ChappelWood University

High-Net-Worth Education

Rock Your Retirement

With Lead Instructor Damon King, CFP®

Income Planning

This material is intended to provide general financial education and is not written or intended as tax or legal advice and may not be relied on for purposes of avoiding Federal tax penalties. Individuals are encouraged to seek advice from their own tax or legal counsel. Individuals involved in the estate planning process should work with an estate planning team, including their own personal legal or tax counsel.


Income Planning
Investment Planning
Health Care Planning
Tax Planning
Estate Planning
Complete Planning

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Retirement

Dream

I want enough money to experience the retirement I have dreamt about.

Reality

Will my money last as long as me?

Retirement is primarily about managing the risk of running out of money.

Your Gold Buckets

Most people think of their “portfolio” as only the money they have invested in the stock market.

This is not a complete description.

Your portfolio consists of ALL your liquid wealth – your gold. This wealth is spread across 4 buckets.

- CASH
- PROTECTED MONEY
- INVESTMENTS
- OTHER

These buckets work together to minimize risk in retirement.

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CASH

- Very liquid
- Safe
- Low return

PROTECTED MONEY

- Semi-liquid
- Safe
- Moderate return

INVESTMENTS

- Liquidity varies
- At risk of loss
- Moderate to aggressive return

OTHER

- Liquidity varies
- At risk of loss
- Moderate to aggressive return

Income is the Key

Your asset mix should be dictated by the answers to these key questions:

1. How much gross income do I need each month?
2. What are my expected income sources?
3. What assets do I have/need to generate additional income?

The greatest risk you face in retirement is running out of money.

Therefore, we cover income planning first – it is the foundation of your entire plan.

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How Much Do I Need?

This is the most important question.

How much money should you save, and how should it be invested?

It depends.

If you don't know how much income you need each month to live your desired lifestyle, how can you possibly know how much you should have saved? How can you know how it should be invested?

Allocating your assets or setting a target for saving before knowing your income need is like taking medication before knowing what the diagnosis is.

The simplest way to approach this is:

How much gross income needs to show up in your bank account each month to maintain the lifestyle you desire?

The Basis of Your Income Plan

Once you’ve determined how much gross income you want each month, the other pieces of your income plan fall into place:

Baseline Income Sources

- Social Security
- Pensions
- Annuities

Other Income Sources

- Real Estate
- Minerals
- Business

Income From Assets

- Retirement accounts
- Brokerage accounts

Time Horizon

- Can we get to at least age 90?

Assumptions

- Inflation
- Rates of Return

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Social Security

What Are the Rules?

First let's look at what it takes to qualify for Social Security:

- Must be at least 62 years old, blind, or disabled
- Retirement benefits are based upon your 35 highest years of earned income, and the age at which you apply.
- You are entitled to 100% of your own benefit, or 50% of your spouse's benefit, whichever is larger.
- Claiming SS before Full Retirement Age will lower your benefit; claiming after will increase it.
- Survivor benefits are available to children and surviving spouses of covered workers.

Source: www.ssa.gov

Social Security Benefit Ages

Social Security retirement benefits are based upon your age, as well as income.

PHASED-IN INCREASE IN FULL RETIREMENT AGE OVER TIME

YEAR-OF-BIRTH	FULL RETIREMENT AGE	YEAR(S) TURNING 62
1937 or earlier	65	1999
1938	65 and 2 months	2000
1939	65 and 4 months	2001
1940	65 and 6 months	2002
1941	65 and 8 months	2003
1942	65 and 10 months	2004
1943-1954	66	2005-2016
1955	66 and 2 months	2017
1956	66 and 4 months	2018
1957	66 and 6 months	2019
1958	66 and 8 months	2020
1959	66 and 10 months	2021
1960 and later	67	2022

The key things to know are:

- If you claim early at age 62, your benefit will be reduced by approximately 25%
- If you claim at Full Retirement Age, your benefit will be 100%
- If you claim late at age 70, your benefit will increase 28% to 32%

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4 Costly Social Security Mistakes

1. Underestimating the real value of Social Security

2. Rushing to collect, then regretting the reduced lifetime benefits.

3. Misunderstanding the various ways benefits can be claimed.

4. Getting blindsided by taxes.

Mistake #1

Underestimating the Real Value of Social Security

- **Provides protection against longevity risk**

- **Cost of Living Adjustments periodically** – not always, but most of the time.

- **Embrace the benefit**

Social Security, with all its problems, is still going to be a large part of your retirement income.

Social Security is not going broke, as many would have you believe. It's funded by payroll taxes. What's going broke is the Trust.

Around 2034, it's possible benefits could be cut by 25%.

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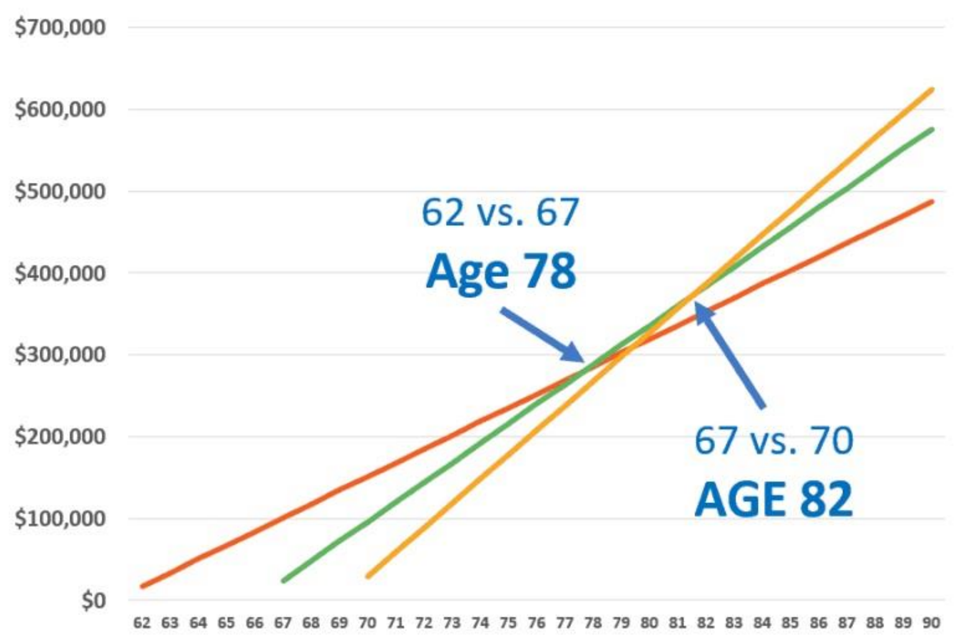
Mistake #2

Rushing to collect, then regretting the reduced lifetime benefits

When should you file for Social Security? Consider these factors:

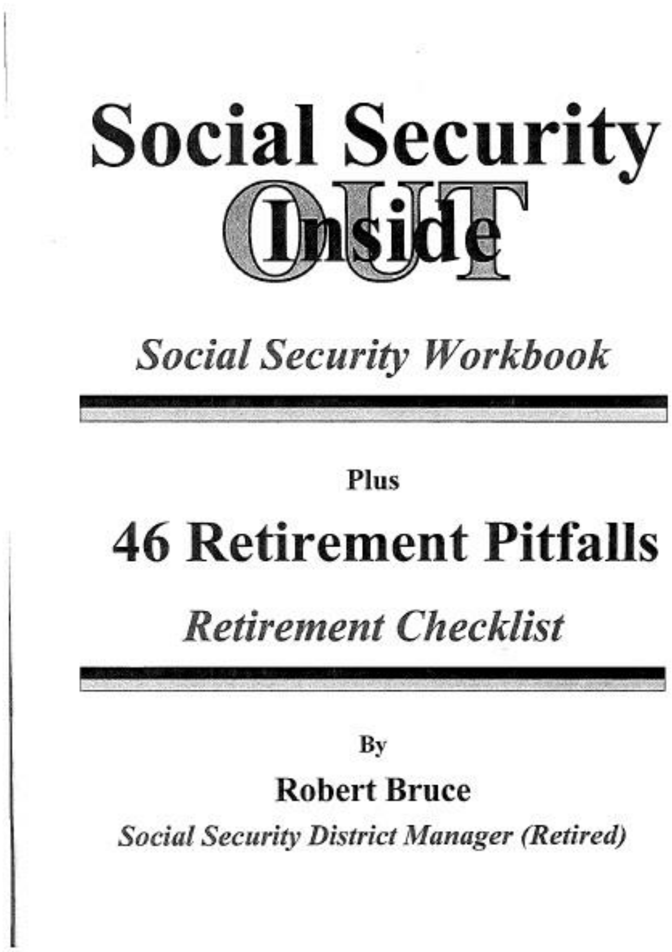
- Do you need the money now?
- What is the potential value of Cost of Living Adjustments?
- How is your health? Do you expect to live beyond 75?
- Taxes
- Potential protection from longevity risk



Mistake #3

Misunderstanding the various ways benefits can be claimed

- Individual benefits
- Spousal benefits
- Divorced benefits
- Survivor benefits
- Disability benefits


Social Security
OUT
Inside
Social Security Workbook
Plus
46 Retirement Pitfalls
Retirement Checklist
By
Robert Bruce
Social Security District Manager (Retired)

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Mistake #4

Getting blindsided by taxes

Did you know that up to 85% of your Social Security benefit can be taxed? It can, and it probably will be. A formula is used to determine this. It's called Provisional Income.

Provisional Income

- 50% of your SS benefit +
- All taxable income +
- Tax exempt income (muni bonds)

The sum of those three numbers will determine if you pay tax.

Single - $25,000 - $34,000
Joint - $32,000 - $44,000

If your sum falls below the lower number, you pay no tax. If it falls between, 50% of your SS is taxed. If it falls above the higher number, 85% of your SS will be taxed.

SS Earnings Test

It is generally not advisable to claim Social Security while you are still working and below your Full Retirement Age. This is due to the Earnings Test.

- From age 62 until your Full Retirement Age, $1 of your SS benefit will be withheld for every $2 you earn above $18,960 in earned income.
- Beginning the year you turn Full Retirement Age, but not yet FRA, $1 of your SS benefit will be withheld for every $3 you earn above $50,520 in earned income.
- Beginning the month you turn Full Retirement Age, there is no penalty for earned income.

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Other Income Planning Concerns

- Inflation
- Longevity
- Time Segmentation

Inflation

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Inflation erodes your purchasing power and averages about 3.22% over a long period of time. Inflation occurs as wages increase. When companies pay their employees more, they must charge more for the products and services they sell. This leads to higher prices.

At this rate, prices double roughly every 24 years.

Inflation Example

- $500,000 invested at 6% return today = $2,871,745 in 30 years
- Adjusted for 3% inflation = purchasing power of $1,183,121 in today's dollars.

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Longevity

One in four people (25%) turning 65 this year can expect to live past their 90th birthday.

One in 10 people (10%) turning 65 this year will live past 95

In a married couple, there is a 50% chance one of them will live to be 90.

Women have a 90% probability of managing their family's money by themselves at some point.

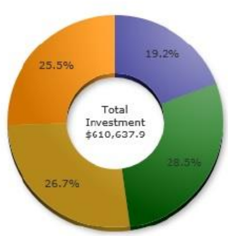
It is absolutely vital that you have an income plan, and make sure that plan is built with the expectation that you wil llive until at least age 90.

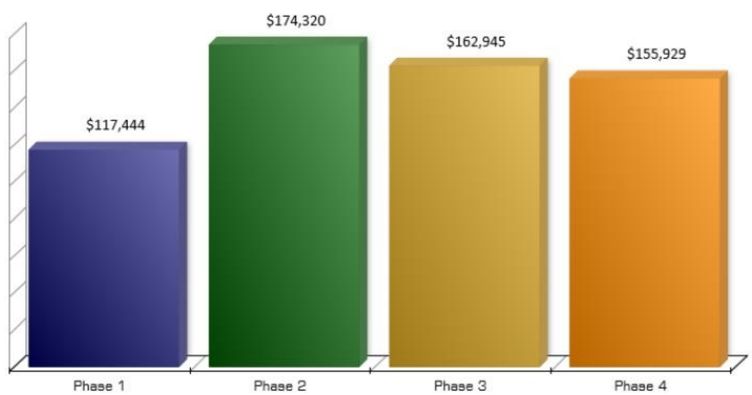
We call this *30 Years of Unemployment*. You could spend as much time in retirement as you spent working.

Time Segmentation

Do you expect to need all your money at the same time in retirement? Of course not. No one does.

Why manage money you need in two years the same as money you'll need in 20 years? Divide your money into different buckets managed for time, different risk levels, and different targets for returns.





	Segment Pecentage	Starting Amount	Total Duration	Distribution Phase ROR	Accumulation Phase ROR	Deferral Duration
Phase 1	19.23%	$117,444.16	Year 1 to 3	1.00%		0
Phase 2	28.55%	$174,319.80	Year 4 to 11	1.50%	3.00%	3
Phase 3	26.68%	$162,944.53	Year 12 to 19	3.00%	5.00%	11
Phase 4	25.54%	$155,929.44	Year 20 to 28	3.00%	6.00%	19

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Income Generating Strategies

Your portfolio should include income generating assets:

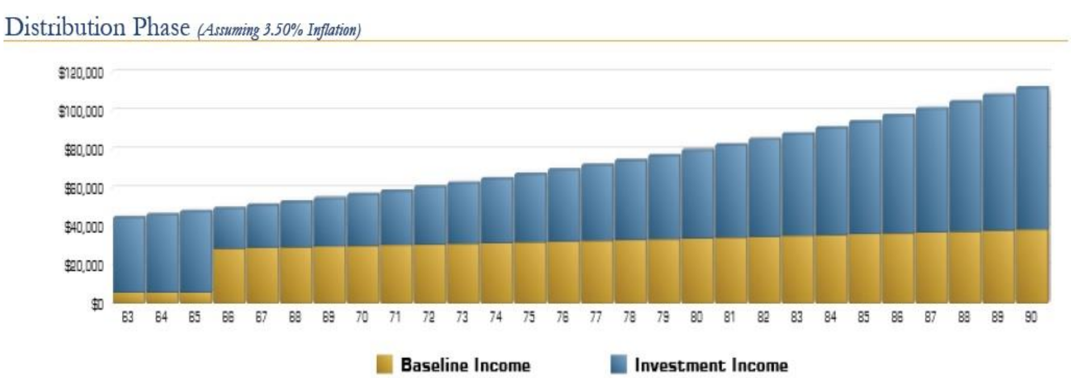
- Dividend paying stocks
- High dividend paying stocks
- Investment grade bonds
- High yield bonds
- Municipal bonds

In addition to creating a usable resource, cash, income generation is important for another reason – it lowers your overall risk.

When you buy a stock, it’s price can fluctuate wildly, causing your account balance to fluctuate wildly. But the dividend it pays always comes, no matter what. Income is predictable, and predictability lowers risk.

Cash Flow Management

While you generate income, you must have a plan for how it will flow to you. Which accounts will you use first? How will you be most tax efficient? Which bank account will you use to receive the income? Your cash flow might look something like this.



Start Year	End Year	Income Source	Baseline Income	Annual Increase
4	100	Social Security	$22,800.00	1.50%
1	100	Pension	$5,652.00	0.00%

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Final Thoughts

- **What's your income need?**
- **What are your expected sources of income?**
- **What income generating assets will you use?**
- **Make a Social Security decision.**
- **How long do I want the income to last?**

Creating a plan for generating the income you'll need to fund your desired lifestyle is how you'll begin to Rock Your Retirement.

Investment Planning


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Health Care Planning
Tax Planning
Estate Planning
Complete Planning

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Disclaimer

Investors should consider the investment objectives, risks, charges and expenses of the investment company carefully before investing.

The prospectus contains this and other information about the investment and/or investment company.

You can obtain a prospectus from your financial representative.

Read the prospectus carefully before investing.

What to Consider

Consider the Big Picture

- Time Horizon
- Personal Balance Sheet – net worth, income, expenses
- Risk tolerance
- Current Investments

What do you want your money to accomplish?

- Growth
- Income
- Protection

Understand your investor psychology

- Evaluate your risk comfort zone
- How much can you afford to lose?
- Do you sleep well at night?
- What is your Risk Speed Limit?

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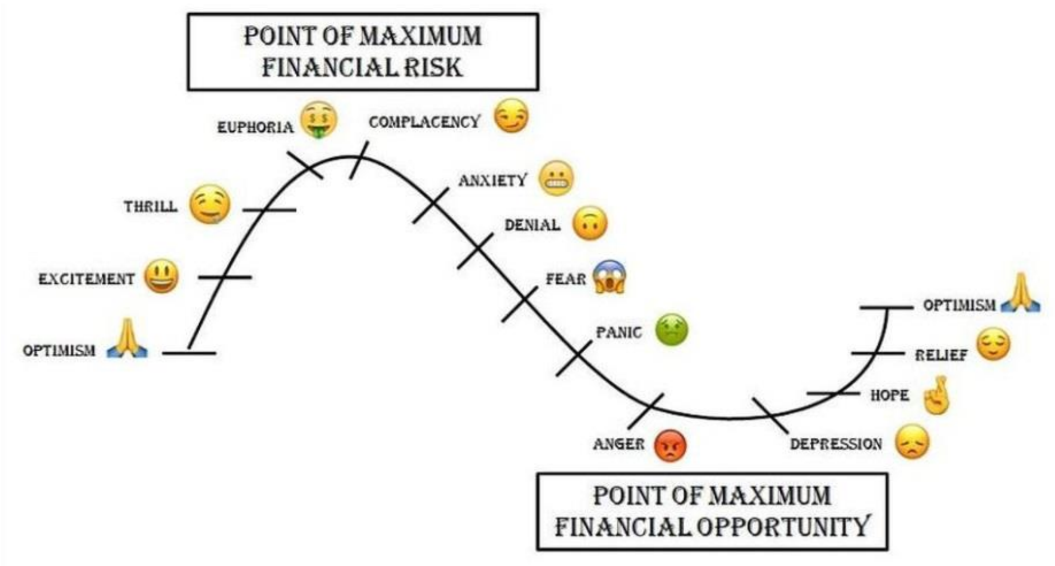
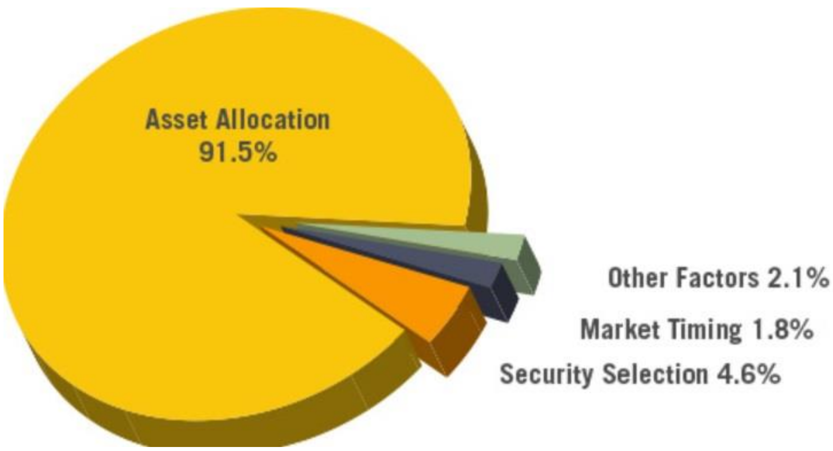
Emotions vs. Behavior



Unfortunately, most investors buy high, and sell low. This is why the average investor far underperforms the market.

Greed causes us to stay in the market too long. Fear causes us to exit at the absolute wrong time.

The #1 Factor in Portfolio Performance



The consensus among financial professionals the world over is that asset allocation is the most important choice you as an investor will ever make.

The chart above from Sungard Expert Solutions shows that Asset Allocation drives 91.5% of the performance of your portfolio. Is someone responsible and experienced making asset allocation decisions for you?

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Consistency Outperforms Occasional Brilliance

Choosing individual stocks or asset classes to invest in is difficult.

Do you know which stocks or industries will account for most growth this year? Next year?

Asset Allocation is consistent, and consistency greatly enhances your probability of retirement success.

Investment Tools

Cash	Income	Equities
Savings	Bonds	Stocks
Checking	Bond Mutual Funds	Stock Mutual Funds
Money Market	Fixed Annuities	Real Estate
CD	Indexed Annuities	Gold/Silver
T-bills		ETFs

CASH

You have the following choices: checking, savings, money markets, CDs, and Treasury bills. The benefits of cash are Safety and Liquidity. However, the rate of return may only fall between 0% to 1.5%, based on current average rates. It is important to have money in cash, but not all your assets. Rates are low, and you need your money to work harder.

INCOME

There are three common choices for generating income: Bonds, Bond Mutual Funds, Fixed Annuities, and Indexed Annuities.

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Bonds – 3 basic types

- Government
- Municipal
- Corporate

A bond is an IOU. You make a loan to the bond issuer. They promise to pay you interest for that loan, plus your principle. That interest is income to you.

Bond Mutual funds offer professional management and diversification if you don't want to buy individual bonds. The fund manager decides which bonds to buy and sell.

Fixed and Indexed Annuities

- Guarantee of principle
- No probate
- Partial liquidity
- Modest earning potential
- No fees
- Tax deferral
- Acts as your safety net in a rough market

EQUITIES
Stocks – represent ownership in a company. You may own 100 shares. There are 1,000,000 shares outstanding. Your percentage ownership of the company is .0001%. Stocks have the potential to outpace and fight inflation. They represent growth, and often income. The reward is greater, but so is the risk.

Stock Mutual Funds – as with Bond Funds, you receive professional management and diversification. It can be much easier to invest in these funds than individual stocks as a little money can go a long way. The ability of the fund manager will determine the performance.

BALANCE IS THE KEY!

How you allocate your money across these assets will determine 91% of the performance of your portfolio

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Mutual Funds

- More than 80 million people, or 50% of the households in the United States, invest in Mutual Funds
- A Mutual Funds is a company that pools money from many investors and invests the money in stocks, bonds, short-term cash instruments, or some combination of these asset types.

Mutual Funds

Advantages of Mutual Funds

- Increased diversification
- Daily Liquidity
- Professional Management
- Service and Convenience
- Government Oversight
- Ease of Comparison

Disadvantages of Mutual Funds

- Fees
- Redemption Risk
- Less predictable income
- No opportunity to customize

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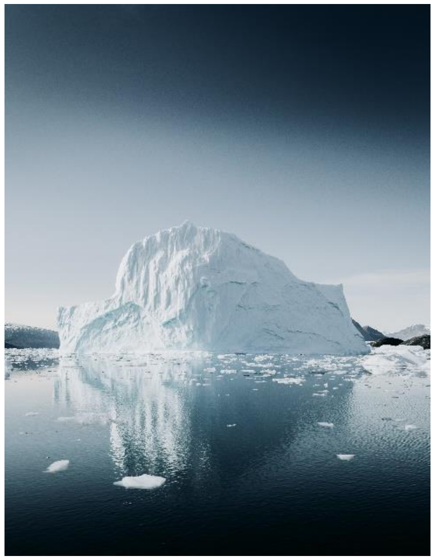
Mutual Fund Costs



The image of the iceberg is a good representation of owning a mutual fund.

The costs you see above the surface are the stated expenses like administrative fees, management fees, and marketing fees. These are listed in the fund’s prospectus. Most investors know to check the expense ratio of a funds to determine the stated costs.

Unstated expenses like trading costs, commissions, and taxes lie below the surface and are harder to see. These are buried in the internal workings of each fund and are not required by law to be disclosed to you.

Exchange Traded Funds (ETFs)

About Exchange Traded Funds
What is an ETF?

- A security that tracks an index, a commodity, or a basket of assets like an index fund, but trades like a stock on an exchange. ETFs experience price changes throughout the day as they are bought and sold.

- By owning an ETF, you get the diversification of an index fund as well as the ability to sell short, buy on margin, and purchase as little as one share.

<u>Popular ETFs</u>
SPY – S&P 500 Index
GLD – Gold exchange
QQQ – PowerShares
VTI – Vanguard Total Stock Market
EEM – iShares Emerging Market

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Exchange Traded Funds

Advantage of an ETF

- **Diversification** – unlike a stock, ETFs can track a broader range of stocks in an entire industry, country, or even global region.
- **Lower fees compared to mutual funds** – since they are passively managed, ETFs have lower costs than mutual funds.
- **Trades like a stock** – bought and sold on the open market.
- **Dividends are reinvested immediately**
- **Capital Gains tax exposure is limited** – capital gains are only realized when the fund is sold. No redemption risk
- **Lower discount or premium in price** – lower chance of having an ETF price that is higher or lower than the actual value

Exchange Traded Funds

Disadvantages of ETFs

- **May be limited to larger companies** – some countries limit ETFs to large cap stocks.
- **Intraday pricing might be overkill** – if you are investing for 30 years, trading based on daily market changes can lead to market timing.
- **Bid/Ask spread can be large** – with so many ETFs around, demand can lag. You might buy one and find it tough to sell.
- **Cost could actually be higher –** compared to buying individual stocks.
- **Dividend yields** – may not be as high as owning a high dividend stock or group of stocks.

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Separately Managed Accounts

- A portfolio of individual securities that are managed independently by an institutional investment manager.
  - This is a strategy we offer at ChappelWood.
  - For portfolios of $500,000 or more

- Securities are registered in your name on your behalf
  - After a thorough Discovery process to determine your goals and risk tolerance

- Through a separate account, you work with your investment advisor to design a portfolio that may help you meet your objectives with greater tax efficiency and provide more control.

Separately Managed Accounts

- Access to institutional investment managers
- Portfolio customization and control
- More effective tax management
- Control over distribution of realized capital gains and losses
- Separately Managed Account have account minimums

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Do It Yourself DIY Investing

- An investment strategy where individual investors choose to build and manage their own investment portfolios.

- Do-It-Yourself (DIY) investors commonly build and manage their portfolios with the use of discount brokerages, as opposed to full-service brokerages or money managers.

- Understand the commitment of time, knowledge, and understanding of market forces to make this strategy work best.

Annuities

- An annuity is a contract between you and an insurance company that is designed to meet retirement and other long-range goals, under which you make a lump sum payment or series of payments (premiums). In return, the insurer agrees to make periodic payments to you beginning immediately or deferred to some future date.

- Annuities typically offer tax-deferred growth of earnings and may include a death benefit that will pay your beneficiary a specified minimum amount, such as your total purchase payments or total account value.

- While tax is deferred on earnings growth, when withdrawals are taken from the annuity, gains are taxed as ordinary income.

- If you withdraw your money early from an annuity, you may pay substantial surrender charges as well as taxes.

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Role of Annuities

The ancient Romans are credited with creating the first annuities. Widows of Roman soldiers killed in combat would receive a lifetime income, called an "annua" as compensation for the loss of income.

Today, annuities are still used as insurance against the risk of outliving one's income stream – income insurance.

Modern annuities can also help pay for such things as disability and long-term care, and can serve as tax shelters for wealthy individuals whose incomes are too high to allow them to save money in other retirement vehicles such as IRAs.

Types of Annuities

Immediate

- Income starts immediately
- Payments are fixed for life
- Irrevocable contract

Fixed

- Guarantee of Principal
- Guaranteed interest rate
- Interest grows tax-deferred
- Surrender charges

Indexed

- Guarantee of Principal
- Market linked interest
- Interest grows tax-deferred
- Fee for income rider
- Surrender charges

Variable

- No guarantees
- Market risk
- Fees
- Interest gross tax-deferred
- Surrender charges

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Annuity Riders

- An optional feature that can be added to an annuity, for a fee. Fees for most riders average 0.5% to 1%

- There are various types of riders that can be added on a basic annuity to meet certain goals or needs of the annuity owner.

- While individual fees may be realtively low they can add up.

- Common riders include:
  - Income – provides for an enhanced stream of income at a future date. Even when the annuity value declines to $0, payments still continue
  - Nursing Home – provides for a long term care component to help defray the cost of assisted living or nursing care.

Common Annuity Thoughts

The insurance company keeps my money when I die.

- The remaining value of the contract or income payments, if any, are paid to your beneficiaries

Annuities are all expensive.

- Variable annuities can carry high fees. But Fixed and Indexed annuities carry no fees if optional riders are not elected.

Annuities aren't good because they don't earn as much as the market.

- Variable annuities are invested in the market.
- Fixed and Indexed annuities are not designed to perform like your market investments. They are designed for protection, tax deferral, and modest growth.

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Final Thoughts

- **What do you need your investment portfolio to accomplish?**
- **Which investment vehicles offer the best opportunities to achieve these goals?**
- **Are you investments more or less risky than you want to be?**

Action Steps

1. **Know your Risk Speed Limit**
2. **Know what your primary goals are – Protection, Growth, or Income?**
3. **Understand how your money is allocated, and review it with your financial advisor.**
4. **Make any changes if necessary.**

Health Care Planning

This material is intended to provide general financial education and is not written or intended as tax or legal advice and may not be relied on for purposes of avoiding Federal tax penalties. Individuals are encouraged to seek advice from their own tax or legal counsel. Individuals involved in the estate planning process should work with an estate planning team, including their own personal legal or tax counsel.


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Introduction

Retirement and Health Care:
Should You Be Concerned?

- The average person is estimated to spend $275,000 on health care in retirement.
- 70% of people who live to age 65 will need some type of long-term care at some point in their lives.
- The 2020 national average cost of one year of nursing home care in a private room was $105,850/yr. ($69,350 in OKC)*
- In 10 years, those costs are expected to rise to $142,254/yr. and $93,201/yr., respectively.
- Your ability to have enough money to live on and to leave a legacy will largely depend on how well prepared you are to cover likely medical expenses.

***Genworth *Cost of Care* survey**

Assess Your Health Insurance Needs

5 Key Questions to help
you assess your needs

1. How much savings do you have?
2. How often do you currently visit the doctor? Will that increase?
3. How much did you spend on health care last year?
4. Do you have any pre-existing medical conditions that might increase your premiums?
5. Are there specific benefits you absolutely need? Are there any that are not needed? For example, you want or need chiropractic coverage, or the freedom to see a specialist without consulting with your primary care physician.

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Medicare Basics

Enrollment: Automatic in the following situations

1. Age 65 and currently receiving Social Security
2. Under age 65 and disabled and receiving Social Security Disability.
3. Diagnosed with ALS, also known as Lou Gehrig's Disease.

Enrollment: Not automatic, must sign up

1. Person not receiving Social Security and still working but wants benefits.
2. Person has end-stage renal disease.
3. Person isn't eligible for premium-free Part A but wants to buy Part A.

Medicare Basics

Notes

Enrollment

Initial Enrollment: 7-month period

- 3 months before turning 65
- Month you turn 65
- 3 months after turning 65

Open enrollment

- October 15 – December 7 each year
- Allows you to change plans
- Changes take effect on January 1

General enrollment

- January 1 – March 31 each year.
- Change Medicare Advantage Plans OR switch back to Original Medicare

Special Enrollment Period

- Even when turning 65, if you have health insurance tied to current employment (yours or someone else's), you are exempt from enrolling. You'll have 8 months after the employer coverage is lost to enroll in Medicare.

Notes

Medicare

Coverage

<u>ORIGINAL MEDICARE</u>

Part A – Hospital coverage

Part B – Physician; outpatient hospital coverage

Part D – Prescription drug coverage

Medicare Supplement – copayments, coinsurance, and deductibles not covered by Medicare

<u>MEDICARE ADVANTAGE</u>

Part B – Physician; outpatient hospital coverage.

Part C – all in one package that includes Part A, B, D, and typically other coverages.

Medicare Premiums

Part A – Hospital Coverage

There is typically no cost for Medicare Part A (Hospital coverage) if you or your spouse paid Medicare taxes while working. This is sometimes called “premium-free Part A”.

If you did not pay enough into the Social Security and Medicare system through payroll taxes, you may have to purchase Part A, up to a maximum of $471 (2021).

Part A will cost you nothing at 65 if:

- you already receive benefits from Social Security or the Railroad Retirement Board.
- you’re eligible to receive Social Security or Railroad benefits but haven’t filed for them yet.
- You or your spouse had Medicare-covered government employment.

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Medicare Premiums

Part B – Physician; Outpatient Hospital

If your yearly income in 2019 (for what you pay in 2021) was			You pay each month (in 2021)
File individual tax return	**File joint tax return**	**File married & separate tax return**	
$88,000 or less	$176,000 or less	$88,000 or less	$148.50
above $88,000 up to $111,000	above $176,000 up to $222,000	Not applicable	$207.90
above $111,000 up to $138,000	above $222,000 up to $276,000	Not applicable	$297.00
above $138,000 up to $165,000	above $276,000 up to $330,000	Not applicable	$386.10
above $165,000 and less than $500,000	above $330,000 and less than $750,000	above $88,000 and less than $412,000	$475.20
$500,000 or above	$750,000 and above	$412,000 and above	$504.90

The higher your Adjusted Gross Income, the more you will pay for Part B Premiums. Your income from 2 years prior will be used to determine your premium amount. This is called the Income Related Monthly Adjustment Amount (IRMAA). This can be appealed.

Medicare Premiums

Part C – Medicare Advantage

Medicare Advantage plans are sold by private insurance companies, typically as "all-in-one" health insurance packages. The premium will vary by company and policy features.

You are required to purchase Part B when you purchase a Medicare Advantage plan. The IRMAA surcharge will apply.

Other features may include:

- coverage for prescription drugs – no need to purchase separate Part D plan.
- coverage for dental and vision
- coverage for chiropractic care

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Medicare Premiums

Part D – Prescription Drugs

Like Part B, the IRMAA surcharge will increase your premiums as your Adjusted Gross Income increases.

If your filing status and yearly income in 2019 was			
File individual tax return	**File joint tax return**	**File married & separate tax return**	**You pay each month (in 2021)**
$88,000 or less	$176,000 or less	$88,000 or less	your plan premium
above $88,000 up to $111,000	above $176,000 up to $222,000	not applicable	$12.30 + your plan premium
above $111,000 up to $138,000	above $222,000 up to $276,000	not applicable	$31.80 + your plan premium
above $138,000 up to $165,000	above $276,000 up to $330,000	not applicable	$51.20 + your plan premium
above $165,000 and less than $500,000	above $330,000 and less than $750,000	above $88,000 and less than $412,000	$70.70 + your plan premium
$500,000 or above	$750,000 and above	$412,000 and above	$77.10 + your plan premium

Medicare Premiums

Medicare Supplemental Plans

Medicare Supplemental Plans (Medigap policies) are sold by private insurance companies. These plans help fill "gaps" in Original Medicare.

Other notes:

- all Medicare Supplemental plans are standardized.
- plans are Guaranteed Issue at initial enrollment – your premiums are not impacted by pre-existing conditions and no medical exam is required.
- plans are guaranteed renewable – insurance company can't drop you if you have health problems so long as you pay the premium.
- plans CAN use your health history and status for pricing if you enroll after initial enrollment.
- It is illegal to own a Supplement AND be on Medicare Advantage.

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Which To Choose?

Advantages and Disadvantages

ORIGINAL MEDICARE

Advantages

•No networks; visit any doctor that accepts Medicare

•No referrals; visit any specialist

Disadvantages

•Typically more expensive

•Multiple policies to manage

MEDICARE ADVANTAGE

Advantages

•Typically cheaper, at least initially

•All in one benefits often eliminate need for multiple policies

Disadvantages

•Networks; if your doctor(s) aren't in the network, you may be forced to spend more out of network

•Referrals required by your PCP

Who Pays First?

Medicare or Other Insurance?

When you have Medicare and other health insurance, there are rules for whether Medicare or your other insurance pays first.

1. If you have **retiree** insurance from yours or your spouse's former employer, **Medicare pays first.**

2. If you're 65 or older, have group health coverage based on **current** employment, and the employer has **20 or more employees**, your **group health plan pays first.**

3. If you're 65 or older, have group health coverage based on **current** employment, and the employer has **less than 20 employees**, your **Medicare pays first.**

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Long-Term Care (LTC)

Basic Types of LTC Facilities

Home Care

- Care can be given in your own home by family members, friends, volunteers, and/or paid professionals

Community Services

- Support services that can include adult day care, meal programs, senior centers, transportation, etc.

Support Housing Programs

- Low-cost housing for older people with low to moderate incomes.

Assisted Living

- Provides 24-hour supervision, assistance, meals, and health care services in a home-like setting.
- Services include help with eating, bathing, dressing, toileting, taking medicine, transportation, laundry, and housekeeping.

Long-Term Care: Basics

Range of services and supports to help you meet your personal care needs.

Activities of Daily Living (ADLs)

- Bathing
- Dressing
- Using the toilet
- Transferring (to or from bed)
- Caring for incontinence
- Eating

Instrumental Activities of Daily Living

- Housework
- Managing money
- Taking medication
- Preparing meals
- Caring for Pets
- Responding to emergency alerts

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Long-Term Care

The Cost of Long-Term Care

Average 2020 monthly cost of long-term care services in Oklahoma City from Genworth Cost of Care survey.

In-Home Care	
Homemaker Services[1]	$52,624
2030* Cost	$70,722
Home Health Aide[1]	$53,196
2030* Cost	$71,491

Community and Assisted Living	
Adult Day Health Care[2]	$18,200
2030* Cost	$24,459
Assisted Living Facility[3]	$46,800
2030* Cost	$62,895

Nursing Home Facility	
Semi-Private Room[4]	$62,963
2030* Cost	$84,617
Private Room[4]	$69,350
2030* Cost	$93,201

Planning for Long-Term Care Expenses

What Can You Do?

- Self-Insure - what impact will the cost of care have on your portfolio?
- Consider alternative ways to protect yourself. The insurance industry offers three options:
    - Long-Term Care Insurance
    - Long-Term Care Benefits attached to Annuities (discussed in Income Planning)
    - Life Insurance/Long-Term Care Insurance combination
        - Withdrawals from these policies to pay for long-term care are not taxable
        - Life insurance will retain its tax advantages when combined with long-term care insurance.

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LTC Insurance Policy Features

Some common policy features include:

Daily/Monthly Benefit Limit

- Most policies pay benefits by the day; usually range from $50 - $250 per day.

Benefit Period

- How long benefits will last

Elimination Period

- Waiting period before benefits begin; most common is 90 days

Inflation Protection

- Option to increase daily benefit to keep pace with rising health care expenses; must be offered for any policy sold.

LTC Insurance Policy Features

Some common policy features include:

Waiver of Premium

- Many policies will allow you to stop paying the premium once you begin receiving benefits. The premiums will begin again once you stop using benefits.

Non-Forfeiture Benefits

- Many policies provide a return of premium or reduced benefit if you choose to cancel or drop the policy

Renewable

- Virtually all policies are guaranteed renewable as long as you pay the premium.

Notes

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Health Savings Accounts

Eligibility – must be used with a High Deductible Health Plan.

Contributions – tax deductible; $3,550 for individual, $7,100 for family ($1,000 catch up for 55+); none allowed once on Medicare.

Tax Free Distributions – if used for qualified medical expenses.

Starting at 65 – use to pay Medicare Part B and D premiums.

Long Term Care Insurance – use to pay premiums (withdraw amount dependent on age).

Taxable Distributions – if used for non-medical expenses; 20% penalty disappears at age 65.

Final Thoughts

Health care costs will dominate a large part of your retirement income plan. You must prepare for them.

Choose a Health Care Plan

- Will you have retiree benefits you can continue after you stop working? Do you qualify for a Health Savings Account?

Medicare

- When will you apply for Medicare?
- Will you choose Regular Medicare or Medicare Advantage?

Long-Term Care

- Will you self-insure, or purchase insurance?

You should discuss these at least annually with your advisor.

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Tax Planning

This material is intended to provide general financial education and is not written or intended as tax or legal advice and may not be relied on for purposes of avoiding Federal tax penalties. Individuals are encouraged to seek advice from their own tax or legal counsel. Individuals involved in the estate planning process should work with an estate planning team, including their own personal legal or tax counsel.


Income Planning
Investment Planning
Health Care Planning
Tax Planning
Estate Planning
Complete Planning

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Disclaimer

The information contained in this section is informational and educational in nature only. It should not be used as tax advice.

Your instructor is not a Certified Public Accountant and does not give tax advice. The concepts discussed are broad in nature and may not apply to your personal situation.

Please consult a qualified tax professional for advice regarding your specific circumstances.

Disinheriting Uncle Sam

Uncle Sam is the one family member that was with you at birth and will be with you even after death.

The Internal Revenue Code is about 2,600 pages long, and you are responsible for knowing all of it.

That's unlikely. However, there are some key principles we will explore.

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What You Need to Know

- Which recent tax changes affect you most?
- How might you take advantage of these changes?
- What income is taxable and how?
- How will your different retirement accounts and investment accounts be taxed?
- What strategies exist to Disinherit Uncle Sam?
- How will you manage your retirement cash flow for maximum tax efficiency?

Tax Cuts and Jobs Act of 2017

Most sweeping tax law changes in 30 years:

- 5 of 7 tax brackets saw a reduction in their tax rate. These tax rates will stay in place through 2025.
- The Standard Deduction doubled for all filing groups.
- The Personal Exemption was eliminated.
- Deductions for property taxes and mortgage interest were capped.
- The corporate tax rate fell from 35% to 21%.
- Small businesses can now deduct the first 20% of revenue.
- Retirement plan and HSA account contribution limits increased.

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SECURE Act of 2019

Most sweeping retirement law changes in 10 years:

- Required Minimum Distribution age raised to 72 (for those turning 70 in 2020 and beyond).
- Inherited IRAs Required Minimum Distributions removed for Non-Spouse Heirs.
- Inherited IRAs for Non-Spouse must be completely distributed within 10 years from date of death.
- 529 college savings accounts can be used to pay up to $10,000 in student loans for any one person.
- Employers can include annuities in 401(k) plans.
- Up to $5,000 can be taken as early withdrawal from 401(k) for birth or adoption expenses, with no penalty.

How Might You Take Advantage?

Tax Cuts and Jobs Act of 2017

Pay Off Your House Sooner

- Itemizing less likely, so deducting mortgage interest not as easy.

Start a Business

- Less business income will be taxed, and great way to reduce taxes.

Contribute or Convert to a Roth IRA

- You owe the taxes eventually. Why not pay them while tax rates are lower?
- Roth distributions won’t be counted toward taxing Social Security.

Open a Health Savings Account

- Contributions help reduce your taxable income
- Tax free when used for medical
- Can be used to Medicare and LTC premiums at age 65

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How Might You Take Advantage?

SECURE Act of 2019

Leave IRAs to your spouse

- 10 year distribution rule doesn't apply to spouses who inherit
- Leave your non-spouse heirs life insurance – tax free

Longer Tax Deferral Period

- RMDs not due until 72
- more time to convert Traditional to Roth

Fewer orphaned 529 accounts

- Use leftover 529 funds to help kids and/or grandkids pay off student loans with tax free money.

What Income Is Taxable, and How?

Income	How Taxed	When Taxed	Tax Rates
Salary	Based on amount earned	When paid	Personal tax rates
Investments	Gains vs Losses	When recognized	Dividend rate – 15%
Alimony	Based on amount transferred	When converted	Capital Gains rate – 15%
Social Security	Based on age	When inherited	Municipal bonds – 0%

When it comes to income, there isn't much that doesn't get taxed. Almost all types of income you receive through wages, interest, investment earnings, real estate income, mineral income, gambling winnings, alimony payments, and even Social Security is subject to taxation.

The important thing to know is that not all income is taxed the same. If you know which types of income enjoy lower tax rates, you can build your investment portfolio to rely on more of that type of income.

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Non-Taxable Income

Not all forms of income are taxable. Examples of non-taxable income under current law include:

- Scholarships
- Return of principal; reimbursements
- $50,000 of employer life insurance coverage
- Gifts of bequests
- Child support
- Life insurance death benefits
- Legal judgements
- Distributions from Roth accounts

Required Minimum Distributions

- Beginning in the year you turn 72, you must take minimum distributions from your tax deferred accounts. (If you were already taking RMDs as of 12/31/2019, you must continue them)

- These distributions are 100% taxable.

- If you fail to take your RMDs, not only will you pay the income tax you should have, you will also pay a 50% penalty tax.

- RMDs are reported at the beginning of each year and are based on the total of your tax deferred accounts on December 31 of the previous year.

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Cash Flow Tax Trap

A Cautionary Tale

Meet Russ and Sara:

- Paid $18,000 in taxes in 2015; couldn't understand why so much.
- 85% of Social Security was taxed.
- They took far more than their RMD. All their income was taxable.
- Had $300,000 in cash, earning nothing.
- We redirected their cash flow
- Taxes cut by 50% the following year

5 Ways to Lower Taxes

Donate RMDs to Charity

- You can donate up to $100,000 of RMDs directly to charity; counts as your RMD, but not as taxable income.

Consider a Qualified Longevity Annuity

- Defer taxes on up to $130,000 until age 85; reduces RMDs for 15 years; continues deferring taxes.

Convert to Roth Accounts Over Time

- Pay the taxes over time; great strategy while tax rates are lower

Don't Work & Take Social Security

- Additional income will tax more of your Social Security; Roth distributions will not

Create Income That Enjoys Lower Taxes

- Dividends and long-term capital gains are taxed at 15% for most people; municipal bonds are tax exempt.

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Final Thoughts

- **Understand which income will be taxed, and which will not.**
- **Consider the effect of taxes on your income plan.**
- **Utilize investment strategies that will eliminate, lower, or defer taxes for a longer time.**
- **Tax refunds represent interest-free loan to Uncle Sam.**

Action Steps

1. **Review your retirement accounts and identify those that will be taxable.**
2. **Work with your investment advisor to create a portfolio that utilizes tax advantage assets.**
3. **Consider a Roth conversion strategy and establish a tax budget.**
4. **Map out your cash flow and identify any potential tax landmines.**

Estate Planning

This material is intended to provide general financial education and is not written or intended as tax or legal advice and may not be relied on for purposes of avoiding Federal tax penalties. Individuals are encouraged to seek advice from their own tax or legal counsel. Individuals involved in the estate planning process should work with an estate planning team, including their own personal legal or tax counsel.


Income
Planning
Investment
Planning
Health
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Planning
Tax
Planning
Estate
Planning
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Planning

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How Important is Estate Planning?

Whom do you want making decisions for you and your assets?

You will have an estate plan when you pass away. Will it be one you create or one that the State creates for you?

State intestacy laws do not generally work in favor of the deceased or their family.

To get what you want, you must create an estate plan for yourself.

An estate plan you create can:

- dictate who benefits from your assets.
- appoint someone to look after your interests.
- appoint someone to make medical and financial decisions for you if you are unable.
- name who will care for any minor children in your care.

What is an Estate?

The most basic definition of an “estate” is everything you own. This includes

- Cash
- Home
- Investments
- Vehicles
- Jewelry
- Artwork
- Collectibles
- Clothing
- Antiques
- Business interests
- Life insurance policies

Anything that has monetary value makes up your estate.

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Estate Planning Options

No Will…No Trust…

You let the courts decide.
You have no say…you lose control.

Last Will & Testament

Dictate where assets go.
Typically, inexpensive.
Must go through probate.

Joint Tenancy

Joint Ownership with Spouse
Surviving Spouse gets jointly titled assets, with no probate.

What if there is no survivor?

Title In Child's Name

No probate
Lose control if the child dies
Risk of loss if child is inexperienced
Risk of triggering Kiddie Tax

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Living Trust

No probate.
Private information stays private.
Your desires are honored.
Retain control of assets while living.
Control assets after death.
Typically, more expensive.

What Is a Trust?

A Trust is like a “chest” that owns and manages assets you choose to place inside it. Your Trust is a legal entity that will have its own tax id number when you pass away.

As Trustee of the Trust, you retain control over the Trust, and thus the assets inside it.

The attorney that sets up your Trust should be able to help you retitle your assets as part of the overall fee.

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Will or Trust?

As always, it depends.

A Will may be the best choice when you:

- want to keep things as simple as possible.
- want to keep your costs lower.
- have few or no living beneficiaries.
- anticipate making changes often.

A Trust may be the best choice when you:

- want to keep your private information private.
- want to avoid probate.
- have several beneficiaries for whom you wish to control the flow of assets.
- want access to professional asset management for your beneficiaries.
- don’t mind paying more for the extra value.

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Other Items For Your Estate Plan

- Powers of Attorney for Medical and Financial Decisions
- Living Will and Health Care Directives
- HIPAA Forms
- Deed Preparation and Recording
- Update of Beneficiary Designations
- Re-titling of cash and Investment Accounts

Part of the service your advisor provides should be a review of your estate plan. While they may not be an attorney, and cannot prepare legal documents, they can, and should, work with your attorney, or help you find one, and make sure these items are included in your estate plan.

Your Estate Plan To Do List

1. Review beneficiary designations of life insurance, IRAs, retirement accounts, and annuities.
2. Create a Will or Trust, or update yours if needed.
3. Choose a personal representative. Do they even want the job? Are they qualified?
4. Create Financial and Medical Powers of Attorney.
5. Make a Living Will stating how long you wish to be on life support.
6. Store your documents in a safe place.
7. Prepare a “Love Letter” to your family letting them know where important documents are located, your funeral arrangements, and final wishes.

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Final Thoughts

You have an estate plan. Is it one you created, or one the State created for you?

Without an estate plan of your design:

- **your assets may not be distributed the way you desire.**
- **you cannot leave a gift to charity.**
- **any dependents under your care will be at the mercy of the court.**
- **your heirs may be left with a legal mess that can drag on for years.**
- **your final wishes may not be honored.**
- **you could be left on life support for years (Terry Shiavo case).**

At ChappelWood Financial, discussing your estate plan happens annually. We can help connect you with reputable and experience estate planning attorneys.

ChappelWood Financial Services

How Your Advisor Can Add Value

Financial advisors can add value to their clients' lives in many ways. While the focus is often on investment performance, the potential value your advisor adds shows up at different times as you work together, over time, toward your financial goals.

Develop a Financial Plan
Approximate Value-Add*: 0.50%[1]
May include: Prepare basic financial plan, update with life changes

Oversee Investments
Approximate Value-Add*: 0.25[2]-0.53%[1]
May include: Investment due diligence, asset allocation, annual re-balancing

Reduce Taxes
Approximate Value-Add*: 0.80%[1]
May include: Tax-aware investing, account types

Generate Income
Approximate Value-Add*: 0.23-1.50%[3]
May include: Asset location, withdrawal strategies during retirement

The value an advisor adds may not be apparent every quarter, or even every year; the benefit is disproportionate during those times when rational decision-making is most difficult. This type of guidance can be worth as much as **2%** over time.[4]

Keeping your financial plan on track can be the largest return on your investment.

1. Source: Russell Investments, Why Advisors Have Never Been So Valuable 2017. (Based on an average cost to develop a financial plan, and a $500,000 account.)
2. Source: Betterment and Wealthfront websites, as of March 2018
3. Source: Morningstar, Alpha, Beta, and now Gamma 2013
4. Source: Russell Investments, Why Advisors Have Never Been So Valuable 2017. (Behavioral coaching)

AssetMark, Inc.

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800-664-5345

*Approximate values shown are based on hypothetical analysis, and should not be viewed as an annual return. Actual values will vary, depending on clients' circumstances, implementation, and market conditions.

Investing involves risk, including the possible loss of principal. Past performance does not guarantee future results. No investment strategy, including asset allocation, can guarantee a profit or protect against a loss. Asset allocation cannot eliminate the risk of fluctuating prices and uncertain returns. Investments in mutual funds and exchange traded funds that hold equities, bonds, and other securities can decline significantly in response to adverse market conditions, company-specific events, changes in exchange rates, and domestic, international, economic, and political developments.

For more complete information about the various investment solutions available, including the investment objectives, risks and fees, please refer to the Disclosure Brochure and applicable Fund Prospectus. **Please read them carefully before investing.** For a copy, please visit www.assetmark.com or contact your Financial Advisor.

AssetMark, Inc. is an investment adviser with the Securities and Exchange Commission.

30290 | C32868 | 4/2018 | EXP 10/31/2019

WHERE IS MY/OUR MONEY NOW?
TOTAL – $




CASH/MM	G-TEE OF PRINCIPAL	STOCKS/BONDS/FUNDS	OTHER
$ (%)	$ (%)	$ (%)	$ (%)

Introduction

The information you provide will be used to create your financial plan. Your advisor will show you where you currently stand financially and if you are estimated to meet your financial goals and objectives.

Your Advisor is available to answer any questions you may have as you complete this questionnaire.
Remember to print clearly and to answer each question thoroughly. If you need to provide additional information, you can attach a separate page.

Personal Information

	Client	Co-Client
Title		
First Name		
Last Name		
SSN		
Date of Birth		
Gender		
Marital Status		
Citizenship		

Contact Information

	Client	Co-client
Home Phone		
Business Phone		
Cellular Phone		
Fax		
E-mail		

Home Address

	Client	Co-client
Street		
City		
State		
Zip Code		
Country		

Beneficiaries

Please provide the following information about your estate beneficiaries.

First Name	Last Name	Type (e.g., child, charity)	Date of Birth

Advisors

Use this section to provide information about your attorney, accountant and/or other professional advisors.

	Advisor 1	Advisor 2	Advisor 3
Title/Type			
Name			
Business Phone			
Home Phone			
Cellular/Pager			
Fax			
E-mail			
Street Address 1			
Street Address 2			
City			
State			
Zip Code			
Country			

Assumptions

The inflation rate and tax rates you select below will be used to develop your Financial Plan. If you choose to leave them blank, default rates will be used.

Inflation Rate

Your analysis will assume a default inflation rate of 4%. You may change the inflation rate if you choose.

Enter the inflation rate: ________%

Filing Status

___ Single ___ Married/Jointly ___ Married/Separate

Household

If you choose, you may indicate different tax rates in the table below for Before Retirement, and During Retirement.

	Before Retirement	During Retirement
Average Federal Tax Rate	%	%
Average State Tax Rate	%	%
Long-term Capital Gains	%	%

Please specify the gross income numbers and the average annual increase of your salary, if applicable.

	Client	Co-client
Current Annual Income	$	$
Average Salary Increase	%	%

Retirement

Use this section to provide information about your retirement goals.

Desired annual pre-tax retirement income: $ _________________ or percentage of Current Income ________%

	Client	Co-client
Estimated Retirement Age		
Estimated Life Expectancy		
Social Security Eligibility (%) or Estimated Social Security	%	%
Annual Pension Benefit ($) (include all retirement income)	$	$

Living Expenses Budget Planner

Please list your current living expenses and any future expenses you plan on incurring.

Expense Name	Amount	Type		Start Age	End Age
		Base	Discretionary	(Optional)	
	$	☐	☐		
	$	☐	☐		
	$	☐	☐		
	$	☐	☐		
	$	☐	☐		
	$	☐	☐		
	$	☐	☐		
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	$	☐	☐		
	$	☐	☐		
	$	☐	☐		
	$	☐	☐		

Additional Notes

Use this section to provide any additional information you feel may be relevant to your advisor.

Investment Accounts List (optional)

Use the following grids to list your accounts. If you need more space, print additional copies of this page.

ACCOUNT NAME:			**TYPE:**		
OWNER:			**BENEFICIARY:**		
Current Balance:	$	**ANNUAL CONTRIBUTIONS**		**Start Age**	**End Age**
Cost Basis:	$	**Before Taxes:**	$		
Income Return:	%	**After Taxes:**	$		
Capital Appreciation:	%				

ACCOUNT NAME:			**TYPE:**		
OWNER:			**BENEFICIARY:**		
Current Balance:	$	**ANNUAL CONTRIBUTIONS**		**Start Age**	**End Age**
Cost Basis:	$	**Before Taxes:**	$		
Income Return:	%	**After Taxes:**	$		
Capital Appreciation:	%				

ACCOUNT NAME:			**TYPE:**		
OWNER:			**BENEFICIARY:**		
Current Balance:	$	**ANNUAL CONTRIBUTIONS**		**Start Age**	**End Age**
Cost Basis:	$	**Before Taxes:**	$		
Income Return:	%	**After Taxes:**	$		
Capital Appreciation:	%				

ACCOUNT NAME:			**TYPE:**		
OWNER:			**BENEFICIARY:**		
Current Balance:	$	**ANNUAL CONTRIBUTIONS**		**Start Age**	**End Age**
Cost Basis:	$	**Before Taxes:**	$		
Income Return:	%	**After Taxes:**	$		
Capital Appreciation:	%				

ACCOUNT NAME:			**TYPE:**		
OWNER:			**BENEFICIARY:**		
Current Balance:	$	**ANNUAL CONTRIBUTIONS**		**Start Age**	**End Age**
Cost Basis:	$	**Before Taxes:**	$		
Income Return:	%	**After Taxes:**	$		
Capital Appreciation:	%				

Assets and Liabilities List (optional)

Use the following grids to list your assets and liabilities. If you need more space, print additional copies of this page.

DESCRIPTION:					
OWNER:	**ASSET DETAILS**			**LIABILITY DETAILS**	
	Initial Cost:	$		**Balance Due:**	$
BENEFICIARY:	**Current Value:**	$		**Interest Rate:**	%
	Growth Rate	%		**Payment:**	$
	Plan on selling?		**YR**	**Pmt Frequency:**	

DESCRIPTION:					
OWNER:	**ASSET DETAILS**			**LIABILITY DETAILS:**	
	Initial Cost:	$		**Balance Due:**	$
BENEFICIARY:	**Current Value:**	$		**Interest Rate:**	%
	Growth Rate	%		**Payment:**	$
	Plan on selling?		**YR**	**Pmt Frequency:**	

DESCRIPTION:					
OWNER:	**ASSET DETAILS**			**LIABILITY DETAILS:**	
	Initial Cost:	$		**Balance Due:**	$
BENEFICIARY:	**Current Value:**	$		**Interest Rate:**	%
	Growth Rate	%		**Payment:**	$
	Plan on selling?		**YR**	**Pmt Frequency:**	

DESCRIPTION:					
OWNER:	**ASSET DETAILS**			**LIABILITY DETAILS:**	
	Initial Cost:	$		**Balance Due:**	$
BENEFICIARY:	**Current Value:**	$		**Interest Rate:**	%
	Growth Rate	%		**Payment:**	$
	Plan on selling?		**YR**	**Pmt Frequency:**	

Insurance Policies List (optional)

Use the following grids to list your policies. If you need more space, print additional copies of this page.

POLICY NAME:					
TYPE		**Face Value**	$		
OWNER:		**Premium**	$	Annual	Monthly
INSURED:		**Cash Value**	$		
BENEFICIARY:		**Cash Value Growth**	%		

POLICY NAME:					
TYPE		**Face Value**	$		
OWNER:		**Premium**	$	Annual	Monthly
INSURED:		**Cash Value**	$		
BENEFICIARY:		**Cash Value Growth**	%		

POLICY NAME:					
TYPE		**Face Value**	$		
OWNER:		**Premium**	$	Annual	Monthly
INSURED:		**Cash Value**	$		
BENEFICIARY:		**Cash Value Growth**	%		

POLICY NAME:					
TYPE		**Face Value**	$		
OWNER:		**Premium**	$	Annual	Monthly
INSURED:		**Cash Value**	$		
BENEFICIARY:		**Cash Value Growth**	%		

Student Information

Use this section to provide information about Education funding.

	Student	College			
First Name:		College Name:			
Last Name:					
Date of Birth:		College Start Age:		College End Age:	
		Annual Tuition:	$	Tuition Increase:	%

Education Funding

	529 Plan	Education IRA	Taxable Savings
Account Balance:	$	$	$
Annual Contributions			
From Client:	$	$	$
By Others:	$	$	$
Rate of Return:	%	%	%
Contribution End Age:			

Other Incomes for this student

Income name	Amount	Start Age	Number of Years	Increase Rate
	$			%
	$			%
	$			%
	$			%
	$			%
	$			%

*Please print extra copies of this page if you have multiple students.

Risk Tolerance Questionnaire

This questionnaire will analyze your investment objectives, time horizons and risk tolerance.

1. What is your Age?
   - A. 56+
   - B. 46 - 55
   - C. 36 - 45
   - D. 18 - 35

2. Which of the following best describes the objectives you want to achieve with your investments?
   - A. I would like to preserve my principal and generate a moderate amount of income.
   - B. I would like to live off of the income generated by my investments.
   - C. I would like to generate some income and have the principal grow over the long term.
   - D. I would like my investments to grow as much as possible over the long term.

3. In approximately how many years will you begin withdrawing funds from your investments to satisfy your retirement goals?
   - A. Immediately
   - B. 1 - 5 years
   - C. 6 - 10 years
   - D. 11 - 20 years
   - E. Over 20 years

4. Once you begin to withdraw funds for your primary purpose or investment objective, over how long a period do you anticipate the withdrawals to continue?
   - A. I expect to withdraw all funds in a single lump-sum
   - B. 1 - 5 years
   - C. 6 - 10 years
   - D. 11 - 20 years
   - E. Over 20 years

5. Which one of the following statements best describes your attitude towards the trade-off between risk and return?
   - A. I am primarily concerned with limiting risk. I am willing to accept lower expected returns in order to limit my chance of loss.
   - B. Limiting risk and maximizing return are of equal importance to me. I am willing to accept moderate risk and moderate chance of loss in order to achieve moderate returns.
   - C. I am primarily concerned with maximizing the returns of my investments. I am willing to accept high risk and high chance of loss in order to maximize my investment return potential.

6. Inflation can greatly diminish the effective returns of your portfolio. Please specify which of the following best summarizes your attitudes regarding investing and inflation.

   A. I prefer a portfolio that has the potential to return substantially more than inflation over the long run and I am willing to accept large short-term fluctuations in value (and a greater potential for loss) to achieve this goal.

   B. I prefer a portfolio that has the potential to moderately exceed inflation over the long run and I am willing to accept moderate short-term fluctuations in value (and a moderate potential for loss) to achieve this goal.

   C. I prefer to minimize short-term fluctuations in portfolio value (and the potential for loss) as much as possible, even if it means that my portfolio has the potential to only keep pace with or slightly exceed inflation.

7. Sometimes investment losses are permanent, sometimes they are prolonged, and sometimes they are short-lived. How might you respond when you experience investment losses?

   A. Even if my investments suffered a significant decline over several years, I would continue to follow my long-term investment strategy and not adjust my portfolio.

   B. I can endure significant declines in the value of my investments and would wait at least one year before adjusting my portfolio.

   C. Although declines in investment value make me uncomfortable, I would wait one to two quarters before adjusting my portfolio.

   D. I would sell my investments immediately if they suffered substantial declines.

8. Do you have an emergency fund (savings of at least three months' after-tax income)?

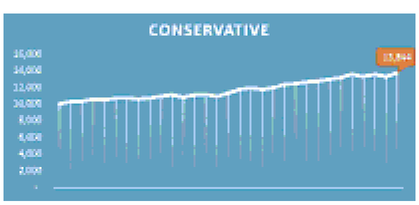
   A. Yes

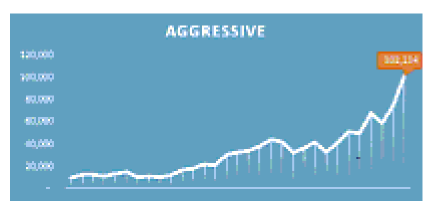
   B. No

9. Do you plan on dipping into your retirement savings to make a large purchase or generate income before retirement?
   A. No, I don't plan on touching any of my retirement funds
   B. I am willing to draw from my accounts if I need to
   C. I am planning on using part of my retirement savings to fund a large purchase
   D. I am currently using my retirement funds to support my lifestyle

10. The following images depict how three different investments could grow over time. Which one would you feel more comfortable investing in?

☐ **Investment A** ☐ **Investment B** ☐ **Investment C**





Note that Investment B is substantially riskier than Investment A and Investment C is substantially riskier than Investment B.

Additional Notes

Use this section to provide any additional information you feel may be relevant to your advisor.

10 Books Aspiring Millionaires Should Read

If you aspire to the summit, learn from those who have already climbed mountains. If you want to be a millionaire, do what other millionaires do.

One habit millionaires tend to share is reading for self-improvement. This list of 10 books is tailored to give you the insights and means to make you a successful millionaire. Read on if you are ready to take on the world!

1. *It's All About the $Money, Honey!,* by Victoria Woods

Financial security is not the name of an institution down the street, nor can it be found lurking in your closet somewhere. It can, however, be found in the philosophy that all of us possess the means to be financially secure. Within the pages of this easy-to-read book, Victoria Woods tells you exactly how to do it.

Victoria walks the walk and talks the talk. She knows about financial security and planning because she started with virtually nothing and is recognized today as among the most successful financial advisors around. In short, she's been there, done that. When it comes to your financial future, trust the Financial Diva.

2. *Money: Master the Game,* by Tony Robbins

This is a must-read for anyone who wants to make their money work for them and achieve true financial freedom. *Money* walks you through the necessary steps to turn a small nest egg into a mountain of wealth so you can live your life how you want to. One of the lessons Robbins details is setting up a "freedom fund," which is your investment fund that will eventually set you free.

Make sure your money is getting a workout, not being lazy in a low-interest bank account. Your money needs to be building interest year after year. And most importantly, do your homework and believe in yourself. Fatalistic attitudes will only lead to failure.

3. *Thinking, Fast and Slow,* by Daniel Kahneman

Nobel Prize–winner Daniel Kahneman's book *Thinking, Fast and Slow* shows how easy it is for humans to veer away from the rational. The truth is, we are subject to many biases, and this is especially important for aspiring millionaires to be aware of, as we tend to only see things from our own perspective.

Kahneman's years of work detail how our behavior is determined by two different systems. One is impulsive, automatic and intuitive -- it operates without our conscious control. The second is thoughtful, deliberate and calculating -- this is our ability to reason and engage in decision-making. The second system is important because it relies on self-control and our ability to focus our attention; it is the strength behind our intelligence. However, it's important to recognize that our mind tends to oversimplify things without sufficient information, which often leads to judgment errors.

4. *Secrets of the Millionaire Mind,* by T. Harv Eker

Is your subconscious "financial blueprint" set for success, or are your thought patterns likely to lead you into a constant struggle with money? *Secrets of the Millionaire Mind* looks at how your relationship with money is determined by patterns that have been ingrained in you through your upbringing. Your parents are your first role models when it comes to managing finances.

From a young age, we observe how our parents deal with money, and that shapes our thought patterns and guides our behavior when it comes to finances. We naturally tend to replicate our parents' income strategies, which explains why most people tend to stay in about the same income bracket as their parents. If you want to take full control of your finances, you have to recognize these thought patterns and adopt the habits and mindset of millionaires.

5. *The Intelligent Investor,* by Benjamin Graham

The Intelligent Investor will give you a solid understanding of contemporary financial theories, so you can invest wisely without the risk of losing it all. Warren Buffett has said this book shaped his professional life. Graham first outlined this approach to long-term, risk-averse investment in the stock market in 1949, but the concepts are still valid in today's investment world. Intelligent investors use thorough analyses to look at the intrinsic value of a company and its propensity for growth.

An intelligent investor focuses on securing steady returns rather than speculating or focusing on short-term gains. Speculating is inherently risky because these investments are based on market fluctuations. Instead, an intelligent investor looks at a stock's long-term value -- at the company's big picture and financial history. Following these guidelines, you'll lose the rollercoaster ride and gain something that works long term.

6. *Blue Ocean Shift*, by Chan Kim and Renee Mauborgne

This is a step-by-step guide on how to move beyond the rat race in an overcrowded marketplace. It's time for entrepreneurs to leave behind the overcrowded "red ocean" of fierce competition and open up new worlds of opportunity: the "blue ocean" that is free from competition.

Blue Ocean Shift gives the reader tools to navigate the wide-open markets that transcend competition. This "blue ocean shift" allows you to discover markets that are ripe and still untouched if you just know how to tap into them. Along the way, you'll learn about market-creating tools that will help you facilitate your own blue ocean shift.

7. *The Millionaire Fastlane,* by M.J. DeMarco

Most people never achieve millionaire status because conventional roads to wealth don't work. If you feel like you're wasting time at a job you hate, dream of founding your own enterprise, or want to become a millionaire but don't know where to start, *The Millionaire Fastlane* is for you. One of the biggest roadblocks to creating wealth is failing to plan ahead. Even if you make an impressive income, if you constantly splurge on gratifications like expensive dinners and luxury cars, you will go broke.

The conventional path to wealth relies on working really hard while you are young so you will have enough money set aside when you are old to relax and enjoy it. That can be a long time to wait! What if you could create a product or a business that is self-sustaining? Then you will be generating income even when you're not actually working.

8. *The 48 Laws of Power,* by Robert Greene

Showing off your brilliance won't win you any favors, but cleverly using the work of others to your advantage will. *The 48 Laws of Power* takes an irreverent look at the fundamental characteristics of power. It helps you understand how power works, how to use it to your advantage and how to defend yourself when others wield power against you.

If you are an entrepreneur hoping to gain the upper hand in the market, or anyone looking to acquire power, this is the book for you. One important rule to remember as an entrepreneur: Any credit given for an invention or creation is just as important as the invention itself. If you don't claim credit, someone else will steal your idea and take the credit.

9. *The Little Book of Common Sense Investing,* by John C. Bogle

The Little Book of Common Sense Investing focuses on efficient and simple ways to grow your wealth by investing in low-cost index funds. Bogle is the founder of the Vanguard Group and creator of the world's first index fund.

He explains why you should always choose the fund with the lowest fees (hint: actively managed funds are expensive and usually underperform) and how you can avoid market bubbles (hint: people often make unsound investments based on popular opinions, which are really risky investments). Look for safe, low-cost index funds, which are more cost-efficient and diversified.

10. *10X Rule,* by Grant Cardone

If you want to be a millionaire, you're going to need a clear plan to climb the ladder of success. *The 10X Rule* explains how anybody can apply one simple rule to set themselves up for achievement and lasting success. The guiding principle behind this rule is that you need to invest 10 times more and reach 10 times further than anyone else to achieve your goals.

This rule is based on the premise that success will always require more effort than you expect. You have to devote that much more time and effort than your competitors. Whatever it is that you want to achieve, you must be willing to put in exponentially more effort and set your goals higher. This book will inspire you to reach for the sky and achieve goals beyond your wildest dreams.