3 WAYS TO HELP DISASTER-PROOF

Your Retirement Plan

Wealth Enhancement Group®

ARE YOU CONFIDENT THAT YOUR MONEY WILL LAST AS LONG AS IT NEEDS TO?

Top Retirement Planning Concerns

Financial planning would be simple if we knew exactly how long we'll live, what emergencies will pop up along the way and how our lives will change over time. Because we don't have the answers to those questions, it's only natural that you should worry about your retirement plan. We created this guide to help walk you through some ways to take control of the things you can control and help to ease concerns along the way.

And those of you who are worried aren't alone. The American Institute of CPAs Personal Financial Trends Survey showed that having enough money underlies top retirement planning concerns across all income levels.

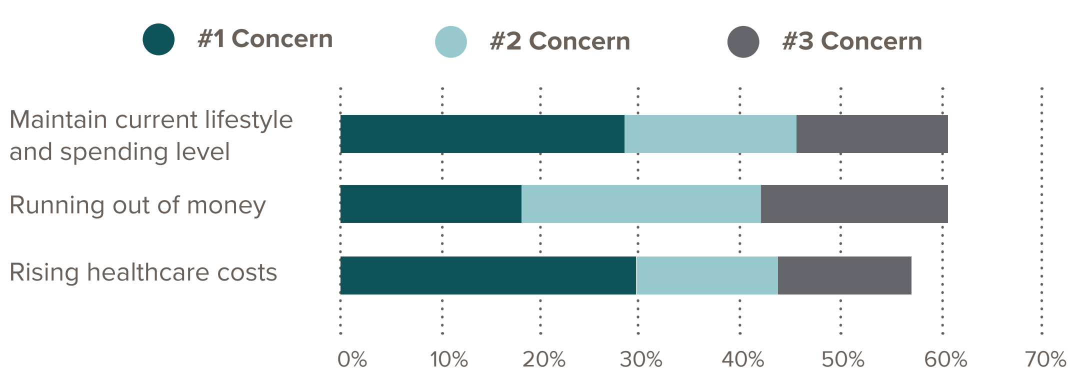
Maintaining Lifestyle Spending Throughout Your Life

According to the 2019 report, over 57% of people are worried about running out of money and 61% of people are worried they won't be able to keep up with lifestyle spending needs in retirement. These are valid concerns given that people are living longer and retirements are lasting 35 years or more.

This means our longevity risk is higher than any generation before us. Our money not only needs to last longer, but it also needs to weather issues like inflation and market volatility. While both of these risks are inevitable, if they hit at the same time, it could be a major blow to your savings—which is why it's so important to plan ahead.

Rising Costs of Health Care

One of the things people spend the most money on late in life is health care. So, the more than 60% of people worried about health care costs have good reason to be. According to HealthView Services 2019 Retirement Health Care Cost Data Report, a healthy 65-year-old couple could expect to spend as much as $662,156[1] on health care insurance premiums and out of pocket costs throughout their lifetimes. According to Genworth Financial, the average cost of long term care in the U.S. in 2021 was between $7,900-$9,034 a month.[2]



% of CPAs that identified this as a concern of their clients
Source: 2018 AICPA Personal Financial Planning Trends Survey

[1] https://hvsfinancial.com/wp-content/uploads/2020/12/2021-Retirement-Healthcare-Costs-Data-Report.pdf
[2] www.genworth.com/aging-and-you/finances/cost-of-care.html

Focus on what you can control.

The truth is, we don't know what will happen down the road or how much it could cost us. But we also don't believe it's productive to spend time and energy worrying about all the things that might happen. That would be an impossible task with the speed at which our world is changing and all of the unknowns that come as we age.

The good news is that thoughtful and strategic planning today can help ensure the problems that arise don't become financial disasters. In this guidebook, we'll discuss some of the most common challenges you may face and cover three things you can do to help lessen their impact should they happen to you. The real retirement disaster would be not taking steps now to help protect your retirement from the setbacks and pitfalls that could occur at some point in the future.

Luckily, there are strategies you can implement now to create a comprehensive plan for retirement.

ONE

Implement a sustainable retirement income strategy

Do you know how much you can afford to withdraw from your savings each year of retirement? We discuss making that decision and the risks involved.

TWO

Invest in an all-weather portfolio

Are you diversified against the potential pitfalls that could come your way in the next 30 to 40 years? We explain what effective diversification is and give you tips on how to implement these strategies into your portfolio.

THREE

Personalize your plan

What unique issues could put your retirement plans at a greater risk? We explain the process of creating a truly personalized, comprehensive retirement income plan.

ONE

IMPLEMENT A SUSTAINABLE RETIREMENT INCOME STRATEGY

At its most basic, a retirement income plan is an analysis of what withdrawal rate you can safely use to ensure that your savings will last as long as you need it to.

What does it mean to have a sustainable retirement income strategy? It goes back to the retirement risks we discussed. A sustainable retirement income strategy can help address a number of risks, including longevity risk, inflation risk and market risk.

LONGEVITY RISK

Creating a financial plan would be awfully easy if we could pinpoint the day we would die and backtrack exactly how much money we need to get there. But since that's not the reality, we have to plan for how long we could live. Planning for this risk takes family medical history, current health conditions and a number of other factors into consideration.

INFLATION RISK

Rather than costing you money, inflation lowers the value of the money you've already saved. It's one of the few items we know for certain will impact our retirement accounts, but what we don't know is by how much. And even though we know it exists, inflation is an often-overlooked risk when it comes to retirement but it's an important piece to consider in your retirement plan.

MARKET RISK

If you're like the vast majority of retirees today, some portion of your retirement savings is invested in the stock market. All investments come with a risk, but the value of stocks are notorious for their ability to fluctuate dramatically over time. Because of this, your risk tolerance and risk capacity are huge factors in deciding how much of your savings should be in the stock market versus other, less volatile options to keep your retirement on track.

A sustainable retirement income strategy should:

- Balance sufficient growth to ensure that your money will withstand inflation pressures while mitigating market-related risk exposure
- Incorporate tax diversification so you can keep more of what you earn and have flexibility when choosing which sources to withdraw from at any given time
- Provide access to sufficient cash, not only for your expenses and lifestyle spending needs, but also for emergencies

We use a tool called the Your Money Matrix™.

The Your Money Matrix allocates your savings into short-term, mid-term and long-term “buckets” and then organizes them by tax treatment. The Your Money Matrix can help you identify holes you may need to fill in your savings plan. It also allows you to calculate more meaningful growth projections based on how much you have in each bucket.

	TAXABLE	TAX-DEFERRED	TAX-ADVANTAGED
Short-Term	Bank Account Small Business Note Receivable	IRA Account A	
Mid-Term	Social Security (Spouse 1) Social Security (Spouse 2)	IRA Account B IRA Account C IRA Account D	
Long-Term		IRA Account E IRA Account F	Roth IRA A Roth IRA B Whole Life

One benefit of using this approach is that it allows you to actively manage your market risk and your inflation risk. For example, short-term money should have very little-to-no stock exposure, reducing your overall market risk. And your long-term money will be tilted toward stocks, which will hedge against inflation risk. Balancing these two risks protects your short-term money, but allows you to grow your long-term money which, in turn, helps address longevity risk.

When you use an approach like the Your Money Matrix, you can see how your money is allocated, make adjustments, and have flexibility to address issues as they arise so you’ll feel more confident in your retirement plan.

> **“ The Your Money Matrix can help you identify holes you may need to fill in your savings plan.**

TWO

INVEST IN AN "ALL-WEATHER PORTFOLIO"

You know you're supposed to diversify, but what does that really mean? For many people, it means having a mix of stocks, bonds and alternative investments, but smart investing goes far beyond asset allocation.

All investments come with inherent risk, but how much risk you can take on will depend on your timeline, spending needs, current assets and risk tolerance. We combine these to determine a target rate of return and then apply our four pillars to create an all-weather portfolio that attempts to balance risk, while striving for a stable return.

Simply put, our investment philosophy relies on four pillars of investing to help increase your risk-adjusted returns without increasing your exposure to risk.

So in this scenario, the allocation of your investments as stocks or bonds was trivial relative to the underlying risk held by Lehman Brothers that inevitably caused them to go out of business.

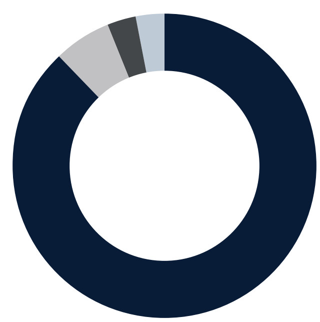
PILLAR 1: Effective Diversification

Effective diversification means diversifying your investments according to their underlying source of risk. Risk sources include interest rate risk, company risk, inflation risk and manager skill risk. Let's look deeper at company risk to illustrate the importance of diversifying across all sources of risk.

Looking at the two pie charts shown, it's easy to think that the one labeled "Asset Allocation" is diversified. However, the two charts actually show the same portfolio—the "risk contribution" chart shows how much underlying risk in the portfolio is tied to company and other risk factors.

ASSET ALLOCATION*

- U.S. Large Cap
- International Equity
- U.S. Fixed Income
- EM Debt
- U.S. Small Cap
- EM Equity
- High Yield Bonds
- Alternatives



RISK CONTRIBUTION

- Company Risk
- Purchasing Power Risk
- Interest Rate Risk
- Manager Skill Risk

*Investing involves risk, including possible loss of principal. Asset allocation does not ensure a profit or protect against a loss. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

For instance, if you had held Lehman Brothers stock in your equity portfolio and Lehman Brothers bonds in your fixed-income portfolio, you would have held assets that belong to two different asset classes, but the risk you held was not linked to the asset class—it was linked to Lehman Brothers. This is a good illustration of how company risk can be hidden in an otherwise diverse-looking asset allocation breakdown.

Remember, this example only shows the potential impact of company risk—you also need to manage for interest rate risk, inflation risk and manager skill risk. Many investors have been led to believe that owning assets in a variety of classes will keep their money safe. We believe that effective diversification goes much deeper because assets across classes can have similar risk exposures. By identifying the underlying sources of risk, we can build truly diversified portfolios and help you feel more confident that your money is able to weather a financial rainy day.

PILLAR 2: Active Management

When we talk about active management, it's important to note that we are not talking about active security selection—an investment approach where a manager tries to pick which stocks he or she thinks will beat the market. We do not believe the market is predictable in the short-term and we cannot tell you what the markets will do tomorrow, next week or next month. On top of that, it's nearly impossible to tell whether an investment manager practicing active security selection is skilled, or simply lucky.

Instead, we're actively monitoring markets globally in order to avoid bubbles and find opportunities. Our investment managers leverage Nobel Prize-winning research that shows markets are predictable over three to five years to inform our investment decisions and build balanced portfolios for our customers. When possible, we believe in tactically changing allocations to move into positions that we believe are undervalued and move away from positions we see as being overvalued with the goal of producing more stable growth.

PILLAR 3: Cost Efficiency

Whether you are investing on your own or with an advisor, fees are a fact of life. But if you're going to pay fees, you should make sure you're getting your money's worth for them. Research from the investment firm Vanguard shows that the value of good financial advisors may cover their fees over time.[3] The study found that advisors add value through managing client accounts, negotiating for lower fees on your investments and helping you to find holes in your investment strategy to help increase your returns.

By delivering cost efficiency within your portfolio, we focus on providing real value for the fees we charge. We do this by leveraging our size and scale to negotiate lower transaction and custody fees compared to rates paid by individual investors. We believe it makes sense to pay for things that demonstrate added value like planning, advice and academically-supported sources of return.

> **By focusing on cost efficiency we can help keep fees from eating into your returns.**

PILLAR 4: Tax Efficiency

The whole goal of tax efficiency in investments is to help you keep more of your hard-earned money so you can enjoy the retirement you deserve. It pays to focus on tax implications because you could potentially increase your after-tax returns.

You saw one example of tax-efficient investment planning with the Your Money Matrix in the last section. In addition to being tax-smart when it comes to investing and withdrawing, it's also important to think about potential tax implications when selecting securities.

FOR EXAMPLE

Most mutual funds pay out cash in the form of dividends or capital gains distributions. It's not unusual for an investment to have negative performance in a year and to still distribute cash due to realization of gains or income within the fund itself. Such distributions could still be treated as taxable if held in a taxable account.

Other tax-efficient strategies include tax loss harvesting and tax-efficient portfolio conversions. Tax loss harvesting is a strategy where investors sell assets in their portfolios at a loss to offset other capital gains. Tax-efficient portfolio conversions are also important because one of the quickest ways to eat into long-term results is by triggering a sizeable tax bill when transitioning portfolios.

As you can see, implementing tax-efficient investing strategies can get complicated very quickly. An approach that is tax-efficient in one situation may not be efficient under different circumstances. That's why it's important to work with a financial advisor who understands your goals and your timeline, and who can incorporate all of the variables into a personalized, comprehensive financial plan.

[3] www.vanguard.com/pdf/ISGQVAA.pdf

THREE

PERSONALIZE YOUR PLAN

Retirement planning is not one size fits all. Working with a financial advisor who understands you and your unique circumstances means that you can be better prepared for any disasters that could affect you that may not be an issue for others.

For example, you might be subject to additional risks if you:

- Own or co-own a business or professional practice
- Participate in adventurous sports, hobbies and travel
- Serve on a corporate or non-profit board
- Have an heir that, due to mental illness, disability or other circumstances, may need help managing his/her assets
- Own rental property

Risk management isn't about the probability of a disaster occurring, it's about avoiding the financial and emotional consequences if something does go wrong. There are two approaches you can take to risk management: purchasing insurance and asset protection.

INSURANCE

There are a variety of insurance products available that may make sense for your situation, including Officers and Directors Insurance, Umbrella Coverage Insurance, Property and Causality Insurance, and more.

ASSET PROTECTION

You may be able to shield certain assets using protective entities, such as trusts and limited liability companies.

Knowing which option is best for your situation requires careful analysis by a risk management professional. If any of these situations apply to you, it's worth investing some time to make sure your financial plan has you covered.

The value of comprehensive financial planning.

What we've just outlined includes many of the tenets of a comprehensive financial plan. With the help of experienced financial advisors, specialists in tax, insurance, investing and estate planning who understand your goals, we take a comprehensive approach to understanding your current situation to help you pursue your retirement goals.

LOOK FORWARD TO RETIREMENT WITH CONFIDENCE.

Life doesn't get easier as you accumulate wealth. It gets more complicated. Bigger decisions. Higher stakes. Greater uncertainty.

That's why when it comes to something as crucial as retirement planning, you want to have a highly experienced financial team on your side.

At Wealth Enhancement Group, we take a team approach to retirement planning. With specialists in six key areas of financial planning we take a comprehensive view of your situation and build a plan designed to help you reach your goals.

If you're ready to see what our team can do for you schedule your free financial review today.

Call us today at **1-888-871-2932** to schedule your free, no-obligation consultation.

IN THIS NO-OBLIGATION INTRODUCTORY CONSULTATION, WE WILL:

- Discuss where you are now and what you want to accomplish
- Identify opportunities for your portfolio and plan
- Provide proactive next steps to pursue your goals

[4] https://www.bankrate.com/finance/credit-cards/survey-more-than-half-of-americans-lose-sleep-over-money-troubles-2/

ALL THE SPECIALISTS YOU NEED, ALL IN ONE PLACE.

Life doesn't get easier as you accumulate wealth. More decisions. Higher stakes. Greater uncertainty. Why burden yourself with managing multiple financial relationships and tracking disparate accounts—or manage the stress of doing it all on your own? You need a plan that brings it all together and simplifies your financial life.

You need Wealth Enhancement Group. Our 3-step UniFi™ process helps ensure your financial life is organized, comprehensive and straightforward, enabling you to make more confident decisions.

UniFi™

A 3-step process designed to simplify your financial life

Organize.

We collect your financial information and consolidate it into your UniFi Inventory™.

Collaborate.

Our Roundtable™ team approach helps ensure your financial plan is comprehensive.

- Financial planning
- Retirement income planning
- Tax strategies
- Investment management
- Estate planning
- Insurance

Guide.

We clarify your options and put your plan into action, supporting you every step of the way.

Call us today at **1-888-871-2932** to learn more.

Be confident about your retirement plan.

CALL US TODAY
1-888-871-2932

Schedule a free, no-obligation meeting to learn how our 3-step UniFi™ process simplifies your financial life.

(For best service, please call between 8:00 a.m. and 5:00 p.m. Central Time)

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