Income Solver™ Case Study:

Mike and Jen are Ready to Retire

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Meet Mike and Jen

Both are age 62 and ready to retire; it's time to make important decisions. When should they start Social Security? Can they afford to retire right away? How will they create income from their savings? Did they save enough?

Financial Facts:

Total Assets: $1,500,000

- $1,000,000 in 401(k)s through their employers
- $500,000 in taxable savings such as brokerage accounts or bank accounts

Anticipated spending in retirement:

$107,800 annually after taxes, with 25% less after one of them passes away.

Mike and Jen's Income Solver™ Plan answered all of their questions – and more.

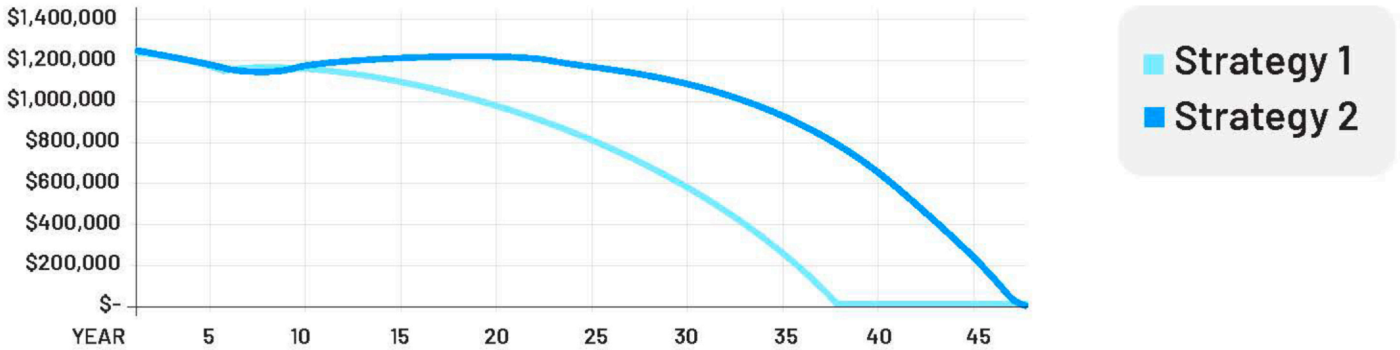
In completing Mike and Jen's Income Solver™ Plan, we compared two strategies side-by-side:

Strategy 1:
What if they begin taking Social Security benefits now but spend their 401(k) first, followed by the taxable accounts?

Strategy 2:
What if they coordinate the date at which they start Social Security with the distribution of their savings in a tax-efficient way? Each year they would withdraw funds from both accounts tax-efficiently and use a partial Roth conversion when appropriate.

The graph below shows Mike and Jen's savings longevity given each of the strategies we compared. In Strategy 1 Mike and Jen spend their 401(k) first — a common recommendation for retirees — and you can see that their portfolio will exhaust their savings in about 39 years. But look at Strategy 2. We've optimized when Mike and Jen should begin their Social Security and directed them to strategically withdraw from each account in a tax-efficient manner. Their portfolio now runs out of money in about 46 years.

After Tax Value of Financial Portfolio



> ***By coordinating their Social Security with managing the location and timing of asset withdrawal, their portfolio lasted about seven years longer.***

Why an Income Solver™ plan?

Like Mike and Jen, you've worked hard to accumulate savings for retirement. Whether you've saved a lot or a little, you can get the most out of your assets by developing a smart, personalized investment and withdrawal plan.

A Income Solver™ Plan is:

Tax Savvy

Different savings plans are taxed at different rates. We can help you plan your withdrawals from accounts in a way that reduces your taxes.

Flexible

As you move through retirement, your needs will change. Your Income Solver™ Plan can change with your needs.

What you get with an Income Solver™ plan:

- ✓ Step-by-step instructions to optimize your Social Security benefits.
- ✓ Advice on how to allocate and locate your assets to reduce taxes and other costs.
- ✓ Comparisons showing estimates of how long your portfolio will last based on factors you can control.
- ✓ Outline of how to strategically withdraw money from your accounts.
- ✓ Simple schedules showing how to create income from your savings.

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***Assumptions for this case study:**
They maintain a 50% stocks-50% bonds after-tax asset allocation with stocks earning 9% per year including 2% dividend yield and bonds earning 3% interest per year. For the stocks, 20% of capital gains are realized each year with all gains being long term. The original cost basis of assets held in the taxable account is set at the market value. His Primary Insurance Amount for Social Security is $2,500 a month and hers is $1,500 a month. They both have Full Retirement Ages of 66, begin Social Security benefits at 66, and receive their Primary Insurance Amounts. We assume one partner dies in 16 years at age 78 and the survivor lives on 75% of the real amount they lived on when both were alive. Both Strategies locate stocks and bonds in the accounts (i.e., taxable account and 401(k)s) in a tax-efficient manner, while maintaining the 50% stocks-50% bonds after-tax asset allocation. We can help clients with this asset-location decision, which may further extend the portfolio's longevity. Based on today's Tax Code, they will usually be in the 25% tax bracket in retirement. They take the standard deduction each year. Inflation is 3% per year with all tax brackets, standard deduction, over 65 tax exemption, and personal exemption amount rising with inflation.