Planning for Your Financial Future

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"I finally put something aside for my retirement. I put aside my plans to retire."

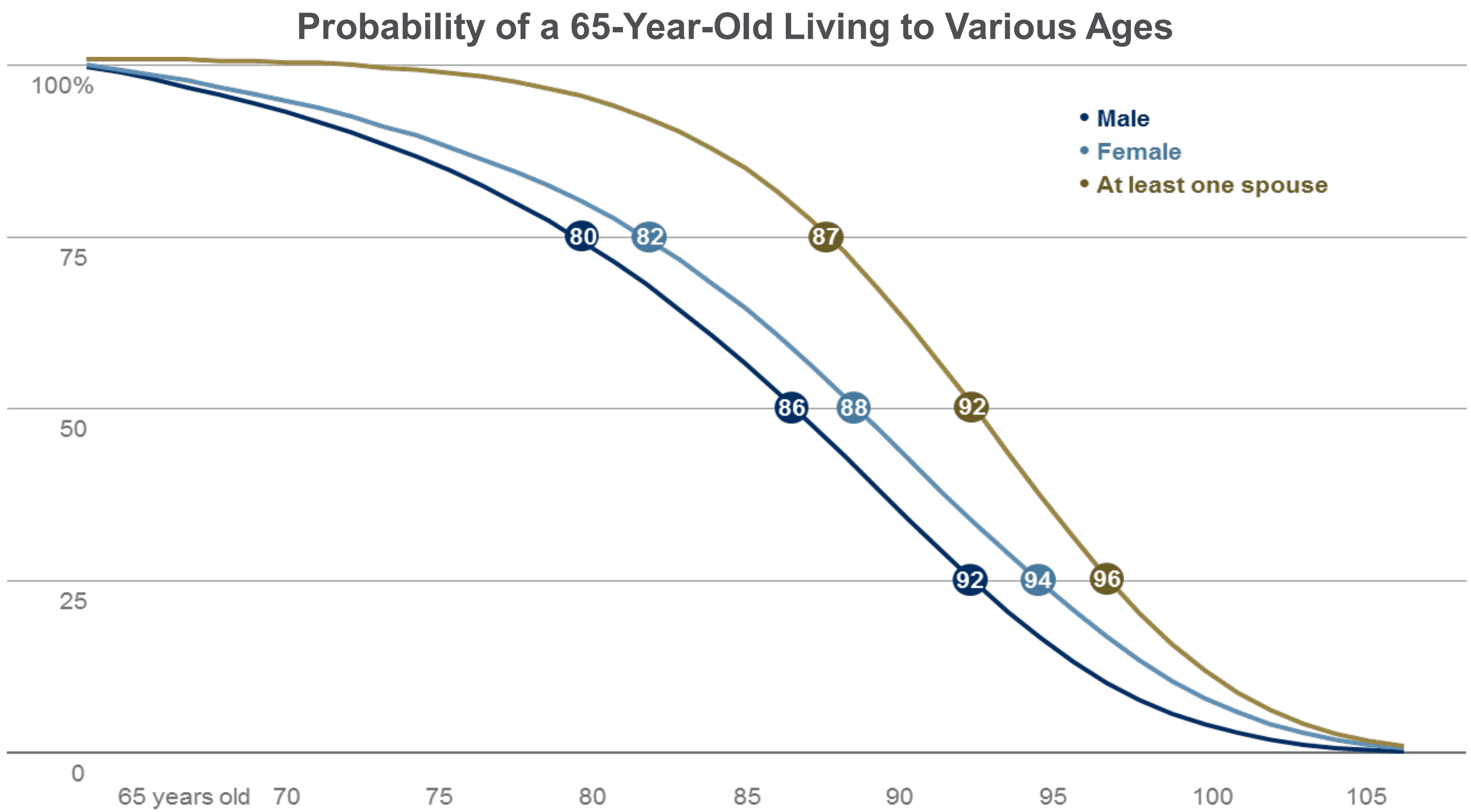
RECOGNIZING THE RISKS

Retirees face numerous risks that should be considered

Longevity (Outliving your money)	Inflation (Things cost more over time)	Spending and Withdrawals (Running out of money)	Market Risks (Can't control the markets)	Unknowns ("What if…")
• Long retirement horizons due to longer life expectancies • Outliving assets	• Erodes the value of savings and reduces returns • Healthcare inflation 6+%	• Wants vs. needs • Sustainability of withdrawals • Impact of spending behavior	• Uncertain returns and income • Return sequence • Asset allocation and location	• Long-term care needs • Potential disability • Medical expenses • Early death of a spouse • Other unexpected expenses

Recognizing the Risks – Outliving Your Money

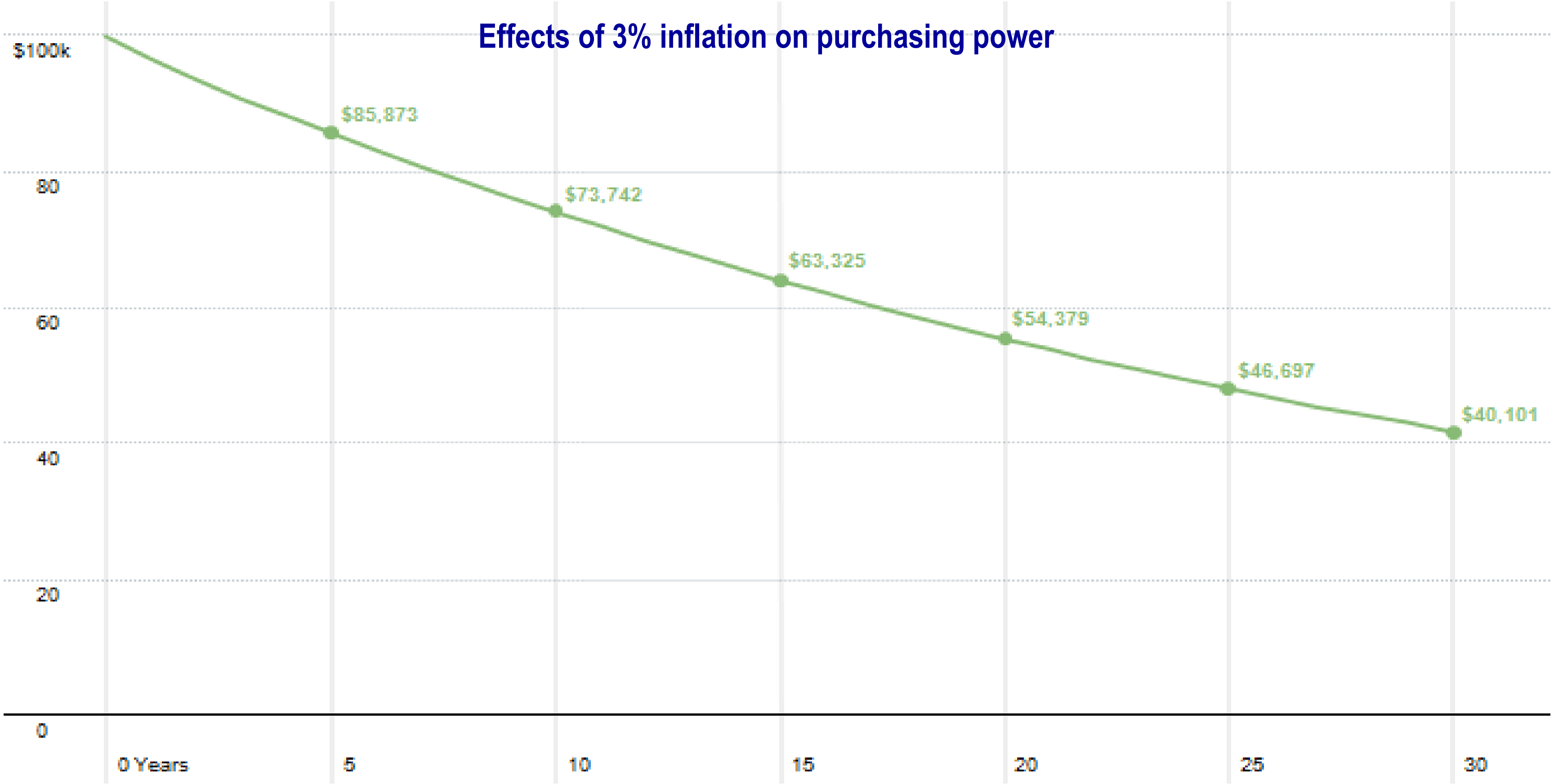
Retirees should plan for a long retirement; a couple aged 65 has an 85% chance that at least one of them will live past 85. Outliving your assets is a significant risk to address as you near retirement.



Source: 2012 Individual Annuity Mortality Basic Tables, Society of Actuaries. Licensed by Raymond James.

Recognizing the Risks – Things Cost More Over Time

With today's longer life spans, the effects of inflation can significantly erode your purchasing power over time.

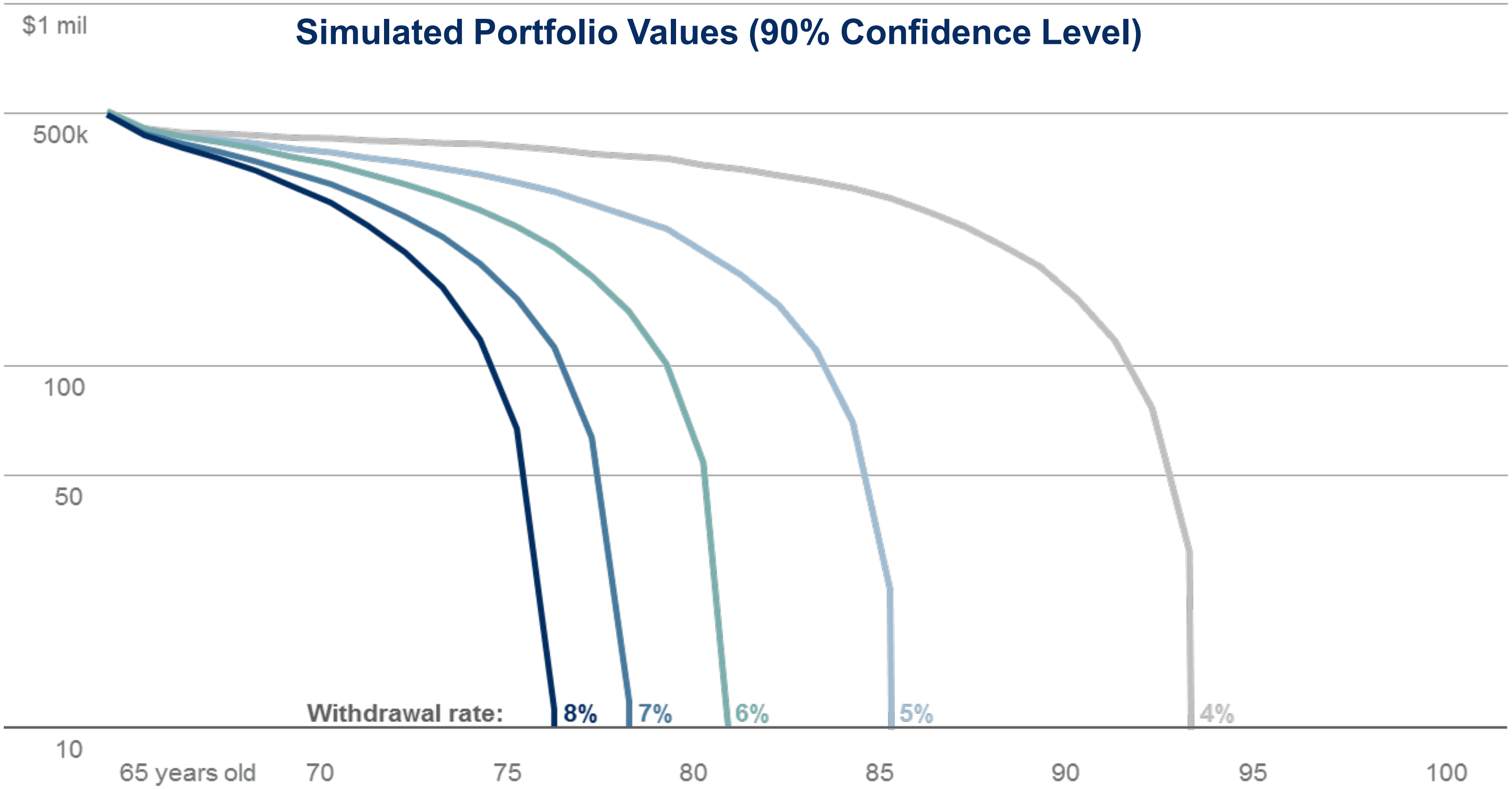


Part performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment.

"Inflation is not all bad. It has allowed every American to live in a more expensive neighborhood without moving."

-- Senator Allan Cranston

Recognizing the Risks – Running Out of Money



An investment cannot be made directly in an index. · IMPORTANT: Projections generated by Morningstar regarding the likelihood of various investment outcomes using the Ibbotson Wealth Forecasting Engine are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Results may vary over time and with each simulation. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. Licensed by Raymond James.

See additional disclosures on next slide.

Recognizing the Risks – Running out of Money

Discussion of Simulation Criteria and Methodology

This is for illustrative purposes only and not indicative of any investment.

This image looks at a hypothetical 50% stock/50% bond portfolio and the effect various inflation-adjusted withdrawal rates have on the end value of the portfolio over a long payout period. Each hypothetical portfolio has an initial starting value of $500,000. It is assumed that a person retires at age 65 and withdraws an inflation-adjusted percentage of the initial portfolio wealth ($500,000) each year beginning at age 66.

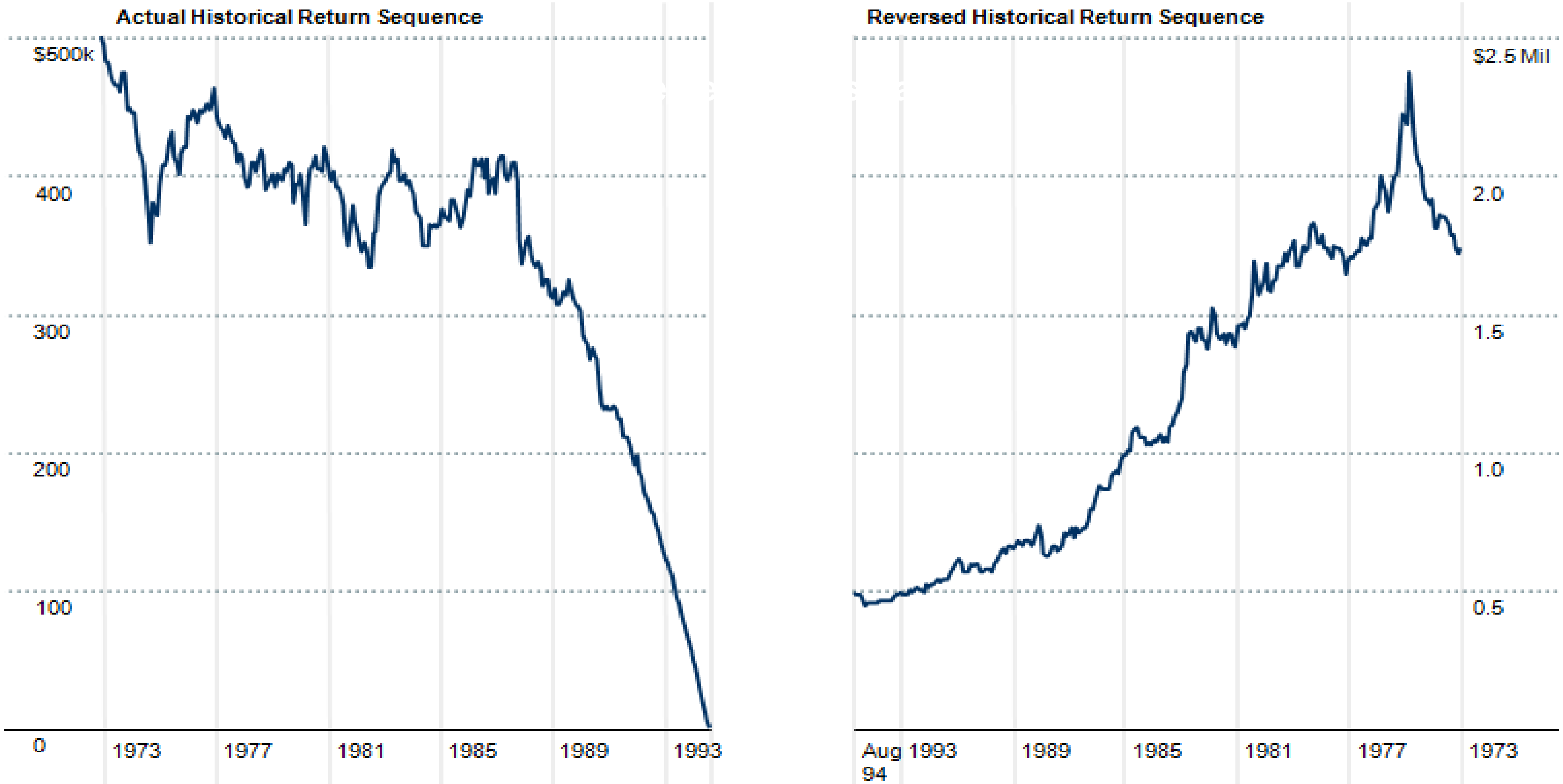
Annual investment expenses were assumed to be 0.88% for stock mutual funds and 0.74% for bond mutual funds. As illustrated, the higher the withdrawal rate, the greater the chance of potential shortfall. The lower the rate, the less likely an investor is to outlive their portfolio. Therefore, retirees who anticipate long payout periods may want to consider assuming lower withdrawal rates. The image was created using Monte Carlo parametric simulation that estimates the range of possible outcomes based on a set of assumptions including arithmetic mean (return), standard deviation (risk), and correlation for a set of asset classes. The inputs used are historical 1926–2009 figures. The risk and return of each asset class, cross-correlation, and annual average inflation over this time period follow. Stocks: risk 20.5%, return 11.8%; Bonds: risk 5.7%, return 5.5%; Correlation –0.01; Inflation: return 3.1%. Other investments not considered may have characteristics similar or superior to those being analyzed. The simulation is run 5,000 times, to give 5,000 possible 35-year scenarios. A 90% confidence level indicates that there is a 90% chance of the outcome being as shown or better. Higher confidence levels are chosen in order to view tougher market conditions. A limitation of the simulation model is that it assumes a constant inflation-adjusted rate of withdrawal, which may not be representative of actual retirement income needs. This type of simulation also assumes that the distribution of returns is normal. Should actual returns not follow this pattern, results may vary.

Government bonds are guaranteed by the full faith and credit of the United States government as to the timely payment of principal and interest, while returns and principal invested in stocks are not guaranteed.

About the data: Stocks are represented by the Standard & Poor’s 500®, which is an unmanaged group of securities and considered to be representative of the stock market in general. Bonds are represented by the five-year U.S. government bond, inflation by the Consumer Price Index and mutual fund expenses from Morningstar. An investment cannot be made directly in an index. The data assumes reinvestment of income and does not account for taxes or transaction costs.

Recognizing the Risks – Can't Control the Markets

A consecutive sequence of poor market returns can negatively impact the sustainability of your retirement assets and withdrawals, particularly during the early years of your retirement.



Past performance is no guarantee of future results. • An investment cannot be made directly in an index. Hypothetical value of $500,000 invested at the beginning of 1973 and August 1994. Assumes inflation-adjusted withdrawal rate of 5%. Portfolio: 50% large-company stocks/50% intermediate-term bonds. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. Licensed by Raymond James. •

Recognizing the Risks – "What if…"

You face the risk of many unforeseen costs throughout a lengthy retirement. Some unknowns are easier to protect against than others. As the rising costs of long-term care help to illustrate, it's important to consider which unknowns you can protect against and take action early on.

Annual Median Cost of Long Term Care in the U.S.

Home Health Care		Adult Day Health Care[1]	Assisted Living Facility[4]	Nursing Home Care	
Homemaker Services[2]		Annual Cost	Annual Cost	Semi-Private Room[5]	
Annual Cost	5-yr Annual Growth[3]	$17,680	$43,539	Annual Cost	5-yr Annual Growth[3]
$45,760	2%	5-yr Annual Growth[3]	5-yr Annual Growth[3]	$82,125	3%
Home Health Aide[2]		3%	2%	Private Room[5]	
Annual Cost	5-yr Annual Growth[3]			Annual Cost	5-yr Annual Growth[3]
$46,332	1%			$92,378	4%

Genworth 2016 Cost of Care Survey, conducted by CareScout®, April 2016

[1] Based on 5 days per week by 52 weeks

[2] Based on 44 hours per week by 52 weeks

[3] Represents the compound annual growth rate based on Genworth Cost of Care Survey

[4] Based on 12 months of care, private, one bedroom

[5] Based on 365 days of care

"I do have a diversified retirement plan: 30% hopes, 30% wishes, 40% prayers."

RETIREMENT PLANNING PROCESS

1. Determine expenses and goals
2. Examine sources of income
3. Identify and evaluate gaps
4. Rank your priorities
5. Scenario testing – "stress testing"

Understand Spending

One of the first steps in establishing a retirement plan is to quantify your expense requirements, differentiating between your unique needs and wants.

Needs

Essential Expenses, e.g.,
- Mortgage
- Insurance
- Food
- Clothing
- Healthcare

Wants

Non-essential Expenses, e.g.,
- Travel
- Entertainment
- Club memberships
- Charitable giving
- Legacy for heirs

RETIREMENT PLANNING PROCESS

1. Determine expenses and goals
2. **Examine sources of income**
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Understand Income and Assets

In order to meet the expenses you quantified, we'll need to account for every source of reliable income in retirement, as well as a current inventory of your assets that are intended to support income in retirement.

Reliable Income

Consistent income from:

- Social Security
- Pension payments
- Part-time employment
- Other income

Retirement Assets

Financial assets, including:

- 401(k)s
- IRAs
- Roth IRAs
- Annuities
- Brokerage and checking accounts
- Certificates of deposit

Understand Other Factors

There are other factors we will discuss that could impact your spending decisions and the way we allocate your assets throughout retirement.

Other Assets	Risk Management	Benefiting Others
Includes: • Business • Real estate • Collectibles	**Includes:** • Cash reserve • Life insurance • Long-term care needs • Disability	**Includes:** • Supporting family members • Leaving a legacy • Charitable giving

RETIREMENT PLANNING PROCESS

1. Determine expenses and goals
2. Examine sources of income
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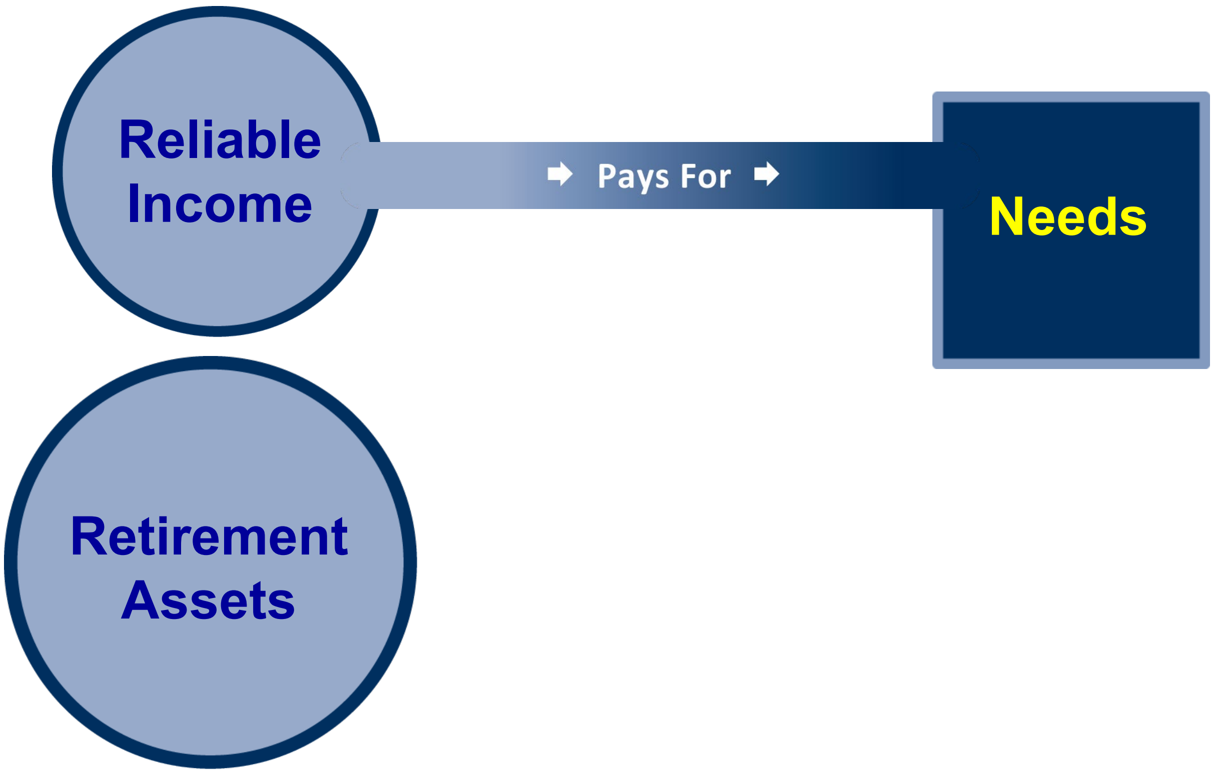
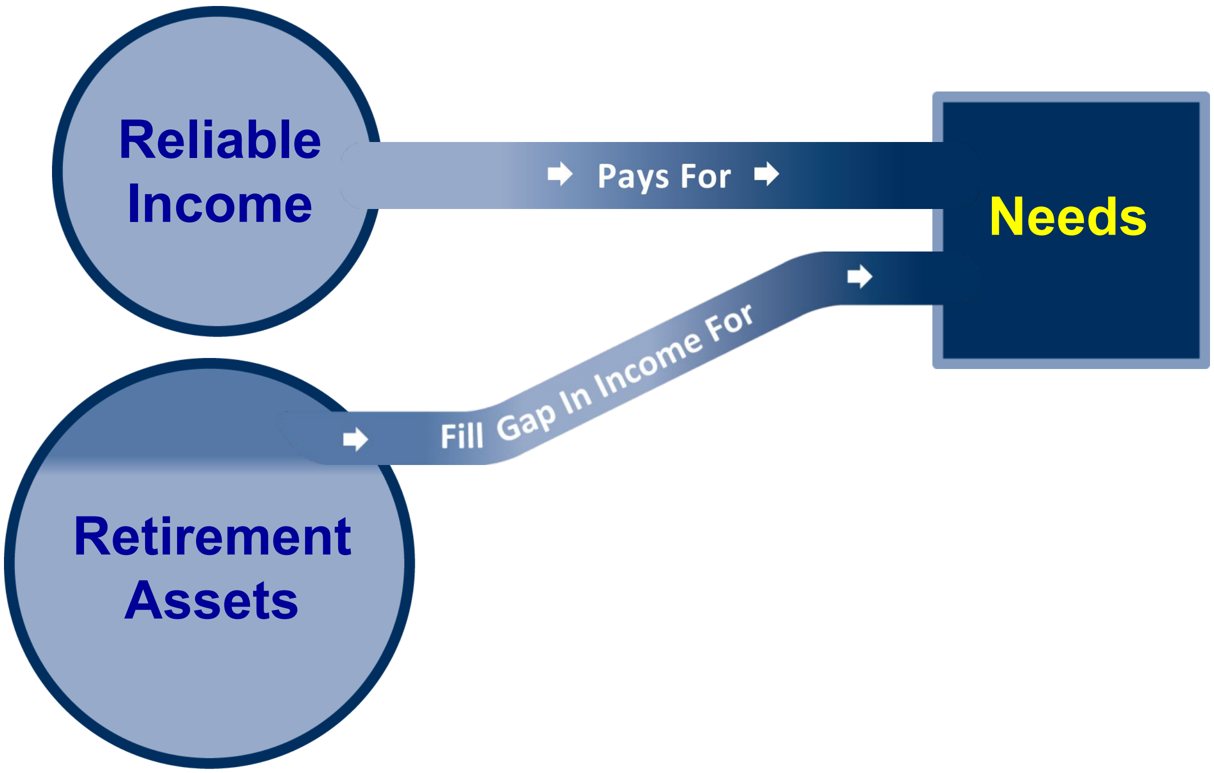
Identify Needs Gap

Once we quantify your sources of income, we can determine whether that income is sufficient to fund – at a minimum – those expenses you have identified as "needs." It's probable that you'll need to withdraw from your assets you've designated for retirement to meet these needs.



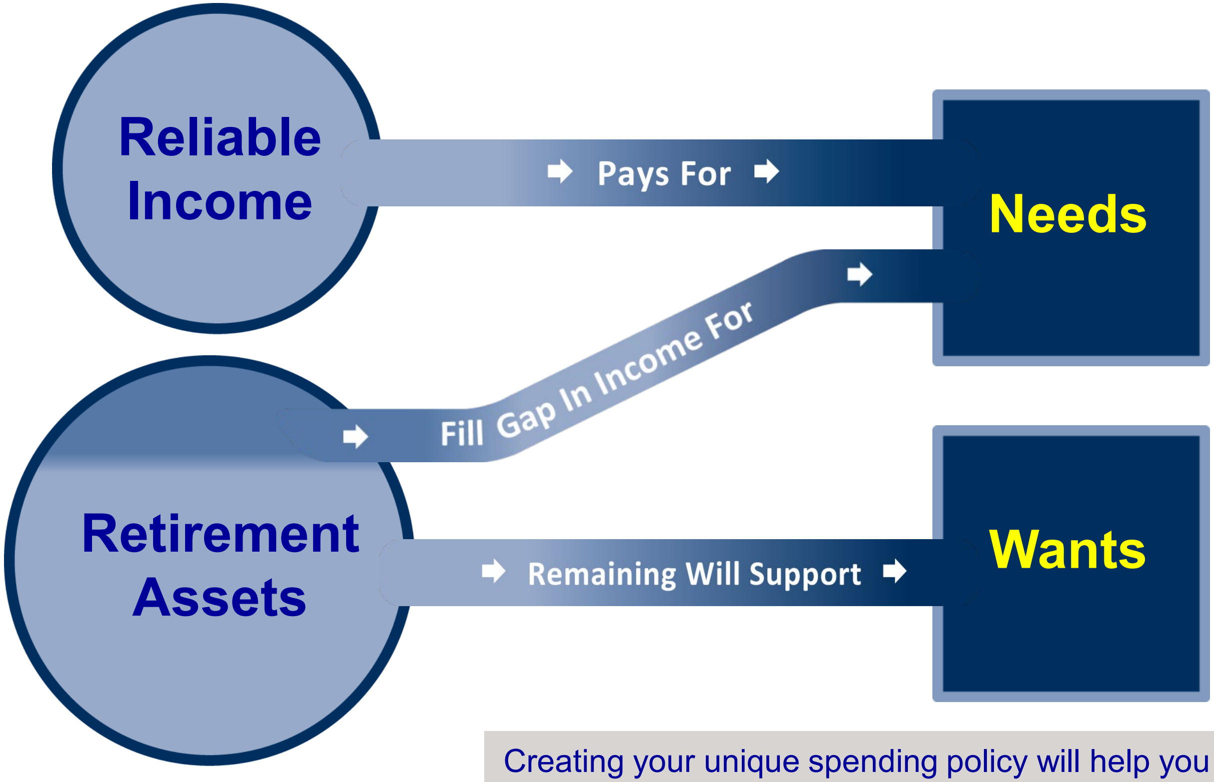
Design for Needs

If your reliable income isn't enough to at least cover the needs you've identified, we'll analyze how your assets are allocated, and evaluate how your portfolio could be structured to generate income for your needs.



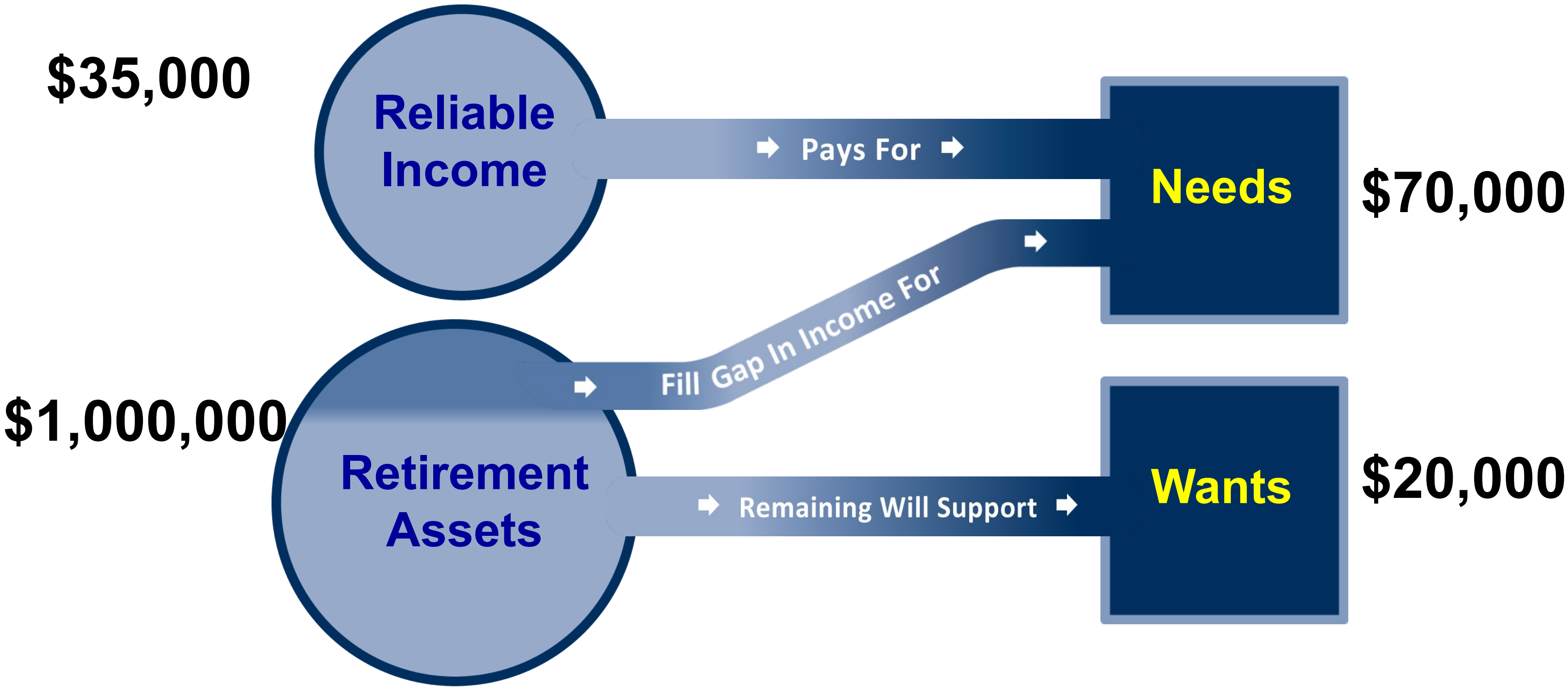
Design for Wants

Once we've identified how much of your retirement assets will be required to fill your needs, we'll determine what withdrawal rate is sustainable to support your wants.



Creating your unique spending policy will help you to understand how much of your portfolio can be spent on non-essential expenses by setting up a sustainable withdrawal rate over time.

Example



Needs – income gap	**$35,000**	**3.5%**
Incremental cost of wants	**$20,000**	**2.0%**
Total income gap	**$55,000**	**5.5%**

WHAT IF THERE IS A GAP?

- Reduce goals and/or expenses
- Reduce current lifestyle
- Work or delay retirement
- Increase income from investments
- Reverse mortgage*
- Become a burden on your children

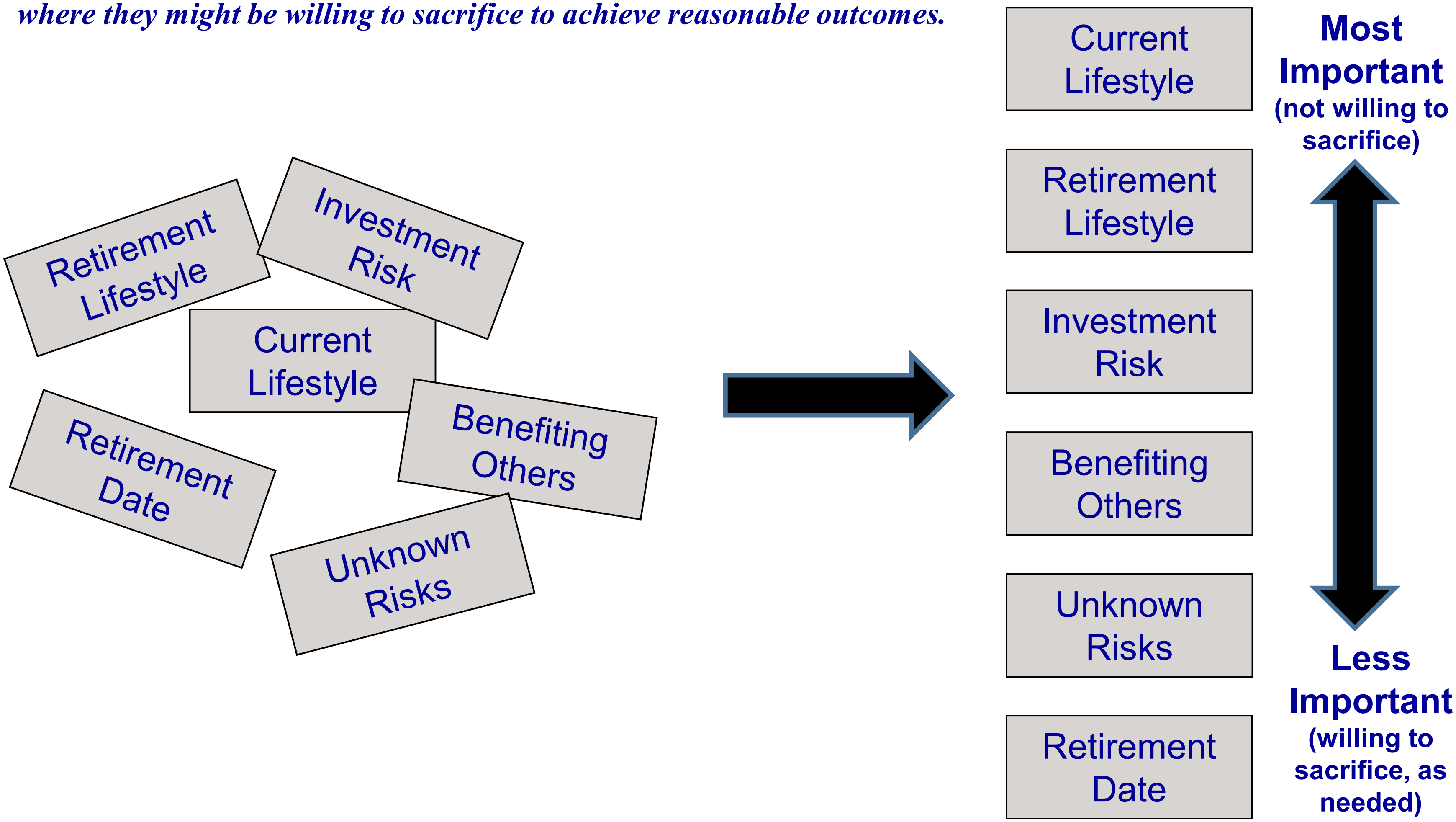
*There are significant costs associated with reverse mortgages, such as up-front mortgage premiums, annual premiums, origination fees, closing costs, monthly service charges and an appraisal requirement. The homeowner is still obligated to pay taxes, insurance, and maintenance. If the borrower moves, the loan becomes due, and the total amount due may be larger than anticipated, and Medicaid may be affected. Raymond James Financial Services, Inc. does not provide advice on mortgages.

RETIREMENT PLANNING PROCESS

1. Determine expenses and goals
2. Examine sources of income
3. Identify needs gap
4. **Rank your priorities**
5. Scenario testing – “stress testing”

Prioritize Retirement Objectives

Retirement planning requires individuals and families to prioritize among competing objectives and establish where they might be willing to sacrifice to achieve reasonable outcomes.



RETIREMENT PLANNING PROCESS

1. Determine expenses and goals
2. Examine sources of income
3. Identify needs gap
4. Rank your priorities
5. **Scenario testing – "stress testing"**

JOE AND SUE JONES

CASE STUDY

JOE AND SUE JONES

- ✓Joe age 63, Sue age 60
- ✓Want to retire when Joe is 66
- ✓Joe's social security benefits
  at age 66 will be $32,722
- ✓Sue's social security benefits
  at age 67 will be $20,802
- ✓$800,000 in an investment account
- ✓$400,000 in Joe's 401(k), 6% contributions
- ✓$180,000 in Sue's IRA, max contributions

This is a hypothetical illustration and is not intended to reflect the actual performance of any particular security. Future performance cannot be guaranteed and investment yields will fluctuate with market conditions. Please consult your financial advisor if you have questions about these examples and how they relate to your own financial situation.

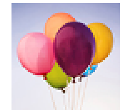
GOALS

Travel


Car


Health Care


Leave Bequest

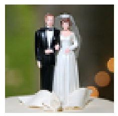

Celebration


Private School

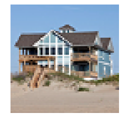
College

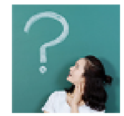

Provide Care


Major Purchase

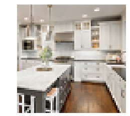

Wedding


Start Business


New Home


Other

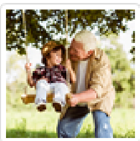

Gift or Donation


Home Improvement

Joe & Sue's Goals

Timeline Hide Detail

Needs



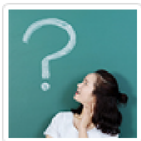
Retirement - Needs

Joe (2020)	66
Sue (2020)	63
Both Retired (2020-2049)	$84,000
Sue Alone Retired (2050-2052)	$67,200

Car ✖

When Joe retires $30,000
Recurring every 5 years
for a total of 5 times

Wants



Wants ✖

When both are retired $24,000
Recurring every year for
a total of 20 times

Travel ✖

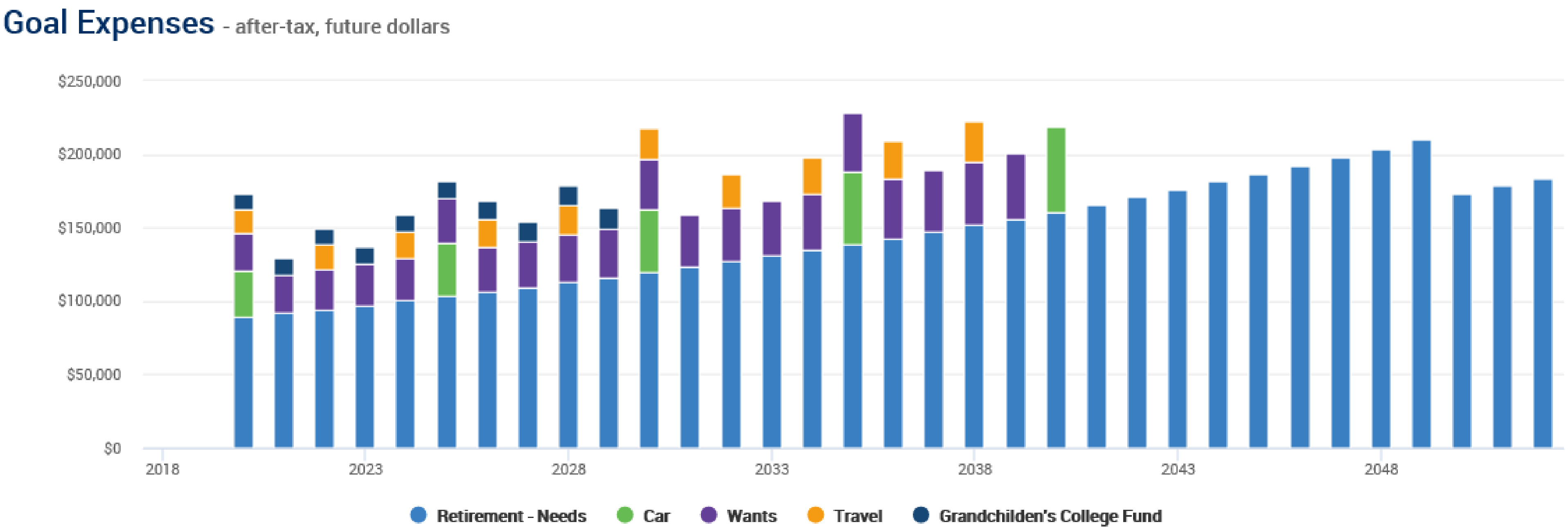
When both are retired $15,000
Recurring every 2 years
for a total of 10 times

Wishes

Grandchilden's College Fund ✖

When Joe retires $10,000
Recurring every year for
a total of 10 times

GOALS


Goal Expenses - after-tax, future dollars
$250,000
$200,000
$150,000
$100,000
$50,000
$0
2018
2023
2028
2033
2038
2043
2048
Retirement - Needs
Car
Wants
Travel
Grandchilden's College Fund

RETIREMENT INCOME

Social Security

Description	Value
Social Security	Joe will file a normal application at age 66. He will receive $32,722 in retirement benefits at age 66.
	Sue will file a normal application at age 66 Years, 6 Months. She will receive $20,802 in retirement benefits at age 67.

Will you have other sources of income during retirement (e.g., pension, rental, etc.)?

Description	Owner	Value
Part-Time Employment	Joe	$20,000 from Joe's Retirement to 2029

ASSETS

Investment Assets

Description	Owner	Current Value	Annual Additions
Linked			
Investment Account	Joint Community Property	$800,000	
Joes 401(k)	Joe	$400,000	$9,000
Sues IRA	Sue	$180,000	$6,500
Total All Assets		**$1,380,000**	**$15,500**

TARGET PORTFOLIO

Portfolio Table

Portfolios	Name	Cash	Bond	Stock	Alternative	Projected Return Total	Projected Return Real	Standard Deviation
	Conservative	2.00%	71.00%	27.00%	0.00%	5.15%	2.95%	6.55%
	Conservative Balanced	2.00%	51.00%	47.00%	0.00%	5.61%	3.41%	9.24%
▲ ●	Balanced	2.00%	31.00%	64.00%	3.00%	6.04%	3.84%	12.06%
	Balanced w/ Growth	2.00%	15.00%	78.00%	5.00%	6.43%	4.23%	14.57%
	Growth	2.00%	0.00%	93.00%	5.00%	6.82%	4.62%	17.21%
■	Current	0.00%	0.00%	100.00%	0.00%	6.84%	4.64%	18.06%

■ Current ● Target ▲ Risk Based ■ Risk Band

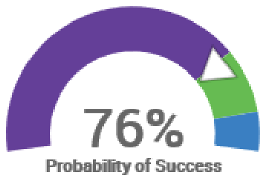
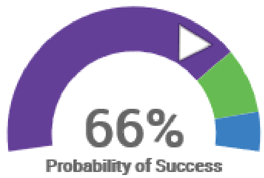
Average Inflation Rate: **2.20%**

GOAL PLANNING & MONITORING

Goals	Estimated % of Goal Funded			
	Current Scenario		Balanced	
	Average Return	Bad Timing	Average Return	Bad Timing
Needs	100%	100%	100%	100%
10 Retirement - Needs				
10 Car				
Wants	100%	35%	100%	88%
7 Wants				
6 Travel				
Wishes	100%	0%	100%	0%
3 Grandchilden's College Fund				
Safety Margin (Value at End of Plan)				
Current Dollars	$0	$0	$396,077	$0
Future Dollars	$0	$0	$848,323	$0
Monte Carlo Results	Likelihood of Funding All Goals			
Your Confidence Zone 75% - 90% Edit				
	Below Confidence Zone		Below Confidence Zone	

IMPORTANT: The projections or other information generated by Goal Planning & Monitoring regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. The return assumptions in Goal Planning & Monitoring are not reflective of any specific product, and do not include any fees or expenses that may be incurred by investing in specific products. The actual returns of a specific product may be more or less than the returns used in Goal Planning & Monitoring. It is not possible to directly invest in an index. Financial forecasts, rates of return, risk, inflation, and other assumptions may be used as the basis for illustrations. They should not be considered a guarantee of future performance or a guarantee of achieving overall financial objectives. Past performance is not a guarantee or a predictor of future results of either the indices or any particular investment. Goal Planning & Monitoring results may vary with each use and over time.

OPTION 1: REDUCE EXPENSES

	Play Zone® Scenario	Recommended Scenario
		
Needs		
Retirement - Needs: $84,000	$ 84,000	$84,000
Car: $30,000	$ 30,000	$30,000
Wants		
Wants: $16,000	$ 16,000	$24,000
Travel: $15,000	$ 15,000	$15,000

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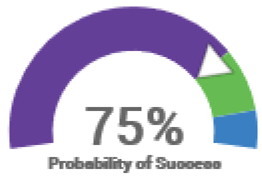
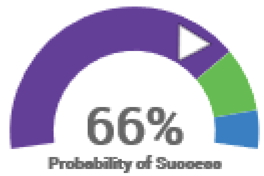
OPTION 2: DELAY RETIREMENT & EXTRA SAVINGS

	Play Zone® Scenario		Recommended Scenario



In Confidence Zone



Below Confidence Zone

Goals

		Play Zone® Scenario		Recommended Scenario
		Total Spending: $3,517,600		Total Spending: $3,601,600
Joe's Retirement Age:	67	67 in 2021		66 in 2020
Sue's Retirement Age:	64	64 in 2021		63 in 2020

Savings

		Play Zone® Scenario		Recommended Scenario
Joe - Joes 401(k):	10%	10.00 %	☐ Max	6.00%
Extra Savings (Taxable):	$12,000	$ 12,000		$0

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INVESTMENT CONSIDERATIONS

- ✓ Understand difference between distribution phase and accumulation phase
- ✓ Income versus growth
- ✓ Understand various risks of different investments

DISTRIBUTION METHODS

- Guaranteed* Living Income Benefits
  - Social Security
  - Annuities
- Systematic Withdrawal Plans
  - Asset allocation
  - Bond laddering
- Combination of Methods
  - Three bucket approach

*Guarantees are based on the paying ability of the issuer. Early withdrawals from annuities could reduce the principal amount invested. Surrender charges may apply for early withdrawals and, if made prior to age 59½, may be subject to 10% federal income tax penalty in addition to any gains being taxed as ordinary income.

GUARANTEED LIVING INCOME BENEFITS FOR ANNUITIES

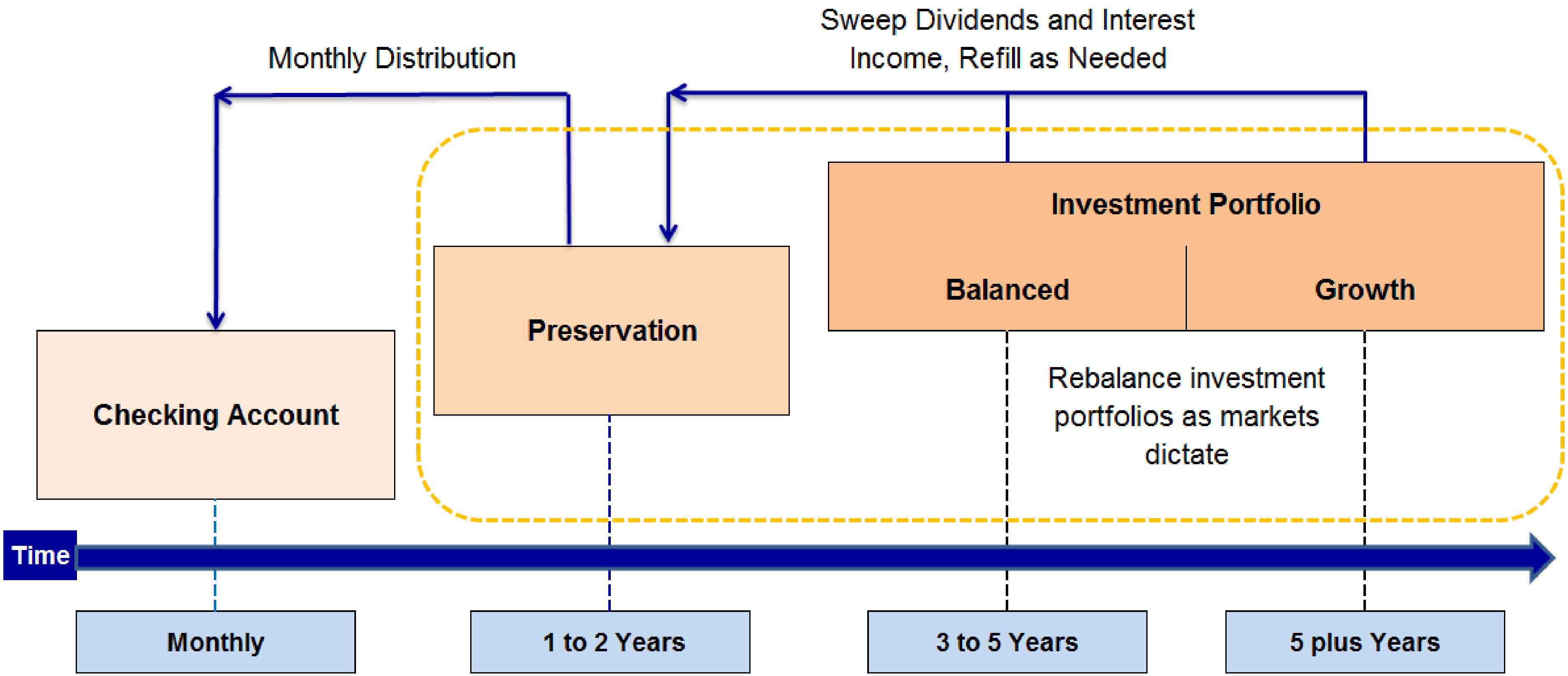
- Advantages:
  - Protection against longevity risk
  - Protection against market risk
  - Income and death benefit leverage
- Disadvantages:
  - Limited liquidity and control
  - Limited growth potential
  - Cost

Income benefits are typically available in riders which can add further guarantees to contracts at an additional cost.

SYSTEMATIC WITHDRAWAL PLANS

- Advantages:
  - Liquidity
  - Control
  - Cost
  - Growth potential/inflation hedge
- Disadvantages:
  - Exposure to longevity risk
  - Exposure to market risk
  - Potential complexity

RETIREMENT INCOME STRATEGY: 3 BUCKET APPROACH



Investing involves risk. You can lose your principal. There is no assurance any strategy will be successful.

TEN COMMON RETIREMENT MISTAKES

Mistake #1

- ✓Not planning

Mistake #2

✓Not maximizing social security benefits

MISTAKE #3

✓Thinking short term

MISTAKE #4

- ✓Failing to anticipate inflation

MISTAKE #5

✓Investing too aggressively and being subject to excessive market risk

Mistake #6

✓Investing too conservatively

MISTAKE #7

- ✓ Withdrawing funds in the wrong order/from the wrong accounts

MISTAKE #8

- ✓ Assuming taxes won't affect your retirement

Mistake #9

- ✓Not having strategies in place for medical and long-term care expenses

MISTAKE #10

✓Not having a current will and collateral documents

1. Durable General Power of Attorney
2. Health Care Power of Attorney
3. HIPAA Release and Authorization
4. Directive to Physicians (living will)
5. Self-Declaration of Guardian

"On my 65th birthday, I'm going to lie down in a crop circle and wait for aliens to abduct me. That's my retirement plan."

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QUESTIONS?

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