



# Year-End Tax Planning

## LIFETIME INCOME CASE STUDY

*Presented by Puplava Financial Services, Inc.*  
Registered Investment Advisor

Nathan & Kathy Smith

# 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>	Nathan & Kathy Smith.
<b>Ages:</b>	Nathan is age 68 and Kathy is age 63.
<b>Retirement:</b>	Both are retired.
<b>Life expectancy:</b>	Nathan age 90. Kathy age 93.
<b>Risk tolerance:</b>	Moderately Conservative.
<b>Investment objective:</b>	Income with Capital Preservation.

# WHO ARE NATHAN & KATHY?



**Name: Nathan**

**Age: 68**

**Job: Retired Actuary**

Nathan worked for the same company his entire career but was recently given a forced retirement package. Based on his age he did not want to re-enter the workforce but, instead, wanted to retire. Nathan has been a diligent saver throughout his career. He is currently concerned about the impact of taxes in retirement since most of his 401k accounted for a large portion of his total net worth.

**Name: Kathy**

**Age: 63**

**Job: Retired Real Estate Agent**

Kathy is uncertain about her and her husband's ability to retire. They have rental property that can produce decent income but she is worried about taxes and having to use their own investments. Aside from her concerns, Kathy is excited at the prospect of having extra time to spend with her family and friends.

# WHAT IS IMPORTANT TO NATHAN & KATHY?

**Retiring now and not returning to work**



**Leaving a legacy for kids and grandkids**

**Producing enough income throughout retirement**



**Minimizing taxes**



# NATHAN & KATHY'S CURRENT BUDGET

✓ Essentials:	\$87,000
✓ Discretionary:	\$11,100
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TOTAL:	\$98,100
Rental:	\$14,000
Nathan's Salary:	\$85,000
Kathy's Salary:	\$55,000
Surplus:	\$55,900



# NATHAN & KATHY'S RETIREMENT BUDGET

✓ Essentials:	\$55,000
✓ Discretionary:	\$30,000

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TOTAL: \$85,000

Rental Income	\$14,000
Social Security:	\$47,000
Shortfall:	-\$24,000



# NATHAN & KATHY'S ASSETS

## Non-Investment Assets

✓ Primary Residence:	\$610,000
✓ Real Estate Property:	\$380,000

## Investment Assets

✓ Nathan's Retirement:	\$1,190,000
✓ Kathy's Retirement:	\$65,000
✓ Joint/ROS Accounts:	\$80,000

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**Total Investment Assets** \$1,335,000

Total Assets: \$2,325,000

Liabilities: -\$80,000

Net Worth: \$2,245,000



# NATHAN & KATHY'S FINANCIAL PLAN CHALLENGES

- 1.** Managing taxes since majority of investable assets are in tax deferred accounts.
- 2.** Reducing impact of RMD's that start after client turns 70 1/2.
- 3.** Developing a plan to leave a legacy for their kids.
- 4.** Concerned about longevity risk due to long life expectancies.



# NATHAN & KATHY'S RETIREMENT INCOME STRATEGY

Rental Property Income	\$14,000
Nathan & Kathy's Social Security	\$47,000

## Investment Income

Nathan's Retir. \$1.19M	Fixed Income & Dividend Payers @ 3.1% <sup>1</sup>	\$36,890
Kathy's Retire \$65K	Fixed Income & Dividend Payers @ 3.1% <sup>2</sup>	\$2,015
Joint/ROS Acct \$80K	Fixed Income & Dividend Payers @ 3.1% <sup>3</sup>	\$2,480
	<b>Total Investment Income</b>	<b>\$41,385</b>
	<b>Grand total income</b>	<b>\$102,385</b>
	Less Budget	\$85,000
	<b>Surplus</b>	<b>\$17,385</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 NATHAN & KATHY

## What are our goals?

- ▶ Minimizing the cost of future taxes.
- ▶ Reducing the impact of current taxes.
- ▶ Updating current asset allocation.
- ▶ Leaving a legacy.

## Strategy

- ▶ Take advantage of Roth conversions until Nathan and Kathy reach the age of 70 1/2. This will reduce taxes over time and create flexibility for future income sources. Transfer the assets with best growth potential into the Roth.
- ▶ Utilize tax-loss harvesting to reduce the impact of capital gains taxes each year and have Nathan liquidate his old employer's stock plan. In addition, Nathan has about \$15K in capital gains losses that can be used to offset income up to \$3,000/year over the next several years.
- ▶ Adjust current allocation from a growth strategy to one that produces income with the potential for modest growth.
- ▶ Update trust and use their home and multiple properties as primary assets to leave for their kids.

# 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.*

# Puplava Financial Services, Inc.

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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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