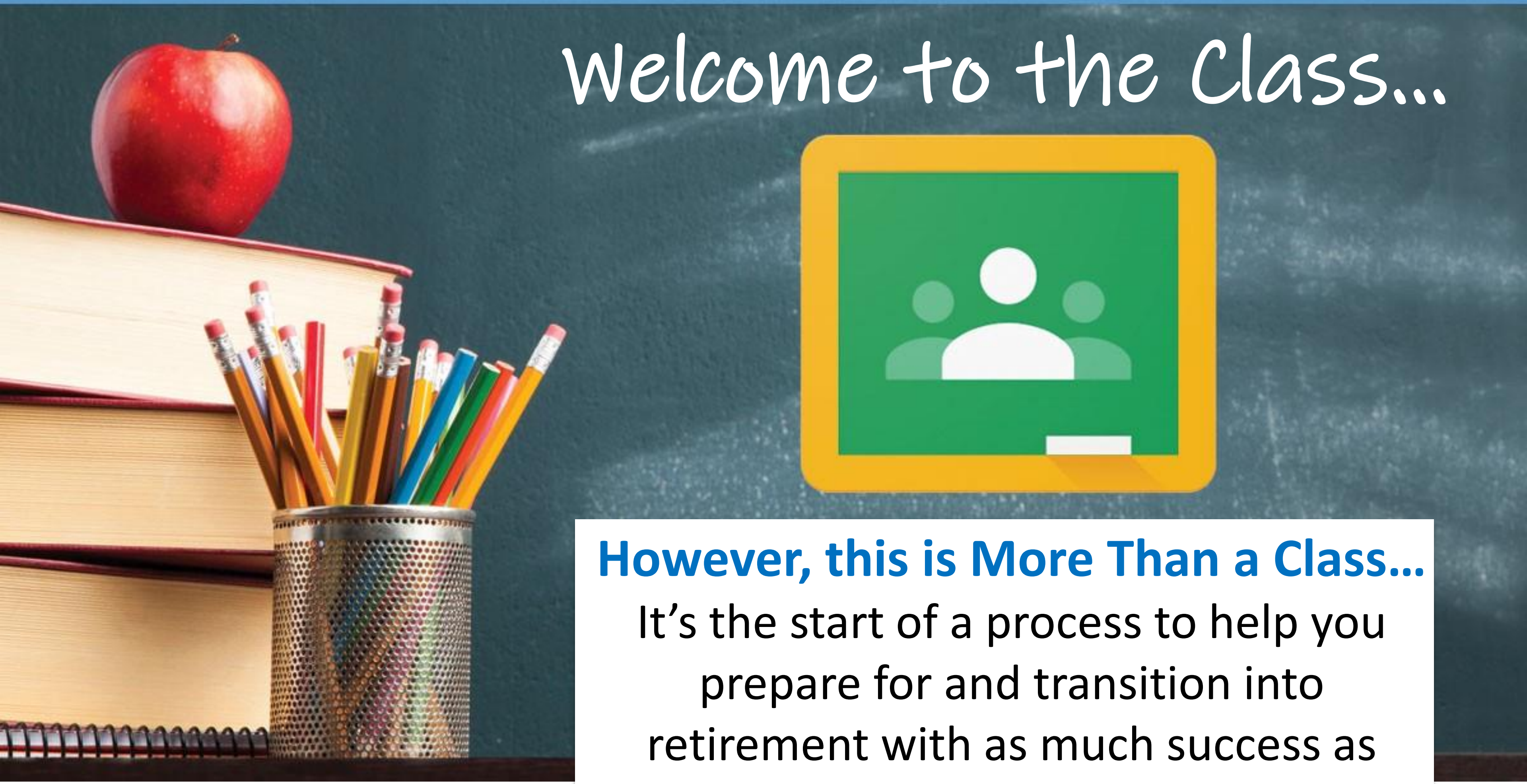
Develop a balanced, COMPREHENSIVE and efficient retirement plan to offer the best potential retirement outcome (not running out of money)

Middle Way Philosophy

- Focus on integrating ALL disciplines
  - Investments
  - Insurance & Annuities
  - Taxes

Do You Have a Retirement Advisor or Investment Advisor?

Welcome to the Class…



However, this is More Than a Class…

It's the start of a process to help you prepare for and transition into retirement with as much success as possible.

The Process

E.P.I.C.™

Educate. Plan. Implement.
...with Confidence

Congrats on Making a Commitment to Getting Educated

"An Investment in Knowledge Pays the Best Interest."

-Ben Franklin

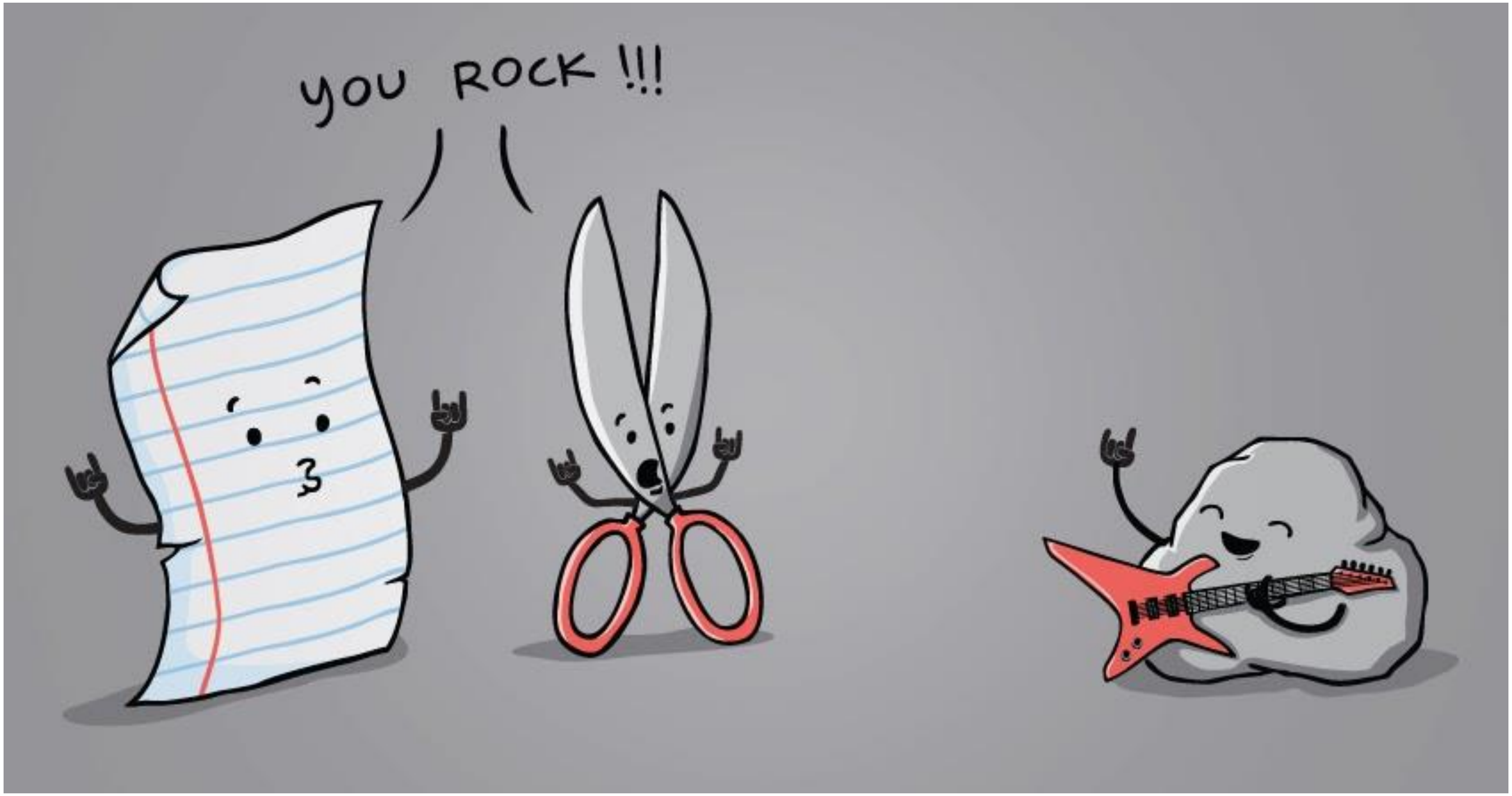
What You Get By Attending This Class?

(besides clarity and confidence)

Educational Materials & Resources

https://yourretirementadvisor.com/class-materials (Link in Email also)

Small Gift of Appreciation



Am I Ready? Assessment & Chat with Your Instructor Brian

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If at any time during the next 4 sessions, you don’t get all your questions answered or you have any immediate needs, you can schedule a 15-30 minute chat with Brian (email: info@yourretirementadvisor.com)

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What You'll Learn in this Class?

Class Agenda

Week 1:

- Identifying key Retirement Risks
- Middle Way Guidance - An unbiased and balanced approach in retirement
- Safe Withdrawal Rate – How much can you safely withdraw from your portfolio

Week 2:

- How does Social Security work
- Guaranteed Income sources in retirement
- Developing a retirement income distribution plan

Week 3:

- How to protect your portfolio amidst market volatility
- Investment Planning – Alpha generating money management
- A hybrid strategy to generate both growth and income

Week 4:

- Minimizing your taxes to as close to zero as possible
- Pulling it all together to optimize your retirement income
- A few more tips and Are You Ready?

Take-Aways from Tonight's Class

1. Base your decisions on data and research (vs. hearsay)
2. Always ask why (show me the research)
3. Balanced advice is more reliable
4. Your plan must address What-ifs and Shock events
5. Your Safe Withdrawal Rate is most critical
6. The right plan incorporates Multi-Discipline Retirement Strategies

The Right Retirement Plan Will Address All Your Questions and Risks

- When can I retire?
- How long will my money last in retirement?
- Will I have enough to retire as planned?
- What expenses do I need to plan for?
- Will I have to work longer?

This Might Not Be the Best Plan…

"Now, if we stick to our financial plan, I can retire at 55 and you at 87."

Life is Good. Retirement is Better. If You Have the Right Plan…

- Retirement planning today is hard
  - Longer lifespans, self fund retirement plans
- As you enter the income distribution and preservation phase of life, planning is critical (it’s completely different than the growth phase of life)
- Creating the plan that will grow, optimize and protect your nest egg is the challenge

The Right Plan Mitigates Risks

- Portfolio Overdraft
- Longevity
- Inflation
- Market Volatility
- Interest Rate
- Sequence of Return
- Taxes
- Behavioral
- Health-Care/Long Term Care Costs

Portfolio Overdraft Risk

Portfolio Overdraft Risk is the risk of taking too much money out of your portfolio.

Your plan must address the Safe Withdrawal Rule:
The percentage of a portfolio that can be safely withdrawn annually (adjusted for inflation), keeping the portfolio intact for a retiree's lifetime.

William Bengen 1994 study = 4%

- Findings based on historical data dating back to 1926
- Portfolio was invested 50% in S&P 500 stocks and 50% in intermediate term government bonds
- Bengen recently said his rule is a guide NOT a rule
- Due to today’s low interest rate environment, many recent studies have refuted Bengen’s 4% rule

The Safe Withdrawal Rule

Low Bond Yields and Safe Portfolio Withdrawal Rates, Morningstar Research

- Morningstar's Research refutes Bengen's 4% rule
- Adjusted the "safe withdrawal" rate down to 2.4% when investing in a 60% stock/40% bond portfolio with a 30 year retirement time horizon.[4]

Hypothetical Example: $500,000 portfolio Value

- 4.0% withdrawal = $20,000 per year income
- 2.4% withdrawal = $12,000 per year income

This equates to a 40% decrease in income!

The Safe Withdrawal Rule

Morningstar's Executive Summary states:

"Yields on government bonds are well below historical averages. These low yields will have a significant impact for retirees who tend to invest heavily in bonds."

"We find a significant reduction in 'safe' initial withdrawal rates, with a 4% initial real withdrawal rate having approximately a 50% probability of success over a 30 year period."

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.

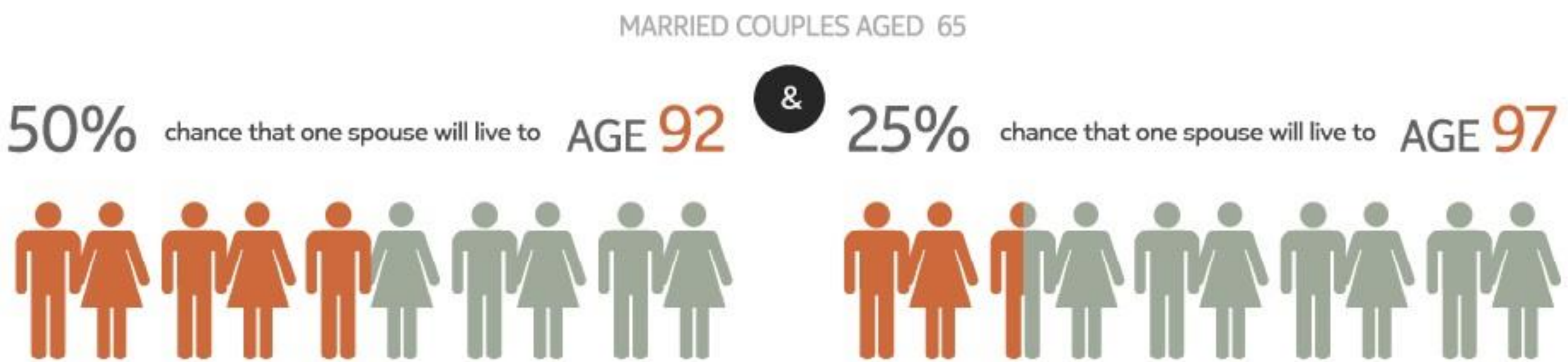
Longevity Risk

- With increased life expectancy, your portfolio must last longer
- Must prepare for 20, 30 years or longer in retirement

Longevity Risk

How Long Will Retirement Last?

- Average 65-year-old American can expect to live another 19.4 years*
- Average life expectancy is likely to continue to increase
- Retirement may last 25 years or more



* NCHS Data Brief, Number 267, December 2016

Inflation Risk

Inflation will erode the purchasing power of dollars in the future. This is important if you retire on a fixed income.

	Cost Today	Cost in 20 Years
Gallon of milk	$3.50	$6.32
Haircut	$30	$54.18
Running shoes	$85	$153.52
New car	$20,000	$36,122

Assumes a 3% annual inflation rate, which cannot be guaranteed

Market Volatility Risk

- Volatility is a statistical measure of the dispersion of returns for a given security or market index. Commonly, the higher the volatility the riskier the security. – Investopedia, 2017

“Studies *prove that the higher volatility portfolio, when taking withdrawals, the shorter the portfolio will last.”*

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Volatility Is A Portfolio Killer

- **Growth Phase –** Accumulating your assets

  Volatility has no effect on the final value of a growth portfolio

  ✓ A portfolio with high volatility Vs a low volatility portfolio will end up with the same value over time when in the growth phase

- **Income Phase –** Taking Income from your assets

  Volatility has a major effect on a portfolio when taking withdrawals

  ✓ A portfolio with the lower volatility will last longer when taking withdrawals, all other variables being equal

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Market Volatility Risk

VOLATILITY RISK

Why You Must Care About Volatility in Retirement,

by Sure Dividend, Seeking Alpha, Oct 14, 2014

Study Variables:

- Initial portfolio value: $1,000,000 portfolio
- Annual withdrawal (for living expenses): $3,333 /month
- Assumed rate of return: 9% per year in all scenarios
- 30 year duration for different standard deviation levels

Study Findings:

- 45% standard deviation = 69% chance of failure
- 30% standard deviation = 40% chance of failure
- 20% standard deviation = 12% chance of failure
- 15% standard deviation = 3% chance of failure
- 10% standard deviation = 0% chance of failure

Interest Rate Risk

Interest rate risk is the potential for rising interest rates to cause the decrease in price of an investment

- When interest rates go up, the current market price of bonds goes down
- When interest rates rise, stocks usually do not perform as well, especially if they have a large amount of debt

Sequence of Return Risk

"Sequence of return risk is the risk of receiving lower or negative returns early in a period when withdrawals are made from investments" Investopedia, 2017

- The first 10 years of returns indicates your retirement outcome
  - **Negative Sequence -** Lower returns in the early years
  - **Positive Sequence -** Higher than average returns in the early years

Sequence of Return Risk

Possible scenarios

- Negative Sequences
  - Lower bond yields (current interest rate environment)
  - Stock market losses (2000-2001 & 2007-2008)
  - The Lost Decade (2000-2010)
- Positive Sequences
  - Higher bond yields (1962-2008)
  - Stock Market Bull Market (2009-2018)

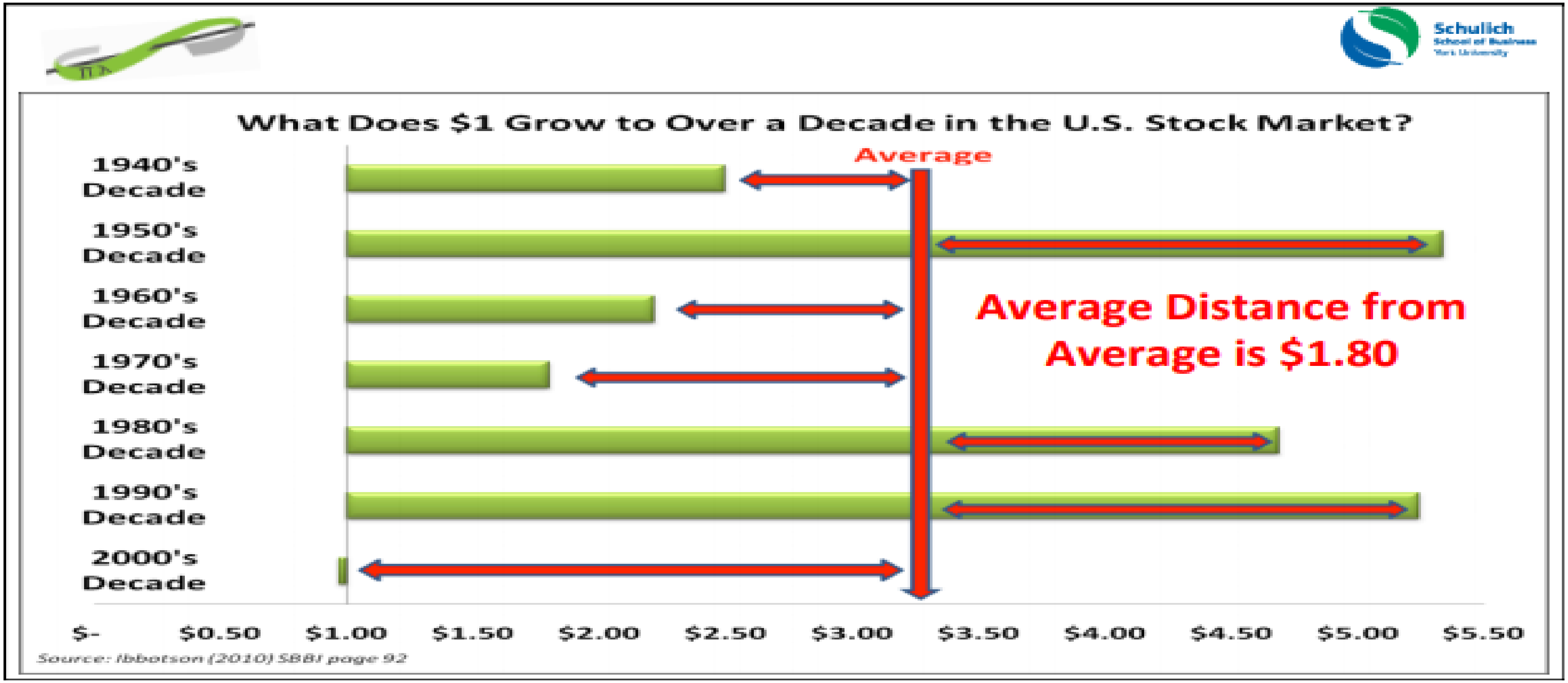
Where Will Interest Rates Be When You Retire?

10 Year Treasury Yields

Treasuries have generated a 1.26% ROR (2012-2018)

Source: for S&P 500 and 10 Yr T Bonds annual returns on stocks, T-bonds and T-bills 1928-current, www.stern.nyu.edu

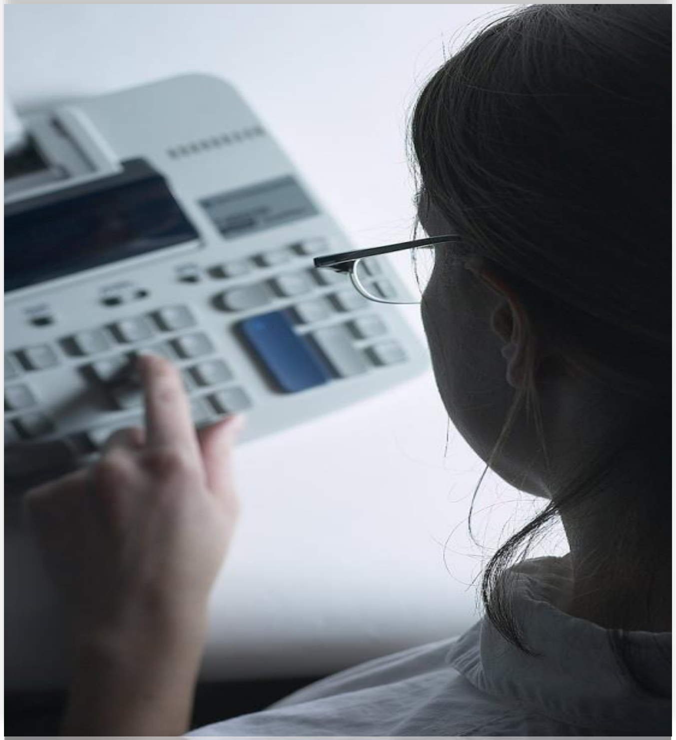
Where Will Stocks Be When You Retire?



Tax Risk

Reducing tax liability in retirement has a dramatic impact on portfolio survival rates

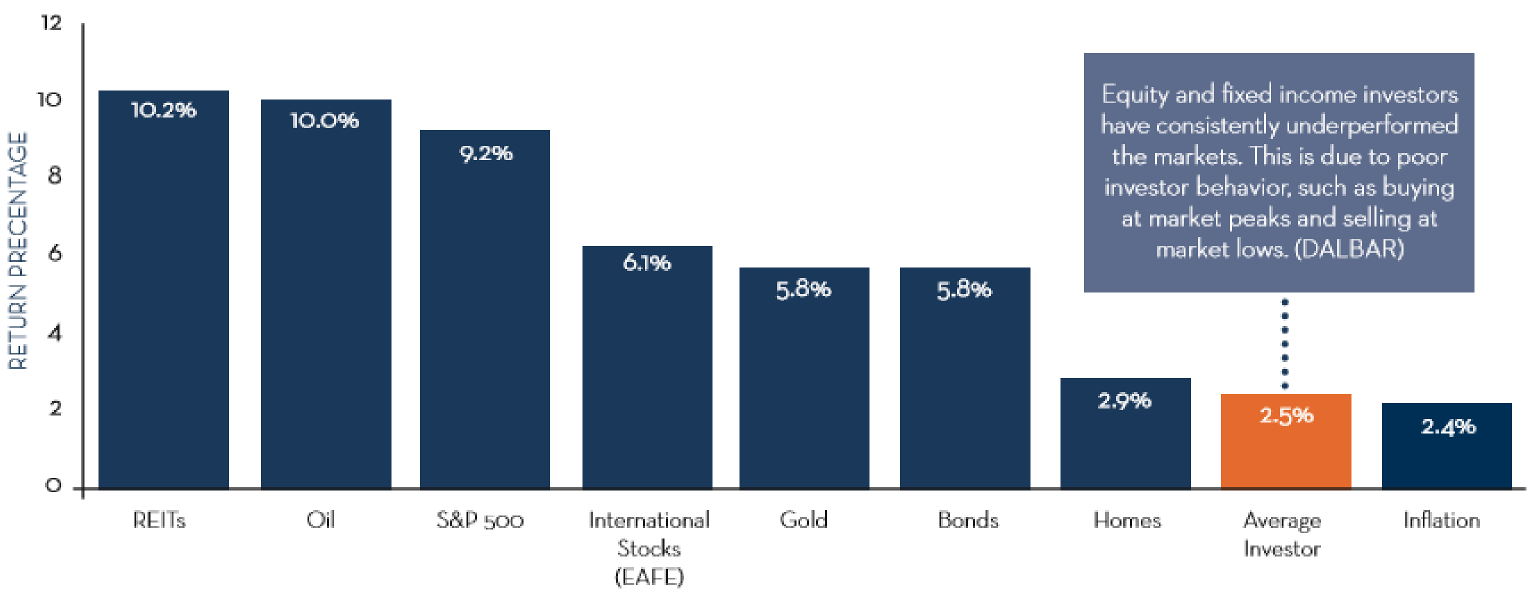
- Tax reduction Strategies can add 10-15 years or more to your portfolio survival
  - Roth Conversions
  - Tax Loss Harvesting
  - Annuities
  - Tax-Free Investments
  - Tax Optimized Withdrawals
  - Asset Location
  - Etc.



Behavioral Risk

THE BEHAVIORAL EFFECT ON INVESTOR RETURNS

20-YEAR ANNUALIZED RETURNS (1994-2013)



Source: 1st Global Research, DALBAR QAIB 2014

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Health Care Risk

Sixty-five-year-olds who retired in 2018 might need these amounts to cover their health expenses in retirement

Source: Employee Benefit Research Institute, 2018

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Long-Term Care Risk

- More than half of people will need some form of long-term care after age 65
- Current average cost of a one-year stay in a nursing home (semi-private room): **$82,128**
- Cost in 20 years at just a 3% inflation rate: **$149,535**

Source: U.S. Department of Health and Human Services, 2018. Cost projection is a hypothetical example of mathematical principles and is used for illustrative purposes only. Actual results will vary.

Can You Name One of the Key Risks??

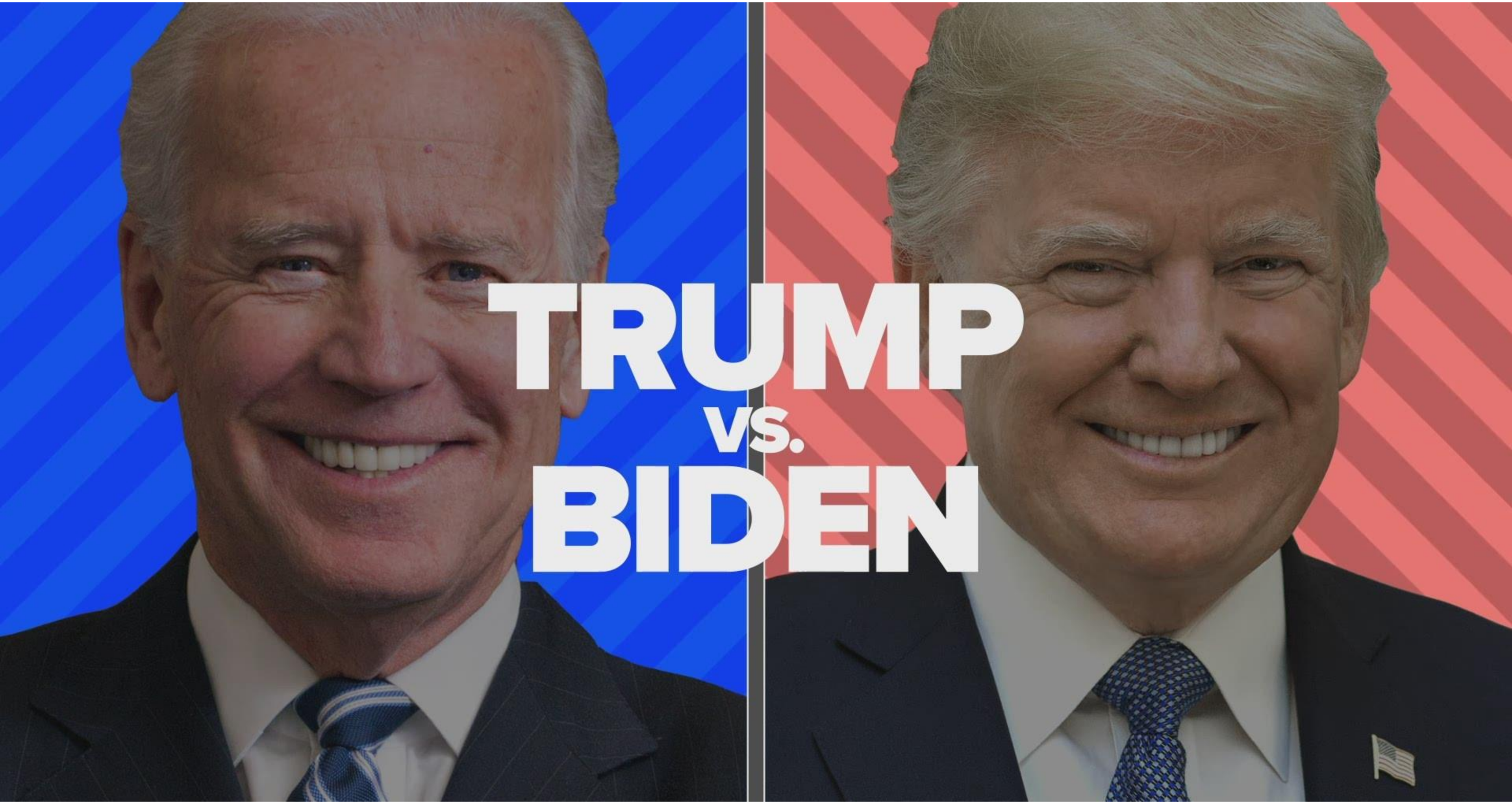
The Right Plan is Ready for Shock Events

How will Covid affect my retirement? Can I still retire?

Covid Impact

- Different, but not unprecedented
- Economy and markets are unpredictable
- No one knows where we're headed
- Market fluctuations and volatility have been around forever
- Several downturns during our lifetimes and retirement
  - Historically 3-5 20% or greater market declines over a 30-year period
- There will be changes in how we live, work and retire

This should be a "wakeup call" to plan properly!

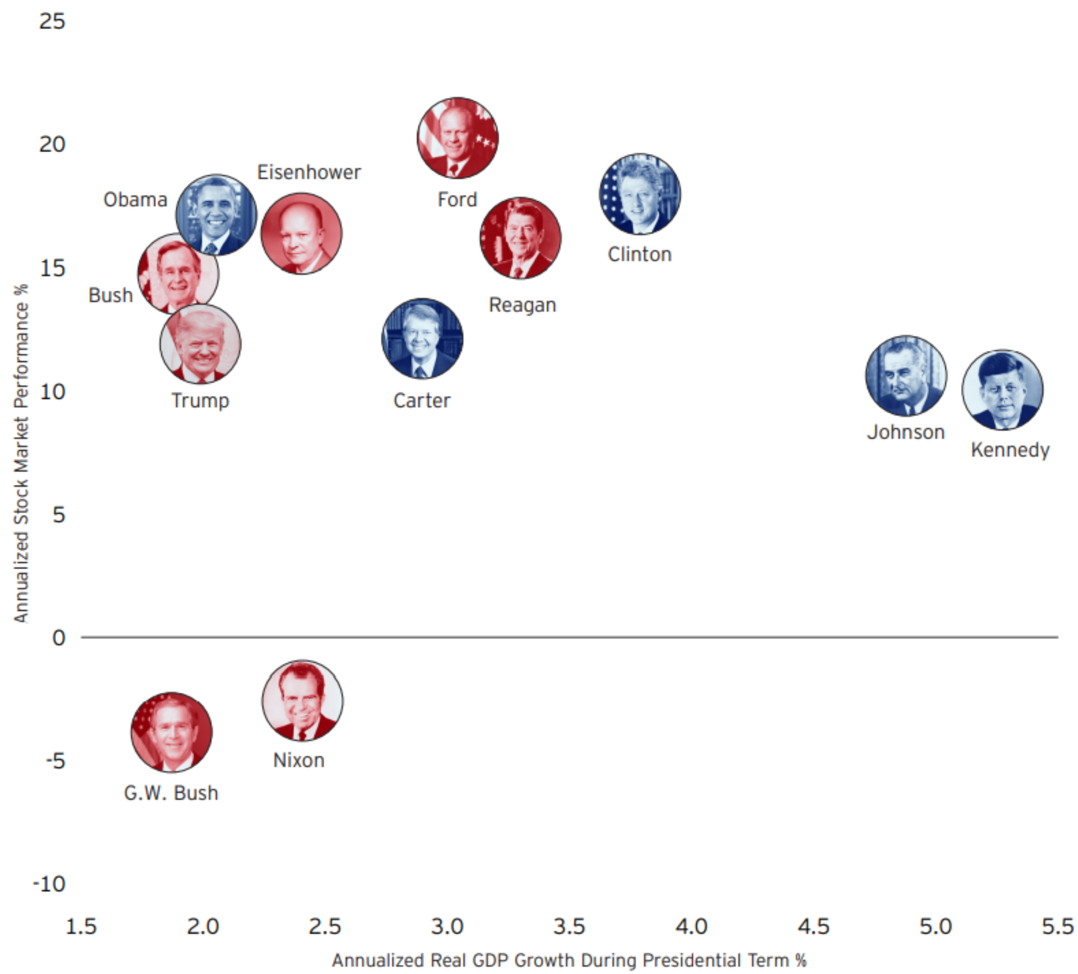


How will the election affect my retirement? Can I still retire?

Markets Have Performed Well Under Both Parties

+ The S&P 500 Index delivered an average annual return of approximately 11% over the past 75 years, through both Democratic and Republican administrations.
+ The US economy also expanded around 3.0% during that period.
+ The stock market's return was negative for a presidential administration only when the country was in a financial crisis (2008) or experiencing a stagflationary spiral (1973).
+ Neither party can lay claim to superior economic or financial market performance.

Presidential term stock market returns vs. economic growth (1957-present)



Sources: Haver, Invesco, 6/30/20. Note: President Trump stock market performance data from 1/20/17-6/30/20, real GDP data from 12/31/2016 to 3/31/2020 as GDP is reported with a lag. Stock market performance is defined by the total return of the S&P 500 Index. Index definitions can be found on page 13. **Past performance does not guarantee future results.**

No Need to Kiss Your Retirement Goodbye

"Out of crises can emerge new and incredible opportunities, particularly if traditional approaches and paradigms are questioned and challenged."

-John F. Kennedy

Our class challenges the "traditional" or COVENTIONAL approaches to retirement and offers some UNCONVENTIONAL yet very effective strategies to create an EFFICIENT RETIREMENT

Conventional Approach

"Most advisors concentrate solely on managing investments. They don't incorporate all the intricate retirement strategies that must be utilized to dramatically increase the probability of a retiree's success."

–Dr. Wade Pfau, Retirement Researcher

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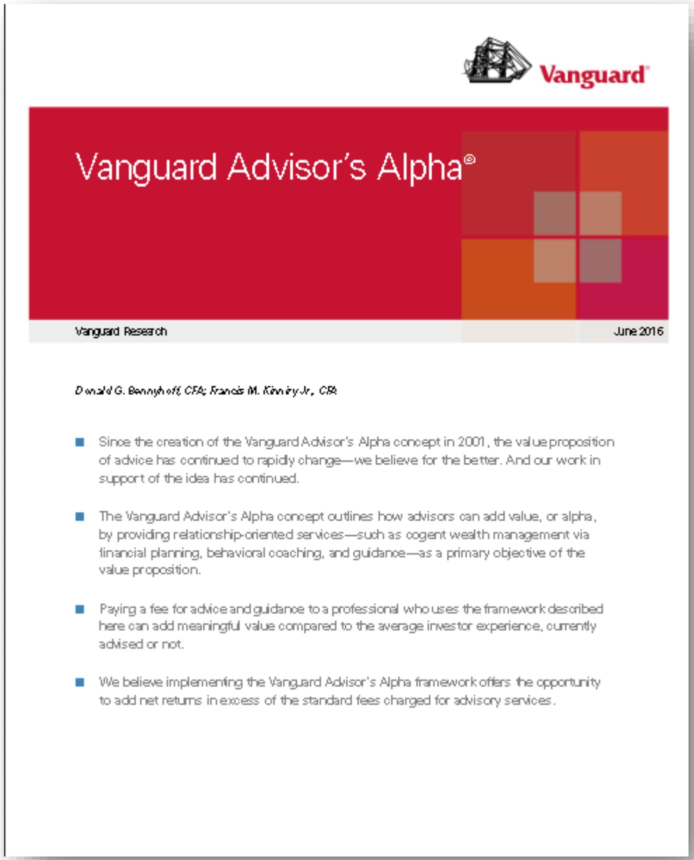
The Right Retirement Plan is More Than a 401(k) or an Investment Strategy

The right plan incorporates portfolio volatility reduction, Alpha investment management, tax efficiency, risk management and estate planning.

According to Several Research Studies…

Multi-Discipline Retirement Strategies Can Potentially Add 3% or More Additional Equivalent Yield to your Safe Withdrawal Rate


Vanguard

Vanguard Advisor's Alpha®

Vanguard Research

June 2016

Donald G. Bennyhoff, CFA; Francis M. Kinniry Jr., CFA

- Since the creation of the Vanguard Advisor's Alpha concept in 2001, the value proposition of advice has continued to rapidly change—we believe for the better. And our work in support of the idea has continued.
- The Vanguard Advisor's Alpha concept outlines how advisors can add value, or alpha, by providing relationship-oriented services—such as cogent wealth management via financial planning, behavioral coaching, and guidance—as a primary objective of the value proposition.
- Paying a fee for advice and guidance to a professional who uses the framework described here can add meaningful value compared to the average investor experience, currently advised or not.
- We believe implementing the Vanguard Advisor's Alpha framework offers the opportunity to add net returns in excess of the standard fees charged for advisory services.

Vanguard Investments study…

Proper retirement strategies can add as much as 3% equivalent return to a retirement portfolio.

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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

Other studies…

Return can be even higher, depending on strategies deployed.

Morningstar's research estimates a retiree can Generate 22.6% more income by employing Gamma Efficient Retirement Strategies

Investment-only portfolio…
Annual income of $60,000

Retirement optimized portfolio…
Annual income of $73,560

$13,560 MORE per year!!

Can you name one of the Multi-Disciplined Retirement Strategies?

Take-Aways from Tonight's Class

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2. Always ask why (show me the research)
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Next Week…

Week 1:

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Thanks for Joining Us Tonight…We Hope You Feel a Little Empowered