

Defining Retirement Resources, Goals and Constraints

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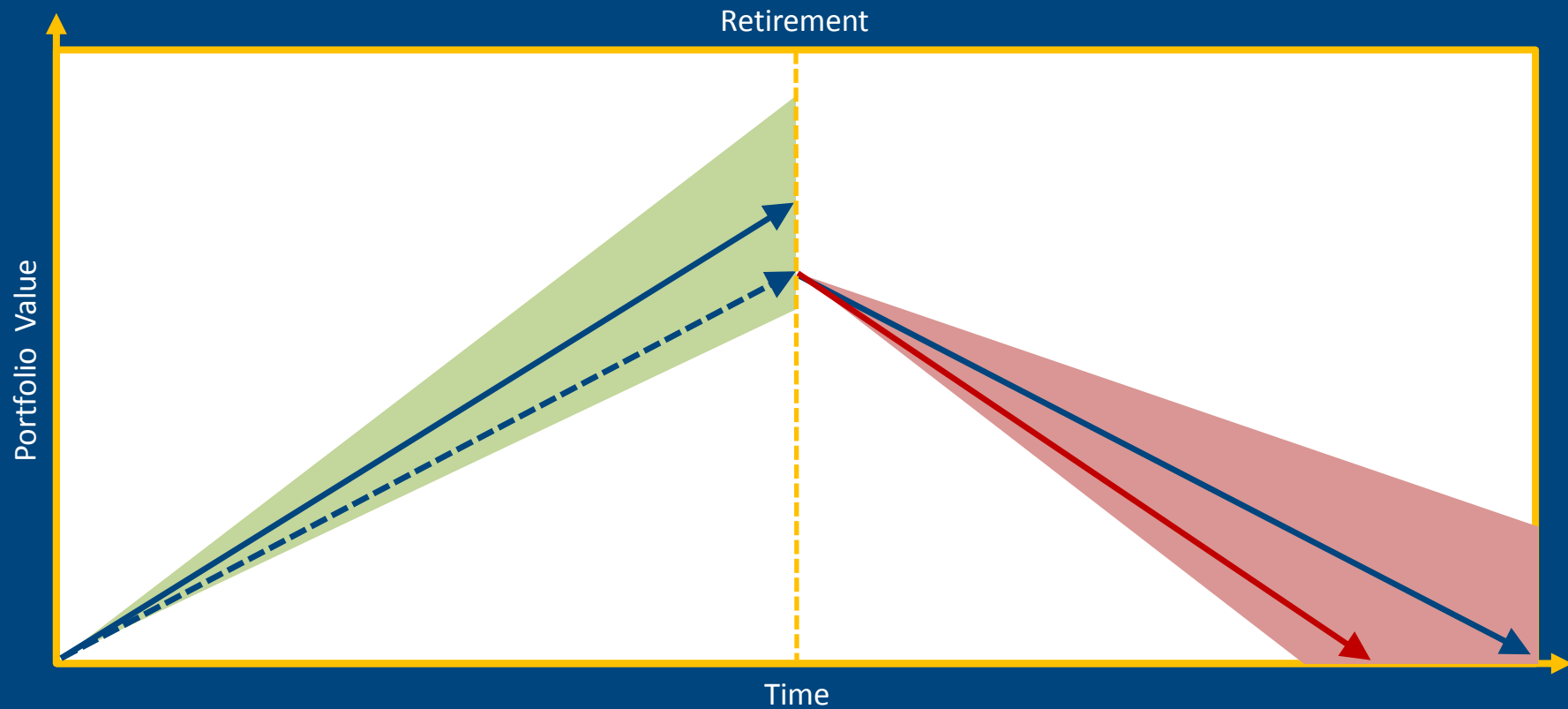
Course Content

1. Success and Failure in Retirement Investing
- 2. Defining Retirement Resources, Goals and Constraints**
3. Understanding Investment Risk and Return
4. How Diversification Really Works
5. Asset Classes and Types – Diversification and Concentration
6. Understanding Asset Allocation and Hedging
7. Setting Investment Performance Expectations
8. Managing Investment Costs
9. The Case for Index Investing
10. Accounting for Inflation in Retirement Planning
11. Managing Portfolio Liquidity
12. Organizing Your Portfolio

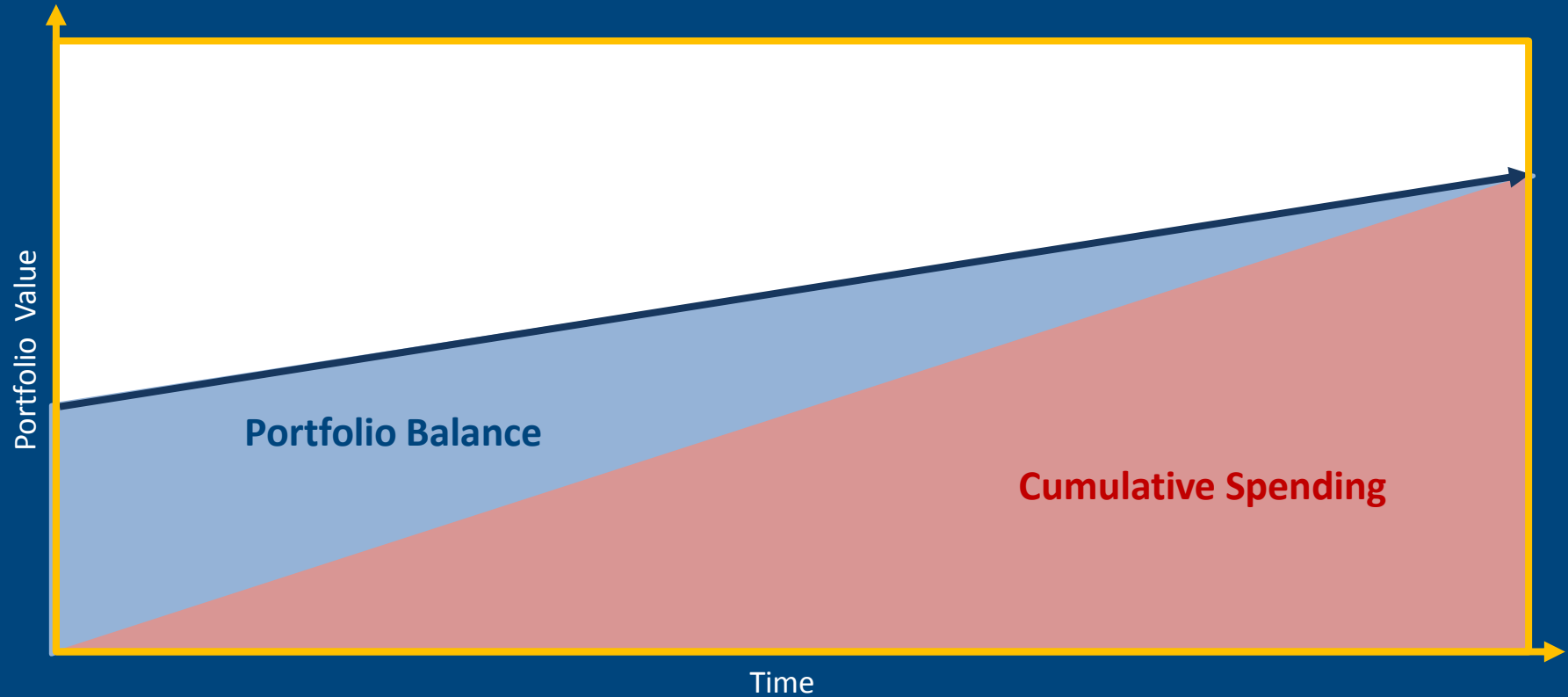
SEA Member Benefits

- Free Hour of Consulting / Analysis
 - \$250 Vantage Discount
- Email Questions to me at mmiles@variplan.com

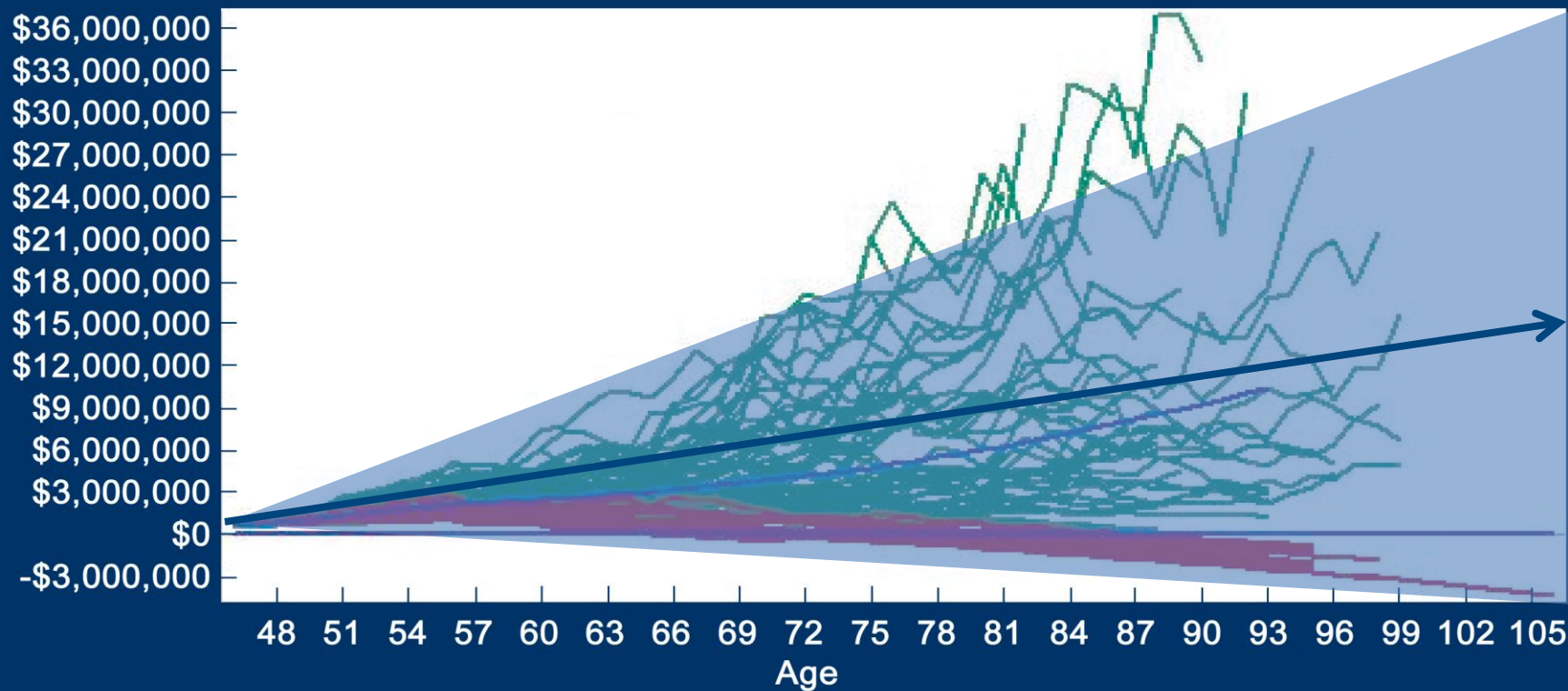
The Game Changes as You Approach Retirement



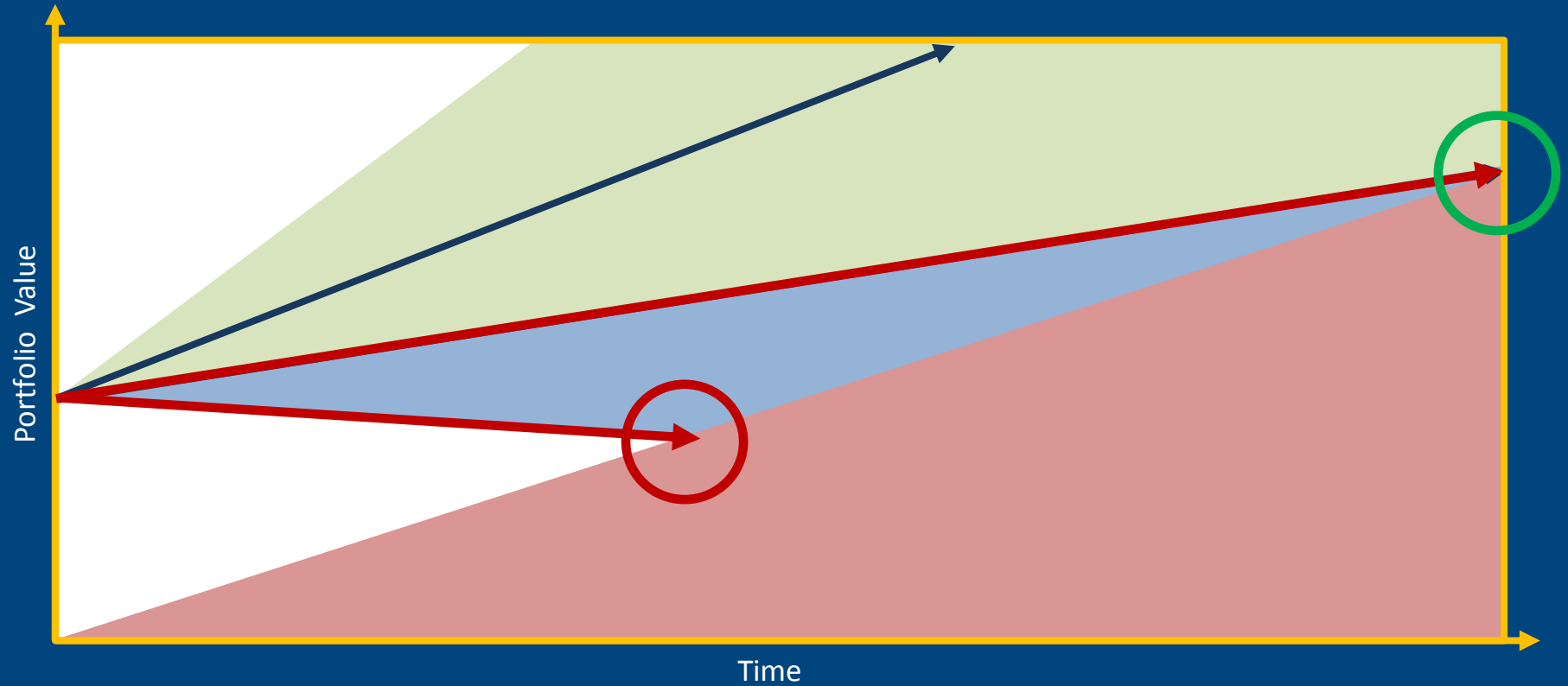
Ideal Plan – Constant Rate of Return



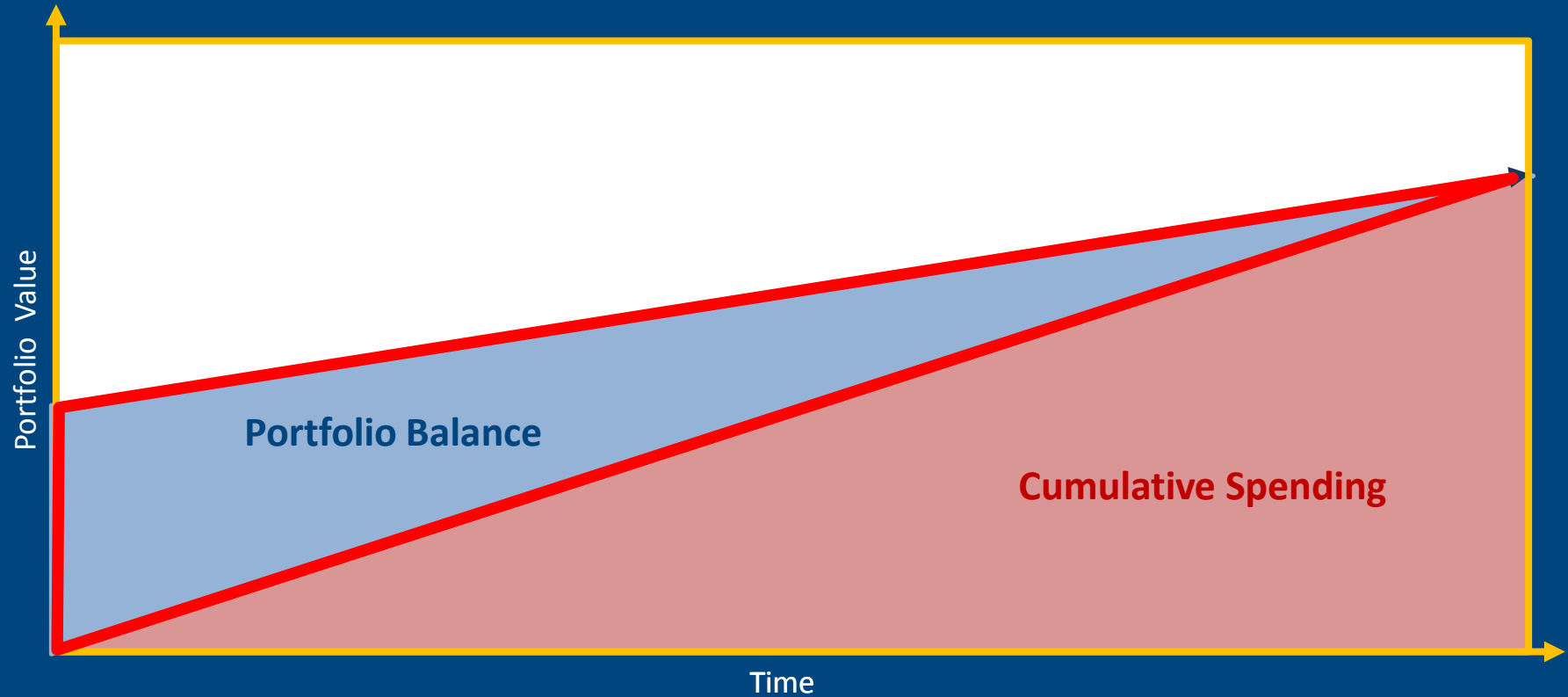
Same Plan – Many Possible Outcomes



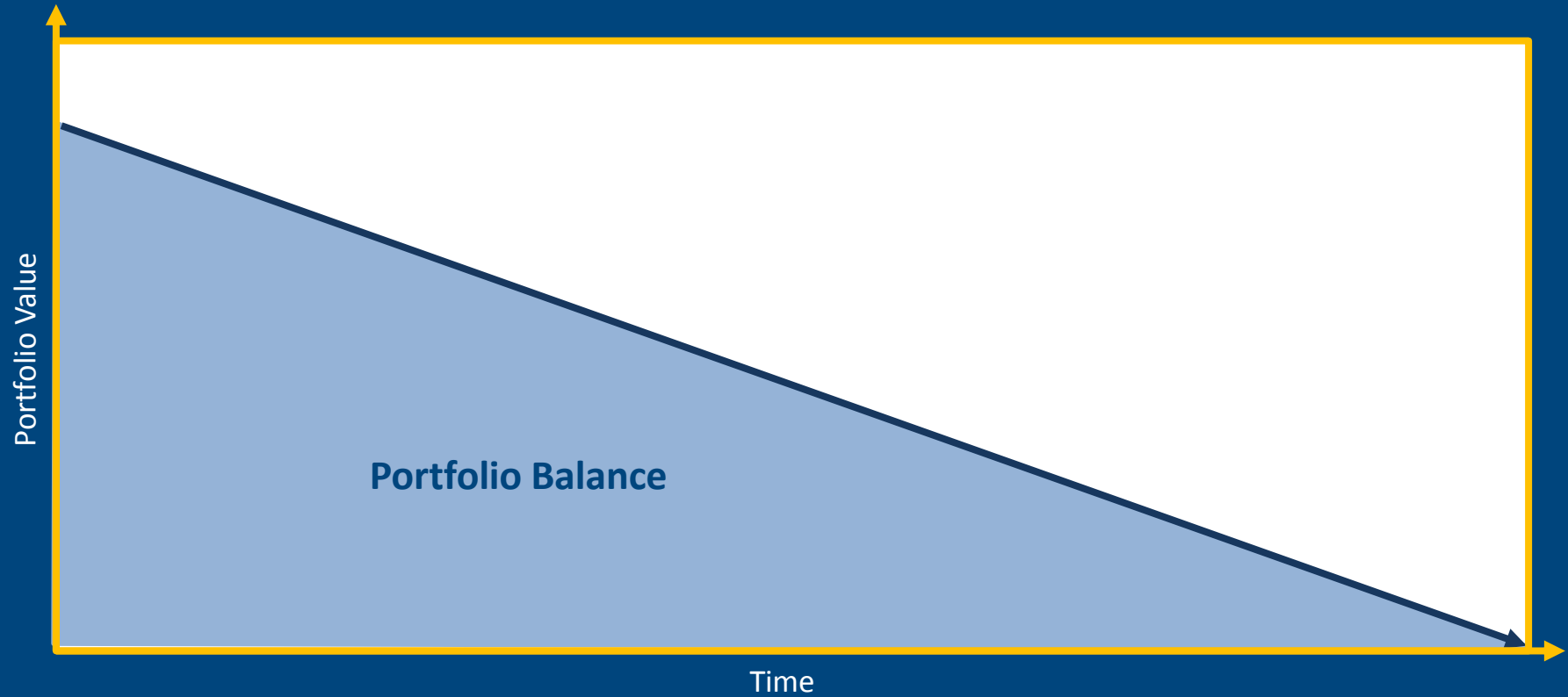
Possible Solutions – Adjust Investment Strategy



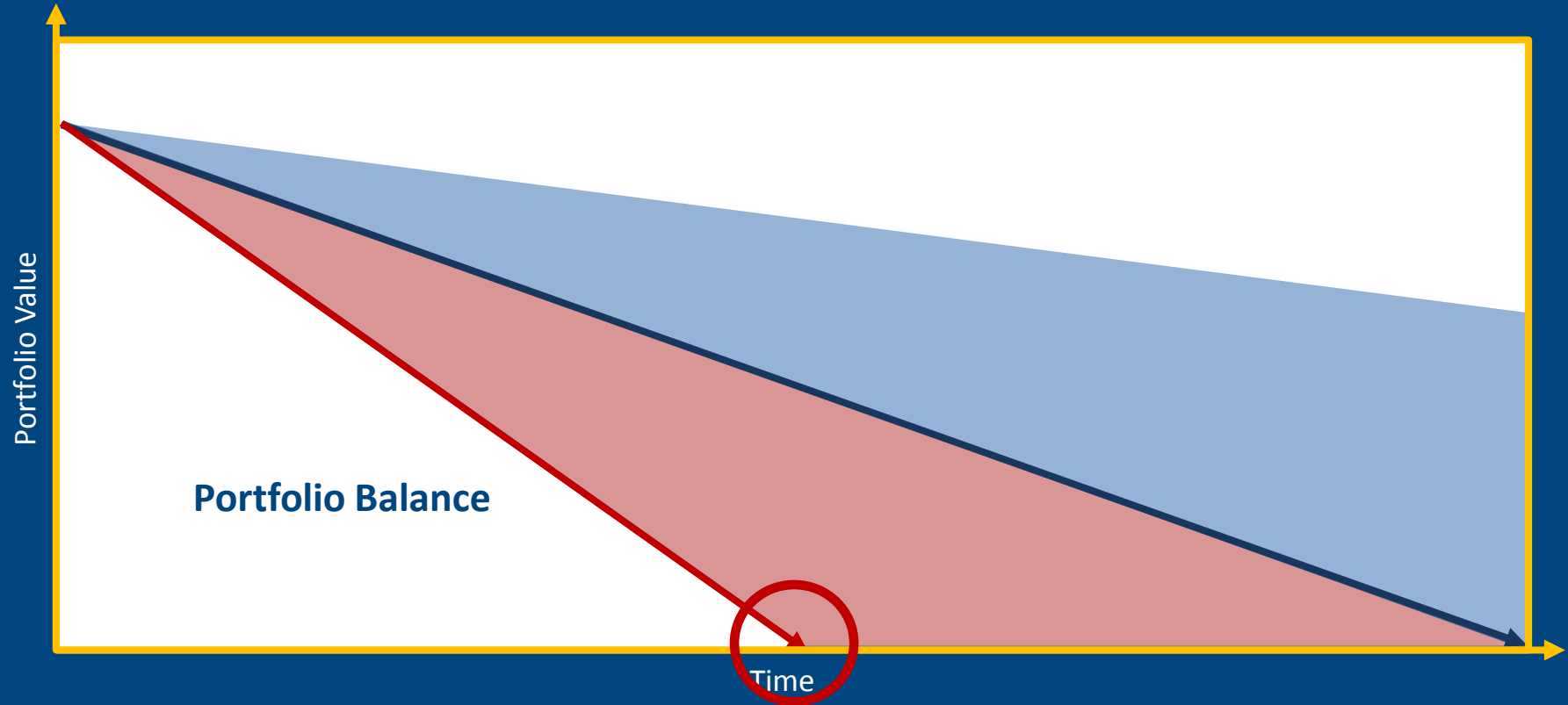
Ideal Plan – Constant Rate of Return



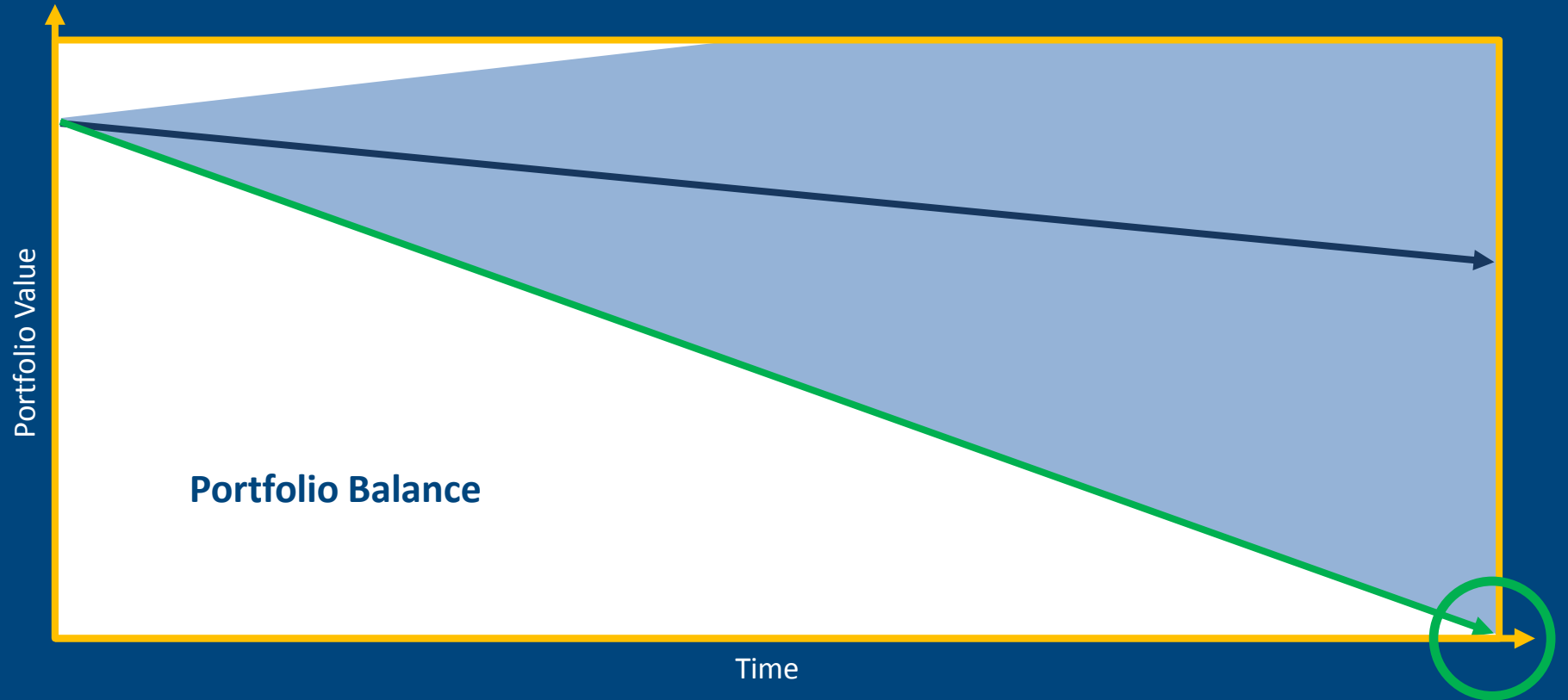
Ideal Plan – Constant Rate of Return



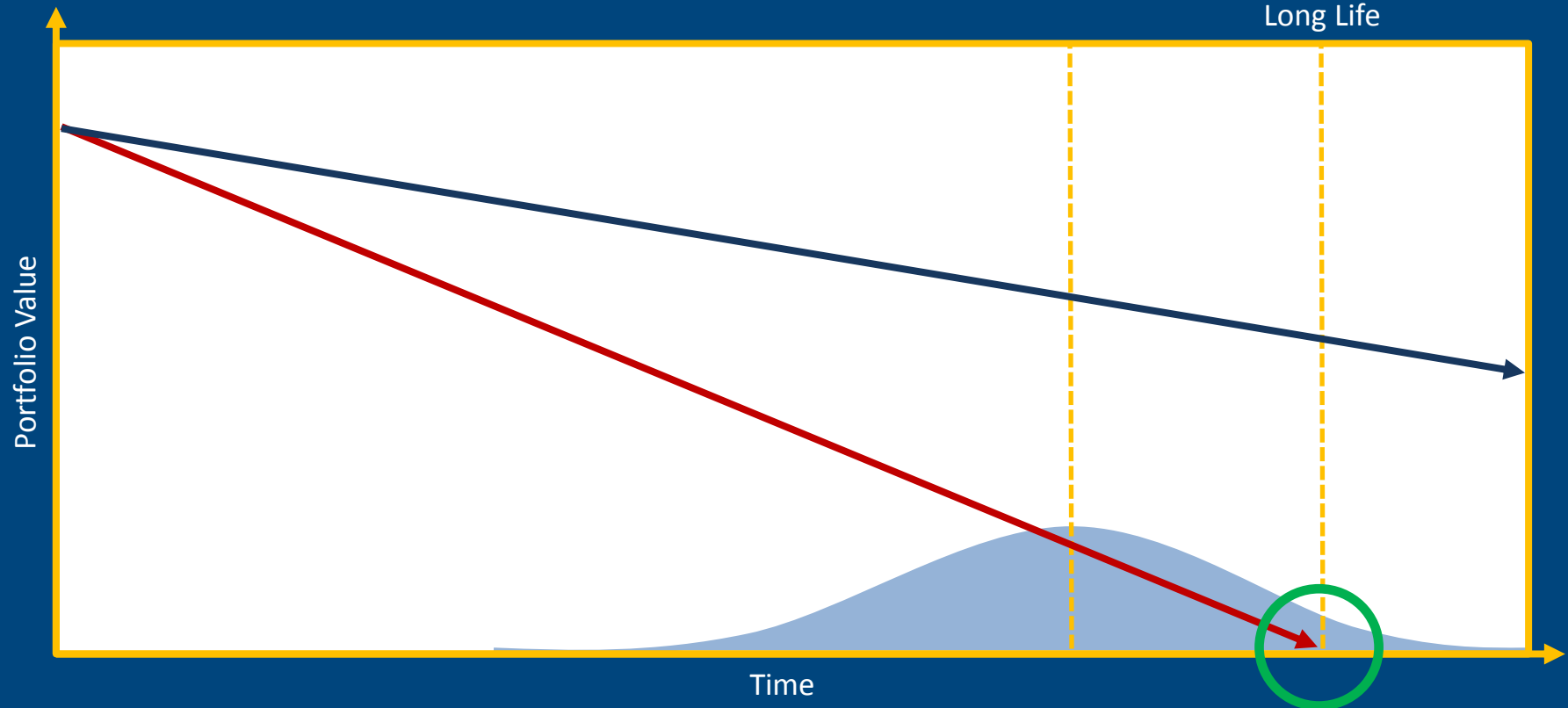
The Effect of Investment Risk



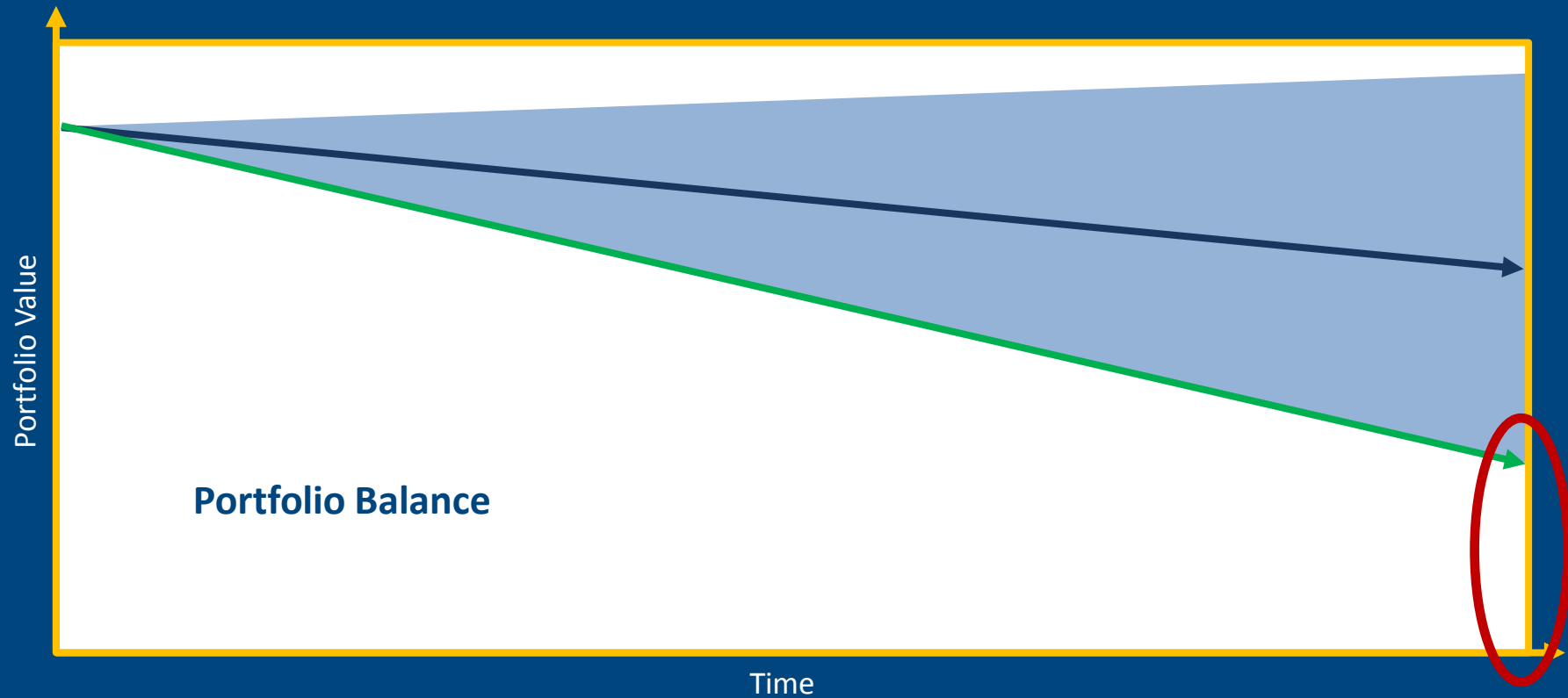
Optimal Solution



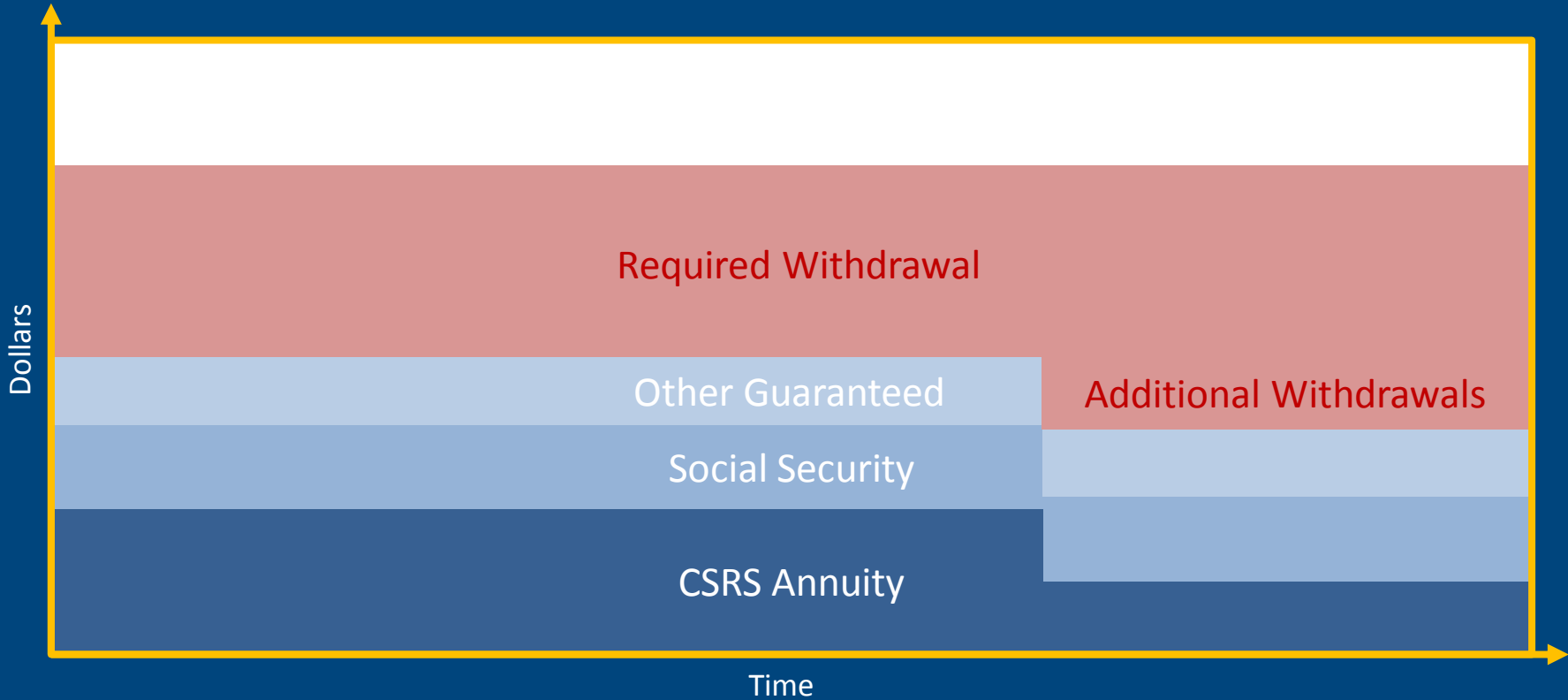
Optimal



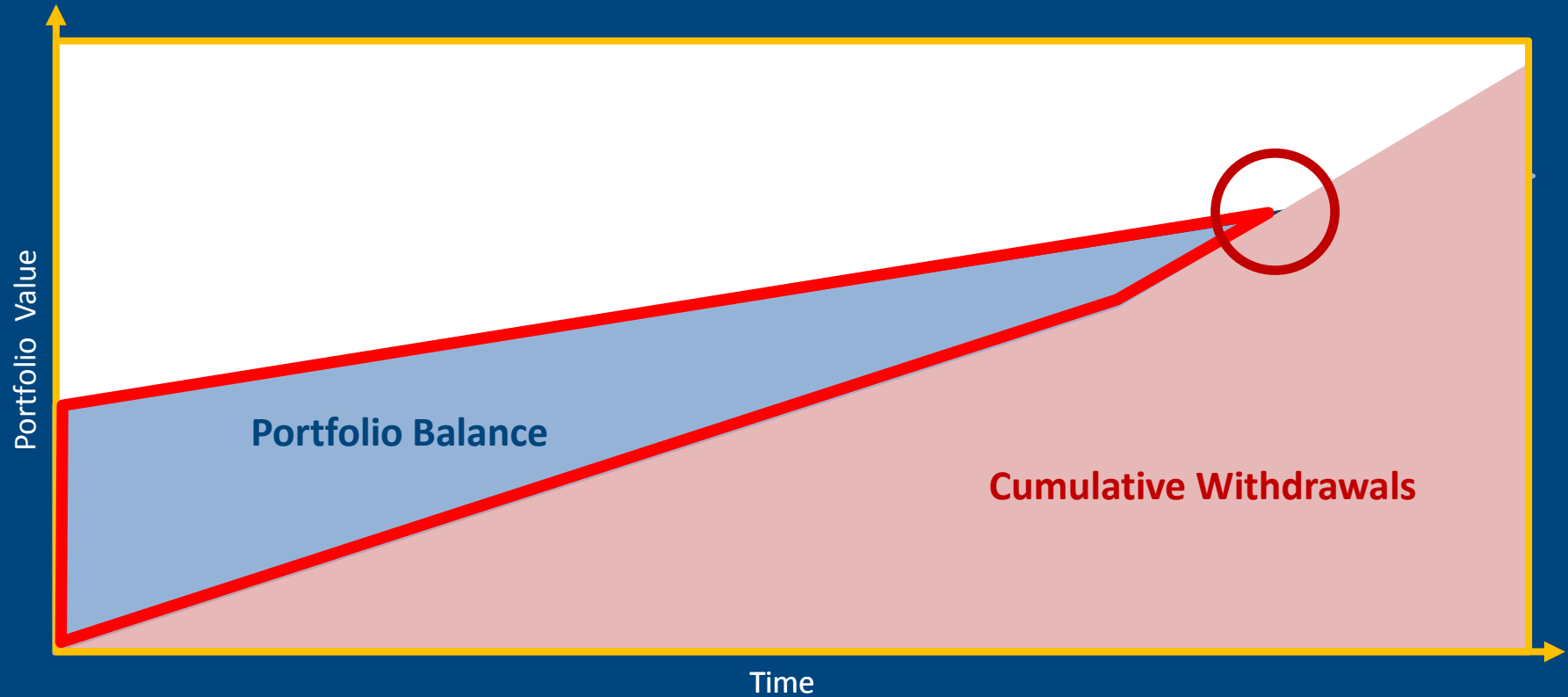
Too Conservative



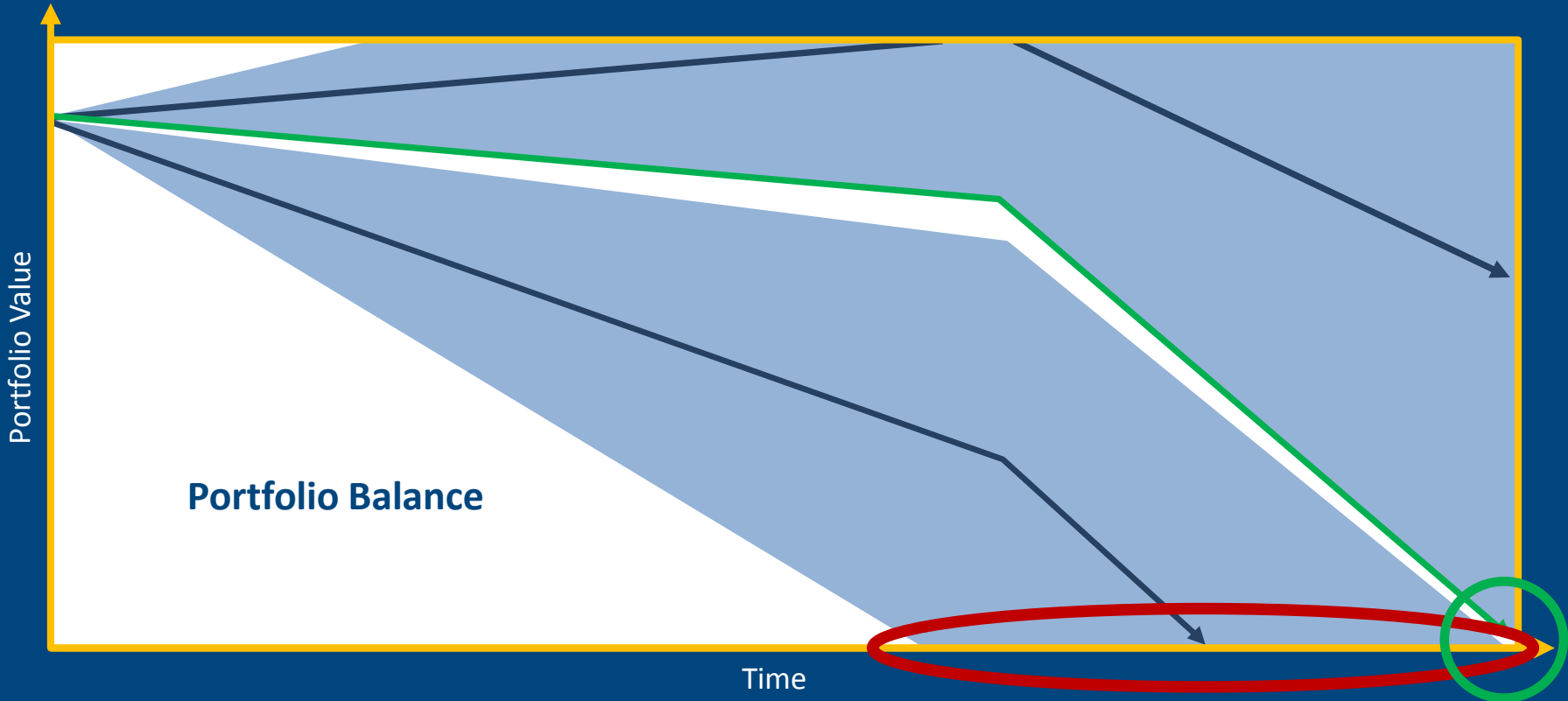
Death of Annuitant



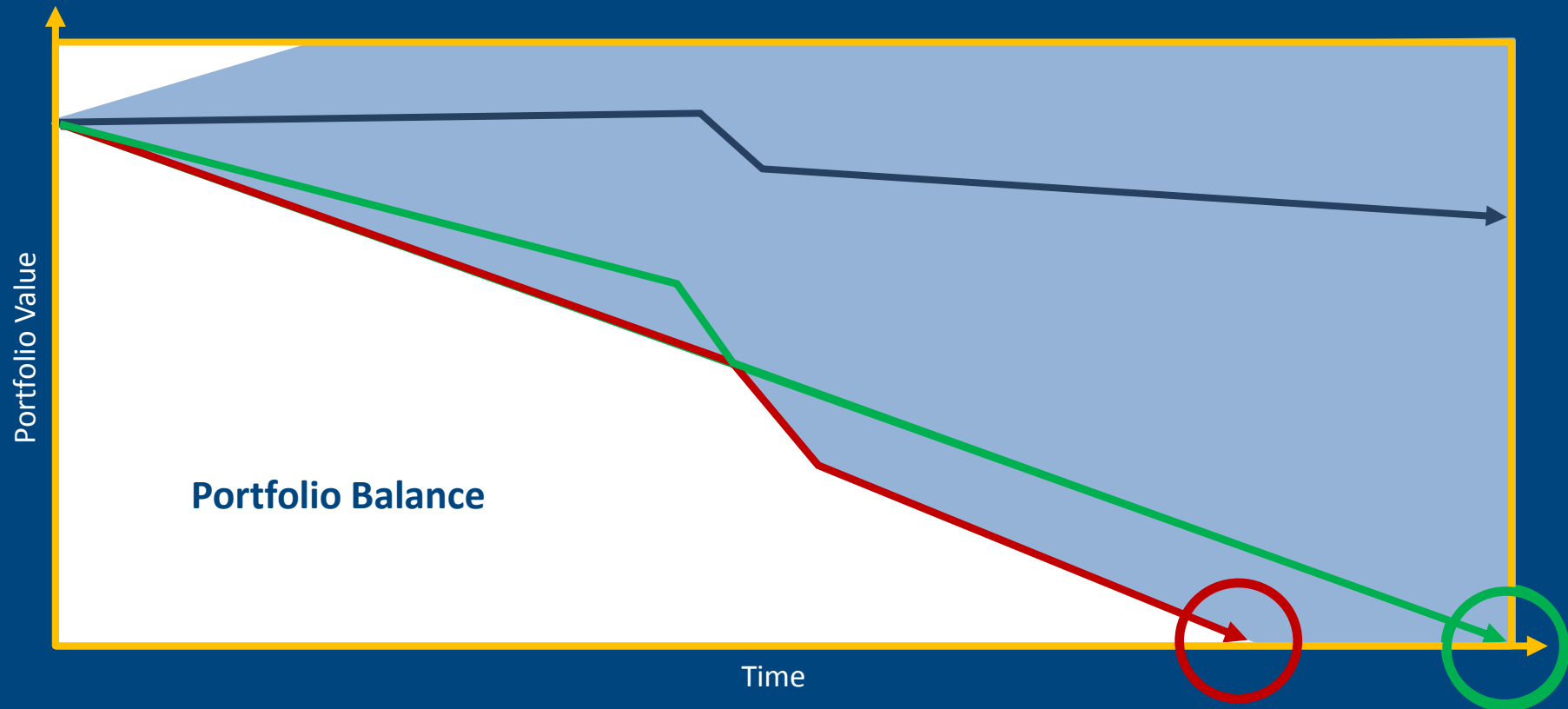
Ideal Plan – Constant Rate of Return



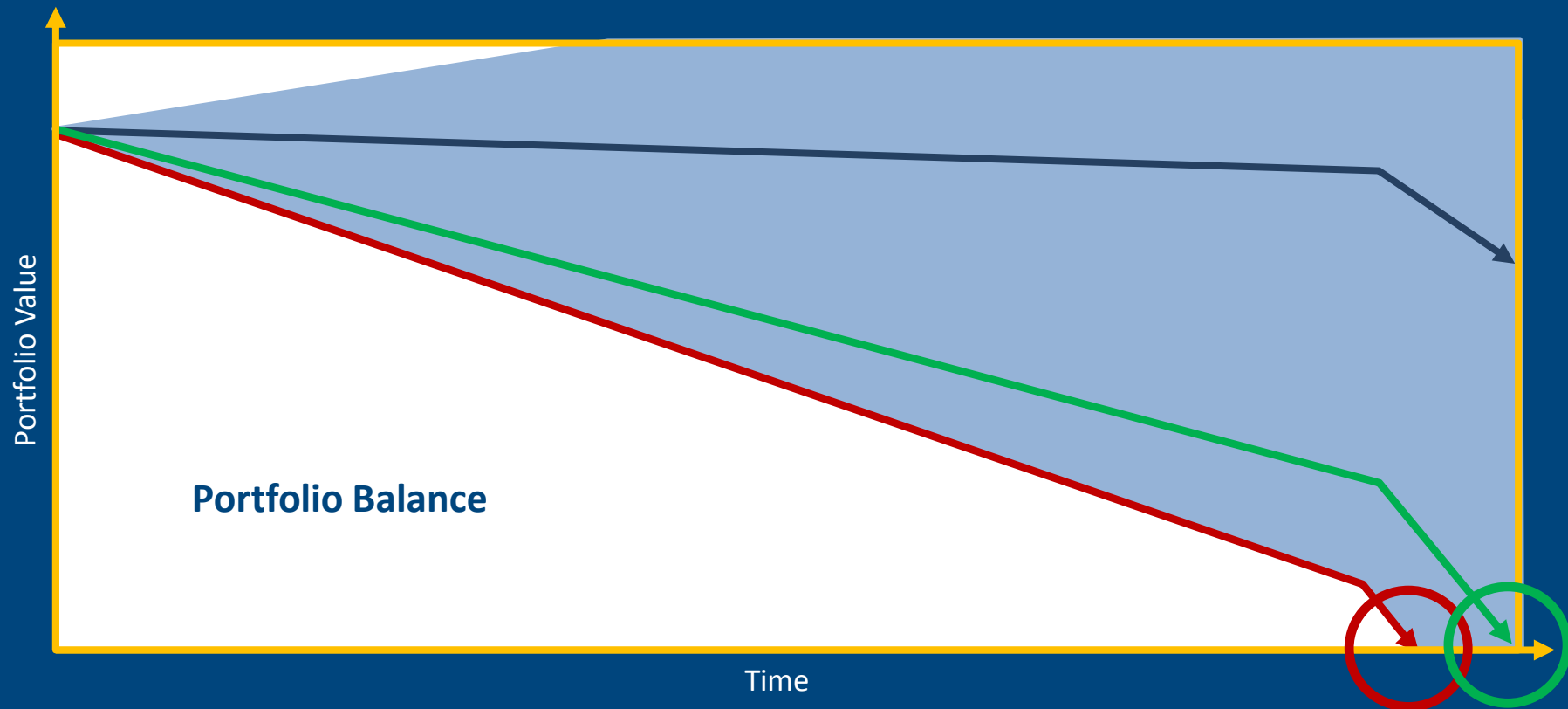
Death of Annuitant



Paying For College



Long-Term Care



Defining Retirement Resources, Goals & Constraints

Our objective is to identify and understand the importance of retirement resources, goals and constraints.

Financial Planning and Management



Resources are assets that provide or may be converted to spendable cash.

Importance

Properly defining and understanding your retirement resources, goals and constraints, and how they interact with each other and your plan is essential to successful retirement planning and management.

- Guaranteed
- At-Risk

Guaranteed Resources

Guaranteed resources have predictable future value and availability, and usually require little or no management to produce that value and availability.

Guaranteed Resources

- Annuities
- Insurance

At-Risk Resources

At-risk resources have unpredictable future value and availability, and usually require substantial management to produce their value and availability.

At-Risk Resources

- Liquid
- Illiquid

Liquid At-Risk Resources

- Cash
- Marketable Securities

Liquid At-Risk Resources

Liquid resources are readily converted to spendable cash at any time.

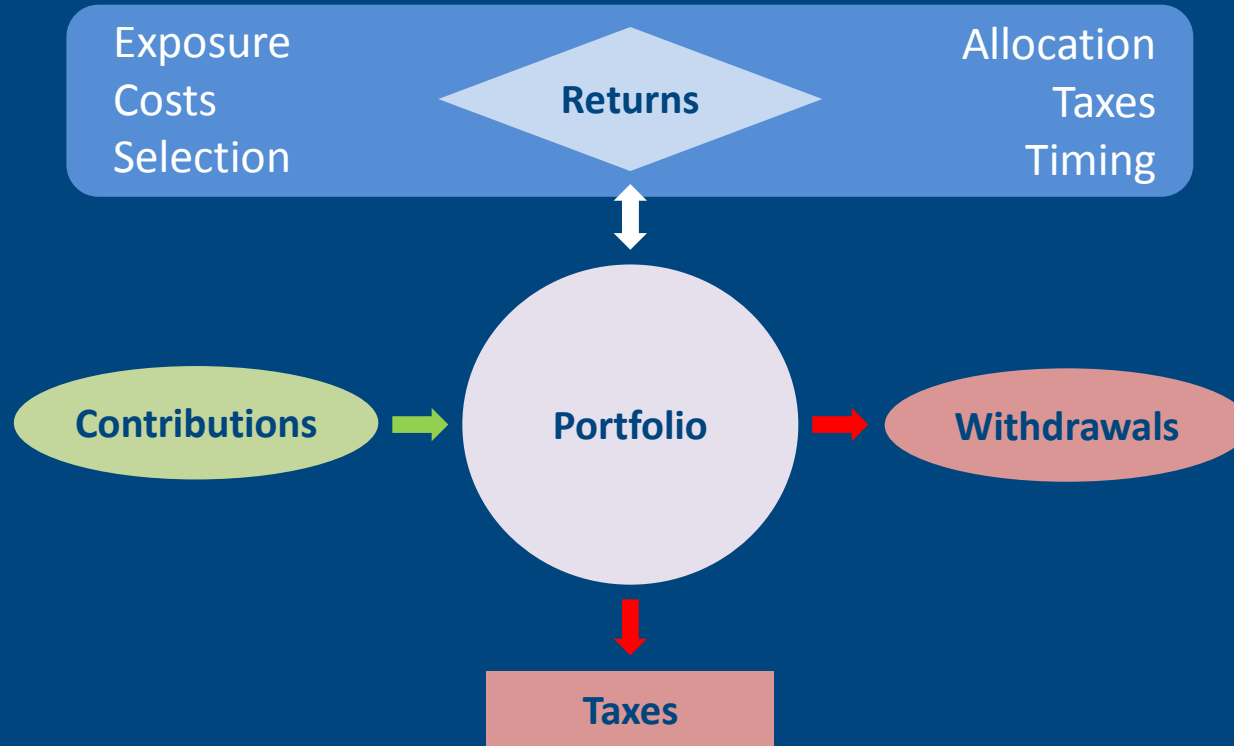
Illiquid At-Risk Resources

- Real Estate
- Business Interests

Illiquid At-Risk Resources

Illiquid resources may not be readily convertible to spendable cash when needed.

Portfolio of At-Risk Resources



A Common Mistake

Treating an illiquid resource as though it were a liquid resource.

Goals

- Personal
- Financial

Personal Goals

Personal goals are your primary objectives for the way you will live your life – your needs and wants expressed in terms of your personal experience.

Financial Goals

Financial goals are your secondary objectives, derived for their necessity in supporting your personal goals.

Financial goals are usually the means to the end of achieving your personal goals, and not an end, in themselves.

Financial Goals

- Regular
- Irregular

Regular Financial Goals

- Base Allowance or Commitment

Irregular Financial Goals

- Temporary Periodic Allowance or Commitment
- One-Time Allowance or Commitment

- Can Be Split Between Needs and Wants

Constraints are restrictions on investment actions.

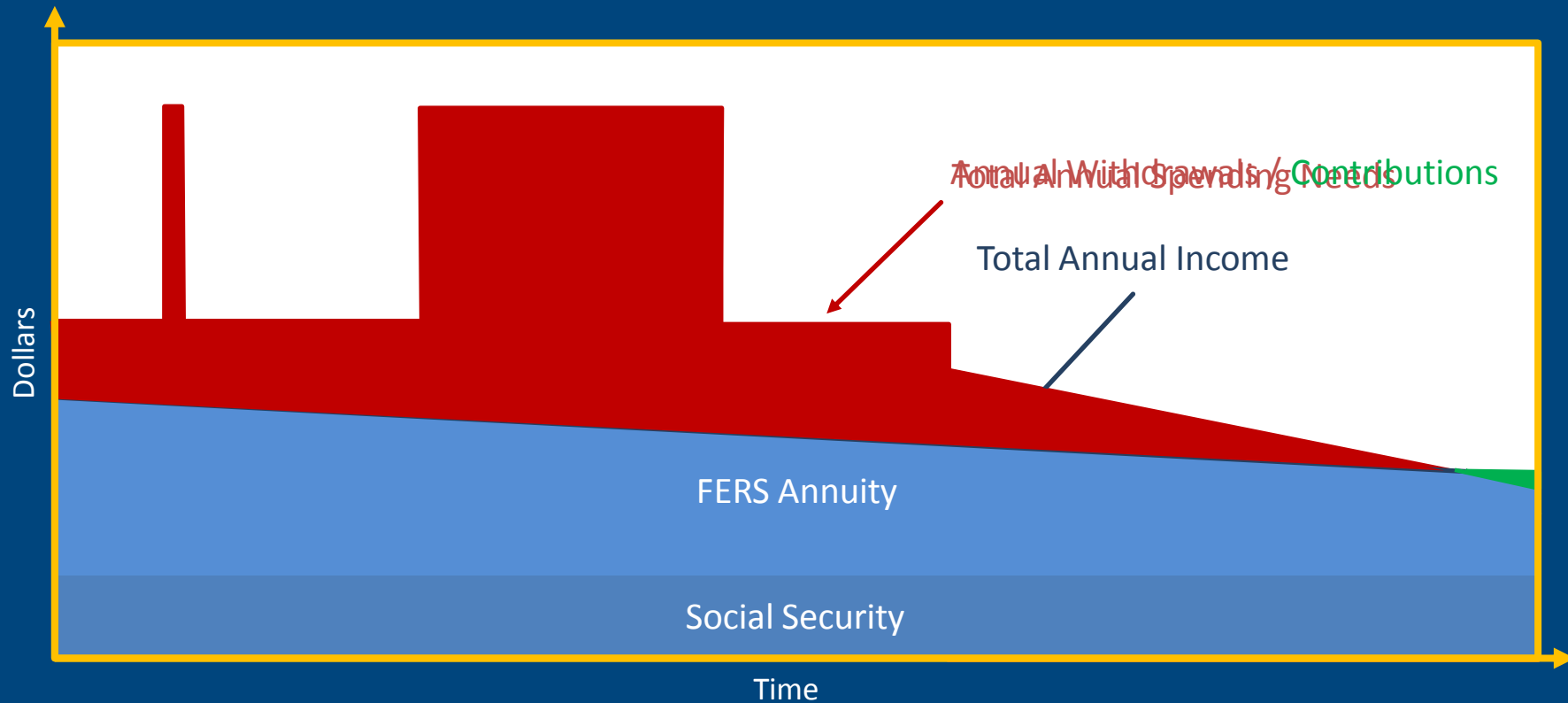
Constraints

- Limited Access to Investments
- Tax Avoidance / Deferral
- Personal Circumstances
- Legal Restrictions

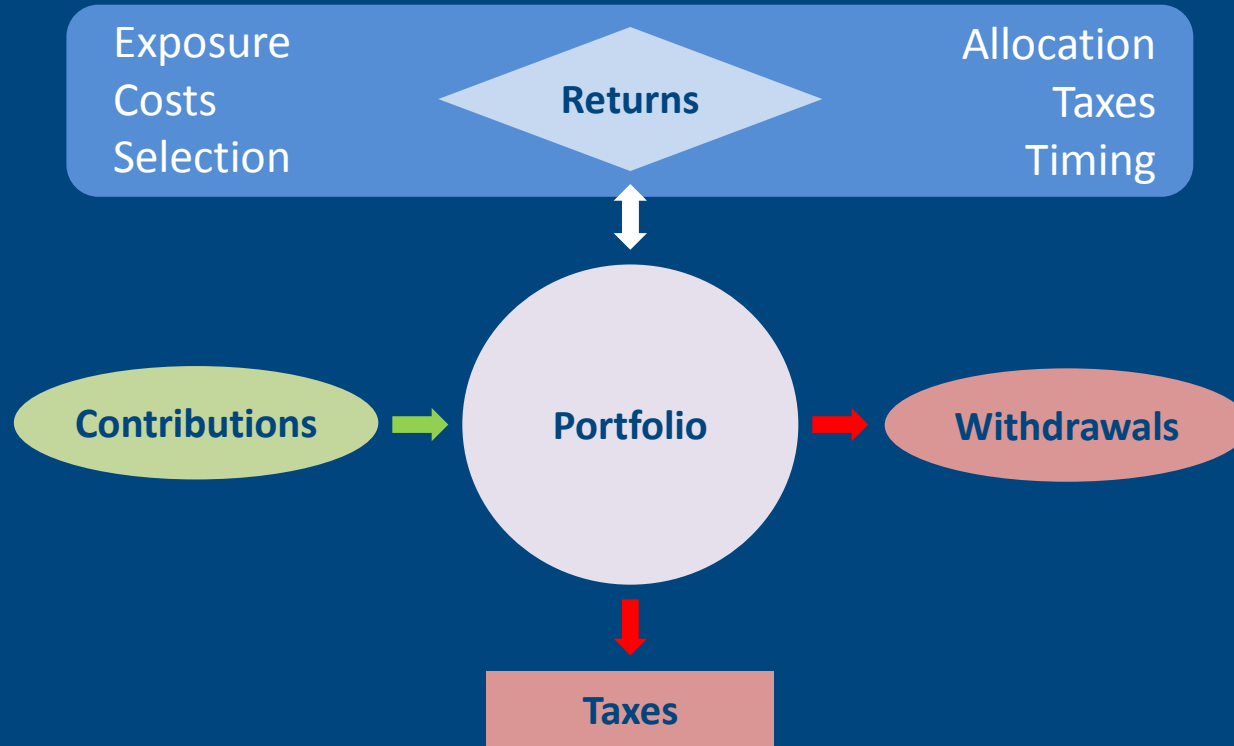
Constraints

Constraints can affect the performance characteristics of your investment portfolio.

Impact on the Portfolio



Portfolio of At-Risk Resources



Your at-risk assets should be managed to maximize the probability of producing the cash flows needed to fund your goals in spite of any constraints that are imposed.

Impact on Planning and Management

- Resources must be clearly identified or estimated
- Goals must be translated into cash flow requirements
- Planning should recognize and accommodate constraints
- Management should seek to minimize the impact of constraints

Next Week's Webinar

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