CASE STUDY

21ST CENTURY RETIREMENT INCOME STRATEGY

BUILD FORTIFIED PLANS WITH 50% LESS CAPITAL *(ON AVERAGE)*

BACKGROUND

- James and Erin, like most couples, are looking to get the most out of their retirement savings.
- They've traditionally used a portfolio construct of 60% equities and 40% fixed income but are interested in other strategies that may help them.
- Like most pre-retirees, they're concerned about running out of money in retirement.

THE GOAL

Update Retirement Thinking to a 21st Century Income Plan Strategy — Show clients retirement strategies that demonstrate modern approaches and techniques. Why? Because the traditional "4% Rule" may not work for today's retirement[1].

All investments carry some degree of risk. Stocks, bonds, mutual funds, and exchange-traded funds can lose value—even their entire value. And conservative, insured investments, such as certificates of deposit (CDs) issued by a bank or credit union, can lose value due to inflation risk.[2]

Bridge Capital — For each year a retired person waits to take Social Security, there's an 8% increase in benefits[3]. We'll show a way to increase retirement income by delaying benefits until age 70.

Added Value with Wealth — Unequivocally prove that annuities add value to retirement strategies, even those with enough wealth to "self-insure" success.

Let's take a closer look at those numbers, for the sake of our clients' future.

SCENARIO

In the following scenario, we'll directly compare traditional asset allocation strategies to that of an asset optimization strategy.

TRADITIONAL ALLOCATION Strategy:
60/40 Mix of Stocks and Bonds

To make an apples-to-apples comparison, we use Morningstar's recommended initial safe withdrawal rate to adjust the portfolio to a 95% Probability of Success Rate (PSR). This will help James and Erin compare income guarantees and success rates across the board.

ASSET OPTIMIZATION Strategy:
21st Century Income Plan

This modern approach to retirement income building, using annuities deftly with Social Security in the mix, will always give clients a 100% Probability of Success Rate.

ASSUMPTIONS

- Both clients are 66
- Clients intend to retire at FRA (66 and 6 months)
- PIAs are $3,200 (his) $2,800 (hers)
- $127,647 is the projected income need at age 70
- $101,950[4] is the projected inflation adjusted SS income at age 70 (80% of total income need)
- $25,697 is the projected income gap at age 70
- $925,092 in accumulated retirement assets (36x the annual income gap need & enough to self insure success.[5])
- 30-year time horizon

1 https://www.prudential.com/financial-education/4-percent-rule-retirement
2 https://www.finra.org/investors/investing/investing-basics/risk
3 https://www.kiplinger.com/article/retirement/t051-c001-s003-boost-social-security-benefit-when-you-delay.html 4 Assumes a 2.5% annual inflation increase between FRA and age 70.
5 "The Retirement Plan Lifetime Income Strategies Assessment", September 2022

GETTING DOWN TO BUSINESS
LET'S LOOK AT THE NUMBERS

THE DETAILS

- A TRADITIONAL PLAN 'EARLY'
- A TRADITIONAL PLAN 'LATER'
- A 21ST CENTURY OPTIMIZED PLAN (100% GUARANTEED)

THE DETAILS

- The "Early" Traditional 60/40 Plan takes Social Security benefits at FRA
- The "Delayed" Traditional 60/40 Plan takes Social Security benefits at 70
- The 21st Century Optimized Plan with an Annuity (and Income Rider) takes Social Security benefits at 70
- Bridge Capital Required (66 and 6 months to Age 70) is $390,320

	TRADITIONAL PLAN		
	EARLY 60/40	DELAYED 60/40	21st CENTURY OPTIMIZED PLAN SS + ANNUITY
GUARANTEED INCOME FOR LIFE	63%	81%	100%
TAXABLE INCOME	66%	45%	45 %
GUARANTEED SURVIVOR BENEFIT	$38,400	$49,148	($71,449)
ANNUAL SOCIAL SECURITY	$68,400	$87,545	$87,545
ANNUAL INCOME GAP	$39,600	$22,301*	$22,301*
CAPITAL AVAILABLE	$1,000,000	$1,000,000	$1,000,000

31%-46% MORE FOR SURVIVORS

COMPARE THE PLAN COSTS.
WHICH PLAN DO YOU THINK JAMES AND ERIN WOULD CHOOSE?

CAPITAL REQUIRED TO COMPLETE THE PLAN	$1,650,000	$1,222,457	($716,001)
CAPITAL **SHORTFALL**	**$-650,000**	**$-222,457**	0
EXCESS CAPITAL	0	0	($283,999)
VALUE OF CAPITAL YEAR 10**	0	0	$462,605
VALUE OF CAPITAL YEAR 20**	0	0	$753,535
VALUE OF CAPITAL YEAR 30**	0	0	$1,227,429

41% - 57% LESS CAPITAL REQUIRED TO COMPLETE THE PLAN

$284K OF EXCESS CAPITAL THAT COULD GROW TO OVER $1.2MM IN 30 YEARS

AT A 95% PROBABILITY OF SUCCESS RATE NEITHER TRADITIONAL PLAN HAS ENOUGH CAPITAL REQUIRED TO COMPLETE THE PLAN.

CONCLUSION

*Adjusted for inflation.
** Based on assumed annual rate of return of 5.00%.
For financial professional use only. Not for use with clients.

CONCLUSION

21ST CENTURY RETIREMENT INCOME STRATEGY

GUARANTEED INCOME

- In the end it comes down to HOPING vs. KNOWING. Whether clients want to hope the market does well and hope their portfolios have good returns — or do they want to know their retirement income is 100% guaranteed secure from market risk, protected from inflation, tax deferral, and potential upside potential tied to the indexes.

BY THE NUMBERS

- The 21st Century Optimized Plan requires less capital to fund, leaving opportunities open for additional investments, retirement dreams, vacations...

41%-57% LESS CAPITAL REQUIRED

31%-46% MORE FOR SURVIVORS

100% PROBABILITY OF SUCCESS

LEARN HOW TO BUILD A 21ST CENTURY INCOME STRATEGY

LET'S CHAT. 781.919.2337

LET'S MEET. CALENDLY

NEXT STEPS