



The Road to Retirement and Beyond

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Agenda

- 1) Retirement Basics Refresher
- 2) Retirement Income Planning
- 3) Roth IRA's and Conversions, RMD's
- 4) Wealth Transfer
- 5) Elections and Current Market Events

- What is Investing?



Investment Fundamentals

What Is Investing?



Speculating?

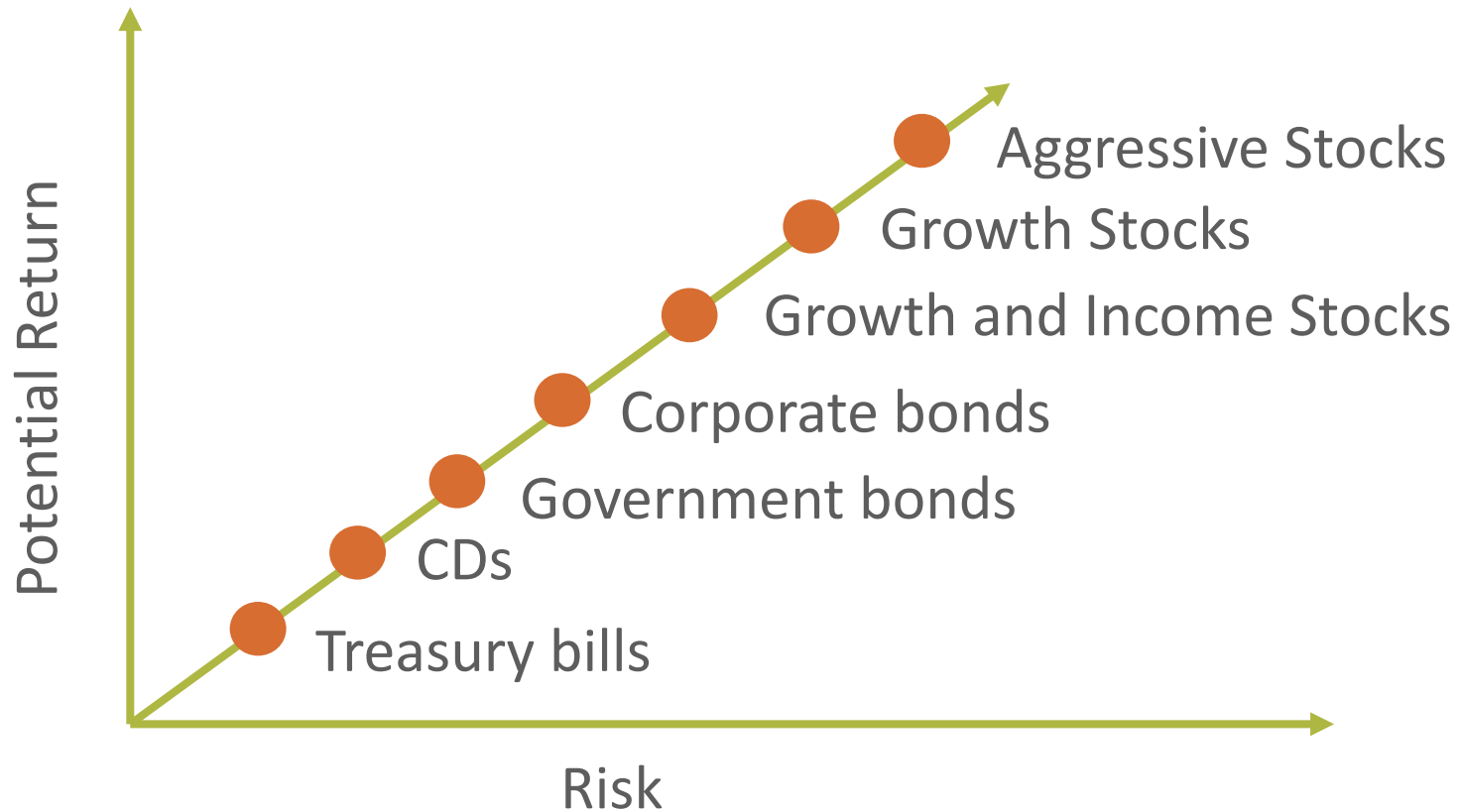


Saving?

Investing--A carefully planned and prepared approach to managing and accumulating money.

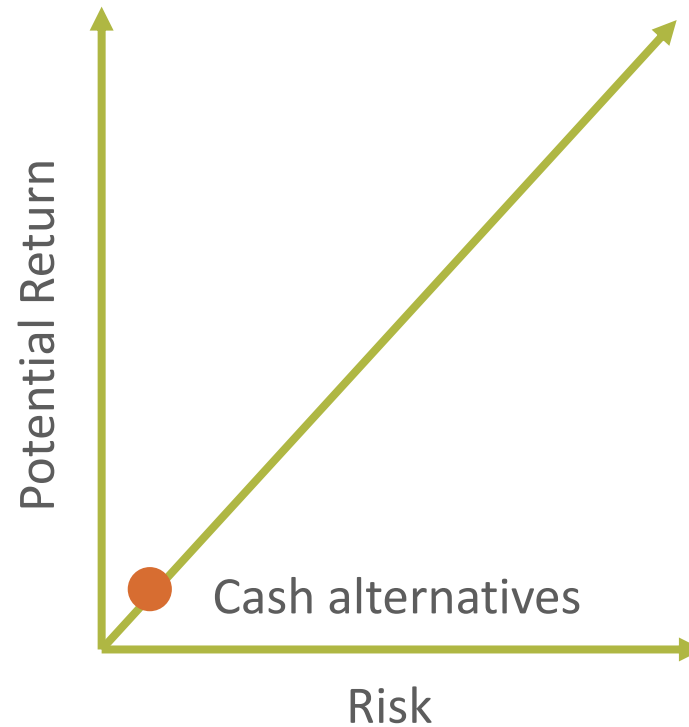
TIME

Investment Fundamentals — Relationship Between Risk & Return



Investment Options — Cash Alternatives

- Lower risk, short-term, relatively liquid
- Examples of cash alternatives include:
 - Certificates of deposit (CDs)
 - Money market deposit accounts
 - Money market mutual funds
 - U.S. Treasury bills (T-bills)



Investment Options — Cash Alternatives

Advantages

- Predictable earnings
- Highly liquid
- Lower risk to principal

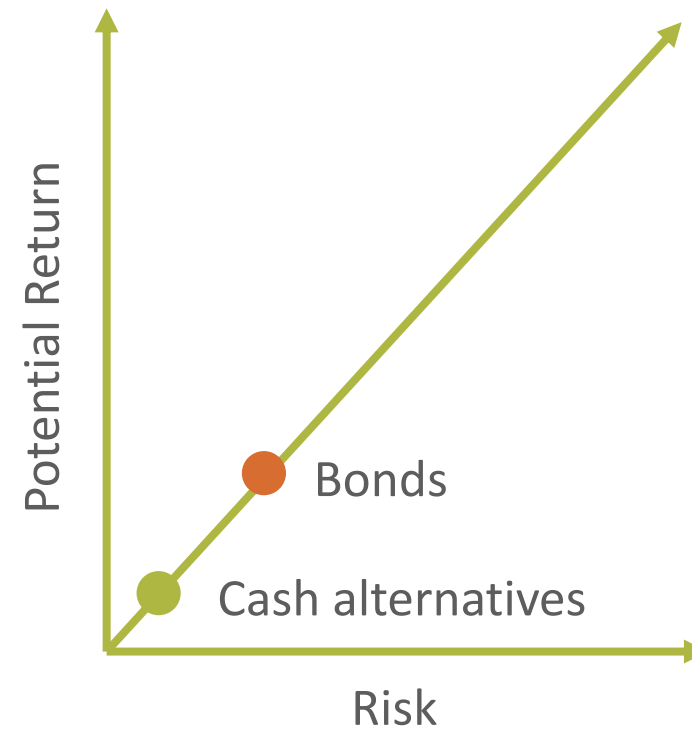
Disadvantages

- Relatively low returns
- May not keep up with inflation



Investment Options — Bonds

- Loans to a government or corporation
- Interest typically paid at regular intervals
- Can be traded like other securities
- Value fluctuates



Investment Options — Bonds

Types of bonds include:

- U.S. government securities
- Agency/GSE bonds
- Municipal bonds
- Corporate bonds



Investment Options — Bonds

Advantages

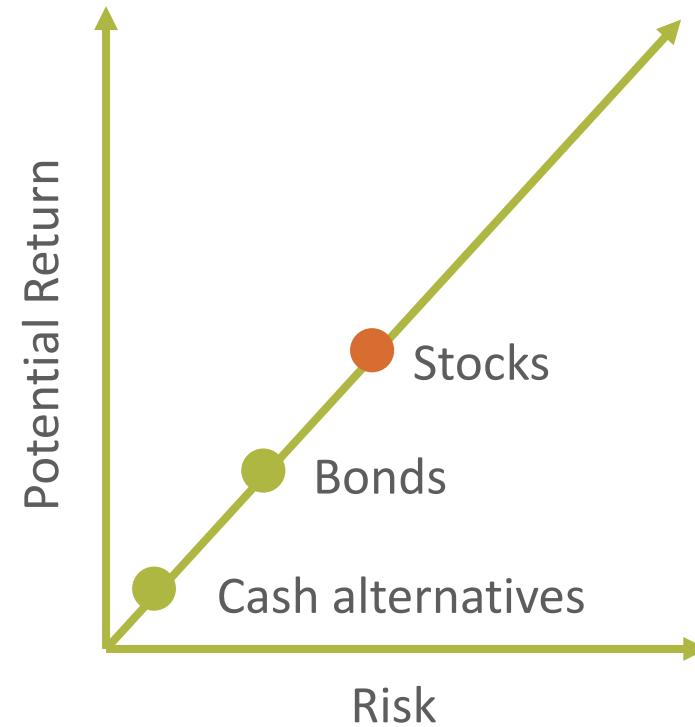
- Steady and predictable stream of income
- Income typically higher than cash alternatives
- Relatively lower-risk (compared to options such as stock)
- Low correlation to stock market

Disadvantages

- Risk of default
- Value of bond will fluctuate with interest rates
- Lower risk means lower potential returns (than stock, for example)

Investment Options — Stocks

- Shares of stock represent an ownership position in a business
- Percentage of ownership determines your share of profit / loss
- Earnings may be distributed as dividends
- Shares of stock can be sold for gain or loss



Investment Options — Stocks

Categories:

- Small cap
- Midcap
- Large cap
- Stock terminology:
 - Growth stock
 - Value stock



Investment Options — Stocks

Advantages

- Historically, have provided highest long-term total returns
- Ownership rights
- Can provide income through dividends as well as capital appreciation
- Simple to buy and sell

Disadvantages

- Subject to market volatility
- Greater risk to principal
- Dividends are NOT guaranteed
- May not be appropriate for short term

RAYMOND JAMES®

Retirement Income Planning

Planning for a Financially
Successful Retirement



Retirement Income Planning: Goals

Every retirement income plan has to balance three main goals



Maximize your ability to enjoy retirement



Manage the risk of outliving your income



Manage the risk of unexpected life events

Three Keys to Funding a Comfortable Retirement

1. Evaluate Your Needs and Set a Goal
2. Develop a Strategy
3. Protect Your Nest Egg

Calculate Your Needs and set a Goal

Evaluate Your Needs

Calculate Your Goal

You can use the following worksheet to determine how much money you will need to fund the retirement lifestyle you have envisioned. The factors on the facing page will help you complete the calculations.

Ahead of the Game
Only 50% of U.S. workers have tried to calculate how much money they will need to retire comfortably.
Source: Employee Benefit Research Institute, 2021

	Example	You
1. Expected retirement age	67	_____
2. Estimated length of retirement	25	_____
3. Current annual income	\$ 75,000	\$ _____
4. Percentage of income desired in retirement	80 %	_____ %
5. Annual income desired in current dollars (line 3 times line 4)	\$ 60,000	\$ _____
6. Estimated annual Social Security income in current dollars	\$ 30,000	\$ _____
7. Expected annual pension income in current dollars	\$ 0	\$ _____
8. Income needed from savings and investments in current dollars (line 5 minus lines 6 and 7)	\$ 30,000	\$ _____
9. Income needed from savings and investments in future dollars (line 8 times Factor A)	\$ 112,005	\$ _____
10. Estimated amount you should strive to save by retirement, in future dollars (line 9 times Factor B)	\$ 1,950,354	\$ _____
11. Amount you have saved already	\$ 150,000	\$ _____
12. What your savings might grow to by the time you retire (line 11 times Factor C)	\$ 1,198,215	\$ _____
13. Amount you still need to save by the time you retire (line 10 minus line 12)	\$ 752,139	\$ _____
14. Amount you need to save each year (line 13 times Factor D)	\$ 8,574	\$ _____

The hypothetical example shown assumes a 40-year-old who plans to retire at 67 and spend 25 years in retirement. It is used for illustrative purposes only and does not represent any specific investment. Even though this example uses a hypothetical 8% rate of return, remember that rates of return will vary over time, particularly for long-term investments. Actual results will vary. You should bear in mind that roughly calculating the cost of retirement is only a beginning. We recommend a more thorough cash-flow analysis considering all sources of income and expenses.

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Only **50%** of U.S. workers have tried to calculate how much they need to save for a comfortable retirement

49% have estimated how much income they'll need each month in retirement

Source: Employee Benefit Research Institute, 2021

Factors That Influence Your Retirement Income Needs: The “Whys”

- Retirement age
- Length of retirement
- Health-care needs
- Inflation
- Lifestyle



Retirement Age

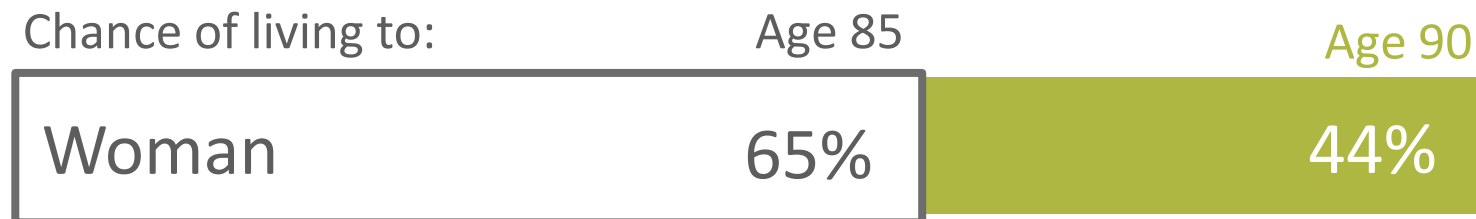
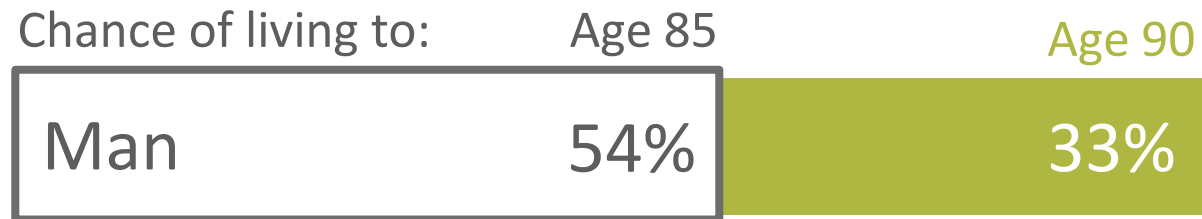
- The earlier you retire, the shorter the period of time you have to accumulate funds, and the longer those dollars will need to last
- Social Security isn't available until age 62*
- Medicare eligibility begins at age 65

*Claiming Social Security at age 62 results in a permanently reduced benefit amount.



Length of Retirement

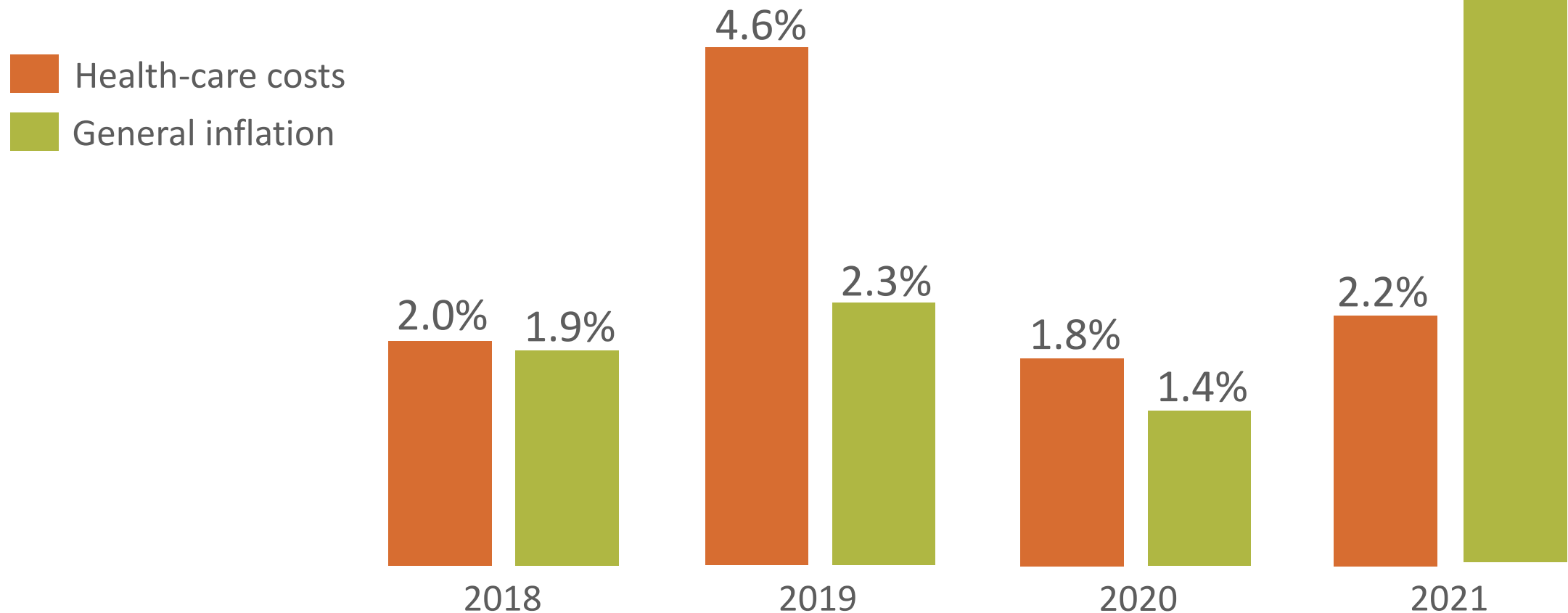
At **age 65**, a healthy individual may expect to spend **20 years** or longer in retirement.







Source: Society of Actuaries, 2022

Health-Care Needs

A 65-year-old retired couple may need **\$296,000** to cover their health-care expenses in retirement.



Inflation

	Item	Cost Today	Future Cost in 20 Years
	Gallon of milk	\$4.00	\$7.22
	Haircut	\$45.00	\$81.28
	Running shoes	\$100.00	\$180.61
	New car	\$47,000	\$84,887

Assumes a 3% inflation rate

Future costs in this hypothetical example are based on mathematical principles and used for illustrative purposes only. A 3% annual inflation rate cannot be guaranteed. Actual results will vary.

Lifestyle

You may need anywhere from **70% to 100%** of your pre-retirement income to **live comfortably** in retirement.



Three Keys to Funding a Comfortable Retirement

1. Evaluate Your Needs and Set a Goal
2. **Develop a Strategy**
3. Protect Your Nest Egg

Crunching the Numbers

- 1) Estimate retirement **expenses**
- 2) Estimate retirement **income**
- 3) Identify the “gap”
- 4) Calculate your retirement investment goal
- 5) Adjust for Inflation



Crunching the Numbers –

1) Estimating Retirement Expenses

- Lifestyle - 70% to 100% of pre-retirement income
- How your actual expenses will change
 - Mortgage may decrease be paid off
 - Health-care costs may increase
 - Inflation
 - Taxes
- Special Retirement Pursuits
 - Travel, hobbies

LONGEVITY

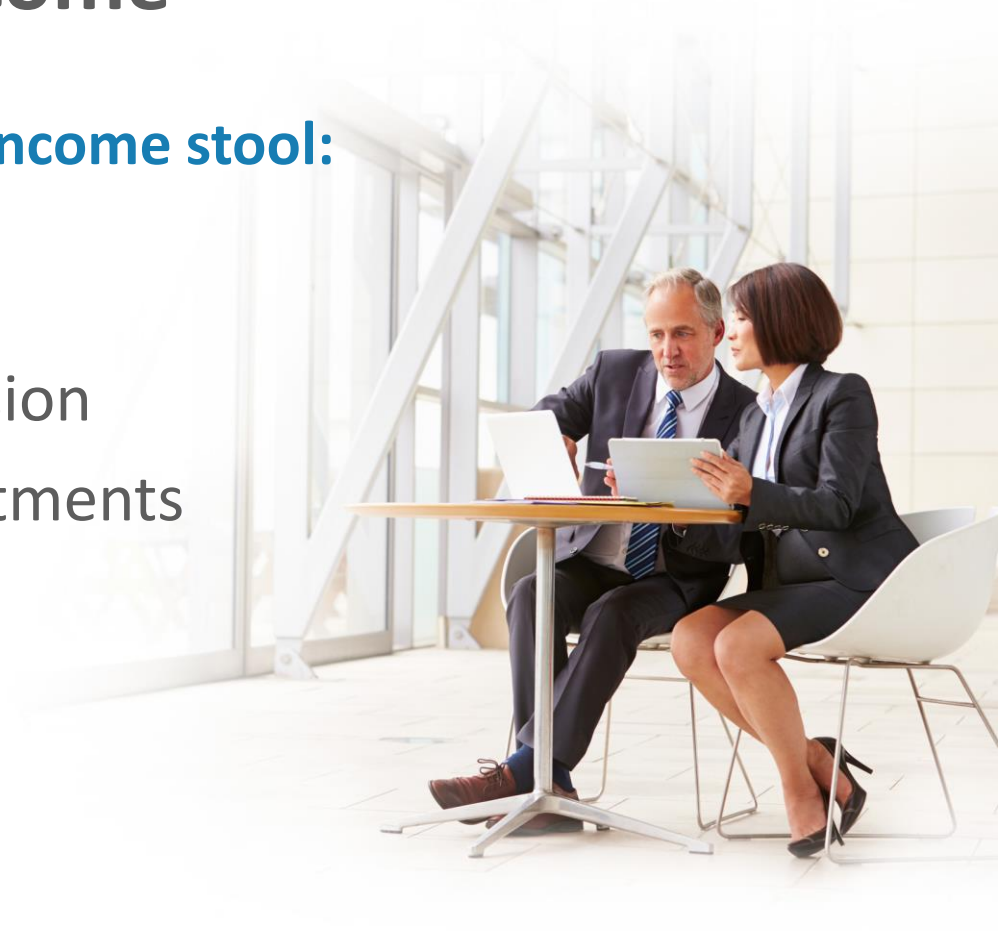


Crunching the Numbers –

2) Estimating Retirement Income

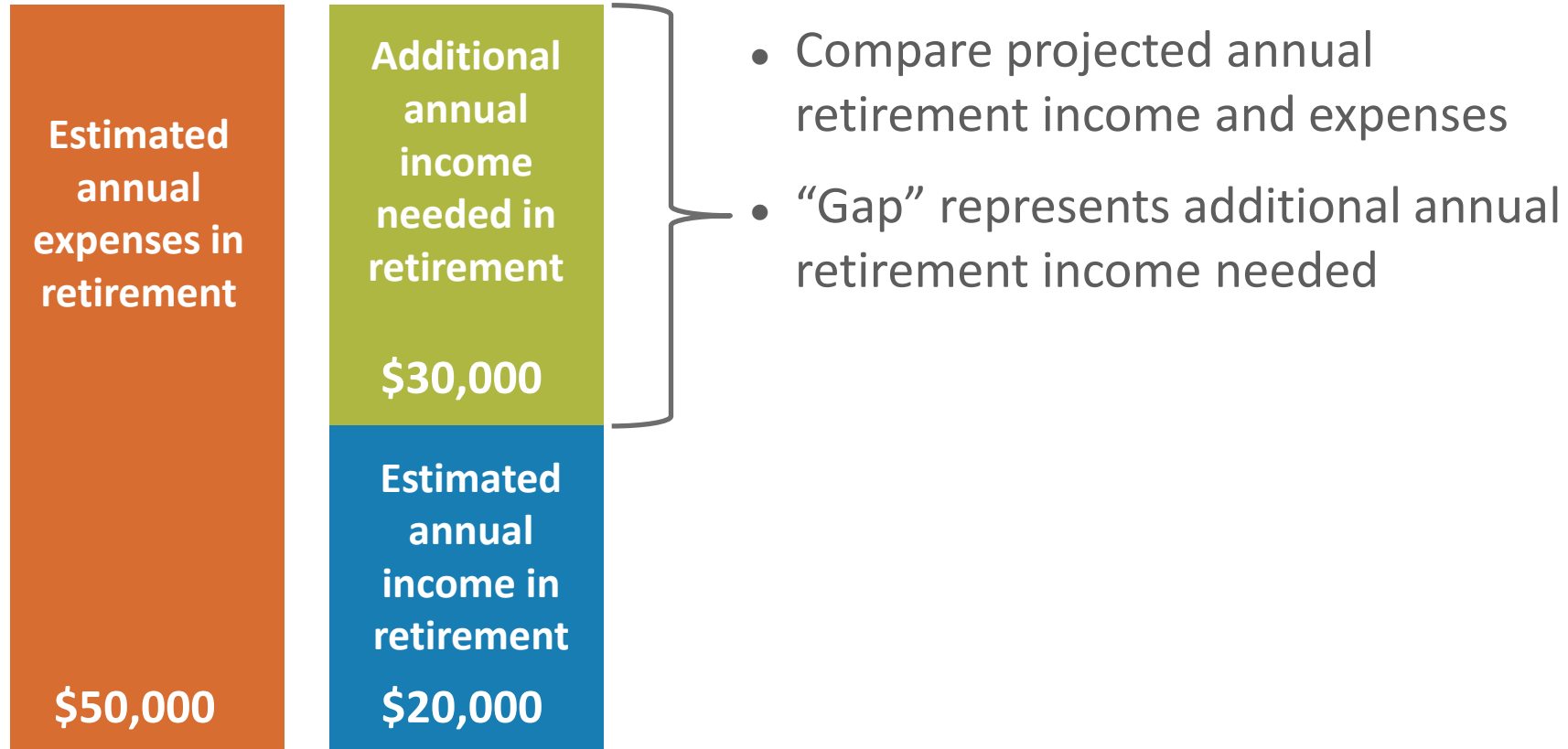
The three-legged retirement income stool:

- Social Security
- Traditional employer pension
- Individual savings & investments



Crunching the Numbers –

3) Identifying the “Gap”



Crunching the Numbers –

4) Calculating Your Retirement Investment Goal

- **Primary investment goal:** accumulate enough money by the time you retire to satisfy your projected shortfall for entire retirement period
- Factor in reasonable rate of return for untapped funds



A \$384,000 lump sum at retirement would allow you to draw \$30,000 each year for 25 years, if you assume that your untapped funds will grow at 6% per year

This is a hypothetical example and is not intended to reflect the actual performance of any investment.

5) And Don't Forget.....



Invest Wisely

Three Fundamental Principles

Diversification

Asset Allocation

Asset Location



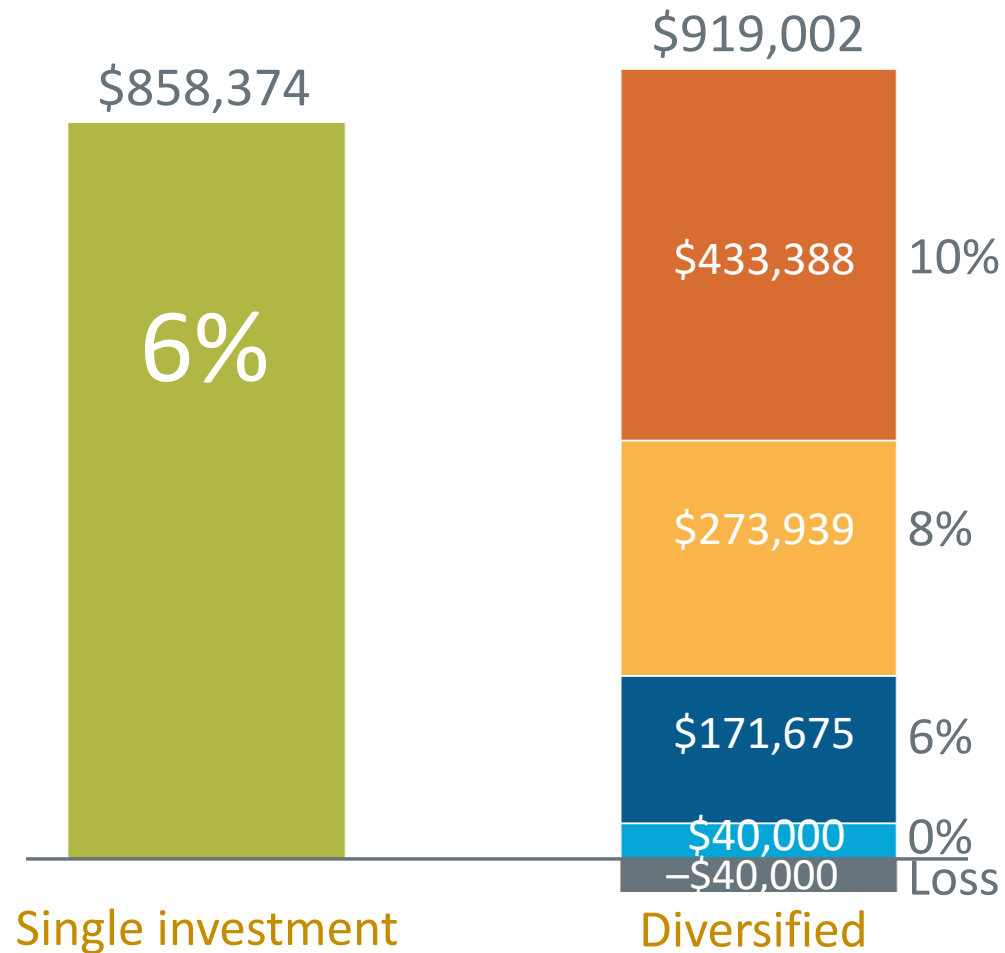
Diversification

Investing in different investment vehicles in an attempt to **limit exposure to losses** in any one sector of the market



Diversification

Original \$200,000 investment portfolios after 25 years



This hypothetical example is used for illustrative purposes only. Taxes, fees, and other expenses are not included. Actual results will vary.

Asset Allocation

A systematic approach to diversification that determines an **efficient mix of assets** for a given investor



Understanding Risk

- Market risk
- Reinvestment risk
- Interest rate risk

- OTHER RISKS
- Risk of not reaching your goals
- Risk of running out of money



How Much Risk Can You Stand?

Develop a Strategy

How Much Risk Can You Stand?

Market performance over the past decade has tested many investors' risk tolerance and driven home the fact that this is an essential consideration of a sound investment strategy.

This quiz will help you assess your own ability to withstand risk. It might help you make more informed decisions regarding which investments may be appropriate for your portfolio.

Risk Tolerance Quiz

Which of the following investments do you feel most comfortable with?

- a. Certificate of deposit
- b. High-grade corporate bond
- c. Growth stock

Of the following stocks, which do you feel would most suit your needs?

- a. A conservative utility stock that pays high dividends but offers little chance for long-term growth
- b. A "blue chip" stock that offers the potential for modest dividends and growth
- c. An aggressive small-company stock that pays no dividends but offers great potential for long-term growth

What have you traditionally considered most important from your investments?

- a. Safety
- b. Conservative growth
- c. Maximum growth

You just made a \$100,000 investment. The following amounts represent the estimated best-case and worst-case scenarios after one year. Which range of possible outcomes would you prefer?

	<i>best case</i>	<i>worst case</i>	<i>possible gain/loss</i>
a.	\$104,000	\$96,000	\$ 4,000
b.	\$108,000	\$92,000	\$ 8,000
c.	\$112,000	\$88,000	\$12,000

Which statement most closely resembles your feelings about risk?

- a. I am not willing to take risks with my investments.
- b. I am willing to take limited risks with my investments.
- c. I am willing to take substantial risks with my investments.

Scoring Give yourself: 10 points for every "a" answer
20 points for every "b" answer
30 points for every "c" answer

50–80: You are a relatively low-risk investor. You are mostly concerned with the preservation of your capital and the potential for current income. You are not willing to risk your capital for greater potential returns.

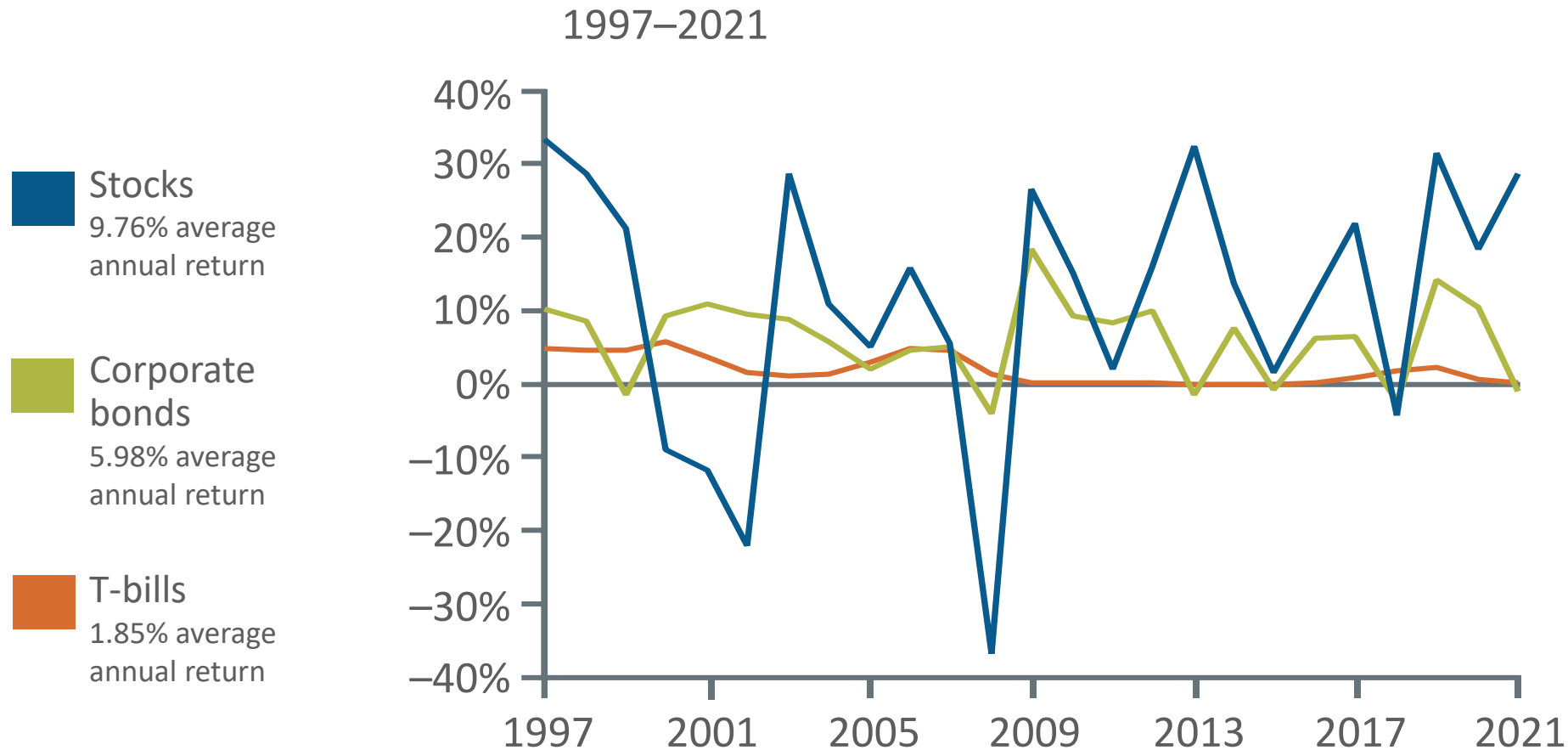
90–110: You are generally conservative, but you recognize the need to consider growth-oriented alternatives. You may be willing to take modest risk to earn above-average, long-term returns.

120–150: You may be a relatively high-risk investor. You are mostly concerned with long-term appreciation, and you may be willing to take on more risk to earn greater long-term potential returns.

On the Road to Retirement

Because the markets are unpredictable, it may be a good idea to invest more aggressively during the early accumulation years — when your portfolio would have time to recover from market fluctuations — and shift to a more conservative strategy as retirement approaches and your time frame shrinks.

Why Your Asset Allocation Matters



Source: Refinitiv, 2022. The returns shown do not include taxes, fees, and other expenses. Past performance is not a guarantee of future results. Actual results will vary.

Sequence of Returns

Invest Wisely

Three Fundamental Principles

Diversification

Asset Allocation

Asset Location



Asset Location: But where do I put these investments and where do I take my income from?



THREE BUCKETS

- TAXABLE
- TAX DEFERRED
- TAX FREE

= TAX FLEXIBILITY



Traditional IRA vs. Roth IRA

Traditional IRA

- Funds grow tax deferred
- Can make annual contribution if you have taxable compensation
- Deductible contributions depend on income, filing status, and coverage by retirement plan
- Can make after-tax (nondeductible) contributions
- Distributions subject to federal income tax
- Distributions prior to age 59½ may be subject to additional 10% penalty tax
- RMD's - Distributions required after 73

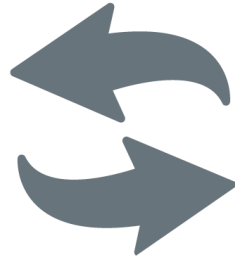
Roth IRA

- Can make annual contribution if you have taxable compensation
- Ability to contribute depends on income level and filing status
- All contributions are after-tax (no up-front deduction)
- Qualified distributions are entirely free from federal income taxes
- For nonqualified distributions, earnings subject to federal income tax and 10% penalty tax may apply if under age 59½
- No lifetime required distributions
- Funds grow tax deferred/tax free

Ways to Fund a Roth IRA



Regular Annual
Contributions



Convert Traditional IRA
to Roth IRA



Rollover from Eligible
Employer Plan to Roth IRA

Converting a Traditional IRA to a Roth IRA

- Taxed in year of conversion as if you took a withdrawal (but 10% early distribution does not apply)
 - Trade off immediate taxation for possibility of tax-free qualified distributions in future
 - You can also convert SIMPLE IRAs (after two-year waiting period) and SEP-IRAs to Roth IRAs



Who Can Convert to a Roth?

Exception

- You can't convert an inherited traditional IRA to a Roth IRA (special rules apply to spouse beneficiaries)



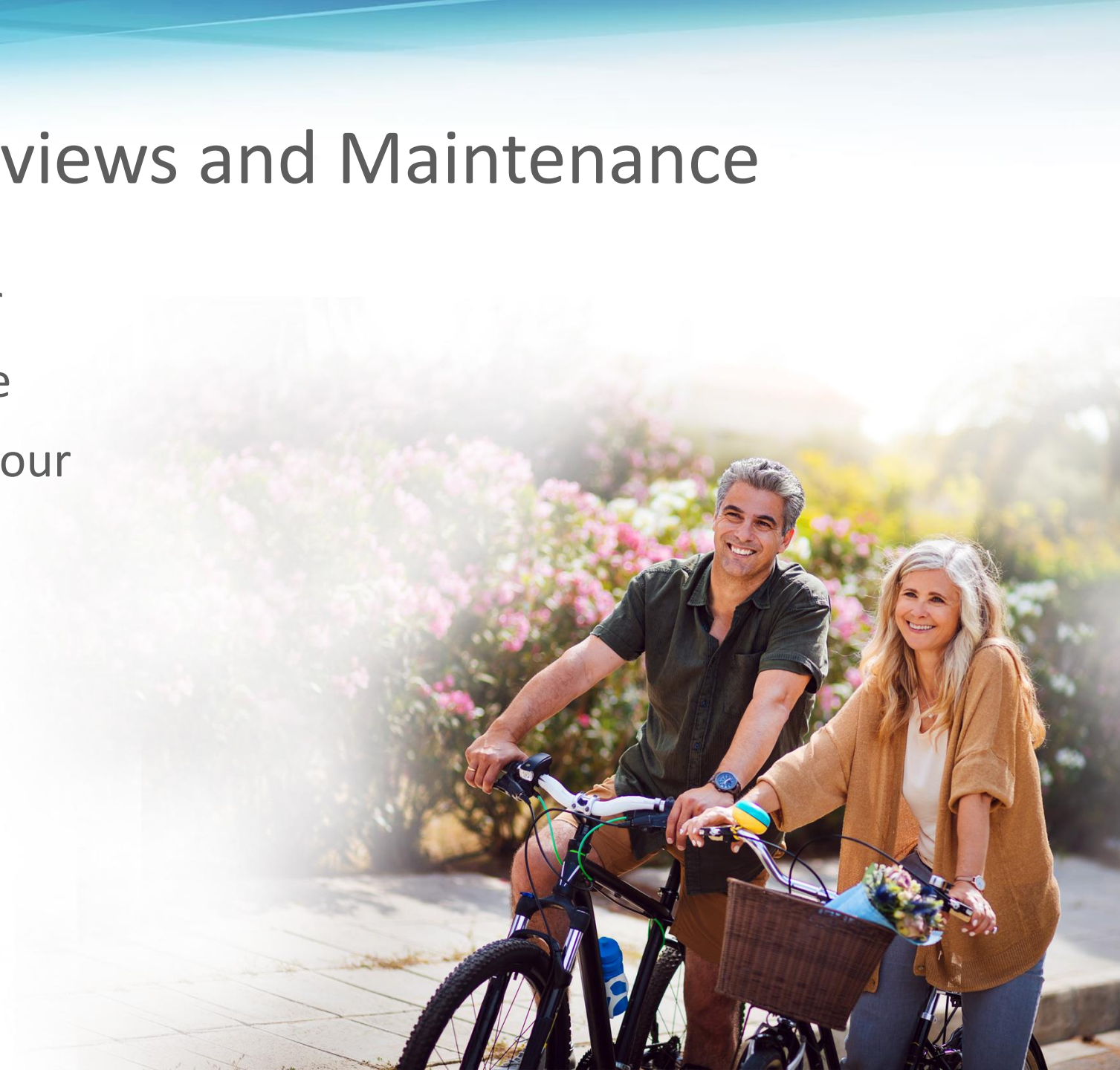
STRATEGY

Three Keys to Funding a Comfortable Retirement

1. Evaluate Your Needs and Set a Goal
2. Develop a Strategy
3. **Protect Your Nest Egg**

Periodic Portfolio Reviews and Maintenance

- Typically, at least once a year
- After a major lifestyle change
- As the result of a change in your investing outlook



Plan for the Expected but Prepare for the Unexpected

Insurance products can help you:

- Provide for loved ones
- Fund unexpected expenses
- Protect a business
- Preserve your estate



What Can You Do Today?

Commit to developing and keeping your retirement savings plan a high priority



QUESTIONS ?

Lifetime Giving

Benefits

- Shift income-producing property to family members in lower income tax brackets
- Move future appreciation of property from your estate
- Move \$18,000 per recipient from estate each year (2024)
- Accelerate five years' annual exclusion by making single \$90,000 gift to Section 529 plan
- Remove unlimited amount of property from estate by paying tuition or medical care for others

ENJOYMENT NOW

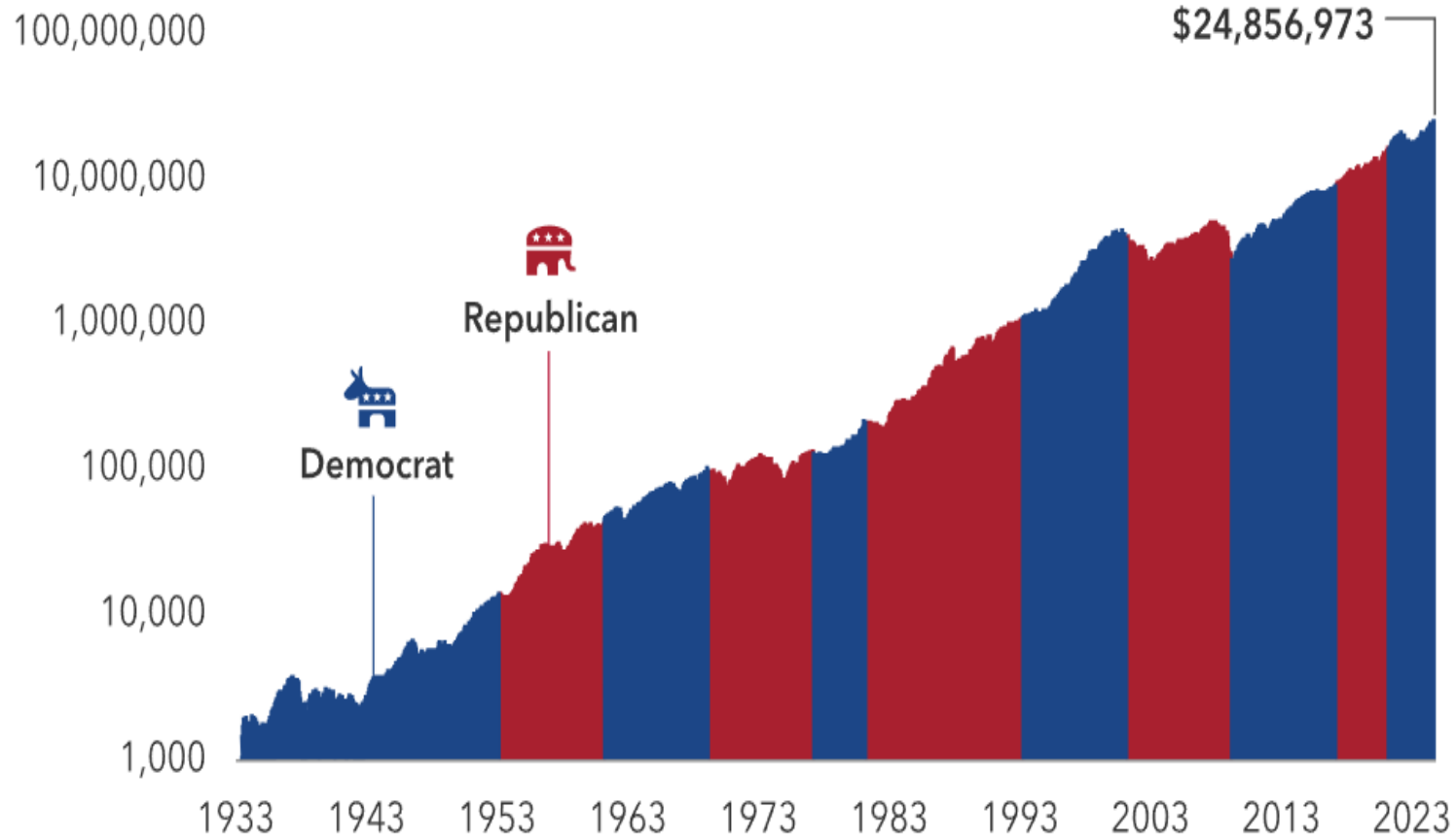
Donor Advised Funds

Benefits

- Lower contribution minimums \$5,000
- Easier and less costly to set up and maintain than a private foundations
- Immediate income tax deduction
- Can reduce or eliminate capital gains, gift, and estate taxes
- Accounts may be transferable to the next generation

Control

Growth of a hypothetical \$1,000 investment in S&P 500 Index

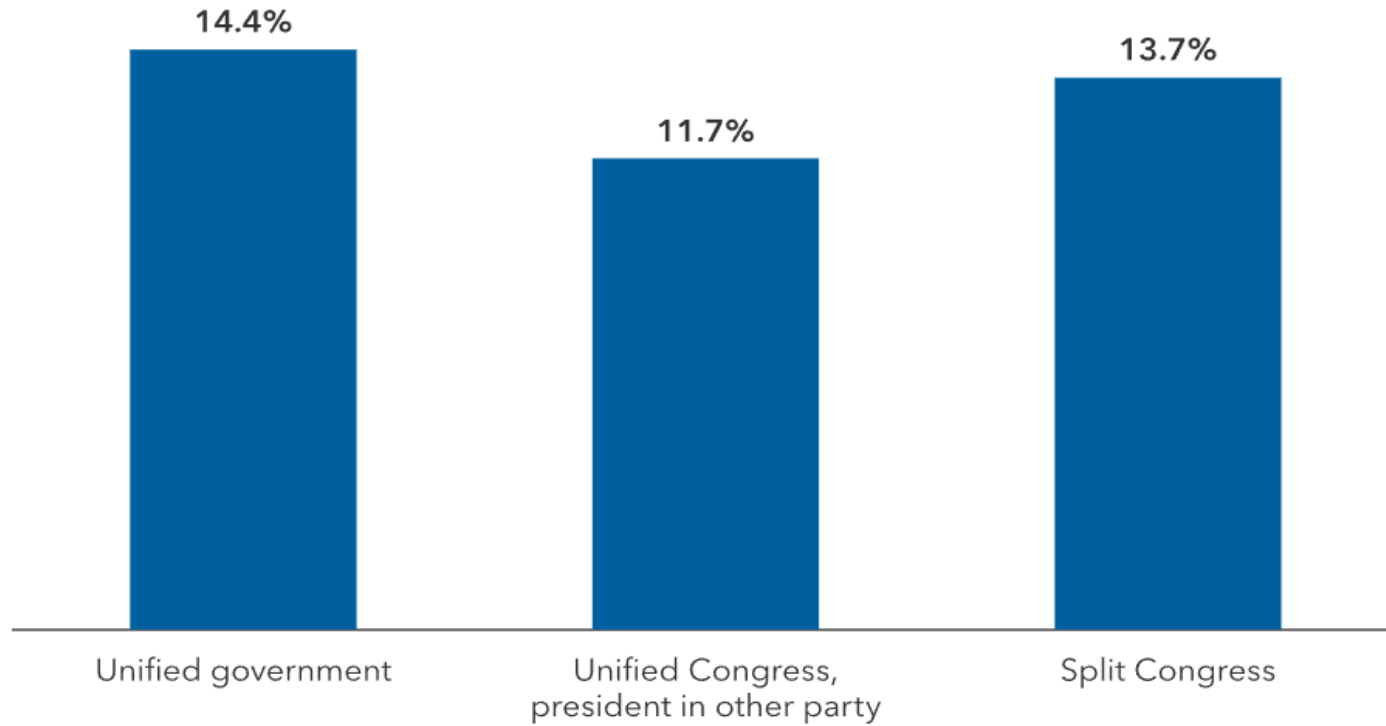


ELECTIONS and POLITICS

Markets have trended higher regardless of which party wins the election

Sources: Capital Group, RIMES, Standard & Poor's. Chart shows the growth of a hypothetical \$1,000 investment made on March 4, 1933 (the date of Franklin D. Roosevelt's first inauguration) through June 30, 2024. Dates of party control are based on inauguration dates. Values are based on total returns in USD. Shown on a logarithmic scale. Past results are not

S&P 500 Index – Average annual total return (1933-2023)

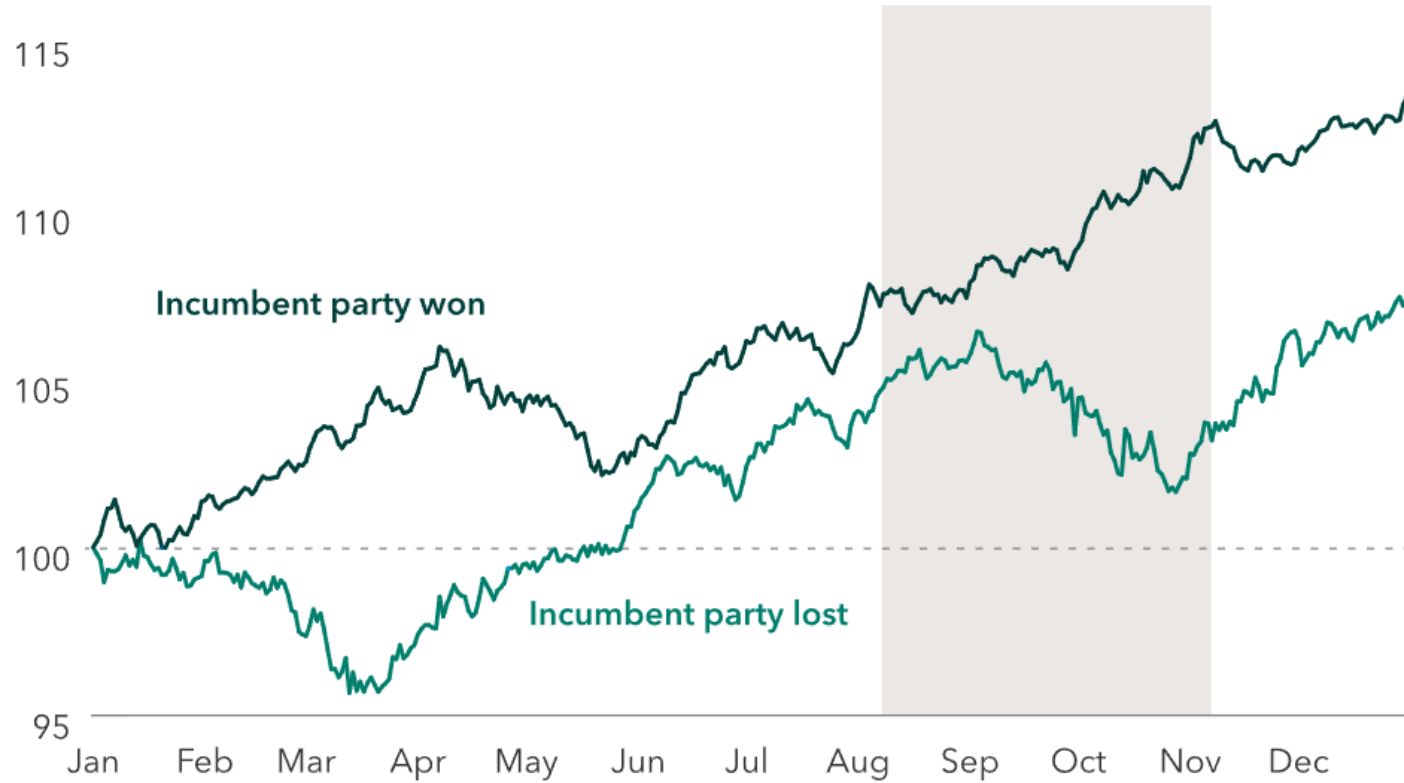


ELECTIONS and POLITICS

Gridlock or sweep? Equities
have gone up either way

Sources: Capital Group, Office of the Clerk – U.S. House of Representatives, Senate.gov, Standard & Poor's. "Unified government" indicates White House, House and Senate are controlled by the same political party. "Unified Congress, president in other party" indicates House and Senate are controlled by the same party, but the White House is controlled by a different party. "Split Congress" indicates House and Senate are controlled by different parties, regardless of the White House control. Data excludes 2001 due to Senator Jeffords switching parties midyear. As of December 31, 2023. Past results are not predictive of results in future periods.

S&P 500 Index average returns during election years (1936-2020)

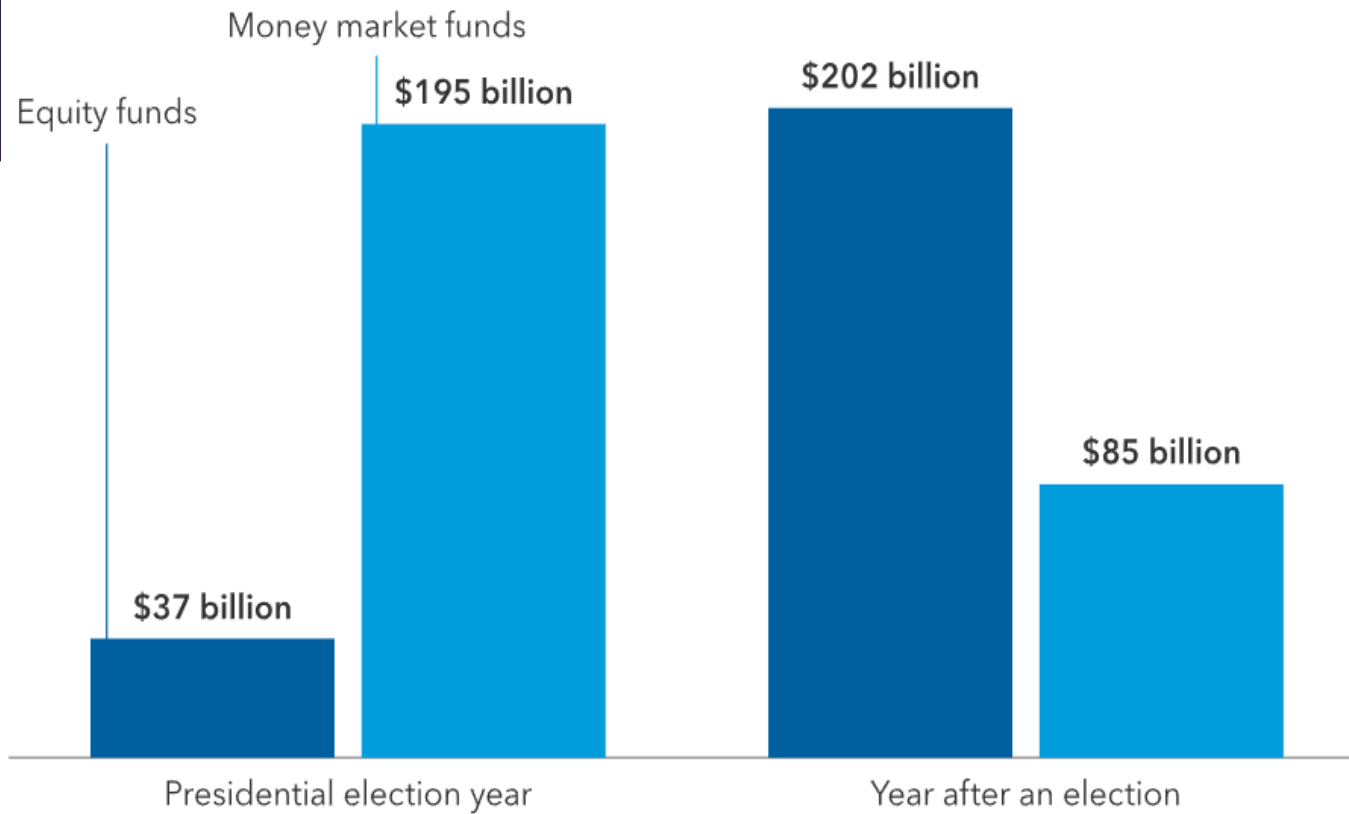


ELECTIONS and POLITICS

Markets have tended to
predict election results

Sources: Capital Group, Standard & Poor's. Returns are indexed to 100 on January 1 of each election year. Returns are in USD. The shaded region approximately shows the three-month period prior to Election Day. Past results are not predictive of results in future periods.

Average net fund flows by year of presidential term (1992-2023)



ELECTIONS and POLITICS

Investors often become more conservative in election years

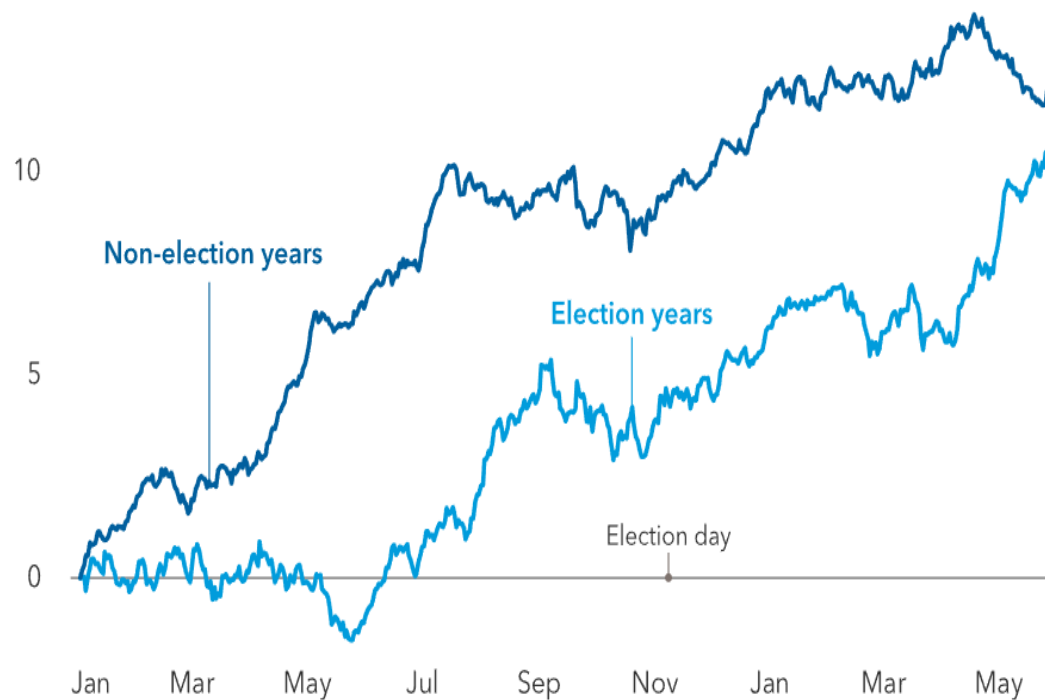
Source: Morningstar. Values based on USD. Funds include mutual funds and ETFs. Equity funds include funds within Morningstar's International Equity and U.S. Equity categories. Money market funds include funds within Morningstar's Money Market category. As of December 31, 2023. Past results are not predictive of results in future periods.

Markets often bounced back after the volatility of primary season



S&P 500 Index average cumulative returns since 1932

15%



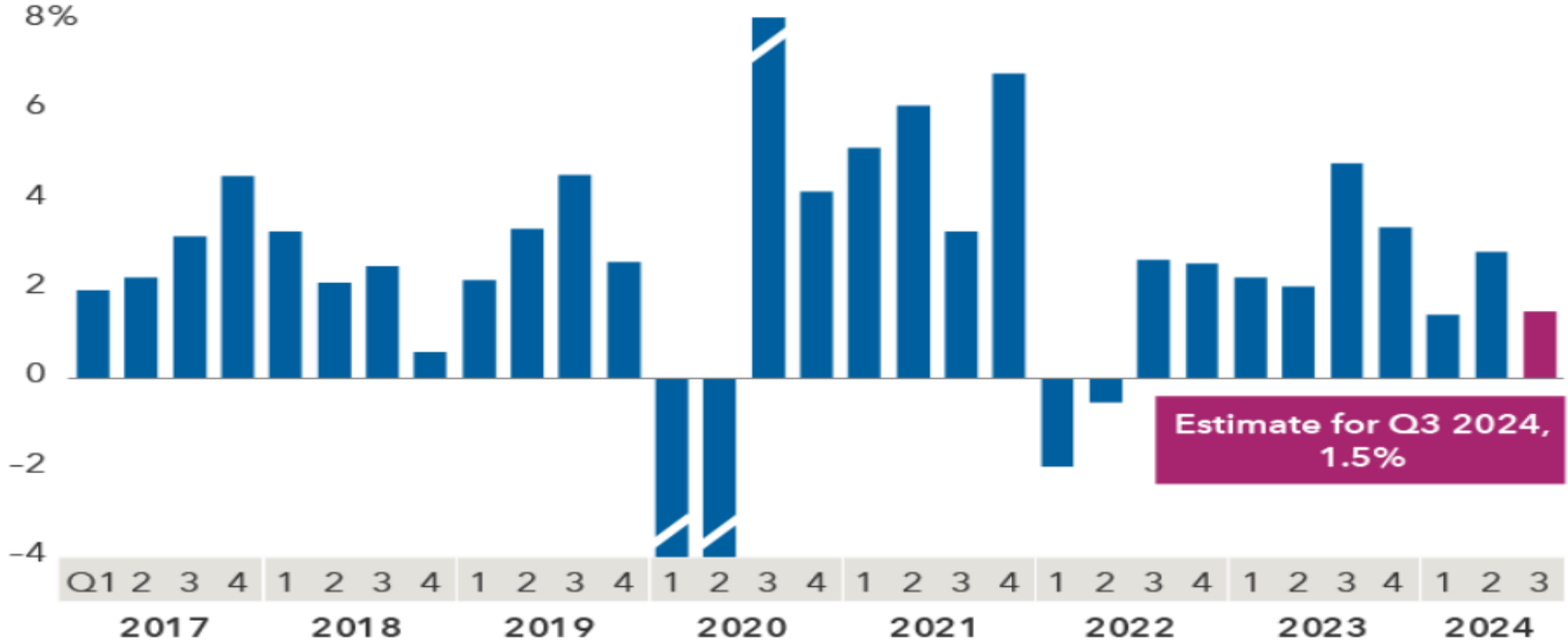
Sources: Capital Group, RIMES, Standard & Poor's. Includes all daily price returns from January 1, 1932–December 31, 2023. Non-election years exclude all years with either a presidential or midterm election. Past results are not predictive of results in future periods.

ELECTIONS and POLITICS

A resilient U.S. economy has decelerated but hasn't stalled



Annualized real U.S. GDP growth

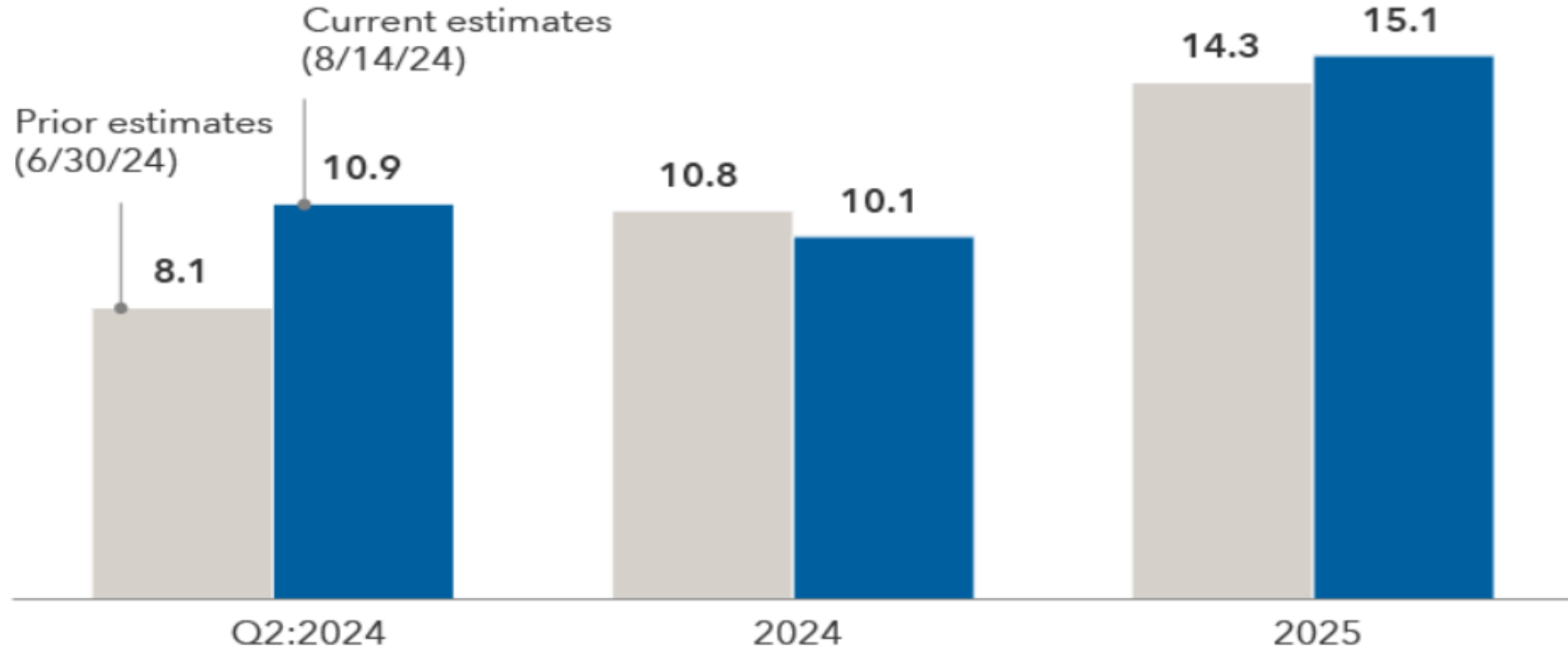


Sources: Capital Group, Bureau of Economic Analysis, FactSet. Figures for Q1:20, Q2:20, and Q3:20 are -5.5%, -31.6%, and 31.0% respectively, and are cut off by the y-axis given the extreme fluctuations associated with the COVID-19 pandemic. Estimate for Q3:24 is based on the mean consensus estimate from FactSet. As of August 22, 2024.

Earnings outlook softens for 2024, but remains solid



Year-over-year earnings growth estimates for the S&P 500 Index (%)

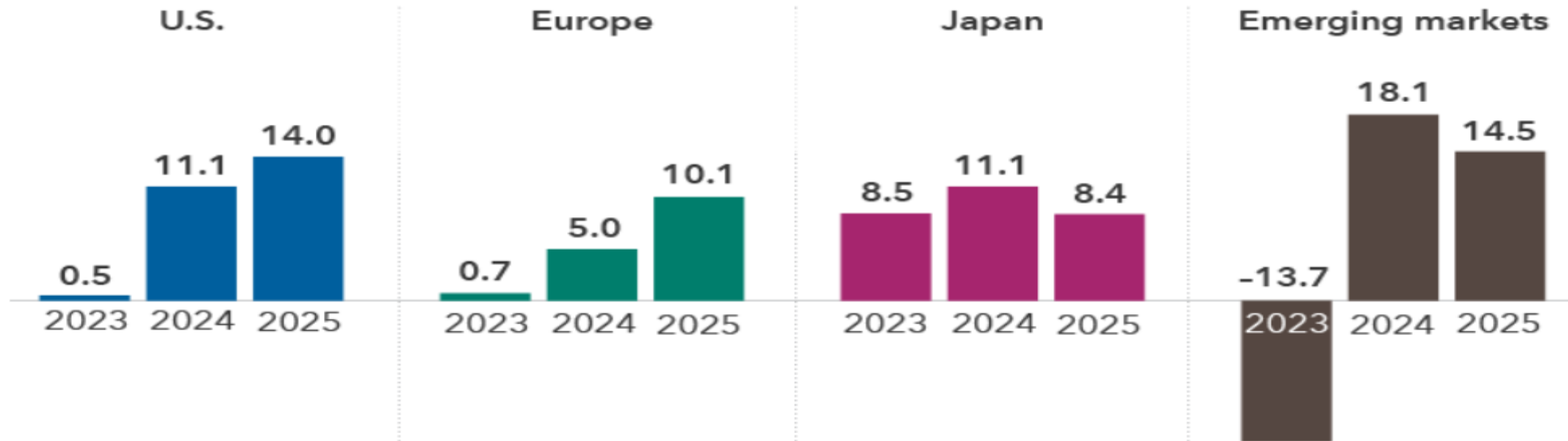


Sources: Capital Group, FactSet. Earnings growth refers to annual change in earnings per share. As of August 14, 2024.

Accelerating earnings growth can boost stock returns



Annual earnings growth (%)



Forward P/E ratios

Region	Current	10-year avg
U.S.	20.3x	17.8x
Europe	13.6x	14.3x
Japan	15.3x	14.2x
Emerging markets	12.1x	12.2x

Sources: Capital Group, FactSet, MSCI, Standard & Poor's. Estimated annual earnings growth is represented by the mean consensus earnings per share estimates for the years ending December 2024 and December 2025, respectively, across the S&P 500 Index (U.S.), MSCI Europe Index (Europe), MSCI Japan Index (Japan) and MSCI Emerging Markets Index (emerging markets). Estimates are as of May 31, 2024. The forward price-to-earnings ratio (P/E) is computed by dividing the price of a company's stock by the company's estimated annual earnings per share over the next 12 months.

Disclosures

* The S&P 500 is an unmanaged index of 500 widely held stocks that's generally considered representative of the U.S. Stock market. The performance mentioned does not include transaction costs which would reduce an investor's return. Asset allocation does not guarantee a profit nor protect against loss.

*This information, developed by an independent third party, has been obtained from sources considered to be reliable, but Raymond James Financial Services, Inc. does not guarantee that the foregoing material is accurate or complete.

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* Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results.

* Disclosure: Consult your advisor to determine if this strategy (or these strategies) is/are appropriate for your individual situation.

* Investing involves risk and you may incur a profit or loss regardless of strategy selected, including diversification and asset allocation.

* Dividends can be increased, decreased or eliminated at any point without notice. Stocks are subject to market risks, including the loss of principal invested.



Simple & Elegant Wealth
Management



ADD OUR TEAM TO YOURS!
Request an Initial Consultation:

EMAIL ME

DANIELLE.BLUNT@RAYMONDJAMES.COM

or

CALL US AT 657-216-2496

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UPCOMING
EVENTS

SEPTEMBER &
OCTOBER

Coffee Club

September 27th and October 25th

8:00 AM – 9:30 AM

8:30 AM – Zoom

Taco bout It Tuesday

October 8th

5:30 PM – 6:30 PM

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QUESTIONS ?