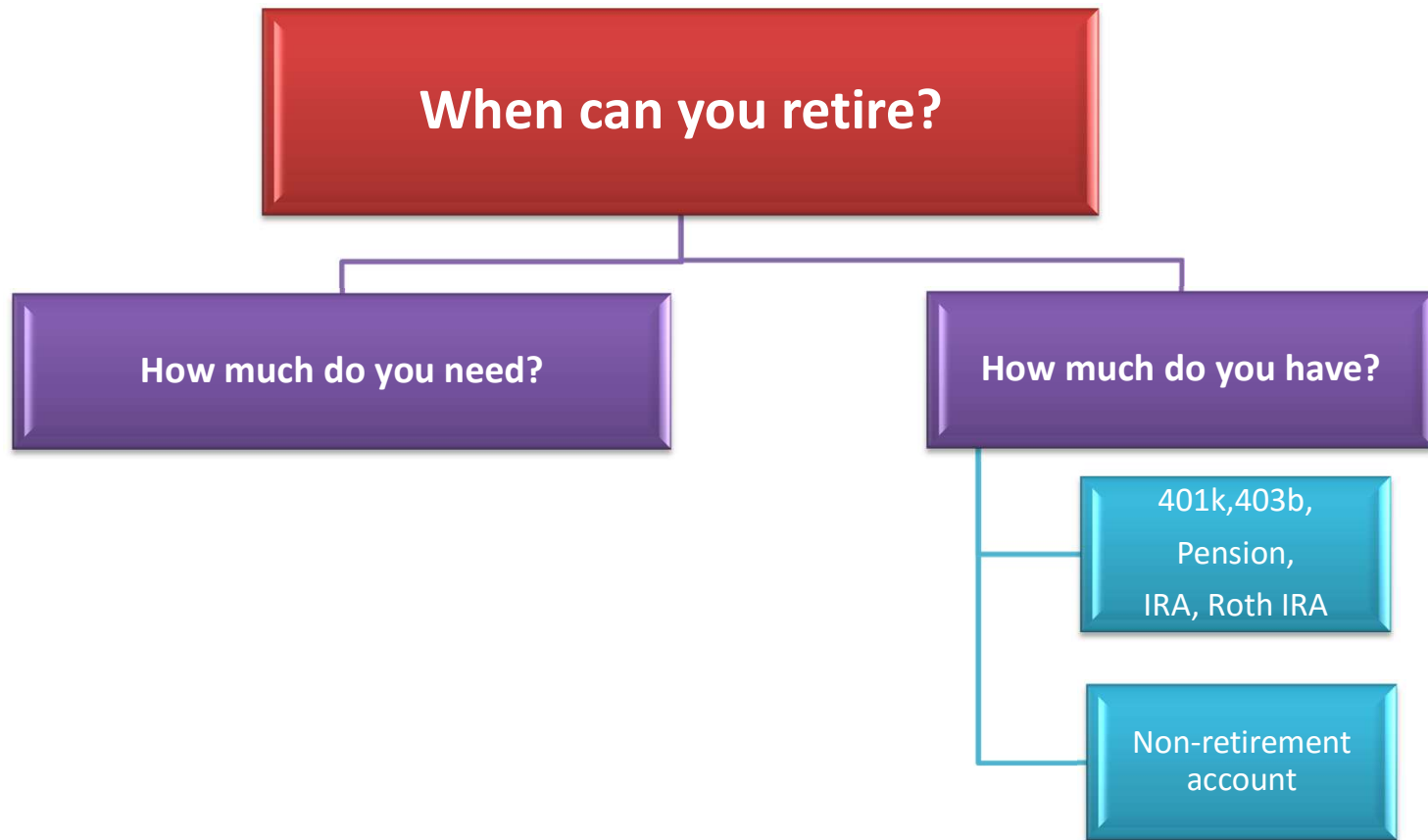


Retirement Planning

by Robert Chow



How much do you need ?

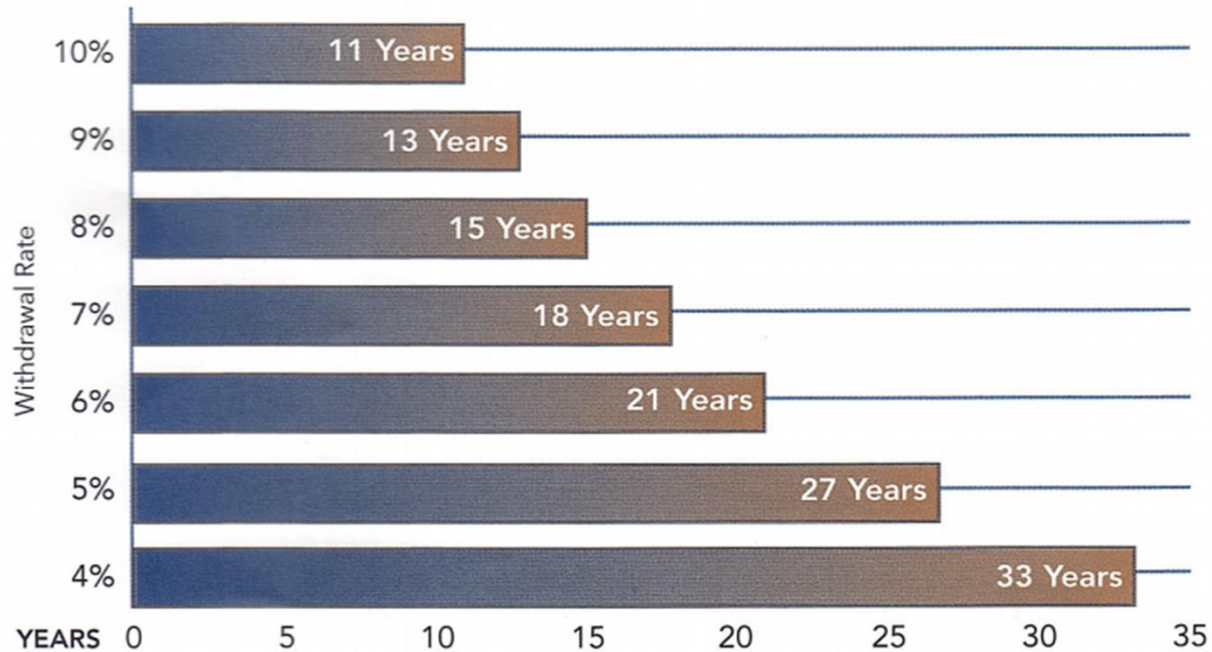
	One income Earner	Two income Earner
Assumptions:		
Monthly expenses	\$ 8,000	\$ 8,000
Monthly social security benefit start at age 66		
Principal	\$ 2,600	\$ 2,600
Spouse	\$ 1,300	\$ 2,600
	\$ 3,900	\$ 5,200
Shortage	\$ 4,100	\$ 2,800
How much do you need from Savings?		
Assume 6% annual return and 2% inflation rate		
with 4% withdraw rate		
last for 20 years	\$ 984,000	\$ 672,000
last for 25 years	\$ 1,230,000	\$ 840,000
with 5% withdraw rate		
last for 20 years	\$ 1,200,000	\$ 820,000
last for 25 years	\$ 1,580,000	\$ 1,080,000

How much do you have ?

Assumptions:		
7% annual return		
Savings start at age	Savings/mo	How much will you have at age 65
One Income Earner		
50 years old	\$ 1,000	\$ 318,811
40 years old	\$ 1,000	\$ 814,797
50 years old	\$ 3,800	\$ 1,200,000
40 years old	\$ 1,500	\$ 1,200,000
35 years old	\$ 1,000	\$ 1,200,000
Two Income Earner		
50 years old	\$ 2,000	\$ 637,622
40 years old	\$ 2,000	\$ 1,629,594
50 years old	\$ 2,600	\$ 820,000
47 years old	\$ 2,000	\$ 820,000

CONSIDER THE IMPACT OF WITHDRAWAL RATES ON A PORTFOLIO

NUMBER OF YEARS PORTFOLIO MAY LAST, BASED ON PERCENTAGE OF ASSETS WITHDRAWN EACH YEAR (90% CONFIDENCE LEVEL).



Portfolio: Represent a balanced portfolio of 50% stocks, 40% bonds and 10% short-term instruments
the return of this portfolio based on the historical performance for each asset class between 1926 and 2002, average 3% inflation rate assumed, actual inflation rates may be more or less.

Before Retirement

Funding Channels for Retirement Income

Retirement Accounts

- 401(k)/403b
- Traditional IRA
- Roth IRA

Non Retirement Accounts

- Health Savings Account(HSA)*
- Savings/Investments

*Health Savings Account (HSA)

- Use for qualified health costs otherwise 20% penalty
- Can be reimbursed anytime for the medical expenses that was incurred after opened your (HSA) account

Roth IRA Eligibility

For	MAGI	Contribution Amount
Single	up to \$116,000	Full (\$5,500/\$6,500)
	\$116,000 - \$131,000	Partial
	above \$131,000	none
Married	up to \$183,000	Full (\$5,500/\$6,500)
	\$183,000 - \$193,000	Partial
	above \$193,000	none

Traditional IRA deductibility

I. If individual is covered by employee sponsored plan

For	MAGI	Contribution Amount
Single	up to \$61,000	Full (\$5,500/\$6,500)
	\$61,000 - \$71,000	Partial
	above \$71,000	none
Married	up to \$98,000	Full (\$5,500/\$6,500)
	\$98,000 - \$118,000	Partial
	above \$118,000	none

II. If individual is not covered by employee-sponsored plan

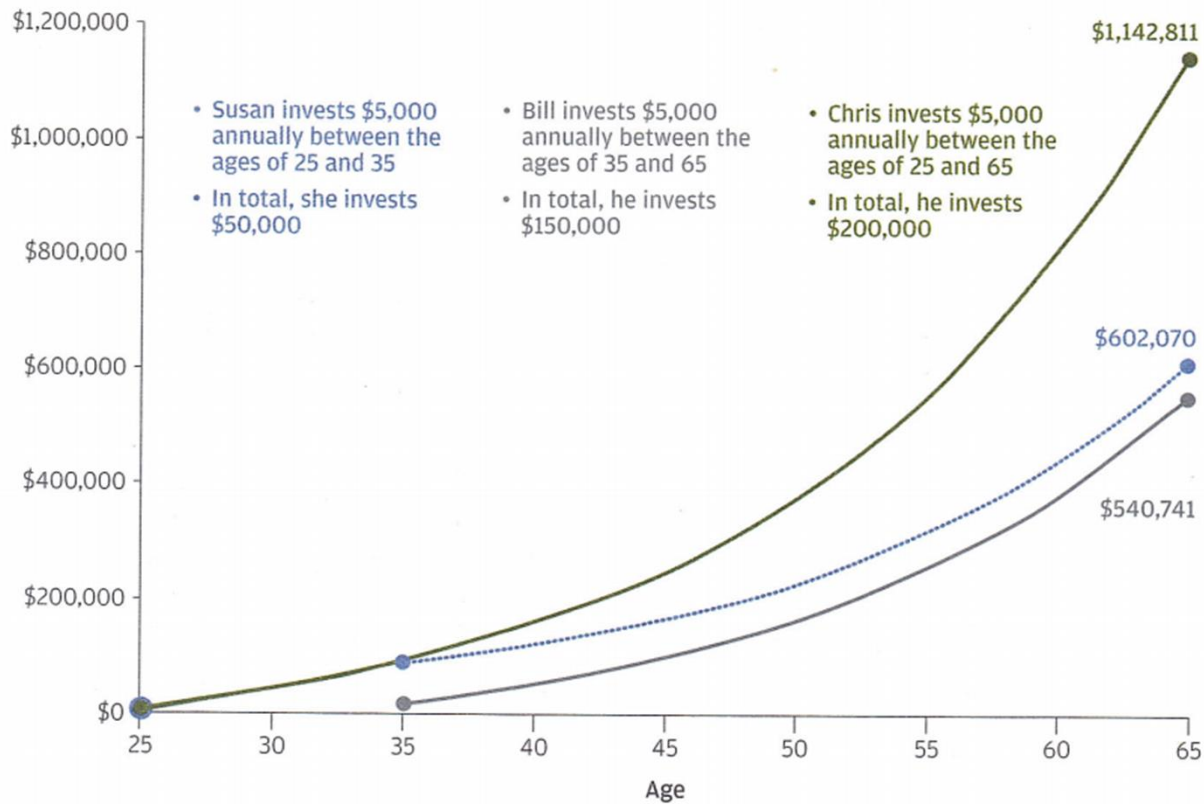
For	MAGI	Contribution Amount
Single	no income limit	Full (\$5,500/\$6,500)
Married	no income limit	Full (\$5,500/\$6,500)
Married-spouse is covered by employee-sponsored plan	up to \$183,000	Full (\$5,500/\$6,500)
	\$183,000 - \$193,000	Partial
	above \$193,000	none

Investment Strategy

- Investment Goals: **Growth**
- Determine the Time Frame of the Investment
- Understand and Meet the Personal Risk Tolerance (Volatility)
- Design a Investment Portfolio Accordingly
 - Asset Allocation
 - Diversification
- Review and Rebalance Periodically
- Tax Consideration

Benefit of saving early

Growth of savings accounts



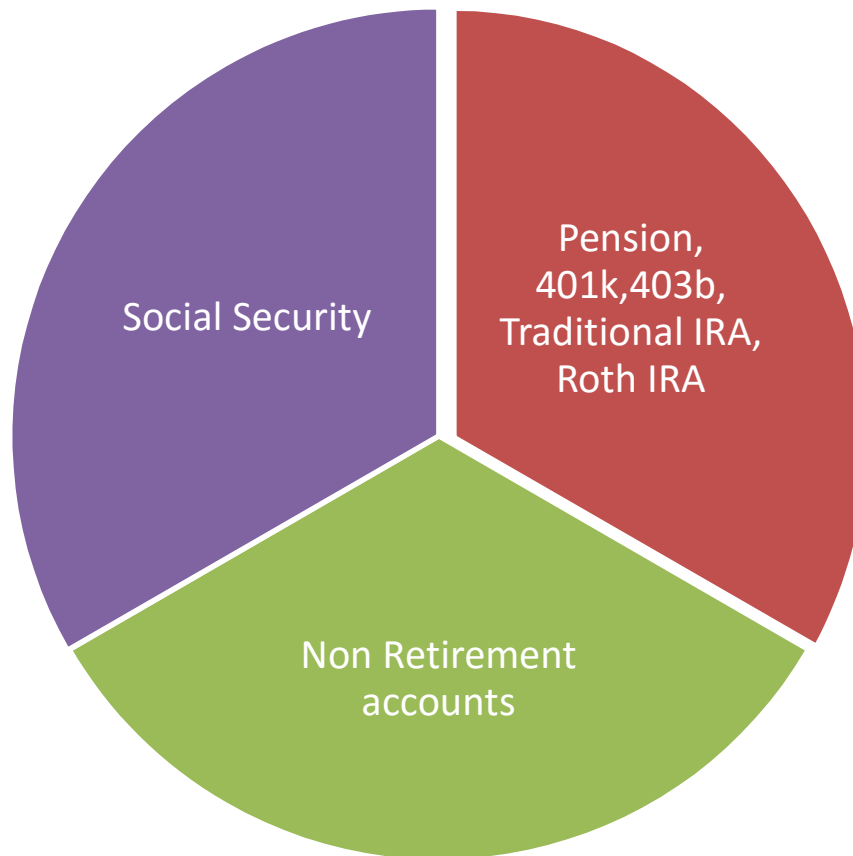
Saving fundamentals: Harnessing the power of compounding can greatly impact the amount of savings over the long term.

Retirement Plan for small business or self-employed

- . **SEP IRA**
- . **Single K**
- . **401 K**
- . **SIMPLE IRA**
- . **Profit Sharing**
- . **Defined Benefit**

After Retirement

Sources of Retirement Income



Required minimum distributions (RMDs)

RMDs generally are minimum amounts that a retirement plan account owner must withdraw annually starting with the year that he or she reaches **70 1/2 years or if later, the year** in which he or she **retires**.

Use one of the following table for RMD calculation:

Uniform Lifetime Table

Joint and Last Survivor Table

Single Life Expectancy Table

***The amount not withdrawn is taxed at 50%.**

***Roth IRA do not require withdraw until after the death of the owner of the account**

Required minimum distributions (RMDs)

Uniform Lifetime Table

Age	Factor	%*	Age	Factor	%*
70	27.4	3.65	93	9.6	10.42
71	26.5	3.77	94	9.1	10.99
72	25.6	3.91	95	8.6	11.63
73	24.7	4.05	96	8.1	12.35
74	23.8	4.20	97	7.6	13.16
75	22.9	4.37	98	7.1	14.08
76	22.0	4.55	99	6.7	14.93
77	21.2	4.72	100	6.3	15.87
78	20.3	4.93	101	5.9	16.95
79	19.5	5.13	102	5.5	18.18
80	18.7	5.35	103	5.2	19.23
81	17.9	5.59	104	4.9	20.41
82	17.1	5.85	105	4.5	22.22
83	16.3	6.13	106	4.2	23.81
84	15.5	6.45	107	3.9	25.64
85	14.8	6.76	108	3.7	27.03
86	14.1	7.09	109	3.4	29.41
87	13.4	7.46	110	3.1	32.26
88	12.7	7.87	111	2.9	34.48
89	12.0	8.33	112	2.6	38.46
90	11.4	8.77	113	2.4	41.67
91	10.8	9.26	114	2.1	47.62
92	10.2	9.80	115+	1.9	52.63

Example:

If John is 70 1/2 and prior December 31 account balance is \$1M

the RMD= \$ 1,000,000 /27.4 = \$ 36,496.35



Investment Strategy for Retiree

- Investment Goals: **Current income** with growth in mind
- **liquidity need**
- Understand and Meet the Personal Risk Tolerance (Volatility)
- Design a Investment Portfolio Accordingly
 - Asset Allocation
 - Diversification
- Review and Rebalance Periodically
- Tax Consideration

Social Security

Understanding how your benefits may be taxed

Tax filing status	Provisional Income	Percentage of your benefits that may be taxable
Single or Head of Household	less than \$25,000	None
Single or Head of Household	between \$25,000 and \$34,000	up to 50%
Single or Head of Household	more than \$34,000	up to 85%
Married Filing Jointly	less than \$32,000	None
Married Filing Jointly	between \$32,000 and \$44,000	up to 50%
Married Filing Jointly	more than \$44,000	up to 85%

Provisional income= Adjusted gross income (AGI)+ nontaxable interest+one half of your Social Security benefits

When to start collecting benefits—

Weighing the trade-offs

Start collecting early or wait?

Year of Birth*	FRA	Benefit, as a percentage of your Primary Insurance Amount, if you start collecting benefits at age								
		62	63	64	65	66	67	68	69	70
1943-54	66	75	80	86 $\frac{2}{3}$	93 $\frac{1}{3}$	100	108	116	124	132
1955	66, 2 mo.	74 $\frac{1}{6}$	79 $\frac{1}{6}$	85 $\frac{5}{6}$	92 $\frac{2}{3}$	98 $\frac{8}{9}$	106 $\frac{2}{3}$	114 $\frac{2}{3}$	122 $\frac{2}{3}$	130 $\frac{2}{3}$
1956	66, 4 mo.	73 $\frac{1}{3}$	78 $\frac{1}{3}$	84 $\frac{4}{9}$	91 $\frac{1}{9}$	97 $\frac{7}{9}$	105 $\frac{1}{3}$	113 $\frac{1}{3}$	121 $\frac{1}{3}$	129 $\frac{1}{3}$
1957	66, 6 mo.	72 $\frac{1}{2}$	77 $\frac{1}{2}$	83 $\frac{1}{3}$	90	96 $\frac{2}{3}$	104	112	120	128
1958	66, 8 mo.	71 $\frac{2}{3}$	76 $\frac{2}{3}$	82 $\frac{2}{9}$	88 $\frac{8}{9}$	95 $\frac{5}{9}$	102 $\frac{2}{3}$	110 $\frac{2}{3}$	118 $\frac{2}{3}$	126 $\frac{2}{3}$
1959	66, 10 mo.	70 $\frac{5}{6}$	75 $\frac{5}{6}$	81 $\frac{1}{6}$	87 $\frac{7}{6}$	94 $\frac{4}{6}$	101 $\frac{1}{3}$	109 $\frac{1}{3}$	117 $\frac{1}{3}$	125 $\frac{1}{3}$
1960 and later	67	70	75	80	86 $\frac{2}{3}$	93 $\frac{1}{3}$	100	108	116	124

Longevity

Total Benefits Paid			
Age	Start at age 62 Monthly Benefit \$750		Delayed retirement credits are not available after age 70
62	\$9,000		
63	18,000		
64	27,000		
65	36,000		
66	45,000	Start at age 66 Monthly Benefit \$1,000	
67	54,000	\$12,000	
68	63,000	24,000	
69	72,000	36,000	
70	81,000	48,000	Start at age 70 Monthly Benefit \$1,320
71	90,000	60,000	\$15,840
72	99,000	72,000	31,680
73	108,000	84,000	47,520
74	117,000	96,000	63,360
75	126,000	108,000	79,200
76	135,000	120,000	95,040
77	144,000	132,000	110,880
78	153,000	144,000	126,720
79	162,000	156,000	142,560
80	171,000	168,000	158,400
81	180,000	180,000	174,240
82	189,000	192,000	190,080
83	198,000	204,000	205,920
84	207,000	216,000	221,760
85	\$216,000	\$240,000	237,600

Starting benefits at age 66 will generate more total income beginning at age 78

Starting benefits at age 70 will generate more total income beginning at age 82

Spousal Benefits

Year of Birth*	Full Retirement Age (FRA)	Spousal benefit if collected at FRA (Monthly)	Spousal benefit if collected at age 62 (Monthly)
1943-1954	66	\$500	\$350
1955	66, 2 mo.	500	345
1956	66, 4 mo.	500	341
1957	66, 6 mo.	500	337
1958	66, 8 mo.	500	333
1959	66, 10 mo.	500	329
1960 or later	67	500	325

How do filing strategies compare over time?

Each strategy assumes the following: The lower-earning spouse is eligible for a monthly benefit of \$1,000 at Full Retirement Age (66). The higher-earning spouse is eligible for a monthly benefit of \$2,400 at Full Retirement Age (66). Both spouses are the same age.

Total Benefits Paid Over Time*				
At age	1. Early Election	2. Full Retirement Age	3. "Phase-In"	4. "File & Suspend"
62	\$32,280	\$0	\$9,000	\$0
66	161,400	\$43,200	51,000	14,400
70	290,520	\$216,000	145,416	110,016
80	613,320	\$648,000	639,576	634,176
90	936,120	1,080,000	1,133,736	1,158,336

* These summarized results are hypothetical and do not reflect any cost-of-living increases and do not represent actual client scenarios.

How do filing strategies compare over time?

Strategy Overview

1. Early Election Strategy: Both spouses start benefits at age 62. The higher-earning spouse receives a monthly benefit of \$1,800 beginning at age 62. The lower-earning spouse receives a monthly spousal benefit of \$890 beginning at age 62.
2. Full Retirement Age: Both spouses start benefits at age 66. The higher-earning spouse receives a monthly benefit of \$2,400 beginning at age 66. The lower-earning spouse receives a monthly spousal benefit of \$1,200 beginning at age 66.
3. Phase-In: The couple phases in their benefits between ages 62 and 70. The lower-earning spouse receives a monthly benefit of \$750 from age 62 through age 69. The higher-earning spouse receives a monthly spousal benefit of \$500 from age 66 through age 69. Beginning at age 70, the lower-earning spouse receives a monthly spousal benefit of \$950 and the higher-earning spouse receives a monthly benefit of \$3,168.
4. File & Suspend: The couple phases in their benefits between ages 66 and 70. The lower-earning spouse receives a monthly spousal benefit of \$1,200 beginning at age 66. The higher-earning spouse receives a monthly benefit of \$3,168 beginning at age 70.

Continuing to Work

If you are working and:

Younger than Full Retirement Age	In the year you reach Full Retirement Age	Older than Full Retirement Age
You can earn up to \$15,720	You can earn up to \$41,880	No earnings limit
After this point, your benefits will be reduced by \$1 for every \$2 you earn over the limit	After this point, your benefits will be reduced by \$1 for every \$3 you earn over the limit ¹⁰	No reduction in benefits

Earnings limits shown are for 2015. Note: if your spouse is working, his or her earnings do not count toward your earnings limit.

Case Study

- Mr. Chang retired 4 years ago and Mrs. Chang retired this year with income \$86,000.
- Mr. Chang was born in May, 1948 and Mrs. Chang was born in Oct, 1948.
- Monthly expenses: \$5,000
- Social Security monthly benefit: \$3,000
- Asset:
 - Mr. Chang IRA- \$187,000
 - Mrs.Chang IRA:\$73,000 ,Roth IRA: \$13,000, 401(k): \$700,000
 - Bank Deposit \$30,000

2015

- Mr. Chang contributes \$6,500 in IRA
- Mrs. Chang Contributes \$6,500 in Roth IRA

2016-2017

- Per month : \$3,000(income)- \$5,000(Expenses)=Short \$2,000 or
Per Year: \$36,000(income)- \$60,000(Expenses) = Short \$24,000
- Tax Consideration:
 - Married Filing Jointly Provisional income less than \$32,000, no tax on social Security benefits.
Provisional income= Adjusted gross income (AGI)+ nontaxable interest + one half of your Social Security benefits
 - $\$32,000 - (3,000 \times 12 / 2) = \$14,000$
 - Withdraw less than \$14,000 from IRA
 - Remaining \$10,000 from Savings or ROTH IRA

2018

- Mr. Chang reach 70 ½
 - RMD from IRA \$7,000/year

Income	Expenses
$(\$36,000 + \$7,000)$	$(\$60,000)$

= short \$17,000 per year
- Withdraw less than \$7,000 from IRA
- Remaining \$10,000 from Savings or ROTH IRA

2019 & beyond

- Mrs. Chang reach 70 ½
 - RMD \$30,000/year

Income	Expenses
$(\$43,000 + \$30,000)$	$(\$60,000)$

= \$13,000 per year