Your Core Retirement Decisions

FUTURITY FIRST®

UNDERSTANDING NEW PRESSURES YOU'LL FACE IN RETIREMENT

It's no surprise that baby boomers' retirement confidence recently hit an all-time low — less than a quarter are confident they'll have enough savings to last throughout their retirement years, according to a study by the Insured Retirement Institute.

Health care costs

One reason for the low confidence is the cost of health care. While the growth rate of health care costs has slowed since the recession, medical bill inflation still outpaces the broader consumer price index. Prescription drug prices alone are particularly worrisome. The average patient share for a brand-name prescription filled through a commercial health-insurance plan increased more than 25% from 2010 to 2015, and spending on pharmaceutical drugs is expected to jump 46% by 2020, according to IMS Health.

So how will you pay for these higher costs?

Nearly three in four Americans say Social Security is their top source of expected retirement income for out-of-pocket health care costs, according to the Nationwide Financial Retirement Institute. But those expectations could lead to budget troubles.

Rising Medicare premiums will take a growing bite out of beneficiaries' Social Security checks, according to the Center on Budget and Policy Priorities. Today, the average retiree who hopes to be fully insured for health coverage may see more than 26% of their Social Security devoured by health costs that are derived specifically from just their premiums for coverage, according to the Social Security Administration. In 10 years, the percentage of a Social Security benefit eaten up by Medicare premiums will rise to just under 40%.

If health care costs will consume so much of your Social Security check each month, how will you pay for other expenses? Savings?

Not enough saved

Multiple surveys and the federal government report that pre-retirees clearly have not saved enough for retirement. Of baby boomers who have savings, 42% have saved less than $100,000, according to the Insured Retirement Institute. But a 65-year-old couple retiring today and living for 20 years will pay $259,000 to $392,000 in out-of-pocket health care expenses alone, according to the Employee Benefit Research Institute. Combine that amount with other living expenses, and there clearly could be a deficit.

With so many challenges, what can you do now to prepare for a successful retirement?

The key is working with a financial planning professional who understands these new pressures and has the knowledge to navigate them with your best interest always as the main focus. That's where we come in.

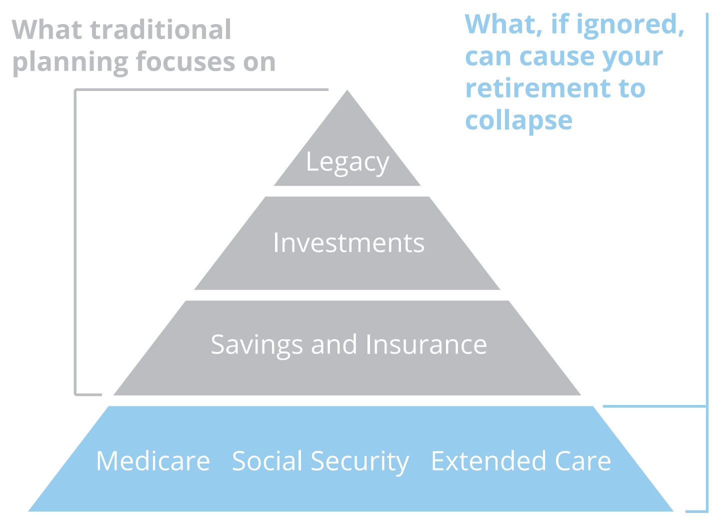
HOW WE HELP

Surprisingly, health care costs and Social Security income have not traditionally been included in retirement planning. Traditional financial planners have focused on helping in three areas: savings and insurance (to protect what you have), investments (to accumulate wealth), and legacy (to distribute what you have).

But financial planning professionals who don't account for health care costs in a retirement plan and who don't tap Social Security's full potential put you at risk of not having enough money for your retirement expenses.

When you work with us, we help prepare you for higher health care costs and the possibility of extended care costs and make sure that your Social Security income is maximized, so that your savings and insurance, investments and legacy are on solid footing. In other words, we consider the sometimes more complicated pieces that can interfere with your retirement goals, and we help you manage those pieces as part of a comprehensive, ongoing retirement plan.

No matter where you are in your planning or needs, we listen. Using our process, we'll guide you through key retirement decisions and show you how they may impact each other.



Making smart Social Security and Medicare decisions is an important first step.

We're here to walk you through those decisions.

So let's get started.

KEY RETIREMENT AGES AND DECISIONS

When should I retire?

Should I start receiving my Social Security income as soon as possible (age 62)?

When should I sign up for Medicare?

When should I buy long-term care insurance?

<58

It's never too early to start planning for retirement. The earlier you start planning, the more prepared you will be.

58-60

Ideal ages to initiate meeting with a financial planning professional, if you haven't already.

59 and six months

When you can begin withdrawing from your traditional IRA or retirement savings plan account without the 10% early withdrawal penalty and from your Roth IRA without penalties.

<58-64

When to consider buying long-term care insurance (LTCi). Because rates are largely based on your individual health, which tends to decline as you age, the earlier you start paying premiums, the lower your rates will be.

62

When everyone can start taking Social Security — but at a reduced amount.

64 and six months

The earliest you can sign up for Medicare Supplement to cover what Medicare doesn't pay.

You can enroll in a Medicare Supplement plan up to six months before your 65th birthday. You cannot, however, enroll in Original Medicare, Medicare Advantage (Part C), or a Part D Prescription Drug plan until three months before your 65th birthday.

64 and six months

Possibly an ideal time to buy a long-term care insurance (LTCi) policy, because:

a. when you sign up for Medicare and a supplemental health insurance policy, you may pay lower premiums and could put that savings toward LTCi premiums

b. now that you're past 59½, you can pull money from your IRA, Roth IRA or retirement savings plan without penalties — and you could use those withdrawals to purchase an LTCi policy.

Key

Long-term care

Social Security

Medicare

65

64 and nine months to 65 and three months

You are eligible for Original Medicare (Part A hospital insurance and Part B medical insurance) at age 65, but you can sign up for it as early as three months before your 65th birthday and as late as three months after the month you turn 65. This seven-month time period is called your Initial Enrollment Period.

If you don't sign up within this time period or within eight months of leaving a job with group health coverage, you may pay late-enrollment penalties for Medicare Part B (medical insurance) and Part D (prescription drug coverage).

70

You can start receiving your Social Security benefit as late as age 70, but delayed retirement credits are no longer applied once you reach 70.

72

When you must start taking required minimum distributions from your traditional IRA and 401(k) or 403(b) plan or face hefty penalties.

86 and seven months

Average life expectancy for a woman turning 65 today.*

84 and four months

Average life expectancy for a man reaching 65 today.*

65-67

Full Retirement Age (FRA) depends on when you were born

Birth year	FRA	Birth year	FRA
1937 or earlier	65	**1943-1954**	66
1938	65 and 2 months	**1955**	66 and 2 months
1939	65 and 4 months	**1956**	66 and 4 months
1940	65 and 6 months	**1957**	66 and 6 months
1941	65 and 8 months	**1958**	66 and 8 months
1942	65 and 10 months	**1959**	66 and 10 months
		1960 or later	67

*Social Security Administration

WHY YOUR MEDICARE AND SOCIAL SECURITY DECISIONS ARE IMPORTANT

The decisions that you make — or fail to make — in your early to mid-60s about Social Security and Medicare may be more important than you think.

They influence how much Social Security income you receive each month and how much you pay for Medicare health insurance and prescription drug coverage each month for the rest of your life. Missed enrollment deadlines or uninformed decisions can result in penalties or out-of-pocket costs that can seriously hurt even the most carefully designed financial plan.

And in today's post-recession economy, getting the most out of your Social Security benefit and containing health care expenses are even more important in ensuring that you have adequate income to live the life you want in retirement.

MARTHA'S SOCIAL SECURITY DECISION

IF SHE CLAIMS AT:	SHE GETS:
Age 62 and lives to 90	$446,260
Age 70 and lives to 90	$548,358

By claiming at her earliest possible opportunity, Martha lost out on a total of

$102,098

Calculations performed using Social Security Timing®. Scenario is based off a birth date of Jan. 2, 1955, age 66 years old and two months Primary Insurance Amount of $2,000, living until age 90, using 2.7% for the annual Cost-of-Living Adjustment. Comparison in present value to stated death ages.

BOB'S MEDICARE ENROLLMENT DECISION

- Didn't sign up for Medicare Part B (medical insurance) when turned 65 because didn't think he needed it
- Will pay an extra $48.72 every month as a penalty for enrolling late four years later

By missing his Medicare enrollment deadline and living another 15 years, Bob pays an extra **$8,769**

62

65

Americans already chronically make two mistakes that leave them unprepared for retirement expenses: overestimating what Medicare covers and taking less than what's available to them in their Social Security benefit.

So, what do you need to know to avoid repeating these mistakes?

1. Don't assume that Medicare takes care of all your health care costs.

In reality, Medicare covers only about 62% of the cost of health care services (not including extended care).

You will need to pay monthly premiums, as well as co-pays, co-insurance and deductibles. You also may want to buy additional insurance for those things not covered — which means you'll pay monthly premiums, co-pays, co-insurance and deductibles on those supplemental or "Medigap" plans, too.

And perhaps one of the biggest misunderstandings is that Medicare covers extended care. Most extended care isn't medical care — it's help with basic personal tasks of everyday life. Extended care is costly, and if you don't prepare for it as a possibility, it could deplete your savings and even become a financial and emotional burden for your loved ones.

2. Understand that delaying your Social Security benefit can increase your benefit amount

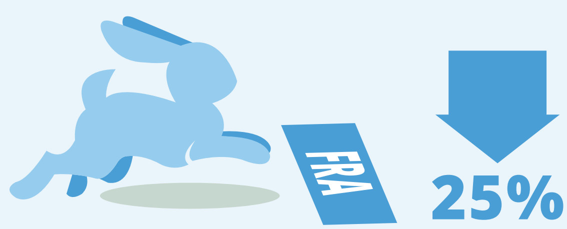
The vast majority of Americans don't have a firm grasp of basic Social Security concepts, according to a MassMutual Financial Group survey. That may explain why the majority, 90%, begin collecting Social Security retirement benefits at or before their Full Retirement Age — a decision that results in a significant reduction.

The government allows you to collect as early as age 62 but reduces the monthly amount permanently by as much as 25%. If you delay benefits until after your Full Retirement Age, you receive an additional 8% per year until age 70. That would mean if you delayed your benefit until age 70, your monthly amount would be 32 percent more than you would get at Full Retirement Age.

Delaying isn't the only way to maximize your benefit. There are other strategies that can help you get what you're entitled to.

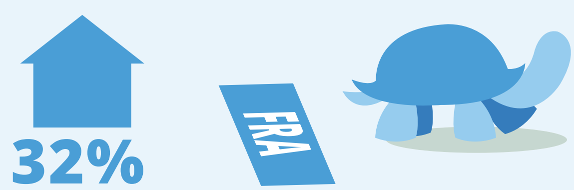
SOCIAL SECURITY CLAIMING BASICS

Claiming before Full Retirement Age (66)* reduces monthly benefit by:



* Based on Full Retirement Age (FRA) of 66; varies by FRA

Claiming at 70, increases your monthly benefit by:



EDUCATE › ASSESS

We don't just meet and send you on your way with a plan to implement by yourself. We want to be your partner throughout retirement. And successful retirement planning, especially given today's new retirement pressures, requires ongoing management.

1. EDUCATE

This guide and an initial meeting are first steps. We educate you on the basics, including key retirement dates.

2. ASSESS

Then we meet to assess your current financial picture and identify your retirement goals.

3. PLAN

We develop a comprehensive retirement plan around your goals and considering your income and assets, and liabilities and expenses.

4. MANAGE

We meet with you on an ongoing basis to re-assess, adjust your plan, answer any questions and manage your finances — always with your goals in mind.

PLAN MANAGE

Income sources and assets

- How much money you'll need for your goal retirement lifestyle
- How much your Social Security benefit will provide
- Additional income (how to fill any gaps between your goal income and your expected post-work income)
- How to fund your legacy
- How to save money with ongoing health-care cost management
- How to lower your tax liabilities

Potential risks and expenses

- Health care expenses
- Extended care expenses
- Sequence risk (the risk of receiving lower returns on your investments when you need to make withdrawals for your retirement income)
- Taxes
- Dying
- Living longer than expected

Your retirement goals

- When you want to retire
- What type of lifestyle you want to live
- How much do you want to leave to your children, community or others

WE LOOK AT THE BIG PICTURE

We look at everything that could impact your retirement — income, legacy, Social Security, investments, extended care, health care, and taxes, among other retirement risks. Depending on the decisions you make pertaining to these items, each could be an asset or liability to attaining your goals. We help you make sense of it all, always keeping your retirement goals at the core of our process.

Retirement Income

In retirement, your income may shift from a steady salary to a Social Security and pension benefit — but it's often inadequate. Creating a reliable income stream can include using various sources such as a 401(k), IRA, CD or annuity.

Social Security

Social Security is a major source of income for most retirees. But claiming it too soon can reduce your monthly amount by as much as 25% permanently and waiting can boost it by 32% annually, making the claiming decision more important than most people realize.

Investments

Investments such as mutual funds, bonds and alternative investments can play a big role in meeting your expenses and lifestyle expectations in retirement. Having a healthy mix of asset protection, guarantees, and at-risk dollars may help you achieve your retirement goals.

Legacy

Legacy planning is deciding while you're alive how you want your estate distributed after your death. But it can be more than just leaving your children an inheritance. Failing to plan for your own death may leave your life partner or other loved ones in financial trouble.

Extended Care

This refers to when you need help performing everyday activities such as bathing, feeding, or taking medications. Because it's not considered medical care, Medicare and supplemental Medicare insurance plans don't cover these expenses.

Health Care

Health care is one of the biggest expenses in retirement. A bad health care decision can cost thousands of dollars annually, and a lack of planning could ruin a retirement plan.

Retirement Risks

This refers to risks that could chip away at a retirement plan, including longevity (outliving your money), inflation, and sequence of return risk (receiving lower returns on your investments when you need to make withdrawals for your retirement income).

Taxes

Because income sources are taxed differently, strategizing your withdrawals is necessary to avoid the myriad tax pitfalls, such as being taxed at higher rates.

Your goals. Our focus.

We're your partners to build the successful retirement you've earned and deserve.

Retirement Understood

4466 County Rd. P Suite 107

Jackson, WI, 53037

randyhaeuser@retirementunderstood.com

262.346.5776

www.retirementunderstood.com

6745_0220