



The Oregon Attorney Assistance Program presents

The Next Stage:

Planning Now for the Retirement That You Want

with

Pat Funk

Retirement Seminars by Pat

and

Mike Long

OAAP Attorney Counselor



March 4, 2016

8:30 a.m. – 4:30 p.m.

**Oregon State Bar Center
Tigard, Oregon**

Qualifies for 6.25 General MCLE Credits

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MCLE FORM 1: Recordkeeping Form (Do Not Return This Form to the Bar)

Instructions:

Pursuant to MCLE Rule 7.2, every active member shall maintain records of participation in **accredited** CLE activities. You may wish to use this form to record your CLE activities, attaching it to a copy of the program brochure or other information regarding the CLE activity.

Do not return this form to the Oregon State Bar. This is to be retained in your own MCLE file.

Name:		Bar Number:	
Sponsor of CLE Activity:			
Title of CLE Activity:			
Date:		Location:	
<input type="checkbox"/> <i>Activity has been accredited by the Oregon State Bar for the following credit:</i> <div style="text-align: center;"> <p>___ General</p> <p>___ Prof Resp-Ethics</p> <p>___ Access to Justice</p> <p>___ Child Abuse Rep.</p> <p>___ Practical Skills</p> <p>___ Pers. Management Assistance **</p> </div>	<input type="checkbox"/> Full Credit. <i>I attended the entire program and the total of authorized credits are:</i> <div style="text-align: center;"> <p>___ General</p> <p>___ Prof Resp-Ethics</p> <p>___ Access to Justice</p> <p>___ Child Abuse Rep.</p> <p>___ Practical Skills</p> <p>___ Pers. Management Assistance **</p> </div>	<input type="checkbox"/> Partial Credit. <i>I attended _____ hours of the program and am entitled to the following credits*:</i> <div style="text-align: center;"> <p>___ General</p> <p>___ Prof Resp-Ethics</p> <p>___ Access to Justice</p> <p>___ Child Abuse Rep.</p> <p>___ Practical Skills</p> <p>___ Pers. Management Assistance **</p> </div>	

***Credit Calculation:**

One (1) MCLE credit may be claimed for each sixty (60) minutes of actual participation. Do not include registration, introductions, business meetings and programs less than 30 minutes. MCLE credits may not be claimed for any activity that has not been accredited by the MCLE Administrator. If the program has not been accredited by the MCLE Administrator, you must submit a Group CLE Activity Accreditation application (See MCLE Form 2.)

Caveat:

If the actual program length is less than the credit hours approved, Bar members are responsible for making the appropriate adjustments in their compliance reports. Adjustments must also be made for late arrival, early departure or other periods of absence or non-participation.

** Oregon State Bar MCLE Rule 6.3 limits the number of personal management assistance credits that can be claimed in one three-year reporting period to 6 credits. For shorter reporting periods, the limitation is 3 hours.

**The Next Stage:
Planning Now for the Retirement That You Want**

Friday, March 4, 2016

Program Agenda

8:30 - 9:00	Registration	
9:00 - 9:15	Introductions; Seminar Objectives	Mike Long
9:15 – 10:15	Fundamentals of Financial Life Planning	Pat Funk
10:15 – 10:30	Break	
10:30 – 12:00	Fundamentals of Financial Life Planning	Pat Funk
12:00 – 12:45	Lunch	
12:45 – 1:30	Social Security	Pat Funk
1:30 – 2:30	Retirement Saving Vehicles	Pat Funk
2:30 – 2:45	Break	
2:45 – 3:45	How to Strategically Utilize Your Financial Resources During Retirement	Pat Funk
3:45 – 4:30	Navigating the Retirement Transition	Mike Long
4:30 – 4:45	Evaluations	Pat & Mike

Pat Funk

Raised in the Midwest, Pat has been a saver from day one. But it was while she was in sales and management at IBM and Data General that she challenged herself to become financially independent by age 40. And she did, with a few years to spare, by immersing herself in financial planning (including course work for the Certified Financial Planner designation). Thereafter, Pat established several other financial benchmarks. She owned and operated a Colorado bed & breakfast, optimized her real estate investments by becoming a realtor, and became a lecturer for a retirement planning firm. She also expanded her financial knowledge base by studying for and passing the Series 7 Investment, Health & Life Insurance, and Investment Advisory licensing tests. Pat now conducts seminars to assist legal professionals in preparing for their own financial transition into retirement.

Welcome

To
The Next Stage:
*Planning NOW for the
Retirement that YOU Want*

Pat Funk

LawyersatMidlife@bmi.net 503.440.1106

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DISCLAIMER

Any information communicated today is for educational purposes only and should not be construed as tax, legal or investment advice.

Whenever making any financial or risk decision, one should consult with their legal, tax, accounting, investment and insurance professionals

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In A Far Country

- When a man journeys into a far country, he must be prepared to forget many of the things he has learned, and to acquire such customs as are inherent with existence in the new land; he must abandon the old ideals and the old gods, and oftentimes he must reverse the very codes by which his conduct has hitherto been shaped.

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The **ONLY**
Constant is
CHANGE

Heraclitus @ 500 BC

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KNOWLEDGE



POWER
ACTION

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Today's Perspective

■ Personal

■ Clients

■ Community

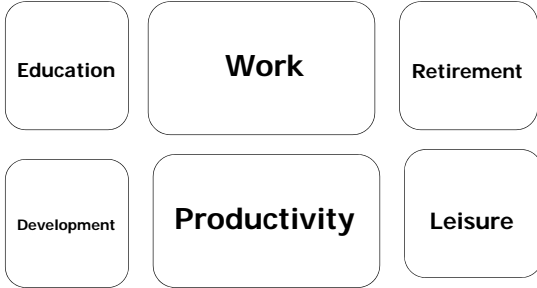
Region -National



Global

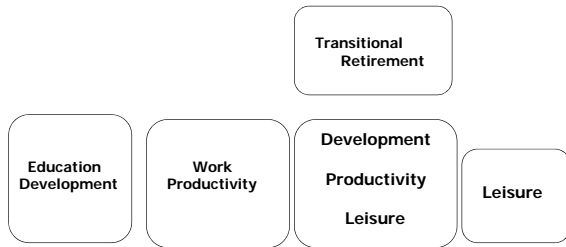
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Traditional Model



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New Reality




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Your PLAN...

Your TIMING

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A Continuum of Options

- 
- Continue Practicing as Long as Possible
 - Leave Full Time Practice but Consult
 - Retire and use talents and knowledge I've acquired over the years in New Ways
 - Reinvent Yourself and Enjoy a Totally New & Different Life
 - Retire and Enjoy a Life of Full Leisure

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Don't forget...Scenario Planning

■ UNexpected Retirement

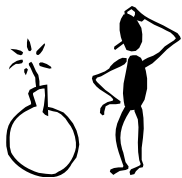
- Are you ready today?

■ Health Related Costs

- Long Term Care
- Alzheimer

■ Estate Planning Options

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Traps

“What You **Don't** Know....”

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At the End of the Day

- Identify YOUR Challenges



Minimize Them

- Leverage YOUR Opportunities

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Your Financial Roadmap

Traditional View

1. Locate Where You are Now
2. Decide Where Your Want to Go
3. Plan the Best Route to Get There

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Financial *LIFE* Planning

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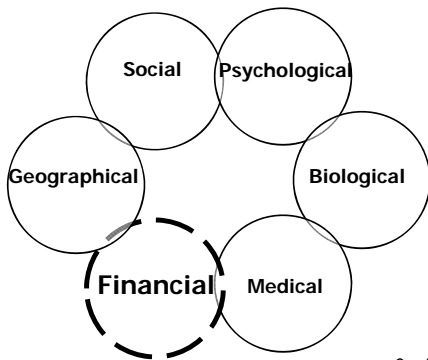
Your Financial Roadmap

Life Planning View 

1. Decide Where You Want to Go
2. Determine Where You are Now
3. Plan the Best Route to Get There

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Six Areas of Knowledge for Well-Being



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During the Next 20-40 Years....

I/We Want to Do:

- What ?
- Where ?
- With and Around Whom ?

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Retirement Planning Redefined

❖ ROI
❖ ROL

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Self Defining Retirement

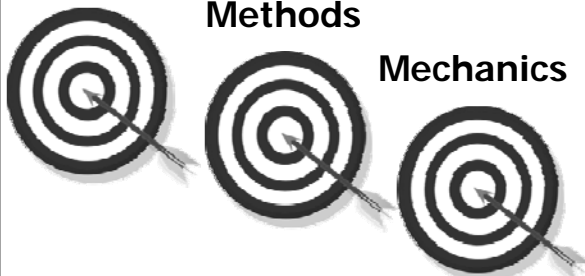


Everyone is Different !

Mindset

Methods

Mechanics



What do I need
to **KNOW**
and **DO**
to navigate
MY
financial landscape?

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Is **YOUR** Plan Right for YOU?



DO YOU...

Sleep Well At Night



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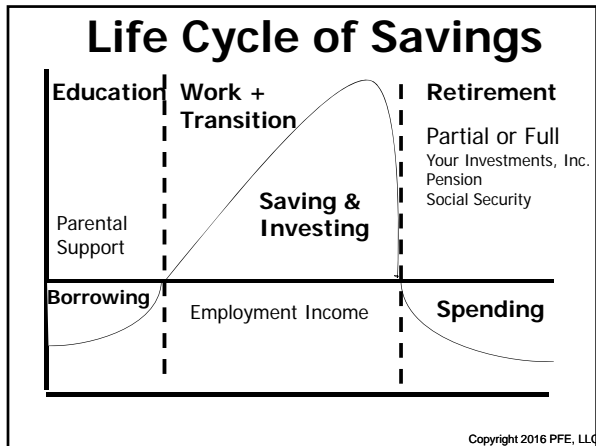
Financial Independence



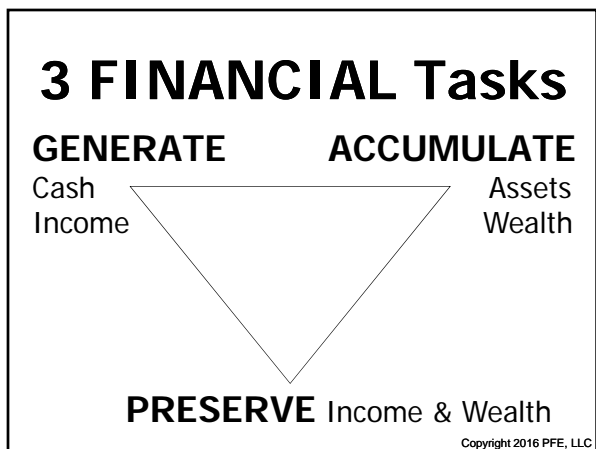
Sufficient accumulated wealth to
maintain your desired lifestyle
without the **NEED** for work income

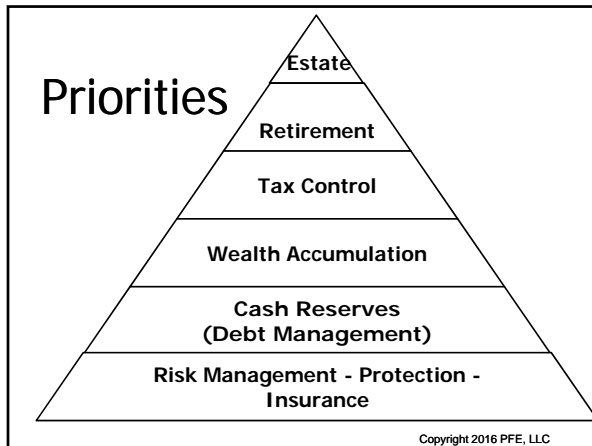
Freedom of CHOICE

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Financial Independence

What is YOUR Mindset?

BEQUEST

○ Die Broke ○ Pass it On

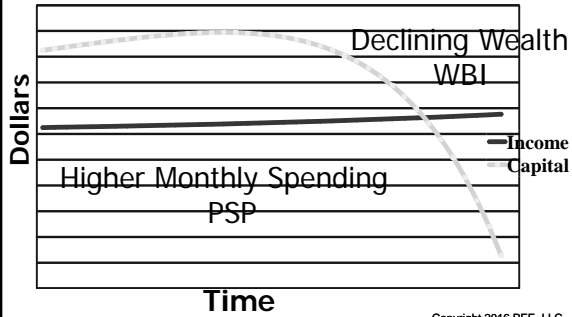
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“Die Broke”

- Use up assets over a reasonable life expectancy
- Pass on assets during lifetime
- Use Asset reduction methods

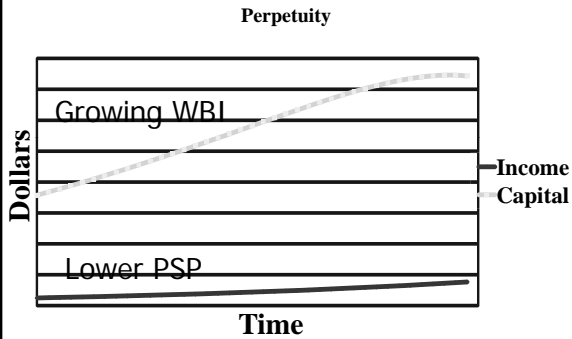
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Die Broke Mindset



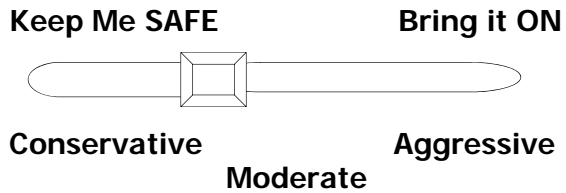
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Leave an Estate Mindset



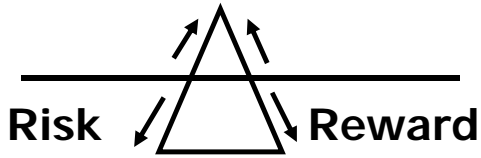
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Your Risk Profile



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Balancing Act



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Simple Question

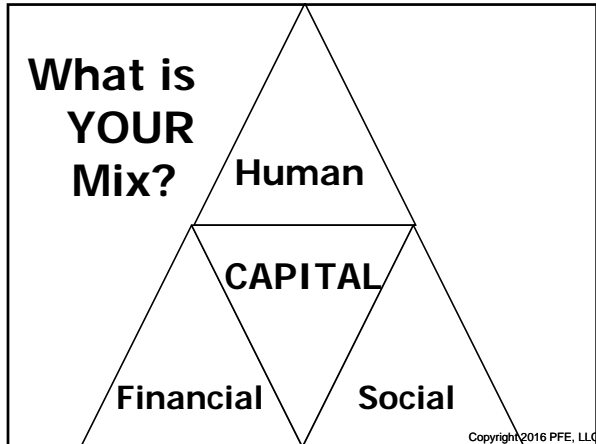
Are you getting
Paid for assuming the
Risk you take?

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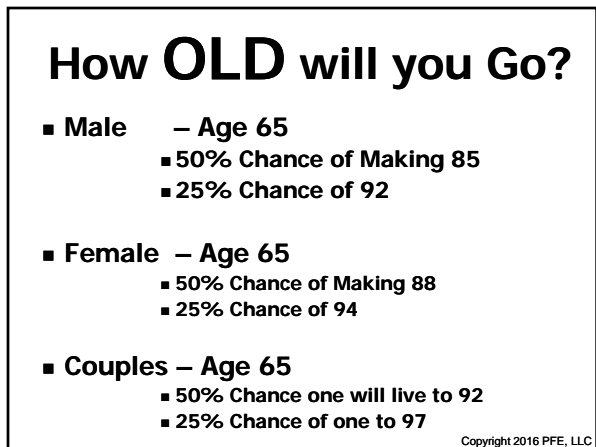
Risk Reality

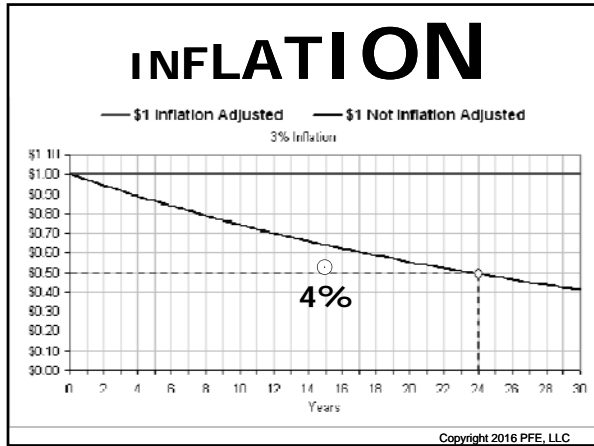


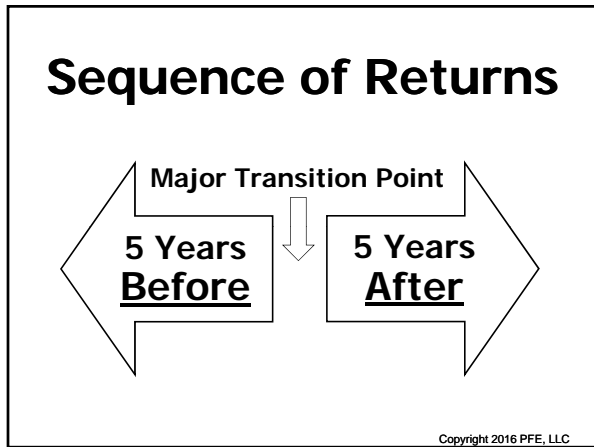
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- ## Keys to Wealth
1. Living Beneath Your Means
 2. Investing Your Savings Wisely
 3. Using Debt Wisely
 4. Preventing Financial Disruptions
 5. Staying Active & Maintaining Your Health
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Your Financial Roadmap

- Decide Where You Want to Go
- Determine Where You are Now
- Plan the Best Route to Get There



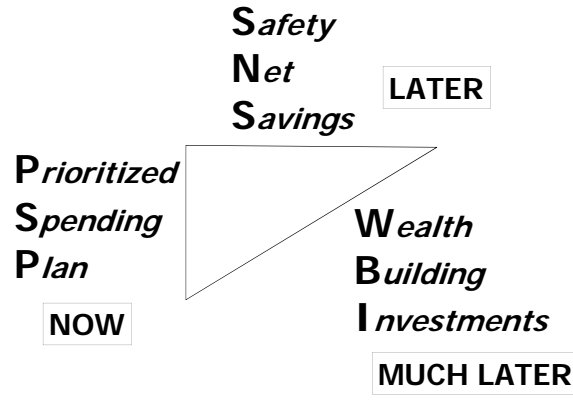
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Self Defining Retirement



What are the Cost\$

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Why PSP?



- ID Essential vs. Discretionary
 - What Income is Needed to Cover?
 - Will you cover by Work or Savings
- Face the Truth Plan
 - ➔ Cost of YOUR Lifestyle

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P S P	Current		Estimated
	Monthly Expense		Retirement Monthly
Regular Monthly Expenses			
Mortgage or Rent			
Utilities			
Food (Eating in & Out)			
Work Expenses			
Entertainment, Recreation			
Clothing			
Laundry, Cleaning			
Personal			
Auto Operation			
Education			
Children Education			
Contributions			
Support of Others			
Loans			
Regular Services (Lawn, Pool, Cleaning)			
Tax Deferred Accounts			
Medical Insurance			
Other			
Periodic Payments - Convert to Monthly			
	Current Monthly		Retire Estimate
Property Taxes			
Home Maintenance Expenses			
Insurance (Home, Auto)			
Life Insurance			
Disability Insurance			
Prof Liability Insurance			
Vacation, Hobbies			
Gifts			
Income Taxes			
Medical, Dental, Vets			
Other			
Total Monthly Expenses			

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Spending Pressures

- Meeting Early Year Spending Desires
 - Boat, Travel, 2nd Home, Family Experiences
- VS
- Insuring Financial Longevity

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Financial Records

Lawyers at Midlife

- **Financial Assets Record**.....Page 61
 - **Sources of Base Retirement Income**
 - Social Security
 - Pensions &/or Annuities
 - **Other Asset Records**
 - Retirement, Bank, & Investment Accounts, Insurance,
 - Real Estate Holdings, Personal Goods
- **Personal Expense Log**.....Page 62
- **Your Net Worth**.....Page 63

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Assets (OWN)	Value Today	Liabilities (OWE)	Value Today
HUMAN Capital		HOME and AUTO	
Savings Accounts		Mortgage Balance	
Money Market Accounts		Home Equity Loans/Lines	
		Car Loan Balances	
INVESTMENTS		LOANS	
Stocks		Credit Cards	
Bonds		Installment Purchases	
Mutual Funds		Education Loans	
Money owed to You		Other Loans	
Other Investments			
PERSONAL PROPERTY		Other Debts	
Autos		Taxes	
Home Furnishings		Alimony/Child Support	
Jewelry		Insurance Premiums	
Art/ Collectibles		Owed to Others	
Clothing			
Other Personal			
Less Liquid Assets			
Home			
Other Real Estate			
Vested Pension Benefits			
401(K)			
IRA			
Life Insurance Cash Value			
Annuities & Deferred Compensation			
Other Assets			
Total Assets		Total Liabilities	
Net Worth = Total Assets - Total Liabilities =			

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My Financial Assets			
Foundational Sources of Retirement Income			
	Self	Spouse	TOTAL
Social Security			
Pensions			
Annuities			
Total Base			
HUMAN Capital			
Other Asset Records	VALUE	BENEFICIARY	
Bank Accounts			
Investment Accounts			
Savings Bonds			
Real Estate Investments			
Precious Metals			
Insurance			
Autos & Toys			

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Simple Math

- Retirement \$\$\$ Ballpark
Annual Income X 12
- Safe Annual Withdrawal
Savings & Investments X 2-4%
- To Double Your Money - Rule of 72
72 / Interest Rate or Years
- Earning Efficiency
Net Worth / Numbers of Yrs Worked

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Rule of 72



How **LONG** at a given interest/growth rate? **OR**
What **INTEREST RATE** for a known time period?

$$72 \div \text{Interest Rate or Years}$$

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Rule of 72 Examples

At **6% return**

$$72 \div 6 = \text{DOUBLE in 12 Years}$$

With **10 Year Time Frame**

$$72 \div 10 = 7.2\% \text{ Return needed}$$

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INVESTING 101

- New or Review
- Your Frame of Reference
- Difference is OK

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Life Plan Investing

- Maintain Comfortable Risk/Reward
- Formalize Safety Net Income Streams
- Use Time & Tax Based Investment Strategies to increase Total Returns
- Keep Eye on New Tax laws
 - Minimize taxes -watch for tax traps
- Minimize Transaction costs
- Result = Greater personal wealth for life

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As You... Make an Investment



- Why am I making it?
- How much will I get paid?
- When will I get paid?
- What is my exit strategy?

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Investment Decisions

- Asset Classes & Asset Allocation
- Own (Equity) or Loan (Bond)
- Paper Instrument or Hard Asset
- Taxable, Tax-Free, Tax Deferred
- Active or Passive Management
- DIY or Hire

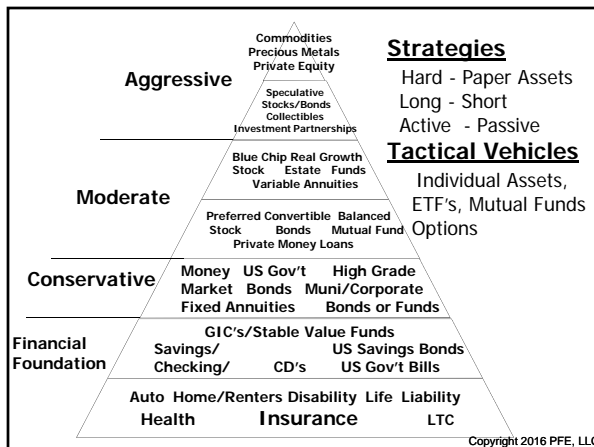
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The Power of Compounding

The Most Powerful Force In The Universe!

Albert Einstein

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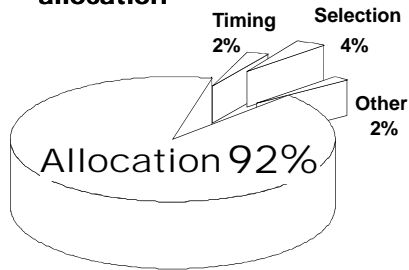
Key Principles

- Asset Allocation
- Diversification
- Dollar Cost Averaging

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Asset Allocation

- Most return is attributable to asset allocation



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Asset Allocation

- Where to Invest
- How to Invest
- What Proportions
- What Time Period

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In how many pieces...
would you like your pie cut?

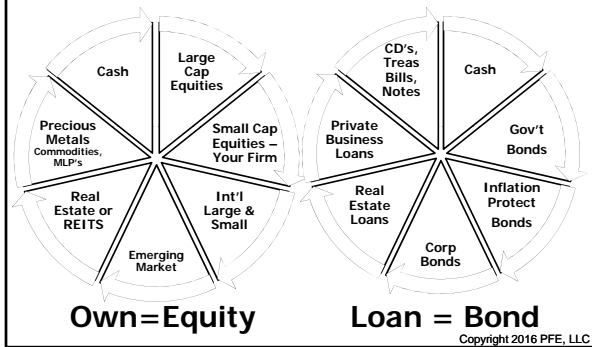


Yogi Berra:

4...I don't think I could eat 8

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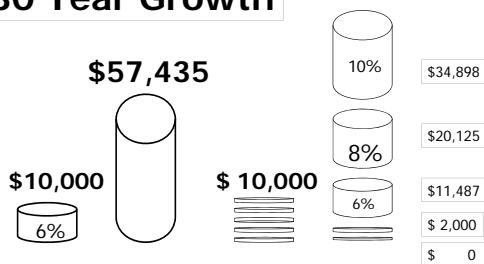
Asset Classes



Diversification

30 Year Growth

\$ 68,510



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Diversifications Many Faces

Asset Classes & Assets

Income Sources

Insurance Annuity Companies

Time Horizon

Tax Status

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Keep it Simple



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Dollar Cost Averaging

- Strategy = Invest Systematically
\$100 per month

	Price	# of Shares
Month 1	\$10	10
Month 2	8	12
Month 3	9	11
Month 4	10	10
Month 5	11	9
Month 6	12	8

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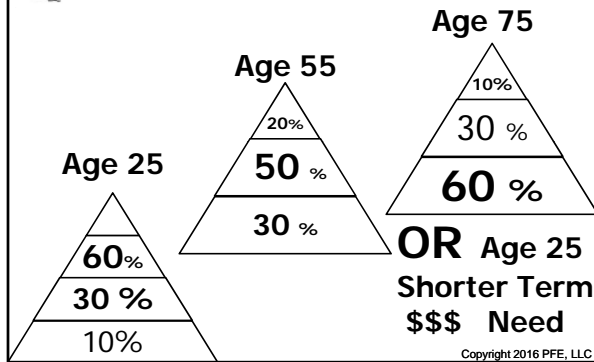
Strategic

- Investment Policy
- Time Horizon (s)
- Tax Profile

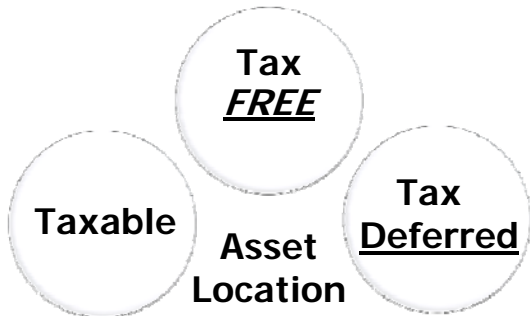
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TIME Based Allocation



WHERE TO SAVE



WHAT TO SAVE WHERE



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COMMON RETIREMENT ACCOUNTS

**INDIVIDUAL
BASED**

**EMPLOYER
BASED**

Tax Later vs. Tax Now

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INDIVIDUAL BASED

**TRADITIONAL
IRA**

**ROTH
IRA**

\$5,500 Maximum Contribution

OVER Age 50 = +\$1,000 Catch UP

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Traditional IRAs

■ Eligibility

- Under age 70 ½
- Anyone with Earned Income
- Non-working spouse filing jointly

■ Tax Deductibility Varies

- Full, Partial, None
 - Workplace Plan Available
 - Earned Income

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Traditional IRA Withdrawals

- RMD Withdrawals Required at 70 ½
 - 50% Penalty if forgotten or miscalculated
- Tax Deferred Contributions
 - Taxed as Ordinary Income
- Non-deductible Contributions
 - Taxed Proportionately to total amount
- All Earnings
 - Taxed as Ordinary Income

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Roth Basics

- Roth Contributions are after tax
- Roth allows tax-free accumulation
- Roth allows **Tax-Free Withdrawals**
- Contributions may be made after 70 1/2
- Distributions not required until death
- Heirs can maintain tax free status
- Traditional IRAs can be converted

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Roth Eligibility

Single filer with Modified Adjusted Gross Income (MAGI) of:

- \$117,000 or less – full contribution
- \$117,000 - \$131,999 – partial contribution
- \$132,000 or more – not eligible

Joint filers with MAGI of:

- \$184,000 or less – full contribution
- \$184,000 - \$193,999 – partial contribution
- \$194,000 or more – not eligible

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Back Door Roth

- STEP 1 : Open a Traditional IRA
- STEP 2 : Contribute to Traditional IRA
Non-Tax Deductible
- STEP 3 : Convert to a Roth IRA
Pay Taxes only on Growth

Tax Free Growth AFTER Conversion

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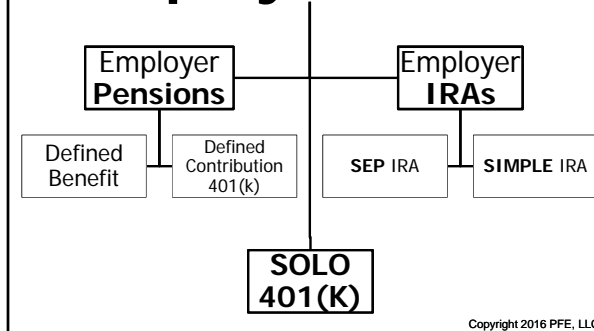
Converting Traditional IRAs

■ Decision Factors

- None IRA Money Available to Pay Taxes
- Expect Retirement Tax Bracket to be Same or **Higher**
- You do not plan to withdraw funds for "X" Years
- Evaluate Effect on Current Year Taxes
- Recharacterization Possible

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Employer Based



Self-Employed/Small Business:

Simple IRA **\$12,500**
 Over 50 - **\$3,000**. Catch Up Addition
 Up to 100% Compensation
 Employer Contribution Required 1-3%

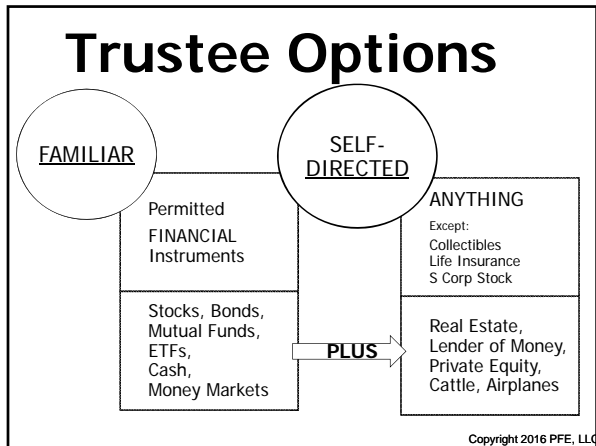
SOLO 401(k) **\$53,000-59,000**
 100% of Compensation up to
 \$18,000/\$24,000 (over 50)
 Employer 20-25% Profit Sharing
 Contributions up to Max (\$265,000 income)

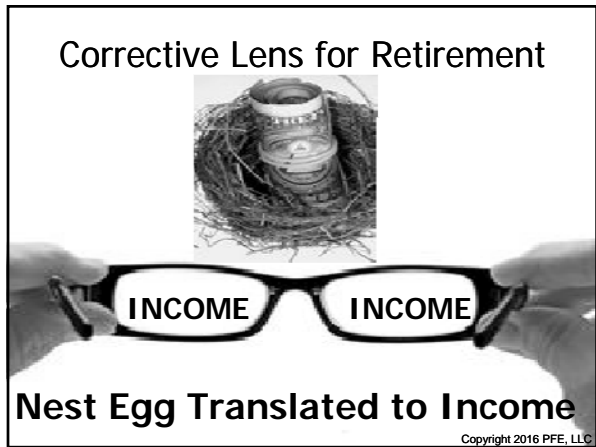
Self-Employed/Small Business:

SEP IRA **\$53,000**
 25% of Compensation

Profit Sharing KEOGH **\$53,000**
 25% of Compensation

Defined Benefit Plans **@\$210,000**



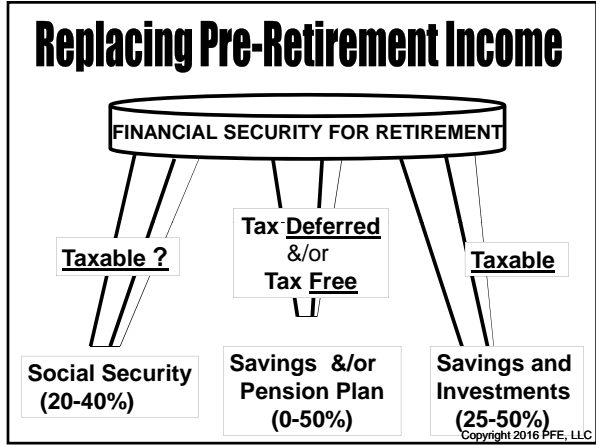




Need an ANNUAL INCOME Plan

<u>Designing Your Monthly Paycheck</u>	
Monthly Prioritized Spending Target	
Essential (Minimum) Amounts	\$ 3800
Discretionary Amount	\$ 1800
Total	\$ 5600
 <u>Income Sources</u>	
Work	\$ 1000
Pension	\$ N/A
Social Security	\$ 1500
Annuities	\$ 1000
Bank Interest	\$ 1
Bond Interest	\$ 250
Dividends	\$ 250
Rental Income	\$ N/A
Stock Option Income	\$ 200
Asset Sales	\$ 500
	\$ _____
	\$ _____
	\$ _____
	\$ _____
TOTAL	\$ 5600

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Today's Reality

5 Legged Chair

Other Income
Work
Real Estate

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Smart Social Security

- Know Your Options & the Consequences
- Explore Alternatives-Devise a Plan
 - Spousal Benefits vs Own Record
 - "1 Year Do Over"
 - Consider Other Income Sources
- Delay as long as possible
- Understand Earnings Penalties & Taxes

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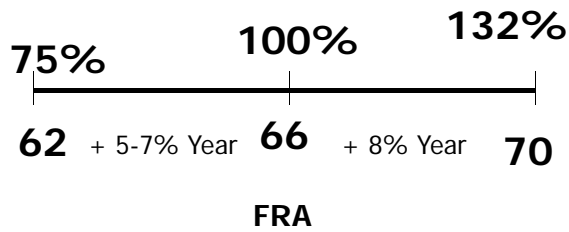
Social Security Basics

- Full Retirement Age (FRA)

Year Born	
1943-1954	66
1955-1959	66 + 2 - 10 mos
1960 +	67
- Early Retirement Age 62
- Cost of Living Adjustments – COLA
None for 2016

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Your Timing Matters ^{\$}_t



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Common Social Security Missteps

- 1) Underestimating the Value
- 2) Regrettably Taking Benefits Early
- 3) Not Knowing Options – Current Rules
Divorcee Options
- 4) Being in the “Tax Torpedo” Bullseye

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Social Security Changes for 2016

- If not 66 by May 1, 2016
Elimination of File & Suspend Strategies
Includes Elimination of
Lump Sum Payout of Suspended Benefits
KEY ACTION ITEM – 3 months to evaluate
- If not 62 by December 31, 2015
No Choice of Spousal vs Own Record

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Social Security Tax Considerations

- *Still Working ? EARNINGS DEDUCTION*
Only Earned Income
Until Full Retirement Age
\$1 for every \$2 earned over \$15,720
Year of Full Retirement Age
\$1 for every \$3 earned over \$41,880
- *FEDERAL INCOME TAX*
Up to 50% is subject if your AGI is above:
\$25,000 Single \$32,000 Joint
85% taxed if AGI is above:
\$34,000 Single \$44,000 Joint

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Planning for Transition

- Set LIFE Goals and Financial Objectives
- Gather Current Data
 - Calculate Income Shortage
- Consider Alternative Solutions
 - Select Tools of Implementation
- Implement Your Plan
- Monitor Your Plan

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Gap Analysis Example

Retirement Income Objective :

\$ 50,000/yr.

Less "Guaranteed" Sources:

Pension/Annuities 24,000/yr.

Social Security 13,000/yr.

Total Sources \$ 37,000/yr.

GAP: \$ 13,000/yr.

\$1083/mo

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Simple Wealth

\$ The Dipping Table

➤ Lawyers at Midlife

Page 64

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Figure the 'Nest Egg'

4% Rule

\$13,000 yr GAP need $\div .04$

\div

\$325,000 - Taxable

\$433,333 - Tax Deferred

(325,000 $\div .75$)

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Estimate Your 'Nest Egg'

2%4%-Rule

\$13,000 yr GAP need $\div .04$

\div

\$650,000 $\div .02$

~~\$325,000~~ - Taxable

\$433,333 - Tax Deferred

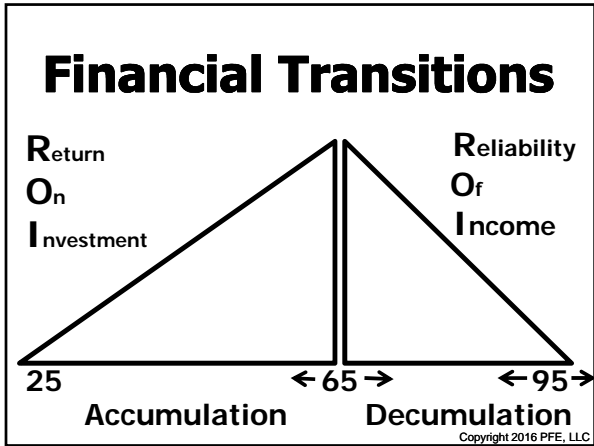
(325,000 $\div .75$)

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Retirement Income Shortage?

- Delay Retirement
- Reduce Standard of Living
- Work Part Time
- Create New Streams of Income
- Increase Saving For Retirement
- Are You TOO Conservative?
- Adjust "Leave Estate" Mindset
- Reverse Mortgage

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Life is an Adventure.....

What is Your Plan?

EDUCATION Copyright 2016 PFE, LLC

Balancing Act

Financial Security Financial Flexibility

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You ARE In CONTROL

- 1) How much You \$pend
- 2) When you retire...
&/or if you can go back to work
- 3) How much are you leaving behind

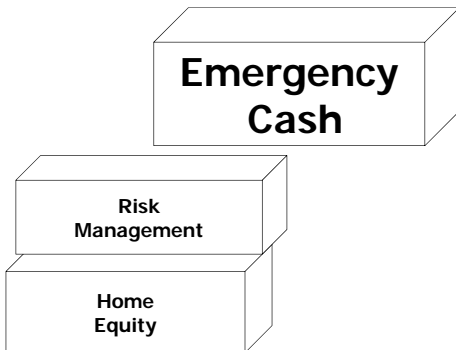
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Transition Planning Traps

- Increased Longevity
- Health Care Costs
- Tendency to Overstate Assets & Returns
- Incomplete Expenses & Inflation Impact
- Taxes
- Relatives suffering from "Lackofmoney"

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Financial Building Blocks



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Emergency Cash

- Highly Liquid Funds

- Cash, Checking, Savings, Money Market, CD's

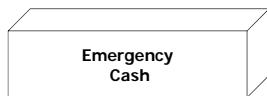
- Work vs. Retirement

- Work Years = 3 - 12 months

- Retirement = 2 - 5 YEARS

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Financial Building Blocks



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Risk Management

- Planning Documents

- Risk Transfer

= Insurance

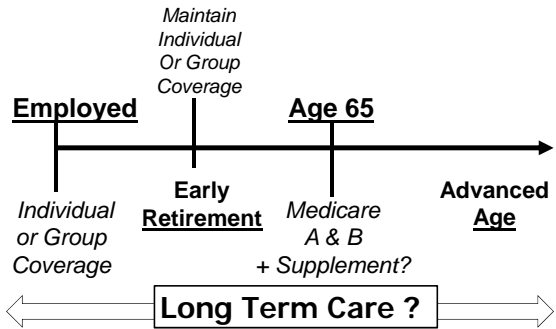
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Risk Management

- Home
- Auto/Toys
- Liability Umbrella
- **Disability**
- **Life**
- **Health**
- **Long Term Care**
- Business/Professional Liability
- Specialty – Single Purpose

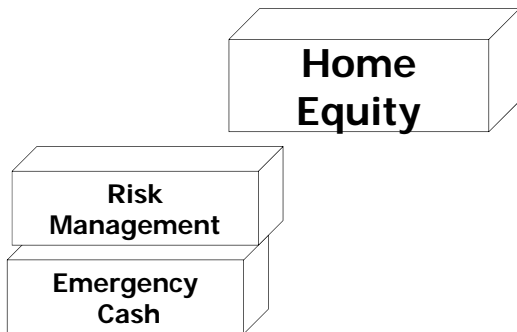
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Changing Health Insurance Needs



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Financial Building Blocks



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Home Decisions

➤ Where to Live

➤ Downsize or Not

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Income from Home

➤ Home Equity Line or Loan

➤ Reverse Mortgage

➤ Sell

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Principal Residence CAPITAL GAIN RULES 1997 Tax Law

■ Gain from Principal Residence Sale Excluded up to:

Married taxpayers \$ 500,000

Single taxpayers \$ 250,000

Rules:

Must occupy home as primary residence for at least 2 of last 5 years

No age restrictions apply

Either spouse must meet ownership requirements

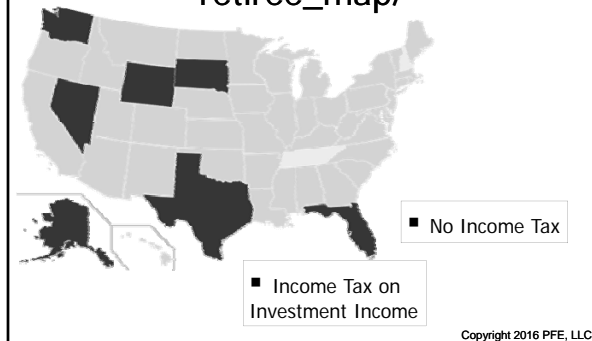
Both spouses must meet use requirements

Tax Tip:

Evaluate turning appreciated vacation property into principal residence to reduce Capital Gain taxes

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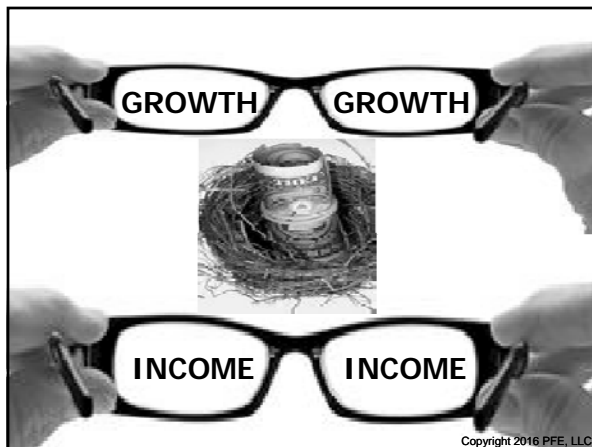
http://www.kiplinger.com/tools/retiree_map/

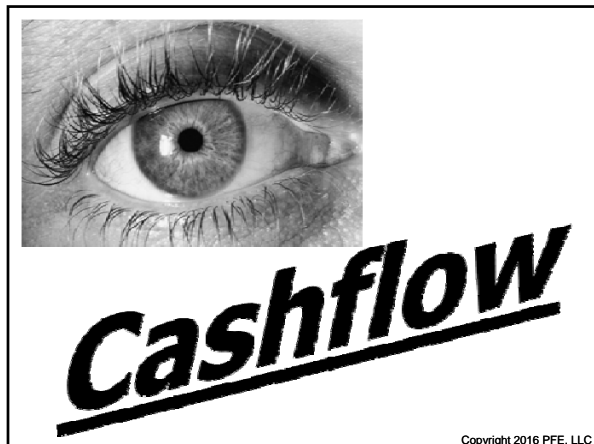


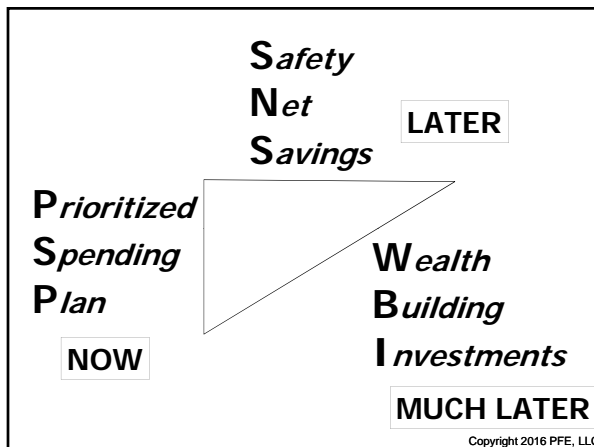
Life's Financial Stages

1. Wealth **Accumulation**
 2. Wealth **Distribution**
- Retirement
INCOME Planning

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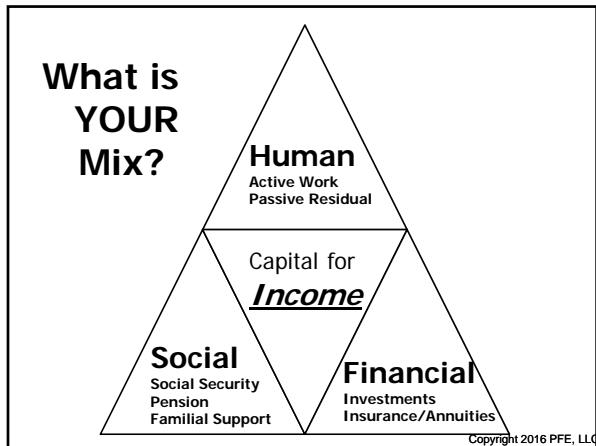


Prioritized Spending Plan

The Co\$t of YOUR Lifestyle

1. Essential, Basic "Floor" Expenses
Cover with Guaranteed Income
2. YOUR Discretionary Expenses

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**Retirement Income Planning
Which School is for You?**

- **Safety First**
 - Assets Matched to Goals based on Risk Level
 - Current Mkt Conditions over Historical Avgs
 - Hedging and Insurance (Annuities) used
 - Possibility of Under Spending
- **Probability Based**
 - Total Return on Financial Assets
 - Safe Withdrawal Rates for Asset Control
 - Possibility of Over Spending

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Paycheck Building Blocks

Work – Full or Part Time Active or Passive	Reverse Mortgage Home Equity Line or Loan Rental Income
Portfolio of Stocks Dividend Income and Appreciation	Structured Financial Products Managed Payout Funds
Bond Ladders ETFs and/or Mutual Funds	Corporate Pensions Social Security
Alternative investments Private Lending Loans	Insurance Health Insurance Long Term Care Insurance Life Insurance
Single Premium Immediate Annuities (SPIA) Fixed or Inflation Adjusted	Family Risk Sharing Support from Family
Immediate Variable Annuities Variable Annuities with Guaranteed Living Benefit Riders	
Deferred Income Annuities Equity Indexed Annuities Qualified Longevity Annuity Contracts	

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Reliability of Income

Guaranteed Income Streams

- Pensions
- Social Security
- Annuities

Basic Living Expenses

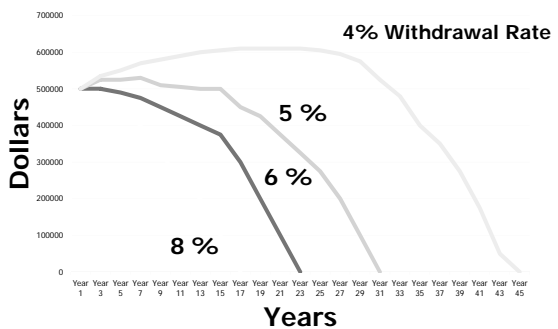
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Annuities

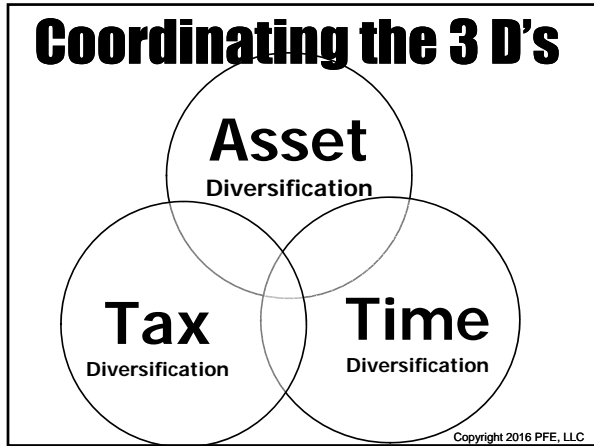
- DIY Personal Pension Plan
- Guaranteed Income
 - Immediate Fixed or Deferred to Age 80 for Longevity Insurance
 - Payout Choices
- Insurance Co. Stability Key

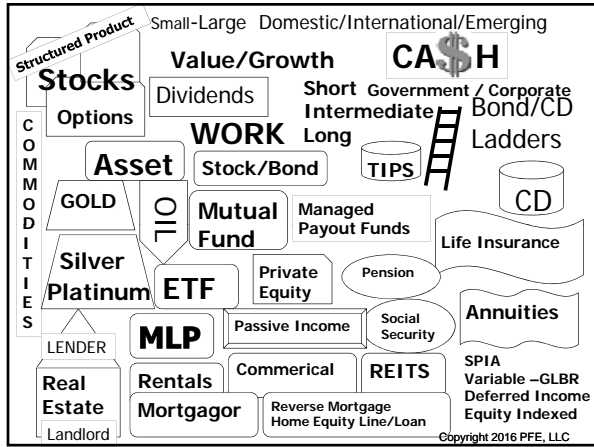
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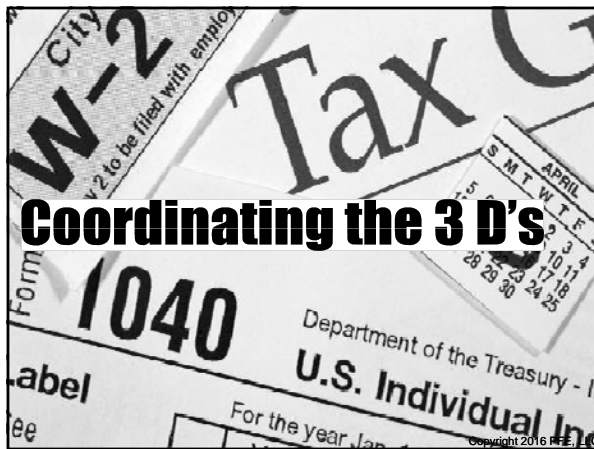
Watch YOUR Withdrawal Rate



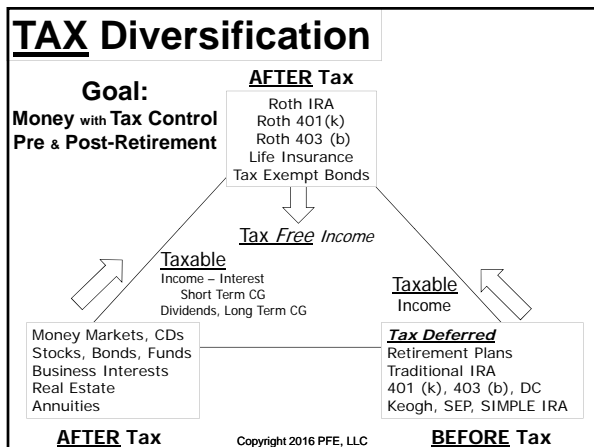
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Look at YOUR Big TAX Picture

- Evaluate Year to Year
- Mix Withdrawal Sources for Tax Efficiency
 - > "BURP" your tax brackets
- Analyze impact of:
 - Social Security Taxation
 - New High Earner's 3.8% Medicare Tax
 - New Medicare Part B Premiums

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\$trategic Wealth Idea...
ANNUAL INCREMENTAL PROCESS
Tax Deferred ⇨ Tax FREE
CONVERSION
Pay Tax NOW not **LATER**

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Convert or Not to Convert?
Decision Factors

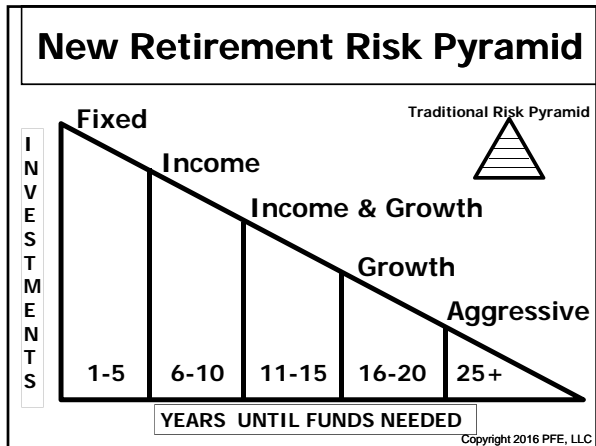
- None IRA Money Available to Pay Taxes
- Expect Retirement Tax Bracket to be Same or **Higher**
- You do not plan to withdraw funds for "X" Years
- Evaluate Effect on Current Year Taxes
- Recharacterization Possible

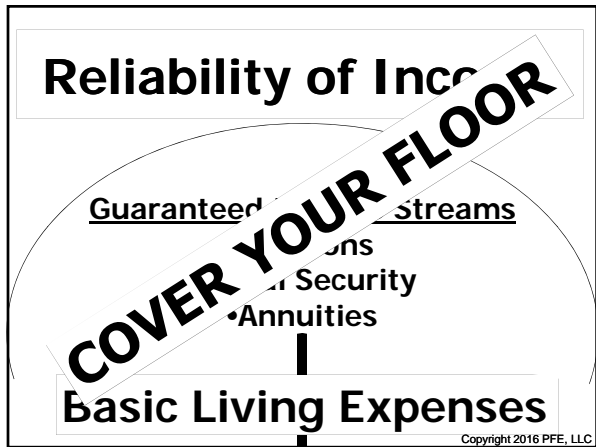
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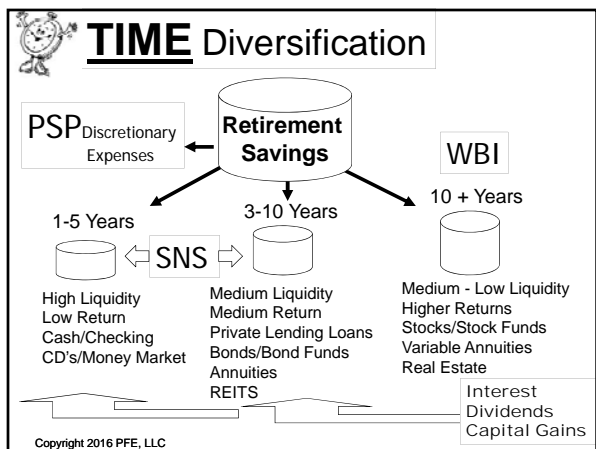


Coordinating the 3 D's

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Financial *LIFE* Planning

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Self Defining Retirement



Summary

- Determine Your Foundation Values
- Design YOUR Life Plan
- Where are YOU Now?
- Select Strategies & Tactical Approaches
 - Cover YOUR Floor Expenses with Guaranteed Income
 - Cover YOUR Risks
 - Use Long Term Investment Strategies to increase returns for Inflation Protection
- Eye on New Tax laws
 - Minimize taxes -watch for tax traps

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“The person who does things
makes many mistakes.
But he never makes the
biggest mistake of all:
doing nothing.

Ben Franklin
“Life is what happens when
you are making other plans.”

John Lennon

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KNOWLEDGE

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for Education Updates

HOWEVER

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“I wasn't paying attention. Could
you please repeat your speech?”

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Thank You

For Attending

The Next Stage:
*Planning NOW for the
Retirement that YOU Want*

Pat Funk 503.440.1106
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Mike Long, JD/MSW

Mike is a graduate of Hastings College of Law, San Francisco, California (JD 1983) and Portland State University (MSW 1991). He was in the private practice of law in Portland between 1985 and 1990. He worked in alcohol and drug residential treatment from 1990 to 1991 and as a therapist and crisis counselor from 1991 to 1993 before joining the Oregon Attorney Assistance Program staff in 1994, and he is a Certified Employee Assistance Professional (CEAP). As an attorney counselor for the OAAP, Mike counsels and assists lawyers with a broad spectrum of challenges and concerns. Since 2001, he has been responsible for developing the retirement planning assistance and programming offered by the OAAP. Mike is a coauthor of *Lawyers at Midlife: Laying the Groundwork for the Road Ahead* (Decision Books, 2008).

Navigating Late-Career and Retirement Transitions

Mike Long, Attorney Counselor
Oregon Attorney Assistance Program

Increased Longevity

- ▶ In 1900, the average life expectancy at birth for a newborn baby was roughly 47 years.
- ▶ Presently, it is 74 for men and 81 for women.

Longevity

- Males – age 65
 - 50% chance of living to 85;
 - 25% chance of living to 92;
- Females – age 65
 - 50% chance of living to 88
 - 25% chance of living to 94
- Couples – age 65
 - 50% chance of one living to 92
 - 25% chance of one living to 97

How long will you live?

- ▶ **Healthspan Calculator:** Estimate your life expectancy and obtain specific lifestyle suggestions:
- ▶ www.agingresearch.org/calculator/quiz.cfm

Extended high functioning

- ▶ Not only are we living longer, we are maintaining a higher level of physical health and mental functioning as we age.
- ▶ We are experiencing physiological old age later in life.

Retirement

- ▶ In 1900, Americans lived 1.2 years in retirement;
- ▶ In 1997, they averaged 17 years in retirement;
- ▶ With life expectancies increasing, more people will live 20 years in retirement.

How are you picturing your retirement?

- ▶ The Retirement Doc's Survey (*Retire Right*, Fraunfelder & Gilbaugh)
- ▶ The 2006 OAAP Lawyer Retirement Survey

The Four Phases of Retirement (Fraunfelder & Gilbaugh)

- 1) Planning for retirement
- 2) Shifting into semiretirement
- 3) High-functioning full retirement
- 4) Restricted full retirement

Lawyer Retirement Survey

11% of the lawyers surveyed do not plan to ever retire. They plan to continue to practice full-time or part-time until they die or are no longer capable of practicing.

Lawyer Retirement Survey

- 18% of lawyers surveyed plan to retire completely and no longer work for pay by age 65
- almost 60% plan to do so by age 70
- about 40% plan to continue to practice law or work after age 70

Lawyer Retirement Survey

- Hopes and dreams
- Concerns

Hopes and dreams

71 % of lawyers envision retirement as a time to begin a new chapter in life

Hopes and dreams

- Increased control over schedule
- More travel
- More time for family
- A slower pace
- Time for community service volunteering, recreation and new educational opportunities
- More time for exercise and fitness

Financial concerns

- Projecting long-term financial needs
- Health insurance, Medicare and long-term care insurance
- Knowing how to invest for / in retirement
- Living without a paycheck / monthly draw
- Social Security

Personal concerns

- Loss of professional camaraderie / affiliations
- Loss of intellectual stimulation
- Loss of professional identity
- Loss of opportunities to use professional skills

Personal concerns

- Loss of social interactions / social isolation
- Loss of daily structure, how to spend time
- Maintaining health and independence

Transitioning from the practice of law

How are you imagining that you will transition from the practice of law?

Deciding to retire

How do lawyers, particularly lawyers in private practice, decide **when** to retire?

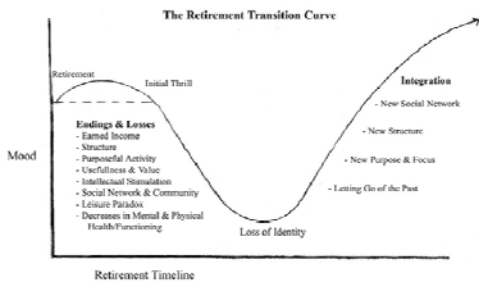
Deciding to retire

How do you imagine you will feel when you decide to retire or close your practice?

Anticipating transition

Anticipatory Anxiety

Retirement Transition Curve



Endings & losses

Earned income

Endings & losses

Loss of daily structure

Endings & losses

Intellectual stimulation

Endings & losses

What will you be retiring to that will provide you with a sense of purpose?

Investing in purposeful and meaningful activities

Are you investing in activities / organizations outside your practice that add meaning / purpose?

Endings & losses

The leisure paradox

Endings & losses

Usefulness & value

Endings & losses

Social network & community

Maintaining a social network

A University of Michigan study of 100 recent retirees reported that the most powerful predictor of life satisfaction after retirement was the size of a person's social network.

Endings & losses

Loss of identity

Know thyself

“The more aware you are of the many different parts of yourself, the better prepared you’ll be to handle the stresses and strains that come with life’s transitions.”

Life Changes, Spencer & Adams

Relationships in retirement

De novo review of life decisions

Relationships in retirement

Coupled expectations

Relationships in retirement

The first two years

Self care

What is your most valuable asset as a lawyer?

Self care

- Exercise
- Life-long learning

Resilience in retirement

What helps you bounce back from disappointments, set-backs and losses?

High resilience to stress combines:

- *Optimism* (positive individual perspective)
- *Self-efficacy*-utilizing resources to manage effectively
- *Strong social connectedness* (the ability/capacity to recruit and utilize social support)
- *Effective problem-solving skills* (the ability to both see the big picture and break a situation down into smaller manageable parts)
- Although some judges and lawyers are by nature or experience more resilient than others, *resilience is a learned trait.*

**8 Traits of successful retirees
(Fraunfelder & Gilbaugh)**

- ▶ An ability to plan ahead;
- ▶ A positive / optimistic attitude;
- ▶ The ability to accept change;
- ▶ A wide, varied support network;

**8 Traits of successful retirees
(Fraunfelder & Gilbaugh)**

- ▶ A sense of purpose;
- ▶ A healthy lifestyle;
- ▶ Enjoyable leisure activities;
- ▶ A belief in something greater than oneself.

Prescription for a Successful Retirement

Two doctors from Oregon, Frederick Fraunfelder, M.D. and James Gilbaugh, M.D., surveyed more than 1,500 of their retired patients (*The Retirement Doc's Quiz*) to identify why some retirees respond so well to the challenges of retirement while others seem to fall apart. Their research found that the most satisfied and successful retirees (the top 20 percent of the retirees surveyed) share eight key traits. They identify and discuss these success traits in their book, *Retire Right*.

The happiest retirees shared all eight of the following traits:

- an ability to plan ahead;
- a positive / optimistic attitude;
- the ability to accept change and to adapt;
- a wide and varied support network;
- a sense of purpose;
- a healthy lifestyle;
- enjoyable leisure activities; and,
- a belief / expression of spirituality (something greater than oneself).

The doctors break retirement into four phases:

- 1. Planning for Retirement** (average age 58): You're fully employed but starting to plan for a life after work. By the time you reach your mid- to late 50s, you should be actively planning for both the financial and non-financial aspects of life after your income-earning years. Highly successful retirees ranked planning as far and away the most important trait for achieving a positive retirement. The difference between moderately successful and highly successful retirees was the amount of time and energy highly successful respondents devoted to non-fiscal planning.
- 2. Shifting Into Semiretirement** (Average age 67): You're employed part-time. This phase may last a decade or longer for those who both enjoy and remain passionate about their work. Survey respondents with high incomes and /or high levels of education spent more time in semiretirement than in phases three and four.
- 3. Full Retirement** (Average age 72): You're free to choose your activities with no health or financial restrictions. During this phase you may begin to feel some health issues related to aging, and /or, you may have new care giving responsibilities for a spouse or aged parent.
- 4. Restricted Full Retirement** (Average age 78): In this last phase of retirement, you experience significantly more limitations due to health, age and finances. According to the authors, the good news is that our society is fluid enough to offer answers for the changing lives and needs of older adults. So, the important question is: "Do we have the flexibility and adaptability to avail ourselves of society's resources?"

Other observations and facts the authors offer:

- 70 percent of Baby Boomers say that their best years are yet to come.
- Once you meet a certain threshold of financial security, your happiness in retirement is not determined by how much money you have to spend, but by how fulfilling you find post-retirement work, relationships, well-being and hobbies.
- After age 60, it is your lifestyle, not your genetics, that determines your longevity. The most central tenet of a successful retirement is a passionate commitment to staying healthy and active.
- Individuals with planned exercise programs have up to 70 percent fewer physical disabilities in the last year of their lives than those who don't.
- How you manage assisting / caring for aging parents can be one of the most challenging parts of an otherwise successful retirement.
- The majority of unhappy survey respondents were people who had been forced into mandatory and involuntary retirement owing to health issues, job loss, or an assortment of personal issues.

Retire Right is a helpful resource both for those planning for retirement and those who have already begun that phase of life. It is a good, easy read and may bring some significant insight into your own future, and that of your mate.

*This article was written by John Clyde and OAAP Attorney Counselor Mike Long, co-authors with Pat Funk of **Lawyers at Midlife**.*

Planning to Live YOUR Best Life

What does living a *RICH LIFE* mean to
YOU?

Dictionary Definitions:

- Live
 - 1) To have life
 - 2) To really experience things
- Rich
 - 1 a) Having abundant possessions
 - b) Especially material wealth
 - 2) Having high value or quality
 - 3) Having a [meaning](#) or purpose

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Pat Funk 503-440-1106 LawyersatMidlife@bmi.net

Architecting MY Financial Life Plan

My Values:

**My Goals: What Lifestyle?
 When?
 Where?
 With Whom?**

My Objectives:

Leave an Estate

Estate Mindset

Die Broke

1 2 3 4 5 6 7 8 9 10

Risk Adverse

Risk Tolerance

Risk Taker

1 2 3 4 5 6 7 8 9 10

Low

Risk Capacity

High

1 2 3 4 5 6 7 8 9 10

Longevity – Life Expectancy

65 67 70 72 75 77 80 82 85 87 90 92 95 97 100 105 114

For Thought Purposes Only. Please Discuss with your Advisors.

Pat Funk 503.440.1106 LawyersAtMidlife@bmi.net

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Take Action NOW! _____

Your Name

March 4, 2016

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Commodities
Precious Metals
Private Equity

Aggressive

Speculative
Stocks/Bonds
Collectibles
Investment Partnerships

Blue Chip Real Growth
Stock Estate Funds
Variable Annuities

Strategies

Hard - Paper Assets
Long - Short
Active - Passive

Tactical Vehicles

Individual Assets,
ETF's, Mutual Funds
Options

Moderate

Preferred Convertible Bonds
Stock Bonds Private Money Loans
Balanced Mutual Fund

Conservative

Money US Gov't High Grade
Market Bonds Muni/Corporate
Fixed Annuities Bonds or Funds

Financial Foundation

GIC's/Stable Value Funds
Savings/ US Savings Bonds
Checking/ CD's US Gov't Bills

Auto Home/Renters Disability Life Liability
Health Insurance LTC

Safety

Net

Savings

LATER

Prioritized

Spending

Plan

NOW

Wealth

Building

Investments

MUCH LATER

Designing Your Monthly Paycheck

Monthly Prioritized Spending Target

Essential (Minimum) **Amount** \$ _____

Discretionary Amount \$ _____

Total \$ _____

Income Sources

Work \$ _____

Pension \$ _____

Social Security \$ _____

Annuities \$ _____

Bank Interest \$ _____

Bond Interest \$ _____

Dividends \$ _____

Rental Income \$ _____

Stock Option Income \$ _____

Asset Sales \$ _____

_____ \$ _____

_____ \$ _____

_____ \$ _____

_____ \$ _____

TOTAL \$ _____

1st Level Planning Checklist

- Have a realistic Personal Spending Plan- Get a handle on your expenses
 - Method 1 – Financial Forensics –
 - Pull from bank and credit card records – Cash???
 - Method 2 – Track your expenses for a year (a month tells a lot)
- What Lifestyle? Research Cost of “Wants”
travel, boat/rv, 2nd home, education, business start-up
- Evaluate Debt AND establish a home equity line so that you’ll have access to credit with possibly tax-deductible interest for emergencies
- Assess your savings, investments, and benefits
 - Allocation, Tax Status –Work, Insurance & Social Security Benefits
- Figure out how you will cover Health costs and Long Term Care
 - Expect medical expenses to effectively take the place of your mortgage
- Review insurance needs – Life, Disability, LTC, Home, Auto, Umbrella
- Evaluate Housing Options if you are open to them
- Revisit Investment Plan – Asset Allocation, Tax & Time Diversification
- Practice good financial investment basics
- Decide on Estate Plan – Leave an Estate or Die Broke
 - Wills, Trusts, Powers of Attorney, Health Care Directive
- Enlist Help – build relationships with an advisor team before you retire
- Continue YOUR Education
- Success comes from a few basic habits
 - 1) Live well within your means
 - 2) Plan & save for the future
 - 3) Make use of planning/investment tools available to you
 - 4) Be prepared to adjust your strategies to address changing conditions

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2016 Lawyers at Midlife Update

IRA Contribution Limits:

Age Under 50	\$5,500
50 & Over	6,500

Earnings limits for:

Roth IRAs = Joint	\$184,000- 194,000 MAGI
Single	\$117,000 -132,000 MAGI

Traditional IRAs deductibility=

Joint	\$98,000 -118,000 MAGI
Single	\$61,000 - 71,000 MAGI

EVERYONE

- 1) can CONTRIBUTE to a Non-deductible Traditional IRA
 - 2) can CONVERT from Traditional IRA to Roth IRA
- High Income Earners can maneuver into a Roth

Retirement Plan Limits:

Maximum Salary Used for Contributions \$265,000

Maximum Salary Deferral to:

401(k), 403(b), & 457 Plans	\$ 18,000
50 & Over Catch-Up	<u>6,000</u>
	\$ 24,000

SIMPLE IRA	\$ 12,500
50 & Over Catch-Up	<u>3,000</u>
	15,000

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Pat Funk 503.440.1106 LawyersAtMidlife@bmi.net

Defined Benefit Plan	\$210,000
Limit on additions to SEP	\$ 53,000
Self Employed 401(k) Plans	
Employee (You)	\$ 18,000
Employer (You)	35,000
50 & Over Catch-Up	<u>6,000</u>
	\$ 59,000

Long Term Capital Gains & Dividends:

25% or Higher Income Brackets	15%
10% and 15% Brackets	0%
AMOUNT OVER Single Income \$415,050 or Married filing jointly \$466,950	20%

Medicare Payroll Tax

Max Compensation Subject to Medicare: ALL
Employer 1.45% Employee 1.45% Self Employed 2.9%

NEW since 2013

Higher Tax above MAGI Income Thresholds

\$200,000 Single and \$250,000 Joint

- 1) Additional .9% tax for 3.8% total for wages above thresholds
- 2) 3.8% Medicare tax on LESSER of Net Investment Income (Capital Gains, Dividends and Taxable Interest, Passive Businesses) or Excess of MAGI above threshold

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Pat Funk 503.440.1106 LawyersAtMidlife@bmi.net

Social Security:

Cost of Living:	None
Average Benefit:	\$ 1,341
Max Benefit:	2,639

Benefit Reductions:

Before Full Retirement Age: earnings over	\$ 15,720
Lose \$1 benefit for every \$2	
Year of Retirement: earnings over	\$ 41,880
Lose \$1 benefit for every \$3	

Max Compensation Subject to FICA Deduction \$118,500
Employer 7.65 % Employee 7.65 %
Self Employed 15.3%

Eligible Long Term Care Premium Deductions:

Age 40 or less	\$ 390
Age 41-50	730
Age 51-60	1,460
Age 61-70	3,900
Over 70	4,870

Estate Tax:

Lifetime Exclusion: \$5.25 million
Maximum Tax Rate for Amounts over : 40%

Annual Gift Exclusion Per Person \$ 14,000

Section 179 1st Year Expense: \$500,000

For Information Purposes Only. Please Verify with your Advisors.

Pat Funk 503.440.1106 LawyersAtMidlife@bmi.net