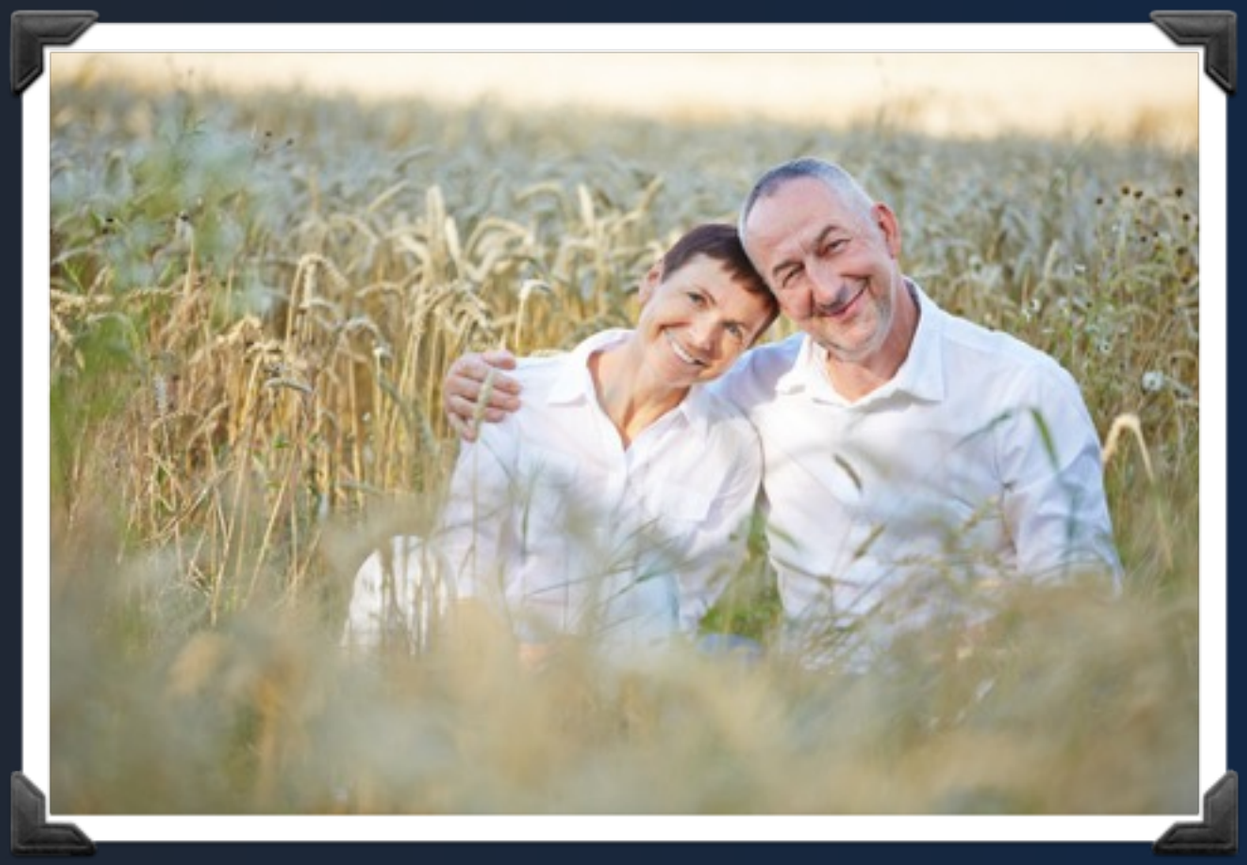

Beware the Overzealous Advisor

LIFETIME INCOME CASE STUDY

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

Bill & Marsha White

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:	Bill & Marsha White.
Ages:	Age 57 and 58.
Retirement:	They both hope to retire soon.
Life expectancy:	Age 90 and 95.
Risk tolerance:	Moderate.
Investment objective:	Income & Preserve Purchasing Power.

WHO ARE BILL & MARSHA?

Name: Bill

Age: 57

Job: Regional Manager

Bill has to travel often for work which has made it very difficult for him to manage their finances. He has been with the same broker for 2 decades and has been recently offered his broker's basic financial planning services. Working with his broker, Bill has accumulated large positions in precious metals, cash and some stock holdings in blue-chip companies. His current tax situation now and into retirement are a concern. Bill is hoping to change careers or retire in the next 5-10 years so he can travel less and spend more time with family.

Name: Marsha

Age: 58

Job: Human Resources

Marsha is hoping to be more focused on saving for retirement now that their youngest just finished college. She is more risk adverse than her husband and is concerned about their current investment strategy. Another concern of hers is their ability to retire since they will only have social security as an income source. Marsha is hoping to have her husband retire soon so she can spend more time with him and their family.

BILL & MARSHA'S CURRENT RISK TOLERANCE?

Most Conservative **1** - 20 - 30 - 40 - 50 - 60 - 70 - 80 - 90 - **100** **Most Aggressive**

Current Risk Score

45

Portfolio Risk Score

71

WHAT IS IMPORTANT TO BILL & MARSHA?

Income in ‘retirement

Maintaining the same lifestyle in retirement

Lowering taxes

Managing investment risks

BILL & MARSHA'S CURRENT BUDGET

✓ Essentials:	-$43,200
✓ Discretionary:	-$29,100
TOTAL:	-$72,300
Bill's Salary	$85,000
Marsha's Wages	$42,000
Surplus:	**$54,700**

BILL & MARSHA'S RETIREMENT BUDGET

✓ Essentials:	-$50,500
✓ Discretionary:	-$26,000
TOTAL:	-$76,500
Social Security:	$37,000
Shortfall:	**-$39,500**

BILL & MARSHA'S ASSETS

Non-Investment Assets

✓ Primary Residence:	$330,000

Investment Assets

✓ Bill's Retirement Accounts:	$385,000
✓ Marsha's Retirement Accounts:	$44,000
✓ Joint & Cash Accounts:	$110,000
✓ Precious Metals:	$200,000
Total Investment Assets	$739,000
Total Assets:	$1,069,000
Liabilities:	-$75,000
Net Worth:	**$994,000**

BILL & MARSHA'S FINANCIAL PLAN CHALLENGES

1. Improper diversification.
2. Insufficient assets to support their desired lifestyle.
3. Handling sequence of returns risk.
4. Managing income sources in retirement.

BILL & MARSHA'S RETIREMENT INCOME STRATEGY

		Social Security	$37,000/Year

Investment Income

Bill's Retire.	$385K	Fixed Income & Dividend Payers @ 2.6%[1]	$10,010
Marsha's Retire.	$44K	Fixed Income & Dividend Payers @ 2.6%[2]	$1,144
Joint Accounts	$110K	Fixed Income & Dividend Payers @ 2.6%[3]	$2,860
		Total Investment Income	$14,014
		Grand Total Income	**$51,014**
		Less Budget	$76,500
		Shortfall	**-$25,486**

1,2 & 3: Yields are for current portfolio yields as of 5/31/18. Please see disclosures at the end of this presentation for security risks.

GOAL BASED RECOMMENDATIONS FOR BILL & MARSHA

Goal	Strategy
Proper diversification	We recommended that Bill reduce his precious metals holdings to about a 6% allocation of their total net worth as a first step in reallocating their investments. In addition, we also recommended they use a portion of cash to purchase a rental home that could be used to create more retirement income.
Having enough assets to retire	We presented them with the option to delay retirement or reduce their monthly expenses but they were not keen on either options. The least painful option was to delay retirement so we recommended they do just that by working 2-3 years or by reducing their hours and working part-time to help offset their income gap. Our biggest concern was their unsustainable withdrawal rate above 5%.
Mitigating sequence of returns risk	Delaying retirement by waiting until after the next major economic downturn could help them mitigate sequence of returns risk.
Setting realistic expectations	Bill and Marsha had serious concerns about the economy and were both very conservative investors. However, the financial advice they had received was based on historical evidence and did not account for the current market conditions or where we are in the business cycle. The plan we provided took a much more conservative stance which better aligned with future expectations.

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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