Hello & Welcome to
Retirement Power Hours
Investment Management

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

We'll be starting shortly

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Retirement Power Hours

Your Retirement Advisor

Retirement Power Hours Masterclass

(the very first of its kind in the industry)

www.RetirementPowerHours.com

Retirement Power Hours

Your Retirement Advisor

Welcome Any New Students…

Class Agenda

Class 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

Class 2:

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

Class 3:

- Covering the gap with savings & investments and other sources
- How to protect your portfolio amidst market volatility
- Investment Planning – Alpha generating money management
- A hybrid strategy to generate both growth and income

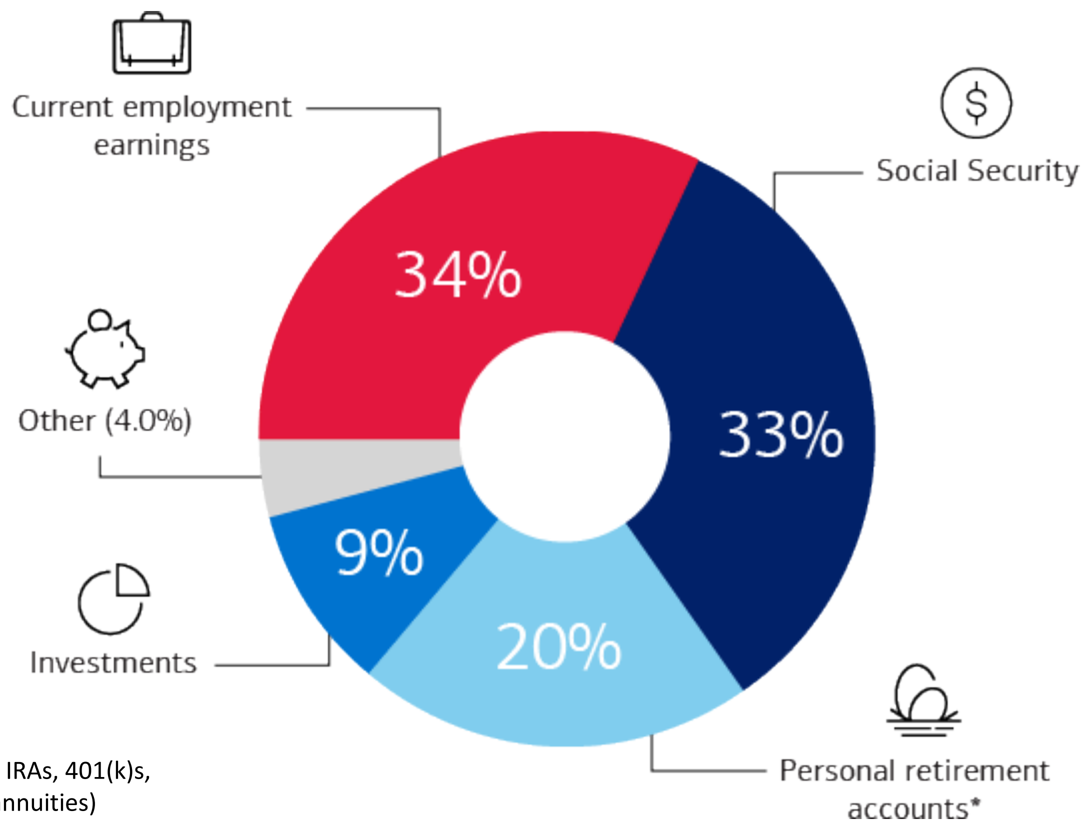
Class 4:

- 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?

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

The right plan incorporates income planning, investment management, tax efficiency, risk management and estate planning.

Sources of Retirement Income for HH Aged 65 & Older…



* (Included Traditional and Roth IRAs, 401(k)s, 403(b)s, pension plan payouts, annuities)
Source: Social Security Administration, "Fast Facts & Figures About Social Security," 2017

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Retirement Income Planning

- **Step 1:** Calculate Your Expense Budget
- **Step 2:** Calculate Your Guaranteed Income Sources
- **Step 3:** Determine Any Gap

How Much Income Do You Need in Retirement?

Annual income from Guaranteed Sources

−

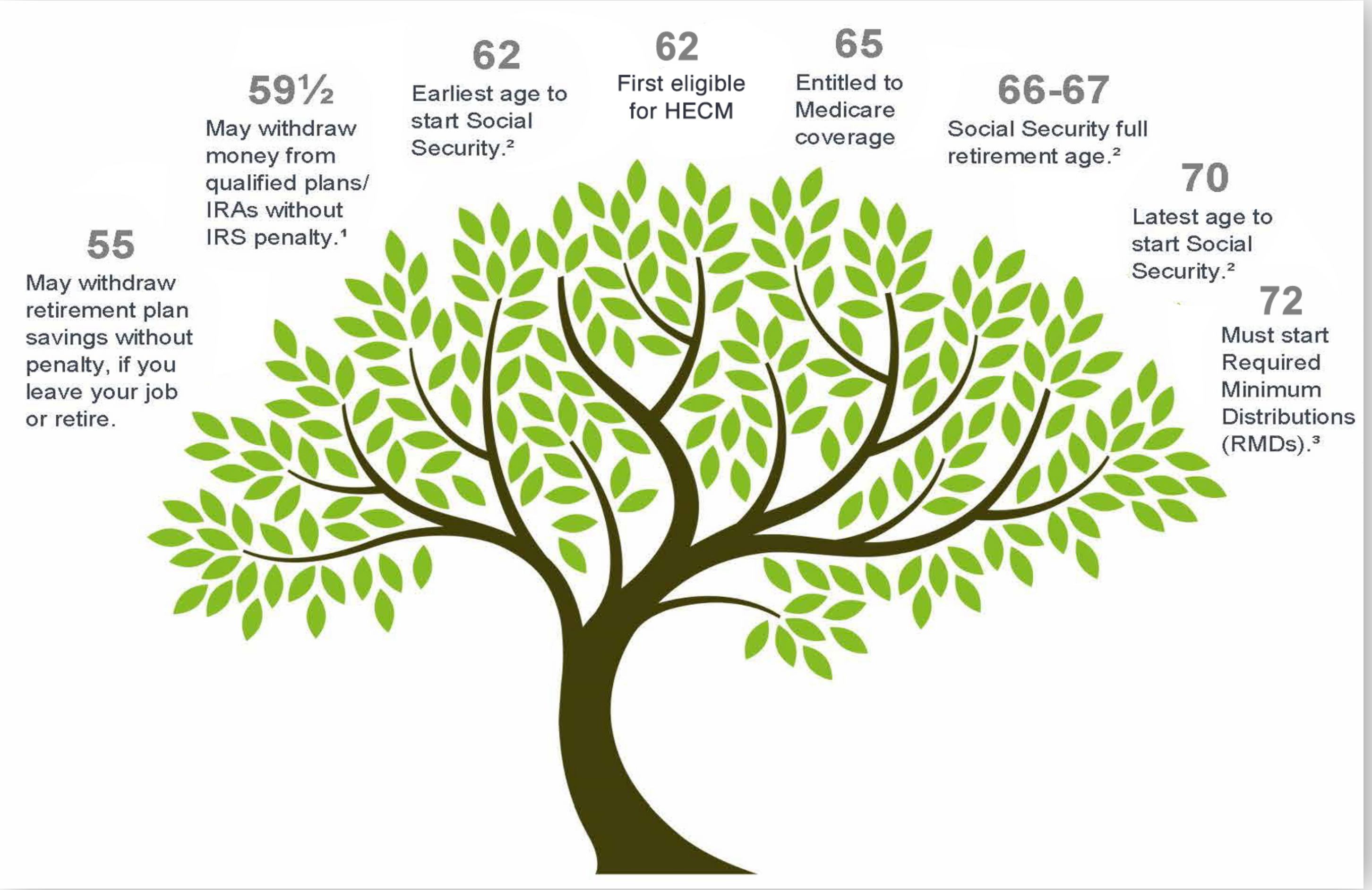
Retirement expenses

=

Fill the gap with other sources

Many people do have a gap and that's where your Other Income Sources & Investments play a BIG role

Key Dates to Access Income Sources



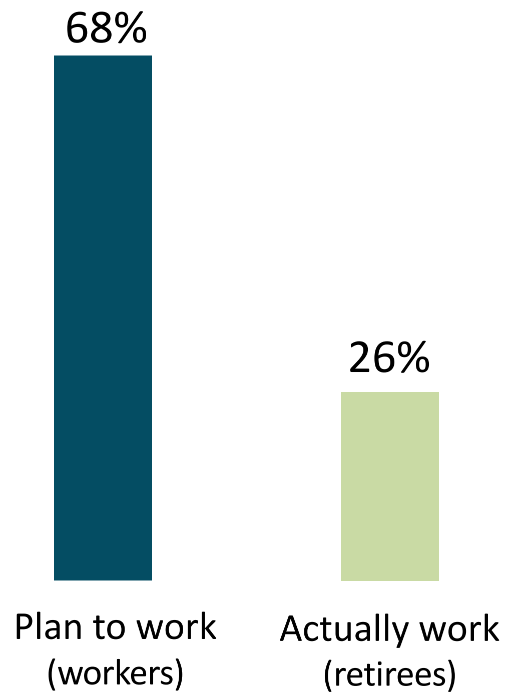
Here's the Other Income Sources

1. Part-Time Employment
2. 401ks, etc.
3. IRAs
4. Life Insurance
5. Rental Income
6. Inheritances
7. Annuities
8. Investments

Part-Time Employment Income

Working in Retirement

- Working for yourself or someone else during retirement does provide an important source of income for many
- Potential Issues:
  - Reducing Social Security benefits
  - Creating a tax burden when combined with annuity payments from a pension plan



Although 68% of workers expect to work for pay in retirement, only 26% of today's retirees are actually doing so. Working for pay can affect your Social Security benefits

Working in Retirement

Working in retirement: expectations vs. reality

If you're planning to work in retirement so you can save less today, be realistic about your expectations. The annual *Retirement Confidence Survey* from the Employee Benefit Research Institute (EBRI)* has consistently found that American workers are far more likely to *expect* to work in retirement than actually end up doing so.

In EBRI's latest report, 79% of respondents planned to work in retirement, compared with just 29% of retirees who report they have worked for pay in retirement."

* Employee Benefit Research Institute 2017 Retirement Confidence Survey: *Worker Confidence Stable, Retiree Confidence Continues to Increase*, March 2017.

https://www.ebri.org/retirement/retirement-confidence-survey/2017-retirement-confidence-survey-2017-results

Do you plan to keep earning an income in retirement?

Here's the Other Income Sources

1. Employment
2. 401ks, etc.
3. IRAs
4. Life Insurance
5. Rental Income
6. Inheritances
7. Annuities
8. Investments (outside of a 401k/IRA)

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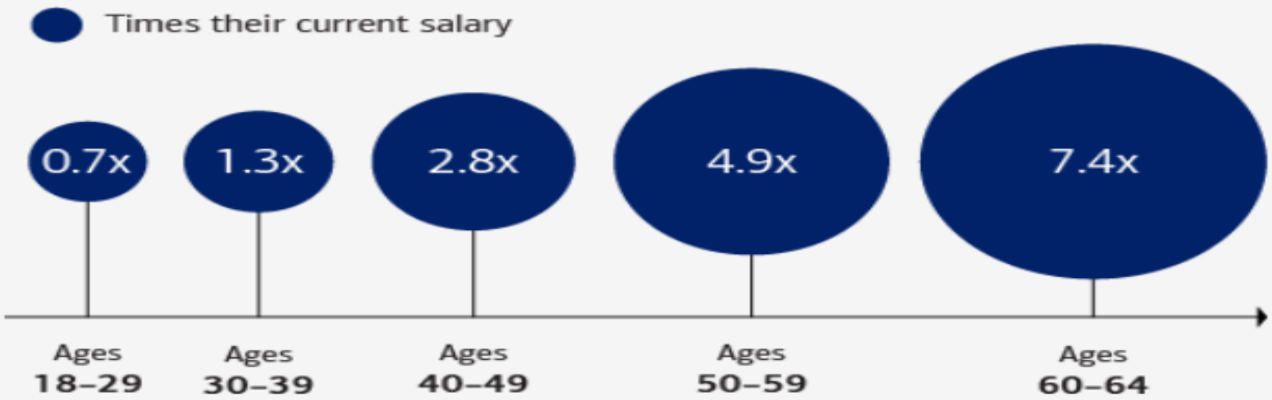
How Do You Compare?

How much the best retirement savers and investors set aside

Using the Net Wealth to Income Ratio, Merrill strategists have found that the best retirement savers — those whose savings are greater than 90% of people in their age and salary range — have saved a total of:



Note: Calculations based on the Federal Reserve's latest triennial Survey of Consumer Finances (2016). Note: Net wealth does not include housing wealth or housing debt. Net wealth equals Financial Assets (FIN) less debt (DEBT) add mortgage debt (NH_MORT) Definition: Financial assets: (FIN) Consists of liquid assets, certificates of deposit, directly held pooled investment funds, stocks, bonds, quasi-liquid assets, savings bonds, whole life insurance, other managed assets, and other financial assets. See the definition of each asset for further details. Debt (DEBT): Includes principal residence debt (mortgages and HELOCs), other lines of credit, debt for other residential property, credit card debt, installment loans and other debt. Mortgage Debt (NH_MORT): Includes all mortgages and home equity loans secured by the primary residence income. (INCOME): Household income for previous calendar year. Includes wages, self-employment and business income, taxable and tax-exempt interest, dividends, realized capital gains, food stamps and other support programs provided by the government, pension income and withdrawals from retirement accounts. Does not take into account taxes. Social Security income, alimony and other support payments, and miscellaneous sources of income. Source: Global Wealth & Investment Management Chief Investment Office.

A Shift from Traditional Pensions to "Personal Pensions"

- **Personal Pensions or Defined Contribution Plans (401ks. etc) are the rule**
  - Each participant is responsible for creating an income stream that will last a lifetime
- **Traditional Pensions or Defined Benefit Plans are the exception**
  - Company is responsible for generating a guaranteed income for life for each participant

Personal Pensions

Defined Contribution Plans

401(k)s, 403bs, SIMPLE IRAs are American's answer to disappearing Traditional Pension Plans.

- Employee contributes to the plan through payroll deductions to accumulate retirement funds tax deferred
- Each participant is responsible for creating an income stream that will last a lifetime (will discuss in next section)
- Many workers today have money saved in these plans
    - As of March 31, 2019, 401(k) plans held $5.7 trillion in assets and represented more than 19% of the $29.1 trillion in US retirement assets, which includes employer-sponsored retirement plans (both defined benefit (DB) and defined contribution (DC) plans, IRAs and annuities.

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Personal Pensions

Defined Contribution Plans

Contribution Levels

401(k) Plan

$19,500 + Catch-Up: $6,500

$26,000

DC Plans (basic limit) = $57,000
w/ catch-up $63,500

IRA & Roth IRA

$6,000 + Catch-Up: $1,000

$7,000

*https://www.irs.gov/newsroom/401k-contribution-limit-increases-to-19000-for-2019-ira-limit-increases-to-6000

Personal Pensions

Defined Contribution Plans

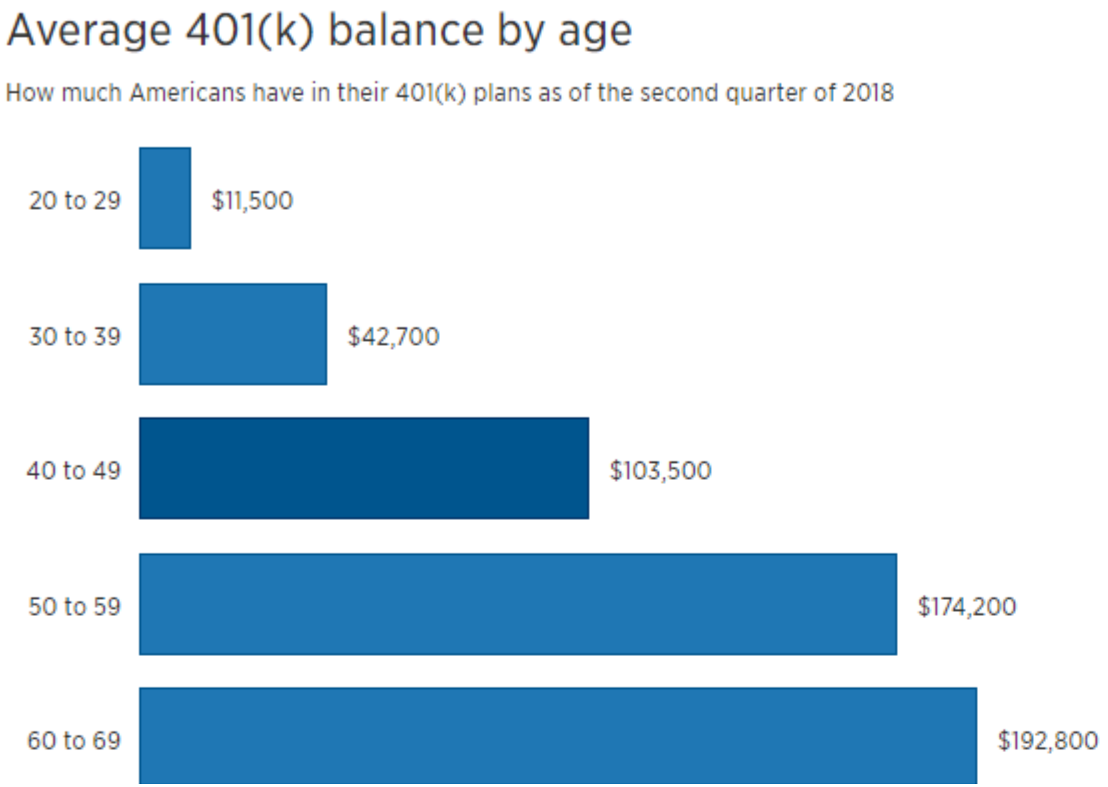
Plan Options When Retiring or Changing Jobs

- Leave money in current plan until needed (or until required to begin distributions)
- Roll money into a new employer's plan, if you continue working

- Distribution options:
  - Lump-sum distribution (taxable)
  - Create a Lifetime annuity
  - Rollover to an IRA (tax-free)

Personal Pensions

Defined Contribution Plans



Source: https://www.cnbc.com/2018/09/12/how-much-money-americans-have-in-their-401k-accounts.html

Personal Pensions

Defined Contribution Plans

IRAs (Traditional & Roth IRAs)

Individual Retirement Accounts IRAs are tax-favored savings

- Investment plans designed to accumulate assets for retirement
- IRAs provide flexibility since you have virtually unlimited investment choices.

Personal Pensions

Defined Contribution Plans

IRAs (Traditional & Roth IRAs)

- Tax deductable contributions to income limits (see next slide)
- Tax deferred growth
- Taxable withdrawals
- Subject to RMD’s at age 70 ½
- Subject to SSI Provisional Income

Personal Pensions

Defined Contribution Plans: IRAs

IRA <u>Deductibility</u> Phase-Out Rules (based on AGI)

If both spouses are covered by a DC Plan

Married Filing Jointly	$103,000 - $123,000
Married Filing Separately	$0 - $10,000
Single or Head of Household	$64,000 - $74,000

If one spouse is covered by a DC plan

Married Filing Jointly	$193,000 - $203,000
Married Filing Seperately	$122,000 - $137,000

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Personal Pensions

Defined Contribution Plans: Roth IRAs

- Contributions must be made using after-tax dollars
- Tax deferral – Your contributions and earnings compound tax-deferred
- Tax free withdrawals – Your contributions and earnings can be withdrawn tax free (subject to five-year holding period plus age restriction)
- Tax planning flexibility
- No RMD's Required
- NOT subject to Social Security Provisional Income calculation

Personal Pensions

Defined Contribution Plans: Roth IRAs

Roth IRA phase-out based on MAGI

Married Filing Jointly	$193,000 – 203,000
Married filing separately and lived with your spouse	$0 - $10,000
Single or Head of Household, or Married filing separately and lived apart from your spouse	$122,000 - $137,000

Here's the Other Income Sources

1. Employment
2. 401ks, etc.
3. IRAs
4. Life Insurance
5. Rental Income
6. Inheritances
7. Annuities
8. Investments (outside of a 401k/IRA)

Other: Life Insurance

- Life insurance can provide supplemental income for unexpected retirement costs, like long-term care or medical bills.
- Policy cash value may earn dividends or interest depending on type of contract you choose. Accumulation is tax-deferred.
- Withdrawals of premiums are tax-free.
- Loans may be tax-free
- ***No RMDs required and not subject to Social Security Provisional Income calculation***

*Guarantees, including optional benefits, are backed by the claims-paying ability of the issuer, and may contain limitations, including surrender charges, which may affect policy values.

Other: Real Estate Income

- Rental real estate can generate ordinary income (or losses), passive income (or losses), capital gains and depreciation
- If you own rental real estate, this can influence your tax planning during retirement

Other: Inheritances

- It is important to consider any potential inheritances as a source of retirement income
- The U.S. population is currently experiencing the largest transfer of estate assets in our history
- Add this income source to your retirement projection

Other Income Sources

1. Employment
2. 401ks, etc.
3. IRAs
4. Life Insurance
5. Rental Income
6. Inheritances
7. Annuities
8. Investments (outside of a 401k/IRA)

Three Types of Annuities

- **Fixed Annuity** – Interest is based upon a fixed rate of interest and principal is guaranteed
- **Variable Annuity** – Interest is based upon investments that are similar to mutual funds.
  - Principal value will fluctuate based upon the underlying mix of investments selected
- **Fixed Indexed Annuity –** Interest is linked to an external investment index.
  - A percentage of the index will be credited to the account at each crediting term.
  - The principal value is guaranteed.

N/B: Investors should consider the investment objectives, risks, charges, and expenses of the variable annuity and the underlying subaccounts carefully before investing. The prospectus contains this and other information about the variable annuity.

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.

*The guarantees of fixed annuity contracts are contingent on the financial strength and claims-paying ability of the issuing insurance company

Other Income Sources

1. Employment
2. 401ks, etc.
3. IRAs
4. Life Insurance
5. Rental Income
6. Inheritances
7. Annuities
8. Investments (outside of a 401k/IRA)

Creating Income from Investments

Investments held outside of a retirement plan

- Examples of investment types include annuities, bonds, mutual funds, certificates of deposit and others
- Investments can be used to create a guaranteed income annuity
- As you approach and begin retirement, you should consider making adjustments to your investment mix to reflect changes in your circumstances

Creating Income from Investments

Types of Investments

- Stocks & Bonds
- Mutual Fund’s & Exchange Traded Funds
- Separately Managed Accounts (SMAs)
- Real Estate Investment Trusts (REITs)
- Alternative Investments (ALTs)
- Structured Investment Products (SIPs)

Creating an Efficient Income Portfolio from Investments

3 Strategies to create an ***Efficient Retirement Income***

- **Proper Integration of Investments** –
  - Integrate investments and strategies properly to reduce portfolio risk & Increase growth potential

- **Alpha Portfolio Management –**
  - Adding positive manager alpha to a portfolio to potentially increase the SWR

- **Tax-Efficiency** –
  - Creating a tax-efficient income to decrease taxes can increase spendable income or leave a larger legacy to loved ones

Creating an Efficient Income Portfolio from Investments

Properly Integrate your RETIREMENT PORTFOLIO –

- Reduce portfolio volatility and risk
- Increase growth potential

Protect your nest egg as you get closer to retirement

Let's Discuss the Effect of the Coronavirus…

Where Are We Now?

Even though we don't know how long this pandemic will affect us, we feel certain about a few things…

Here's some things we are pretty certain of…

- This is different but not unprecedented (all economic downturns are unprecedented)
- The economy and markets are unpredictable
- Market fluctuations and volatility have been around forever (and always will be)
- No one knows where we are headed

The stock market is extremely resilient but extremely volatile!

S&P 500 Index

- January 1st 2020 – February 18th 2020 = + 4.57%
- February 19th 2020 – March 23rd 2020 = - 33.41%
- March 24th 2020 – December 1st 2020 = + 60.35%

- **YTD (thru December 1st 2020) = 13.55%**

Disclosure:

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Bear Market Definition - Investopedia, Mar 22, 2020

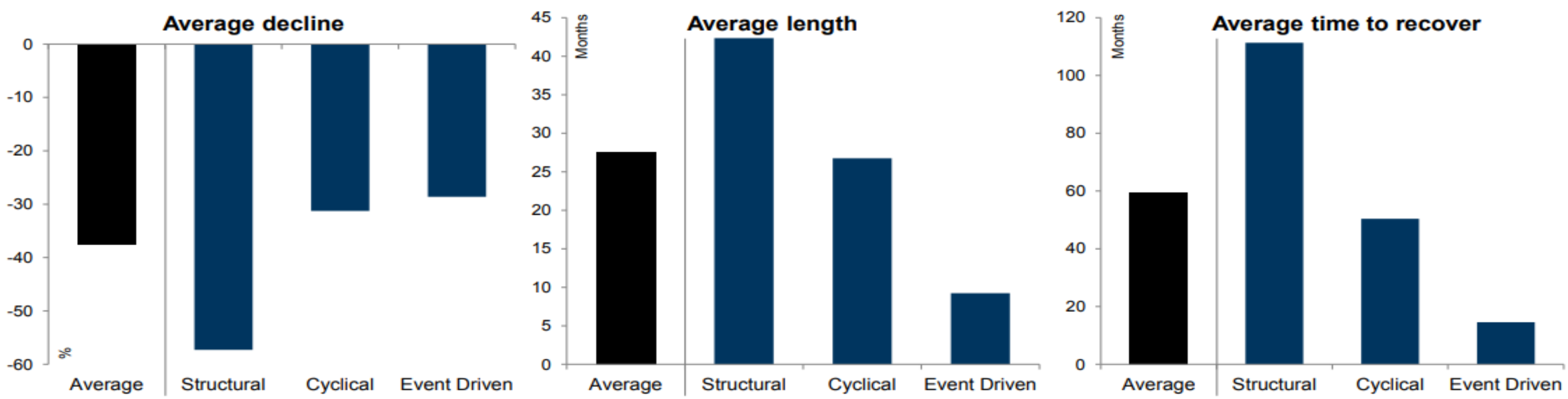
By definition … A **bear market** is when the market experiences prolonged price declines. It typically describes a condition in which securities prices fall 20% or more from recent highs amid widespread pessimism and negative investor sentiment.

This is Different, But Not Unprecedented

History of Bear Markets since 1835

3 Types of Bear Markets (market downturn of 20% or greater)

- **Structural bear markets**, on average, see drops of 57%
- **Cyclical Bear Markets,** on average, see drops of 31%
- **“Event driven” Bear Markets**, on average, see drops of 28%



Source: Goldman Sachs Global Investment Research

Where Are We Today with the COVID – 19 Event???

In Summary …

- ✓ We are currently a long way from major stock market losses of the past
- ✓ Economist are conflicted as to where we are headed moving forward
- ✓ Are headed for a global recession or a major market rebound?
- ✓ Stock market volatility has always been around and will continue forever
- ✓ The stock market is extremely resilient but volatile

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

Let’s Review the Risks

Four Key Retirement Risks Discussed in Class 1

- **Risk #1:** Portfolio Overdraft (The Safe Withdrawal Rule)
- **Risk #2:** Market Volatility in Retirement
- **Risk #3:** Sequence of Return Risk
- **Risk #4:** Interest Rate Risk

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Risk #1

Portfolio Overdraft (Safe Withdrawal Rule)

The New Safe Withdrawal Rule

SUMMARY :

$500,000 Retirement Assets

- The OLD Bengen Rule @ 4% SWR (1994) = **$20,000/year income provided**
- The NEW Morningstar @ 2.4% SWR (2013) = **$12,000/year income provided**

✓ A reduction of $8000 of annual income or 40% less income for life

✓ The reduction primary due to low bond yields

MORNINGSTAR

Risk #2

Market Volatility in Retirement

The Best Offense is a Good Defense

The Math Proves that a portfolio with lower risk or volatility (standard deviation) will last longer when taking withdrawals, all other factors being equal.

Reducing volatility in your portfolio is imperative to creating an EFFICIENT and SUSTAINABLE retirement income for life.

Risk #3

Sequence of Return Risk

Definition:

Sequence of Return Risk - The risk of receiving lower or negative returns early in retirement, when regular withdrawals are made from an investment portfolio

When taking withdrawals from a portfolio, the order or the sequence of investment returns can significantly impact your portfolios overall value and determine your retirement outcome

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Risk #4

Interest Rate Risk

Bonds have an inverse relationship to interest rate movements

- ✓ As Interest rates rise… bonds lose value
- ✓ As interest rates fall… bonds gain value

Where are interest rates heading with the 10-year treasury at .68% yield as of 5/27/20????

Source: MarketWatch.com, 4.23.20

Two Viable Solutions to the Bond Dilemma

Solution #1: Market-Linked Structured Products

What is a Market Linked Structured Product???

Definition: A Structured investment product is a type of investment that is designed to meet specific investor needs with a customized product mix. They typically use derivatives to meet the investment objective, whether it be to increase return or decrease risk. They can be linked to any market index such as the S&P 500 Index to derive their return.

Source: MarketWatch.com, 4.23.20

Two Viable Solutions to the Bond Dilemma

Market-Linked Structured Products

As a Bond Alternative

- Designed to offer principal protection to eliminate or minimize market losses on the market index
- The investor will receive a <u>percentage</u> of the market index return known as a Cap
- Greater growth potential than a bond and with lower risk

GREATER RETURN POTENTIAL with LESS RISK is an awesome combination when approaching or in retirement as we have discussed!

Source: MarketWatch.com, 4.23.20

Two Viable Solutions to the Bond Dilemma

Market-Linked Structured Products

- Offered by Investment Banks and Insurance Companies
- Contractually guaranteed by the investment bank or insurance company
- Many different structures; Leveraging upside market returns or decreasing downside market risk
- Historically utilized by large institutional investors and affluent individuals due to substantial minimums (typically $1million or more)
- Now available at $25,000 minimum in ETF’s or Variable Annuity contracts

Source: MarketWatch.com, 4.23.20

Two Viable Solutions to the Bond Dilemma

Solution #2: Fixed Index Annuities (FIAs)

What is an FIA???

Definition: An indexed annuity is a type of annuity contract that pays an interest rate based on the performance of a specified market index, such as the S&P 500. Many investment indices are utilized today and many crediting methodologies exist.

Indexed annuities offer their owners, or annuitants, the opportunity to earn higher yields than fixed annuities when the financial markets or the index perform well. Typically, they also provide some protection against market declines in the index selected.

Two Viable Solutions to the Bond Dilemma

Fixed Index Annuities (FIAs)

FIAs follow the performance of the market by offering interest credits based in part on the performance of reference indices

- FIAs protect against market downturns
  - No market losses – “zero is your hero”
- Growth linked to an investable index
  - Will receive a ***percentage*** of the index return through caps, participation rates and spreads
- Alternative to a bonds NOT an alternative to stocks

Two Viable Solutions to the Bond Dilemma

Fixed Index Annuities (FIAs)

Interest Crediting Methods – Can utilize one or more in an FIA

- **Participation rate -** A percentage of the index earnings that is credited to the account
  - 75% participation rate: Index returns 10% the rate credited will be 7.5%
- **Cap rate –** The maximum return that can credited to the account
  - 7% Cap rate: Index returns 10% the rate credited rate will be 7%
- **Spread –** The percentage that will deducted from the index return
  - 1.5% Spread rate: Index returns 10% the rate credited will be 8.5%

Two Viable Solutions to the Bond Dilemma

FIA Hypothetical Calculation

Contract Terms -

Index: S&P 500 Index

Credit Term: 1 year term

- Participation rate = 40%
- Spread = 1% Spread

Year #1

- S&P 500 return for the first year = 12.27%
- Participation rate is 40% = 4.90%
- Spread is 1% = 3.90% credited to the account

Year #2

- S&P 500 return for the 2nd year = 27.86%
- Participation rate is 40% = 11.14%
- Spread is 1% = 10.14% credited to the account

Year #3

- S&P 500 return for the 3nd year = -22.56%
- Participation rate is 40% = 0%
- Spread is 1% = 0% credited to the account

Two Viable Solutions to the Bond Dilemma

Choose your FIA carefully

FIA #1

Index: S&P 500 Index
Participation Rate: 60%
Cap: 14%
Spread/Fee: 3%
Crediting Period: 1 Year

S&P 500 Index Return (2017): 19.82%
(without dividends)

Credited to account: 5.40%

FIA #2

Index: S&P 500 Index
Participation Rate: 40%
Cap: No Cap
Spread/Fee: 1%
Crediting Period: 1 Year

S&P 500 Index Return (2017): 19.82%
(without dividends)

Credited to account: 6.92%

Two Viable Solutions to the Bond Dilemma

Solution #2: Fixed Index Annuities (FIAs)

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In Summary…

- ✓ The *sequence of investment returns* & *volatility risk* can significantly impact your investment portfolio when taking distributions
- ✓ The Math proves. the portfolio with the lower risk, when taking withdrawals, will last longer all other factors being equal
- ✓ At current low interest rates, bonds will not generate the returns of the past
- ✓ According to leading research from Morningstar the new Safe Withdrawal Rate is reduced from 4% to 2.4%
- ✓ Market-Linked Products and FIAs offer a viable solution to the bond dilemma

Challenging the "Status Quo"

We are now going to challenge the "status quo" that most "traditional" advisors and individual retirees still rely on…

With or without a pandemic, we as retirement educators have successfully been challenging convention for many years.

… Retirement is Still On!

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The Unconventional Yet Efficient Retirement Strategy…

The Hybrid Income Portfolio (HIP)

The UNCONVENTIONAL yet high EFFICIENT solution

Retirement Portfolio Design

Conventional Portfolio Vs Unconventional Portfolio

- ✓ Remember the portfolio with the lower volatility, when taking withdrawals, will last longer all other factors being equal
- ✓ Raising the Safe Withdrawal Rate is paramount to maximizing retirement income
- ✓ The Unconventional Portfolio reduces risk and offers higher potential return and ultimately more potential income

Let the Games Begin!

Retirement Portfolio Design

Conventional Portfolio Vs Unconventional Portfolio

Conventional Retirement Portfolio Design

- Diversified Stocks: 50% - 60%
- Bonds: 40% - 50%

Summary

- ✓ Inefficient portfolio design
  - ✓ Higher risk & lower return potential
  - ✓ Low bond yields may reduce portfolio returns moving forward
  - ✓ An Increasing interest rate environment will increase portfolio risk & volatility

S&P500 Index & 3-month treasury bonds: http://www.stern.nyu.edu/~adamodar/pc/datasets/histretSP.xls

Retirement Portfolio Design

Conventional Portfolio Vs Unconventional Portfolio

Unconventional Retirement Portfolio Design

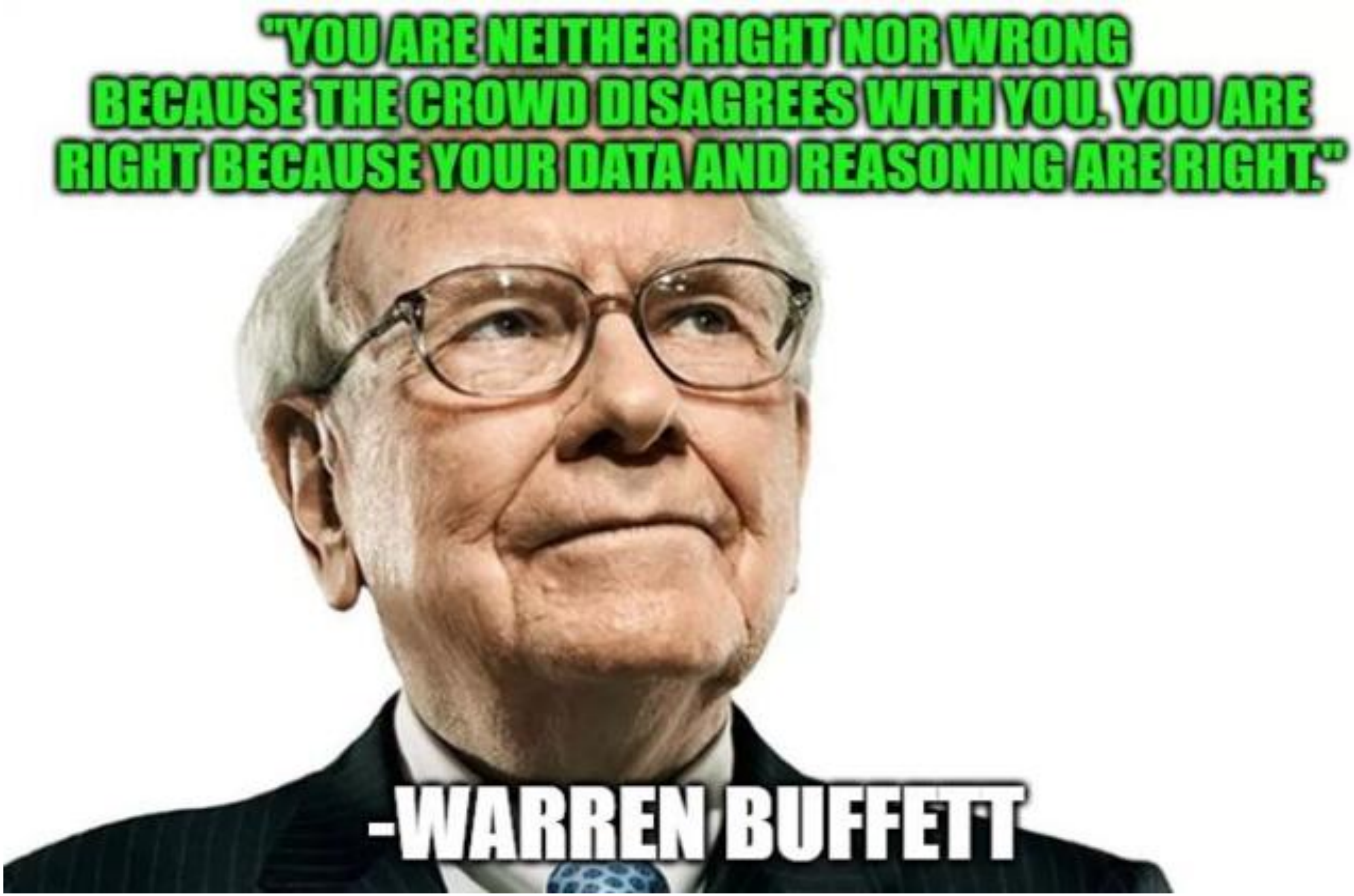
Combining Diversified Stocks with Market-Linked Structured Products

- Diversified Stocks: 30% -50%
- Bonds: 0%
- Market-Linked Structured Products: 50% -70%

Summary

- ✓ Efficient portfolio design
  - ✓ Lower risk & higher potential return
  - ✓ Replace low yielding bonds with Structured Products

S&P500 Index & 3-month treasury bonds: http://www.stern.nyu.edu/~adamodar/pc/datasets/histretSP.xls


"YOU ARE NEITHER RIGHT NOR WRONG BECAUSE THE CROWD DISAGREES WITH YOU. YOU ARE RIGHT BECAUSE YOUR DATA AND REASONING ARE RIGHT."
-WARREN BUFFETT

Portfolio Case Study

Retirement Income Projection Analysis (RIPA) - Retirement Inputs:

Current Ages:

- Mr. & Mrs. Case Study – 65

Retirement Age:

- Mr. & Mrs. Case Study – 65

Projection Duration (25 Year Retirement):

- Age 65 - 90

Total Current Assets:

- Current Invested Assets: $1,000,000 in qualified IRAs

Income Target Requirements:

- Net Income Requested: $40,000/annual (net)

Inflation Estimate:

- Inflation @ 2% annually

Portfolio Case Study

Retirement Scenario Overview

- **Scenario A: TRAA 6040**
  - Retirement Income Generated: $40,000 annual (net)
  - Retirement Income inflated @ 2% annually
  - **Traditional Plan: 60% Global Diversified Stocks & 40% Diversified Bonds**
- **Scenario D: HIP 303040**
  - Retirement Income Generated: $40,000 annual (net)
  - Retirement Income inflated @ 2% annually
  - **HIP Strategy: 30% Global Diversified Stocks, 30% Structured Investments & 40% FIAs**

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Portfolio Case Study

Portfolio Balances age 90

After completing your Retirement Income Projection Analysis (RIPA) with all your personal income goals, variables and assumptions the following outcome is realized based upon several retirement scenarios. Each scenario offers a different retirement outcome which should be reviewed carefully to determine the best course of action to create the best potential retirement outcome (not running out of income)

Retirement Income Grid

Income Goal (net): $40,000 per year with 2% inflation increases

	Negative Sequence of Return Projection	*Average Sequence of Return Projection*	*Positive Sequence of Return Projection*
Scenario A **TRAA 6040**	Account balances $0 at age 85/85	Account balances $1,538,440	Account balances $2,944,161
Scenario D **HIP 303040**	Account balances $627,982 at age 85/85 Account balances $493,195	Account balances $1,901,723	Account balances $2,986,913

Retirement Projection Disclosures

Retirement Income Projection Analysis Important Disclosures

Retirement Planning & Projection Software: The software used to produce all values in this report including tables and charts is RetireUp.

Sequence Return Projections in Charts Below: The different sequences of variable returns cover a range of possible outcomes for your retirement portfolio, given your starting balance, the type of insurance or investment product, and your desired income level and other goals. The future returns, their sequence and individual year returns, were generated using a random number generator, using a normal distribution and standard deviation. The end result is a 100-year hypothetical sequence of returns. The RetireUp software runs 100 year-by-year permutations of the simulated returns and determines which subsets of the entire sequence would generate the most optimal (Positive Sequence), least optimal (Negative Sequence) and mathematically average (Average Sequence) hypothetical results for an individual report. A typical report will run 30-40 years, so only a subset of these 100 years will be used. These returns are all simulated and do not represent historic sequences. While some of these hypothetical scenarios may utilize past performance data, your actual future results will be different, either better or worse, so these results should not form the sole basis of your retirement income strategy.

Rate of Return Estimates by Investment Type (hypothetical) Explanation: Returns sourced from Weathvest Marketing white paper. In that paper 1928 – 2016 return data for bonds and the S&P 500 alongside historical S&P 500 Dividends Yields, were sourced from New York University (NYU) Stern School of Business. The study used a hypothetical FIA with an S&P 500 index-linked interest crediting method. It used a 50% S&P 500 participation rate to approximate FIA returns for the time-period between 1950 and 2017. In the opinion of industry expert Jack Marrion, since interest rates were much higher for most of that time-period than they are today, this represents a conservative assumption.

Aggregated Rate of Return Estimates in Retirement Scenario Overview Explanation: Aggregate based on percentage in each asset below & reduced rate by 1.5% to be more conservative & rounded down to nearest whole percentage.

Ex. (Investment Type Return) * (Investment Type Percentage of Portfolio) = Aggregated Rate of Return

Wealthvest White Paper: Role of FIAs in Retirement Portfolio, 2018. https://wealthvest.com/white-papers/index.html.

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Additional Disclosures

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.

Fixed index annuity guarantees are based on the financial strength and claims paying ability of the issuing company and do not apply to the performance of the index which will fluctuate with market conditions. Fixed index annuities are long term products and can be subject to restrictions, limitations and surrender charges. When you buy a fixed index annuity, you own an insurance contract. You are not buying shares of any stock or stock index.

All economic and market performance are historical and not indicative of future results. Investors and not directly invest in indices. 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.

Investors should consider the investment objectives, risks, charges, and expenses of the variable annuity and the underlying subaccounts carefully before investing. The prospectus contains this and other information about the variable annuity. Contact Brian Saranovitz at 435 Lancaster Street, Suite 358, Leominster MA 01453 or call 978-345-7075 to obtain a prospectus which should be read carefully before investing or sending money.

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Filling the GAP

Creating an Efficient and Sustainable Income

3 Strategies to create an efficient retirement income

- **Proper Integration of Investments** –
  - Integrate investments and strategies properly to reduce portfolio risk & Increase growth potential
- **Alpha Portfolio Management –**
  - Adding positive manager alpha to a portfolio can significantly increase the SWR
- **Tax-Efficiency** –
  - Creating a tax-efficient income to decrease taxes can increase spendable income or leave a larger legacy to loved ones

Filling the GAP

Creating an Efficient and Sustainable Income

Alpha Portfolio Management –

- Adding positive manager alpha to a portfolio can significantly increase the SWR

Alpha Portfolio Management

- Identifies money mangers that have exhibited

  a history of over performing market benchmarks
- Assess investment/portfolio value based on Relative Return (net all fees and expenses)
  - Relative Return is a measure of return compared to an applicable benchmark or index
- Measures the effect of high quality alpha generating active investment managers Vs passive index funds
- Combines active and passive management to optimize portfolio performance

Retirement Power Hours

Your Retirement Advisor

Alpha Portfolio Management

Absolute vs Relative Returns

Absolute Return

- Returns of an investment or portfolio <u>without comparison</u> to a benchmark or index
- Example:
  - Assume 9.27% net rate of return on a large company U.S. based stock fund
  - Good, Bad, Average?
  - No way to know!

Relative Return

- Returns of an investment or portfolio <u>compared</u> to a benchmark or index
- Example:
  - Assume 9.27% net rate of return on a large company U.S. based stock fund
  - Average return on all other large company U.S. stock funds = 10.96%
  - Good, Bad, Average? 1.69% below average!

Retirement Power Hours

Your Retirement Advisor

Alpha Portfolio Management

Manager Alpha

A measure of the manager's ability to add either positive or negative returns versus the appropriate benchmark

Positive Alpha: Above average returns

Negative Alpha: Below average returns

Alpha Portfolio Management Summary

- Leading research shows passive index funds combined with high-quality alpha generating active managers may add portfolio value
- The challenge is uncovering high-quality, alpha generating investment managers
  - Over 20,000 active mutual funds, ETFs, Separate Account Managers
  - Select 8-10 "Best of Breed"
  - Ensure fees are reasonable

A Passive AND Active Portfolio May Increase Retirement Success

Alpha Portfolio Management

Benchmark Your Returns (net of all fees)

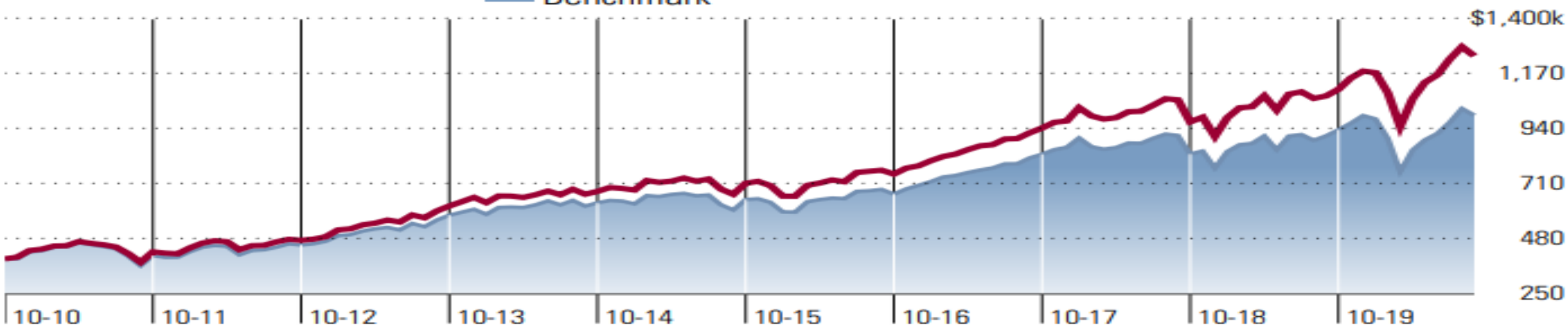
- Create your proper benchmark(s)
- Analyze your managers and portfolio Vs the benchmarks regularly to maintain high performing portfolio
- Adjust your portfolio managers when necessary
- Assess your relative return to the benchmark

Alpha Portfolio Management

Morningstar Relative Return Analysis

Performance 09-30-2020

Investment Activity Graph — Portfolio — Benchmark Initial Mkt Val: $394,527 Final Mkt Val: $1,242,123



Trailing Returns*	3 Mo	1 Yr	3 Yr	5 Yr	10 Yr
Portfolio Return	6.80	15.55	10.48	13.34	12.60
Benchmark Return	8.31	9.45	6.79	10.67	10.08
+/- Benchmark Return	-1.51	6.10	3.69	2.67	2.52

**Full return history is not available for all securities. Please see Return Participation disclosure.*

Source: Morningstar Advisor Workstation: data as of 09.30.20 release date

Disclosure

Standardized and Tax Adjusted Returns The performance data quoted represents past performance and does not guarantee future results. The investment return and principal value of an investment will fluctuate; thus an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than return data quoted herein. For performance data current to the most recent month-end please visit http://advisor.morningstar.com/familyinfo.asp. Standardized Returns assume reinvestment of dividends and capital gains. They depict performance without adjusting for the effects of taxation, but are adjusted to reflect sales charges and ongoing fund expenses. If adjusted for taxation, the performance quoted would be significantly reduced. For variable annuities, additional expenses will be taken into account, including M&E risk charges, fund-level expenses such as management fees and operating fees, contract-level administration fees, and charges such as surrender, contract, and sales charges. The maximum redemption fee is the maximum amount a fund may charge if redeemed in a specific time period after the fund's purchase. After-tax returns are calculated using the highest individual federal marginal income tax rates, and do not reflect the impact of state and local taxes. Actual aftertax returns depend on the investor's tax situation and may differ from those shown. The after-tax returns shown are not relevant to investors who hold their fund shares through tax-deferred arrangements such as 401(k) plans or an IRA. After-tax returns exclude the effects of either the alternative minimum tax or phase-out of certain tax credits. Any taxes due are as of the time the distributions are made, and the taxable amount and tax character of each distribution are as specified by the fund on the dividend declaration date. Due to foreign tax credits or realized capital losses, after-tax returns may be greater than before-tax returns. After-tax returns for exchange-traded funds are based on net asset value.

Group Discussion

- Why is conventional investing not enough in retirement?
- What does Alpha measure?
- What's the benefit of incorporating Alpha Efficient Strategies into income distribution planning?
- Why is it important to stress test your portfolio?

How Do You Implement the Unconventional Retirement Strategy?

Discuss your current situation with a HYBRID RETIREMENT ADVISOR

What can a Hybrid Retirement Advisor do for you?

- ✓ ***A Hybrid Retirement Advisor*** *takes the time to educates you before making any decisions*
- ✓ ***A Hybrid Retirement Advisor*** *creates an retirement investment strategy (with global stocks, principal protected products and alternative investments) along with tax efficiency, use of home equity and risk management*
- ✓ ***A Hybrid Retirement Advisor*** considers all of a retiree's assets and liabilities, not just investment assets
- ✓ ***A Hybrid Retirement Advisor*** increases Retirement Efficiencies to raise the Safe Withdrawal Rate (SWR)

Take-Aways from Tonight's Class

1. Understand and account for all your income sources
2. Determine how to structure your retirement portfolio
3. Understand Alpha Manager effect

Next Week…

Class 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

Class 2:
- Developing a retirement income plan
- Guaranteed Income sources in retirement
- How does Social Security work?

Class 3:
- Covering the gap with savings & investments and other income sources
- How to protect your portfolio amidst market volatility
- Investment Planning – Alpha generating money management
- A hybrid strategy to generate both growth and income

Class 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?

Tell us in the chat window what you thought about tonight's class

Remember to watch your email for link to the Class Materials page (unless you bookmarked it)

Tell us if you have any questions for Brian or want to get started on a Retirement Income Projection or the Am I Ready audit. Email lisac@yourretirementadvisor.com

Retirement Power Hours

Your Retirement Advisor

Thanks for Joining Us Tonight…We Hope You Feel Empowered