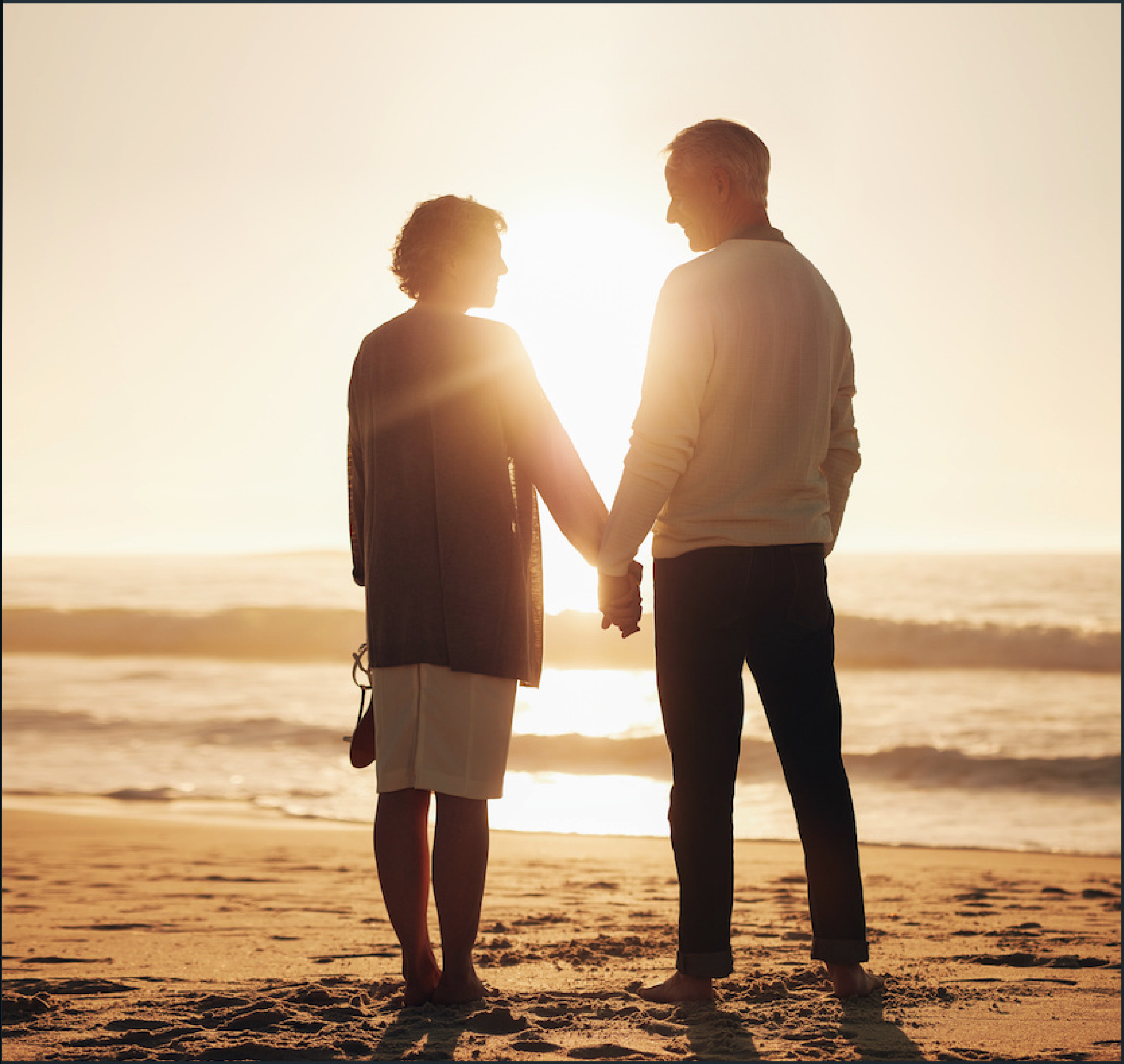
Living Too Long, Dying Too Soon

The Golden Years Turned Dark



Peak Financial Freedom Group

2 OF THE WORST RISKS DURING RETIREMENT:

1. Running Out Of Money Before You Die – Outliving Your Money

We all know from our personal fears that running out of money during retirement, while we are living, would be a terrible thing. We no longer would have enough money to pay for the things we needed or wanted. Our lives could potentially change drastically for the worst. You worked so hard to save throughout your working years to make sure your money would last for as long as you lived. It would be very difficult if your money ran out when you were 70, 75, 80, 85, or 90.

2. Dying Before You Get The Chance To Spend Your Money – Not Using Your Money

It's easy to understand that running out of money is a very bad thing. But think about not getting to use the money you saved during retirement because you die too soon. In this case you never got the benefit of all your hard work you did in saving your money. If you ran out of money as discussed previously, at least you did get to use it. If you die before you use it it's as if you wasted it. Sure, it will pass on to beneficiaries, but you didn't save it just to pass it on, you saved it so you could first use it to create a wonderful retirement, and then, leave what was left to your beneficiaries.

You would think running out of money before you died would be the worst financial outcome. But what about not using your money and having regrets about everything you should have done when you could have. What if you are unable to travel 5-10 years from now and you are forced to cross off all the wonderful trips you planned? What if your spouse's health does not allow him/her to travel or worse, they pass away before you can do all the things you plan to do together?

YOU CAN AVOID THE RETIREMENT RISKS OF LIVING TOO LONG & DYING TOO SOON BY:

1. **Creating an income stream that is guaranteed – that you can't outlive.**
Would you be afraid your money would run out if it was guaranteed to last for as long as you and your spouse lived?

2. **Create a plan in writing that will allow you to start your income now, not 10 years in the future, not 5 years in the future, not even 2 years in the future, start it now.**
Would you be afraid you would regret not doing things if you had the money to spend and you could do it right now?

Outliving Your Money: Golden Years Turned Dark

How much money do you need to live comfortably throughout your retirement years? To answer that question, you need to know how long you'll live. And that is a tricky question to try and answer with any certainty!

> *"According to standard economic models, a risk-averse consumer who faces uncertainty about length-of-life should place a high value on life annuities that provide guaranteed income for life."*
>
> National Bureau of Economic Research

THE COMPETING RISKS OF LIVING TOO LONG AND DYING TOO SOON CAN BE SUMMARIZED BY DR. SHLOMO BENARTZI, UCLA PROFESSOR:

"To illustrate the unique financial complexities facing retirees, consider 10 high school friends who decide to retire at age 65. Now, guess when the first of those 10 friends will die. As it turns out, the first death is likely to occur only four years into retirement, at age 69. Next, try guessing when the last person will die. The answer is 34 years into retirement, at age 99!"

~ Dr. Shlomo Benartzi, UCLA Professor

In a white paper published by Allianz, Benartzi goes on to say that it's difficult in a 40- or 45-year working career to accumulate the money needed for a 34-year, pre-paid retirement. And it's even more challenging for a 65-year-old couple to accumulate enough.

As the life expectancy of U.S. residents continues to increase, the risk that retirees will outlive their assets is a growing challenge. If a husband and wife are both at age 65, there is a 47 percent chance that at least one of them will live to age 90, and a 20 percent chance that one will live to age 95, according to the United States Government Accountability Office.

In addition to the risk of outliving one's assets, the sharp declines in financial markets and home equity during the last few years and the continued increase in health care costs have intensified concerns about having enough savings and how to best manage those savings in retirement.

Fortunately, there are three things you can do to help make your money last and keep your retirement years golden: save smarter, match your lifestyle to your resources, and invest prudently.

7 Rules to Avoid the Risks of Living Too Long and Dying Too Soon

You saved your money while you were working for the purpose of using it to supplement your income when you retired. You saved the money to provide you a more comfortable and stress-free retirement. But now that you are retired there seem to be so many things to worry about regarding how and when to use your money.

The major problem is, if you are like most Retirees, your money actually now makes you feel uncomfortable because you worry about:

- Losses
- Fees
- Volatility
- Returns
- Taxes
- Not Understanding Your Plan – Nothing Is In Writing
- Your Money Running Out During Your Lifetime

7 RULES TO FOLLOW TO MANAGE YOUR RETIREMENT RISKS:

RULE #1 - Eliminate all large losses to your portfolio.

A. Strictly adhere to The Golden Rule of 5%-10%. 5%-10% losses can be made up quickly, 50% losses cannot be. Create a portfolio that can be mathematically tested to have maximum losses of between 5%-10% even when the market drops 50% like it did in 2000-2002 and 2007-2009. Over 98% of Retirees and Soon-To- Be-Retirees we have surveyed do not want more than 10% risk in their portfolios and prefer a risk level closer to 5%, but when their current portfolios are analyzed over 90% of these same people had risk factors between 30%-50%! The strategy to "Ride Out All Market Declines-Hang In There" doesn't work anymore and hasn't worked for years. The Golden Rule of 5%-10% will work for you throughout your retirement.

B. Implement a 10% Stop-Loss on your portfolio. Do not put yourself in a position to suffer a large market loss that may be difficult, maybe even impossible, to make up. A 10% Stop-Loss will take your assets out of the stock market after a 10% decline. Studies have shown that when the stock market declines 10%, there is a 56% probability it will go down father.

Remember: If you are receiving income distributions large losses may cause your income to terminate while you are living. If you are deferring income, large losses may create fear that stops you from using your assets for income.

RULE #2 - Minimize Fees. We have found that over 99% of Retirees underestimate the fees they are paying.

We have found most Retirees believe they are paying 1% in fees when they are actually paying over 3% per year. You must understand your direct and indirect fees and then make sure you get what you are paying for.

Remember: Excessive fees can be just as destructive to a portfolio as large losses are. Very few if any retirees know the actual direct and indirect (hidden) fees they are paying. For many the reality of how much they are currently paying, and how much they have paid in the past, is shocking.

RULE #3 - Eliminate Volatility.

Between 1/1/15 through 12/31/16, a period of two (2) years, the S&P 500 Index fluctuated 26.15% from high to low. This type of volatility makes it very difficult to design a consistent income plan that can last your entire life. It is imperative to avoid this type of asset behavior.

Remember: You cannot plan, take consistent income, or feel secure if your assets are fluctuating wildly in values. Wide volatility is acceptable while you are working during the accumulation phase of retirement planning, but it is unacceptable when you are retired during the asset preservation and income distribution phase of retirement planning.

RULE #4 - Earn A Reasonable Rate of Return.

When you try and earn the highest return possible it means you are also taking the highest risk. And in the past when you have taken big risks, how has it usually turned out? During the last seven (7) 15-year time periods starting in 1996, the S&P 500 Index has just averaged a 3.33% annual compounded increase. Set realistic expectations of returns that can be achieved without taking too much risk. When your broker tells you that you are going to get 10%-12% annual returns year-after- year, know the probability of this happening is very low.

Remember: The goal is to keep what you have worked so hard to accumulate to this point in your life, add moderate growth to your assets, without losing any of your current or previous gains, use the assets to create income for as long as you live, and pass remaining assets to beneficiaries. You don't need a huge rate of return, with the corresponding huge risk, to do so.

RULE #5 - Manage Taxation. Learn how the tax rates actually work.
We have found for over 99% of Retirees, their fear of excessive taxation on their IRA's is unfounded. An example is a 65-year- old couple with $78,000 of Social Security and Pension income. They started annual IRA distributions of $60,000 increasing their annual income to $138,000. They were very surprised to learn that their effective Federal income tax rate was only 11%, meaning their total Federal tax bill was 11% of the $138,000. It's also important to understand deferring IRA distributions until age 70 ½ may save you a little bit of income taxes now, but could signif cantly increase your taxes later when you are forced to take mandatory distributions off of a bigger asset (that you deferred.) Deferring can also increase taxation to your beneficiaries.

Remember: There is a high probability that your fear of taxes should not stop you from taking income distributions.

RULE #6 - Have A Comprehensive Written Retirement Income Plan.
Create a retirement income plan, an income tax plan, a beneficiary plan, and complete details of every aspect of your plan in writing. Make sure you understand it and have your planner sign it. Make sure EVERYTHING you do with your money is in writing. This will avoid confusion, mistakes, misunderstanding, and will significantly improve the probability of a successful plan.

Remember: If it's not in writing it doesn't mean a thing. If it's not in writing how can you remember your plan? If it's not in writing how is your advisor responsible or accountable? If it's not in writing how to you know your progress and where you stand?

RULE #7 - Generate "Certain Income" From Your Assets That Will Last For As Long As You Live, Not "Maybe Income" That Could End At Any Time.
Would you be afraid to spend your money if your monthly income was guaranteed to be paid to you for as long as you and your spouse lived? If you knew you would get your income this month, next month, every month for the rest of this year, every month next year, and every month for as long as you lived, would you be willing to start your income plan now rather than later.

Remember: It's easier to spend money when you are younger when you are able to do all the things now when you're in good health. And if you don't spend your money now, you may not get a chance to spend it later.

Think about it…If you did all 7 of these things you would put yourself in a positon for a high probability of success in retirement. You could use your assets to generate income now, without the worry of ever running out of money…

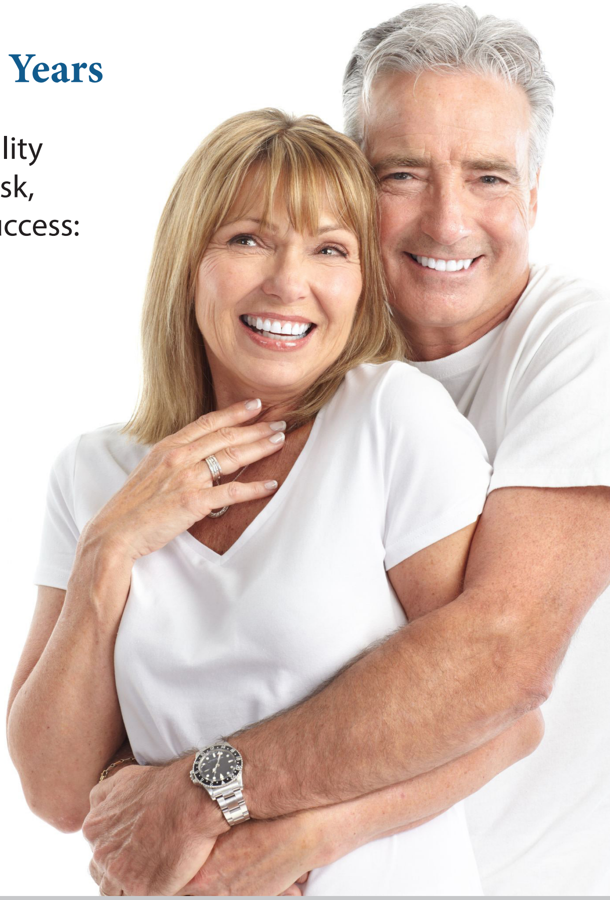
…ELIMINATING THE RISKS OF LIVING TOO LONG & DYING TOO SOON

Guaranteeing Your Golden Years

Many people are rightfully fearful about the possibility of outliving their money. As you contemplate this risk, make sure to consider the 7 Rules for Retirement Success:

1. Avoid Losses.
2. Minimize Fees.
3. Eliminate volatility.
4. Earn A Reasonable Rate of Return.
5. Manage Taxation.
6. Have A Written Retirement Income Plan.
7. Generate Income Guaranteed For Your Life.

Find a firm who specializes in working with Retirees and is willing and capable to help you create a plan based on all 7 Rules. Don't settle for less. Get expert advice - a trustworthy financial professional can be an invaluable resource during these challenging times. Find a partner to be your guide and sounding board so that you can proceed with confidence.



With some proactive planning, you can be sure that your golden years don't become your darkest!

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