

The Great Retirement Income Gap

February 9th, 2022

*Do you have a gap in your strategy?
Overcome your great retirement income gap*



Housekeeping

Slides

- Questions asked during registration will be answered at the end of the presentation
- We will not be able to provide a copy of the slides nor copy of the recording at this time
- More information about our services is available for you in the Handouts section

About

Mueller Financial Services, Inc.

- Mueller Financial Services is a financial advisory firm that has served clients for over 30 years, expanding its guidance from the regional to the national level through growth and acquisitions. We offer a broad range of services for corporations, business owners, executives, independent professionals, and high-net-worth individuals.
- Through ongoing education, sound investment strategies, and a strong sense of teamwork, we enter into a dynamic partnership with every client to best guide their financial investment and insurance planning needs.

Today's speakers



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Preparing for retirement

Accumulation Phase
(WORKING YEARS)



Distribution Phase
(RETIREMENT YEARS)

Get successfully down the mountain

Issues that can impact the descent

- Having enough income
- Low interest rate market
- Healthcare costs
- **Long-term care costs**



Costs of long-term care?

Average costs in 2020

\$105,850 per year for private room in 2020*
× 3% medical inflation rate

\$142,254 per year in 10 years; or
\$191,177 per year in 20 years

*Source: "Genworth 2020 Cost of Care Survey, conducted by CareScout®, June 2020
<https://www.genworth.com/about-us/industry-expertise/cost-of-care.html> Website accessed 16 October 2020.

Understand the trends

What can impact long-term care costs?

1 Higher demand
Number of people
needing care at the
same time

3 Family dynamics
Who is providing
care now?

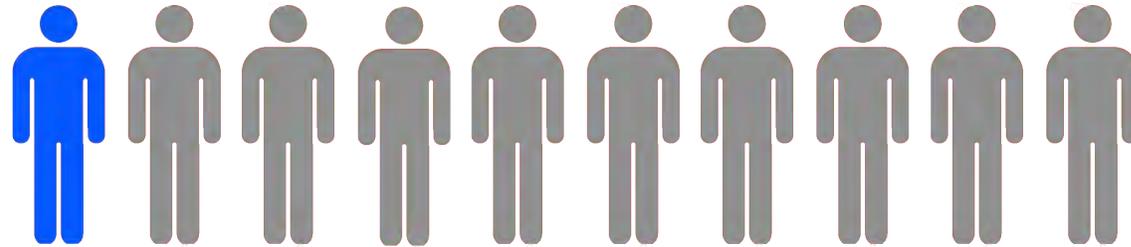
2 Longer life spans
Life expectancy
increasing – costs more

4 Government
What programs will
be available? Who
will qualify?

Another trend...

Alzheimer's disease and long-term care

About **5.6 million** Americans age 65+ have Alzheimer's disease in 2019, which is **1 in every 10** people above 65.*



By midcentury, it's projected that **13.8 million** people 65 and older will be living with Alzheimer's.*

*Source: 2019 Alzheimer's Disease Facts and Figures. Alzheimer's Association. <https://www.alz.org/media/Documents/alzheimers-facts-and-figures-2019-r.pdf>, pages 17 and 23. Published 2019.

Consider this...

\$191,177¹ per year can become...

	Average Length of LTC Stay	Total
Men	2.2 years ²	\$420,589
Women	3.7 years ²	\$707,354
Alzheimer's	8 years ³	\$1,529,416

¹Calculated as cost of one year of care in a private room (\$105,850) experiencing 3% inflation over 20 years.

²"How Much Care Will You Need?" LongTermCare.gov. U.S. Department of Health and Human Services.
<https://longtermcare.acl.gov/the-basics/how-much-care-will-you-need.html>. 23 July 2020.

³Alzheimer's Association. *2018 Alzheimer's Disease Facts and Figures*. Alzheimer's Association.
<https://www.alz.org/media/HomeOffice/Facts%20and%20Figures/facts-and-figures.pdf>, page 28. Web. 2020.

Are you average?

Is your LTC?

Company	Longest Male Claim	Longest Female Claim
1	14 years, 2 months	16 years, 6 months
2	19 years, 3 months	15 years, 4 months
3	16 years, 2 months	9 years, 10 months
4	15 years, 8 months	14 years, 6 months
5	14 years, 3 months	11 years, 7 months
6	15 years, 4 months	15 years, 6 months
7	13 years, 2 months	18 years, 1 month

Source: <http://www.aaltci.org/long-term-care-insurance/learning-center/lcfacts-2019.php#2019end> Published 2019.

Who needs care?

Statistics that matter

70%

An American turning 65 today has an almost 70% chance of requiring LTC services in their lifetimes.

20%

And of those needing care, 20% will need it for longer than five years.

Source: <https://longtermcare.acl.gov/the-basics/how-much-care-will-you-need.html> Last modified 10/10/2017.

What is long-term care?

Different meanings

- Statistics?
- Facilities?
- Emotional conversations?



LTC is simply...

Another bill to pay

- Another retirement expense that causes their income needs to increase, and...
- The income required to cover this retirement expense

Questions to ask

Explaining the concept

“In your retirement years, what could cause your expenses to outweigh your income?”

Think about your current income right now.
One day you call me to say you need to begin taking out an additional 50-70% more from your retirement savings every year in addition to the money you’re already using.

What might happen in your life to cause this situation?

The realization

How can you find that additional 50-70% each year?

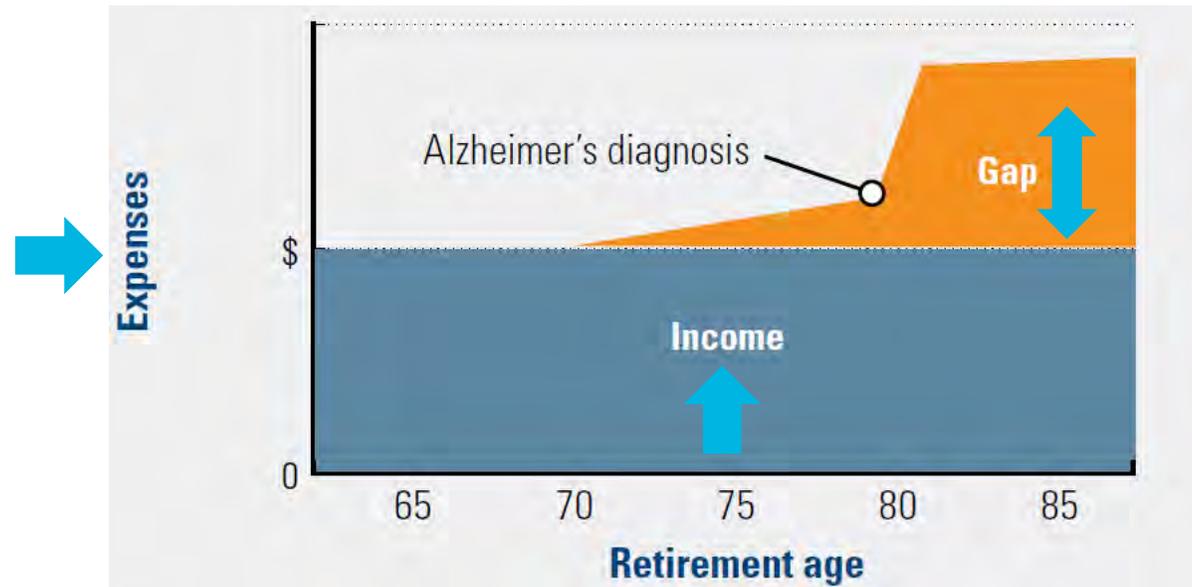
This is the great retirement income gap



More than just a
concept

The great retirement income gap

When expenses exceed income



The great retirement income gap

What are the effects?

How could your sudden need for additional income affect you?

Long-term care is an *income* problem
not an *asset* problem

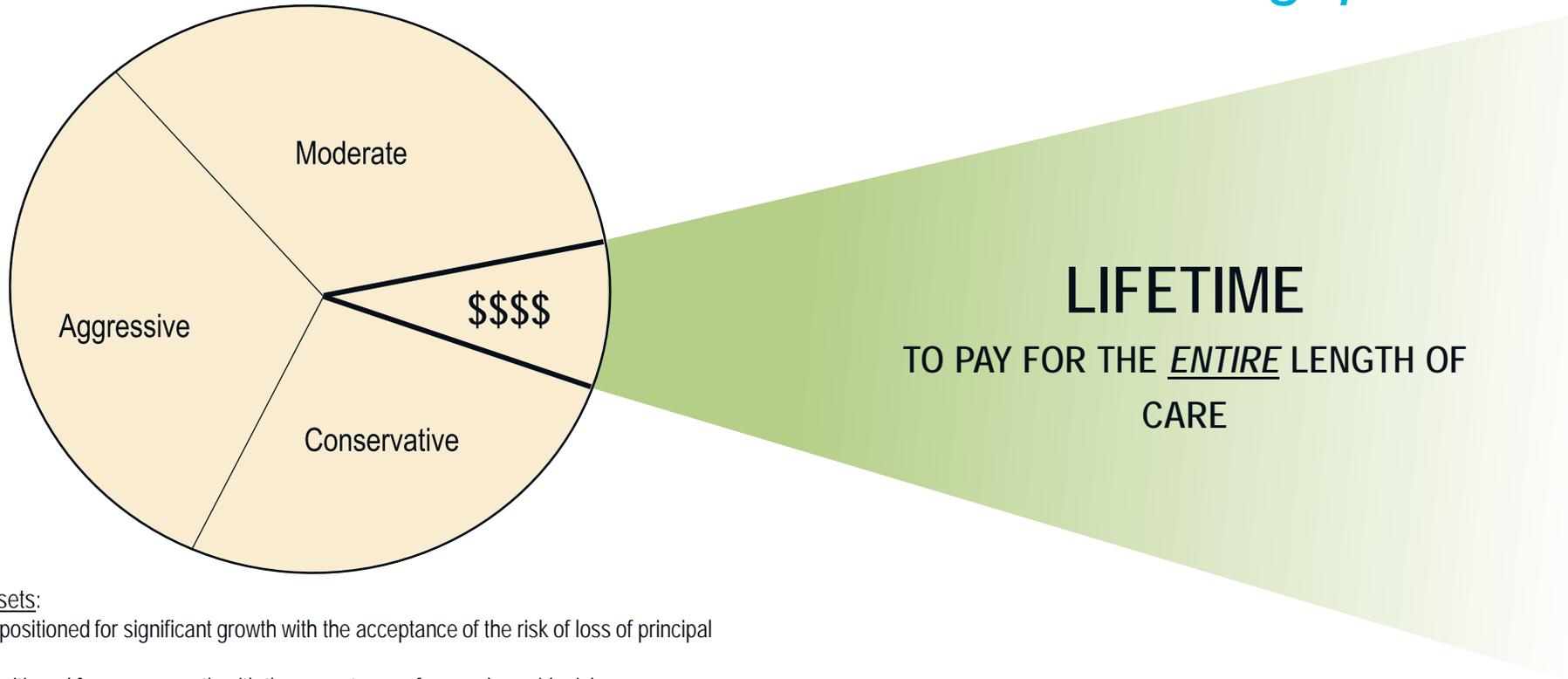
How to bridge the gap

Self-funding

- Self-funding
 - Liquidate existing investments
 - Managed accounts
 - Annuities
 - Cash equivalents

Concept example

How do we create an income stream to close the “gap”?



Typical portfolio assets:

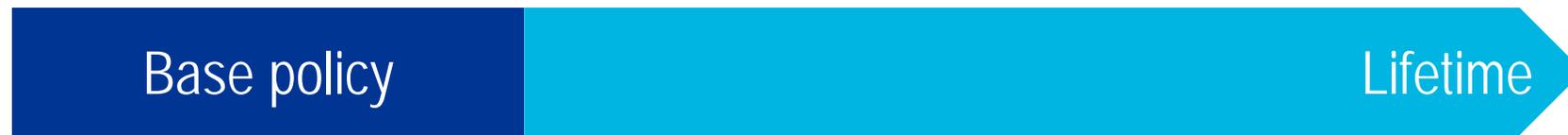
Aggressive--assets positioned for significant growth with the acceptance of the risk of loss of principal

Moderate--assets positioned for some growth with the acceptance of some downside risk

Conservative--assets positioned for conservation of principal—often with guarantees

The asset-based LTC concept

How do we create an income stream to close the “gap”?



Life insurance or annuity

Funding:

- Cash lump sum
- Annual premiums
- Nonqualified annuities
- Qualified money
- Cash value life insurance

Rider (continuation of benefits)

Funding:

- Cash single premium
- Fixed annual premium



Asset care
hypothetical
examples

Convert a CD or money market account

Hypothetical example

- Married couple, earns a good income and prepared for retirement
- Accumulated assets
- Main concern: family history of both Alzheimer's and Parkinson's
- They understand lifetime protection is the best option for their needs

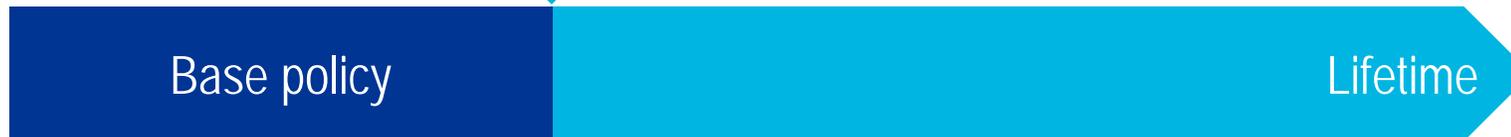


Male, age 60
Female, age 60

Convert a CD or money market account

Hypothetical example

\$200,000 single premium



- Base and rider: \$200,000 lump sum from CD
- \$81,867 per year EACH — lifetime income stream specifically for care expenses
- \$163,733 per year for BOTH — lifetime income stream specifically for care expenses

- Investing \$200,000 @ **40.9%** guaranteed would generate \$81,867 for lifetime for one
- Investing \$200,000 @ **81.8%** guaranteed would generate \$163,733 for lifetime for both



Male, age 60
Female, age 60

Using earned income

Hypothetical example

- Married couple, high income, starting to consider all aspects of their retirement strategy
- Family history, personal experience
- HSA, other tax-free money
- Plenty of life insurance



Male, age 49
Female, age 48

Using earned income

Hypothetical example

\$6,000 annual premium



Base policy

Lifetime

- Base contract: \$3,571 per year
- Rider contract: \$2,429 per year (using the HSA)
- \$71,856 per year EACH — lifetime income stream specifically for care expenses
- \$143,713 per year BOTH — lifetime income stream specifically for care expenses



Male, age 49
Female, age 48

Satisfying required minimum distributions

Hypothetical example

- Married couple, comfortable, want to transfer an existing \$200,000 annuity
- Would prefer to reposition a lump sum
- Can supplement with other income if they incur care expenses



Male, age 70
Female, age 71

Using required minimum distributions (RMDs)

Hypothetical example

\$200,000 transfer



\$200,000 + \$20,000 (10% bonus)



\$22,000 10-year annual distribution funding 10-pay base and rider

Base policy

Lifetime



Male, age 70
Female, age 71

- Total premium: \$200,000 single premium
- \$52,656 per year EACH — lifetime income stream specifically for care expenses
- \$105,312 per year BOTH — lifetime income stream specifically for care expenses

Using an income rider

Hypothetical example

- Concerned she'll need care, doesn't want to become a burden to her family members, who are scattered across the country
- Has a good income, cannot afford additional expenses
- Owns an annuity with an income rider and has no plans for that income
- Decided to turn on the \$12,000 income rider (withholding 20 percent for taxes) to pay for her policy



Female, age 65

Using an income rider

Hypothetical example



Female, age 65

- Total premium: \$9,600 per year
- \$60,976 per year — lifetime income stream specifically for care expenses
- \$5,081 per month — lifetime income stream specifically for care expenses



Annuity Care
hypothetical
examples

Existing annuity or cash

Hypothetical example

- Recently retired, has a solid strategy and good pension that will provide her income
- Purchased an annuity and experienced substantial growth over the years
- Concerned she won't have enough to pay for care, but does not want to pay premiums
- No children, but insurance company could pay her care provider directly



Female, age 63

Existing annuity or cash

Hypothetical example

\$150,000 annuity



\$150,000

\$225,000 Continuation of benefits

Base policy

\$375,000
Total Amount



Female, age 63

- Base and rider contract: \$150,000. Internal charges pay for the rider
- \$75,000 per year — 5 years of income specifically for care expenses
- \$6,250 per month — 60 months of income specifically for care expenses



Next steps

1. Begin “The Talk”

2. Meet with financial professional

3. Explore all options for you

4. Complete your plan

5. Tell loved ones about the plan

Contact us

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Let's address your great income retirement income gap today!



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