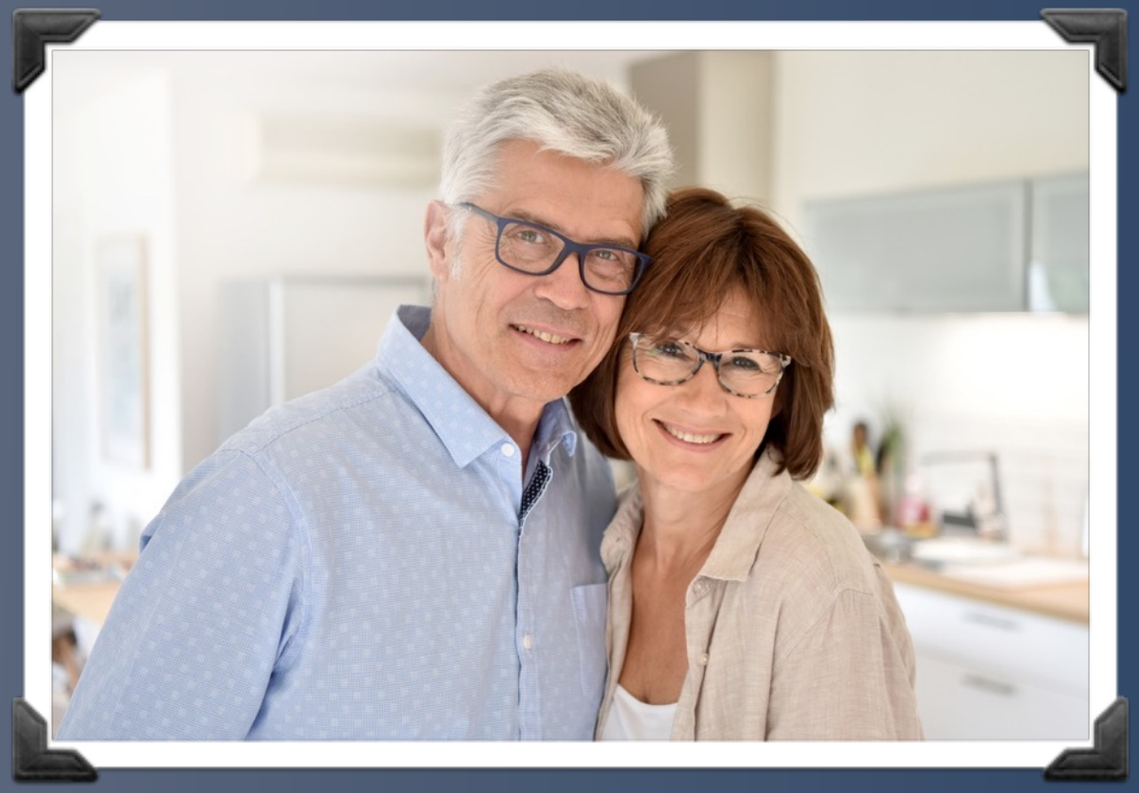


Planning for the Long Haul

LIFETIME INCOME CASE STUDY

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

Edward & Amy White

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:	Edward & Amy White
Ages:	Ed is age 65 and Amy is age 61.
Retirement:	Both hope to retire in the next couple years.
Life expectancy:	Ed age 90 and Amy age 95.
Risk tolerance:	Moderately Conservative.
Investment objective:	Income with Capital Preservation.

WHO ARE ED & AMY?

Name: Edward

Age: 65

Job: Engineer

Ed has worked as an engineer for a large defense contractor his entire career. He is considering retirement given that he has seen many buyouts and is involved in another. Retiring soon is an appealing proposition since he desires to spend more time with his spouse and friends. Living a very comfortable lifestyle with lots of trips and expensive hobbies like sailing and golfing, Ed cares not to change his lifestyle heading into retirement. He has a heart condition and has already had bypass surgery that could potentially require additional procedures in the future. After some major losses, he decided to use an advisor but has been overzealous in the risks he takes.

Name: Amy

Age: 61

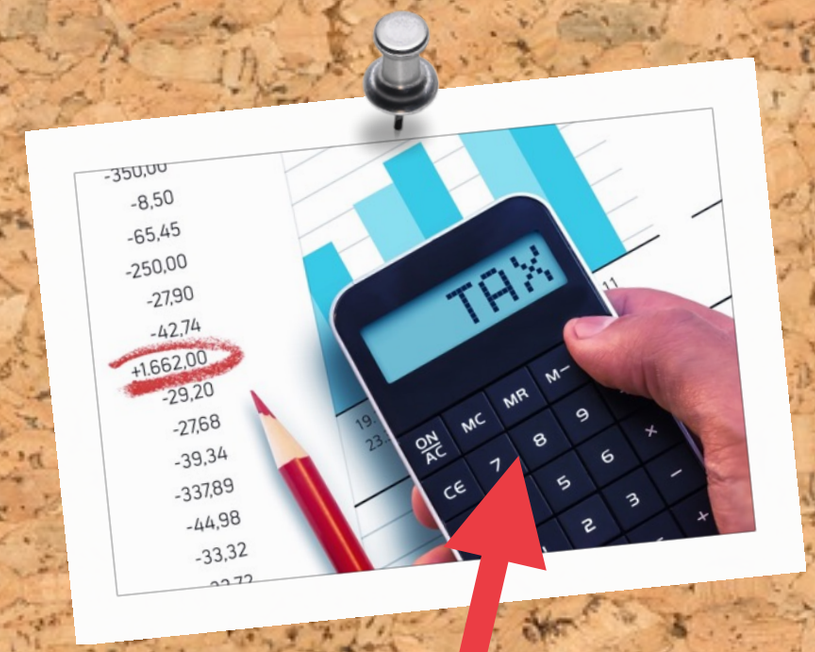
Job: Accountant

Amy has worked for a small CPA firm and is excited about the prospects of retirement. However, she is very concerned about rising healthcare costs. For a period of time, Amy had to use her own money to support her parents who both ran out of money trying to manage their health issues. The majority of her parent's money was spent in the latter years of their lives when they found out that Amy's dad was diagnosed with Alzheimer's. Amy wants to retire soon with the hopes that she can spend more time with her family and ensure that they have enough to cover healthcare expenses.

WHAT IS IMPORTANT TO ED & AMY?

Managing medical costs

Retire as soon as possible

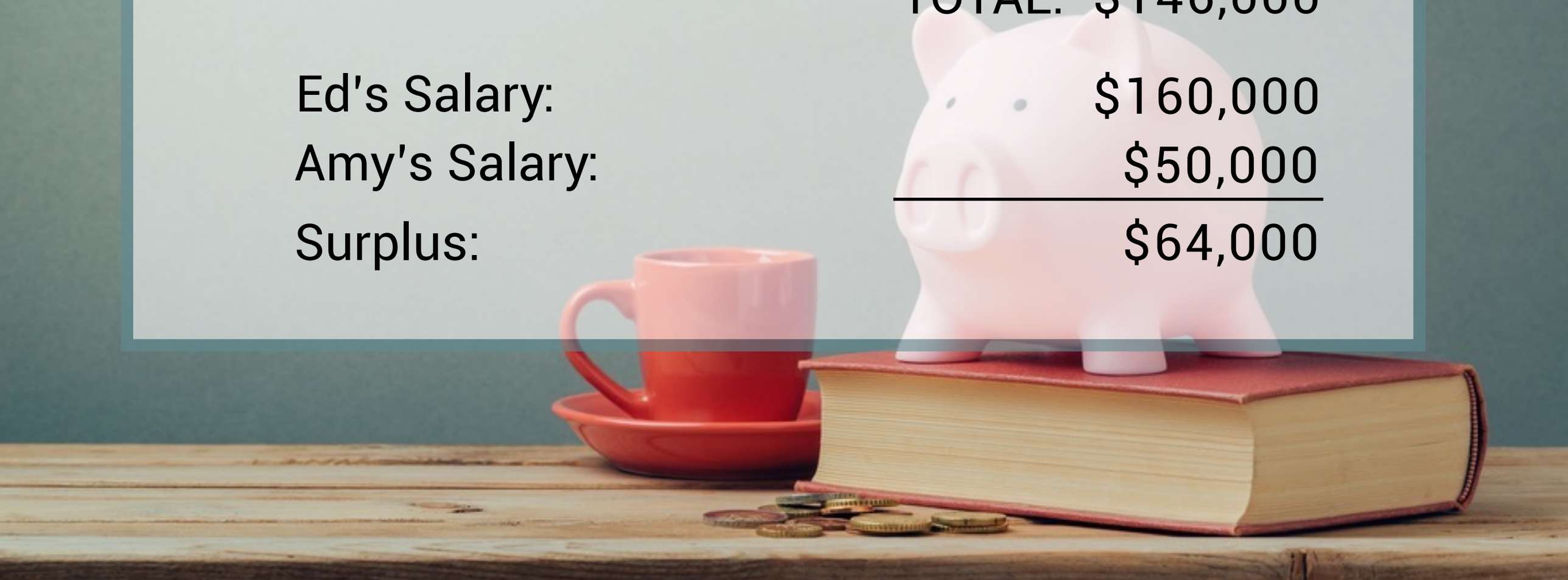


Preserving purchasing power

Maintaining the same lifestyle throughout retirement

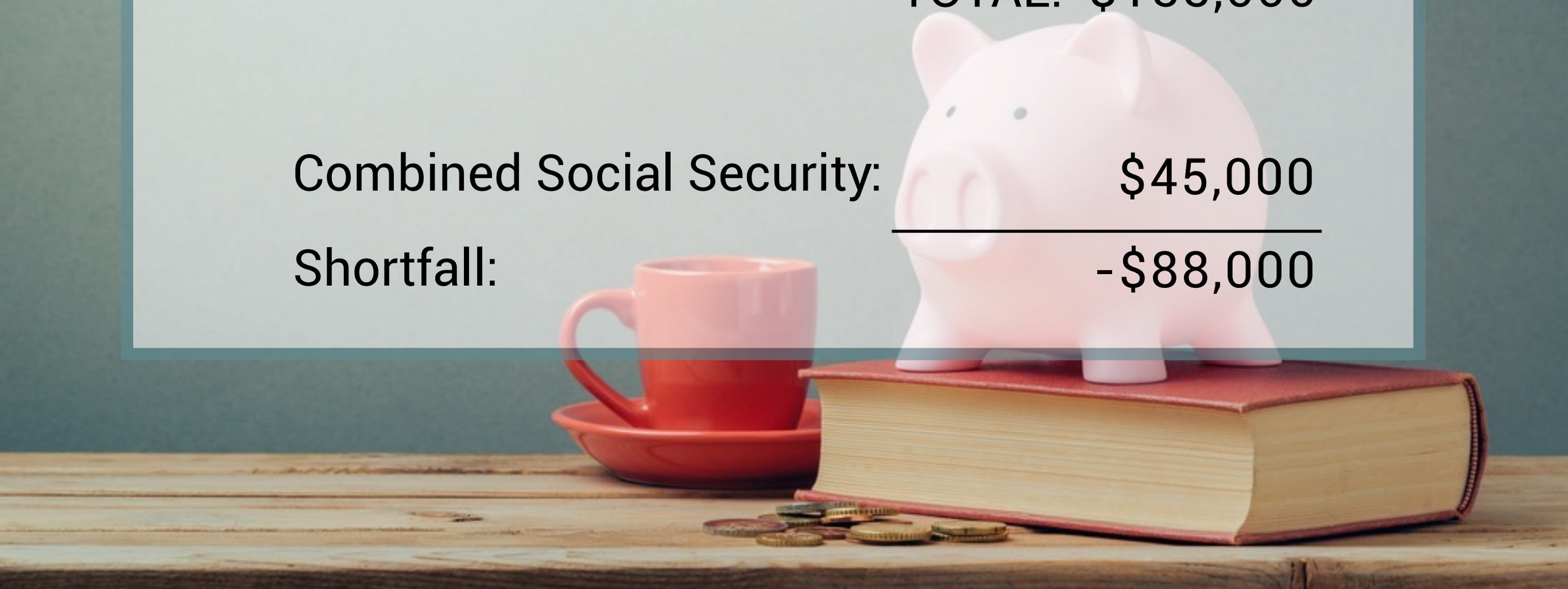
ED & AMY'S CURRENT BUDGET

✓ Essentials:	$98,000
✓ Discretionary:	$48,000
TOTAL:	$146,000
Ed's Salary:	$160,000
Amy's Salary:	$50,000
Surplus:	$64,000



ED & AMY'S RETIREMENT BUDGET

✓ Essentials:	$82,000
✓ Discretionary:	$51,000
	TOTAL: $133,000
Combined Social Security:	$45,000
Shortfall:	-$88,000



ED & AMY'S ASSETS

Non-Investment Assets

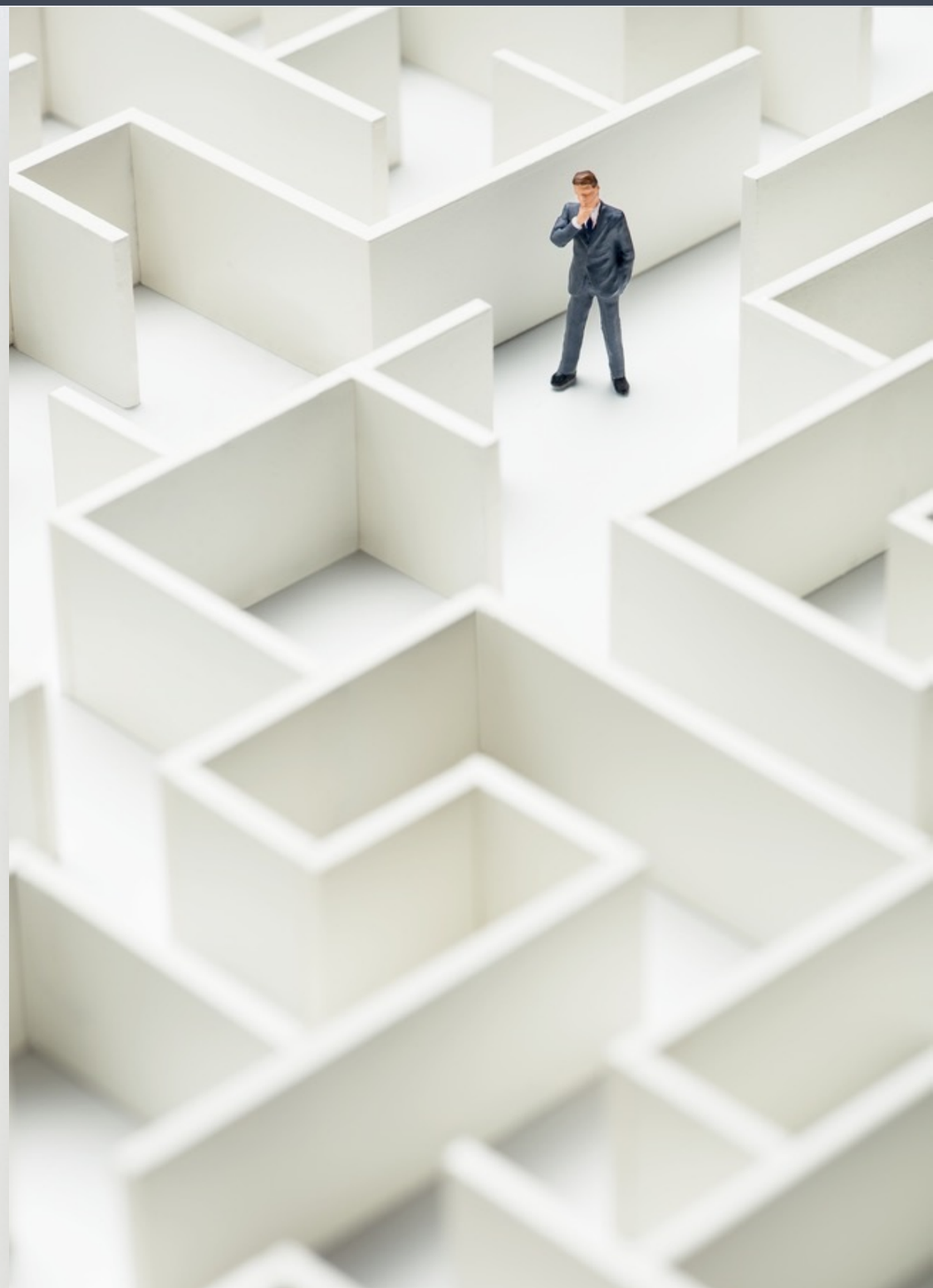
✓ Primary Residence:	$650,000

Investment Assets

✓ Ed's Retirement:	$1,900,000
✓ Amy's Retirement:	$128,000
✓ Joint/ROS:	$1,020,000
Total Investment Assets	$3,048,000
Total Assets:	$3,698,000
Liabilities:	-$100,000
Net Worth:	$3,598,000

ED & AMY'S FINANCIAL PLAN CHALLENGES

1. Creating sufficient cash flow to maintain the same standard of living.
2. Managing the risks of longevity.
3. Controlling projected health care expenses.
4. The sequence of returns risk and low potential market returns.



ED & AMY'S RETIREMENT INCOME STRATEGY

		Combined Social Security	$45,000/Year

Investment Income

Ed's Retire.	$1.90M	Fixed Income & Dividend Payers @ 3.1%[1]	$50,900
Amy's Retire.	$128K	Fixed Income & Dividend Payers @ 3.1%[2]	$3,968
Joint/ROS	$1.02M	Fixed Income & Dividend Payers @ 3.1%[3]	$31,620
		Total Investment Income	$94,488
		Grand Total Income	**$139,488**
		Less Budget	$133,000
		Surplus	**$6,488**

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 ED & AMY

Goal	Strategy
Retiring ASAP	We recommended that Ed continue to work another 18-24 months to help increase their retirement nest egg and reduce the risks of retiring in or near a bear market given current market conditions.
Managing medical costs	We also advised that Ed sign up for a Medicare advantage plan and Amy sign up for a high deductible individual policy upon retirement. In addition, we suggested that Amy open an HSA and max out her contributions to help manage future medical costs.
Maintaining similar lifestyle	In addition, we suggested that Ed and Amy change investments to a conservative, well-diversified portfolio. We also recommended that Ed reduce company stock exposure since he held a concentrated holding that represented 10% of their total investment allocation.
Planning for longevity	Given Amy's long life expectancy, we advised that Ed delay his social security to increase his benefit. Upon Ed's passing, Amy could opt to receive his monthly benefit, maximizing her cash flow for the remainder of her life.

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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