Welcome to our workshop on taking control. We're excited to see you. You should have been given some materials as you entered. I also have pencils (or pens) available if you need them.

Before we start the main part of our presentation, let me take a minute or two to tell you what we hope to accomplish over the course of the next hour or so.
We have three main workshop objectives.

First, we'd like to introduce ourselves and our company. 
(Give a brief personal background, tell about your organization, and give its location.)

We use workshops like this one to introduce ourselves and to develop strong working relationships with people like you.

Second, we'd like to educate you about the benefits of financial strategies. We'll also discuss some techniques that can help you pursue your financial goals.

And third, we'd like to clearly illustrate the advantages of working with a company like ours.
Our commitment to the community extends beyond simply offering financial services. We are committed to helping people evaluate their financial situations and giving them the tools to help them make informed decisions.

As part of that commitment, we use workshops like this one to provide individuals with sound financial information. This will help you identify your goals and make wise decisions to help improve your financial situation.

We follow up this session with a meeting in our office. This is a complimentary consultation that we offer to everyone who attends our workshops. During that consultation, we can discuss any questions you have as a result of today’s workshop. If you prefer, we can use that time to examine your specific situation and begin the process of helping you formulate a financial strategy that will suit your needs.

We know that we’ll establish a working relationship with you only when you are confident we can be of service to you. We want you to understand your options and to know how you may benefit from our services.

The information provided in this presentation is not written or intended as tax, legal, investment, or retirement advice or recommendations, and it may not be relied on for the purpose of avoiding any federal tax penalties. Individuals are encouraged to seek advice from an independent professional advisor.
Inside your workbook, you’ll find an evaluation form just like this one.

(Pull out an evaluation form for your workshop participants to see.)

At the end of the workshop, you’ll use this form to tell us whether you’re interested in taking advantage of the complimentary consultation.

We’d like to make you two promises concerning this form. First, if you check “Yes, I am interested in scheduling a complimentary consultation,” we’ll call you in the next couple of days and set up an appointment.

Second, if you check “No, I am not interested in scheduling an appointment at this time,” we won’t call you or contact you directly after the workshop.

In exchange for our two promises to you, please promise that you will fill out this form. Many of our workshop attendees do come in for a consultation, so we’ve set aside time just to meet with you.

When you do come to our office, feel free to leave your checkbook at home. We are very interested in developing working relationships with many of you, but that decision is yours.
Let’s talk about your workbook.

Typically, people are more likely to remember something they act on rather than something they only hear about. That’s why we designed this workbook so you can apply what you learn to your situation. It’s yours to keep. It reinforces the workshop’s major points and will be a valuable resource for you.

Throughout the workbook, you’ll see informative graphics. They come directly from the workshop slides, making it easy for you to follow the presentation. Later, these graphics will be reminders of the workshop’s important points.

As we cover the material, feel free to underline or circle items you may have questions about. That way, they’ll be fresh in your mind during the complimentary consultation.

You’ll also find helpful worksheets and self-analysis quizzes. These materials will make your workshop experience interesting, informative, and most important, valuable.
Today we’re going to talk about taking control. Taking control of your financial future is a whole lot more than stocks, insurance, and bottom lines.

Being adequately prepared to meet whatever financial challenges come your way may be more important than you think, especially when you consider the challenges described here.

*(Read bullet points.)*

What financial issues are you most concerned about? Do you need to save more or take more risks with your investments? Is one of your goals to help a family member pay for college? Does it seem as though you might need to work until you are 70 or older in order to retire?

Today, every woman — single or married, widowed or divorced — needs to plan ahead for personal and financial security. And more than anything else, this requires that you take control of your finances to help ensure a more comfortable financial future.

Slide Sources: 1) U.S. Bureau of Labor Statistics, 2018; 2) CNNMoney, April 4, 2017; 3) Pew Research Center, April 9, 2018; 4) Social Security Administration, 2018; 5) U.S. Census Bureau, 2017
Something to Keep in Mind

“... to be truly powerful in your life requires making money moves that work for you.... By taking care of yourself financially, you will truly be able to take care of those you love.”

— Suze Orman


Here’s something for you to keep in mind…

(Read quote.)
To address many of the financial concerns you may have, we’re going to cover six action items that are designed to help strengthen your financial future:

1. Getting your financial house in order
2. Preparing for the unexpected
3. Putting your money to work by investing
4. Building a healthy nest egg for retirement
5. Facing financial hardship
6. Addressing estate and legacy issues

Let’s start with the first item: getting your financial house in order.
Before you can set specific financial goals, you need to have a good sense of where you stand. Your financial goals could be guideposts to a lifetime of financial security.

(Consider asking the following questions to encourage a dialogue with your audience:

- What are some of your financial goals?
- Have you written them down?
- Have you developed a systematic strategy to pursue your goals?
- How confident are you that you will achieve them?)

Effective goals are **specific** and **measurable**. After all, if you have no way of measuring your goal, it will be difficult to tell if you ever reach it.

Effective goals have a **realistic deadline**. This enables you to determine the pace you want to set to pursue your goals. If you decide to work with us, this will help us work with you to establish a specific action plan that can help you be financially prepared.

Some goals are **money oriented**. It takes dollars to generate retirement income, purchase a home, pay for vacations, help cover a child’s college tuition.

Other goals may be **task oriented**, such as getting your financial papers in order or learning more about the investment options in your employer-sponsored retirement plan.

Getting a grip on income and spending is one of the fundamentals of financial management that few people actually enjoy. Yet seeing the big picture might help you set spending guidelines, clarify your priorities, and find ways to set aside money in the pursuit of your specific financial goals.
Speaking of the big picture, let’s look at an example of how small discretionary expenses can add up over time.

This is a story about Joan, a friend of mine, who was in the habit of drinking specialty coffee drinks. Every day on her way to work, Joan stopped to get a caffe latte. And after lunch, she would purchase another one to help her focus on work during the afternoon.

Caffe lattes at her favorite coffee shop cost about $4.00 each. That means she is spending $8 per day on lattes. On a monthly basis, this works out to be about $176.

If instead Joan were to invest the money she’s currently spending on lattes, she might be able to accumulate a sizable sum over time ($143,267 over 25 years, assuming an 8 percent rate of return), as you can see on this graph.

Now I’m not advocating that you give up specialty coffee or lattes. Life’s little pleasures — coffee drinks, eating out — can be important. But you might be surprised by the true cost of small items over time. I simply want to illustrate that it may not take as much effort as you think to accumulate a potentially large sum over time — if you have the discipline to save and invest on a consistent basis.

(You might ask participants for examples of discretionary expenses that they could cut back on to save more for specific financial goals.)

This hypothetical example is used for illustrative purposes only and does not represent the performance of any specific investment. Rates of return will vary over time, especially for long-term investments. The effects of investment fees, expenses, and taxes are not considered. Actual results will vary.
Living within your means involves spending less than you earn, saving more, and not using money to make yourself feel good.

Maintaining good credit includes building a credit history, paying bills on time, and checking your credit report to make sure there are no inaccuracies.

Most consumer groups recommend that you request a credit report once a year. By law, you are entitled to receive one free credit report every 12 months from each of the major consumer credit reporting agencies (Experian, Equifax, and TransUnion).

You can order a free credit report annually from each of these agencies by visiting annualcreditreport.com. Keep in mind that you will have to pay to see your actual credit score. Fortunately, as a result of an initiative by the Consumer Financial Protection Bureau, millions of Americans now have free access to their credit scores through their credit-card companies.¹

If you do find any inaccuracies or errors in the report, contact the agency in writing, provide copies of any corroborating documents, and ask for an investigation so you can have errors corrected or place a comment in your file.

If you’re married, you don’t have a joint credit score but rather individual scores. However, your spouse’s credit history and profile could have an impact on yours. If you have a credit card in both your names and it doesn’t get paid on time, that could affect both of your credit scores.

Source: Consumer Financial Protection Bureau, 2018
Good credit is essential to help keep interest rates low — not only on your credit cards but also on mortgage and automobile loans.

A credit score is a three-digit number, generally ranging from 300 to 850, that represents the information on your credit report. The better your credit, the higher your score. If your score is below 760, you might not be getting the best rates for loans and insurance. In fact, the average credit score for someone who closed any type of mortgage in November 2018 was 727.\(^1\)\(^-\)\(^2\)

The most widely used credit scoring model is the FICO\(^®\) formula. The average U.S. FICO\(^®\) score is 704. This chart shows the approximate weight given to each of five factors when calculating the FICO score. As you can see, the most important factors are your payment history (35 percent) and the amounts owed (30 percent).\(^3\)

Your payment history includes account payment information on specific accounts such as credit cards, retail accounts, installment loans, and mortgages. Also included is the presence of any bankruptcies, judgments, or liens. The amounts owed category includes the number of accounts with balances, the type of debt, and the total amount owed. This also includes your “credit utilization rate,” which is the ratio of money owed to the credit amount available. If possible, it’s wise to use no more than 30 percent of your total credit limit at one time; 10 percent is better.\(^4\)

Being late on a credit-card payment not only results in a late fee but could also affect your credit score and trigger the default interest rate. Depending on your current FICO score, a single 30-day late payment could drop your FICO score by 80 to 110 points! And unfortunately, even a payment that is late by only a few days could be considered “30 days late” by the FICO score.\(^5\)

Sources: 1, 3–5) Fair Isaac Corporation, 2018–2019; 2) Ellie Mae, Inc., 2018
Credit cards can offer some distinct advantages. They’re not only safer to carry than cash but they’re convenient for making online purchases, renting a car, and paying for a hotel. Credit cards can also help build a credit history that might help you qualify for loans.

Of course, carrying too much credit-card debt can become a burden when high interest payments cut into your disposable income. Having a high balance relative to your credit limit could also damage your credit score, which might keep you from getting a job or qualifying for other types of credit.

Here are some considerations that may help you control your use of credit cards:

• Cut back on purchases you can’t pay off immediately.
• Report lost or stolen credit cards promptly.
• Pay credit-card debt first, especially if you are paying a high interest rate.
• Pay more than the minimum amount whenever possible and try to reduce the account balances on the highest-rate cards first.
• Shop around for the best credit-card rates or call your credit-card company and try to negotiate a lower rate.

When you’re using a credit card for a major purchase, first do the math so you understand the true cost of the debt you are incurring.
Once your debt is under control, consider building a liquidity or emergency fund. This is your “rainy day” money that you set aside for life’s little and not-so-little emergencies, or for vacations and large periodic expenses such as property taxes and auto insurance.

As a general rule, your cash reserve fund should be large enough to cover three to six months of living expenses. Because your cash reserves should be liquid and safe, you might consider these savings vehicles.

**Savings accounts** usually offer high safety but a relatively low fixed rate of return. They don’t require a large initial investment, and the funds in them are readily accessible. For many people, their main attraction is convenience and liquidity.

**Certificates of deposit** are really just short-term loans to a bank, credit union, or savings association. They offer a fixed, moderate rate of return and high safety. CDs usually require a larger initial investment than savings accounts, but you must leave your principal in the CD for a set term in order to avoid early-withdrawal penalties.

**Money market funds** invest in a diverse portfolio of short-term debt securities. Their goal is to preserve principal while yielding a modest return. However, the value of the funds can fluctuate.

Traditional bank savings accounts and CDs are insured for up to $250,000 per depositor, per federally insured institution, by the Federal Deposit Insurance Corporation.

Money market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although money market funds seek to preserve the value of your investments at $1 per share, it is possible to lose money by investing in such a fund.

**Mutual funds** are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus or summary prospectus, if available, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.
### Paying Yourself First

<table>
<thead>
<tr>
<th>Year</th>
<th>Carol</th>
<th>Susan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Investment</td>
<td>Value</td>
</tr>
<tr>
<td>1</td>
<td>$20,000</td>
<td>$21,200</td>
</tr>
<tr>
<td>2</td>
<td>20,000</td>
<td>43,672</td>
</tr>
<tr>
<td>3</td>
<td>20,000</td>
<td>67,492</td>
</tr>
<tr>
<td>4</td>
<td>20,000</td>
<td>92,742</td>
</tr>
<tr>
<td>5</td>
<td>20,000</td>
<td>119,506</td>
</tr>
<tr>
<td>6</td>
<td>0</td>
<td>126,677</td>
</tr>
<tr>
<td>7</td>
<td>0</td>
<td>134,277</td>
</tr>
<tr>
<td>8</td>
<td>0</td>
<td>142,334</td>
</tr>
<tr>
<td>9</td>
<td>0</td>
<td>150,874</td>
</tr>
<tr>
<td>10</td>
<td>0</td>
<td>159,926</td>
</tr>
</tbody>
</table>

| Contributions: $100,000 | Earnings: $59,926 | Total value: $159,926 |
| Contributions: $100,000 | Earnings: $19,506  | Total value: $119,506 |

This hypothetical example of mathematical compounding is used for illustrative purposes only. Taxes and investment costs are not considered. Rates of return will vary over time, particularly for long-term investments. Investments offering the potential for higher rates of return also involve a higher degree of investment risk. Actual results will vary.

“Paying yourself first” is committing to set aside your first dollar of income toward your financial goals, whether that is saving for retirement, for a family member’s college education, for a down payment on a home, or simply for getting out of debt.

If you wait until the end of the month, you might find that you don’t have enough money left over to fund your first priority, and it will be less likely that you may reach your long-term financial goals.

You can pay yourself first by having a portion of your paycheck deposited directly into your retirement or investment account. Consider doing the same thing with all or part of an annual raise or a bonus check.

Here’s a hypothetical example of two investors: Carol, who started investing $20,000 annually right away but stopped after five years, and Susan, who procrastinated by waiting five years before investing $20,000 annually. Both accounts earned a 6 percent annual rate of return.

After 10 years, Carol and Susan each had invested a total of $100,000. But look at the difference in earnings! Because of compounding, Carol earned $59,926, for a total accumulation of $159,926. Susan, on the other hand, earned only $19,506, for a total accumulation of $119,506. That’s a difference of nearly $40,000, just because Carol started saving early!

This hypothetical example of mathematical compounding is used for illustrative purposes only and does not represent the performance of any specific investments. Taxes and investment costs are not considered. Rates of return will vary over time, particularly for long-term investments. Investments offering the potential for higher rates of return also involve a higher degree of investment risk. Actual results will vary.
Once you have your financial house under control, your next priority is to be prepared for unexpected events that could derail your finances.

Having insurance can help protect against loss, transfer the risk of a significant financial burden to an insurance company, and provide liquidity in a time of need.

Women have made tremendous gains in labor force participation and in educational attainment. In fact, women currently surpass men in both college enrollment and completion. And women’s participation in the U.S. labor force has increased over the last 30 years — from 48.4 percent in 1977 to 57.0 percent in 2017.

Because women are earning more money, own more assets, and are engaged in high-paying careers, they have much at stake financially when faced with an unexpected event such as disability, death, or a large legal judgment.

Sources: 1) U.S. Census Bureau, 2017; 2) U.S. Bureau of Labor Statistics, 2018
Are you adequately insured?

Even though there is a strong need to protect assets and preserve wealth using insurance protection, many Americans either don’t have insurance or they are inadequately covered.

For example, there is a 47% chance that a 30-year-old will experience a long-term disability at least once before age 65\(^1\).

There is a 1 in 326 chance that your house will be damaged in a fire\(^2\).

70% of 65-year-olds will need some form of long-term care services and support during their lifetimes\(^3\).

Finally, 70% of 65-year-olds will need some form of long-term care services and support during their lifetimes\(^3\).

With these odds, it is important to assess how you would pay for these potential outcomes without adequate protection.

Sources: 1, 3) 2019 Field Guide, National Underwriter; 2) National Fire Protection Association, 2018
A well-designed risk-management program can help protect you from the unexpected without burdening you with payments you don’t really need.

In order to be adequately insured, you should consider five major areas of protection: medical, disability income, property and casualty, liability, and life insurance. In addition, you might want to be prepared financially for the potential need for long-term care — for yourself or for a close family member.

(Consider asking the following questions to encourage a dialogue with your audience:

*How would your family be affected financially if you were to become sick or disabled and could no longer earn an income, or if you were to die unexpectedly?*

*Do you have adequate insurance protection in these areas?*

*Should you consider increasing your coverage?*)
A Kaiser Family Foundation study found that three out of 10 Americans have problems paying their medical bills.¹ This highlights the importance of having adequate insurance coverage to help protect your retirement account, college savings, and home equity from being depleted.

You might have health coverage through a private insurance company or a workplace medical plan. Three broad types of medical insurance are indemnity plans, health maintenance organizations (HMOs), and preferred provider organizations (PPOs).

Once you reach age 65, your health options are different, unless you are still working and have employer coverage. Medicare is the federal government’s health program for individuals age 65 and older as well as for some people under 65 with certain disabilities. Medicare is paid partly by premiums deducted from Social Security checks. There are also copayments, coinsurance, and deductibles.

If you think that Medicare will pay most of your health-care costs in retirement, you’re mistaken. Medicare typically covers only a little more than half of the average participant’s health-care costs.²

Another misconception is that Medicare will pay for long-term custodial care, such as that received in a nursing home. This isn’t the case, although a limited amount of skilled nursing facility care may be covered by Medicare if it is prescribed by a physician after a minimum three-day hospitalization.

There isn’t time today to discuss all these health options, but we would be happy to review them during the complimentary consultation.

Sources: 1) Kaiser Family Foundation, 2017; 2) Employee Benefit Research Institute, 2017

**BONUS FEATURE**

*(Click the light bulb icon to discuss Medicare choices in more detail.)*
Since passage of the Affordable Care Act (ACA), most citizens have been required to have “minimum essential” health insurance or pay an annual penalty. Individuals covered by an employer-sponsored health insurance plan, Medicare, Medicaid, or another government program generally met this requirement.

Starting in 2019, as a result of the Tax Cuts and Jobs Act that passed in December 2017, the penalty for not having minimum essential health coverage has been eliminated. Even so, there are still strong reasons to have health insurance.

If you don’t have employer-provided coverage and aren’t eligible for Medicare, you can purchase insurance that meets minimum standards directly from a private insurance company (or broker) or from an exchange run by your state or the federal government. The official site is HealthCare.gov. Some families may be eligible for income-based subsidies that lower the cost of premiums.

Because of the ACA health-reform changes, most insurance plans must cover 10 essential health benefits, including hospitalization, laboratory tests, maternity and newborn care, outpatient care, prescription drugs, and preventive services. Adult children up to age 26 are eligible for dependent coverage under their parents’ health insurance plans, provided they are not eligible for their own employer-based coverage. Insurance companies are no longer able to refuse health coverage to children or adults because of pre-existing conditions, and lifetime and annual benefit limits are prohibited for all new or reissued policies.
Women today are earning more, working longer than in the past, and contributing a larger percentage of their household incomes. Thus, more would be at risk in the event of a disabling illness or injury that could keep you from working. Consider that at age 50, you are four times more likely to become disabled than to die prematurely.¹

The leading causes of disability are not work-related accidents. According to the Centers for Disease Control and Prevention, arthritis is the leading cause of disability for women.²

How likely are you to become disabled? Statistics show that men and women between the ages of 30 and 50 have a 36 to 47 percent chance of experiencing at least one long-term disability (lasting 90 days or longer) before age 65.³ Moreover, the number of people reporting a disability increases with age; and at all ages, women have a higher prevalence of disability than men.⁴

Without disability income insurance, that could spell financial disaster.

A disability could ruin your efforts to secure a comfortable financial future. Not only would it threaten the remainder of your working years, but the expenses related to your disability could jeopardize the assets you’ve already accumulated.

(Consider asking the following questions to encourage a dialogue with your audience:

- How many of you have disability income insurance through work?
- Do you know whether you have short-term or long-term protection?
- Does the policy pay a benefit if you can’t work in your specific occupation, or does it pay only if you can’t work in any gainful occupation?)

Generally, it’s recommended that you carry enough disability income insurance to replace 60 to 70 percent of your pre-tax income, or the maximum allowed by the insurer. Group plans typically do not replace as large a percentage of your income as an individual policy could. If you pay the premiums yourself using after-tax dollars, the benefits generally are not taxable.

The next broad types of coverage are property & casualty insurance and liability insurance.

If you own a home and an automobile, you typically have to carry homeowners insurance and automobile insurance, the primary types of property and casualty protection. This coverage protects some of your largest assets and provides some protection against liability claims. We won’t spend time discussing them today. I’ll just encourage you to review your coverage on a regular basis to help ensure that your current policies are keeping pace with inflation and any changes in your life. This can help prevent you from being underinsured in the event that you suffer a loss that is much higher than your policy limits.

To help protect against the risk of a large liability claim, you might consider purchasing an umbrella liability insurance policy (also called “excess liability”). This type of coverage takes effect in the event that the limits of your primary homeowners and auto insurance policies are exhausted. To qualify, you must generally purchase the maximum liability coverage available on your auto and homeowners policies, which serve as the deductible for the umbrella policy.

If you are ever found liable for an award greater than the limits of your primary policies, the umbrella policy can help pay the difference. Furthermore, a $1 million umbrella policy would give you additional coverage you may not currently have on your existing homeowners and automobile policies, such as for negligence claims, libel, slander, and defamation, as well as liability for personal injury or property damage (up to the policy limits).

If you purchase your auto, homeowners, and excess liability policies from the same company, you can often reduce the total cost.
Let's move on to a form of protection that most of us need: life insurance.

The primary purpose of this coverage is to help protect your dependents financially in the event of your death. Properly positioned, the benefit from a policy can provide a steady stream of income for your family or be used to provide liquid capital to help pay off a mortgage and finance other goals such as a college education for your children.

Even if your children are grown and self-supporting, there may still be reasons to have life insurance. The benefit could be used to help pay final expenses, estate taxes, and other obligations or to leave an inheritance for loved ones.

Unfortunately, many Americans are underinsured. In a recent survey among individuals with life insurance, about 1 in 5 said that they do not have enough.¹

Men are more likely to have life insurance — 72 percent of married men own life insurance compared with 63 percent of women.² Think about a dual-income household with two children. Or a family of four with a stay-at-home mom. If the mother were to die, how would the family cope financially?

Interestingly, the average consumer overestimates the cost of life insurance. In fact, most consumers estimate the cost of coverage to be more than three times its actual cost.³ Life insurance may be more affordable than you think, so consider additional protection for your family.

The cost and availability of life insurance depend on factors such as age, health, and the type and amount of insurance purchased. Before implementing a strategy involving life insurance, it would be prudent to make sure that you are insurable. As with most financial decisions, there are expenses associated with the purchase of life insurance. Policies commonly have mortality and expense charges. And if a policy is surrendered prematurely, there may be surrender charges and income tax implications.

Sources: 1–3) LIMRA, 2017–2018
When you consider your life insurance coverage, you need to ask yourself three critical questions. The first is: “How much coverage do I need?” Obviously, what might be appropriate for a family with two children and a stay-at-home spouse could be significantly different from the needs of a divorced woman whose children are grown.

When estimating life insurance protection, it’s not quite as simple as calculating two to five years of your annual salary — or even 10 years. It’s important to do an in-depth analysis of your situation, taking into account your family’s lifestyle, future needs (such as paying off a mortgage or sending children to college), and other sources of income.

The second question is: “What type of policy would meet my family’s needs?” Would I be best served by term insurance, or should I buy a permanent life insurance policy?

Deciding whether to buy term or permanent insurance is a bit like deciding whether to buy or rent a home; there are times when either option may be appropriate. Term insurance is purchased for a certain period of time. When the term expires, you are no longer insured. Permanent life insurance is in force for the rest of your life, as long as the premiums continue to be paid. In addition, permanent insurance builds cash value, which can be accessed during your lifetime, if needed. Access to cash value through policy loans or partial surrenders could reduce the policy’s cash value and death benefit, increase the chance that the policy will lapse, and possibly result in a tax liability if the policy terminates before the death of the insured. Additional out-of-pocket payments may be needed if actual dividends or investment returns decrease, if you withdraw policy values, if you take out a loan, or if current charges increase. There may be surrender charges at the time of surrender or withdrawal, and withdrawals are taxable if you take out more than your basis in the policy. Any guarantees are contingent on the claims-paying ability of the issuing company.

The third question is: “Who should receive the death benefit?” Should the benefit pass directly to my heirs, or do I want it to accomplish other goals? Is it important to keep the benefit outside of my taxable estate?

We can help you address these concerns during the complimentary consultation.

**BONUS FEATURE**

(Click the pencil icon to go to a life insurance needs worksheet.)
As I mentioned earlier, long-term care is another potential challenge. Women could be affected twice by long-term care because they are typically the primary caregivers for family members and they may eventually become long-term care recipients themselves.¹

Here are some statistics that might surprise you:

- An estimated 58 percent of women ages 65 and older will need long-term care during their lifetimes.²
- Almost two-thirds of Americans with Alzheimer’s disease are women.³
- About two-thirds of informal (unpaid) caregivers are women.⁴

Long-term care costs can be daunting. The national average cost for a private room in a nursing home is $100,375.⁵ That’s about $8,365 a month or $279 a day. Think about how difficult it might be to pay these costs out of pocket for any length of time.

People who need long-term care generally have a physical or cognitive impairment that requires different types and levels of care. Because women have longer life expectancies and often outlive their spouses, they face a greater risk of needing long-term care by a paid caregiver. Even so, some people continue to have misconceptions about long-term care, thinking:

- It will never happen to me. (Statistics reveal otherwise.)
- My family will care for me. (They could, but it might be a burden.)
- Medicare will pay for it. (By the way, it won’t. And you may not want to spend down your assets in order to qualify for Medicaid, which is basically welfare.)

Sources: 1, 3–4) Alzheimer’s Association, 2018; 2) AARP, 2017; 5) 2018 Cost of Care Survey, Genworth Financial, Inc.

**BONUS FEATURE**

(Click the light bulb icon to view long-term care costs in selected states.)
Where does the money come from to buy a home? Travel? Pay for your children’s college tuition? Prepare for a comfortable retirement?

All these financial goals take money — and this money can come from your investments. Putting your money to work by investing could result in a better future down the road.

Before we talk about specific types of investments, let’s explore some fundamental investment principles.
Usually, investments offer a compromise between risk and reward — the higher the potential return, the more investment risk you must bear.

This diagram positions the major asset classes according to their relative degree of risk and return. Generally, investments on the right side of the spectrum are riskier, yet they offer the potential for higher returns. Investments on the left side of the spectrum are generally safer, but they typically provide lower returns. Does everyone understand this concept?

(You might consider asking the following questions:

Do you know the allocation of your portfolio that is invested in stocks, bonds, and cash alternatives?

Have you looked at the short- and long-term performance of your investments in these asset classes?

Are you comfortable with the level of risk in your portfolio and your potential for returns?)

A number of studies have found that women are less willing than men to take risks, and thus women invest more conservatively.

However, research has also demonstrated that women investors consistently outperform male investors over the long term, due in large part to the fact that they trade less frequently than men, stick with long-term goals, and tend to be great savers.¹

Source: 1) CNNMoney, March 8, 2017
Before you select individual investments for your portfolio, you should determine the most appropriate balance of asset classes that conform with your risk tolerance, time frame, and investment objectives.

Whether you know it or not, you have already allocated your assets. But is the allocation appropriate for your needs and objectives? Are you adequately diversified?

Asset allocation is a strategy by which you diversify your investments among the different asset classes — typically stocks, bonds, and cash alternatives — to help reduce risk. This process can help you balance investments that have higher levels of safety with those that have a higher potential for growth.

If you receive quarterly statements from an employer-sponsored retirement plan, your plan custodian may provide a snapshot showing the percentage of your assets that are held in different categories.

Asset allocation and diversification do not guarantee a profit or protect against loss; rather, they are methods used to help manage risk.
Diversification basically relies on the old adage: “Don’t put all your eggs in one basket.” It involves investing among and within different asset classes in an attempt to limit exposure to losses in any one sector of the market.

Here’s a simple example of two $500,000 portfolios to show how diversification might work. One portfolio relies on a single type of investment, whereas the other is split equally into five different investment categories, each with a different potential for return and accompanying risk.

If the single investment in the first portfolio becomes volatile, the value of the portfolio may fluctuate widely. The diversified portfolio, on the other hand, may be able to take advantage of potential rallies with some of the investments. And in the event that any one investment suffers a downturn, only a portion of this portfolio would be vulnerable. Does everyone see how this works?

Although any level of diversification can help protect a portfolio, inexperienced investors may not know which types of investments are most likely to react differently when market volatility occurs. We may be able to suggest a mix of investments that could help enhance the benefits of diversification for your situation.

This hypothetical example is used for illustrative purposes only. Actual results will vary. Diversification is a method used to help manage investment risk. It does not guarantee a profit or protect against investment loss.
How is your money invested? Do you sometimes wonder whether your money should be somewhere else?

One of the first steps is to determine how your assets are currently allocated. Make a list of the investments you own, identify the appropriate asset classes, and assign each a percentage based on its contribution to your total portfolio. The total should add up to 100. The key is to determine the mix you are most comfortable with based on your tolerance for risk and then choose investments that closely fit your needs.

We can work with you to examine your investment style, risk tolerance, time frame, and current mix of investments, and then help you determine whether you could potentially benefit from making some adjustments. Our goal is to help you determine a mix of investments that will balance the appropriate levels of growth potential, income, tax benefits, and preservation of principal for your particular situation.
Here are three sample allocations that might be appropriate for investors with different tolerances for risk.

The model for a conservative investor might look like this: 50 percent in bonds, 30 percent in stocks, and 20 percent in cash alternatives (e.g., money market securities and CDs).

A moderate model might be 50 percent in stocks, 40 percent in bonds, and 20 percent in cash alternatives.

A growth model for an aggressive investor might be 75 percent in stocks, 20 percent in bonds, and 5 percent in cash alternatives.

These investment categories would range from somewhat volatile to very volatile over the years, but the mix of investments could give these investors an adequate potential return for the risk they are willing to take.

These hypothetical portfolios are shown for illustrative purposes only. They are examples, not recommendations. Investments offering the potential for higher rates of return also involve a higher degree of risk of principal.

**BONUS FEATURE**

*(Click the light bulb icon to see a graph that shows the volatility and performance of stocks, corporate bonds, and Treasury bills over a 25-year period.)*
Dollar-cost averaging is a fundamental investment strategy that may help you overcome the challenge of volatility in the markets.

It calls for investing the same amount of money in an investment, such as stocks, at regular intervals over a period of time. By investing the same amount consistently, you end up buying more units when the price is low and fewer units when the price is high. This reduces the average cost of each unit.

If you are consistently allocating a percentage of your salary to an employer-sponsored retirement plan, you are practicing dollar-cost averaging.

Dollar-cost averaging won’t prevent a loss and it doesn’t guarantee investment gains. Such a plan involves continuous investments in securities regardless of fluctuating price levels of the securities. You should consider your financial ability to continue making purchases through periods of high and low price levels. However, this strategy encourages a systematic approach to investing, which may be the best way to achieve your financial goals.
Mutual funds and exchange-traded funds (ETFs) are pooled investments assembled by an investment company that may combine stocks, bonds, and other investments into one portfolio shared by many investors. Their underlying investments are typically selected to track a particular market index, asset class, or sector — or they may follow a specific strategy. Because these funds can hold dozens or hundreds of securities, they could provide greater diversification at a lower cost than you might obtain by investing in individual stocks and bonds. Diversification does not guarantee a profit or protect against loss; it’s a method used to help manage investment risk. However, in spite of their similarities, there are key differences between these types of pooled investments.

You can invest in mutual funds through investment companies and employer-sponsored retirement plans. Mutual fund shares are typically purchased from and sold back to the investment company, and the price is determined by the net asset value at the end of the trading day.

By contrast, ETFs can be bought and sold throughout the trading day like individual stocks. You must pay a brokerage commission when buying or selling ETF shares. The price at which an ETF trades on an exchange is generally a close approximation to the market value of the underlying securities, but supply and demand may cause ETF shares to trade at a premium or a discount.

However, the ability to buy or sell ETF shares quickly during market hours could encourage investors to trade ETFs more often than might be necessary, or to make emotional trading decisions during bouts of market volatility. ETFs are not widely available to investors who participate in employer-sponsored retirement plans.

The return and principal value of mutual fund and ETF shares fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. You should be aware that bond funds are subject to the same interest-rate, inflation, and credit risks associated with the underlying bonds in the fund. As interest rates rise, bond prices typically fall, which can adversely affect a bond fund’s performance.

Mutual funds and ETFs are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.
Just as there are different types of stocks, there are different types of mutual funds. Many funds emphasize current income. **Income-oriented** mutual funds concentrate their portfolios on municipal bonds, corporate bonds, Treasury securities, and other income-oriented securities. They may also include stocks that pay high dividends. Income-oriented funds are generally considered to be more conservative than growth funds.

**Growth-oriented** mutual funds usually invest in stocks. Depending on the objectives of the fund, these may be stocks of larger, well-established companies or smaller, more aggressive companies. Some funds even specialize in international or global securities. Other funds specialize in the stocks of one industry such as health care or technology; these are called sector funds. Because they invest in stocks, growth-oriented funds offer greater potential for appreciation. These funds may be appropriate for investors seeking long-term growth instead of income. Of course, remember that investments seeking to achieve higher returns involve a higher degree of risk.

Predictably, **balanced** funds seek the middle ground between growth funds and income funds. They seek to combine moderate growth potential with modest income.

**Lifecycle** or **target-date funds** are common options in IRAs and 401(k) plans. As with all investments, you should understand the risks, costs, and benefits of these popular vehicles before investing in them. Keep in mind that the investment return and principal value of mutual funds will fluctuate with changes in market conditions. When an investor’s shares are redeemed, they may be worth more or less than their original cost.

**Mutual funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.**

**BONUS FEATURE**

*(Click the light bulb icon to provide more detail on target-date funds.)*
This table illustrates investments that are taxable, tax exempt, and tax deferred. When you invest in **taxable** investments such as CDs, individual stocks and bonds, exchange-traded funds, and mutual funds (except those held in retirement accounts), you will owe income taxes on any interest earned, capital gains taxes on any capital gains you earn, and dividend taxes on any dividends.

Long-term capital gains (on assets held more than one year) and corporate dividends are taxed at 15 percent for single filers whose taxable incomes range from $38,601 up to $425,800, and for married joint filers whose taxable incomes range from $77,201 up to $479,000. Lower-income filers pay zero tax on long-term capital gains and dividends. Higher-income filers whose taxable incomes exceed $425,800 for single filers or $479,000 for joint filers pay 20 percent.

Short-term capital gains are taxed as ordinary income. In addition, some higher-income taxpayers (single filers with adjusted gross incomes exceeding $200,000 and married joint filers with AGIs exceeding $250,000) may be subject to an additional 3.8 percent unearned income tax on net investment income (resulting from the Affordable Care Act).

There are two broad categories of tax-advantaged investments: **tax exempt** and **tax deferred**. They are designed to help you reduce, defer, or avoid the amount you pay in taxes.

Municipal bonds and tax-exempt money market funds are exempt from income taxes. That's why they generally have lower potential rates of return. In some states, you may have to pay income taxes if you buy a municipal bond issued by another state. Although some municipal bonds may not be subject to ordinary income tax, they may be subject to the federal alternative minimum tax. If you sell a tax-exempt bond at a profit, you could incur capital gains taxes. The principal value of bonds may fluctuate with changes in market conditions. Bonds redeemed prior to maturity may be worth more or less than their original cost. Investments seeking to achieve higher yields also involve a higher degree of risk. Contributions to a Roth IRA are nondeductible, but qualified distributions are free of federal income tax if they meet the five-year holding requirement and take place after age 59½.

Investments in employer-sponsored retirement plans, annuities, and traditional IRAs are tax deferred, which means that current taxes aren't due until you withdraw money, usually in retirement (only annuity earnings are taxable). Distributions from most employer-sponsored retirement plans and traditional IRAs are taxed as ordinary income. Withdrawals from IRAs, employer-sponsored retirement plans, and annuities prior to age 59½ may be subject to a 10 percent federal income tax penalty (with certain exceptions that we'll discuss later).
Generally speaking, deferring current taxes could help you save money for retirement. That’s why many people choose to invest in IRAs and employer-sponsored retirement plans.

When you contribute a percentage of your salary to an employer-sponsored retirement plan such as a 401(k) or contribute to a tax-deductible IRA, you pay no current taxes on the contributions or any earnings until the funds are withdrawn. This is what distinguishes these alternatives from CDs, dividend-paying stocks, bonds, and other traditional taxable investments. Tax-deferred investments may allow your savings to accumulate faster over time because you have your full contribution working for you.

Consider this hypothetical example that shows the potential growth of a $5,000 annual investment in a taxable versus a tax-deferred vehicle earning a hypothetical 6 percent annual rate of return.

After 30 years, the money in the taxable account (which was taxed every year at 24%) would have grown to $322,207. During the same period, the tax-deferred account would have grown to $419,008. Because you can defer income taxes on any earnings, you have more money working for you.

This hypothetical example is used for comparison purposes only and does not represent any specific investments. Actual results will vary. Investments offering the potential for higher rates of return also involve a higher degree of risk.

Distributions from tax-deferred plans are taxed as ordinary income and may be subject to a 10 percent federal income tax penalty if taken prior to age 59½. Investment fees and expenses are not considered and would reduce the results shown if they were included. Lower maximum tax rates for long-term capital gains and dividends, as well as the tax treatment of investment losses, could make the taxable investment return more favorable, reducing the difference in performance between the accounts shown. Investors should consider their investment horizon and income tax brackets, both current and anticipated, when making investment decisions.
Let’s switch gears a bit and discuss a financial goal that many of you might share: a college education — for yourself, your children, or your grandchildren. Often, the way to meet these costs is through an effective college funding program. Parents who start early enough won’t be struggling to pay college bills at a time when they should be saving more money for retirement.

Just how expensive is a college education?

The national average cost for the 2018–2019 academic year at four-year private colleges and universities was $48,510; this includes tuition, fees, room, and board.¹

Public schools offer a better rate, but they’re still not inexpensive. Published charges for four-year public colleges and universities averaged $21,370 for the 2018–2019 academic year (including tuition, fees, room, and board). Two-year community colleges were much more reasonable, averaging $3,660 per year for tuition and fees only.²

It’s worth mentioning that tuition and fees at four-year public colleges and universities have climbed from $3,360 (in 2018 dollars) in academic year 1988–1989 to $10,230 for the 2018–2019 academic year.³

Any way you look at it, funding a college education will require a tremendous amount of money. But it can reward the graduate with the potential to earn more money over a lifetime.

Where will the money come from? In many cases, the most effective way to fund a college education is to develop your own personal accumulation plan rather than to borrow the money. Student debt is a big problem and, in fact, has grown more than 40 percent in the last five years. In the Class of 2017, the average student loan debt at graduation exceeded $38,000.⁴

There are many different vehicles for funding a college education. If college is a priority of yours, we can discuss investment options when you come to the office for the complimentary consultation.

Sources: 1–3) College Board, 2018; 4) Debt.org, January 2018 (most current data available)
Building a healthy nest egg that will last throughout a long retirement is probably one of the biggest challenges you may face, especially when you have competing priorities.

(You might ask the following questions to encourage a dialogue with your audience:

Are any of you retired?
How many of you will be retiring in the next 5 to 10 years?
Have you factored in the potential cost of health care?
Have you taken steps to help ensure a more comfortable retirement?)

Women are living longer than ever, so retirement could take up a substantial portion of your life. The funds you accumulate might have to last for a 20- to 25-year retirement, or perhaps longer.

Because some women stay home to care for children or aging parents, they often spend fewer years in the workforce than men and may accumulate less money to stretch over a longer number of years in retirement. Fewer years in the workforce could also result in lower Social Security benefits or pension income.

The nest egg you will need to live comfortably throughout retirement depends on a number of factors specific to your personal situation. Let’s discuss some of the most important.
Knowing your expected retirement age — the age when you plan to retire — will help you determine how much you need to save.

Keep in mind that you can’t always control your retirement age. As this chart shows, workers generally expect to retire at a later age than the actual ages when retirees left the workforce. In fact, nearly half of today’s retirees say they left the workforce earlier than they had planned.¹

Consider the possibility that you might be unable to continue working because of poor health, changes at your company such as downsizing, or the need to care for a family member.

Workers may also be expecting to retire at a later age because of changes in Social Security. Americans born after 1937 won’t reach their “full retirement age” (to be eligible to receive full Social Security benefits) when they turn 65. Currently, full retirement age ranges from 66 to 67, depending on birth year. Workers who delay claiming Social Security after full retirement age earn delayed retirement credits that can increase their benefits by about 8 percent a year, up to age 70.

Of course, the earlier you retire, the more you may need to save in order for your money to last throughout your retirement.

Source: 1) Employee Benefit Research Institute, 2018
The kind of retirement lifestyle you envision will also have an impact on your savings needs. For example, you may plan to travel extensively or be involved in philanthropic endeavors.

Considering these and other potential retirement expenses, including higher health-care costs, a suggested guideline is that you will need at least 70 percent to 80 percent of your pre-retirement income to live comfortably in retirement.

Many people underestimate their expenses in retirement. In a 2017 survey, 89 percent of retirees said their expenses stayed the same or were greater than they had anticipated before retiring.¹

Source: 1) Employee Benefit Research Institute, 2017 (most current data available)
The length of your retirement also helps determine how much you will need.

With recent advances in technology and medicine, life expectancies are stretching considerably, and chances are good that you’ll be spending a large portion of your life in retirement. A healthy 65-year-old woman might reasonably expect to spend 20 years or longer in retirement.

In fact, a healthy 65-year-old woman has a 65 percent chance of living to age 85 and a 46 percent chance of living to age 90.

Are you on track to accumulate enough money to last that long?

Source: Society of Actuaries, 2018
Inflation will also affect the amount you will need to save for retirement.

Inflation is the rise in consumer prices over time, which can result in the loss of purchasing power.

Even in the last few years, a period of relatively low inflation, the prices of basic household items have been rising.

(Note to presenter: Make sure you know current costs if they have increased after publication date.)

Assuming a 3 percent annual inflation rate, the cost of a gallon of milk in 20 years could be $7.22, a haircut could be $81.28, running shoes could be $180.61, and a new automobile could cost $63,213.89.

Think about this: If inflation were to remain constant at a rate of 3 percent, the purchasing power of your money would be cut nearly in half in about 20 years.

Future costs in this hypothetical example are based on mathematical principles and used for illustrative purposes only. A 3% annual inflation rate cannot be guaranteed. Actual results will vary.
Many people underestimate the potential cost of health care in retirement, forgetting the premiums, copays, deductibles, and prescription drugs they might have to cover — even with Medicare, which typically covers only a little more than half of the average subscriber’s health-care costs.

How much could you spend on health care in retirement?

If Medicare benefits remain at current levels, it’s estimated that a 65-year-old woman who retired in 2018 and lives an average life expectancy would need about $161,000 to cover her health expenses in retirement. A 65-year-old man might need $148,000, and a 65-year-old married couple might need $296,000. Of course, these costs could be even higher for those with high medical and prescription drug costs.\(^1\)

Also consider that these estimates don’t include dental expenses, glasses — even hearing aids for those who need them.

If current trends continue, health-care costs may force you to rethink your retirement strategy.

Source: 1) Employee Benefit Research Institute, 2018
Do you know the income sources you will have when you retire? The percentage of your income that will come from tax-deferred and taxable investments, Social Security, and possibly continued employment earnings will depend on your personal situation and savings strategy.

(The pie chart segments are hypothetical and used for illustrative purposes only.)
Before we continue, let’s talk about the retirement income you might receive from Social Security. Considering Social Security’s fiscal challenges, of course, it’s possible that the program may not be able to maintain the level of support that it does now.

You are entitled to receive Social Security benefits if you have worked and accumulated a minimum of 40 work credits (which equals about 10 years of work), if your spouse was an eligible worker, or if you were married for at least 10 years to an eligible worker. Many women have sufficient earnings to qualify for Social Security benefits based on their own work records rather than on their spouses. Worker benefits are based on your highest 35 years of earnings.

Here are some interesting facts about Social Security to consider.

The average annual Social Security benefit for women ages 65 and older is about $14,400, which compares with about $18,200 for men ages 65 and older.¹

More than three out of five women elect to claim Social Security before reaching full retirement age.²

Social Security is virtually the only source of income for about three out of 10 female beneficiaries ages 65 and older.³

Sources: 1–3) Social Security Administration, 2016–2018

Visit ssa.gov/myaccount to create your own personal account and access your Social Security Statement.
Social Security benefits are based on how much you earned during your working career and the age when you start claiming them. The earliest eligibility age is 62. However, if you claim worker benefits at age 62, the amount you receive each month would be permanently reduced by 25 to 30 percent of the “full” benefit amount (depending on the year you were born).

Interestingly, more than 40 percent of retirees file for Social Security benefits when they first become eligible at age 62.

“Full retirement age” — when you would receive your “full” benefit or Primary Insurance Amount — ranges from 66 to 67, depending on the year you were born. Those born in 1960 or later must wait until age 67.

For each month you wait to claim Social Security after reaching full retirement age, your monthly benefit would continue to increase until you reach age 70, when you would be entitled to receive up to 132 percent of your full benefit (depending on year of birth). By waiting, you earn delayed retirement credits, although there is no advantage to waiting longer than age 70.

You can see the impact of claiming benefits at age 62 versus age 70 for someone who would be entitled to a $2,400 full retirement benefit at age 66. In this hypothetical example, the individual who files at age 70 instead of age 62 would receive more than $16,000 of additional income every year for the rest of her life.

Delaying benefits is more likely to pay off for women and married couples. If the higher-earning spouse waits to file for the highest possible Social Security benefit, his or her spouse could eventually receive a higher survivor benefit after the death of the high earner. Remember that if you claim Social Security before reaching full retirement age and continue to work, your benefit will be reduced if your earnings exceed specific annual thresholds.

Of course, your decision on when to file should be based on a combination of factors, including your health, life expectancy, work situation, retirement goals, and other sources of income.

Source: Social Security Administration, 2019
Married individuals may be eligible to receive a Social Security benefit based on their own earnings history or a spousal benefit based on the spouse’s primary insurance amount (PIA). *(This is also true for unmarried, divorced individuals who were married for at least 10 years.)*

If you’re married, you can claim a spousal benefit whether you have worked or not. But in order to qualify for the spousal benefit, you must be at least age 62, you must have been married for at least one year, and your spouse must have filed for Social Security benefits. *(An eligible, unmarried divorced spouse does not have to wait until his or her ex files for benefits, but the ex must be at least age 62.)*

If you elect to receive a spousal benefit *before* you reach full retirement age, you would receive a permanently reduced amount, unless you are caring for a qualifying child. The benefit reduction is based on *your* age when you claim the spousal benefit.

If you claim the spousal benefit upon reaching *your* full retirement age, the benefit would be one-half of your spouse’s primary insurance amount. The spousal benefit is never higher than 50 percent of the primary worker’s full benefit. So, for example, if your spouse’s primary insurance amount is $2,400, you could receive a $1,200 monthly spousal benefit by claiming it at your full retirement age.

If you are eligible for a spousal benefit *and* a retired worker benefit when you claim Social Security, you are “deemed” to be filing for both and will receive a combination of the two that equals the higher amount. *(Note: This rule also affects divorced spouses, but survivor benefits are not affected.)*

**Restricted application for spousal benefit:** Only married individuals who were born on or before January 1, 1954, are eligible to use this strategy. If you’re still eligible, here’s how it would work. Upon reaching *your* full retirement age, you could claim a “restricted application” for a spouse-only benefit. *(Your spouse must have filed for Social Security first.)* Filing a restricted application enables you to postpone your own worker benefit, which would earn delayed retirement credits, increasing your benefit by about 8 percent each year. Later you could switch to this potentially higher benefit amount, which would reach its maximum value when you are 70.
Widows and widowers may be eligible to receive a survivor benefit based on the deceased spouse’s earnings record if it would be higher than their own benefit.

To claim a survivor benefit, you must have been married for at least nine months (or for at least 10 years if you are a surviving divorced spouse). The survivor benefit amount is based on the earnings record of the spouse who died.

The benefit will be permanently reduced if it is claimed prior to your full retirement age. Unlike spousal benefits, survivor benefits reflect any delayed retirement credits, so if your spouse worked past full retirement age, the survivor benefit would be based on his or her primary insurance amount and any delayed credits.

One caveat is that if your spouse dies and you remarry before reaching age 60, you will forfeit your late spouse’s Social Security benefits (as long as you are married).

We’ll discuss the survivor benefit in greater detail later in the presentation.

**BONUS FEATURE**

*(Click the light bulb icon to explore how a married couple might be able to maximize lifetime and survivor benefits.)*
Personal savings and investments will make up the bulk of retirement income for many of today’s workers.

Your personal savings and investments might include tax-deferred accounts — employer-sponsored retirement plans, individual retirement accounts (IRAs), self-employed plans if you’re self-employed, and annuities — as well as investments held outside of tax-deferred alternatives, including stocks, bonds, mutual funds, exchange-traded funds, savings accounts, and CDs.

Distributions from tax-deferred plans prior to age 59½ may be subject to a 10 percent federal income tax penalty.
Employer-sponsored retirement plans such as 401(k) and 403(b) plans offer a number of benefits.

First, you can generally contribute a percentage of your salary using pre-tax funds, and you don’t have to pay current taxes on contributions or any earnings until you withdraw money, generally in retirement. As we discussed earlier, deferring taxes can greatly enhance the growth potential of the investment by allowing each year’s savings to build on the pre-tax accumulation of previous years.

In addition, making pre-tax contributions may help lower your current income tax liability and might enable you to contribute more each month.

Employers may offer to match a percentage of your employer-plan contributions with additional funds. This is essentially extra money provided by your employer to help you save for retirement. Whatever your savings strategy, it is usually a good idea to contribute at least enough to qualify for the employer match, if one is offered.

One drawback of defined contribution plans is that they are subject to federal contribution limits. In 2019, workers may contribute up to $19,000 to a 401(k) or 403(b) plan, and those who are 50 and older may save an additional $6,000 thanks to a special “catch-up” provision.

You should also remember that distributions from most employer-sponsored retirement plans are taxed as ordinary income. Withdrawals taken prior to reaching age 59½ may be subject to a 10 percent federal income tax penalty. Generally, annual required minimum distributions must begin after you reach age 70½.

**BONUS FEATURE**

*(Click the light bulb icon to discuss the importance of managing your 401(k).)*
There are two types of IRAs: traditional and Roth. And that brings up an interesting question: Which is appropriate for you: a traditional IRA or a Roth IRA?

Unfortunately, there isn’t a simple answer, but it may come down to whether you want to pay the taxes now versus later.

In general terms, if you anticipate that your tax bracket will be lower after you retire, contributing to a traditional IRA may be a better choice, especially if your IRA contributions are tax-deductible. On the other hand, if you don’t expect to be in a lower tax bracket after you retire or you have a long time frame before retiring, a Roth IRA may be a better choice because qualified distributions are free of federal income tax and thus reduce your taxable income. Another advantage of a Roth IRA is that any contributions you make can be withdrawn without taxes or penalty at any time. However, for a qualified tax-free and penalty-free withdrawal of any earnings, you must meet the Roth IRA distribution requirements.

IRAs are subject to federal contribution limits, which are indexed annually for inflation. In 2019, workers may contribute up to $6,000 ($7,000 for those age 50 and older) in total contributions to Roth and traditional IRAs. Eligibility to contribute to a Roth IRA phases out at higher income levels: $122,000 for single filers or $193,000 for married couples filing jointly in 2019. There are no income eligibility limits to contribute to a traditional IRA. However, if you are an active participant in an employer-sponsored retirement plan, the ability to deduct IRA contributions starts phasing out once your modified adjusted gross income exceeds $64,000 (or $103,000 if you’re married filing jointly).

IRA withdrawals prior to age 59½ may be subject to a 10 percent federal income tax penalty. To qualify for the tax-free and penalty-free withdrawal of earnings, Roth IRA distributions must meet the five-year holding requirement and take place after age 59½. Traditional IRAs are subject to required minimum distributions (RMDs) that must start for the year you reach age 70½. Roth IRAs are not subject to RMDs. (IRA beneficiaries, however, must take RMDs.)

There are specific circumstances under which the IRS may allow penalty-free early distributions from either type of IRA. They include those resulting from a disability or those used for the payment of qualified, unreimbursed medical expenses exceeding 10 percent of adjusted gross income; qualified higher-education expenses; or a first-time home purchase ($10,000 lifetime maximum). Penalty-free early distributions can also be made for substantially equal periodic payments that are made over a period of at least five years or until age 59½, whichever occurs later.
Traditional pension plans once provided a steady income for many retirees, but the number of companies offering such plans has declined dramatically. Generally, women receive lower pension benefits than men because they have had relatively lower lifetime earnings.¹

Many people who don’t have a traditional pension like the idea of setting up one of their own. An annuity offers a way to accumulate money for retirement and create a “do-it-yourself pension,” and it doesn’t have some of the restrictions associated with IRAs and employer-sponsored retirement plans.

An annuity is a contract between you and an insurance company. In return for your payments, the company agrees to pay you regular income for a set number of years or for the length of your retirement. Contributions to annuities are made with after-tax dollars, but any earnings accumulate tax deferred.

Unlike IRAs and employer-sponsored retirement plans, annuities are not subject to federal contribution limits, so they can be funded with a lump sum from an inheritance or the sale of a home or business. In addition, annuity owners are not required to take mandatory distributions due to age.

Finally, some types of annuities offer guaranteed returns and lifetime payments (for an additional cost) that have the potential to enhance your income in retirement.

Generally, annuities have mortality and expense charges, account fees, investment management fees, and administrative fees. The earnings portion of annuity withdrawals is taxed as ordinary income. Withdrawals taken prior to age 59½ may be subject to a 10 percent federal income tax penalty. Surrender charges may also apply during the contract’s early years if the annuity is surrendered. The guarantees of fixed annuity contracts are contingent on the financial strength and claims-paying ability of the issuing insurance company.

Source: 1) Social Security Administration, 2018
Women are trailing men in total retirement savings. According to one survey, 82 percent of men and 73 percent of women have started to save for retirement.1

Another survey found that women who participate in an employer-sponsored retirement plan contribute only 7 percent of their annual pay, on average, whereas men contribute an average of 10 percent.2

This may not portend well for women, who may need to accumulate more money for retirement because they generally live longer.

Sources: 1-2) Transamerica Center for Retirement Studies, 2018
What are your retirement savings needs? The worksheet on page 14 in the workbook can be used to estimate how much you might need to fund the retirement lifestyle you have envisioned.

(Pause to give participants sufficient time to locate the worksheet.)

The first column shows an example to help you see how the worksheet works. The second column is for you to fill out after you return home and have access to your records. Use the factors on page 15, which use various assumptions for inflation and rates of return, to complete the worksheet.

Let’s go through the hypothetical example together. Assume you are 47 now, want to retire in 20 years at age 67 (the expected retirement age goes on line 1), and the estimated length of your retirement is 25 years (line 2). Your current annual income is $75,000 (line 3), and the percentage of pre-retirement income desired in retirement is 80 percent (line 4). To determine the amount of retirement income you would need in today’s dollars (line 5), you multiply line 3 by line 4. In this example, you would need $60,000 a year in today’s dollars.

Next, estimate the income you expect from Social Security in today’s dollars. The average annual Social Security retirement benefit is about $16,000, so we’ve entered that value on line 6. There’s also a line for the amount of income you might expect from a pension in today’s dollars. We’ve entered $10,000 on line 7 for this example. Of course, this line may be blank for some people.

To determine the amount of retirement income (in current dollars) needed from savings and investments (line 8), you subtract the amounts in lines 6 and 7 from line 5. For this example, you would need to withdraw $34,000 in current dollars from savings and investments each year.

To find the amount of income you would need from savings and investments in future dollars, you multiply line 8 times Factor A (found on page 15), based on the number of years until retirement. In this situation, we’re assuming 20 years until retirement, so we multiply $34,000 by 2.6533, which results in a $90,212 annual income needed from savings in future dollars (line 9). To determine the amount that must be saved by retirement in future dollars, you multiply line 9 by Factor B. For this example, the total amount to be saved is $1,570,874 (line 10).

On line 11, enter the amount saved already. For the example, we’ll use $150,000. Then on line 12, to determine what your savings will grow to by the time you retire, you multiply line 11 by Factor C (based on the number of years until retirement), which results in $699,150 for this example.

Line 13 shows the total amount you would still need to save before retirement. To find this value, subtract line 12 from line 10, which results in $871,724. Line 14 shows how much you would need to save each year (line 13 times factor D), which is $19,091 for this hypothetical situation.

Bear in mind that roughly calculating the cost of retirement is only a beginning. We recommend a more comprehensive cash-flow analysis considering all sources of income and expenses.
Life events are often beyond our control. Some of them are not pleasant to think about and could result in financial hardship.

But understanding how events such as divorce and widowhood could affect your finances is very important, whether you are single, married, or already divorced or widowed.
Because divorce seems to be growing among married couples, every woman needs to know about the potential financial consequences.

Aside from being the source of emotional upheaval, divorce provides its share of financial devastation for women. If divorce seems inevitable, try to move forward and protect yourself financially. If you are already divorced, there still may be some important financial concerns that we can help you with.

In many cases, a divorce may mean a potential drop in a woman’s standard of living and even financial disputes. Nearly 26 percent of women experience a deterioration in their spending habits post-divorce. Even so, women are twice as likely as men to seek out a job after a divorce. This reflects the greater likelihood for women to develop positive financial behaviors post-divorce than men.\(^1\)

Young women tend to have an easier financial recovery from divorce. They may have had shorter marriages and may not have had children. And many women have well-established careers with a solid education behind them. In short, they are generally better prepared financially for the working world.

Unfortunately, a large number of divorced women have been married for many years. These women may have the hardest time financially after divorce. They may be displaced homemakers — women who have been out of the workforce for years without the training or education to secure a good-paying job.

Source: 1) Association of International Certified Professional Accountants, 2017 (most current data available)
Did you know that the divorce rate for baby boomers has doubled since the 1990s?¹

Women could face several financial consequences in a divorce. It’s important that you know about all your financial assets and sources of income, both for now and the future.

To a large degree, state law and the negotiation process will determine your property settlement.

Spousal support (alimony) and child support may be temporary, so you need to make sound decisions regarding these payments. If you have sufficient income from other sources, consider investing your support payments to build a retirement fund, save money for your children’s college education, or pay for job-training skills that will make you more marketable in your career.

Always factor taxes in divorce negotiations. Although the Tax Cuts and Jobs Act eliminated the deduction for personal exemptions, it nearly doubled the standard deduction, which reached $12,200 ($24,400 for a married couple filing jointly) in 2019. The child tax credit increased to $2,000 per qualifying child under age 17, and the income level at which the credit phases out was dramatically increased to $200,000 for a single filer. Although a nontaxable property settlement may be more valuable to you than divorce-related alimony payments, which are taxable for agreements executed before 2019, keep in mind that alimony payments will not be taxable for the recipient, and they will no longer be tax deductible by the paying spouse, for divorce agreements implemented after December 31, 2018 (this is a permanent change in the tax law). Child support is considered tax-neutral — it is not tax deductible by the payer and is not considered taxable income for the recipient.

Consider any joint debts. Although state laws vary, any income, property, or debt accumulated during marriage is generally divided equally between spouses upon divorce.

Source: 1) Pew Research Center, 2017 (most current data available)
Here are additional financial considerations of divorce.

Under a provision of COBRA, you may be entitled to health coverage under your ex’s health insurance plan for up to 36 months (at your own expense). As part of a divorce decree, you might want your ex to carry life insurance to replace child support or spousal support in the event of your ex’s death. In this case, you should be the owner and beneficiary of the life insurance policy.

Generally, no one other than an employee has the rights to assets in an employer-sponsored retirement plan. But in the case of divorce, you may be entitled to a share of your former spouse’s retirement benefits if your ex participated in a retirement plan during your marriage. With most private-sector retirement plans, this is accomplished using a qualified domestic relations order (QDRO) issued by the court. Of course, remember that this can work in the same way for your ex.

If you have substantial assets, own a business, or have been married before, consider a prenuptial agreement before getting married. Remember that a prenup alone won’t be sufficient for one party to waive benefits to a qualified retirement plan; under ERISA, only a spouse can do so. Before drafting a prenuptial agreement, you should consult with a qualified attorney.

If you were married for at least 10 years to a fully insured worker and are not married, you are entitled to Social Security benefits based on your former spouse’s work record — whether your ex is living or deceased — as long as your own worker benefit would be less than what you would receive based on your ex’s work record.

If your ex is living, you can receive Social Security spousal benefits starting at age 62. The maximum benefit if claimed at your full retirement age would be 50 percent of your ex’s full benefit. If you claim the spousal benefit before reaching your full retirement age, your benefit will be permanently reduced. Keep in mind that if you are eligible to use the “restricted application” for spousal benefits and claim a spousal benefit before reaching full retirement age, you will not be able to switch to your own worker retirement benefit later.

If your ex is deceased, you can receive divorced survivor benefits starting at age 60. Your benefit will be reduced if you claim it prior to reaching your full retirement age. If you are caring for the child (under age 16) of your deceased former spouse, you may also be entitled to benefits, regardless of your age or the length of your marriage. Remarriage after you reach age 60 will not affect your eligibility for Social Security survivor benefits.

Additional Financial Considerations

- Health and life insurance
- Retirement benefits
- Prenuptial agreement
- Social Security
Another major concern for women is widowhood. If you are married, you must prepare yourself for the possibility that you might someday become widowed.

In fact, women are three times more likely than men to become widowed.¹

About 33% of men who live to age 85 are widowers, whereas 72% of women who live to age 85 are widows.²

Not preparing adequately is one reason why many widows face financial hardship.

Sources: 1–2) U.S. Census Bureau, 2017–2018
Widows face a number of financial considerations.

**Property transfers** depend on your marital status, the form of ownership, and your current estate plan. You will need to consider the ownership and transfer of bank accounts, real estate, stocks, bonds, mutual funds, and retirement plans.

If you and your spouse owned property as joint tenants with rights of survivorship, your spouse’s share of the property passes to you immediately.

Intestacy, wills, or trusts may also play a part. If your spouse died without a will (“intestate”), the spouse’s property will pass according to state law. If your spouse had a will, the terms of the will determine how property interests will pass. And if any property is owned by a trust, the terms of the trust will determine how the property will be distributed. Property passing by your spouse’s will is subject to probate, which can be a costly and time-consuming process, whereas property within a living trust is not subject to probate.

Here’s an additional consideration: A surviving spouse may exclude up to $500,000 of profit from the sale of a principal residence (one they have lived in for at least two of the last five years) if it occurs within two years of the spouse’s death.

Concerning **taxes**, you may file a joint tax return and claim an exemption for your spouse for the year in which your spouse died. In addition, there is a filing status called “qualifying widow” or “surviving spouse” that allows you to use joint return tax return rates if your spouse died in the previous two years. You must not have remarried and you must have a dependent child.

There are many tax considerations. You should obtain professional tax advice and request IRS Publication 559, which deals with tax issues for survivors.
If your spouse was covered by an employer-sponsored group health insurance plan, you may be eligible for continued medical coverage at your own expense for up to 36 months under COBRA. Generally, you must apply for the coverage within 60 days of your spouse’s death.

Life insurance and survivor’s benefits will be a critical financial concern if you are widowed. Check with your spouse’s current and past employers, trade union, and even trade associations for any group life insurance. Also check with any creditors, including mortgage lenders and credit-card issuers. Your spouse may have taken out credit life insurance or mortgage insurance. If your spouse was in the military service, you’ll also want to check for survivor’s benefits. Benefits may include a funeral expense allowance.

This whole process can be overwhelming. Some organizations, such as your spouse’s employer, may have an advocate for you.

If you are the beneficiary of your spouse’s employer-sponsored retirement plan — and by law, spouses are generally required to be the beneficiary unless they signed a waiver form — contact the employer for the forms to claim these benefits. Before you make any distribution decisions, evaluate the methods that may be available to you, as well as the tax implications. Depending on your age, you may be able to elect a lump-sum distribution, systematic withdrawals, or a lifetime annuity. Consider your liquidity needs, current and future income needs, and tax situation.

If you are the sole beneficiary of your spouse’s IRA, you have several options for taking distributions. Transferring the money to your own IRA with a direct rollover (trustee-to-trustee transfer) enables you to choose your own investments, name your own beneficiaries, and stretch future distributions over your own life expectancy.

Distributions from most employer-sponsored retirement plans and traditional IRAs are taxed as ordinary income and may be subject to a 10% federal income tax penalty if taken prior to age 59½ (with certain exceptions, such as death). Annual required minimum distributions generally must begin once you reach age 70½; the first distribution must be taken no later than April 1 of the year following the year in which you reach 70½.
Widows and widowers have dual entitlements under Social Security — benefits based on their own earnings history or survivor benefits based on the earnings record of the spouse who died. Social Security also pays a $255 lump-sum death benefit.

You are eligible for a permanently reduced survivor benefit as early as age 60 or for a full survivor benefit (100 percent of what the deceased spouse was entitled to collect at the time of death) once you reach full retirement age. Surviving disabled spouses and those with young children may have additional options, regardless of their age.

Unlike spousal benefits, Social Security survivor benefits reflect any delayed retirement credits. So if your spouse worked past full retirement age, the survivor benefit would be based on your spouse’s Primary Insurance Amount and any delayed credits that were earned.

If you are eligible to receive survivor benefits as well as benefits based on your own work history, you might compare which claiming strategy could enhance the total benefits you receive. For example, if your spouse dies, you could claim a reduced survivor benefit as early as age 60 and later claim your own worker benefit (if it would be higher) once you reach full retirement age — or you could delay your own worker benefit up to age 70 to receive your maximum retirement benefit. Each year you wait to claim worker benefits from full retirement age to age 70 increases the value by about 8 percent a year.*

Alternatively, you could claim a benefit based on your own work record as early as age 62 and later switch to a survivor benefit at your full retirement age if it would be higher. In order to change from one benefit to another, you must complete an application to switch benefits and supply an original or certified copy of the death certificate to the Social Security Administration.

Keep in mind that if you work while collecting Social Security benefits and have not reached full retirement age, your benefit may be reduced if your earnings exceed specific annual limits.

One important point to reiterate is that if you remarry before reaching age 60, you will forfeit your late spouse’s Social Security benefits while you are married. If you remarry after age 60, you will continue to qualify for survivor benefits based on your late spouse’s Social Security record, or you could apply for spousal benefits based on your current spouse’s work history.

Social Security rules are complex, and there are many filing options you should consider to potentially enhance the total benefits you might receive.

*Full retirement is age 66 for those born from 1943 to 1954; it gradually increases to age 67 for those born in 1960 or later.
One area of personal finance that many men and women ignore or postpone is estate conservation. But doing so could leave your family with unintended consequences and might result in a higher estate tax liability or reduce the legacy you want to leave for your family.

Estate conservation essentially involves all the preparations necessary to accomplish two goals: (1) managing assets during your lifetime and (2) making decisions about how your property and assets will be distributed upon your death. It involves more than just having a will and an executor for your estate, although these are important estate tasks.

Six Action Items for Taking Control

1. Getting Your Financial House in Order
2. Preparing for the Unexpected
3. Putting Your Money to Work by Investing
4. Building a Healthy Nest Egg for Retirement
5. Facing Financial Hardship
6. Addressing Estate and Legacy Issues
If you have overlooked developing an effective estate plan, a court could decide who will benefit from your life’s work after you’re gone. And your estate might have to go through an expensive probate process.

*Have you thought about who would raise your children or care for other loved ones if you were not able to do so?*

*Who would make critical health-care and financial decisions for you if you were unable to make them yourself? A stranger or someone you trust?*

Without an estate plan and the appropriate documents in place, your loved ones could wait for years to inherit valuable property. And your family might have to sell your home or business to pay taxes.

All these concerns could be addressed in an estate plan.

**BONUS FEATURE**

*(Click the pencil icon to go to a self-analysis quiz on page 18 in the workbook.)*
What actions can you take today to take control of your financial future?

We’ve touched the surface of a few strategies you can use to manage your money by making it work harder — and smarter. There are many more possibilities. It simply isn’t practical to explore all of them in one workshop.

We hope we have given you the motivation to take control of your finances now, not later. Once you have well-planned financial strategies in place, you have laid a foundation for your life and can rest easier that you and your family will be prepared for the future.

Unfortunately, some women never get around to planning for the future. The consequences could result in failure to achieve goals.
The cost of procrastination can be steep. Here’s a hypothetical example of the high cost of waiting.

Lisa decided to invest $250 per month immediately and earned a hypothetical 6 percent annual rate of return.

Terry waited 10 years and then began investing the same amount and earned the same 6 percent annual rate of return.

After 30 years, the difference in their account values was rather dramatic. Terry, who opted to wait 10 years before investing, would have accumulated $115,510. Lisa, who started investing immediately, would have accumulated $251,129. That’s more than twice as much as Terry!

As you can see, procrastination can be very expensive.

This is a hypothetical example of mathematical compounding and does not represent the past or future performance of any specific investment product or class of investments. Rates of return will vary over time, and actual results will vary.
So where do you go from here?

You could proceed on your own, now that you have learned some basic financial strategies. It would involve a tremendous amount of work, but you could do it.

You could work with others. Perhaps you have contacts who can help you accomplish some of your financial goals. If you do proceed this way, remember to look at their qualifications, experience, and specializations, and ask how they are compensated before you work with them.

You could work with us. We hope you feel comfortable with what you’ve learned about our professional knowledge and the approach we take with our clients. We pride ourselves on helping women pursue their financial goals and are committed to a philosophy of providing real-world education and financial guidance.

Finally, you could procrastinate. Given the long-term ramifications of the decisions you must make, procrastination is not a prudent move.
Of course, I hope you'll decide to work with us and come to the complimentary consultation. I don’t expect you to make any decisions now, nor do I expect you to decide when you come in to the office. I want you to decide only when you’re ready. As you get to know me and my firm better, I feel confident that you’ll want to work with us. But again, the choice is up to you.

Will everyone please pull out the evaluation form I talked about earlier?

I’d like you to fill out the form now and turn it in. The evaluation form is your way of commenting on the workshop. It also lets me know whether you’d like a personal meeting to discuss any of the ideas you’ve heard here. Because many of the people who attend our seminars come in for a complimentary consultation, we’ve blocked out several days next week to meet with you, answer your questions, and address your specific concerns.

(Feel free to alter this dialogue for the approach you prefer.)

Remember my two promises. If you check “Yes, I am interested in scheduling a complimentary consultation,” I’ll call you in the next couple of days to set up an appointment. If you check “No, I am not interested in scheduling an appointment at this time,” we will respect your wishes and not contact you personally.

I’ll be collecting the evaluation forms as you leave today.
In addition to your workshop workbook, there are several important items you should bring to the complimentary consultation. On the back of your workbook, you'll find a place to write them down.

(Note: Mention the important financial forms and documents that you would like participants to bring to the consultation. Among others, you may want to include:

- Personal income statement
- Recent bank/brokerage statements
- Income tax returns — past three years
- Life insurance policies
- Annuity contracts
- Retirement plan account statements.)

Also, on page 19 of the workbook, you'll find a cash-flow worksheet that is designed to gather pertinent financial information about you. Please go ahead and fill it out at home. Then during our consultation, we'll review this data accordingly.

Of course, if you can't find some of these documents or don't finish the worksheet, please come anyway. I am looking forward to meeting with you either way.
Thank you for coming to our workshop. I hope you’ve enjoyed the presentation, learned some valuable information, and now feel ready to take action.

Before you leave, I’d like to shake hands with you and collect your evaluation forms. I look forward to contacting many of you in the next few days to arrange a convenient appointment to meet again.

Thank you.
The Original Medicare Plan is divided into two distinct parts: hospital insurance (Part A) and medical insurance (Part B). Since 2006, prescription drug coverage (Part D) has been available.

Medicare Part A is hospital insurance. So if you're formally admitted as an inpatient, this coverage generally helps cover a semi-private room, meals, general nursing care, drugs, and supplies — but not physician fees. In addition, Part A may help cover a limited amount of post-hospital skilled nursing facility care, some home health-care services, and hospice care. Medicare Part B helps cover physician services, inpatient and outpatient medical services, outpatient hospital care, and diagnostic tests. There are some fairly stiff deductibles, copayments, and limitations.

Participants who have Original Medicare Parts A and B have the option of purchasing prescription drug coverage (Part D) and Medicare Supplement Insurance (also known as Medigap) from private insurers approved by Medicare. Medigap is designed to help “fill the gaps” in Original Medicare coverage. There are 10 standardized Medigap plans that are identical from insurer to insurer, but costs may differ and not all plans are available in every state.

An alternative to traditional Medicare is Medicare Part C (also known as Medicare Advantage). Part C health plans are typically HMOs and PPOs that are run by Medicare-approved private insurance companies. They provide the benefits and services covered under both Parts A and B, and some may offer additional coverage such as vision, hearing, dental, and/or health and wellness programs. Many Medicare Advantage plans offer prescription drug coverage. If not, you can enroll in a Medicare Prescription Drug Plan (Part D). You usually pay a monthly premium for Medicare Advantage in addition to your Part B premium, as well as copayments or coinsurance for covered services.

It's wise not to wait until you're 65 to apply for Medicare. File at least three months before your sixty-fifth birthday because it takes time to process your application.

Source: Centers for Medicare & Medicaid Services, 2019
How much life insurance do you need? To help answer that question, let’s turn to page 8 in your workbook.

(Pause to give participants time to turn to the correct page.)

This worksheet will help you determine how much life insurance your family would need in order to maintain its lifestyle in your absence.

Let’s go through a hypothetical example together so you can see how it works. Imagine a 45-year-old couple with two children. Their annual living expenses — including mortgage payments, other loans, and taxes — are about $100,000. That number goes on line 1.

The surviving spouse would have access to a few alternative income sources, which add up to $40,000 a year. That number goes on line 2F.

By subtracting $40,000 from $70,000, we can see that the surviving spouse will be approximately $60,000 short each year. That number goes on line 3.

To estimate how much capital it would take to provide $60,000 in additional annual income for an indefinite number of years, we first need to estimate the return this family might be able to expect on a hypothetical investment portfolio. For this example, we’ll say 7 percent. That number goes on line 4.

Finally, we need to know the amount of principal, or life insurance, they would need to invest at 7 percent to generate an annual income of $60,000. To do this, we divide $60,000 by 7 percent, which results in about $857,000. That’s how much life insurance this family would need to maintain its comfortable lifestyle for the long term. Does everyone see how this works?

Of course, if additional funds are needed for specific expenses, such as a child’s college education, that amount can be added to the figure on line 5.

You can complete this worksheet at home to estimate your own family’s needs, or we can work on it together during the complimentary consultation.
Unfortunately, long-term care can be very expensive.

Many people mistakenly believe that a healthy retirement savings will be more than enough to cover long-term care costs — or that Medicare will cover the cost of custodial care. But, in fact, Medicare won't cover this form of custodial care.

Take a look at the average cost of a one-year nursing-home stay in these states. This random sampling shows that nursing homes can cost anywhere from about $78,000 to more than $146,000 a year.

The national average cost for a private room in a nursing home is $100,375. That’s about $8,365 a month or $275 day.

Few people can afford to pay these costs out of pocket for very long. Perhaps that’s why many people purchase long-term care insurance.

Source: 2018 Cost of Care Survey, Genworth Financial, Inc. (costs for a private room in a nursing home)
This graph shows the volatility and historical performance of stocks, corporate bonds, and Treasury bills from 1994 through 2018. Keep in mind that past performance is no guarantee of future results.

Although stocks are generally considered to be growth investments, their performance can be unpredictable. In the last 25 years, the annual performance of stocks reached a high of nearly 38 percent and a low falling below −35 percent. The average annual return of stocks over this time period was 9.07 percent. Because of the characteristic volatility of stocks, most experts suggest investing in them only when you have at least 5 to 10 years before you'll need the money.

Historically, corporate bonds have not performed as well as stocks over time, but they are typically less volatile. The average annual return over this 25-year period was 5.86 percent.

On the other hand, Treasury bills and other cash alternatives almost always produce positive returns, but their potential for growth — and keeping pace with inflation — is much lower. The average annual return of three-month Treasury bills was 2.46 percent over this 25-year time period. That's not much above general inflation (CPI), which averaged 2.20 percent over this period.

A sound approach to investing is to develop a personalized investment strategy for the long term that is based on your investment objectives, tolerance for investment risk, and personal investing time frame. If you are investing for a short-term goal such as college, you may want to help protect the principal by investing in lower-risk and less volatile investments.

Source: Thomson Reuters, 2019, for the period January 1, 1994, to December 31, 2018. The returns shown do not include taxes, fees, and other expenses. Past performance is not a guarantee of future results. Actual results will vary.
Target-date funds (also called lifecycle funds) are *hybrid* mutual funds that usually contain a mix of stocks, bonds, and cash alternatives. They may be appealing because they offer the potential for age-appropriate asset allocation in a single fund.

The *target date* is the approximate date when an investor might retire and withdraw money. Thus, an investor who expects to retire in 2030 might choose a 2030 fund.

The further away the target date, the greater the risks the fund usually takes. As the target date approaches, the fund typically shifts toward a more conservative asset allocation to help conserve the value it may have accumulated.

However, it’s important to understand that no two target-date funds with the same date are alike. Typically, they won’t have the same asset allocation, investment holdings, or glide path. The glide path is a formula that determines how the asset mix will change over time — before and often after reaching the target date.

It’s possible that a high stock allocation might be too risky for some investors, especially when they are approaching retirement or already retired.

It’s important to understand that the principal value of target-date funds is not guaranteed before or after the target date. The return and principal value of all mutual funds fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost.

*Mutual funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.*
This hypothetical example illustrates the potential impact on survivor and lifetime benefits based on three different claiming strategies used by a married couple. Because women tend to live longer than men, the impact on a wife's survivor benefit could be significant if her spouse is the higher earner and he predeceases her.

Paul and Janet are both age 62 and have been married for 35 years. If they both wait until full retirement age (66) to claim benefits, Paul would receive $2,000 per month and Janet would receive $1,800 based on their individual earnings histories. If they claim benefits early at age 62, Paul would receive $1,500 and Janet would receive $1,350.

These three scenarios show the impact on their combined monthly and lifetime Social Security benefits, assuming Paul dies at age 80 and Janet dies at age 90.

The first scenario shows the impact if both claim Social Security at age 62, the second scenario shows the result if Janet claims at 62 and Paul waits until age 66 (full retirement age), and the third shows the result if Janet claims at 62 and Paul waits until age 70 to receive his maximum $2,640 benefit.

(Note to presenter: Review how their combined benefits change under each scenario.)

If Paul dies at age 80, Janet’s monthly survivor benefit would be only $1,500 under the first scenario, $2,000 under the second, and $2,640 under the third (annual amounts are $18,000, $24,000, and $31,680, respectively). Although the couple’s combined benefits at the time of Paul’s death would be highest under the second scenario, the third scenario would provide the highest lifetime benefits if Janet were to live to age 90.

Social Security rules are complex. We can help you consider your options at the complimentary consultation.

This hypothetical example is used for illustrative purposes only. Actual benefits and situations will vary.
Your 401(k) or other employer-sponsored plan may become one of your most valuable assets, so it is important to manage it wisely. This means watching your fund allocations, especially any exposure to your company’s stock, if offered in your plan. As we learned from Enron, you should never tie the value of your retirement portfolio to the fate of a single company, even if it is where you work.

By choosing more than one type of fund in your plan, you can diversify your assets, spreading risk across a variety of investments. Also be careful not to overweight your portfolio in any single fund, even if it is a target-date fund. Remember to view the asset allocation of your employer-plan account in the context of your overall portfolio. For example, if you want to invest in bonds and/or dividend-paying stocks, you might want them in your tax-deferred plan because any capital gains or interest would be tax deferred. Asset allocation and diversification do not guarantee a profit or protect against loss; they are methods used to help manage investment risk.

If you change jobs, you may have the option of keeping the assets in your former employer’s plan, or you could take a lump-sum distribution, which is taxable. Alternatively, you might be able to move vested plan assets to your new employer’s plan (if allowed) or to an IRA. The latter option might offer more investment options and possibly lower fees than an employer plan. Once you reach age 59½, you may have the option to take an “in-service distribution” from your current employer’s retirement plan, which would enable you to transfer the funds to your own IRA. With a direct rollover (also called a trustee-to-trustee transfer) to a traditional IRA, you generally avoid current income taxes and penalties, and your assets continue to accumulate tax deferred.

Distributions from most employer-sponsored plans are taxed as ordinary income and may be subject to a 10 percent federal income tax penalty if taken prior to age 59½. Tax-deferred plans are subject to annual required minimum distributions that must begin for the year in which you reach age 70½. The return and principal value of mutual funds are not guaranteed; rather, they fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost.

*Mutual funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.*
We’ve put together a short self-analysis quiz that will help you consider some common estate conservation issues. You’ll find it on page 18 in the workbook. It may help you think about steps you may still need to take to help conserve the value of your estate. 

(Note: Take out the workbook and conduct this self-analysis quiz. If you prefer, you can highlight and discuss only those questions that are most pertinent to your audience.

If there isn’t time to go over the quiz during your presentation, ask participants to fill it out when they return home.)

We can review how much progress you have made in your estate conservation preparations during the complimentary consultation.