



# Smooth Sailing on Uncertain Waters

## Timing is Everything in Retirement

### ■ Sequence of Returns



- Mid 1960's – Retirement assets eroded
- Early 1970's – Retirement assets eroded
- Early 1980's – Retirement assets would grow
- Early 1990's – Retirement assets would grow
- Early 2000's – Retirement assets eroded

## Cash Value Life Insurance Can Add Security

- Potential source of cash, plus Death Benefit
- Flexibility when to draw on it
- Sister approach to Dialing Your Tax Bracket

# Impact of Retiring in a Down Market

Retirement Account with 1% Inflation					
	Beginning of		Post	Hypothetical	End of
	Year	Annual	Withdrawal	S & P 500	Year
Age	Balance	Withdrawal	Balance	Return*	Balance
65	\$1,000,000	(\$70,000)	\$930,000	-14.66%	\$793,662
66	793,662	-70,700	722,962	-26.47%	531,594
67	531,594	-71,407	460,187	37.20%	631,377
68	631,377	-72,121	559,255	23.84%	692,582
69	692,582	-72,842	619,740	-7.16%	575,366
70	575,366	-73,571	501,796	6.56%	534,713
71	534,713	-74,306	460,407	18.44%	545,306
72	545,306	-75,049	470,257	32.50%	623,090
73	623,090	-75,800	547,290	-4.92%	520,363
74	520,363	-76,558	443,805	21.55%	539,445
75	539,445	-77,324	462,122	22.56%	566,376
76	566,376	-78,097	488,280	6.27%	518,895
77	518,895	-78,878	440,017	31.73%	579,635
78	579,635	-79,667	499,968	18.67%	593,312
79	593,312	-80,463	512,849	5.25%	539,773
80	539,773	-81,268	458,506	16.61%	534,663
81	534,663	-82,081	452,583	31.69%	596,006
82	596,006	-82,901	513,105	-3.11%	497,147
83	497,147	-83,730	413,417	30.47%	539,385
84	539,385	-84,568	454,818	7.62%	489,475
85	489,475	-85,413	404,061	10.08%	444,791

## Retiring in Down Market

- \$1,000,000 at start
- 7% withdrawal & just 1% inflation
- 56% erosion over 20 years
- Balance in 20 years - \$444,791

The results presented here are hypothetical and your results for your client will be different. These are based on the S & P returns from 1973-1993. Past performance is not a guarantee of future results.



# Power of Not Selling into a Loss

Retirement Account						
Age	Beginning of Year Balance	Annual Withdrawal	Post Withdrawal Balance	Hypothetical S & P 500 Return*	End of Year Balance	
65	\$1,000,000	(\$70,000)	\$930,000	-14.66%	\$793,662	
66	793,662		793,662	-26.47%	583,580	
67	583,580		583,580	37.20%	800,671	
68	800,671	(72,121)	728,550	23.84%	902,237	
69	902,237	(72,842)	829,394	-7.16%	770,010	
70	770,010		770,010	6.56%	820,522	
71	820,522	(74,306)	746,216	18.44%	883,818	
72	883,818	(75,049)	808,769	32.50%	1,071,618	
73	1,071,618	(75,800)	995,819	-4.92%	946,824	
74	946,824		946,824	21.55%	1,150,865	
75	1,150,865	(77,324)	1,073,541	22.56%	1,315,732	
76	1,315,732	(78,097)	1,237,635	6.27%	1,315,235	
77	1,315,235	(78,878)	1,236,357	31.73%	1,628,654	
78	1,628,654	(79,667)	1,548,987	18.67%	1,838,183	
79	1,838,183	(80,463)	1,757,720	5.25%	1,850,000	
80	1,850,000	(81,268)	1,768,732	16.61%	2,062,519	
81	2,062,519	(82,081)	1,980,438	31.69%	2,608,039	
82	2,608,039	(82,901)	2,525,138	-3.11%	2,446,606	
83	2,446,606		2,446,606	30.47%	3,192,087	
84	3,192,087	(84,568)	3,107,519	7.62%	3,344,312	
85	3,344,312	(85,413)	3,258,899	10.08%	3,587,396	

## Removing Just 5 Down Years

- \$1,000,000 at start
- 7% withdrawal; just 1% inflation
- 360% growth to \$3,587,396

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# Indexed IUL @ 7%

Non-Guaranteed Values (EOY) @ 7.00% \*

Age	Policy Loans	Net Cash Surrender Value	Death Benefit
65	85,225	1,005,409	1,224,044
66	86,077	995,288	1,218,827
67	86,938	985,391	1,213,292
68	87,807	975,836	1,207,449
69	88,685	966,757	1,201,308
70	89,572	947,431	1,182,377
71	90,468	927,583	1,145,159
72	91,373	907,339	1,104,080
73	92,286	886,857	1,058,898
74	93,209	866,333	1,009,370
75	94,141	846,016	955,254
76	95,083	825,454	942,241
77	96,034	804,717	929,565
78	96,994	783,881	917,335
79	97,964	763,045	905,686
80	98,944	742,283	894,727
81	99,933	721,677	884,579
82	100,932	701,313	875,369
83	101,942	681,270	867,217
84	102,961	661,617	860,237
85	103,991	642,393	854,511





# Market Sequence Makes All the Difference

- You can't predict how the market will perform before a client retires.
  - Market from 1973 – 1993 would have depleted assets
  - Market from 1990- 2010 would have seen assets grow
  - Arguably one of the best decades followed by one of the worst decades

Using IUL approach helps a client protect their family during working years and offers options in the retirement years.

Timing of retirement is critical.

Retiring into a period of losses can hamper retirement funds for decades



# IUL Can Make All the Difference

Protection During Working Years

Safety Net During Retirement

Tax Free Income versus Taxable Income

Tax Free Death Benefits

Tax Free Living Benefits (CI/TI/LTC)

Creditor Protection





# IUL Private Reserve

Cash Value Life Insurance Doing Double Duty

Permanent Death Benefit Protection

Private Source of Income for Life Style Events:

Retirement

Tuition

Down Payments

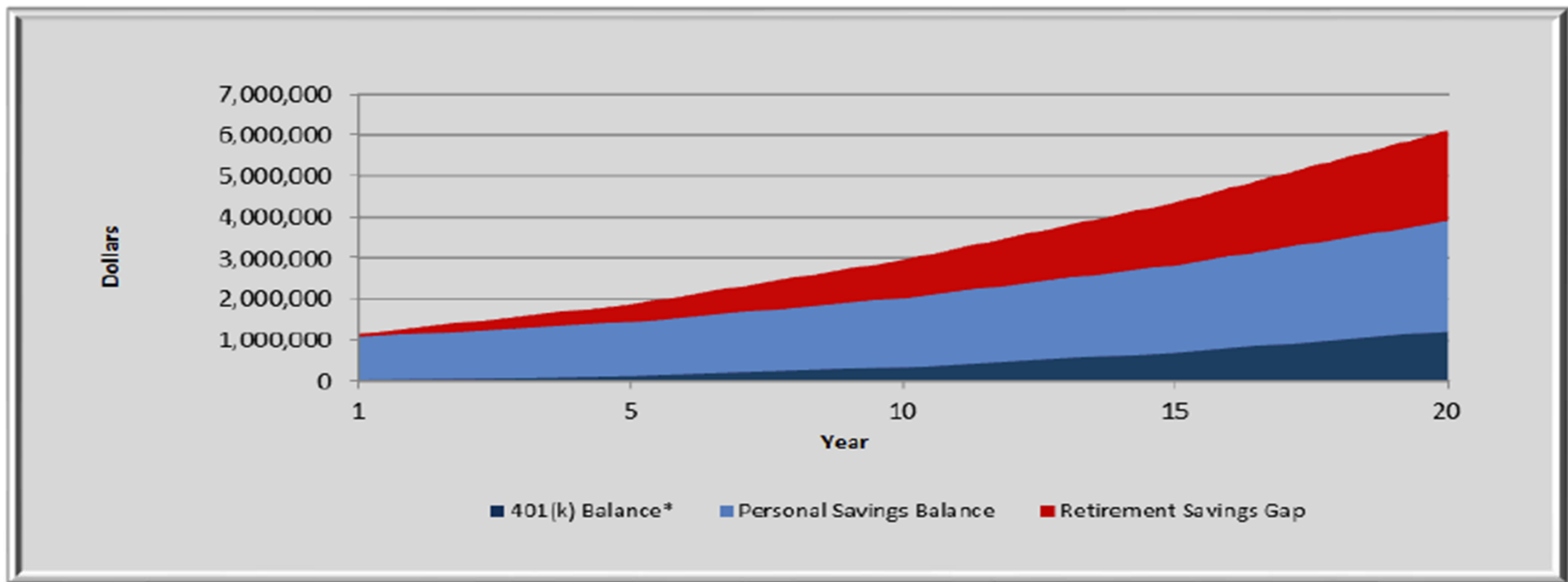
Starting a Business

Weddings

Business Loans

# Retirement Gap (ROTH Alternative)

<u>Year</u>	<u>Age</u>	<u>Required Retirement Savings</u>	-	<u>401(k) Balance*</u>	-	<u>Personal Savings Balance</u>	=	<u>Retirement Savings Gap</u>
1	45	1,159,525		23,188		1,055,989		80,348
5	49	1,872,986		137,745		1,306,524		428,716
10	54	2,962,584		342,860		1,687,946		931,777
15	59	4,355,506		701,539		2,131,893		1,522,075
20	64	6,111,829		1,220,195		2,676,898		<b>2,214,736</b>



**Your Retirement: How would this gap impact your retirement income?** It could have a significant impact on your standard of living in retirement. Consider the difference in annual and monthly income that may result from **Your Retirement Income Gap**:

Annual Benefit Shortfall: **\$41,622**  
 Monthly Benefit Shortfall: **\$2,528**

**How much would \$2,528 a month change your standard of living in retirement?**