



## Utilizing Medicare While Still Employed

# LIFETIME INCOME CASE STUDY

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

Pete and Linda Ellis

# 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>	Pete and Linda Ellis.
<b>Age:</b>	Pete is 64 and Linda is 56.
<b>Retirement:</b>	Both would like to retire in 3-4 years.
<b>Life expectancy:</b>	Pete age 88. Linda age 90.
<b>Risk tolerance:</b>	Moderate.
<b>Investment objective:</b>	Income with Capital Preservation.





# WHO ARE PETE & LINDA?

**Name: Pete**

**Age: 64**

**Job: Software Engineer**

Pete has been with the same company for many years and has thoroughly enjoyed his line of work. Many of his close friends have recently retired which has made him consider the prospect of retiring soon. Pete likes the idea of working for at least a couple more years given that they're both healthy, happy and in a comfortable position at this time in their lives. Pete's primary concern is how to handle the costs of healthcare with him becoming eligible for Medicare in a couple months.

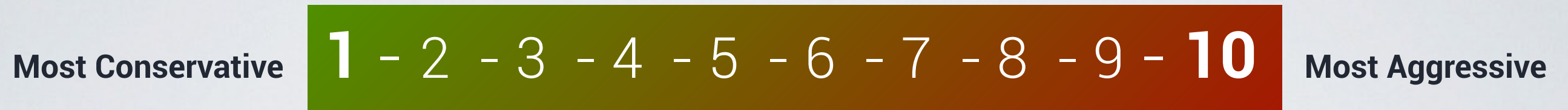
**Name: Linda**

**Age: 56**

**Job: Real Estate Agent**

Linda is much younger than her husband but is considering whether or not they should retire early in order to do the things they've wanted to do while still young. Linda is concerned about potentially high medical costs given that she is on her husband's medical plan and isn't sure what to do if he retires. Linda is also concerned about potentially running out of money given her longer life expectancy and the age gap between her and her husband. Linda is excited about retirement and wants to make sure that they are able to maintain the same lifestyle.

# PETE & LINDA'S CURRENT RISK STRATEGY



***Current Risk Score***



***Portfolio Risk Score***





# WHAT IS IMPORTANT TO PETE & LINDA?

**Not outliving assets**



**Making the best decision about medical insurance**

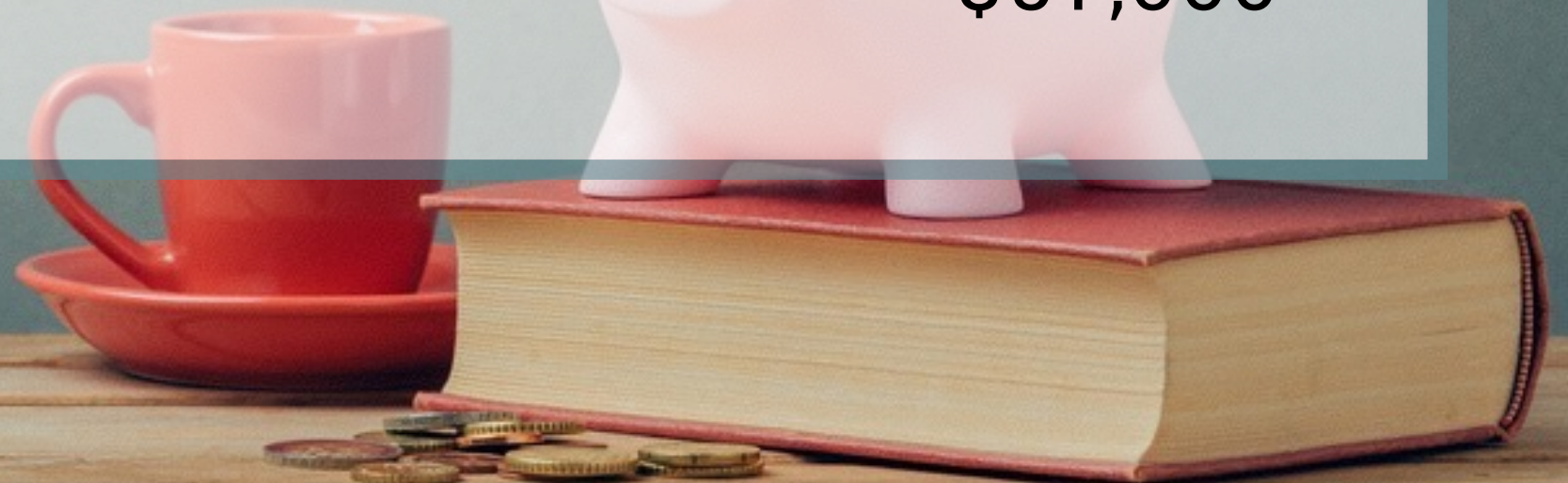
**Maintaining a similar lifestyle**





# PETE & LINDA'S CURRENT BUDGET

✓ Essentials:	\$92,000
✓ Discretionary:	\$38,000
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TOTAL:	\$130,000
 Pete's Salary:	 \$132,000
Linda's Salary:	\$55,000
Surplus:	\$57,000





# PETE & LINDA'S RETIREMENT BUDGET

✓ Essentials:	\$87,000
✓ Discretionary:	\$40,000
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	TOTAL: \$127,000
Combined Social Security:	\$36,000
Pete's Pension:	\$45,000
Rental Income:	\$25,000
Shortfall:	-\$24,000





# PETE & LINDA'S ASSETS

## Non-Investment Assets

✓	Primary Residence:	\$480,000
✓	Rental Properties (2):	\$330,000

## Investment Assets

✓	Pete's Retirement:	\$275,000
✓	Linda's Retirement:	\$361,000
✓	Joint/Taxable Accounts:	\$101,000
✓	Money Markets & Cash:	\$40,000

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<b>Total Investment Assets</b>	\$777,000
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Total Assets:	\$1,587,000
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Liabilities:	-\$142,000
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Net Worth:	\$1,445,000
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# PETE & LINDA'S FINANCIAL PLAN CHALLENGES

- 1.** Managing healthcare costs until they both qualify for Medicare.
- 2.** Creating enough income to maintain a similar lifestyle.
- 3.** Minimizing the risks of outliving their assets.





# PETE & LINDA'S RETIREMENT INCOME STRATEGY

Rental Income	\$25,000/Year
Pete's Pension	\$45,000/Year
Combined Social Security	\$36,000/Year

## Investment Income

Pete's Retire.	\$275K	Fixed Income & Dividend Payers @ 3.2% <sup>1</sup>	\$8,800
Linda's Retire.	\$361K	Fixed Income & Dividend Payers @ 3.2% <sup>2</sup>	\$11,552
Joint/ROS	\$101K	Fixed Income & Dividend Payers @ 3.2% <sup>3</sup>	\$3,232
Total Investment Income			\$23,584
<b>Grand Total Income</b>			<b>\$129,584</b>
Less Budget			\$127,000
<b>Surplus</b>			<b>\$2,584</b>

1, 2 & 3: Yields are for current portfolio yields as of 8/31/17. Please see disclosures at the end of this presentation for security risks.



# GOAL BASED RECOMMENDATIONS FOR PETE & LINDA

## Goal

## Strategy

### **Managing healthcare costs**

Given that Pete wanted to continue working for his company with a great employer plan that his wife was on, we recommended that he delay Medicare until retirement. This would keep their medical costs lower for a longer period of time. Upon retirement, Pete would then use Medicare and Linda would need to find an individual policy until she qualifies for Medicare.

### **Maintaining the same lifestyle**

We advised Pete and Linda to make any major purchases, like home remodels or expensive trips, while still working. This would enable them to pay for any of their major expenses using existing cash flow rather than touching principle from their retirement assets.

### **Minimizing longevity risk**

We suggested that Pete and Linda update their portfolio's asset allocation to reduce market risk. We also recommended that they focus on increasing cash flow from their rental properties. This meant making some changes and lowering the costs in order to increase their net rental income.



# 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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