

5 T H A N N U A L
Financial Advisor
RETIREMENT SYMPOSIUM

Delivering Better Retirement Outcomes

MODERATOR

Evan Simonoff
Editor
*Financial Advisor and
Private Wealth Magazines*

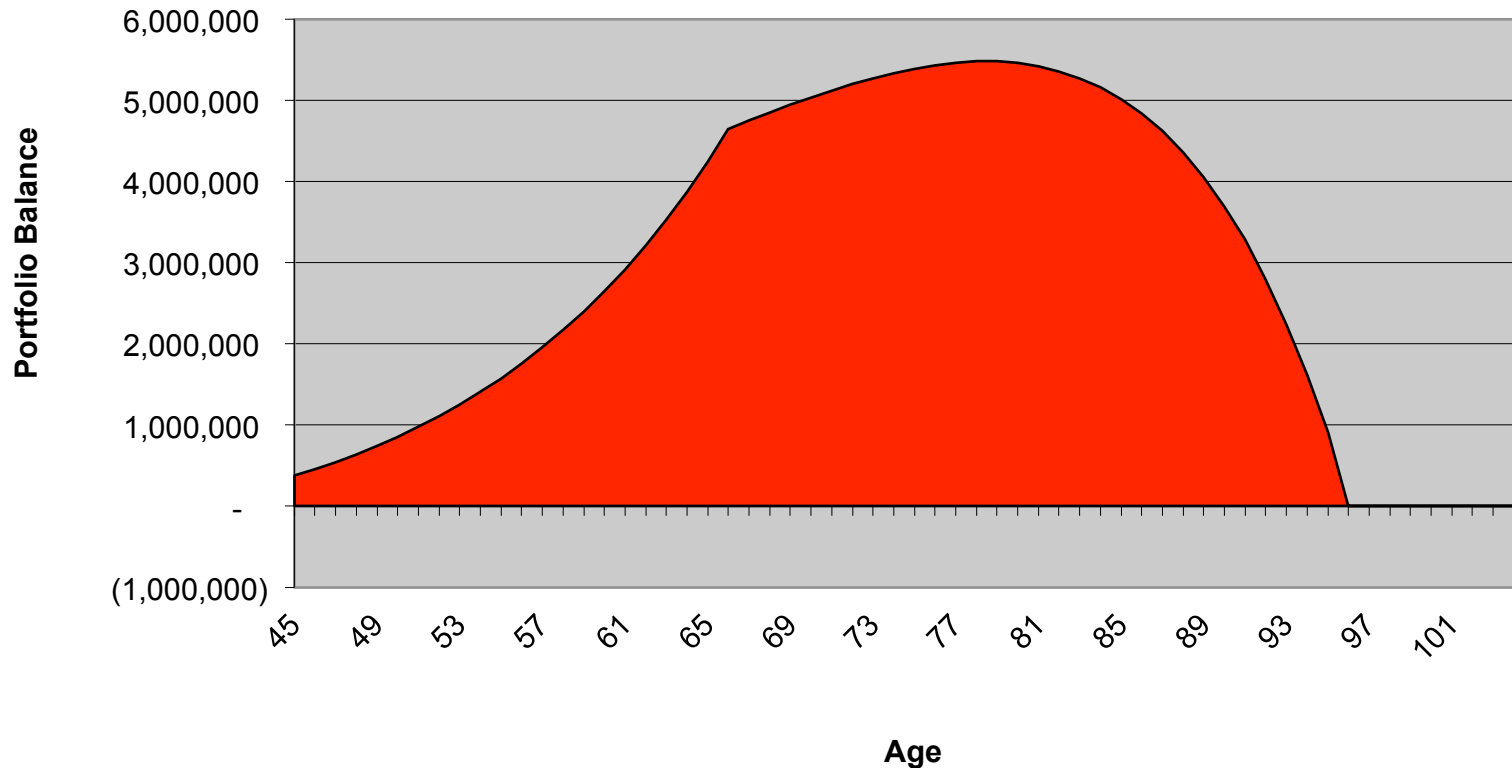
PANELISTS

Harold Evensky, CFP®
Evensky & Katz

Rick Adkins, CFP®
The Arkansas Financial Group



What's Wrong With This Picture?

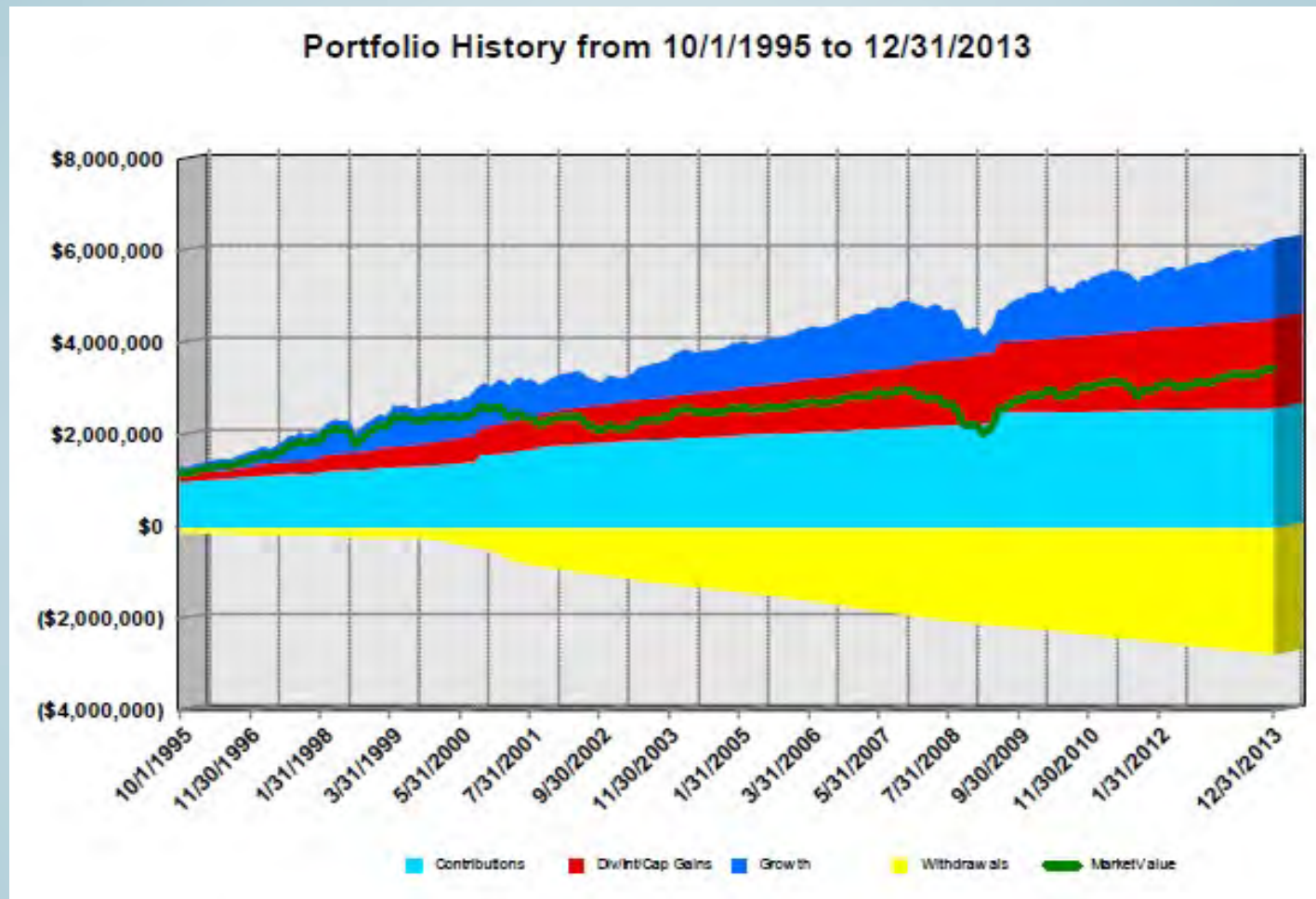


Annual Spending Level at Retirement * $1 - 1/(1 - k)^n / k$

*Where $k = ((1 - \text{Tax Rate}) * \text{Expected Return}) - \text{Inflation Rate} / \text{Inflation Rate}$*



The Real World:



The Real World:

Age	62	63	64	65	66	67	68	69	70	71	72	73	74	75
Beg. Value	2,416,654	2,651,658	2,358,608	2,188,497	2,498,564	2,602,976	2,636,556	2,829,558	2,932,208	2,225,980	2,864,599	3,063,585	2,978,843	3,137,328
Deposits	246,120	170,059	85,991	71,016	64,000	66,709	64,000	66,000	66,000	256,269	26,000	26,000	13,000	23,000
Withdrawals	(234,951)	(374,821)	(175,200)	(174,611)	(156,585)	(158,068)	(196,391)	(173,888)	(165,441)	(117,221)	(139,348)	(131,607)	(146,367)	(177,954)
Yield	130,219	115,907	94,864	85,540	94,428	113,080	115,565	140,621	117,615	79,744	90,079	107,525	99,892	102,545
Growth	100,498	(197,380)	(169,156)	335,513	110,502	19,900	218,044	78,463	(716,147)	427,806	231,827	(76,870)	201,823	381,810
Fees	(6,944)	(6,879)	(6,674)	(7,456)	(7,999)	(8,109)	(8,285)	(8,614)	(8,325)	(8,051)	(9,644)	(9,863)	(9,938)	(10,175)
Ending Value	2,651,658	2,358,608	2,188,497	2,498,564	2,602,976	2,636,556	2,829,558	2,932,208	2,225,980	2,864,599	3,063,585	2,978,843	3,137,328	3,456,629
Total Benefit	223,773	(88,351)	(80,966)	413,597	196,931	124,872	325,324	210,470	(606,857)	499,500	312,262	20,792	291,778	474,180
Return	9.57%	-3.43%	-3.43%	19.51%	8.15%	5.00%	12.66%	7.62%	-21.04%	20.96%	11.14%	0.73%	9.97%	14.08%



The Problems:

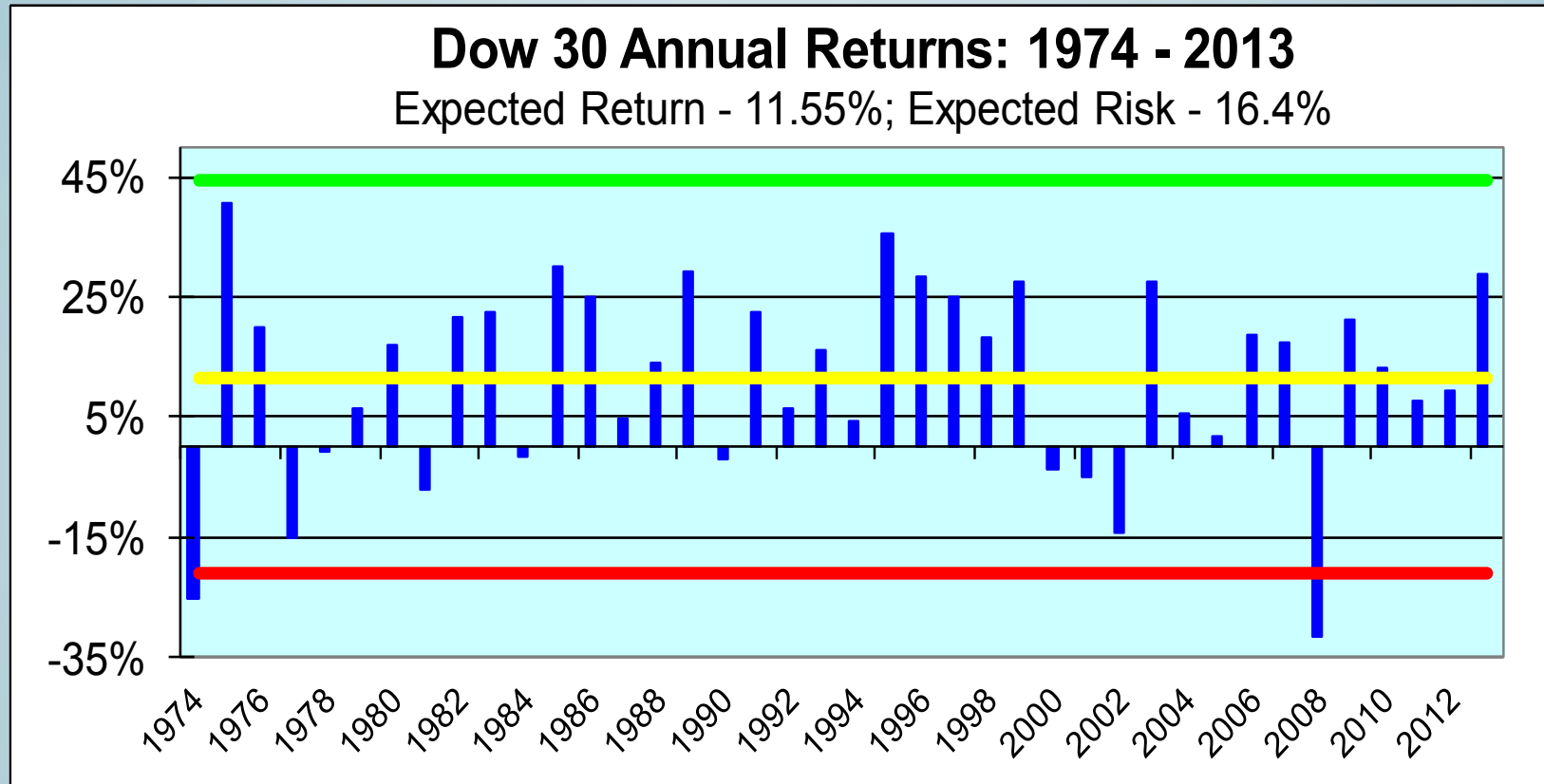
1. Savings Rate/Amount
2. Earnings Rate
3. Inflation Rate
4. Tax Rate
5. Retirement Age Fulcrum
6. Spending Level in Retirement
7. Age at Death



The Savings Rate/Amount Problem:



The Earnings Rate Problem:



The Inflation Rate Problem:

Years Prior	Average Inflation	Standard Deviation	Mean + 2SD
5-Yr.	1.72%	0.61%	2.94%
10-Yr.	1.97%	1.19%	4.35%
20-Yr.	1.99%	0.95%	3.88%
30-Yr.	2.40%	1.18%	4.76%
40-Yr.	3.68%	2.90%	9.48%
50-Yr.	3.74%	2.74%	9.22%

Decade Ending	Average Inflation	Standard Deviation	Mean + 2SD
1963	1.25%	1.11%	3.48%
1973	3.97%	2.10%	8.17%
1983	7.51%	3.20%	13.90%
1993	3.23%	1.20%	5.63%
2003	2.01%	0.69%	3.39%
2013	1.97%	1.19%	4.35%

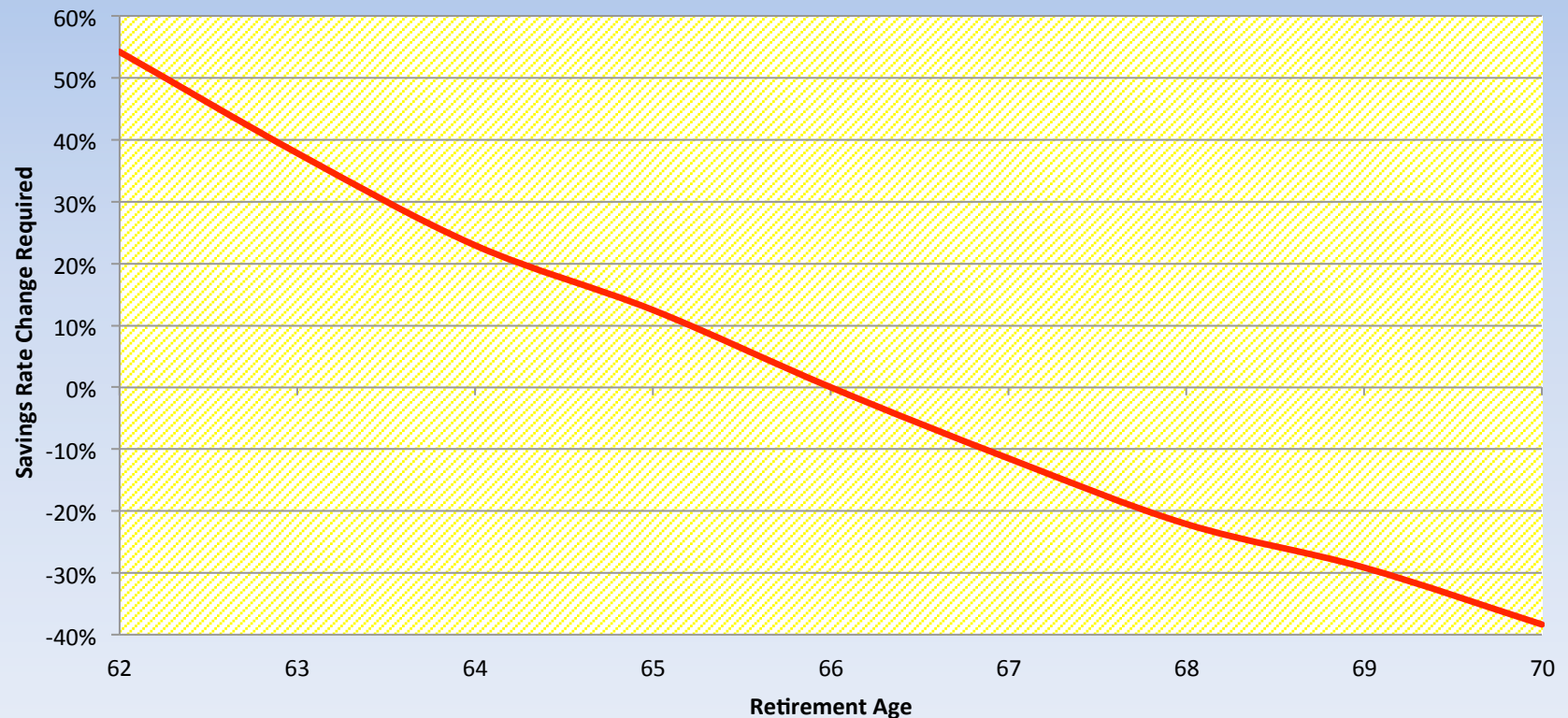


The Tax Rate Problem:



The Retirement Age Fulcrum:

Impact of Deferring Retirement



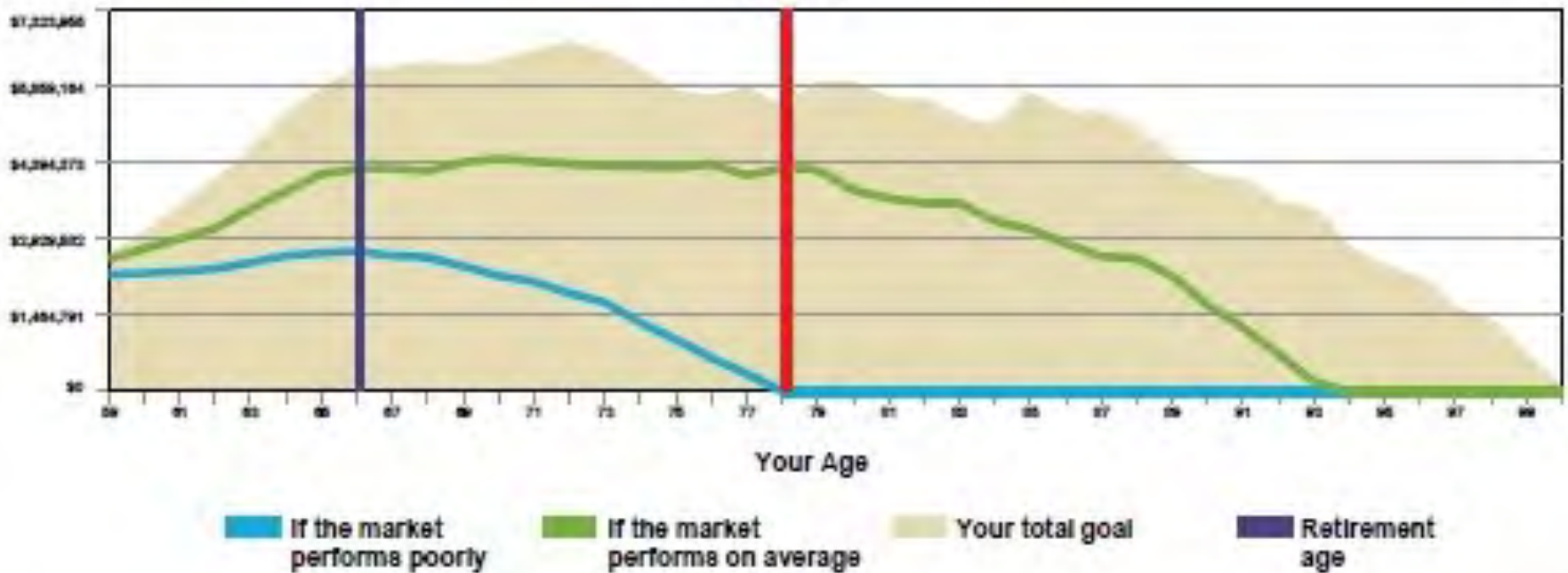
The Spending Level Problem:



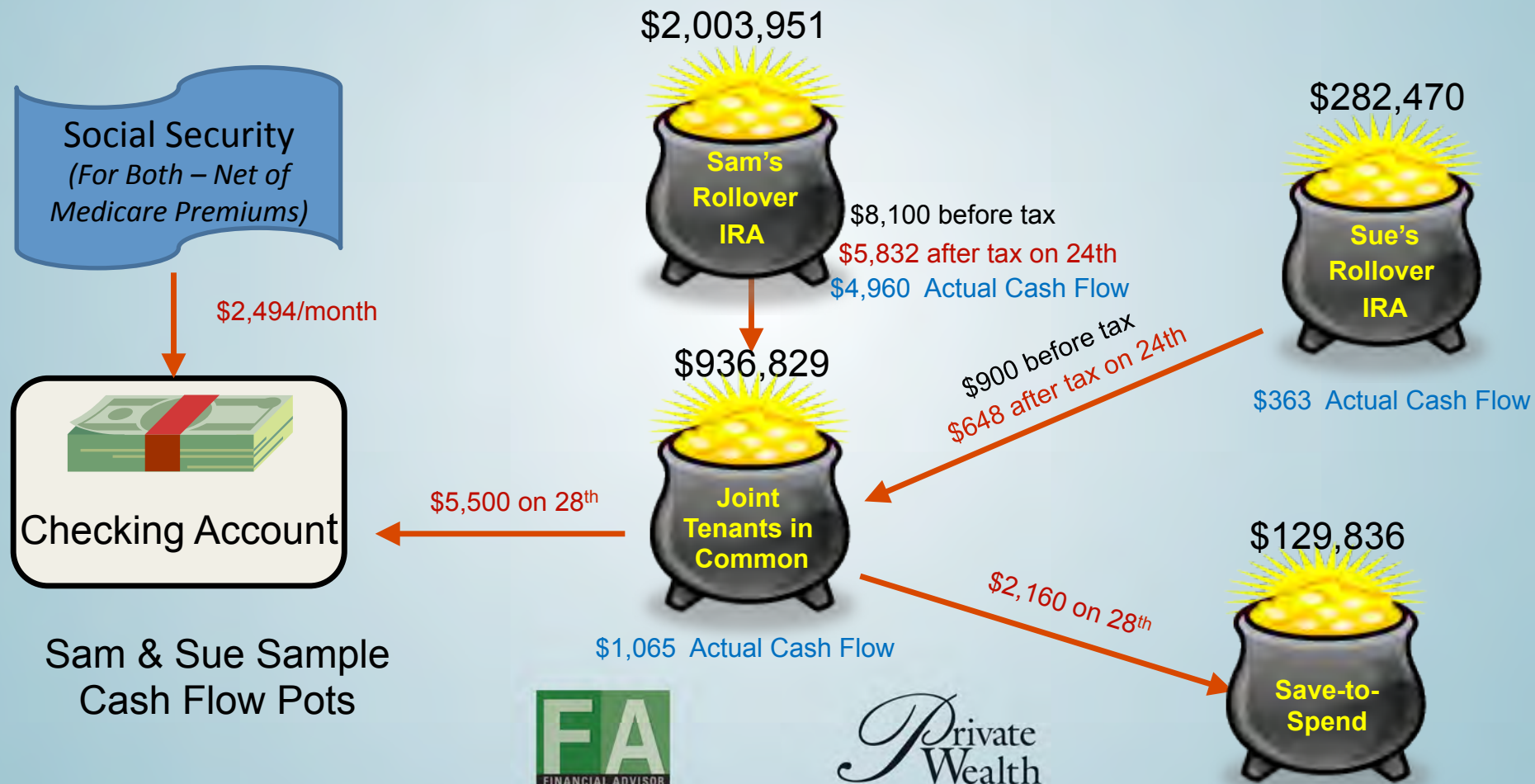
The Age at Death Problem:

Your Projected Assets Over Time

Shortfall



Systemizing Distributions: The Key to Managing the Process



Observations:

1. Successful Retirement *Living* Requires Routinely Checking Long-Term Models with Short-Term Behaviors
2. Increasing Retirement Savings Level Immediately Improves Consumption
3. Deferring Retirement is the Second Most Effective Way to Impact Retirement Success



5 T H A N N U A L

Financial Advisor **RETIREMENT SYMPOSIUM**



5TH ANNUAL

Financial Advisor

RETIREMENT SYMPOSIUM

**THE FUTURE AIN'T
WHAT IT USED TO
BE**



5 T H A N N U A L

Financial Advisor RETIREMENT SYMPOSIUM



"C'mon, c'mon—it's either one or the other."

5 T H A N N U A L
Financial Advisor
RETIREMENT SYMPOSIUM

A photograph of a motorcycle racer in a yellow and red suit falling off a red motorcycle on a dirt track. The rider is in mid-air, and the motorcycle is on the ground. The background is a blurred dirt track.

**THERE'S
ALL KINDS OF RISKS
MAIN ONES INCLUDE**

Worth 1000.com



5 T H A N N U A L

Financial Advisor RETIREMENT SYMPOSIUM

Expected 10-15 year annualized compound returns (%) ^{1,2}		
U.S. ECONOMIC INDICATORS	Inflation	2.25
	Core Inflation	2.25
	Real GDP	2.50
	U.S. Cash	2.00
	U.S. Intermediate Treasury ³	4.25
	U.S. Long Treasury ⁴	3.25
	U.S. Large Cap	7.50

REAL RETURN

2%

5.25%



5 T H A N N U A L

Financial Advisor RETIREMENT SYMPOSIUM

EXPENSE & TAX DRAG

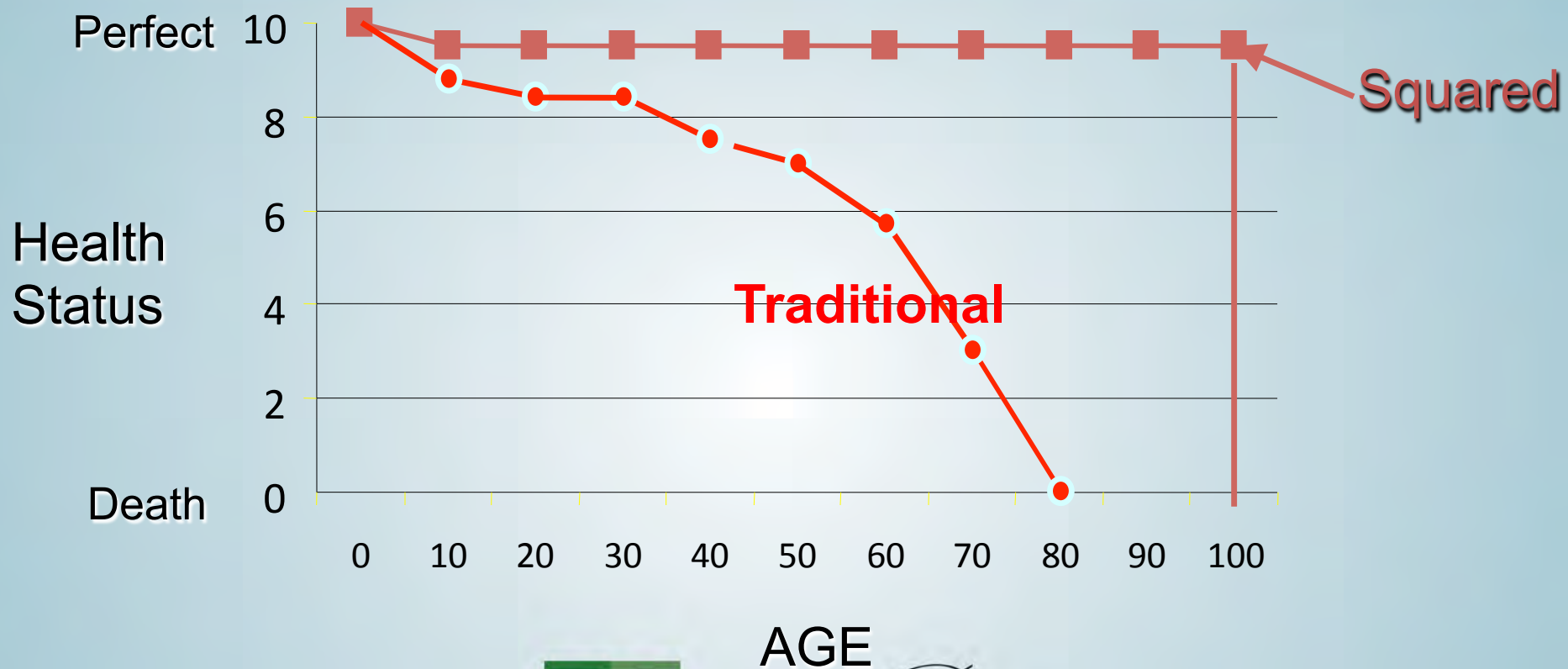
	<u>CURRENT RETURN</u>	<u>FUTURE RETURN</u>
GROSS	11.5%	7.8%
Less Expenses (1%)	1.0	1.0
Less Taxes (20%)	<u>2.3</u>	<u>1.4</u>
NET GROSS RETURN	8.2	5.4

After Inflation - What Investors Have to Spend

<u>Past</u>	<u>Future</u>
5.1%	2.4%



5TH ANNUAL
Financial Advisor
RETIREMENT SYMPOSIUM



AGE

Private
Wealth

5 T H A N N U A L

Financial Advisor RETIREMENT SYMPOSIUM

Results for John and Ann Using Average Returns

	Return Sequence		
	A	B	C
Withdrawal amount	\$62,000	\$62,000	\$62,000
Return year 1	-10%	+7.56%	+29%
Return years 2-29	+7.56%	+7.56%	+7.56%
Return year 30	+29%	+7.56%	-10%
Average return For 30 years	+7.56%	+7.56%	+7.56%
Results: how long money lasted	22 Years	30 Years	30 Years
Results: value at end	\$0	\$98,000	\$1,543,000



5 T H A N N U A L
Financial Advisor
RETIREMENT SYMPOSIUM

The risk of under-spending
and thus denying oneself the
lifestyle one can afford



5 T H A N N U A L

Financial Advisor RETIREMENT SYMPOSIUM

STRATEGIES



5 T H A N N U A L
Financial Advisor
RETIREMENT SYMPOSIUM

Optimal Strategy vs. Optimal Portfolio

The key to a successful investment model will be one focused on an optimal strategy instead of an optimal portfolio



5 T H A N N U A L

Financial Advisor

RETIREMENT SYMPOSIUM



5 T H A N N U A L

Financial Advisor RETIREMENT SYMPOSIUM

**THE
TOTAL
PORTFOLIO**

**CASH FLOW
RESERVE**

**THE
INVESTMENT
PORTFOLIO**



*Private
Wealth*

5 T H A N N U A L

Financial Advisor RETIREMENT SYMPOSIUM

**CASH FLOW
RESERVE**

**THE
INVESTMENT
PORTFOLIO**

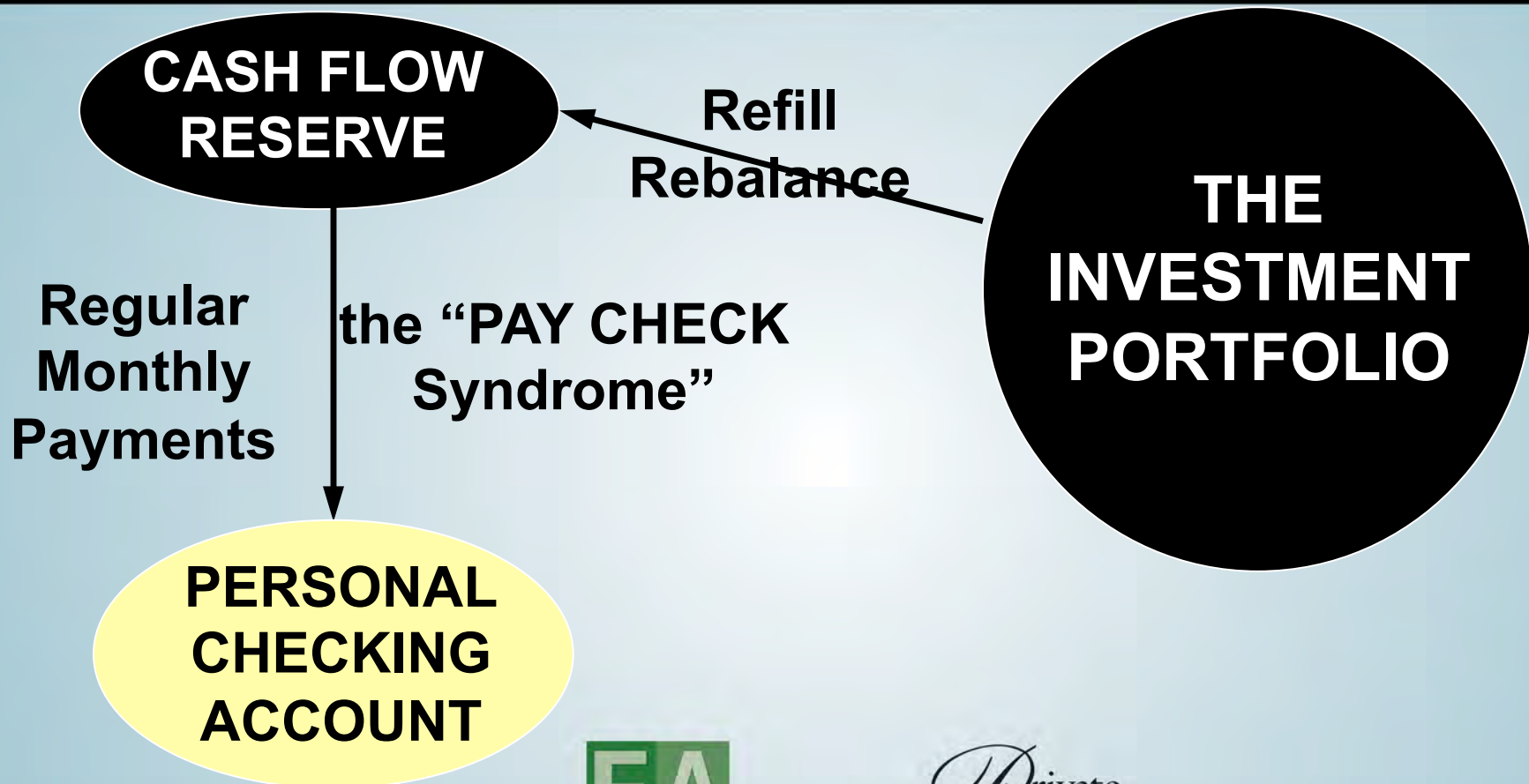
**2 YEARS CASH FLOW
5 YEARS LUMP SUM**

**BALANCE OF PORTFOLIO
REINVESTMENT OF ALL
INTEREST & DIVIDENDS
ADJUSTED AS NECESSARY
FOR OPPORTUNITY COSTS**



5 T H A N N U A L

Financial Advisor RETIREMENT SYMPOSIUM



5 T H A N N U A L
Financial Advisor
RETIREMENT SYMPOSIUM

PRODUCT

Reverse Mortgages
Immediate Annuities
“Alternatives”
Unconstrained Funds

5 T H A N N U A L
Financial Advisor
RETIREMENT SYMPOSIUM

REMEMBER
PASCAL'S
WAGER



5 T H A N N U A L

Financial Advisor **RETIREMENT SYMPOSIUM**



PROBABILITY

Even with a 95% chance of success, perhaps I should give more thought to what the other 5% looks like