Lowering Taxes Through Investments

LIFETIME INCOME CASE STUDY

Presented by ***Puplava Financial Services, Inc.***
Registered Investment Advisor

Phil and Krista Brown

Important Notice:

This is a hypothetical illustration based on real life examples. Names and circumstances have been changed. The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investments or strategies may be appropriate for you, consult with a financial advisor prior to investing.

ESSENTIAL INFORMATION

Client:	Phil and Krista Brown.
Ages:	Both are age 61.
Retirement:	They hope to retire in 4-5 years.
Life expectancy:	Phil age 90. Krista age 93.
Risk tolerance:	Moderately Conservative.
Investment objective:	Income with Capital Preservation.

WHO ARE PHIL & KRISTA?

Name: Phil

Age: 61

Job: Civil Engineer

Phil is really getting excited about the prospect of retirement. He is planning on retiring in 3 years after he reaches the 30 year anniversary with his employer. Taxes have and will continue to be a big concern with him because he will be receiving a pension in retirement. Phil has managed their own investments over the years and has made decisions mostly by adopting the buy and hold approach but with no periodic rebalancing. He has typically invested in what he has been most comfortable with which has led to a less diversified portfolio.

Name: Krista

Age: 61

Job: Small Business Owner

Krista is somewhat uneasy at the prospect of retiring. She is concerned about the high taxes they've paid and how that will impact them in retirement. She has been adamant about asking her husband to use a professional's help with retirement and tax planning. She watched her parents struggle in retirement and does not want to share the same fate. For retirement they plan on taking extensive vacations and eventually buying a smaller home near their kids. Krista enjoys photography and has big plans for the different places she wants to visit.

PHIL & KRISTA'S CURRENT RISK STRATEGY

Most Conservative 1 - 2 - 3 - 4 - 5 - 6 - 7 - 8 - 9 - 10 **Most Aggressive**

Current Risk Score

3

Portfolio Risk Score

7

WHAT IS IMPORTANT TO PHIL & KRISTA?

Mitigating taxes

Maintaining retirement lifestyle they are planning for

Not outliving assets

Developing a proper investment strategy

PHIL & KRISTA'S CURRENT BUDGET

✓ Essentials:	$79,000
✓ Discretionary:	$38,000
TOTAL:	$117,000
Phil's Salary:	$98,000
Krista's Salary:	$45,000
Rental Income:	$21,000
Surplus:	$47,000

PHIL & KRISTA'S RETIREMENT BUDGET

✓ Essentials:	$73,000
✓ Discretionary:	$36,000
TOTAL:	$109,000
Combined Social Security:	$36,000
Phil Pension:	$35,000
Rental Income:	$21,000
Shortfall:	-$17,000

PHIL & KRISTA'S ASSETS

Non-Investment Assets

✓ Primary Residence:	$550,000
✓ Rental Property:	$475,000

Investment Assets

✓ Phil's Retirement:	$861,000
✓ Krista's Retirement:	$114,500
✓ Cash Assets:	$50,000
Total Investment Assets	$1,025,500
Total Assets:	$2,050,500
Liabilities:	-$15,000
Net Worth:	$2,035,500

PHIL & KRISTA'S FINANCIAL PLAN CHALLENGES

1. Updating asset allocation to better reflect their current wants and needs.
2. Better management of their taxes.
3. Creating predictable income stream in retirement
4. Concerned about longevity risk due to long life expectancies.

PHIL & KRISTA'S RETIREMENT INCOME STRATEGY

		Combined Social Security	$36,000
		Phil's Pension	$35,000
		Rental Income	$21,000

Investment Income

Phil's Retire.	$861K	Fixed Income & Dividend Payers @ 3.1%[1]	$26,691
Krista's Retire.	$114K	Fixed Income & Dividend Payers @ 3.1%[2]	$3,550
Cash	$50K		
		Total Investment Income	$30,241
		Grand Total Income	**$122,241**
		Less Budget	$109,000
		Surplus	**$13,241**

1, 2, & 3: Yields are for current portfolio yields as of 10/25/16. Please see disclosures at the end of this presentation for security risks.

GOAL BASED RECOMMENDATIONS FOR PHIL & KRISTA

Goal	Strategy
Mitigating taxes	They increased contributions to their employer sponsored retirement plans. Phil held mortgage REITs but they were triggering UBIT so we had him sell those positions to stop triggering unnecessary taxes. We also reallocated their holdings and separated stocks in taxable accounts and bonds in tax deferred accounts to help manage taxes.
Proper asset allocation	We utilized tax loss harvesting to help reposition the portfolios. Their portfolio's investment objectives were aggressive but their needs suggested moderate risk so we rebalanced their allocations and reduced their riskier positions with a more conservative, well-balanced approach.
Not outliving assets	Had them delay collecting social security until age 66 since this is the husband's retirement age for full benefits. Their investments after re-allocation had a good portion in stocks to help outpace inflation.
Maintaining the same lifestyle in retirement	We recommended that Phil take the 50% survivor benefit on his pension and have both of them take social security at full retirement age. This will help create a stable, predictable income stream throughout retirement.

Disclosures:

1. *Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.*

2. *The payment of dividend is not guaranteed. Companies may reduce or eliminate the payment of dividends at any given time.*

3. *Fixed annuities are long-term investment vehicles for retirement purposes. Gains from tax-deferred investments are taxable as ordinary income upon withdrawal. Guarantees are based on the claims paying ability of the issuing company. Withdrawals made prior to age 59 1/2 are subject to a 10% IRS penalty tax and surrender charges may apply.*

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If you have any specific questions or comments, please give us a call at

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