MOULTON WEALTH MANAGEMENT INC.

MOULTON HOT MINUTES

SPECIALIZING IN RETIREMENT AND TAX PLANNING

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Most people reading this are either already retired or are considering retiring soon. Retirement offers a lot of positive opportunities, but it also raises unique risks. In this letter we will review the five biggest risks.

1. **LONGEVITY**

Longevity (or outliving your assets) is probably the single greatest retirement risk. Longevity is great, and due to medical advances and healthier lifestyles, many may enjoy a longer retirement than they anticipate. You may even spend as many years retired as you did working. That's why it's very important to make sure you don't outlive your assets.

How do we do that?

First, we create a cash flow analysis for retirement, factoring in income and expenses, along with assets, taxes, inflation and the unexpected. This provides what we call a "Family Index" or the lowest rate of return you can earn and still expect your assets to last longer than you do.

Next, we want to invest with the least risk possible, that's commensurate with a high probability of achieving your goals.

Part of "the least risk possible," in our opinion, includes implementing a sell discipline, or in other words a defense, as part of the investment strategy.

Even if it's just form an emotional standpoint, most retirees can't afford to lose 30%, 40% or 50% of their investments in retirement. Remember, you're no longer working and adding to investments. Instead, you're likely using them to fund your lifestyle. Allowing unfettered drawdowns means you'll be forced to use your principle, which could lead to running out of money before you run out of breath.

2. **OVERSPENDING**

Obviously, what is considered "overspending" depends on many factors including longevity estimates, assets, and other income sources. However, you need to consider the rate at which you are spending money from savings and investments. The rate at which you withdraw this money can have a profound impact on whether you'll outlive your money, or it outlive you.

Again, our Family Index helps put this into context.

As an example, if you're the Family Index tells us your current spending requires a 12% return to not outlive your money, that's a concern. However, if your Family Index is a much more moderate 6%, that may be fine.

Before you can calculate this, you need to know your expenses. Although advisors often suggest writing down each expense, that's not workable for many. And it's not accurate when it is workable. We suggest a larger picture approach.

Take the beginning balance on your bank account, add deposits, subtract the ending balance and that was your expense for the month. Do that for several months and see if it aligns with what you think you're spending. (If you are accumulating credit card debt you have to add it in.)

3. INFLATION

You may have noticed we've suffered through significantly higher inflation the last few years. Our work suggests that inflation will not return to the Fed's 2% target. Instead, it is likely to settle closer to 3%. To be fair, 3% inflation is not out of line with the long-term trend. But considering (hopefully) decades of retirement, 3% inflation can push expenses surprisingly high.

For example, if you retired today, and needed $60,000 after taxes to live on, in 20 years, with 3% inflation per year, that annual living expense balloons to $108,367.

Again, this is factored into our Family Index calculation, so we can see a moving timeline for the years ahead.

4. HEALTH CARE

One of the largest, and most unpredictable expenses in retirement is health care. It's difficult to determine what conditions you may develop, and how much care you may need in the future. Unfortunately, these costs are almost certainly going to continue rising, and likely significantly so.

Medicare, the federal health insurance program begins at age 65. There are two, main parts to Medicare. The government provides Medicare Part A which covers inpatient hospital stays, skilled nursing facility care, hospice care and some home health care. Medicare Part B is private insurance that supplements Part A, and covers medically necessary services and supplies. This can include doctor visits, outpatient care, home health care, durable equipment, and some preventive care. It's important to try to best match the Plan B you select with your circumstances.

5. SEQUENCE OF MARKET RETURNS

The one risk that arguably overrides (or impacts) all the others, is the sequence of market returns. The 10 years beginning 5 years before you retire, and continuing 5 years into retirement, are critical to the financial success for the rest of your life.

To be fair, all of retirement is much different than your working years in terms of surviving stock market declines. Instead of adding money to your accounts, you're withdrawing money. And that risk is amplified during the 10-year window around your retirement date.

Although no one can predict bear markets, you can implement a plan to mitigate losses. Your mindset into retirement needs to switch from "return of my money" rather than "return on my money".

This is something we can help with.

What to do?

Explore your options. Don't assume ignoring economic reality is your best move, especially if you are retired or close to retirement.

What is your defensive plan, just in case?

Attend a free seminar or call the office to hear about ours.

Yours truly,

Rial R. Moulton, CFP®, CPA / PFS, RFC
Certified Financial Planner™ professional

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Certified Financial Planner™ professional

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please ask them to send an email with their information and permission to be added.

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Five Biggest Retirement Risks

(and how to avoid them)

Weekly Radio Show Saturday Morning:

8:00 AM KXLY 920 AM
Spokane and Area

9:30 AM KFLD 870 AM
Tri-Cities and Area

Moultonwealth.com

SPOKANE

Quality Inn—North
Breakfast
7919 N. Division —Spokane
Feb. 18th @ 9:30 AM

TRI-CITIES

Hampton Inn
Breakfast
486 Bradley Blvd—Richland
Feb. 19th @ 11:00 AM

- **How employing and consistently following a defensive system could help you to a better retirement.**
- The "Widow's Tax" could be a major drain on the survivor's spendable income!
- What happens when an economic downturn makes it difficult for companies to pay back their massive debt?
- Why Buy and Hold Investing was right for the 80's and 90's yet very wrong for today.
- Will inflation eat up your assets?
- How to potentially decrease taxes on your hard earned Social Security Income
- To Roth or not to Roth?

And so much more!

COMPLIMENTARY SEMINAR

For those 50 years old and older

MOULTON WEALTH MANAGEMENT Inc.

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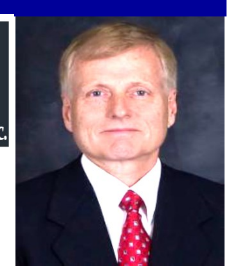

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Call to reserve a spot: 509-922-3110

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How to avoid...

Five Biggest Retirement Mistakes

Spokane	No Cost Seminars for Retirees and those close to Retirement	Richland
Feb. 18th @ 9:30 AM		**Feb. 19th @ 11:00 AM**
Details Inside		*Details Inside*