Module 1  The Transition Phase of Retirement and Your Business

A Comprehensive Modular Program

Module 1
The Transition Phase of Retirement and Your Business

Module 2
Framework for Retirement Income Planning

Module 3
Income Resources and Budgeting Basics

Module 4
Tapping Into Social Security

Module 5
Expanding the Scope of Investments

Module 6
Additional Strategies for Generating Retirement Income

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

Foundational Concepts

Major Activities and Decisions

Advanced Strategies and Implementation
Module 1: The Transition Phase of Retirement and Your Business

Income Planning for Clients Nearing Retirement
Module 1 The Transition Phase of Retirement and Your Business

This Will Help You Better Understand…

- Why focusing on the transition phase of retirement is important
- What the retirement planning considerations are for those nearing retirement
- Where to find opportunities within your existing client base and how to prospect beyond your base
- How Pershing resources can help support the growth of your retirement business
Why Focus on the Transition Phase of Retirement?

Why the transition phase of retirement is critical to you and your clients:

- **Client Retention**: Better serve your existing clients by ensuring your business is responsive to current and future retirement needs.

- **Asset Consolidation**: Clients in the transition phase often look to consolidate assets—understanding their needs and having an income planning focus may make them more likely to consolidate with you.

- **New Business**: Develop new relationships by identifying “money in motion” opportunities.

*Source: ICI 2015 Investment Company Fact Book—Based on 2013 data, total retirement assets in 2014 were $24.7 trillion.

Investors ages 55 to 64 represent $19 trillion in retirement assets.*
Module 1  The Transition Phase of Retirement and Your Business

Investors Nearing Retirement Represent Most of the Opportunity

Over 80% of the total $23 trillion in retirement assets in 2013 were from investors ages 55-64

Source: ICI 2015 Investment Company Fact Book—Based on 2013 data, total retirement assets in 2014 were $24.7 trillion
Clients Nearing Retirement are Confused or Lack Awareness

<table>
<thead>
<tr>
<th>Vital Statistics</th>
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<tbody>
<tr>
<td>&lt;45%...</td>
</tr>
<tr>
<td>37%...</td>
</tr>
<tr>
<td>24%...</td>
</tr>
<tr>
<td>42%...</td>
</tr>
<tr>
<td>10%...</td>
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</tbody>
</table>

Sources: The 2015 Retirement Confidence Survey, Employee Benefit Research Institute and Mathew Greenwald & Associates, April 2015
Clients Nearing Retirement May Feel Insecure

Maslow’s Hierarchy of Needs

- Self-Actualization
- Esteem
- Belonging
- Safety
- Physiology

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Accumulation Versus Decumulation

**Phase**
- Accumulation
- Decumulation

**Means**
- 401(k)

**End**

Maslow's Hierarchy of Needs:
- Self-Actualization
- Esteem
- Belonging
- Safety
- Physiology

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New or Heightened Risks

- Longevity Risk
- Inflation Risk
- Market Volatility Risk
- Health Care Costs
Longevity Risk

<table>
<thead>
<tr>
<th>To Age:</th>
<th>Single Female</th>
<th>Single Male</th>
<th>At Least One Member of a Married Couple</th>
</tr>
</thead>
<tbody>
<tr>
<td>85</td>
<td>53%</td>
<td>41%</td>
<td>72%</td>
</tr>
<tr>
<td>90</td>
<td>32%</td>
<td>20%</td>
<td>45%</td>
</tr>
<tr>
<td>95</td>
<td>13%</td>
<td>6%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Source: Derived from statistics published by the Society of Actuaries, 2011.

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## Market Volatility Risk

### “Dollar-Cost Ravaging”
- Liquidate when the market is low
- Experience inverse result of dollar-cost averaging

### Accumulation-Phase Corrective Mechanisms Are Unavailable
- Buy low
- Save more
- Defer retirement
Inflation Risk

How Long Will $1,000,000 Last?

Inflation-adjusted withdrawals from a $1,000,000 portfolio, with a first-year withdrawal: $50,000

This is a hypothetical example. It is not intended to reflect the actual performance of any investment. The example shows the longevity of a $1,000,000 portfolio based on a client withdrawing an amount of $50,000 year 1, with subsequent annual withdrawals adjusted annually for inflation, assuming a level 6% rate of return on investments, reinvestment of all earnings and no tax on earnings.

*Based on a level 6% annual rate of return.
Health Care Costs

Increased costs to retirees or reduced benefits

- Medicare is NOT available to early retirees—individuals must be 65
Health Care Cost Risk (Continued)

Projected costs in retirement for medical expenses, excluding long term care

Source: Employee Benefit Research Institute, 2013

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Additional Risks

- Unplanned early retirement
- Cutbacks in employer-provided benefits
- Changes in marital status
- “Sandwich generation”
Changing Client Needs and Expectations

- **Balance-sheet management**: Consideration of all assets
- **Tax management**: Tax-efficient withdrawals
- **Asset utilization**: Spending strategy
- **Absolute return**: Matched to liabilities
- **Asset preservation**: Sustainable withdrawals
Clients Want Integrated Retirement Income Plans

Top Five Factors Important to 401(k) Participants—by Asset Size

- Healthcare expenses
- Developing a monthly income plan
- Social Security
- Understanding if you will outlive money
- Evaluation of progress

Source: Based on Data from 1Q 2015, The Cerulli Edge—Retirement Edition
Natural Tendency Toward Resource Consolidation

- Five-year window preceding retirement is crucial
- Trust will emerge as a critical differentiator in advisor selection
- Advisors can build trust (and increased business) through:
  - Empathy
  - Expertise
  - Holistic approach to retirement income planning

Source: www.changingminds.org
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How Pershing Can Help

• Pershing is here to help with:
  – A broad range of innovative products and services
  – State-of-the-art technology that simplifies account management
  – Access to sophisticated planning resources and tools
  – Ongoing education and marketing support

Knowledge Gap
In a recent survey, investors struggled to answer basic retirement planning questions in key areas such as Social Security, annuities, retirement investments, longevity and long-term care.

*Source: The American College RICP® Retirement Income Literacy Survey, September 2014
Module 1 The Transition Phase of Retirement and Your Business

Where to Find Pershing Resources

Retirement Programs: retirementpowerplay.com/income

Download educational and client materials

Programs include IRA and Rollover, Retirement Income and Small Business Retirement Plans
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Where to Find Pershing Resources (Continued)

Retirement Essentials website: retirementpowerplay.com/essentials

Optimized for tablets—Allows you to compare, select and research IRAs and Employer-Sponsored Plans
Module 1 The Transition Phase of Retirement and Your Business

Where to Find Pershing Resources (Continued)

Visit Marketing Center in NetX360®

Go to the Retirement Center in Tools

Under Resources in NetX360

In the Marketing Center
- View and order printed materials
- Sort by keyword “Retirement” or “IRA-Marketing”
- Customize fact sheets for client use

Under Financial Solutions and Retirement
- Information about Pershing’s offering
- Quick links to webcasts and materials
- Regulatory and product updates

In the Retirement Center
- Retirement calculators that generate client-ready reports
Some Conclusions

The opportunity is too large to ignore—and clients need your help navigating through the transition phase.

Clients nearing retirement are ready to consolidate assets—and advisors.

Pershing provides the tools, resources and materials to support the growth of your business with this key segment.
# Resources

## Industry Resources

<table>
<thead>
<tr>
<th>Resource</th>
<th>Website/Association</th>
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<tbody>
<tr>
<td>CFA Institute</td>
<td>CFP Board</td>
</tr>
<tr>
<td>Financial Planning Association</td>
<td>IRS.gov</td>
</tr>
<tr>
<td>LIMRA</td>
<td>Retirement Industry Association of America</td>
</tr>
<tr>
<td>Rothira.com</td>
<td>The Trinity Study</td>
</tr>
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</table>

## Pershing Resources

<table>
<thead>
<tr>
<th>Resource</th>
<th>Worksheet/Spreadsheet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Inventory Worksheet</td>
<td>Budgeting Tool Spreadsheet</td>
</tr>
<tr>
<td>Rollover IRA Brochure</td>
<td>Traditional and Roth IRA Brochure</td>
</tr>
<tr>
<td>Retirement Calculators (also in the Retirement Center under Tools in NetX360®)</td>
<td>Pershing Retirement Solutions Brochure</td>
</tr>
<tr>
<td>Advisor Mutual Fund Only Option Fact Sheet</td>
<td>IRA Selector</td>
</tr>
<tr>
<td>Retirement Programs</td>
<td>Pershing’s Client Profile Sheet for Retirement</td>
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</tbody>
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Third party sites provided for convenience. Pershing does not endorse these sites or their content.
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