Retire Well Series

Show Me the Money!

Investing & Income in Retirement

Today's Presentor:

Melissa Jean Stewart, CFP®, AIF®, CPFA®

Founder I Senior Financial Advisor

ClearVista Advisors

- 20 years finance industry experience
- B.B.A., Finance and Business Management, Grand Valley State University
- CERTIFIED FINANCIAL PLANNER, CFP®
- Accredited Investment Fiduciary®, AIF®
- Certified Plan Fiduciary Advisor, CPFA®
- Currently serves on the Grand Valley State University Alumni Board
- Safe Haven Ministries Finance Committee
- Enjoys running, volunteering, and spending time with her family and dogs

AGENDA:

GOAL:
Maximize your retirement savings, through your investment strategy & financial planning.

- **Investment Strategy**
- **How much can you withdrawal?**
- **Other tips & tricks**

INVESTMENT STRATEGY

Determine your risk level

Use an institutional investment process. Rational vs. Emotional

Diversify, diversify, diversify

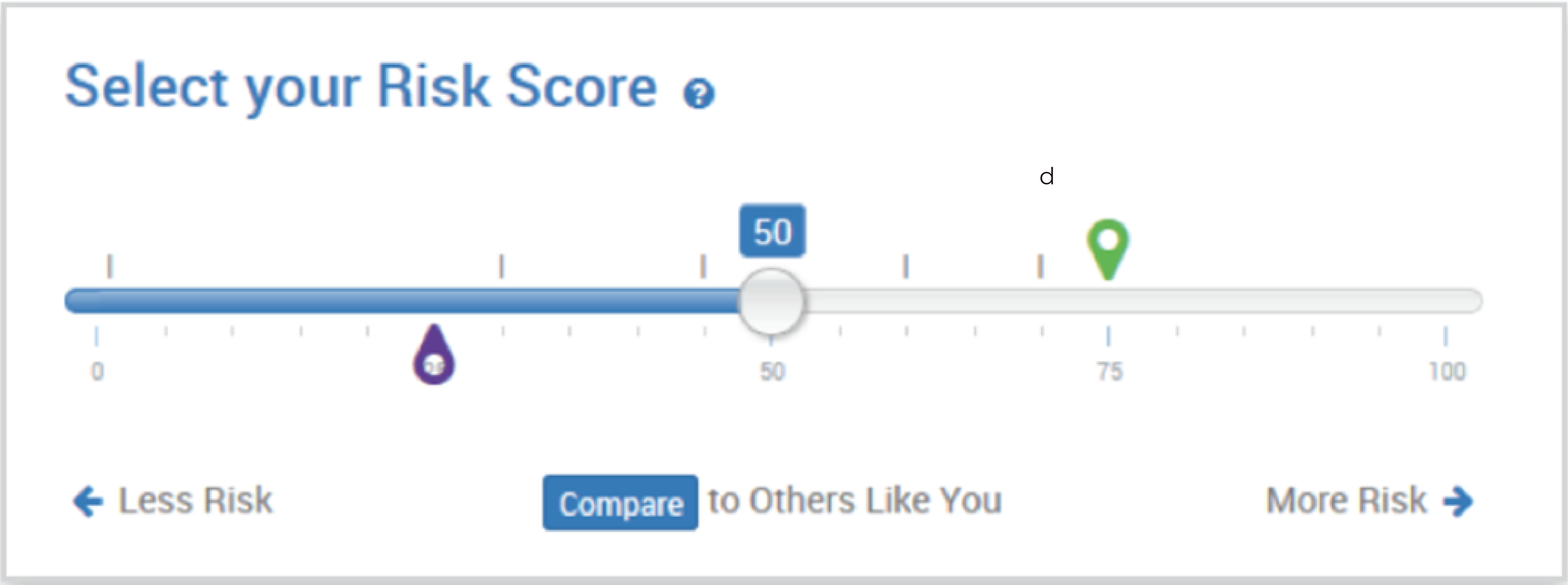
Consider the Bucket Strategy

Stay the Course

Why you might consider an IRA (individual retirement account)

INVESTMENT STRATEGY:

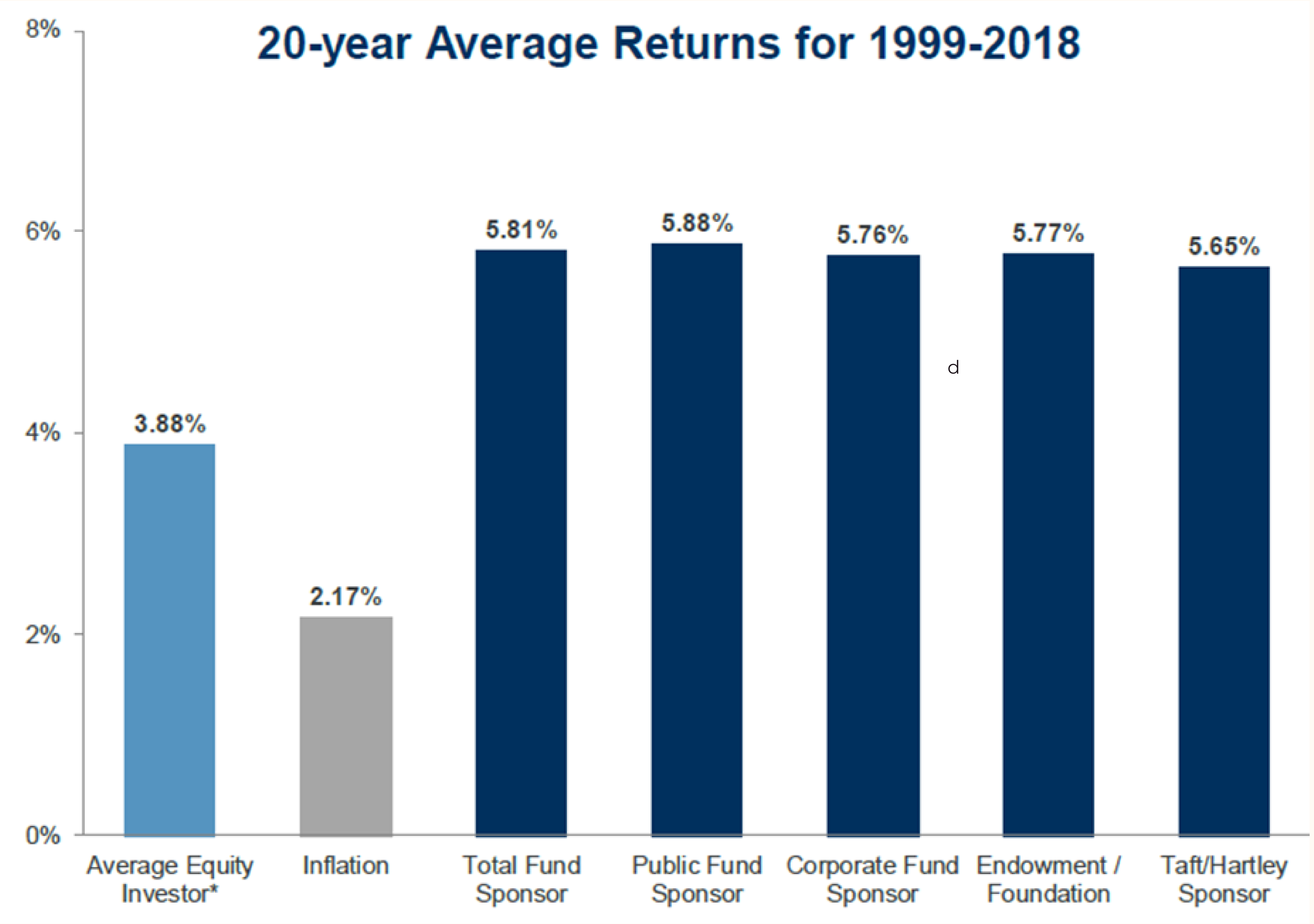
Determine the level of risk you are comfortable assuming.



These images are reproduced from the Goal Planning & Monitoring financial planning software, *PIEtech, inc.

INVESTMENT STRATEGY:

Institutional Investment Approach vs. "Average Equity Investor"



There is no assurance that past trends will continue into the future. The effects of any updates released after the period shown are not reflected in this Data. Past performance does not guarantee future results. Peer groups are not available for direct investment and any individual who attempts to mimic the performance of a peer group would incur fees and expenses which would reduce returns. Source: *The Average Equity Investor and inflation data comes from "Dalbar's 22nd Annual Quantitative Analysis of Investor Behavior (QAIB) study". Average equity investor performance is calculated using results supplied by the Investment Company Institute. Investor returns are represented by the change in total mutual fund assets after excluding sales, redemptions, and exchanges. Results capture realized and unrealized capital gains dividends, interest, trading costs, sales charges, fees, expenses and other costs. Dividends are not guaranteed, and a company's ability to pay dividends may be limited. Fund sponsors data for the participants in the peer groups come from four primary sources: Callan clients, BNY Mellon, Investorforce and Callan nonclients. The Total Fund Sponsor Database consists of return and asset allocation information for corporate pensions funds, endowment/foundation funds, public funds, and Taft-Hartley funds. The Public Fund Sponsor Database consists of return and asset allocation information for public pension funds at the city, county and state level. The Corporate Fund Sponsor Database consists of return and asset allocation information for a wide variety of corporate pension funds. The Endowment/Foundation Fund Sponsor Database consists of return and asset allocation information for endowments and foundations. The Taft-Hartley Fund Sponsor Database consists of return and asset allocation information for Taft-Hartley union pension funds.

INVESTMENT STRATEGY:

Institutional Process

Risk Assessment

- Financial Planning
- Investment Objective
- Risk Tolerance
- Time Horizon

Step 1

Develop forward-looking risk and return and correlation assumptions for different asset classes.

Assumptions

Step 2

Optimize the asset allocation and build efficient portfolios from the selected asset classes.

Asset Allocation

Step 3

Search for and hire high quality investment managers.

Investment Selection

Step 4

Continuously monitor every element of the process and adjust as necessary

Monitoring

INVESTMENT STRATEGY:

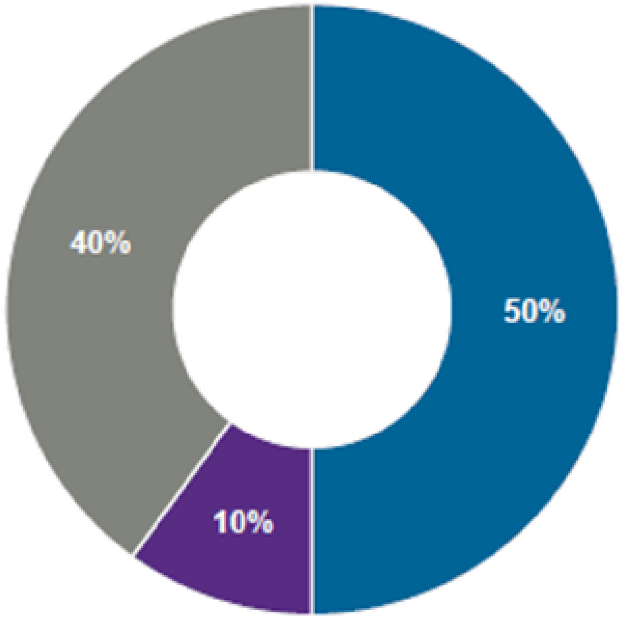
Diversify, Diversify, Diversify.

Maximizing the power of diversification 2001–2020

MIX IT UP WISELY

Diversification may provide better returns with less risk.

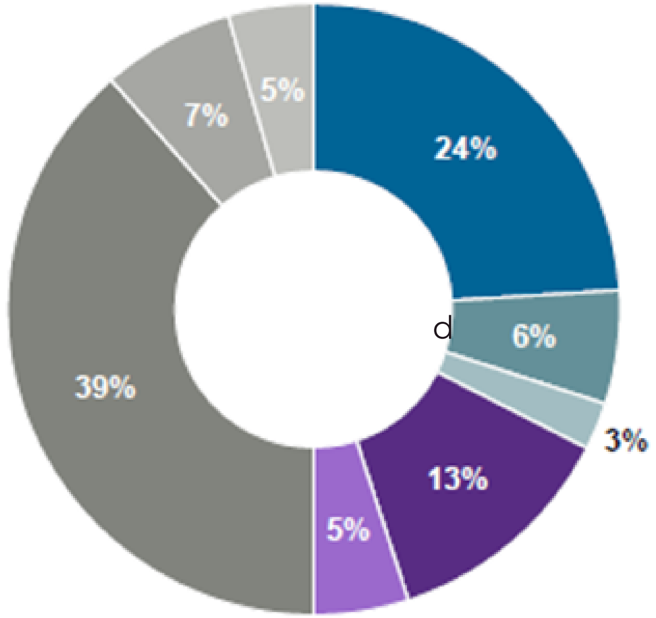
Less diversified portfolio



Return: 6.6%
Volatility: 10.3%

- S&P 500
- EAFE Equity
- Bloomberg Barclays U.S. Aggregate Total Return

More diversified portfolio



Return: 7.0%
Volatility: 10.1%

- S&P 500
- Russell 2000
- REIT
- EAFE Equity
- Emerging Market Equity
- Bloomberg Barclays U.S. Aggregate Total Return
- US High Yield
- Emerging Market Debt

Indices and weights of the less diversified portfolio are as follows: U.S. stocks: 50% S&P 500; International stocks: 10% MSCI EAFE; U.S. bonds: 40% Bloomberg Barclays Capital Aggregate. More diversified portfolio is as follows: U.S. stocks: 24% S&P 500, 6% Russell 2000, 2.5% NAREIT Equity REIT Index; International stocks: 12.5% MSCI EAFE, 5% MSCI Emerging Markets; U.S. bonds: 38.5% Bloomberg Barclays Capital Aggregate, 7% Barclays U.S. High Yield; International bonds: 4.5% J.P. Morgan EMBI Global Diversified. Source: Bloomberg, J.P. Morgan Asset Management.

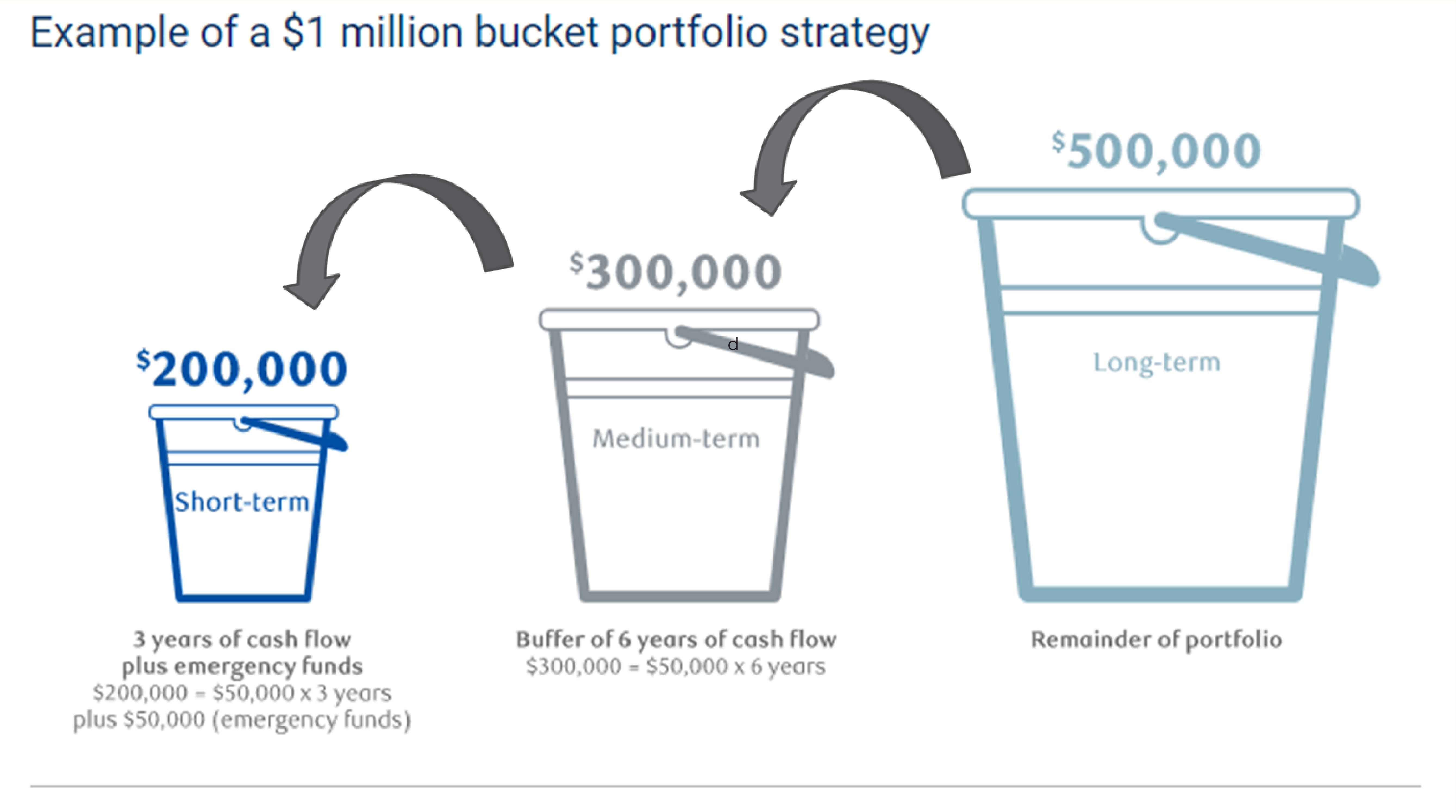
Charts are shown for illustrative purposes only. Percentages may not sum due to rounding. Past returns are no guarantee of future results. Diversification does not guarantee investment returns and does not eliminate risk of loss. Data as of December 31, 2020.

J.P.Morgan
Asset Management

Investing

INVESTMENT STRATEGY:

The Bucket Approach



INVESTMENT STRATEGY:

The Bucket Approach

How it works

The size and holdings of each bucket are determined by your initial wealth and income requirements, as well as your risk tolerance and return objectives.

Short-term – Income (1-5 years)

The short-term bucket holds cash and short-term investments for income withdrawals and emergency funds. It also helps to reduce the impact of short-term market volatility on the portfolio.

Medium-term – Buffer (6-10 years)

Holds income-generating investments, including low risk, low volatility equities for stable capital gains. This bucket serves as a buffer between the cash bucket and the long-term growth bucket.

Long-term – Growth (10+ years)

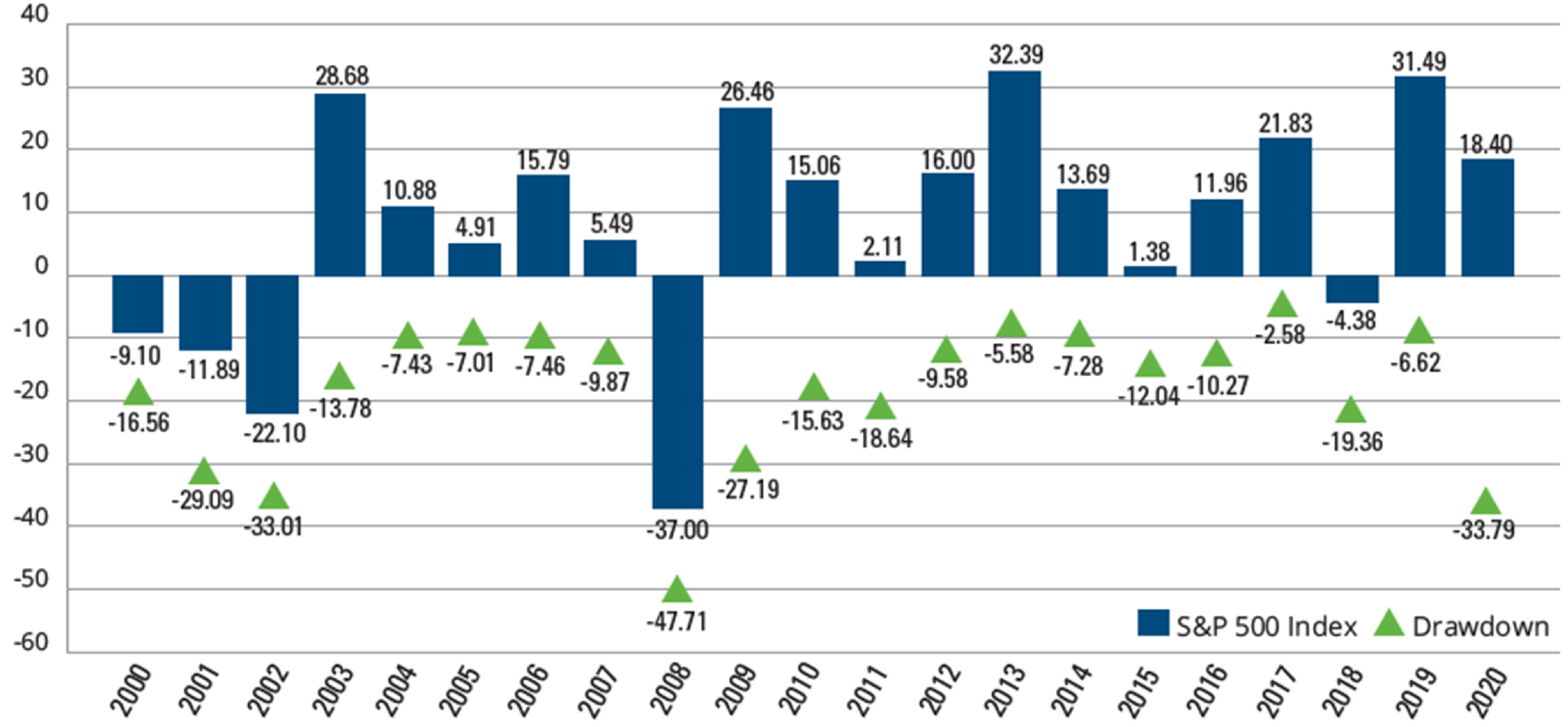
Holds growth-oriented equity funds, which are more volatile but offer higher potential for capital growth to sustain the portfolio for the later years of retirement.

INVESTMENT STRATEGY:

Stay the Course

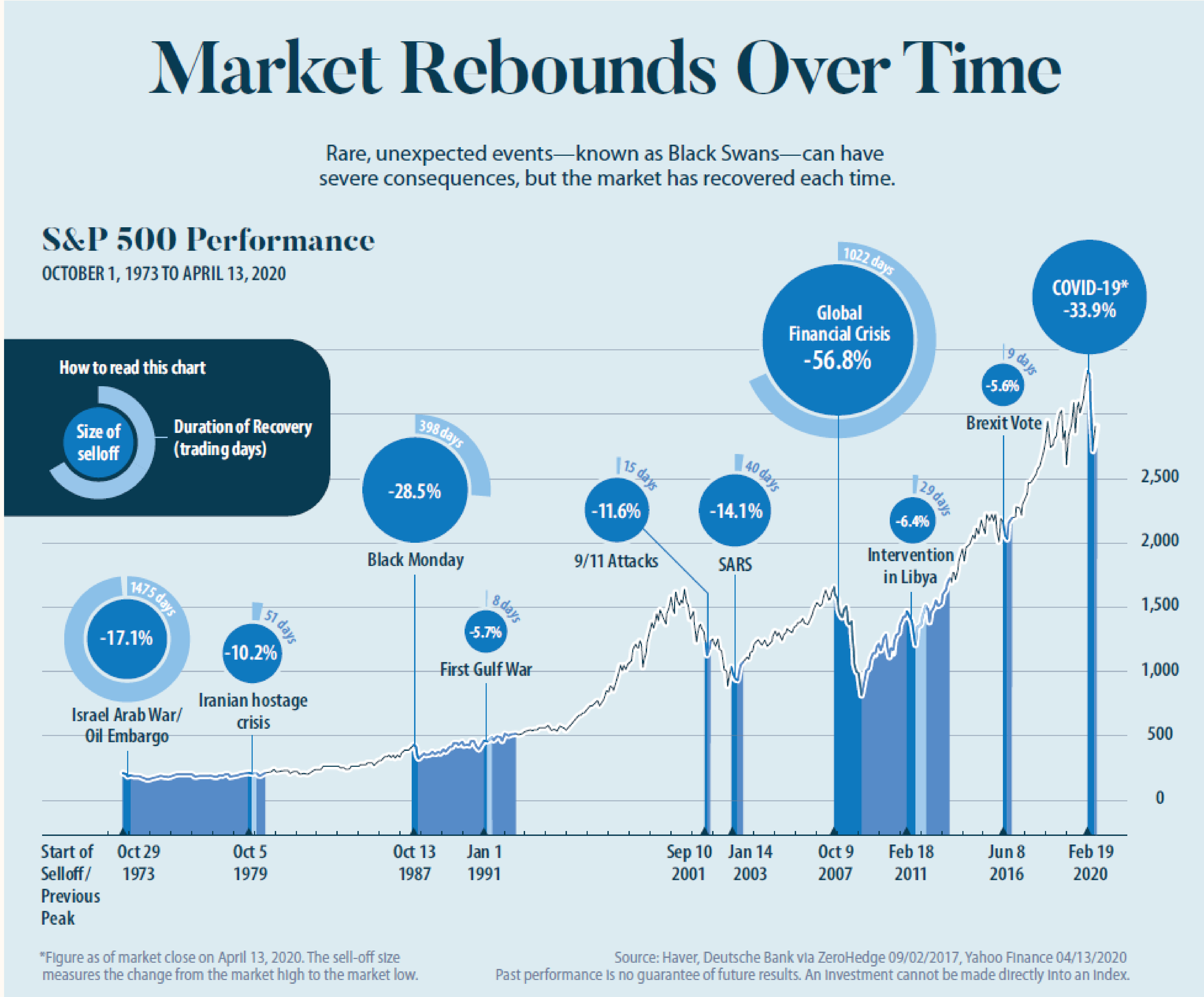
FIGURE 1

Intra-Year Dips in the S&P 500 Index Happen Frequently



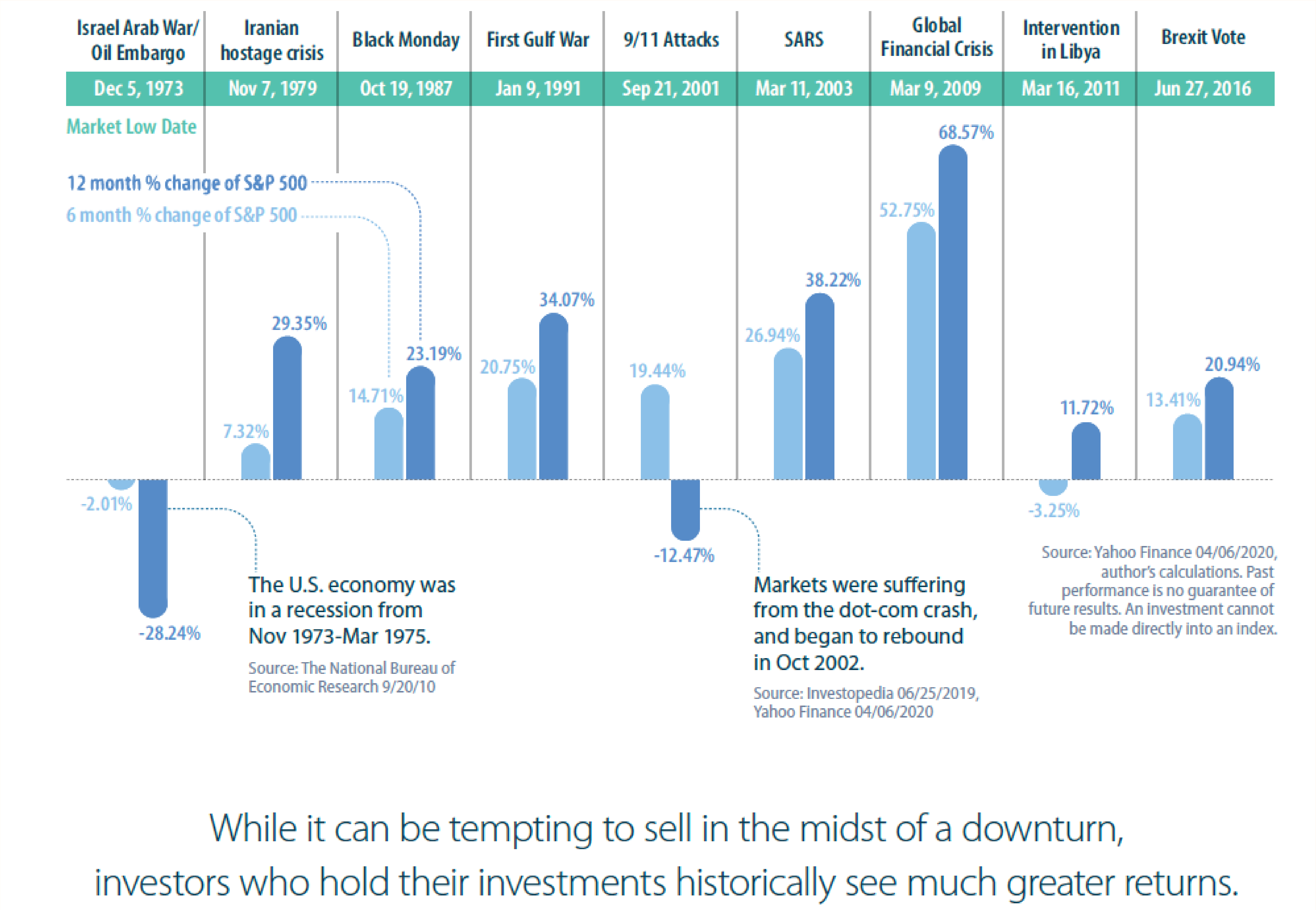
Source: Morningstar and Hartford Funds, 1/21 | **Past performance does not guarantee future results.** Indices are unmanaged and not available for direct reinvestment. Assumes reinvestment of capital gains and dividends and no taxes. Drawdown refers to the largest market drop from peak to trough during the calendar year.

INVESTMENT STRATEGY:



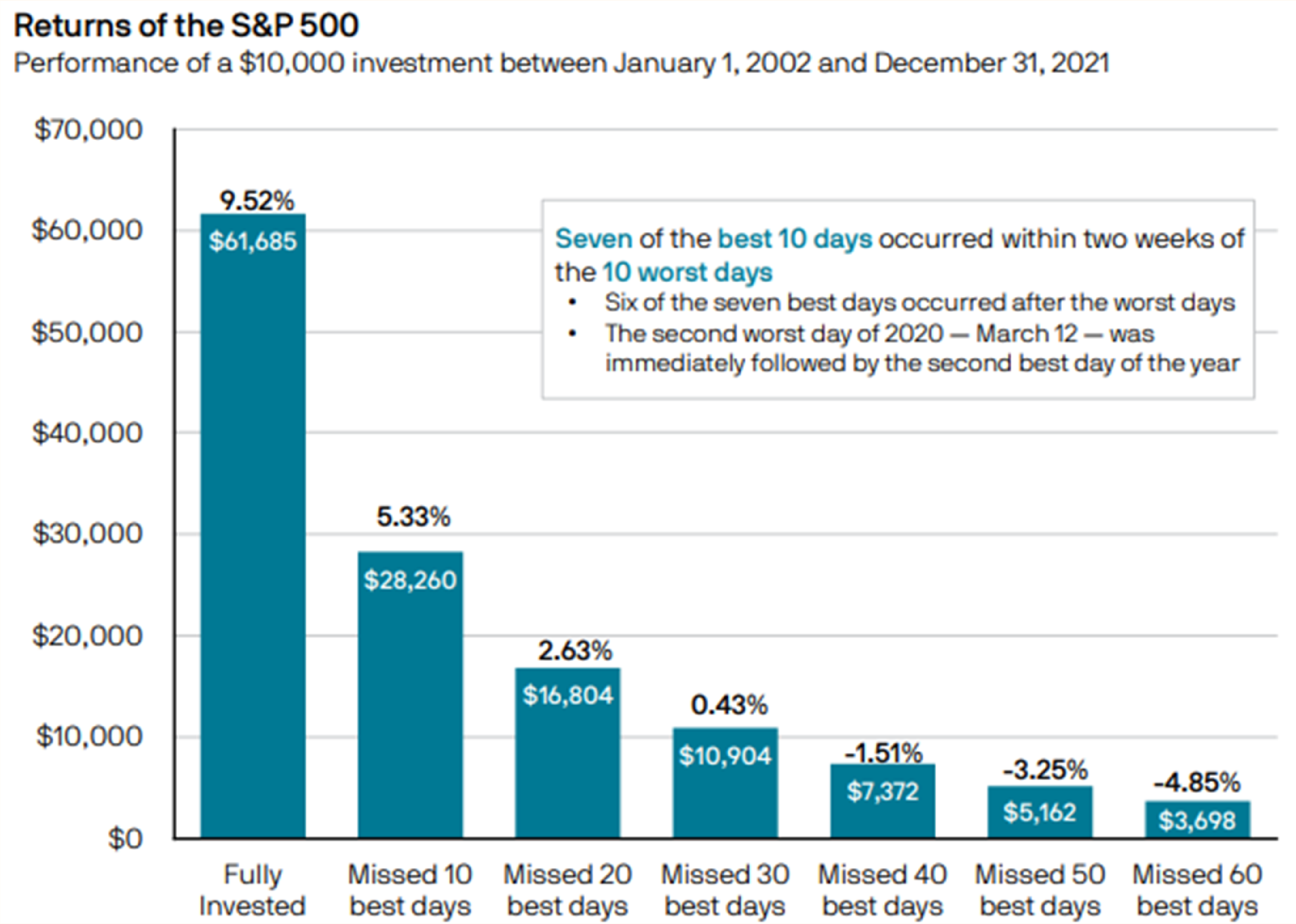
INVESTMENT STRATEGY:

Stay the Course: Downturns, have historically been short-lived, with the S&P 500 seeing 12-month gains in most cases.



INVESTMENT STRATEGY:

Stay the Course: Impact of being out of the market



INVESTMENT STRATEGY:
Individual Retirement Accounts

PROs:

Work with a personal financial advisor

- Like a personal CFO overseeing your financial situation

Bucket Strategy

Access to more diversified investment options

- Alternative Investments
- Smart Beta Strategies

Other services offered

- Financial Planning
- Coordination with other professionals (CPA, Estate Attorney, Medicare Specialist)
- Risk Management

CONs:

- Potentially higher cost
- Can't move money back into your previous employer's retirement plan
- 403(b) account holders can start taking distributions in the year they leave work as long at they turn 55 or older that year with no 10% penalty

HOW MUCH CAN I WITHDRAWAL?

4% Rule

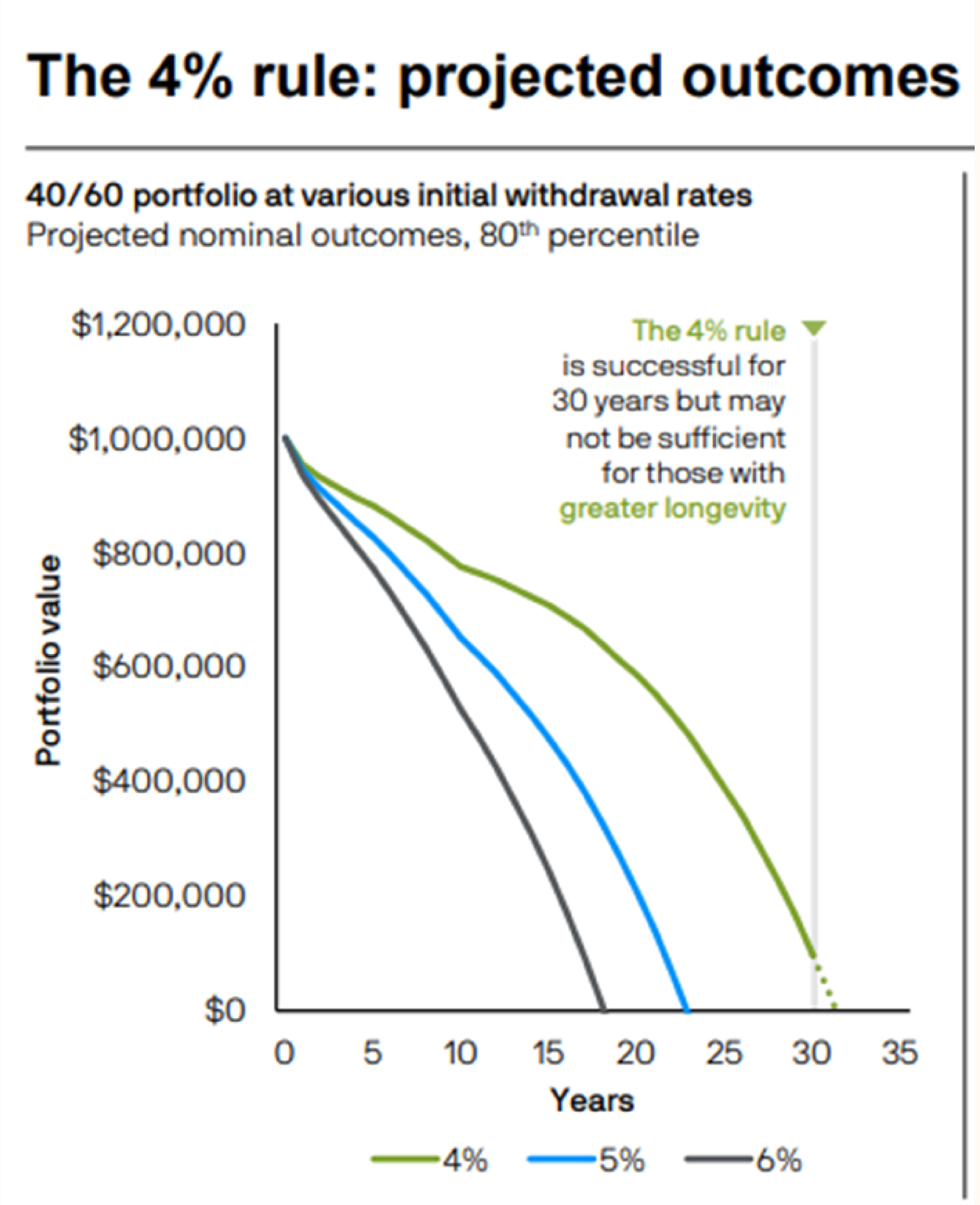
Sequence of Returns

Spending Pattern in Retirement

Goals Based Financial Planning

HOW MUCH CAN I WITHDRAWAL?

4% Rule - Does is Work?



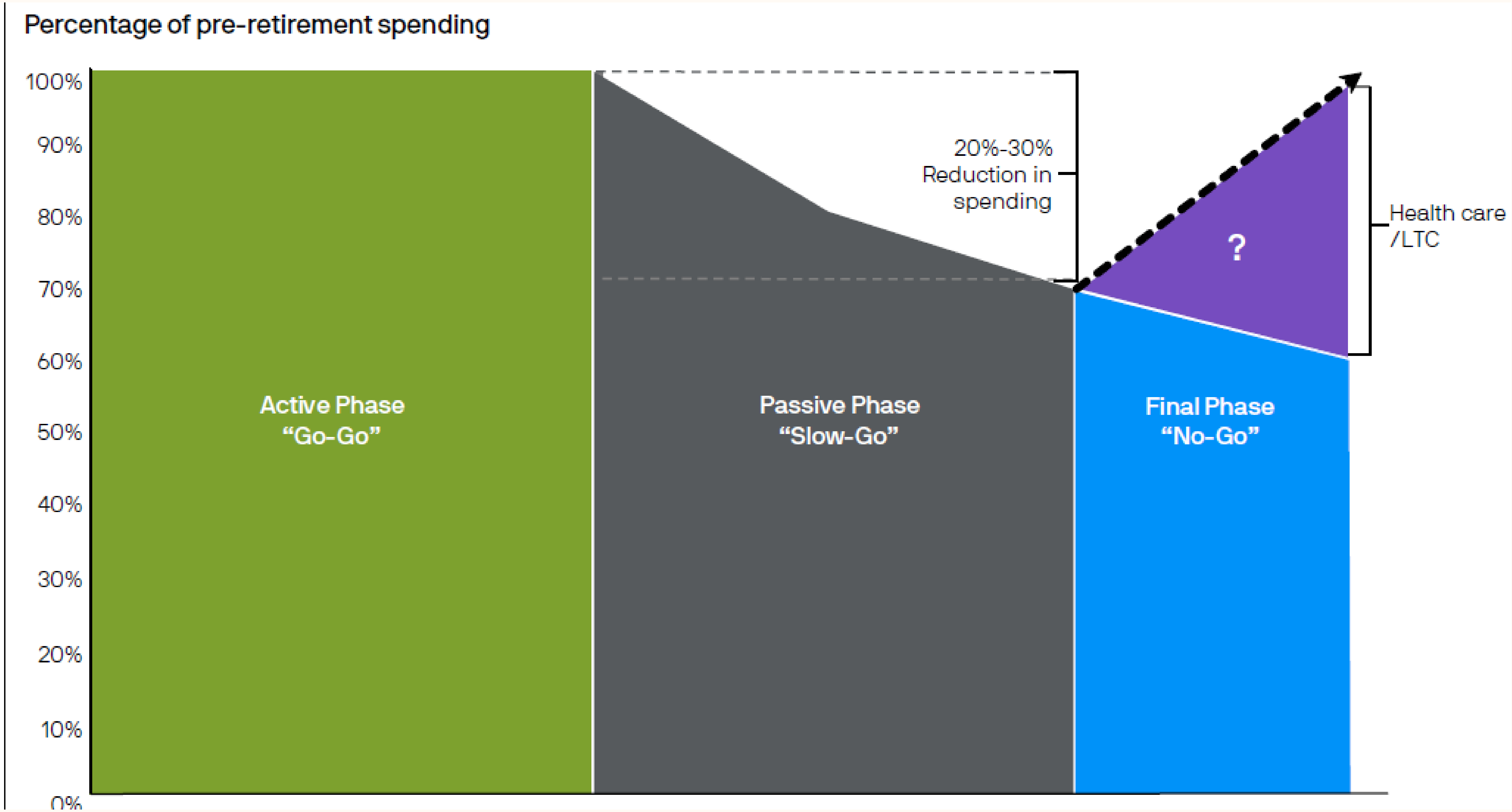
Good in theory, poor in practice

The 4% rule is the maximum initial withdrawal percentage that has a high likelihood of not running out of money after 30 years. It is not guidance on how to efficiently use your wealth to support your retirement lifestyle.

You may want to consider a dynamic approach that adjusts over time to more effectively use your retirement savings.

HOW MUCH CAN I WITHDRAWAL?

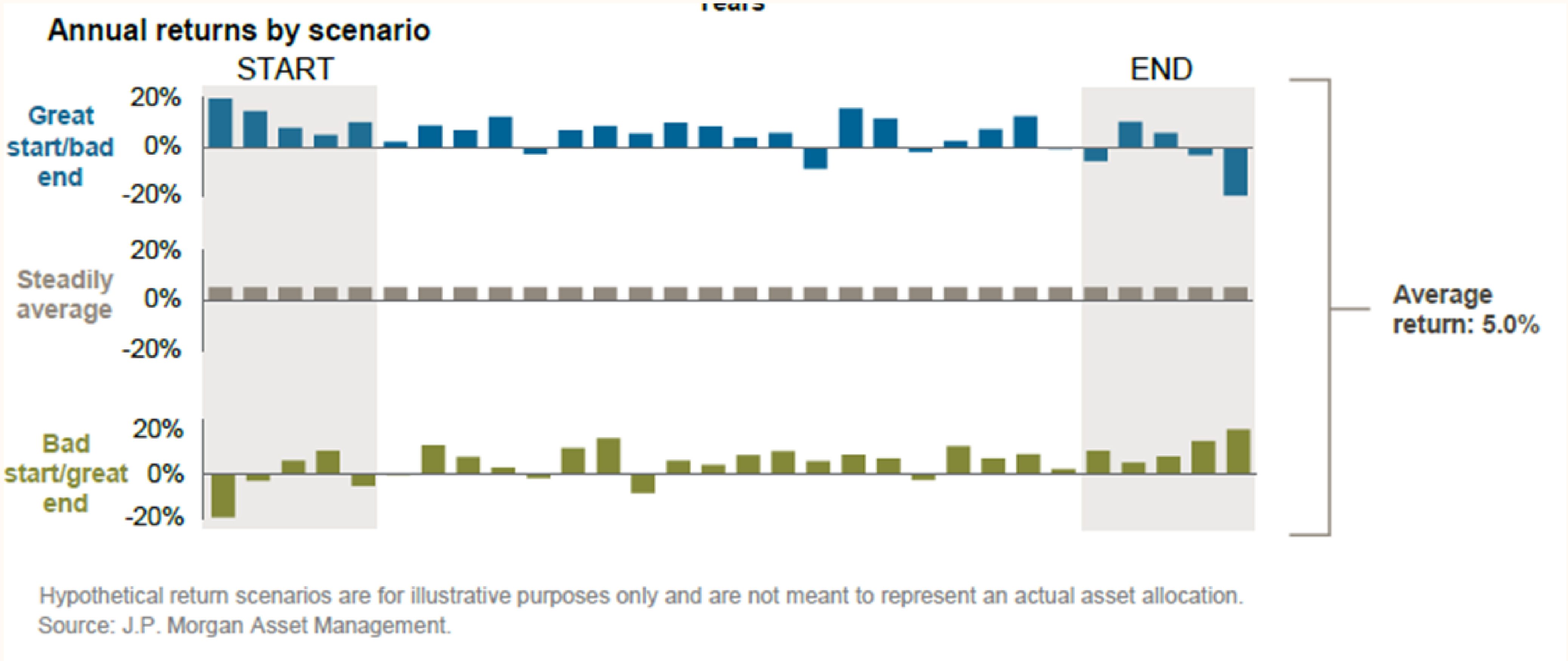
Spending isn't a straight line in retirement

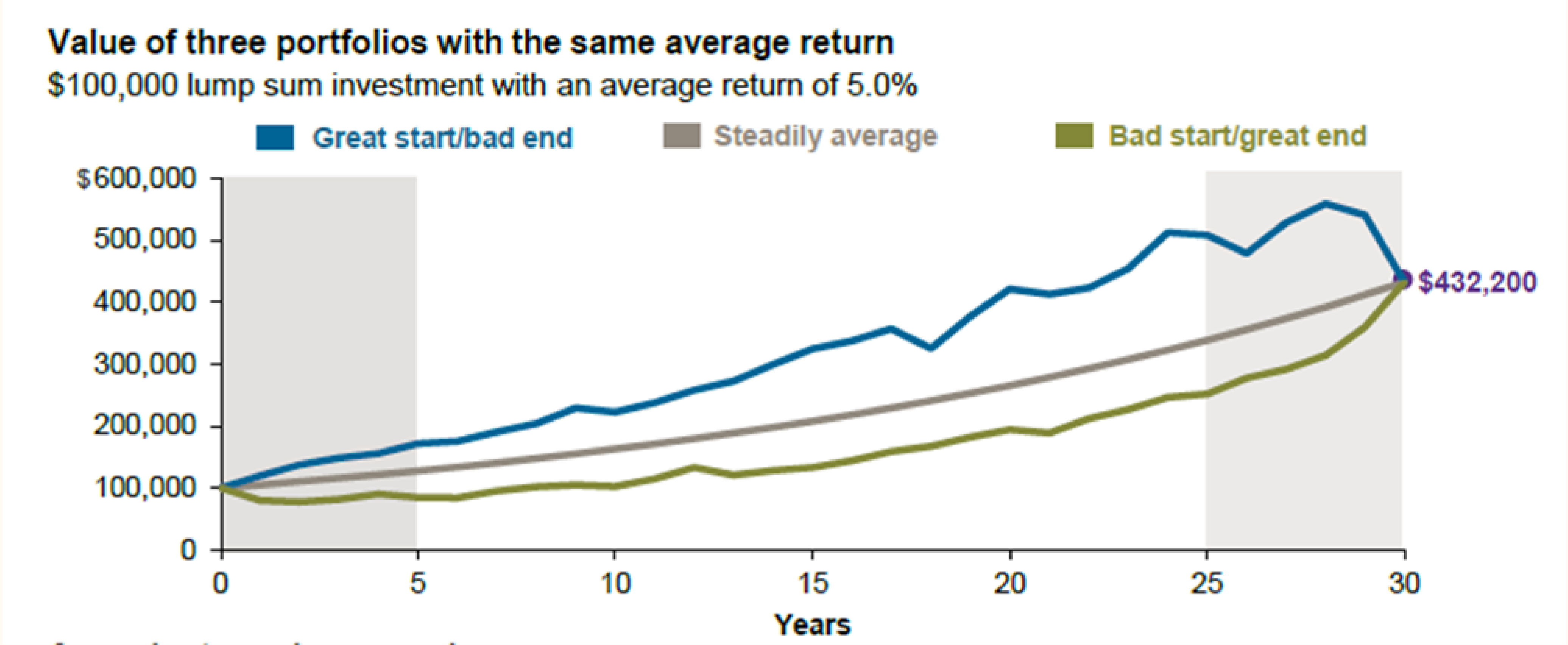


Source: The Prosperous Retirement Guide to the New Reality, Michael K. Stein, CFP, 1998. pp. 16-18.

HOW MUCH CAN I WITHDRAWAL?

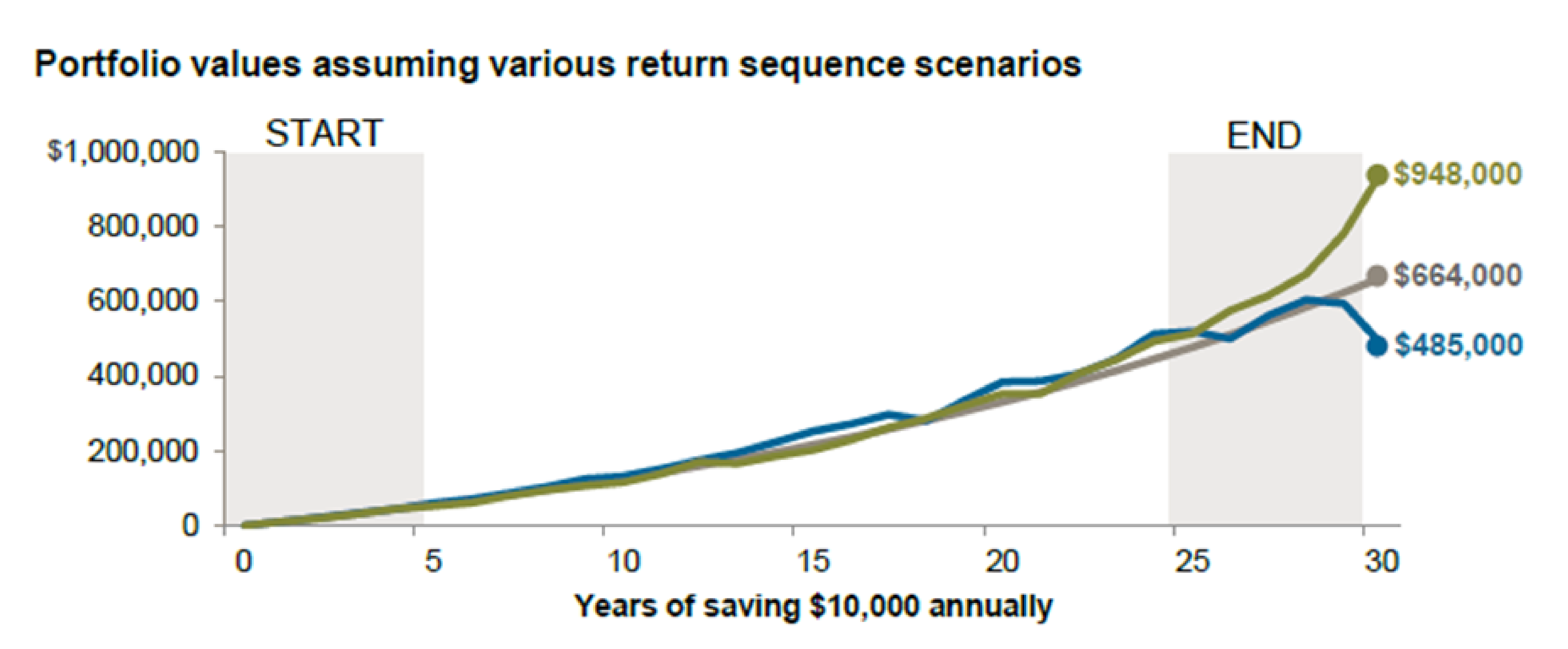
Sequence of Returns & How they Matter

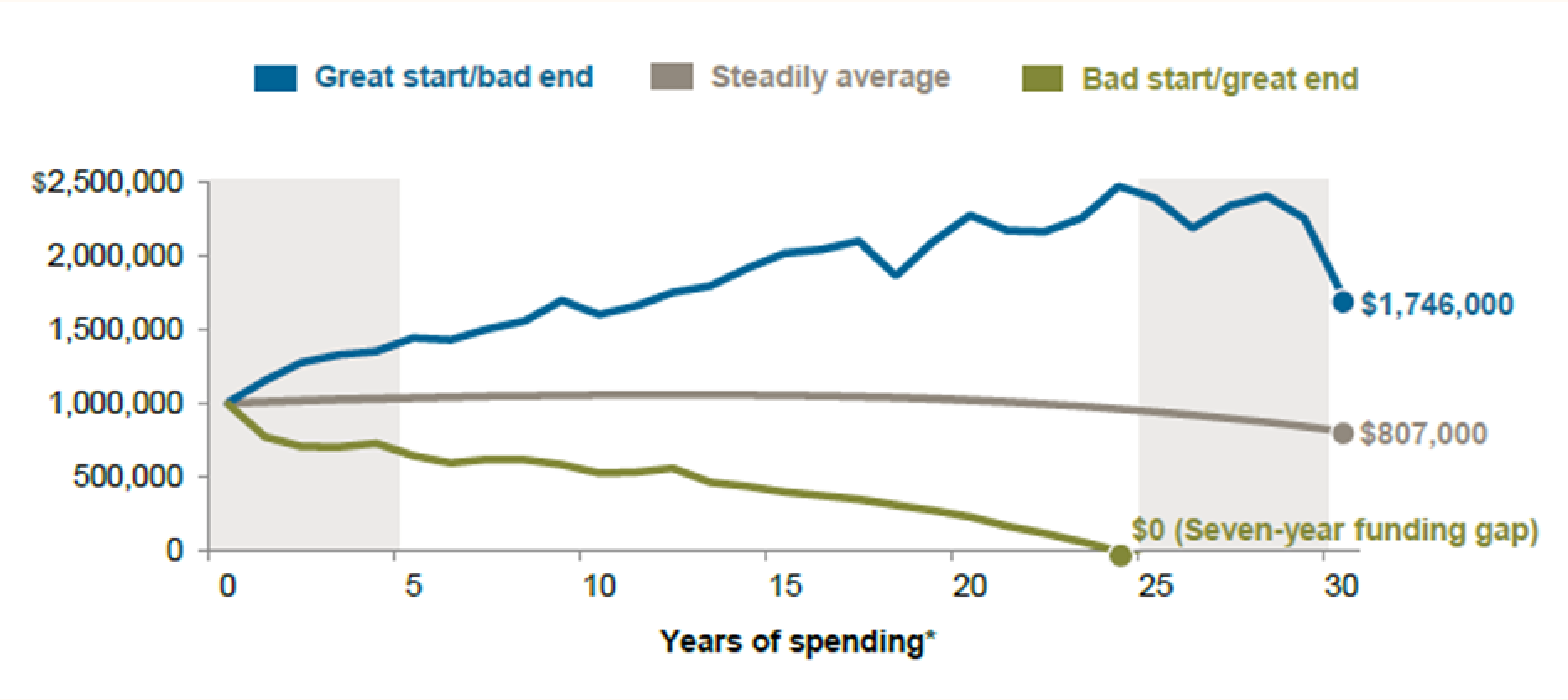


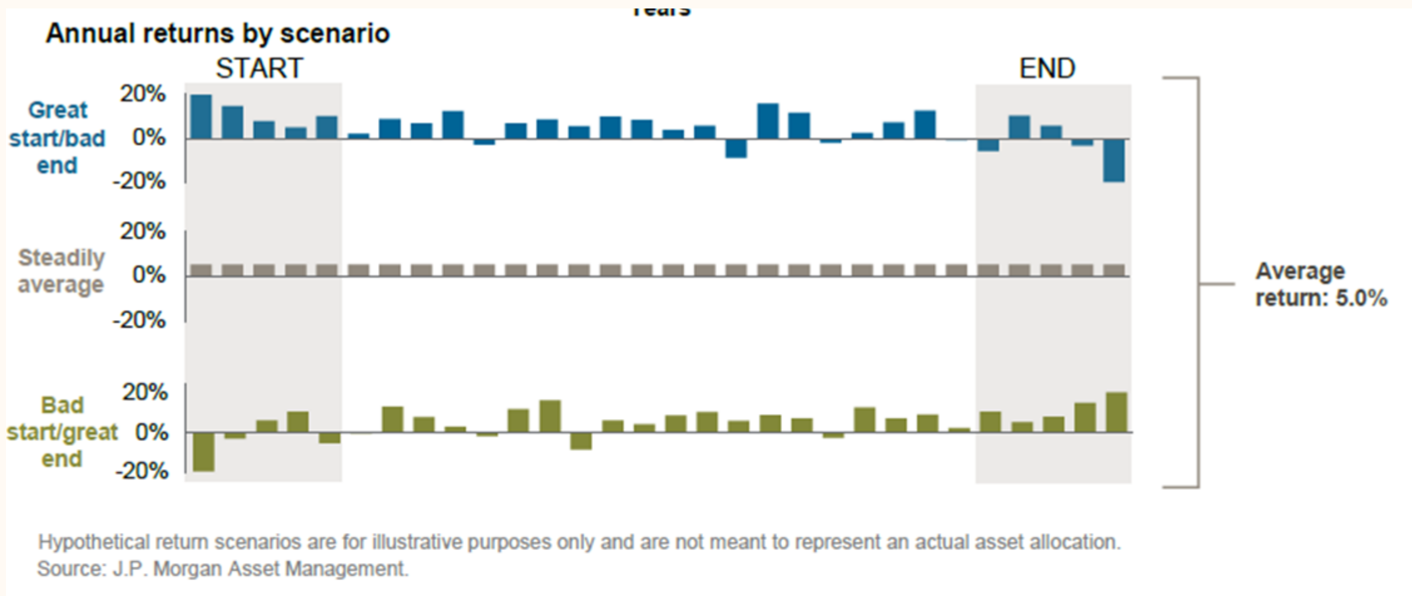


HOW MUCH CAN I WITHDRAWAL?

Sequence of Returns & How they Matter







THE GREATEST RISK IS WHEN WEALTH IS GREATEST

When saving for retirement, the return experienced in the early years has little effect compared to growth achieved through regularly saving. However, the rates of return just before and after retirement – when wealth is greatest – can have a significant impact on retirement outcomes.

Hypothetical return scenarios are for illustrative purposes only and are not meant to represent an actual asset allocation. Spending in retirement chart assumes a 4% withdrawal adjusted annually for inflation of 2%. Source: J.P. Morgan Asset Management.

HOW MUCH CAN I WITHDRAWAL?

Enter Goals Based Financial Planning

Steps to creating your plan and getting results

1. GOAL CREATION

The planning process starts with a question: What does your ideal retirement look like? Allow yourself to dream a little. Think of how much you would like to spend on things such as travel, charity, home improvements or even a new car.

2. IDENTIFY RESOURCES

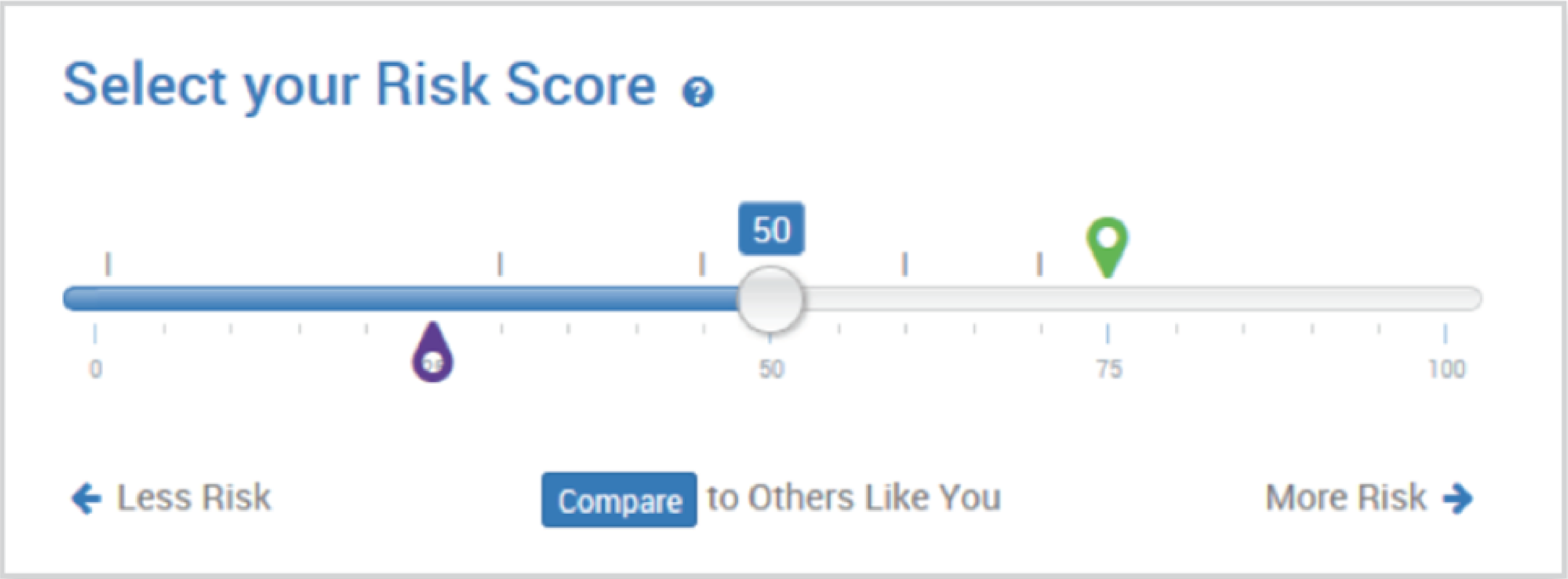
You'll get a better understanding of your overall financial picture with the ability to view your income and assets – the foundation of your plan and the key to achieving your goals – in one place. Navigating complex resources such as Social Security is made easier with tools like the Social Security Analysis.

HOW MUCH CAN I WITHDRAWAL?

Enter Goals Based Financial Planning

3. YOU AND THE MARKET

Understanding how the markets work and your comfort with taking risk is the key to a successful plan. Your advisor can use the software to help you understand your tolerance for risk, explaining market cycles and helping you identify scenarios that might cause you to rethink your long-term investment strategy.

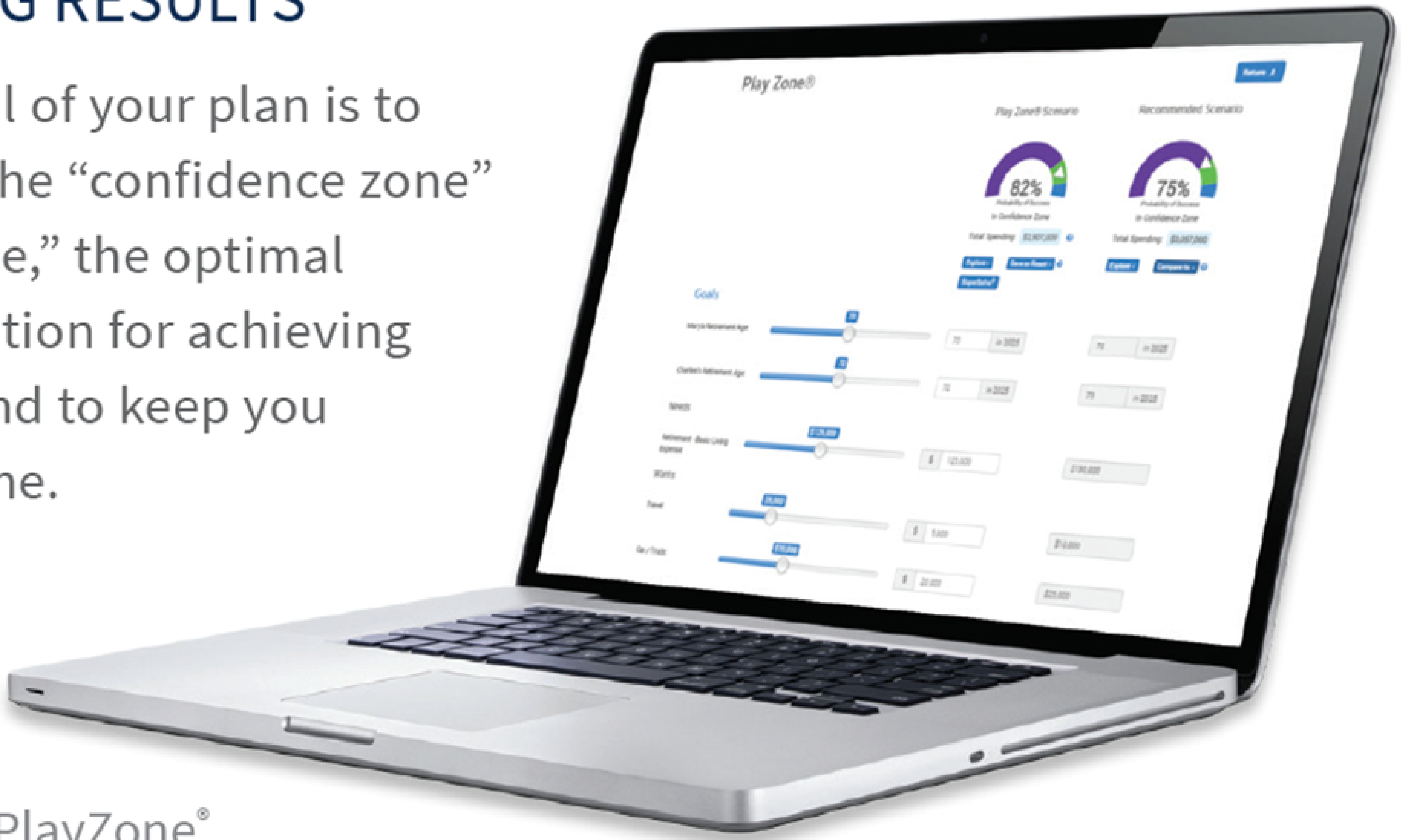


HOW MUCH CAN I WITHDRAWAL?

Enter Goals Based Financial Planning

4. GETTING RESULTS

The main goal of your plan is to get you into the "confidence zone" or "green zone," the optimal financial position for achieving your goals, and to keep you there over time.



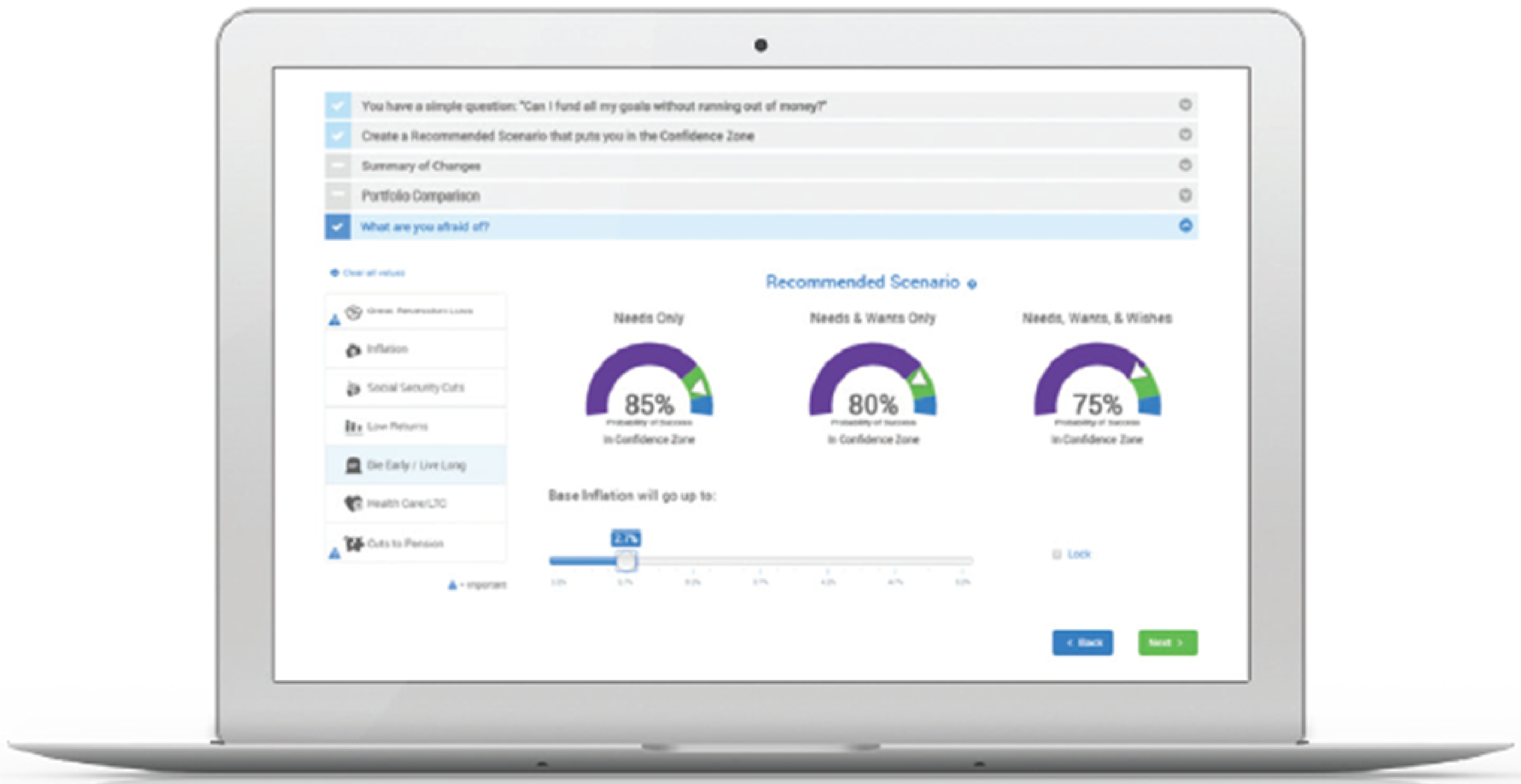
PlayZone®

IMPORTANT: The projections or other information generated by Goal Planning & Monitoring regarding the likelihood of various investment outcomes are hypothetical in nature and do not reflect actual investment results and are not guarantees of future results. Results may vary with each use and over time.

HOW MUCH CAN I WITHDRAWAL?

Enter Goals Based Financial Planning

Using interactive features like PlayZone® and What Are You Afraid Of?®, you can instantly see how changes, small or large, impact the success of your plan and stress-test your choices to help you feel confident that, even through changes, you'll stay on track.



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OTHER TIPS & TRICKS

Asset Location

RMDs & QCDs

ROTH Conversions

Deduction Clumping

OTHER TIPS & TRICKS

The accounts you place your investments in, matter for tax effeciencies

	Tax treatment of expected returns	Taxable	Tax-deferred	Tax-exempt
Municipal securities and municipal mutual funds	Generally exempt	✔ More appropriate	✔ Less appropriate	✔ Less appropriate
Equity securities held long-term for growth	Taxed at long-term capital gain rates	✔ More appropriate	✔ Appropriate	✔ Appropriate
Equity index funds/ETFs (other than REITs)		✔ More appropriate	✔ Appropriate	✔ Appropriate
Tax-managed mutual funds		✔ More appropriate	✔ Less appropriate	✔ Less appropriate
Real estate investment trusts (REITs)	Generally, 80% of income taxed at ordinary rates; 20% tax-exempt	✔ Appropriate	✔ More appropriate	✔ More appropriate
High-turnover stock mutual funds that deliver effectively all returns as short-term capital gains	Taxed at ordinary income rates	✔ Less appropriate	✔ More appropriate	✔ More appropriate
Fully taxable bonds and bond funds (i.e., corporates)		✔ Less appropriate	✔ More appropriate	✔ More appropriate

✔ More appropriate ✔ Appropriate ✔ Less appropriate

https://www.fidelity.com/viewpoints/investing-ideas/asset-location-lower-taxes

OTHER TIPS & TRICKS

RMDs & QCDs

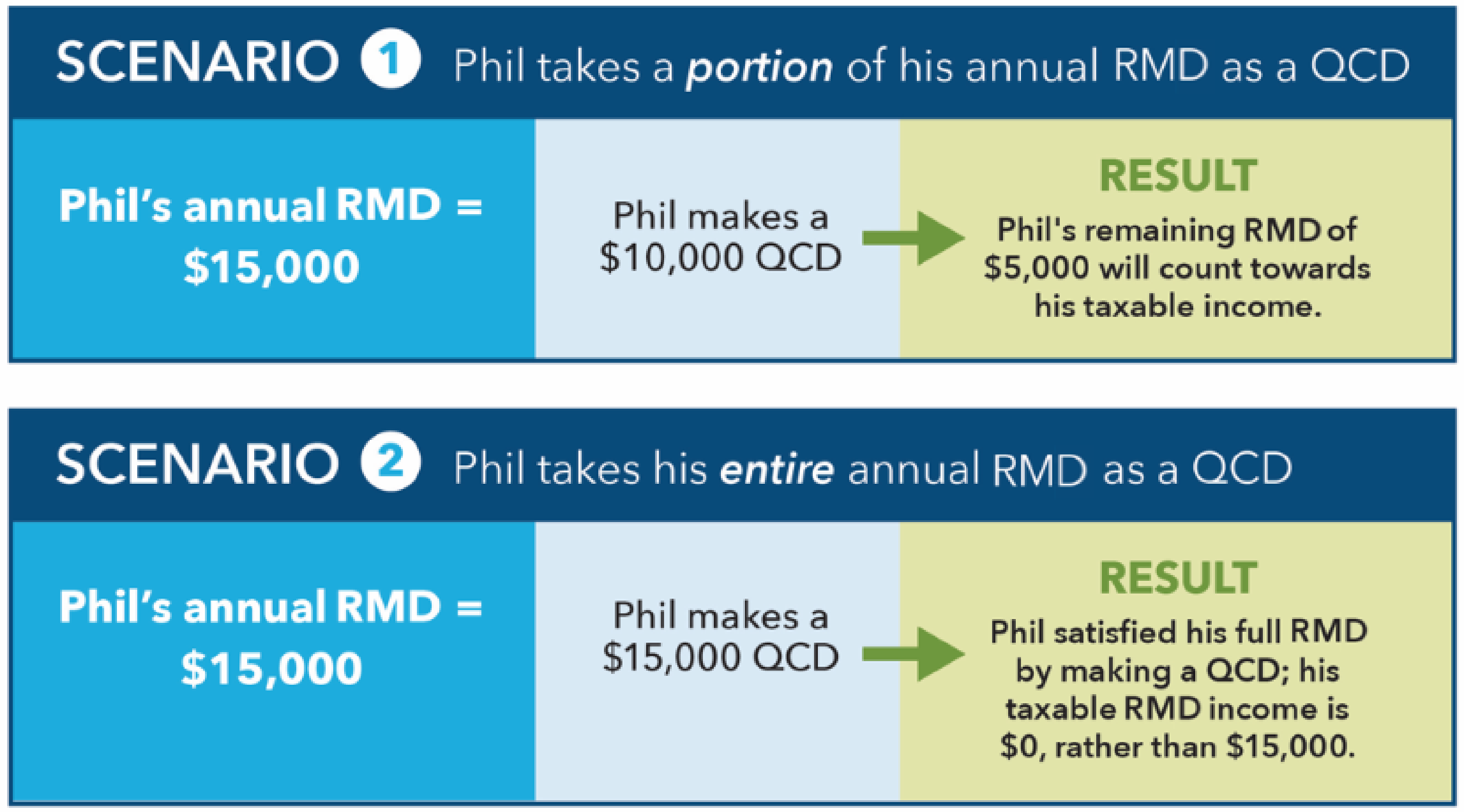
Required Minimum Distributions - New Rules in 2023

https://www.cnbc.com/2023/01/03/3-changes-in-secure-2point0-for-required-minimum-distributions.html#:~:text=The%20new%20law%20raises%20the,31%20of%20that%20year.

Required Minimum Distributions - Calculator

https://www.investor.gov/financial-tools-calculators/calculators/required-minimum-distribution-calculator

Qualified Charitable Distributions



https://www.fidelity.com/building-savings/learn-about-iras/required-minimum-distributions/qcds

A QCD is a direct transfer of funds from your IRA custodian, payable to a qualified charity. QCDs can be counted toward satisfying your required minimum distributions (RMDs) for the year, as long as certain rules are met.

OTHER TIPS & TRICKS

ROTH Conversions in Retirement

2023 Federal Income Tax Brackets and Rates for Single Filers, Married Couples Filing Jointly, and Heads of Households

Tax Rate	For Single Filers	For Married Individuals Filing Joint Returns	For Heads of Households
10%	$0 to $11,000	$0 to $22,000	$0 to $15,700
12%	$11,000 to $44,725	$22,000 to $89,450	$15,700 to $59,850
22%	$44,725 to $95,375	$89,450 to $190,750	$59,850 to $95,350
24%	$95,375 to $182,100	$190,750 to $364,200	$95,350 to $182,100
32%	$182,100 to $231,250	$364,200 to $462,500	$182,100 to $231,250
35%	$231,250 to $578,125	$462,500 to $693,750	$231,250 to $578,100
37%	$578,125 or more	$693,750 or more	$578,100 or more

Source: Internal Revenue Service

https://www.troweprice.com/personal-investing/resources/insights/when-to-consider-a-roth-conversion.html

Table 1. Single Taxable Income Tax Brackets and Rates, 2017

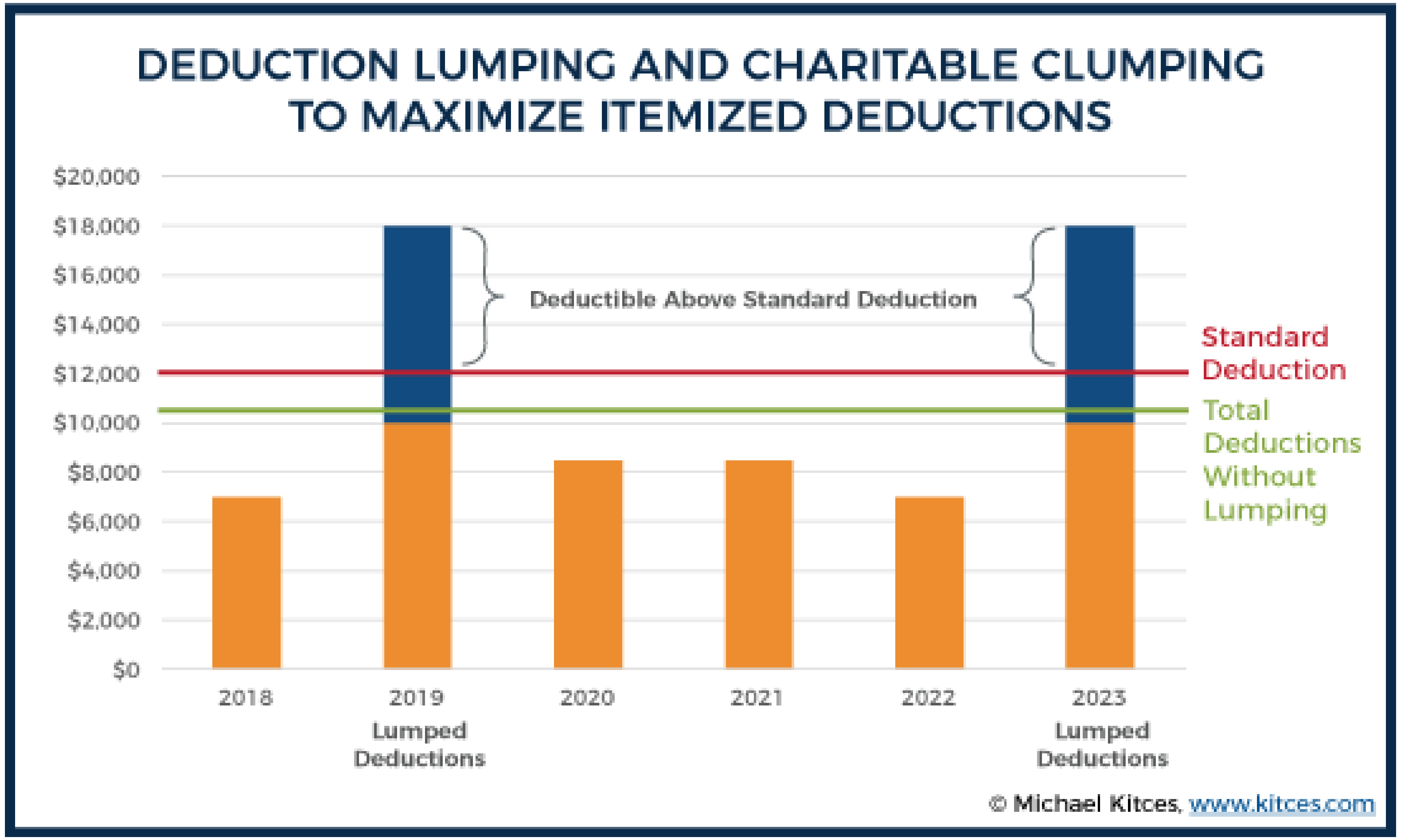
Rate	Taxable Income Bracket	Tax Owed
10%	$0 to $9,325	10% of Taxable Income
15%	$9,325 to $37,950	$932.50 plus 15% of the excess over $9,325
25%	$37,950 to $91,900	$5,226.25 plus 25% of the excess over $37,950
28%	$91,900 to $191,650	$18,713.75 plus 28% of the excess over $91,900
33%	$191,650 to $416,700	$46,643.75 plus 33% of the excess over $191,650
35%	$416,700 to $418,400	$120,910.25 plus 35% of the excess over $416,700
39.60%	$418,400+	$121,505.25 plus 39.6% of the excess over $418,400

Table 2. Married Filing Joint Taxable Income Tax Brackets and Rates 2017

Rate	Taxable Income Bracket	Tax Owed
10%	$0 to $18,650	10% of taxable income
15%	$18,650 to $75,900	$1,865 plus 15% of the excess over $18,650
25%	$75,900 to $153,100	$10,452.50 plus 25% of the excess over $75,900
28%	$153,100 to $233,350	$29,752.50 plus 28% of the excess over $153,100
33%	$233,350 to $416,700	$52,222.50 plus 33% of the excess over $233,350
35%	$416,700 to $470,700	$112,728 plus 35% of the excess over $416,700
39.60%	$470,700+	$131,628 plus 39.6% of the excess over $470,700

OTHER TIPS & TRICKS

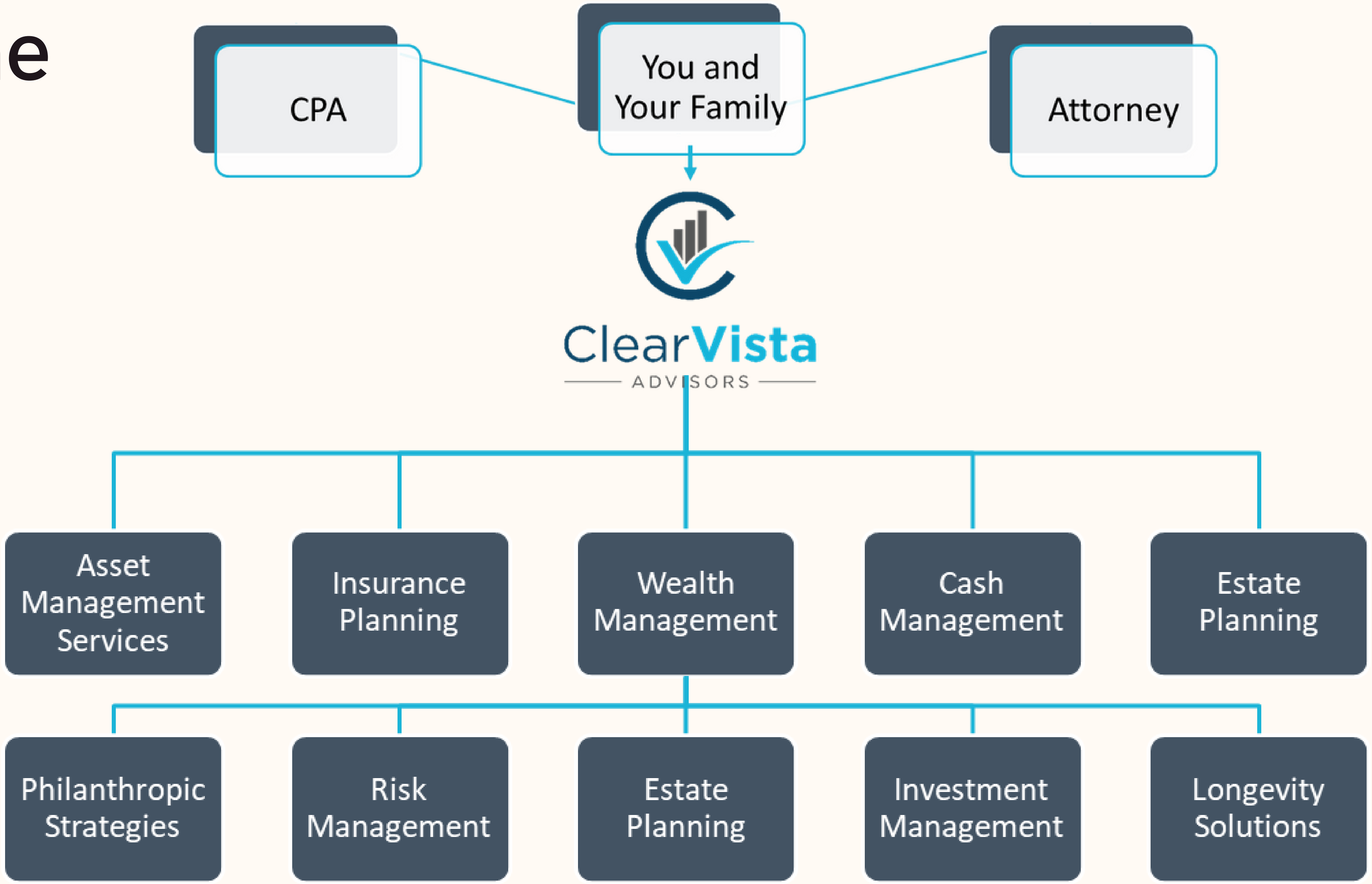
Deduction Clumping & Donor Advised Funds
Standardized Deductions 2023: $13,850 Singles & $27,700 Couples



https://www.kitces.com/blog/deduction-lumping-charitable-clumping-tax-savings-itemized-vs-standard-deduction/

Not all Advisors are the Same

- Look for the 3 Es: Experience, Expertise, Education
- Are they a fiduciary?
- Understand Fees



Providing you with a clear view of your financial future.

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Thank You For Attention