

# Financial Intelligence

Produced Exclusively for Members of the  
**Senior Executives Association**

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- "Ask the Experts" Panelist at [www.federaltimes.com](http://www.federaltimes.com)

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# 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 links, each preceded by a small yellow square icon. The links are: 'WHO WE ARE', 'WHAT WE DO', 'HOW WE DO IT', 'OUR CLIENTS', 'CONTACT US', and 'ARCHIVE'. The 'ARCHIVE' link 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  
VARIPLAN  
Advanced Retirement Planning and Management

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

CLIENT RESOURCES

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PALADIN  
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Federal Money Matters Blog  
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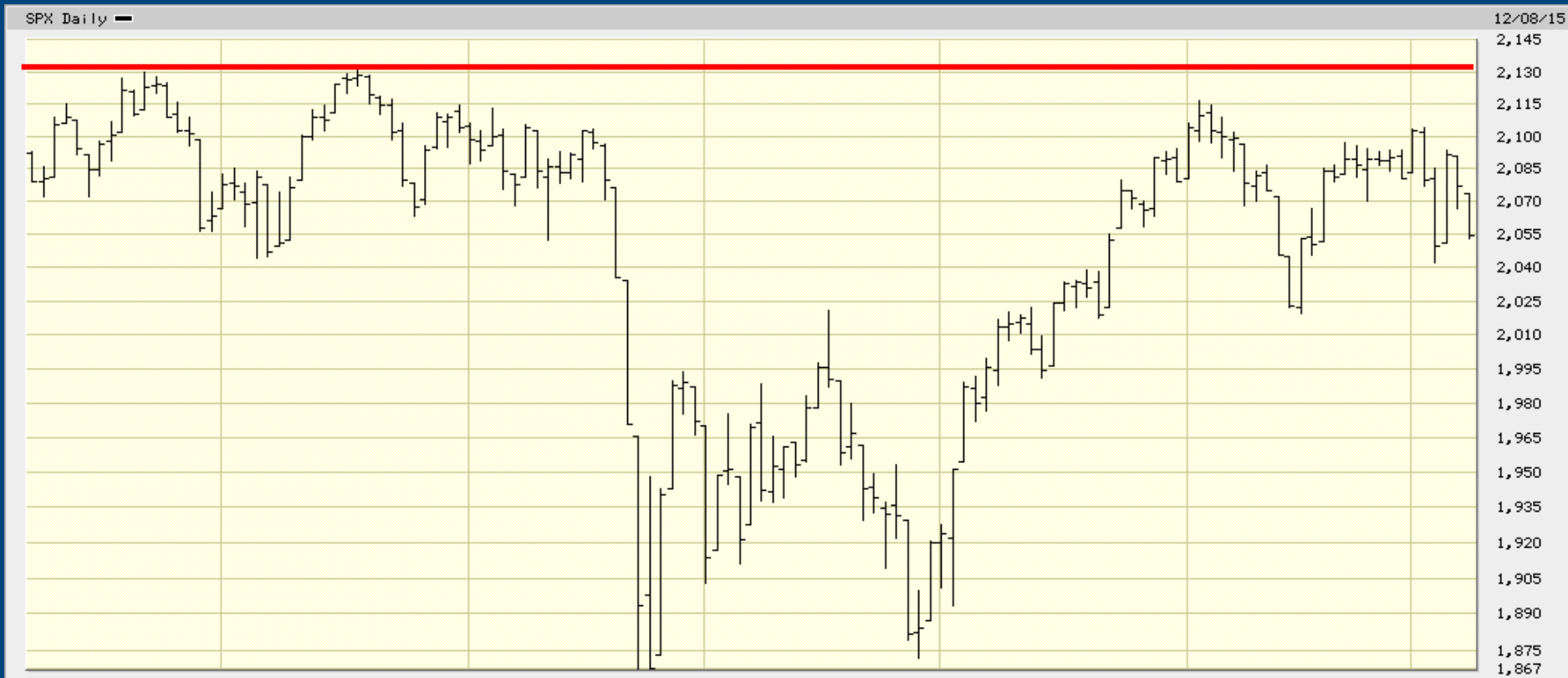
# Contents

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1. Market Review
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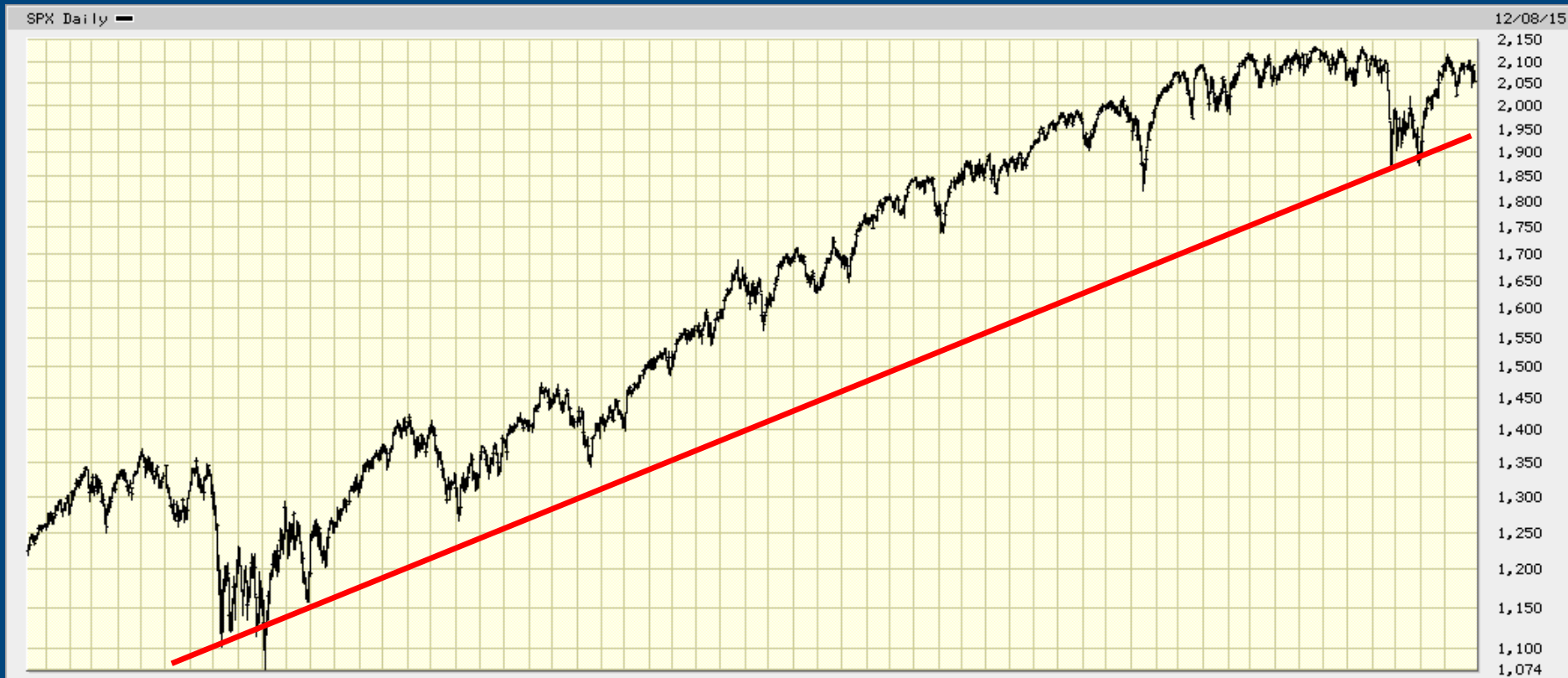
## How to Submit Your Questions

# Market Review – Stocks (6 months)

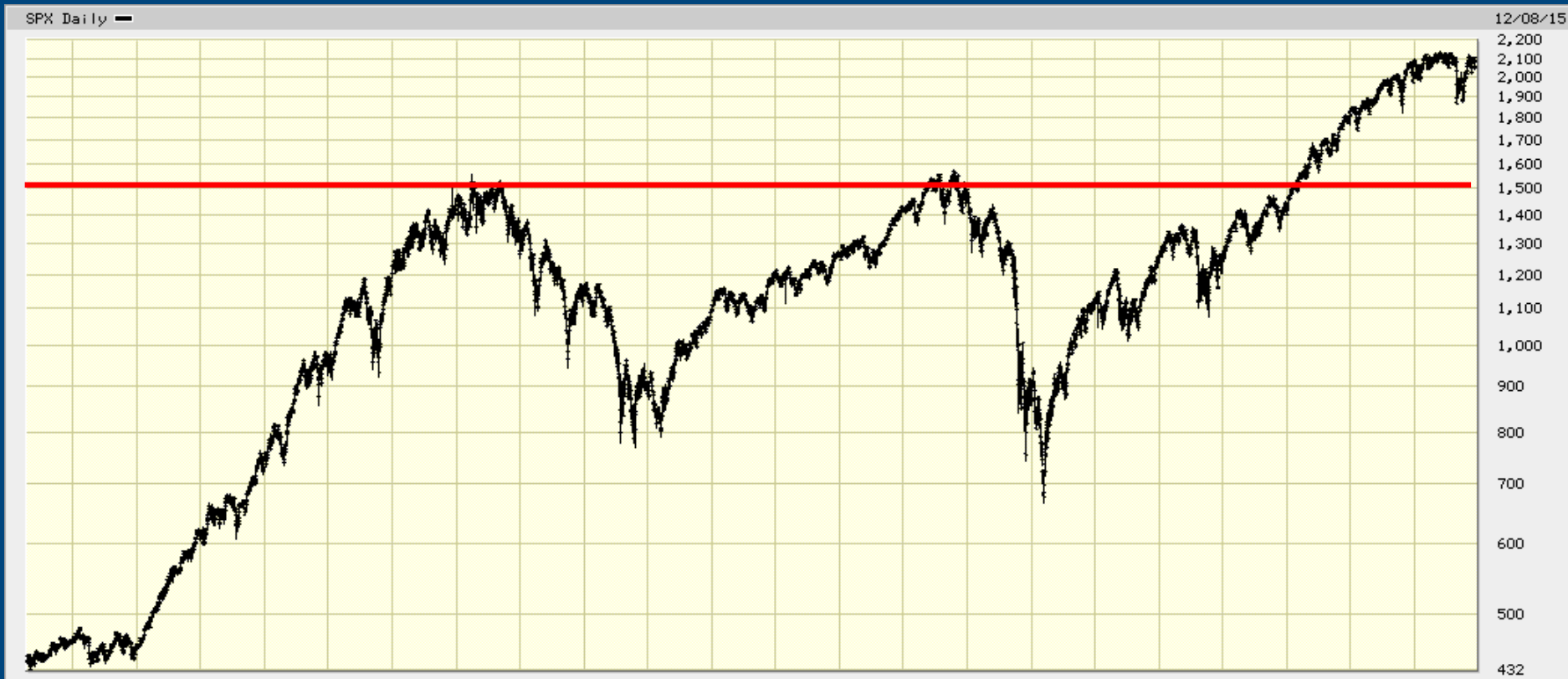




# Market Review – Stocks (5 Years)



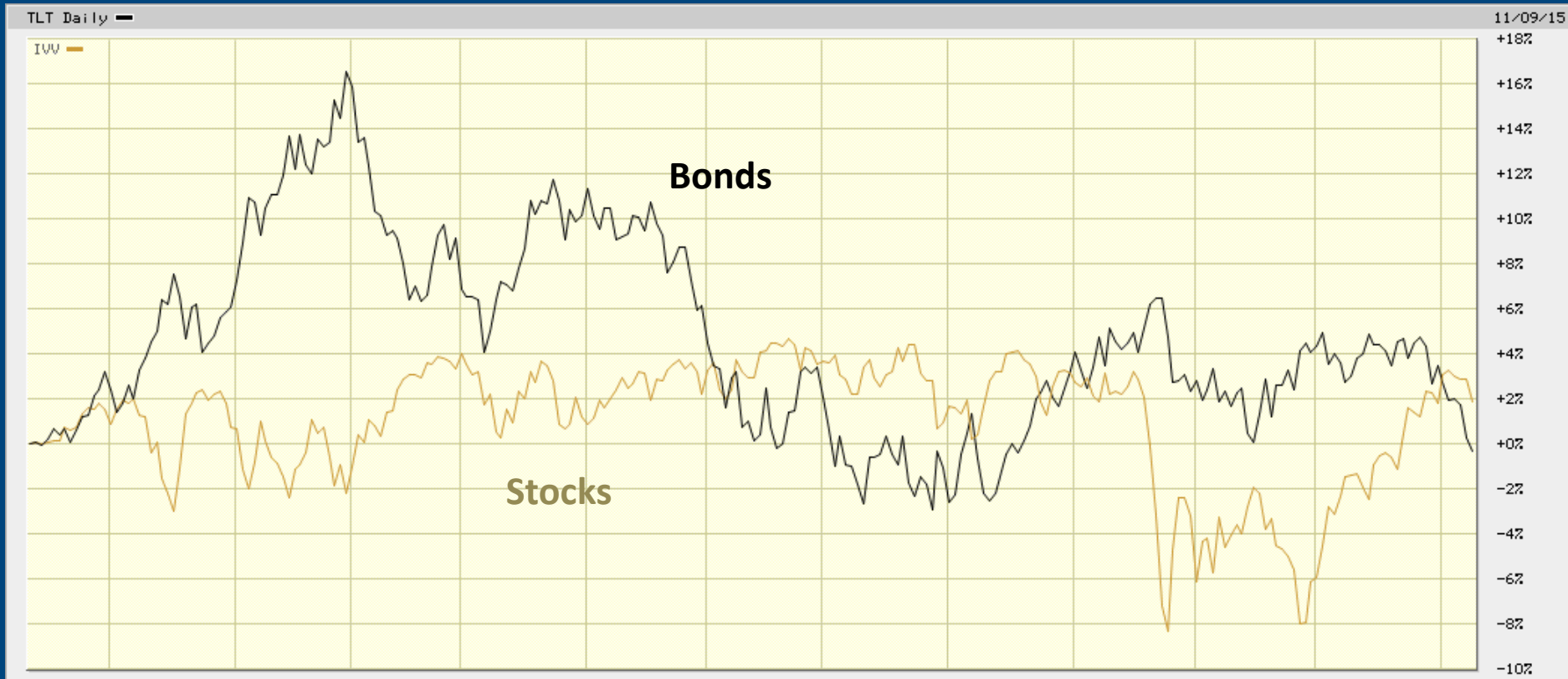
# Market Review – Stocks (20 Years)



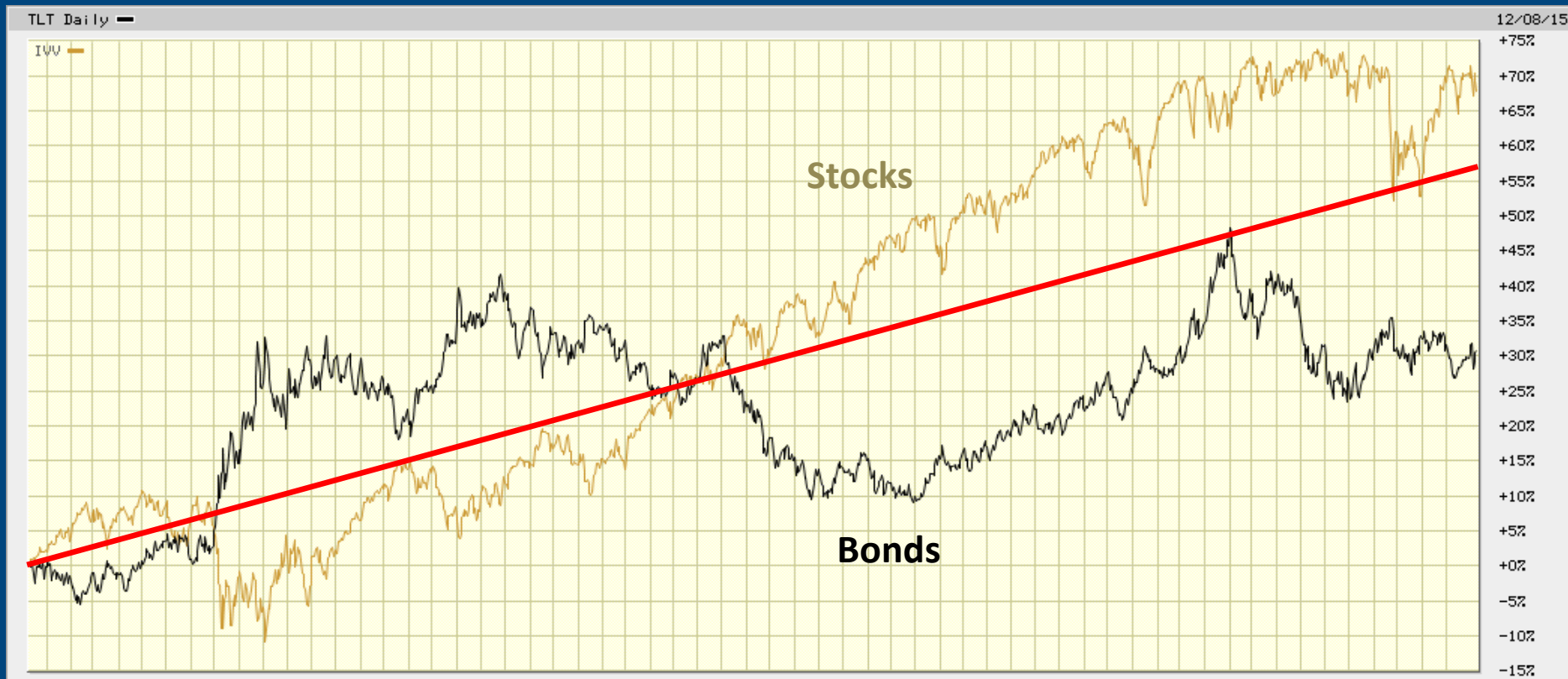
# Market Review - Interest Rates (20 Years)



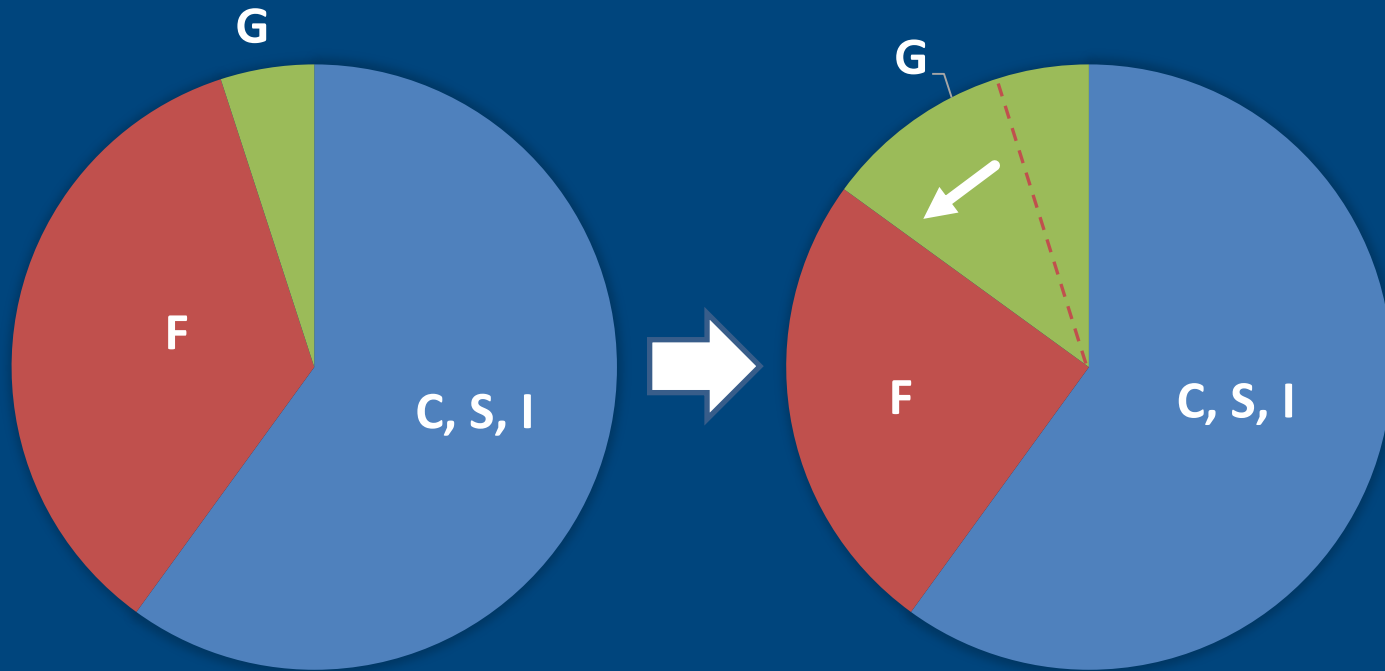
# Market Review – Stocks vs. Bonds (1 Year)



# Market Review – Stocks vs. Bonds (5 Years)

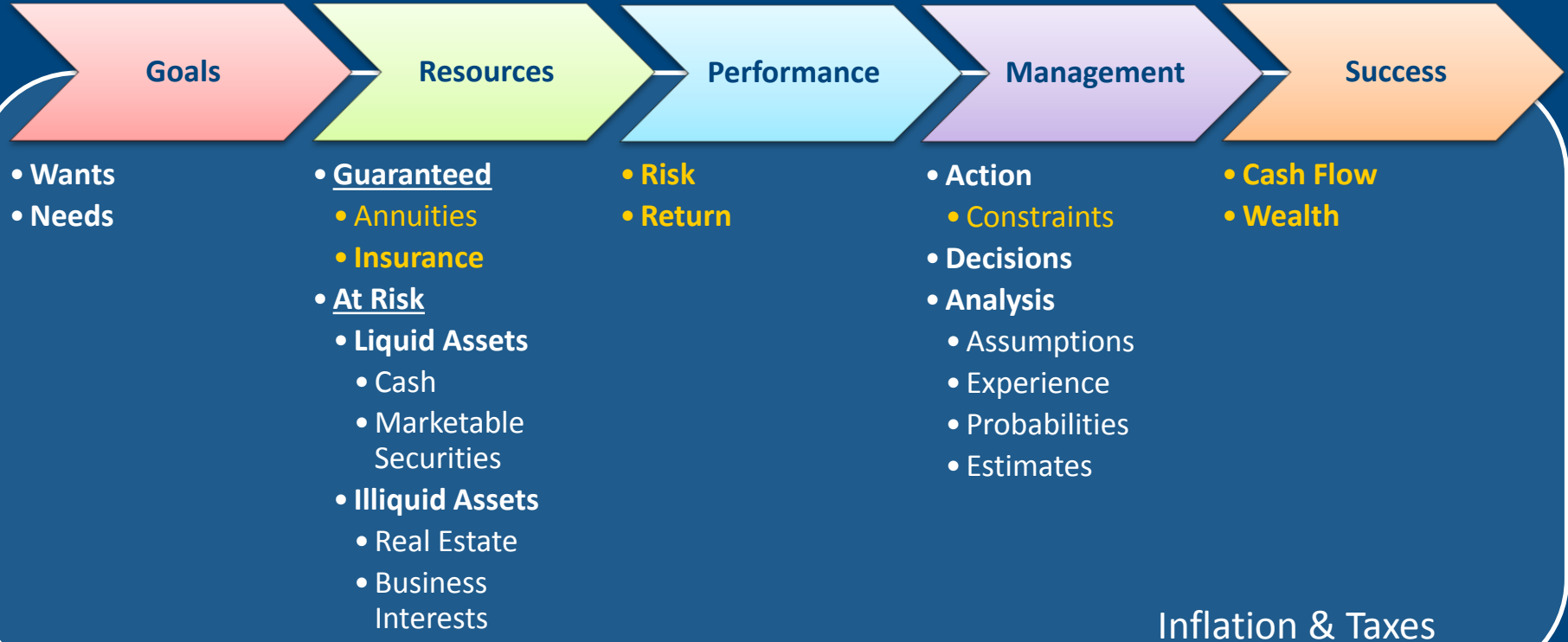


# Tactical Recommendation



## Understanding “Pension Max”

# Financial Planning and Management





Decline the CSRS or FERS survivor benefit  
and buy life insurance, instead

# Preliminary Considerations

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- Health insurance coverage for survivor
  - Need for income for survivor

Essentially a Life Insurance Question

# Rules of the Game: FEHB Retention for Survivor

	CSRS	FERS
Minimum Survivor Benefit Election	1%	25%
Cost	0.1%	5%

# Suitable Types of Life Insurance

- Guaranteed Level Term
- Universal Life w/ No-Lapse Guarantee
  - Whole Life

# Inappropriate Types of Life Insurance

- Plain Universal
- Annual Renewable
  - Variable

# Sample Case

- 62 Year Old Male Annuitant
- 61 Year Old Dependent Female Spouse
  - \$50,000 Gross Annuity

# Universal Life w/ No-Lapse Guarantee

- Default Choice
- \$1,400 - \$4,000 annual premium / \$100,000 insurance



# CSRS Annuitant

- Needs to replace  $\$50,000 \times .54 = \$27,000$  / year, BT
  - $\$27,000 \times .8 = \$21,600$  / year, AT

# CSRS Annuitant

- Needs  $\$21,600 / .04 = \$540,000$  in life insurance benefits today
  - Cost for UL w/NLG is  $\$1,400 \times 5.4 = \$7,560$  / year, AT

# CSRS Annuitant - Problems

1. No COLA on the \$540,000
2. The \$7,560 cost of insurance is > than the \$4,995 savings

# FERS Annuitant

- Needs to replace  $\$50,000 \times .25 = \$12,500$  / year, BT
  - $\$12,500 \times .8 = \$10,000$  / year, AT

# FERS Annuitant

- Needs  $\$10,000 / .04 = \$250,000$  in life insurance benefits today
  - Cost for UL w/NLG is  $\$1,400 \times 2.5 = \$3,500$  / year, AT

# FERS Annuitant - Problems

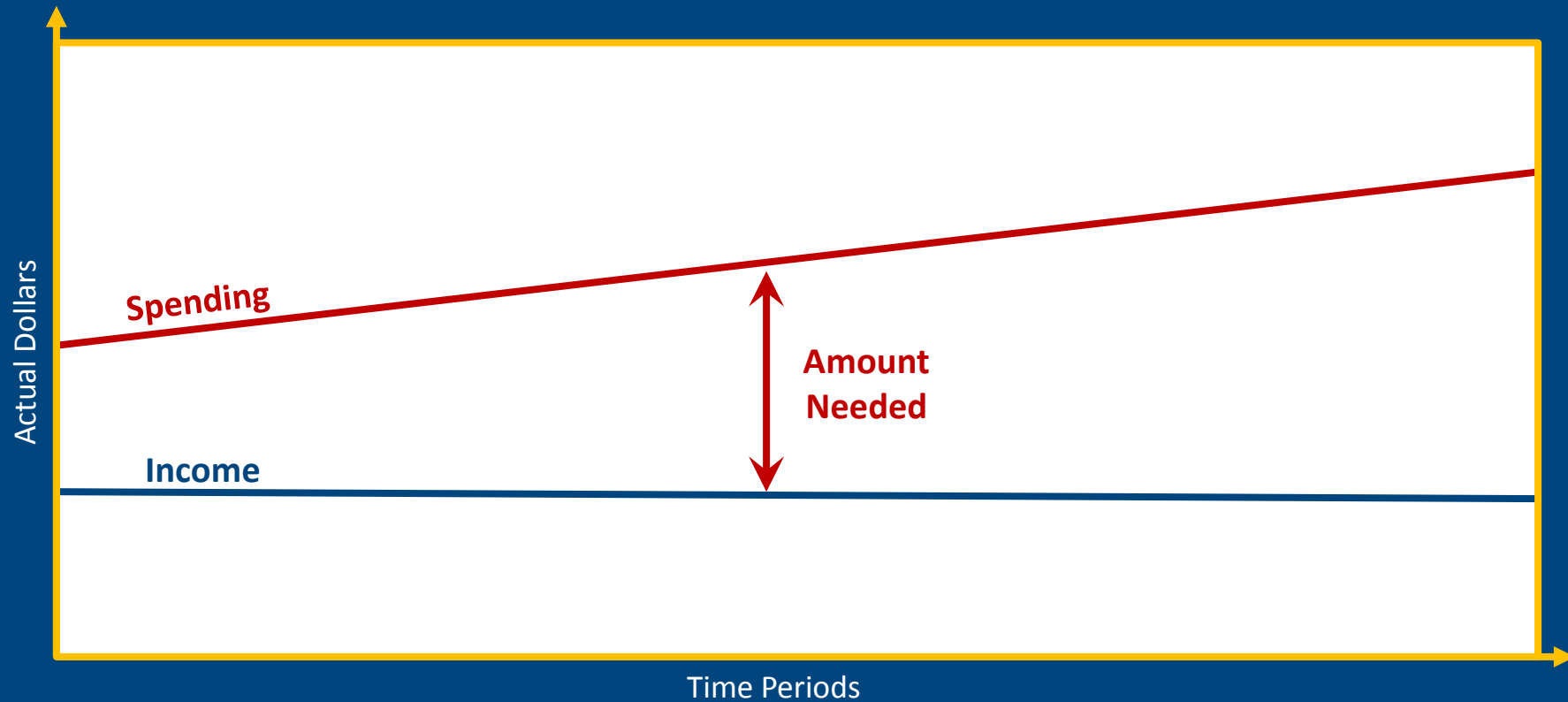
1. No COLA on the \$250,000
2. The \$3,500 cost of insurance is > than the \$2,500 savings

# Rules of the Game: Cost of Living Adjustments

CPI-W	CSRS	FERS
0% - 2%	CPI-W	CPI-W
2% - 3%	CPI-W	2%
> 3%	CPI-W	CPI-W – 1%

CPI-W = Bureau of Labor Statistics (BLS) Consumer Price Index for Urban Wage Earners and Clerical Workers

# The Effect of Inflation





# Summary

1. Every Case is Unique
2. Survivor's Needs Should be Primary
3. Guarantees and Inflation Are Key Considerations
4. Don't Trust a Sales Pitch
5. Always Replace "Could" with "Probably Won't"
6. Default Answer is to Elect the Maximum Survivor Benefit

Next Month:

January 12 @ 12:00

[www.seniorexecs.org](http://www.seniorexecs.org)

Questions / Comments / Suggestions



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