RETIREMENT PLANNING: STRATEGIES FOR SAFEGUARDING YOUR FINANCES
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Thank you for joining us for our presentation Retirement Planning: Strategies for Safeguarding Your Finances. Welcome back our presenter Andrew hall from The Institute of Financial Education who presented on various financial topics for us before. Thank you for joining us and being with us today Andrew. I'll hand it over to you to let you tell the participants more about yourself.

All right, sounds good. thank you. so thank you for having me again, my name is Andrew Hall and I'm the head CPA and founder for a nonprofit organization called The Institute for Financial Education. you will see in the resource slide our website is there, https://ifeonline.org . there you can find my contact information if you need to reach out and ask questions and you can find a lot of resources and webinars and things coming up. we just posted it today. there's a three part tax planning webinar at the end of April into may. so three different sessions on three different tax planning strategies and we're excited about it. that's just one of the many benefits you can get on our website. today I'm going to be talking about retirement planning and specifically strategies for safeguarding finances which seems to be all the rage these days as we know that what has happened over the year and a half how quickly everything can change and we have seen a lot of crazy volatility and a panic session early last year in February and March where a lot of our investments and financial vehicles had some really shaky start to the year along with Covid and we see an amazing bounce back as well. a lot of volatility going on and depending on where you're at in your career, it may be a good or bad or different thing but as we get closer to the end of our careers, and the end of the glory years of our life, safeguarding becomes incredibly important. often times what we talk about at our institute and mission statement, we want to reduce the amount of taxes we pay over the course of our lives and reduce the fees and we want to reduce the risk that we take over our life. that's what today is about. unfortunately some of the information here is not going to be specific to each one of you VINLs quite a bit of people on this phone call so we try to design to give as much broad information as we can. I can't maybe necessarily give you a specific answer to your situation because everybody's situation is different. but I hope today this really starts getting you guys to step it up and take control of your finances and start asking the question that you need to start kindergarten in your life to put yourself in a better financial situation whether that's to ask yourself or your financial mentor or financial planner. whatever it is, I hope it will at least get you down the path to start stepping SXUP taking control. that's our goal today. right before we dive in I want to put one thing out here. the disclaimer. today this is an educational work staff, the following presentation does not in anyway advocate for or offer advice on or make recommendations about the stock market or any related investments or insurance. today I will talk about several products that exist to safeguard your well but we are in no way selling products or advocating for any specific product.

financial decisions are important. and it is important that individuals are advised to receive advice from actual financial advisors in these situations. let's go on and get right into this. today's objective we're going to review the risk that threatens to erode the wealth and reveal financial strategies for safeguarding assets. simple. so let's get right into it. risks. there's boiled down to six events that threaten to erode our wealth. what these are -- emergencies. would you have sufficient protection if you suddenly lost your job or a medical emergency or were you furloughed? where are you pulling the money from and disability could you financially withstand a long term loss of work due to disability. could you or your family support yourself? debt. this is a little bit different risk. obviously when you're younger, a death in the family could hurt a lot of income protection. and college savings and retirement savings for a spouse or day-to-day living. etc. but there's also a whole other can of worms opened up here. if you're set up for inheritance and reducing the amount of risk of an efficient estate happening and reducing the fees and taxes on your estate S. We'll talk about that today. another major risk being long term care. do you have enough assets to recover needs for long term care. market volatility. would you be okay if your account lost 40% tomorrow? maybe you're 25 years old and saying heck yeah I would be okay. that's a great buying opportunity to save more money. maybe you're 60 and getting retired tomorrow and you start taking the money out, it's scary. so that's a big risk then longevity. we're living longer these days is your money going to outlive you? the name of the game when it comes to this safeguarding your assets and financial planning individual is coming up with a strategy that is going to help reduce these risks in your life and that strategy may not necessarily be an invest all my money in the stock market and hope I earn enough interest I can self-insure and that I'll be okay no matter what happens. because yes, while it's true, the last ten years of investing money in different stock markets has done very well for us. the previous ten years was actually a negative decade of returns. so it's not just a matter of investing our money to earn as much interest as possible. we want to be okay no matter what happens in our life. we live too long. we have a plan for that. we go into long term care. we're okay, we have a plan. the market looses 40% or 10% a year for the next five years. it's okay there's a plan for that. we maximized our income and the different buckets in our life. a good growth bucket and protection bucket, etc. everybody is different about how this works in their life but I really want to focus on the strategies for safeguarding your finances and that is what our institute does and myself as a CPA and estate planner. and I have really focused my practice over the last decade and a half of not only training individuals but training advisors on implementing strategies to help put individuals in a better overall situation in case of emergencies and things of that nature. so let's talk about this first risk that we identified in emergencies. obviously an emergency fund can happen in many different reasons. A medical emergency. or you can lose your job or get in a car accident. or whatever that is. it's crucial that everybody has this kind of emergency fund behind the scenes. do you have enough funds to cover 6 months of mandatory expenses in this situation would be like your mortgage. and any insurance, food and things of that nature. payments that you have. car payments, etc. this account should be liquid and penalty free. it should be readily accessible so it should be available to you in a day or two or three. not much longer than that. and most importantly, I think this emergency fund shouldn't have much fluctuation in value meaning that the emergency fund shouldn't be tied to the SNP 500, for example where yeah it can earn 10% interest in a year but can also lose 30 or 40. because if your emergency fund was tied to the stock market in March of last year and you lost your job due to Covid and you need to access the money and it was depressed 30%, that's a recipe for disaster. so we need a bucket to plan for emergencies and build that fund up. we recommend at least six months of mandatory expenses and make sure it's liquid penalty free and readily accessible. insurance can be used to supplement unexpected expenses. property and casualty insurance umbrella and disability insurance policies can save you from dipping into other sources of money. we'll talk about disability in just a minute. but I think an umbrella insurance policy is a really great way and cheap way to help in case of an emergency. so what our umbrella policy does, it takes a car and you have a $300,000 insurance policy on cars for injury and medical. what an umbrella policy does is extends that coverage from $300,000 up to a million or two million. whatever purchases you buy. for most people it's about a million dollars. so therefore, if you're driving around and you are at an fault accident and happened to hit the four lawyers in the car going to lunch together, you're going to wish you had that umbrella coverage. you can extend coverage on your home. coverage on your cars and fairly chief, $100 a year probably at most. and your insurance broker would love to sell you this policy. ask them about it and see if it's something that you can add in your life. but it's always good to say we have value to check online and it's important to have property casualty insurance. that umbrella insurance can be nice especially if you own a lot of properties. people ask should I own them in different LLC's or should I create a new one for different properties? that's one way but an easy way is to get a massive umbrella policy and it's cheap and can be beneficial. at least look into it. reducing minimum debt payment accounts THCHL is a good financial stance that can help an emergency a lot. when we're in an emergency, in an emergency mandatory payments. we don't want to have all these payments that we have to make if we can't make them. so work on being debt free and lower the minimum credit card balance you have. freeze up more money to allocate towards savings and take advantage of 0 balance credit card transfers and finance your home. loan money to yourself from existing accounts if you need to. money is liquid and fluid and moves. just because it's in one account it might be more efficient in another account eliminating debt or minimum balances or minimum payments that you need to make. you can always make more than a minimum payment. but when push comes to shove and you lose your job or have a medical emergency or something is going on in your life, having a mandatory minimum payment as low as possible is important. so work on being debt free. lowering credit card balances and refinancing your house if you can. especially at these low rates that we exist in today. starting to come up a little bit but still, not uncommon for me to see a high rate still in this environment. so work on that. that's a good way to plan for emergencies. like step one. let's talk about the risk of becoming disabled and you can't work. that's going to take a very big cut to your income every single year. so there's a couple of different ways to protect this. so the nice thing about being a federal employee is that you're actually eligible for some disability insurance or disability retirement, if you will through CRS if you're still on employee but you all are rapidly disappearing. so most of the FURS individuals you are eligible to -- you become disabled early so say you have been working for the Government for ten years and you're 36 years old and for whatever reason you become disabled and can no longer work. you're eligible to get a retirement benefit immediately basically from the federal Government. if you're under the age of 62, this is how it works. during a first year of your disability, you're going to get 60% of your high three year salary. minus 100% of whatever your social security benefit is. if you become disabled the federal Government does have protection for you in the form of social security and disability. so what social security is a lifetime payment that pays you when you retire. they will pay the benefit early. so if you become disabled and you work for the federal Government, you have to apply for social security disability and whatever that calculation is, they will give you an amount. if you want to know what your SSDI benefit is now, go to SA.gov and pull your social security report and you will actually see a social security statement and it will tell you what your disability benefit today if that happens. if you want more information on social security, shameless plug time. go to IFE online.org and one of our sessions coming up here at the end of April is on social security and taxation. as if we become disabled you apply for social security benefits and then the Government gives you 60% of your high three salary minus whatever your social security benefit is. so let's say you made $100,000. so Government for the first year would give you $60,000 minus whatever your social security disability is so really in essence, the most you can get is 60% of your salary. after 12 months they revert and gives you 40% of your high three years. plus minus 60% of your social security disability benefit. and then if you're 62 or older and you become disabled or when you turn 62, you actually switch off the disability benefit and you go on your full on furs pension and the years of service you're disabled will count towards that. long story short. without getting too far in the weeds which I already have, there's disability protection for you in the federal Government. looking at an individual disability policy can be a very good deal for you. especially if you don't work for the federal Government or you have a spouse or something that does not work for the federal Government. basically in a nutshell, what most individual disability insurance policies do is pay up to around 60% of whatever your salary is. these policies have tons of bells and WHIS LS and we can be here all day talking about them but in general when you're looking at this stuff, a policy will pay up to 60% of your salary. if you make $100,000 a year you can get an insurance policy that will pay you $60,000 a year until you're 55 years old and it will come every single year. these plans have types of bells and WHIS LS but one of the most important things I've done with the folks that we have helped with disability in my past is look at something called return a premium writer so disability insurance isn't overly cheap. not like $100 a year. you might pay $1,200 a year or 1500 a year but if you return a premium writer on it, what it means is throughout the years if you turn 65 and you never became disabled, they will refund the money that you paid into over the course of your life. I think that's really important to have when it comes to disability insurance. that way you can protect yourself on the way up to age 65 and if you don't use it, you get your money back. yeah, you did lose the opportunity cost of earning interest during that time but just because you're not earning interest doesn't mean you're not having a valuable assess in your life. because if do you became disabled that insurance policy could be worth a lot of money for you. so that's kind of disability in a nutshell. so that covers our emergency what happens in case something happens in an emergency and disability. and now let's go to the other D, debt. and coming up with an estate plan. so one of the things we don't think about is safeguarding our assets from fees, taxes and safeguarding them from them going where we want them to go. safeguarding from cousin eddy. we want to do that and there's multiple ways to do that. one of the things that everybody should do regardless of age, regardless of where they're at in their life is a valid will package. typically wills come in packages that include three parts. two have to do when you're alive. you have your last will and testament. your living will L and your powers of attorney. a will does not bypass probate court. when you die, all the stuff that's left over is part of your estate. gets reported to this thing called probate court and a judge and lawyer determine where the assets that are in the probate court go after you die. you obviously at this point do not have a say in this because you are not there to defend yourself. but if you have a will, that will is your ability to defend yourself in your probate court and let them know, I want my assets to go to X, Y and Z. this is where I want them to go. that can be important. we'll talk about bypassing probate but a will is the way to do it and outlines what happens to your assets after your passing. I think also if you have minor children. the money goes where the children go. so you want that to be outlined and you don't want your aunt or cousin or in law raising your children so you lay this out in your will. the other thing that's really important to put into this is your power of attorney basically so your medical care wishes. do you want to be on life support, recess stated and administer artificial food and water and your power of attorney helps individuals make medical and financial decisions for you. so you become incapacitated and you want your wishes expressed I want the plug pulled. they have to follow your will on that and your power of attorney can DEZ IG assassinate medical decisions for you which is important because if any of you have dealt with a loved one, parent or friend that is incapacitated and they don't have you, good luck getting any information out of there. you can't make decisions or pay bills, etc. wills can be very cheap. you can even go to places like legal zoom.com and get the whole package done. there's quicken will maker like a turbo tax type thing for wills and it can be beneficial as well. need to be written down in most states the State by state deal but in most states they have to be notarized and witnessed by two people. not privy to the will. get this done. it's a great way. now, the will is just one piece of safeguarding your assets after you die. it's not overly power because it does not bypass probate. if you want your assets to go where you want them to go and bypass probate, one of the best ways is to name beneficiaries. your TSP, you can put beneficiaries on it and your bank accounts. your Brock RAJ accounts, your stocks and bonds and your house. everything that has a beneficiary on it not only bypasses probate but becomes the primary mover of how that asset gets passed. so if my bank account has a beneficiary of somebody -- bill on it. but my will says it's going to bob. well, that beneficiary, bill, overrides bob in regards to the will. so beneficiaries trump all. there's other plans and things that exist that we can use to establish an estate plan. creating a trust is one of the things. what a trust does is specifies exactly how and when your beneficiaries receive their inheritance and authorizes the trustee to hold and distribute accordingly. there's more to manage taxes and control asset distribution and avoid probate. anything you name in a trust avoids probate. for most of us when we create a trust, there's no difference between us and the trust. we still own the assets and pay taxes on the assets and we can still access the assets when we want. but when we die, that trust now owns our assets and everything that is named to the trust owns the asset. that trust is now a separate legal entity other than yourself. which means it has to pay taxes and that's a whole other story for another day. tune into our tax planning seminar next week if you want learn more about that. but the trust owes these assets so the trust bypasses probate. if you want your bank account to go to my niece only if she gets straight A's at the University of Notre Dame. otherwise it goes to my nephew. I don't want to outline that in a will because a will doesn't have any authority after the money is distributed out. if you want something very specifically to happen to your money in that scenario I just said, then you will want a trust to do that. but a lot of times a trust isn't the end all be all. just a way to have your assets go exactly how you want to use them over the course of your life. it can have implications but that's what it is used for. also with a trust the key thing to note here is it does pay its own taxes so be careful with that. you don't necessarily need a trust. if you have a simple situation and all your assets are getting split equally and you don't care what happens to your stuff. your children, friends or family can use that money however you want. you don't need a trust. life insurance is another tool used to establish an estate. the big benefit about life insurance is that it's tax free. not only does it bypass probate but it's tax free. if I have $100,000 TSP and I'm going to leave that money behind and I know I'm going to leave it behind, I'm not spending my TSP or maybe I am but I have enough money in there that there's no way I'm going to spend it unless something catastrophic happens. if you leave that to your heirs it's taxable and it could be taxable in one year depending on how many beneficiaries it goes through and a MRETH RA PLETHRA of other things. if you can convert that $100,000 of traditional TSP money to completely tax free life insurance, that can be a saving of thousands and thousands of dollars in lifetime taxes. so when we talk about life insurance and estate plans, it's a great tool if you say I want to leave money behind, you can guarantee an outcome. but one of the most important things when it comes to life insurance is taxes. and how well you can pay those taxes or how little you can pay the taxes over the lifetime of it. so establishing the estate plan. these are just tools. a will is a tool. as a financial planner if you say I need to establish an estate plan I say okay we're putting your money in these investments and put a beneficiary on it, that's great. not really an estate plan. that's a tool. you need to create a trust. we want to make sure these are coordinated efficiently as possible. if I have life insurance it's because it's not only an estate plan and long term care plan. do I have a trust because I have a situation where I absolutely need to leave a trust. one estate planning pitfall we see all the time of safeguarding assets is leaving IRA's 401K's and TSP's to a trust. now, again don't have time to talk about this but there's serious tax implication ifs you leave your 401K to a trust. you don't want to do that unless you have to. because you will pay excess taxes on all that money. so that's just a little estate tip red flag. so next we talk about emergencies and death. we talked about disability. now let's talk about long term care. this is another really big risk probably the biggest risks for folks that are at or near retirement age. because long term care is a beast and it can cost a lot of money and it can wipe us out and drain us quick. long term care is a range of service TS that support personal care including the assistance with nonmedical activities of daily living and every day tasks. so if you need help get FRG a bed to a wheelchair. or bathing or going to the bathroom. help dressing or eating. these are the things that are long term care setting in and it's expensive. we're talking about $8,000 a month at the lower end on the national average right now. depending on where you live, it could be higher. what's scarier is the statistics. people age 65 or older have a 70% chance of needing long term care at some point in life. women actually need care on average of almost a year and a half longer than men and over 20% of people need care longer than five years. memory care. that's a really big one. you go into a memory care unit and you're paying $10,000 a month for the next ten years. that's $120,000 a year do you have the assets to sustain that? and what's that do to your estate plan? it's a very real threat and something that has to be discussed in your financial planning and I'll talk about the tools that exist in order for you to counter balance that and how they coordinate with your life. that's up to you and your planner to figure out how. but there's ways to safeguard against it and most of the things are some sort of insurance plan that exists. what are the options to safeguard your estate against this risk. traditional long term care insurance similar to what you have through the federal Government with John Hancock. you pay a premium and if a long term care event occurs the policy pays a benefit. all right I pay $3,000 a year. every year. and the long term care down the road I'll get

$200,000 to pay for long term care. however, if I don't need long term care down the road and I just pass on without needing long term care, nobody gets anything. I just paid $3,000 a year or whatever and I never used it. so I may have paid $60,000 over the course of my life and got no benefit from it. that's how traditional long term care INS sureness works. if why use it, it could be a great deal. there's a problem in the industry now. because 70% plus people are using long term care. traditional long term insurance policies are getting expensive and the federal Government has to bid theirs out every seven years that's why many of you in 2016 if you had this coverage you see a huge increase in it. so that's traditional long term care insurance if you want that to go that route. another type of long term care protection you can get is hybrid. this is typically a life insurance policy with a long term care benefit. now we're dealing and coordinating plans so what a hybrid insurance policy does is basically as a life insurance policy that you can use the death benefit to pay for long term care. so I pay $5,000 a year and that gives me $200,000 of death benefits and if I need long term care, I can use that $200,000 death benefit to pay for it but if I don't need it I can leave that behind to my kids or whomever I want. additionally with hybrid long term care insurance that $5,000 a year I'm paying in -- I don't necessarily lose it. after ten years I put 50 grand into it. if I want 50 grand out of it because I want to buy a car or house. I can take that money out of the policy as well. a really flexible policy. you might lose a little bit of money on the rate of return. might not have the potential to earn 10% every single year in interest but you will have protection of long term care and the money that you put into it over the years and you will be able to give a tax free asset to your heirs if you don't utilize it. a great solution to a problem. especially for conservative investigator or conservative piece of your overall portfolio. this is actually really interesting. I was talking with somebody literally earlier this morning and they were talking about their G fund and they have X amount of dollars in their G fund and right now it's earning 1% interest or whatever. not much. but they're never taking that money out. they love the safety and security that's great and fine. and what they were looking at is actually taking their G fund say $100,000 and putting $10,000 a year for the next ten years into a hybrid long term insurance policy and what ended up happening after ten years they have like $120,000 of cash in there so they had just as much money as they started with plus interest. they had $250,000 of long term care benefits so you're able to get the safety and security of something like the G fund but add long term care benefits on top of it. so again, coordinating benefits and plans. asset base long term care insurance is another way to do long term care insurance. this way is basically taking a lump sum deposit and long term care event occurred the policy pays the benefit. you have $100,000 maybe in my TSP or cash. I take that and I put it in a long term care insurance policy. asset based and I go into long term care. depending on your age and health, they will give you probably somewhere between 40 thousand $40,000 and $50,000 a year every year the rest of your life if a long term care event occurs. the kicker is if you don't use that money, if you don't need long term care, they will give that $100,000 you put in there to your heirs tax free. and then there might be special annuities for those who can't get underwritten so if you're sick or don't qualify, you will probably safeguard against the asset and look into special annuity that is exist which increase pay out and give you a pay out income guaranteed every year that increases the long term care event occurring. TOZ are usually for folks that are again not as healthy and cannot qualify for traditional, hybrid or long term care insurance. when it comes to long term care and safeguarding assets, these are the products and assets that exist. the product is a product. each and every one of you will have something different fit into your strategy. maybe it's good for you and maybe it's not. I'm here to help you ask the right questions about how something like this could fit into your overall plan. the last two things about safeguarding assets, market volatility and longevity. so as we get older there's different buckets of money that we all have. we all have an income producing bucket of money. we know where it's coming from. maybe our pension and social security and maybe that's enough guaranteed income for us. or maybe we add a little bit of a guaranteed annuity in there or guaranteed income. there's your yield bucket. then everybody should have a protected bucket and this could be some of the asset based long term care and long term care insurance. it could be a safer money alternative, the G fund. maybe even the F fund. or this protection. I absolutely a room for taking a little bit of risk and putting it in the growth bucket. but we can't put everything in the growth bucket because if we do and keep that one strategy being the strategy level I talk about calling it strategy diversification. if we put our money in that level and that level doesn't pan out, that's a problem. over the last ten years we have seen nothing but positive returns. again, your strategy when investing and being mindful of volatility is key. where you are in your life volatility will affect you differently. it can be your friend in younger years. this chart is really interesting to me. basically what this is saying is what is dollar cost averaging verses single investment. that's the blue line. you put in a one time $5,000 payment. and you let it ride with the C fund over the next ten years. or instead of putting all $5,000 in that one, you put 50 bucks a month in over that same period. because when you do an all or nothing shot, you put it in at that point in the market and the market is going up and down. you don't really get advantage of the down side. you get advantage of the upside but you don't take advantage of the volatility of the down side. the idea of dollar cost averaging that single investment month after month you only put $50 in a month over ten years instead of $5,000 all at once. look what happened in the end over a ten year period. over the long run. you actually have more money by spreading that out because you are able to take advantage of volatility incorrections. as you're putting money in, be mindful, dollar cost averaging is a big thing for younger folks but as we get older. we have to think of it the other way. dollar cost ravaging is what I call it. the sequence of return becomes paramount a few years before you retire. this picture we're seeing here I think is one of the most if not the most important thing for people in their 60s later 50s or especially people that are retired getting ready to take money out. this is so important. it's called the sequence of returns F. You retire at the beginning of an up market -- this is on the left hand side $100,000 invested and taking out $5,000 a year for 15 years, if the market is positive during the early years of retirement, look what happens at the end of 15 years. we have more money than we started with. the average rate of return for all that is still 4%. let's flip that on its head. the average rate is still 4%. but we only have $35,000 left in our account. that's because the sequence of returns flipped on its head and we retired at the beginning of a down market. and that is a very risky play. so to safeguard against that we absolutely need some sort of bucket of money that is protected that we can take money out of during a down market so we don't have to take money out of an account losing money at the same time. then when the money is growing like it is on the left hand side and our $100,000 went up, when we go to Vegas and play black Jack and put $100 on the table and make $100 what's the first thing we do? most of us unless we're professional gamblers we take the $100 that we took off the table and play with house monies. in the Wall Street casino we keep thinking this is going to last forever and let it ride. be mindful and understand the sequence of return and establish a bucket of money protected against the down side risk and it will help you in the later years. way to do this, the asset allocation is different for everybody. folks have talked about that rule of 100 which basically says take 100 minus your age and that's how much money should be at risk verses how much money in the investments. that's a good starting point. I'll talk about how that is done with TSP in just a second. there's a thing called volatility controlled indexes out there. do your own research. but they are partially comprised of cash which has no volatility. the index adjusts the asset mix to use more cash and less stock and many controlled indexes are available with inside of actual annuities so it's important to understand how those work. but a volatility index can help smooth this sequence of returns risk out. it's important to note with all these and everything I talk about, these vehicles all have inherent risks and should be discussed with licensed investment professionals to determine their right for you. take a look at volatility and control of index, read about them and learn about them. it will be good.

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now a majority of everybody on the call is probably have most that you are money in the TSP. it's three equity funds. they are tied to an underlying index there and risky. a large fluctuation. March 2020 last year. something like 25%. now luckily we got it all back. but us getting it back is going to hurt a lot of people in the long run because they believe they're bullet proof. but then you have the G and F fund so CSI, G and F. inside they are the more conservative fund. it's simply Government interest and fixed no matter what. that fixed amount changes but never less than 0 but probably no more than 1% or 2% especially now hovering around 1% don't quote me on that. but it's fairly low. the F fund is a bond fund. so the F fund we see is typically less risky and basically what happens in a bond fund is you're lending money to a bond issue for the right to receive interest for a set amount of time. so as long as you don't need a cash bond, the simple interest over the course of time, might be a good income play as well. these are the options that you have inside your TSP to invest and you have these same exact options outside of it brokerage account with a major money self-directed account like vanguard or E trade any of those people. all can hold this mountain and give you the same exact investments for the same cost. but think about what's happening. equity fund, inherently more risky. G and F more conservative. if you really have no idea what you're doing or you don't want to know, the life cycle funds could be physician official for you. all they do is mix your CSI funds in Accord dance with how folks retire. you can see the life cycle 2060 on the far right hand side. 98% of everything is in the CSI fund. super risky. you go through time and see more money in that orange G fund. and now TSP now suggests 72% of your money is in the G fund. now it really starts getting down to the nitty-gritty and you ask yourself can my money live long enough at only earning 1%. 75% of everything I own is earning 1% interest. now you're on the complete opposite of the spectrum. these life cycle funds could be great ways for folks not sure what they're doing to help these assets get the mix for you. one last thing to talk about, when it comes to shielding your investments before I get to questions and answers is these things called annuities. a single premium annuity insurance based product where you put a lump sum of money in and you receive a guaranteed amount of income over your life. this is what most people think about. if I could get $8,000 a year the rest of my life, I would be happy as a clam. you can buy an annuity that will give you $8,000 a year guaranteed no matter what happens. something called a fixed annuity another insurance based product where you put a lump sum of money in and there's a predetermined fixed amount of interest over a period of time. 2% or whatever that is. there's a variable annuity which often gets complicated but you can have gains and losses with underlying investments and you can create income. there's a fixed annuity insurance based product where you place a lump sum of money and it earns interest based on underlying index. we have an hour conversation on this. many offer flexibility. take your money at your leisure or leave it behind with no strings attached to heirs and basically it kind of can help protect your principle from the money you put in and it can also earn you interest throughout the year. there's a lot of these things out there sold by insurance folks a lot of the times and misnomers about them. again it's just a product. if you use the right one, you can have no fees or risks and complete liquidity to yourself and upon your debt. so it's a very important concept and people need to dig into it more to fully understand these. these are another way to shield your investments from down size risk.

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and last but not least, as you get older protection becomes paramount we know that. market corrections could significant affect cash flow and retirement. everybody needs to consider your income needs. if you could get a check every month after your taxes were paid, what would it be? I need $7,000 a month. great, we know and how are we going to guarantee that happens? once we can guarantee and safeguard the income we know will happen, it allows us to use our other assets that aren't creating the income to do things I talked about like help on taxes and build an estate plan and protect against market risks and long term care. we know we have our income. in general if you're understanding if you have enough money we can pull 4% out every year without draining your account balance over the course of your life. so that's where we start. how much is your pension and social security? how much is 4% of your assets and how much income is that producing? all right so in general, don't underestimate how long you will live in retirement and plan for emergencies making sure you have liquidity control of your money and understand what happens in case of a disability. build the estate MRAL and evaluate and consider investment strategy and diversification.

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so I was told we saved 7 minutes for questions and that's what I have left. perfect. I'm going to BOP through these one by one here.

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hey Andrew. .

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the first one says would it be best to drop this expense I-life insurance and invest in long term care. that's a personal decision but brings up a good point. federal employee life insurance increases significantly in cost after the age of 55 and increases significantly every five years there after. a lot of the times looking for alternatives for insurance whether it's a hybrid life insurance policy or guaranteed policy that can help you, you might hear of pension maximization. typically that group life insurance can get awfully expensive. it's good if you're sick but if you're healthy, I think it typically behooves us to give it a shot and look at alternatives available to us. all right. this is flashing over here, this resources page. I better point this out real quick. we have resources for you. these different websites that are on here. federal retirement plan.net. on the right hand side, you can see that the entity for financial education IFE online.org, that is my actual organization. I'm the founder and director of it. that is where you can go to see more information and more webinars and sign up for tax webinars they're great. I will be on camera for those so you can see my face. good resources for you and I'll let Cynthia here tell you about the other stuff. I'm going to keep going through questions for now. so here's the next question. if you become disabled at age 58 you will receive 40% of your salary. you will only receive 20% YOUFR pay. so no, that forever thing throwed it off. if you become disabled while you're working for the federal Government before your retirement years, you will receive that salary only until you're age 62 and once you're 62 you go on regular retirement. so if you become disabled at 58, you will receive 40% of your salary for four years and then you will go on regular retirement which is 1%. so that disability that you will get is just for the years before you turn 62. love this question. will our kids get tax on inheritance, if yes, what can we do to reduce it? the first thing is go to IFE online and check out the tax planning seminars coming up. but yes, it depends on what the asset is. anything that's traditional 401K, your kids will pay taxes on that. at their ordinary income rates so what you need to do while you're alive is tax plan it and if you're in a lower tax rate, spend the money correctly and do Roth conversion. or buy tax sheltered products like life insurance. those are the three things you can do to limit that inheritance. anything traditional you will be taxed on. can beneficiaries trump posts it's not uncommon for people to have their ex Spouse. the beneficiary is the most important thing. how do you get tax free -- life insurance tax free. its very nature is tax free so the key thing there is that you got to talk to an agent that can sell it to you. I don't know if that's what you're getting at but the key is life insurance itself is tax free by its nature.

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is it still true you don't want to leave your TSP to a person with disabilities.

. there are situations where you have to. perhaps someone has special needs or I have a personal client with substance abuse problems that needs to leave their money to a trust. you can set up a special needs trust that inherits the money differently than all other types. there's a exception to the rules this is one. so you can absolutely leave your TSP traditional to a special needs trust if need be but want to make sure they are set up properly to inherit that money E officially as possible. great question. and use a personal TEEP of trust called a special needs trust if you have a situation like that. if my daughter is the beneficiary of my 401K and I pass, can she roll it over and avoid immediate tax penalties no, it now becomes an inherited IRA and she will have ten years to get 100% of that money out of the account. you can absolute add to public TOD works. Medicare cover long term care when your assets are completed. Medicare doesn't cover any long term care. Medicaid does. Medicaid will only kick in after you basically spent 100% of your assets and save a couple thousand dollars. and if you're already 65 and don't have long term care insurance and want to retire, what are your options long term care insurance the older you get, hybrid long term care and asset base tend to reveal THEMs as a better plan. so all right, it's 1:00. so I want you to give your last big push here. Cynthia. if you want to hop in.

Thank you Andrew. if you would like more information on this or other health and wellness topics give us a call or visit us online at FOH4You.com. the EAP is here to help you and your family work through work related issues and support is 24-7 and the services are completely confidential. I also want to remind you that the recording and transcript cop, of the slides and resources handout, as well as a certificate of attendance will be emailed out to you within 24 hours of webinar, and all of today's content will also be available on FOH4You.com in one or two weeks. so we will go ahead and conclude today's webinar and I want to remind you also that a satisfaction survey will appear and you can provide us with additional feedback. thank you again Andrew for presenting today and thank you for taking the time to participate and have a wonderful rest of your day.

Thank you.
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