

Financial Intelligence

Produced Exclusively for Members of the
Senior Executives Association

Mike Miles



- Founder and Principal Advisor, Variplan, LLC
- Certified Financial Planner
- Registered Investment Advisor
- SEA Benefit Provider Since 1999
- Federal Times' "Money Matters" Columnist
- "Ask the Experts" Panelist at www.federaltimes.com

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SEA Member Benefits

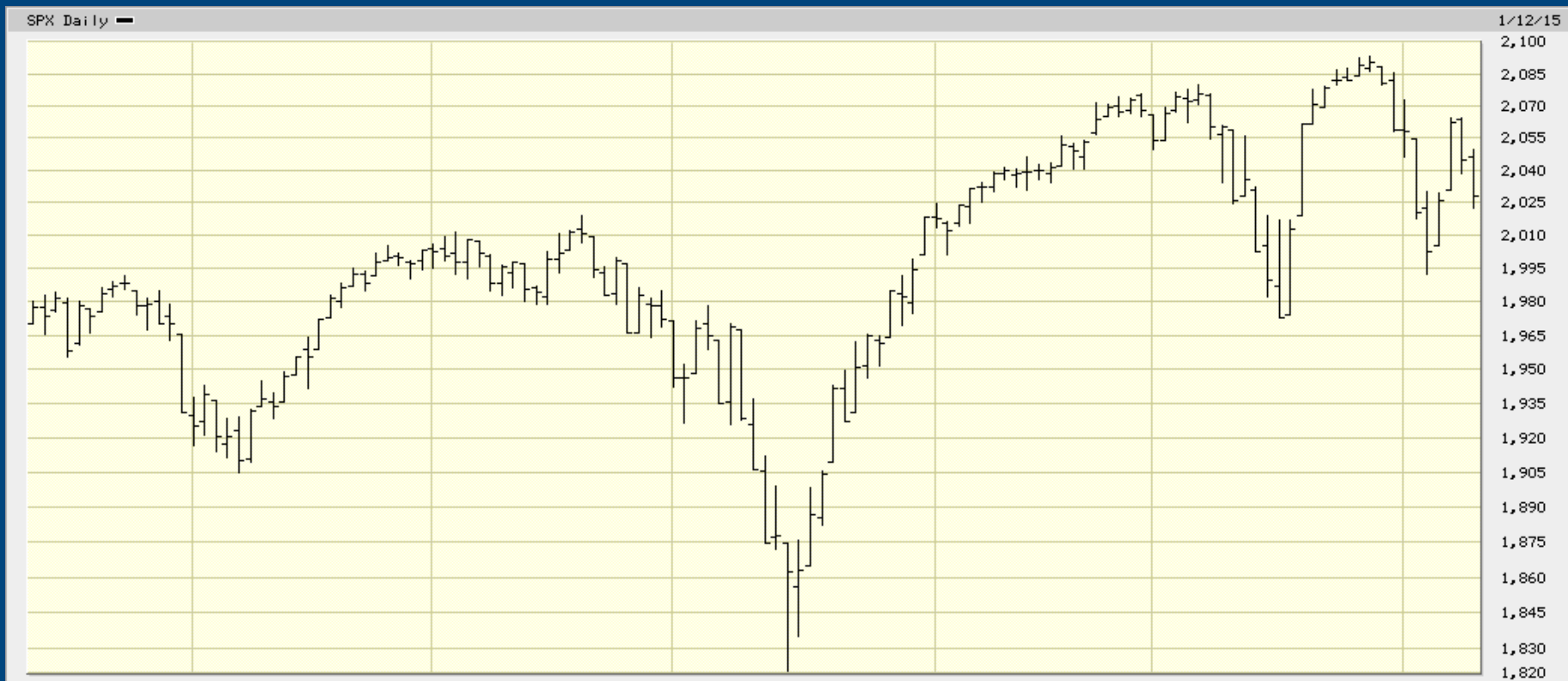
- \$49 Benchmark™ Portfolio Review – **Save \$250**
- Free Hour of Consulting / Analysis – **Save \$205**
 - \$250 Vantage Discount – **Save \$250**
- Email Questions to me at mmiles@variplan.com

Contents

1. Market Review
2. Tactical Recommendations
3. Defining Success and Failure in Retirement Planning
5. Questions & Answers

How to Submit Your Questions

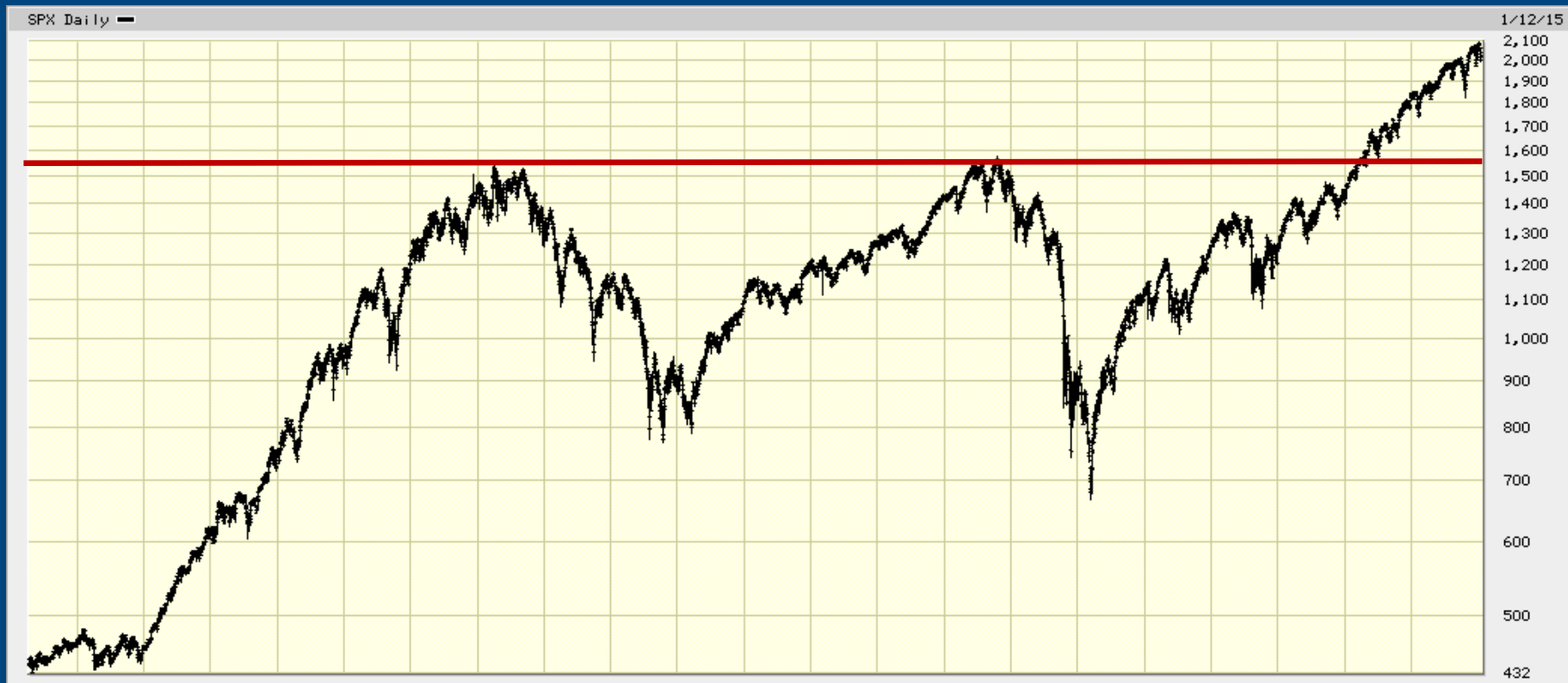
Market Review – Stocks (6 months)



Market Review – Stocks (5 Years)



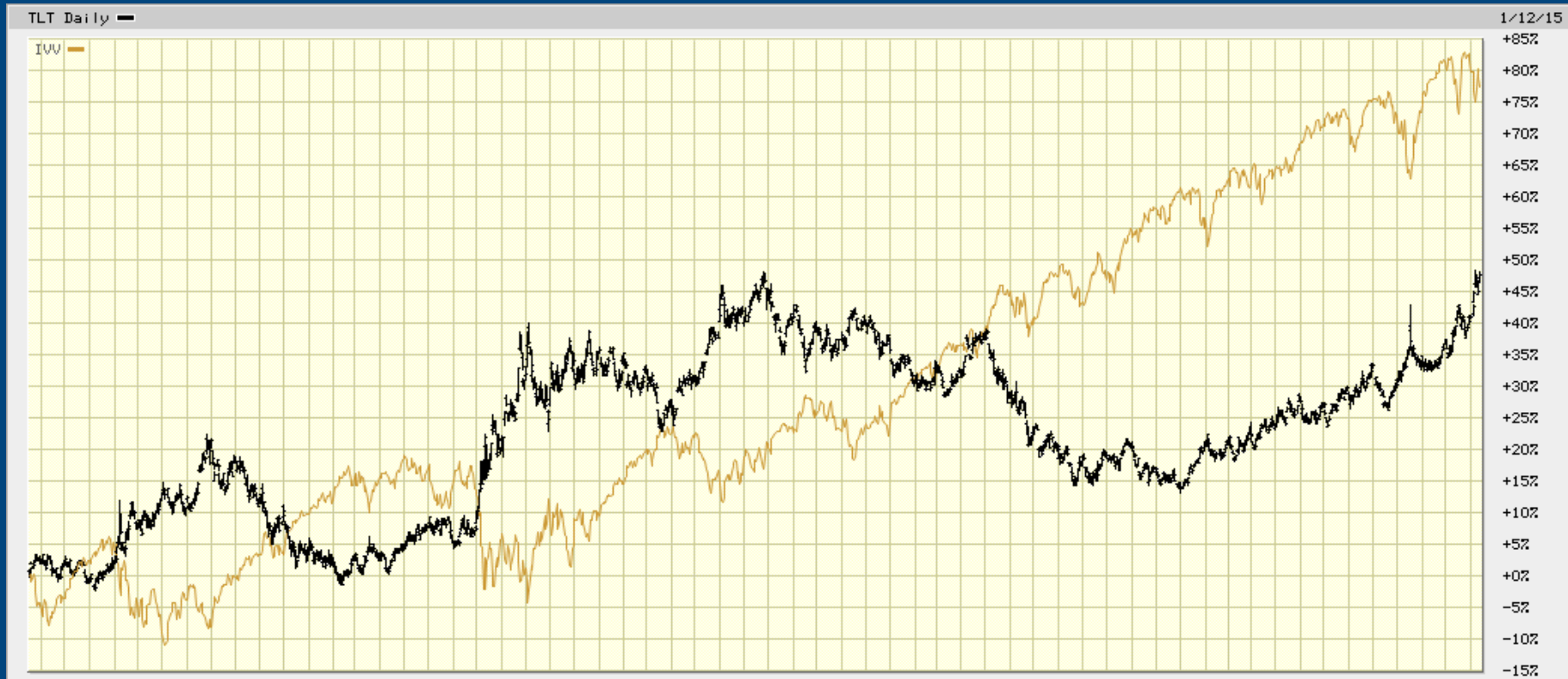
Market Review – Stocks (20 Years)



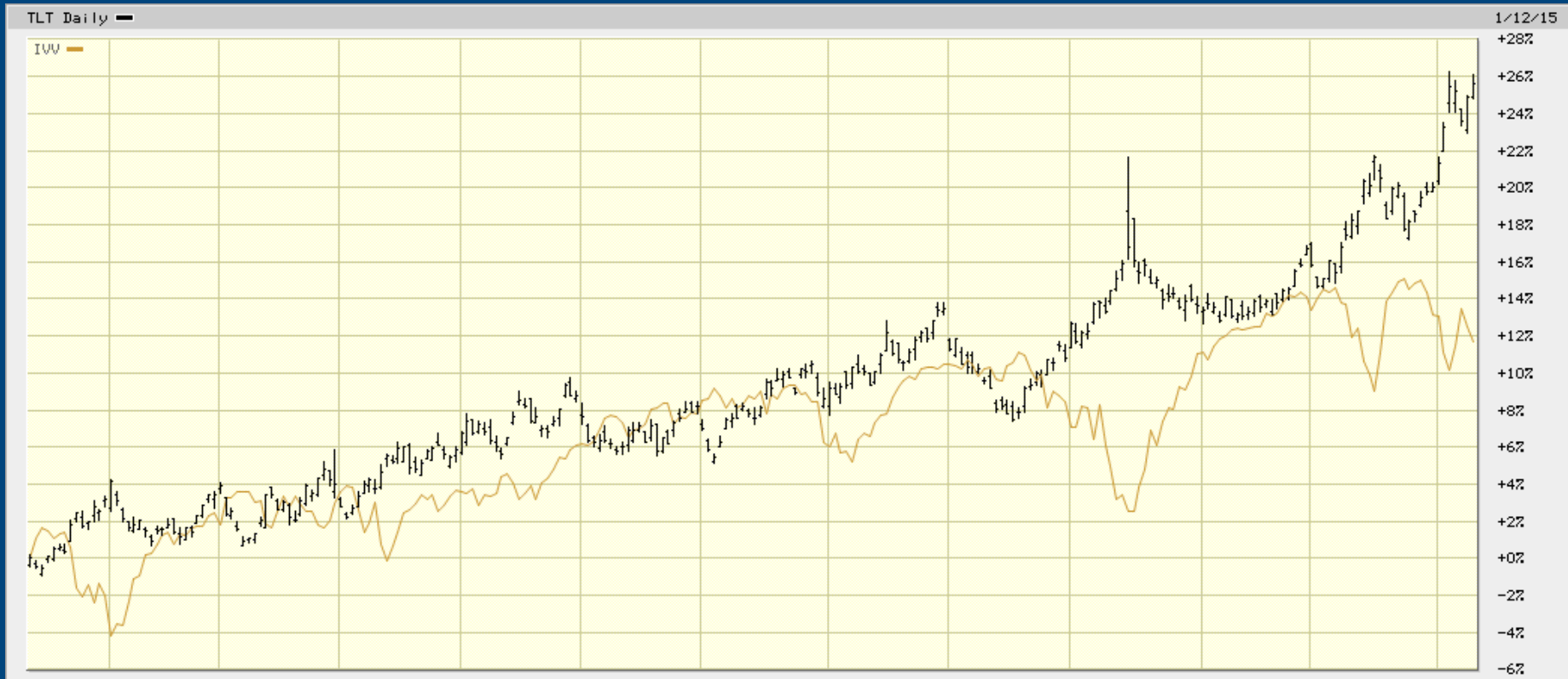
Market Review - Interest Rates (20 Years)



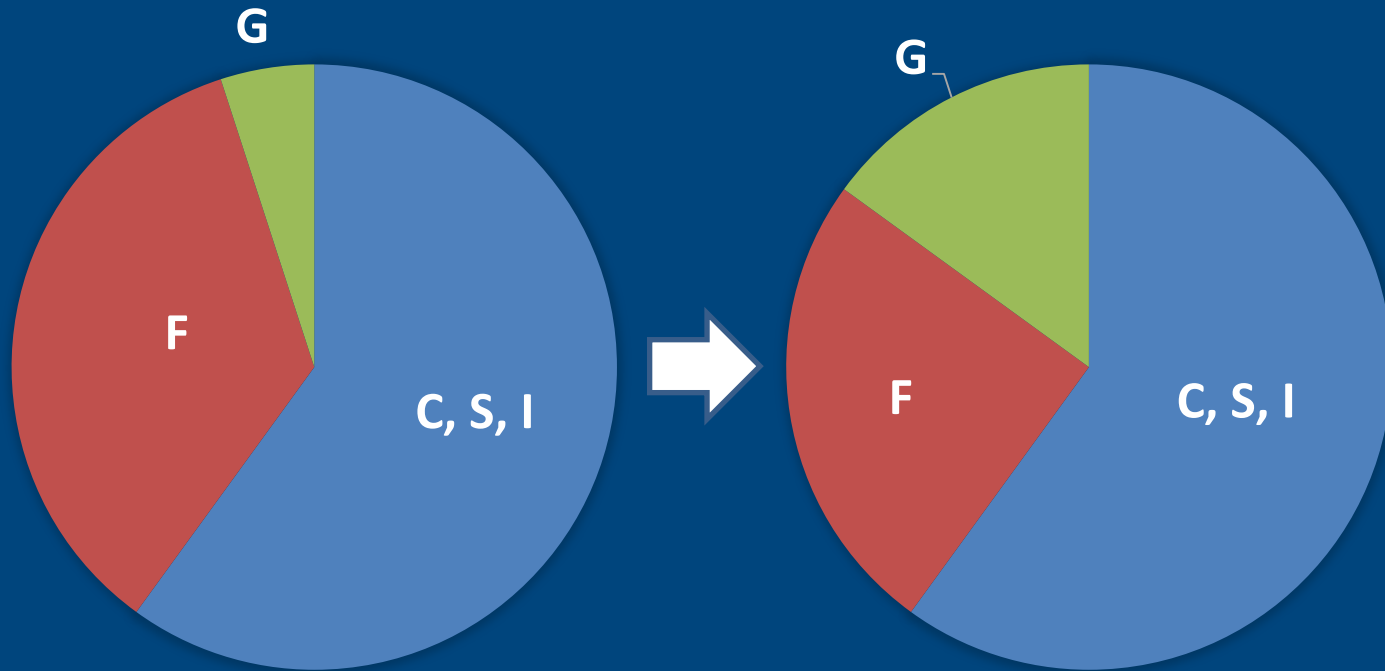
Market Review – Stocks vs. Bonds (5 Years)



Market Review – Stocks vs. Bonds (1 Year)

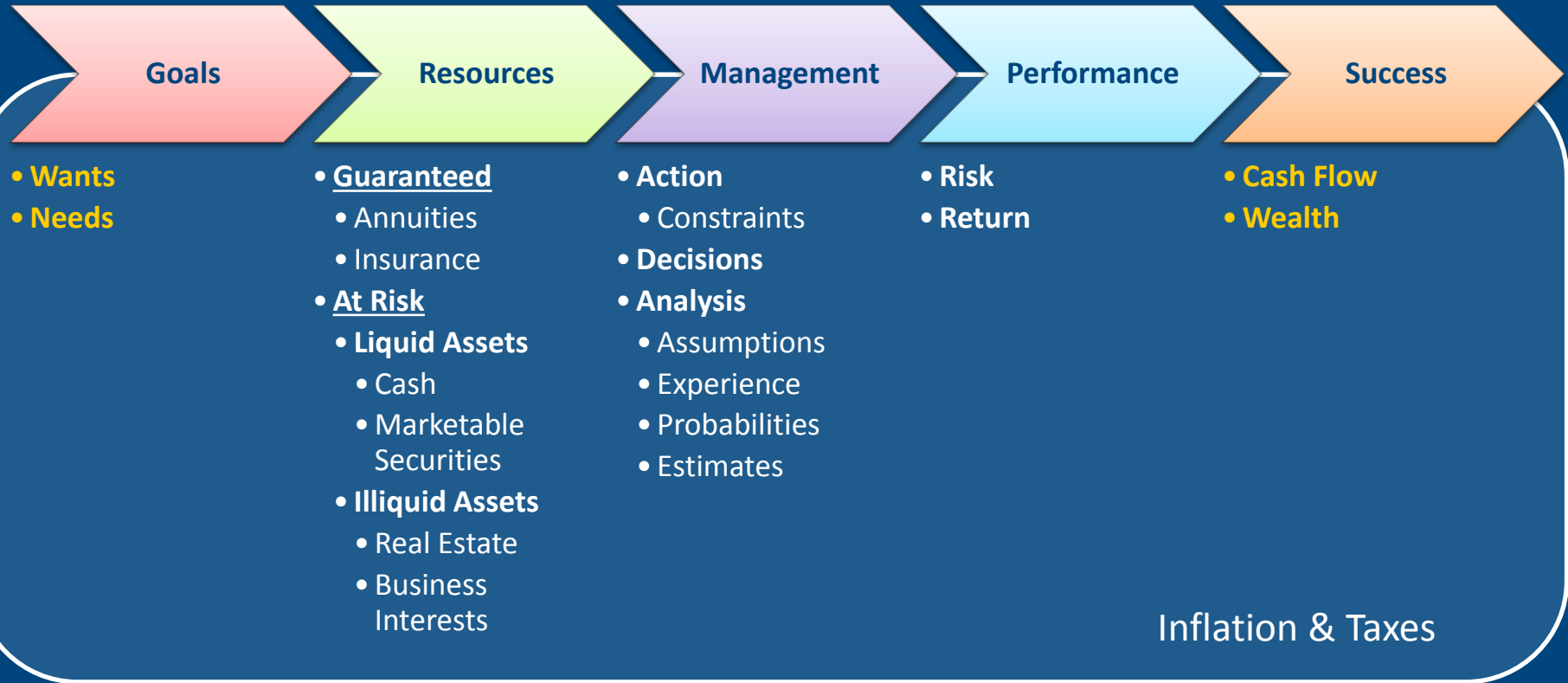


Tactical Recommendation



Defining Success and Failure in Retirement Planning

Financial Planning and Management



The Importance of Properly Defining Success

The way you define success relates directly to how you manage your resources, and indirectly to the outcomes you experience.

A Common Mistake

Defining success in terms of wealth accumulation when cash flow is the primary goal.

The Wrong Measures of Success

- Average Rate of Return
- Beating an Index
- Short-Term Gains
- Relatively High Yields

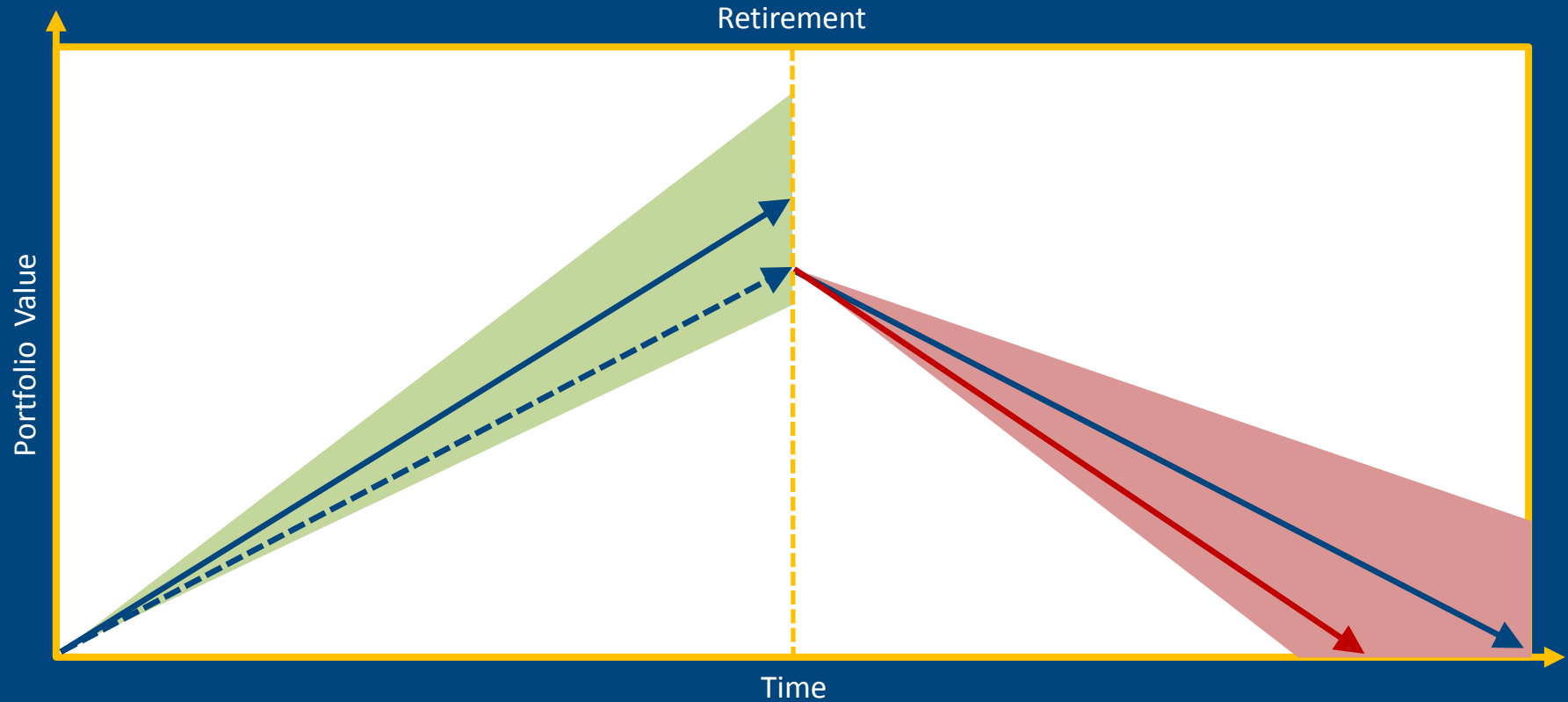
Investment Management Should Be...

- Goal-Driven
- Disciplined
- Rational
- Efficient
- Trustworthy

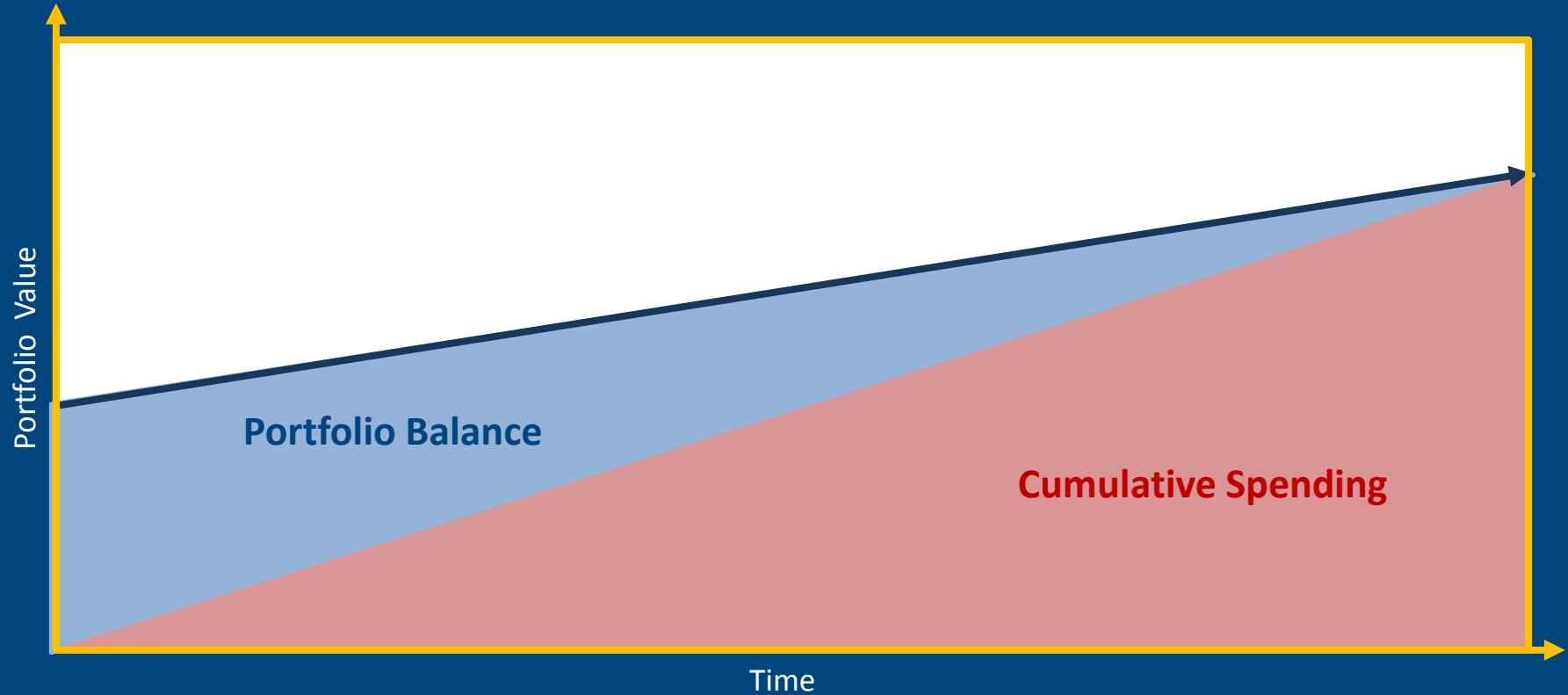
Unfortunately, It's Usually...

- Arbitrary
- Ad-Hoc
- Emotional
- Wasteful
- Unreliable

The Game Changes as You Approach Retirement



Ideal Plan – Constant Rate of Return



- Real Rate of Return Risk
- Return Sequence Risk (Volatility)

Sequence of Returns w/o Withdrawals

Year	Portfolio 1		Portfolio 2	
	Return	Balance	Return	Balance
1	+20%	\$ 12,000	-5%	\$ 9,500
2	+15%	\$ 13,800	-12%	\$ 8,400
3	+12%	\$ 15,500	-20%	\$ 6,700
4	+10%	\$ 17,000	+16%	\$ 7,800
5	+22%	\$ 20,700	+11%	\$ 8,600
6	+11%	\$ 23,000	+22%	\$ 10,500
7	+16%	\$ 26,700	+10%	\$ 11,600
8	-20%	\$ 21,400	+12%	\$ 12,900
9	-12%	\$ 18,800	+15%	\$ 14,900
10	-5%	\$ 17,900	+20%	\$ 17,900
Rate of Return		5.99%		5.99%

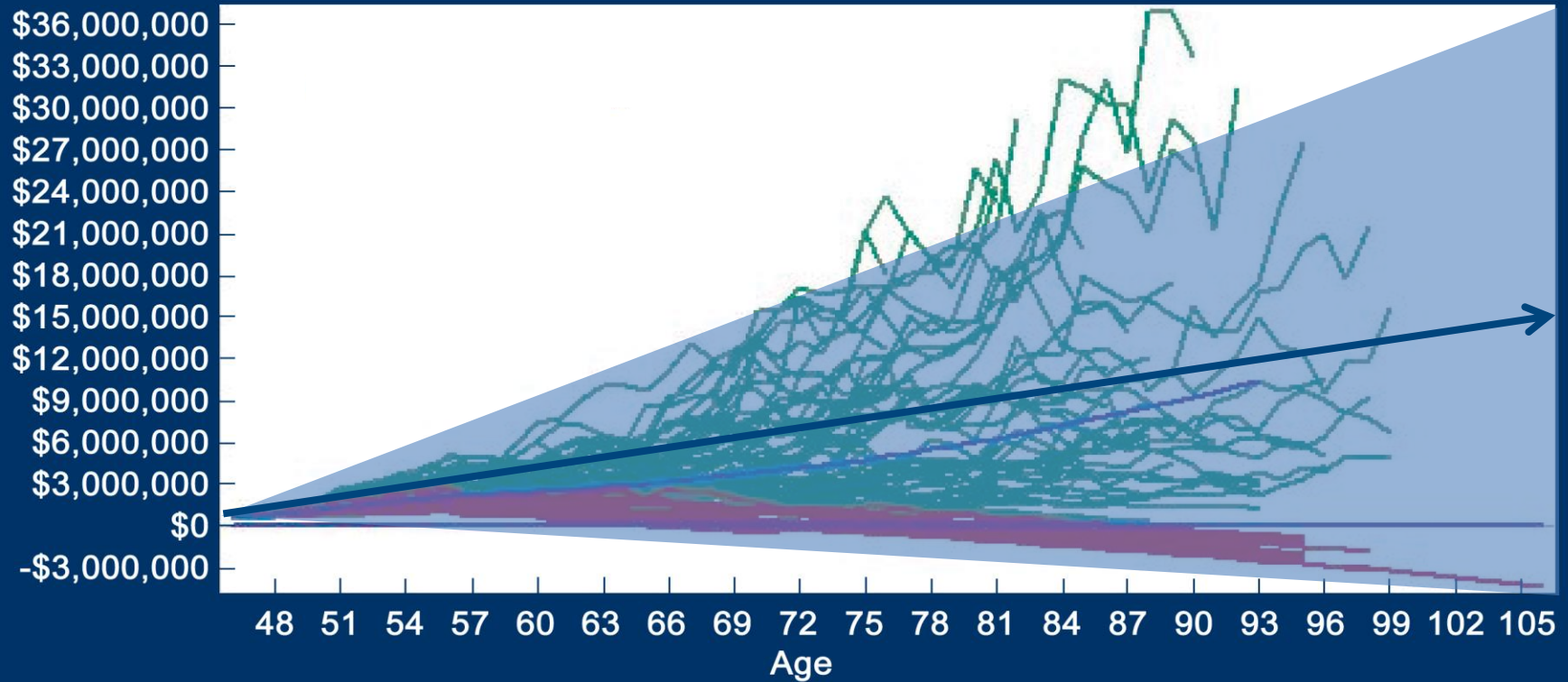
Assumes \$10,000 initial investment

Sequence of Returns w/ Withdrawals

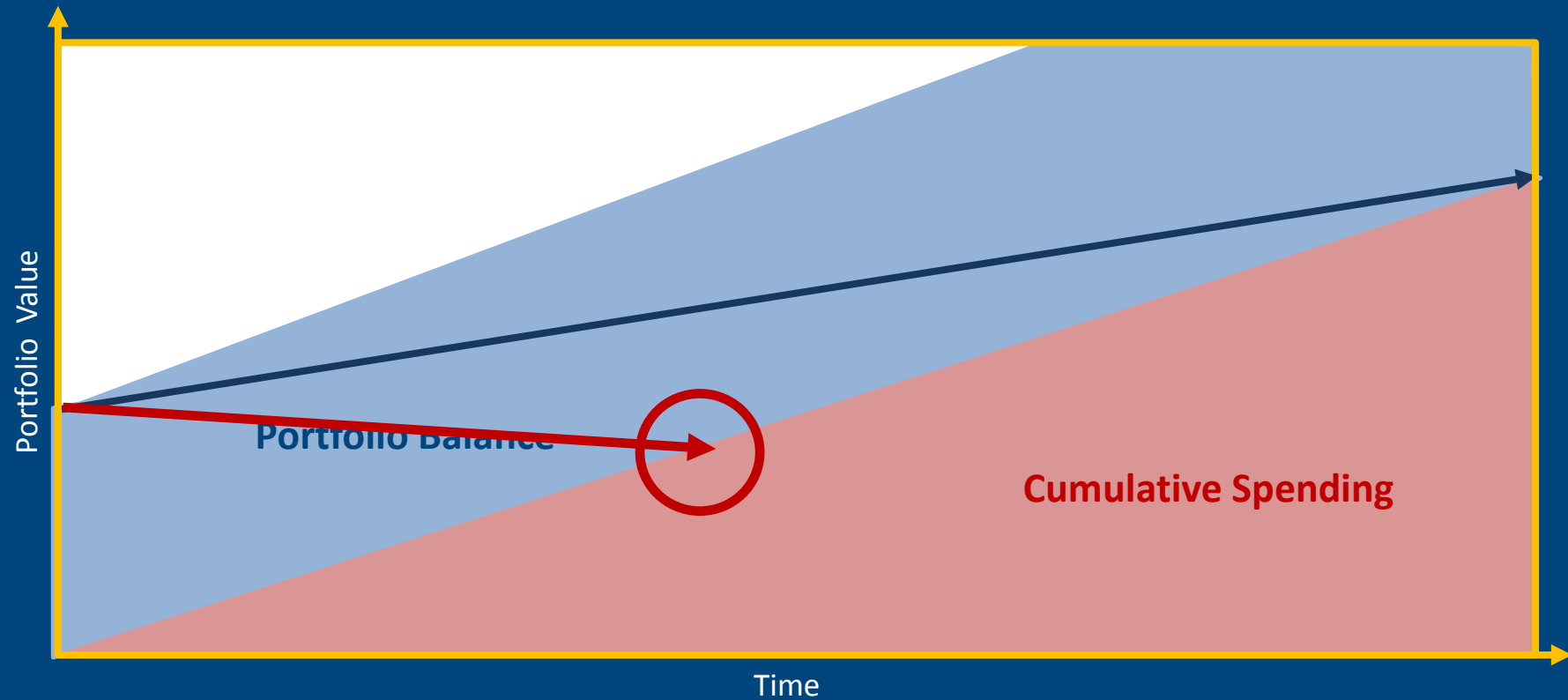
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4	+10%	\$ 14,600	+16%	\$ 5,800
5	+22%	\$ 17,300	+11%	\$ 5,900
6	+11%	\$ 18,800	+22%	\$ 6,800
7	+16%	\$ 21,300	+10%	\$ 6,900
8	-20%	\$ 16,500	+12%	\$ 7,300
9	-12%	\$ 14,000	+15%	\$ 7,800
10	-5%	\$ 12,800	+20%	\$ 8,900

Assumes \$10,000 initial investment and \$500 annual withdrawals

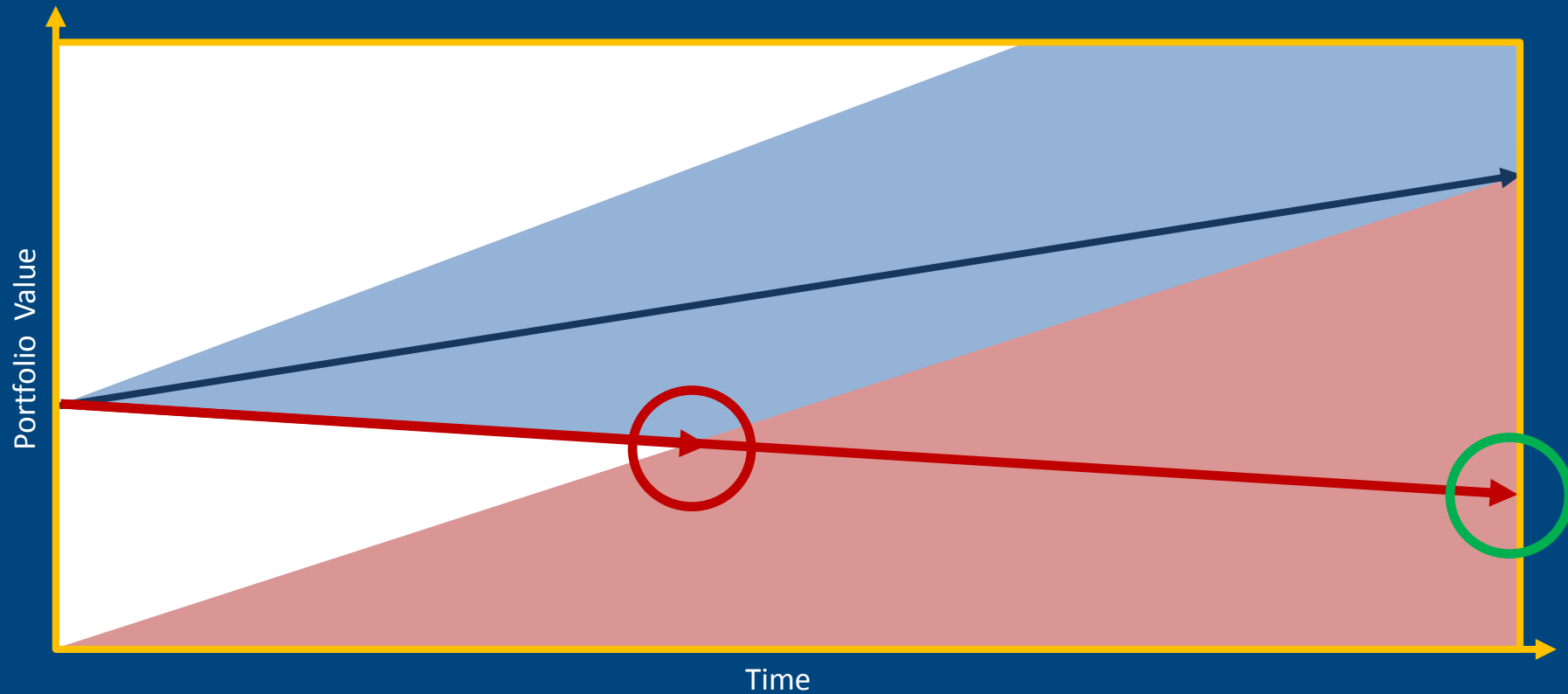
Same Plan – Many Possible Outcomes



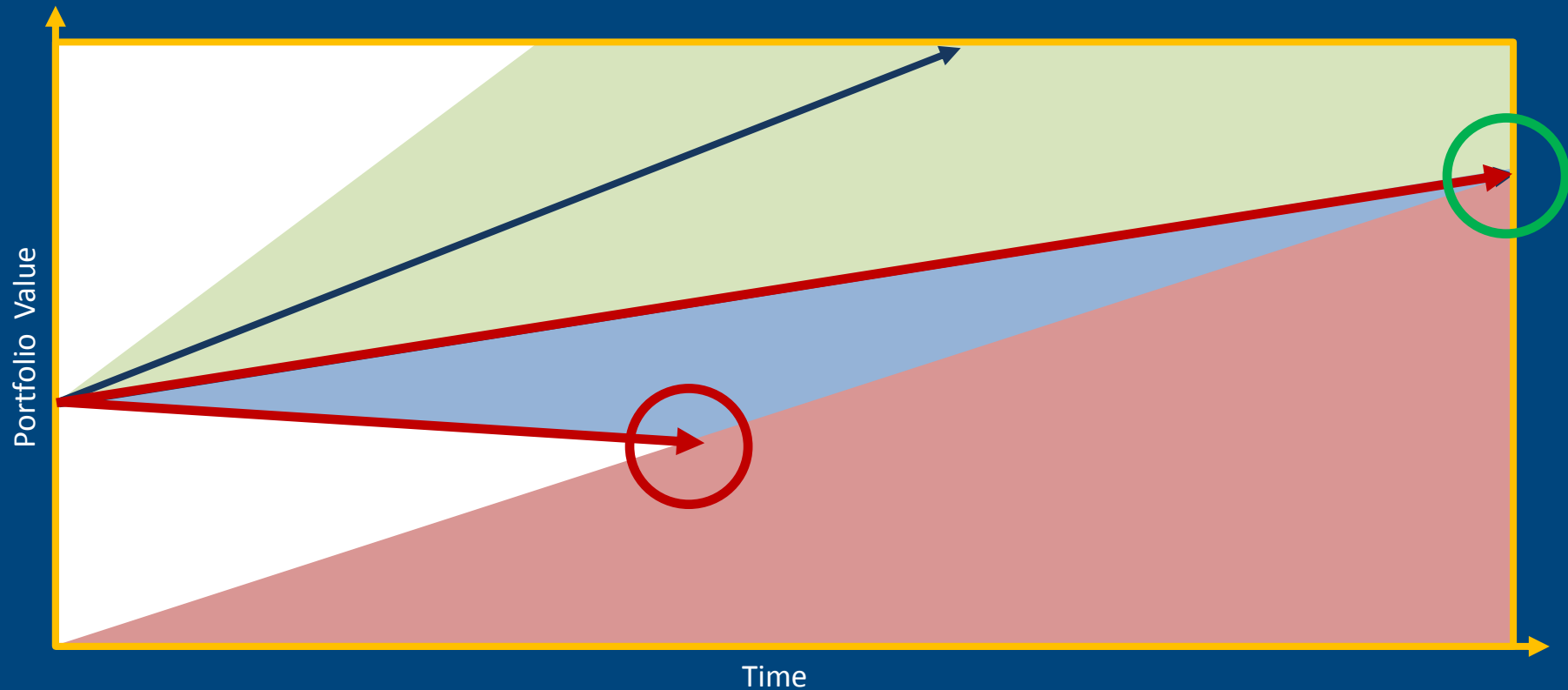
The Effect of Investment Risk



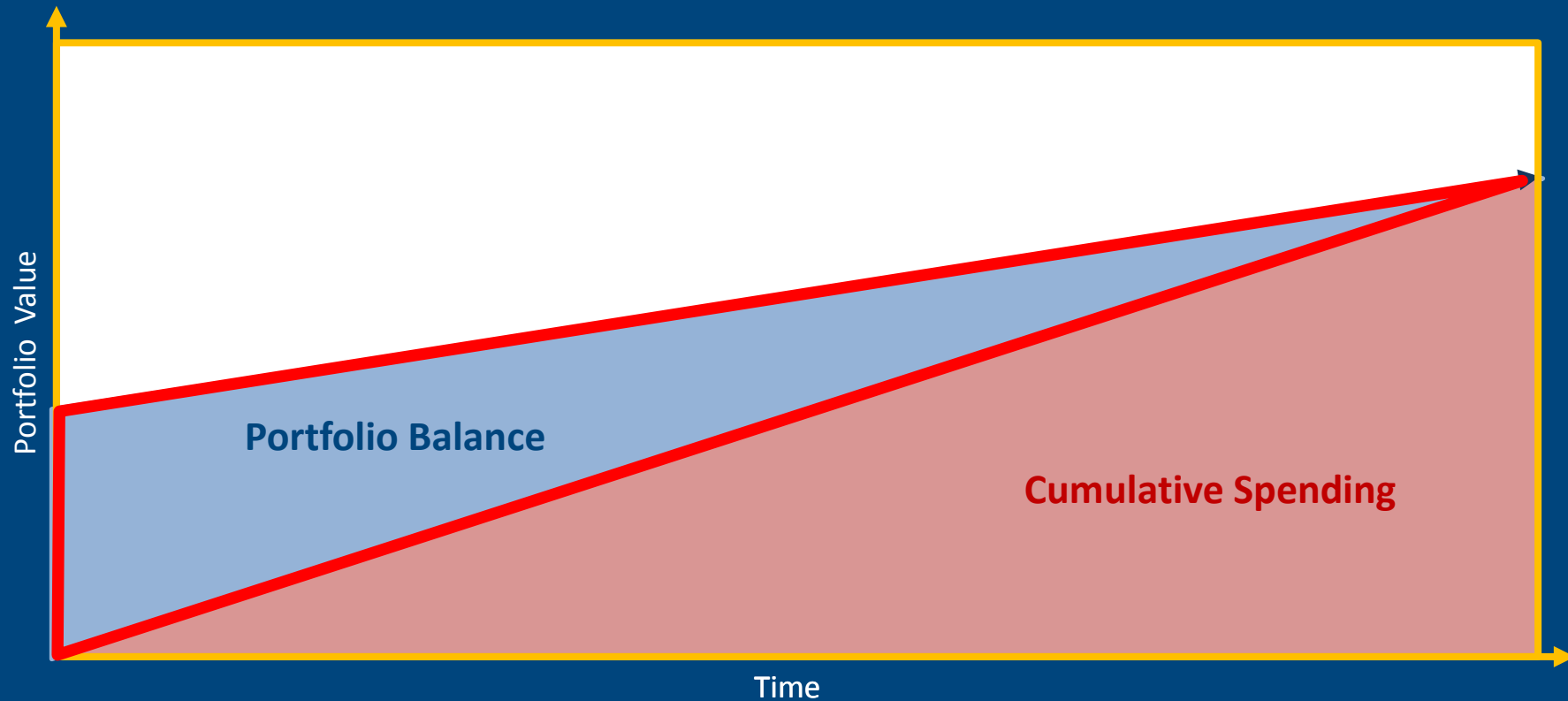
Possible Solutions – Reduce Spending



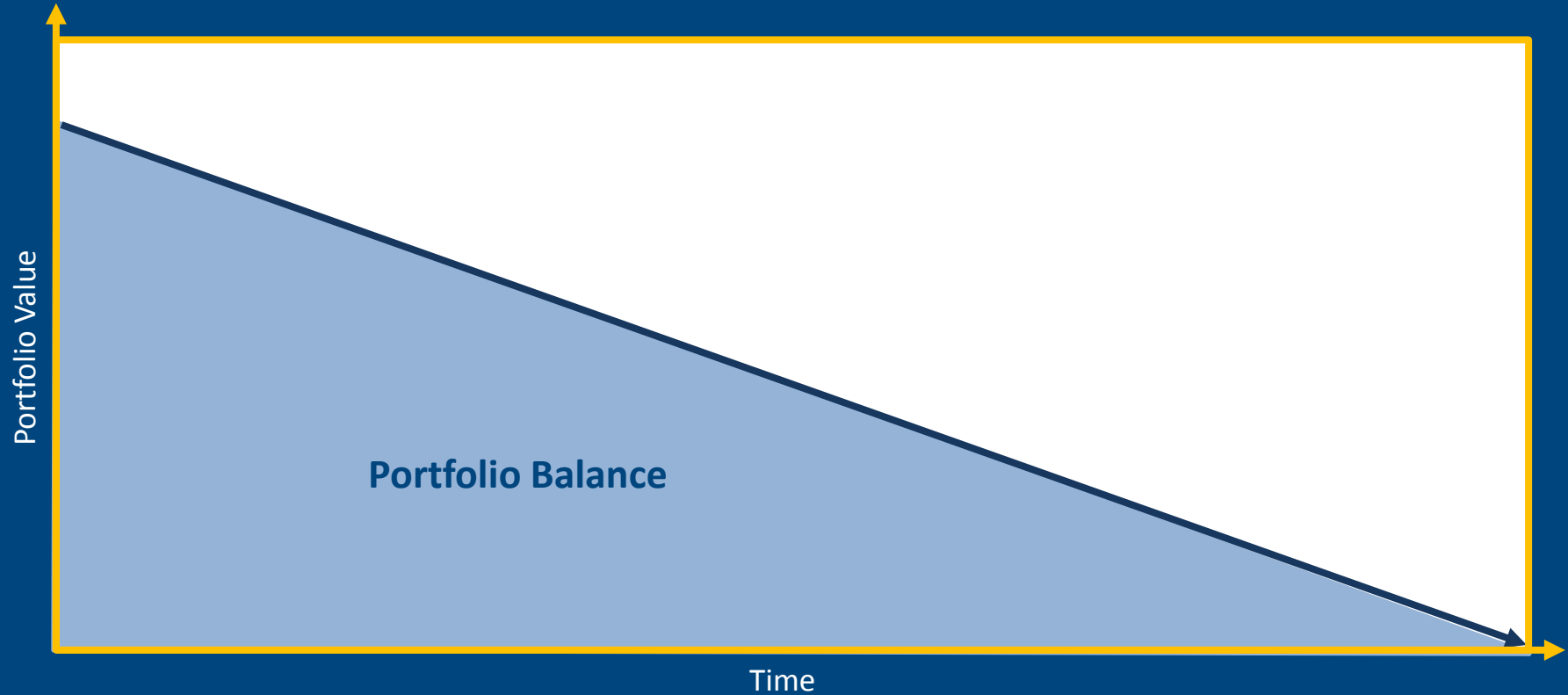
Possible Solutions – Adjust Investment Strategy



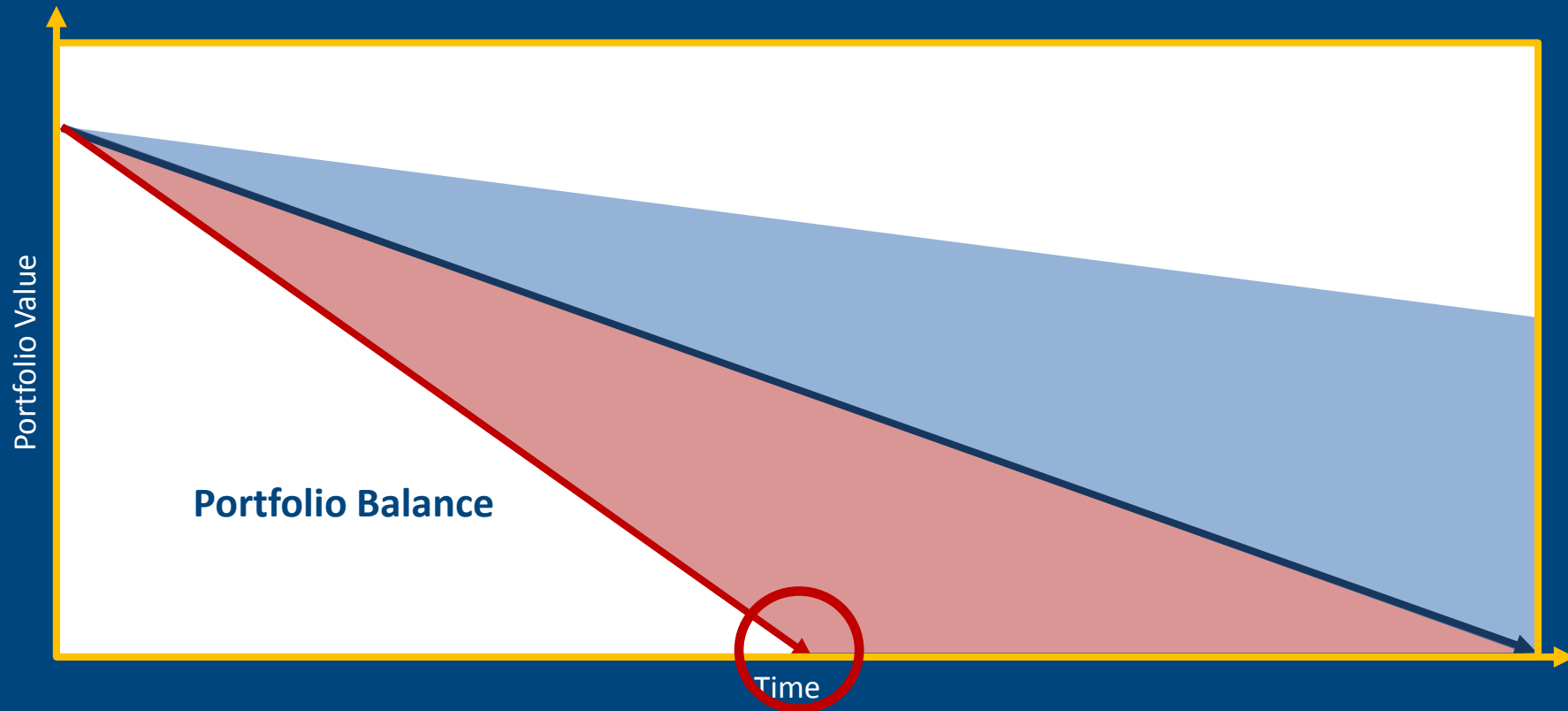
Ideal Plan – Constant Rate of Return



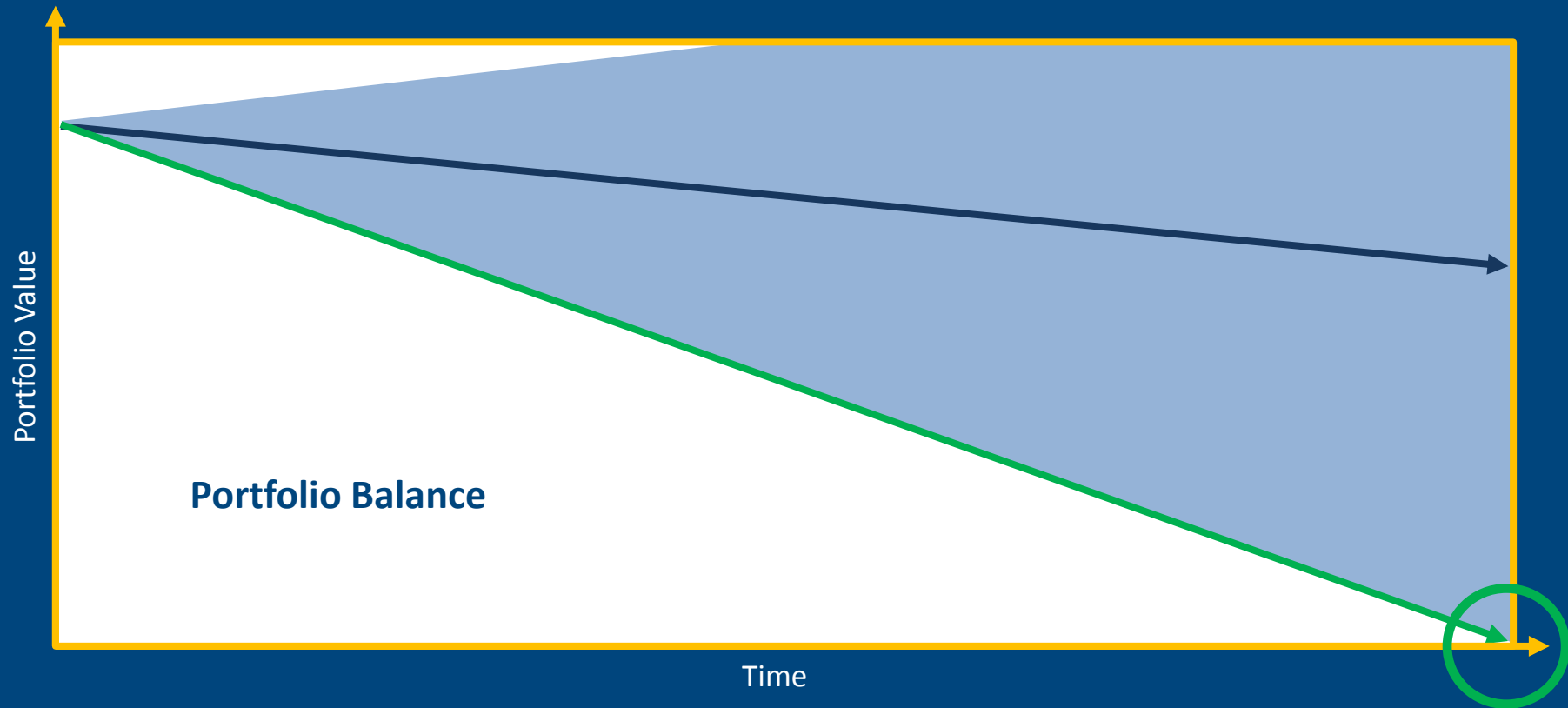
Ideal Plan – Constant Rate of Return



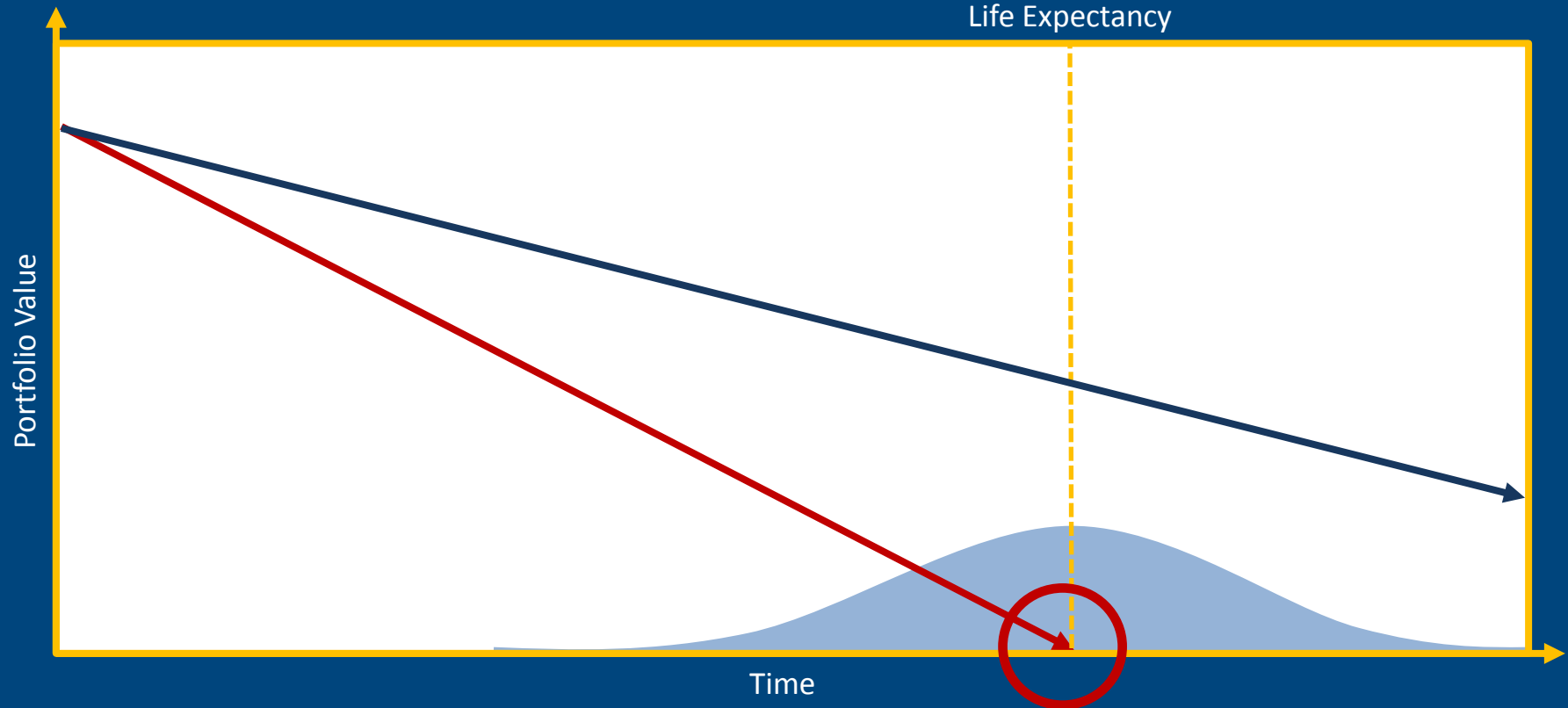
The Effect of Investment Risk



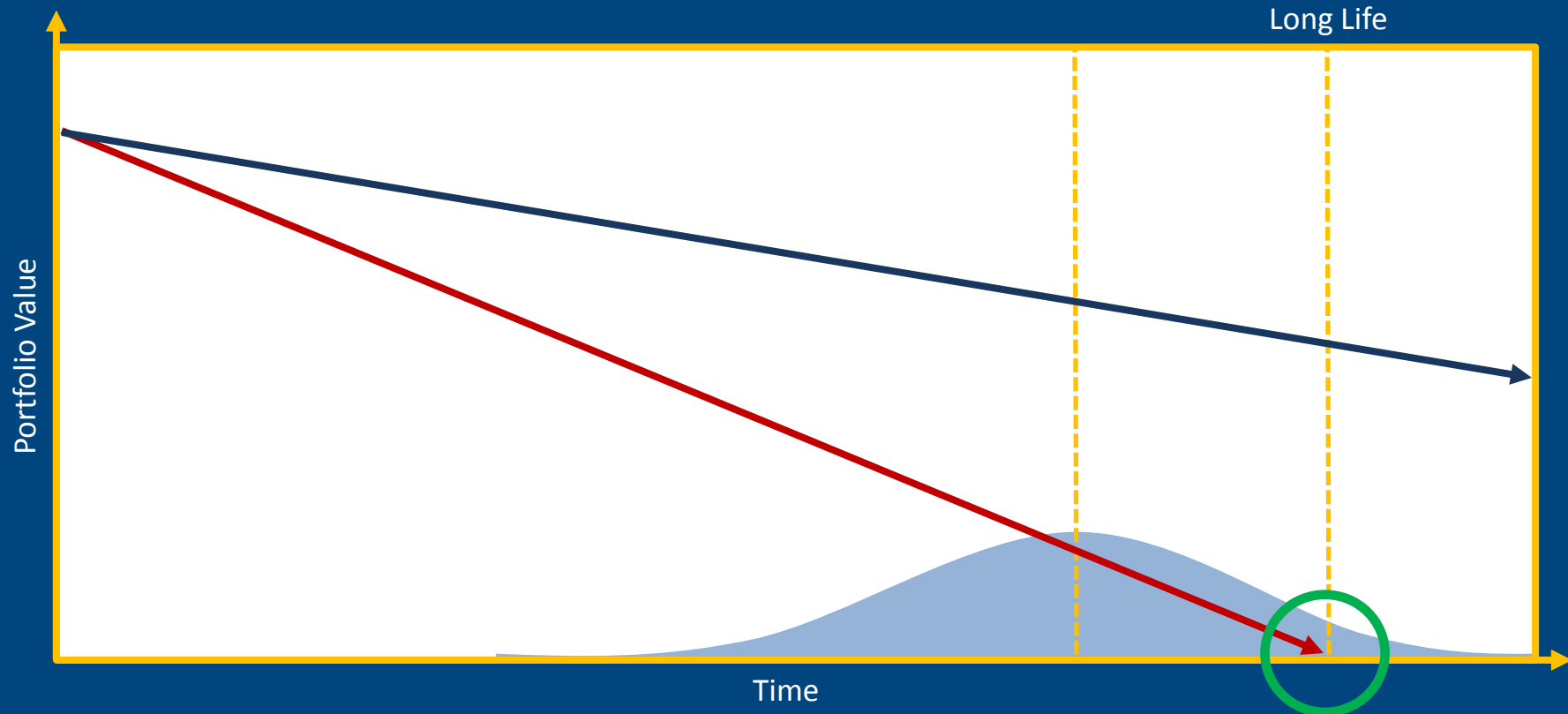
Optimal Solution



Longevity Risk



Optimal



Success in Retirement Investing

Producing the cash flow necessary to support your desired lifetime standard of living while maintaining at least your minimum wealth requirement

Measuring Investment Success

- Select an Appropriate Investment Strategy
- Maintain Reasonable Expectations for Performance
- Benchmark Your Results Against Those Expectations

Homework

- Consider Your Goals for Standard of Living and Terminal Wealth
- Base Your Definition of Investment Success on Achieving These Goals
- Evaluate Your Current Investment Management Program

Variplan Article Database



The image shows a screenshot of the Variplan website's navigation menu. The background is dark blue with a large, faint 'VP' logo. On the left, the Variplan logo is displayed in white, consisting of a stylized 'VP' above the word 'VARIPLAN' and the tagline 'Advanced Retirement Planning and Management' below it. To the right of the logo is a vertical list of navigation items, each preceded by a small yellow square icon. The items are: 'WHO WE ARE', 'WHAT WE DO', 'HOW WE DO IT', 'OUR CLIENTS', 'CONTACT US', and 'ARCHIVE'. The 'ARCHIVE' item is circled in red. In the bottom right corner of the navigation area, there is a yellow box containing the text 'CLIENT RESOURCES'. At the bottom of the page, there are two columns of logos and text. The left column features the CFP® logo, the text 'CERTIFIED FINANCIAL PLANNER', and a paragraph of text: 'Certified Financial Planner Board of Standards Inc. owns the certification marks CFP®, CERTIFIED FINANCIAL PLANNER™ and CFP® in the U.S.'. The right column features the PALADIN logo, the text 'SERVICES', and five stars with the text 'AIAA OCB' below them.

VP
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- WHO WE ARE
- WHAT WE DO
- HOW WE DO IT
- OUR CLIENTS
- CONTACT US
- ARCHIVE

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Questions / Comments / Suggestions



V A R I P L A N

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