Real Estate in 2018:
The Land of Opportunity?

LIFETIME INCOME CASE STUDY

Presented by ***Financial Sense Advisors, Inc.***
Registered Investment Advisor

Stan & Kate Barnett

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

Client:	Stan & Kate Barnett.
Age:	Stan is age 55. Kate is age 50.
Retirement:	They both hope to retire in 7-10 years.
Life expectancy:	Stan age 89. Kate age 91.
Risk tolerance:	Moderate.
Investment objective:	Growth & Preservation of Capital.

WHO ARE STAN & KATE?

Name: Stan

Age: 55

Job: Senior Manager

Stan has enjoyed a successful career working as a software engineer and senior manager for a large telecom company in Southern California. He has enjoyed the company's innovative environment and generous benefits and is looking forward to working another 7-10 years. Stan manages the family's finances and makes most of the investment decisions. Stan's main concern is how much they pay in taxes each year given his high income and high cost of living in a state like California.

Name: Kate

Age: 50

Job: Business Admin.

Kate has enjoyed playing a large part in raising their three children while in their younger years but is now ready to transition to something new now that they are becoming more independent. Before having kids, she worked as an administrator for a small business and wouldn't mind finding some part-time work for the extra income. Kate's biggest goals include buying a new home and supporting their children through college.

STAN & KATE'S CURRENT RISK STRATEGY

Most Conservative **1** - 2 - 3 - 4 - 5 - 6 - 7 - 8 - 9 - **10** **Most Aggressive**

Current Risk Score

6

Portfolio Risk Score

7

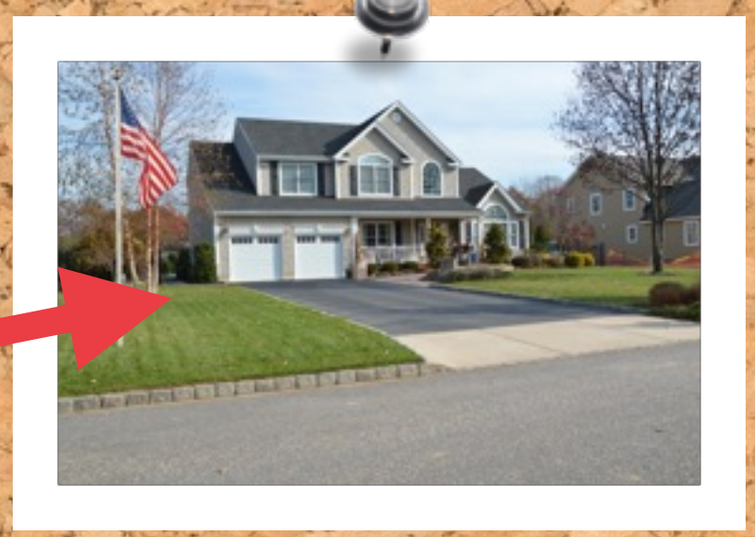
WHAT IS IMPORTANT TO STAN & KATE?

Maximizing income

Reducing taxes

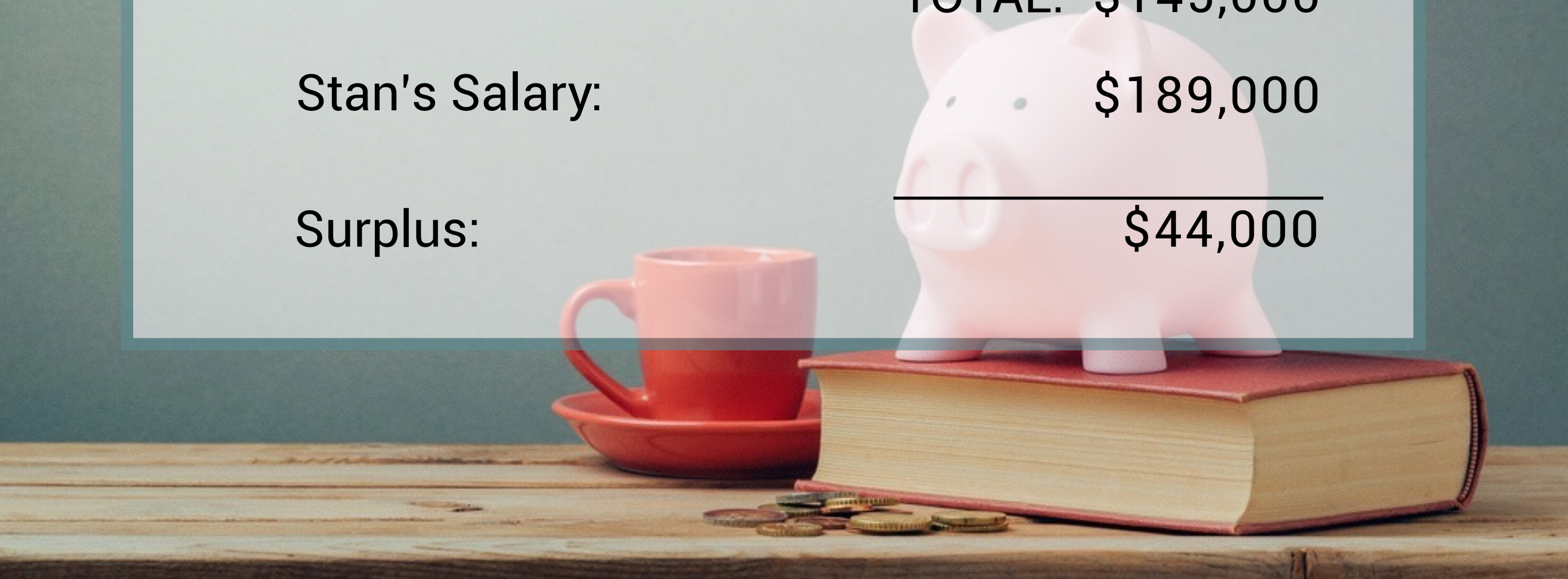
Managing the high cost of living

Buying a new home



STAN & KATE'S CURRENT BUDGET

✓ Essentials:	$107,000
✓ Discretionary:	$38,000
	TOTAL: $145,000
Stan's Salary:	$189,000
Surplus:	$44,000



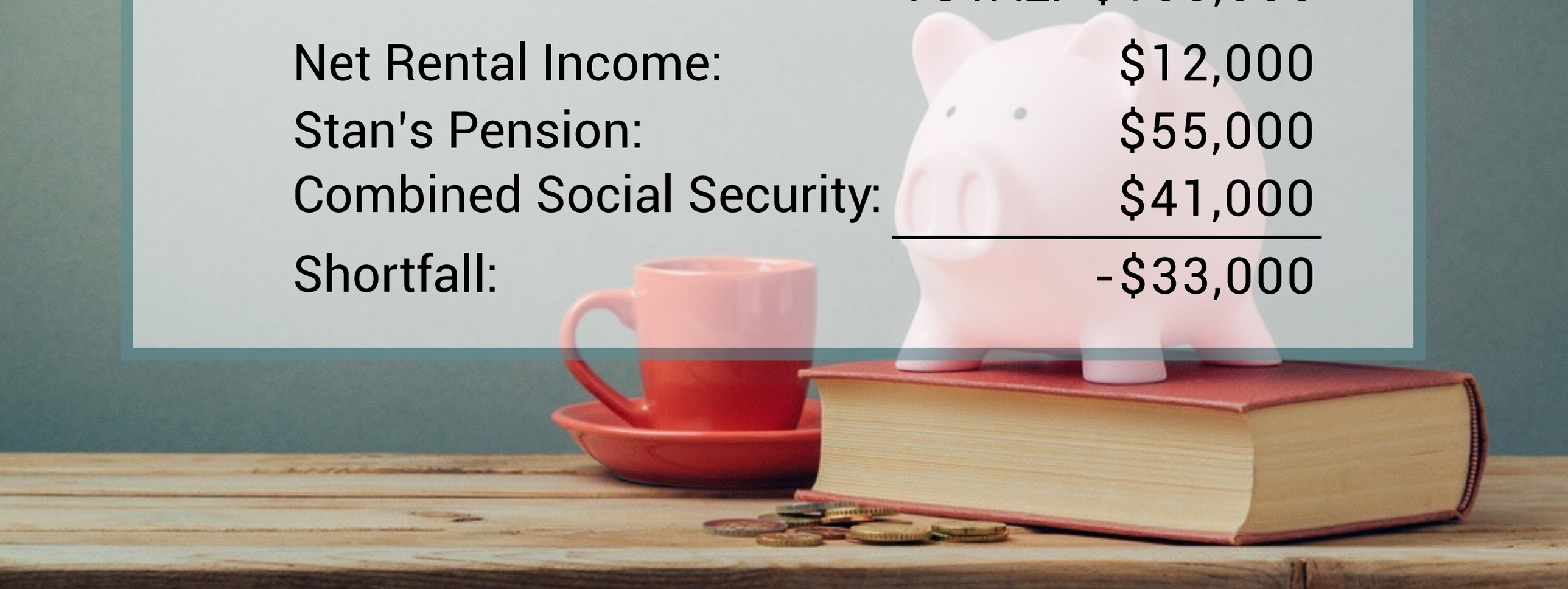
STAN & KATE'S RETIREMENT BUDGET

✓ Essentials:	$96,000
✓ Discretionary:	$42,000
TOTAL:	$138,000
Stan's Pension:	$55,000
Combined Social Security:	$41,000
Shortfall:	-$43,000

STAN & KATE'S RETIREMENT BUDGET

UNDER OUR RECOMMENDATIONS

✓ Essentials:	$96,000
✓ Discretionary:	$42,000
TOTAL:	$138,000
Net Rental Income:	$12,000
Stan's Pension:	$55,000
Combined Social Security:	$41,000
Shortfall:	-$33,000



STAN & KATE'S ASSETS

Non-Investment Assets

✓ Primary Residence	$890,000

Investment Assets

✓ Stan's Retirement:	$430,000
✓ Kate's Retirement:	$120,000
✓ Taxable Accounts:	$535,000
✓ Checking & Savings:	$82,000
Total Investment Assets	$1,167,000
Total Assets:	$2,057,000
Liabilities:	-$220,000
Net Worth:	$1,837,000

STAN & KATE'S FINANCIAL PLAN CHALLENGES

1. Managing taxes.
2. Buying a home.
3. Reaching their retirement goals.
4. Creating sufficient income though various income streams.

STAN & KATE'S RETIREMENT INCOME STRATEGY

PROJECTED INCOME BASED ON RECOMMENDATIONS

Net Rental Income	$12,000/Year
Stan's Pension	$55,000/Year
Combined Social Security	$41,000/Year

Investment Income

Stan's Retire.	$430K	Fixed Income & Dividend Payers @ 3.2%[1]	$13,760
Kate's Retire.	$120K	Fixed Income & Dividend Payers @ 3.2%[2]	$3,840
Taxable Accts.	$535K	Fixed Income & Dividend Payers @ 3.2%[3]	$17,120
		Total Investment Income	$34,720
		Grand Total Income	**$142,720**
		Less Budget	$138,000
		Surplus	**$4,720**

1,2 & 3: Yields are for current portfolio yields as of 10/31/17. Please see disclosures at the end of this presentation for security risks.

GOAL BASED RECOMMENDATIONS FOR STAN & KATE

Goal	Strategy
Maximizing Income	We explained to Stan and Kate that real estate investing should be advantageous under the new tax bill. We suggested that they consider selling their current home and using some of the proceeds to buy one or two rental properties out of state for the tax benefits. Doing this would help decrease their living expenses and create an additional stream of income for retirement.
Buying a home	We recommended that they consider downsizing after their kids move out of the house to attend college. By selling their current residence, they could decrease their monthly expenses by purchasing a smaller, newer home and also use a portion of the cash proceeds to buy the home outright.
Reaching retirement goals	We advised Stan and Kate to work with an attorney to set up an LLC for their rental properties for asset protection. We also suggested that both of them max out their retirement savings now that they are over the age of 50.
Minimizing taxes	By purchasing a rental property out of state and placing it into an LLC, Stan and Kate would be able to right off their expenses of owning and running the rental property under the new tax law. In addition, the new tax proposal would allow the rental to become tax advantageous, allowing income to be taxed at a lower rate.

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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