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The Hosts of
Income For Life Radio



preparing for **Retirement**

ways to create your retirement paycheck

Retirement Income. *Simplified.*



CREATING YOUR RETIREMENT PAYCHECK

Thank you for taking your time to request and review this information. If retirement is imminent for you, or if you are already retired, you've come to the right place! We believe that our income planning concepts that you will learn about at the following pages will help you in determining the best way for you to create your retirement paycheck.

Retirement is a complex puzzle of both personal and financial goals, each of which has an impact upon the other. When retirement is imminent, you have to make a lot of decisions. One of the most important of these decisions is what you will do with your time. While this may seem obvious, it is a key element to a fulfilling retirement. An integral part of your retirement is what you will do everyday; how and where will you spend your time. Many people actually create a written plan for how they will spend their time while retired; while such a formal approach is certainly not necessary, in many respects it's not a bad idea.

We encourage you not to overlook this important element of your overall retirement planning.

How and where you will spend your time during retirement is directly related to your retirement income, and how you will create your "retirement paycheck". This is the area of retirement planning that gets the most attention, and for most people, it is the greatest concern. Retirement is certainly not all about money, but ensuring that you have enough money for a retirement that may last twenty years or more, in an unpredictable economic environment, is a significant concern.

The challenge is how to create an income from your retirement savings in such a way as to ensure that your money lasts as long as you do. From a financial standpoint, this is commonly called "longevity risk", and it speaks to the issue of how long your money has to last. Statistically, we know that a male who reaches age 65 has a 46% chance of reaching age 85, and a 25% chance of celebrating his 90th birthday; for women who attain age 65, there is a 56% chance of celebrating their 85th birthday, and a 35% chance of making it to age 90 (Society of Actuaries, FP-2000). While statistics are useful, we must beware of them as well, because the bottom line is that we really don't know how long we will live (at least within reason), so when it comes to our retirement income it is prudent to be prepared for the long-haul.

"How do I do this?" is the question on the mind of many people who are about to retire, or have recently retired. How do you make your money last as long as you will last in the face of uncertain and unpredictable economic conditions over many years, perhaps decades? Whether you are average or wealthy, there are common challenges for everybody. Some people are concerned about having enough retirement income to maintain their basic needs. Many retirees are chiefly worried about having sufficient income for their retirement dreams of travel and adventure, whereas others just want to be sure that they are comfortable and can still leave a legacy to their family. To put it another way, some are worried about basics while others are worried about being able to redecorate their European vacation villa every few years, but most people are somewhere between these two extremes. All concerns and goals are legitimate, and are all relative to the retirement lifestyle that they reasonably expect or hope to achieve given the retirement savings that they have accumulated.

Whether wealthy or average, most people are concerned about potentially outliving their money during retirement. In this sense, all are in the same boat. All are subject to the same unpredictable “economic storms” that will surely arise over the course of a retirement lasting twenty years or more, with the potential of these “economic storms” to negatively affect retirement income and therefore, retirement lifestyle. Everyone, whether wealthy or average, needs to ensure that their “boat” does not capsize in the “economic storms” that will surely arise during their retirement years, while at the same time retaining the ability to take advantage of good economic conditions when the storms clear.

No one can accurately predict the “economic weather” over a period of twenty years or more; nobody, including the financial pundits in the media can really forecast with any degree of accuracy what will happen in the future as regards interest rates, financial market performance, and the economy in general. The ability to make an accurate long-term forecast has never really existed, but in this age of inter-related global markets and political instability in much of the world, it is even more difficult, if not impossible, to do. The fact is that when it comes to predicting future performance of things such as interest rates and financial market performance, we can’t even accurately foretell what will happen a month from now, much less years or decades in the future. Certainly there are many indicators of how things might turn-out in the short term, and they should be paid attention to, but the bottom line is that indicators and predictions of any economic conditions are, at best, educated guesses. They are often based upon what has happened in the past, but the degree to which such educated guesses can be relied upon is best summed-up by the familiar phrase “past performance is not a guarantee of future results.” *In other words, it might happen, and it might not.*

The delicate balance of the US and world economies can be upset almost overnight by a myriad of unforeseen events that you have absolutely no control over, yet your life can be greatly affected by these events. This is particularly true as regards your money and retirement income. Since we cannot accurately predict what is going to happen, it’s prudent to be prepared for both bad and good economic conditions.

So your thoughts may return to the question of “how do I do this?” There are many differing and legitimate opinions on the “best” way to create income from your retirement savings. These opinions come from many different people and institutions, ranging from seasoned financial and insurance professionals to the “talking heads” on TV to your annoying cousin who has an opinion on everything (whether he really knows anything about it or not). This can be confusing and even bewildering; how do you make an informed decision when even the experts can’t agree? Adding to the potential for confusion and uncertainty is that you cannot watch TV, listen to the radio, or read a newspaper or magazine without being bombarded with advertisements for the retirement planning services.

One of the reasons that professionals disagree amongst themselves (and sometimes publicly) is perhaps because creating retirement income from savings is not an absolute science – it is part art and part science. Most financial and insurance professionals are genuinely interested in helping you and bring their best efforts in creating the best retirement income plan that they can for you, but it is important to realize that different professionals bring their own experiences and bias to income planning, which may or may not be right for you. When evaluating the proposal from any professional, be sure to examine how the plan will prepare you for both the bad and the good economic times that lie ahead.

While professionals differ in their opinions (that is, the application of the art to the science), there are some commonly-held and accepted opinions on the topic of retirement income planning.

These Include:

- For most people, there is no single financial product that will solve all of your retirement income needs. For most, successfully creating retirement income requires a combination of financial products, although this does not necessarily mean that your strategy has to be overly complex; it just means that all financial products have their pros and cons, and the “art and science” of income planning is a balancing act of those pros and cons to ensure that you have sufficient income in both good times and bad.
- The strategies that worked while you were saving for retirement may not work as well during retirement. Many professionals agree that the strategies for growing your money while working may not be effective in creating reliable retirement income that will last for your lifetime.

The game changes because the potential effect of “market volatility” on your assets, and therefore your retirement income generated from those assets, changes. The term market volatility refers to the change in value of assets that are directly-tied to financial market performance; in other word, it is the “ups and downs” of the financial markets. Now, some people will tell you that the financial markets are a problem.

The financial markets are not “a problem,” they simply are what they are – auction markets that are often driven by events (financial, economic, and political), speculation, and emotion. Up, down, sideways; it’s what free markets have always done and will always continue to do. The only thing that can be predicted with certainty is that they will go up, go down, or go sideways (flat) over time; “past performance is not a guarantee of future results.” The point here is that the effect of volatility, that is the ups and downs, is much greater when you are taking income from your retirement savings than it is when you are saving for retirement.

Let’s Examine Why:

From a financial standpoint, there are two distinct phases to retirement; the phase in which you are working and saving is commonly called the “Accumulation Phase”, and the when you retire and take income from your savings is commonly referred-to as the “Distribution Phase”. It is simpler just to refer to these as the “Savings Phase” and the “Income Phase”.

During the Savings Phase, market downturns reduce the value of savings assets, but they don’t affect your income. Granted, it can be rather worrying and painful to live through severe economic storms, but you can generally ride-out the storm. In other words, you can wait for the storm to pass, which generally and historically will be followed by a period in which the financial markets perform well. This allows you to gain back the losses and sometimes see your assets grow even more; it may take some time, but during that time your income is not affected because you are working.

The game changes the minute you leave the retirement party.

The effect of volatility is controlled by using risk management strategies that can minimize the effect upon our income.

When we retire and enter the Income Phase, the impact of market downturns can be greater. The economic storms can capsize your boat if you are not careful or have not used a strategy that works in both bad and good times. Let's look at a simple example of what can happen, and unfortunately, has happened to many good people.

Let's look at a simple example of the effect of negative volatility during the Income Phase.

For simplicity, let's assume a retirement savings balance of \$100. We will further assume that the income need (or desire) is \$6 per year withdrawn on a quarterly basis (this means a quarterly income withdrawal of \$1.50).

At the start of the quarter, we withdraw \$1.50 to provide the income needed for the next three months. Our retirement savings balance is now \$98.50; while we spend the \$1.50 income over the next three months, our \$98.50 savings balance will grow, remain flat, or decrease over the quarter, depending upon what happens in the financial markets. *Obviously, we hope that it will grow.*

During the next three months, an "***economic storm***" blows in, and by the end of the quarter the return on our retirement savings balance is -10%, a decrease of \$9.85; thus, our savings balance at the end of the quarter is \$88.65. ***We took income of \$1.50 at the beginning of the quarter, but at the end of the quarter our savings balance had decreased by a total of \$11.35;*** to regain our original savings balance of \$100 will now require a return of over 12%!

Of course, it is now the start of the next quarter, so we need to take our income to live on for the next three months, thus we must withdraw our \$1.50 from our account (or severely reduce our standard of living). So after our income withdrawal, our retirement savings balance is now \$87.15; over the course of the next three months, while we are spending the \$1.50 income withdrawal, it will require a gain of over 14% to return our savings balance to the \$100 that we started with.

Let's hope that the economic storm has passed!

Isn't the example a bit simplified, you may ask? Of course it is, but it is intended to illustrate a point. The point is that the effect of volatility, especially downturns, is much greater when you are taking income from your savings than it is when you are saving for retirement.

The example isn't intended to frighten you, because completely avoiding the financial markets is not the solution for most people, especially if they are going to keep pace with inflation and retain the ability to take advantage of good economic conditions. The financial markets can go up as well as down; the problem is that we really can't predict with any accuracy when they will go up, and when they will go down. *So what does one do?*

The negative effect of volatility is controlled by using risk management strategies that can minimize the effect of market downturns on retirement income, and by using financial products that let you choose how exposed your assets and income are exposed to negative volatility. This requires a retirement income strategy that is structured differently than is a plan for accumulating retirement savings. This again returns to the question of "*how do I do this?*"

One approach is to employ a strategy that ensures that you will always have the income you need to remain comfortable no matter what the “economic weather,” while retaining the opportunity for growth and additional income when conditions are good and allow for “clear sailing.”

At Income For Life LLC, we believe in a balanced approach to creating retirement income using two different streams of income and different strategies to produce that income. A strategy for what we call “Required Income” and another strategy for what we call “Lifestyle Income.”

Required Income is defined as the income that you need to maintain a comfortable, but not elaborate, lifestyle. The definition of “comfortable” will vary with every individual situation, but generally means sufficient income to ensure that you will always have a roof over our head, food to eat, transportation, and basic healthcare needs.

Lifestyle Income is defined as the additional income that you want for fun, family, and adventure during your retirement. Again, what comprises “fun” varies for everybody, but generally would include the income for travel, expensive hobbies and gifts, and family matters that of importance to you.

The combination of the two categories of income is your Total Income, and the technique uses a different strategy to produce the two. Why different strategies?

- Required Income is intended to provide for your basic needs and comfort for the entirety of your retirement years; it must be reliable and predictable no matter what the “economic weather” so the strategy and underlying financial products used to create Required Income must be absolutely reliable and predictable.
- Lifestyle Income is your “fun money”, however you define fun. This income stream can be more flexible and fluctuating as the both the “economic weather” changes and your retirement lifestyle changes as the years go by.

To put it another way, the Required Income strategy is intended to ensure that your boat does not capsize during the storms that will surely arise, whereas the Lifestyle Income strategy is intended to provide you with fun money and growth when the storms subside. Therefore, the strategy and often the financial product tools used within each strategy are different. The specific strategy, and therefore the financial tools, will vary somewhat for everybody as applied to their specific needs and desires.

The planning process begins with Required Income. We feel that before you can worry about “fun money,” that it is wise to first ensure that your basic needs and comfort are assured. Planning for **Required Income** begins with determining what your **Required Income** need is. Typically this is based upon either a known budget or a forecasted budget of the routine expenses that you will incur during retirement in order to remain comfortable. As previously mentioned, these expenses generally include housing, food, transportation, and basic medical needs, but many people choose to include other expenses as well (such as a weekly round of golf, etc).

We want to close
the Required
Income Gap!

Once your total anticipated Required Income is determined, we then determine your “Required Income Gap.” This is the difference between what you need, and what retirement income sources you have (or will have) that is not savings-dependent (for example, social security benefits, pension, income from a business, rental income, etc).

For example, assume your **Required Income** need is \$40,000 per year, and your income from social security and a pension totals \$20,000 per year; in this case, the **Required Income Gap** equals \$20,000. The **Required Income** strategy would be to allocate enough of your total available retirement savings (and only enough) to a financial tool (or tools) that will guarantee that \$20,000 annually. This ensures that, perhaps excepting a major economic disaster, that you will always be comfortable no matter the “economic weather” conditions.

With the Required Income that you need assured, the process then shifts to developing the Lifestyle Income that you want. This process is, in many cases, somewhat less exact than that for **Required Income**. We determine how much additional income you want for your **Lifestyle Income** and compare that to your available retirement savings; the result is a growth and/or earnings target. With this target in mind, we then develop a strategy to achieve the target growth and/or income. In many cases, achieving the **Lifestyle Income** target will involve allocating your available savings amongst a variety of different financial products to construct a strategy that is, and remains, flexible to allow for adjustments later as the “economic weather” changes. The specific strategy (and underlying financial products) will vary greatly amongst different people, and is based upon your specific risk tolerance, preferences, experience, etc.

To summarize this overview of the technique, for your Required Income needs we employ a strategy and financial products that will guarantee the income needed to assure your comfort, whereas for the Lifestyle Income that you want, we use strategies and financial products that offer the opportunity for additional income and growth. The financial products used for Lifestyle Income are conservative and frankly, not particularly exciting to talk about a cocktail party, but they can keep you from talking to others in the breadline when economic times get difficult.

For **Lifestyle Income**, we may use less conservative financial products (*conservative if you prefer*) that offer opportunity for growth and additional income, again, depending upon your specific situation. The two types of income, **Required Income** and **Lifestyle Income**, combine to provide your **total income**.

The technique allocates your total available retirement savings between the **Required Income** and **Lifestyle Income** strategies to ensure that always have the income that you need, with the opportunity to also have the additional income that you want. We seek to accomplish both using financial products in which you remain in control of all of the assets. The result is preparation for both bad and good “economic weather”.

So let's return to the question of "how do I do this?"

The process begins with a free consultation with a professional associated with Income For Life LLC. At the consultation, your available retirement assets are identified, as are your non-savings dependent income sources such as social security, pension, etc. Your Required Income needs and Lifestyle Income desires are also determined (your Income For Life LLC professional can also assist you in the budgeting process for Required Income).

Following the complimentary consultation, your Income For Life LLC professional will then develop an initial retirement income plan. The initial plan will then be reviewed with you, and based upon that review (your input is very critical) the plan will be modified, and reviewed with you again. This process of plan development, review, and modification continues as long as necessary until an acceptable plan is developed (or you determine that it is best to part friends and pursue another avenue). Once the plan is acceptable, then the plan is executed and monitored to ensure success of the plan and make any future adjustments to the "economic weather."

Consultations are free and without obligation. You have nothing to lose, but potentially much to gain. You may find that you gain peace of mind no matter what the "economic weather."

To schedule a free consultation, simply call our office toll free at 1-877-284-8929 or simply return to the Income For Life LLC website (www.IncomeForLife.org) and complete the "Contact Us Now" section on the home page. You will rapidly receive an email from an Income For Life LLC professional who will also be notified of your interest.

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In closing, we appreciate your interest and wish you every success in your retirement journey. May you always have calm seas and fair weather!

CREATING YOUR RETIREMENT PAYCHECK

The primary goal at Income For Life is to ensure that your Required Income in retirement will be contractually guaranteed to last as long as you do - but what is 'Required Income' vs 'Lifestyle Income' - and does it matter?

Below is a list of questions to help determine your monthly Required Income, as well as determining priorities of basic Lifestyle expenses, in order to compare next to your current guaranteed income amounts.

Section 1: Basic Living Expenses

Shelter Expenses

Do you own your home or rent? ☐ Yes ☐ No

Do you have a mortgage/rent payment? ☐ Yes ☐ No

If YES, what is the monthly amount? _____

Property/Auto Tax Expenses

Do you pay Property Taxes? ☐ Yes ☐ No

If YES, what is the monthly amount? _____

Transportation Expenses

Do you have have a car payment(s)? ☐ Yes ☐ No

If YES, what is the monthly amount? _____

What do you pay for gas and scheduled maintenance per month? _____

Food Expenses

How much do you spend per month for your entire household for food (national average: \$1,000 per month)? _____

Utility Expenses

How much do you pay per month for basic utilities? _____

(water, gas, electric, phone, heat, cable, internet, trash, etc)

Property Expenses

Do you own other properties? ☐ Yes ☐ No

If YES, what is the monthly amount? _____

Insurance Expenses

Do you own insurance products? ☐ Yes ☐ No

If YES, what is the monthly amount? _____

(life insurance, home/auto insurance, health/medicare insurance, LTC insurance, etc)

Court-Ordered Expenses

Any court-ordered payments? ☐ Yes ☐ No

If YES, what is the monthly amount? _____

Additional Basic Living Expenses

Any other basic expense not listed? ☐ Yes ☐ No

If YES, what is it? _____

TOTAL BASIC LIVING EXPENSES PER MONTH

What is your Federal Income Tax Bracket?

The information contained herein is intended to provide the consumer with an overview of a specific retirement income planning concept and technique. It is not intended as, nor should it be construed as, specific advice or investment advice of any sort; the information is intended as educational in nature from Smart and Ready™. Income For Life LLC is not responsible for specific advice or recommendations provided by associated independent financial professionals. This white paper is the sole property of Income For Life LLC and Smart and Ready™. Replication without approval is strictly prohibited. For more information, email Income For Life LLC at info@IncomeForLife.org for additional details.

Section 2: Basic Lifestyle Expenses

Rank in importance to you, with 1 being low and 5 being high.

Do you like to travel?	<input type="radio"/> Yes	<input type="radio"/> No	_____
Do you like to eat out?	<input type="radio"/> Yes	<input type="radio"/> No	_____
Do you like to visit friends/family?	<input type="radio"/> Yes	<input type="radio"/> No	_____
Do you belong to any clubs?	<input type="radio"/> Yes	<input type="radio"/> No	_____
Do you have any hobbies?	<input type="radio"/> Yes	<input type="radio"/> No	_____
Any school/church/charity contributions?	<input type="radio"/> Yes	<input type="radio"/> No	_____
Boat/motorcycle/antiques/classic car?	<input type="radio"/> Yes	<input type="radio"/> No	_____

Section 3: Current Guaranteed Retirement Income Sources

Do you own a pension?	<input type="radio"/> Yes	<input type="radio"/> No	
If YES, what is the monthly amount?			_____
Do you own an existing income annuity?	<input type="radio"/> Yes	<input type="radio"/> No	
If YES, what is the monthly amount?			_____
Do you receive income from a trust?	<input type="radio"/> Yes	<input type="radio"/> No	
If YES, what is the monthly amount?			_____
Any other guaranteed income sources?	<input type="radio"/> Yes	<input type="radio"/> No	
If YES, what is it?			_____

TOTAL CURRENT GUARANTEED

RETIREMENT INCOME SOURCES PER MONTH _____

Section 4: Your Monthly Income Gap

Based on the above information, your total monthly **REQUIRED INCOME** is: _____

Based on the above information, your total monthly **INCOME SOURCES** is: _____

Based on the above information, your total monthly **INCOME GAP** is: _____

Our Founder

“I simply don’t believe that anyone has the right to lose someone else’s money.” – MATT NELSON



Matt has been a featured guest of multiple media outlets in northeast Kansas and is often requested to be a featured expert to discuss the ever-changing retirement income planning landscape.

As a direct result of this simple belief, Income For Life LLC only uses contractually-guaranteed products for our clients when it comes to retirement income planning. That’s just one of the reasons why Income For Life LLC is recognized as “The Safe Money Experts” in retirement income planning communities across the country.

Matt Nelson is the president at Income For Life LLC. With more than a fifteen years of experience in the retirement planning industry, Matt’s primary focus is on assisting retirees and pre-retirees to become financially ready for retirement.

As a trainer, Matt has hosted national webinar trainings (as both a speaker and as a trainer) with financial advisors on the topic of retirement

planning and how to help clients meet their retirement goals. He is recognized by his clients and peers alike as an innovative leader in the ever-changing retirement planning landscape.

Matt grew up in Copeland, Kansas, a small farming community of 250 people in southwest Kansas. Matt’s roots are from “small town USA,” and he has brought those values with him today. Matt’s motto is simple: Treat people the way you would like to be treated, and be of high integrity.

Matt is a 1995 alumnus of Emporia State University and a lifelong Kansas resident. He is married to his best friend, Lisa, and they have two beautiful daughters, Madison and Cierra. Matt’s hobbies are hunting, golfing and fishing, but his favorite times are simply relaxing with his family while watching a movie or a ball game. To learn more about Matt and his practice, visit www.IncomeForLife.org.