

A Comprehensive Modular Program

Foundational Concepts

Module 1

The Transition Phase of Retirement and Your Business

Module 2

Framework for Retirement Income Planning

Module 3

Income Resources and Budgeting Basics

Major Activities and Decisions

Module 4

Tapping Into Social Security

Module 5

Expanding the Scope of Investments

Module 6

Additional Strategies for Generating Retirement Income

Advanced Strategies and Implementation

Module 7

Optimal Withdrawal Strategies for Tax-Advantaged Accounts

Module 8

Identifying Target Clients and Building a Marketing Strategy

Module 9

Tying It All Together



Module 3: Income Resources and Budgeting Basics

Income Planning for Clients Nearing Retirement



Getting Started



Take Inventory

Create a Budget

Take Inventory of Income Resources

- Fixed sources of income
 - Social Security
 - Pensions
- Discretionary income sources
 - Taxable savings and investments
 - Tax-deferred savings and investments
 - Tax-free savings [Roth Individual Retirement Account (IRA), Roth 401(k)]
- Other available assets
 - Real estate
 - Life insurance
 - Home equity


Asset Inventory for: _____

Pension Plans						
Owner	Designated Beneficiary	Source	Anticipated Start Date (Flexible: Y/N)	Anticipated Monthly Benefit	Cost-of-Living Adjustments? Y/N	Lump Sum Option? Y/N


Social Security Benefits				
(see http://www.ssa.gov/planners/calculators.htm for projections)				
Recipient	Anticipated Start Date	Projected Monthly Benefit		
		Beginning at Age 62	Beginning at Age 66	Beginning at Age 70

Tax-Qualified Employer-Sponsored Plans							
Owner	Designated Beneficiary	Source	Current Value	Employer Securities Y/N	Loans	After-Tax Basis	Pre-1974 Participation


Inventory Objectives



Consolidate financial services relationships



Determine a client-appropriate combination of taxable and tax-advantaged accounts



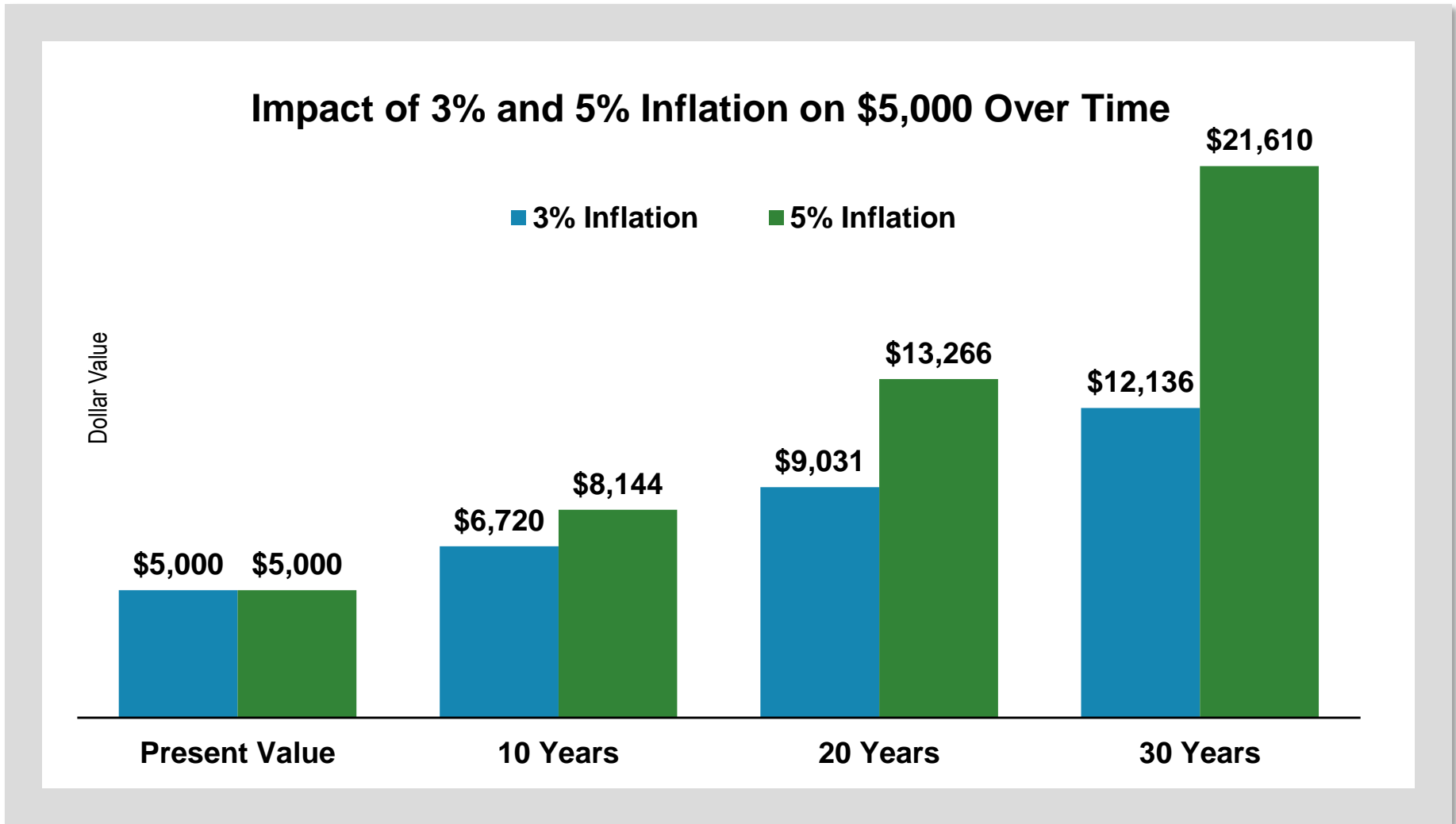
Ensure the portfolio is aligned with client goals and risk tolerance

Create a Budget

- Consider ALL expenses
 - Basic nondiscretionary items
 - > Food
 - > Shelter
 - > Insurance
 - > Out-of-pocket healthcare costs
 - > Utilities
 - Discretionary expenses
 - Legacy planning
- Don't ignore inflation
- Avoid generalizations

Retirement Budget			[Date]
Age			
Age today			
Age at retirement			
Years to retirement			
Housing Costs			
	At Retirement	Current	
Mortgage or rent			
Real estate taxes			
Maintenance and repair			
Home insurance			
Total			
Personal Expenses			
	At Retirement	Current	
Grooming			
Clothing			
Vacations			
Other			
Auto expense			

Don't Ignore the Impact of Inflation



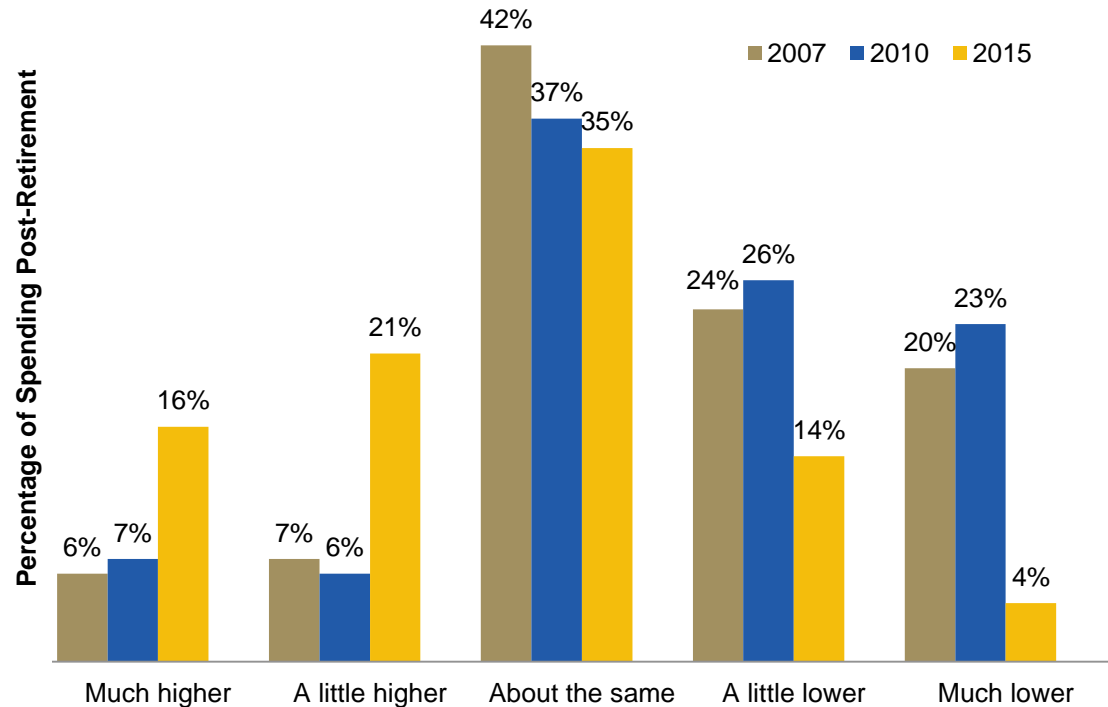
This example is for illustrative purposes only and is not intended to represent the performance of any investment.

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Be Leary of Generalizations

The 70% to 80% rule of thumb is just a starting point

Reported Spending Among Retirees Post-Retirement Versus Pre-Retirement 2007-2015



Source: Employee Benefits Research Institute and Matthew Greenwald & Associates, Inc., 2001-2015 Retirement Confidence Surveys.

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Plan for Health Care Expenses

Cost-covering options are not always well understood or researched

**Out-of-pocket
(costs are soaring)**

**Federal programs
(Medicare doesn't
cover everything)**

**Insurance (many
employer-sponsored
benefits are being
reduced or eliminated)**

Consider Long-Term Care Needs

What about long-term care needs?

- Over 70% of people turning age 65 will need Long-Term Care at some point
- Medicare does not cover most long-term care expenses
- Medicaid does cover long-term care expenses, BUT only
 - After personal assets are depleted
 - And then generally only through a nursing home facility
- Long-term care insurance may be an option to help cover these expenses

Consider Long-Term Care (Continued)

Long-Term Care Usage ¹

12 million people
40% under age 65

Disability may Happen Before Retirement²

1-in-4 20 year olds today
will become disabled before
reaching retirement age

Long-Term Care Costs in 2014³

- \$4,139 per month for care in an assisted living facility (one bedroom unit)
- \$262.21 per day for a private room in a skilled nursing facility
- \$227.71 per day for a semi-private room in a skilled nursing facility
- \$67 per day for care in an adult day health care center
- \$21.86 per hour for a home health aide

¹ Longtermcare.gov based on 2011 data

² Social Security Administration, 2015

³ New York Life Cost of Care Survey, February 2014

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Choosing Long-Term Care Coverage

Consider commercial and noncommercial options

**Elective coverage
offered through
worksite programs**

**Individual
policies**

**Federal and
state programs**

Additional Budget Considerations

Strategic Use of Debt

- Clients may consider using their taxable brokerage account mutual fund, equity and investment-grade fixed income assets to secure a line of credit
- Interest rates may compare favorably with standard bank loans or credit cards
- Fewer fees than personal or home equity loans
- Flexible terms offer chance to pay off higher-rate debt and free up income for investment
- No need to liquidate securities

Review Your Client Base

Do you have clients who want to:

- Leverage the borrowing power of brokerage account assets to meet financing needs?

Please note that these types of loans may not be appropriate for all investors and the risks should be carefully evaluated. If the market value of your client's portfolio depreciates, your client may be required to deposit additional funds or marginable securities into the account. These programs may not be available in all states.

Resources

Industry Resources	
Longtermcare.gov	The Official U.S. Government Site for Medicare
Urban Institute Program on Retirement Policy	The Official U.S. Government Site for Medicaid
Employee Benefit Research Institute	The Official Website of the U.S. Social Security Administration

Pershing Resources	
Asset Inventory Worksheet	Budgeting Tool Spreadsheet
Pershing's Client Profile Sheet for Retirement	Lending Solutions Brochure
Retirement Programs	Pershing Retirement Solutions Brochure

Additional Resources	
MoneyGuidePro™	NaviPlan
Wealth2K®	Guided Choice
LifeYield®	

Third party sites provided for convenience, Pershing does not endorse these sites or their content.

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