Income Streaming 4 Life

Imagine Never Running Out of Money!

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Introduction

It would be much easier to prepare for retirement if we understood the distribution phase.

As we get closer to retirement, we begin to imagine what our lives will be like. How we will pay our bills and how much money will we have to spend on vacations and hobbies are generally considered. Most of us have been contributing to a retirement plan through an employer and/or independently. Many of us have multiple homes and have developed hobbies we would like to carry with us into retirement. After all, isn't that what retirement is all about, doing what we want and enjoying what we have accumulated?

You begin to review your retirement programs, pensions, Social Security, investments, personal savings, and so on. Your advisor who has helped you get where you are projects your funds to carry you into your 90s. Your financial concerns are health insurance and Medicare, not running out of money, Social Security, assistance while aging, estate planning, and taxes.

This booklet aims to help you think through the process of organizing yourself for the distribution phase, known as retirement. For 35 years or so, you have focused on accumulating and growing your funds. Now, utilizing the funds to provide the necessary services to last a lifetime is the issue. Leaving a legacy to children may also be desired, but it can conflict with avoiding the uncertainty of running out of money and preparing for the potential challenges life throws at you as you grow older. No one can tell you exactly how to accomplish what you are trying to do. The subject is often left ambiguous and open ended. The intent of this booklet is to help answer some of the questions you have and provide suggestions, ideas, and direction, leaving you with less ambiguity.

Step 1

Annualizing Expenses and Considering Inflation

Before entering the distribution phase, the first step is to determine your financial needs by organizing and annualizing your expenses. Make a list. Project expenses that you do not currently have but will have, such as Medicare and supplemental health insurance.

The following Income Streaming 4 Life worksheet will assist you in completing this task.

1. Go to https://positioning4retirement.com.
2. Under **RESOURCES** click on **Worksheets**.
3. Select **Worksheet Number 26**, **Income Streaming 4 Life**.
4. Complete the fields and then download or print: Step 1: Annualizing Your Expenses—Monthly Expenses during Retirement.

The list includes (but is not limited to) the following expenses:

- Housing costs – rent or mortgage, condominium or association fees, water, sewer, and trash expense
- Property maintenance (landscaper), property services (housekeeper)
- Taxes – real estate tax, excise tax
- Transportation – car payment payment(s), car maintenance, gas for car(s), public transportation expense
- Utilities – electricity, heat (natural gas or oil), cable, cell phone
- Insurances – car insurance, property insurance, life insurance, long-term care insurance, supplemental health insurance, Medicare, prescription insurance
- Living expenses – groceries, clothing
- Entertainment – movies, restaurants, vacations, birthday and holiday gifts

- Charitable donations
- Membership dues – gym, yoga, golf, etc.
- Miscellaneous

Once your projected expenses are listed, you now have a place to start to determine your cost to live in retirement.

Inflation

The worksheet separates inflationary and inflation-proof expenses. In order to calculate your rate of inflation, list the expenses that you know are subject to inflation. Items such as life insurance, car payments, donations, vacations, and gifts either aren't subject to inflation or can be adjusted to accommodate inflation. Generally, the inflation rate for daily living averages 3% annually, while the long-term average for health insurance ranges from 3% to 6% annually.

Multiply your annual costs that are subject to inflation with the appropriate rate, compounding the costs from one year to the next.

Utilizing an online inflation calculator is always helpful. Visit https://www.calculator.net/inflation-calculator.html or any of the others for assistance.

The popular inflation questions are, how will I handle inflation and how long do I need to calculate for inflation?

Great questions! Having a plan to offset inflation is important and should be a major conversation with lots of thought and creative ideas. As we get older, our lifestyles change, oftentimes offsetting some inflationary items. We may downsize our home or sell our home and move into a retirement community. We no longer need two cars and no longer travel as often. Our eating habits change; we may go out for lunch instead of dinner, which can cost less. At the same time, health-related costs change. We may take more medicine and need long-term care. Our families may get larger, and gifts can become more costly.

When planning for inflation, placing an emphasis on health is a safe projection. Inflating expenses across the board is not always beneficial. It only inflates the need for income and reduces the asset used to create the income stream. Separating inflation-proof from inflationary items while applying the proper inflation rate to the latter puts inflation into perspective and is beneficial. Inflationary items should be broken down into two categories—all medical-related items, which get 6% inflation applied, and everything else, which gets 3% inflation. As we get older, health and socialization become the top two issues over money.

"It's amazing how little a thousand dollars will buy these days."

CartoonStock.com

How inflation is offset is up to you and your assets. Some advisors feel that inflation should be calculated into a person's 90s as though nothing has changed, while others like to calculate into a person's mid-80s.

Offsetting inflation doesn't always have to come from your portfolio. Asset consideration needs to be explored when offsetting inflation. Take into consideration assets that may be sold due to lifestyle changes such as a boat, plane, or motor-home you no longer use. Hobbies can be very expensive and oftentimes are less important as we need help. Downsizing your home or selling a property you no longer need is a popular practice. Vacation homes are oftentimes sold to children at a discounted price and kept in the family.

As an individual or couple, it's important for you to voice your opinion. Look at your parents' health and longevity. This is where you can help the advisor. How do you see yourself when you are in your 80s and 90s? Will you still be traveling to your home in Hawaii or sailing your boat?

Step 2

Organizing Incomes—Social Security, Pension, Etc.

Determine when you will begin receiving your Social Security (SS) benefit, if you have one. If you or a spouse paid into Social Security, you should have a benefit.

If you need assistance to determine your benefit visit https://www.ssa.gov/ and click on **Retirement Estimator**.

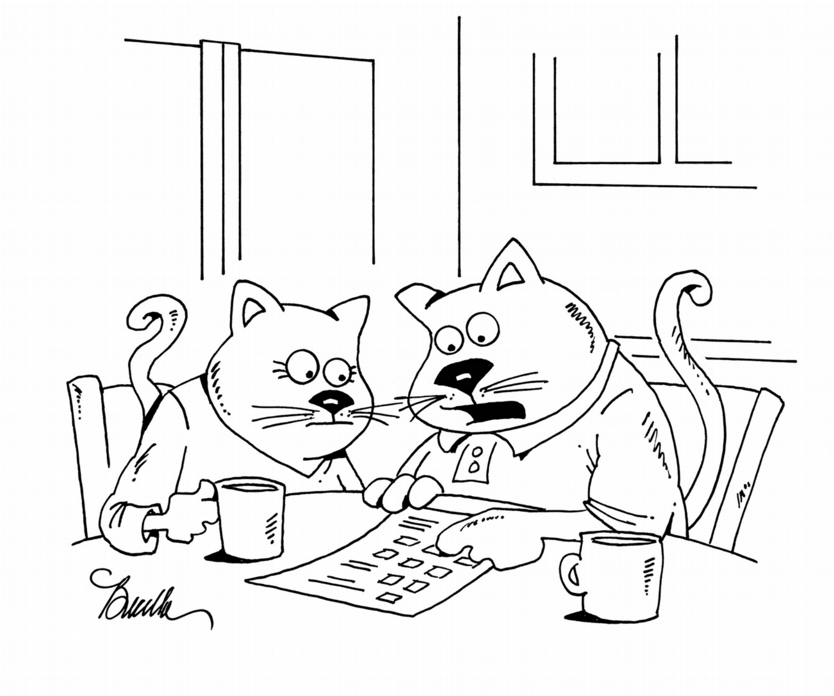
If you have had changes in your relationships such as death or divorce, visit https://www.ssa.gov/ and click on ***my*** **Social Security**.

Deciding when to begin receiving your Social Security benefit is a very personal decision. Everyone, including you, has a specific reason for choosing when you start receiving the benefit. There are three areas to consider: health, need, and taxability. Let's systematically examine each to help reach a decision.

1. If you are 62 years old and your health is in question, you may want to consider taking your benefit sooner rather than later, even though the benefit will not be as large as starting when you are older.
2. If Social Security will be a substantial portion of your retirement income, you may want—or need—to begin receiving your benefit sooner than later.
3. If you are healthy and can financially live without your SS benefit, delaying up to age 70 may be something to consider. It may be beneficial to utilize your taxable (qualified) retirement funds prior to receiving Social Security, minimizing your tax exposure when you begin to receive your benefit. Oftentimes, people begin receiving Social Security unaware of the taxable impact it has when combined with qualified distributions. Waiting to take Social Security not only creates a greater benefit; it also allows you to utilize qualified funds at a lower tax rate.

GOOD TO KNOW
Residual incomes, such as commissions, that were earned prior to retirement are factors when determining when to take Social Security. Based on Social Security Administration Publication No. 05-10063-Special Payments After Retirement (https://www.ssa.gov/pubs/EN-05-10063.pdf), these types of incomes can be excluded from the Social Security taxable equation.

Meeting with a representative from Social Security and your tax advisor is recommended when the Social Security question is not clear. Social Security representatives cannot advise; however, they should be able to provide information that will help you with your decision. If you have a spouse, utilizing a spousal benefit follows the same guidelines—health, need, and taxation.



"If I apply for early Social Security, I get this. If I wait until I only have one life left, I get this."

CartoonStock.com

Considering Pension and Social Security Together

If a pension is involved in your financial landscape, the Social Security
Administration will want to know. Depending on the pension, your Social Security benefit may be adjusted and, in certain situations, can be eliminated. Delaying your pension and the spousal election, if you are married, needs to be considered.

If the pension plan allows a lump-sum or a single distribution, that may be a viable and beneficial option. For most pensions, upon the death of the recipient with no spousal election, the benefit will terminate, and the remaining funds (recipient's contributions) return to the pool. If both the pension recipient and the spouse experience an early death, the pension can leave nothing to the family, unless a life insurance policy is built into the option chosen.

If a lump-sum or single distribution election is available, moving the pension to an annuity may be an option. This will do everything the pension will do; plus it will allow any remaining funds to be sent to the beneficiary.

Oftentimes, a life insurance policy is established using some of the single distribution when a non-spousal income election is chosen. This allows the spouse to create a potentially larger income if the recipient predeceases him or her. The life insurance is funded with a single premium deposit (creating a modified endowment contract) or by using a portion of the monthly income benefit. A modified endowment contract (MEC) creates a taxable situation if funds are removed from the policy while the insured is alive. There is no taxable event when the policy is in claim (insured's death), even though the policy was considered a MEC when the insured was alive.

To avoid a MEC if this is a concern, premium payments can be paid in various other ways. Discussing the premium payment options (referred to as modes in the insurance industry) of a seven-pay (seven payments are made, and the policy is completely paid for), annual, semi-annual, quarterly, or monthly need to be considered. There are benefits and drawbacks to each payment option. It boils down to which one allows you to sleep better a night.

A seven-pay premium option eliminates the policy from becoming a MEC. This option involves seven large equal premium payments over seven years, and no other payments are needed for the life of the policy. The drawback is if the insured doesn't live a long life, it could be the costliest option since the premiums are not refundable. If the insured lives a long life, this option can be the least costly.

Monthly, quarterly, semi-annual, or annual modes are usually determined by convenience. Most of these modes can be established by electronic funds transfers (EFTs), and some carriers accept credit card payments. No matter which of these four premium mode you use, once the payment is made, the funds are not refundable unless the insured dies prior to the premium due date. If the insured lives a shorter life than expected, these four modes are the least expensive way of paying for the policy. If the insured lives a long life, these can be the most expensive ways for paying for the policy.

Step 3

Calculating Income Shortfall or Surplus

Once you have a plan for receiving your Social Security benefit and pension(s) and have projected your expenses, you need to consider an income shortfall. An income shortfall is when your projected expenses, including inflation, exceed your projected incomes. This is very common. Creating additional income streams is the final step and the solution to satisfy an income shortfall. Page 2 of the Income Streaming 4 Life worksheet mentioned in step 1 will help organize this information and provides a calculation to determine if there might be an income shortfall.

Running out of money is a common concern. In addition to Social Security and pension benefits, utilizing income stream for life programs, which are popular with annuities, will eliminate the threat. If additional income streams are needed, it is suggested that they be laddered in order to accommodate inflation. For example, a couple's shortfall is projected to be $10,000 annually. Two income streams of $5,000 each are established. This allows the couple to activate (begin paying out) one while the other continues to grow. When the second income stream is activated, the income will be greater since it will have had a longer growth period.

Some income-stream programs have inflation mechanisms built into them. Comparing these programs against programs without inflation built in is important. Oftentimes, the program without inflation consideration creates a greater annual payout at the beginning. Calculating the breakeven between the programs will help determine which plan is best for you. The breakeven point is the age when the totals of all projected income payouts for both programs are equal, generally when a person is in the late 80s. The plan with the inflation consideration built in will eventually exceed the plan without a built-in inflation mechanism after the break-even point.

Most people realize, when they will be in their late 80s, they will travel at most only minimally and will no longer need a large vacation budget. Oftentimes, people in their late 80s begin to accumulate funds due to their lack of costly travel and activities. Taking these factors into consideration will help determine whether you would like to have a stronger income during the early stage of retirement, when you are on the go, rather than when you have slowed down.

Once the incomes are established, they will satisfy the projected expenses for the individual's or couple's lifetime. This takes the worry of running out of money off the table. Any excess funds not used to create income streams can be spent at the individual's or couple's discretion.

The Income Streaming 4 Life worksheet, step 4 will help you think through the process of determining the assets to use to establish the lifetime income stream and filling the income gap.

Health coverage also needs to be considered when planning income streams.

Health Insurance

In most circumstances, Medicare will be a person's primary health insurance, and the individual should apply for enrollment three months before his or her 65th birthday. If you are an American citizen or are or were married to an American citizen, you are eligible for Medicare. Medicare will cover a portion of doctor visits, medical tests, and hospitalization.

Medicare has available four parts:

- Part A – hospital care
- Part B – doctor's care
- Part C – combined Parts A and B and oftentimes Part D
- Part D – prescriptions.

Most people have Medicare Parts A, B, and D independently or combined. Part C is a comprehensive program (Parts A, B, and D) designed to work in coordination with financial assistance.

The only time a person wouldn't chose to enroll in Medicare is if he or she is still employed, and the employer offers a better plan or is paying entirely for the employee's plan. Comparing the employee plan and a supplemental plan is advised since this is oftentimes a direct expense to the employee. Individuals that continue to work may choose or be directed by the employer to utilize a part of Medicare such as Part B and choose to decline the use of the hospital portion (Part A) since Part A remains with the employee as long as he or she is employed. Medicare premiums are generally taken directly out of the individual's Social Security benefit or pension on a monthly basis.

"Oh, it's a great healthcare plan ... well worth selling the house to pay for."

Supplemental Health and Prescription Insurance

Medicare programs satisfy only a portion and not all the health-related costs. Approximately 80% of approved medically related expenses are paid by Medicare, and 20% is left for the individual to pay.

Although a person is not required to have supplemental health insurance, most individuals or couples have found it to be the most effective means to pay their portion. Supplemental health insurance is additional insurance that you can purchase to help pay the portion that Medicare insurance does not cover. Some supplemental insurance plans will pay for out-of-pocket medical expenses, such as deductibles, copayments, and coinsurance. Supplemental plans are required to mirror Medicare Part A and Part B.

The alternative to not having a supplemental plan is to pay out of pocket or qualify for a government assistance plan such as Part C. Individuals and couples would first apply for Medicare and then Medicaid. Medicaid is a federal and state program designed to assist individuals that are not financially able to pay for medical care.

Each state has approved insurance carriers that offer supplemental plans. A simple web search will provide you with your state's approved carriers. When examining carriers, you should first call your primary care physician to determine which carriers he or she will accept. Not all doctors accept all carriers.

In reference to Part D, medication, some supplemental plans include prescription cost, and others do not. In either case, before choosing a carrier, determine whether the carrier will cover the medications you need, especially if you prefer to not use generic medicine. Many will not carry or will require an exception to provide you with brand-name medication. The terminology the carrier uses to reference approved medication is called a *formulary*. A formulary is a list of approved medications, generic and brand, based on the doctor's diagnosis.

If the supplemental plan you are researching does not include prescription medicine, an additional supplemental plan specific to Part

D should be considered. Once you have done your research, evaluate the premium based on your own needs by assessing your current health. Open enrollment takes place annually. Open enrollment allows you to switch carriers for any reason during that period.

For more detailed information on Part D, please reference the following link: https://www.medicare.gov/drug-coverage-part-d/costs-for-medicare-drug-coverage/costs-in-the-coverage-gap.

Medicare Prescription Advantage

Many supplemental plans that cover prescription medicine, within the plan or as an independent plan, may not cover all those costs. This gap, or "donut hole," is the difference between the cost for the medication and the percentage of annual prescription costs that prescription insurance programs cover. This difference must be covered by the individual. Once the gap is fulfilled, the prescription plan will generally pay 100% of the prescription cost.

Medicare Prescription Advantage (gap insurance) is a Massachusetts prescription program that shields an individual from falling into the gap. Not all states offer similar programs. Having to cover this gap can be costly for an individual without Medicare Prescription Advantage. For example, people in their later years may need a greater number of prescriptions. For the first six months of the year, their prescription insurance plan (Part D) pays their portions, and the individuals make co-payments. During the seventh month, they have hit the maximum coverage the plan will allow, and they fall into the gap. Without gap insurance, they are forced to pay the full cost of the prescription until they have paid out of pocket getting through the gap. At that point, the prescription plan resumes paying the cost of the prescriptions until the end of the year. This can take place year after year. If you reside in Massachusetts, Medicare Prescription Advantage fills the gap, offsetting the cost to the individual. Other states may have similar programs. Contact your local Medicare office to see if the state you live in offers a similar program. Oftentimes, an individual will experience a decrease in out-of-pocket expense during the gap when using Medicare Prescription Advantage.

Shopping supplemental plans is recommended since health needs can change and a different plan may better suit you from time to time.

Vetted Medicare experts are available through the Retirement Education Center of North America, Inc. Email info@rercna.com or call 781-763-7372.

Step 4

Establishing Lifetime Income Streams

Setting up income streams requires the help of a qualified insurance professional.

But first, let's discuss how income streams are established and what types of insurance products are used.

Annuities create lifetime income streams in two very different ways.

One way annuities create lifetime income streams is through annuitization. All annuities can be annuitized. Annuitization is when an asset—your retirement or investment fund—is moved when an asset or your retirement or investment fund is moved into an annuity and the funds are permanently transformed into an income stream. The asset is no longer considered an asset; it is considered income. The income stream is set for the rest of your life, and in most situations, the payout will never fluctuate. Since it is no longer considered an asset, the retirement funds are no longer accessible to you for random distributions, other than the established income stream. The income stream will generally satisfy the required minimum distribution (RMD) for this retirement account based on the current IRS chart. If you have other retirement accounts, RMDs for those accounts will need to be independently considered.

The second method of creating a lifetime income stream is to utilize an annuity designed for income-stream planning, most commonly a fixed indexed annuity. This type of annuity allows you to do what is described above if and when desired but also allows you to utilize an income element, which independently creates a lifetime income stream while maintaining the annuity as an asset. The payout in this type of lifetime income stream can increase each year, depending on the annuity and the option the individual has selected. By maintaining the annuity as an asset, the individual is able to access the account for random distributions, as well as the established income stream. Since the lifetime income stream is based on the account value, random distributions may reduce the lifetime income stream. This type of annuity offers more flexibility while providing security and income protection.

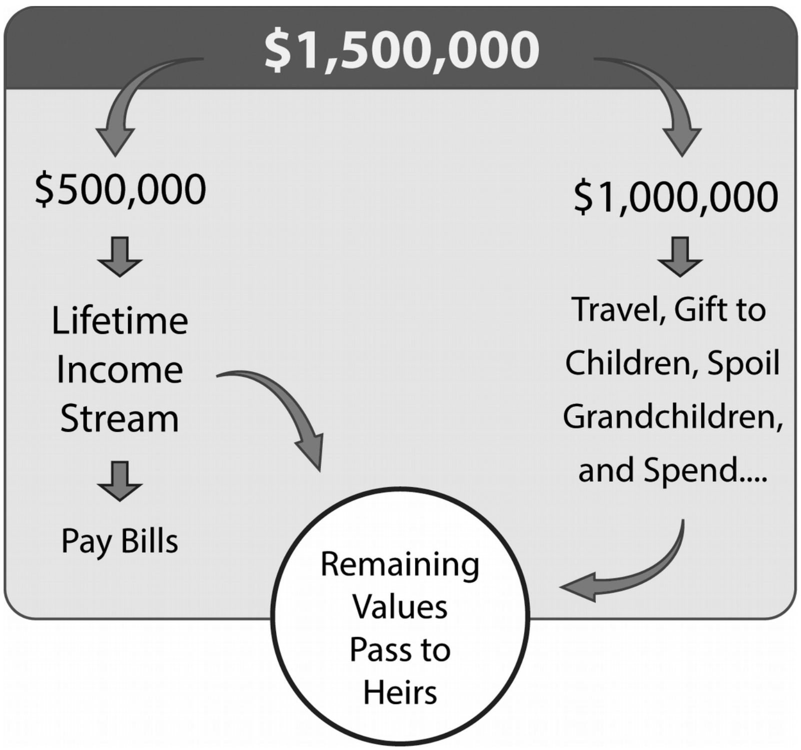
Supporting the process of creating lifetime income streams, the SECURE Act was signed into law in December 2019. The act suggests that soon-to-be or newly retired individuals consider reallocating a portion of their retirement funds into an IRA annuity that will continue the tax-deferred growth and begin to grow an income stream for the life of the individual or couple. If this is planned properly, the individual/couple could live comfortably during retirement knowing their monthly bills are met with income, while traveling and enjoying retirement on the remaining portion of their retirement funds.

Once income streams have been established, the remainder of your money is considered discretionary and is there for what retirement is all about, fun and enjoying life and your family.

This is an example of what your financial landscape should look like.

> John and Mary (fictitious characters for the purpose of this example) are both 60 years old and plan to retire at age 67. They have accumulated $1,500,000 in retirement funds. They have forecasted their monthly bills with inflation. Now they know what they need for additional income to supplement their Social Security and pensions to meet their needs during retirement.
>
> Since they are able to take an in-service withdrawal from their retirement accounts, they will fund an annuity that will provide the income they need to live on during retirement. (An in-service withdrawal is a feature found in most retirement plans that allows the individual, at age 59½, to remove funds while still employed by his or her current employer. By doing this at age 60 and placing the funds into an annuity, the funds

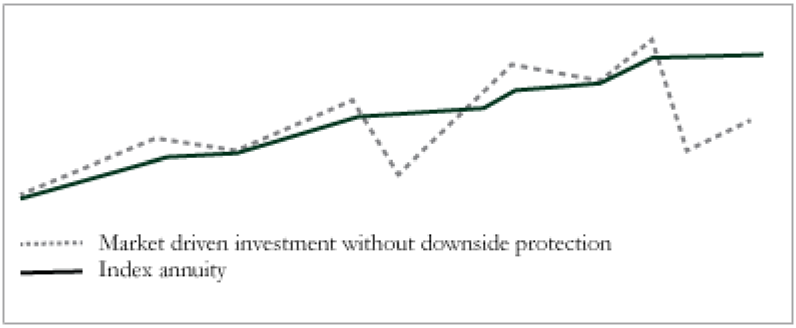
have time to mature and build a guaranteed income stream for the life of the individual or couple.) This allows John and Mary to build the income they need prior to retiring at age 67. In this example, if John and Mary take $500,000 combined, they will have a strong income for retirement and $1,000,000 plus growth to enjoy during retirement with less stress knowing their monthly living responsibilities are met.



Downside protection is a unique quality and one of the most popular reasons why fixed index annuities are a great fit for income-stream planning.

Downside protection is a feature found in all fixed index annuities. Not only are the funds protected from market volatility, but for those with annual crediting methods, the funds lock in on the annual anniversary and will never be reduced due to market volatility. During the course of the year, the indexes can change, up and down, and are reflected within the allocated index, sometimes averaged and other times compared annually based on the beginning and ending values. Regardless of the method used, at the end of the contract year, if the allocations were to reflect a negative impact on the contract, no growth and no loss would be applied to the contract.

Here is a hypothetical example of downside protection:



Fixed index annuities are long-term insurance products with guarantees backed by the issuing company. In general, the purpose for insurance products is to help provide protection and, specifically for annuities, to provide a guaranteed lifetime income. As mentioned earlier, downside protection is a feature built into fixed index annuity products.

Fixed index annuities provide the potential for interest to be credited based in part on the performance of specific indexes, without the risk of loss of premium due to market downturn or fluctuation. When funding a fixed index annuity, selecting one or more allocations is required. Although the allocations address indexes referenced in the financial market, fixed index annuities are not a direct investment in the stock market. The allocated index is used as a barometer to help determine the value applied to the contract. With that said, a fixed index annuity credits interest to the annuity contract value based upon the movement of the underlying market index. Growth of the fixed index annuity is calculated based on the index, and it is linked to how that index performs.

Interest credits to a fixed index annuity will not mirror the actual performance of the relevant index. Depending on the product and the allocation choices, some indexes' allocation growth is capped, while others subtract a predetermined percentage, commonly referred to as a *margin* or *spread*, before applying growth to the contract. For some crediting methods, the interest credit percentage is calculated by multiplying a specific percentage by the percentage change in the index value. This percentage is referred to as the *participation rate*.

All contracts offer a fixed allocation that guarantees the growth in a given year and do not have caps or margins/spreads. The interest rate is declared at the company's discretion each year thereafter but will never be less that the minimum guaranteed rate provided in the contract. These allocation elements adjust when needed, based on the economic environment, allowing the insurance company to manage and navigate its portfolio during a difficult economy. During a good economy, caps go up, margins/spreads go down, and participation rates adjust accordingly. Based on the allocation period, one or two years, the contract owner can change allocations. Some allocations allow the contract owner to lock the contract growth for the remaining period, others leverage a negative market, and some limit the volatility and growth systematically.

Surrender period—is it a limitation?

All annuities (except immediate annuities) have a surrender period. A surrender period is a time, usually 8 to 14 years, during which a penalty is applied to withdrawals beyond the penalty-free allowance. Once the surrender period is over, the funds can be removed or will continue to grow as they have, available to be withdrawn at will. Surrender periods govern many aspects of an annuity contract. Generally, the longer the surrender period, the more favorable the growth potential can be.

Sometimes an insurance carrier will offer a premium bonus on an annuity. An annuity with a long surrender period will generally offer a larger premium bonus. The added premium bonus will generally grow, compounding within the contract based on the allocation. Bonuses will have an effect on the allocation cap, margin/spread, and participation rate. The surrender period reassures the insurance company that it will have the funds for a known period of time, allowing it to invest your funds in long-term opportunities. If an annuitant passes away during the surrender period, the surrender period is generally waived.

Regardless of the surrender period, a fixed index annuity generally allows an annual penalty-free withdrawal of 5% to 10% of the initial premium or the withdrawal of the accumulated value. Income rider distributions can fall within the penalty-free withdrawals, avoiding a penalty. If someone is considering an annuity and will need to access more than the annual penalty-free allowance, an annuity may not be appropriate.

Although fixed index annuities may not be appropriate for everyone, for some, downside protection can add great value to a portfolio, especially when individuals have a retirement date in mind and uncertain times force them to change direction. For example, if you had planned to retire in April 2020, when the market experienced a downturn, using funds reflecting the downturn might not have been your best option. You might have chosen to reconsider retirement (if you were lucky enough to have that option) until the market recovers, which could be 7-10 years later. If your funds were in a fixed index annuity, set up to provide a lifetime income stream, the funds would be protected.

Utilizing a Life Insurance Policy to Create a Lifetime Income Stream

A permanent life insurance policy (whole life or universal life) designed for income planning can be beneficial during retirement for a particular reason—the income is not currently taxable and to date has never been.

In most cases, a life insurance proceeds is not taxable. Since the income is being paid out as a loan and the loan is being paid back from the death benefit upon the insured's death, the income is not taxable.

In addition, oftentimes, the funds that have been borrowed continue to grow, even though they have been released to the insured as a loan as income. For example:

- The funds that have be lent continue to participate within the policy at a rate of 6%.
- The borrowing rate is 4%.
- The interest growth on the borrowed money that is no longer in the policy is 2%.

There is also a wash loan, which credits the policy the same interest rates the policy charges the insured to borrow the income, creating a wash.

Revisiting your life insurance policy is a wise decision prior to retiring. In the event that your policy is designed for retirement income, you may want to incorporate the income into your plan.

If you no longer need your policy:

- the cash value can be used to create a lifetime income stream if the life insurance policy isn't designed for income purposes;
- selling the policy, known as a "life settlement," is an option. The proceeds can be used to establish a lifetime income stream.

Prior to making these decisions, it's always helpful to seek the advice of your estate planning attorney and your CPA. Permanent life insurance oftentimes plays a major role in satisfying tax and legal issues. In most circumstances, the least expensive way of paying estate tax is with life insurance. Life insurance can also be used as a means for wealth transfer, especially since the Stretch IRA has changed dramatically due to the SECURE Act of 2019.

The SECURE Act of 2019 eliminated the opportunity to direct qualified retirement funds to future generations beyond 10 years for non-spouse beneficiaries. Now, these funds must be distributed by the end of ten years. These funds, although no longer continuing with tax-deferred treatment, can be sent to future generations through life insurance and annuities. Once the post-tax value is transferred into a life insurance policy or annuity contract, tax-deferred treatment can exist going forward. This offers a great opportunity to create income streams for the next generation. The timing to establish the plan to transfer retirement assets has changed. Tax consequences need to be considered and can be substantial if not planned for accordingly.

How soon can someone begin income-stream planning?

Retirement funds (401(k) type accounts) can be placed in an annuity upon separation from an employer or any time after age 59½, while employed or not. Funds outside of retirement plans such as stocks, bonds, and cash on hand can fund an annuity at any time. The most important aspect of fixed indexed annuities one needs to understand is that whether the objective is to accumulate value, create income, or both, the funds have upside potential while being protected from market risk.

Income streaming using a life insurance policy can begin as early as an individual would like, whether retired or not. Life insurance designed for income purposes is generally established when a person is young, as early as two weeks old. Although that sounds crazy, it's possible. It's oftentimes used for wealth transfer and gifting purposes. Adults that experience the greatest advantage to life insurance income planning begin the process as young as 20 years old. This is not to say that it can't be done in one's 30s or 40s.

Step 5

Finding a Qualified Professional to Create Income Streams 4 Life

When seeking an insurance professional to find the right annuity that fits your situation, it is suggested that the professional have the ability to shop various insurance carriers for the best solution to your situation. There are several types of insurance professionals—independent, captured, and affiliated.

- Independent agents have many insurance carries at their disposal, creating a bigger competitive environment.
- Captive agents work within a limited product line, usually with a single insurance carrier and represent that carrier's products only.
- Affiliated agents, similar to captive agents, are focused on one carrier in particular but able to venture out from under the umbrella if needed but continue to be limited.

Finding Assistance Is Essential for Most People

Find an expert in the field of retirement planning that has an understanding of how to properly create income streams. The individual should be able to show you an array of options to choose from, based on your needs and objectives.

Visit www.positioning4retirement.com for contact information and resources of experts in your area. You may also contact the Retirement Education Resource Center of North America (RERCNA) at 781-763-7372. We will be happy to assist you in the area of retirement planning. RERCNA has been established to provide individuals with information, tools, and resources for retirement planning.

Tax and Estate Planning Is Often Considered during Retirement Planning

Other areas of consideration when planning for retirement are tax planning and estate planning.

Coordinating qualified and non-qualified funds is essential to avoid paying too much income tax, as pointed out in *Positioning 4 Retirement*. Meeting with a CPA can prove to be beneficial when setting up the different types of income streams. They will help you made decisions that can save you tax dollars while giving you an idea of what your tax expectations will be in the future.

Retirement has three phases—the go-go phase (ages 60s to 70s), the go-slow phase (mid-70s to mid-80s), and the no-go phase (after mid-80s). It's always wise to have your estate plan created or updated for the go-go phase. What would happen to your estate if something bad happens to you when you are vacationing? Who would handle your affairs? Once the estate plan is created, the go-slow phase generally needs estate plan updates with the no-go phase in mind.

Finding the fiduciary that works well for you is important. Reference Fiduciary and Due Diligence. Link below:

https://rercna.com/images/Fiduciaries-and-Due-Diligence.pdf

Recommended experts in these fields can also be found at www.positioning4retirement.com.

For other resources available to our members, visit RERCNA.com.

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