



What Is the

# Safe Wealth Plan?

# What is the “Safe Wealth Plan”

The Safe Wealth Plan is a comprehensive retirement strategy designed to ensure financial security during one's retirement years. It is a retirement income planning method that we believe can help many people live a rewarding life during retirement while providing peace of mind by knowing that you will not run out of money during your lifetime.

We live in very uncertain times, but let's be honest, aren't all times uncertain? Uncertainty isn't new, but what is new for the pre-retiree getting ready to retire or the recently retired person is that the impact of uncertainty on your financial wellness grows exponentially when your income is solely dependent upon your savings, social security and possibly your pension income.

Another term for uncertainty is risk, and the Safe Wealth Plan method is designed to significantly reduce your financial risks as you approach retirement to give you PEACE and confidence that you can live comfortably in retirement, and you won't outlive your retirement income.

As individuals approach retirement, financial security should become a top priority. Before beginning to construct your Safe Wealth Plan it is important to know where you are now and where you want to be. No one else can answer these questions for you, but an experienced agent or advisor can help you ask the right questions such as:

1. What are YOUR purposes for your retirement savings accounts?
2. What is YOUR time horizon for each of your purposes?
3. What is YOUR tolerance with risk? Or said another way, how much loss in your retirement accounts are you willing to accept?

After you understand where you are now, you're ready to begin assembling your Safe Wealth Plan as a holistic approach to retirement planning that encompasses various facets of financial well-being. It is structured into seven distinct steps to help individuals navigate the complex terrain of retirement income planning:

### **Step 1: Identify Your Retirement Budget:**

The foundation of the Safe Wealth Plan is understanding your financial needs in retirement. This step involves should include your expected daily living expenses such as food, shelter, clothing, healthcare, long-term care, life insurance, auto expenses, gas, utilities etc. And don't forget TAXES! We'd all like to assume that we don't pay taxes in retirement, but unfortunately, we do. Creating a detailed budget provides a clear picture of your financial requirements during retirement.

### **Step 2: Identify Guaranteed Income Sources:**

The next step focuses on understanding and maximizing your guaranteed sources of income in your retirement. Social Security and pension income are primary components of guaranteed income in retirement. To maximize Social Security benefits, individuals must consider factors such as when to start claiming and spousal benefits. Properly managed, these income sources can significantly contribute to financial stability in retirement.

### **Step 3: Identify the Income Gap:**

Comparing the retirement budget from Step 1 with the guaranteed income sources identified in Step 2 reveals the income gap. This gap represents the amount that needs to be filled with additional income streams to maintain the desired lifestyle in retirement for the duration of your lifetime(s).

#### **Step 4: Fund the Gap with Additional Guaranteed Income:**

There are a few ways to fund your income gap using what we consider “Safe Money Places” which include certificates of deposit, money market accounts, savings accounts and saving bonds however these may offer income insufficient to fund your income gap and may not provide you income for your entire lifetime due to reinvestment risk. One effective way to bridge the income gap is through annuities with guaranteed lifetime income riders. These financial products offer a reliable source of income that can last a lifetime, helping to mitigate Longevity Risk (See [\*\*\*What is Longevity Risk and How Do I Protect Myself\*\*\*](#) in our Articles Section). Annuities provide peace of mind, ensuring that essential expenses are covered regardless of how long one lives and can be used to help fund the costs of long-term care if that time comes.

#### **Step 5: Identify Your Remaining Retirement Funds:**

After securing your essential life expenses and retirement goals outlined in your budget with guaranteed sources of income, you can now look to the remaining funds in your retirement accounts and how best to manage them to meet your goals. This step helps individuals gain clarity on their financial position and assess their overall wealth in retirement. It is also important to consider Required Minimum Distributions (See [\*\*\*What Are RMDs \(Required Minimum Distributions\) and How Do They Work?\*\*\*](#) In our Articles Section), and wealth transfer if that is part of your goals.

#### **Step 6: Assess Your Risk Tolerance:**

Understanding one's risk tolerance is crucial in making informed investment decisions. Retirement funds can be allocated based on risk tolerance, taking into account the individual's willingness to accept potential losses. This step

ensures that investments align with personal preferences and financial objectives. One question we commonly ask clients, “if you made 20% in gains next year would it change your life? Ok, how about if you lost 20%?” When assessing your risk tolerance, one must be fully cognizant of the change in risks when living in retirement without a paycheck and how the Sequence of Returns Risk can significantly deplete your retirement funds. (See ***What Is the Sequence of Return Risk?*** In our Articles Section).

### **Step 7: Allocate Funds According to Your Risk Tolerance:**

In this final step, retirement funds identified in Step 5 are allocated into categories that align with the individual's risk tolerance. There is no right or wrong answer when allocating your remaining retirement assets into these “buckets”. These allocations are based on your specific Purposes, Time Horizons and Risk Tolerances. You may not allocate funds to each bucket and the amounts allocated to each bucket will differ for everyone. Working with an experience agent or advisor can be very important to help you answer these questions for yourself and your family and determine the possible products or investments available within each “bucket” such as:

- a. **Growth Without Risk:** Products that can provide steady growth with no exposure to market losses.
- b. **Income Without Risk:** Income-focused products that can provide a reliable stream of income without market risk.
- d. **Income with Risk:** Investments that offer a balance between income generation and potential market risk.
- e. **Growth with Risk:** Moderate to high-risk investments and products designed to generate capital appreciation, potentially resulting in higher returns.

As part of assembling your safe wealth plan, it is also imperative to maintain an emergency fund to cover unexpected expenses or to avoid withdrawing from investments during market downturns. This can help preserve your portfolio's long-term growth potential.

## Understanding Longevity Risk

As life expectancies continue to rise, it is essential for retirees and financial planners to understand the complexities of longevity risk and consider alternative financial tools like annuities to ensure a secure and sustainable retirement income. Longevity risk refers to the uncertainty of outliving one's financial resources during retirement. As individuals are living longer than ever before, the traditional methods of retirement planning, such as the 4% rule, have come under scrutiny.

The 4% rule, a conventional approach to retirement planning, suggests that retirees can withdraw 4% of their initial retirement portfolio value annually, adjusted for inflation, to ensure their savings last for 30 years. However, several limitations make this rule less reliable in today's retirement landscape:

- **Market Uncertainty:** The 4% rule assumes consistent market returns, which may not reflect real-world volatility.
- **Inflation:** The rule's inflation adjustment may not fully counteract the impact of rising living costs.
- **Individual Variability:** Individual circumstances vary widely, and a fixed withdrawal rate may not accommodate retirees' unique financial needs.



Longevity risk is a fundamental concern for retirees, and its importance cannot be overstated. It arises from the unpredictability of how long one will live in retirement. As life expectancies increase, retirees face the genuine risk of running out of financial resources.

Several factors contribute to longevity risk:

- **Increasing Life Expectancies:** Advances in healthcare and lifestyle improvements have led to longer life expectancies, requiring retirees to plan for extended periods of retirement.
- **Market Fluctuations:** Traditional retirement plans may not account for market volatility, making it challenging to sustain a fixed retirement income.
- **Inflation:** The eroding power of inflation can reduce the purchasing power of retirees' savings over time.

## Protecting Your Safe Wealth Plan and Ensuring Wealth Transfer with Life Insurance

While the Safe Wealth Plan focuses on securing your financial well-being during retirement, it's equally important to consider how you can protect your plan and provide for the transfer of wealth to the next generation. Life insurance plays a critical role in achieving these objectives.

### Protecting Your Safe Wealth Plan:

Life insurance can act as a safeguard for your Safe Wealth Plan by providing financial protection for your loved ones in the event of your passing. This protection can help ensure that the wealth you've accumulated remains

intact, even if unexpected circumstances occur.

- **Income Replacement:** Life insurance can replace lost income, helping your surviving spouse or dependents maintain their lifestyle and cover essential expenses.
- **Debt Repayment:** Life insurance proceeds can be used to pay off outstanding debts, such as mortgages or loans, preventing the burden of debt from affecting your family's financial stability.
- **Estate Taxes:** Life insurance can be strategically utilized to cover potential estate taxes, preserving the value of your estate and reducing the tax burden on your heirs.

### **Wealth Transfer to the Next Generation:**

Life insurance is a powerful tool for efficiently transferring wealth to your heirs, minimizing estate taxes, and ensuring your legacy lives on. Here's how it can benefit your estate planning:

- **Estate Liquidity:** Life insurance provides immediate liquidity to your estate, ensuring that your beneficiaries have access to funds to cover estate settlement costs, taxes, and any other financial obligations.
- **Tax-Efficient Wealth Transfer:** Life insurance proceeds typically pass to beneficiaries tax-free, making it an attractive option for wealth transfer. This can be especially advantageous if you have a substantial estate subject to estate taxes.
- **Equalizing Inheritances:** Life insurance can be used to equalize inheritances among your heirs, ensuring that assets are distributed according to your wishes, even if your estate consists of non-liquid assets like real estate or businesses.



- **Creating a Legacy:** Life insurance allows you to leave a lasting legacy by providing a financial foundation for your loved ones, supporting their goals and aspirations for future generations.

The Safe Wealth Plan provides a structured approach to retirement planning, ensuring financial security and peace of mind during one's retirement years. By addressing budgeting, guaranteed income, risk tolerance, and longevity risk, individuals can make informed decisions to safeguard their financial well-being throughout retirement. Schedule a no obligation, and complimentary meeting with one of the advisors or licensed agents in our network about setting up your Safe Wealth Plan today.





Speak to a Safe Wealth Agent

[safewealthplan.com](https://safewealthplan.com)