

Will You Outlive Your Money?: Creating A Post-Retirement Plan



Presented by:

Diane M. Pearson, CFP[®], PPC[™], CDFA[®]



DIANE M. PEARSON, CFP[®], PPC[™], CDFA[®]

Diane M. Pearson, CFP[®], PPC[™], CDFA[®] is a Wealth Advisor and Shareholder with Legend Financial Advisors, Inc.[®] and EmergingWealth Investment Management, Inc.[®]

With over 25 years of experience, Diane assists all types of clients with their financial planning and investment needs. Diane specialized expertise includes working with widowed, divorced and retirement-focused individuals.

She is also a former managing member of the Smart Divorce Institute, LLC which provided professional, expert guidance, through educational workshops for men and women contemplating, experiencing, and/or emerging from divorce.

Diane has been awarded the Certified Divorce Financial Analyst[®] (CDFA[®]) professional designation. As a CDFA[®], she is qualified to serve as a financial expert on divorce cases, present data to support an argument, and educate clients on the short- and long-term financial implications of different divorce settlement proposals.

Diane is one of the first financial advisors in the country to earn the Professional Plan Consultants[™] (PPC[™]) designation, recognizing her commitment to education and service excellence in the qualified retirement planning industry.

Ms. Pearson is also a member of the second Pittsburgh chapter of the Women's Presidents Organization (WPO).

Diane has also previously been selected as one of "Pennsylvania's Best 50 Women in Business" by The Pennsylvania Department of Community and Economic Development.

With People Living Longer, We'll Have to Work Longer



WHAT YOU NEED TO CONSIDER

1. What Do You Envision For Your Retirement?
2. Saving
3. Investing And Evaluating Regularly
4. Sources Of Income
5. Expenses
6. Annual Withdrawal Rate
7. Insurance



WHAT DOES YOUR RETIREMENT LOOK LIKE?

1. **Vacations**
2. **Gardening**
3. **Golfing**
4. **Children/Grandchildren**
5. **Volunteering**
6. **Take up a sport/hobby**
7. **Start a business**
8. **Take courses**

SAVINGS PLAN

Years	4.0%	6.0%	8.0%
5	\$1,217.00	\$1,338.00	\$1,469.00
10	\$1,480.00	\$1,791.00	\$2,159.00
20	\$2,191.00	\$3,207.00	\$4,661.00
40	\$4,801.00	\$10,286.00	\$21,725.00

2019 CONTRIBUTIONS AMOUNTS

Traditional and Roth IRA
\$6,000 if under age 50
\$7,000 if over age 50



401(k) and 403(b) Plans
\$19,000 if under age 50
\$25,000 if over age 50



SECULAR BEAR MARKET WATCH

April 1, 2000 to March 31, 2019
(19 years and 0 months)

	<u>Annual Compound Return</u>	<u>Total Return</u>
Consumer Price Index (Inflation)	2.10%	48.48%
90-Day Treasury Bills Index-Total Return	1.58%	34.69%
Bloomberg Intermediate Term Corporate Bond Index	5.34%	168.88%
Barclays Aggregate Bond Index-Total Return	4.88%	147.24%
High Yield Corporate Bond Index – Total Return	8.64%	383.46%
S&P Leveraged Loan Index – Total Return	4.84%	145.51%
S&P 500 Index (U.S. Stock Market)	5.44%	173.77%
Russell 2000 Index (Small-Caps)	7.08%	266.93%
MSCI EAFE Index (Developed Foreign Equities)	3.49%	91.94%
MSCI Emerging Market Index (Equities)	6.79%	248.71%
Newedge CTA Index (Managed Futures)	4.12%	115.29%
HFRX Global Hedge Fund Index	2.15%	49.73%
Dow Jones–UBS Commodity Index-Total Return (USD)**	-1.02%	-17.70%
Dow Jones U.S. Real Estate Index-Total Return (USD)**	10.64%	583.29%
Gold Bullion	8.42%	364.44%

As of: March 31, 2019

Compound and Total Returns include reinvested dividends. MSCI Indexes do not include dividends prior to 2002. Newedge Index is equally-weighted.

** USD = U.S. Dollar

Source: Bloomberg Investment Service

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SECULAR BEAR MARKET WATCH (CONTINUED)

**April 1, 2000 to March 31, 2019
(19 years and 0 months)**

Note: During Secular Bear markets U.S. Stocks have historically returned a little more than inflation or a little less than inflation—plus or minus 1.50%—and generally last between 15 to 25 years. The last Secular Bear market (1966 to 1982) lasted 17 years and underperformed inflation by approximately one-half of one percent per year. The other Secular Bear markets since 1900 were 1901 to 1920 and 1929 to 1949. In both cases, the U.S. Stock market outperformed inflation by approximately 1.50% per year. All of the aforementioned performance numbers are pre-tax.

The performance of the U.S. Stock market so far in the current period (April 1, 2000 to the present) certainly appears to indicate that we are in a Secular Bear market. Long-term returns (over the next 10 years) for the S&P 500 will probably be slightly worse than the last 19 years and 0 months. Current 10 year normalized P/Es (long-term valuations) indicate approximate annual compound returns of slightly less than 3.00% over the next 10 years. Of course during the next 10 years, returns during various periods will be significantly higher and lower than the expected return. For example, the more the stock market rises in the near term, the less returns after that period will be and vice versa.

INTEREST GENERATING SECURITIES ANALYSIS

Averages

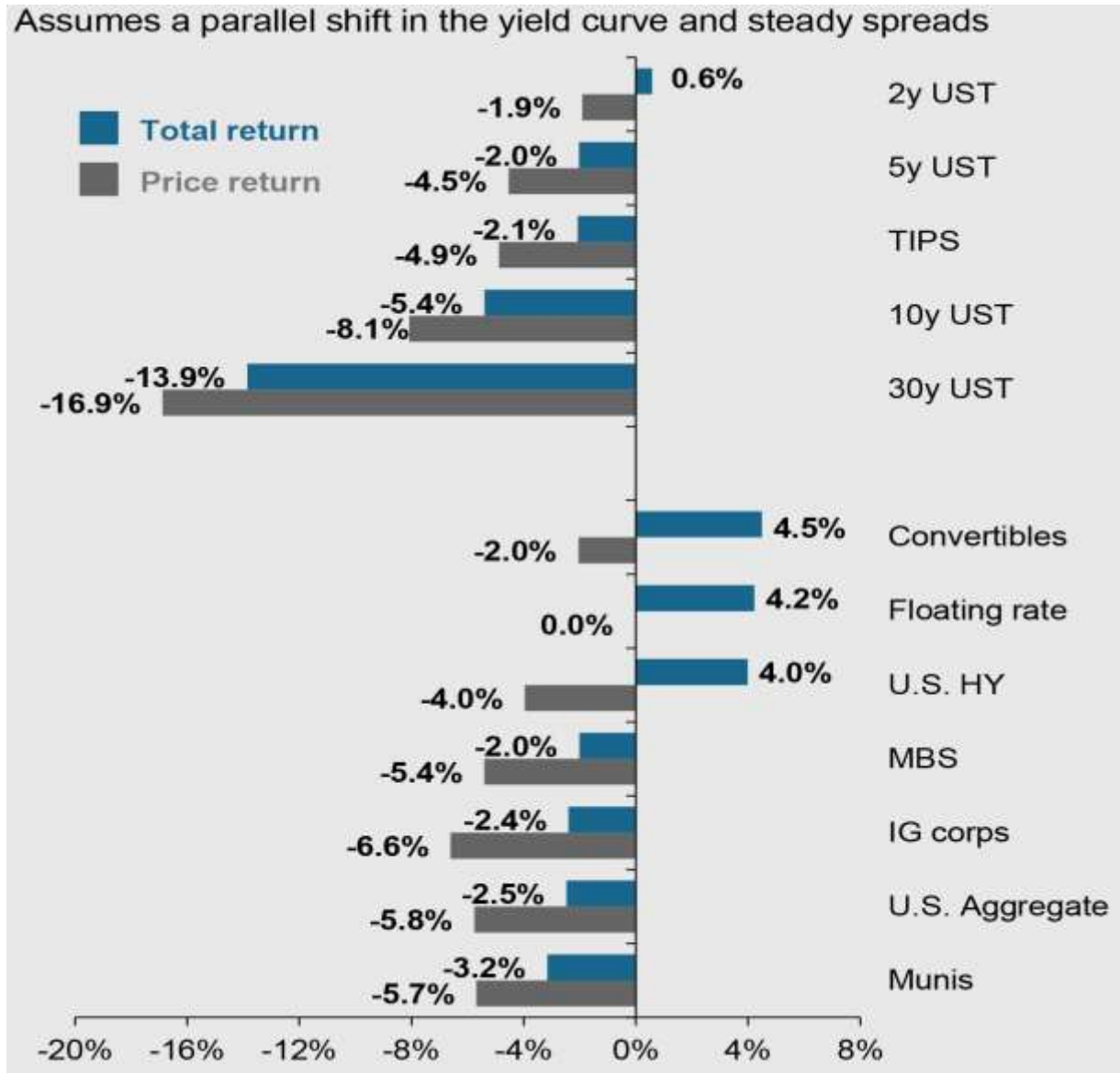
Index	Coupon (%)	Price (\$)	Yield to Worst (%)	Spread (bps)	Maturity (yrs.)	Duration (yrs.)
Bloomberg Barclays U.S. Aggregate Index	3.23	102.3	2.93	44	8.1	5.8
U.S. Treasury	2.41	101.4	2.38	-	7.8	6.2
U.S. Agency	2.82	104.5	2.50	13	5.3	4.1
U.S. Mortgage Backed Securities	3.62	102.3	3.08	35	6.1	4.0
U.S. Asset Backed Securities	2.76	100.6	2.70	39	2.3	2.2
U.S. Commercial Mortgage Backed Securities	3.43	102.3	3.01	69	6.0	5.3
U.S. Corp. Investment Grade	4.04	103.3	3.63	119	11.0	7.4
Bloomberg Barclays Municipal Bond Index	4.66	109.2	2.32	-	13.1	5.8
Bloomberg Barclays Taxable Municipal Bond	5.27	113.6	3.54	-	16.9	9.0
ICE BofAML US Inflation-Linked Treasury Index	0.86	103.4	0.52	-	8.6	5.3
ICE BofAML Preferred Index (Fixed Rate)	5.75	102.0	3.68	83	-	4.6
ICE BofAML US High Yield Index	6.36	97.7	6.48	405	5.8	3.7
S&P / LSTA Leveraged Loan Index	L+3.39	96.4	6.85	463	5.1	-
J.P. Morgan EM Bond Index (EMBI) Global Diversified	5.94	100.7	5.98	350	-	7.0
J.P. Morgan Corp. EM Bond Index (CEMBI) Broad Diversified	5.35	100.8	5.35	298	-	4.6
J.P. Morgan Govt. Bond Index-EM (GBI-EM) Global Diversified	6.20	-	6.16	-	-	5.2
Bloomberg Barclays Global Aggregate Ex-U.S. Index	2.13	110.9	0.74	44	9.5	8.1

As of: March 31, 2019

Source: Barclays Capital, JP Morgan, BofA Merrill Lynch and Standard & Poor's via
Eaton Vance Monthly Market Monitor, www.eatonvance.com

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PRICE IMPACT OF A 1% RISE IN INTEREST RATES

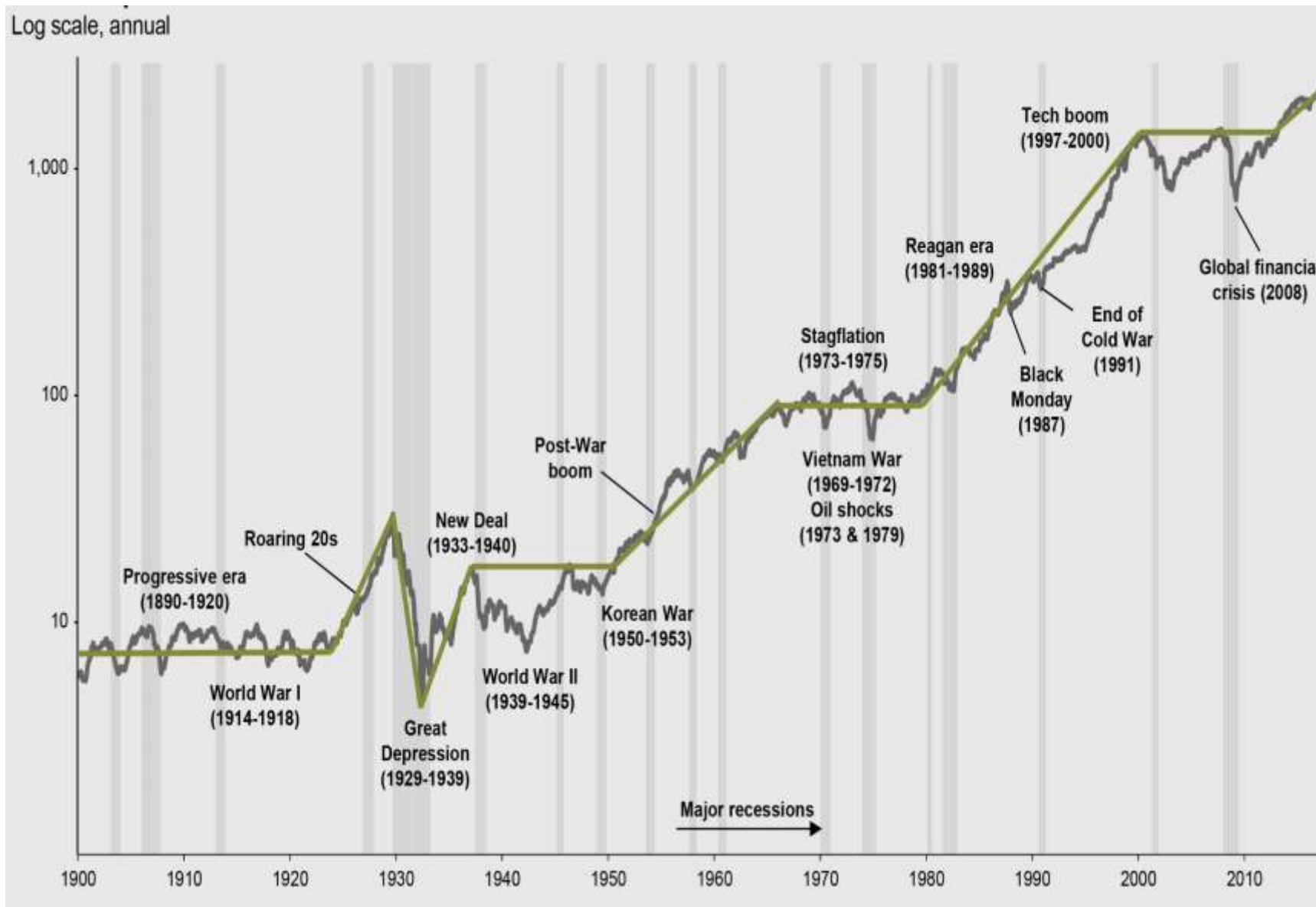


Sectors shown are provided by Barclays and are represented by Broad Market; MBS: U.S. Aggregate Securitized – MBS; Corporate: U.S. Corporates; Municipals: Muni Bond 10-year; High Yield: Corporate High Yield; TIPS: Treasury Inflation Protection Securities (TIPS). Floating Rate: FRN (BBB); Convertibles: U.S. Convertibles Composite; ABS: ABS + CMBS. Yield and return information based on bellwethers for Treasury securities. Sector yields reflect yield to worst, while Treasury yields are yield to maturity. Correlations are based on 10-years of monthly returns for all sectors. $\text{Change in Interest Rates}) + (0.5 * \text{Price} * \text{Convexity} * (\text{Change in Interest Rates})^2)$.

As of: December 31, 2018

Source: U.S. Treasury, Barclays Capital, FactSet, J.P. Morgan Asset Management
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S&P COMPOSITE INDEX



As of: December 31, 2018

Source: FactSet, NBER, Robert Shiller, J.P. Morgan Asset Management
Data shown in log scale to best illustrate long-term index patterns.
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MARKET FLUCTUATIONS

What Past Market Declines Can Teach Us

A History Of Declines (January 1, 1900 – February 28, 2019)

<u>Type of Decline</u>	<u>Percentage Decline</u>	<u>Number of Declines</u>	<u>Average Frequency</u>	<u>Average Length</u>
Dip	-5.0% to -10.0%	389	About 3 times a year	46 days
Correction	-10.0% to -15.0%	127	About once a year	115 days
Severe Correction	-15.0% to -20.0%	Included in corrections total	About once every 2 years	216 days
Bear Market*	-20.0% to -30.0%	17	About once every 6.25 years	11 months
Severe Bear Market*	-30.0% or more	14	About once every 8.25 years	22.8 months

* Either a Bear Market or a Severe Bear Market occurs approximately every 3.7 years.

RETURNS NEEDED TO REACH BREAK-EVEN POINTS AFTER LOSSES

<u>PERCENTAGE LOSS</u>	<u>PERCENTAGE RETURN NEEDED TO REACH BREAK-EVEN</u>
5.00%	5.26%
10.00%	11.11%
15.00%	17.65%
20.00%	25.00%
25.00%	33.33%
30.00%	42.86%
35.00%	53.85%
40.00%	66.67%
45.00%	81.82%
50.00%	100.00%
55.00%	122.22%
60.00%	150.00%
65.00%	185.71%
70.00%	233.33%
75.00%	300.00%
80.00%	400.00%
85.00%	566.67%
90.00%	900.00%
95.00%	1900.00%

SHILLER PRICE/EARNINGS RATIOS

Long-Term Stock Market P/E Valuations Fell A Bit In December-Still In Highest Valuation Levels

P/E

45

40

35

30

25

20

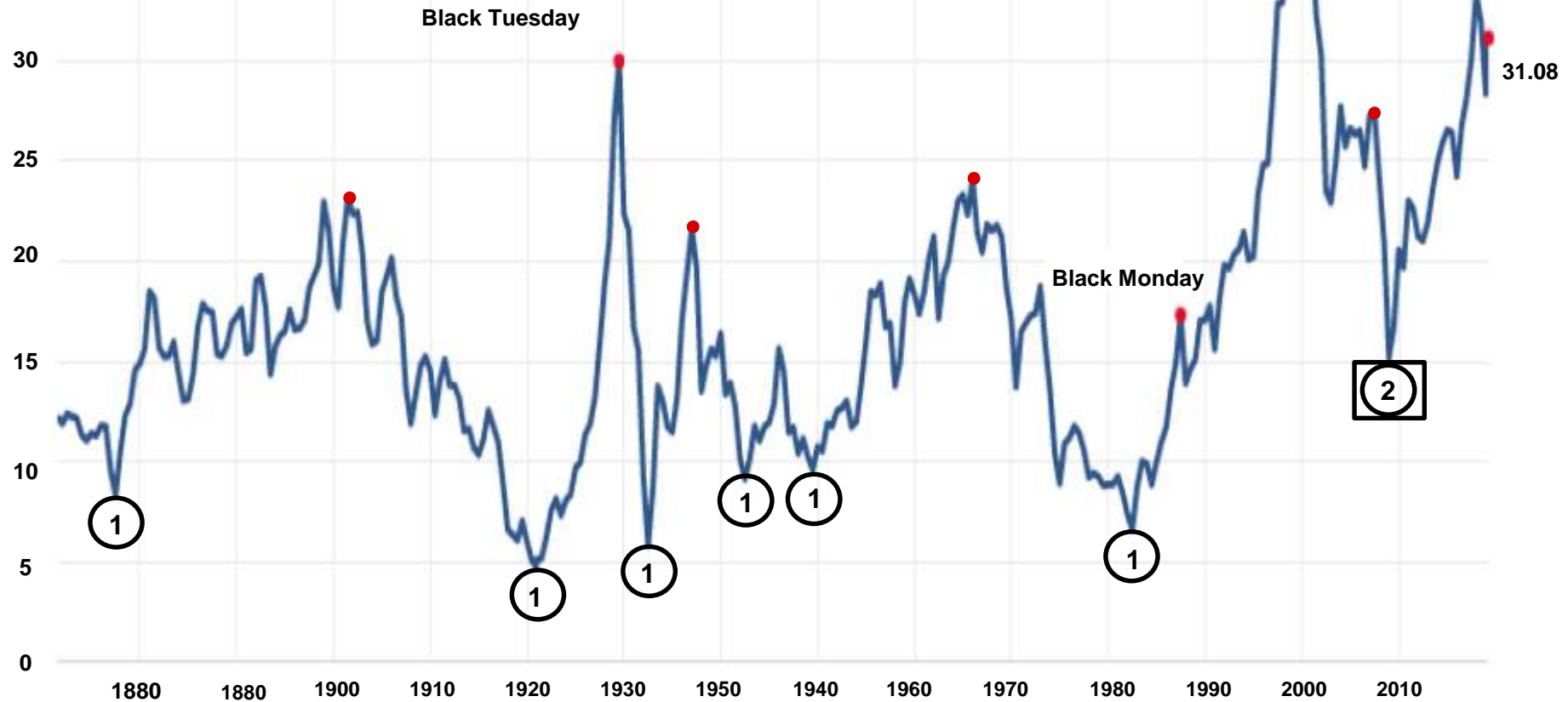
15

10

5

0

Note: Created by Robert J. Shiller, Professor at Yale University, this Price Earnings Ratio is based on average inflation-adjusted earnings from the previous 10 years (Each year of earnings is inflated and quoted in current dollars), known as the Cyclically Adjusted P/E Ratio, also known as the Shiller PE Ratio, or PE 10 Ratio. Because this factors in earnings from the previous ten years, it is less prone to wild swings in any one year. The bad news: Because of the current high P/E valuation of 31.08 returns on the S&P 500 are likely to be in the very low single digits over the next ten years.



1881-01-01

As of: April 10, 2019

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① Great Time To Buy ② Good Time To Buy ● Terrible Time To Buy

Source: www.multpl.com

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U.S. STARTING VALUATIONS HAVE DEMONSTRATED A STRONG IMPACT ON FUTURE RETURNS

Subsequent nominal returns (annualized)*

Starting Shiller P/E	5-Year	10-Year
<10x	15.1%	14.8%
10-15x	9.3%	10.6%
15-20x	6.2%	5.6%
20-25x	4.2%	1.7%
>25x	0.4%	2.6%

Current level: 31.08

* Median of the annualized subsequent returns calculated at each month end, using Shiller P/E and S&P 500 monthly returns from December 31, 1927 to November 21, 2014

INCOME DURING RETIREMENT

- **Social Security**
 - Evaluate taking your benefit sooner than later
 - Contact the Social Security Administration at every age milestone—62, 65, and at your normal retirement date



OTHER SOURCES OF INCOME

Retirement Accounts

Roth IRAs

Pensions

Paid off house

Railroad Retirement Benefits

Investments, Savings and CDs

Health Savings Accounts (HSAs)

Part-time work

Annuities



ANNUITIES:

Pro- Fixed Payout

- Tax Deferred Savings**
- Protection from Probate and Creditors**

Con- No Inflation Protection

- Surrender Charges**
- Commissions**
- Costly**

EXPENSES

80% Of Your Pre-retirement Income?

Expenses while working

- Taxes, commuting, savings, clothing, liabilities, children's education

Expenses while retired

- Taxes, health-care costs, liabilities
- Dining out, travel, hobbies, entertainment



OTHER EXPENSES TO CONSIDER

- **Inflation**
- **Your parents may require assistance**
- **Your children may require assistance**
- **Moving costs**
- **Extended long-term care**

WHAT TO DO IF YOU DON'T HAVE ENOUGH ASSETS SAVED FOR RETIREMENT

- 1. Make more retirement plan contributions.**
- 2. Readjust retirement expectations
or standard of living in retirement.**
- 3. Decrease spending.**
- 4. Work longer.**
- 5. Work part-time.**
- 6. Review your investment strategy.**

EXPENSES TO DITCH

- **Second car or luxury car**
- **Lavish vacations**
- **Second home**
- **Downsize your home**
- **Landline**
- **Adult children**



ANNUAL WITHDRAWAL RATE CALCULATION

<u>Year 1</u>		<u>Annual Withdrawal Rate</u>
Portfolio Balance At Beginning of Year 1	\$1,000,000.00	
Annual Cash Flow Needs	<u>-\$50,000.00</u>	-5.00%
Portfolio Balance	\$950,000.00	
Portfolio Performance	<u>-10.00%</u>	
Portfolio Balance at End of Year 1	\$855,000.00	
<hr/>		
<u>Year 2</u>		<u>Annual Withdrawal Rate</u>
Portfolio Balance At Beginning of Year 2	\$855,000.00	
Annual Cash Flow Needs	<u>-\$50,000.00</u>	-5.85%
Portfolio Balance	\$805,000.00	
Portfolio Performance	<u>-10.00%</u>	
Portfolio Balance at End of Year 2	\$724,500.00	
<hr/>		
<u>Year 3</u>		<u>Annual Withdrawal Rate</u>
Portfolio Balance At Beginning of Year 3	\$724,500.00	
Annual Cash Flow Needs	<u>-\$50,000.00</u>	-6.90%
Portfolio Balance	\$674,500.00	
Portfolio Performance	<u>-0.00%</u>	
Portfolio Balance at End of Year 3	\$674,500.00	

IN RETIREMENT:

Do you need:

Medical Insurance

Life Insurance

Disability Insurance

Long Term Care Insurance



WHAT MEDICARE COVERS

- **Part A (Hospital) - Inpatient care in hospitals, skilled nursing facility, hospice and home health care**
- **Part B (Medical) – Doctor and other providers’ services, outpatient care, durable medical equipment, home health care, and some preventive services**
- **Part C (Medigap or Supplemental) – many options of additional coverage**
- **Part D (Drugs) – covers drug cost**



MEDICARE PART B MONTHLY PREMIUM

	File As Individually	File As Married Filing Jointly
<u>Your 2019 Part B Monthly Premium Is</u>	<u>If your Yearly Income In 2017 (for what you pay in 2019) Was</u>	
\$135.50	\$85,000 or less	\$170,000 or less
\$189.60	Above \$85,000 up to \$107,000	Above \$170,000 up to \$214,000
\$270.90	Above \$107,000 up to \$133,500	Above \$214,000 up to \$267,000
\$352.20	Above \$133,500 up to \$160,000	Above \$267,000 up to \$320,000
\$433.40	Above \$160,000 and less than \$500,000	Above \$320,000 and less than \$750,000

MEDICARE PART D MONTHLY PREMIUM

	File As Individually	File As Married Filing Jointly
Your 2019 Part D Monthly Premium Is	<u>If Your Yearly Income In 2017 (for what you pay in 2019) Was</u>	
Your plan premium	\$85,000 or less	\$170,000 or less
\$12.40 + Your plan premium	Above \$85,000 up to \$107,000	Above \$170,000 up to \$214,000
\$31.90 + Your plan premium	Above \$107,000 up to \$133,500	Above \$214,000 up to \$267,000
\$51.40 + Your plan premium	Above \$133,500 up to \$160,000	Above \$267,000 up to \$320,000
\$70.90 + Your plan premium	Above \$160,000 and less than \$500,000	Above \$320,000 and less than \$750,000

HEALTH SAVINGS ACCOUNTS (HSAs)

During retirement, HSAs can be used for:

Health insurance premiums

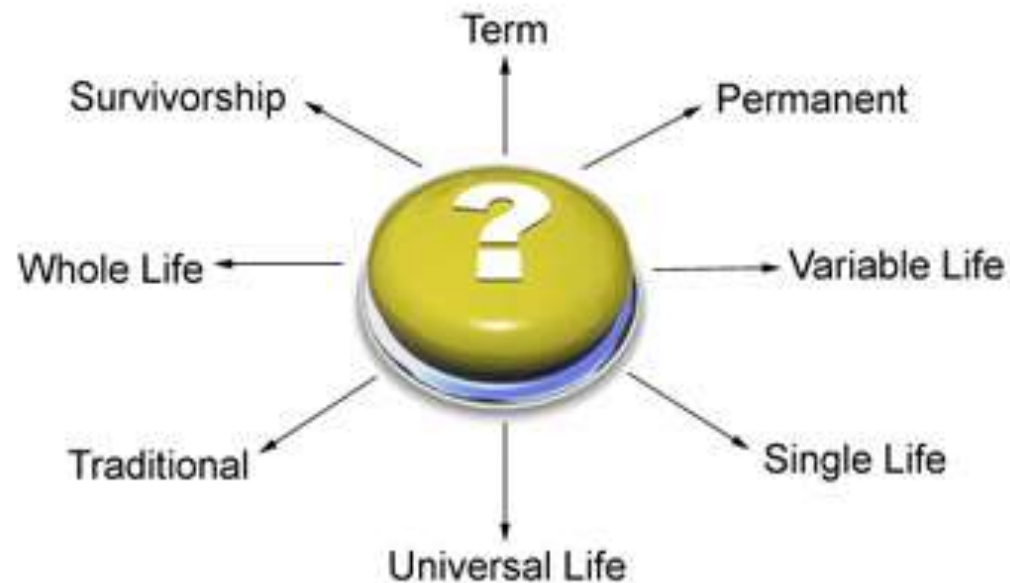
Long term care costs

Prescription drugs

LIFE INSURANCE

Insure against financial loss or hardship for someone else

Replace the cost of Federal Estate/Inheritance Taxes



DISABILITY INSURANCE

Insure against financial loss for yourself and family

Replace lost income



LONG TERM CARE INSURANCE

1. Covers care generally not covered by health insurance, Medicare, or Medicaid for Nursing home costs, Assisted living, Home health care, and Adult daycare
2. Benefits are based on a daily/monthly cost
3. Length of coverage
4. Elimination Period
5. Inflation
6. Shared Care Rider
7. Guaranteed Renewable

LONG TERM CARE INSURANCE

- 1. Medicare picks up 11.0% of nursing home costs nationally, only partially covers the costs of the first 100 days in a nursing home, and only provides this coverage if the skilled care is preceded by a stay in the hospital.**
- 2. Medicaid covers over 70.0% of long-term care costs nationally, but requires spending down substantially all assets and directing all income to pay toward their long term care costs.**
- 3. The Veteran's Administration does provide benefits, if you qualify.**

LONG-TERM CARE INSURANCE SUMMARY OF NATIONAL FINDINGS

	Hourly Costs	Daily Costs	Monthly Costs
Homemaker Services	\$21.00	\$132.00 (a)	\$4,004.00 (c)
Home Health Aide	\$22.00	\$138.00 (a)	\$4,195.00 (c)
Adult Day Health Care	N/A	\$72.00	\$1,560.00 (d)
Assisted Living Facility	N/A	\$132.00 (b)	\$4,000.00 (e)
Nursing Home Care:			
Semi-Private Room	N/A	\$245.00	\$7,441.00 (d)
Private Room	N/A	\$275.00	\$8,365.00 (d)

(a) Based on annual rate divided by 365 days (assumes 44 hours per week)

(b) Based on annual rate divided by 365 days, private, one bedroom

(c) Based on annual rate divided by 12 months (assumes 44 hours per week)

(d) Based on annual rate divided by 12 months

(e) As reported, monthly rate, private, one bedroom

Provided by Genworth Cost of Care Survey 2018, conducted by CareScout®, June 2018

Provided by Met Life Mature Market Institute.

**Retirement does not require
winning the lottery, but it does
require planning!**

Shall We Start Now?



QUESTIONS AND ANSWERS

A 3D rendered graphic of the letters 'Q', '&', and 'A'. The 'Q' and 'A' are bright red, while the ampersand is a metallic grey. The letters are thick and have a slight shadow on the white surface below them, giving them a three-dimensional appearance.

Q & A

CONTACT INFORMATION



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