Why Spending Too Much Can Spoil Your Retirement

LIFETIME INCOME CASE STUDY

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

Tim and Melissa Cates

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:	Tim & Melissa Cates.
Ages:	Tim is 57. Melissa is 55.
Retirement:	Both want to retire in 3-4 years.
Life expectancy:	Tim age 87. Melissa age 92.
Risk tolerance:	Moderate.
Investment objective:	Growth with Capital Preservation.

WHO ARE TIM & MELISSA?

Name: Tim

Age: 57

Job: Corporate Finance

Tim has managed all of his family's finances up to this point. He and his wife make a decent living with their combined incomes and never saw the value in keeping a budget. Tim has made all their investment decisions over the years primarily investing in growth stocks and commodities. Tim wants to take advantage of their combined salaries and put some of their cash flow towards “big-ticket" projects like home renovations and purchasing a boat that they can enjoy during retirement. Ideally, Tim would like to retire soon and maintain the lifestyle that he and his wife enjoy now.

Name: Melissa

Age: 55

Job: Massage Therapist

Melissa is very excited at the prospect of retiring, but is uncertain regarding their ability to do so since they have spent a lot of their money towards their children's college education. Melissa and her husband have never maintained a budget since they have had dual incomes, however, they want to continue living the same comfortable lifestyle through retirement. Melissa wants to retire when her husband does. She looks forward to finding volunteer opportunities and spending more time with her family.

TIM & MELISSA'S CURRENT RISK TOLERANCE?

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

Current Risk Score

52

Portfolio Risk Score

79

WHAT IS IMPORTANT TO TIM & MELISSA?

Updating their investment strategy

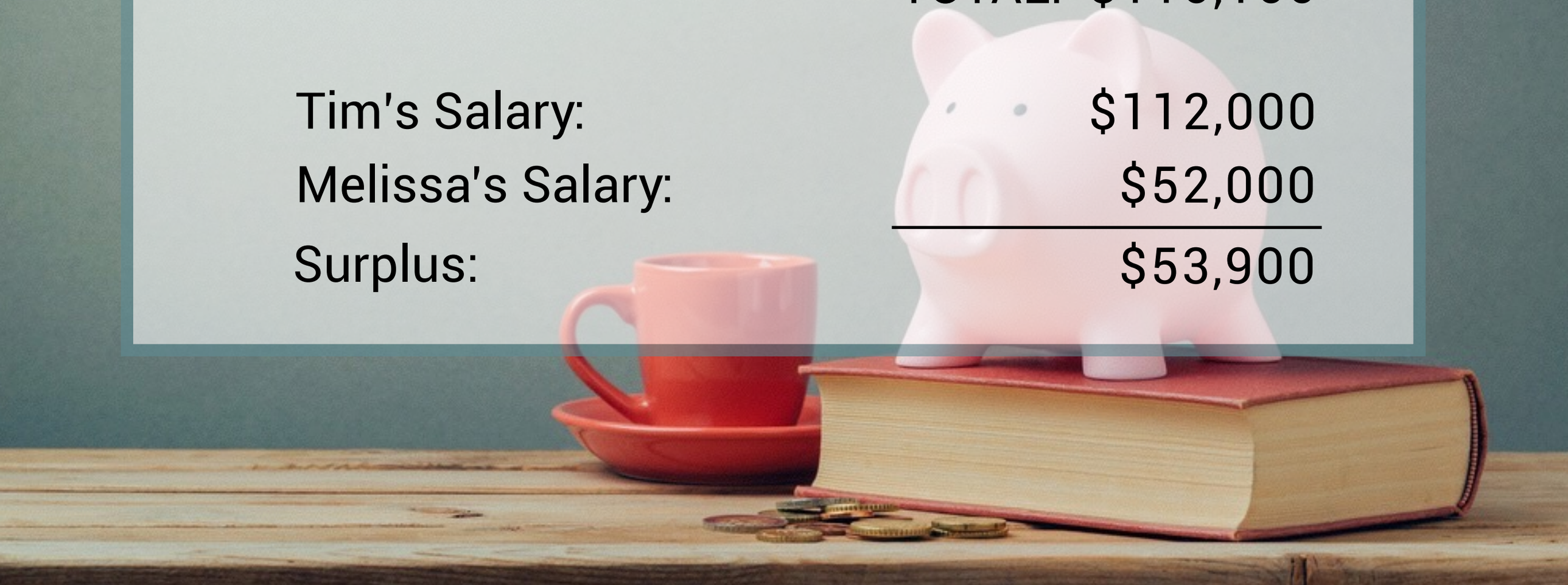
Being able to retire early

Lowering their taxes

Maintaining the same lifestyle

TIM & MELISSA'S CURRENT BUDGET

✓ Essentials:	$72,100
✓ Discretionary:	$38,000
TOTAL:	$110,100
Tim's Salary:	$112,000
Melissa's Salary:	$52,000
Surplus:	$53,900



TIM & MELISSA'S RETIREMENT BUDGET

✓ Essentials:	$60,000
✓ Discretionary:	$25,000
TOTAL:	$85,000
Combined Social Security:	$56,000
Shortfall:	-$27,700

TIM & MELISSA'S ASSETS

Non-Investment Assets

✓ Primary Residence:	$570,000

Investment Assets

✓ Tim's Retirement Accounts:	$707,000
✓ Melissa's Retirement Accounts:	$133,000
✓ Joint/Individual Accounts:	$220,000
✓ Precious Metals:	$416,000
Total Investment Assets	$1,070,000
Total Assets:	$1,775,000
Liabilities:	-$203,000
Net Worth:	$1,572,000

TIM & MELISSA'S FINANCIAL PLAN CHALLENGES

1. Lack of budgeting.
2. No diversification of assets.
3. Insufficient retirement savings.
4. Spending their cash flow on big purchases.

TIM & MELISSA'S RETIREMENT INCOME STRATEGY

		Combined Social Security	$56,000
Investment Income			
Tim's Retire.	$707K	Fixed Income & Dividend Payers @ 3.2%[1]	$22,624
Melissa's Retire.	$133K	Fixed Income & Dividend Payers @ 3.2%[2]	$4,256
Joint/Individual	$220K	Fixed Income & Dividend Payers @ 3.2%[3]	$7,040
		Total Investment Income	$33,920
		Grand Total Income	**$89,920**
		Less Budget	$85,000
		Surplus	**$4,920**

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 TIM & MELISSA

Goal	Strategy
Minimizing big-ticket purchases	We strongly advised them to work with each other to eliminate unnecessary big purchases like home improvements and boats. With the residual cash flow, we recommended that they save that money and put it aside for purchases they want to budget for down the road.
Creating a budget	Given their situation, we worked with them to develop a budget and a system that allows them to monitor their spending and keep each other accountable. Ideally, our goal in helping Tim and Melissa create their own budget was to allow them to form more realistic spending habits before entering retirement.
Diversifying their investment portfolio	We encouraged Tim and Melissa to reallocate their investments to include higher exposure to income producing assets to help with producing cash flow throughout retirement.
Maximizing their retirement savings	In addition to utilizing a budget, we recommended that they increase their savings into each of their 401(k)s. We also discussed that it may be prudent to delay retirement a couple of years to maximize their working years and their savings potential.

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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