

Plan for the 21st Century Retirement!

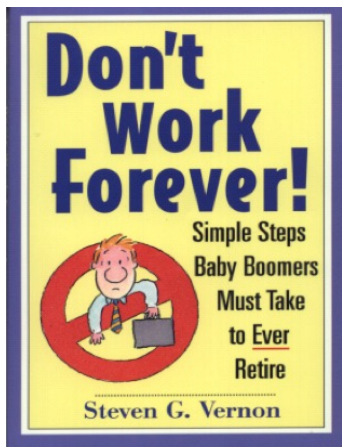


RPB Retirement Planning Seminar

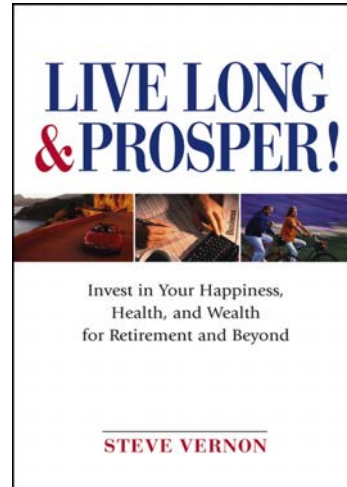
June 4, 2024

**Steve Vernon
President,
*Rest-of-Life Communications***

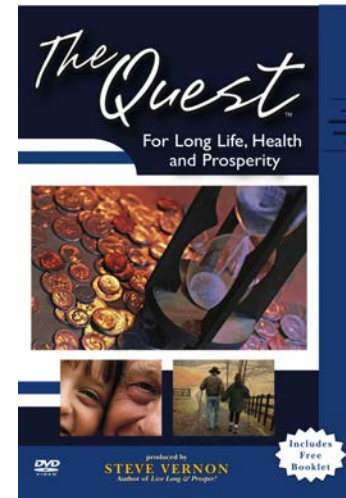




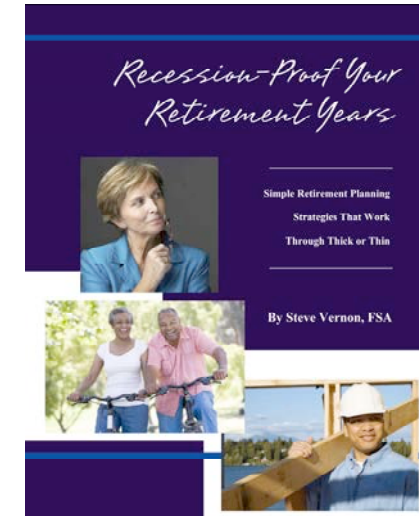
1995



2005

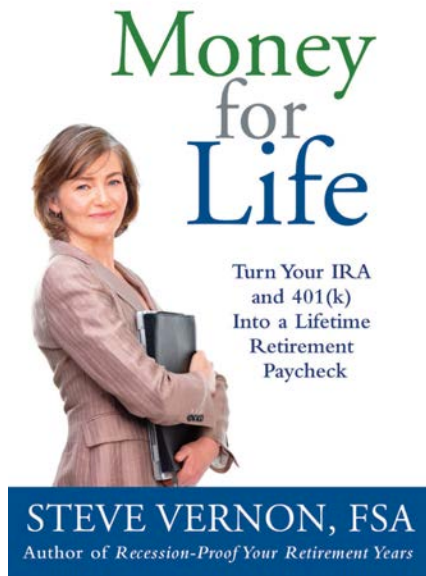


2007

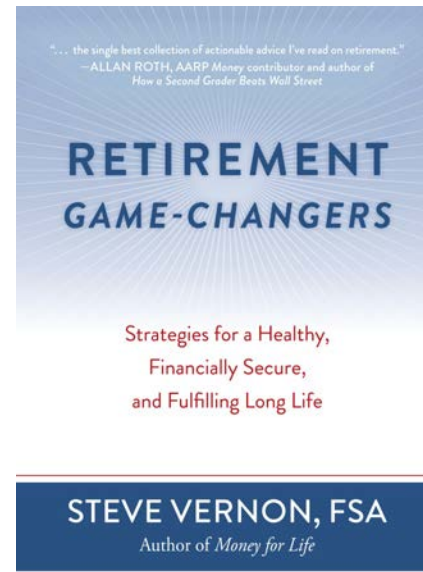


2009-2014

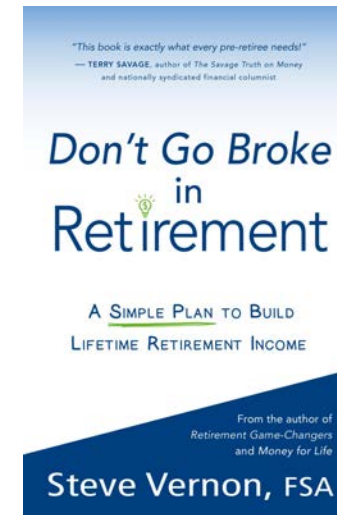
Savvy guidance for some of the most crucial financial decisions you'll ever face.
— JONATHAN PETERSON, author of *Social Security for Dummies*



2012



2018



2020





2010-2019



2019 - present

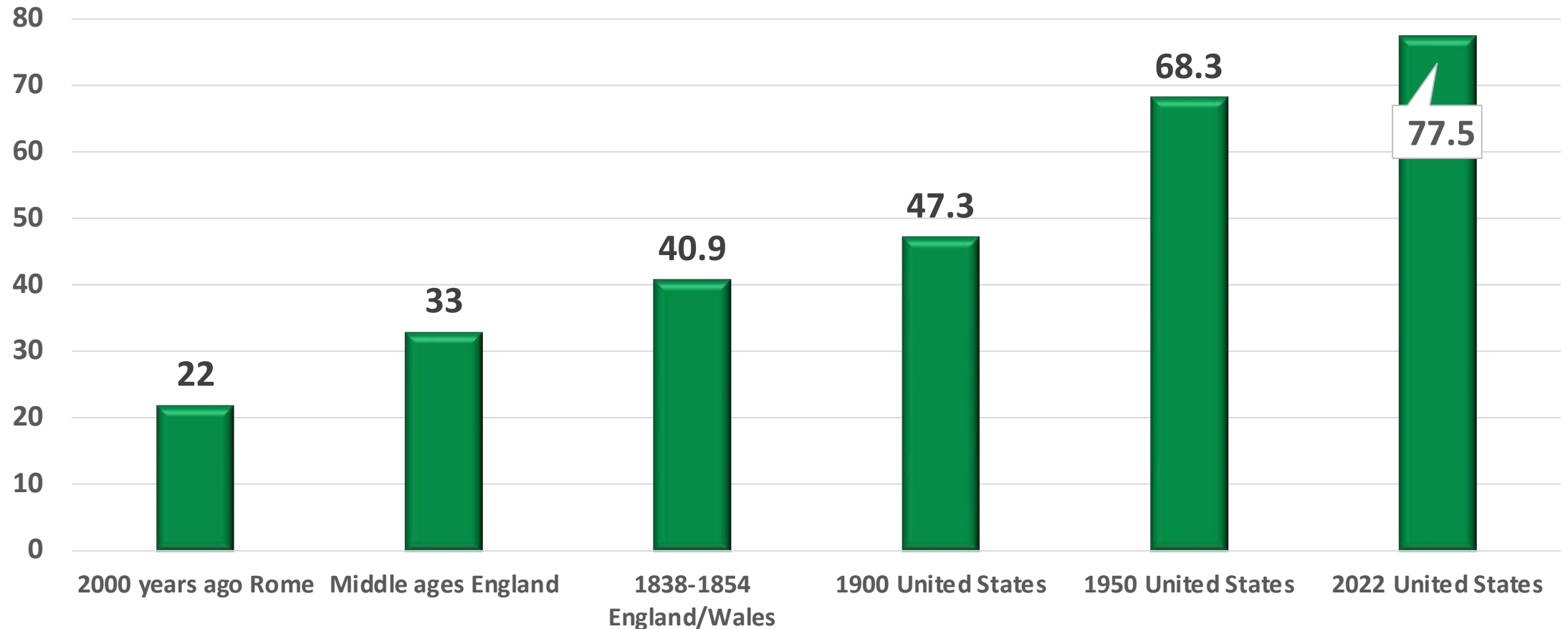


2013 - 2022



Longer Lives

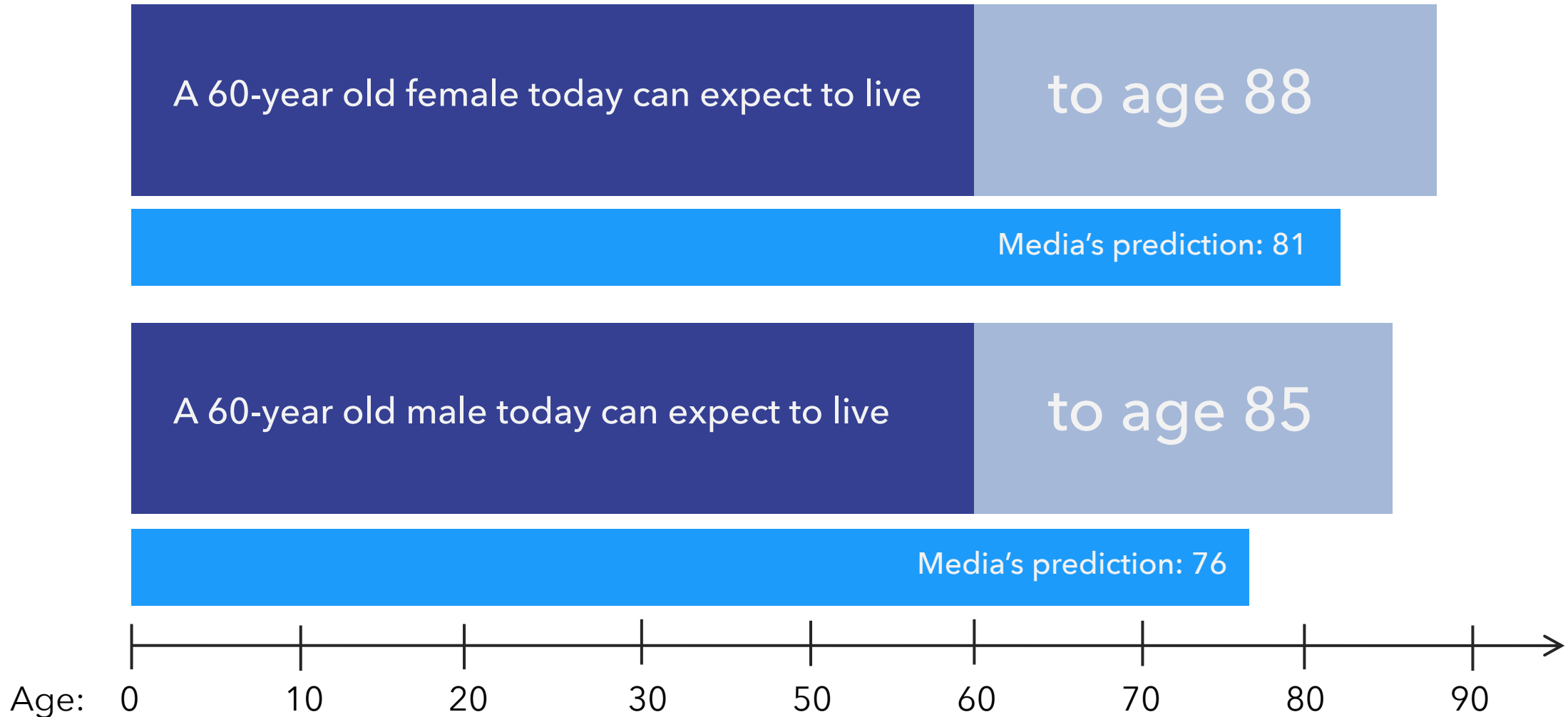
One of Humankind's Greatest Achievements!



Life expectancy at birth

Sources: Dublin, L.I., and Lotka, A.J. *Length of Life*, and National Center for Health Statistics. "Health, United States, 2018."

FOCUS ON REMAINING LIFE EXPECTANCY



LONGEVITY IN THE NEWS

DISPARITIES

By S. Jay Olshansky, Toni Antonucci, Lisa Berkman, Robert H. Binstock, Axel Boersch-Supan, John T. Cacioppo, Bruce A. Carnes, Laura L. Carstensen, Linda P. Fried, Dana P. Goldman, James Jackson, Martin Kohli, John Rother, Yuhui Zheng, and John Rowe

DOI: 10.1377/hlthaff.2011.0746
HEALTH AFFAIRS 31,
NO. 8 (2012): 1803-1813
©2012 Project HOPE—
The People-to-People Health
Foundation, Inc.

Differences In Life Expectancy Due To Race And Educational Differences Are Widening, And Many May Not Catch Up

THE GROWING GAP IN LIFE EXPECTANCY BY INCOME

IMPLICATIONS FOR FEDERAL PROGRAMS
AND POLICY RESPONSES

Committee on the Long-Run Macroeconomic Effects of
the Aging U.S. Population—Phase II

Committee on Population
Division of Behavioral and Social Sciences and Education

Special Communication

The Association Between Income and Life Expectancy in the United States, 2001-2014

Raj Chetty, PhD; Michael Stepner, BA; Sarah Abraham, BA; Shelby Lin, MPhil; Benjamin Scuderi, BA;
Nicholas Turner, PhD; Augustin Bergeron, MA; David Cutler, PhD

Editorials

LATER RETIREMENT, INEQUALITY IN OLD AGE, AND THE GROWING GAP IN LONGEVITY BETWEEN RICH AND POOR

Barry Bosworth & Gary Burtless, The Brookings Institution

Kan Zhang, George Washington University



None of the men in my family
lived past age 75.



My neighbor's 97-year-old aunt ran out of money and had to move in with her. The aunt didn't think she'd live that long.



My mother died of cancer at age 54. Enjoy it while you can. You just never know how long you'll live.



What's more important to your health and longevity?

- 1. Your genes**
- 2. Your lifestyle decisions**

“For all but the most strongly determined genetic diseases ... MacArthur Studies show that the environment and lifestyle have a powerful impact on the likelihood of actually developing the disorder. This is wonderful news for individuals with strong family histories of some cancers, heart disease, hypertension, rheumatoid arthritis, and many other conditions. We now know that diet, exercise, and even medications may delay, or completely eliminate, the emergence of the disease.”

– **From *Successful Aging*, by John W. Rowe, MD and Robert L. Kahn, PhD**

What's Your *Remaining* Life Expectancy?

Some good websites:

- www.longevityillustrator.org/
- www.livingto100.com
- www.bluezones.com

Life expectancy at birth is the *wrong* life expectancy for planning your retirement!





If we knew we would live
this long, we would have
planned better.

20th century arc of life

Childhood,
education,
early adulthood



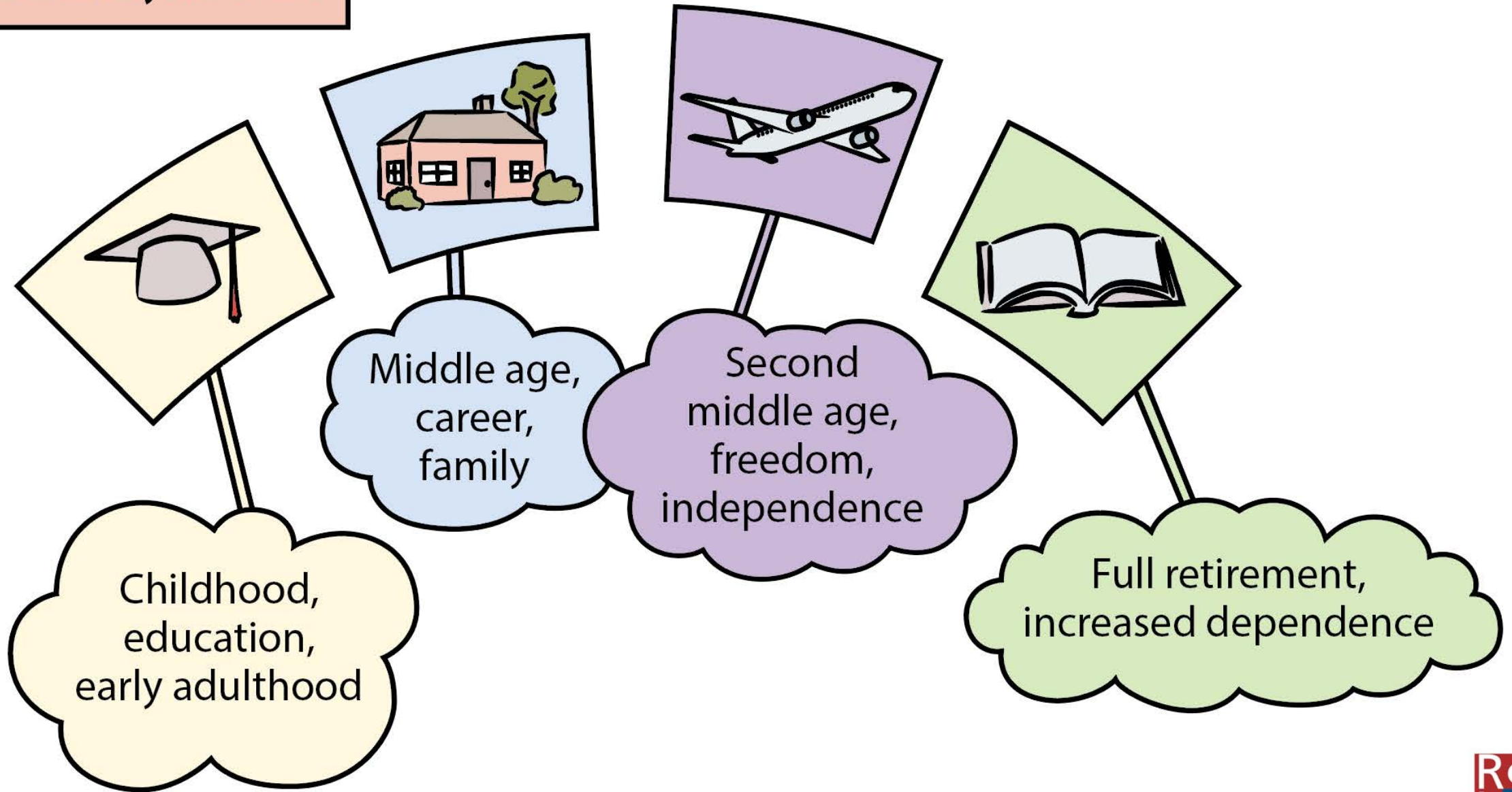
Middle age,
career,
family



Retirement



21st century arc of life





**A big planning
challenge**

Would you
accept a
retirement job
paying \$500 to
\$1,000 per hour?

RETIREMENT

Are You Up For This Lucrative “Retirement Job”?

Steve Vernon Contributor

I share strategies for a financially secure and healthy long life.

Follow

Oct 21, 2020, 12:34pm EDT



Listen to article 9 minutes



This article is more than 2 years old.

f

🐦

in

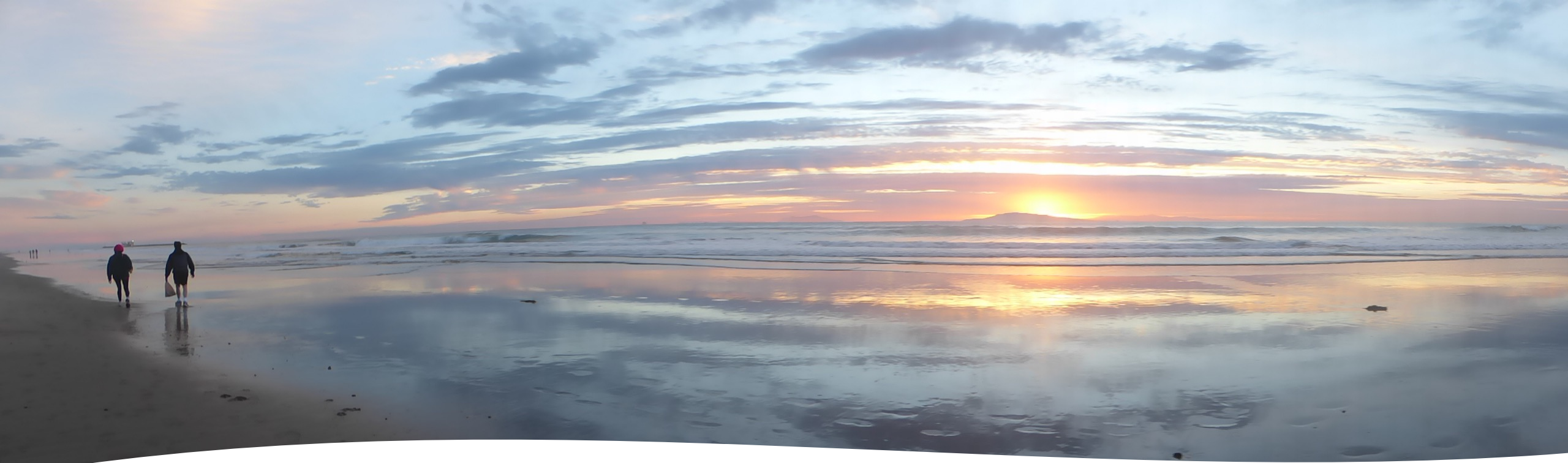


You'll "earn" a lot of money by spending the time to plan for financial security in



Define your retirement





20th century definition

“Permanent holiday”



**20th century
definition**

“Not working”

21st century definition

“To live well as long
as you can”



21st century definition

“To live well as
long as you can”



Physically fit



Mentally sharp



Financially secure



Engaged with life

21st century definition

“To live well as long as you can”



Be a good ancestor

Financially secure



Engaged with life

Most Important Financial Decisions

The Top 5



1. When and how to retire
2. **When to start Social Security**
3. Build your retirement income portfolio with savings and pensions (if applicable)
4. **Make smart choices for medical insurance and Medicare**
5. Which living expenses to reduce

Top 10 Financial Decisions

1. When and how to retire
2. **When to start Social Security**
3. Build your retirement income portfolio with savings and pensions (if applicable)
4. **Make smart choices for medical insurance and Medicare**
5. Which living expenses to reduce
6. **Whether to deploy home equity**
7. Protect against long-term care expenses
8. **Protect against financial fraud and abuse**
9. Provide for your spouse/partner after you're gone
10. **Plan your financial legacy**

Manage the common-sense formula

$I > E$



Critical Decisions: Deploying Savings in Retirement to Generate Income

- **Methods**
 - **Social Security bridge strategy**
 - **Invest and draw down (systematic withdrawals),**
 - **buy annuity, or**
 - **combination?**
- **Asset allocation**



Best Practice Drawdown Plan

- **Adjust annual withdrawal to reflect investment performance**
- **Recommended method: Apply payout rate to remaining assets each year**



Payout rates

- Investment income only
- Conservative: 3% of remaining assets
- IRS required minimum distribution (life expectancy method)
- Middle of road: 4% to 5%
- Aggressive: 6% or higher



Meet Mark and Judith

- Both age 60
- Both work, household income: \$200,000/year
- Retirement savings: \$1,000,000
- Can they retire at 62, 65, or 70?



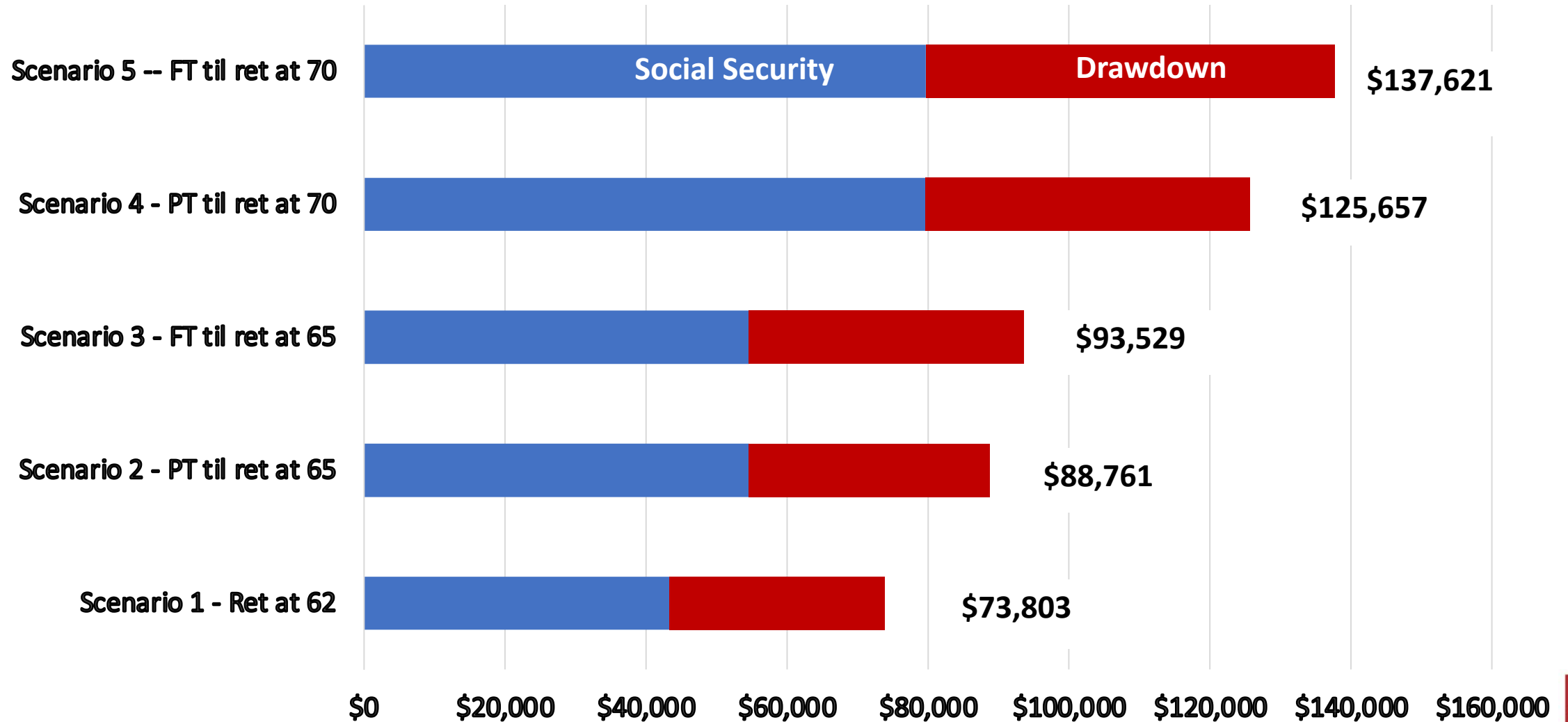
Baseline Retirement Scenarios for Mark and Judith

1. Work FT to age 62, immediately start SS and drawdown
2. Work PT from age 60 to 65, then start SS and drawdown
3. Work FT from age 60 to 65, then start SS and drawdown
4. Work PT from age 60 to 70, then start SS and drawdown
5. Work full-time from age 60 to 70, then start SS and drawdown

Baseline strategy to generate income from savings: withdrawal payout rates using methodology from IRS required minimum distribution

Comparing Baseline Scenarios: When to Retire?

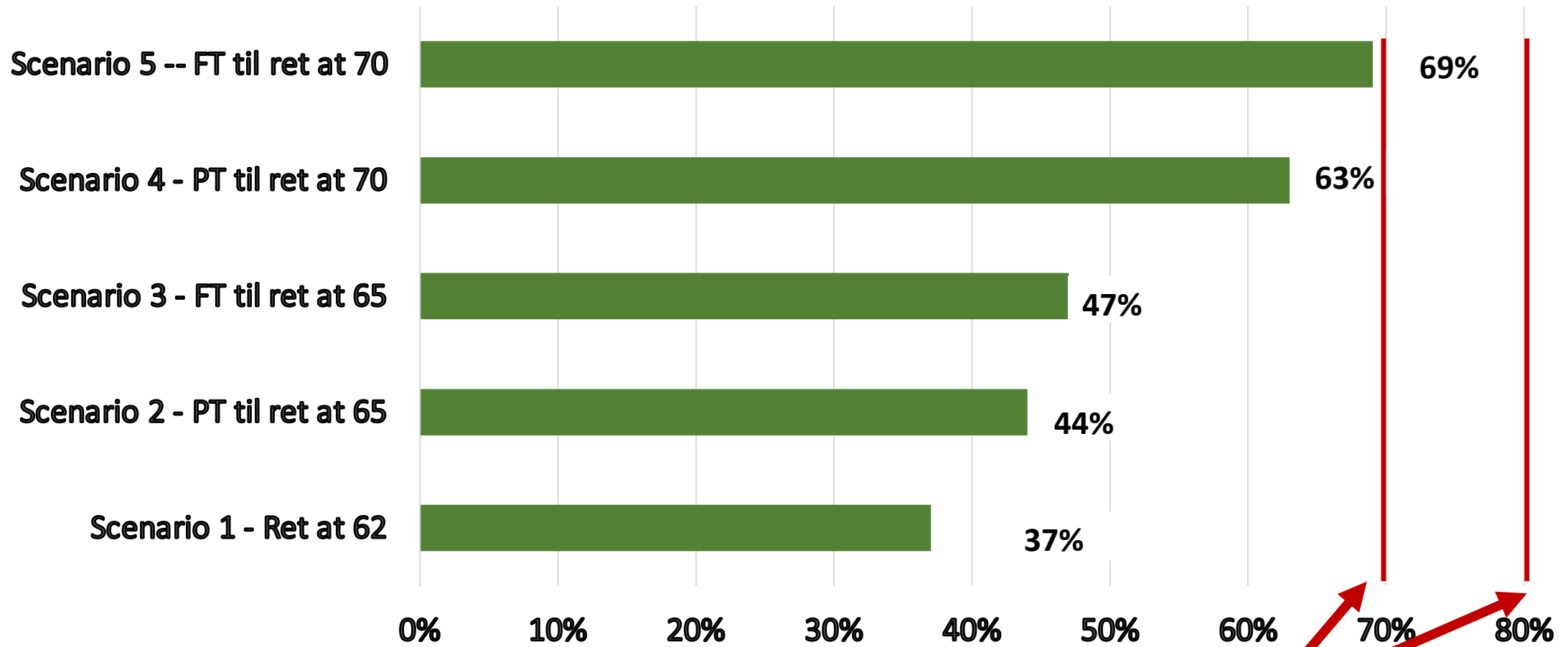
Mark and Judith's Total Annual Retirement Income



Work Longer or Reduce Spending in Retirement?

Mark and Judith's Replacement Ratios

Combined Social Security and Draw from Savings



Conventional retirement income "replacement" targets



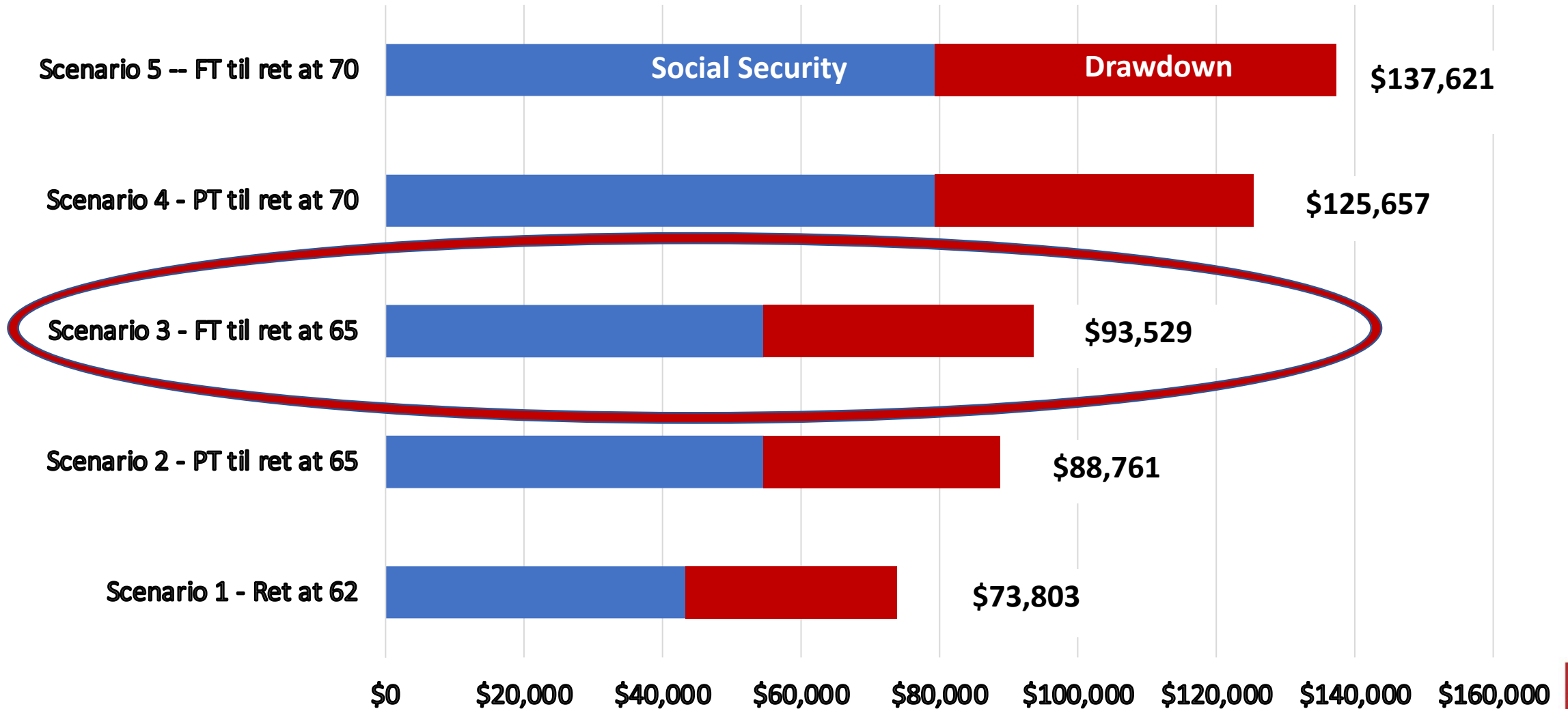
Levers

- **Work longer**
- **Reduce spending**
- **Explore alternative strategies to increase retirement income**
- **Deploy home equity**



Comparing Baseline Scenarios: When to Retire?

Mark and Judith's Total Annual Retirement Income

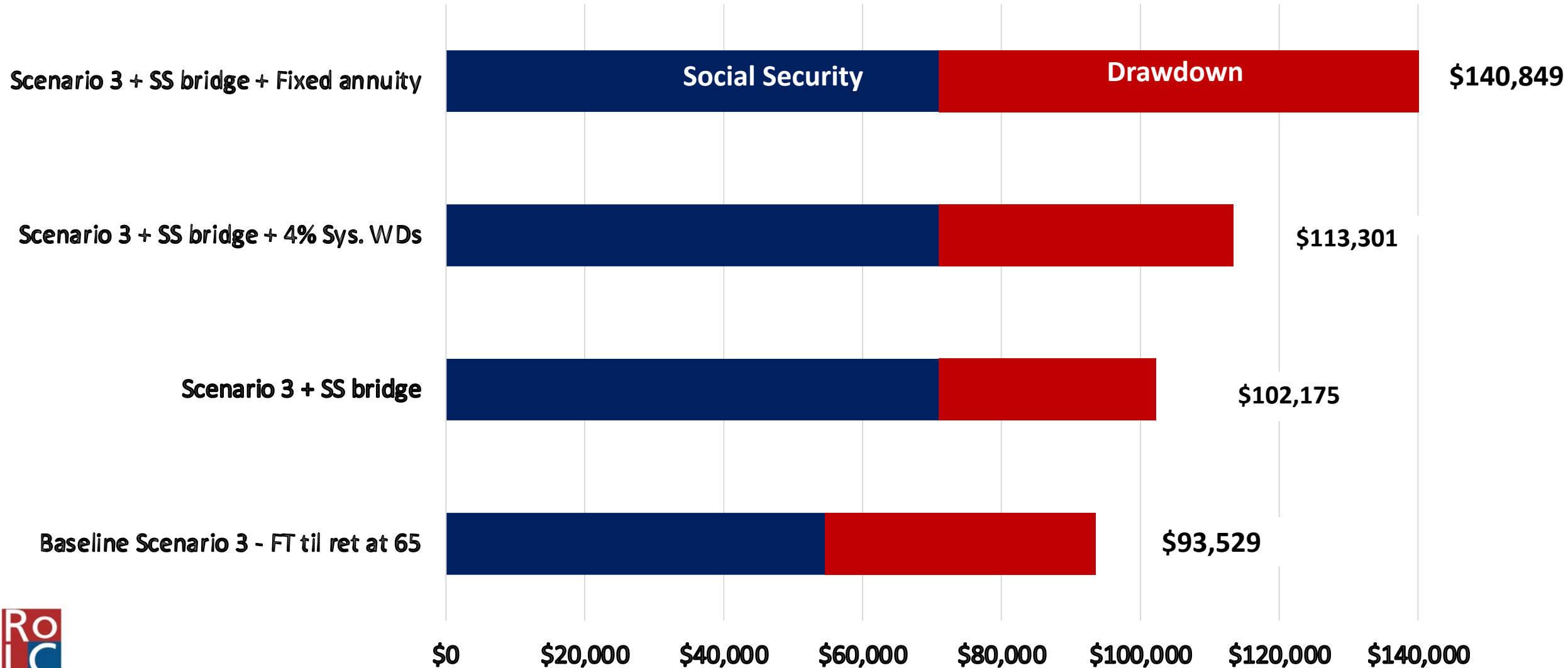


Example of alternative strategies to increase retirement income for retirement at age 65

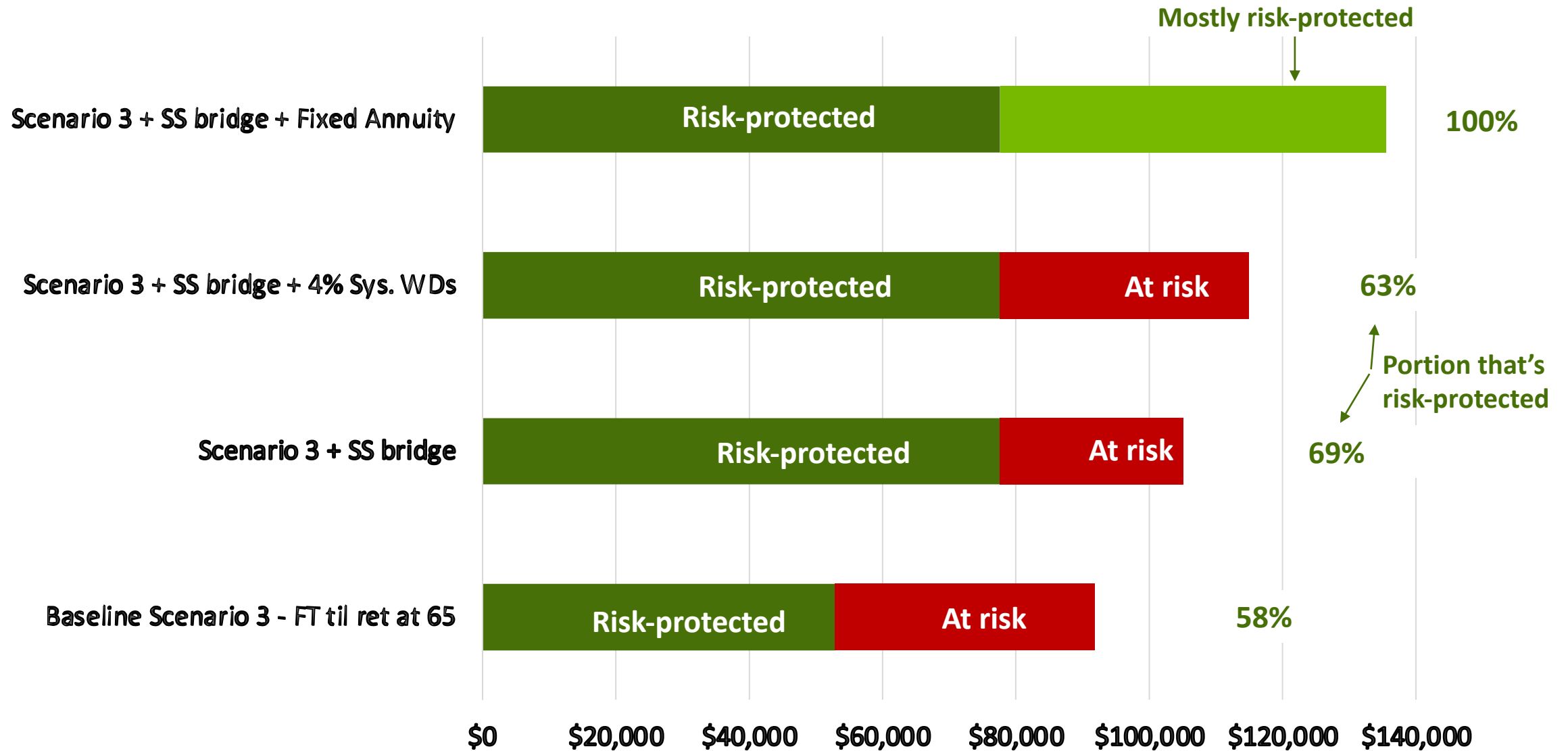
- **Baseline: Start Social Security when retire at age 65, use IRS RMD methodology to determine withdrawal rates (2.95% at age 65)**
- **Social Security bridge strategy (use savings to delay starting SS for Mark until age 70, still retire at age 65)**
- **SS bridge and use 4% withdrawal rate for remaining savings instead of 2.95%**
- **Buy a fixed annuity with remaining savings**



Alternative Strategies Can Increase Retirement Income...



... And Increase Risk-Protected Income



RETIREMENT

How A 60/40 Asset Allocation Can Change To 20/80 In Retirement

Follow

Steve Vernon Contributor ©

I share strategies for a financially secure and healthy long life.

Shift from asset allocation to retirement income allocation

The Spend Safely in Retirement Strategy

**Guaranteed retirement
paychecks for needs**



**Social Security
Pensions
Annuities**

**Variable retirement paychecks for
wants**



**Invest and withdraw from savings
Work**

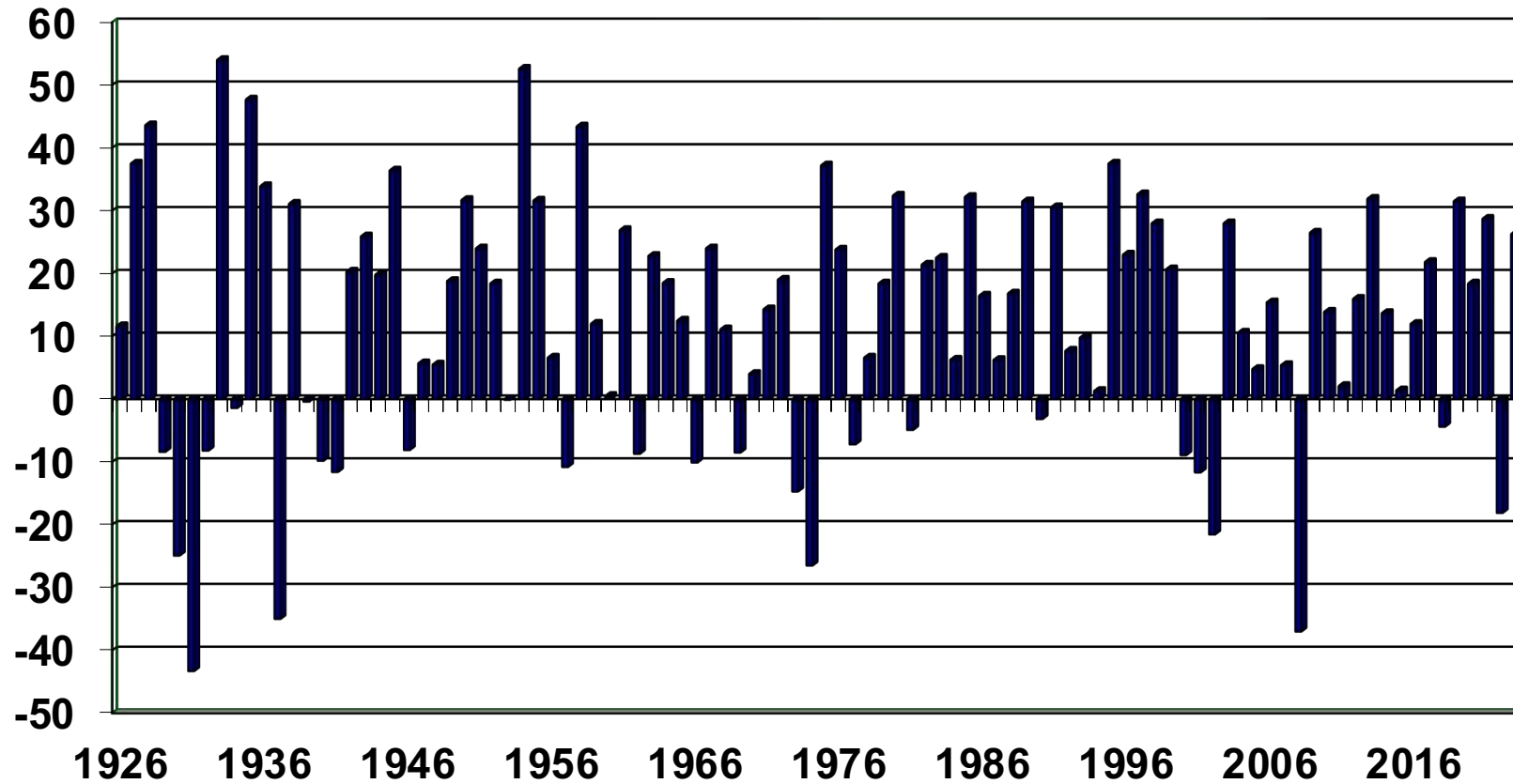
The background features a close-up of numerous gold coins scattered across the surface. A hand is visible on the right side, holding a magnifying glass over the coins. The entire scene is overlaid with a semi-transparent blue filter.

**Most of the time, *but not always*,
you'll build higher assets
and receive more retirement income
by investing in stocks**

Stock Market 'Double-Double'

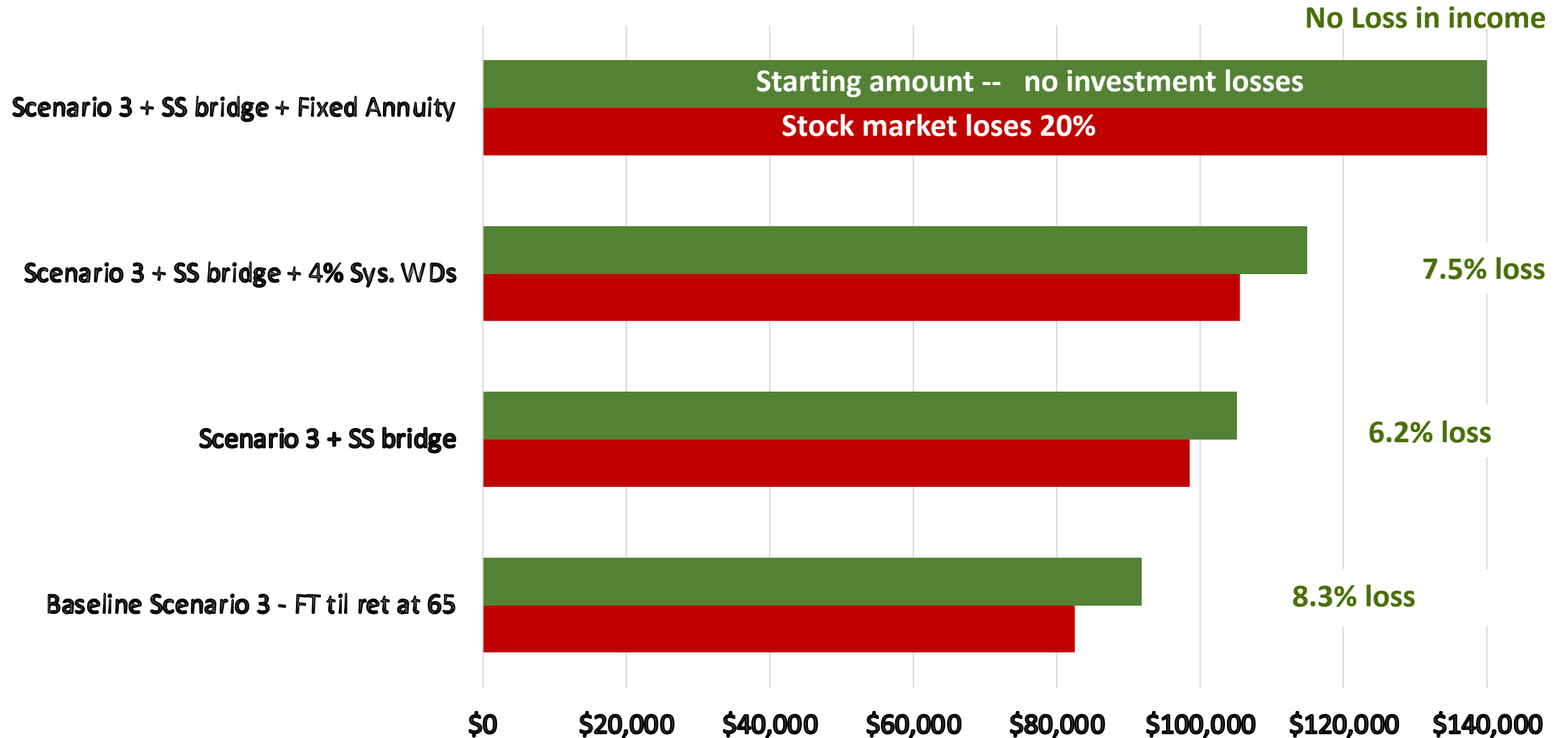
Annual Stock Market Returns Since 1926

% return S&P 500 including dividends

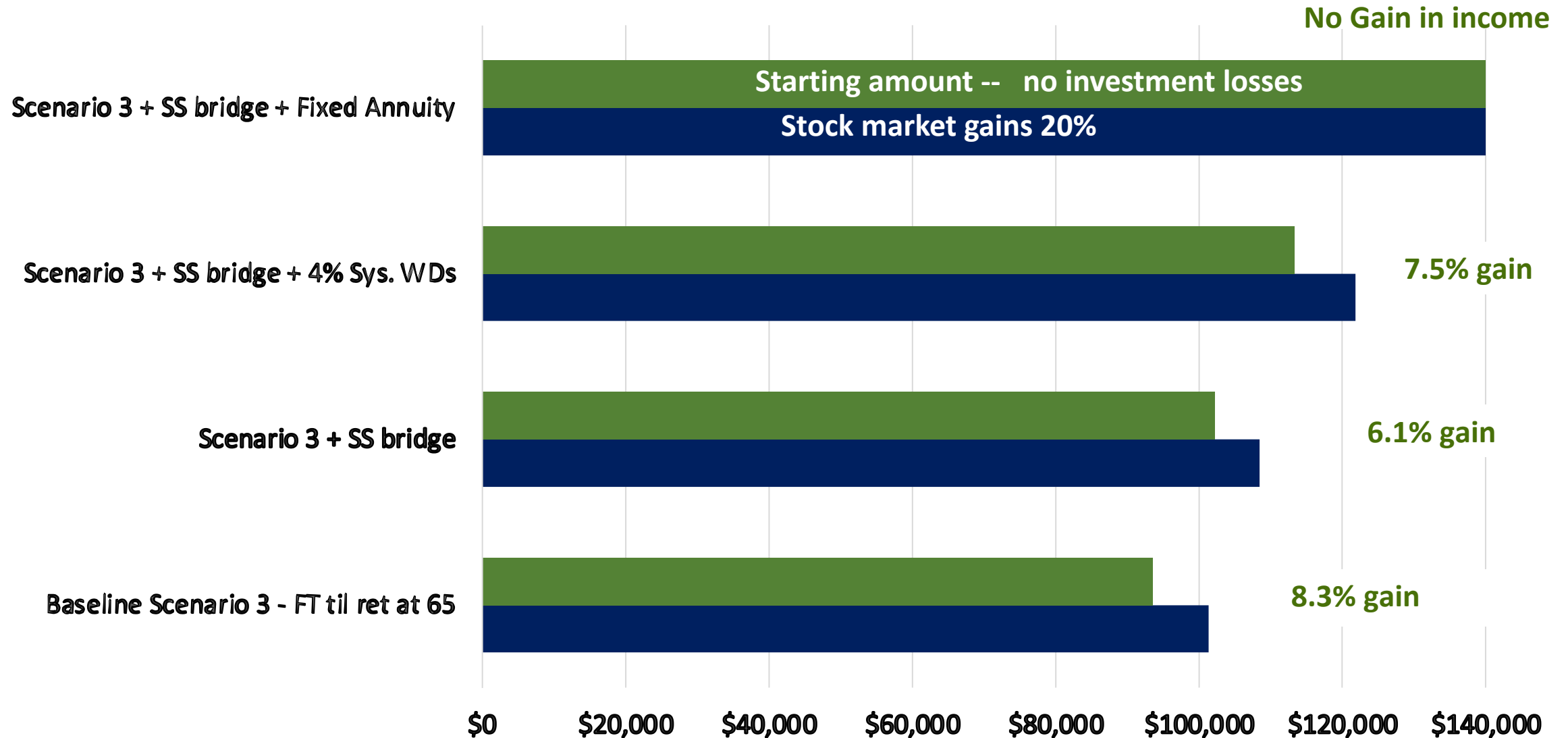


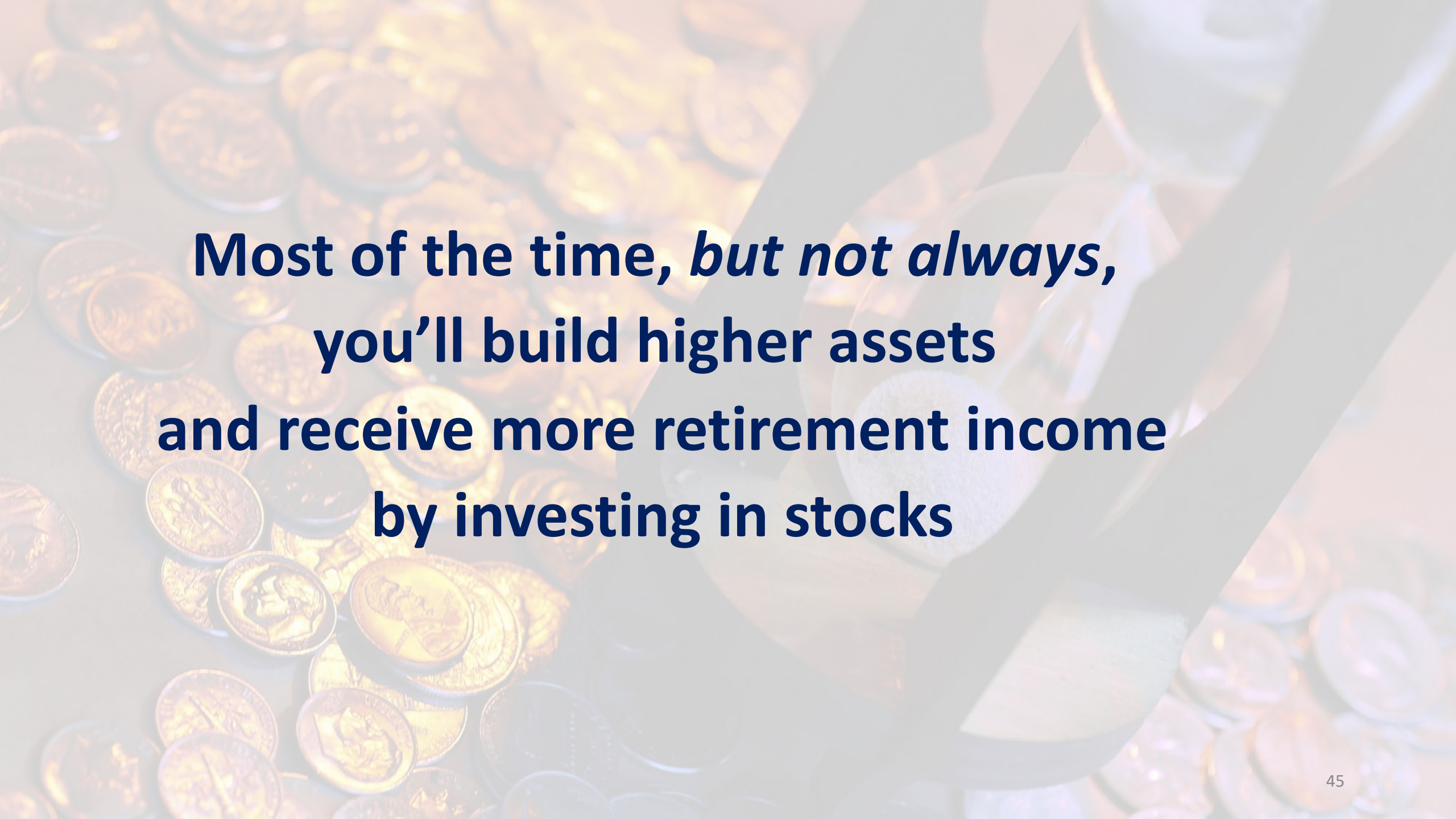
2023 ←

What would be the change in their total income if Mark and Judith invested 100% of their remaining savings in stocks and the stock market *lost* 20% after implementing their plan?



What would be the change in their total income if Mark and Judith invested 100% of their remaining savings in stocks and the stock market *gains* 20% after implementing their plan?



The background of the slide features a close-up, slightly blurred view of numerous gold coins scattered across the surface. In the foreground, a portion of a wooden balance scale is visible, with its pans and beams. The overall lighting is warm and golden, creating a sense of wealth and investment.

**Most of the time, *but not always*,
you'll build higher assets
and receive more retirement income
by investing in stocks**

Personalizing the Strategy

- Travel fun bucket
- Mortgage payment bucket
- Working for awhile
- Adjustments for poor health
- Helping adult children or gifts to charity

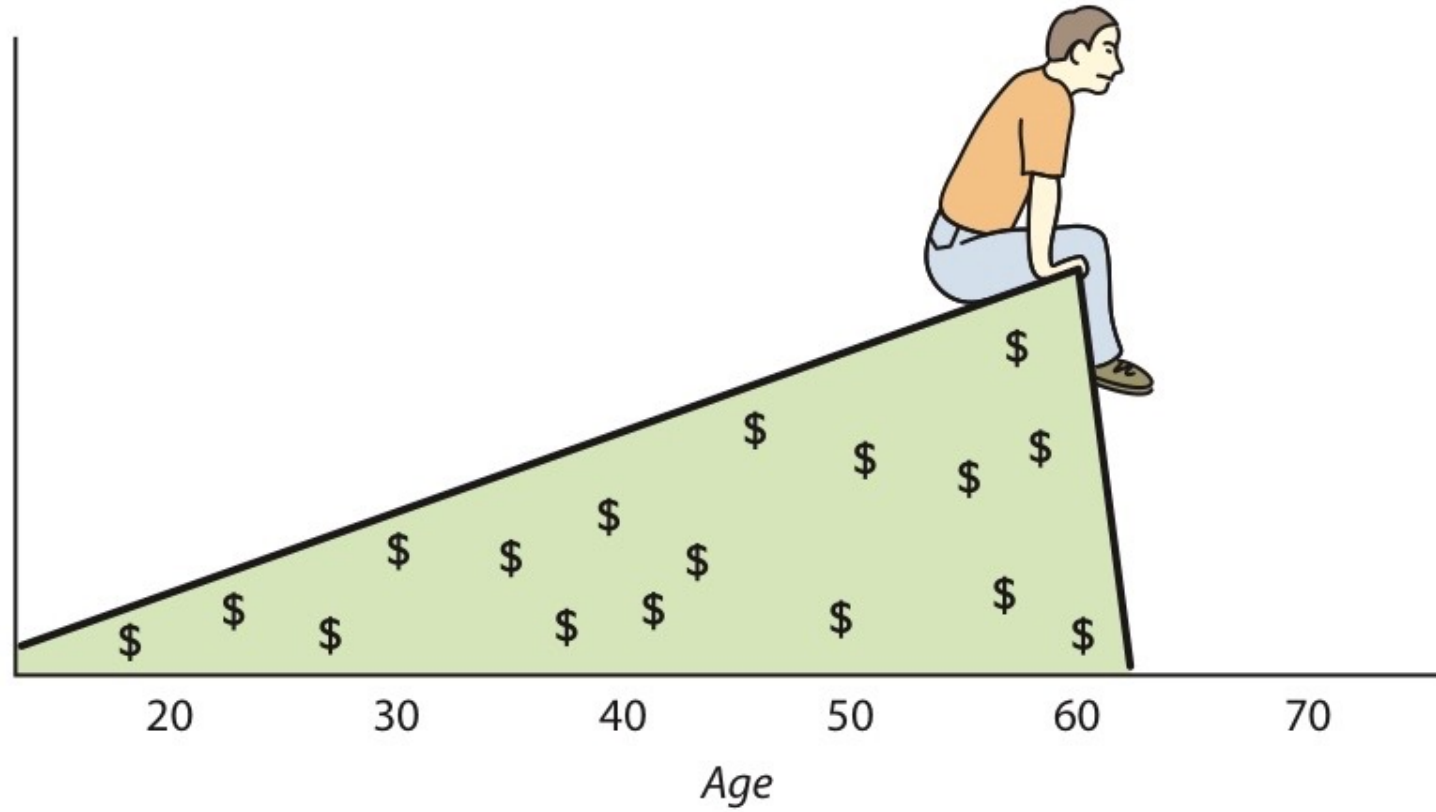


Manage the common-sense formula

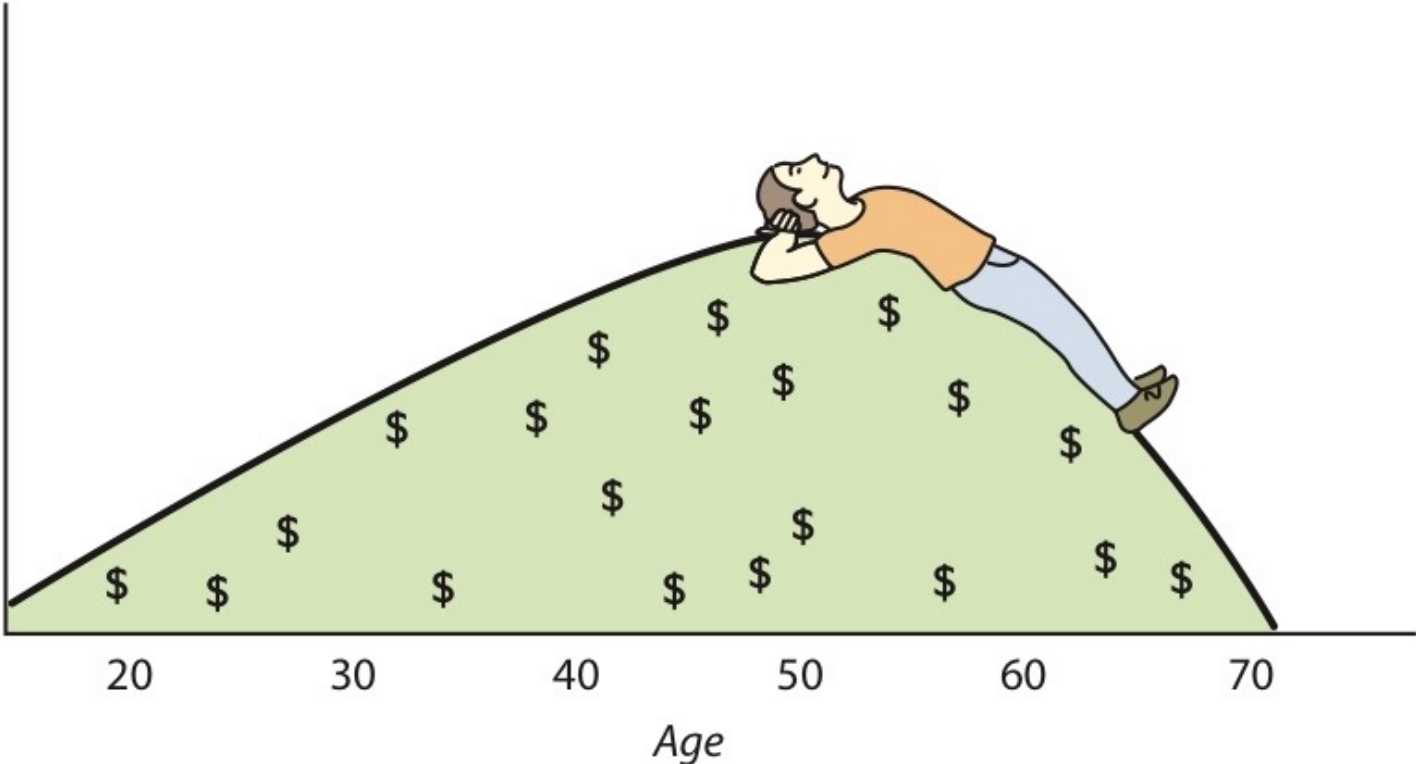
$I > E$



The 20th century career trajectory



The 21st century career trajectory



Ways to continue earning

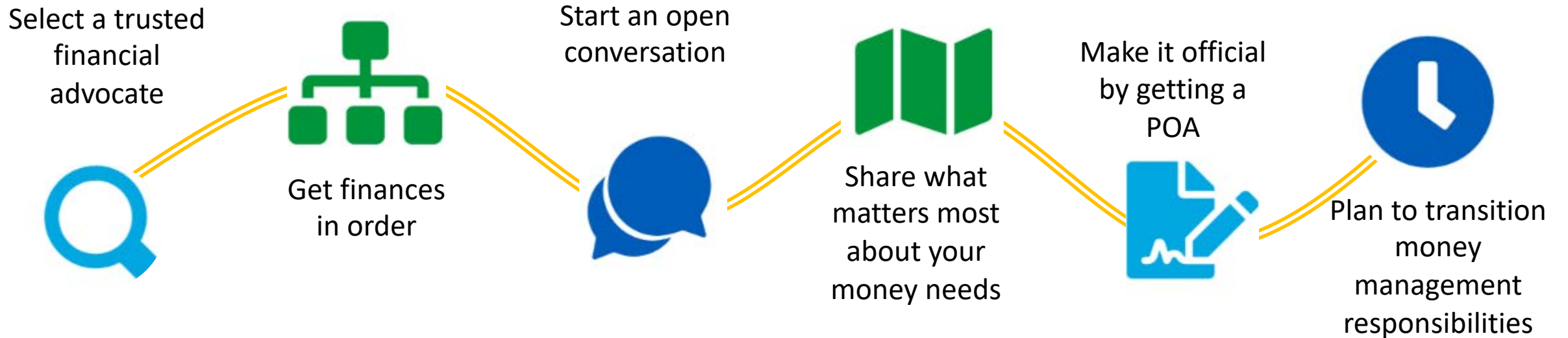
- **Current job**
- **Bridge job**
- **Encore career**
- **Gigs**
- **Start a business**



Being in charge of your money tomorrow starts with planning today.



What does advance financial planning entail?



Build Your *Life* Portfolio



What's the Secret?



Homework: What are the stories about retirement and longevity that you believe?



My mother died of cancer at age 54. Enjoy it while you can. You just never know how long you'll live.



Homework: Ask thought- provoking questions

- What would a successful retirement look like?
- What's on your bucket list?
- What would a good "average day" look like?
- What kind of retiree/senior/elder/grandparent do you want to be?
- Who do you want to spend time with?
- What would be the ideal community?
- What house could best meet your needs?

Homework:

Ask more thought-provoking questions

- When do you want to retire?
- How will you decide?
- What could your living expenses look like?
- Do you have a plan to develop reliable sources of retirement income?
- Could you live in your current house when you become frail?
- Do you have a plan to manage your finances when you become frail?

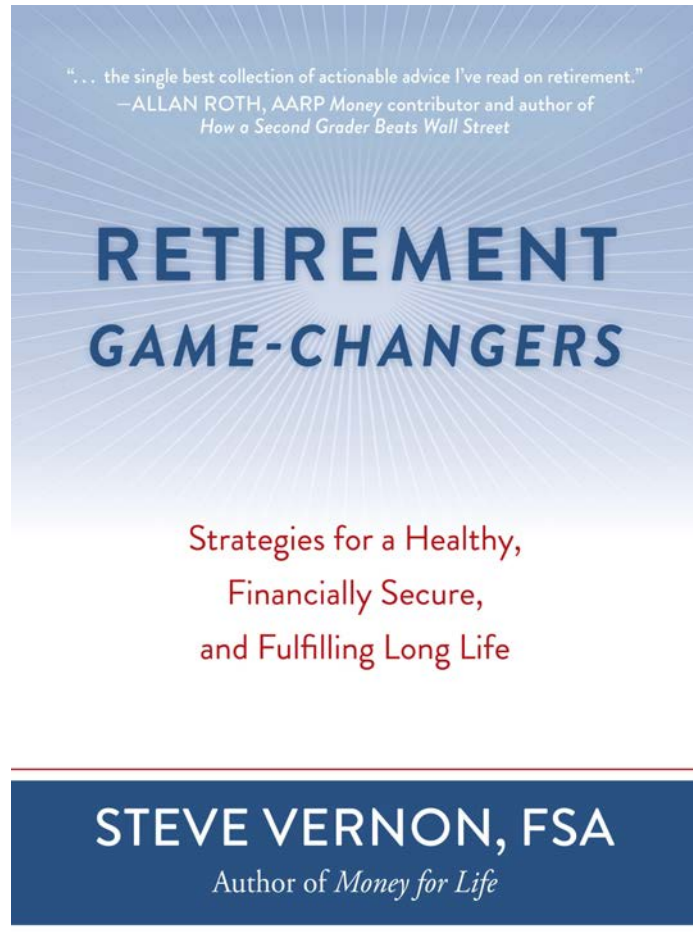


Don't make these mistakes!

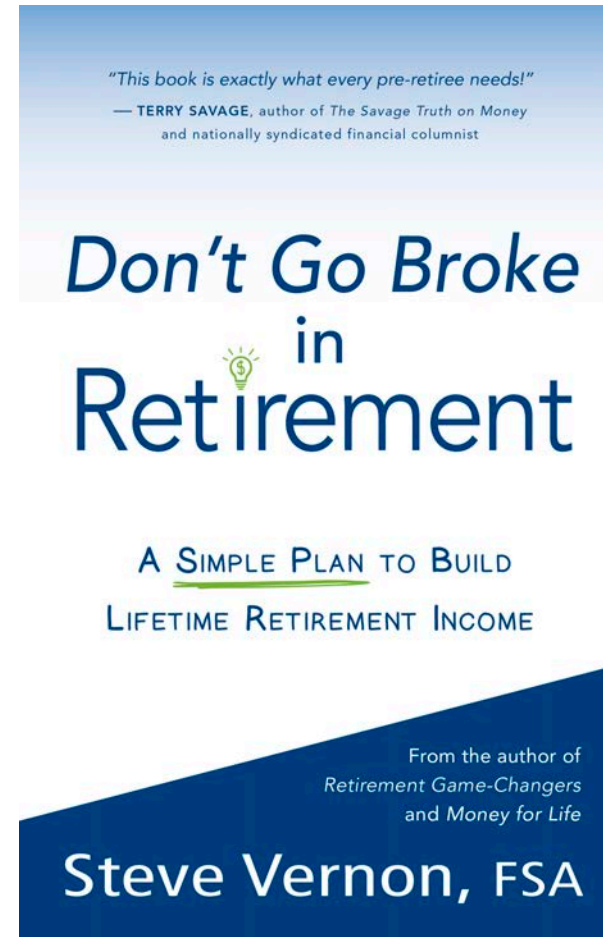
- **Winging it**
- **Not understanding consequences of:**
 - Retiring early
 - Starting Social Security early
- **Not developing a careful draw-down and investment plan**
- **Overlooking the importance of lifestyle decisions**



For More Information



2018



2020

