



# Luke and Jen Smith

**RETIREMENT**  
**November 24, 2010**

**PREPARED BY:**  
John Davidson, CFP<sup>®</sup>, ChFC<sup>®</sup>  
1001 E. Hector St., Ste. 401  
Conshohocken, PA 19428  
(610) 684-1100

# Table of Contents

---

- Table of Contents.....2
- Basics of Retirement Planning .....3
- Retirement Expenses.....4
- Retirement Income.....7
- Building Your Retirement Assets .....10
- Retirement Withdrawals .....11
- Looking at Everything in Retirement .....12
- Options for Meeting Retirement Needs .....13



# Basics of Retirement Planning

*Prepared for Luke and Jen Smith*

Retirement Planning is the process of creating a realistic strategy for funding your retirement that balances current financial needs with expected retirement needs many years into the future.

A successful retirement is the highest financial priority for many people. Because of the long-term nature of retirement and all of the variables that go into determining potential success or failure, it is often the most difficult financial goal for which to plan.

Items to consider when creating a retirement plan:

## **Longevity**

With average life expectancy now in the 80s it is likely that you could experience a retirement period that lasts 20-30 years. Your plan must be flexible enough to account for a long retirement.

## **Expenses and Inflation**

Inflation is always a powerful enemy in any retirement plan, especially for a retirement that could last multiple decades. Your living expenses could increase multiple times over a long retirement. And, certain expenses such as medical expenses could easily outpace inflation.

## **Income**

Any extra income, whether from part-time work or from delayed retirement, could make a substantial difference in your retirement income. Your selected social security start date can also make a meaningful difference.

## **Withdrawals**

Almost everyone will need to augment their retirement income with withdrawals from their portfolio assets. Many recent studies have indicated the importance of reasonable and sustainable withdrawal rates. A generally accepted withdrawal rate is 4%, but every case is different.

## **Asset Allocation**

It is always important to have a reasonable asset allocation, but it is especially important in or near retirement since your time horizon to recoup any losses is shorter. A proper allocation that balances income needs with growth needs is critical. Asset allocation does not guarantee a profit or protect against a loss in a declining market.

## **Other Goals**

Other financial goals (purchasing a vacation home or subsidizing your parents' care for example) will impact your retirement. This analysis will take into account any other goals you have defined.

*This analysis must be reviewed in conjunction with the limitations and conditions disclosed in the Disclaimer page. Projections are based on assumptions provided by the advisor/representative, and are not guaranteed. Actual results will vary, perhaps to a significant degree. The projected reports are hypothetical in nature and for illustrative purposes only. Return assumptions do not reflect the deduction of any commissions. They will reflect any fees or product charges when entered by the advisor/ representative. Deduction of such charges would result in a lower rate of return. Consult your legal and/or tax advisor before implementing any tax or legal strategies.*

# Retirement Expenses

## Base Facts

Prepared for Luke and Jen Smith

Thinking about retirement can be daunting. It is difficult to plan for something that may not start for many years and can last multiple decades. Nonetheless, it is very important to create a retirement plan. With longer than average life expectancy, you could spend a third of your life in retirement. The first step in creating a retirement plan is determining the expected cost of retirement.

Retirement is assumed to start in 2022 when Luke is age 65. Retirement for Jen starts in 2024 at age 65. Annual living expenses during retirement are expected to be \$322,000 (in today's dollars) and are projected to grow at the specified inflation rate(s) beginning immediately.

SUMMARY	
<b>Retirement Lasts</b>	<b>2022 - 2049 (28 years)</b>
<b>Living Expenses (2022)</b>	<b>\$487,692</b>
<b>Living Expenses</b>	<b>\$23,082,762</b>
<b>Cost of Retirement</b>	<b>\$27,238,535</b>

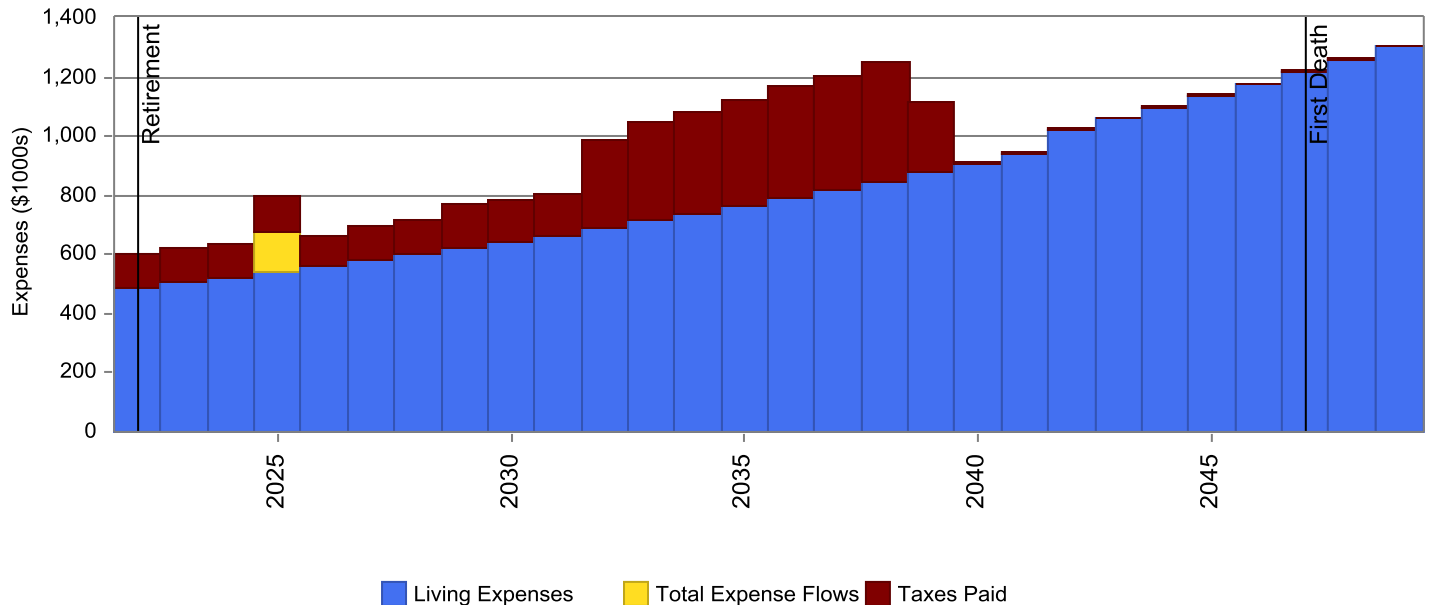
You can expect living expenses to be \$487,692 in the first year of retirement and \$1,302,768 in the last year of retirement. Total cost of retirement is expected to be \$27,238,535.

Living expenses includes any excess annual cash flow that is assumed to be spent. Total retirement expenses include not only living expenses, but also taxes, insurance premiums, and other defined expenses.

## How Will Your Expenses Grow?

The chart below illustrates the cost of your retirement over time, showing that you can expect total living expenses of \$487,692 in the first year of retirement (2022) and \$1,302,768 in the last year of retirement (2049). These living expense figures include any excess cash flow that is assumed to be spent. Other expense categories are displayed as well.

Retirement Expenses



*This analysis must be reviewed in conjunction with the limitations and conditions disclosed in the Disclaimer page. Projections are based on assumptions provided by the advisor/representative, and are not guaranteed. Actual results will vary, perhaps to a significant degree. The projected reports are hypothetical in nature and for illustrative purposes only. Return assumptions do not reflect the deduction of any commissions. They will reflect any fees or product charges when entered by the advisor/ representative. Deduction of such charges would result in a lower rate of return. Consult your legal and/or tax advisor before implementing any tax or legal strategies.*

# Retirement Expenses

## Base Facts

Prepared for Luke and Jen Smith

Year	Age	Living Expenses	Total Expense Flows	Taxes Paid	Total Expenses	Total Outflows
2022	65/63	\$487,692	\$0	\$114,870	\$602,562	\$602,562
2023	66/64	504,858	0	115,284	620,142	620,142
2024	67/65	522,629	0	115,280	637,909	637,909
2025	68/66	541,025	134,419	121,636	797,080	797,080
2026	69/67	560,069	0	102,105	662,174	662,174
2027	70/68	579,783	0	119,999	699,782	699,782
2028	71/69	600,191	0	114,281	714,472	714,472
2029	72/70	621,317	0	146,886	768,203	768,203
2030	73/71	643,188	0	143,171	786,359	786,359
2031	74/72	665,828	0	138,752	804,580	804,580
2032	75/73	689,266	0	295,745	985,011	985,011
2033	76/74	713,527	0	336,358	1,049,885	1,049,885
2034	77/75	738,643	0	345,793	1,084,436	1,084,436
2035	78/76	764,643	0	354,763	1,119,406	1,119,406
2036	79/77	791,559	0	378,175	1,169,734	1,169,734
2037	80/78	819,422	0	382,545	1,201,967	1,201,967
2038	81/79	848,265	0	400,767	1,249,032	1,249,032
2039	82/80	878,125	0	240,828	1,118,953	1,118,953

*This analysis must be reviewed in conjunction with the limitations and conditions disclosed in the Disclaimer page. Projections are based on assumptions provided by the advisor/representative, and are not guaranteed. Actual results will vary, perhaps to a significant degree. The projected reports are hypothetical in nature and for illustrative purposes only. Return assumptions do not reflect the deduction of any commissions. They will reflect any fees or product charges when entered by the advisor/representative. Deduction of such charges would result in a lower rate of return. Consult your legal and/or tax advisor before implementing any tax or legal strategies.*

2040	83/81	909,036	0	5,966	915,002	915,002
2041	84/82	941,034	0	6,156	947,190	947,190
2042	85/83	1,022,581	0	5,111	1,027,692	1,027,692
2043	86/84	1,058,575	0	5,237	1,063,812	1,063,812
2044	87/85	1,095,837	0	5,368	1,101,205	1,101,205
2045	88/86	1,134,410	0	5,504	1,139,914	1,139,914
2046	89/87	1,174,342	0	5,644	1,179,986	1,179,986
<b>2047</b>	<b>90/88</b>	<b>1,215,679</b>	<b>0</b>	<b>5,791</b>	<b>1,221,470</b>	<b>1,221,470</b>
2048	91/89	1,258,470	0	4,920	1,263,390	1,263,390
2049	92/90	1,302,768	0	4,419	1,307,187	1,307,187
<b>Totals</b>		<b>\$23,082,762</b>	<b>\$134,419</b>	<b>\$4,021,354</b>	<b>\$27,238,535</b>	<b>\$27,238,535</b>

*This analysis must be reviewed in conjunction with the limitations and conditions disclosed in the Disclaimer page. Projections are based on assumptions provided by the advisor/representative, and are not guaranteed. Actual results will vary, perhaps to a significant degree. The projected reports are hypothetical in nature and for illustrative purposes only. Return assumptions do not reflect the deduction of any commissions. They will reflect any fees or product charges when entered by the advisor/representative. Deduction of such charges would result in a lower rate of return. Consult your legal and/or tax advisor before implementing any tax or legal strategies.*

# Retirement Income

## Base Facts

Prepared for Luke and Jen Smith

Income sources like Social Security, pension plans, and annuities can help offset your retirement expenses. Total inflows during retirement can also include planned distributions, investment income and other inflows such as insurance benefits, asset sales, and income from a business or trust.

Income sources available during retirement include the following:

Luke's Social Security	\$19,613 starting in 2022
Jen's Social Security	\$15,587 starting in 2024
Variable Annuity TIAA CREF - Annuitized	\$37,738 starting in 2022
Investment Income	\$0 during retirement
Planned Distributions	\$74,197 starting in 2027

### SUMMARY

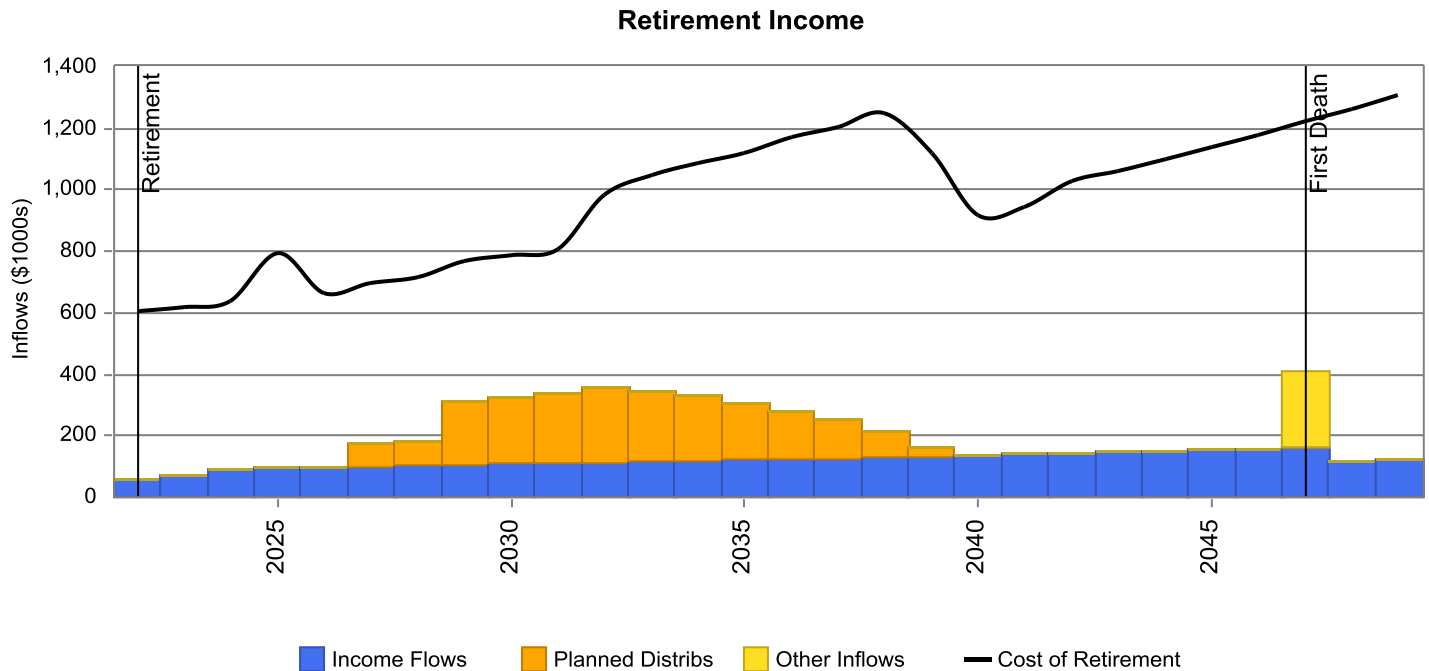
<b>Cost of Retirement</b>	<b>\$27,238,535</b>
<b>Retirement Inflows</b>	<b>\$5,689,261</b>
<b>Unfunded Costs</b>	<b>\$21,549,274</b>
<b>Pct Funded by Income</b>	<b>21%</b>

Total inflows are expected to include \$3,362,657 in income flows, \$0 in investment income, and \$2,081,604 in planned distributions. Other inflows will total \$245,000.

Total inflows during retirement are projected to be \$5,689,261, funding 21% of your total cost of retirement.

## Retirement Inflow Details

The chart below highlights your retirement inflows. These inflows total \$5,689,261 realized over your expected retirement and represent approximately 21% of your total cost of retirement.



*This analysis must be reviewed in conjunction with the limitations and conditions disclosed in the Disclaimer page. Projections are based on assumptions provided by the advisor/representative, and are not guaranteed. Actual results will vary, perhaps to a significant degree. The projected reports are hypothetical in nature and for illustrative purposes only. Return assumptions do not reflect the deduction of any commissions. They will reflect any fees or product charges when entered by the advisor/representative. Deduction of such charges would result in a lower rate of return. Consult your legal and/or tax advisor before implementing any tax or legal strategies.*

# Retirement Income

## Base Facts

Prepared for Luke and Jen Smith

Year	Age	Income Flows	Investment Income	Planned Distributions	Other Inflows	Total Inflows
2022	65/63	\$57,351	\$0	\$0	\$0	\$57,351
2023	66/64	72,545	0	0	0	72,545
2024	67/65	89,357	0	0	0	89,357
2025	68/66	96,553	0	0	0	96,553
2026	69/67	98,623	0	0	0	98,623
2027	70/68	100,766	0	74,197	0	174,963
2028	71/69	102,985	0	78,612	0	181,597
2029	72/70	105,282	0	205,004	0	310,286
2030	73/71	107,660	0	217,192	0	324,852
2031	74/72	110,121	0	230,092	0	340,213
2032	75/73	112,669	0	243,741	0	356,410
2033	76/74	115,307	0	232,446	0	347,753
2034	77/75	118,038	0	212,174	0	330,212
2035	78/76	120,865	0	187,995	0	308,860
2036	79/77	123,791	0	159,193	0	282,984
2037	80/78	126,820	0	124,870	0	251,690
2038	81/79	129,956	0	83,382	0	213,338
2039	82/80	133,202	0	32,706	0	165,908

*This analysis must be reviewed in conjunction with the limitations and conditions disclosed in the Disclaimer page. Projections are based on assumptions provided by the advisor/representative, and are not guaranteed. Actual results will vary, perhaps to a significant degree. The projected reports are hypothetical in nature and for illustrative purposes only. Return assumptions do not reflect the deduction of any commissions. They will reflect any fees or product charges when entered by the advisor/representative. Deduction of such charges would result in a lower rate of return. Consult your legal and/or tax advisor before implementing any tax or legal strategies.*

2040	83/81	136,562	0	0	0	136,562
2041	84/82	140,040	0	0	0	140,040
2042	85/83	143,641	0	0	0	143,641
2043	86/84	147,369	0	0	0	147,369
2044	87/85	151,228	0	0	0	151,228
2045	88/86	155,223	0	0	0	155,223
2046	89/87	159,359	0	0	0	159,359
<b>2047</b>	<b>90/88</b>	<b>163,640</b>	<b>0</b>	<b>0</b>	<b>245,000</b>	<b>408,640</b>
2048	91/89	120,397	0	0	0	120,397
2049	92/90	123,307	0	0	0	123,307
<b>Totals</b>		<b>\$3,362,657</b>	<b>\$0</b>	<b>\$2,081,604</b>	<b>\$245,000</b>	<b>\$5,689,261</b>

*This analysis must be reviewed in conjunction with the limitations and conditions disclosed in the Disclaimer page. Projections are based on assumptions provided by the advisor/representative, and are not guaranteed. Actual results will vary, perhaps to a significant degree. The projected reports are hypothetical in nature and for illustrative purposes only. Return assumptions do not reflect the deduction of any commissions. They will reflect any fees or product charges when entered by the advisor/representative. Deduction of such charges would result in a lower rate of return. Consult your legal and/or tax advisor before implementing any tax or legal strategies.*

# Building Your Retirement Assets

## Base Facts

Prepared for Luke and Jen Smith

Along with your expected retirement income, the other primary resource for funding your retirement is your accumulated portfolio assets. When estimating the portfolio assets you could have available at your retirement, the key assumptions are your current portfolio balance, planned savings, expected growth rate of the portfolio assets and annual cash flow prior to retirement. You can also increase your portfolio assets before or during retirement by liquidating other assets such as a house or business.

**Defined portfolio assets** currently total **\$7,262,567**. In **2010**, savings include **\$12,500** in planned savings and **\$6,250** in employer contributions. From **2010** through **2022** planned savings will total **\$182,735** and employer contributions will total **\$91,370**, for a total of **\$274,105**. Projected asset growth prior to retirement is **\$7,448,920**.

In the first year of retirement, your portfolio assets are projected to consist of **\$3,517,261** in taxable assets, **\$0** in cash, **\$4,396,308** in retirement assets, **\$678,146** in annuities, and **\$25,000** in life insurance cash value.

Taking into account savings, growth, and cash flow, your portfolio assets are projected to total **\$8,616,715** at the beginning of **2022**.

### SUMMARY

**Planned Savings**  
**\$182,735**

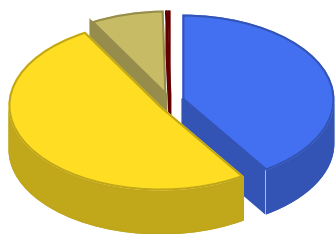
**Employer Contributions**  
**\$91,370**

**Growth**  
**\$7,448,920**

**Portfolio Assets (2022)**  
**at Beginning of Year**  
**\$8,616,715**

## What Comprises Your Portfolio Assets

The chart below reflects the projected value of portfolio assets at the beginning of 2022.



- Taxable Assets (40.82%)
- Retirement Assets (51.02%)
- Annuity Assets (7.87%)
- Insurance Assets (0.29%)

At the beginning of 2022, the breakdown of portfolio assets is projected to be as follows:

Asset Type	Amount	Percent
Taxable	\$3,517,261	40.82%
Cash	0	0.00%
Retirement	4,396,308	51.02%
Annuity	678,146	7.87%
Insurance	25,000	0.29%
<b>Total</b>	<b>\$8,616,715</b>	<b>100.00%</b>

*This analysis must be reviewed in conjunction with the limitations and conditions disclosed in the Disclaimer page. Projections are based on assumptions provided by the advisor/representative, and are not guaranteed. Actual results will vary, perhaps to a significant degree. The projected reports are hypothetical in nature and for illustrative purposes only. Return assumptions do not reflect the deduction of any commissions. They will reflect any fees or product charges when entered by the advisor/ representative. Deduction of such charges would result in a lower rate of return. Consult your legal and/or tax advisor before implementing any tax or legal strategies.*

# Retirement Withdrawals

## Base Facts

Prepared for Luke and Jen Smith

Withdrawals from portfolio assets are a critical component of all retirement plans. The size and frequency of withdrawals will go a long way to determining if your portfolio assets will last for your lifetime. Withdrawals can be made from taxable or tax deferred accounts, each providing different tax consequences. You should always be mindful of your total withdrawals to make sure you are not liquidating your assets too quickly.

**Supplemental withdrawals from portfolio assets** are required when retirement inflows, including planned withdrawals, are insufficient to cover expenses for a given year. It is not unusual to make supplemental withdrawals during retirement, but care must be taken to ensure your portfolio assets last.

Supplemental withdrawals during retirement will total **\$14,442,711** funding **53%** of retirement expenses.

Planned withdrawals, such as required minimum distributions, are withdrawals that you already intend to make. Planned withdrawals are projected to total **\$2,081,604** over your retirement and are accounted for as part of total retirement inflows.

### SUMMARY

**Cost of Retirement**

**\$27,238,535**

**Retirement Inflows**

**\$5,689,261**

**Supplemental Withdrawals**

**\$14,442,711**

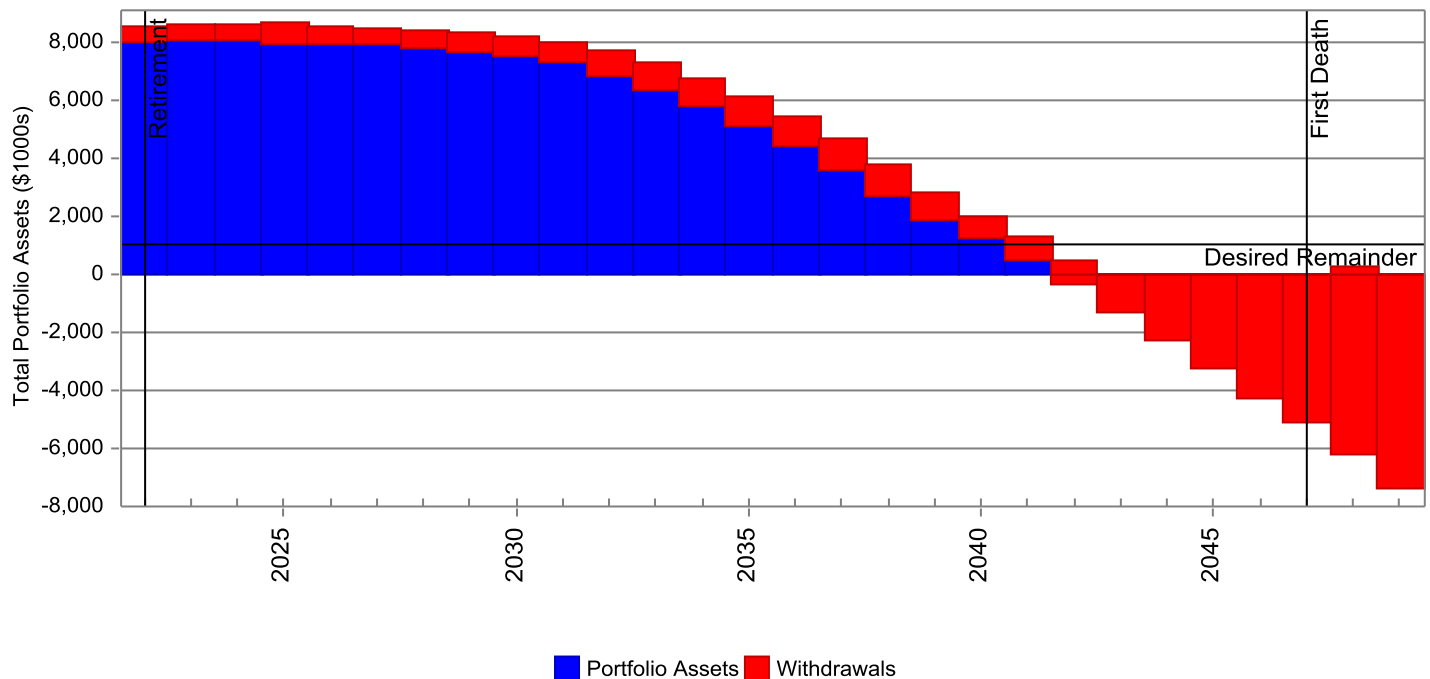
**Pct Funded by Suppl Withdrawals**

**53%**

## Retirement Withdrawal Details

The chart below highlights your total withdrawals in relation to your total portfolio assets. Total withdrawals are comprised of planned withdrawals plus supplemental withdrawals.

Retirement Withdrawals



*This analysis must be reviewed in conjunction with the limitations and conditions disclosed in the Disclaimer page. Projections are based on assumptions provided by the advisor/representative, and are not guaranteed. Actual results will vary, perhaps to a significant degree. The projected reports are hypothetical in nature and for illustrative purposes only. Return assumptions do not reflect the deduction of any commissions. They will reflect any fees or product charges when entered by the advisor/ representative. Deduction of such charges would result in a lower rate of return. Consult your legal and/or tax advisor before implementing any tax or legal strategies.*

# Looking at Everything in Retirement

## Base Facts

### Prepared for Luke and Jen Smith

There are two main resources at your disposal with which you can fund your retirement; income and portfolio assets. You accumulate portfolio assets during your pre-retirement years through savings and growth. Additionally, various sources may provide you with income during retirement. By comparing the combination of these resources with your expected retirement expenses, you can get a picture of how successful you may be in financing your retirement.

**Over the course of your retirement years**, you can expect total costs of **\$27,238,535**. During this time, you will have total retirement inflows of **\$5,689,261**. At the start of retirement in **2022**, your projected portfolio assets will be **\$8,616,715**.

Desired assets remaining at death are **\$1,000,000**.

You are projected to have **8** unfunded years during your retirement which results in a cumulative **shortfall** of **(\$7,410,296)**.

### SUMMARY

**Cost of Retirement**  
**\$27,238,535**

**Retirement Inflows**  
**\$5,689,261**

**Supplemental Withdrawals**  
**\$14,442,711**

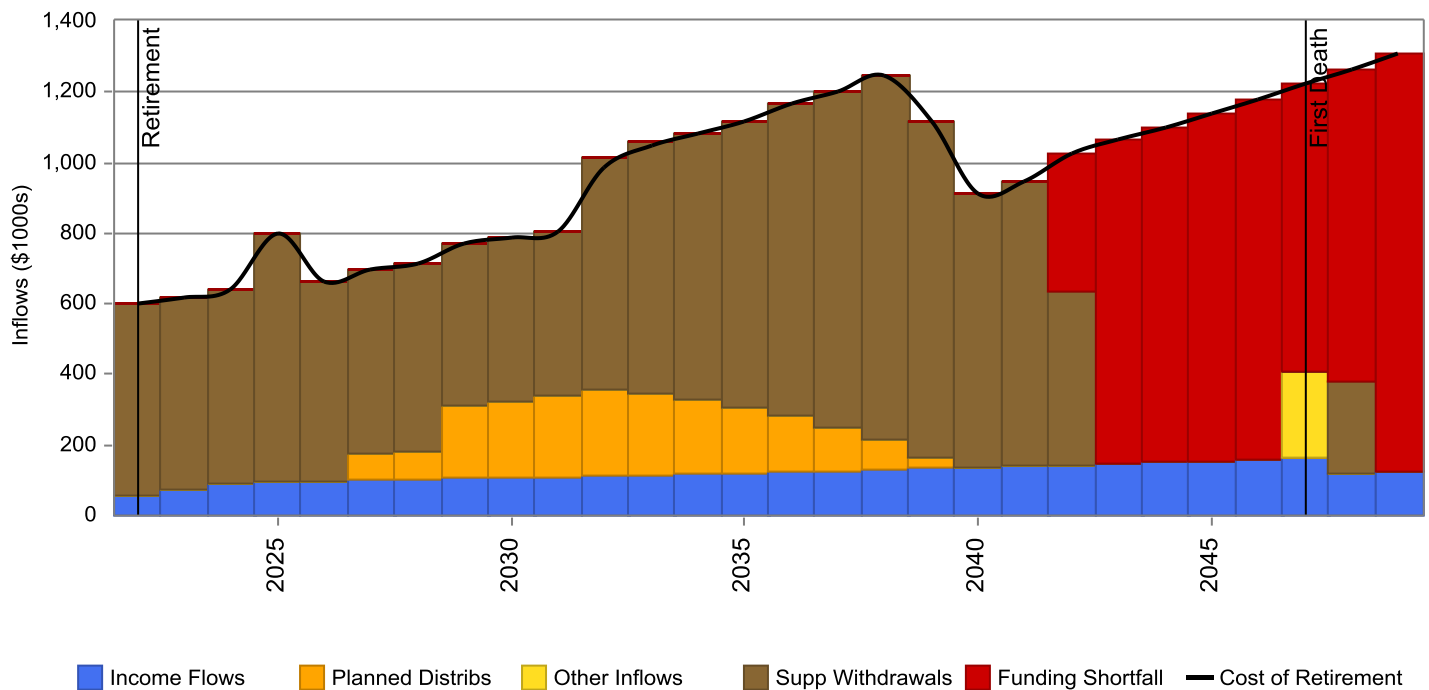
**Funding Shortfall**  
**(\$7,410,296)**

**Unfunded Years**  
**8**

## Retirement Resource Usage

The chart below illustrates how your income sources and portfolio assets could be used to fund your retirement. Years which are not successfully funded show the amount of shortfall.

Looking at Everything



*This analysis must be reviewed in conjunction with the limitations and conditions disclosed in the Disclaimer page. Projections are based on assumptions provided by the advisor/representative, and are not guaranteed. Actual results will vary, perhaps to a significant degree. The projected reports are hypothetical in nature and for illustrative purposes only. Return assumptions do not reflect the deduction of any commissions. They will reflect any fees or product charges when entered by the advisor/ representative. Deduction of such charges would result in a lower rate of return. Consult your legal and/or tax advisor before implementing any tax or legal strategies.*

# Options for Meeting Retirement Needs

## Base Facts

Prepared for Luke and Jen Smith

Based upon the assumptions utilized in this report, you are projected to have a retirement **shortfall** of **\$8,410,296**. There are several options presented below which, alone or in combination, might allow you to achieve your retirement objectives. These options include your desire to have at least **\$1,000,000** in portfolio assets at the end of retirement.

### Save More Before You Retire

By saving more towards retirement, you may be able to accumulate enough assets to fund retirement. If excess cash flow is insufficient to fund this savings, you would need to reduce your current living expenses accordingly.

You would need to save an additional **\$8,728** per month (or **\$104,740 per year**) through **2021**, the year before retirement starts, assuming these new funds will grow at **5.00%**.

This results in portfolio assets of **\$10,038,517** at retirement and **\$1,000,005** at the end of retirement.

#### SUMMARY

**Increase Savings by**  
**\$8,728** (monthly)  
**\$104,740** (annually)

**Assets at Retirement**  
**\$7,983,945** (current)  
**\$10,038,517** (new)

**Assets in 2049**  
**(\$7,410,296)** (current)  
**\$1,000,005** (new)

### Retire Later

Another option is to delay the start of retirement, allowing you more time to save and for your assets to grow.

Due to factors in **Base Facts**, your earliest retirement cannot be calculated. This can happen if the solution requires the retirement year to go beyond the assumed year of death.

#### SUMMARY

**Retirement Starts**  
**Ages 65 & 65**

**Cost of Retirement**  
**\$27,238,535**

**Retirement Assets**  
**\$7,262,567** (today)  
**(\$7,410,296)** (2049)

### Spend Less During Retirement

If you can't increase your portfolio assets sufficiently, you may consider reducing your living expenses during retirement.

Consider reducing your retirement living expenses of **\$322,000** (in today's dollars) to **\$258,000**.

This results in an adjusted retirement cost of **\$23,926,101**, and portfolio assets of **\$1,045,760** at the end of retirement.

#### SUMMARY

**Living Expenses**  
**\$322,000** (current)  
**\$258,000** (new)

**Cost of Retirement**  
**\$27,238,535** (current)  
**\$23,926,101** (new)

**Assets in 2049**  
**(\$7,410,296)** (current)  
**\$1,045,760** (new)

*This analysis must be reviewed in conjunction with the limitations and conditions disclosed in the Disclaimer page. Projections are based on assumptions provided by the advisor/representative, and are not guaranteed. Actual results will vary, perhaps to a significant degree. The projected reports are hypothetical in nature and for illustrative purposes only. Return assumptions do not reflect the deduction of any commissions. They will reflect any fees or product charges when entered by the advisor/ representative. Deduction of such charges would result in a lower rate of return. Consult your legal and/or tax advisor before implementing any tax or legal strategies.*