Provider Risk

Retirement Goals & Managing Two Primary Threats

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Planning for a successful retirement means setting a goal, and planning to fund it. Many are deluded that the goal of planning for successful retirement means maximizing retirement account values. This failed-thinking ignores two primary threats that can destroy retirement plans - **Market-Crash risk**, and taxes. The first Goal means maximizing the amount you get to SPEND. The second Goal is to not run out of money. There is a third Goal too. Be nice to your children – you may have to move in with them if your plan fails.

Understanding your tax options vastly helps your plan. Uncle Sam gives people a choice to pay taxes on the seeds, or on your retirement harvest. All retirement accounts follow this rule – even Roth IRAs. Not making a different plan means you have made a decision to be on the Government's retirement plan. Most people blindly fund their retirement accounts with little consideration of paying taxes, or managing market risk at retirement and **for life**. Figure 1 illustrates what almost everyone is doing now on the government's (401 or taxable IRA) retirement plan.

In finance, it is easy to back-out almost any estimate if we know the term. In simpler talk, it means figuring out how long we **pay-in** to our plan (Ex. to age 65), and how long we will **withdraw-it** (Ex to age 85). The first golden pearl to get is that your minimum funding term is 20 years, from age 65 – 85. If you have longer lived relatives, add five or 10 more years. **Super important** is recognizing that most people have a total term of over 30 years from NOW to age 85. No one knows if, or how much taxes will increase, so let's estimate 25% (2016 tax rate for a single person earning over $18,150).

Fig 1.

Traditional IRA & 401 Retirement Accounts

Manage Market-Crash Risk & Tax on Harvest *for life:*

Point: As retirement accounts are spent each year, retirees typically earn interest on a smaller number each year. But, we know the lines are ***not*** straight, and go up and ***down*** with market growth and Market-Crashes. In 2008, the S&P index CRASHED about 50% in 30 days. We do not know if taxes will ***increase*** or multiply.

* If you do nothing different, you MUST manage both market-crash risk and taxes in old-age when financially surviving a market-crash may be impossible. 12b1 fees, **mutual fund** administrative expenses, and sales commissions are *not* shown, and further reduce mutual fund earnings in your traditional IRA, or 401 values invested in the market.

Few people recognize that their solution is widely available if they can qualify. The IRS compliant contract recommended for most people eliminates both Market crash risk, and taxes on retirement spending. Taxes are paid on the Seeds, not the Harvest. It is called IUL and provides four main benefits:

- **Guaranteed** safety – Your money is never in the market.
- **Guaranteed** interest returns – Up to 17% IUL
- Retirement spending is ***not*** taxed because it is taken as a loan "from (SV) yourself".
- Earn interest on same value spent (borrowed from yourself) in retirement - ***for life***. Because it is a loan, your account is ***not*** reduced by loan or loan interest.

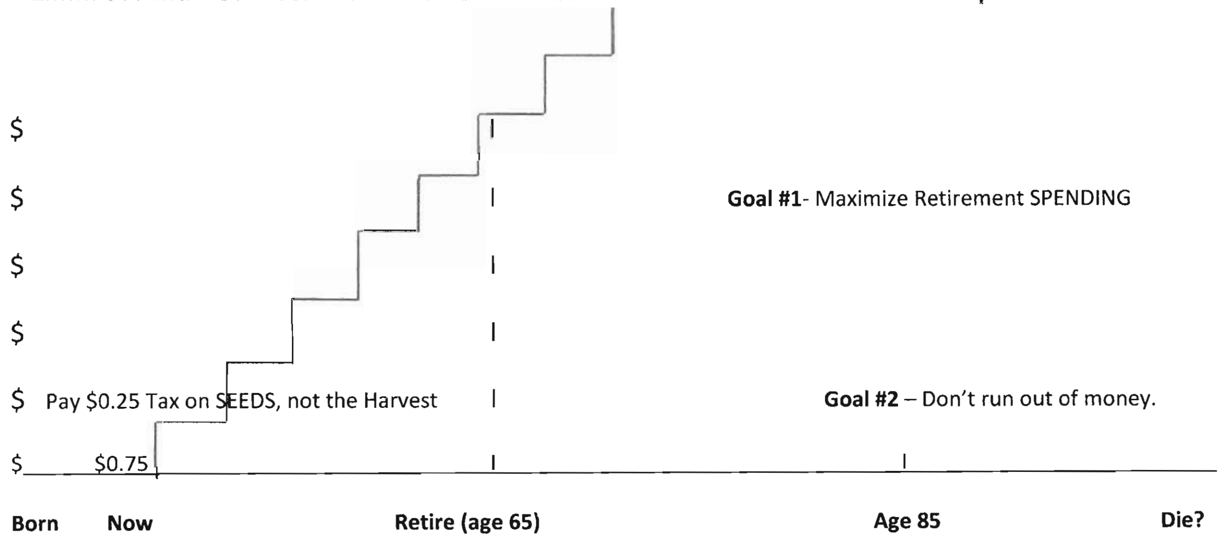
******Super-Important*** to understand is how your ***Accumulation Value*** (AV) is **guaranteed** safe from market crash risk, & earns **guaranteed** interest crediting (locked in) annually. *Accumulation Value is Premium deposit LESS Costs of insurance PLUS interest. AV is NOT reduced by loans or loan interest*, so the policy owner **earns interest on the same values SPENT** (taken as loans) for life. Currently, **IUL guarantees *up to 17*% interest, and Whole life guarantees 3-4% (plus potential Dividend)* (read policy illustration)*.**

It is helpful to think of your Surrender Value (SV) as your bank account that is also used as collateral to loan(s). The carrier will not lend you more than your Surrender Value. As a general rule, one would avoid borrowing more than 80% of their SV to assure the policy remains in force for life. **SV is the AV less Loans & Loan interest, less $60 administrative fee** (read policy). Remember, the administrative charge is extremely small for managing your retirement account ***MONTHLY***. The money is yours at any time you wish to terminate your policy. It is there for emergencies to borrow against before age 59.5, or *to retire higher interest loans **without penalty***.

What's the catch – it sounds too good to be true? The catch is you must be insurable, and pay premiums to keep the policy for life. Many responsible people already buy life insurance, but ***fail to leverage*** it for super-safe retirement *spending*. Figuring out if costs of insurance makes sense means running an illustration and focusing upon: Protecting your family, ***lifetime*** costs of insurance, estimated retirement SPENDING, and guarantees – ***without*** market-crash-risk, certain tax expenses. i.e. Pay $.25 cents today on a dollar, or 25% on all the interest growth for Life. Do the numbers.

Fig 2.

* Eliminate Market-Crash Risk & Tax on Harvest. Earn Interest on same values spent in retirement.



Point: Fig 2 does not show the cost of insurance. Our purpose is to show how a typical retiree earns interest on larger Accumulation Value that is NOT reduced by loans or loan interest. The cost of insurance includes issuing and commission charges. There are extra charges for early policy cancelation.

It gets better: IUL credits an additional (about) 1% ***<u>BONUS</u>*** from year 10 to death. (See illustration)

- Even better, the SV offsets the cost of insurance too, because the company only charges premium for the ***difference between*** the SV (your "bank"), and death benefit each year (see illustration). This can mean massively lower lifetime cost of insurance – <u>especially at advanced age</u> as your SV grows with the market interest crediting.

Provider Risk, LLC is a 20+ year established Insurance Agency. Our goal is to help people maximize retirement security & retirement spending.

*IUL guarantees are contractually issued from 130 year old, A rated carrier currently managing over 12,000,000 contracts worth over $45 billion in assets.