

WOMEN & RETIREMENT

3 Critical Mistakes You Can Avoid



WOMEN'S WORKBOOK

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DISCLAIMER

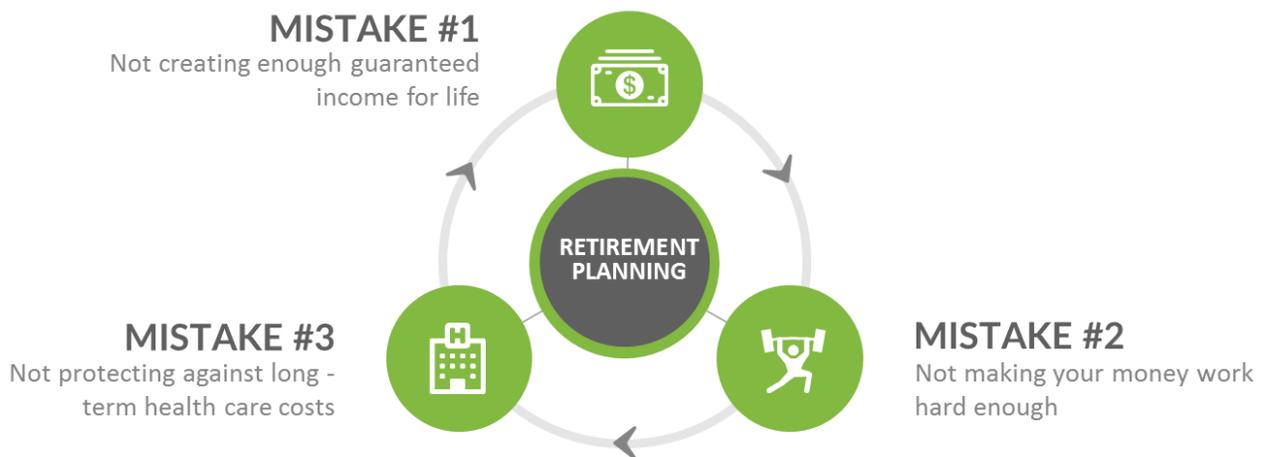
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WHAT WOMEN NEED TO KNOW

What women need to know about retirement

THREE BIGGEST MISTAKES IN RETIREMENT PLANNING



Three key retirement questions for women

1. Will you have enough guaranteed income in retirement to pay your bills and support your lifestyle, no matter how long you live?
2. Is your money working hard enough for you - are you taking advantage of growth opportunities while managing risk?
3. Do you have a plan to protect yourself against one of the biggest threats to your retirement, long-term health care costs?

CREATING GUARANTEED INCOME FOR LIFE

Sources to generate guaranteed income for as long as you live

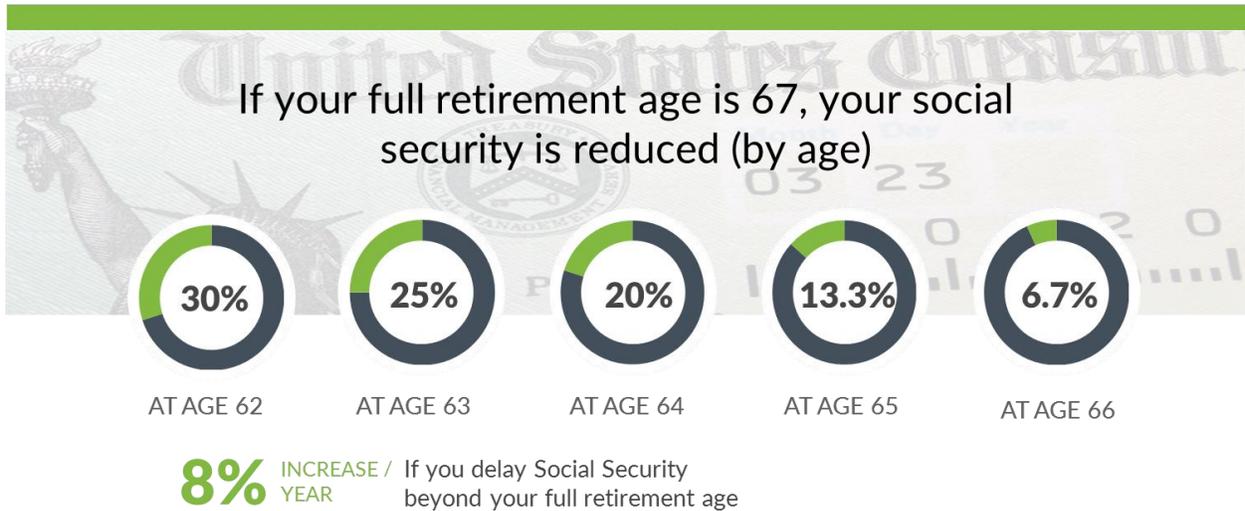
Pensions

Do you have a pension?

Does your spouse have a pension?

If so, how much will you receive if they die?

WHY WAIT TO TAKE SOCIAL SECURITY?



When to consider waiting to take Social Security

- You are single and have a longer life expectancy. In this situation you should consider working as long as possible to maximize your benefits.
- Your spouse is still working and has earned income which may cause a larger portion of your Social Security benefits to be taxed.
- You are married, and your spouse's benefit is smaller than yours, and/or your spouse is much younger than you. If you take Social Security at age 62, and your spouse's benefit is based upon your benefit, it will mean a significantly reduced benefit for your surviving spouse's lifetime.

<http://moneyover55.about.com/od/preretirementplanning/a/socialsecurityage62.htm>

<http://moneyover55.about.com/od/whentobeginsocialsecurity/a/When-To-Take-Social-Security-For-Singles.htm>

Effects of divorce and widowhood

- If you divorce, you are entitled to Social Security payments equal to 50% of your ex-husband's benefits, if you were married for at least ten years.
- You'll lose that right if you remarry, though you'll be entitled to collect payments based on your new husband's benefits.
- A widow is entitled to her late husband's benefits as long as she doesn't remarry before age 60.

<http://www.wife.org/retireplans.htm>

EXERCISE - Social Security Questions

What is your Full Retirement Age?

At what age do you (and your spouse) plan on taking Social Security?

How much will you receive?

Do you have a strategy for maximizing your Social Security benefit?

- Yes
- No

Social Security Calculators

<http://www.ssa.gov/myaccount>

Annuities

Fixed Annuities

Usually purchased with a lump sum. The insurance company invests the money that you give it and pays you a fixed amount each month.

PRO –Tax deferred with a fixed rate of return, regardless of market volatility. Offers higher rates than CDs. Appealing to investors wary of stock market volatility and banks' historic low paying CDs.

CON - No market upside potential. Not as popular in a low interest rate environment.

AARP Fixed Annuity Calculator www.aarp.org/money/insurance/fixed_annuity_calculator

Variable Annuities

The insurance company will pay you income as long as you live, but the amount will vary based on what you choose to invest it in, for example, mutual funds, and will continue for as long as you live.

PRO – Potential upside of markets along with income for life.

CON – Exposure to market volatility. Your principal is at risk.

www.sec.gov/answers/varann.htm

Indexed Annuities

The contract return is the greater of a) an annual minimum rate, or b) the return of a stock market index (such as the S&P 500®), reduced by certain expenses and formulas. It's a combination of a fixed and variable annuity with the best of both worlds.

PRO - Ability to participate in some market upside while limiting the downside. 100% protection of your principal. You lock in annual gains.

CON - The insurance company will usually set a participation rate that will limit the upside potential. For example, if an IA has a participation rate of 50% of the change in the value of the S&P 500 index, and the index returns 10% in a policy year, 5% is credited to the account, according to the Insured Retirement Institute.

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www.annuityfyi.com/fixed-indexed-annuities/what-is-fixed-indexed/

www.usatoday.com/story/money/columnist/powell/2015/08/13/retirement-pros-and-cons-fixed-income-annuities/30626141/

Annuities Disclaimer

- Annuity contracts will have different rules, restrictions and expenses that will vary by insurance company and by product within an insurance company.
- Variable annuities, including deferred variable annuities, are long-term investments suitable for retirement funding and are subject to market fluctuations, investment risk and the possible loss of principal. The value of the variable annuity will fluctuate so that when surrendered, it may be worth more or less than the total of premium payments. Before deciding on a variable annuity, you should consider the objectives, risks and expenses of the annuity and its underlying investment options.

MAKING YOUR MONEY WORK HARDER FOR YOU

Balancing risk and reward

EXERCISE - Know your **RED LINE**

Your red line is, based on current projections, the year you will run out of money in retirement.

Do you know, roughly, what your monthly income will be in retirement?

- A. Yes
- B. No

Do you know, roughly, what your monthly expenses will be in retirement?

- A. Yes
- B. No

Do you know how much money you will need to fund your retirement based on your life expectancy?

- A. Yes
- B. No

The ABC Model of Investing - Balancing Risk and Reward

A	B	C
<p>CASH</p> <ul style="list-style-type: none">• Potentially lower returns• Taxable or tax-deferred• Liquid	<p>PROTECTED GROWTH</p> <ul style="list-style-type: none">• Potentially moderate returns• Tax-Deferred• Offer partial withdrawals	<p>RISK GROWTH</p> <ul style="list-style-type: none">• Potentially higher returns• Taxable or tax-deferred• Offer partial withdrawals or liquid

Three **yellow** money rules

1. High liquidity
2. No principal risk
3. Enough for short-term needs

Three **green** money rules

1. Protect your principal
2. Retain your gains
3. Guarantee your income

Three **red** money rules

1. Must be tactical
2. Must be liquid
3. Must be long-term

LIQUIDITY, PROTECTION, GAINS

SAMPLE CONSERVATIVE MODEL

A	B	C
.25% - 1%	3% - 7%	+30% - -30%
<ul style="list-style-type: none"> • Potentially lower returns • Taxable or tax-deferred • Liquid 	<ul style="list-style-type: none"> • Potentially moderate returns • Tax-Deferred • Offer partial withdrawals 	<ul style="list-style-type: none"> • Potentially higher returns • Taxable or tax-deferred • Offer partial withdrawals or liquid
30%	60%	10%

SAMPLE MODERATE AGGRESSIVE MODEL

A	B	C
.25% - 1%	3% - 7%	+30% - -30%
<ul style="list-style-type: none"> ▪ Potentially lower returns ▪ Taxable or tax-deferred ▪ Liquid 	<ul style="list-style-type: none"> ▪ Potentially moderate returns ▪ Tax-Deferred ▪ Offer partial withdrawals 	<ul style="list-style-type: none"> ▪ Potentially higher returns ▪ Taxable or tax-deferred ▪ Offer partial withdrawals or liquid
10%	60%	30%

PROTECT AGAINST LONG-TERM HEALTH COSTS

What Is Your Plan To Pay For Long-Term Health Costs?

LONG-TERM CARE COSTS

70%
OF PEOPLE
over 65 will need some form of long-term care services and support at some point.²

AT TODAY'S COSTS OF:

- \$3,784** A MONTH
HOME CARE
- \$3,628** A MONTH
ASSISTED LIVING
- \$7,698** A MONTH
NURSING HOME

²2015 Medicare & You, National Medicare Handbook, Centers for Medicare and Medicaid Services, September 2014
³ Genworth 2016 Cost of Care

Medicare doesn't cover extended long-term care

- Many people do not realize that Medicare does not cover extended long-term care. While Medicare covers hospitals and physicians' bills, it only provides very limited assistance for home health care and nursing home expenses, generally following a hospital stay.
- Most long-term care isn't medical care, but rather help with basic personal tasks of everyday life, sometimes called activities of daily living.
- Medicare doesn't cover long-term care (also called custodial care), if that's the only care you need. Most nursing home care is custodial care.

Medicaid - The last resort option

Rules vary by state, but in general:

The person receiving such services can have **no more than \$2,000 in personal assets** (certain assets such as a home, its contents, and one car are exempt) and can keep **only about \$30 per month in income for personal needs**. Everything else goes to the state to pay for the care provided, and that includes any pension and/or Social Security income.

You will be **limited to which facility you can go to**. There are only a limited number of Medicaid beds available in a nursing home, provided they take Medicaid at all.

TWO MISTAKES

WHICH MISTAKE WOULD YOU RATHER MAKE?

MISTAKE #1	MISTAKE #2
<p>You buy long-term care insurance and you die at age 85 in your sleep, never having had a major health event, and you lose the money.</p> <p>Let's say the cost is \$1800 a year from age 55 to 85 making it – a \$54,000 mistake.</p> <p>- Harry Crosby LTCP</p>	<p>You don't buy long-term care insurance, and self insure, which is what you are doing now. 20 years from now, when you are 75, you need three years of care. You pay the full amount out of pocket with no help from insurance.</p> <p>Based on past trends the average cost of care could be about \$425,000 – a \$425,000 mistake.</p> <p>©2016 Adult Financial Education Services 88</p>

Types of long-term care insurance

- Traditional long-term care
- Hybrid "Linked-benefits" products
 - Annuities with long-term care rider
 - Life insurance with long-term care rider

Traditional Long-Term Care Insurance

With a traditional stand-alone policy, you elect your benefits at the outset:

- Monthly Benefit (\$3,000-\$15,000)
- Benefit Period (2 years, 3 years, 4 years, 5 years, 6 years, 8 years, 10 years, Unlimited) (Individual or Shared)
- Inflation Protection (3% Compound, 5% Simple, 5% Compound)
- Waiting Period (30 Days, 60 days, 90 days)

PRO - Your policy can be custom-tailored to suit your needs

CON - Rates can be increased

Hybrid Linked Benefit Long-Term Care insurance

Typically, a long-term care rider is added to another insurance product, for example, a life insurance policy.

PRO - Whether you use the long-term care benefits or never touch them, your policy will pay out some portion of its death benefit — a welcome antidote to the "use it or lose it" nature of traditional policies.

CON - May not provide as much coverage as traditional long-term care insurance policies.

Effect on family caregivers

It's not just about the insured, it's about the people around them.

- Approximately 66% of family caregivers are women.
- Stress of family caregiving for persons with dementia has been shown to impact a person's immune system for up to three years after their caregiving ends thus increasing their chances of developing a chronic illness themselves.
- 40% to 70% of family caregivers have clinically significant symptoms of depression with approximately a quarter to half of these caregivers meeting the diagnostic criteria for major depression.
- Family caregivers experiencing extreme stress have been shown to age prematurely. This level of stress can take as much as 10 years off a family caregiver's life.

EXERCISE - Your long-term health care plan

If you reach the point where you need help caring for yourself, do you have a plan?

1. Yes - To hire someone to come to my home and care for me there.
2. Yes - To move to an assisted living or nursing home.
3. Yes -To move in with family members.
4. Yes - To have family member take care of me at my home.
5. No - I haven't finalized a plan.

My plan to pay for long-term care is to:

1. Pay for it myself
2. Buy long-term care insurance

COMMUNICATE WITH FAMILY MEMBERS

How to talk to your family about money

EXERCISE - Talk to your family about money

Is there a financial conversation you'd like to have that you currently aren't having? (Can be with a financial professional or family member)

Who in your family are Take Action Types and Think It Through types?

What to talk about

- Ask - What does your perfect retirement look like? (perfect retirement vision exercise)
- Ask - What do you NOT want to happen financially?
- Ask - If you could no longer care for yourself, would you prefer to be in an assisted living facility, or to receive care at home?
- Share - Your long term care plan.
- Share - Any reservations you have about living with or being cared for by a family member.

More Conversation Starters

Are you and your family on the same page financially? Are you frustrated by someone's financial behavior? It's easier to have conversations, with less conflict, if you know what's driving someone's financial behavior.

Here are some questions to help you have productive conversations about money.

Values

- What did you learn about money from your family growing up?
- How does that affect your decisions today?
- What do you value?
- How does that affect how you make money decisions?

Concerns and priorities

- How do you feel about your financial future?
- What are your top financial concerns?
- What's going on in your life right now that's causing you stress?
- Is there a financial conversation you'd like to have with me but have been hesitant to bring up?

Long-term care

Ask your parents: If something were to happen and you were no longer able to care for yourself, would your preference be:

- A - To hire someone to come to your home and take care of you there.
- B - To move to an assisted living or nursing home.
- C - To move in with family members.
- D - To have family members take care of you at your home.

Share with your adult children/family members

If something were to happen to me and I was no longer able to care for myself, my preference would be:

- A - To hire someone to come to my home and care for me here.
- B - To move to an assisted living or nursing home.
- C - To move in with family members.
- D - To have family members take care of me at my home.

ACTION STEPS

Actions to take to apply what you've learned in this course

Write down what actions you will take to secure your financial future. For example: "Schedule my One-on-One meeting to ask follow-up questions."

Action Step #1

Action Step #2

Action Step #3