

The Challenge of Retirement Income Planning



EquityCompass Strategies

1 South Street, 16th Floor
Baltimore, Maryland 21202

Hotline: (443) 224-1231

E-mail: equitycompass@stifel.com

www.equitycompass.com

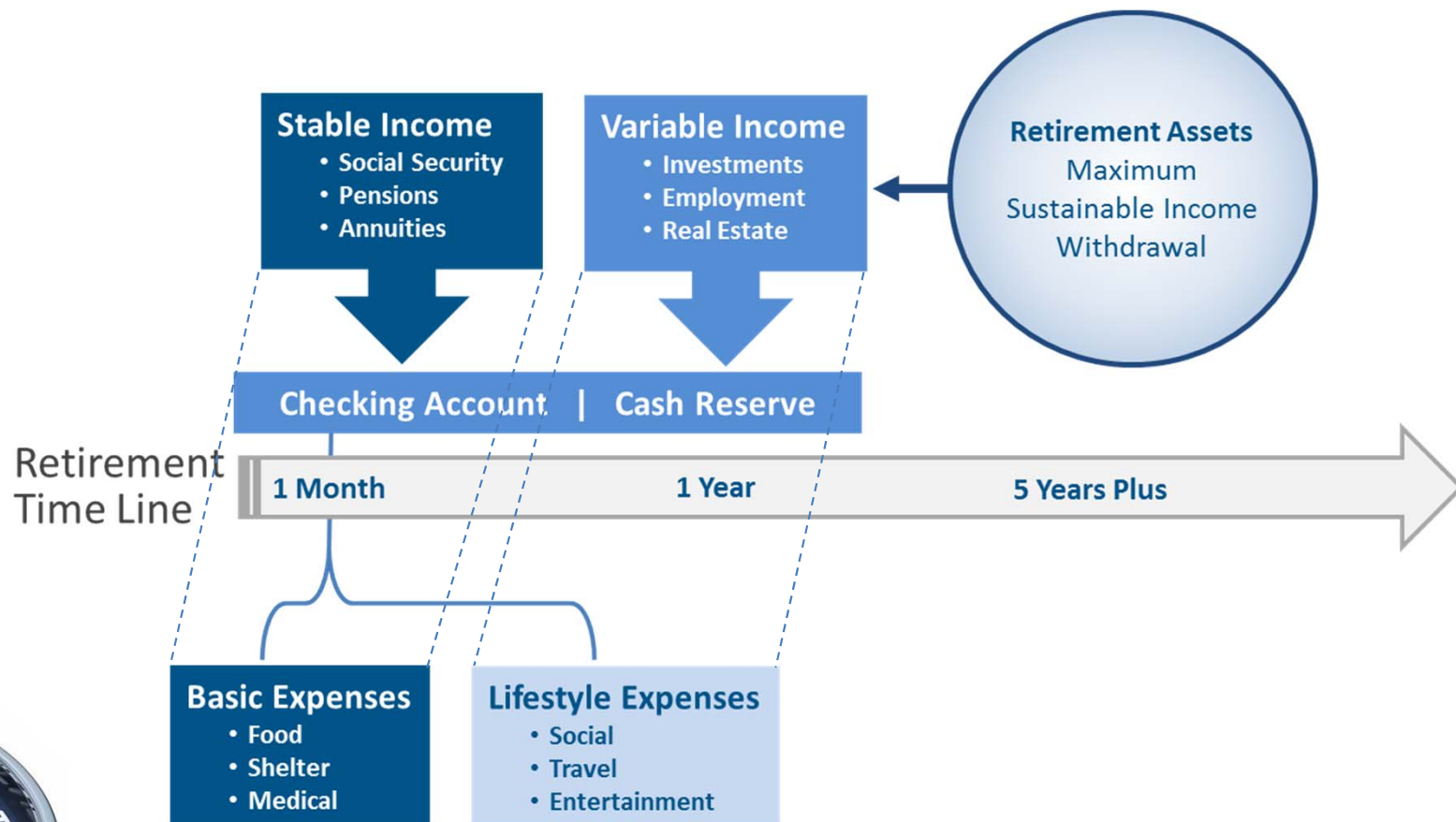
Thinking of Retiring?

- Future financial market returns
- The future path of interest rates
- The severity and timing of bear markets
- The magnitude and timing of bull markets
- The sequence of your returns
- Your personal spending needs
- Your financial needs and desires
- Where you are in your financial lifecycle
- How much longer you plan on working
- What you plan on doing with your money some day
- How long you'll live after retirement
- Whether you're going to be a net saver or spender in the near future
- Your current and future income levels
- Your ability, willingness, and need to take risk
- How perception of risk will change over time
- Unexpected life events and challenges
- Withdrawal strategies during retirement
- Future tax rates
- Your future savings rate
- Social security elections and benefits
- Healthcare expenses
- Inflation
- Changes in the cost of living where you live
- Your debt levels
- How many people are dependent on you financially
- Insurance needs
- Your ratio of human to financial capital



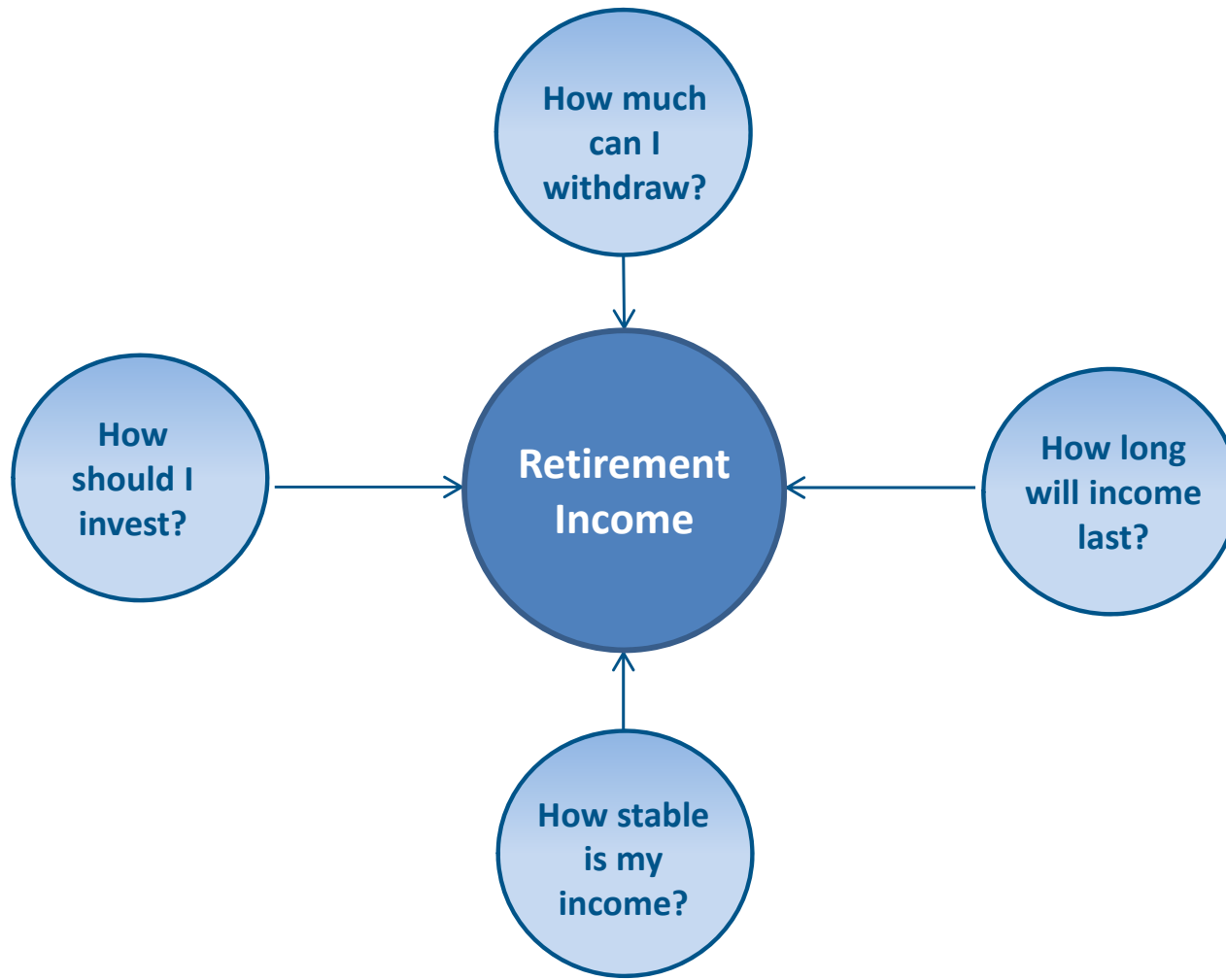
Retirement Planning

A well-planned retirement will take into account all sources of income and use a disciplined structure to facilitate the cash flow needed for basic and lifestyle spending. The spending plan should seek to balance the desire to maintain a consistent lifestyle with the preservation of assets for a retirement that could last 30 years or more.



Retirement Investing

The objective of a retirement portfolio is to provide sustainable income for life expectancy. The process should address **four** key questions.



Growth Is Needed for Maximum Sustainable Income

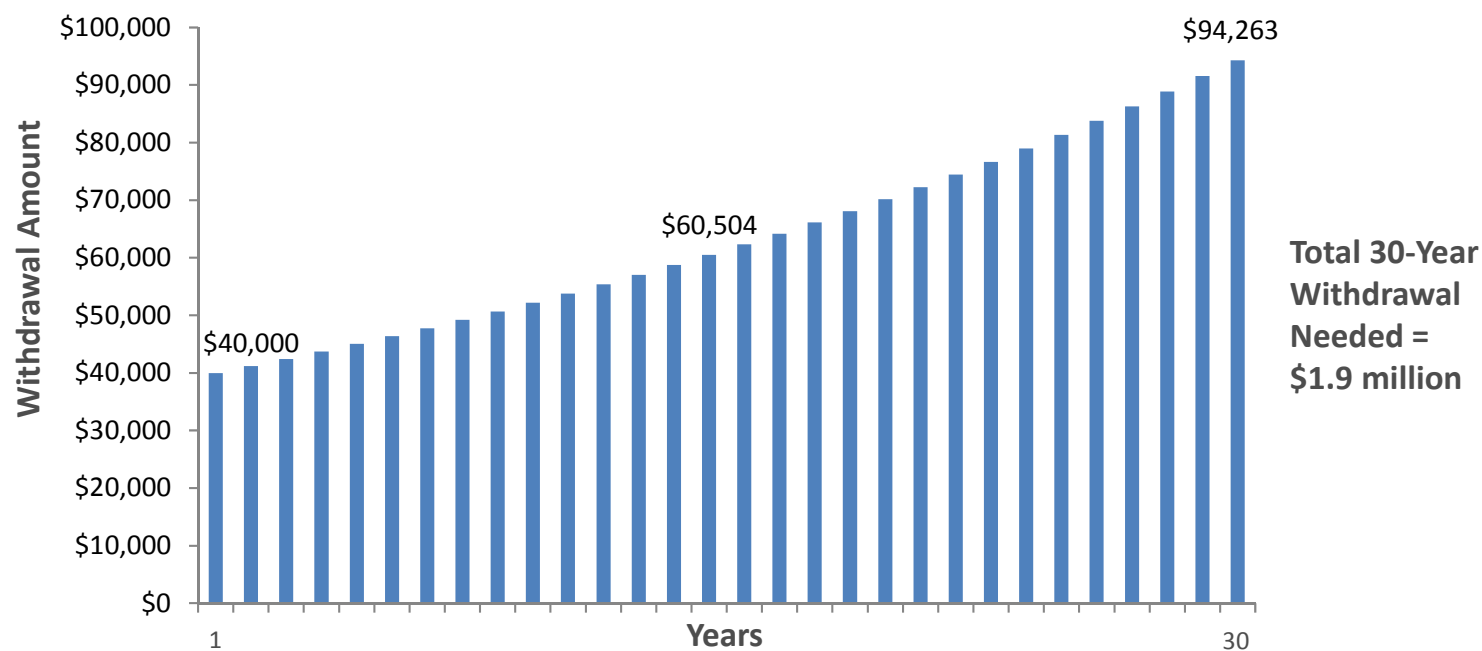
Maximum sustainable income is the highest amount of income that can be withdrawn from retirement assets that meet **three** requirements:

- 1) High likelihood of lasting life expectancy
- 2) Annual cost-of-living increases
- 3) Tolerate unfavorable investment performance scenarios

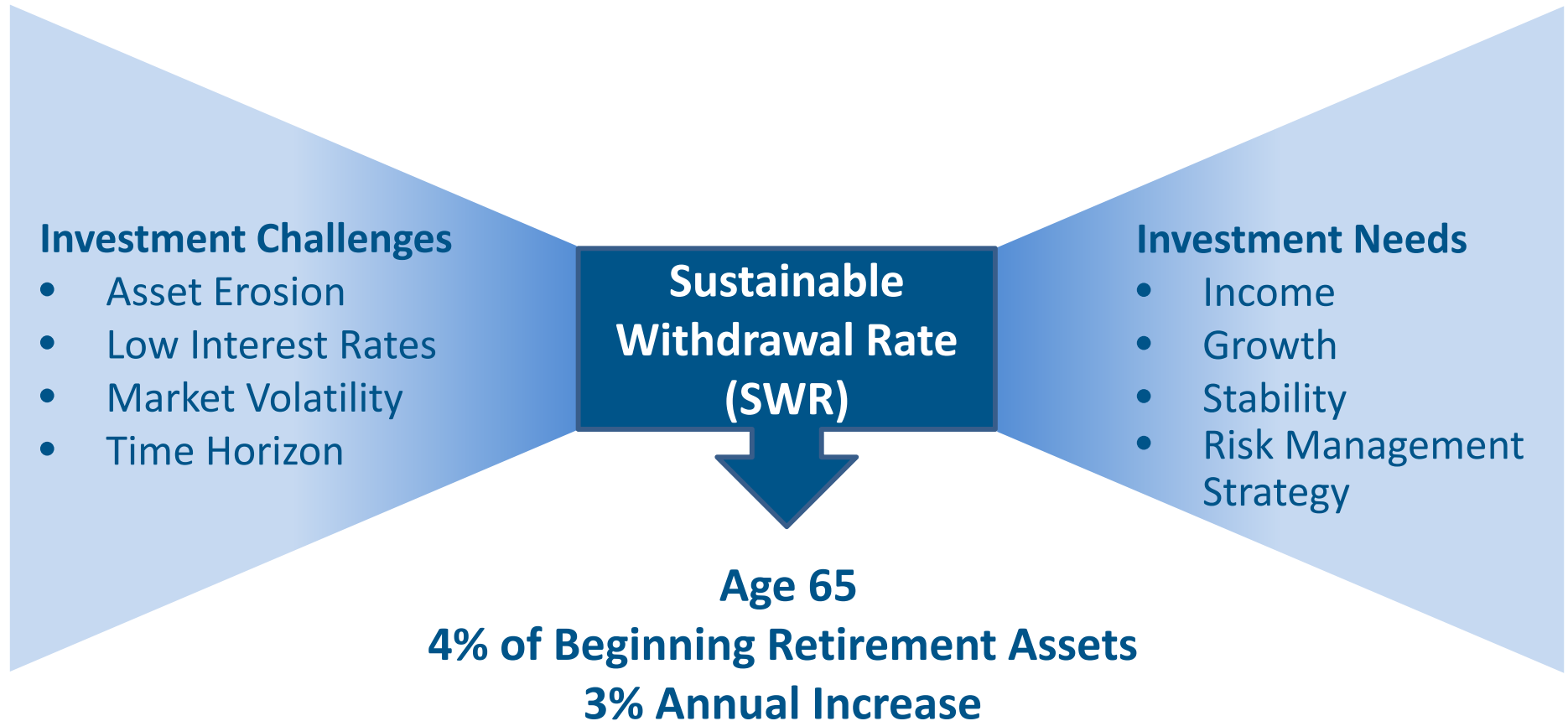
Generally, retirement assets must also achieve some growth, as depicted by the following withdrawal example.

Annual Withdrawal Example

\$1,000,000 initial investment, 4% initial withdrawal rate increases by 3% per year | Source: EquityCompass Strategies



Retirement Withdrawal Strategy



Investment Strategy

An investment strategy should focus on the needs of retirement income

<p>Income <i>Current Withdrawals</i></p> <p>High-quality, high-yield stocks</p>	<p>Growth <i>Future Withdrawals</i></p> <p>Broadly diversified domestic & global stocks</p>
<p>Stability <i>Counteract Volatility</i></p> <p>High-quality, low-duration bonds</p>	<p>Risk Management Strategy <i>Plan for Large Market Decline</i></p> <p>Embedded decisions to reduce equity exposure</p>



Conclusion

- Retirees need a clear process for converting their retirement savings to monthly spending.
- Retirees should try to establish a maximum sustainable withdrawal rate for retirement assets. This is the amount of annual income, including cost-of-living increases, which reflects considerations for how long income is likely needed and expected investment performance.
- Investing during retirement should focus on the need for income, growth, stability, and a risk management strategy.
- Retirement planning is a personal process where unique circumstances guide overall strategy. The benefit of sound advice is seeking to reduce mistakes and aligning retirement goals with an appropriate investment strategy.



EquityCompass Strategies

1 South Street, 16th Floor
Baltimore, Maryland 21202

EquityCompass Hotline: (443) 224-1231 | equitycompass@stifel.com
www.equitycompass.com

Important Disclosures

The information contained herein has been prepared from sources believed to be reliable but is not guaranteed and is not a complete summary or statement of all available data nor is it considered an offer to buy or sell any securities referred to herein. EquityCompass Strategies is a research and investment advisory unit of Choice Financial Partners, Inc., a wholly owned subsidiary and affiliated SEC registered investment advisor of Stifel Financial Corp. Choice Financial Partners does not manage actual client portfolios; rather, portfolios based on EquityCompass Strategies are available primarily through Stifel, Nicolaus & Company, Incorporated. For information about Stifel's advisory programs, including fee structures, please contact your Financial Advisor to request a copy of the Stifel's ADV Part 2A or equivalent disclosure brochure. Affiliates of EquityCompass Strategies may, at times, release written or oral commentary, technical analysis, or trading strategies that differ from the opinions expressed within. Opinions expressed are subject to change without notice and do not take into account the particular investment objectives, financial situation, or needs of individual investors.

Any investment involves risk, including the risk of a loss of principal. Rebalancing may have tax consequences, which should be discussed with your tax advisor. Small company stocks are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies. The market risk associated with small-cap and mid-cap stocks is generally greater than that associated with large-cap stocks because small-cap and mid-cap stocks tend to experience sharper price fluctuations than large-cap stocks, particularly during bear markets. Due to their narrow focus, sector-based investments typically exhibit greater volatility and are generally associated with a high degree of risk. ADRs are subject to foreign securities risks, including currency risks and political risks. It should not be assumed that any of the holdings included in the holding report listed in these materials were or will prove to be profitable, or that recommendation or decisions that the firm makes in the future will be profitable or will equal the investment performance or the dividend yield rates of the securities discussed herein. Changes in market conditions or a company's financial condition may impact the company's ability to continue to pay dividends. Companies may also choose to discontinue dividend payments.

Foreign investments are subject to risks not ordinarily associated with domestic investments, such as currency, economic and political risks, and different accounting standards. There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries.

PAST PERFORMANCE CANNOT AND SHOULD NOT BE VIEWED AS AN INDICATOR OF FUTURE PERFORMANCE.

Additional Information Available Upon Request

© 2017 EquityCompass Strategies, One South Street, 16th Floor, Baltimore, Maryland 21202. All rights reserved.

