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100 Is the New 90

By Carolyn T. Walder

With medical advances and the promotion of healthful eating and lifestyles, more people are living longer … many past age 100. While this is welcome information to those trying to extend their lives and find the "fountain of youth," it also has some practical ramifications, most notably the effect on retirement planning and decisions.

Adjusting Withdrawal Rate

If folks are living longer, then it follows that they will either need to retire later or plan for a longer retirement. The old "4% rule" (the sustainable withdrawal rate from a diversified portfolio) that so many advisors and financial websites reference was developed based on the assumption of a 30-year retirement. If someone wants to retire at 60, then a 40-year retirement should be planned for and the 4% rule would be closer to 3.5% or 3%! This implies that folks who want to retire "early" need to save more as they prepare for retirement, as they can withdraw less (as a percentage) from their portfolio than if they waited to retire.

The Inflation Factor

This also implies another point: An increased allocation to equities is needed to combat the compounding effects of inflation on a longer

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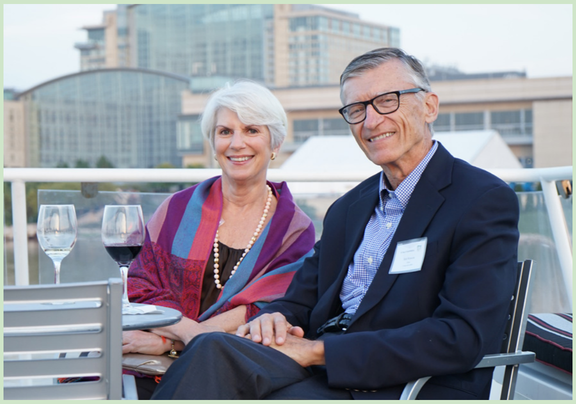
10 Years of Appreciation

In 2015 Lifetime Wealth celebrated our 10-year anniversary, or as we like to refer to it as "10 Years of Appreciation"—10 years of appreciation of all our wonderful clients. We were pleased to invite all of our clients to join us in this celebration on an evening cruise down the Potomac River on the National Elite at National Harbor. It was an evening like no other—perfect weather, perfect dinner, perfect company, and a perfect sunset. It was an evening we will never forget. Thank you for sharing it with us!



Lifetime Wealth clients enjoying the cruise

The Harbor View

Happy New Year! This is the time for resolutions and planning for the upcoming year and beyond. Now that 2015 is in the rear view mirror and we are looking forward, we felt it appropriate to focus our winter edition of *The Harbor View* on planning for retirement.

In our lead article, Carolyn addresses the questions you may have regarding planning for a longer life than the currently recognized life expectancy. Liz follows up with the "softer side" of the retirement decision in "Retirement ... Let the Games Begin."

Financial writer Bob Veres addresses retirement challenges for millennials, and Diana wraps up this issue with an article on health care planning in retirement: "A Medicare Part B Primer for 2016."

Even though the markets are showing turbulence and there are rough seas right now, our best advice is to have a plan—such as Lifetime Wealth has charted with our clients—implement the plan, and then stick with the plan. This volatility is accounted for in the plan, so stay cool, stay calm, and stay the course.

As always, we are here to answer any questions that may come to mind either sparked by one of these articles or a general question that has been on your mind.

—Carolyn and Diana

Carolyn@ltwealth.com Diana@ltwealth.com

Retirement … Let the Games Begin

By Liz Gillette

While working, retirement can seem like both an upcoming burden and a distant paradise. While logistical and financial plans about retirement are being made, the psychological and emotional aspects of retirement should also be considered. Working through these aspects is key to a successful transition.

Corresponding emotions include joy, freedom, accomplishment, peace of mind, and optimism. They also include anxiety, pessimism, sadness, and ambivalence. Emotions are not experienced just in a linear fashion, they often overlap.

A job provides more than income; it also shapes one's lifestyle, self-image, purpose, and friendships. For those who have turned an interest, hobby, or passion into a career, a job is a means of personal fulfillment and creative expression.

Factors to Consider

The question of when to retire is one laden with emotions, predictions, and ambiguous financial considerations. Fortunately, Lifetime Wealth has eased the financial aspect of your next chapter, so this article is devoted to the many emotional, psychological, and social aspects to consider in retirement.

First, your vocation forms part of your identity. Many people feel a loss of self-worth when they stop working. They can feel lost in this new role as a retiree. Second, daily routine and activities add purpose to life. If there is nothing in particular to do or look forward to on any given day, a person is more likely to feel bored and depressed than someone who lives an active meaningful life. Third, spending time on hobbies and interests may not be as rewarding and meaningful as anticipated. We often hear, "I thought I would enjoy having this extra time on the golf course." And lastly, but arguably the most important aspect, is the decision-making with one's partner; some issues include differing and conflicting ideas on retirement lifestyle.

Partner Conflicts

We see this all the time. One partner has retired or plans to retire, while the other wants to continue working. Even if both partners have decided to retire, ideas on retirement lifestyle may clash. Some people look forward to retirement as an extended holiday where they can finally slow down and "smell the roses." Meanwhile, one's partner may expect to have a busier, more active life than when he or she was working.

It can also be difficult to work out how much time to spend together. This is particularly the case if one partner is outgoing and social, while the other is more introspective. In this scenario, the outgoing partner may feel ignored, while the introspective partner could feel smothered. Some of the psychological and emotional factors listed above could lead one to make suboptimal retirement decisions.

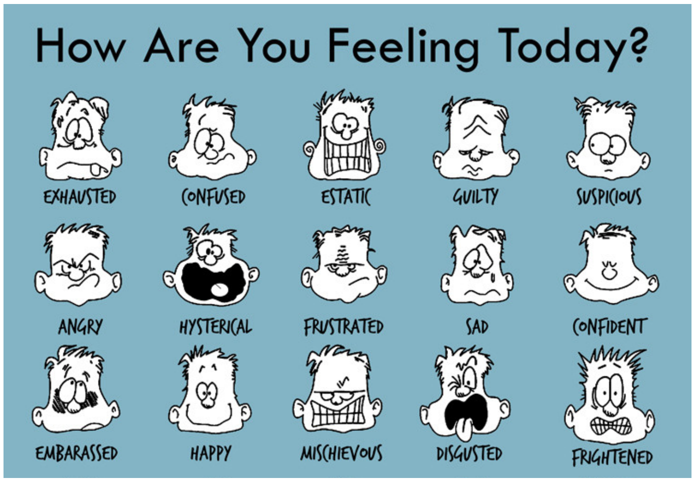
Here are a few strategies for overcoming some of these issues both prior to retirement and in retirement.

Prior to Retiring

- Experiment with a trial run. If you're unsure about when to retire, it may help to take a long service leave or extended unpaid leave to test-drive retirement living.
- Develop a plan to reinvent yourself. Ask yourself: Who am I? What do I want to do now? What is meaningful to me? Create a vision of who you want to become, and choose activities that support your values.
- Plan your lifestyle. It's important to consider the kind of lifestyle you want before you retire, and you may even start gradually implementing lifestyle changes now. Most importantly, communicate with your partner!

In Retirement

- Try to achieve at least five hours of purposeful community activities a week. Volunteer work is a satisfying way to add structure and purpose to your life, and there are many community organizations that need help.
- Create new relationships and social ties (to people of all ages, cultures, and interests). Loneliness is a common complaint in retirement, and it is a source of depression, so be sure you maintain your social network.
- Further your education. Learn new skills and professional endeavors. Choose



from a variety of options ranging from short courses to university degrees.

- Reduce the risk of health problems by exercising regularly. Join a gym, walking club, or team sport. This can also add a social element to your weekly routine.
- Share your new plans and goals with family, colleagues, and friends.

We wish you the best of luck during this exciting but challenging transition into retirement! ꟹ

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retirement period. For example, if one needs $100,000 of income in today's dollars, at a 3% annual inflation rate, then one will need $242,726 of annual income in 30 years to equate to his or her $100,000 income need in today's dollars. If that time period is extended to 40 years, they would need $326,204 to meet their future income needs. The only way a portfolio can keep up with the rising need for withdrawals (income) is to have a sufficient allocation to equities, as stocks are the only asset class that has long-term returns that significantly outpace inflation. This is the reason that non-inflation adjusted immediate annuities are riskier investment choices for retirement income than most people realize, as the annual payouts remain the same while income needs increase with cost of living increases. In this investment, the risk one is taking is inflation risk rather than stock market risk.

Semi-Retirement

If you have not saved enough but don't want to (or cannot) work full time into your 70's, another option to consider is "semi" retirement. This is most easily accomplished if you possess skills or are in a professional occupation that would be conducive to part-time consulting work or working fewer days per week. Generating some income along with portfolio withdrawals would potentially allow one to delay filing for Social Security benefits until age 70 and maximize his or her lifetime benefit. This is particularly attractive if you have a defined benefit pension (such as a military, government, or union pension) that can supplement earned income.

Social Security Strategy

Delaying Social Security benefits as long as possible is one of the best strategies for maximizing income in the later years of retirement. Of course, if you have a shortened life expectancy, this strategy is not appealing, but if you have longevity in your genes and are in good health, this approach can generate more income and allow you to stretch invested savings.

So what is the best strategy for navigating a longer life expectancy? It really depends on your individual priorities (i.e., retire early or work as long as possible) and available resources (i.e., retirement savings), but given the advances in medicine and the outlook for living longer lives, planning to live to age 100 is the best strategy! ꟹ

For the Millenials: Retirement at 75?

By Bob Veres

Chances are you've wondered about the prospects of younger Americans. Will they enjoy the same economic conditions that their parents lived through? Will retirement still be an option for them?

The NerdWallet organization recently issued a report which found a few differences between today's college graduates and those of 20 to 40 years ago. For one thing, they carry a lot more student loan debt: $35,051 on average. That means, again on average, that the new graduates will be paying $4,239 a year for ten years before they can properly start saving. NerdWallet estimates that these higher loan payments could potentially reduce future retirement savings by 32%—an average of $700,000.

In addition, today's younger generation faces higher rental payments—up 11% since 2012—and having to delay home ownership to a median age 33. This, too, reduces their ability to squirrel away money for the future.

Finally, millennial investors have apparently been powerfully impacted, psychologically, by the Great Recession. NerdWallet found studies showing that younger savers keep an average of 40% of their saved money in checking and savings accounts or CDs. This means they're missing out on investment returns, which would cost them more than $300,000 in future retirement funds, on average.

Add it all up, and the NerdWallet researchers estimate that today's college graduate won't be able to retire at the traditional age 65. On average, they'll have to wait until age 75 before work (and an income) is optional. The site notes that the graduate would have to save 15% of his/her income a year starting at age 23 to bring retirement back down to age 65—which may not be possible due to higher student loan debt and rent, and won't be anywhere close to possible with a 40% allocation to cash. ꟹ

Source: http://www.nerdwallet.com/blog/2015-grad-retirement-report.

A Medicare Part B Primer for 2016

By Diana Batchelor

Health care costs are one of the greatest unknowns in retirement, and this is one of the first topics we address with a new client. In studies provided by HealthView Insights over the last 10 years, it is *estimated* that a 65-year-old couple, in reasonably good health, retiring in 2016 will need $266,589 to cover future medical costs, or an estimate of $402,034 in future dollars. This estimate does not include any additional costs if you are forced into retirement before you are eligible for Medicare, and it also does not include the rising costs of long-term care insurance.

Even those who have had long-term care coverage for a number of years are finding they have to reduce their benefit to be able to afford the premium on these policies. The $266,589 estimate does include deductibles and co-payments, premiums for optional coverage for doctor visits and prescription drugs, out-of-pocket expenses for prescription drugs, and other expenses that Medicare doesn't cover, i.e., hearing aids, eyeglasses, and dentures.

Part B covers doctor visits, outpatient services, preventive care, and some home health visits, and it does charge a premium. In 2016 most people will pay a basic premium of $121.80 per month—or $1,461.60 for the year. The deductible for Part B will range from $147 to $166 in 2016. After your deductible is met, you typically pay 20% of the Medicare-approved amount for most doctor's services (including most doctor's services while you're a hospital inpatient), outpatient therapy, and durable medical equipment.

As the Social Security Administration previously announced, there will be no Social Security cost of living adjustment (COLA) for 2016. As a result, by law, most people with Medicare Part B will be "held harmless" from any increase in premiums in 2016 and will pay the same monthly premium as last year, which is $104.90. However, those with higher incomes will pay a higher premium (see table below).

As reported on the Medicare website, Medicare's monthly standard Part B premium amount is calculated from a monthly actuarial rate determined by the Secretary of the Department of Health and Human Services (HHS) in September of each year for the succeeding year. Most beneficiaries pay the standard premium amount, while higher-income Part B enrollees pay a greater share of costs, ranging from 35% to 80%, depending on their income, and state Medicaid programs pay the premium on behalf of beneficiaries who are dually eligible for Medicare and Medicaid. Premiums are generally deducted from beneficiaries' Social Security benefits. With that said, approximately 6% of Part B enrollees are estimated to pay income-related Part B premiums in 2016. Beneficiaries are required to pay a higher Part B premium if their income is equal to or greater than $85,000 for an individual and $170,000 for a couple. These beneficiaries pay a higher share of Part B program costs, ranging from 35% to 80%, depending on their income level. For 2015, the income-related Part B premium amounts range from $146.90 for beneficiaries paying 35% of program costs to $335.70 for beneficiaries paying 80% of costs. The income limitations are determined from your 2014 tax return filed in 2015 and will be used to calculate your 2016 premiums. If you're in one of these five groups and beneficiaries not subject to the "hold harmless" provision, refer to the table below to see what you'll pay.

Avoid the Penalty

The Part B Late Penalty is in the form of a higher premium that will carry with you for the rest of your life. In most cases, if you don't sign up for Part B when you're first eligible, you'll have to pay a late enrollment penalty for as long as you have Part B. Your monthly premium for Part B may increase 10% for each full 12-month period that you could have had Part B but didn't initially sign up for. Also, you may have to wait until the General Enrollment Period (from January 1 to March 31) to enroll in Part B, and the coverage will not begin until July 1 of that year. ***You do not want to make this mistake.*** ☙

Sources: Medicare, Social Security, and HealthView Insights.

If your yearly income in 2014 (for what you pay in 2016) was ...			***You will pay (in 2016)***
File individual tax return	**File joint tax return**	**File married & separate tax return**	
$85,000 or less	$170,000 or less	$85,000 or less	$121.80
above $85,000 up to $107,000	above $170,000 up to $214,000	Not applicable	$170.50
above $107,000 up to $160,000	above $214,000 up to $320,000	Not applicable	$243.60
above $160,000 up to $214,000	above $320,000 up to $428,000	above $85,000 and up to $129,000	$316.70
above $214,000	above $428,000	above $129,000	$389.80