

LIFE-CYCLE FINANCIAL PLANNING & INVESTING

Larry Kotlikoff with Rick Miller

Hosted by **Tom Dickson**, Founder, Financial Experts Network

FINANCIAL EXPERTS
NETWORK

UPCOMING WEBINARS

FINANCIALEXPERTSNETWORK.COM

The Financial Impact of Boomer Housing Decisions

Presented by Tom Dickson

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

[Click here to register](#)

Best Practices for Retirement Income Planning to Manage Retirement Risks

Presented by Wade Pfau, PhD, CFA

Tuesday, July 23, 2019 at 12:00 PM ET

[Click here to register](#)

Financial Planner's Ethical Dominance: 2 CE Ethics Credits

Presented by Jeff Rattiner, CFP

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

[Click here to register](#)

Get Expert Advice on Medicare Enrollment Options

Presented by Aaron Zolbrod

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

[Click here to register](#)

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LOGISTICS

Copy of Materials

1. Sent to email you used to register
2. See handouts section of GTW panel

Questions: You can post any time. Will address at end

Landline, not computer audio

REQUIREMENTS TO OBTAIN CE

CFPs

1. Must attend entire session
2. Must use unique URL to login

NO Phone Calls

3. Must provide CFP ID # in survey

RICPs, CLUs and ChFCs

1. Must attend entire session
2. Must use unique URL to login

NO Phone Calls

3. Must note self-report in survey

POLLING

How do you model a client's spending across good times and bad?

How would you rate your satisfaction with your current financial planning program?

Which you like to see more of Maxifi on a June 18 or 26 webinar?

Which best describes your interest in Maxifi?



PLEASE COMPLETE THE SURVEY

How would you rate the webinar?

If you are a CFP, please provide your CFP ID #.

Do you need a CE certificate for one of the American College designations?

Would you like a Maxifi rep contact you?



AGENDA

- Life-Cycle/Economics-Based Financial Planning
- Economics' Financial Planning Commandments
- Keeping the Commandments -- Case Studies
- Economics-Based Financial Planning In Practice

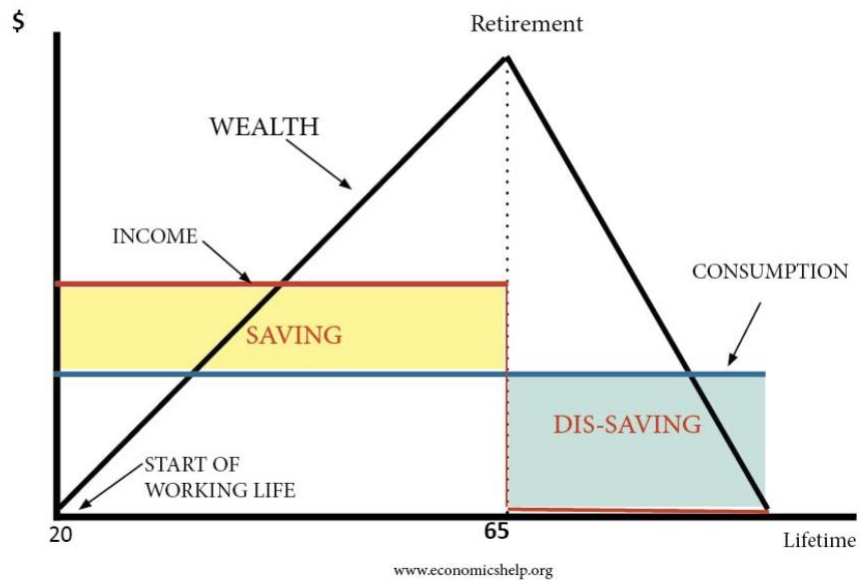
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CONSUMPTION SMOOTHING

ECONOMICS PRESCRIPTION FOR FINANCIAL HEALTH

- Developed in the 1920's by Yale's Irving Fisher
- Consumption Smoothing - stabilize living standard over time and times, good and bad
- Consumption smoothing reflects human physiology
- No one wants to starve today to splurge tomorrow, nor do the opposition
- No one wants to starve when times are bad and splurge when times are good
- Saving, spending, insuring, and diversifying smooth consumption over time and times

Wealth in the Life-Cycle Hypothesis



ECONOMICS' FINANCIAL PLANNING COMMANDMENTS

- I. Smooth your living standard
- II. Maximize your living standard
- III. Price your life-style decisions
- IV. Protect your living standard

ILLUSTRATING ECONOMICS' COMMANDMENTS WITH MAXIFI.COM

Case 1: Middle Age Tom and Barbara - 55-year-old PA couple

Tom: \$180,000 in earnings till 62, \$1million \$401(k), \$6K annual matched contribution

Barbara: \$75,000 in earnings till 62, \$500K \$401(k), \$4K annual matched contribution

Household: \$100,000 in regular assets, 1 percent real interest rate

\$750K house, \$300K mortgage, \$2K monthly payment

\$9K property taxes, \$3K homeowners insurance, 3K maintenance

ILLUSTRATING ECONOMICS' COMMANDMENTS WITH MAXIFI.COM

Case 2: Young John and Jane - 30 Year Olds with 2 Children

John: Earns \$150,000 till 62, \$125K 401(k), Matched \$5K 401(K) Contribution

Jane: Earns \$100,000 till 62, \$50K in 401(k), Matched \$2.5K 401(K) Contribution

Household: \$100K in regular assets, 1 percent real interest rate

\$500K value of owned home \$400K mortgage

\$5K property taxes, \$2.5K homeowners ins, 2.5K maintenance

ECONOMICS' FINANCIAL PLANNING COMMANDMENTS

I. Smooth your living standard

- Tom and Barbara
- John and Jane

II. Maximize your living standard

III. Price your life-style decisions

IV. Protect your living standard

ECONOMICS' FINANCIAL PLANNING COMMANDMENTS

I. Smooth your living standard

II. Maximize your living standard

- Tom and Barbara Robo Optimize
- John and Jane Robo Optimize
- John and Jane Double 401(k) Contributions
- John and Jane Compare Roth vs Non-Roth Contributions

III. Price your life-style decisions

IV. Protect your living standard

ECONOMICS' FINANCIAL PLANNING COMMANDMENTS

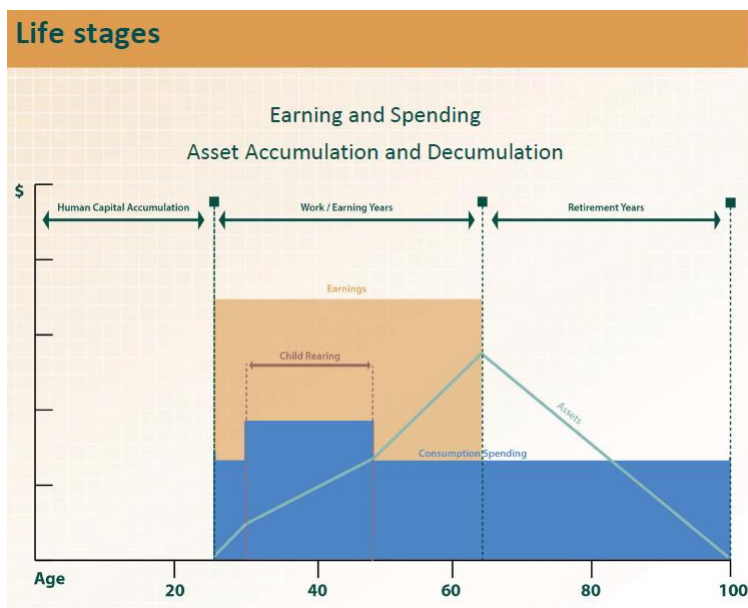
- I. Smooth your living standard
- II. Maximize your living standard
- III. Price your life-style decisions
 - I. Tom & Barbara Consider Downsizing
 - II. John and Jane Consider Working Longer
- IV. Protect your living standard

ECONOMICS' FINANCIAL PLANNING COMMANDMENTS

- I. Smooth your living standard
- II. Maximize your living standard
- III. Price your life-style decisions
- IV. Protect your living standard
 - I. Tom and Barbara Evaluate their Portfolio
 - II. John and Jane Examine their Life Insurance

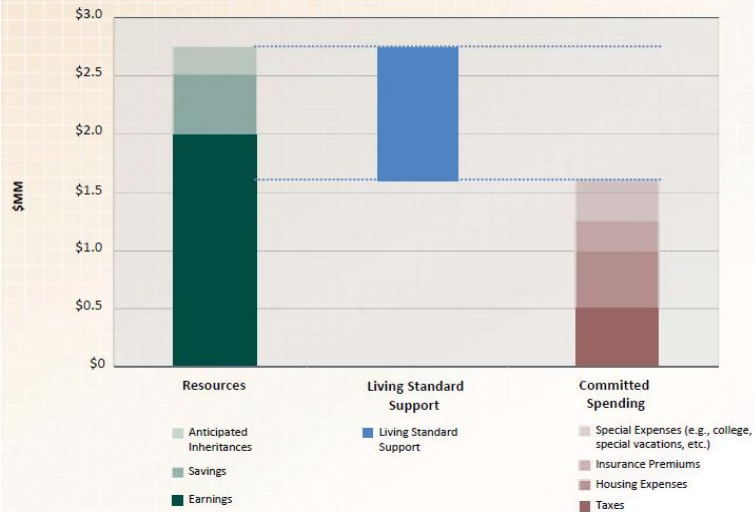
Life-Cycle Financial Planning & Investing

Rick Miller, PhD., CFP
CEO of Sensible Financial



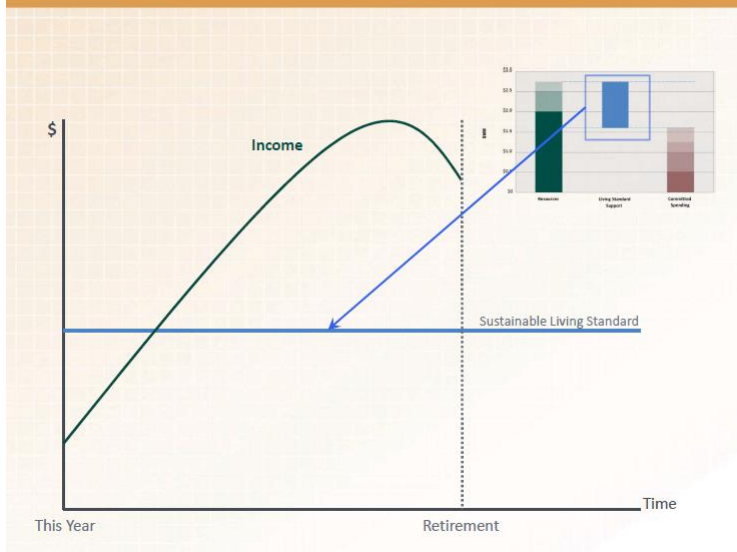
Our Lifetime approach focuses on your key life stages. Earnings from your working years must fund spending throughout your life. You save and accumulate assets during your working years and spend them in retirement.

Balancing goals and resources



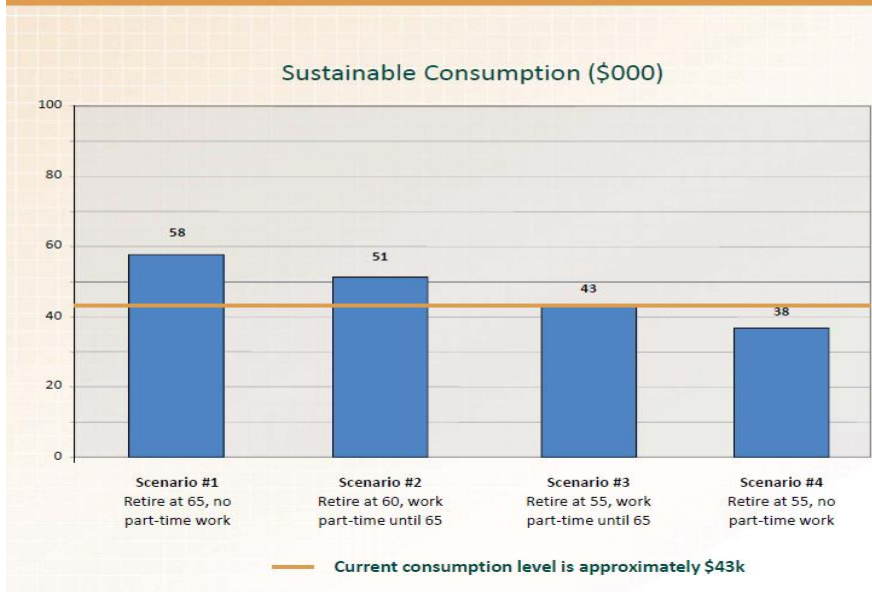
Our lifetime planning approach balances what you want to do with what you can afford.

Sustainable living standard



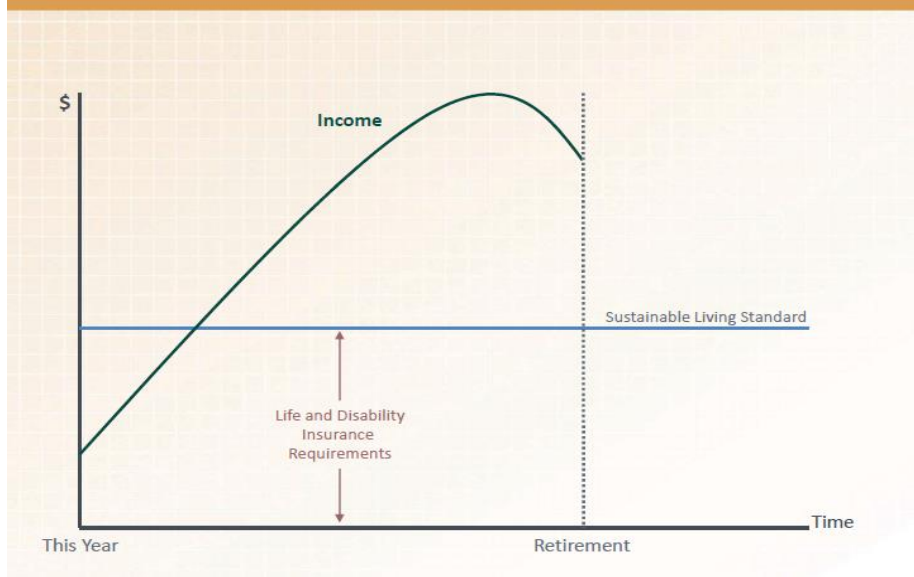
Your sustainable living standard: the difference between your resources and your committed spending, spread evenly over your lifetime.

Scenario analysis



Scenario analysis helps visualize different life paths and how they affect your sustainable consumption level.

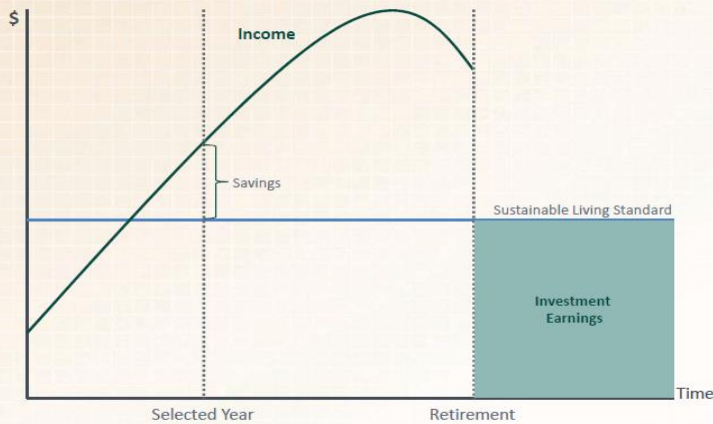
Life and disability insurance



Life insurance can ensure that surviving family members are able to maintain their sustainable living standard.

Disability insurance protects against income loss if you are unable to work.

Investments support living standard after retirement



Saving discipline is essential to, and account types and asset allocation influence, post-retirement investment earnings

Investing transforms your pre-retirement savings into postretirement income.

SENSIBLE FINANCIAL'S INVESTMENT APPROACH

1. Risk Capacity and Risk Tolerance

- Your **minimum acceptable living standard** determines how much investment risk you can afford to take.
- You choose a target risk level within your **risk capacity** that you are comfortable with.

2. Asset Allocation

- We develop an asset allocation strategy, supported by academic research, consistent with your target risk level.

3. Index Funds

- We select index funds to deliver your targeted return at lowest risk.
- Funds with lower investment costs have higher net returns on average.
- Index funds have lower costs and less risk than managed funds.

4. Monitoring and Management

- We track and manage your portfolio to maintain your expected return/risk combination.

ACCEPTING STOCK EXPOSURE OFFERS POTENTIAL FOR INCREASING LIVING STANDARD, BUT RISKS LIVING STANDARD REDUCTION

Sustainable Consumption (\$000)

\$(000) Portfolio	Poor Markets 95%	Average Markets 50%	Good Markets 25%
All TIPS	58	58	58
25% Equity	52	56	62
40% Equity	51	66	72
50% Equity	49	70	80
60% Equity	46	77	89
75% Equity	40	83	97

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SEQUELS

4:00 Eastern on June 18

4:00 Eastern on June 26

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Valid from June 13 through July 13



QUESTIONS FOR LARRY AND RICK



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