

# THE SEARCH FOR BETTER RETIREMENT INCOME IDEAS

## **A Q&A with Michael Finke**

*Based on an Interview with Bill Sharpe*

Hosted by Tom Dickson, Founder, Financial Experts Network

# UPCOMING WEBINARS

[FINANCIALEXPERTSNETWORK.COM](http://FINANCIALEXPERTSNETWORK.COM)

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**The Impact of SAT and ACT Scores on College Financial Aid**

Presented by Hoon Kim, M. Ed.

Thursday, June 6, 2019 at 4:00 PM ET

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**What the Life-Cycle Hypothesis means to Financial Planning**

Presented by Larry Kotlikoff, Economist and Rick Miller, Financial Planner

Thursday, June 13, 2019 at 4:00 PM ET

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**Housing Choices for Boomers**

Presented by Tom Dickson

Thursday, June 27, 2019 at 12:00 PM ET

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**Financial Planner's Ethical Dominance: 2 CE Ethics Credits**

Presented by Jeff Rattiner, CFP

Tuesday, August 13, 2019 at 3:00 PM ET

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**Get Expert Advice on Medicare Enrollment Options**

Presented by Aaron Zolbrod

Thursday, September 26, 2019 at 4:00 PM ET

# PLEASE COMPLETE THE SURVEY

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Which topics are of interest for future webinars?

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How would you rate today's session?

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Would you be willing to meet with a Financial Experts sponsor to learn more about today's mortgage products?

# AGENDA

- Questions related to Bill Sharpe Interview
- Questions for Michael on ANY Topic



# POLLING

Which best describes you?

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- Commission-only financial advisor
- Dually-registered financial advisor
- Fee-only financial planner

Which approach do you use to build income streams for clients?

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- Investments only
- Combination of investments and annuities
- Annuities only

# RETIREMENT INCOME AND SQUIGGLY LINES

- We can either have an income that's low and stable, or an income that's risky, unstable and possibly higher.
- Sharpe wants us to understand how to choose the right income path, and which mix of investments and products provides the most optimal results for the amount of risk taken.
- All of us want high and stable income but...

Source: Investment Advisor March 2019

# HOW EFFICIENT IS THE 4% RULE

Sharpe's critique of the 4% rule is that the methodology is supposed to safely provide a straight line of after-inflation income using a portfolio of random returns over an unknown lifetime. But when you don't know what asset returns will look like and how long you'll live, a retiree has two lifestyle choices: (1) live well and risk running out of money, or (2) be conservative and risk giving too much to your heirs.

Source: Investment Advisor March 2019



# INCOME ANNUITIES

If you want to minimize the “waste” of unspent retirement funds while protecting against the risk of running out of income, annuities are the best option.

It’s a lot cheaper to fund the same income by pooling savings with other retirees and doling it out to whoever is still around in old age.

**Source:** Investment Advisor March 2019

# VARIABLE ANNUITIES WITH GLWB RIDERS

Sharpe's conclusion is that the peculiar income ratcheting characteristic of GLWBs means that they are not any more efficient than the fixed withdrawal strategy. Many simulations result in low incomes that decline in purchasing power. But this isn't because of greedy insurance companies.

**Source:** Investment Advisor March 2019

# COMMUNICATING TRADE-OFFS

The tradeoff that an advisor needs to help a client understand when deciding on a fixed withdrawal strategy is between running out of money too early and leaving too much on that table. The sudden loss of lifestyle if markets don't cooperate will lead many to choose a lower withdrawal rate, but the consequence is a loss of efficiency.

**Source:** Investment Advisor March 2019



ADVANCE QUESTIONS  
FOR MICHAEL



# FROM CARL:

The client has saved up to \$2,000,000 in tax deferred retirement accounts and is approaching age 70

Would it be good advice to have the client covert the IRA's to Roth's prior to reaching age 70? when RMD's kick in that would require nearly \$100,000 of RMD's.

**Note:** This is assuming that the client is married and only convert enough to stay out of the 32% tax bracket which starts at \$315,000 taxable income.

# FROM JOHN:

What is a good strategy to minimize the “**sequence of returns risk**” in retirement?

# FROM DAVID:

I currently use a time-segmented “bucket” approach. I’d like to hear Michael Finke’s thoughts on bucket strategies.

# FROM KEVIN:

Please comment on current state and recent developments in QLAC / DIA product market.



# POLLING

Are you interested in learning how to model annuity strategies in a financial planning program?

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Would you be interested in contributing your reviews to an analysis of financial planning programs?

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# IT'S MORE THAN MONEY

- Can you explain the 3 pillars? And their importance.
- Can you explain Social Spending? and its relevance to happiness.
- Should advisors introduce these concepts to clients? Should they modify their planning approach?

# CONTACT INFORMATION

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