INTENTIONAL RETIREMENT

Life is short. Be intentional.

www.IntentionalRetirement.com

Disclaimer

- I'm giving general info today, not specific financial or legal advice.
- I am licensed in California, however, so feel free to touch base about your specific situation.
- Please ask questions.


Joe
Hearn
217


YOU SEE IT
WITHOUT

One question:

How do I fund the retirement I want, with the resources I have, without running out of money?

What we’ll cover…

- What is a retirement income plan?
- Key risks we face when creating a sustainable income.
- The Practical Tactical

Farming vs. Cooking

Retirement Income Plan

- How much do I need?
- Where's that money going to come from?
- What is my withdrawal strategy?
- Will it work?

Withdrawal Strategies

- Dividends only
- Guaranteed income
- Systematic withdrawal
- Bucket strategy
- Time segmentation

Risk #1:

Low Rates

30 Year Bond

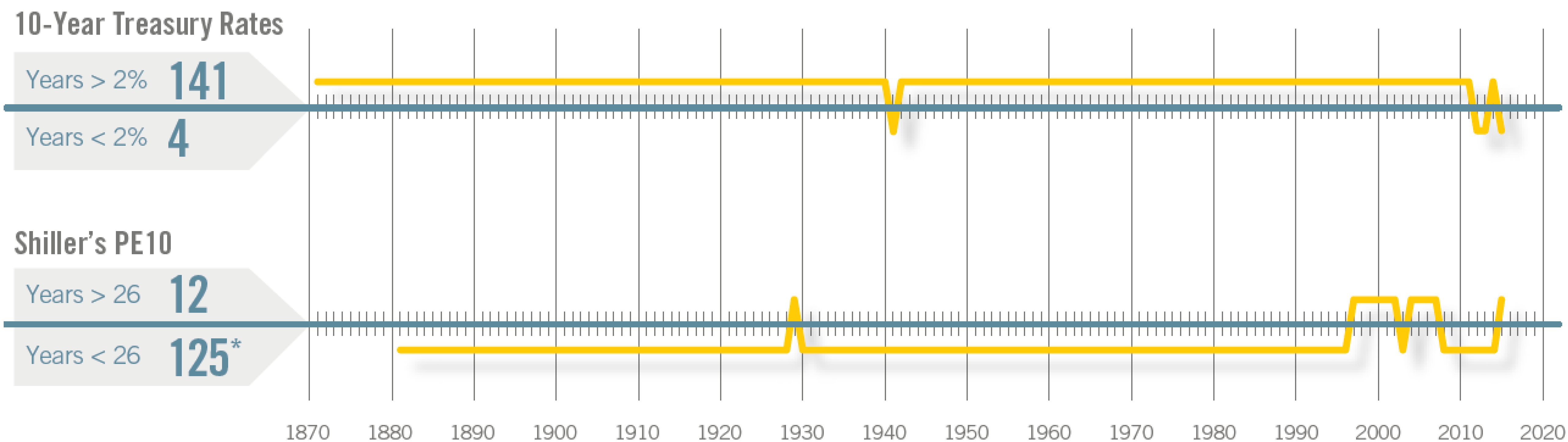
Compare...

Forecast AlertMe Embed

Actual	Previous	Highest	Lowest	Dates	Unit	Frequency
2.32	2.28	15.21	2.11	1977 - 2016	percent	Daily

// TABLE 2: 145 YEARS OF U.S. FINANCIAL MARKET HISTORY

Financial Market Environment at the Start of the Year, 1871-2015



*PE10 can only be calculated since 1881, since the years 1871-1880 are required to calculate smoothed earnings
CHART SOURCE: Own calculations from Robert Shiller's financial market data http://www.econ.yale.edu/~shiller/data.htm

Source: Rethinking Retirement: Pfau, Dokken

Risk #2:

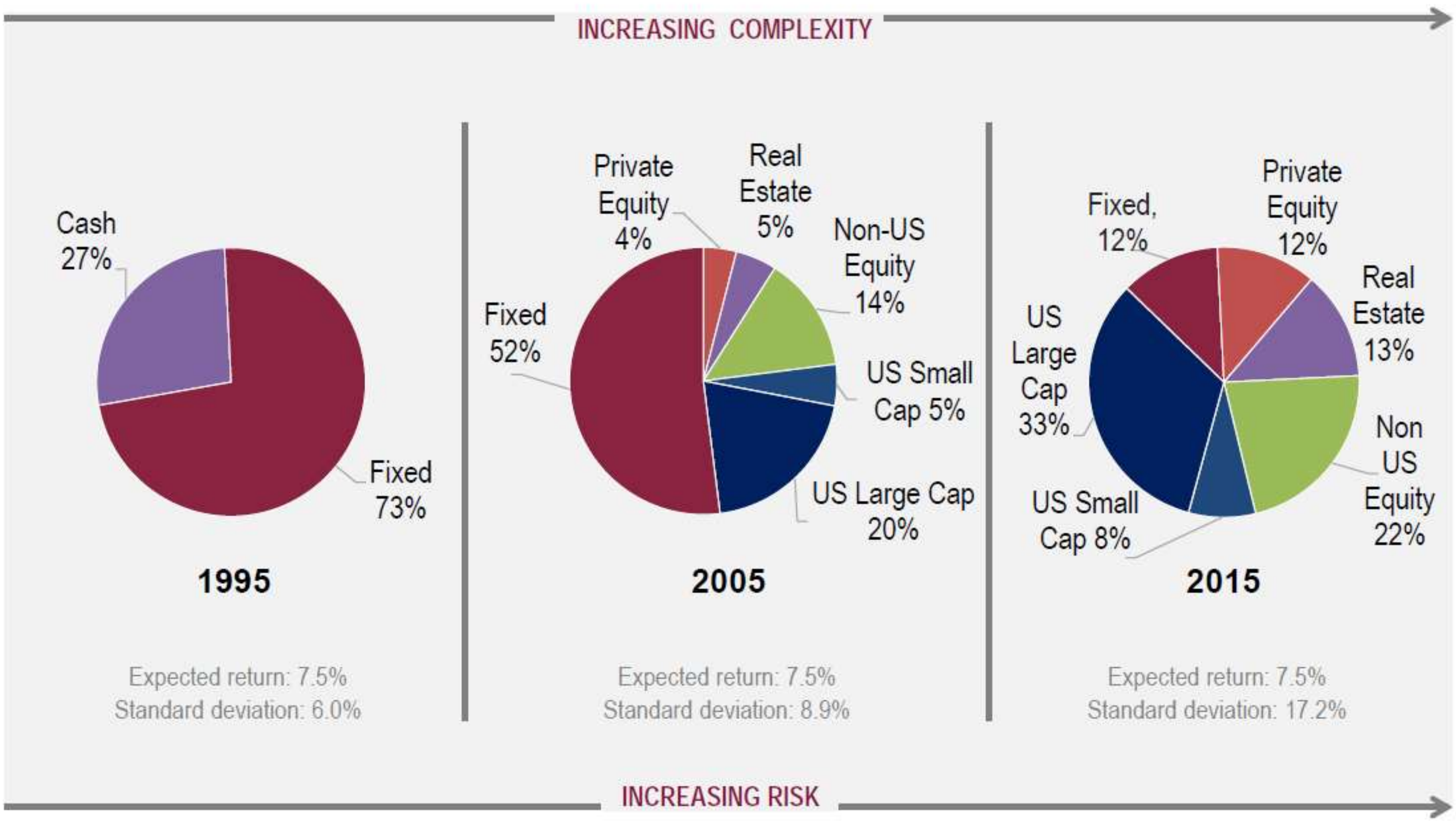
High Stock Valuations

ZIRP & NIRP

"Well, clearly there are different responses to negative rates. If you're a saver, they're very difficult to deal with…although typically they go along with quite decent equity prices."

- Stanley Fisher, Fed Vice Chair

ASSET MIX AND ASSOCIATED RISK NEEDED TO ACHIEVE AN EXPECTED RETURN AT DIFFERENT POINTS IN HISTORY



Source: Callan Associates Inc.

Cyclically Adjusted P/E Ratio

$$\text{CAPE} = \frac{\text{Current Equity Share Price}}{\text{10 year Inflation adjusted Avg. Earnings}}$$

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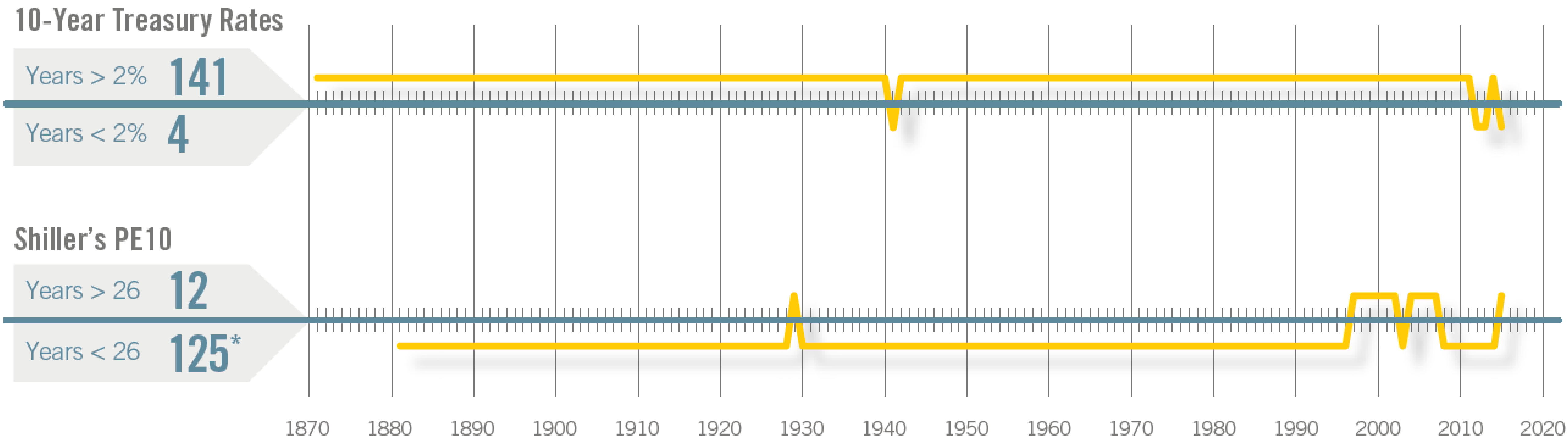

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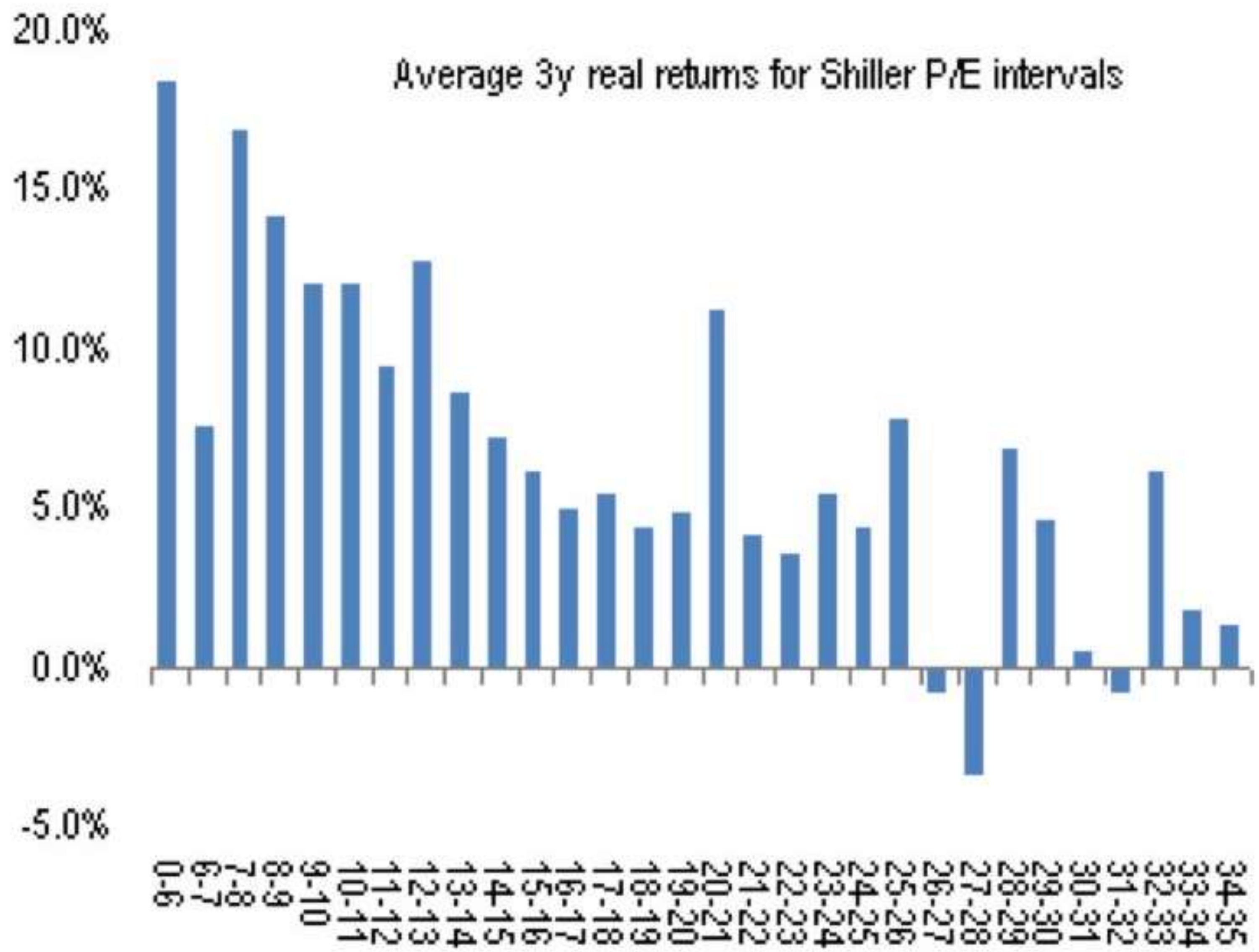
Risk #3:

Sequence Risk

Figure 14: 3-year annualised total real returns of the S&P following different levels of the Shiller P/E



Source: Thomson Reuters, Credit Suisse research

Risk #4:

Longevity Risk

Practical Tactical

#1:

Build a Time Machine.

#1:

Master both Money and Meaning

Retirement Components

- How much do I need?
- Healthcare/Medicare
- Social Security
- Distribution Strategy
- Asset Allocation
- Security Selection
- Estate Planning

- Relationships
- Where to Live
- Pursuits
- Meaningful Work
- Pension
- Long-term Care
- Happiness/Fulfillment

Two primary challenges

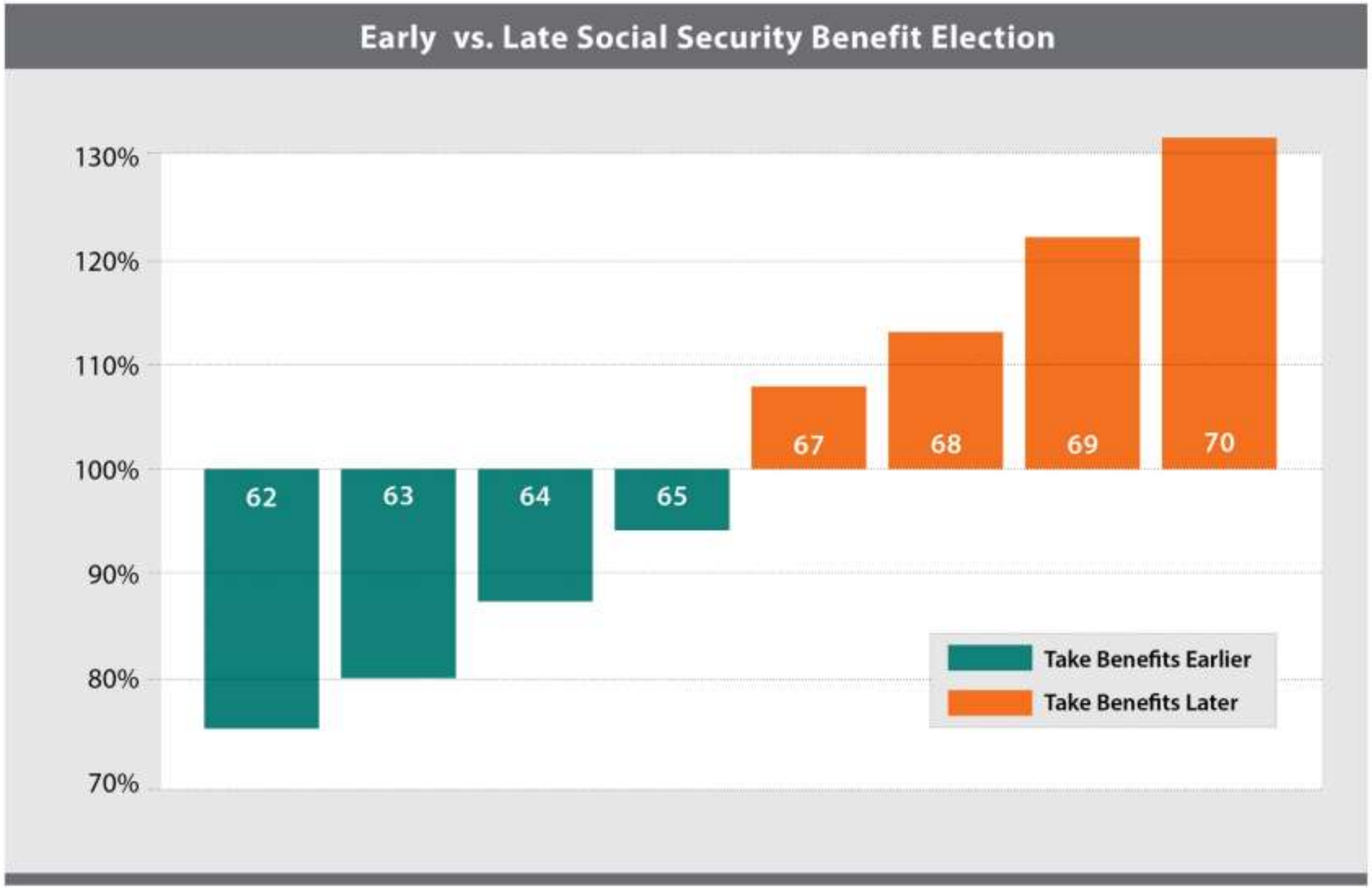
1) What do I want to do?

2) How am I going to pay for it?

#2:

Maximize Your Hidden Balance Sheet

Social Security

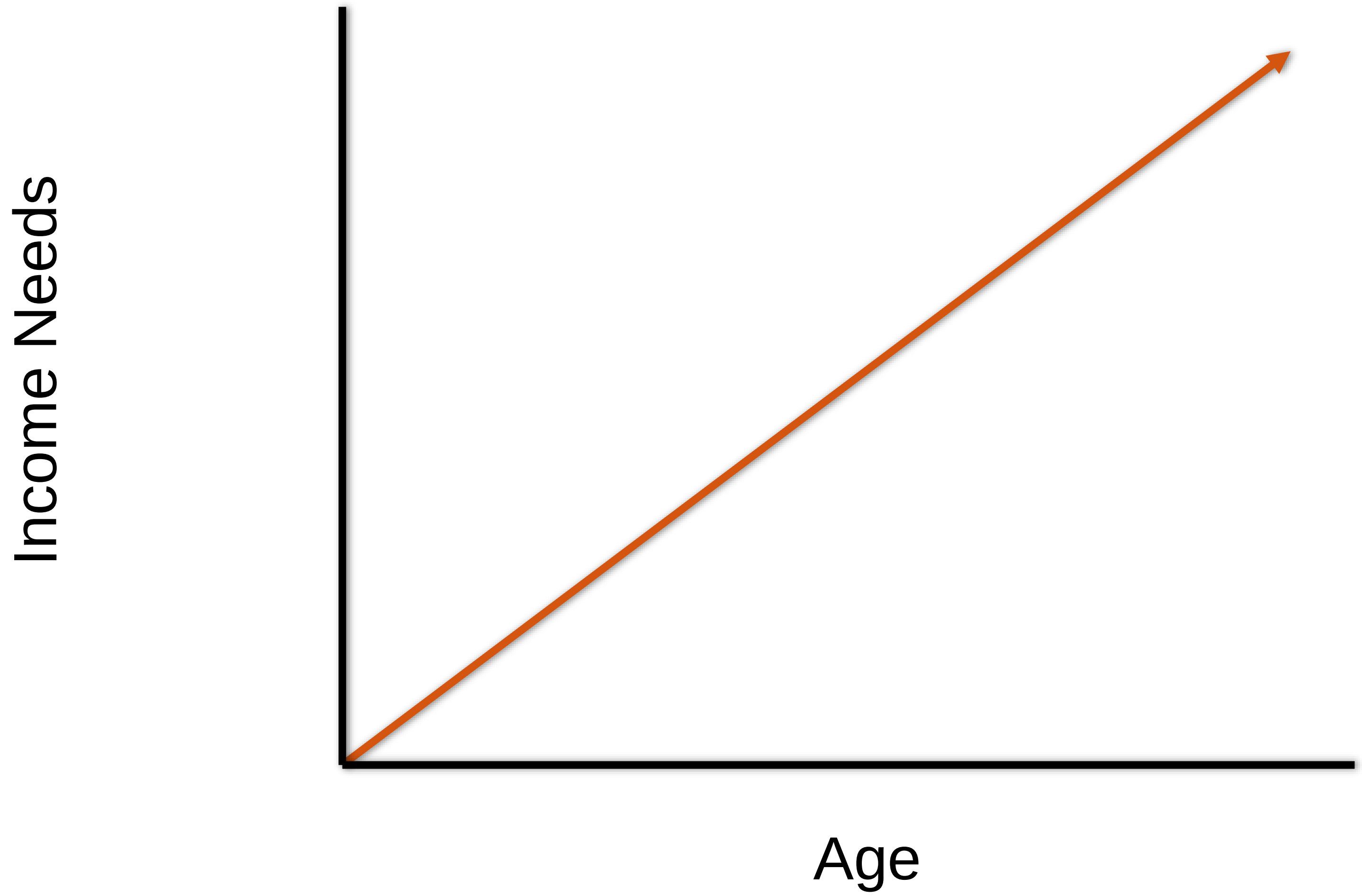


Assuming Full Retirement Age at 66. Source: Social Security Administration.

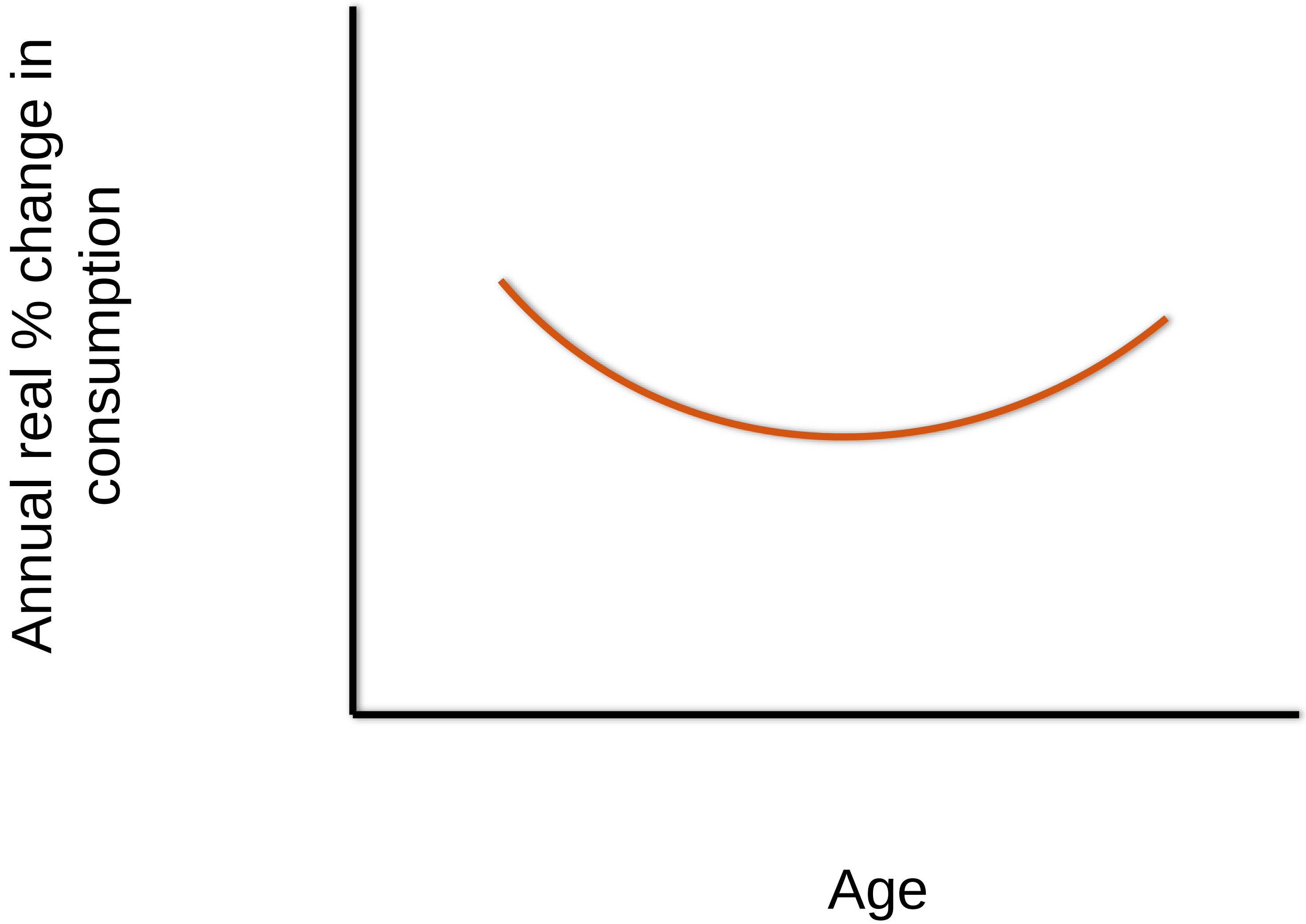
#3:

Create Core + Discretionary Budget

How we assume spending changes…



How spending actually changes…



#4:

Shrink Your Core

#5:

Create Rules for Dynamic Spending

#6:

Use Buffer Assets to Counter Sequence Risk

Year	Age	Beginning of Year Balance	Systematic Withdrawal on 1/1	S&P 500 Return	End of Year Balance
1	65	$2,000,000	$150,000	-14.80%	$1,576,200
2	66	1,576,200	150,000	-26.50%	1,048,257
3	67	1,048,257	150,000	37.30%	1,233,307
4	68	1,233,307	150,000	23.70%	1,340,051
5	69	1,340,051	150,000	-7.30%	1,103,177
6	70	1,103,177	150,000	6.60%	1,016,087
7	71	1,016,087	150,000	18.60%	1,027,179
8	72	1,027,179	150,000	31.10%	1,149,981
9	73	1,149,981	150,000	-4.90%	950,982
10	74	950,982	150,000	21.10%	969,989
11	75	969,989	150,000	22.40%	1,003,667
12	76	1,003,667	150,000	6.10%	905,741
13	77	905,741	150,000	32.10%	998,333
14	78	998,333	150,000	18.60%	1,006,123
15	79	$1,006,123	$150,000	5.20%	**$900,642**

Year	Age	Beginning of Year Balance	Systematic Withdrawal on 1/1	S&P 500 Return	End of Year Balance
1	65	$2,000,000	$150,000	-14.80%	$1,576,200
2	66	1,576,200	0	-26.50%	1,158,507
3	67	1,158,507	0	37.30%	1,590,630
4	68	1,590,630	150,000	23.70%	1,782,059
5	69	1,782,059	150,000	-7.30%	1,512,919
6	70	1,512,919	0	6.60%	1,612,772
7	71	1,612,772	150,000	18.60%	1,734,847
8	72	1,734,847	150,000	31.10%	2,077,735
9	73	2,077,735	150,000	-4.90%	1,833,276
10	74	1,833,276	77,000*	21.10%	2,126,850
11	75	2,126,850	150,000	22.40%	2,419,664
12	76	2,419,664	150,000	6.10%	2,408,114
13	77	2,408,114	150,000	32.10%	2,982,969
14	78	2,982,969	150,000	18.60%	3,359,901
15	79	$3,359,901	$172,303*	5.20%	**$3,353,353**

#7:

Use Efficient Withdrawals

#8:

Insure Against the Smile

#9:

Let Your Paycheck be Your Portfolio

#10:

Pre vs. Post

Retirement is more than just a math problem.

The Most Important Thing:

You need to be intentional.