YOUR RETIREMENT INCOME PLANNING

CHECKLIST

Prepared for

ROLAND FINANCIAL LLC
WEALTH MANAGEMENT

EXPLORE

10 TOPICS THAT CAN HELP YOU PREPARE FOR YOUR FINANCIAL

FUTURE

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OVERVIEW

Historically, the United States had three strong legs of the retirement stool: a well-funded Social Security system, substantial corporate pensions with retiree health benefits and, ideally, a strong personal savings rate. Now, the responsibility for providing retirement income is largely up to individuals. Because defined contribution plans are more common today, individuals have a greater responsibility for saving for their own retirement. The booming population now coming of retirement age faces additional challenges when it comes to creating a retirement income to support their desired lifestyle.

State and local government pension plans are typically underfunded, cutting back on benefits and raising employee contributions.[1] In the private sector, only 16 percent of Fortune 500 companies offered any type of defined benefit (DB) plan to newly hired employees in 2017. That's down from 59 percent of the same employers in 1998.[2] Furthermore, due to the availability of new health insurance plans on the health care market exchanges for Medicare-eligible retirees, the percentage of large employers (200+ workers) that offered retiree health coverage was 18 percent in 2018, a decrease of 28 percent from the previous year and down more than 70 percent since 1988.[3]

Instead of defined benefit plans, it is more common to have an employer-sponsored, defined contribution plan such as a 401(k), 403(b) or 457 plan. These plans are an excellent way to save, but we are only now witnessing the first wave of "401(k) retirees" who will live off of this type of savings. It remains to be seen whether these defined contribution plans will meet the retirement savings needs for anticipated longer lifespans.

There are many variables involved in creating a retirement income strategy for today's retirees. What follows are 10 things to consider when working with a financial professional to develop a retirement income strategy.

[1] The Pew Charitable Trusts. April 12, 2018. "The State Pension Funding Gap: 2016." https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2018/04/the-state-pension-funding-gap-2016. Accessed Feb. 7, 2019.

[2] Alessandra Malito. MarketWatch. Sept. 14, 2018. "Even people with pensions work into their retirement years." https://www.marketwatch.com/story/even-people-with-pensions-work-into-their-retirement-years-2018-09-14. Accessed Feb. 7, 2019.

[3] Henry J Kaiser Family Foundation. Oct. 3, 2018. "2018 Employer Health Benefits Survey." https://www.kff.org/report-section/2018-employer-health-benefits-survey-section-11-retiree-health-benefits/. Accessed Feb. 7, 2019.

#1 PLAN FOR A LONG LIFE

In 1940, when monthly retirement benefits started through the Social Security Act, 65-year-old beneficiaries received payouts for an average of 12 to 15 years.[4] Now, however, a 65-year-old can expect to live, on average, until age 85, but about one out of every four retirees will live past age 90 — which can mean providing for 20 years or more of income once you qualify for Social Security benefits.[5] Furthermore, Social Security is not intended to be a retiree's sole form of income.

Those longevity statistics are quoted as averages for both men and women, but keep in mind that men weigh the average down because women in modern times outlive men by about five years.[6]

[4] Social Security Administration. "Life Expectancy for Social Security." https://www.ssa.gov/history/lifeexpect.html. Accessed Feb 7, 2019.

[5] Social Security Administration."Calculators: Life Expectancy." https://www.ssa.gov/planners/lifeexpectancy.html. Accessed Feb. 7, 2019.

[6] Centers for Disease Control and Prevention. November 2018. "Mortality in the United States, 2017." https://www.cdc.gov/nchs/products/databriefs/db328.htm. Accessed Feb. 7, 2019.

#2 HEALTH CARE EXPENSES MAY INCREASE

Just because we are living longer doesn't mean we're going to be healthy throughout our longer lives. In fact, 60 percent of U.S. adults report that they live with one or more chronic conditions.[7]

While some credit goes to more active, health-conscious, smoke-free lifestyles, it may be safe to say that today's retirees owe more to prescription drugs and medical advances for lengthening their lifespans. And as we all know, health care can be expensive. In fact, a healthy 65-year-old couple retiring in 2018 is projected to need $363,946 for lifetime health care premiums alone. This number doesn't account for the cost of long-term care.[8]

In a 2018 survey, 26 percent of individuals reported that they were very confident and 44 percent that they were somewhat confident about having enough money to take care of medical expenses in retirement.[9] This can be a key component of your overall retirement strategy, as health care costs can represent a significant portion of a retiree's expenses. When creating a retirement income strategy, it's important to consider that a couple's retirement assets may be diminished by the health care costs for the spouse who dies first. While you may end up spending less on things like travel and entertainment than when you first retire, be advised that medical and long-term care in your later years may require more income.

Another expense to consider is how inflation will affect your health care expenses. A 2018 study showed that health care prices increased about 16 percent between 2012 and 2016, about three times the inflation rate.[10]

[7] National Center for Chronic Disease Prevention and Health Promotion (NCCDPHP). Nov. 19, 2018. "About Chronic Diseases." https://www.cdc.gov/chronicdisease/about/index.htm. Accessed Feb. 7, 2019.

[8] HealthView Services. "2018 Retirement Healthcare Costs Data Report." http://www.hvsfinancial.com/wp-content/uploads/2018/09/2018-Retirement-Health-Care-Costs-Data-Report.pdf. Accessed Feb. 7, 2019.

[9] Employee Benefit Research Institute. April 24, 2018. "2018 Retirement Confidence Survey." https://www.ebri.org/docs/default-source/rcs/1_2018rcs_report_v5mgachecked.pdf. Accessed March 16, 2019.

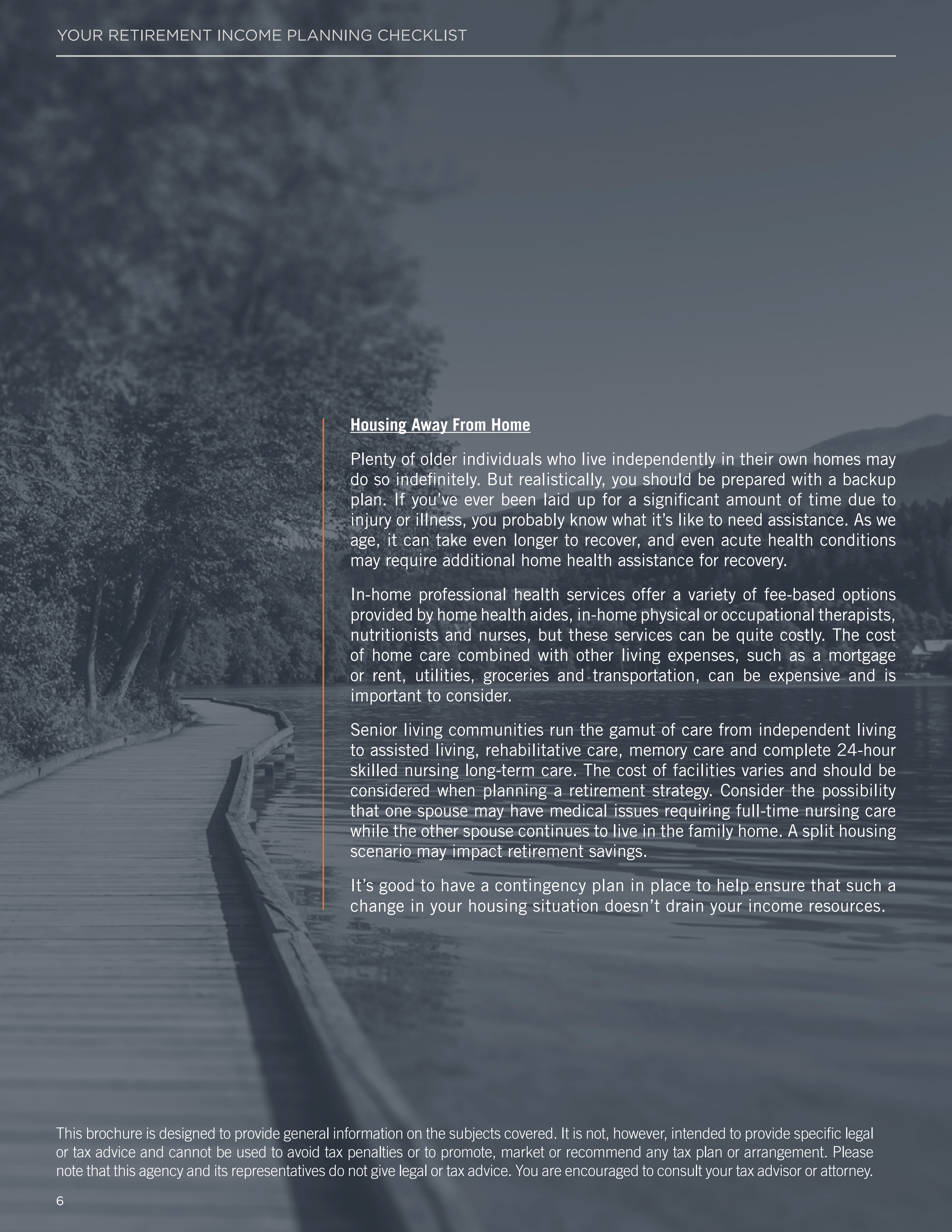
[10] Alex Kacik. Modern Healthcare. Oct. 25, 2018. "Healthcare price growth significantly outpaces inflation." https://www.modernhealthcare.com/article/20181025/NEWS/181029946/healthcare-price-growth-significantly-outpaces-inflation. Accessed March 15, 2019.

#3 YOU MAY NEED A HOUSING PLAN (OR TWO)

If the volatile nature of the home equity market tells us anything, it's that placing too much of your net worth in your home could impact your retirement income.

Your home may not provide the backup retirement income you anticipate. Or perhaps you've considered relocation to a senior community but have delayed that move to sell your home when prices recover.

In today's environment, taking on a modest mortgage and paying it off before retirement is the goal. At that time, and based on individual situations, you may have the option to downsize your residence or use the equity to help fund your retirement income via a reverse mortgage. You can also stay in your home until you pass away and let its equity serve as an inheritance for your beneficiaries.



Housing Away From Home

Plenty of older individuals who live independently in their own homes may do so indefinitely. But realistically, you should be prepared with a backup plan. If you've ever been laid up for a significant amount of time due to injury or illness, you probably know what it's like to need assistance. As we age, it can take even longer to recover, and even acute health conditions may require additional home health assistance for recovery.

In-home professional health services offer a variety of fee-based options provided by home health aides, in-home physical or occupational therapists, nutritionists and nurses, but these services can be quite costly. The cost of home care combined with other living expenses, such as a mortgage or rent, utilities, groceries and transportation, can be expensive and is important to consider.

Senior living communities run the gamut of care from independent living to assisted living, rehabilitative care, memory care and complete 24-hour skilled nursing long-term care. The cost of facilities varies and should be considered when planning a retirement strategy. Consider the possibility that one spouse may have medical issues requiring full-time nursing care while the other spouse continues to live in the family home. A split housing scenario may impact retirement savings.

It's good to have a contingency plan in place to help ensure that such a change in your housing situation doesn't drain your income resources.

#4 PLAN FOR LONG-TERM CARE ASSISTANCE

With a longer life comes the greater likelihood of needing assisted living or long-term care. According to the Genworth Cost of Care Survey, median costs can range from approximately $48,000 to $100,380 per year depending on the type of care needed.[11] For a couple, this kind of care can be costly and is important to consider when developing a long-term care strategy.

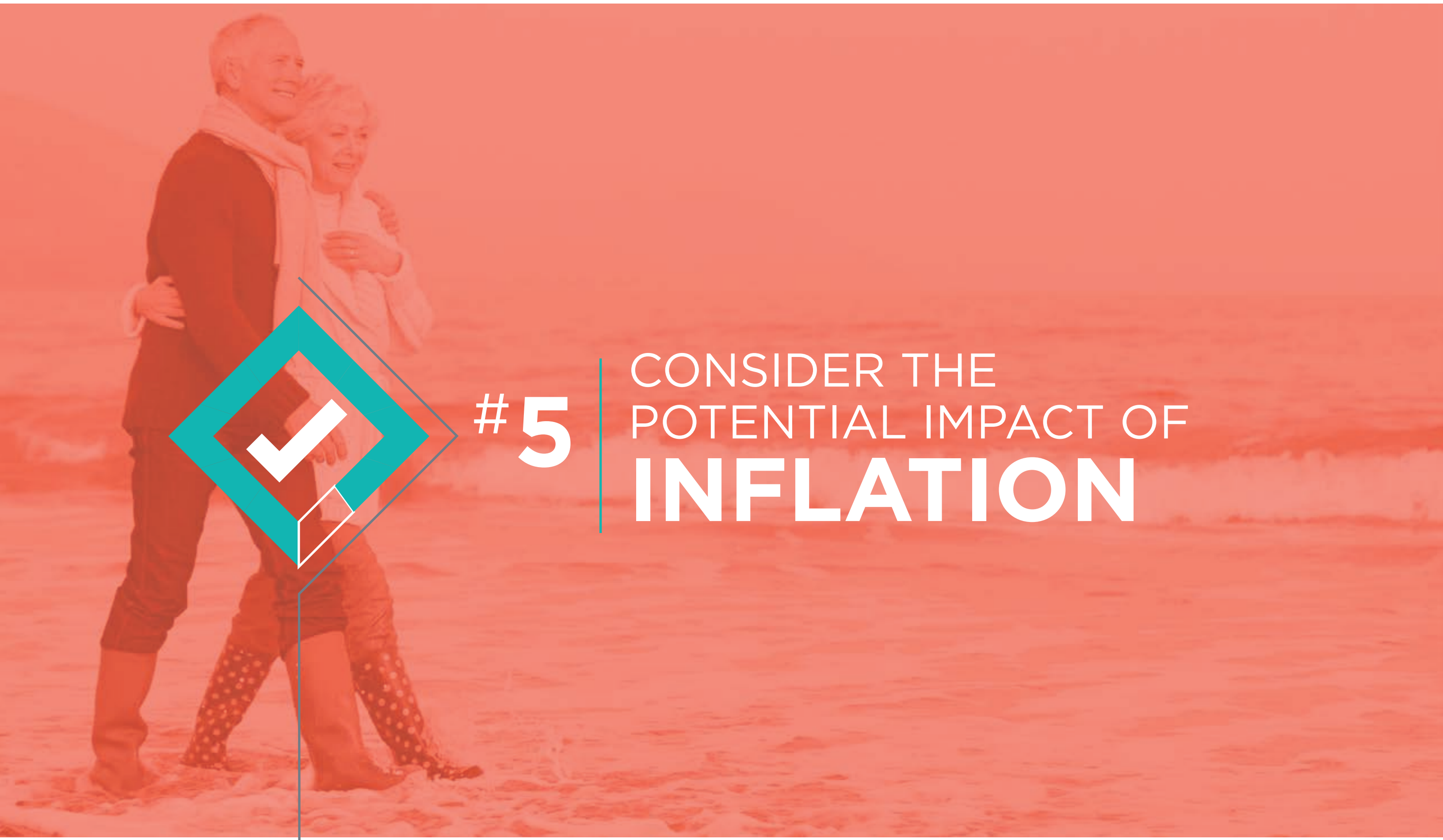
Medicare pays for acute care, not long-term residency. Medicaid pays for long-term care but requires that you "spend down" your assets before coverage kicks in.[12] Individuals who delay buying long-term care coverage may be considered high risk and may be denied coverage or charged higher premiums. Costs increase on your birthday. The annual rate increases are generally 2 percent to 4 percent in your 50s but start to be 6 percent to 8 percent per year in your 60s.[13]

One of the things you should consider when developing your retirement income strategy is that the sooner you start thinking about, researching, preparing and structuring your long-term care strategy, the more time and choices you'll likely have to meet your personal needs and desires.

[11] Genworth. "Cost of Care Survey 2018." https://www.genworth.com/aging-and-you/finances/cost-of-care.html. Accessed March 16, 2019.

[12] American Council on Aging. Feb. 15, 2019. "Medicaid Eligibility: 2019 Income, Asset & Care Requirements for Nursing Homes & Long-Term Care." https://www.medicaidplanningassistance.org/medicaid-eligibility. Accessed March 16, 2019.

[13] American Association for Long-Term Care Insurance. "What's the Best Age to Buy Long Term Care Insurance." http://www.aaltci.org/long-term-care-insurance/learning-center/best-age-to-buy-long-term-care-insurance.php. Accessed March 16, 2019.



#5 CONSIDER THE POTENTIAL IMPACT OF INFLATION

Inflation can be experienced a little differently when you retire. Typically, retirees tend to spend more money on things that experience a higher rate of inflation. While the medical inflation rate has decreased in recent years, national health spending growth is projected to reach nearly $6 trillion by 2027.[14]

Older Americans devote a substantially larger share of their total budgets to medical care and housing, which is why these categories receive a higher weighting in the Consumer Price Index-Elderly (CPI-E). The CPI-E represents households whose reference person or spouse is 62 years of age or older and, like the other indexes, weights measured categories according to their importance in the spending patterns of the respective population. According to the U.S. Department of Labor Statistics, older Americans devote a substantially larger share of their total budgets to medical care and shelter than the general population.[15]

Even without the higher inflation rate on certain expenses, you still have to account for the fact that many things cost more over time when planning for retirement income in the future. You'll want to consider the amount of retirement income you'll need and the potential impact of inflation.

[14] Centers for Medicare & Medicaid Services. 2018. "National Health Expenditure Projections 2018-2027." https://www.cms.gov/research-statistics-data-and-systems/statistics-trends-and-reports/nationalhealthexpenddata/downloads/forecastsummary.pdf. Accessed March 16, 2019.

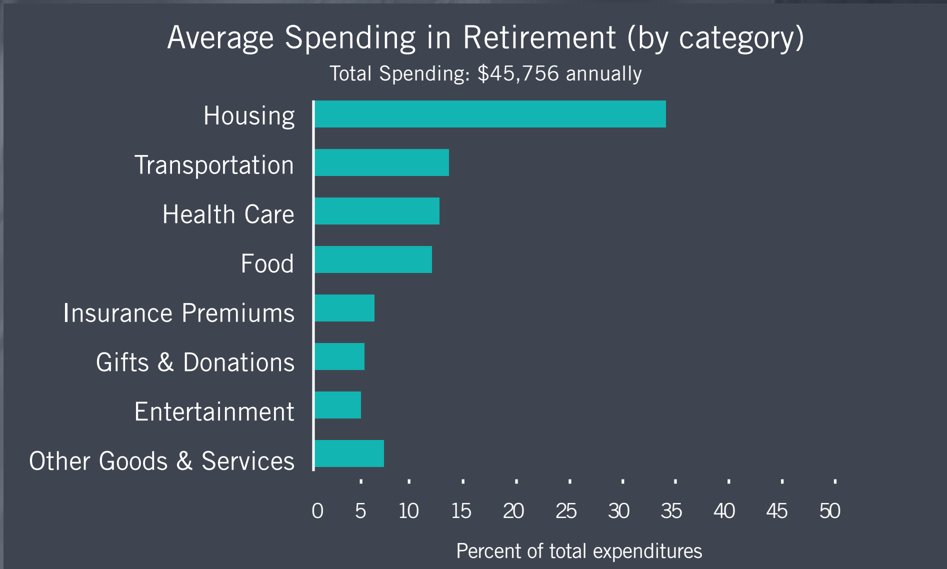
[15] Kenneth J. Stewart and Joseph Pavalone. Bureau of Labor Statistics. "Attachment F: Experimental CPI for Americans 62 Years of Age and Older." https://www.bls.gov/news.release/cpi.br12396.a06.htm. Accessed March 16, 2019.

The Rule of 72

The Rule of 72 is a common method used to determine the length of time required for your money to double at a given interest rate, or the time for your buying power to be cut in half due to inflation. It illustrates why you may need more income over the course of your retirement.

If you divide the number 72 by the inflation rate, you can estimate how quickly the prices you're paying now might double. For example, if you need $50,000 to live on today and assume a 3 percent average annual inflation rate going forward, in 24 years (72 divided by 3 = 24) your income could need to double to $100,000 a year to maintain your current lifestyle. The Rule of 72 is intended to demonstrate mathematical principles only and should not be regarded as an absolute. Still, when you stop working, you may need to live on less income and should consider the impact of inflation on your retirement strategy.

This explanation is for illustrative purposes only, should not be deemed a representation of past or future results and is no guarantee of return or future performance. This example does not represent any specific product and/or service.



Dayana Yochim. USA Today. "Let's get real about planning: What an average retirement costs." https://www.usatoday.com/story/money/personalfinance/retirement/2018/05/31/what-does-an-average-retirement-cost/35455427/. Accessed March 16, 2019.

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#6 REGULARLY EVALUATE YOUR GOALS

You can't control what the markets will do — or when they will do it. The occurrence of a market downturn, such as in the first few years of retirement, can have an impact on how long retirement assets may last. The distribution of retirement income differs from the accumulation of retirement income because, once retired, you may no longer have the timeline to help you recover from the potential impact of a down market. Consider your long-term retirement goals and what you wish to accomplish during your retirement.

Your financial situation, risk tolerance and investment objectives all influence what financial products and allocations you choose to help you work toward specific goals. After your financial strategy is determined, it's important to regularly evaluate your allocations to ensure they reflect your current goals and objectives.

Investing involves risk, including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

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Combine Growth Opportunity With Reliable Income Sources

Traditionally, as pre-retirees approached retirement, they would transition assets from growth-seeking investments to more conservative fixed-income vehicles. This may have worked fine back when retirement wasn't expected to last as long. However, given today's longer lifespans, you may need to pair higher-risk investments with sources of reliable income. Reliable income sources may include Social Security, pension benefits, government bonds and insurance products, such as life insurance and annuities. Retirees may need to utilize a variety of financial vehicles, such as investments, annuities and traditional savings vehicles, to meet the challenges of a longer life and the potential impacts of inflation.

Sequence of Returns

No matter how strong or how long a bull market runs, one substantial correction can have a resounding effect on retirement assets. More importantly, however, it isn't whether your assets will be affected by a market downturn, but rather when. The "sequence of returns" in your portfolio refers to the order in which your investment returns occur. If your portfolio experiences a downturn while you are still accumulating assets, there may be time for it to recover any losses.

While you may plan to retire at a certain age, you can't plan on how the market will be performing at that time. If your investments experience a decline when you're ready to begin taking income from them, it could affect how much income you can withdraw over the rest of your life.

One of the things you should consider is that a retirement income strategy that relies on withdrawals from a combination of interest earnings, dividends and/or portfolio holdings may help mitigate the impact of market volatility on your retirement income.

#7 SOCIAL SECURITY BENEFITS

Perhaps one of the most impactful decisions you can make regarding Social Security benefits is at what age to begin drawing them. You may be able to apply for Social Security benefits as early as age 62. However, doing so may permanently reduce the monthly payout you are eligible to receive. If you wait until full retirement age, you'll be eligible for the maximum amount of payout available based on your lifelong earnings. Delaying benefits as long as you can, or up to age 70, will increase the monthly amount you are eligible to receive.

While drawing benefits early reduces the monthly payout you receive, you may receive benefits over a longer time span, so your lifetime total may be the same. You should consider a number of factors — such as your income needs, medical history, etc. — to help determine when to begin drawing benefits.

Spousal Benefits[16]

When it comes to Social Security benefits for spouses, the determining factors are the length of marriage, work history and the age of both spouses. Each spouse needs 10 years of work history (40 credits) to qualify for individual benefits, which will be based on an average of the 35 years of highest earnings.

When applying for Social Security benefits, each spouse will automatically receive the highest amount for which they are eligible — either the benefit based on their own work record or a derivative (up to 50 percent) of their spouse's benefit. For instance, a wife may qualify for a higher benefit based on her husband's work history over her own.

To receive benefits based on a spouse's work history:

- Both spouses must be at least age 62.
- They need to have been married for at least one year.
- The spouse with the stronger work history must apply for Social Security retirement benefits in order for the other spouse to collect.

If the higher-earning spouse begins drawing benefits after attaining full retirement age, the other spouse may receive a spousal benefit of up to 50 percent of the higher earner's benefit. If the higher earner starts drawing early, his or her benefit and the spousal benefit will be reduced accordingly.

[16] SSA.gov. "Benefits Planner: Retirement | Benefits For Your Spouse." https://www.ssa.gov/planners/retire/applying7.html#h2. Accessed March 16, 2019.

Hypothetical Social Security Benefits Based on Retirement Age[17]

Starting Age	Monthly Benefit*
62	$700
63	$750
64	$800
65	$866
66	$933
67	$1,000
68	$1,080
69	$1,160
70	$1,240

Continuing to work in order to delay drawing Social Security benefits also allows you more time to contribute to qualified retirement plans, potentially accruing higher gains than you might have otherwise.

*Assuming a benefit of $1,000 at a full retirement age of 67 (for those born in 1960 or later)

Are you eligible for benefits based on your former spouse's work history?

Divorce Facts[18]

- For a divorced spouse to receive benefits based on the ex's work history, the couple must have been married for 10 years or longer and both must be age 62 or older.
- If a former spouse is eligible for a benefit but has not yet applied for it, the ex may still apply for the spousal benefit as long as they have been divorced for at least two years.
- Once a divorced spouse remarries, he or she is no longer eligible to receive a benefit based on the first spouse's work history — unless the subsequent marriage ends in death, divorce or annulment.
- A qualified divorced spouse may receive the same benefit as the current spouse. The current spousal benefit is not reduced as a result of this.

Widow(er) Facts[19]

- Widows and widowers are entitled to 100 percent of the higher earner's retirement benefit if the decedent spouse had reached full retirement age before death.
- A widow is entitled to 100 percent of the decedent spouse's benefit once she reaches full retirement age.
- A widow may receive 71.5 percent of the decedent spouse's benefit once she reaches age 60.
- A widow of any age may receive 75 percent of the decedent spouse's benefit if she cares for an eligible child who is under age 16 or disabled.
- A surviving spouse may claim a reduced benefit on one working record and then switch to the other.
- The higher earner can increase the survivor's benefit by waiting to receive benefits until age 70.

[17] Social Security Administration. "Retirement Planner: Full Retirement Age." https://www.ssa.gov/planners/retire/retirechart.html. Accessed March 16, 2019.

[18] SSA.gov. "Retirement Benefits Your Divorced Spouse." https://www.ssa.gov/planners/retire/yourdivspouse.html. Accessed March 16, 2019.

[19] SSA.gov. "Benefits Planner: Survivors | If You Are The Survivor." https://www.ssa.gov/planners/survivors/ifyou.html. Accessed March 16, 2019.

#8 TAXES IN RETIREMENT

Each year, the IRS adjusts tax provisions according to the Consumer Price Index to account for inflation. For 2019, the income brackets for the top income tax rate of 37 percent increased to $612,350 for married couples filing jointly and $510,300 for singles.[20] Those same income thresholds will apply to the 20 percent tax rate for long-term capital gains and dividends.[21]

On top of those increases, capital gains are subject to an additional 3.8 percent Medicare tax imposed by the Health Care and Education Reconciliation Act of 2010 for single taxpayers with incomes over $200,000 ($250,000 for married taxpayers).[22]

Social Security

Social Security benefits are income tax free for the majority of beneficiaries. However, a portion of your benefits may be taxed if your combined income falls within established thresholds. Combined income includes your adjusted gross income, nontaxable interest and half of your Social Security benefits. Based on Internal Revenue Service (IRS) rules, if you file an individual federal tax return and your combined income is:[23]

- between $25,000 and $34,000, up to 50 percent of your benefits may be taxable.
- more than $34,000, up to 85 percent of your benefits may be taxable.

If you file a joint return and you and your spouse have a combined income that is:

- between $32,000 and $44,000, up to 50 percent of your benefits may be taxable.
- more than $44,000, up to 85 percent of your benefits may be taxable.

If you are married and file a separate tax return, you will likely pay taxes on your benefits.

Annuities

Annuity income from a nonqualified contract comprises both principal and any interest credited to the contract, and because income taxes have already been paid on the principal, it's only the credited interest that is taxed as ordinary income. If the annuity is purchased with pre-tax dollars in a qualified contract such as a 401(k) or traditional IRA, the entire payout is subject to income taxes because the contributions were never taxed. Note that withdrawals from an annuity contract will reduce the contract value and the value of any protection benefits. Additional withdrawals taken within the contract withdrawal charge schedule will be subject to a withdrawal charge and, if taken prior to age 59 ½, may be subject to an additional 10 percent federal tax.[24]

You may wish to reconsider your current financial strategy and utilize some of those assets to purchase an annuity, which can provide guaranteed income.

[20] IRS.gov. Nov. 15, 2018. "IRS provides tax inflation adjustments for tax year 2019." https://www.irs.gov/newsroom/irs-provides-tax-inflation-adjustments-for-tax-year-2019. Accessed March 16, 2019.

[21] IRS.gov. Feb. 22, 2019. "Topic number 409 - Capital Gains and Losses." https://www.irs.gov/taxtopics/tc409. Accessed March 16, 2019.

[22] Fidelity. Nov. 16, 2018. "Have a smart plan for Medicare taxes." https://www.fidelity.com/viewpoints/personal-finance/new-medicare-taxes. Accessed March 16, 2019.

[23] SSA.gov. "Benefits Planner: Income Taxes and Your Social Security Benefit." https://www.ssa.gov/planners/taxes.html. Accessed March 16, 2019.

[24] IRS.gov. Feb. 22, 2019. "Topic Number 410 - Pensions and Annuities." https://www.irs.gov/taxtopics/tc410. Accessed March 16, 2019.

#9 DISTRIBUTION STRATEGIES

Saving for retirement may seem like a challenge in and of itself. It's like standing at the foot of a tall mountain and beginning the slow, steady climb toward your retirement savings goal. However, once you reach the top of that mountain and are ready to retire, you face a different task: figuring out how to take your retirement nest egg you've accumulated and dole it out over what may be a very long retirement. If you're not prepared, you could face challenges, such as not having enough income during your descent.

This is what an income distribution strategy is all about: how to descend the mountain as steadily, carefully and securely as possible. How long your retirement income will last can be significantly impacted by whether you stay within your predetermined budget and don't withdraw more income than planned for each year.

One of the common ways of automating your income distribution is called the "spend-down" strategy. With this strategy, you set up a systematic withdrawal plan (SWP) to pay you a certain percentage of your account balance at specific intervals. However, if your portfolio allocation loses significant value or the percentage you withdraw from your total assets each year is too high, you can run out of money.

To help develop an effective distribution strategy, first identify the retirement income sources you have available to help pay for your lifestyle in retirement. On one hand, you're likely to have some reliable income sources, such as Social Security benefits, a pension, an annuity or income from a job. You may also have retirement assets designated to fund your retirement, such as a 401(k) plan, IRA, savings, CDs, mutual funds and brokerage accounts.

One strategy is to position your reliable income sources to pay for your basic needs, so you know they'll be covered. Next, use your other retirement assets to supplement any gap in the income you absolutely need, and then to pay for the things you want to enhance your lifestyle.

#10 THE ROLE OF FINANCIAL PRODUCTS IN RETIREMENT

Have you answered these questions?

- What is your "personal rate of return" — the rate of return, based on the income you need, that you may have to earn to avoid running short of money during retirement?
- What are the potential benefits of delaying your Social Security benefits?
- Can your current income and savings last throughout retirement?
- What impact can taxes and inflation have on your income needs?
- If you pass away, will your spouse have enough income?
- How can a down market impact your retirement income strategy?

The transition to individuals having more responsibility for their retirement savings isn't the only thing that has changed in the 21st century. As you get closer to retirement and once you are in retirement, it is prudent to regularly evaluate your financial strategy to ensure it reflects your current goals and objectives. As you transition to the income distribution phase, you may want to consider allocating your assets not just among securities and less conservative financial vehicles but also among different types of insurance products, such as annuities and life insurance.

By utilizing a variety of financial vehicles, including life insurance or annuities, you can create a strategy to help you work toward your financial needs and goals for retirement. By incorporating insurance products into your overall strategy, you may not realize the same type of growth associated with investments; however, you may feel confident knowing that a portion of your retirement assets are not exposed to market volatility.

When evaluating whether to use insurance products as part of your retirement income strategy, the following are some of the considerations that should be taken into account:

- Your tolerance for market volatility
- Your age
- A ballpark estimate of your life expectancy, based on your health and family history
- The amount you expect to spend in retirement for basic needs and discretionary purchases
- The desired value of any legacy you wish to leave behind
- The risk and reward characteristics of each financial vehicle as well as the potential for interest accumulation with insurance products
- Liquidity – how much you need to have access to without restrictions

Insurance

It is certainly worth considering strategies that utilize insurance vehicles such as annuities. Annuities use a lump sum (or series of premium payments) to provide a supplemental source of retirement income. They are subject to surrender charges and holding periods, which vary by carrier. By purchasing an annuity, you can generate a reliable income stream.

Retirement income strategies and products you may wish to consider can include a systematic withdrawal plan from fixed or fixed index annuities, life insurance, long-term care insurance and a variable annuity with a guaranteed income rider.

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IRA Tax Deduction

For 2019, the income ranges at which the tax deduction for traditional IRA contributions will phase out (if the taxpayer is covered by a retirement plan at work) are:[25]

- $64,000 to $74,000 for a single filer
- $103,000 to $123,000 for married couples filing jointly
- $193,000 to $203,000 for married couples filing jointly (and the spouse who makes the IRA contribution is not covered by a workplace retirement plan)
- $0 to $10,000 for married couples filing separately

IRA

If you waver between using a traditional IRA (contributions are made with pre-tax dollars) or a Roth IRA (contributions are made with post-tax dollars), consider using them in concert with an IRA strategy that can help to reduce taxes when you begin taking withdrawals. For example, you may want to contribute to a traditional IRA to defer more taxes when your marginal income tax rate is potentially higher, and then convert the assets to a Roth IRA (a taxable event) when tax rates are lower so you position them for tax-free distributions in retirement. You may repeat this process indefinitely.

Annuity

An annuity is a contract you purchase from an insurance company. For the premium you pay, you receive certain fixed and/or variable interest crediting options that can compound interest tax-deferred until withdrawn. When you're ready to receive income, an annuity offers a variety of guaranteed payout options through a process known as "annuitization."

The array of annuity contracts on the market today include immediate, fixed, fixed index and variable annuities. The choices can allow you to match very specific, individual needs with a suitable product. Different contracts and carriers offer a range of interest crediting methods, payout terms and death benefit choices. Many also offer a variety of riders available for an additional fee, including those that address inflation or provide a minimum guaranteed income. An annuity purchase can be strategically positioned within your overall portfolio for a specific personal objective, such as income for your spouse should you die first, or an inheritance for your children. Coverage is available for two people within one contract, so you don't have to purchase a separate contract for your spouse.

These are long-term vehicles and are subject to surrender charges and holding periods, which vary by product. Additional fees may be charged for riders. Withdrawals will reduce the contract value and, if taken before age 59 ½, an additional 10 percent federal tax may apply. Withdrawals are taxed as ordinary income. Be sure to evaluate any products in light of your personal situation before purchasing.

All guaranteed benefits are backed by the financial strength and claims-paying ability of the issuing insurer.

Fixed index annuities may be subject to restrictions, limitations and early withdrawal fees or surrender charges. The minimum guaranteed account value in most fixed annuity contracts is equal to 87.5 percent of the premiums paid into the contract, accumulated at an annual interest rate of between 1 and 3 percent.

[25] IRS.gov. Nov. 27, 2018. "401(k) contribution limit increases to $19,000 for 2019; IRA limit increases to $6,000." https://www.irs.gov/newsroom/401k-contribution-limit-increases-to-19000-for-2019-ira-limit-increases-to-6000. Accessed March 16, 2019.

Annuity With a Guaranteed Lifetime Withdrawal Benefit

Today's annuities offer a variety of income options to help ensure that your initial purchase offers income that can last the rest of your life. A guaranteed lifetime withdrawal benefit (GLWB) is available through a rider you can purchase at an additional cost with an annuity that allows for minimum withdrawals without having to annuitize the contract. Product features and availability will vary by state.

Fixed Index Annuity

The fixed index annuity combines a minimum guaranteed account value* and the opportunity for higher interest credits that are linked to the performance of an external market index. While tied to a market index, the annuity does not actually participate in the market. Interest credits are typically calculated at the end of each contract year, but options may vary by product and company. The insurance company measures the performance of the annuity's linked index (such as the S&P 500®) over the previous 12 contract months and credits interest based on any growth in the index, subject to caps, spreads and participation rates, which will limit the amount of interest you may earn, but it will never be less than 0 percent. With a fixed index annuity, you receive the guarantee of a minimum account value along with the opportunity to receive conservative interest credits linked to market performance.

Life Insurance

Whole life insurance includes a tax-free death benefit and also provides a component for accumulating cash value within the contract. The insurance policy can include tax-deferred accumulation over the long-term and the potential for dividends. These advantages are guaranteed by the financial strength and claims-paying ability of the issuing insurer.

A universal life insurance policy can allow you to vary the amount and timing of when you pay premiums and may also permit you to change the amount of the subsequent death benefit. Indexed universal life insurance (IUL) offers many of the same benefits as traditional universal life insurance, with one primary difference: the way interest is credited to the cash value of the policy. IUL interest is credited to the cash value based on the movement of

** Guarantees are backed by the financial strength and claims-paying ability of the issuing insurer.*

This brochure is designed to provide general information on the subjects covered. It is not, however, intended to provide specific legal or tax advice and cannot be used to avoid tax penalties or to promote, market or recommend any tax plan or arrangement. Please note that this agency and its representatives do not give legal or tax advice. You are encouraged to consult your tax advisor or attorney.

a specific stock market index or indexes over a specific period of time, within the parameters of a cap and a floor without directly participating in the market.

A variable universal life policy includes an investment feature, which means the cash value of the policy will fluctuate based on the investment performance of a separate account that offers a variety of investment options. Life insurance policies may be subject to restrictions, limitations and early withdrawal fees or surrender charges.

Investments

Municipal Bonds

Tax-exempt municipal bonds can be an excellent tax-advantaged investment, especially for those in high-income tax brackets. Interest earned on municipal bonds is exempt from federal income taxes and, in most states, from state and local taxes for residents of the issuing state. Please consult your personal tax advisor to discuss your unique situation. A primary advantage of purchasing a municipal bond is the after-tax yield compared to that of a taxable security. The yield advantage is potentially enhanced with longer maturity bonds and for those individuals in higher income tax brackets.

Laddered Bonds

Laddering your bond portfolio is a way to stagger your assets for income or reinvestment at varying intervals. When you spread your investments across a range of short-term, medium-term and long-term bonds, they will mature at different times and can allow you ongoing access to funds as well as the opportunity to reassess interest rates to determine if reinvestment is a strategy you may want to consider for retirement income at that given time.

Bond obligations are subject to the financial strength of the bond issuer and its ability to pay. Before investing, consult your financial professional to understand the risks involved with purchasing bonds.

Dividend-Paying Stocks

Qualified dividend-paying stocks can be particularly attractive because they are generally more tax-efficient than bond interest. Dividends paid out by qualified stocks are taxed at the lower long-term capital gains rate — currently up to 20 percent at the federal level.[26] Interest on U.S. Treasury bonds is federally taxable at your ordinary income tax rate — currently as high as 37 percent.[27]

It is important for investors to understand that dividends are paid at the discretion of the board of directors and are therefore not guaranteed.

Investing involves risk, including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

Long-Term Care Insurance

Long-term care insurance (LTCI) may offer flexibility and can be a viable choice for baby boomers still enjoying good health and relative wealth. LTCI is designed to help people pay for short- or long-term care and housing costs at an assisted living facility, nursing home or even in your own home. Typically, purchasing a policy while you are younger may allow you to pay lower premium rates, but even at a later age, it may still be worth considering purchasing an LTCI policy for the benefits it can provide. LTCI policies are subject to restrictions, limitations and medical underwriting.

[26] IRS.gov. May 15, 2019. “Topic Number 404 – Dividends.” https://www.irs.gov/taxtopics/tc404. Accessed June 6, 2019.

[27] Fidelity. “Interest Income and Taxes.” https://www.fidelity.com/tax-information/tax-topics/interest-income. Accessed June 6, 2019.

Additional questions to consider:

- Which assets should you hold in tax-deferred vehicles versus taxable vehicles?
- From which financial vehicles should income be withdrawn first?
- When will you start taking Social Security?
- Should you roll over a 401(k) to an IRA?
- Who should be your designated beneficiary(ies)?
- Would a Roth IRA conversion be appropriate?
- What tax decisions should you address when leaving an employer?

CONCLUSION

While the "greatest generation" experienced the burgeoning of government and corporate retirement income and health plans, baby boomers and future generations are seeing these benefits being reduced or eliminated altogether. The baby boomer generation will continue to take on more responsibility for providing income for their own essential living expenses in retirement, like housing, food and health care.

Recent market corrections and economic challenges have caused some Americans to rethink their retirement income strategy. In fact, you may need to reposition your retirement assets to accommodate a longer life with fewer assets than you previously thought. This is a good time to think about your true priorities and align your assets to support your personal goals (not just your financial aspirations).

The bulk of the responsibility for providing retirement income has shifted to individuals, and the new products and strategies designed to help you prepare for retirement require understanding. Working with financial professionals you trust can help ensure that your financial strategy is designed to help you reach your long-term financial goals.

The firm that provided you with this booklet helps individuals create retirement strategies using a variety of investment and insurance products to custom suit their needs and objectives.

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