

Transitions to Retirement

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CUNA Mutual Retirement Solutions™

People driven. Outcome focused.™

Poll Question.

How far are you from retirement?

Less than 1 Year

2-5 Years

6-10 Years

11+ Years

Transition Questions.



- Post-retirement living expenses?
- Basic expenses?
- Health care insurance?
- Emergency fund?

The first step in transitioning into retirement is to be able to pay for it.

Key Retiree Risks.

Longevity

Market

Inflation

Interest rate

Overspending

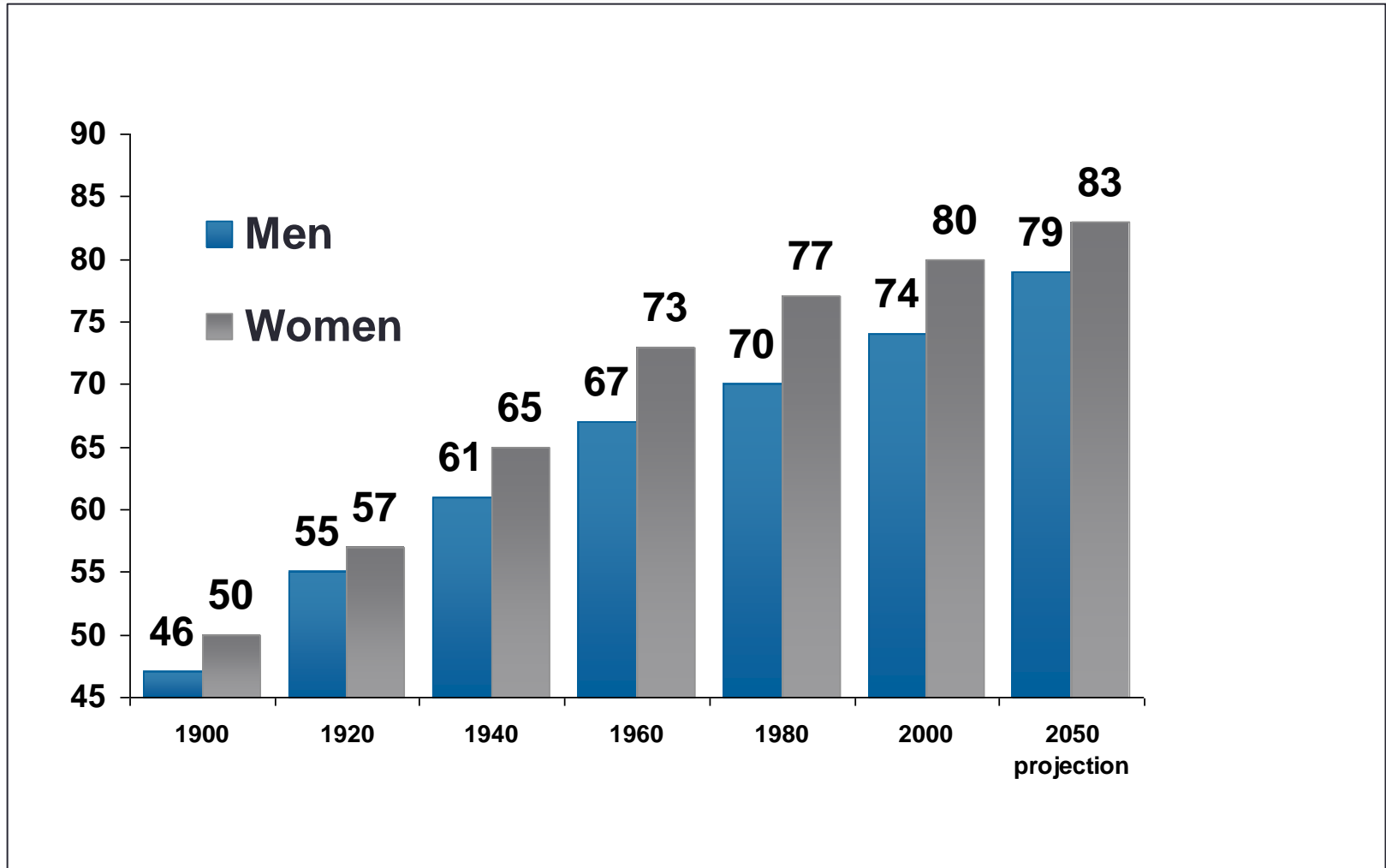
Taxation

Bad timing

Health care



Longevity Risk.



Social Security Administration projecting the average life expectancy based on birth year.

Longevity Risk.

Running out of good health

Growing older often leads to ill health

- Cannot care for yourself or your spouse
- Become a burden to your family
- Risk “not being there” mentally

Running out of money

Biggest fear of retirees

- Lifestyle is diminished
- Health care is unfunded
- Dignity is compromised

Managing Longevity Risks.

Basic Expenses

Guaranteed
lifetime income
sources



- Social Security
- Pensions
- Single Premium Immediate Annuities
- Variable annuities with living benefits

Flexible Spending



Income &
growth
investments

- Income accounts
- Allocation funds
- Managed accounts

The Role of Annuities.

		BEQUEST MOTIVE	
		Low	High
RISK TOLERANCE	Low	May consider full annuitization	Annuitize essential living expenses
	High	Annuitize essential living expenses	Low motivation to annuitize

Poll Question.

How confident are you that you will have enough money to live comfortably throughout your retirement years?

Very Confident

Somewhat Confident

Not Too Confident

Not At All Confident

Unsure

Bad Timing Risk.

Risk of Retiring at the Wrong Time

- Negative returns during early years of retirement
- Inflation spikes during early years of retirement



Bad Timing Risk is Unpredictable

- You can only determine if you have bad timing when it's too late
- Retiring in 2000 was bad timing because of poor market performance
- Retiring in 1973 was bad timing because of high inflation

Is Retiring Today Good or Bad Timing?

Managing Bad Timing Risk.

- Create a cushion of money
- Use your money cushion wisely
 - Poor market performance
 - Inflation spikes



You can't predict bad timing risk, but you can prepare for it.

Managing Market Risk.

Asset allocation

- Continuing and dynamic

The buckets approach

- Reposition stock money into cash

Bad timing risk

- Use the money cushion

Guaranteed income strategies

- Social Security
- Immediate annuities



Diversification.

Annual returns for key indices ranked in order of performance (1994–2013)

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
MSCI EAFE	S&P 500 Growth	S&P 500 Growth	S&P 500 Growth	S&P 500 Growth	MSCI Emerging Markets	Russell 2000 Value	Russell 2000 Value	Barclays Agg	MSCI Emerging Markets	MSCI Emerging Markets	MSCI Emerging Markets	MSCI Emerging Markets	MSCI Emerging Markets	Barclays Agg	MSCI Emerging Markets	Russell 2000 Growth	Barclays Agg	MSCI Emerging Markets	Russell 2000 Growth
7.78%	38.13%	23.97%	36.52%	42.16%	66.42%	22.83%	14.02%	10.26%	56.28%	25.95%	34.54%	32.59%	39.78%	5.24%	79.02%	29.09%	7.84%	18.63%	43.30%
S&P 500 Growth	S&P 500	S&P 500	S&P 500	S&P 500	Russell 2000 Growth	Barclays Agg	Barclays Agg	Barclays Corp High Yield	Russell 2000 Growth	Russell 2000 Value	MSCI EAFE	MSCI EAFE	MSCI EAFE	Barclays Corp High Yield	Barclays Corp High Yield	Russell 2000	Barclays Corp High Yield	Russell 2000 Value	Russell 2000
3.13%	37.58%	22.96%	33.36%	28.58%	43.09%	11.63%	8.43%	-1.41%	48.54%	22.25%	13.54%	26.34%	11.17%	-26.16%	58.21%	26.85%	4.98%	18.05%	38.82%
S&P 500	S&P 500 Value	S&P 500 Value	Russell 2000 Value	MSCI EAFE	S&P 500 Growth	S&P 500 Value	Barclays Corp High Yield	MSCI Emerging Markets	Russell 2000	MSCI EAFE	S&P 500 Value	Russell 2000 Value	S&P 500 Growth	Russell 2000 Value	Russell 2000 Growth	Russell 2000 Value	S&P 500 Growth	S&P 500 Value	Russell 2000 Value
1.32%	36.99%	22.00%	31.78%	20.00%	28.24%	6.08%	5.28%	-6.00%	47.25%	20.25%	5.82%	23.48%	9.13%	-28.92%	34.47%	24.50%	4.65%	17.68%	34.52%
S&P 500 Value	Russell 2000 Growth	Russell 2000 Value	S&P 500 Value	S&P 500 Value	MSCI EAFE	Russell 2000	Russell 2000	Russell 2000 Value	Russell 2000 Value	Russell 2000	S&P 500	S&P 500 Value	Russell 2000 Growth	Russell 2000	MSCI EAFE	MSCI Emerging Markets	S&P 500	MSCI EAFE	S&P 500 Growth
-0.64%	31.04%	21.37%	29.98%	14.69%	26.96%	-3.02%	2.49%	-11.43%	46.03%	18.33%	4.91%	20.81%	7.05%	-33.79%	31.78%	19.20%	2.11%	17.32%	32.75%
Barclays Corp High Yield	Russell 2000	Russell 2000	Russell 2000	Barclays Agg	Russell 2000	Barclays Corp High Yield	MSCI Emerging Markets	MSCI EAFE	MSCI EAFE	S&P 500 Value	Russell 2000 Value	Russell 2000	Barclays Agg	S&P 500 Growth	S&P 500 Growth	Barclays Corp High Yield	S&P 500 Value	Russell 2000	S&P 500
-1.03%	28.45%	16.49%	22.36%	8.70%	21.26%	-5.86%	-2.37%	-15.94%	38.59%	15.71%	4.71%	18.37%	6.97%	-34.92%	31.57%	15.12%	-0.48%	16.35%	32.39%
Russell 2000 Value	Russell 2000 Value	Barclays Corp High Yield	Russell 2000 Growth	Barclays Corp High Yield	S&P 500	S&P 500	Russell 2000 Growth	Russell 2000	S&P 500 Value	Russell 2000 Growth	Russell 2000	S&P 500	S&P 500	S&P 500	Russell 2000	S&P 500 Value	Russell 2000 Growth	S&P 500	S&P 500 Value
-1.54%	25.75%	11.35%	12.95%	1.87%	21.04%	-9.11%	-9.23%	-20.48%	31.79%	14.31%	4.55%	15.79%	5.49%	-37.00%	27.17%	15.10%	-2.91%	16.00%	31.99%
Russell 2000	Barclays Corp High Yield	Russell 2000 Growth	Barclays Corp High Yield	Russell 2000 Growth	S&P 500 Value	MSCI EAFE	S&P 500 Value	S&P 500 Value	Barclays Corp High Yield	Barclays Corp High Yield	Russell 2000 Growth	Russell 2000 Growth	S&P 500 Value	Russell 2000 Growth	S&P 500	S&P 500	Russell 2000	Barclays Corp High Yield	MSCI EAFE
-1.82%	19.18%	11.26%	12.76%	1.23%	12.73%	-14.17%	-11.71%	-20.85%	28.97%	11.13%	4.15%	13.35%	1.99%	-38.54%	26.47%	15.06%	-4.18%	15.81%	22.78%
Russell 2000 Growth	Barclays Agg	MSCI EAFE	Barclays Agg	Russell 2000	Barclays Corp High Yield	S&P 500 Growth	S&P 500	S&P 500	S&P 500	S&P 500	S&P 500 Growth	Barclays Corp High Yield	Barclays Corp High Yield	S&P 500 Value	S&P 500 Value	S&P 500 Growth	Russell 2000 Value	S&P 500 Growth	Barclays Corp High Yield
-2.43%	18.46%	6.05%	9.64%	-2.55%	2.39%	-22.08%	-11.89%	-22.10%	28.68%	10.88%	4.00%	11.85%	1.87%	-39.22%	21.17%	15.05%	-5.50%	14.61%	7.44%
Barclays Agg	MSCI EAFE	MSCI Emerging Markets	MSCI EAFE	Russell 2000 Value	Barclays Agg	Russell 2000 Growth	S&P 500 Growth	S&P 500 Growth	S&P 500 Growth	S&P 500 Growth	Barclays Corp High Yield	S&P 500 Growth	Russell 2000	MSCI EAFE	Russell 2000 Value	MSCI EAFE	MSCI EAFE	Russell 2000 Growth	Barclays Agg
-2.92%	11.21%	6.03%	1.78%	-6.45%	-0.82%	-22.43%	-12.73%	-23.59%	25.66%	6.13%	2.74%	11.01%	-1.57%	-43.38%	20.58%	7.75%	-12.14%	14.59%	-2.02%
MSCI Emerging Markets	MSCI Emerging Markets	Barclays Agg	MSCI Emerging Markets	MSCI Emerging Markets	Russell 2000 Value	MSCI Emerging Markets	MSCI EAFE	Russell 2000 Growth	Barclays Agg	Barclays Agg	Barclays Agg	Barclays Agg	Russell 2000 Value	MSCI Emerging Markets	Barclays Agg	Barclays Agg	MSCI Emerging Markets	Barclays Agg	MSCI Emerging Markets
-7.32%	-5.21%	3.64%	-11.59%	-25.34%	-1.49%	-30.61%	-21.44%	-30.26%	4.10%	4.34%	2.43%	4.33%	-9.78%	-53.18%	5.93%	6.54%	-18.17%	4.21%	-2.27%

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The Best and Worst Performing Asset Classes: Annual Performance of Index Returns.

Inflation Risk.

If you think compound interest is a miracle, compound inflation is a disaster



Inflation risk, combined with longevity risk, could very well be a your retirement's biggest enemy



Even a mild 3% annual inflation rate can add up over 30 years



Inflation is not linear!

Inflation is permanent, as prices rarely go back down.

Managing Inflation Risk.



Volatility is Scary | Stocks Combat Inflation | Curb Emotional Responses

Managing Overspending Risk.

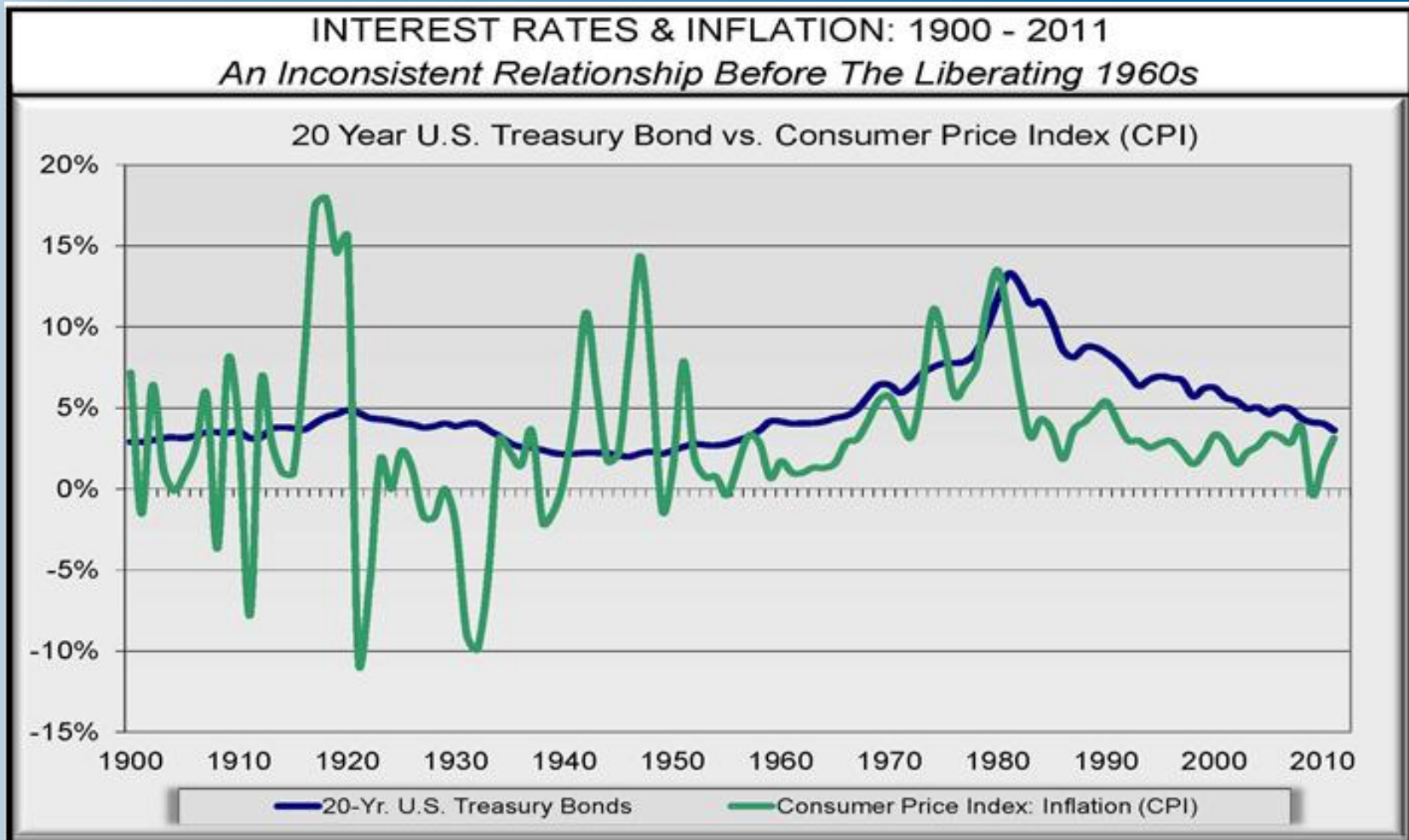


- Celebrations
- Big ticket items
- Don't overspend during a booming market

Interest Rate Risk.

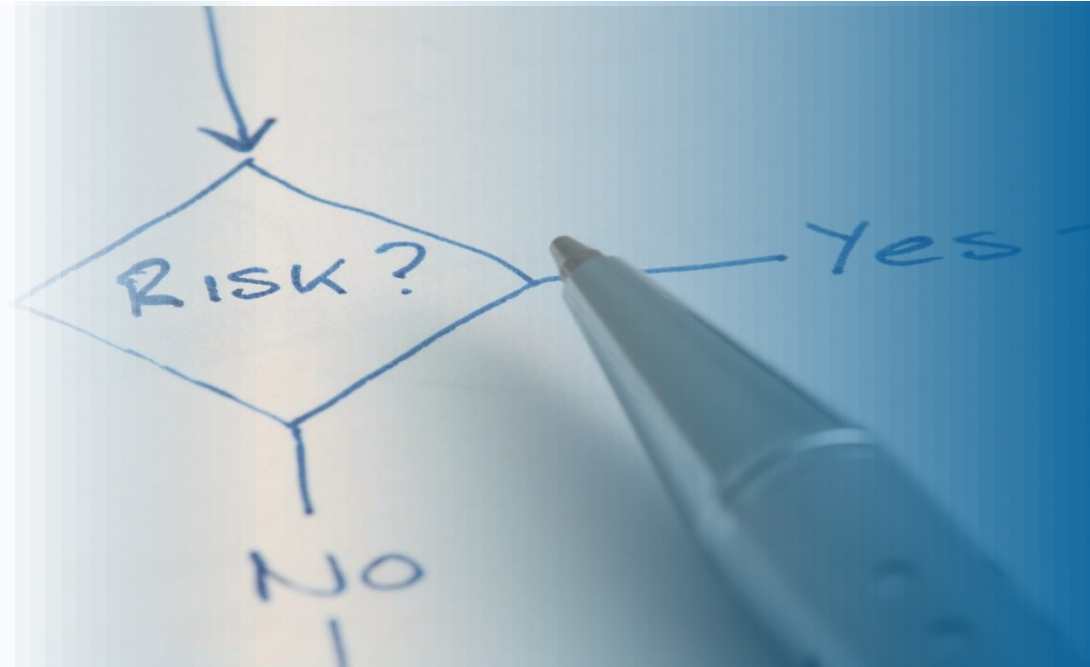
- “Living off the interest...”
- You need a lot of money to start
- Using interest rate instead of “real” interest rate
- Interest rates are unpredictable

Managing Interest Rate Risk.



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Managing Interest Rate Risk.



Diversify types

- Certificates of deposit
- Annuities
- Treasuries
- Corporate bonds

Diversify maturities

- Diversify maturities so that something is coming due regularly

Taxation Risk.

Income, estate, sales, real estate taxes

- Taxes deplete real dollars that can be spent

Traditional IRAs and 401(k)s have tax consequences

- Deferred income taxes
- Future income tax rates are not guaranteed



***Representatives are not tax advisors, for information on tax consequences see a tax professional.**

Health Care Funding Risk.

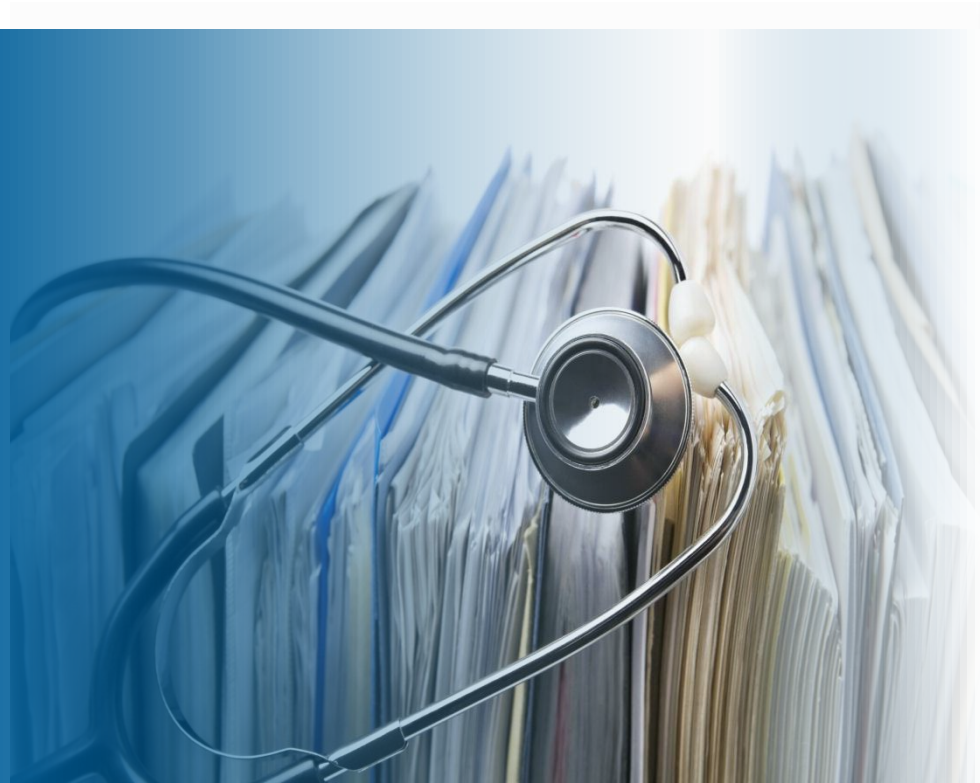


- Medicare starts at age 65 for most people
- Most employers no longer offer retiree health insurance
- Individual health insurance is costly, especially for people 60+

Transition to retirement often hinges on health insurance availability.

Managing Health Care Funding Risk.

- Previous employer
 - COBRA
- Current employer
- U.S Government
- On your own
 - Individual insurance



Secure Good Health Care Funding.

Managing Health Care Funding Risk.

- Consider buying long term care insurance
- Beware of Medicaid spend-down planning



Understand the risk of long term care expenses.

Questions?

Investor Guidance Center

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M-F 7:00 a.m. CT – 5:00 p.m. CT



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