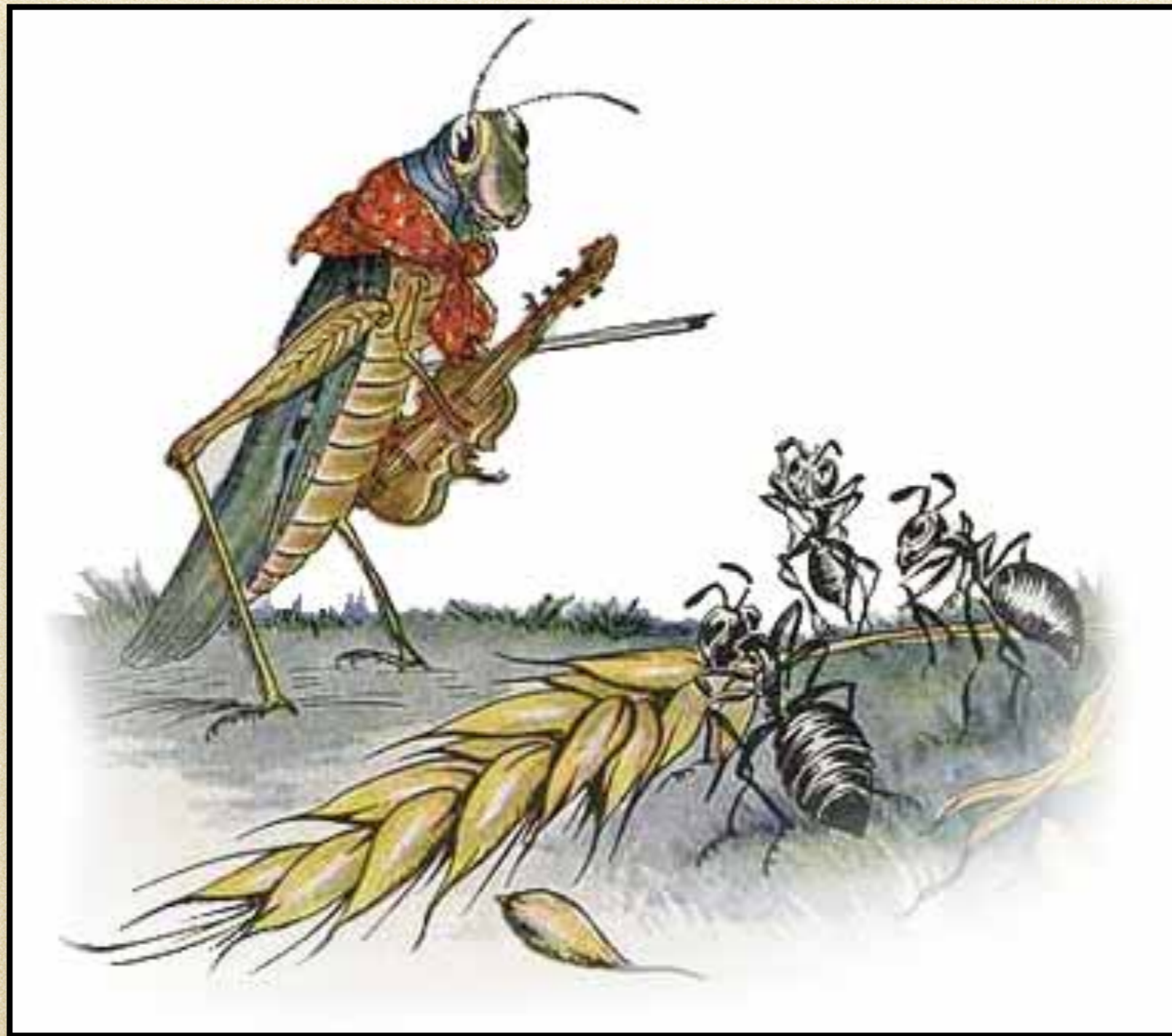


# The Ants and the Cows











# Retirement Accounts

- Employer Sponsored Plans
  - 401(k)
  - 403(b)
  - 457(b)



# Retirement Accounts

- Individual Accounts
  - Traditional IRA
  - ROTH IRA



# ROTH IRA

	Single	Married filing Joint
Full Contribution	< \$124,000	< \$198,000
Partial Contribution	\$124,000 - \$139,000	\$198,000 - \$208,000
No Contribution	> \$139,000	> \$208,000



# Backdoor Roth IRA

- Used if your income exceeds direct contribution limits
  - Make contribution to traditional IRA
  - Roll over balance of traditional IRA to Roth
  - Pay tax due
- Make sure traditional IRA balance is \$0 as of 12/31



# Exceptions to 10% Rule

- Up to \$10,000 for the purchase of your 1st home
- Certain qualifying educational expenses
- Unreimbursed medical expenses  $> 7.5\%$  AGI
- Distributions on health premiums during unemployment.

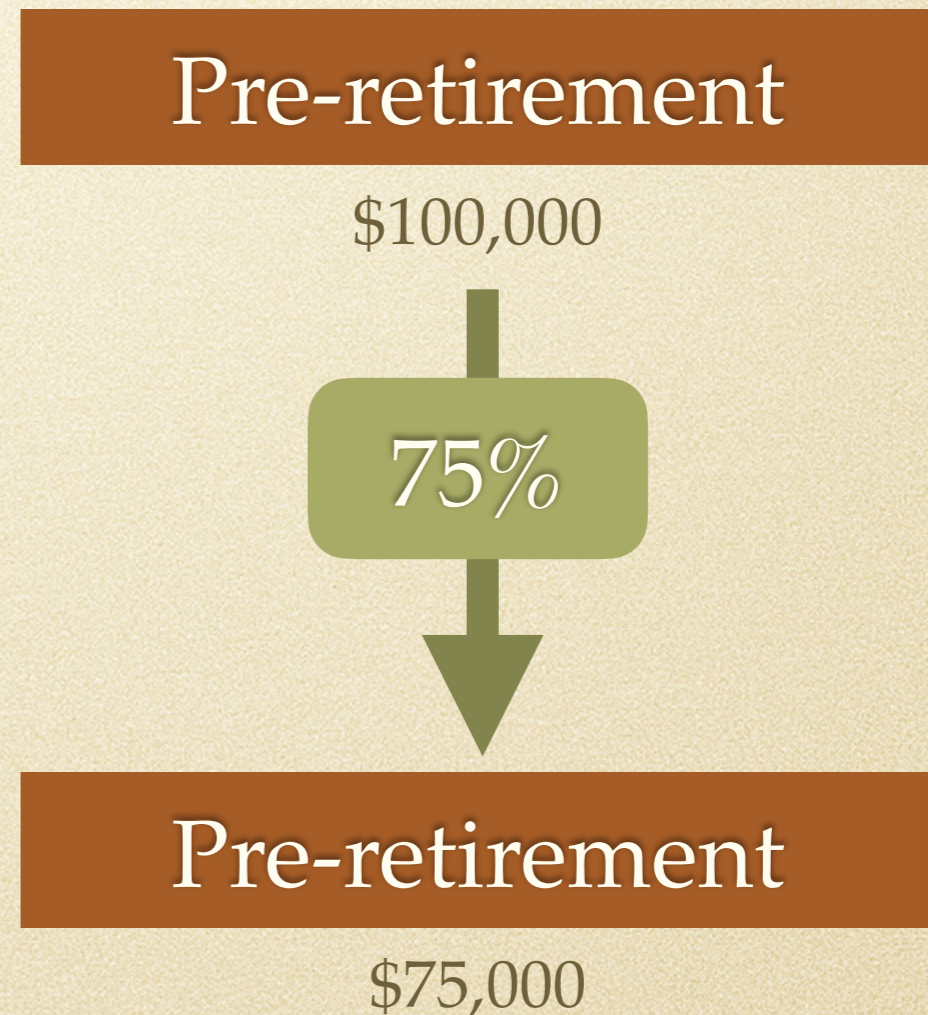


How much do you need  
to retire?



# Determine your expenses

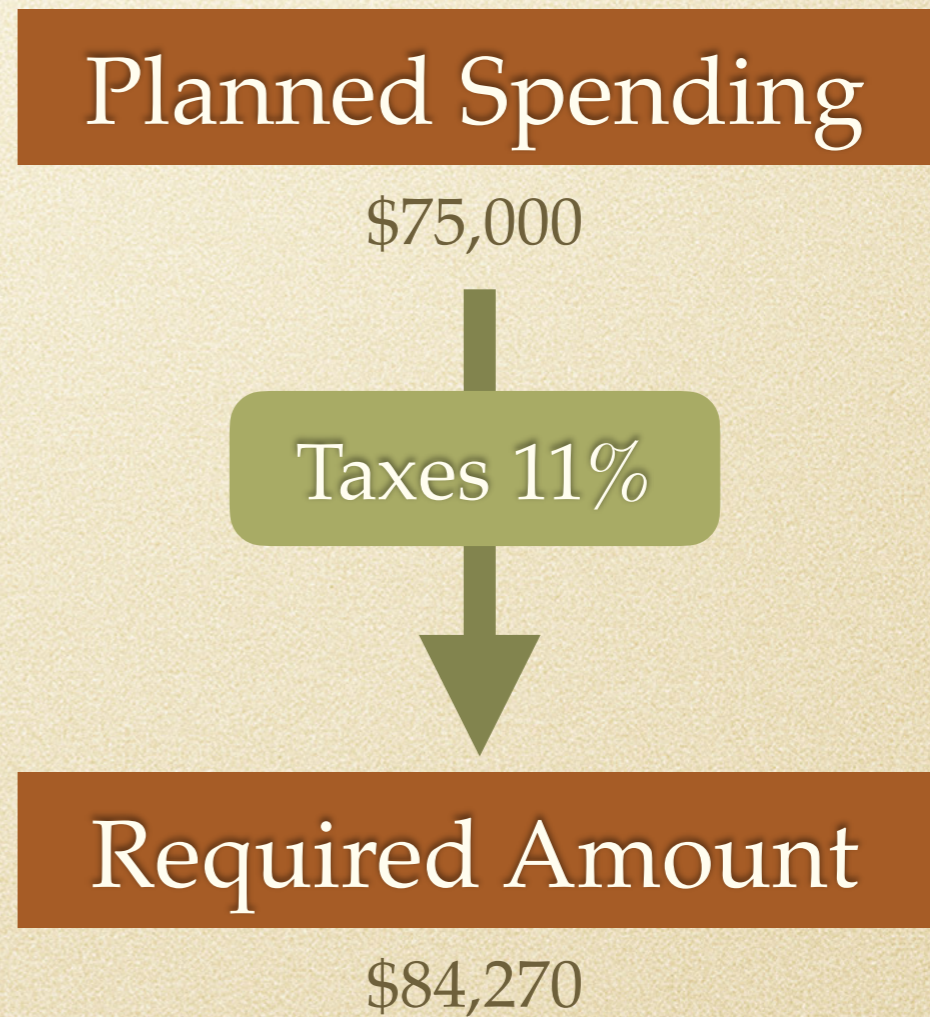
- How much do you plan to spend?
- 75-80% of pre-retirement income





# Adjustments to Spending

- Inflation
- Taxes





# Sources Income

- Social Security
- Work Pension
- Part-time Work
- Retirement Account Distributions



# Determine Needed Savings

Required Amount

\$84,270

Social Security

\$18,000 / mo

Part-Time Work

\$10,000 / mo

Required Distributions

\$56,270



# Determine Needed Savings

Required Distributions

\$56,270

4% Rule

Required Savings

\$1,406,750

- 4% Rule



# Exceptions to 4% Rule

- Volatility
- Sequence of Returns Risk



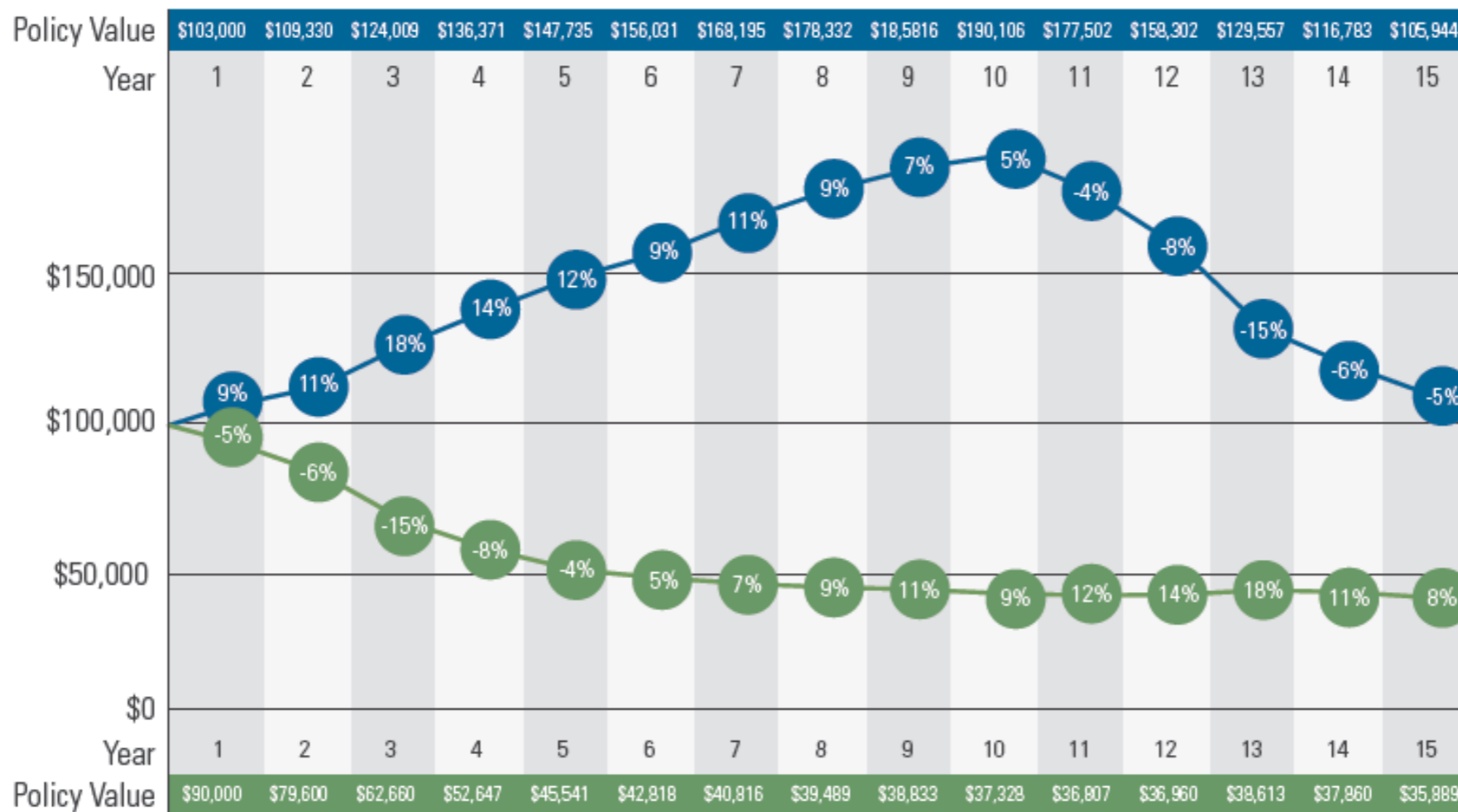
# Volatility





# Sequence of Returns Risk

**Investor Blue** retires at the beginning of an up market



Investor Blue has **\$105,944** in year 15

Investor Green has **\$35,889** in year 15

**Investor Green** retires at the beginning of a down market



# Strategies for Distribution

- Percentage of Portfolio
- Dollar amount
- Hybrid based on market performance



# Order of Distributions

- Spend from tax advantaged funds to fill deductions
- Spend from taxable holdings
- Spend from tax advantaged vs ROTH
  - Tax Advantaged if current marginal rate  $<$  future marginal rate
  - ROTH if current marginal rate  $>$  future marginal rate



# Required Minimum Distribution

Table III (Uniform Lifetime)

Age	Distribution Period	Age	Distribution Period	Age	Distribution Period	Age	Distribution Period
70	27.4	82	17.1	94	9.1	106	4.2
71	26.5	83	16.3	95	8.6	107	3.9
72	25.6	84	15.5	96	8.1	108	3.7
73	24.7	85	14.8	97	7.6	109	3.4
74	23.8	86	14.1	98	7.1	110	3.1
75	22.9	87	13.4	99	6.7	111	2.9
76	22.0	88	12.7	100	6.3	112	2.6
77	21.2	89	12.0	101	5.9	113	2.4
78	20.3	90	11.4	102	5.5	114	2.1
79	19.5	91	10.8	103	5.2	115 and over	1.9
80	18.7	92	10.2	104	4.9		
81	17.9	93	9.6	105	4.5		



# Required Minimum Distribution

Account Balance as of 12/31

\$1,400,000

Distribution Period for age

27.4

Divide balance by period

\$51,095



# Misc Topics



# Annuities

- Can provide fixed monthly income
- Combined with social security can create a retirement income floor
- Insurance product that provides guaranteed income



# Annuities: Advantages

- Provides peace of mind
- Higher distribution from other accounts
- Higher payment rate than 4%



# Annuities: Disadvantages

- Insurance company keeps remaining balance
- Non-transferable to beneficiaries
- Not inflation adjusted
- Security related to company security



# ROTH Conversions

- Can convert traditional accounts to ROTH accounts
- Need to pay applicable taxes
- Consider in low income years