

## Why Taking Social Security Early Isn't Always Financial Nonsense

# LIFETIME INCOME CASE STUDY

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


Timothy Newman

# 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>	Timothy Newman.
<b>Age:</b>	Age 63.
<b>Retirement:</b>	Timothy is being forced into retirement.
<b>Life expectancy:</b>	Age 78.
<b>Risk tolerance:</b>	Moderate.
<b>Investment objective:</b>	Income with Capital Preservation.



# WHO IS TIMOTHY?

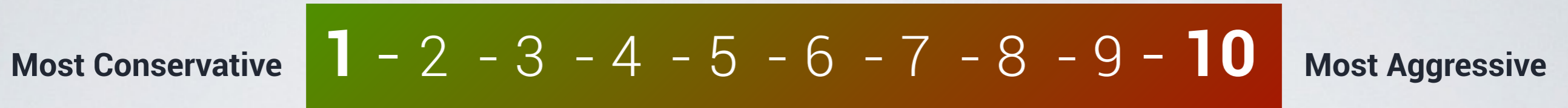
**Name: Timothy**

**Age: 63**

**Job: Attorney**

Timothy has spent the latter half of his career as a successful attorney. Unfortunately, he has had some major health issues in recent years that have made his job more stressful and difficult. Timothy was diagnosed with diabetes and recently suffered a stroke. Due to his health, his doctor, friends and family are suggesting that it is time for him to retire. Given his health condition and family history, Tim has a relatively short life expectancy of 78. He would like to travel and experience many of the things on his bucket list but is concerned about medical expenses and potentially running out of money given an early retirement.

# TIMOTHY'S CURRENT RISK STRATEGY



***Current Risk Score***



***Portfolio Risk Score***



# WHAT IS IMPORTANT TO TIMOTHY?



**Maintain a similar lifestyle in retirement**

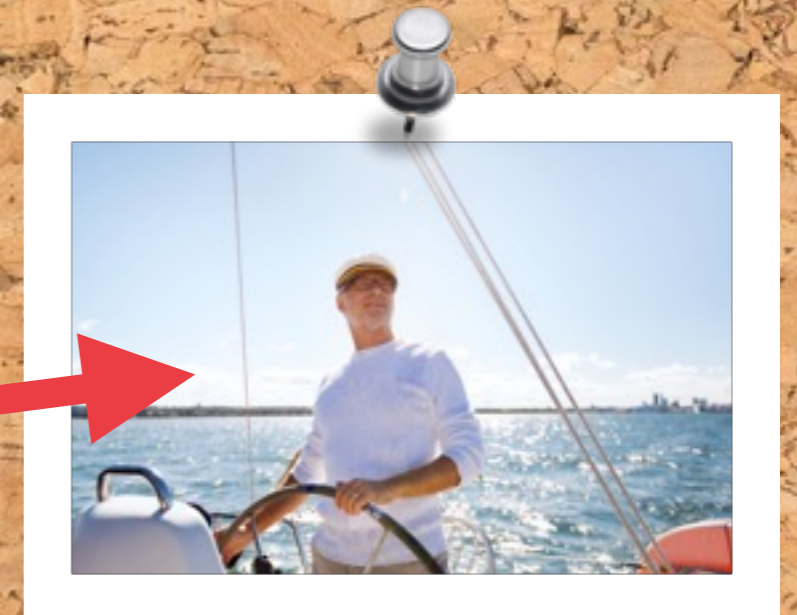
**Managing cash flow**



**Being able to do things on his bucket list**



**Not outliving retirement assets**



# TIMOTHY'S CURRENT BUDGET

✓ Essentials:	\$68,000
✓ Discretionary:	\$45,000

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TOTAL: \$113,000

Timothy's Salary:	\$180,000
Surplus:	\$67,000



# TIMOTHY'S RETIREMENT BUDGET

✓ Essentials:	\$65,000
✓ Discretionary:	\$43,000
	<hr/>
	TOTAL: \$108,000
Social Security:	\$22,000
Timothy's Pension:	\$25,000
Shortfall:	-\$61,000





# TIMOTHY'S ASSETS

## Non-Investment Assets

✓ Primary Residence: \$700,000

## Investment Assets

✓ Timothy's Retirement: \$985,000

✓ Timothy's Taxable Accounts: \$1,120,000

✓ Precious Metals & Cash: \$75,000

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**Total Investment Assets** \$2,180,000

Total Assets: \$2,880,000

Liabilities: -\$25,000

Net Worth: \$2,855,000

# TIMOTHY'S FINANCIAL PLAN CHALLENGES

- 1.** Managing cash flow since he is not yet full retirement age.
- 2.** Creating enough income to balance his wants today with tomorrow's needs.
- 3.** Not running out of money.



# TIMOTHY'S RETIREMENT INCOME STRATEGY

Timothy's Pension	\$25,000/Year
Social Security	\$22,000/Year

## Investment Income

Karl's Retire.	\$985K	Fixed Income & Dividend Payers @ 3.2% <sup>1</sup>	\$31,520
Taxable Accts	\$1.12M	Fixed Income & Dividend Payers @ 3.2% <sup>2</sup>	\$35,840
Cash & PMs	\$75K		
Total Investment Income			\$67,360
<b>Grand Total Income</b>			<b>\$114,360</b>
Less Budget			\$108,000
<b>Surplus</b>			<b>\$6,360</b>

*1 & 2: 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 TIMOTHY

## Goal

## Strategy

### Managing cash flow

To help meet cash flow needs, since Timothy retired much earlier than anticipated, we recommended that he begin taking social security immediately. Given his shorter life expectancy and the need for additional cash flow, taking social security was his best option because it meant that he wouldn't have to rely as heavily on his retirement assets.

### Maintaining the same lifestyle

We advised Timothy to begin taking trips and doing many of the things on his bucket list while his health permits. We suggested that he work closely with us on the timing of his vacations so that in years with good market returns he would be able to spend more and in years of bad returns he would need to spend less.

### Not running out of money

We explained to him that he has enough retirement assets to live comfortably throughout his retirement years. However, we also discussed with him the importance of updating the plan as life's circumstances change. We also clarified that he may have to consider future alternatives like a reverse mortgage or other options if his medical expenses were to increase substantially.

# 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.

Registered Investment Advisor

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

**(858) 487-3939**

*We're happy to speak with you.*

Post Office Box 503147 - San Diego, CA 92150-3147

10809 Thornmint Road 2nd Floor - San Diego, CA 92127-2403

(888) 486-3939 Toll Free (858) 487-3939 Tel (858) 487-3969 Fax

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