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SAFE INVESTING SERVICES
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Case Study Example: Financial Analysis and Investment Plan for Pre-Retirees and Retirees

For a couple in their early 60's, with $1,000,000 in assets and $150,000 in liabilities ...
with currently planned retirement income of $5,300/mo. (64K/yr.), to ...
providing for the couple's desired retirement income level of $7,800/mo. (94K/yr.) ...
well into the couple's ages of late 90's to 100's ...
a close to a 50% increase in monthly and yearly retirement income ...
and 30+ years of 94K/yr. retirement income

A couple in their early 60's are planning to retire at full retirement age (FRA) as defined by Social Security - approximately 66 years and 2 months of age. Both are in good health. Both enjoy their jobs at this time. They both are concerned about volatility in the market. Their main concern at this time was preparation of an Income Analysis to get a better picture of their future retirement income needs and plans.

Income Analysis

Assets

Assets at this time are as follows:

- She has $265,000 in retirement funds from a former employer 401(k) plan that is invested in a portfolio of mutual funds.
- She has $145,000 in a savings vehicle at regional bank. Funds from Property Settlement from her divorce 10 years ago.

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- She has $98,000 in her present employer 401(k) plan.
- He has $232,000 in approximately 6 different IRA accounts that have been accumulated from various former employers and savings over the past 35 years.
- He has $128,000 in his current employer 401(k) plan.
- They have joint savings at local bank of $113,000
- Total assets: ~$1,000,000

Liabilities

Liabilities at this time are as follows:

- $80,000 left on primary home mortgage - will be paid off within 4 years at current payment.
- Ongoing car loans - they enjoy new cars every five years - these payments will always be part of their expense calculations.
- 17,000 of low interest credit card debt
- Total liabilities: ~$150,000

Sources of Income at Social Security Full Retirement Age

- $2180 Social Security (Her)
- $2640 Social Security (Him)
- Pension Benefit from Previous Employer (Her): $516 per month, starting at age 65.
- Current Retirement Income: $5,316 per month ($64K/yr.) + interest income from traditional banking products and other sources

Desired Income Level at Retirement

- Desired Income Level at Retirement (Net of Taxes): $6,000 per month
- Gross up for taxes: $7,800 per month ($94K/yr.)

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- Desired Retirement Income: $7,800 per month ($94K/yr.)

Financial Planning Strategies Recommended and Implemented

1. Current Adjusted Gross Income allow for ROTH IRA contributions of $541 per month per person.

- Bought Structured Settlement Annuity with 4-year payout term at 3.9% rate to buyers.
    - Purchase price - $51,200 (from current savings)
    - Monthly payout $1150 - $1082 of which will be used to fund monthly contributions to ROTHs of $541 per person.

2. Withdrawals of $120,000 per year over next three years from IRAs - used to fund two 3 year pay Indexed Universal Life Insurance Policies with Long Term Care riders:

- Taxes to be withdrawn from Cash Value of Life Policies each of the next 3 years.
- Combined Projected Tax Free Lifetime withdrawals starting at Age 70 - $2825 per month.
    - Long Term Care benefit provided - approximately $5200 per month per person.
    - In the event of death - surviving spouse would receive tax free proceeds from life policy. This could be used to provide lost income from spouse's death.

3. Strategy in place to delay taking Social Security at Full Retirement Age, in order to allow 8% per year roll up of benefit amount.

- Benefits at Age 70:

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    - Him: $3591/month
    - Her: $2965/month.

4. Moved funds from IRA accounts to Self-Directed IRA account and implemented 5-year Safe Money (principal protected) growth strategy which currently is projected to earn 7.48% per year .

- Also took In-Service Rollovers from current employer plans to fund Self-Directed IRAs.

5. Purchased two 12-month Land Lease Products totaling $180,000 currently paying 8% per year - funds came from existing savings.

- Two notes were used, since the principal of her savings was to be earmarked for the benefit of her children from her previous marriage upon the death of her current spouse. Establishment of Life Interest for current spouse in those funds was in process through Estate Planning process.
    - Monthly interest of $1200 was going to be used towards eliminating Credit Card debt and reducing mortgage balance over next several years.

6. Income gap from Full Retirement Age until age 70 is a concern, which can be addressed in several ways - still to be decided:

- Continue to work after Social Security Full Retirement Age, as a way to reduce dependence on withdrawals from funds accumulated.
- Assuming mortgage is paid off, the earnings from Mortgage Note can reduce dependency on withdrawals from retirement funds.

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Income Analysis Results, Based Upon Implementation of (Illustrated) Investment Plan

- Assuming retirement at Full Retirement Ages, continuation of funding at current levels, and payoff of mortgage and credit cards is completed ... desired income levels are sustained well into the late 90's (age).
- Assuming retirement 2 years beyond Full Retirement Ages ... desired income levels are sustained well into the 100's (age).
- Death of either spouse early in the retirement years would not materially affect the surviving spouse's ability to sustain life style.