5 KEYS TO LIFETIME RETIREMENT INCOME

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Planning for retirement continues to increase in complexity over time. Here are five important keys to successful retirement planning that will help ensure you are moving in the right direction.

The face of retirement has changed. With advances and innovations in healthcare, increases in life expectancy, and changing retiree lifestyles, retirement has evolved into an extended and exciting chapter of our lives. Because our lifestyles and the opportunities available to us have changed dramatically over the last 50 years, many retirees have broader expectations for their "golden years." Rather than sitting in a rocking chair on the porch, today's retirees are traveling, going back to school, doing volunteer work, or pursuing their favorite hobbies or sports.

Planning for a longer, more active life span presents challenges not faced by previous generations. As a result, retirement planning has become dramatically more complex. Developing a successful retirement plan today involves carefully considering a wide range of issues and potential problems.
Fortunately, help is available to ensure you remain on the right path. This white paper examines the following five critical keys to achieving lifetime retirement income:

1. ***Understand how much income you will need in retirement***
2. ***Know your sources of retirement income***
3. ***Acknowledge the importance of keeping up with inflation***
4. ***Recognize the importance of proper healthcare planning in retirement***
5. ***Implement strategies that can provide lifetime retirement income for the next generation***

Read on to find out how these five keys can help you design a roadmap toward a happy, worry-free retirement.

1 Know how much you will need in retirement

If you know how much money you need to comfortably retire, you're in the minority: Only one in 10 people make such a calculation, according to the Transamerica Center for Retirement Studies.

Determining what you'll need is critical to forming a retirement plan that will work for you. But doing so is complicated because there are so many variables — some known, others unknown — that can shape the answer, sometimes dramatically. However, there are several critical retirement planning considerations that *can* help you hone in on a number.

Understanding longevity

First, consider how long you will need your money need to last. While no one knows how long he or she will live, average life expectancy in the United States has been increasing.

Average Life Expectancy in the United States

Current Age	Life Expectancy	Current Age	Life Expectancy	Current Age	Life Expectancy	Current Age	Life Expectancy
51	81	61	83	71	85	81	89
52	81	62	83	72	86	82	90
53	81	63	83	73	86	83	90
54	82	64	83	74	86	84	91
55	82	65	84	75	87	85	92
56	82	66	84	76	87	86	92
57	82	67	84	77	88	87	93
58	82	68	84	78	88	88	93
59	82	69	85	79	88	89	94
60	83	70	85	80	89	90	95

Source: 2007 US Total Population Life Table (revised as of 6/28/2010), National Vital Statistics Reports, Vollume 58, Number 21. Life expectancy rounded to nearest year.

Determining your retirement budget

To calculate your retirement "budget," remember it's not necessarily about what you are making today; it's about what you'll spend as you transition into retirement, combined with your desired retirement lifestyle. To plan adequately, consider some key issues, including:

Paying for retirement: Providing a steady income is often the key problem involved in retirement planning. Longer life spans raise the issue of the impact of inflation on fixed dollar payments, as well as the possibility of outliving accumulated personal savings.

Health care: The health benefits provided through the federal government's Medicare program are generally considered to be only a foundation. Often a supplemental Medigap policy is needed, as is a long-term care policy, to provide needed benefits not available through Medicare.

Work: Will work be part of your retirement plan? More and more people today are working in retirement. If you plan to work, you may not need to save as much as someone who does not plan to work.

Housing: This question involves not only the size and type of housing, but also its location. Groups such as the American Association of Retired Persons often run lists of the top cities and states for retirement based on factors that include cost of living. Factors like climate and proximity to family members and medical care often play into the mix as well.

The following page provides a sample retirement budget that addresses these key issues.

Sample retirement budget worksheet

Monthly Income	Before Retirement	During Retirement
Work income		
Your Social Security		
Your pension income		
Investments and savings (interest/dividend income)		
If you are married, complete the following:		
Spouse's work income		
Spouse's Social Security		
Spouse's pension income		
Total Monthly Income	**$**	**$**
Monthly Expenses	Before Retirement	During Retirement
Housing *Mortgage, rent, property tax, etc.*		
Utilities, telephone, internet		
Car payments, insurance		
Groceries, toiletries		
Clothing and cleaning expenses		
Entertainment expenses *Dining out, travel, vacation, etc.*		
Medical expenses *Prescriptions, doctor visits, etc.*		
Credit card and other loan payments		
Federal income taxes		
State and local income taxes		
Retirement plan contributions		
Charitable contributions		
Miscellaneous		
Monthly Expenses	**$**	**$**
	+	+
Monthly Retirement Planning Expenses *Examples: Medicare supplement, life insurance, long term care insurance premiums*	**$**	**$**
Total Monthly Expenses	**$**	**$**
Monthly Surplus or Shortfall (Income – Expenses)	**$**	**$**

2 Know where the money will come from: Sources of retirement income

Sources of retirement income can range from Social Security benefits to qualified or non-qualified retirement plans and personal accounts. Taking each of these into consideration can help you determine your overall expected benefits in retirement.

Social Security

For many Americans, the retirement benefits provided by Social Security form an important part of their retirement income

In general, Social Security benefit amounts are based on the workers' lifetime earnings records.

> The Social Security Administration offers a calculator on its website which allows an individual to estimate his or her retirement benefits, using the individual's own earnings history. To access the free tool please visit the following link http://www.ssa.gov/planners/benefitcalculators.htm

Using this earnings record, the Social Security Administration calculates a number known as the "Primary Insurance Amount" (PIA). The PIA is the basic value used to determine the dollar amount of benefits payable.

Research by the federal government indicates that Social Security retirement benefits typically make up more than one-third of the income of Americans aged 65 or older[1]. Thus, the decision as to when to begin to take Social Security retirement benefits is an important one. Once you decide to begin receiving Social Security retirement benefits, the initial benefit will generally serve as the "base" amount for the rest of your life, subject only to adjustment for increases in the cost of living.

Qualified Retirement Plans

Employer-sponsored qualified plans can generally be classified as either defined benefit or defined contribution. Defined benefit plans specify the benefit amount a participant will receive at retirement. Defined contribution plans, such as 401(k) plans, allocate a percentage of current salaries into the plan. The retirement benefit will depend on the amount contributed and the investment return.

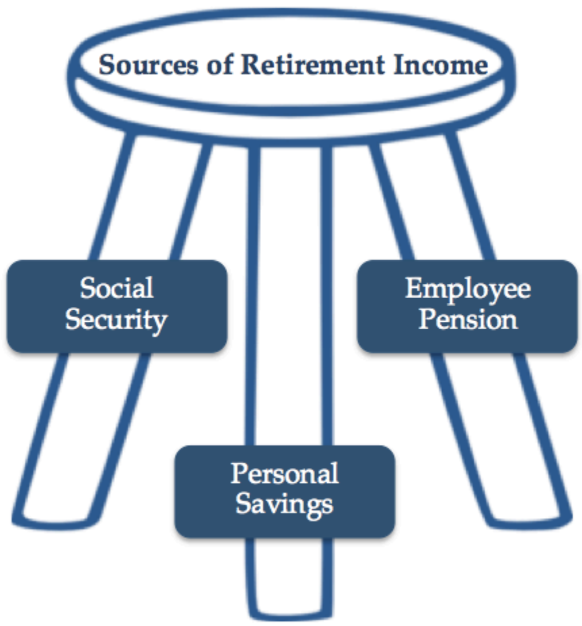
Individual qualified plans include the traditional Individual Retirement Account (IRA) and the Roth IRA. Contributions to a traditional IRA may be deductible and earnings grow tax deferred. Distributions from a traditional IRA are taxable to the extent of deductible contributions and growth. Contributions to a Roth IRA are never deductible and earnings grow tax deferred. If certain requirements are met, retirement distributions from a Roth IRA are tax free.

Nonqualified retirement plans: An employer may set up a plan, often in the form of a deferred compensation plan, which does not meet federal requirements to be considered "qualified." Benefits are generally taxable when received. Such plans are often used as a supplement to qualified retirement plans.

Personal Accounts

Personal accounts such as individual bank savings accounts or brokerage portfolios should also be part of the retirement equation.

Together these elements -- Social Security, employee pensions, and personal savings – make up the "three-legged stool" -- the terminology often used to describe the three most common sources of retirement income.



A potential "fourth leg" of the stool should also be taken into consideration: part time work. With longer life spans, many of us will have more spare time than we know what to do with. Part-time work can greatly increase security in retirement. Because there are so many variables today, work can provide a way for you to contend with some of them and allow you to produce some income as needed. Ideally, part-time work in retirement should be something you enjoy doing and that permits a flexible schedule to allow time for other meaningful pursuits.

3 Keeping up with inflation: Strategies to maintain your purchasing power

When planning for your retirement income needs, it is critical to keep the impact of inflation in mind. As a whole generation of Baby Boomers face a retirement likely to last more than 20 years, it is imperative to have a strategy that will provide an ever-increasing level of income. Many investors fail to realize how much impact inflation can have.

	Loaf of Bread	**1980** $0.52	**2013** $1.42	173.1% increase
	Movie Ticket	**1980** $2.89	**2013** $8.16	182.4% increase
	Average House	**1980** $76,400	**2013** $321,200	320.4% increase
	Postage Stamp	**1980** $0.15	**2013** $0.46	206.7% increase
	Half a Gallon of Milk	**1980** $1.09	**2013** $3.52	223.0% increase

Source: U.S. Bureau of Labor Statistics 2013
Note: All average prices are per pound, unless otherwise noted. Source: U.S. Bureau of Labor Statistics.

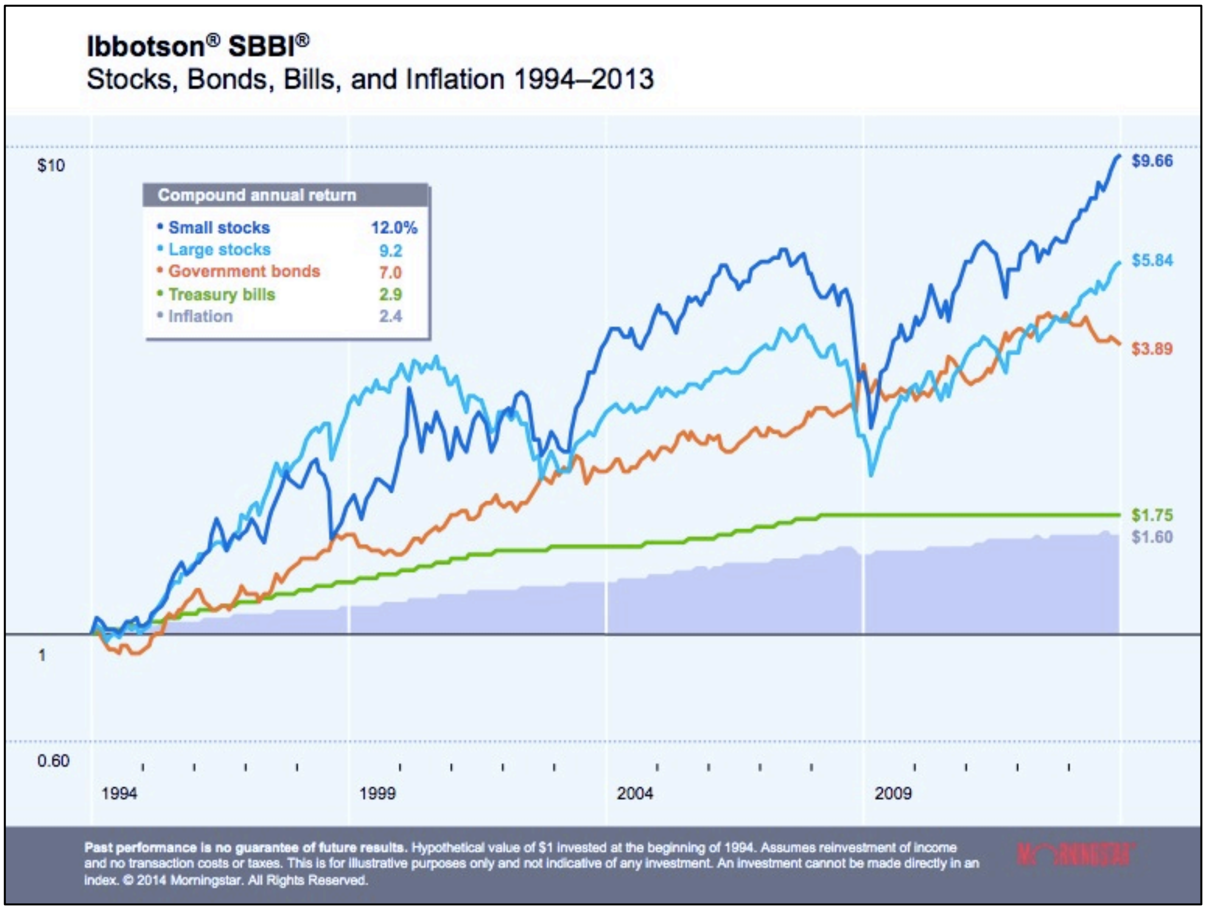
Since 1925, inflation has averaged 3% per year. If that rate continues, a person who currently requires $50,000 to cover annual living expenses would need approximately $90,000 per year in 20 years just to maintain the same purchasing power.

Reasons to Consider Dividend Paying Stocks

Over the long haul, stock dividends have proven to be an important source of income. Companies with strong records of paying dividends have often outperformed the broader markets and can provide a cushion during periods of market declines. Retired investors should consider the potential advantages of a dividend growth strategy before they allocate too much money to bonds or other fixed income assets. Since many companies that pay dividends increase them over time, stocks may provide an increasing level of income that may maintain its purchasing power.

In addition to providing a growing level of income, certain stock dividends are currently taxed at a lower rate than ordinary income. The current tax treatment for dividends and capital gains was established with the American Tax Payer Relief Act of 2012. So if taxes are an issue, equity dividends may be more attractive than savings or debt income.

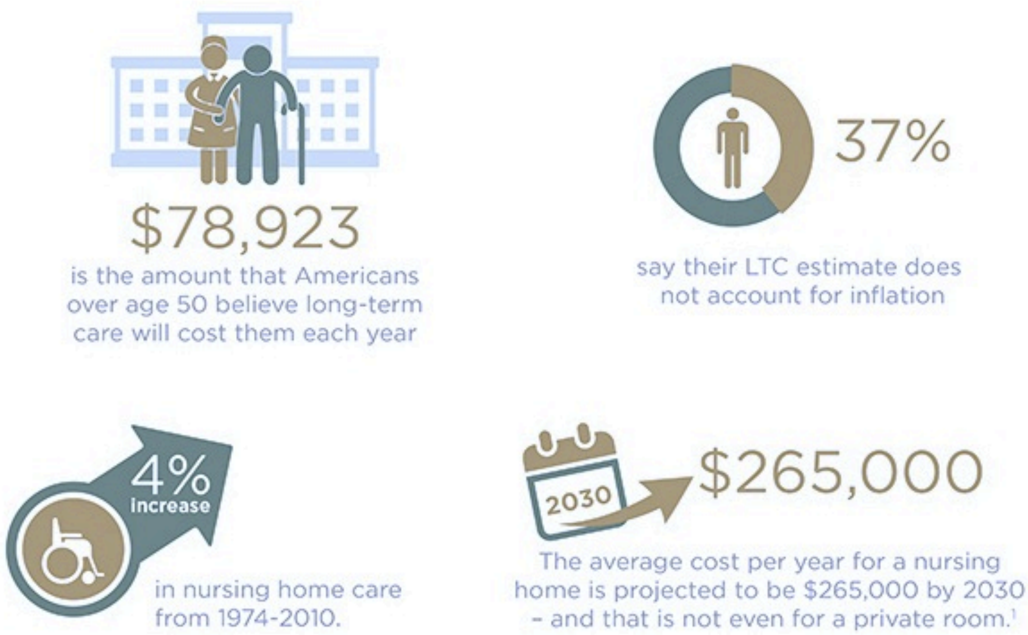
> TAKING INFLATION INTO ACCOUNT IS CRITICAL WHEN PLANNING FOR RETIREMENT INCOME



Many of today's investors are looking for both a stable source of income and the potential for their income to grow. A diversified portfolio that contains dividend-paying stocks can provide a source of income diversification from the bond market while also offering more favorable tax treatment and an inflation hedge.

4 The importance of proper healthcare planning in retirement

Unexpected medical expenses pose a big risk to retirement planning. Further, health care costs are often overlooked — or underestimated — by pre-retirees. Although a healthy lifestyle and good genes can help, it is a fact of life that as we age we need more medical care. Industry statistics highlight this reality:



Therefore, proper health care strategies should be considered in the overall retirement planning process.

For the majority of Americans aged 65 and older, most health care is provided through the various elements of the federal government's Medicare program. But retirement health care planning must also consider "incapacity." There are two key issues to consider here:

Paying for long term health care: Medicare and other types of health care insurance may pay for some levels of skilled care, but they do not pay for costs associated with "custodial" care, such as might be needed by an individual whose health problems require nursing home care. With average U.S. nursing home costs for a semi-private room in 2012 of $222 per day ($81,030 per year)[2], the cost of such custodial care for even a short period of time can be enormous.

Rather than pay these costs "out of pocket," many individuals purchase a Long-Term Care (LTC) insurance policy. For individuals without LTC insurance coverage, the jointly-run, federal-state Medicaid program may be able to pay for custodial care once personal assets are exhausted.

Managing personal affairs: If an individual is no longer able to manage his or her personal affairs, someone else will need to step in and take over. In planning for this possibility, there are advanced health care directives that should be considered:

1. Durable power of attorney: A written document by which one person (the principal) empowers another person (the agent or attorney-in-fact) to act on his or her behalf; often used for management of financial affairs.
2. Living Will: Also known as a "Directive to Physicians," this document provides guidance as to the type of medical treatment to be provided (or withheld) and the general circumstances under which the directive applies.
3. Durable power of attorney for health care: Many states have laws allowing a person to appoint someone to make health care decisions for them if they become unable to do so themselves.

5 Lifetime Retirement Income for the Next Generation – the "Stretch IRA"

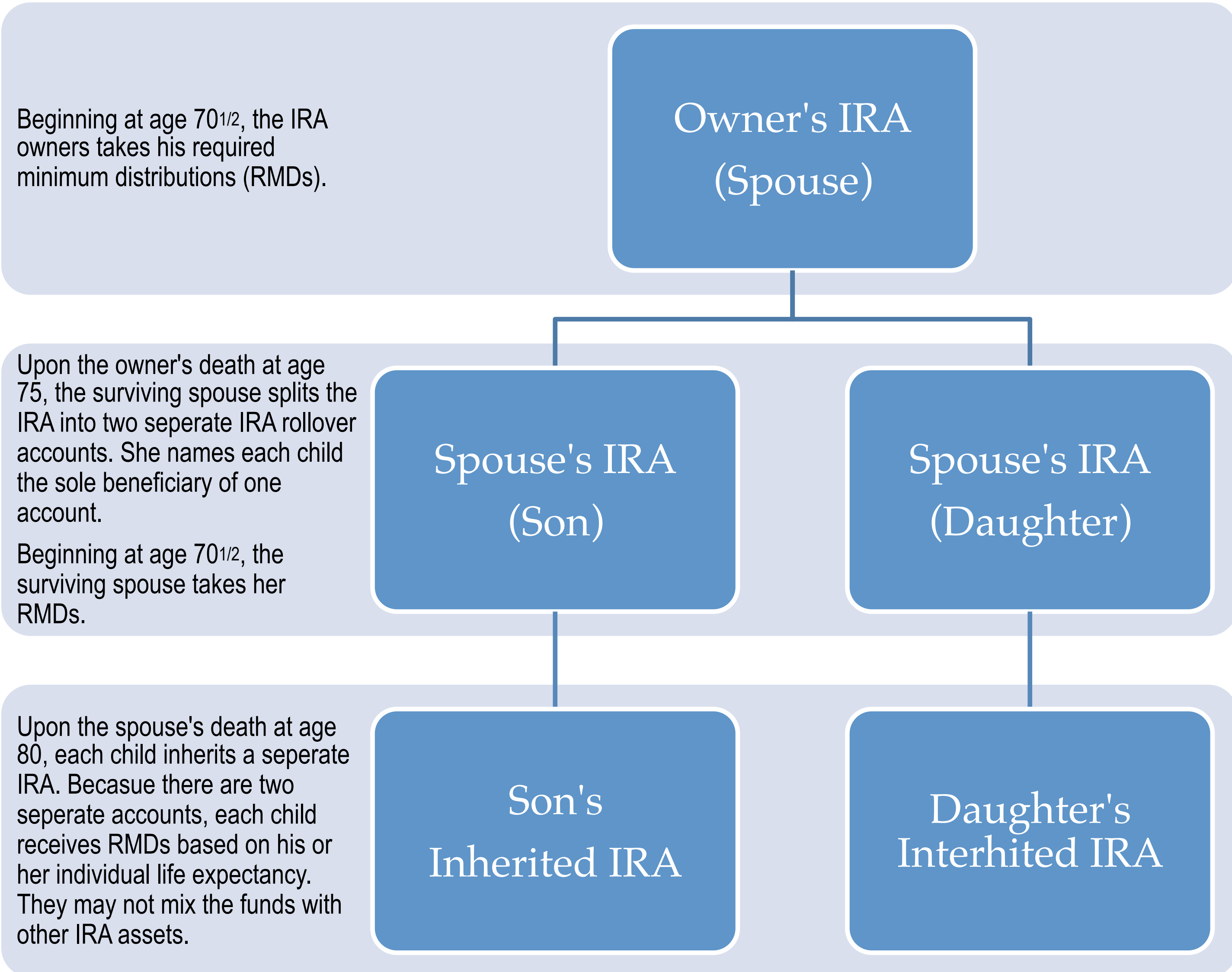
An IRA is not only an effective way to save for retirement, it can also be an effective estate-planning tool. If structured properly, an IRA can provide income for the rest of your children's lives, too. The goal of a stretch IRA is to strategically transfer as much of your retirement savings as possible to your heirs, while minimizing the impact of income taxes on their inheritance.

To begin, an IRA owner names a spouse or, if single, a child, as the account beneficiary. Then, only the legally required minimum distributions (the RMDs) are taken from the account each year. Under IRS regulations, the methods used to calculate the RMDs can effectively extend the period over which the assets may be distributed.

Stretch IRAs have potential benefits. The income tax bite may be lessened by allowing the child beneficiary to take a smaller distribution over a period of years, rather than as a single, large lump sum. Additionally, extending the period over which distributions are made continues the benefits of tax-deferred growth, potentially increasing the wealth that can pass to the beneficiaries.

However, there are also risks. A beneficiary may not live to normal life expectancy. Tax laws may change, to the detriment of an IRA owner and/or beneficiaries. Or, investment losses and inflation can both erode, or even eliminate, the value of future IRA distributions.

Illustration: Spousal Beneficiary and Separate Inherited IRAs
An IRA owner, age 68, makes his spouse, age 62, the sole beneficiary of his IRA. They have two adult children, ages 35 and 25.



The stretch IRA examples shown here illustrate situations in which the beneficiary planning takes place prior to the account owner's death. However, IRS regulations allow for a certain amount of post-death planning. From a pool of potential beneficiaries, those who will ultimately receive the assets must be identified by September 30 of the year following the owner's year of death. This time delay allows for the removal of a potential beneficiary either through a qualified disclaimer, a cash distribution, or by dividing the IRA into separate accounts. The life expectancies of those who remain as of September 30 are then used to determine the RMDs for the years after death.

Conclusion: Planning for retirement involves answering a number of complex questions – more so today than ever before. The good news is prudent planning can have a significant impact on retirement outcomes, allowing us to enjoy long, worry-free retirements pursuing the activities we enjoy.

The guidance of a trained professional can be invaluable in designing and implementing an effective retirement plan. Whatever your expectations for retirement, like all important things in life, it pays to have a plan to achieve them and to regularly measure progress toward your goals.

About Fritz Miller: Fritz Miller, CFP®, ChFC, AIF® is a Partner at Signature Estate & Investment Advisors, LLC. Fritz leads a team of seasoned professionals that bring a unique understanding and perspective to the wealth management challenges of executives, entrepreneurs and families. With almost 30 years of experience, Fritz provides custom portfolios designed to meet the unique needs of sophisticated investors. Services include portfolio management, retirement income planning, estate and legacy planning and tax efficient income strategies.

As a resident of the Pasadena area for more than 25 years, Fritz's commitment to his clients and the community runs deep. He is proud to be involved with many local charities and philanthropic efforts that benefit the community. As a proud UCLA Bruin alum, Fritz enjoys interacting and mentoring students studying at the UCLA Department of Economics.

About Signature Estate & Investment Advisors LLC: Signature Estate & Investment Advisors, LLC® (SEIA) is a Registered Investment Advisory Firm offering Investment Management and Financial Planning Services tailored to meet the unique needs of the affluent investors and corporations. SEIA's mission is to provide clients with a partnership that complements and exceeds their long-term goals and objectives. SEIA maintains offices in Century City, Pasadena, Redondo Beach and Irvine, California and Vienna, Virginia. For more information, please visit www.seia.com.

1) "Income of the Aged Chartbook, 2010." Social Security Administration, March 2012, page 16.
2) Metlife Market Survey of Nursing Home, Assisted Living, Adult Day Services, Home Care Costs, November 2012.

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