Fiduciary Financial Group

RETIREMENT INCOME

ROADMAP

208-401-3747 richard@ffgwealth.com Boise, ID

Hi, we're FFG.

We guide clients through the various challenges of shifting from the accumulation phase of life to the distribution phase… namely the significant impact it [should] have on the client's investment strategy, distribution strategy, social security elections, insurance coverage, and mortgage financing.

Our Retirement Income Planning Process:

Compartmentalizing your portfolio into buckets – those with your short-term low-risk assets separate from your long-term appreciation assets allows for more transparency and greater investor discipline. We at FFG feel that investor behavior drives long-term returns more than anything else. So, we decided to build a program that helps reinforce sound financial decision-making during retirement to help you stay on track. We know, that as the markets continue to see-saw and savings & bond yields remain low, this is a major challenge. Check out our visual aids and case study on the follow pages to see how we can help!

Meet the Author: Richard Davey, CPA, CFP®

Richard is the founder of Fiduciary Financial Group, an independent fee-only registered investment advisor in Idaho and California. By 30 years old, his firm had eclipsed $50 million in assets under management. He's been featured in RIA Business Journal and made several appearances on California's Wall Street Business Network radio. He is a resident of Eagle, Idaho.

The first steps to planning.

Income vs. Expenses

1. Determine existing sources of income from non-portfolio sources.

2. Develop an expense budget breaking out your average monthly essential & non-essential expenses.

3. Determine your monthly cash flow deficit factoring in income from non-portfolio sources less total avg. monthly expenses (essential & non-essential).

4. Inventory all portfolio assets.

5. Review your investment risk tolerance.

Next Steps: Build your retirement buckets

Fiduciary Financial Group

Build your retirement buckets.

6. Build your retirement buckets considering both your monthly cash flow deficit & your risk tolerance. These buckets will include:

Bucket #1

Short-Term Spending

Every day checking account. Enough for 12 months of spending.

Bucket #2

Cash Buffer

We recommend using an FDIC insured liquid high yield savings account to cover 2-3 years of monthly cash shortfall

Bucket #3

Intermediate Bucket

Depending on preferences & portfolio size, this portion of your portfolio can be funded with a mixture of bonds, fixed annuities, hard money loans, preferred stocks, and some utility stocks.

Bucket #4

Long-Term Bucket

This bucket, because it's backed up by buckets 1-3 can be invested aggressively in assets with high expected returns. At FFG, we believe strongly in globally diversified value investing to achieve the highest expected returns. With 7-8+ year holding periods on these investments, your probability of outperformance over lower risk assets (cash &bonds) is very high.

Build your retirement buckets.

7. As needed, the interest & dividends generated by buckets 2 & 3 can feed bucket 1 to further extend the life of the cash buffer available prior to drawing on your long-term investments.

8. Develop a dynamic withdrawal strategy – That is, outline a plan for expense reduction (elimination of some or all non-essential expenses) during bear markets to increase the longevity of your portfolio. In certain circumstances, this can be coordinated with reverse mortgage strategies to further enhance your dynamic withdrawal plan by also factoring in the use of primary residence home equity.

Next Up: A Case Study - Tom and Mary

A Case Study - Tom and Mary

Tom and Mary are 65 years old. They worked with FFG to develop their budget which showed a need for $7,000/mo for essential expenses and $8,000/mo if including desired extras (more travel, cooking classes, and golf lessons). They had $3,500 per month from social security and $1,500/month from a pension. The balance in their portfolio is $1,000,000 and they own and live in a $450,000 house in Boise with no mortgage. Their cash flow deficit could be demonstrated as follows:

- $5,000 Income Sources
- $7,000 Essential Expenses
- $8,000 When including non-essential expenses
- $3,000 Monthly Cash Flow Deficit

Tom and Mary got burned in 2008 losing substantial portfolio wealth. They felt they had not been properly educated about the risks being taken in their investment portfolio. In a panic, they had sold in early 2009 near the bottom locking in substantial losses. They did not get back into the market until several years later in 2012 after missing out on a large portion of the recovery.

FFG worked with Tom and Mary to build a risk tolerance profile and held an additional meeting to go over stock market history, value investing, and the concept of the positive correlation between the probability of outperformance in stocks and the length of time they are left alone to grow.

Considering both Tom and Mary's risk tolerance, their immediate income needs, AND their need for long-term investment appreciation, FFG built a bucket plan to allocate their $1,000,000 nest egg in the most efficient and transparent way possible.

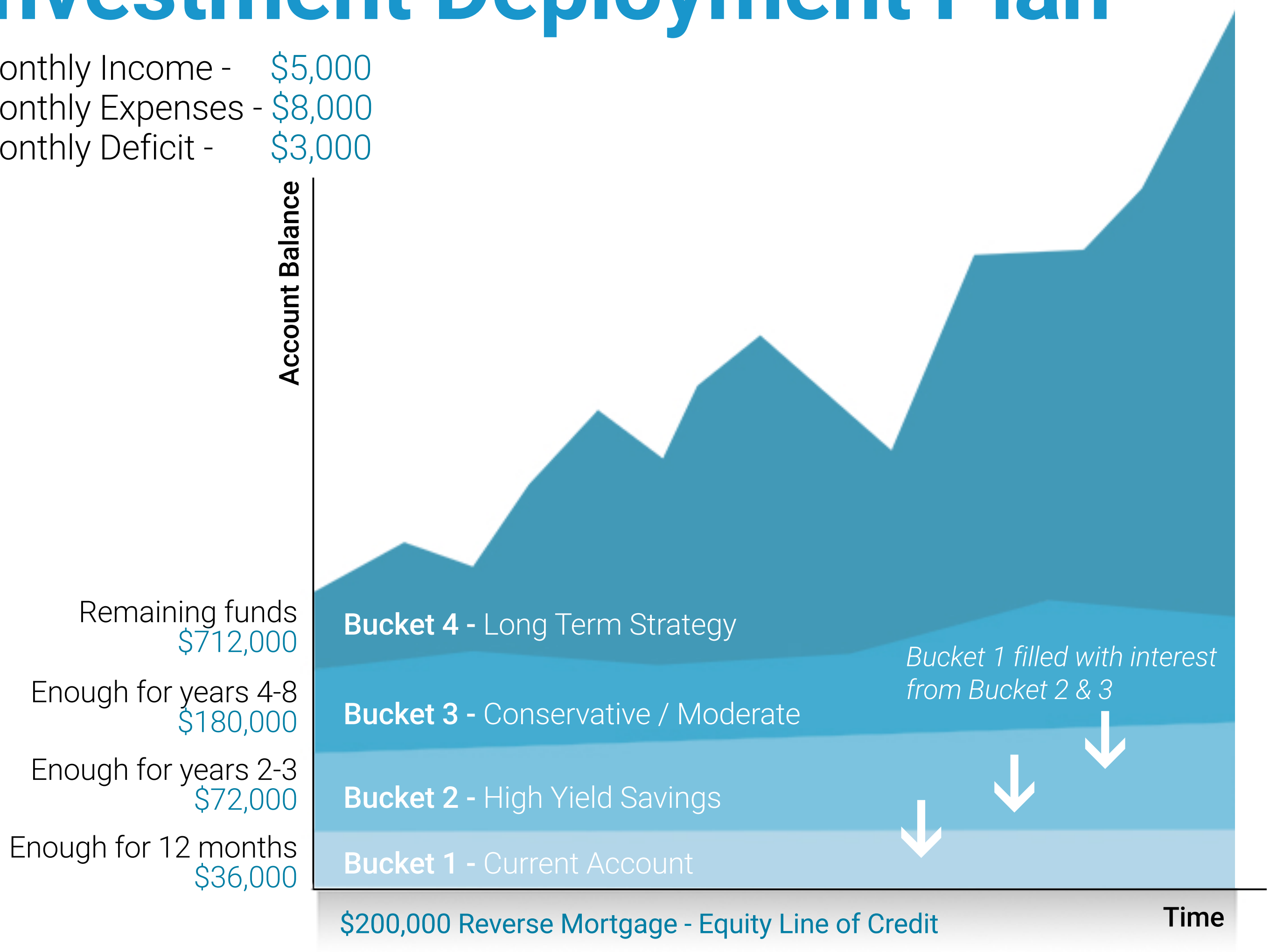
Dividends and interest from their savings bucket and intermediate bucket were set up to be deposited in their checking account.

FFG worked with Tom and Mary and their mortgage broker to establish a reverse mortgage line of credit on their residence. The plan for this was to have it set aside and available for use during bear markets in lieu of withdrawing all necessary income from their portfolio.

Let's take a look at the game plan in more detail on the next page:

Investment Deployment Plan

Monthly Income - $5,000
Monthly Expenses - $8,000
Monthly Deficit - $3,000



Dynamic Withdrawal Strategy:

Tom and Mary commit to a plan that they will drop their spending budget by $800/mo (most of their non-essential expenses) in any year following a negative return in their portfolio. This, in an effort to let their investments have an opportunity to recover. Further, if the drop in spending is not sufficient to have their cash flow stabilized, they agree to revisit using their reverse mortgage line of credit as a back up to further fund their expenses if the investment portfolio realizes a longer-than-anticipated period of negative returns.

This coordinated strategy of dropping spending and incorporating the use of home equity into a retirement income plan has been shown via research distributed by the Financial Planning Association and other professional publications to increase portfolio longevity.

Follow-up with Tom and Mary

FFG's advisors know that sound investment discipline is typically only possible if positively reinforced by a coach. In the ongoing relationship, FFG will continue to meet with Tom and Mary to:

- Revisit their retirement income plan each year to identify necessary changes if any.

- Further reinforce (via education and market updates) Tom and Mary's confidence in the power of the capital markets over the long-term. This, to help them stick with their well-designed plan, even during times of market turmoil.

- Review beneficiary designations on all of their investment accounts to make sure they are still aligned with their wishes.

- Revise the investment mix as necessary based on Tom and Mary's changing liquidity needs, risk tolerance, and evolving market conditions.

- Re-assess their insurance needs, spending habits, charitable strategies, tax strategies, etc.

- Determine the level of satisfaction with their professional team (attorneys, tax pros, insurance brokers, and yes – FFG as the advisor and Certified Financial Planners™) in case any changes need to be made either in personnel or in service style.

Why Use Our Process

- The buckets help reinforce disciplined investing. When conservative investments and long-term aggressive investments are mixed in one optical view, it's difficult for a client to get comfortable with risk.

- Globally diversified value investing where market-timing is deemphasized has substantial evidence backing it and it can be deployed in a low-cost, transparent, and often tax-efficient manner.

- Our recommendations are completely uninfluenced by commissions or investment product sponsors as we only get paid by one source, the client.

- The ongoing monitoring of the plan and positive reinforcement for the client by the coach (your advisor) helps support sound financial decision making and a long-term positive investment experience.

Disclosures

Investment advisory services offered through Advisor's Fiduciary Group, LLC dba Fiduciary Financial Group is a Registered Investment Advisor in the States of California and Idaho. Richard Davey, Sole Proprietor and Trevor Scotto, Sole Proprietor are independently licensed insurance agents. They service insurance products they previously sold through carriers with whom they have appointments and sales relationships. They no longer sell insurance products to new customers and all recommended insurance strategies are outsourced via reference to outside insurance professionals. FFG personal receive no renumeration for these referrals.

Investment strategies are subject to risks, including possible loss of principal. Investments may be volatile and past performance is not indicative of future performance. Fiduciary Financial Group outgoing and incoming emails are electronically archived and subject to review and/or disclosure to someone other than the recipient. We cannot accept requests for securities transactions or other similar instructions through email. We cannot ensure the security of information e-mailed over the Internet, so you should be careful when transmitting confidential information such as account numbers and security holdings. If the reader of this message is not the intended recipient, or an employee or agent responsible for delivering this message to the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. If you have received this communication in error, please notify us immediately by replying to this message and deleting it from your computer. No information constitutes tax, insurance, legal or investment advice. All written content is for informational purposes only. Opinions expressed herein are solely those of Fiduciary Financial Group. Material presented is believed to be from reliable sources; however, we make no representations as to its accuracy or completeness. Fiduciary Financial Group is not affiliated with or endorsed by the Social Security Administration or any government agency and are not engaged in the practice of law. Content should not be viewed as an offer to buy or sell any of the securities mentioned or as legal or tax advice. You should always consult an attorney or tax professional regarding your specific legal or tax situation. Images and photographs are included for the sole purpose of marketing. None of them are photographs of current or former clients. They would not be construed as an endorsement or testimonial from any of the persons in the photograph.

208-401-3747 richard@ffgwealth.com Boise, ID