Retiree Introduction Presentation

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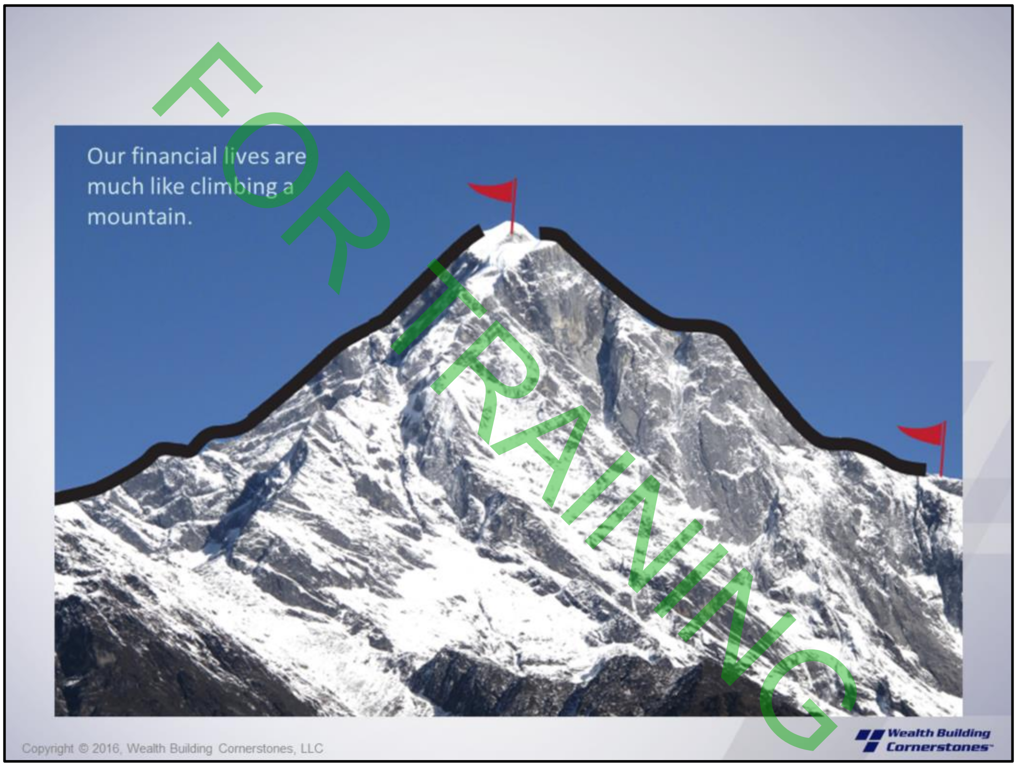
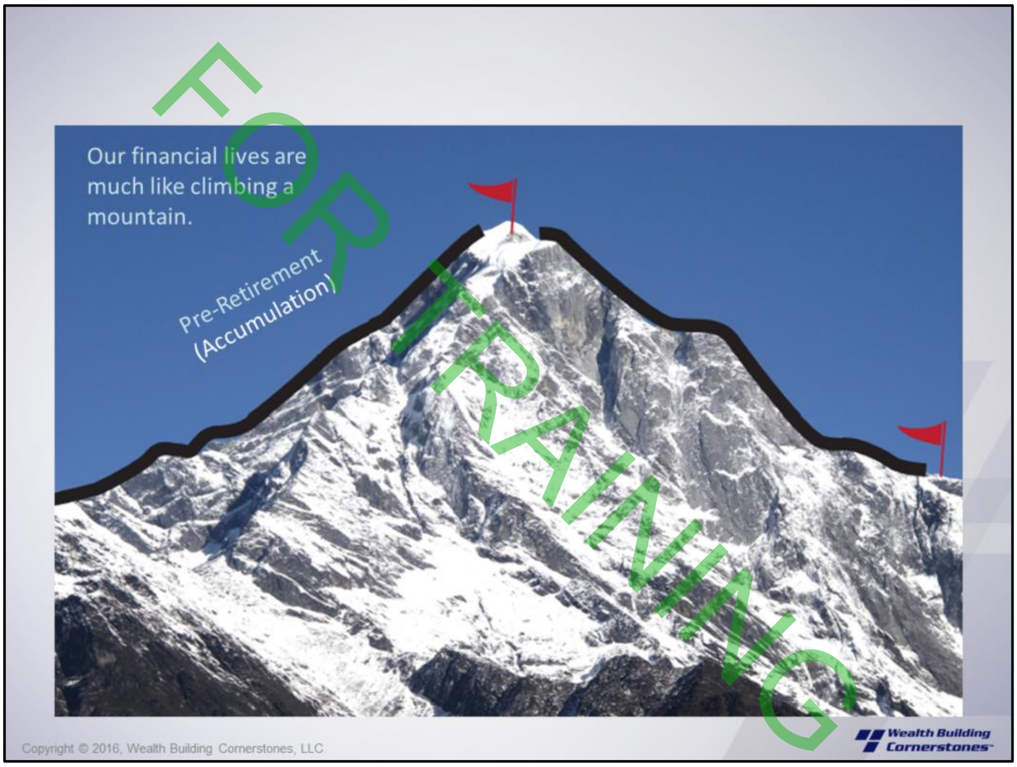
Wealth Building Cornerstones

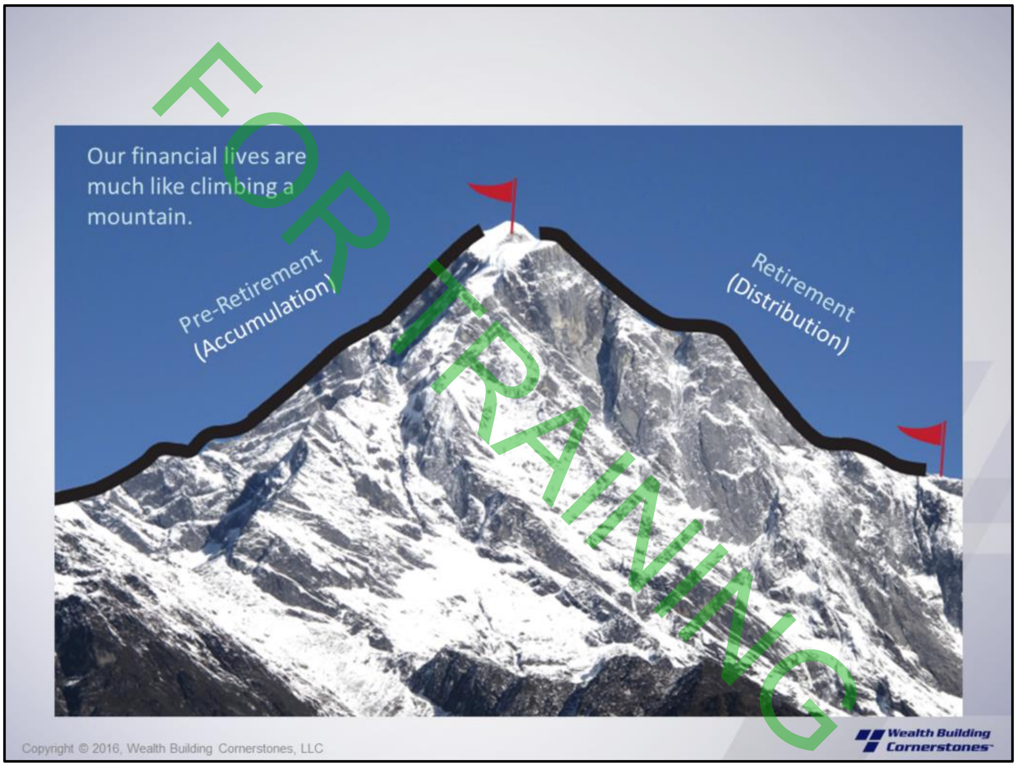
Hello and welcome to the Retiree Introduction Presentation for wealth building cornerstones.



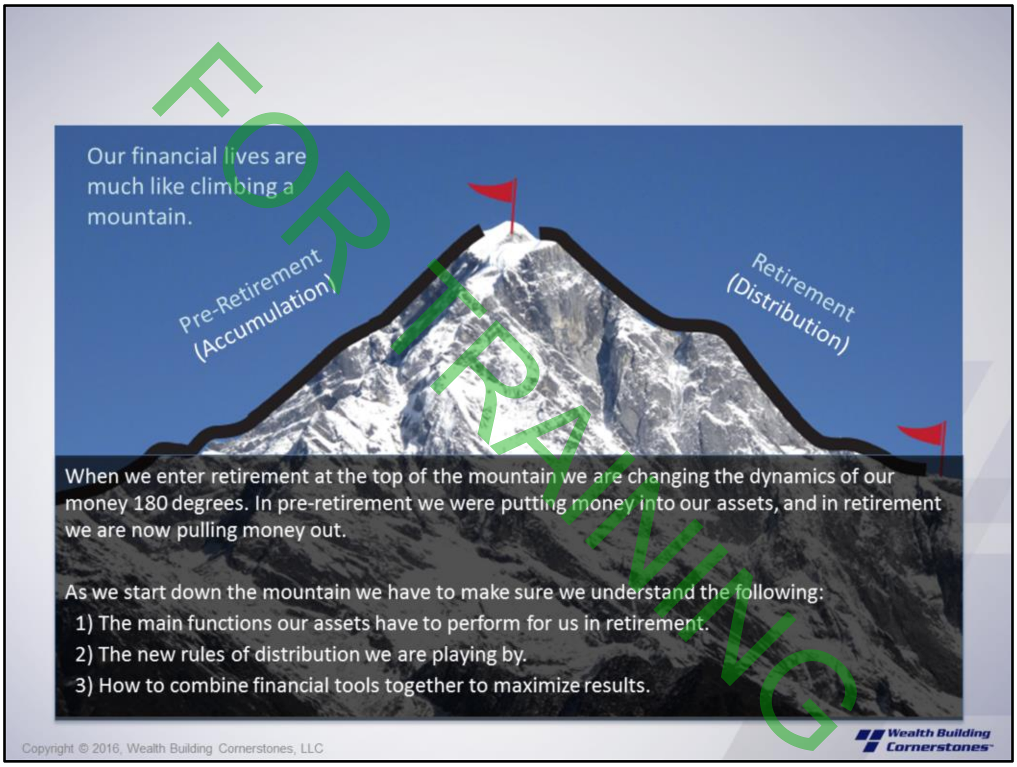
Our financial lives are much like climbing a mountain.



In other words, getting up the mountain is like our Pre-Retirement Accumulation Phase

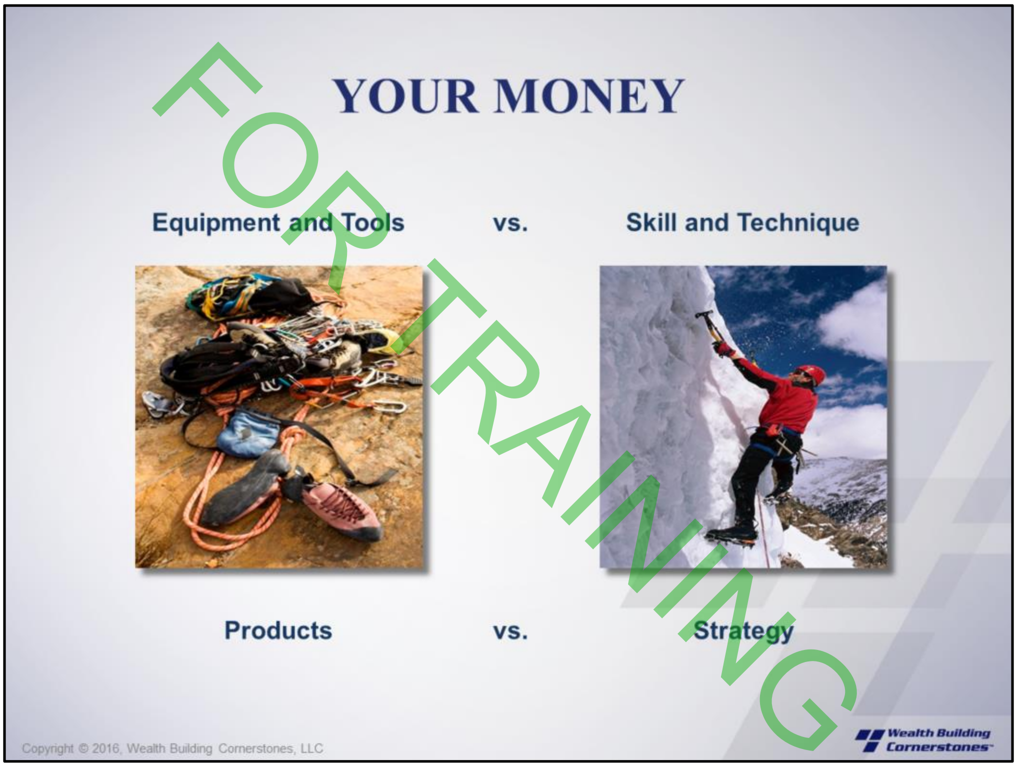


Then once we reach the top of the mountain, we begin on our descent back down in our retirement distribution phase.

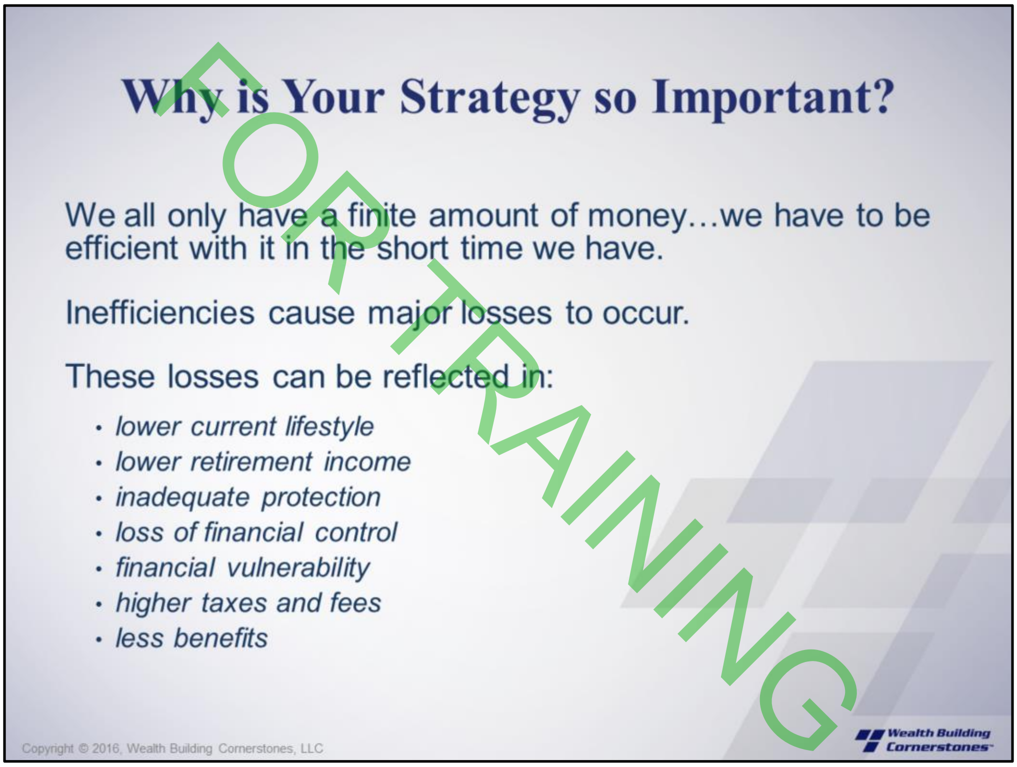


When we enter retirement at the top of the mountain, we are changing the dynamics of our money 180 degrees. In pre-retirement we are putting money into our assets, and in retirement, we are going to be pulling money out. As we start down the mountain, we have to make sure we understand the following: The first thing is to make sure we understand the main functions our assets have to perform for us in retirement. The second is to make sure we identify any new rules of distribution that we are going to be playing by and thirdly, how to combine financial tools together to maximize results.

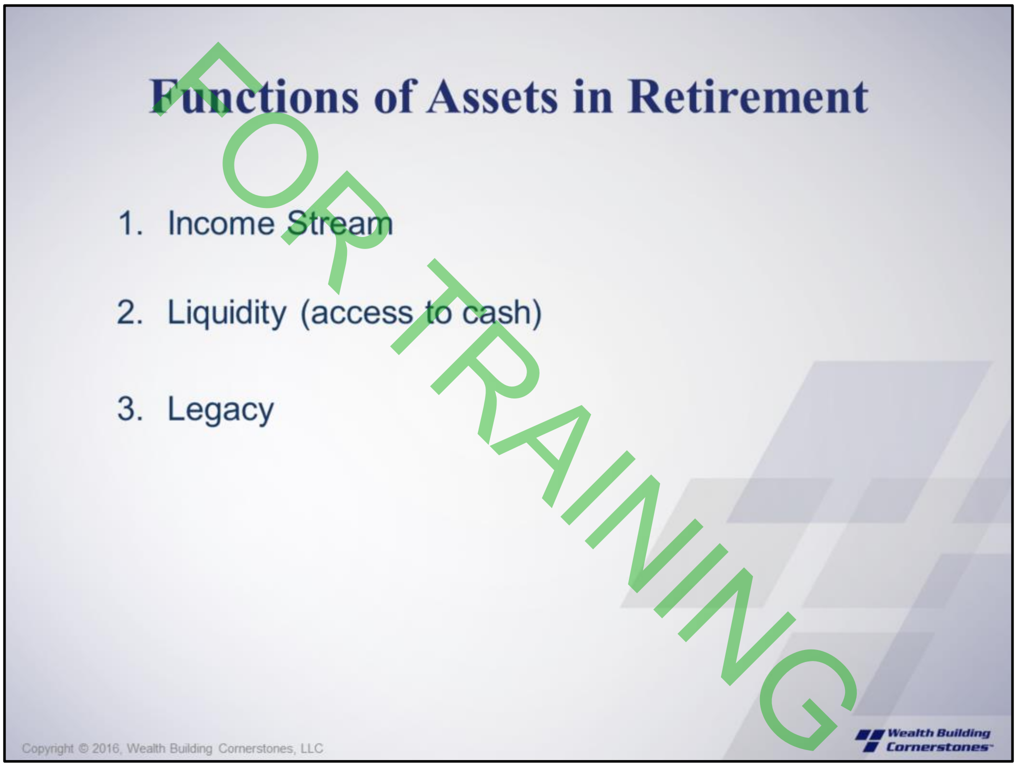
Think of it like this: would you rather have the skill and technique of a professional mountain climber or their equipment and tools? Which one is harder to come by? Obviously the skill and technique. I can buy the equipment and tools pretty much anywhere.



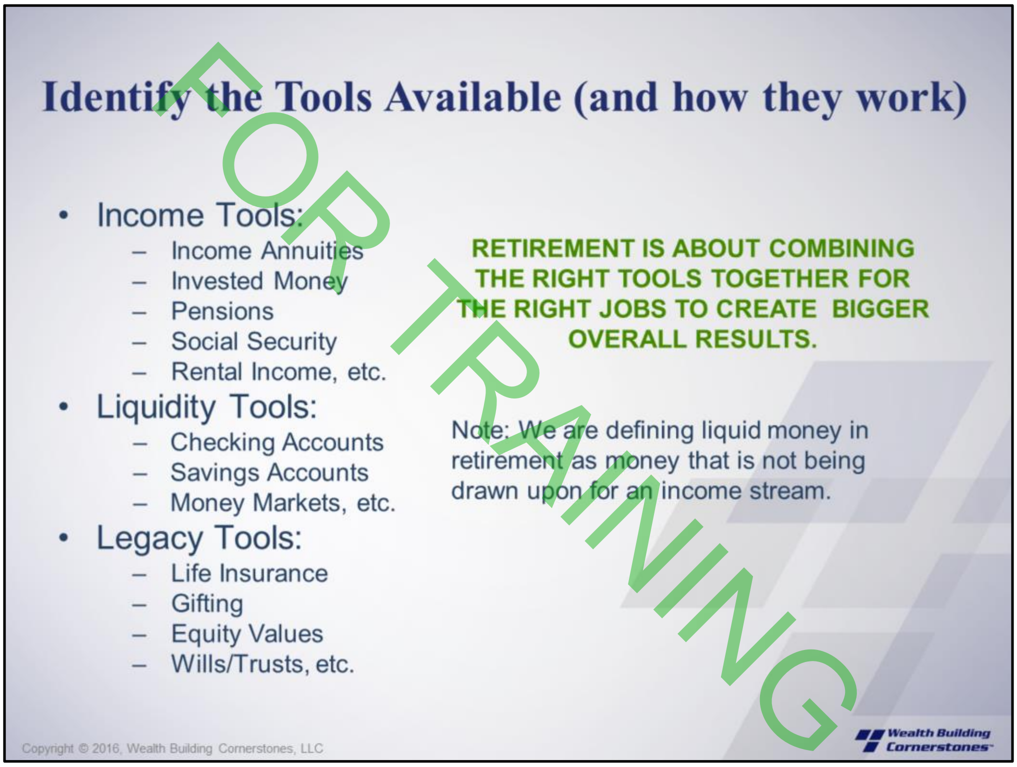
The same is true in our financial lives. The products that we have to work with are just the equipment and tools and every product in the financial world has difference attributes and purposes. The key is that we have a good process: the right skill and technique to apply the use of those products to make the different attributes of those products work together properly to create maximum efficiencies.



Why is the process so important? Since we all only have a finite amount of money to work with we have to be efficient with it in the short time we have. Inefficiencies cause major losses to occur that are reflected in the things we see listed here including; lower retirement income, lack of liquidity, lower legacies, less security, higher taxes and fees and so forth.



One of the first things we have to do is understand the functions our assets have to perform in retirement. The first function is to provide an income stream. The second is to give us access to liquidity, and third: legacy. In other words, where does the money go when we pass away?



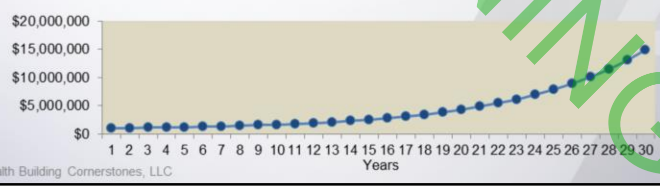
In order to do this, we have to be able to identify the tools available that we have to work with. In the financial world, there are different products and tools that are meant for different things such as Income, Liquidity, and Legacy. Retirement is about combining the right tools together for the right jobs to create bigger overall results. And note here, the definition of liquid money in retirement is money that is not being drawn upon for an income stream. Also, as you see listed at the top of this slide, not only do we have to identify the tools that are available, we also have to understand how they work. Let's go through an example and expand on that concept a little bit more.

Constant vs. Fluctuating Returns

Beginning retirement asset value = $1,000,000 | 10% of Beginning Value = ($100,000)
Number of years = 30 | Average return = 14.84%

Constant Returns

Retirement Year	Annual Return	Annual Income	Account Value
1	14.84%	-$100,000	$1,033,290
2	14.84%	-$100,000	$1,072,100
3	14.84%	-$100,000	$1,116,360
4	14.84%	-$100,000	$1,167,188
5	14.84%	-$100,000	$1,225,558
6	14.84%	-$100,000	$1,292,591
7	14.84%	-$100,000	$1,369,572
8	14.84%	-$100,000	$1,457,976
9	14.84%	-$100,000	$1,559,500
10	14.84%	-$100,000	$1,676,090
11	14.84%	-$100,000	$1,809,982
12	14.84%	-$100,000	$1,963,743
13	14.84%	-$100,000	$2,140,322
14	14.84%	-$100,000	$2,343,106
15	14.84%	-$100,000	$2,575,983
20	14.84%	-$100,000	$4,373,434
25	14.84%	-$100,000	$7,963,668
30	14.84%	-$100,000	$15,134,818



Historical Data Source: S&P 500 Total Return Index (w/GFD Extension) (1970-1999); Global Financial Data, Inc., All Rights Reserved, Used with Permission. GFD Extension denotes the extension of data back through time for a data series from its point of origin, potentially even before said index was in existence. Hypothetical illustration may not be used to predict or project investment results. Past performance is no guarantee of future results.

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Let’s talk about using invested money as an income stream tool in retirement. What we have here is a person entering retirement with a million dollars, wanting to pull a hundred thousand dollars a year of income from this to live on which is ten percent of the initial value. The way someone might justify being able to do this is by thinking they could earn a return on average equal to or greater than the ten percent they are pulling out, in this case, fourteen point eight four percent. And if they earn this fourteen point eight four percent constantly every single year, you can see their account value grows, even as they pull income out, to the point where it is close to fifteen million dollars thirty years into retirement. However, this average yield is going to be made up of all the positive and negative annual returns someone gets over the thirty years. So where does this average come from?

Constant vs. Fluctuating Returns

Range of years = 1970-1999 Average return = 14.84%

History of the S&P 500

Year	Annual Return	Year	Annual Return
1970	3.99%	1985	31.65%
1971	14.33%	1986	18.60%
1972	18.94%	1987	5.17%
1973	-14.79%	1988	16.61%
1974	-26.54%	1989	31.69%
1975	37.25%	1990	-3.10%
1976	23.67%	1991	30.47%
1977	-7.39%	1992	7.62%
1978	6.44%	1993	10.08%
1979	18.35%	1994	1.32%
1980	32.27%	1995	37.58%
1981	-5.05%	1996	22.96%
1982	21.48%	1997	33.36%
1983	22.50%	1998	28.58%
1984	6.15%	1999	21.04%

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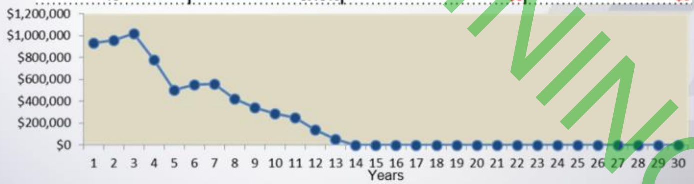
It comes from the history of the S and P five hundred from 1970 through 1999. So what we can see in front of us are all the years of annual positive and negative yields during this thirty year period. If we add all these positive and negative yields up, and divide by thirty, we get an average of fourteen point eight four percent. So what we are going to do now is take these fluctuating positive and negative annual yields we see here and put them into the same table we were just looking at, paying close attention to what happens to our account value when we do this.

Constant vs. Fluctuating Returns

Beginning retirement asset value = $1,000,000 10% of Beginning Value = ($100,000)
Number of years = 30 Average return = 14.84%

Fluctuating Returns

Retirement Year	Annual Return	Annual Income	Account Value
1	3.99%	-$100,000	$935,910
2	14.33%	-$100,000	$955,696
3	18.94%	-$100,000	$1,017,765
4	-14.79%	-$100,000	$782,027
5	-26.54%	-$100,000	$501,017
6	37.25%	-$100,000	$550,396
7	23.67%	-$100,000	$557,005
8	-7.39%	-$100,000	$423,232
9	6.44%	-$100,000	$344,048
10	18.35%	-$100,000	$288,831
11	32.27%	-$100,000	$249,767
12	-5.05%	-$100,000	$142,204
13	21.48%	-$100,000	$51,269
14	22.50%	-$51,269	$0
15	6.15%	$0	$0



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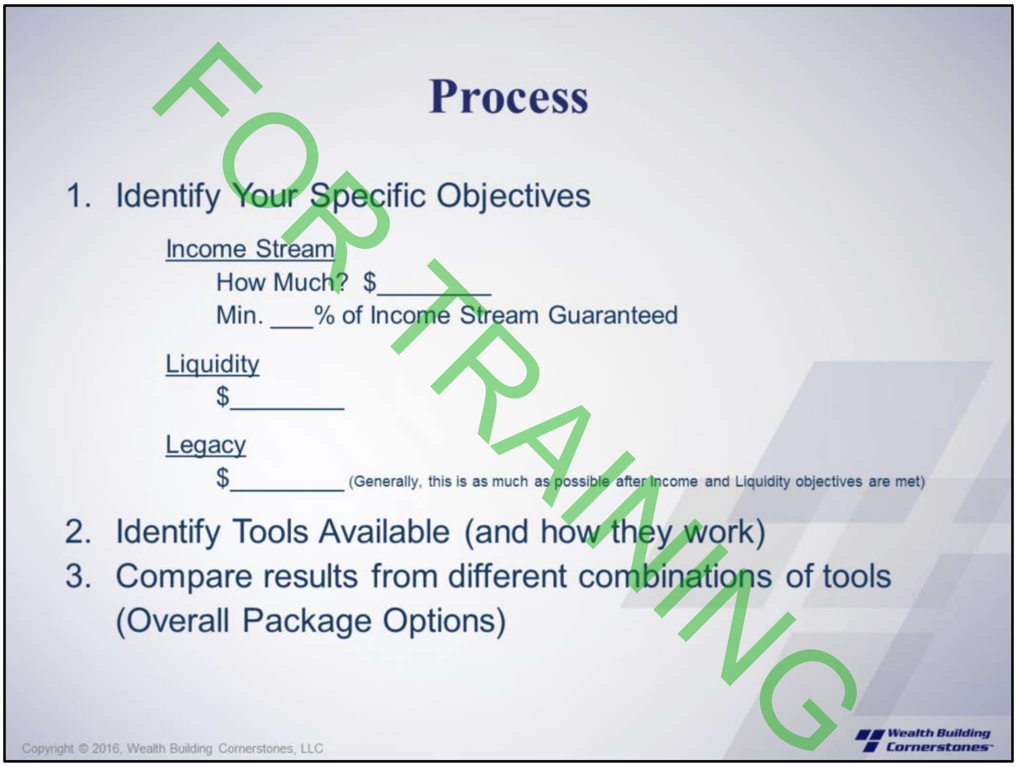
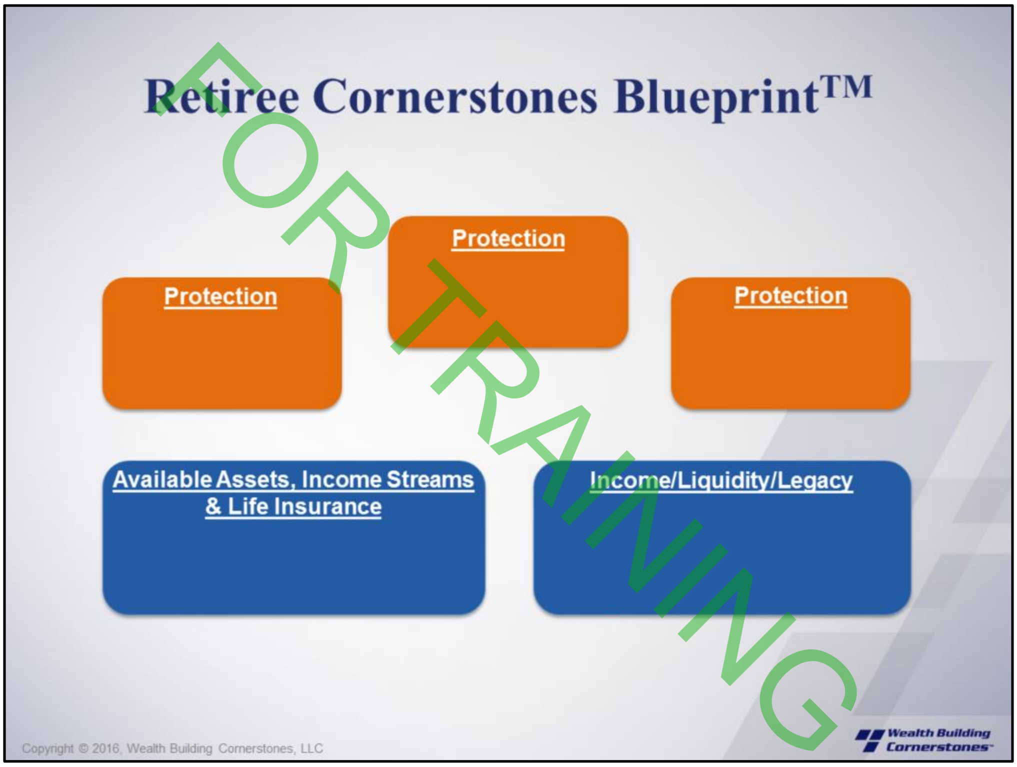
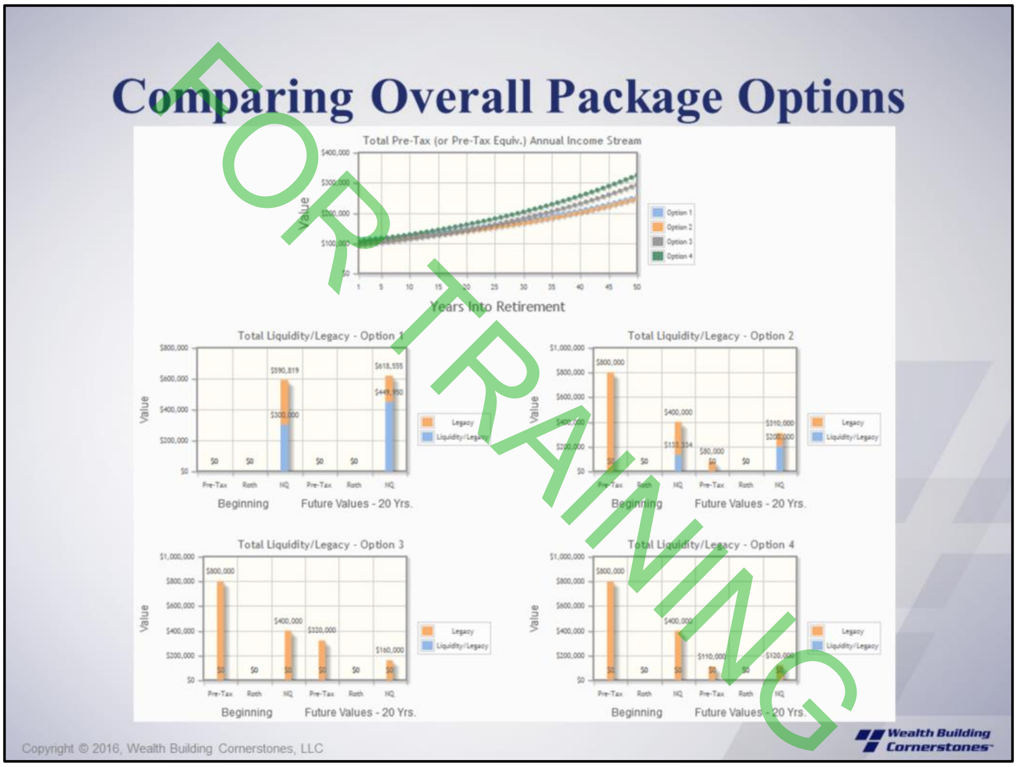
When we put the annual fluctuating returns into our table we still have the same average yield over thirty years, but now instead of having close to fifteen million dollars at the end of thirty years, we are down to zero dollars left between years thirteen and fourteen. So the question is, “why does this happen,”? It happens because of a rule change that occurs at the top of the mountain and the rule change now states that any year you earned less than you pulled out, you just killed off the workers that are supposed to be earning the returns for you. A great return year is this thirty seven percent in year six, but the issue is that you’re not earning this on the million dollars you started with. You’re earning that on the account value that’s left at that time, which is substantially less. So when we are going to be talking about the different income tools available to use to generate income streams in retirement, we have to make sure we understand how they work.



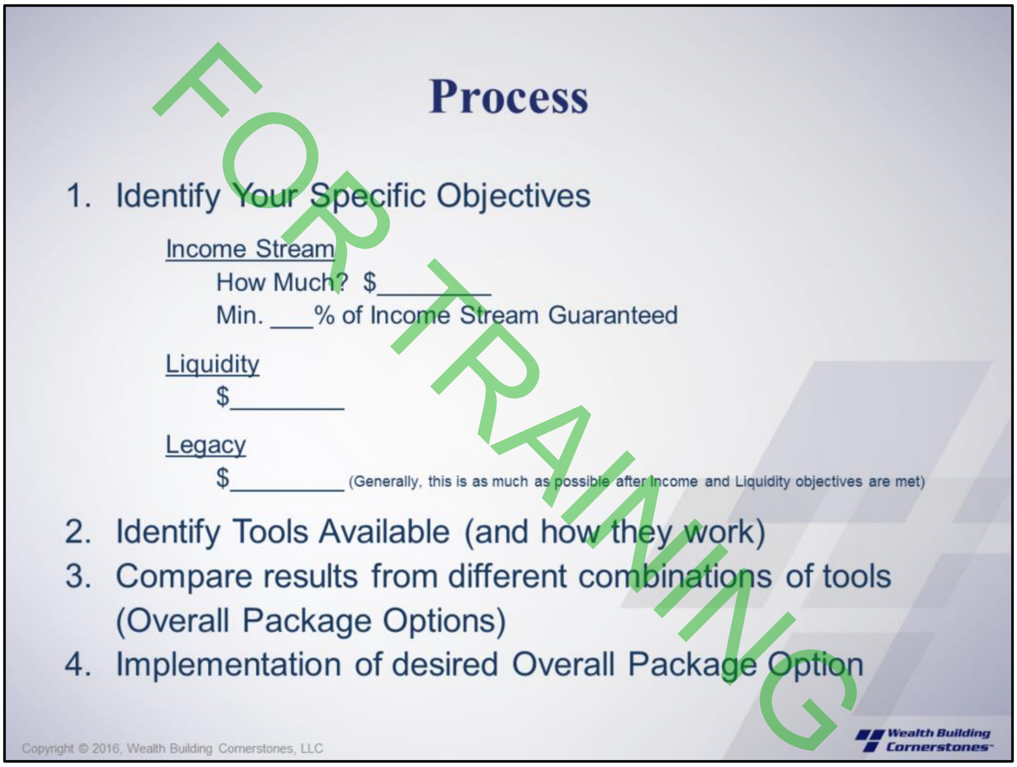
As an overview of this process, the first step is to identify the specific objectives. In other words, the three functions that our assets are going to perform for us in retirement; Income, liquidity, and legacy and how much of each we are looking for? Secondly, let's identify the tools that are available to perform these functions efficiently, and how these individual tools work? Then we can actually compare results from different combinations of tools – or we call them "overall package options."



We do that by using our retiree cornerstones blueprint software, which will not only give us an overview of your finances you have currently, but it will also help us compare the different package options you have available for income, liquidity, and legacy based on the available assets you have. Doing this will give us outputs that look like these.

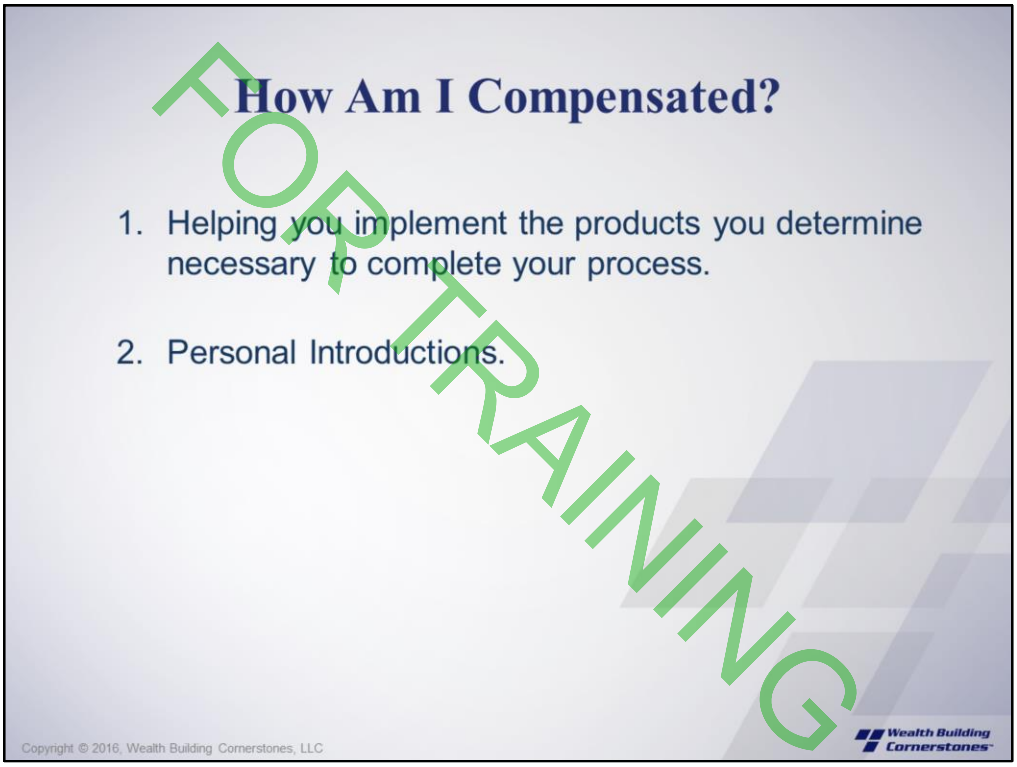


We can run different options and you'll see a graph that compares the different income streams that each option produces, as well as different liquidity and legacy graphs for each option. This gives us the ability to analyze the different options against one another and choose the appropriate path or the desired path from there.



And the last piece of this process, which is really the key, is once we've identified the overall package option that we want to be implementing; we actually implement that desired overall package option.

I am compensated in two ways as we go through this process. The first way is by helping you implement the products necessary to complete your process. All I ask is that as we go through this process and you decide to implement products that we carry, you put those products through me. Does that sound fair to you?



The second way I'm compensated is through personal introductions. What I ask is at the end of this process, if you really found a lot of value in what we did together, is that I ask you for your help in sitting down and going through our very professional personal introduction process. This is our way of meeting new people that could also benefit from the process that we go through. Does that sound fair to you?

So our next step is to complete some financial information and we can probably get a lot of this done today. That way, if you go home tonight and we are missing anything, we can grab those pieces for our next meeting.