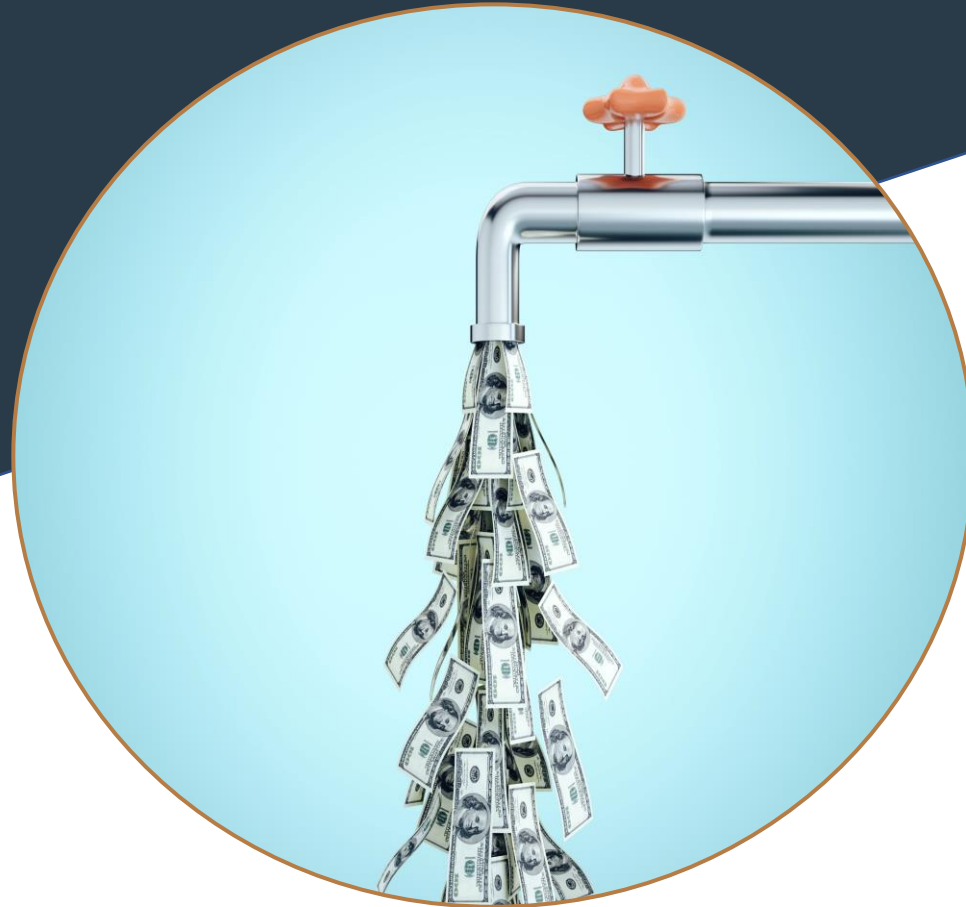


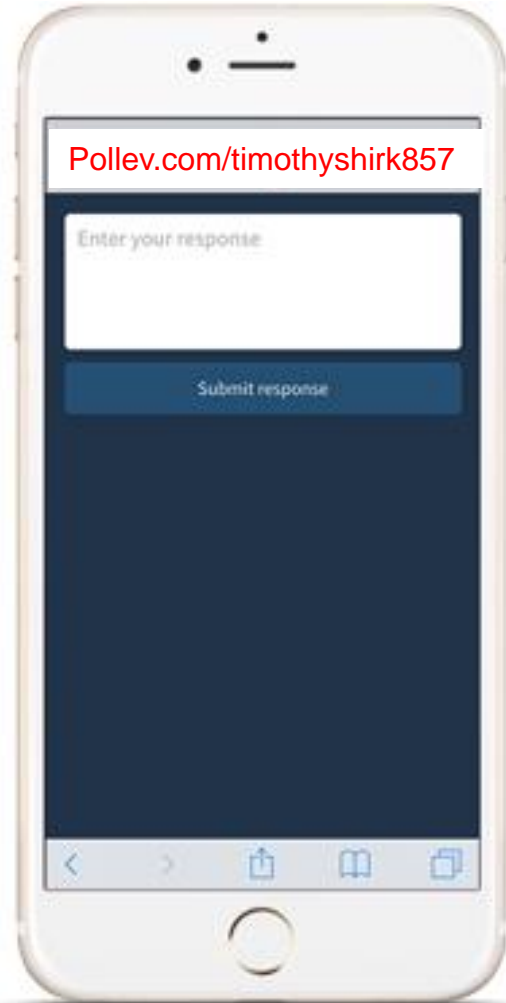
Turning on Retirement Income



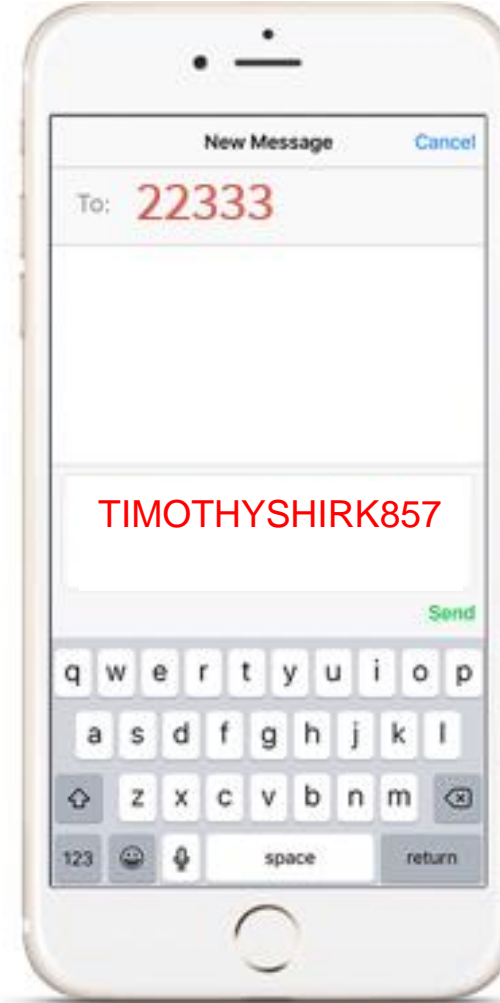
Timothy M. Shirk, CFP®
Timothy.Shirk@FrancisWay.com
Francis LLC



Let's Hear From You!



Web voting



Text voting

What is your biggest concern related to turning your retirement balance into income?

Nobody has responded yet.

Hang tight! Responses are coming in.

How to Turn Your Retirement Account Into Income

- Contemplate new priorities
- Consider available investment vehicles
- Control your annual withdrawals
- Confirm you won't outlive your money
- Chose your investments





1. Contemplate New Priorities

Adjust Your Perspective!



Your strategy needs to change!

New Goal . . . New Risks!

Goal

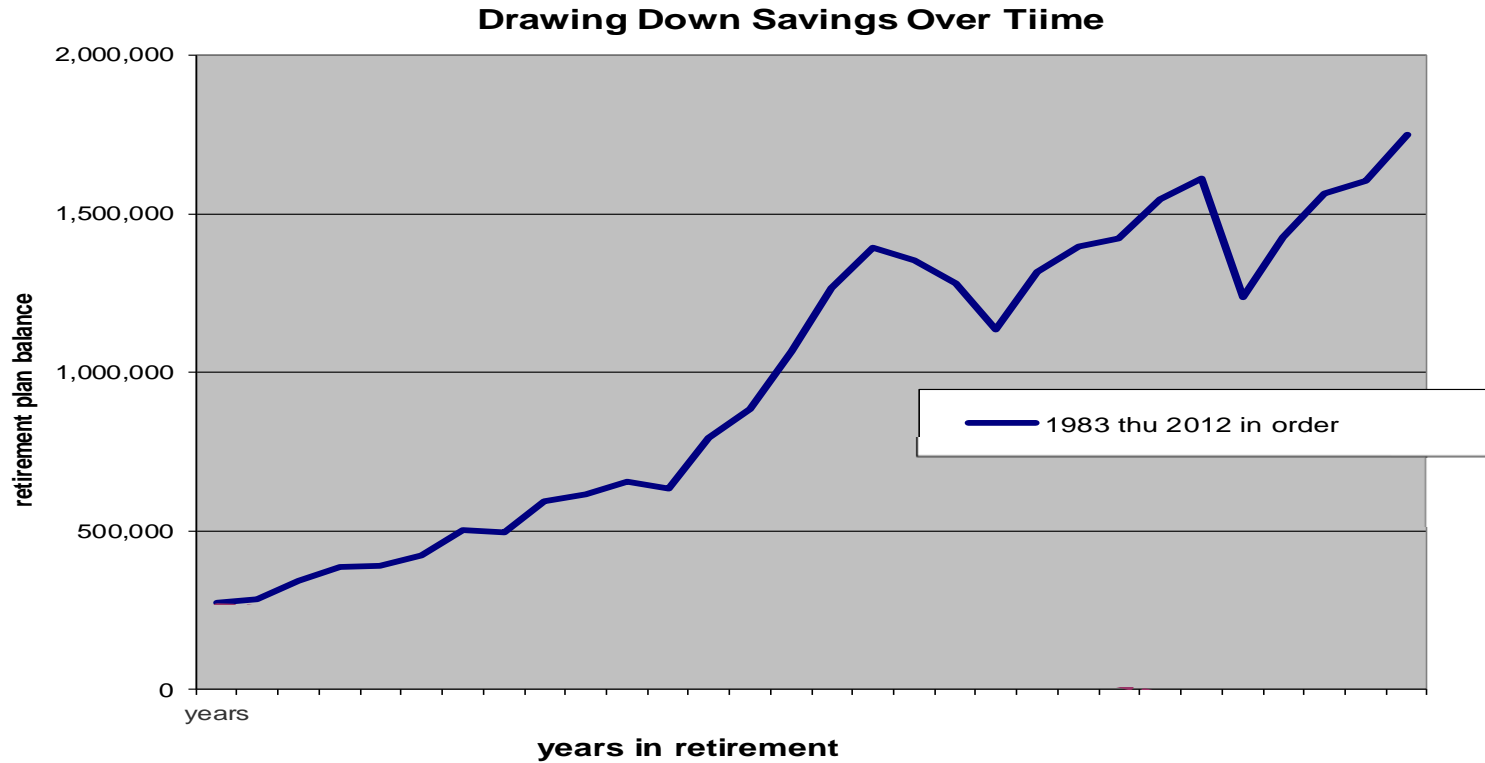
Avoid outliving your money!

Risks

Longevity risk

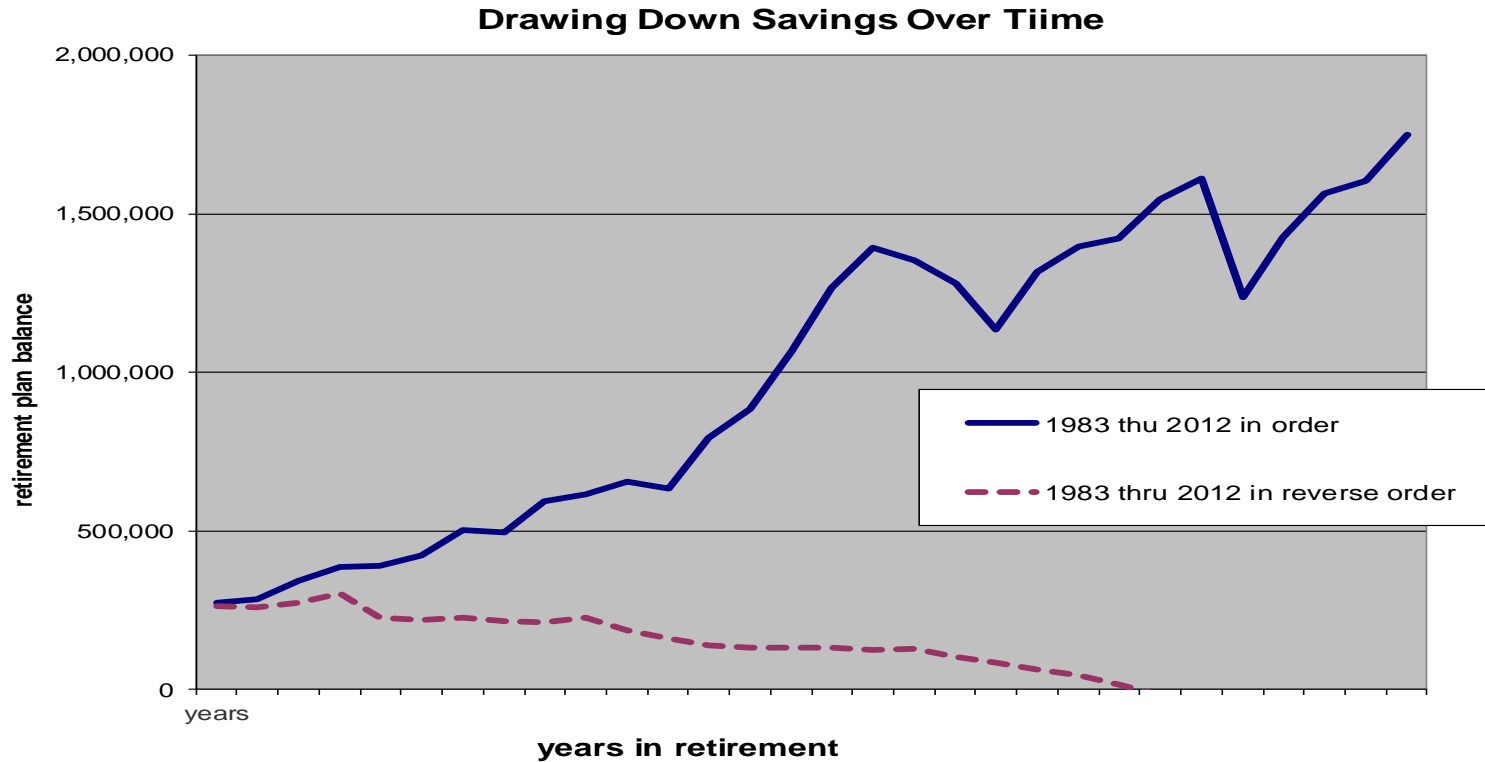
Sequence of returns

Sequence of Return Risk



Starting Balance of \$250,000. Assumes historical performance of the S&P 500 with 3% inflation. Withdrawal of 5% of balance escalates each year for 3% inflation. For illustration purposes only. The above summary has been obtained from sources believed to be reliable but are not necessarily complete and cannot be guaranteed. Past performance is not a guarantee of future results.

Sequence of Return Risk



Starting Balance of \$250,000. Assumes historical performance of the S&P 500 with 3% inflation. Withdrawal of 5% of balance escalates each year for 3% inflation. For illustration purposes only. The above summary has been obtained from sources believed to be reliable but are not necessarily complete and cannot be guaranteed. Past performance is not a guarantee of future results.

New Goal . . . New Risks!

Goal

Avoid outliving your money!

Risks

Longevity risk

Sequence of returns

Cash flow risk

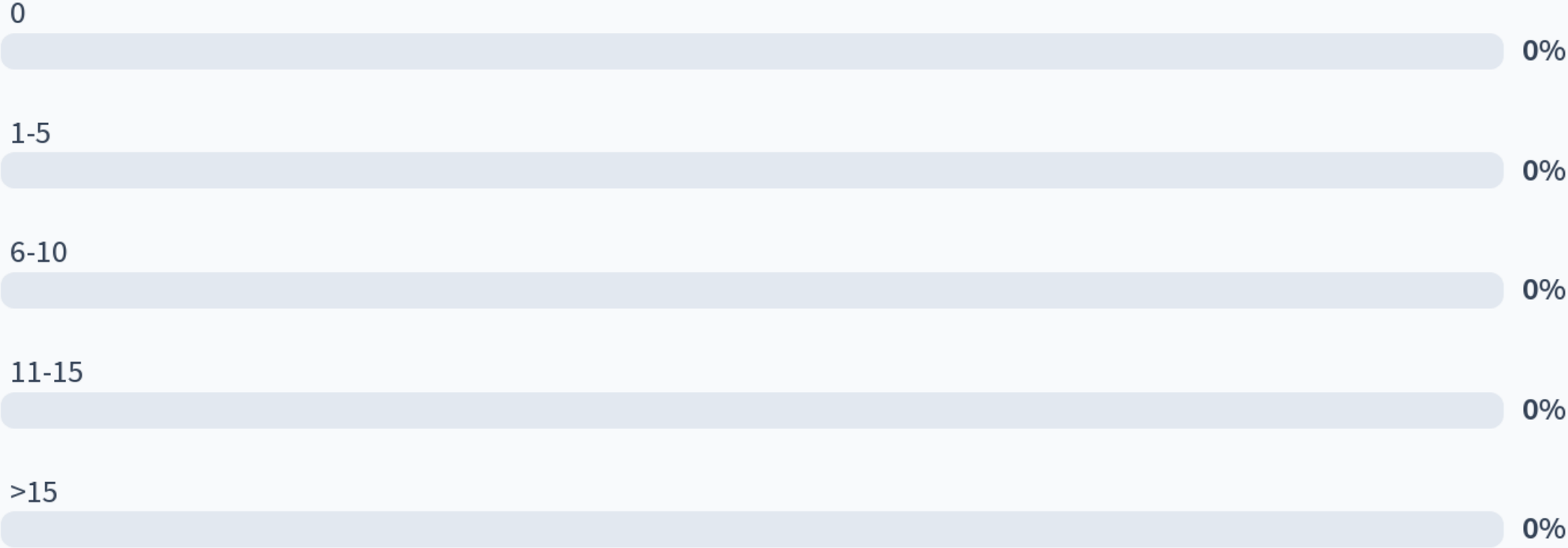



Continued
Investment

Immediate
Annuity

2. Consider Available Investment Vehicles

Considering online, TV, email, and mailings, how many financial adds do you see in a week?






Continued
Investment



Purchase a
Promise



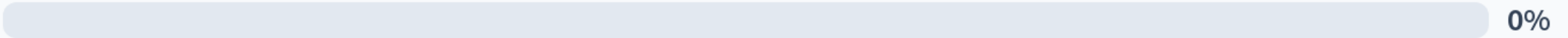
Immediate
Annuity

What is the average cost of owning a variable annuity?

0.53%



0.97%



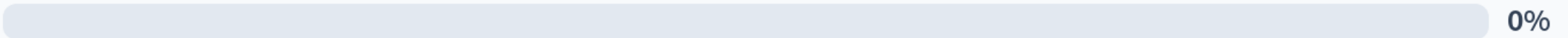
1.75%



2.30%



3.00%



What is an Annuity?



- Contract between you and insurer
- You surrender principal for the promise of future monthly income
- People who die early subsidize people who live longer



Annuities Provide Peace of Mind

Annuity vs. Continued Investment

Monthly income generated from \$500,000

Add to My Report	Average Estimated Quotes Joint Life & Period Certain Options Income Starts Immediately	Est. Monthly Income
<input type="checkbox"/>	Life (?)	\$1,968
<input type="checkbox"/>	Life & 10 Years Certain (?)	\$1,965
<input type="checkbox"/>	Life & 20 Years Certain (?)	\$1,936
<input type="checkbox"/>	Life with Cash Refund (?)	\$1,907
<input type="checkbox"/>	5 Year Period Certain (?)	\$8,201
<input type="checkbox"/>	10 Year Period Certain (?)	\$4,356
<input type="checkbox"/>	15 Year Period Certain (?)	\$3,122
<input type="checkbox"/>	20 Year Period Certain (?)	\$2,534
<input type="checkbox"/>	25 Year Period Certain (?)	\$2,300

Premium \$500,000 (Male 65, Female 65). These quotes are estimates. To get exact quotes, check the "Add to My Report" box next to any annuity options and continue to step 2.

VS

Continued Investment
<p>Rule of thumb:</p> <p>Live on 5% of assets = \$2,083</p> <p>Live on 4% of assets = \$1,666</p> <p>Rule of thumb assumes continued investment with 2% better than inflation rate of return with a 3% increase in annual withdrawal rate.</p>

Source: www.immediateannuities.com – Assumes 65-year old married couple in California with option listed. Francis does not provide legal advice. Annuities are an investment that is subject to risk and can lose money.

Annuities? Maybe Not

Payments usually don't increase over time

INFLATION

Annuities? Maybe Not

Lack of liquidity



Francis does not provide legal advice. Annuities are an investment that is subject to risk and can lose money.

Annuities? Maybe Not

Risk of early death



A question mark shape is formed by white sugar cubes on a wooden surface. The top curve of the question mark is composed of approximately 18 cubes, and the vertical stem is composed of 7 cubes, with the bottom-most cube being significantly larger than the others.

Annuities?

Maybe Not

Difficult to understand

Annuities Do Cover Expenses



**Social
Security**



**Pension
Payment**




**Annuity
Payment**




**Rest of
Retirement
Assets**



Covers Monthly Expenses



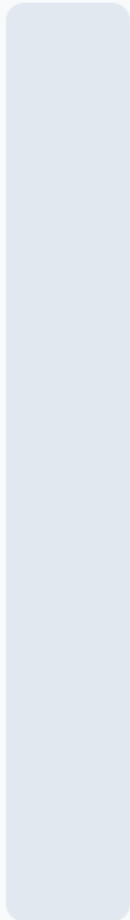
Continued
Investment



Immediate
Annuity

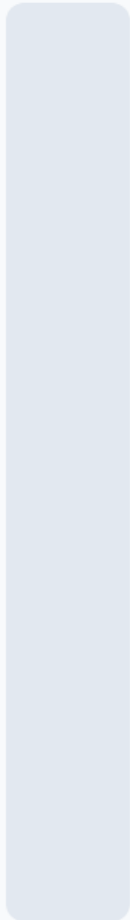
True or False: You may remain in the Stanford retirement plan after you retire.

0%




True


0%




False



**Continued
Investment**



**Stay in your
company plan
or
Roll into an IRA**



**Immediate
Annuity**

Continued Investment

- Invest your savings then pull money out to provide income
- You are responsible for making sure you don't run out of money



Leave Savings in Your Plan

Pros

Preselected investment choices

Generally, less expensive

RMD's waived if you keep working

Cons

Less convenient withdrawals

Less investment flexibility

Roll Over Savings to IRA

Pros

Virtually unlimited investment options

More flexible payment methods

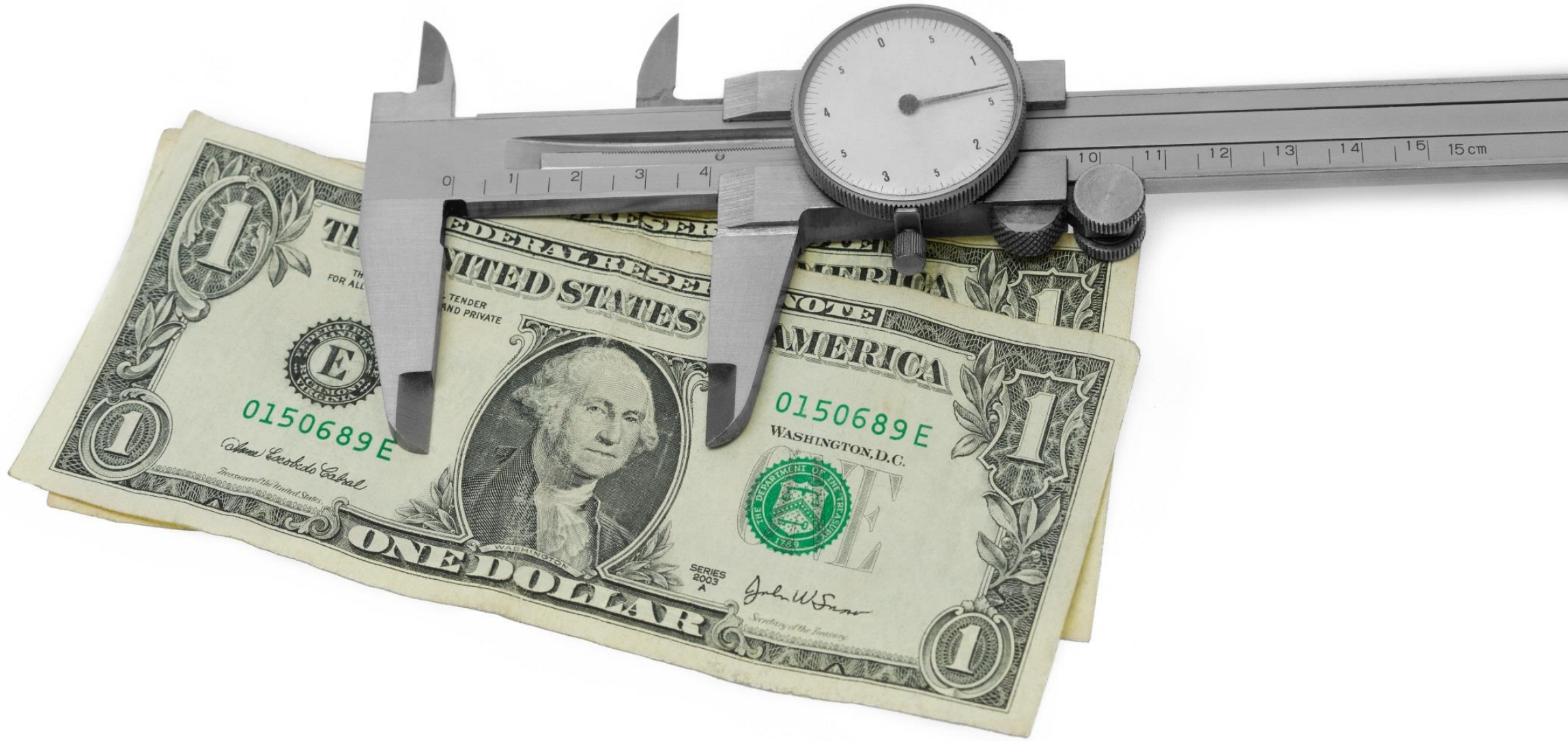
Consolidate accounts

Cons

More effort required

May be more expensive

Need to hire an advisor



3. Control Your Annual Withdrawal

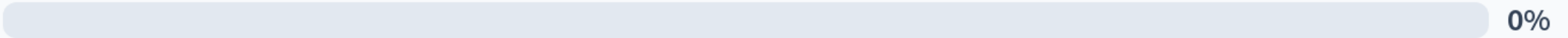
How long do you think you will live?

<80



0%

80 - 90



0%

91 - 95



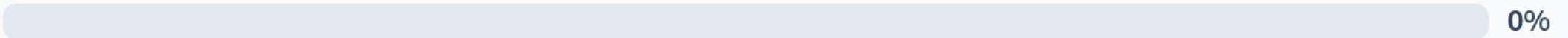
0%

96 - 100



0%

>100



0%



4% Rule



How Long Will Your Money Last?

Pull out 8% per year – Money lasts 14 years

Pull out 7% per year – Money lasts 16 years

Pull out 6% per year – Money lasts 20 years

Pull out 5% per year – Money lasts 25 years

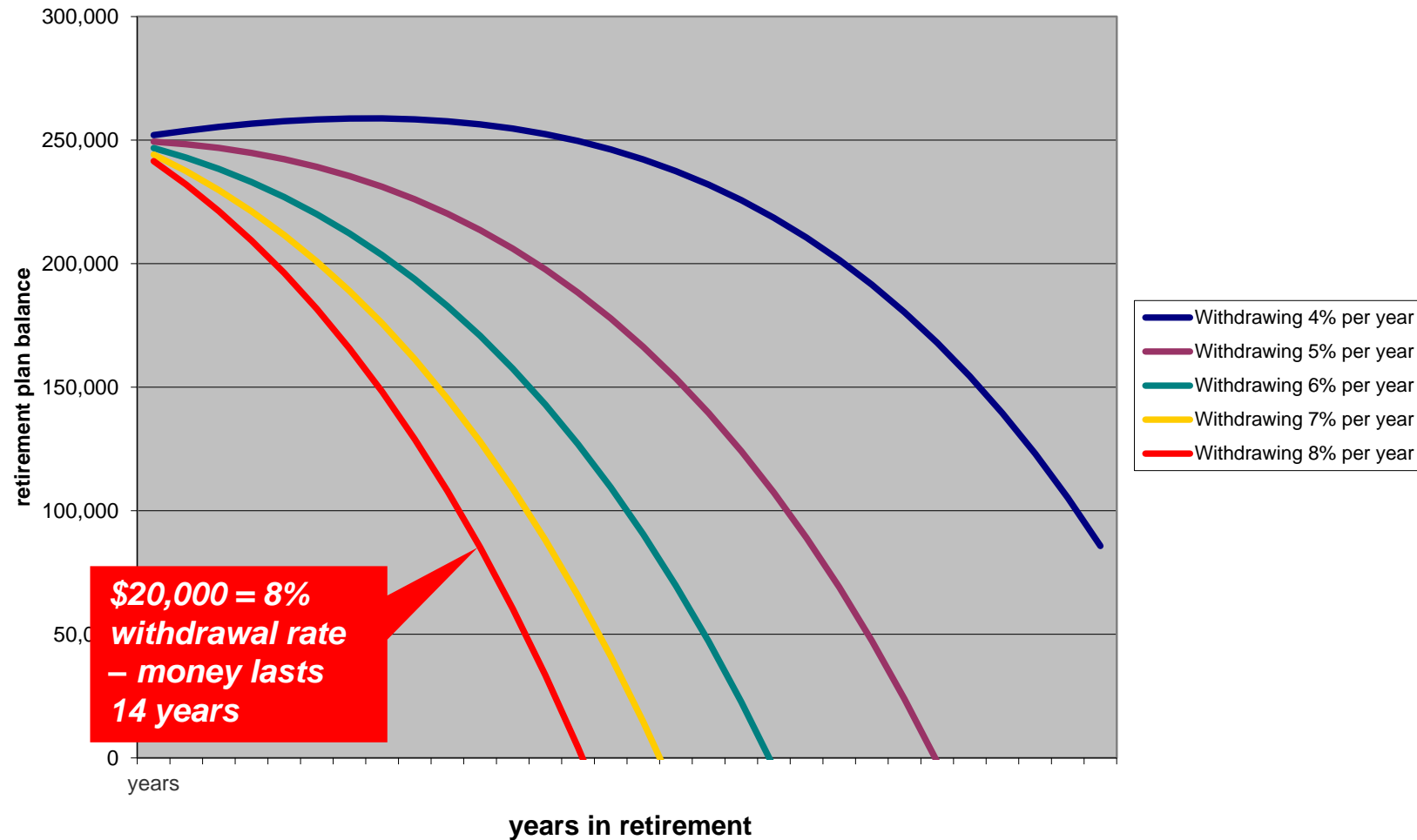
Pull out 4% per year – Money lasts 30 years

Assumes 5% annual return and 3% annual increase in withdrawal for inflation adjustment. For illustration purposes only.

Withdrawal Rule of Thumb

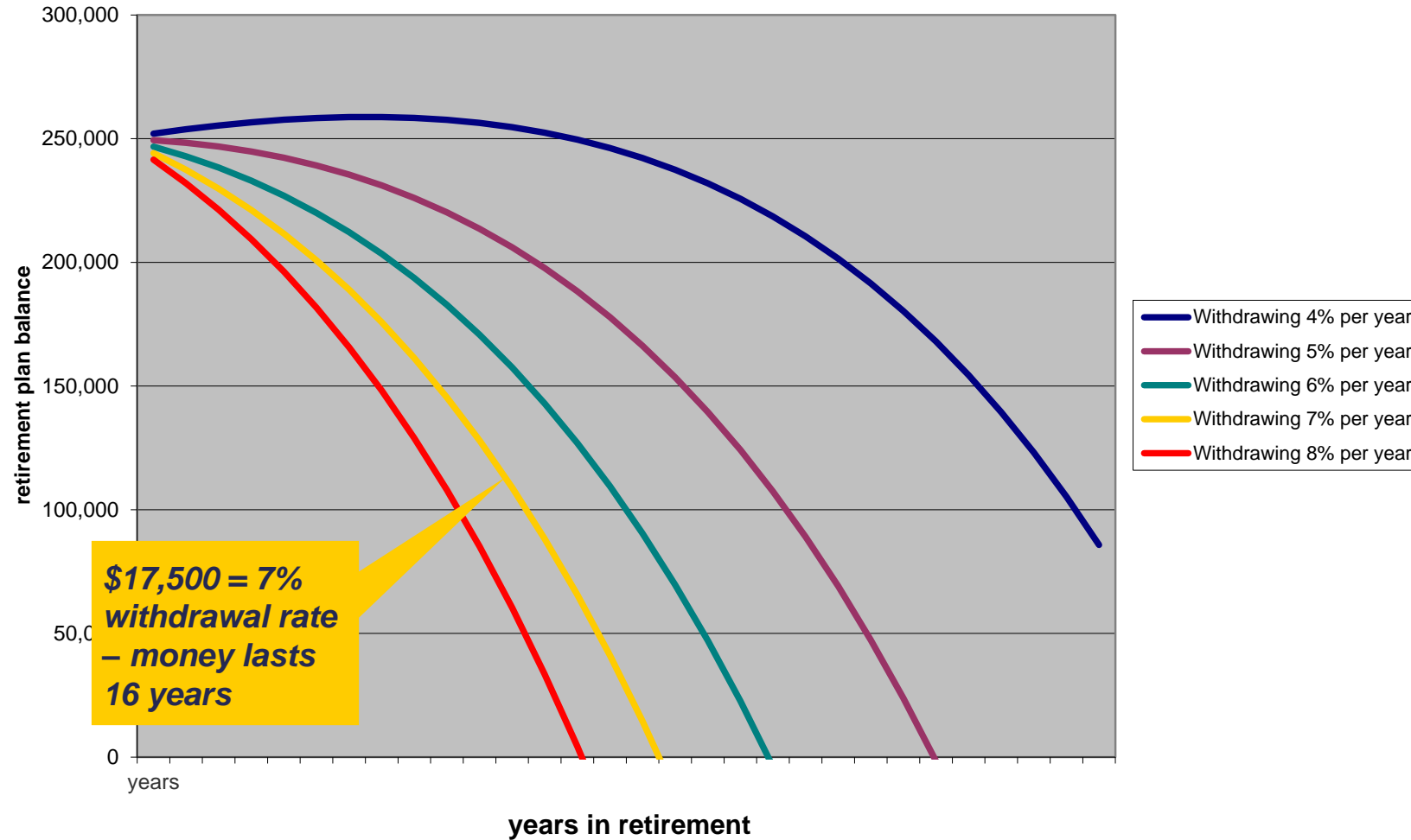
- If you know your balance, and need an income –
 - $\text{Balance} * \text{Rule of Thumb} = \text{Income}$
 - $\$1,000,000 * .04 = \$40,000$
- If you know your income need and want to know your required balance –
 - $\text{Income} / \text{Rule of Thumb} = \text{Required Balance}$
 - $\$40,000 / .04 = \$1,000,000$

How Long Will Your Money Last?



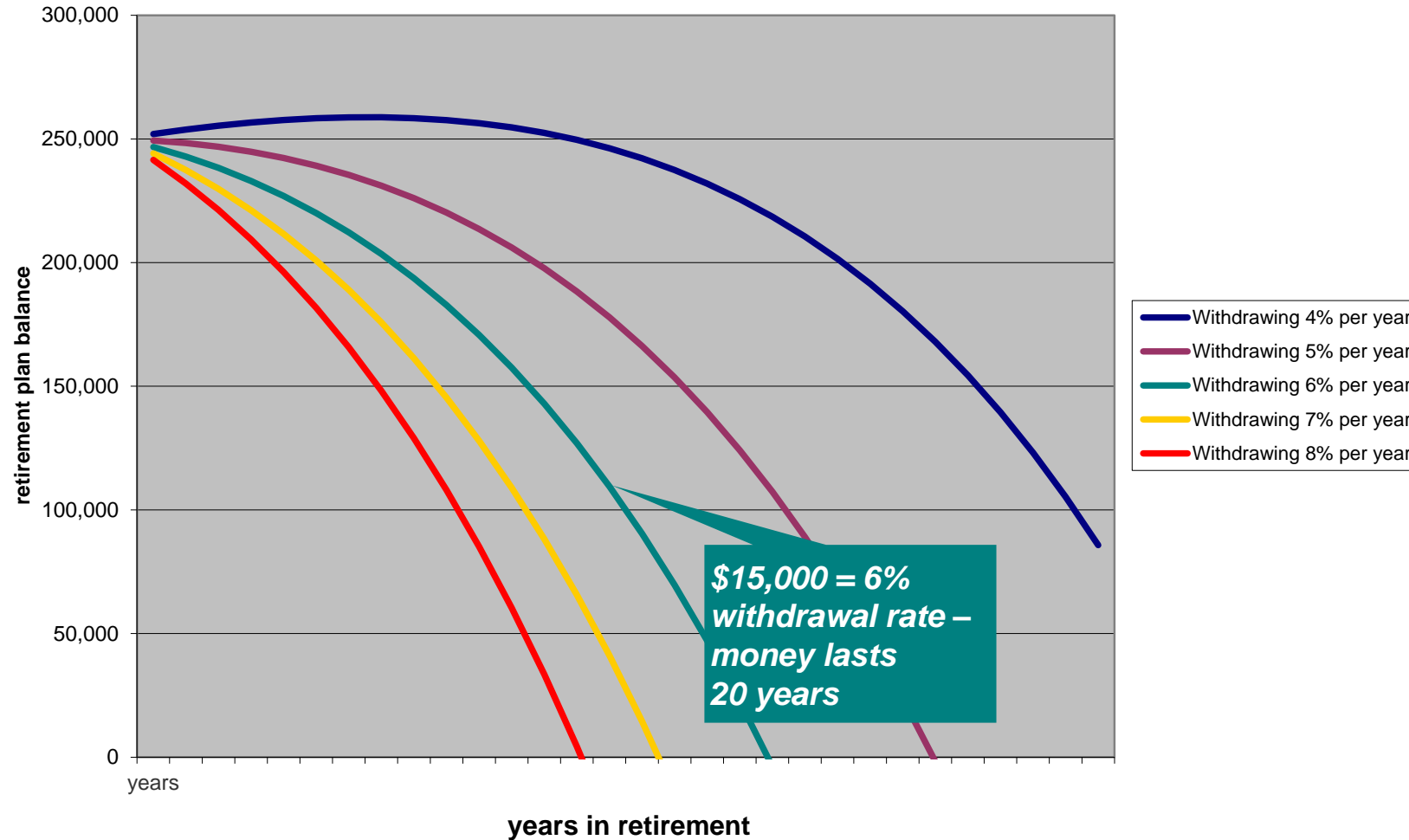
Assumes 5% annualized return in retirement with 3% inflation. Withdrawal escalates each year for 3% inflation. For illustration purposes only.

How Long Will Your Money Last?



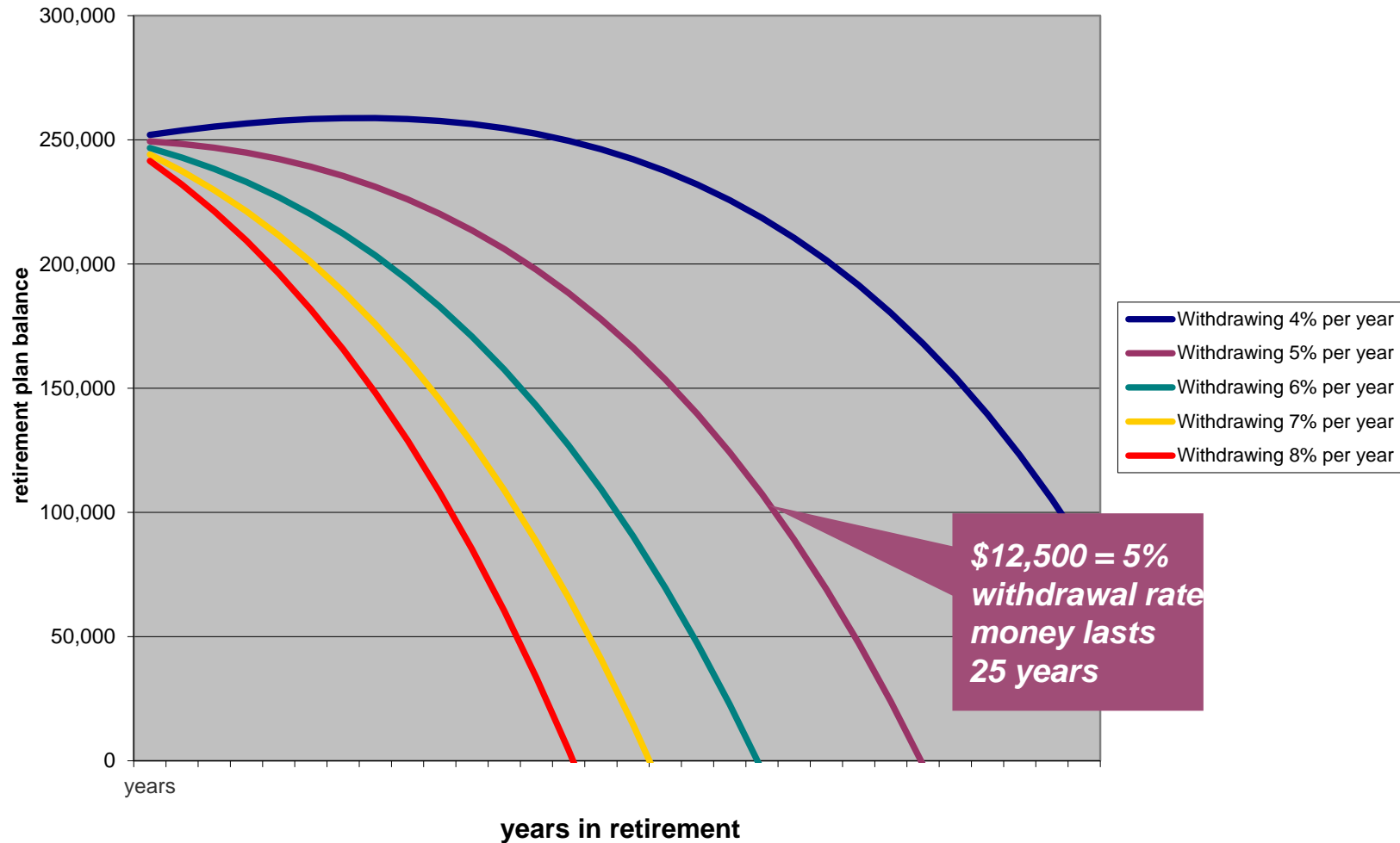
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How Long Will Your Money Last?



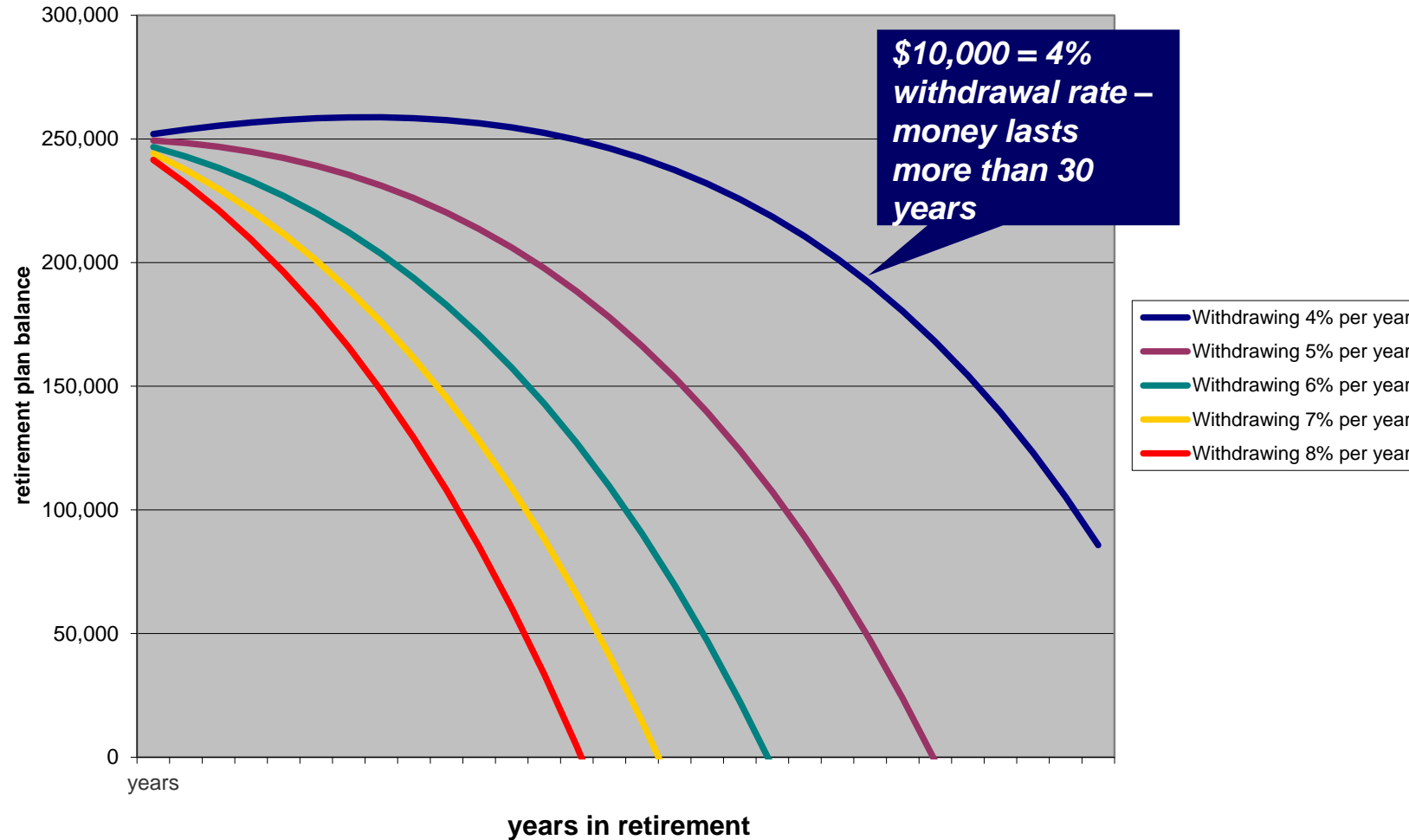
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How Long Will Your Money Last?



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How Long Will Your Money Last?



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Annuity vs. Continued Investment

Monthly income generated from \$500,000

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Source: www.immediateannuities.com – Assumes 65-year old married couple in California with option listed. Francis does not provide legal advice. Annuities are an investment that is subject to risk and can lose money.



**Pull from
Roth or
Pretax?**

4. Confirm You Won't Outlive Your Money



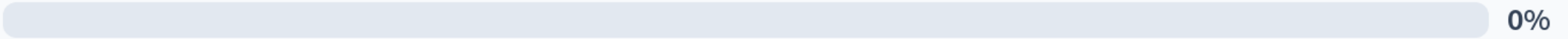
To what age did your oldest ancestor live?

<80



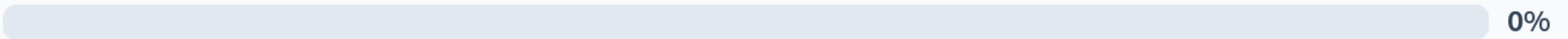
0%

81 - 90



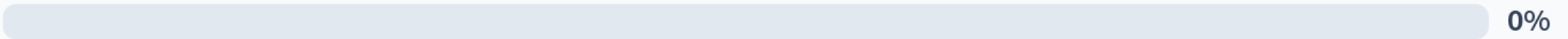
0%

91 - 95



0%

96 - 100



0%

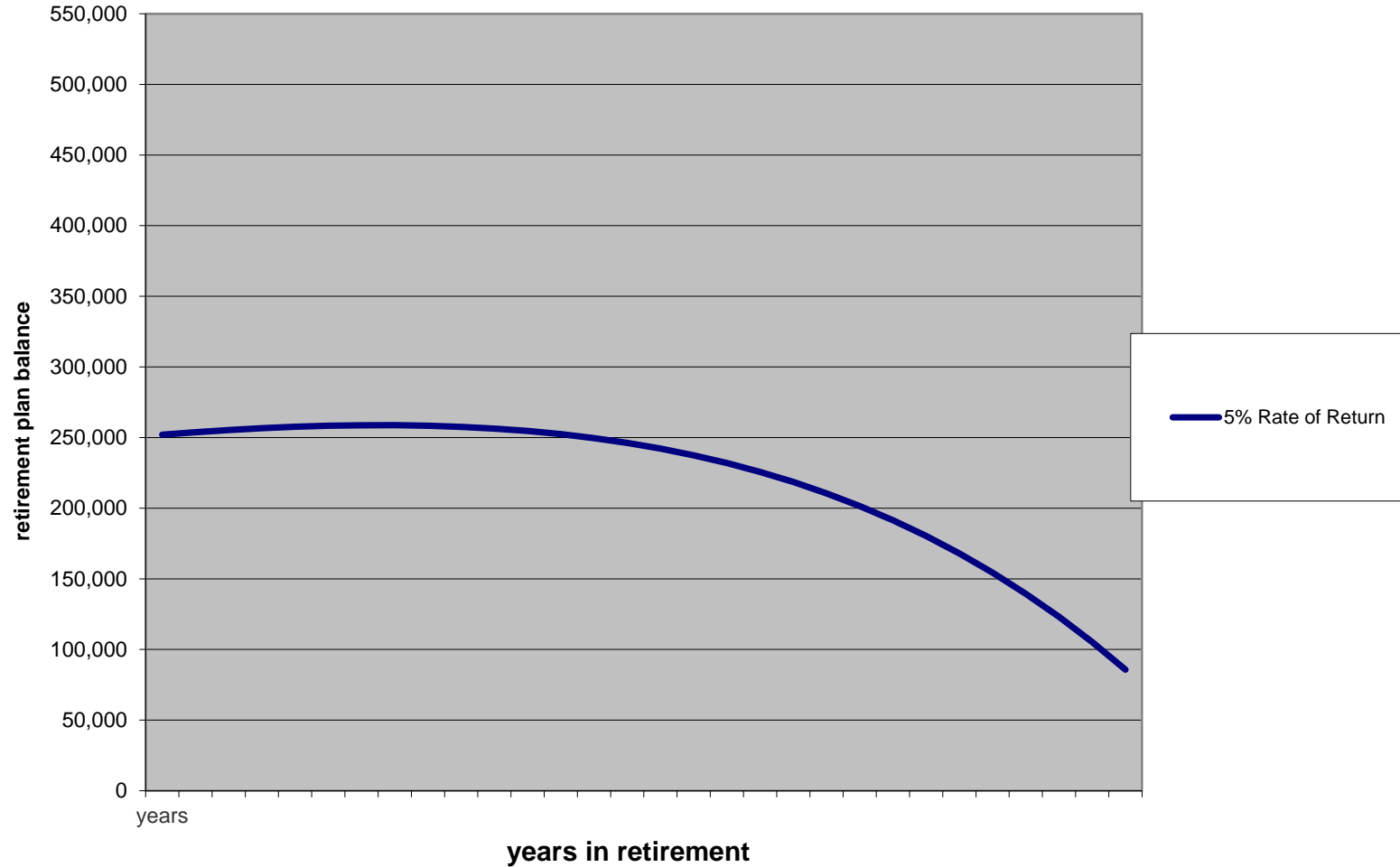
>100



0%

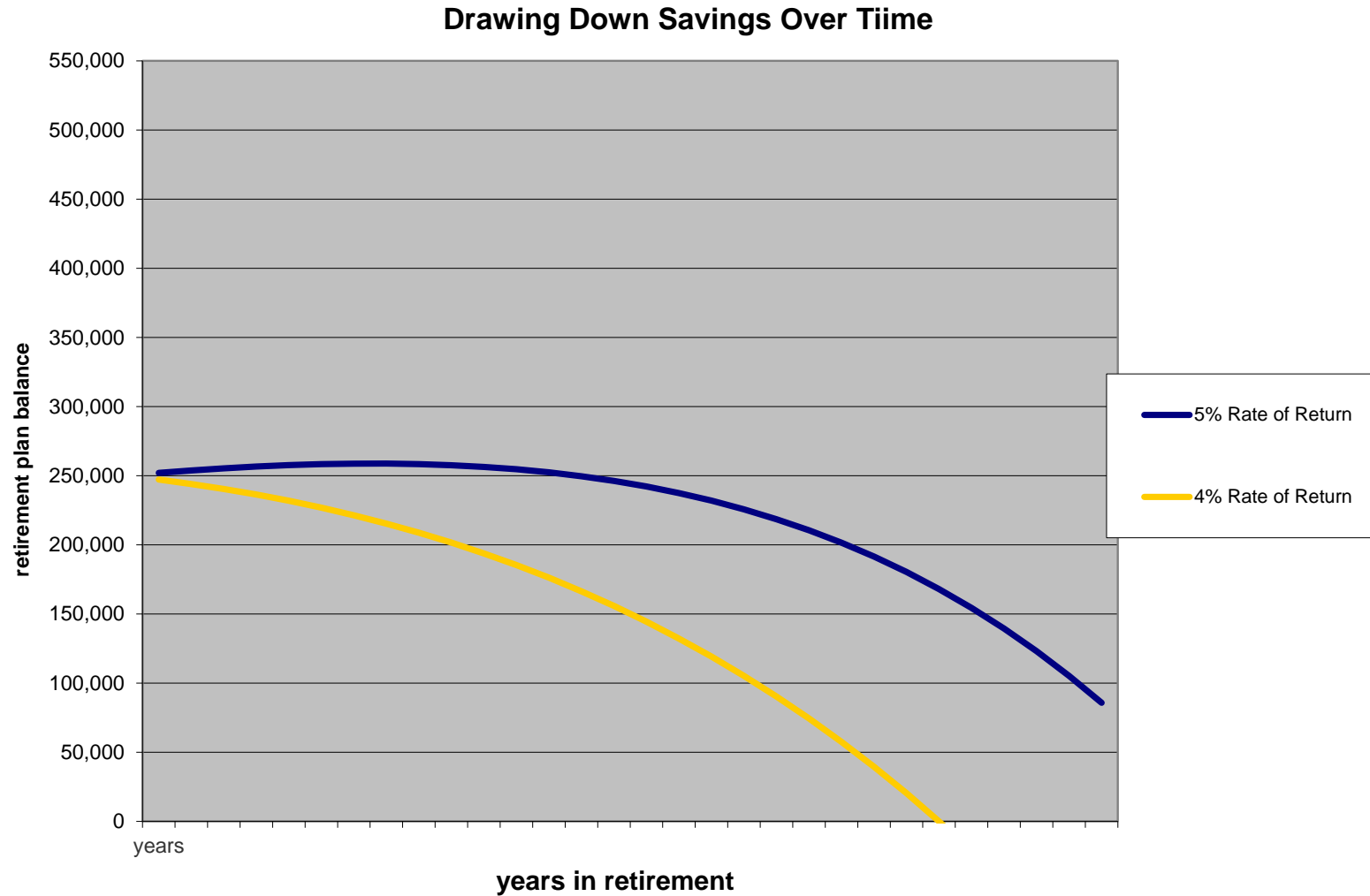
If Everything Goes as Planned!

Drawing Down Savings Over Time



Assumes 4% Withdrawal rate for 30 years with a 5% rate of return and 3% inflation increase per year. For illustration purposes only.

If It Doesn't Go As Planned!



Assumes 4% Withdrawal rate for 30 years with a 5% rate of return and 3% inflation increase per year. For illustration purposes only.

Create an “Annuity Hurdle”



Richard K Fulmer – Modern Portfolio Decumulation

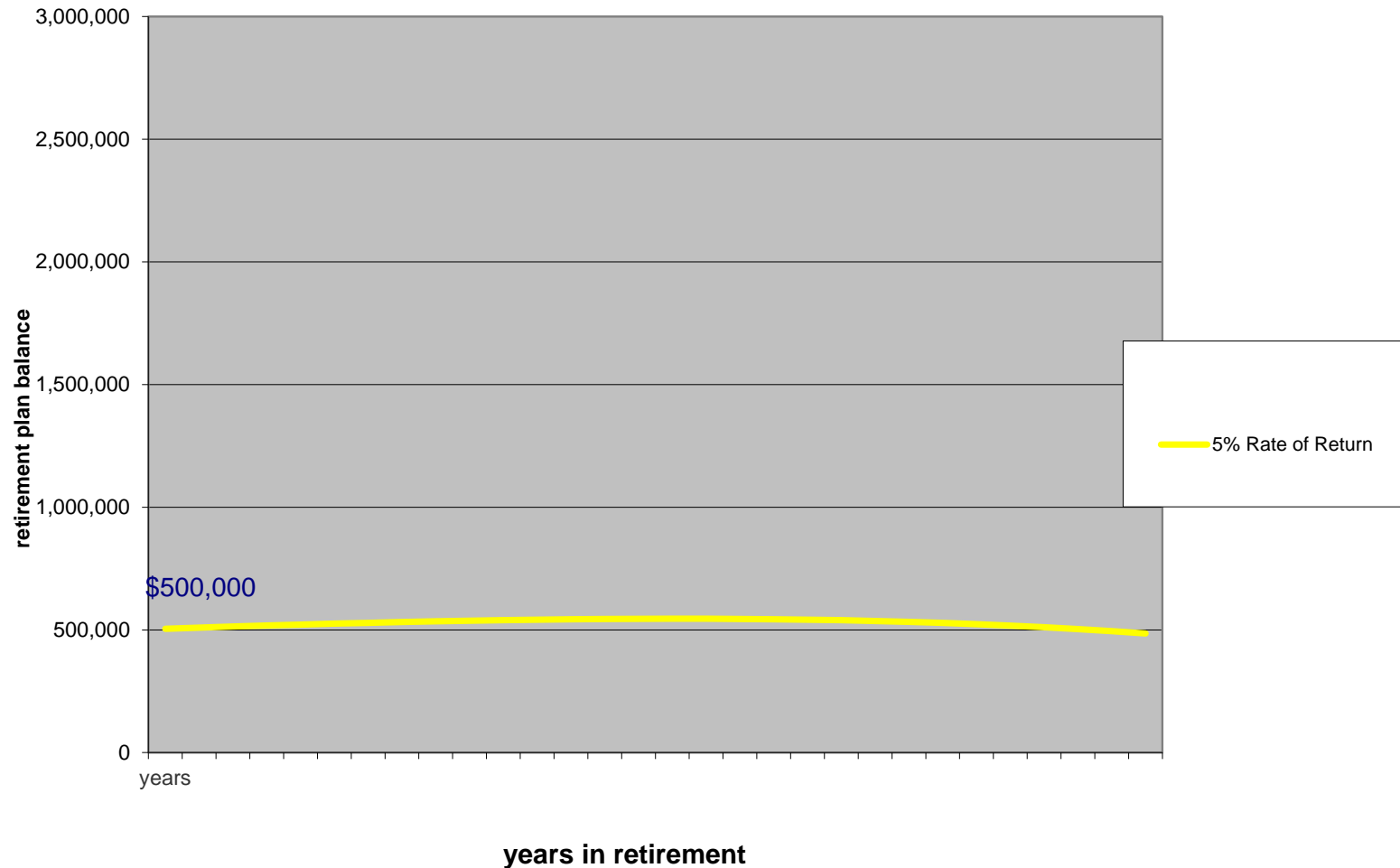
[https://www.financialplanningassociation.org/sites/default/files/2021-](https://www.financialplanningassociation.org/sites/default/files/2021-02/AUG07%20Modern%20Portfolio%20Decumulation%20A%20New%20Strategy%20for%20Managing%20Retirement%20Income.pdf)

[02/AUG07%20Modern%20Portfolio%20Decumulation%20A%20New%20Strategy%20for%20Managing%20Retirement%20Income.pdf](https://www.financialplanningassociation.org/sites/default/files/2021-02/AUG07%20Modern%20Portfolio%20Decumulation%20A%20New%20Strategy%20for%20Managing%20Retirement%20Income.pdf)

Create an “Annuity Hurdle”

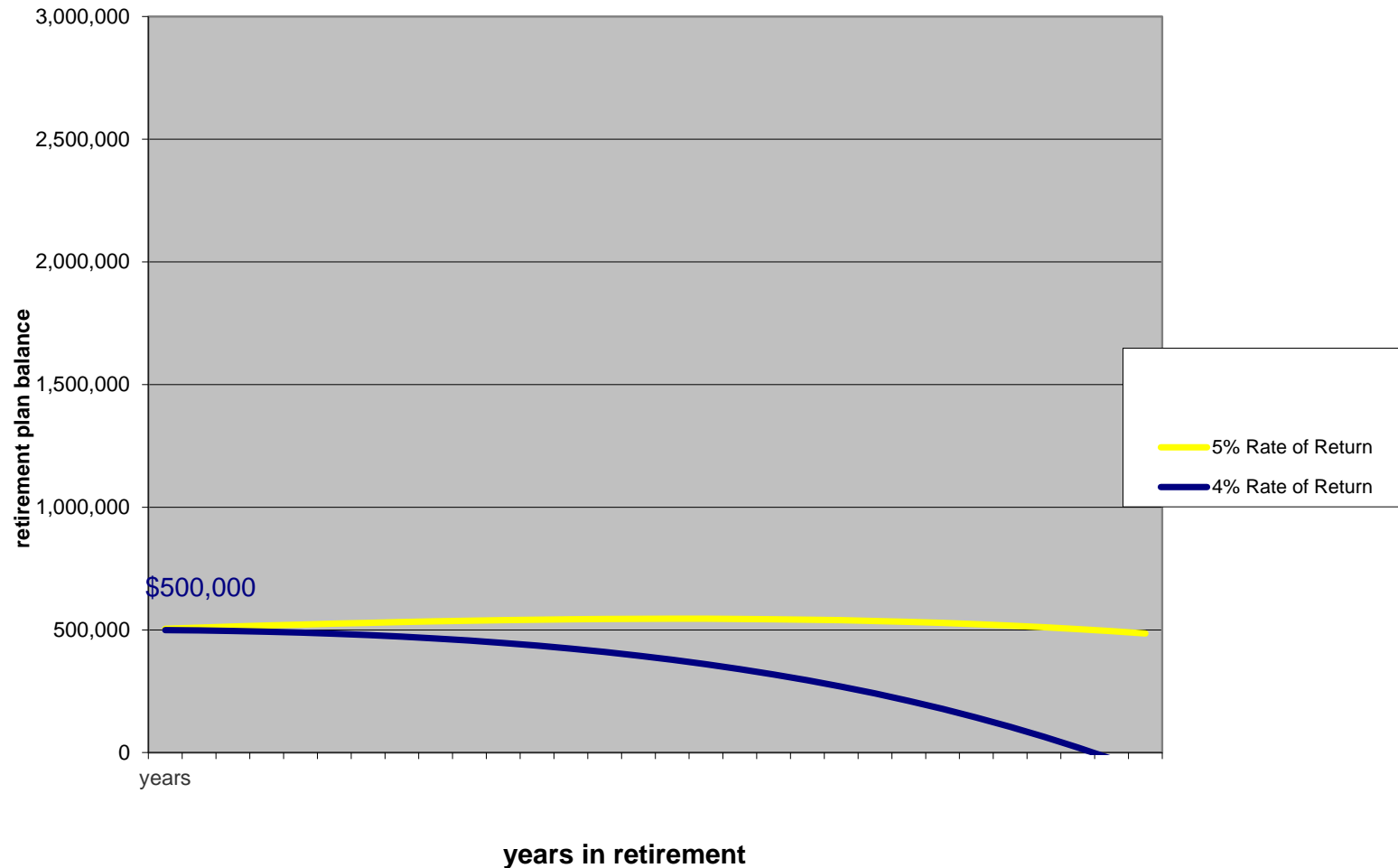
- Determine the amount of income needed
- Calculate the cost of an immediate annuity to provide needed income
- Calculate the change in cost over life expectancy
- Consider the cost of the immediate annuity the minimum balance for your account

With an Annuity Hurdle



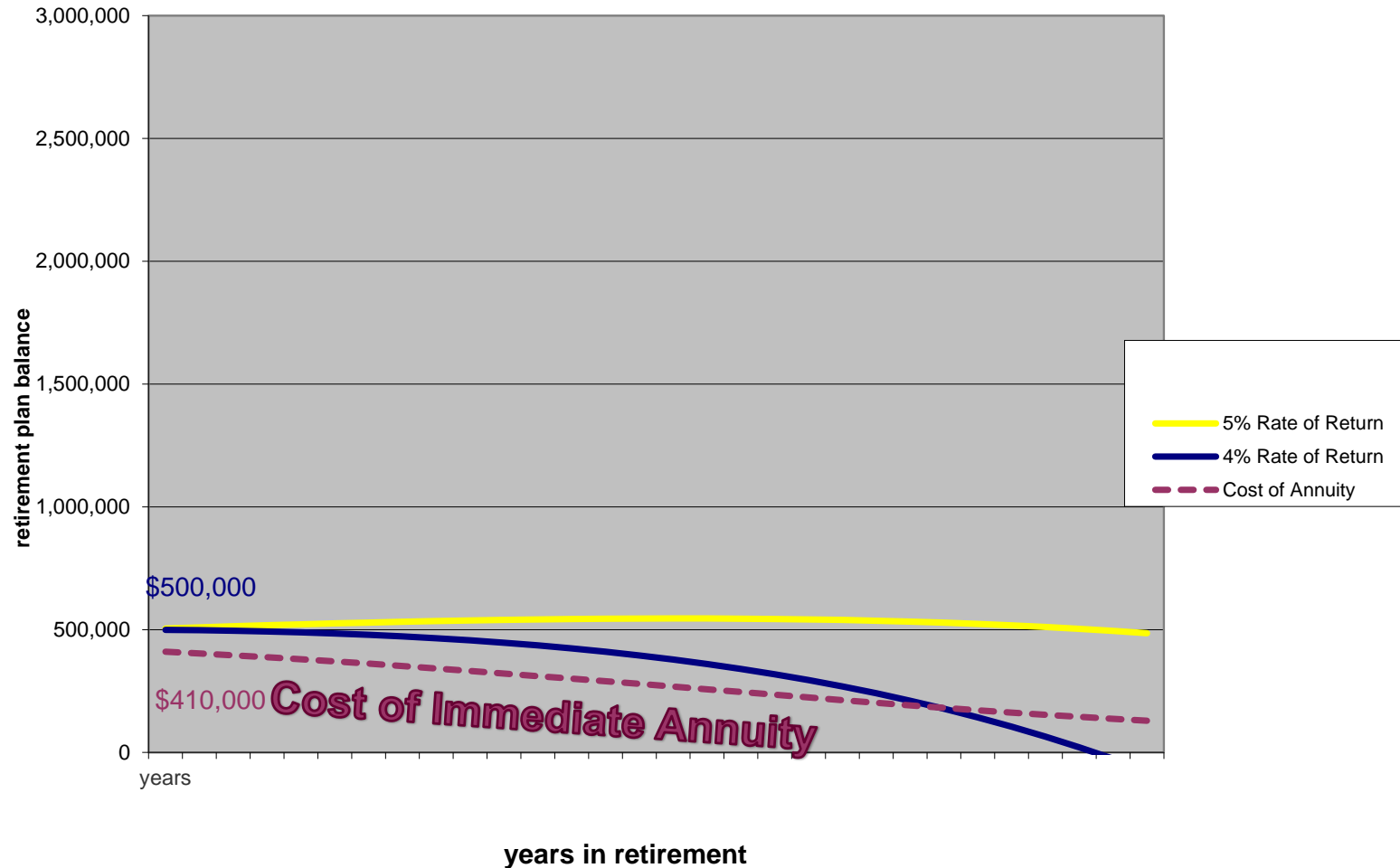
Assumes 4% Withdrawal rate for 30 years with a 3% inflation increase per year. Annuity cost assumes inflation adjusted joint and survivor immediate annuity: www.immediateannuities.com. Annuity costs may differ due to interest rate changes. For illustration purposes only.

With an Annuity Hurdle



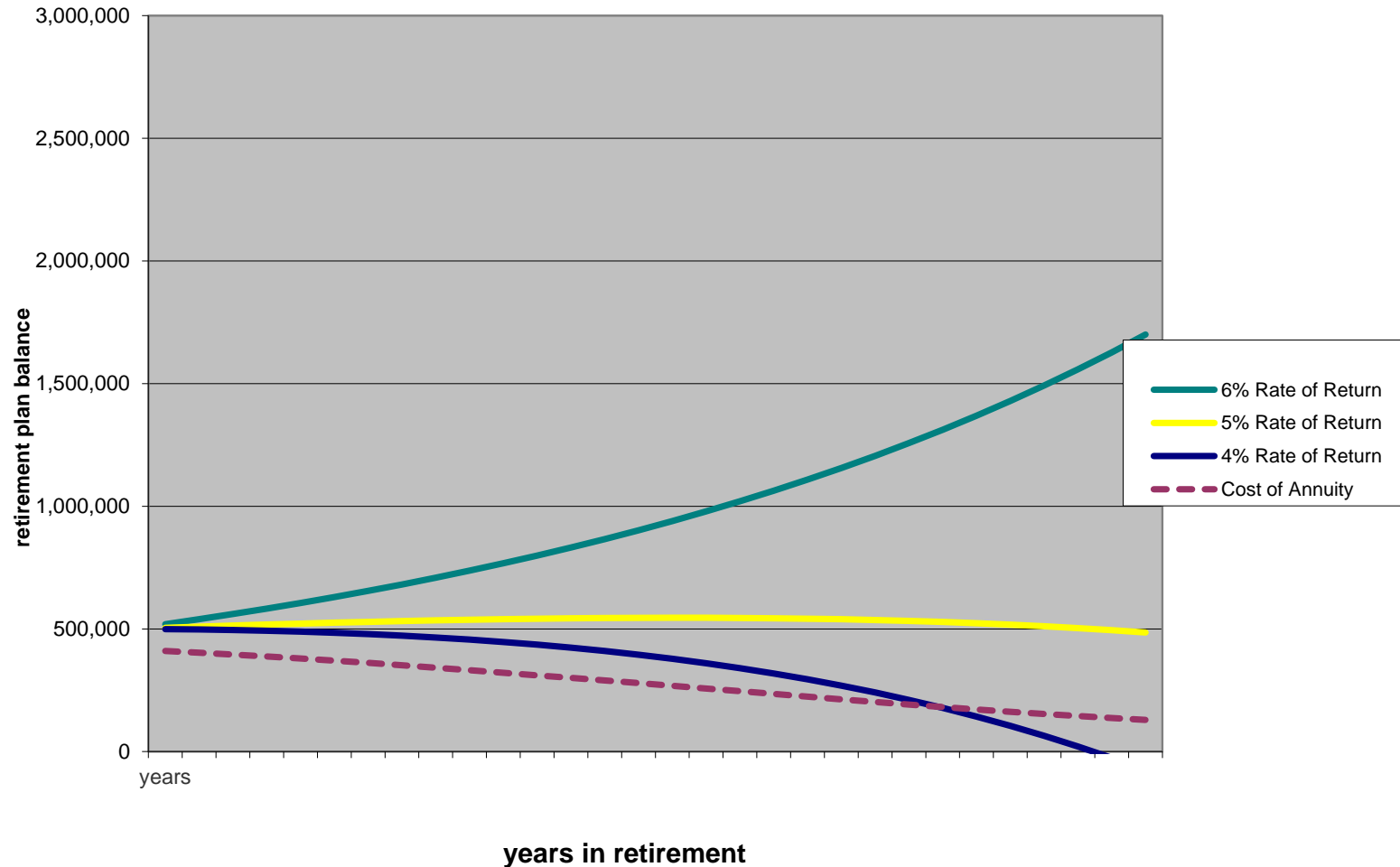
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With an Annuity Hurdle



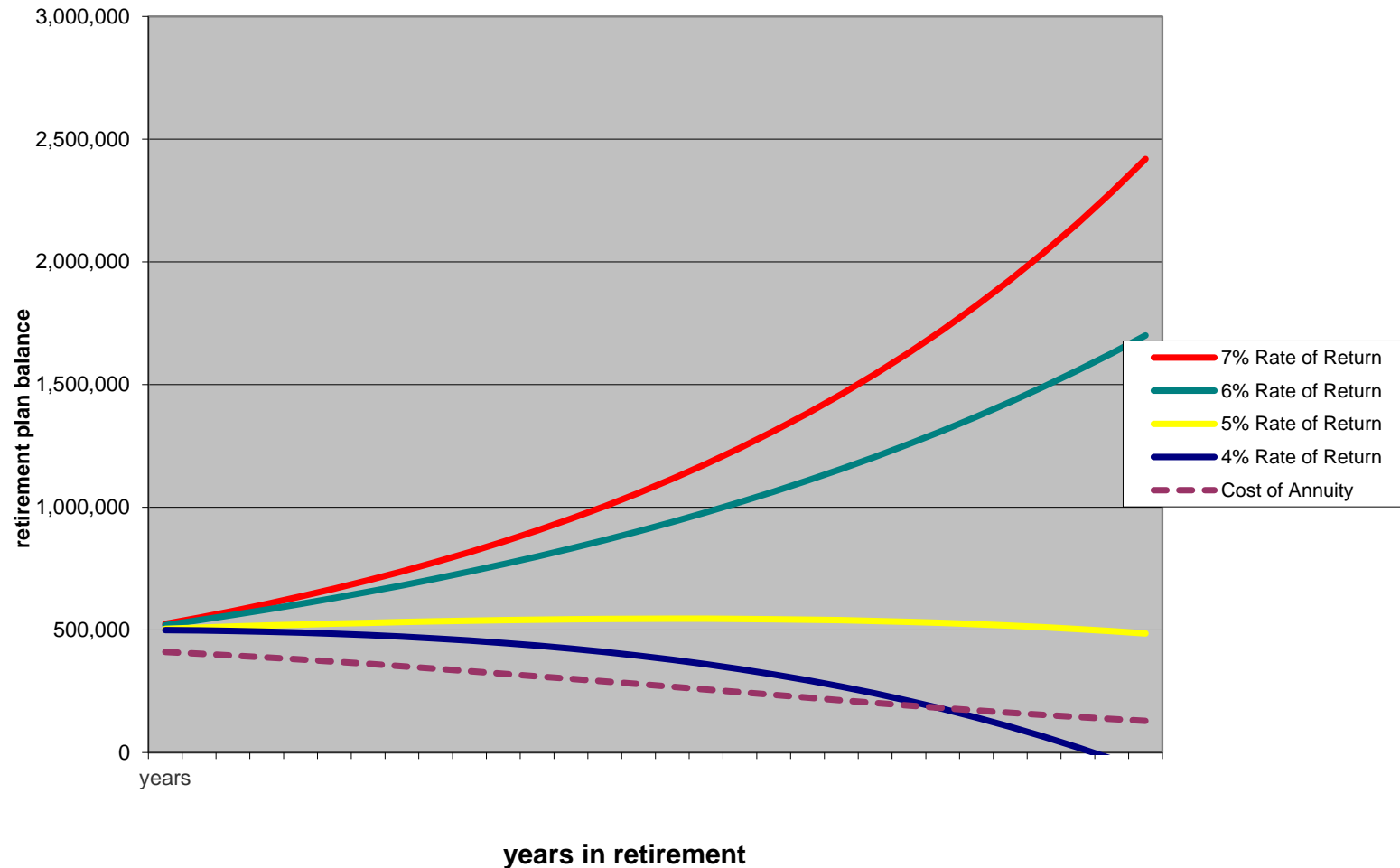
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5. Choose Your Investments

Using the Bucket Method



Many IRA Provider Options





6. Enjoy Your Retirement!



Q&A

Thanks!

Tim Shirk
Timothy.Shirk@francisway.com
262-781-8950