

NINE RETIREMENT CONCERNS YOU MUST TACKLE



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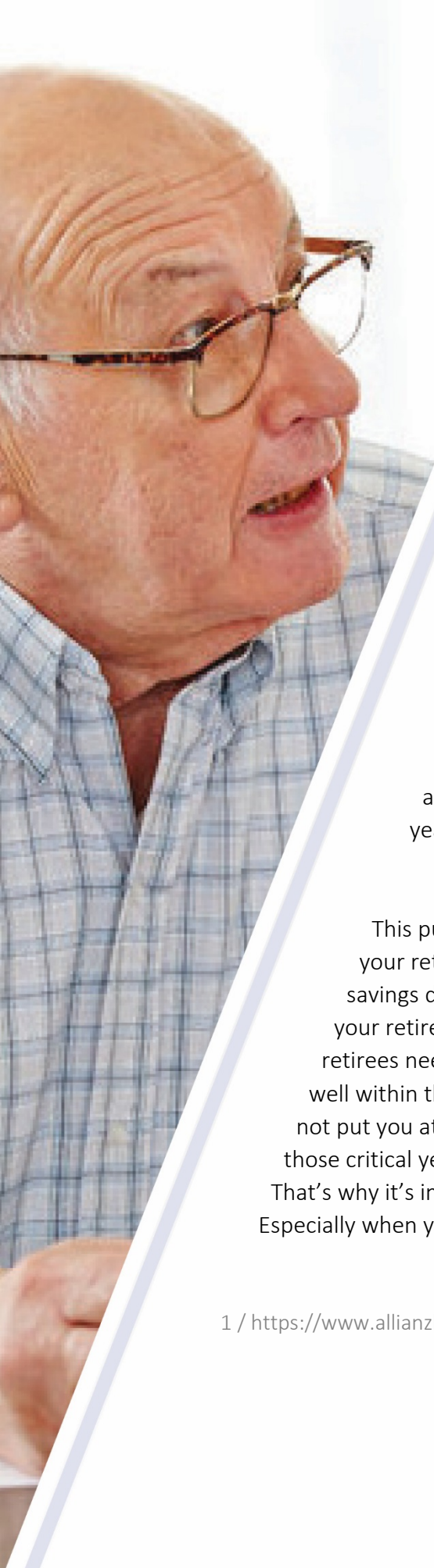
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Our goal, as investment professionals, is to create peace of mind for our clients, and this comes from knowing that your retirement plans are on the right track. When you stay up at night tossing and turning, worried about your retirement, you aren't wondering whether you have the right beneficiaries listed on the second page of your IRA. You aren't losing sleep over whether your tax strategy is keeping you from paying capital gains on a loss.

You are worried about running out of money. You are worried about your health. You are worried about the situation you will be leaving your loved ones after you are gone.

These are all high-level concerns, and they require high-level answers. **These answers, these concerns that keep you up at night, are worth tackling today.**





1 / HOW LONG WILL I LIVE?

For decades Americans have counted on a 20-40-20 cycle of life, 20 years as a student, followed by 40 years of working, and ending

with a 20-year retirement. That timeline led to a straightforward strategy of wealth accumulation, growth, and distribution, but that timeline has changed. With life expectancies continually on the rise, more Americans are experiencing or anticipating a new phenomenon: the 30-year retirement. On the surface that sounds like a welcome change...10 more golden years, retired for almost as long as we work.

But that extra decade lends itself more to fear than to excitement for most pre-retirees. Considering Americans are more concerned about running out of money than they are of dying, those 10 extra years do not always seem like such a gift.¹

This puts pressure on both the accumulation and distribution stages of your retirement. The focus used to be about an inflow of money into your savings during your career, and then an outflow of that savings to finance your retirement. With the extended life expectancy, and lengthier retirement, retirees need to plan how they can build, grow, and continue that accumulation well within their retirement. The trick is to plan for this. Your investments should not put you at risk of losing a significant portion of your income stream during those critical years, but they also should not provide only stagnant returns at best. That's why it's important to remember that "you don't need to lose in order to gain." Especially when you have 10 extra years to plan for.

1 / <https://www.allianzlife.com/retirement-and-planning-tools/reclaiming-the-future/>

2 / HOW CAN I FINANCE HEALTH CARE?

You know that life expectancies are rising, and along with age comes a variety of maladies — everything from diabetes and high blood pressure to broken hips or dementia. Oftentimes, these types of illnesses and accidents require health care expenses in addition to the expense of long-term assisted or living care, but how do you know whether you should purchase a long term care insurance (LTCI) plan to complement your retirement plan?

There is a gap between the costs associated with long-term care and the funds that retirees have set aside for long-term care. The fear is justified and the problem is not going away any time soon. Medicare is a federal program that pays for certain healthcare expenses for qualified people age 65 and older. It is a benefit provided to more than 55 million Americans. Covered healthcare expenses include doctor visits, hospital stays, and certain other healthcare and prescription drug expenses, all things that routinely come to mind when you think about health care. The problem is that there is a large, and very dangerous, gap between what is covered by Medicare and the healthcare costs that most retirees incur. So, what can retirees do?

One lesser known option is to invest in a cash-value life insurance product and select long-term care coverage terms through a rider. With such a product, if the long-term care coverage is needed, the amount paid is deducted from the policy's death benefit. The purpose of this type of policy is to provide some kind of benefit, either for long-term care, or a death benefit, for the premiums paid. Therefore, if the policy owner ends up not needing long term care coverage, at least his or her beneficiaries will receive a death benefit in exchange for the premium paid in to the policy.



3 / WHERE WILL I LIVE?

Financial planning usually focuses on the assets you have in retirement accounts, and investors often forget that their house is usually one of their most valuable assets. We wrote an article recently about the current housing market, and how you can prepare financially for buying and selling your home at any stage in your life. This is extremely important for retirees as your home represents a huge portion of your total net worth. How you manage and account for that value can have a huge impact on your overall financial success.

This becomes more important when you consider a person's possible declining health and independence, and your best move from homeowner into a home with more assisted living options. The level of assistance can vary depending on the support you need, from independent living to assisted living, rehabilitative care, memory care, and complete 24-hour skilled nursing long-term care. Building the cost of these into your retirement plan can provide you with peace of mind when it comes time to make these decisions.

4 / HOW CAN I PROTECT MY MONEY?

The market can be panic inducing. The S&P 500 dropped more than 12 in January alone, which was the worst stock performance for that month since January 2009. And despite the recovery we have had in the past decade, any statistic that references "since 2008" or since 2009" is going to bring up some PTSD for investors.

According to a study performed in 2015 by DALBAR, the nation's leading financial services market research firm, the average equity mutual fund investor underperformed the S&P 500 by a wide margin of 8.19%. The broader market return was more than double the averaged equity mutual fund investor's return.² You may be asking why there is such a disparity between the average retail investor's performance and the "performance" of the S&P 500 Index if people are "buying and holding" and therefore just riding the markets? Primarily, because people are making investment choices based on emotion. And although it's human nature to let our emotions steer us in many aspects of our lives, an emotion-based investment "strategy" is never successful. Investors who let their sentiment drive their decision-making will buy, then hold, then hit the panic button at the worst of times, when their threshold for pain has far exceeded its limit.

A rules-based investment strategy based on risk triggers does two things: it protects investors in a downturn, and takes advantage of the upticks, all without relying on a single emotion.

2 / <https://www.bellmontsecurities.com.au/wp-content/uploads/2015/04/2015-DALBAR-QAIB-study.pdf>



5 / HOW CAN I KEEP ALL I CAN?

Do you believe there will be higher taxes in the future? Do you want to wait until they change the tax laws or do you want to do something before they change the tax laws? A proper retirement income plan should include multiple streams of retirement income. At least one of those income streams should be non-taxable. Generally, there are two ways to convert taxable assets into tax-free retirement income. The first is a Roth conversion. This is when pre-tax savings from a Traditional IRA or employersponsored retirement plan, such as a 401(k), 403(b), or governmental 457(b), are converted to a Roth IRA. When this is done, the pre-tax savings are included in taxable income during the year of conversion. This allows for future tax-free growth in a Roth IRA.

Another possibly way to generate future tax-free income is to purchase cash value life insurance. While cash value life insurance differs from term life insurance in that it is also designed to provide a death benefit for the insured, which is paid out upon the insured's death, no matter when he or she dies, there are also some significant tax advantages if a cash value life insurance policy is structured properly.

One such tax advantage is that interest and other earnings credited to cash value are not subject to current income taxes. The cash value accumulates, without being subject to current taxation. Another tax benefit to cash value life insurance is that money borrowed from the cash value through policy loans is not subject to income tax if structured properly. Generally, loans are treated as debts, not taxable distributions. Taxes are a guarantee in life, but the amount you have to pay in taxes, that is up to you.

6 / HOW CAN I ENSURE I DON'T OUTLIVE MY MONEY?

We spoke earlier about the longevity challenge many retirees are facing, which makes guaranteed income even more important. Annuities are contracts that offer a regular stream of payments to the beneficiary. You can invest in a lifetime annuity, guaranteed by the financial strength and claims paying ability of the insurance company, to last as long as you live (or if you're married, as long as either you or your spouse is alive).

We believe that one of the greatest retirement tools available is the Fixed Index Annuity (FIA). Fixed Indexed Annuities are contracts, and just like any contract, each one is different. Creating a Fixed Indexed Annuity contract that is tailored specifically to your needs is essential.

Some of the common benefits found in Fixed Indexed Annuities is their ability to participate in market gains while limiting market losses. This is done through a mechanism known as Participation and Guaranteed Floors. These guarantees allow investors to provide themselves with a guaranteed income stream for life, as long as the writing insurance company remains solvent. Of course, this protection comes at a cost, in addition to the cost of insurance there is also a loss of liquidity – should you need to withdraw some or all your money there may be a penalty for early withdrawals.

7 / HOW CAN I TAKE ADVANTAGE OF SOCIAL SECURITY?

Social Security is now playing a central role in retirement planning for a few reasons. First, life expectancy is rising, and rising, and rising. Secondly, employer-sponsored pensions are disappearing. As a result, the retirement climate is leaving retirees searching for income more than ever. So we believe that maximizing Social Security should be part of a well-structured retirement plan.

The first step in creating such a plan is a Social Security analysis to evaluate your “vitals” which includes the current ages of you and your spouse, your life expectancies, earnings history, and financial goals. The results of such an analysis will dictate which one of numerous collection strategies is most advantageous for your situation.

Married couples literally have hundreds of options when choosing how and when to collect Social Security. The difference between the best and worst possible election can translate into well over \$100,000 of additional income in a couple's lifetime. It's important to note the changes in these strategies due to the Bipartisan Budget Act of 2015, which includes a provision that could cost many couples tens of thousands of dollars. This plan will end the popular “File and Suspend” and “Restricted Application” claiming strategies for couples looking to stretch their Social Security benefits. Single people also have many options to choose from when deciding how and when to collect Social Security.

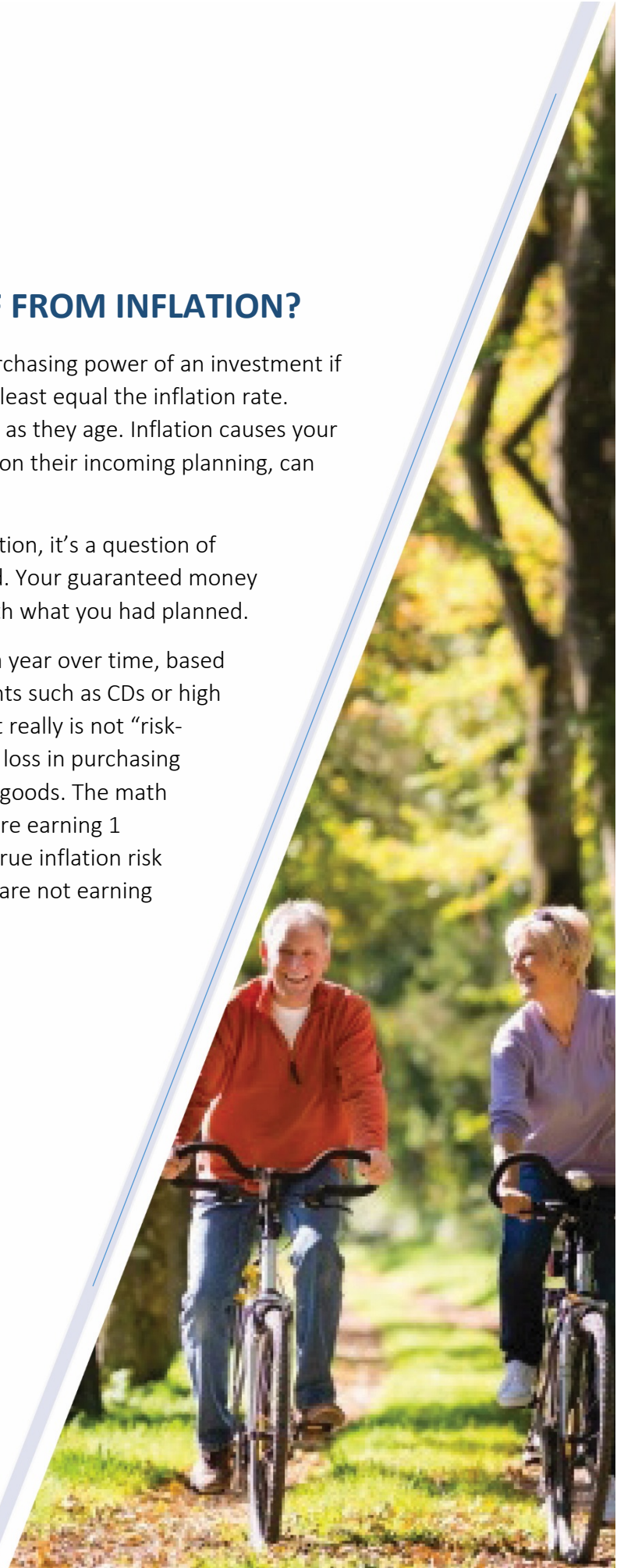
8 / HOW CAN I PROTECT MYSELF FROM INFLATION?

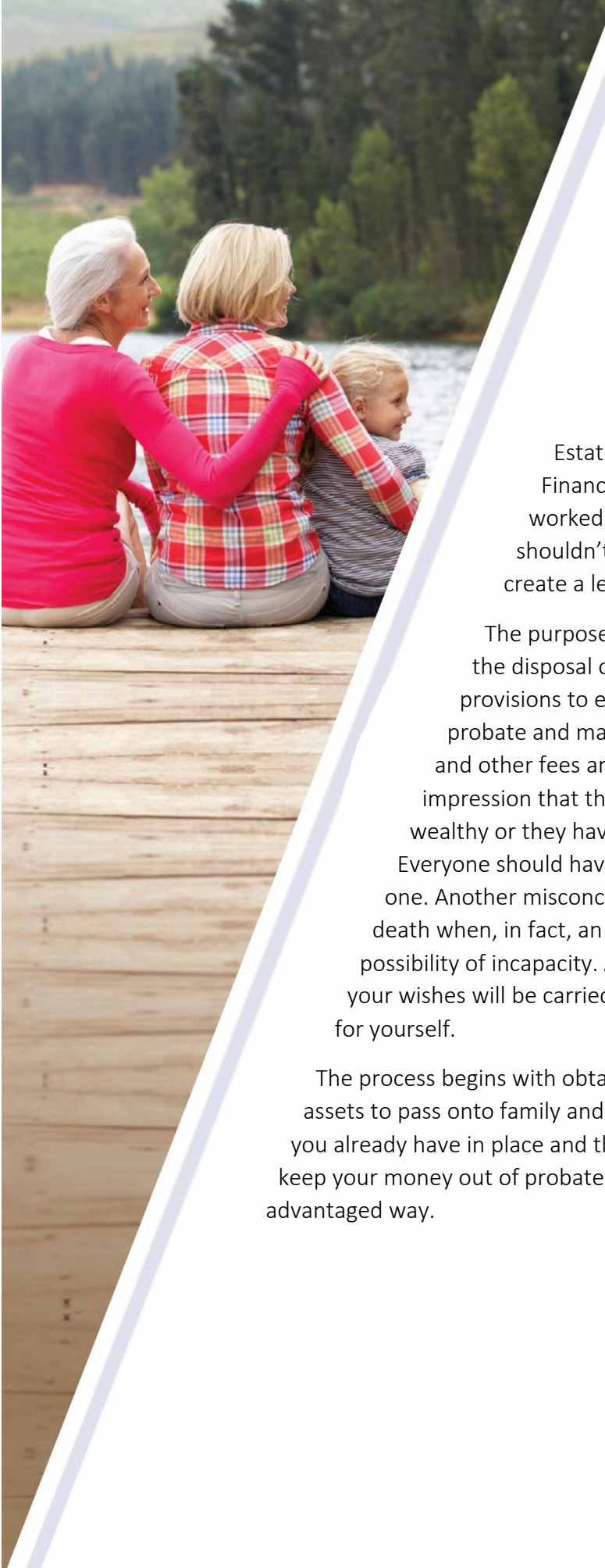
Inflation Risk is the risk that inflation will erode purchasing power of an investment if the nominal return of that investment does not at least equal the inflation rate. Inflation is a commonly forgotten risk for investors as they age. Inflation causes your money to lose value, so those retirees, depending on their incoming planning, can see a loss in their purchasing power.

It's not a question as to whether there will be inflation, it's a question of whether that inflation will be higher than expected. Your guaranteed money loses power when inflation is severe compared with what you had planned.

Inflation runs somewhere between 2-3% percent a year over time, based on the Fed's goals.³ So leaving money in investments such as CDs or high yield savings accounts that pay virtually no interest really is not "risk-free." In fact, this strategy practically guarantees a loss in purchasing power over the long term due to the rising cost of goods. The math works like this, if inflation is at 3 percent and you are earning 1 percent, then your loss is 2 percent per year. The true inflation risk is that you earn less than the rate of inflation, you are not earning anything, you are losing!

3 / <https://www.federalreserve.gov/faqs/>





9 / HOW CAN I LEAVE A LEGACY WITH MY LOVED ONES?

Estate planning is often the least understood part of the Financial Planning process by most advisors. You have worked hard over the years to build up your assets, shouldn't you work even harder to help retain them and create a legacy you've earned?

The purpose of estate planning is to anticipate and arrange for the disposal of an estate. Typically, estate planning will include provisions to eliminate uncertainties over the administration of a probate and maximize the value of the estate by reducing taxes and other fees and expenses. People are often under the false impression that they only need an estate plan if they are either very wealthy or they have a complicated family situation. This is not true. Everyone should have some sort of estate plan, even if it is a simple one. Another misconception is that an estate plan only provides for after death when, in fact, an estate plan usually also makes provisions for the possibility of incapacity. And having certain documents in place ensures that your wishes will be carried out at a time when you may be unable to speak for yourself.

The process begins with obtaining a clear understanding of how you want your assets to pass onto family and friends. You then must review any wills and trusts you already have in place and then develop an individualized estate plan that will keep your money out of probate and distributed to your loved ones in the most tax advantaged way.

We strive to offer financial solutions that can help you understand and to manage risk while growing and protecting your retirement and investable 's philosophy is preservation of wealth, both in the accumulation and distribution stages of wealth planning. You cannot afford to go backwards. We provide our clients a clear road map as to how to achieve their individual financial goals.

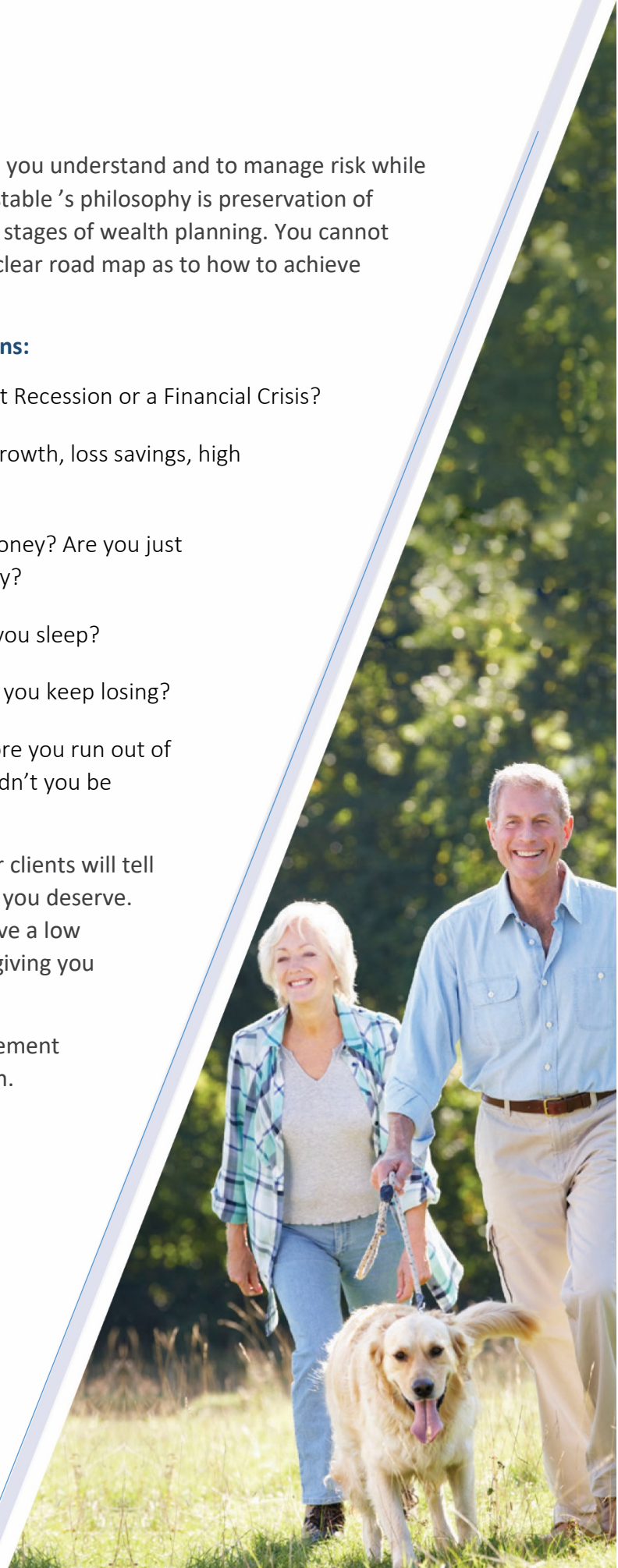
We ask all potential clients the following questions:

1. Can you afford to go through another Great Recession or a Financial Crisis?
2. Can you afford another lost decade of no growth, loss savings, high volatility and high risk?
3. Are you constantly just gaining back lost money? Are you just recapturing old and not earning new money?
4. If you are a conservative investor, how do you sleep?
5. If you are pre-retired, will you ever retire if you keep losing?
6. If you are retired, how long will it take before you run out of money if you keep going backwards? Wouldn't you be winning by not losing?

If you answered yes to any of these questions, our clients will tell you that is unacceptable. That is not the standard you deserve. You deserve better. Our solutions allow you to have a low volatility, low risk, successful managed portfolio, giving you the peace of mind you deserve.

Knowledge is the first step in qualifying your retirement concerns, but knowledge is nothing without action.

Take action today by calling the Business Blocks 101, Inc. at (972) 564-4063



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