



Can I Retire  
During a  
Recession?

# LIFETIME INCOME CASE STUDY

*Presented by Ptoplava Financial Services, Inc.*

Registered Investment Advisor

Carlos & Laura Martinez

# Important Notice:

*This is a hypothetical illustration based on real life examples. Names and circumstances have been changed. The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investments or strategies may be appropriate for you, consult with a financial advisor prior to investing.*



# ESSENTIAL INFORMATION

<b>Client:</b>	Carlos & Laura Martinez.
<b>Ages:</b>	Carlos is age 63 and Laura is age 64.
<b>Retirement:</b>	Both would like to retire now.
<b>Life expectancy:</b>	Carlos age 86. Laura age 88.
<b>Risk tolerance:</b>	Moderately Conservative.
<b>Investment objective:</b>	Income with Capital Preservation.

# WHO ARE CARLOS & LAURA?



**Name: Carlos**

**Age: 63**

**Job: Engineer**

Carlos worked as an engineer but was recently laid off and given a severance package. At this point, he would prefer not having to find a new full time job. Carlos would like to either retire or take on a less stressful job that may not pay as much. He is concerned about the timing of retirement and the current shape of the economy, especially since his recent layoff.

**Name: Laura**

**Age: 64**

**Job: Paralegal**

Laura worked at the same firm for over 20 years. She is really concerned about their ability to retire and covering the rising costs of retirement. She would like to maintain the same standard of living if possible but likes the idea of moving to Portland to be closer to the grandkids.



# WHAT IS IMPORTANT TO CARLOS & LAURA?



**Being able to retire**



**Protecting the nest egg**

**Maintaining the same standard of living**

**Spending time with grandkids**





# CARLOS & LAURA'S CURRENT BUDGET

✓ Essentials:	\$70,100
✓ Discretionary:	\$25,900

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TOTAL: \$96,000

Laura's Salary:	\$48,000
Shortfall:	-\$48,000



# CARLOS & LAURA'S RETIREMENT BUDGET

✓ Essentials:	\$62,100
✓ Discretionary:	\$21,900

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TOTAL: \$84,000

Social Security: \$46,000

Shortfall: -\$38,000





# CARLOS & LAURA'S ASSETS

## Non-Investment Assets

✓ Primary Residence:	\$850,000
✓ Real Estate:	\$30,000

## Investment Assets

✓ Carlos's Retirement:	\$941,000
✓ Joint/ROS accounts:	\$28,000
✓ Cash & Precious Metals:	\$65,000

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**Total Investment Assets** \$1,034,000

Total Assets: \$1,914,000

Liabilities: -\$520,000

Net Worth: \$1,394,000



# CARLOS & LAURA'S FINANCIAL PLAN CHALLENGES

1. Sequence risk of returns.
2. Maximizing retirement income.
3. Choosing the right time to retire given where we are in the current business cycle.
4. Maintaining the same standard of living.



# Sequence of Returns Risk:

*Also known as sequence risk, is the risk of having low or negative returns at the beginning of retirement. Poor returns at the beginning of retirement are one of the biggest risks a person faces, especially due to compounding effects and the difficulty of recouping losses under a limited time horizon.*



# CARLOS & LAURA'S RETIREMENT INCOME STRATEGY

Carlos & Laura's Social Security \$46,000

## Investment Income

Carlos's Retire \$941K	Fixed Income & Dividend Payers @ 3.1% <sup>1</sup>	\$29,171
Joint/ROS Acct \$28K	Fixed Income & Dividend Payers @ 3.1% <sup>2</sup>	\$868
Home Proceeds \$330K	Fixed Income & Dividend Payers @ 3.1% <sup>3</sup>	\$10,230
	<b>Total Investment Income</b>	<b>\$40,269</b>
	<b>Grand total income</b>	<b>\$86,269</b>
	Less Budget	\$84,000
	<b>Surplus</b>	<b>\$2,597</b>

1, 2, & 3: Yields are for current portfolio yields as of 10/25/16. Please see disclosures at the end of this presentation for security risks.

# GOAL BASED RECOMMENDATIONS FOR CARLOS & LAURA

## What are our goals?

- ▶ Being able to retire.
- ▶ Reducing expenses.
- ▶ Protecting the nest egg.
- ▶ Maintain same standard of living.

## Strategy

- ▶ Since they do not have any pensions, both will continue to work part time until reaching their Full Retirement Age for social security.
- ▶ Relocate to Portland from CA and sell current home while buying a smaller home up there. This substantially reduces expenses and provides additional assets that can be used to create income.
- ▶ Investing more conservatively and having them work a few more years will protect from sequence of returns risk.
- ▶ By relocating, Carlos and Laura can enjoy the same lifestyle at a more reasonable cost. Downsizing the home reduces expenses and also creates the ability to produce more income to enjoy other aspects of their life.



# Disclosures:

- 1. Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.*
- 2. The payment of dividend is not guaranteed. Companies may reduce or eliminate the payment of dividends at any given time.*
- 3. Fixed annuities are long-term investment vehicles for retirement purposes. Gains from tax-deferred investments are taxable as ordinary income upon withdrawal. Guarantees are based on the claims paying ability of the issuing company. Withdrawals made prior to age 59 1/2 are subject to a 10% IRS penalty tax and surrender charges may apply.*

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If you have any specific questions or comments, please give us a call at

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*We're happy to speak with you.*

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