WMS

WEALTHCARE
MANAGEMENT SERVICES

Digital Teaching Tool:

The Lifetime Income Model™

“Retiring with Confidence”

As you approach retirement, you suddenly face a lot of questions:

- Do I have enough?
- Have we saved enough?
- How much money do we need to retire comfortably?
- Are we going to be okay?

We spend a lifetime accumulating assets to retire without ever really considering what’s at the end of the tunnel.

That is why Wealthcare Management Services created the Lifetime Income Model™ (LIM). Through careful time segmentation, we leverage opportunity (harnessing the power of growth assets over time) and certainty (distributions to meet needs from fixed low-volatility assets) to help create retirement confidence.

Traditional retirement plans worked well enough in the past - but changing market conditions have made it increasingly risky.

LIM keeps the money you’ll need in the shorter term in safer investments that are easily converted to cash, so that the longer-term money can harness the power of time to grow.

The Lifetime Income Model is designed specifically to tackle that shortfall risk, maximize the probability of funding your unique retirement goals, and create confidence.

The Need: Reliable Lifelong Income

You’ve spent decades building your nest egg. Now, as you near retirement, you may find that a big question is weighing on you: *Do I have enough money for the next chapter?*

It’s essential to know how much money - to the dollar - you need so you don’t have to worry about money for the rest of your life.

Do you?

You've certainly done all the right things so far. By consistently saving and harnessing the power of the stock market, you've created an ROI—return on investment—that has amplified your wealth and helped you create a nest egg.

So what's at the root of your uncertainty?

The simple answer: The flow of your money is changing direction. As a retiree, you will move from accumulation to decumulation - the drawing down of a finite pool of savings. For that reason, the definition of ROI also needs to change from "return on investment" to "reliability of income." To retire with confidence, you'll need to convert your wealth into a *reliable income stream* that will last your entire lifetime.

We all have big dreams for retirement. We want to travel, relax, and spend time with family and friends. Reliable income is the mechanism that will allow you to fund these dreams and support the people, values, and goals that are most important to you. In retirement, you should be asking yourself questions like "What should I buy the grandkids?" not "Where is my next check coming from?"

The Challenge: Are You Confident?

A recent study asked people approaching retirement a simple question: What's keeping you up at night? The most popular answer: Money[1].

The truth is, even after we've done our best to save for retirement, we wrestle with uncertainty. We ask ourselves questions like:

- How do I turn the assets I've accumulated into a reliable source of income?
- Do I know the difference in assets needed to thrive versus just getting by?
- What's the exact dollar number that will allow me to live the retirement I've envisioned?

To live the next chapter on your terms, successfully investing your retirement savings is essential. But there's no guarantee that a traditional retirement investment portfolio will provide the reliable income you need for the rest of your life. In fact, we'd argue that this is an especially risky time to follow the conventional retirement-investing playbook. Here's why:

Traditionally, 60% of a retirement portfolio's assets were allocated to stocks and 40% to income-producing bonds. The idea was that the market appreciation of principal, plus interest from bonds, enabled retirees to safely withdraw 4% of their savings each year throughout their lives without running out of money.

That "4% model" worked well enough in the past - but changing market conditions have made it increasingly risky. The traditional approach has another big flaw: It doesn't take into account the damaging impact of market declines.

When investors must take income from a portfolio during a falling market, it can quickly shrink their nest egg, jeopardizing its ability to generate sufficient income over time. That raises the very real possibility of what's known as shortfall risk. Make no mistake, while markets rise most of the time, they have always experienced sharp reversals on a regular basis. The S&P 500 has declined at least 10% every 1.84 years on average.[2]

One could argue that there has seldom been a riskier investment environment than right now. Historically, when interest rates have risen, stock prices have generally declined. What if this occurs during your retirement – just - when you most need reliable long-term income? There's that word again--uncertainty.

Enter the Lifetime Income Model (LIM). In the coming pages, we'll show you how this experienced approach to funding your retirement helps to mitigate these risks and create confidence.

The Lifetime Income Model™: Making an Ally of Time

You are turning the page to begin an exciting new chapter of your life. This chapter will likely last 25 years or more - and we want to make sure the money you worked so hard to save and grow carries you comfortably through.

That's why we created the Lifetime Income Model.

LIM makes an ally of one of the most powerful factors in successful investing: time. Our approach keeps as much of your money as possible in growth-oriented investments for as long as possible, with the goal of maximizing your money over the long term so you'll have ample assets to last through retirement.

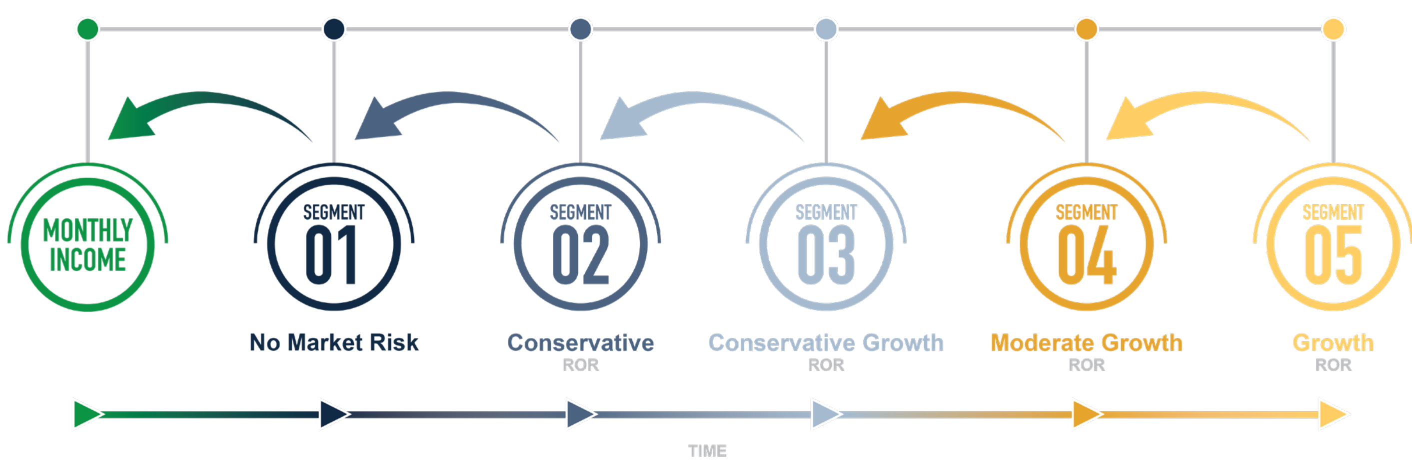
Where does this strategy fit into your overall retirement funding picture? It depends on your specific situation.

Your advisor will analyze your anticipated retirement expenses, your assets, and your "income floor" - the income you can count on from sources like Social Security, a pension plan, or annuities. LIM will then be implemented to fill the gap between your income floor and your total income need.

How it Works: Elegantly Simple

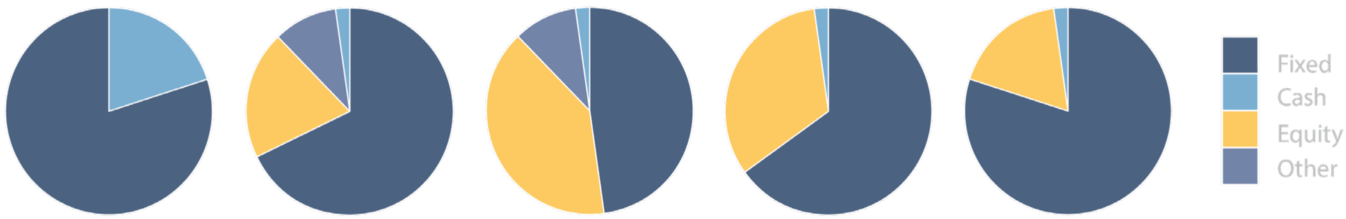
Let's look under the hood. In a LIM portfolio, your retirement assets are divided into segments, each generally geared for five years of investing, that are chronologically arranged over your projected retirement years. Money that you'll live on for the next five years is invested most conservatively. It won't earn a significant return, but it will be there when you need it (Remember: ROI in retirement means *reliability of income*). The next segment in the chronological chain contains investments that are still conservative, but more aggressive than the previous segment. Each segment after that is invested a bit more aggressively.

Those more aggressive investments have potentially greater upside, but they are also likely to experience more volatility. The LIM structure, however, means you can let them follow their possibly bumpy path with ease since the focus is on the destination. After all, you will have years of stable, reliable income in your earlier, more conservative segments to buy you the time to allow the more aggressive asset classes to work on your behalf.



LIM uses a "time release" methodology: When your first segment is exhausted, the assets that were invested in the second segment are moved forward and reallocated into the more stable, most liquid investments available.

Meanwhile, the more aggressively positioned segments continue compounding to maximize asset growth. Your advisor will adjust allocations as needed to make sure you stay on track toward your goals.



There's a good reason the segments are arranged in five-year increments, by the way. Markets naturally rise and fall in ever-repeating cycles. Based on historical averages, these cycles take up to five years to complete. Thus, the five-year timeframe is used to provide adequate time for potential long-term gains.

This framework helps to ensure that you should never need to sell investments when they're down, which increases shortfall risk.

There's a big difference between LIM and other approaches to retirement investing. The LIM approach puts your assets to work in the market with the specific goal of funding the exact type of retirement you envision. It uses a defined methodology built around segmentation and harnessing the power of time.

Other models, while they may claim to be focused on your goals, are really focused on market performance. That is risky.

Separating investing from your goals is like driving to a new destination without a roadmap. You may get there, and you may not. At Wealthcare Management Services, we don't think your retirement should be left to chance.

LIM's Benefits

Let's recap: Financial shortfall is a major risk to your retirement. The Lifetime Income Model is designed specifically to tackle that shortfall risk, maximize the probability of funding your unique retirement goals, and create long-term confidence.

LIM is designed to help investors resist the temptation to make emotional, knee-jerk decisions during periods of market turmoil. For example, hordes of investors sold their holdings during the 2008-2009 financial crisis and the 2020 pandemic panic. In doing so, they locked in losses and often found themselves on the sidelines when recoveries began.

That kind of panic selling can easily sabotage a carefully crafted retirement strategy. LIM's five-year cushion of stable liquidity is designed to act as a firewall against exactly those kinds of emotion-driven decisions. By providing a comfortable cushion of conservative, available assets from which you can draw income, LIM allows the time needed for the more aggressive asset classes to potentially recover.

The Lifetime Income Model has been tested extensively. Honed by our firm for decades, it's been employed through 12 market corrections of 10% or more, including the 2000-2002 dot-com crash, the 2008-2009 financial crisis, and the 2020 pandemic crash. When used properly, it has maximized investors' probability of fully funding retirement goals, just as it was designed to do.

You've worked hard to build your nest egg—too hard to let uncertainty cost you sleep in retirement. We encourage you to explore the Lifetime Income Model with your financial advisor. Employed in coordination with your overall financial plan, we believe it can help deliver invaluable confidence as you live your best life in retirement.

[1] https://www.aarp.org/retirement/planning-for-retirement/info-2019/retirees-fear-losing-money.html
[2] Source: https://www.fool.com/investing/2020/10/10/the-3-most-important-stock-market-crash-statistics/