



Bonds & Unknown Risks

LIFETIME INCOME CASE STUDY

Presented by Financial Sense Advisors, Inc.
Registered Investment Advisor

Nick and Kimberly Collins

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:	Nick and Kimberly Collins.
Ages:	Nick is age 59 and Kimberly is age 61.
Retirement:	Both are retired.
Life expectancy:	Nick age 88. Kimberly age 90.
Risk tolerance:	Conservative.
Investment objective:	Capital and Income Preservation.



WHO ARE NICK & KIMBERLY?

Name: Nick

Age: 59

Job: Retired

Nick recently retired and, though having the same advisor for nearly two decades, came to us for a second opinion on his investment strategy and current holdings. He is concerned about market risks given current valuations and wants to make sure he can produce enough income to meet their current and future needs. He is conservative by nature and doesn't want to make sure they are properly allocated.

Name: Kimberly

Age: 61

Job: Retired

Kimberly has been enjoying retirement and doesn't want either of them to ever have to work again. Longevity runs in her family and she is concerned about them running out of money. She has been happy with their current advisor but agrees with her husband that it is wise to get a second opinion, given the fact they are now both retired.

WHAT IS IMPORTANT TO NICK & KIMBERLY?



Home Remodel

Maintaining the same lifestyle



Managing taxes



Maximizing their income

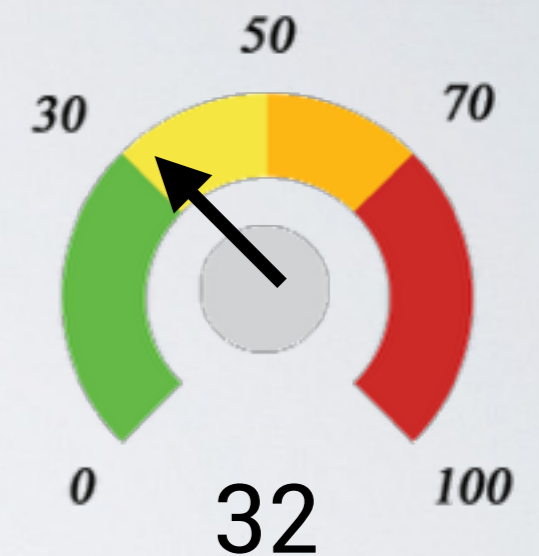


NICK & KIMBERLY'S RISK TOLERANCE

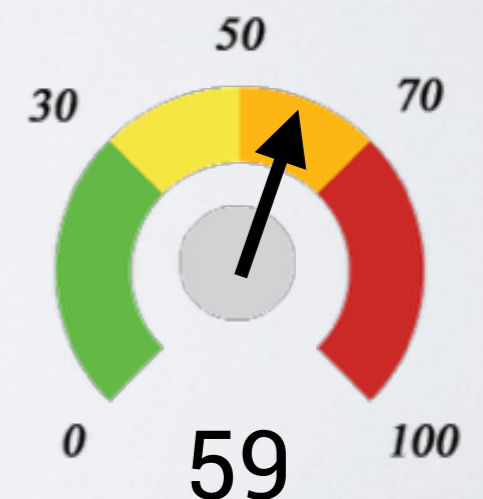
Observations:

- Current portfolio carries high interest rate risk by hiding many long duration bonds. This can be seen since the portfolio's duration is 8 years.
- Many bond funds have leverage.
- Holdings carry excessive risk with large exposure to high yield bonds.

Your Risk Score



Portfolio Risk Score



NICK & KIMBERLY'S RETIREMENT BUDGET

✓ Essentials:	\$135,000
✓ Discretionary:	\$25,500
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TOTAL:	\$160,000
Nick's Pension:	\$21,500
Social Security:	\$19,000
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Shortfall:	-\$119,500



NICK & KIMBERLY'S ASSETS

Non-Investment Assets

✓ Primary Residence: \$1,350,000

Investment Assets

✓ Nick's Retirement: \$500,000

✓ Kimberly's Retirement: \$455,000

✓ Joint/ROS Accounts: \$3,300,000

Total Investment Assets \$4,255,000

Total Assets: \$5,605,000

Liabilities: -\$0

Net Worth: \$5,605,000

NICK & KIMBERLY'S FINANCIAL PLAN CHALLENGES

1. Managing the cost of taxes.
2. Managing expenses.
3. Maintaining the same lifestyle.



NICK & KIMBERLY'S RETIREMENT INCOME STRATEGY

Nick's Pension	\$21,500
Combined Social Security	\$19,000

Investment Income

Simon's Retire.	\$500K	Fixed Income & Dividend Payers @ 3.2% ¹	\$16,000
Joanna's Retire.	\$455K	Fixed Income & Dividend Payers @ 3.2% ²	\$14,560
Joint/ROS	\$3.3M	Fixed Income & Dividend Payers @ 3.2% ³	\$105,600
Total Investment Income			\$136,160
Grand Total Income			\$176,660
Less Budget			\$160,000
Surplus			\$16,660

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

GOAL BASED RECOMMENDATIONS FOR NICK & KIMBERLY

Goal

Strategy

Review Current Asset Allocation

On the surface, the current allocation appeared to be in line with their objectives. Upon closer examination, we realized they were exposed to funds that had long duration and that some bond funds also had exposure to leverage. These risks have produced great income but has them taking excessive risk that is above their comfort level.

Adjusting the Portfolio

Recommendations were made on the bond allocation to eliminate exposure to the bond funds with long duration and leverage. The assets were instead invested in a short-duration bond ladder and floating rate bonds to reduce risks associated with the bonds.

Managing Longevity Risk

Overall risks associated with their investments were reduced so the portfolio was better aligned to their objectives and risk tolerance. By reducing volatility the chance that they run out of money was reduced.

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.*

Financial Sense[®] Advisors, Inc.

Registered Investment Advisor

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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