



## Retirement Preparedness: Why 401(k)'s Are Essential

# LIFETIME INCOME CASE STUDY

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

Austin & Gloria Kaiser

# 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

<b>Client:</b>	Austin and Gloria Kaiser.
<b>Age:</b>	Austin age 62. Gloria age 61.
<b>Retirement:</b>	Austin would like to retire in 5-6 years and Gloria in 1 year.
<b>Life expectancy:</b>	Austin age 90. Gloria age 93.
<b>Risk tolerance:</b>	Moderately Conservative.
<b>Investment objective:</b>	Income with Capital Preservation.



**Name: Austin**

**Age: 62**

**Job: Business Owner**

Austin has worked as a project manager for several years and is now a business owner taking on large, complex consulting work. Austin and his business partner have had a slow couple of years but business has recently picked up resulting in a substantial increase in income. Austin is looking to reduce taxes and maximize their retirement savings. He does not plan to retire for another 6-8 years as he enjoys the challenges of work and is not ready to slow down.

**Name: Gloria**

**Age: 61**

**Job: Marketing**

Gloria has had a long and successful career in marketing working for a Fortune 100 company. She has enjoyed a nice benefits package and stable work culture but is hoping to retire within the next year. She holds most of her assets in her 401k and a large portion of those assets in employer stock. She is excited to retire soon but is looking for the best way to utilize their assets in order to reduce taxes and help provide the income they are looking for in retirement.

# AUSTIN & GLORIA'S CURRENT RISK STRATEGY



***Current Risk Score***



***Portfolio Risk Score***



# WHAT IS IMPORTANT TO AUSTIN & GLORIA?

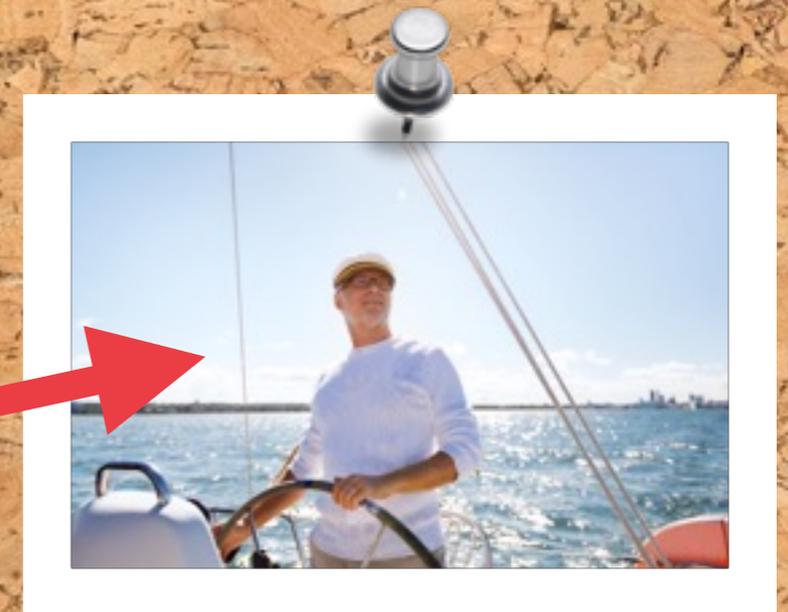
**Maximizing retirement savings**



**Reducing taxes**

**Managing investment risks**

**Maintaining similar lifestyle in retirement**



# AUSTIN & GLORIA'S CURRENT BUDGET

✓ Essentials:	\$82,000
✓ Discretionary:	\$28,000
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TOTAL:	\$110,000
Austin's Salary:	\$115,000
Gloria's Salary:	\$75,000
Surplus:	<hr/>
	\$80,000



# AUSTIN & GLORIA'S RETIREMENT BUDGET

✓ Essentials:	\$74,000
✓ Discretionary:	\$28,000

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TOTAL: \$102,000

Combined Social Security: \$58,000

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Shortfall: -\$44,000



# AUSTIN & GLORIA'S ASSETS

## Non-Investment Assets

✓ Primary Residence \$230,000

## Investment Assets

✓ Gloria's 401k (30% in comp. stock): \$521,000

✓ Gloria's Other Retirement: \$169,000

✓ Austin's Retirement: \$416,000

✓ Joint/ROS Accounts: \$232,000

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**Total Investment Assets** \$1,338,000

Total Assets: \$1,568,000

Liabilities: -\$112,000

Net Worth: \$1,456,000

# AUSTIN & GLORIA'S FINANCIAL PLAN CHALLENGES

**1. Minimizing impact of taxes.**

**2. Creating enough income to maintain a similar lifestyle.**

**3. Mitigating Austin and Gloria portfolio risks.**



# AUSTIN & GLORIA'S RETIREMENT INCOME STRATEGY

Combined Social Security

\$58,000/Year

## Investment Income

Gloria's 401K	\$521K	Fixed Income & Dividend Payers @ 3.2% <sup>1</sup>	\$16,672
Gloria's Retire.	\$169K	Fixed Income & Dividend Payers @ 3.2% <sup>2</sup>	\$5,408
Austin's Retire.	\$416K	Fixed Income & Dividend Payers @ 3.2% <sup>3</sup>	\$13,312
Joint/ROS	\$232K	Fixed Income & Dividend Payers @ 3.2% <sup>4</sup>	\$7,424
Total Investment Income			\$42,816
<b>Grand Total Income</b>			<b>\$100,816</b>
Less Budget			\$100,000
<b>Surplus</b>			<b>\$816</b>

1, 2, 3 & 4: Yields are for current portfolio yields as of 8/31/17. Please see disclosures at the end of this presentation for security risks.

# GOAL BASED RECOMMENDATIONS FOR AUSTIN & GLORIA

## Goal

## Strategy

### Maximizing retirement savings

We recommended that Austin open a 401k instead of utilizing a SEP IRA for retirement savings. With a SEP IRA, they are currently limited to contributions of \$28,000, however, with a 401k they can contribute over \$50,000. This will help them maximize retirement savings as well as lower taxable income.

### Reducing taxes

Since Gloria has accumulated employer stock throughout her working years with a low-cost basis in her 401k, we advised that she initiate a Net Unrealized Appreciation (NUA) at retirement to help reduce taxes paid on capital gains.

### Maintaining the same lifestyle

We counseled Austin to consider bringing in another individual that they can train to handle more of the day-to-day operations as his business continues to grow. This would allow more time for Austin to travel and make the transition into retirement much smoother.

### Managing investment risks

We also encouraged Austin and Gloria to update their investment allocations in order to better align with their current objectives. After the NUA, we also suggested that the client diversify the company stock to reduce portfolio risk and volatility.

# 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.*

# Financial Sense® Advisors, Inc.

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

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*We're happy to speak with you.*

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