How Tax Reform Changes Retirement Planning

LIFETIME INCOME CASE STUDY

Presented by ***Financial Sense Advisors, Inc.***
Registered Investment Advisor

Sal & Sandy Lin

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:	Sal & Sandy Lin.
Age:	Sal is age 63. Sandy is age 62.
Retirement:	They both hope to retire in 3-4 years.
Life expectancy:	Sal age 84. Sandy age 94.
Risk tolerance:	Moderately Conservative.
Investment objective:	Growth with Capital Preservation.

WHO ARE SAL & SANDY?

Name: Sal

Age: 63

Job: Sales Manager

Sal is a savy investor who closely follows many well-respected industry professionals. He is hoping to retire in the next 3-4 years and is seeking professional help to prepare for retirement and better understand how the changes in taxes will impact him and his wife. His investments have historically been mostly in U.S. large cap stocks. He enjoys his job and wants to continue working al least until age 65 when he is eligible for medicare.

Name: Sandy

Age: 62

Job: Substitute Teacher

Sandy has been a substitute teacher for over 20 years and really enjoys her job. Unfortunately, health issues with her back coupled with arthritis are making it difficult to do her job. Sandy would like to work for another 3 years but is somewhat concerned about not being able to manage the pain. In retirement she hopes to maintain the same lifestyle and do lots of traveling to interesting places like the Galapagos Islands and the Azores. Her biggest concern is having to manage the finances on her own after Sal passes.

SAL & SANDY'S CURRENT RISK STRATEGY

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

Current Risk Score

4

Portfolio Risk Score

7

WHAT IS IMPORTANT TO SAL & SANDY?

Retiring early

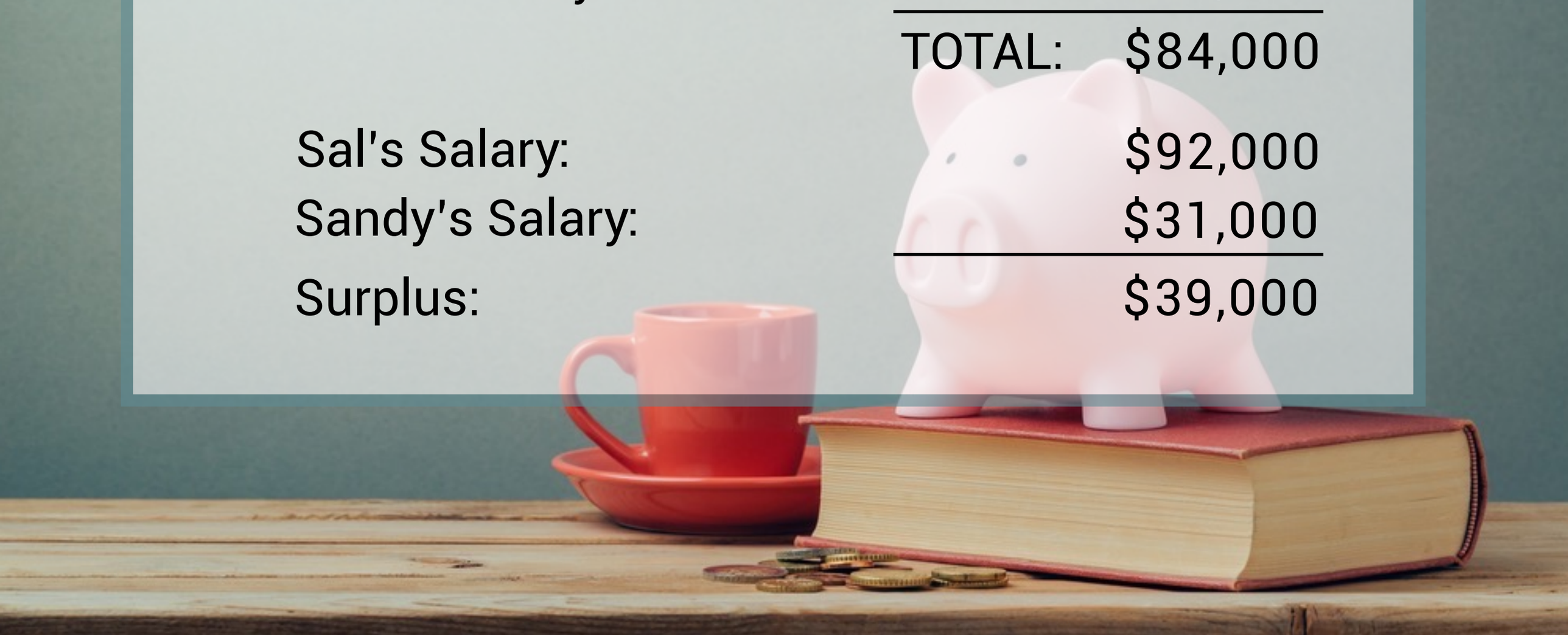
Understanding the new tax changes

Managing health concerns

Maintaining their current lifestyle in retirement

SAL & SANDY'S CURRENT BUDGET

✓ Essentials:	$60,000
✓ Discretionary:	$24,000
TOTAL:	$84,000
Sal's Salary:	$92,000
Sandy's Salary:	$31,000
Surplus:	$39,000



SAL & SANDY'S RETIREMENT BUDGET

✓ Essentials:	$55,000
✓ Discretionary:	$22,000
TOTAL:	$77,000
Combined Social Security:	$48,496
Shortfall:	-$28,504

SAL & SANDY'S ASSETS

Non-Investment Assets

✓	Primary Residence:	$720,000

Investment Assets

✓	Sal's Retirement:	$640,000
✓	Sandy's Retirement:	$207,000
✓	Sal & Sandy's Trust:	$165,000
	Total Investment Assets	$1,012,000
	Total Assets:	$1,732,000
	Liabilities:	-$125,000
	Net Worth:	$1,607,000

SAL & SANDY'S FINANCIAL PLAN CHALLENGES

1. Planning for changes to taxes.
2. Managing retirement income.
3. Maintaining a similar lifestyle.
4. Managing investment risk.

SAL & SANDY'S RETIREMENT INCOME STRATEGY

		Combined Social Security	$48,496/Year

Investment Income

Sal's Retire.	$640K	Fixed Income & Dividend Payers @ 3.2%[1]	$20,480
Sandy's Retire.	$207K	Fixed Income & Dividend Payers @ 3.2%[2]	$6,624
S&S Trust	$165K	Fixed Income & Dividend Payers @ 3.2%[3]	$5,280
		Total Investment Income	$32,384
		Grand Total Income	**$80,880**
		Less Budget	$77,000
		Surplus	**$3,880**

1,2 & 3: Yields are for current portfolio yields as of 10/31/17. Please see disclosures at the end of this presentation for security risks.

GOAL BASED RECOMMENDATIONS FOR SAL & SANDY

Goal	Strategy
Planning for tax reform	Under the old tax law, both Sal and Sandy were in the 25% tax bracket. With the new tax law they are expected to be in the 22% tax bracket. However, given Sandy's health concerns, we recommended that she retire as soon as she wants. Having Sandy retire now would put them in the 12% tax bracket which would lower their expenses and allow qualified dividends and long-term capital gains to be tax free.
Managing income in retirement	With Sandy retiring now, they will want to keep an eye on managing expenses. They should continue to pay down their mortgage with the goal of having it paid off in the next 8-10 years. With the mortgage paid off, their expenses would decrease dramatically allowing for more money to be used for the trips they want to take.
Maintaining a similar lifestyle	Given that Sal plans to continue working, Sal and his wife can begin to take some trips they have been planning for. With Sandy retiring, she'll be able to become more involved in the finances to help her get more comfortable in case she has to manage them alone after Sal passes.
Effectively managing their investments	They have used stocks extensively to help grow their wealth over the last few decades. Now, as they approach retirement, they need to update their investment allocation to produce income and reduce volatility. We suggested that they make changes to their portfolio to help meet income needs while lowering the overall risks.

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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