

# Merrill Lynch Wealth Management

Presented To: **AMO Retirement Plan**

Presented By: **William Alexander**

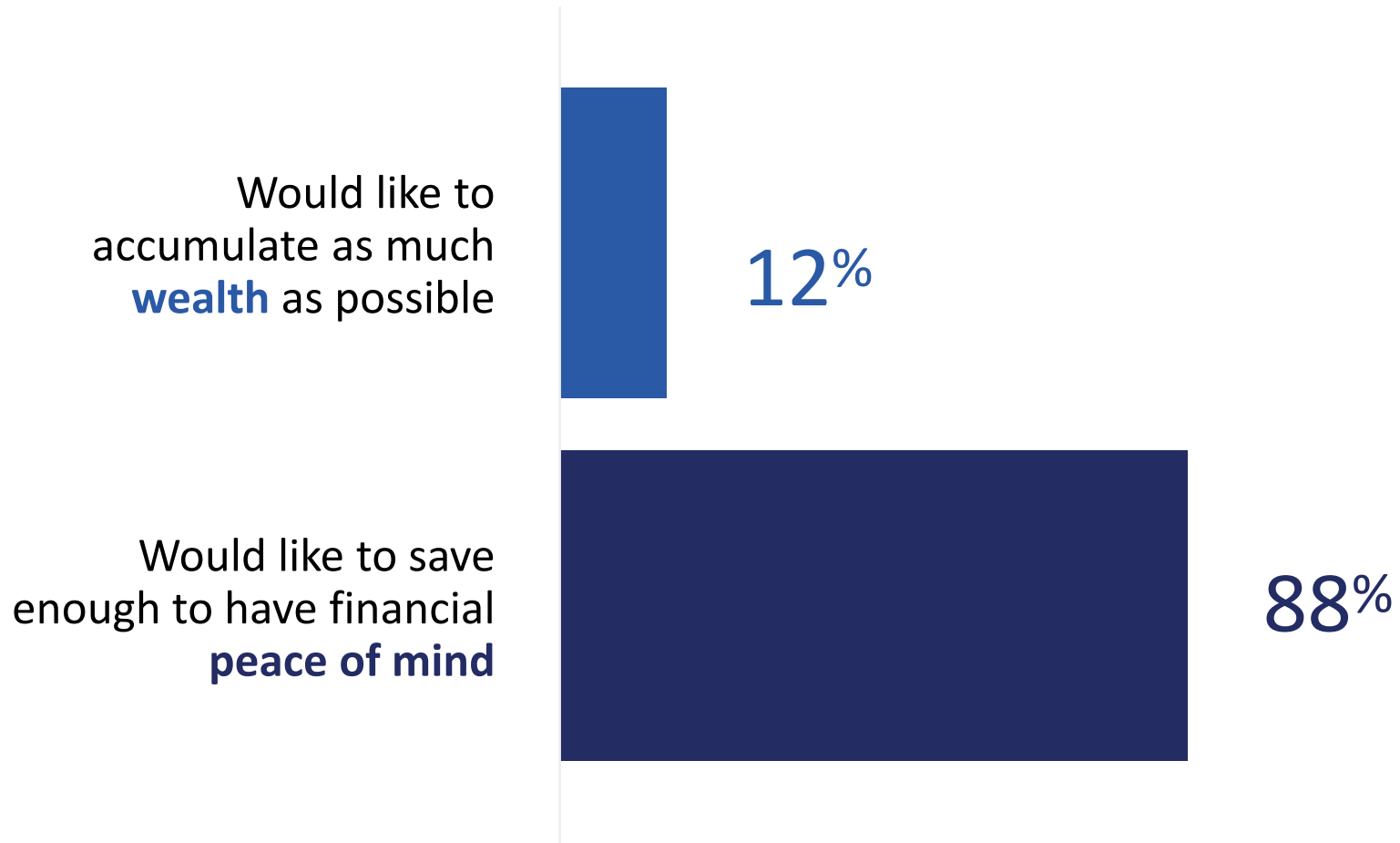
Date: **7/10/2020**

Investment products, insurance and annuity products:

<b>Are Not FDIC Insured</b>	<b>Are Not Bank Guaranteed</b>	<b>May Lose Value</b>
<b>Are Not Deposits</b>	<b>Are Not Insured by Any Federal Government Agency</b>	<b>Are Not a Condition to Any Banking Service or Activity</b>

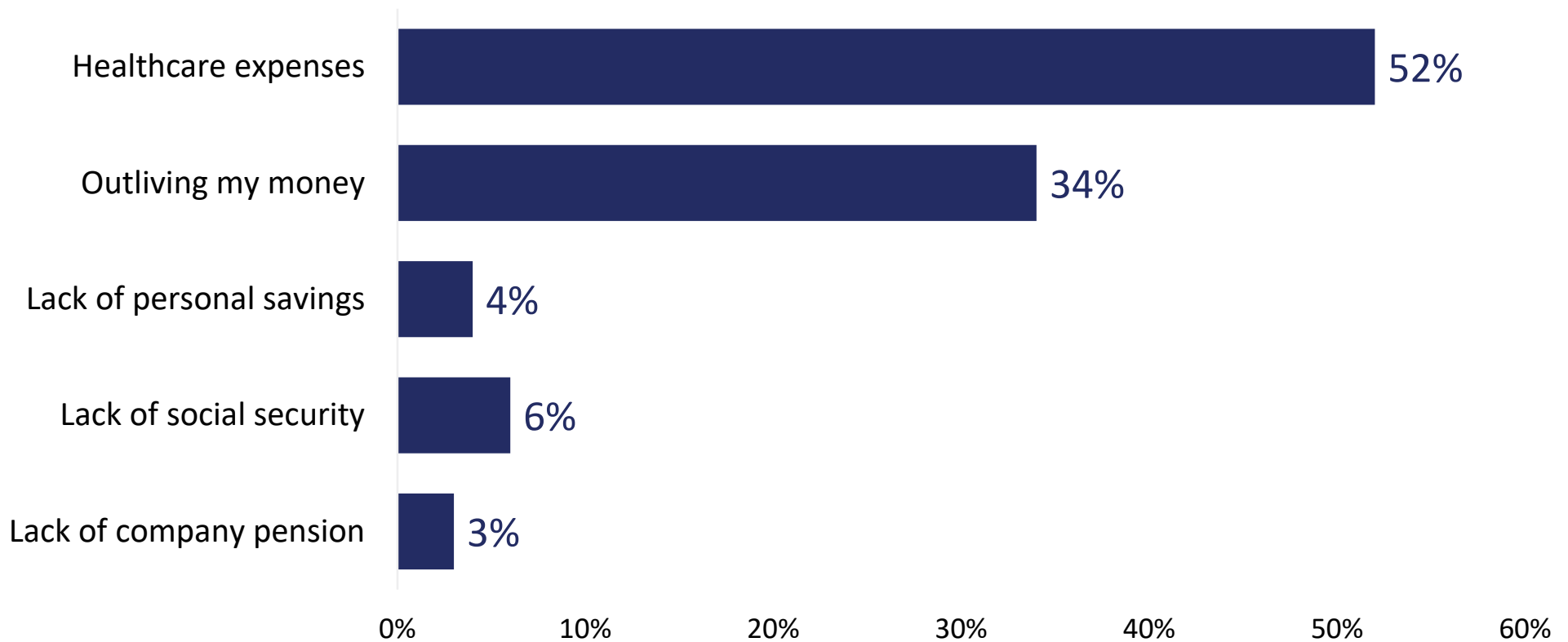
# Pursuing retirement income goals with greater confidence

According to our research, more than “accumulating wealth,” people cite financial “peace of mind” as their most important goal\*



\*'Peace of mind' is an aspirational state of mind clients hope to achieve, with no guaranteed results following completion of the Goals Based Wealth Management process since markets can fluctuate and investments can lose value. Work with your clients to understand how the GBWM process can help to address their concerns, situation and priorities.

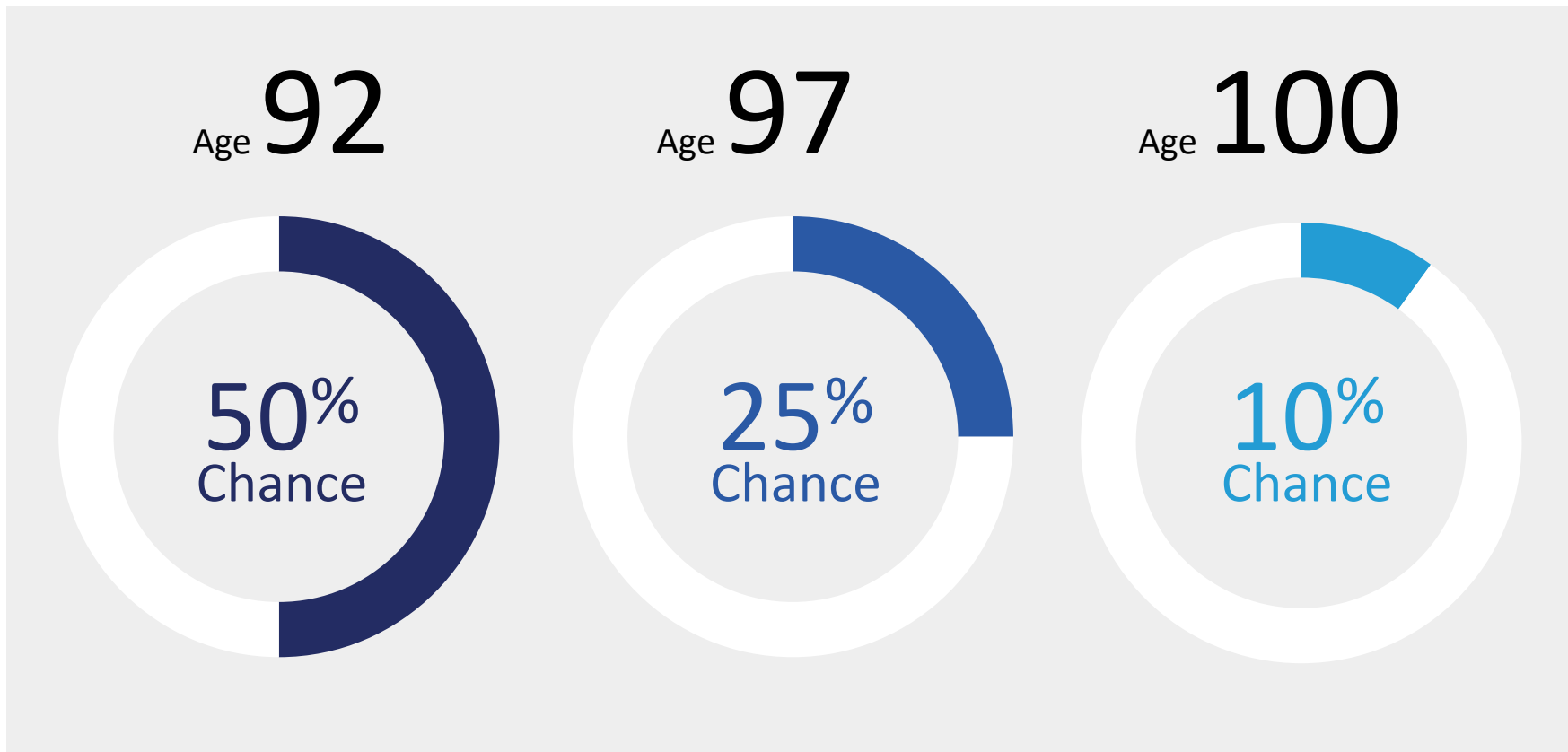
# And many say “running out of money in retirement” is a top worry



→ Have you thought about how much money you'll need in retirement, and will you have enough?

# Living longer is a double-edged sword

Probability of at least one person in a healthy married couple living to these ages



→ The longer you live, the smaller amount of retirement assets you can “consume” each year.

# How much can you draw down your portfolio each year?

There is no one-size fits-all guidance for spending rates

“Many in the industry advocate the “4% rule,” which states that clients can realistically afford to spend 4% of their wealth each year. We find this rule overly simplistic. We offer what we believe is more nuanced guidance regarding the rate at which a retiree can sustainably spend. This is critically dependent on a client’s age and risk tolerance.”

*Chief Investment Office (CIO), “Beyond the 4% rule: Determining sustainable retiree spending rates,” published February 2019.*

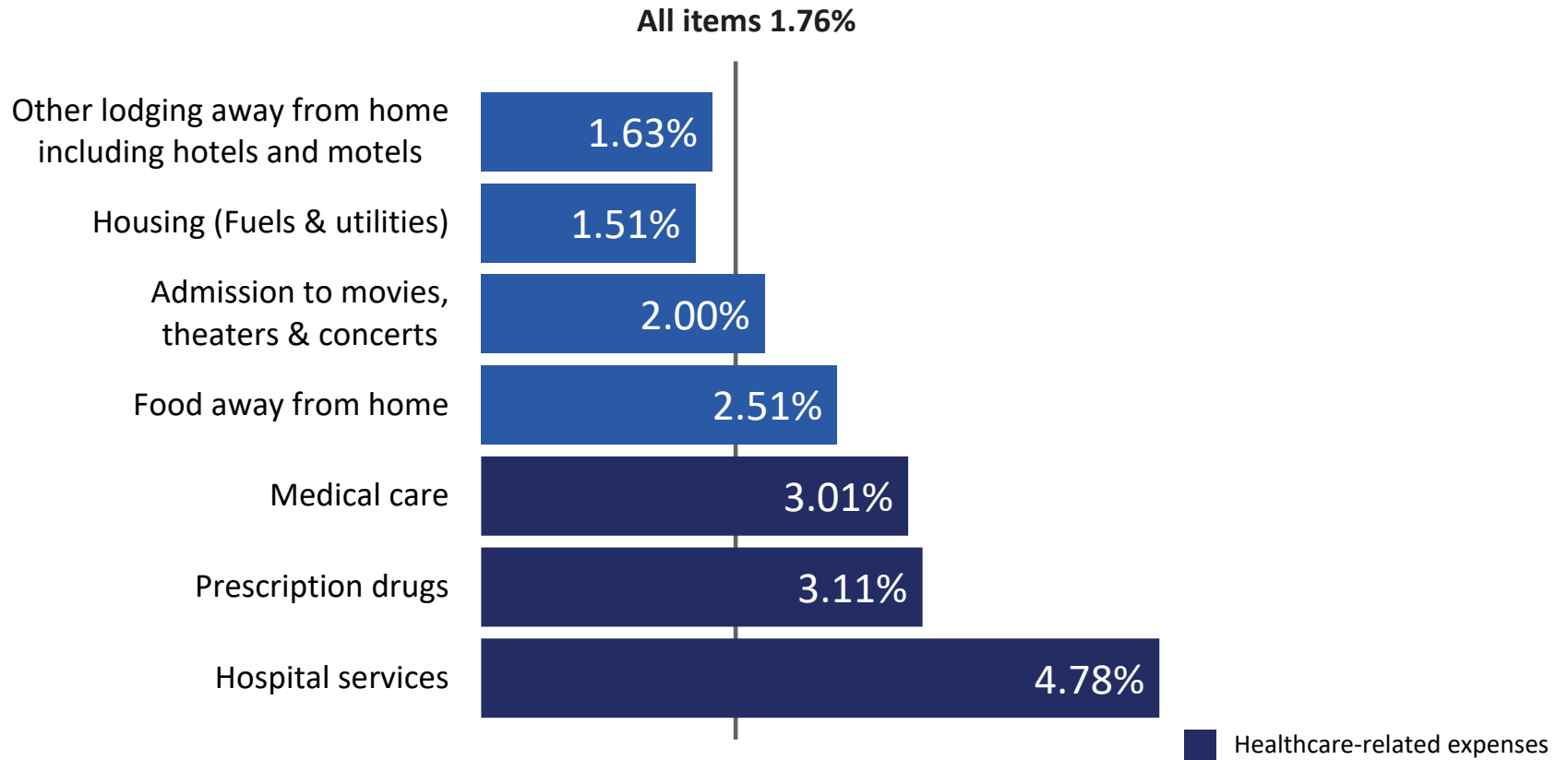
Current age	Achievable spending rates <sup>1</sup>			Life expectancy (age)
	95%	90%	75%	
55	3.39%	3.72%	4.61%	90
60	3.69%	4.00%	4.87%	90
65	4.09%	4.38%	5.22%	91
70	4.64%	4.91%	5.73%	92
75	5.44%	5.73%	6.51%	93
80	6.31%	6.62%	7.37%	95
85	7.61%	7.94%	8.66%	98
<i>Probability of success</i>	<i>95%</i>	<i>90%</i>	<i>75%</i>	
<i>Level of confidence</i>	<i>High</i>	<i>Moderate</i>	<i>Low</i>	

Chief Investment Office, Portfolio Analytics, "Beyond the 4% rule: Determining sustainable retiree spending rates," January 2020.

<sup>1</sup>The achievable spending rate is the maximum initial share of wealth that we believe a client can spend while attaining a desired “probability of success” (measured as the likelihood that a retiree will be able to spend according to plan without exhausting his or her wealth). Spending is assumed to rise each year with inflation (2.2%). Achievement of 75%–95% confidence levels is based on the following asset class allocation percentages, annual returns and risk assumptions: U.S. Large Cap Growth Stocks (7–25% allocation, 8.0% expected return, 20.7% volatility); U.S. Large Cap Value Stocks (8–28% allocation, 9.0% expected return, 18.0% volatility); U.S. Small Cap Growth Stocks (1–3% allocation, 9.3% expected return, 24.4% volatility); U.S. Small Cap Value Stocks (1–3% allocation, 9.8% expected return, 21.5% volatility); International Developed Equity (6–20% allocation, 6.6% expected return, 22.7% volatility); Emerging Markets (3–9% allocation, 6.0% expected return, 26.1% volatility); U.S. Government Bonds (3–17% allocation, 3.5% expected return, 5.1% volatility); U.S. Mortgage Backed Bonds (2–13% allocation, 3.9% expected return, 6.0% volatility); U.S. Corporate Bonds (3–17% allocation, 4.4% expected return, 6.7% volatility); U.S. High Yield Bonds (2–3% allocation, 5.5% expected return, 9.1% volatility); International Fixed Income (0–9% allocation, 3.9% expected return, 4.1% volatility); Cash (2–16% allocation, 2.8% expected return, 1.7% volatility).

# How will you protect your earnings from inflation?

Average annual inflation rates: 2010–2019



→ The potential costs of healthcare, including long-term care, could be a “budget buster” for many people who are otherwise adequately prepared.

Some goals are more important to you than others, and require you to think about your income differently

**GOALS**

---

Help pursue my passions and interests

**ASPIRATIONAL**

**IMPORTANT**

Dining Out, Travel,  
Grandchild's Education

Maintain my lifestyle in retirement

**ESSENTIAL**

Healthcare, Housing, Food,  
Clothing, Transportation



# Use our Retirement Income Planning worksheet to help you determine how much income you'll need in retirement

## Retirement income planning worksheet

This worksheet is designed to assist you and your advisor with the process of estimating your retirement income needs. Please take a few minutes to fill in as much information as possible and make note of any special situations, priorities or questions for discussion. If you have any questions as you complete the worksheet, please contact your Merrill Lynch Wealth Management Advisor.

Your Name \_\_\_\_\_ Financial Advisor's Name \_\_\_\_\_ Date \_\_\_\_\_ Expected Retirement Date \_\_\_\_\_

Essential Expenses			Medical/Healthcare/Insurance		
	Monthly	Annual		Monthly	Annual
<b>Household</b>			<b>Out-of-Pocket</b> (e.g., premiums, co-pays, deductibles and other non-covered expenses) <sup>1</sup>	\$	\$
Mortgage/Rent	\$	\$	Long-Term Care Insurance	\$	\$
Home Equity Loan(s)	\$	\$	Life Insurance	\$	\$
Property Taxes	\$	\$	Other:	\$	\$
Home/Renter's Insurance	\$	\$	Other:	\$	\$
Homeowners' Association Fees	\$	\$	<b>Subtotal</b>	\$	\$
Maintenance	\$	\$	<small><sup>1</sup> For a more detailed explanation of out-of-pocket healthcare costs in retirement, please refer to our Healthcare Costs Worksheet.</small>		
Utilities (Electric, Oil, Gas, Water, Sewer)	\$	\$	<b>Estimated Income Taxes</b>		
Cable/Internet/Phone/Cellular	\$	\$			<b>Annual</b>
Other:	\$	\$	Federal	\$	
Other:	\$	\$	State	\$	
<b>Subtotal</b>	\$	\$	Other:	\$	
<b>Living</b>			<b>Subtotal</b>	\$	
Food	\$	\$	<b>Total Annual Essential Expenses</b>	\$	
Clothing	\$	\$	<b>Important and Aspirational Expenses</b>		
Personal Care (Beauty/Barber)	\$	\$		<b>Monthly</b>	<b>Annual</b>
Other:	\$	\$	Travel/Vacation	\$	\$
Other:	\$	\$	Entertainment	\$	\$
<b>Subtotal</b>	\$	\$	Dining Out	\$	\$
<b>Auto/Transportation</b>			Membership Dues	\$	\$
Car Payment	\$	\$	Charitable Donations	\$	\$
Insurance	\$	\$	Gifts	\$	\$
Maintenance/Repairs	\$	\$	Other:	\$	\$
Gasoline/Tolls	\$	\$	Other:	\$	\$
License/Registration/Excise Tax	\$	\$	<b>Total Important and Aspirational Expenses</b>	\$	\$
Mass Transit	\$	\$	<b>Total Essential, Important and Aspirational Expenses</b>	\$	\$
Other:	\$	\$			
Other:	\$	\$			
<b>Subtotal</b>	\$	\$			

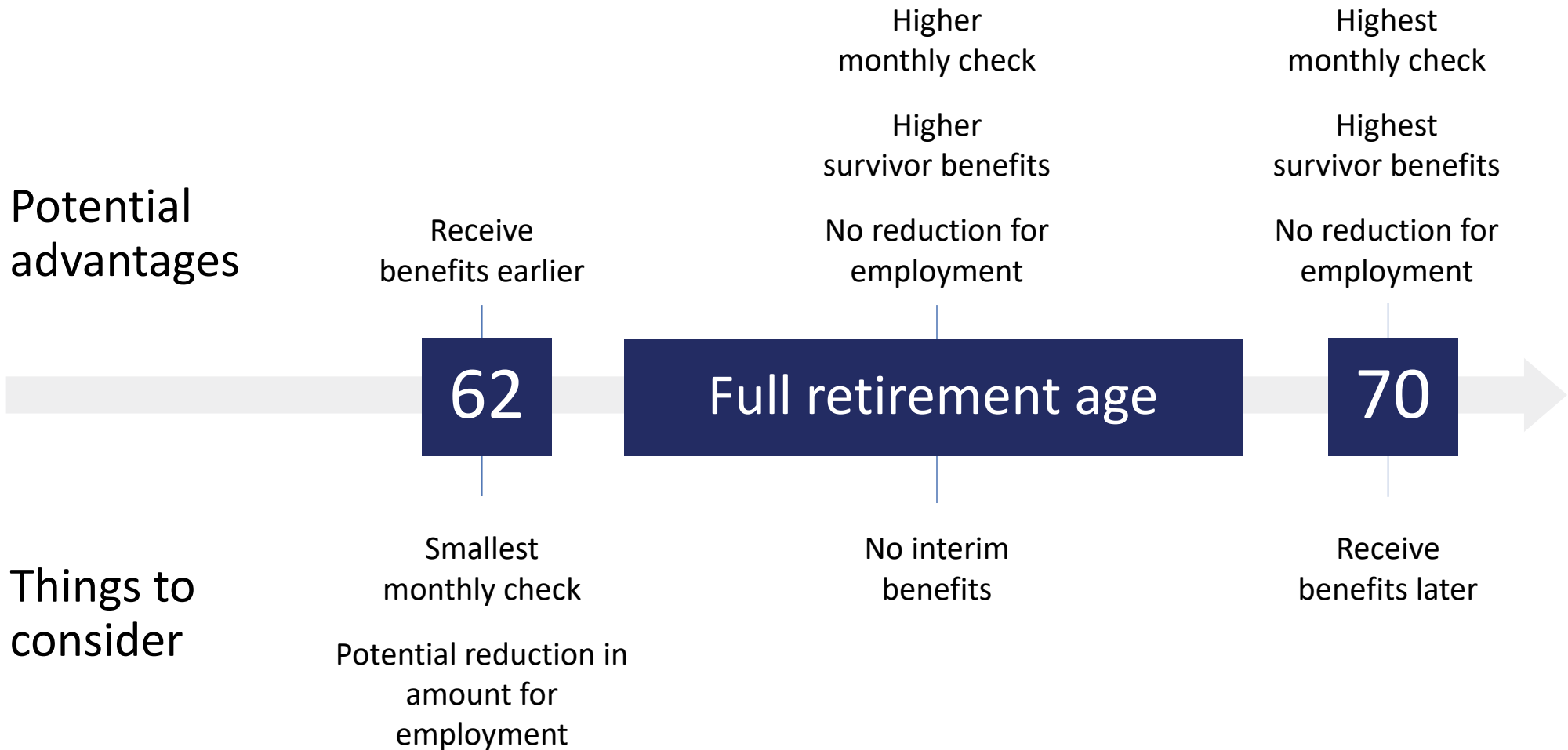
Merrill Lynch, Pierce, Fenner & Smith Incorporated (also referred to as "MLPFAS" or "Merrill") makes available certain investment products sponsored, managed, distributed or provided by companies that are affiliates of Bank of America Corporation ("BoA Corp"). MLPFAS is a registered broker-dealer, registered investment adviser, Member SIPC and wholly owned subsidiary of BoA Corp. Merrill Lynch Life Agency Inc. ("MLLA") is a licensed insurance agency and a wholly owned subsidiary of BoA Corp. Investment products offered through MLPFAS and insurance and annuity products offered through MLLA.

<b>Are Not FDIC Insured</b>	<b>Are Not Bank Guaranteed</b>	<b>May Lose Value</b>
<b>Are Not Deposits</b>	<b>Are Not Insured By Any Federal Government Agency</b>	<b>Are Not a Condition to Any Banking Service or Activity</b>

Page 1 of 2

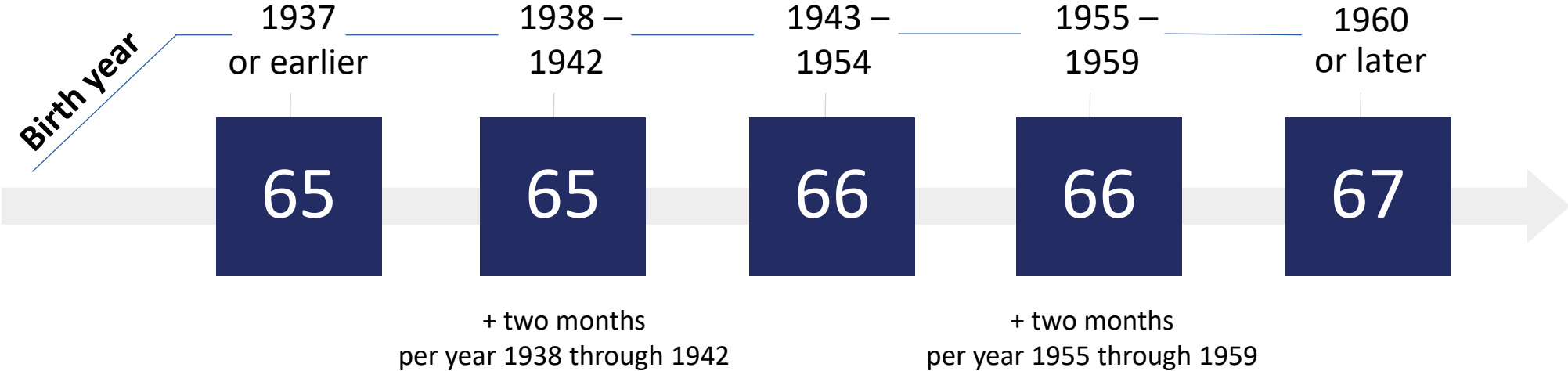
Everyone has different income needs in retirement. We'll work together to fill out the Retirement Income Planning worksheet **to start a discussion** around how much you'll need.

# What should you consider before taking Social Security?



Source: Social Security Administration; ssa.gov.

# What is your full retirement age (FRA) for Social Security?



Source: Social Security Administration; ssa.gov.

# Delaying your check can increase your benefits

You can take Social Security benefits early, at full retirement age or when you reach age 70.

## Starting early at age 62 reduces your benefits:

Full retirement age	65	66	67
Benefit reduction	20%	25%	30%

## Waiting until age 70 increases your benefits:

Year of birth	1941 to 1942	1943 or later
Benefit increase	7.5%	8%



60% of retirees start Social Security early and forgo full or increased benefits in retirement.<sup>1</sup>

<sup>1</sup>Source: Center for Retirement Research at Boston College, "Trends in Social Security Claiming," 2013 data, May 2015.

# Important Information

Investment products and services may be available through a relationship with Merrill Wealth Management or Bank of America Private Bank.

Merrill, its affiliates, and financial advisors do not provide legal, tax, or accounting advice. You should consult your legal and/or tax advisors before making any financial decisions.

Merrill offers a broad range of brokerage, investment advisory (including financial planning) and other services. There are important differences between brokerage and investment advisory services, including the type of advice and assistance provided, the fees charged, and the rights and obligations of the parties. It is important to understand the differences, particularly when determining which service or services to select. For more information about these services and their differences, speak with your Merrill Advisor.

Merrill Lynch, Pierce, Fenner & Smith Incorporated (also referred to as “MLPF&S” or “Merrill”) makes available certain investment products sponsored, managed, distributed, or provided by companies that are affiliates of Bank of America Corporation (“BofA Corp.”). MLPF&S is a registered broker-dealer, registered investment adviser, Member SIPC and a wholly owned subsidiary of BofA Corp.

Banking products are provided by Bank of America, N.A., and affiliated banks, Members FDIC and wholly owned subsidiaries of BofA Corp.

Trust and fiduciary services and other banking products are provided by wholly-owned banking affiliates of BofA Corp, including Bank of America, N.A. U.S. Trust Company of Delaware is an indirect wholly owned subsidiary of BofA Corp. Bank of America, N.A. and U.S. Trust Company of Delaware (collectively the “Bank”) do not serve in a fiduciary capacity with respect to all products and services. Insurance and annuity products are offered through Merrill Lynch Life Agency Inc. (“MLLA”) a licensed insurance agency and a wholly owned subsidiary of BofA Corp.

BofA Global Research is research produced by BofA Securities, Inc. (“BofAS”) and/or one or more of its affiliates. BofAS is a registered broker-dealer, Member SIPC, and wholly owned subsidiary of Bank of America Corporation.

Unless otherwise indicated, all trademarks and service marks are the property of BofA Corp.

© 2020 Bank of America Corporation. All Rights Reserved. Printed in the U.S.A. | 2946795 | 2/2020