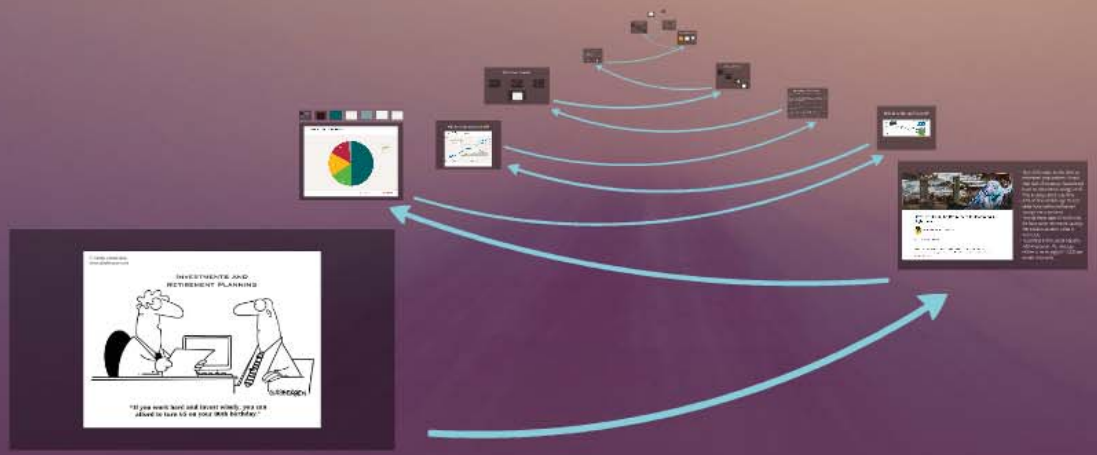

Retirement Update

Prezi

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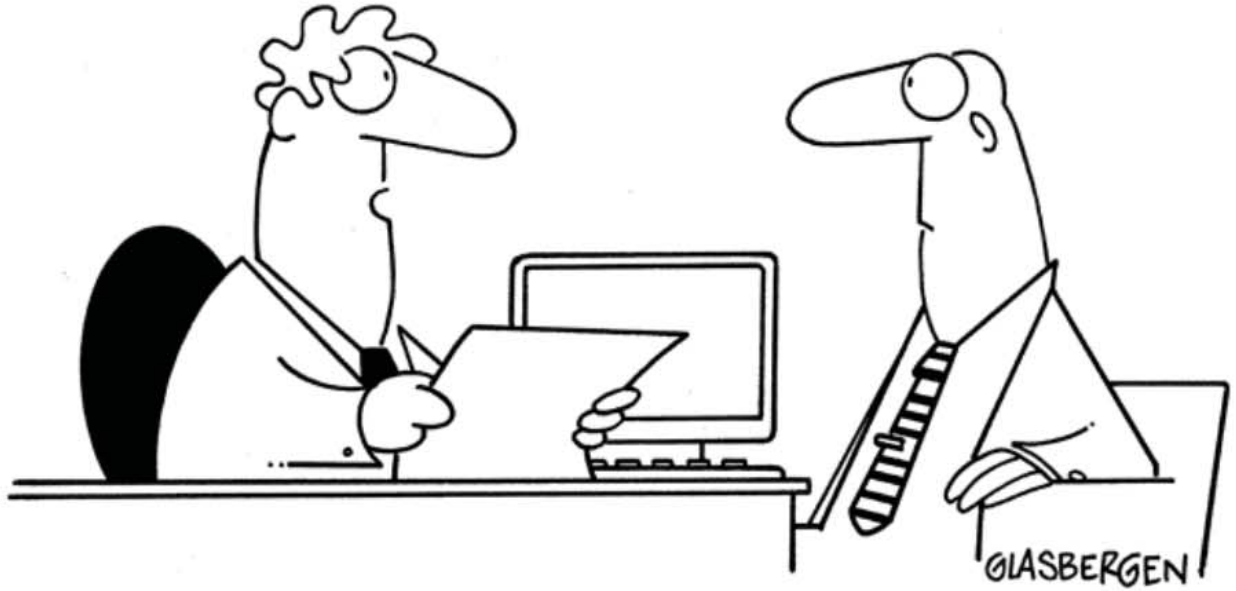
www.glasbergen.com

INVESTMENTS AND RETIREMENT PLANNING



"If you work hard and invest wisely, you can afford to turn 65 on your 80th birthday."

Prezi

How The Dream Of Retirement Is Becoming A Nightmare

by ELIZABETH DIANE WHITE | Mar 08, 16:07

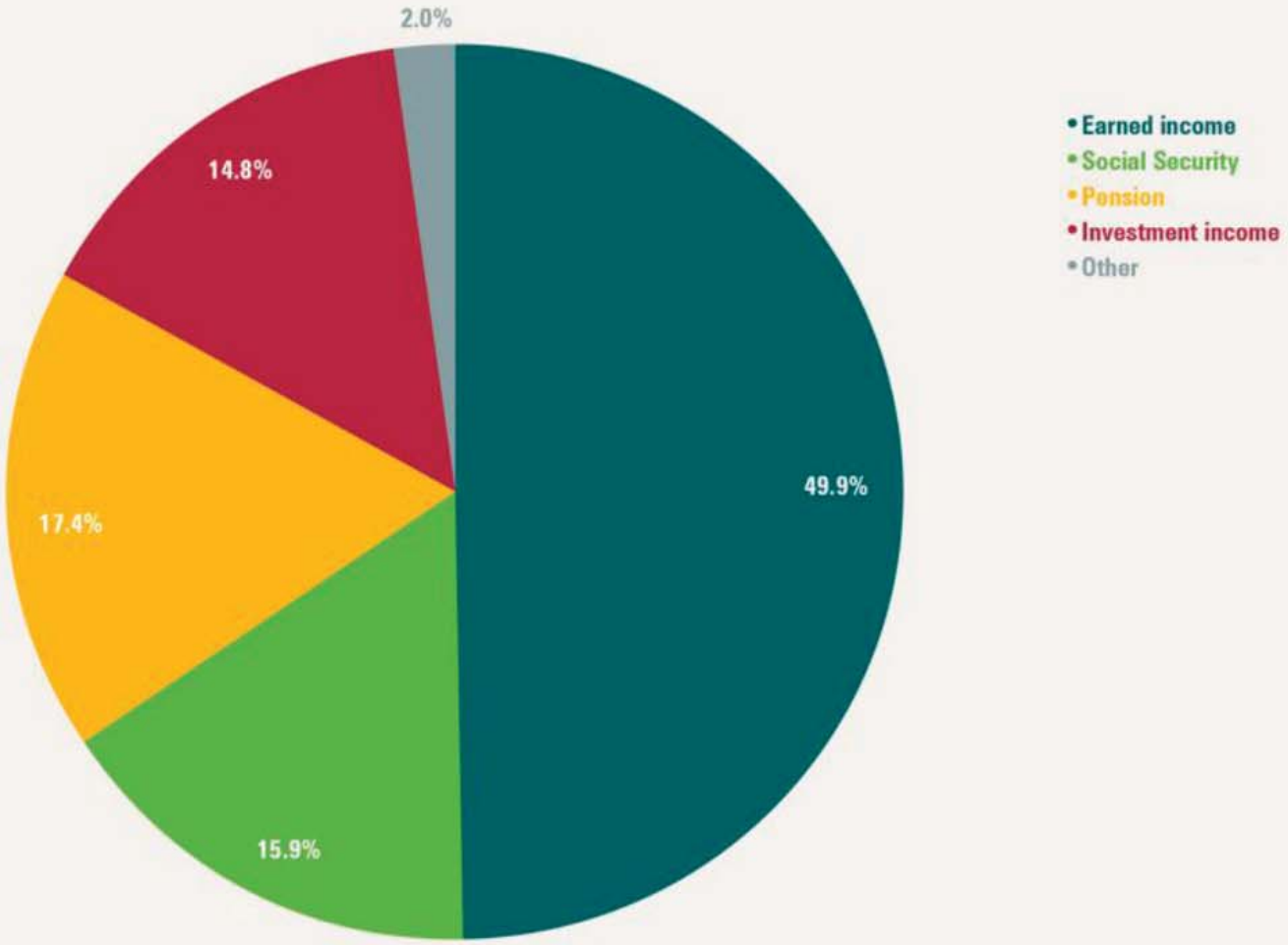
LIKE SLANT ON FACEBOOK: Like 74K

None of us expected to be here — broke or near broke, unemployed or underemployed, working part-time at a job we hate with little to nothing in our savings account.

- May 2015 study by the GAO on retirement preparedness found that half of American households have no retirement savings at all. This includes 401(k)s & IRAs
- 29% of households age 55 and older have neither retirement savings nor a pension.
- Among those ages 55 to 64 who do have some retirement savings, the median account value is $104,000.
- According to the Social Security Administration, the average retiree is receiving just $1,335 per month in benefit.

Prezi

Sources of Retirement Income



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Pension includes all defined benefit and defined contribution plans. Estimates are not guaranteed. © Morningstar. All Rights Reserved.

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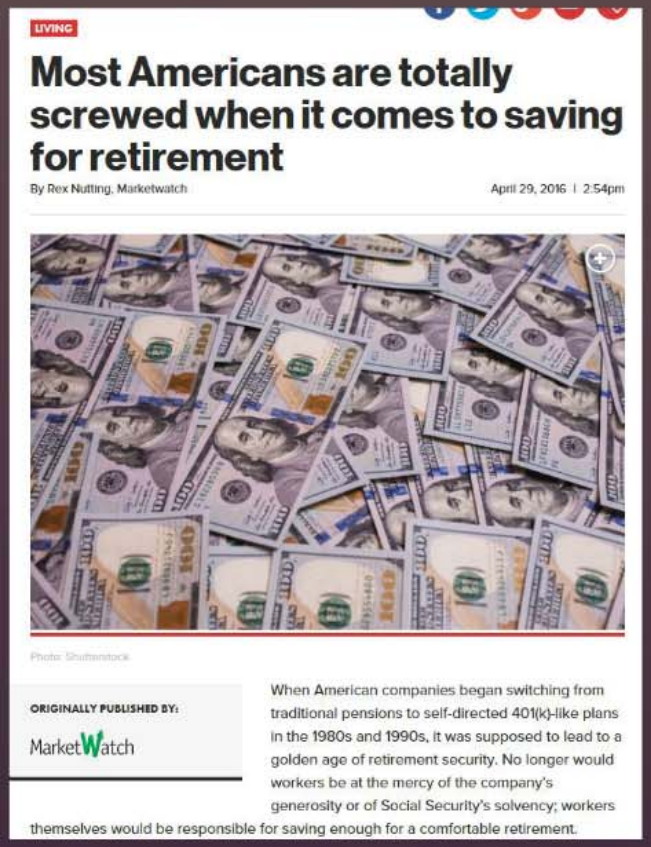

LIVING

Most Americans are totally screwed when it comes to saving for retirement

By Rex Nutting, Marketwatch

April 29, 2016 | 2:54pm

Photo: Shutterstock

ORIGINALLY PUBLISHED BY:

MarketWatch

When American companies began switching from traditional pensions to self-directed 401(k)-like plans in the 1980s and 1990s, it was supposed to lead to a golden age of retirement security. No longer would workers be at the mercy of the company's generosity or of Social Security's solvency; workers themselves would be responsible for saving enough for a comfortable retirement.

"When American companies began switching from traditional pensions to self-directed 401k-like plans in the 1980s and 1990s, it was supposed to lead to a golden age of retirement security...Some 30 years later, the results are in: The median working age-couple has saved only $5,000 for their retirement...The do-it-yourself system is a disaster."

"The sad fact is that most Americans are less prepared for retirement than Americans were 30 years ago. Few have enough pension wealth to make much difference in their lives once they stop working."

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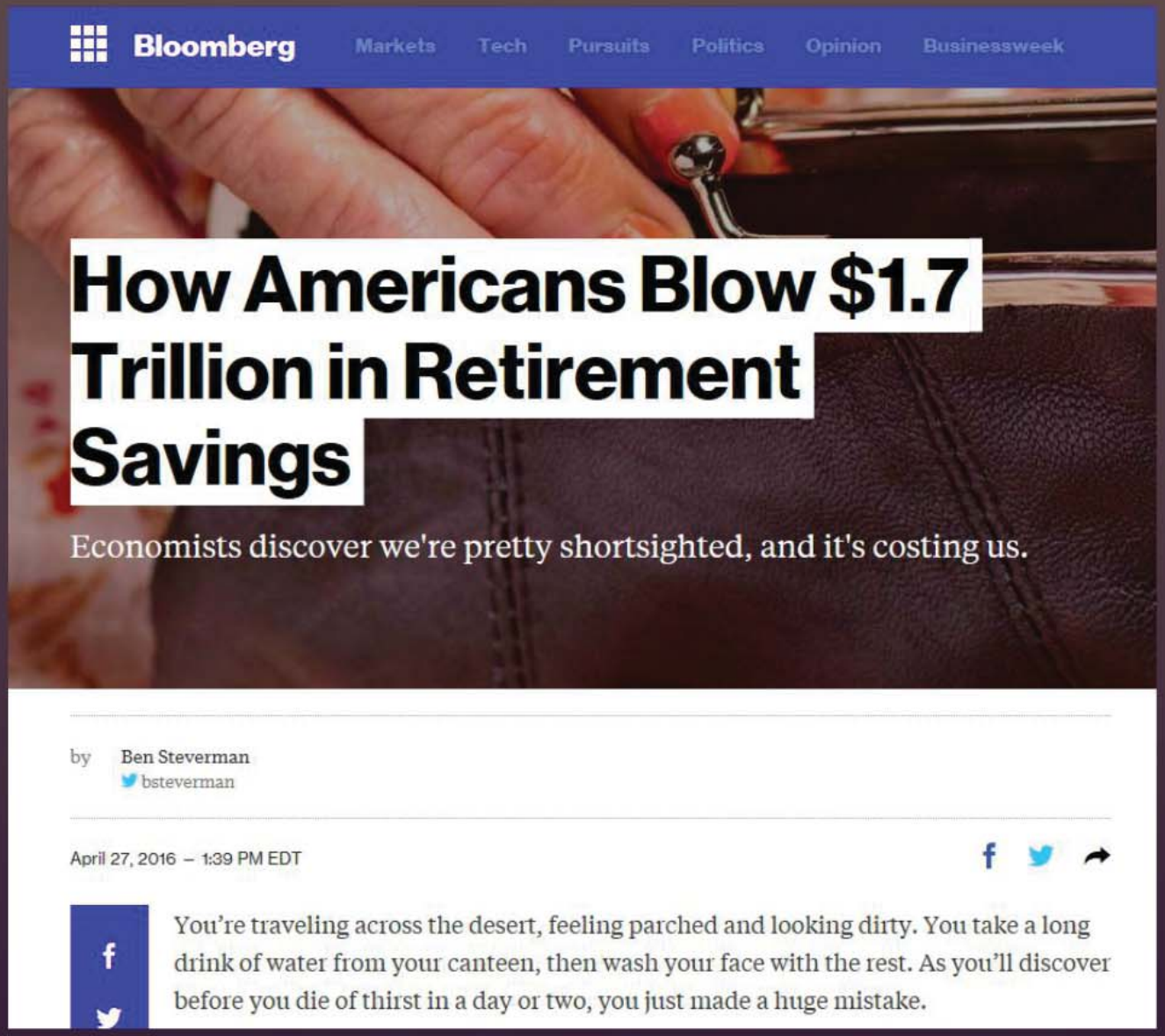
Present Bias
Exponential Growth Bias



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Employers Are Cutting Defined Benefit Pension Plans

Number of defined benefit plans 1975–2012

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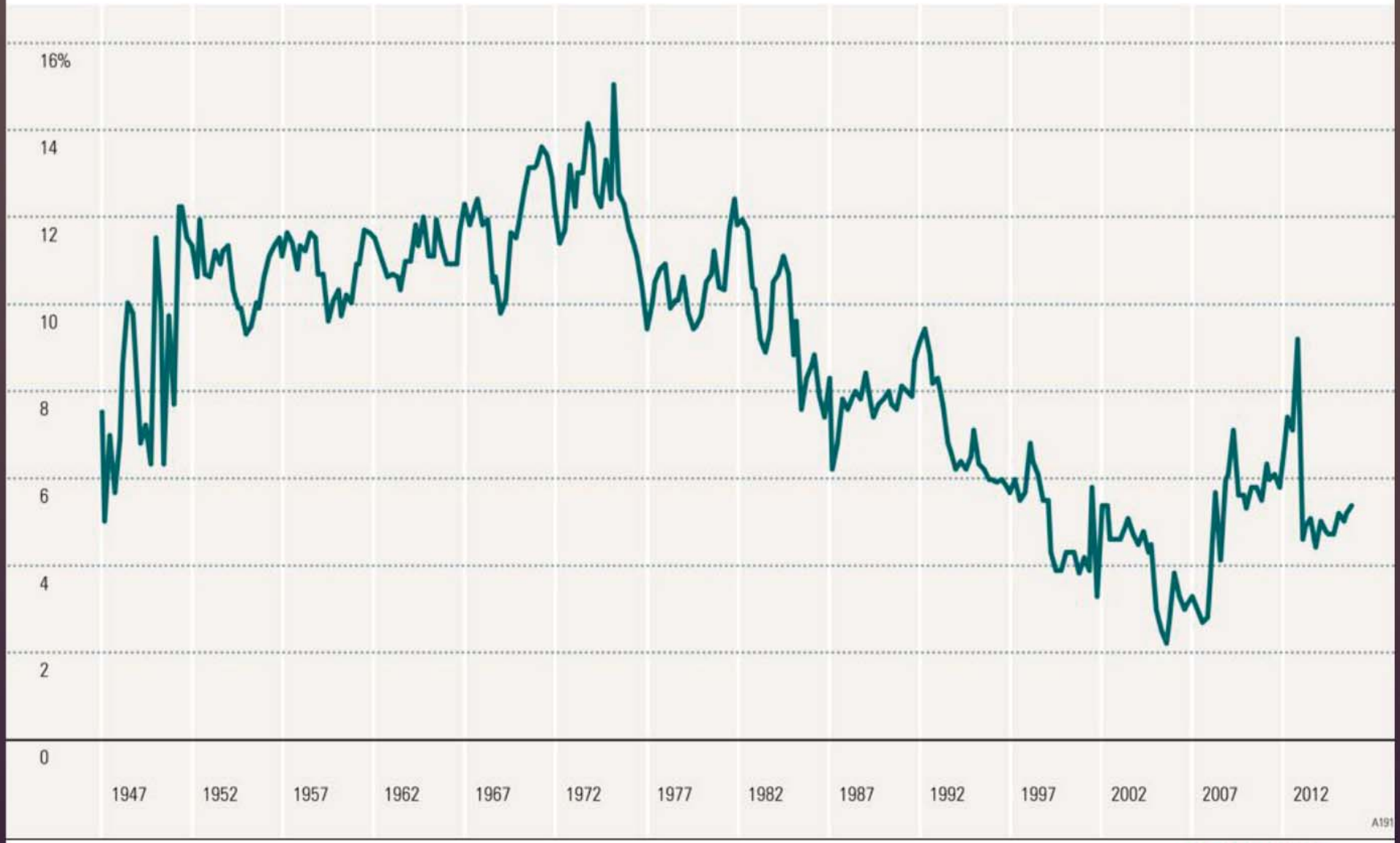
Most Americans Are Not Saving Enough for Retirement

Personal savings rate 1947–2015



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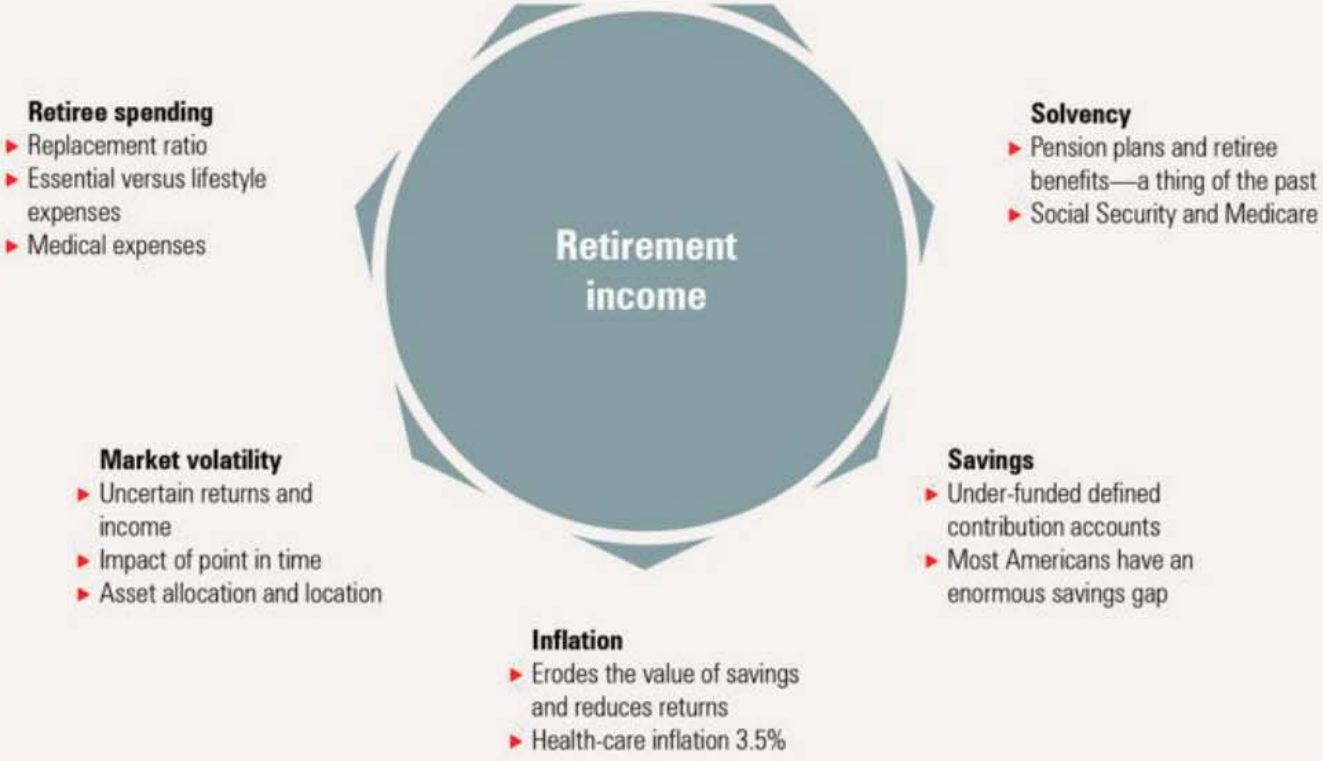
Retirees Face Numerous Risks



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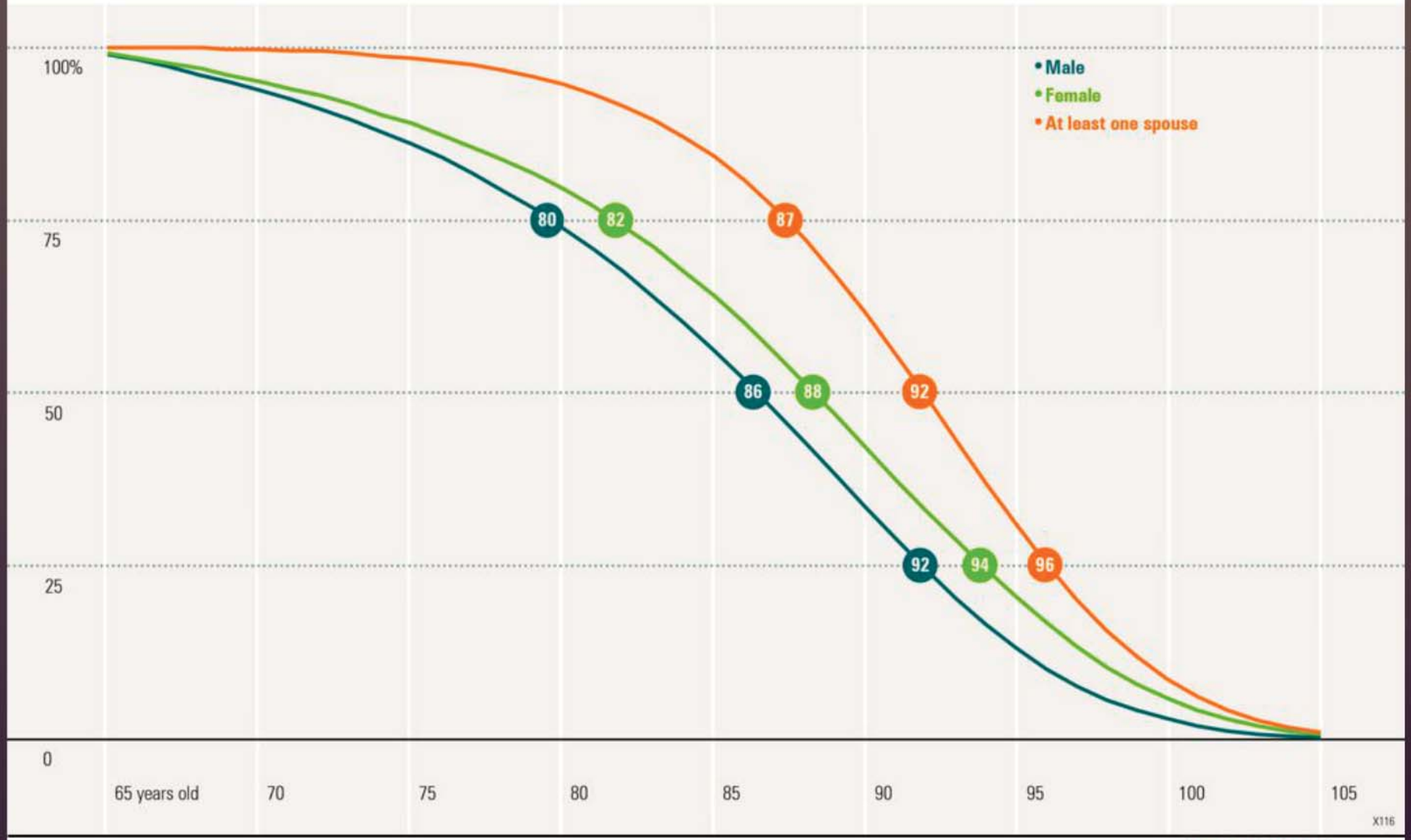
Retirees Should Plan for a Long Retirement

Probability of a 65-year-old living to various ages



Source: 2012 Individual Annuity Mortality Basic Tables, Society of Actuaries. © Morningstar. All Rights Reserved.

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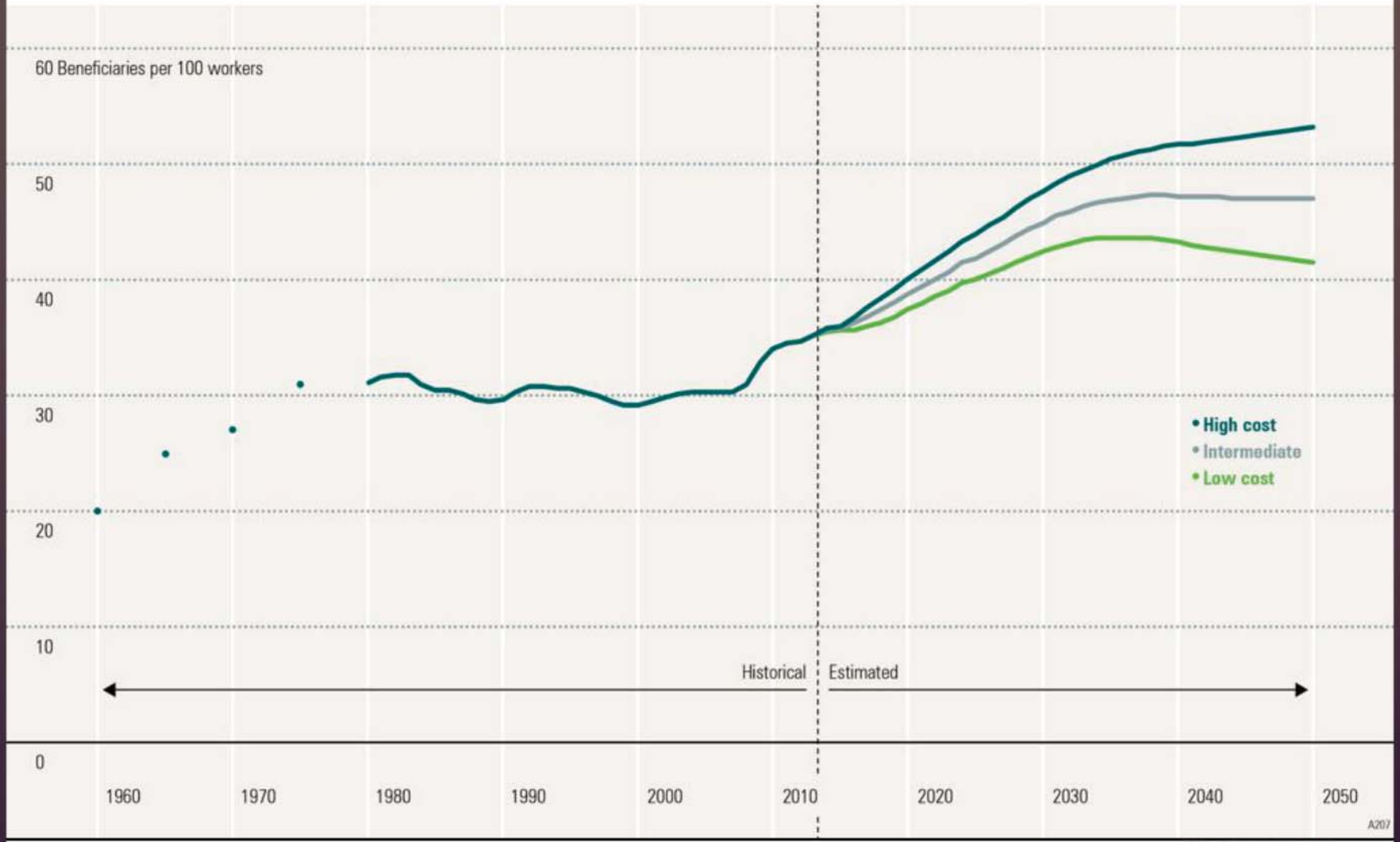
Social Security is Under Strain

Number of beneficiaries per 100 covered workers



Low-cost—assumes relatively rapid economic growth, low inflation, and favorable (from the standpoint of program financing) demographic and program-specific conditions; Intermediate—represents the Trustees' best estimates of likely future demographic, economic, and program-specific conditions; High-cost—assumes relatively slow economic growth, high inflation, and unfavorable demographic and program-specific conditions.

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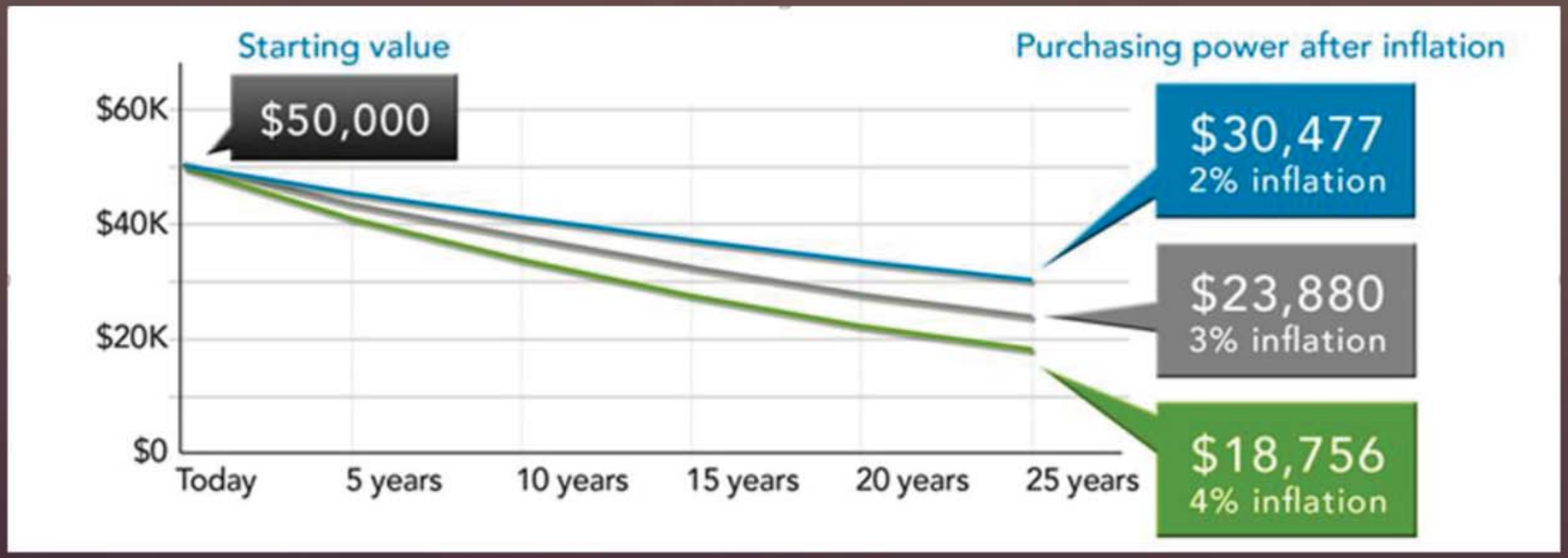
Why be in the market at all?



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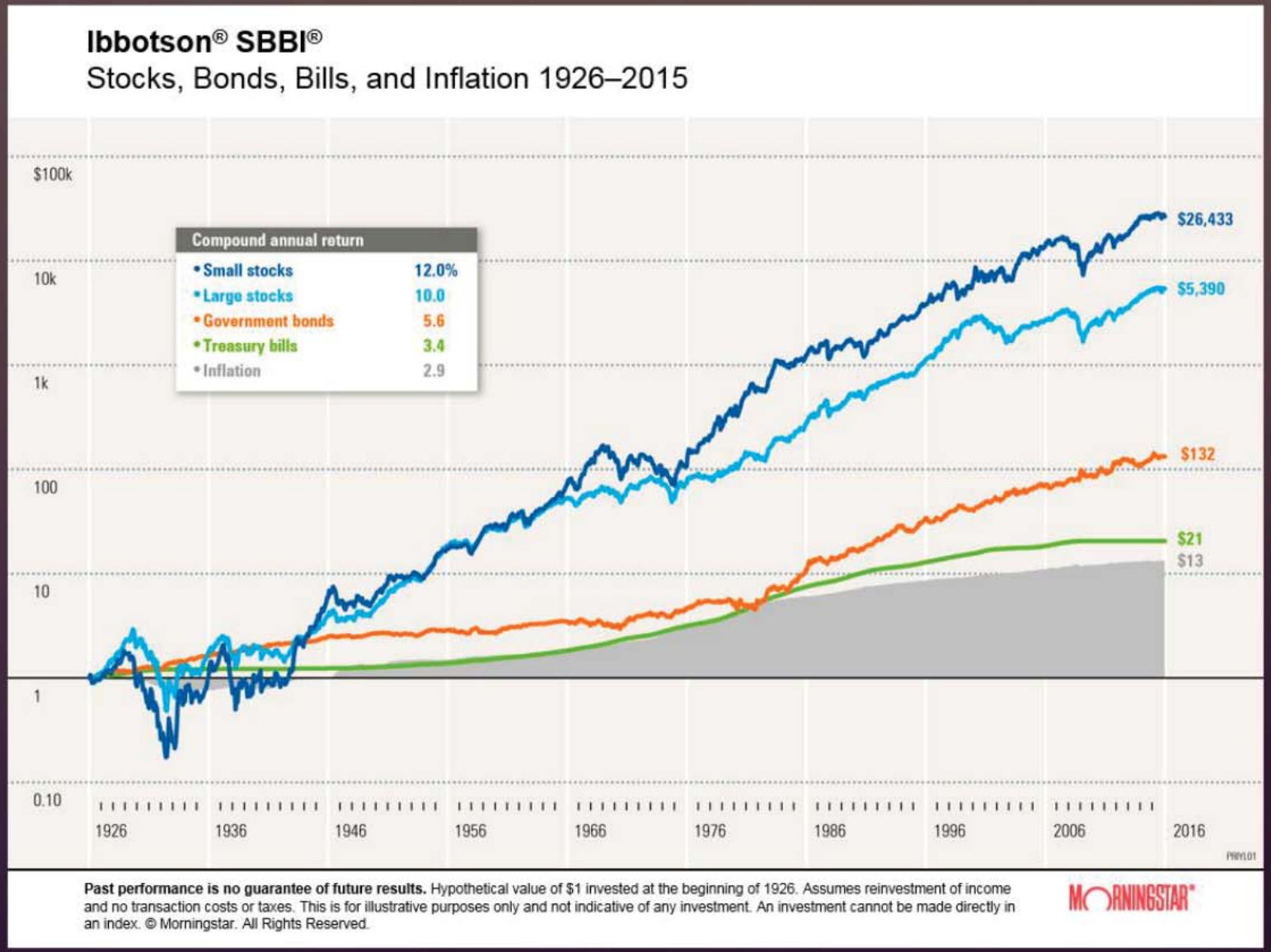

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Interesting & Useless Facts

When an NFC team wins the Superbowl, the market is up the following year 80% of the time.

In 2013, a 3,000 mile fiber optic cable was run under the North Atlantic from New York to London. The project, costing $300 million, reduced the trading time between the two exchanges by 5.2 milliseconds.

If you divide Bill Gates net worth by his age, he has accumulated over $100,000 for each hour he's been alive.

Apple's cash and investments are equal to the GDP of Hungary, and more than those of Vietnam and Iraq.

The 50 stocks in the S&P 500 with the lowest analyst ratings at the end of 2011 posted an average return of 23% in 2012, outperforming the index by 7%.

In August of 2000, Fortune magazine published an article titled "10 Stocks to Last the Decade." By December 2012, the portfolio had lost 74.3% of its value.

Prezi

Retirement Accounts

401k

- Retirement savings plan sponsored by an employer.
- Lets workers save and invest a piece of their paychecks before taxes are taken out.
- Taxes aren't paid until the money is withdrawn from the account.
- Many employers provide a match up to a certain percentage of pay.

Traditional IRA

- Tax deductible contributions (if you apply)
- Tax deferred growth
- Penalty plus tax on withdrawals before age 59 1/2 (with exceptions)
- Taxed at ordinary income rates upon withdrawal
- Required minimum distributions begin at 70 1/2
- No contributions after 70 1/2

Roth IRA

- Non-deductible contributions.
- Tax-free growth and withdrawals.
- No RMD requirement.
- Early withdrawals may or may not be penalized and taxed.
- Contributions can continue with earned income.

Contribution Limits

	2016
Traditional & Roth IRAs	$5,500
Age 50 and older	$6,500
401(k), 403(b) & most 457 plans	$18,000
Age 50 and older	$24,000
SIMPLE IRA & SIMPLE 401(k)	$12,500
Age 50 and older	$15,500
SEP IRAs	Lesser of 25% or $53,000
	20% if self employed

Prezi

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Investment Vehicles

Stocks

Actual equity stake (ownership) in the company.

Bonds

Debt obligations of the company. A fixed instrument paying a stated interest rate.

Mutual Funds

- A professionally managed investment fund that pools money from many investors to purchase securities.
- Help to provide diversification by allowing ownership in many companies with each share.

ETFs

An ETF is a fund that trades on an exchange much like stock. Many ETFs track an index.

Prezi

Stocks

Actual equity stake (ownership) in the company.

MarketWatch

Warren Buffett buys more Wells Fargo stock on a dip

Published: Mar 29, 2016 7:29 p.m. ET

31

Buffett's Berkshire Hathaway boosts Wells Fargo stake to 504.3 million shares, or 10%

By TOMI KILGORE
REPORTER

Warren Buffett showed that the selloff in Wells Fargo & Co.'s stock this year has just made him love the banking giant even more, as he boosted his stake in the company to 504.3 million shares, according to regulatory filings.

Buffett's investment vehicle Berkshire Hathaway Inc. **BRK.B, +0.15%** now owns 10% of Wells Fargo's common stock outstanding, making him by far the largest shareholder. That is up from 479.7 million shares, or a 9.45% stake, as of Dec. 31,

Prezi

Bonds

Debt obligations of the company. A fixed instrument paying a stated interest rate.

MarketWatch

THE WALL STREET JOURNAL

Apple to issue $10 billion to $12 billion of bonds to finance share buybacks, dividends

Published: Feb 16, 2016 1:41 p.m. ET

97

Apple leads a slate of issuers tapping the corporate bond market

By MIKE CHERNEY

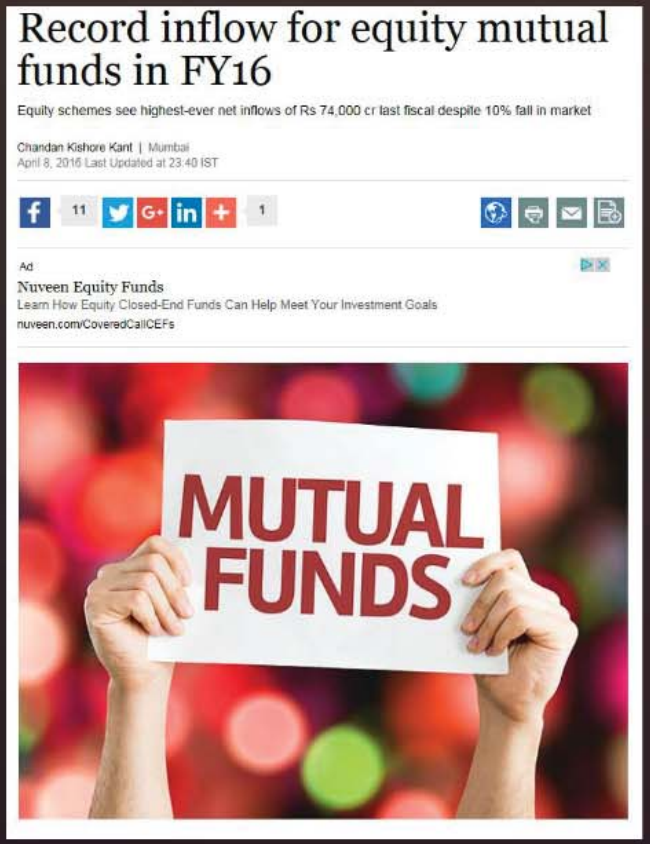
Apple Inc. was leading a slate of new bond sales on Tuesday after a nearly two-week lull, suggesting investors are still eager to lend to big blue-chip companies despite concerns that a global recession could be developing.

The tech giant, a prolific issuer in recent years as its overseas cash pile has grown, is

Prezi

Mutual Funds

- A professionally managed investment fund that pools money from many investors to purchase securities.
- Help to provide diversification by allowing ownership in many companies with each share.



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ETFs

FINANCE MAGNATES

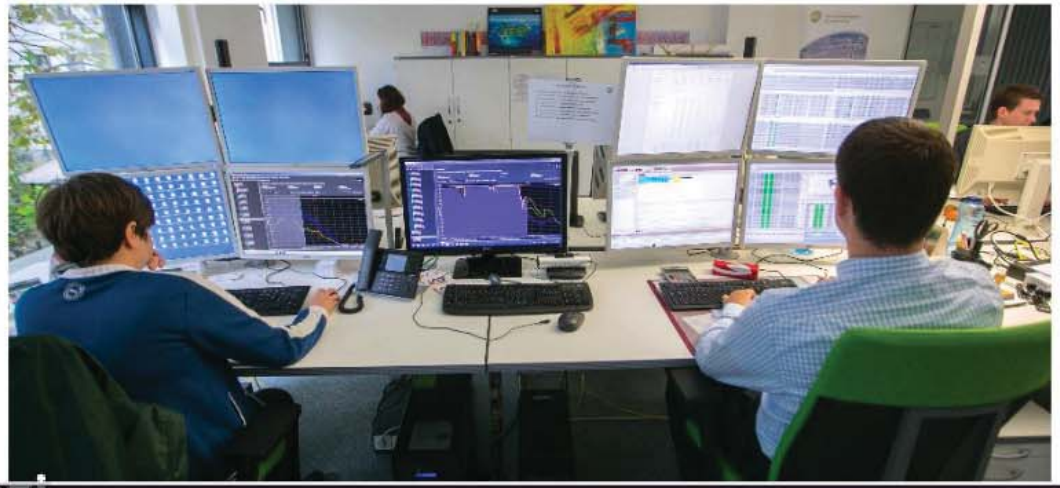
News Research Events Directory

FM Home > Institutional FX > Execution > ETF Industry Assets Grow in Q1 2016, New Flows Suffer Declines

ETF Industry Assets Grow in Q1 2016, New Flows Suffer Declines

ETF growth across the industry in Q1 was fueled by the retail space, climbing to $2.3 trillion overall.

Jeff Patterson | Execution (Institutional FX) | Thursday, 28/04/2016|12:51 GMT



An ETF is a fund that trades on an exchange much like stock. Many ETFs track an index.

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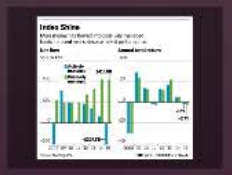
Active v. Passive Investments

ETFs & Index Funds

- Exchange Traded Fund (ETF) - a fund that trades on the exchange much like a stock. Most ETFs track indexes and have lower expenses than actively managed mutual funds.
- Index Fund or ETF - follows a specific benchmark index as closely as possible.

The debate of Active v. Passive.



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Forbes / Investing

APR 20, 2016 @ 10:21 AM 501 VIEWS

Neither Active Nor Passive Management Are Always Right

Great Speculations

Buys, holds, and hopes

FULL BIO >

Opinions expressed by Forbes Contributors are their own.

David Thomas, Contributor

For the first time since the 2008 financial crisis, the mutual fund industry saw an outflow from professionally managed funds last year. According to Morningstar, active funds saw an outflow of $207 billion in 2015 while their passive counterparts saw a gain of $413 billion. This suggests that not only was new money pouring into index funds, but also many actively managed funds were liquidated to further increase indexed investments. The trend is prevalent in both equity and fixed income.

Are the days of money managers numbered? There are trillions of dollars in active management, and trillions in passive management. There is no clear "right or wrong" way to manage money. Making informed and educated decisions on the correct path for a specific pool of assets is the most important issue.

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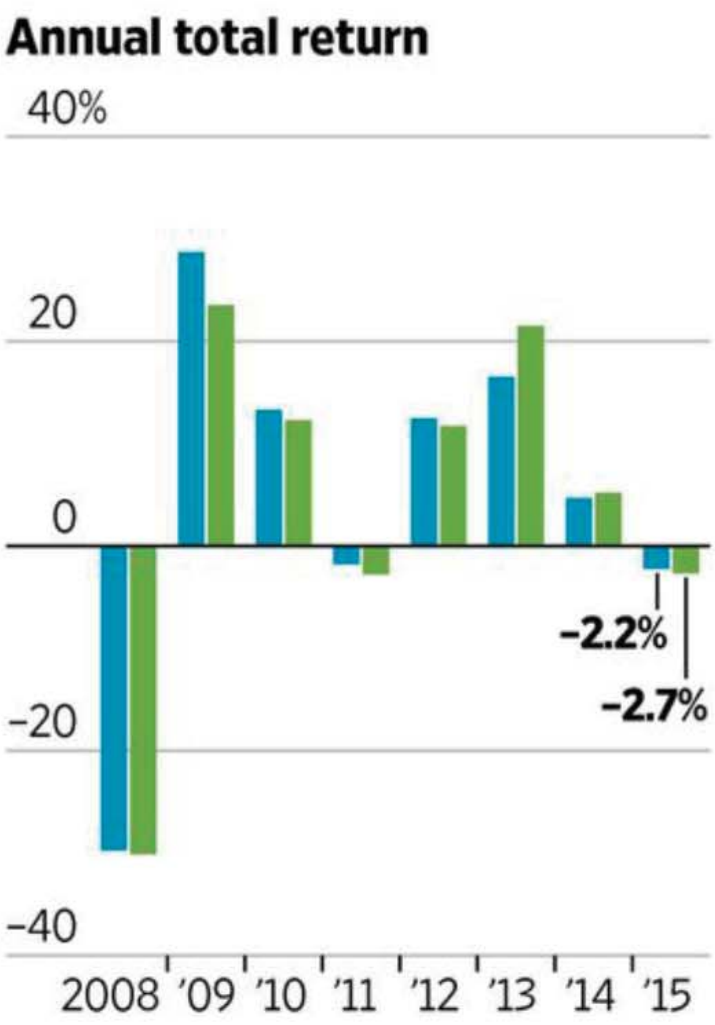
Index Shine

More money has flowed into passively managed funds in recent years, despite mixed performance.



Source: Morningstar

THE WALL STREET JOURNAL.

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Asset Allocation in Important!

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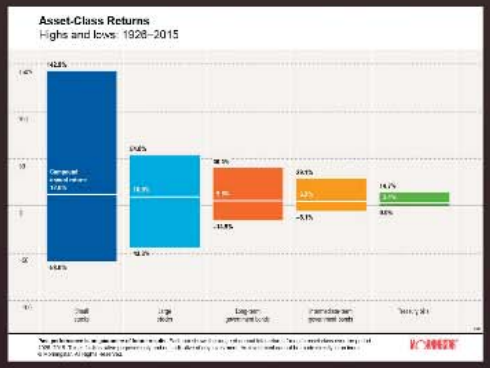

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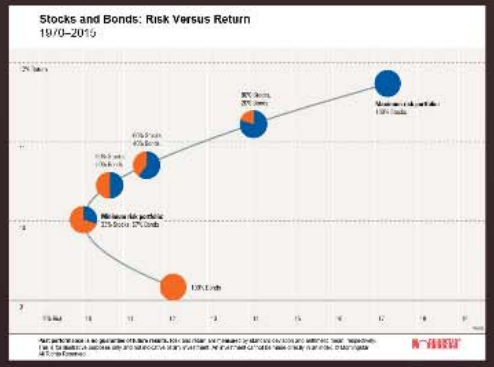

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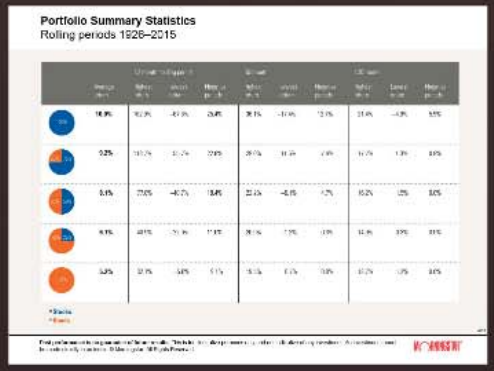

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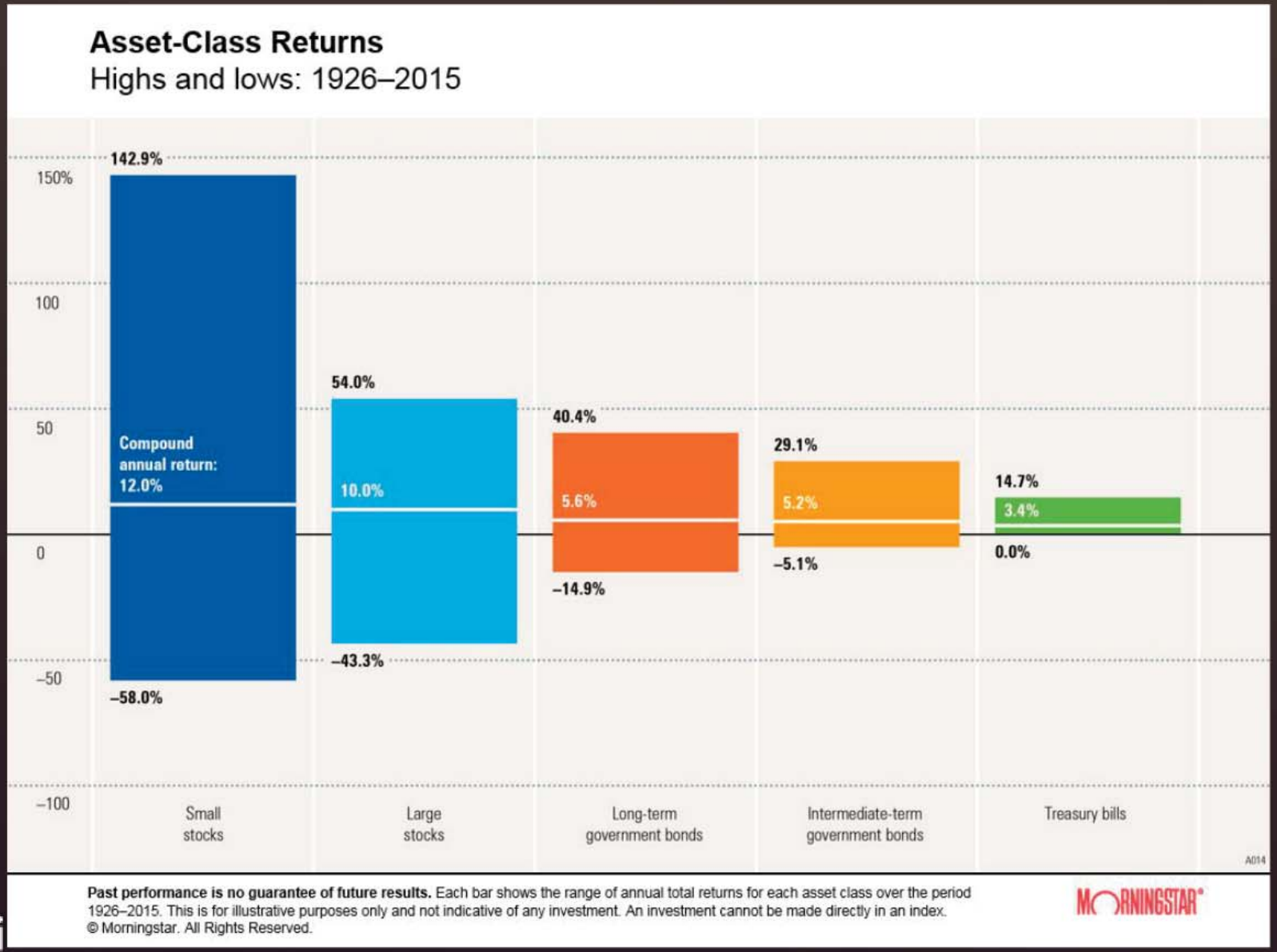

Past performance is no guarantee of future results. Each bar shows the range of annual total returns for each asset class over the period 1926–2015. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index.

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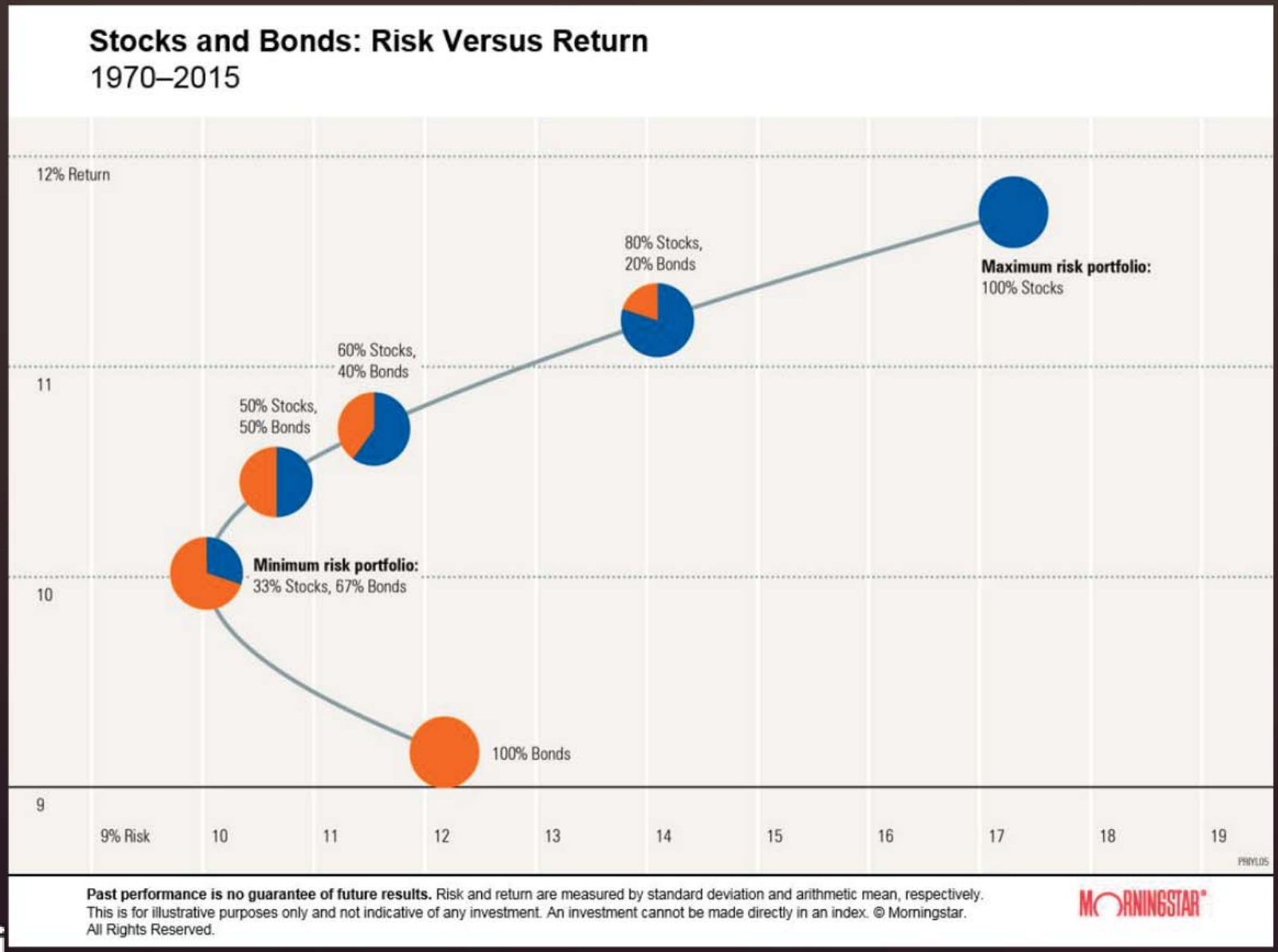
Asset Allocation is Important!



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Asset Allocation is Important!

Portfolio Summary Statistics
Rolling periods 1926–2015

		12-month holding period			60-month			120-month		
	Average return	Highest return	Lowest return	Negative periods	Highest return	Lowest return	Negative periods	Highest return	Lowest return	Negative periods
	10.0%	162.9%	–67.6%	25.4%	36.1%	–17.4%	12.7%	21.4%	–4.9%	5.5%
	9.2%	118.7%	–55.7%	22.8%	29.0%	–11.5%	7.4%	17.7%	–1.3%	0.9%
	8.1%	77.8%	–40.7%	18.4%	22.2%	–6.1%	4.7%	16.2%	1.5%	0.0%
	6.7%	40.9%	–22.0%	11.0%	20.0%	–1.2%	0.3%	14.9%	3.3%	0.0%
	5.2%	32.7%	–5.6%	9.1%	19.5%	0.7%	0.0%	13.7%	1.2%	0.0%

• **Stocks**
• **Bonds**

A149

Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. © Morningstar. All Rights Reserved.

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Benefits of Starting Early

Scenario 1

- $100/month for 40 years averaging 8% is $335,737
- Only contributed $48,000

- $100/month for 20 years averaging 8% is only $59,307.50
- Contributed $24,000

- Starting at 45, you would have to contribute $565/month to end up with the same amount as the person who starts with $100/month at age 25. You would have put in $135,600 to end up with the same amount as the person who put in $48,000.

Scenario 2

- Max out your Roth from age 45 to 65 - 8% average return
- Total value at 65 - $271,628.37 on contributions of $109,920

- Max out your Roth from age 25 to 65 - 8% average return
- Total value at 65 - $1,537,676.59 on contributions of $219,840

- **Full amount is tax free**

Scenario 3

- Age 25-35 - $100/month 401k contribution with $100 company match
- Age 35-45 - $200/month 401k contribution with $200 company match
- Age 45-55 - $300/month 401k contribution with $300 company match
- Age 55-65 - $400/month 401k contribution with $400 company match

- Total value at 65 averaging 8% return - $1,121,268.71

- Total contributions of $96,000

- **Only $48,000 came out of your pocket**

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- Age 55-65 - $400/month 401k contribution with $400 company match

- Total value at 65 averaging 8% return - $1,121,268.71

- Total contributions of $96,000

- **Only $48,000 came out of your pocket**

Prezi

Even More Interesting & Useless Facts

The United States generates more than 20% of the world's GDP with about 4% of the world's population.

It's estimated that 10,000 baby boomers retire every day, and that trend will continue until 2030.

Since finishing at a bear market low on 3/9/09, the S&P 500 has gained 254%

The split between "up" days and "down" days for the S&P 500 is 54/46 for the last 100 trading days (through 5/6/16), 54/46 for the last 1,000, and 53/47 for the last 10,000 trading days.

$1,000 invested in Berkshire Hathaway in 1970 would be worth $5.28M today. (BRK.A closed at $41/share at the end of 1970. On 5/10/16, BRK.A closed at $216,680)

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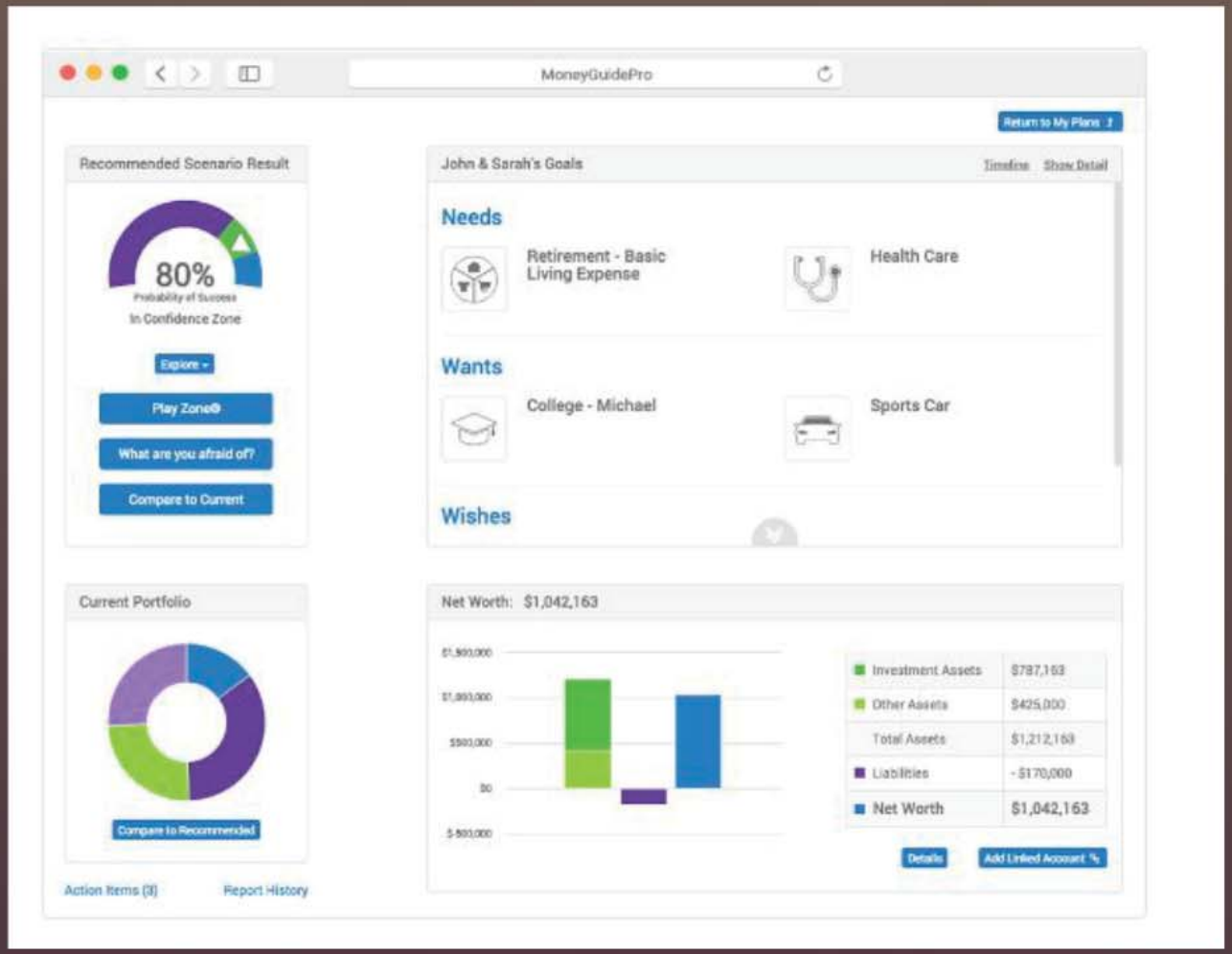
MoneyGuidePro



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Personal Information

	Client (C)			Co-Client (Co)		
Name						
Date of Birth	/ /	Gender	☐M ☐F	/ /	Gender	☐M ☐F
Employment Income	$	or ☐ Retired		$	or ☐ Retired	
Marital Status		State of Residence				

Children and Grandchildren (or any other Participant included in this plan)

Name	Date of Birth	Relationship
	/ / age:_____	
	/ / age:_____	
	/ / age:_____	

Retirement Age and Living Expense

When would you like to retire? Enter your Target Retirement Age. Then, indicate how willing you are to delay retirement beyond that age, if it helps you fund your Goals. Then, indicate your living expense amount.

	Client (e.g., age 65)	Co-Client (e.g., age 65, together)	
At what age would you like to retire?			☐ Use My Estimate $_____ ☐ Use Program Estimate* *Your living expense will be estimated (approximately 60%-70% of total employment income) and two goals will be created: Basic Living Expense (Need) and Extra Living Expense (Want).
How willing are you to retire later?	☐ Not at All ☐ Slightly ☐ Somewhat ☐ Very	☐ Not at All ☐ Slightly ☐ Somewhat ☐ Very	

Lifestyle Goals

Lifestyle Goals are above and beyond what you need to pay for basic expenses. Rate the importance of each Goal on a scale of 10 ⟷ 1. This will identify your goals by Needs (10, 9, 8), Wants (7, 6, 5, 4), and Wishes (3, 2, 1).

Most Common Goals		Other Goals		
Car	College	Wedding	New Home	Celebration
Travel	Home Improvement	Major Purchase	Start Business	Provide Care
Health Care	Gift or Donation	Leave Bequest	Private School	

Importance High Low 10 ⟷ 1	Description	Start Year	Start At Retirement C	Co	Both	Target Amount	How Often	How Many Times
8	*e.g., Ann's Lexus*	*2017*	☐	☐	☐	$ *35,000*	*Every 4 Yrs*	*5*
			☐	☐	☐	$		
			☐	☐	☐	$		
			☐	☐	☐	$		
			☐	☐	☐	$		
			☐	☐	☐	$		

Social Security Benefits

	Client	Co-Client
Are you eligible?	☐ Yes ☐ No ☐ Receiving Now	☐ Yes ☐ No ☐ Receiving Now
Amount of benefit	$ ☐ Use Program Estimate ☐ Primary Insurance Amount (PIA) $ _____	$ ☐ Use Program Estimate ☐ Primary Insurance Amount (PIA) $ _____
When to start	☐ at Full Retirement Age (per Social Security) ☐ at age _____ ☐ at retirement	☐ at Full Retirement Age (per Social Security) ☐ at age _____ ☐ at retirement

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$ Retirement Income (pension, part-time work, rental property, annuities, royalties, alimony)

Description	Owner		Monthly Amount	Starts	Ends	Inflates?	% Survivor (Pension Only)
	C	Co					
	☐	☐	$			☐	%
	☐	☐	$			☐	%

Investment Assets

Estimate of overall allocation: Cash _____% Bond _____% Stock _____%

Description	Client		Co-Client	
	Value	Annual Additions	Value	Annual Additions
Total Employer Retirement Plan	$	$	$	$
Total Traditional IRA	$	$	$	$
Total Roth IRA	$	$	$	$
Total Tax-Deferred	$	$	$	$

Joint Assets	Value	Annual Additions	Joint Assets	Value	Annual Additions
Total Taxable	$	$	Total Tax-Free	$	$

Extra Savings

Enter the maximum extra (additional) amount you could save each year:	$	How willing are you to save more?	☐ Not at All ☐ Slightly ☐ Somewhat ☐ Very

Life Insurance - *complete this section to have your Life Insurance coverage reviewed & analyzed.*

	Client	Co-Client	Notes (e.g., premiums, beneficiaries)
Group/Term Life Insurance	☐ Yes ☐ No	☐ Yes ☐ No	
Death Benefit	$	$	
Cash Life Insurance	☐ Yes ☐ No	☐ Yes ☐ No	
Death Benefit	$	$	
Cash Value	$	$	

Risk Score

How much market risk are you willing to accept? On a scale of 1 to 100, with 1 being the lowest risk and 100 being the highest risk, what's your risk score?

Household	Client	Co-Client

Two thirds of all investors score between 40 and 60, and only 1 in 1000 select a score lower than 20 or greater than 80. Does your score feel right as you compare yourself to others?

	Household			Men			Women		
Age Group	> 64	50-64	< 50	> 64	50-64	< 50	> 64	50-64	< 50
Avg Score	47	50	54	50	54	59	45	48	52

Notes

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