

# Medical Costs: Retirement's Biggest Financial Roadblock

## LIFETIME INCOME CASE STUDY

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

Tyler & Anika Rosales

# 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>	Tyler & Anika Rosales.
<b>Age:</b>	Tyler is age 62 and Anika is age 64.
<b>Retirement:</b>	Both wish to retire in 3-4 years.
<b>Life expectancy:</b>	Tyler & Anika age 96.
<b>Risk tolerance:</b>	Moderately Conservative.
<b>Investment objective:</b>	Income with Capital Preservation.



# WHO ARE TYLER & ANIKA?



**Name: Tyler**

**Age: 62**

**Job: Project Manager**

Tyler is looking to retire in the next five years and is excited about spending more time with family and working on his golf game. His biggest concern about retirement is managing health care costs as he has watched his parents struggle to make ends meet due to the high costs of healthcare and assisted living facilities. Both of his parents are in their early nineties and they are now on medicaid since they have spent most of their assets. Tyler is looking forward to retirement and would like to leave money to their kids and a couple of charities that they support.

**Name: Anika**

**Age: 64**

**Job: Engineer**

Anika has made a recent job change to reduce her work hours and to offer a better quality of life. The new company provides more benefits than the previous job, however, she is still in the enrollment phase. Anika's mother passed away from multiple sclerosis and her father is currently in his late eighties. She is concerned about running out of money in retirement and believes that she and her husband may have to work longer than they would like. She looks forward to spending more time tending to her garden and cooking with family and friends.



# TYLER & ANIKA'S CURRENT RISK STRATEGY

Most Conservative

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

Most Aggressive

***Current Risk Score***

**5**

***Portfolio Risk Score***

**7**

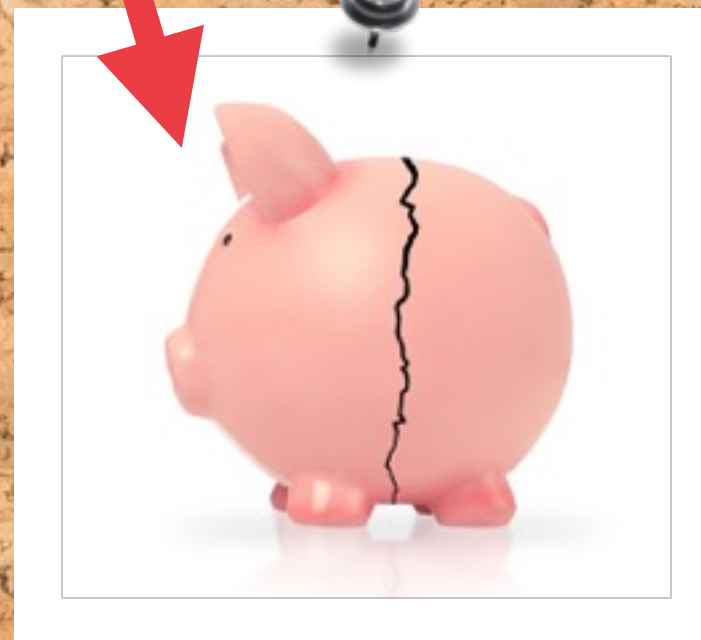


# WHAT IS IMPORTANT TO TYLER & ANIKA?



**Managing health care costs in retirement**

**Not outliving their assets in retirement**



**Leaving a legacy**

**Updating their investments to reflect retirement**





# TYLER & ANIKA'S CURRENT BUDGET

✓ Essentials:	\$45,000
✓ Discretionary:	\$20,000

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TOTAL:	\$65,000
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Tyler's Salary:	\$81,000
Anika's Salary:	\$78,000
Surplus:	\$94,000





# TYLER & ANIKA'S RETIREMENT BUDGET

✓ Essentials:	\$43,000
✓ Discretionary:	\$18,000

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TOTAL:	\$61,000
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Social Security:	\$42,000
Shortfall:	-\$19,000





# TYLER & ANIKA'S ASSETS

## Non-Investment Assets

✓ Primary Residence: \$500,000

## Investment Assets

✓ Tyler's Retirement: \$260,000

✓ Anika's Retirement: \$150,000

✓ Rosales Family Trust: | \$350,000

✓ Precious Metals: \$525,000

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**Total Investment Assets** \$1,285,000

Total Assets: \$1,785,000

Liabilities: -\$15,000

Net Worth: \$1,770,000



# TYLER & ANIKA'S FINANCIAL PLAN CHALLENGES

1. Medical expenses and the high costs of long term care.
2. Long life expectancy.
3. Investment allocation.





# TYLER & ANIKA'S RETIREMENT INCOME STRATEGY

Tyler & Anika's Social Security

\$42,000/Year

## Investment Income

Tyler's Retire.	\$260K	Fixed Income & Dividend Payers @ 2.8% <sup>1</sup>	\$7,280
Anika's Retire.	\$150K	Fixed Income & Dividend Payers @ 2.8% <sup>2</sup>	\$4,200
Rosales Trust	\$525K	Fixed Income & Dividend Payers @ 2.8% <sup>3</sup>	\$14,700
Total Investment Income			\$26,180
Grand Total Income			\$68,180
Less Budget			\$61,000
Surplus			\$7,180

1, 2, & 3: Yields are for current portfolio yields as of 4/31/17. Please see disclosures at the end of this presentation for security risks.



# GOAL BASED RECOMMENDATIONS FOR TYLER & ANIKA

## Goal

## Strategy

### **Managing healthcare costs**

We recommended that Anika enroll into the HSA program available with her new employer and that she make contributions into the account to help with future medical expenses. We also advised that she do a one-time partial transfer of from her IRA to help fund the HSA.

### **Handling long term care**

Tyler has a cash value policy that will lapse in a few years due to underfunding. We recommended that they exercise a 1035 exchange into a new policy with a Long Term Care rider in order to allow him to maintain some form of life insurance for a longer period and also provide the ability to use the policy as a way to pay for the long term care costs.

### **Updating asset allocation**

We recommended that the client update their investments into an asset allocation with less exposure to risk that is more in-line with their risk tolerance and financial situation.

### **Leaving a legacy**

To ensure that Tyler and Anika's estate is efficiently distributed upon their passing, we advised that they work with an attorney to update their estate plan accordingly.



# 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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