Retirement Planning Essentials

THE 5-STEP GUIDE TO COMPLETE RETIREMENT SECURITY

DASH INVESTMENTS
Managing Your Future
Retirement Planning Basics
Will I Have Enough to Last?

While it may seem obvious, any retirement plan must include an accurate estimation of what will be needed in the future. We devote the bulk of our lives to our work, we save and invest our hard earned money, and we hope to accumulate enough to retire comfortably. Once we do retire, the wealth we have accumulated must last the rest of our lives. Without proper planning, the risk of finding yourself in retirement without enough to live on is very real.

With a little foresight and planning, you can greatly reduce the risk of such an occurrence. In this guide Dash Investments lays out and walks you through the five basic steps any investor should take towards ensuring retirement security:

1. Establish how long your portfolio & assets will need to provide for you once in retirement.
2. Understand how cash withdrawals will affect your portfolio’s longevity.
3. Understand how inflation will affect your portfolio and future spending needs.
4. Establish your long-term financial objectives.
5. Formulate an investment strategy and plan that is right for you.
In 2010, the United States Government Accountability Office presented a document to the United States Senate Special Committee on Aging which stated the following:

“As the life expectancy of Americans continues to increase, the risk that retirees will outlive their assets is a growing challenge. Today couples both aged 62 have a 47% chance that at least one of them will live to their 90th birthday.”

The document goes on to point out that retirees largely rely on investment income during this time.

The fact is, due to advances in medical technology and the healthcare industry, the average life expectancy of the American citizen has dramatically increased over time. While this is clearly not a bad thing, it must be factored into your overall retirement plan.

Current US Census Bureau data shows that Americans currently aged 51 through 55 will live, on average, to approximately 81 years of age. As these are only averages, one can expect that many in the above age range will live even longer.

What does this mean for you? Of course you can’t predict what your own life span will be. However, understanding average life expectancies can help you gain perspective on how long your portfolio may need to last.

Create a retirement plan with a sufficient time horizon to afford yourself a long and happy retirement.

Historical Change in Life Expectancy from 1940 to 2012

* Source: CDC 2010 Mortality Multiple Cause Micro-data Files, 2012 U.S. Census.
In retirement, a “time horizon” or “planning horizon” is the total length of time your plan projects into the future. Put simply, it is the length of time you predict your invested assets will need to last.

Since you will need to withdraw cash from your investments throughout retirement, it is vital to understand how your rate of withdrawal can affect the probability of your portfolio lasting across your stated time horizon. You obviously cannot afford to run out of money in retirement. Beyond this, you may be intending to leave money to your heirs or charity. Basic planning can help you accomplish such goals.

Unfortunately many investors plan with impractical assumptions regarding how much they will be able to withdraw from their investments each year without compromising the longevity of their portfolio.

Historically speaking, stock markets have delivered an annualized return of approximately 10%. One must then be able to safely extract 10% annually from their portfolio without ever dipping into principal, right? Wrong. This is the very misconception that gets investors into trouble come retirement.

Let us examine this more closely. Long-term averages are one thing. In reality, markets can fluctuate significantly from year to year. If, for example, your portfolio was down 10% and you withdrew 10%, you would be left needing a return of approximately 23% just to bring your portfolio back to even again. If you planned to withdraw 10% again the following year, you would need a return of roughly 36% in order to do so without further deterioration of principle.

Utilizing computer simulation technology and random sampling of historical market data, we can get an idea of how varying withdrawal rates might affect your portfolio’s chances of survival over different periods of time. For instance, looking at the data on the opposite page, we can see that at a withdrawal rate of 7% per year, the likelihood of your portfolio lasting 30 years is approximately 55%. That’s pretty close to a 50/50 chance that you will run out of money.

What does this mean for you? While a withdrawal rate of 4% to 5% per year is typically considered sustainable, there is no one-size-fits-all number. Portfolio value, age, lifestyle and personal investment goals are all factors that must be considered.

Understanding the effect of cash withdrawals can help you construct a sustainable retirement plan that meets your needs.

How Will Cash Withdrawals Affect Your Portfolio’s Longevity?
## How Long Will Your Money Last in Retirement?

The chances that money will last a given number of years considering the following withdrawal rates:

<table>
<thead>
<tr>
<th>Withdrawal Rate</th>
<th>10% Annual Portfolio Withdrawal Rate</th>
<th>7% Annual Portfolio Withdrawal Rate</th>
<th>5% Annual Portfolio Withdrawal Rate</th>
<th>3% Annual Portfolio Withdrawal Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>25 Years</td>
<td>Highly Unlikely</td>
<td>Probable</td>
<td>High</td>
<td>Very High</td>
</tr>
<tr>
<td>30 Years</td>
<td>Highly Unlikely</td>
<td>Unlikely</td>
<td>High</td>
<td>Very High</td>
</tr>
<tr>
<td>35 Years</td>
<td>Highly Unlikely</td>
<td>Unlikely</td>
<td>High</td>
<td>Very High</td>
</tr>
</tbody>
</table>

*Source: Dash Investments Monte Carlo Simulation; 90% - 100%: "Very High", 80% - 89%: "High", 60% - 79%: "Probable", 40% - 59%: "Unlikely", 0% - 39%: "Highly Unlikely*
Inflation is defined as an increase in the general price levels for goods and services. While we may not immediately notice the effects of inflation in our day-to-day lives, it sneaks up over time and must be factored into any retirement plan.

Depending upon your age, you may be quite aware of the effects of inflation throughout your lifetime. Walking through the grocery store today you will find many items, which once cost no more than a quarter, now priced at $1.00 or even $2.00.

What effect then does inflation have on your hard-earned money? Consider the fact that the average inflation rate since 1913 has been 3.24% per year. Assuming a similar rate going forward, an individual with current annual living expenses of $75,000 will need approximately $142,000 to cover those same expenses twenty years from now.

Understanding the true effects of inflation might cause one to rethink the age-old saying, “A penny saved is a penny earned.” Assuming again that inflation continues at its historical rate, $100,000 tucked under the floorboards today would only be worth about $52,000 twenty years from now – in terms of actual purchasing power.

Of course it is advisable to always keep a portion of one’s assets in accessible cash reserves. However, this example helps underscore the importance of factoring inflation into your long-term financial plans.

What does this mean for you? Understanding the effects of inflation can help you formulate a retirement plan that puts you ahead of the curve and accurately predicts your future needs.

Adopt an investment strategy that will limit the impact of inflation on your money.

How Inflation Could Increase Your Cost of Living

How Will Inflation Affect Your Portfolio & Future Spending Needs?

Establish Your Long-Term Financial Goals

Before you can properly select an investment strategy, it is important to determine exactly what your long-term financial goals are. Each investor is unique and their personal goals can vary depending upon age, means, health, risk appetite and other factors.

Take the time to consider what you would like to accomplish. The following are examples of common investment objectives, which may generally apply to you:

**Preserving current wealth**
You seek to maintain the value of your portfolio, adjusted for inflation. Your goal is simply to preserve the current purchasing power of your money throughout retirement.

**Conservatively growing the value of one’s portfolio**
You would like to steadily increase the current value of your assets, with the goal of having enough to support your desired lifestyle in retirement.

**Managing current assets to last across one’s time horizon**
You may have sold your business, received an inheritance, or simply accumulated enough to consider retiring. Your goal is simply to have your current assets provide you with enough cash each year to live comfortably across your stated time horizon.

**Maximizing portfolio value while providing enough money to support one’s lifestyle**
You would like to have your investable assets provide you with sufficient funds to live, while growing your portfolio as conservatively as possible. This can be accomplished in many instances, with proper planning and advice.

**Reaching a targeted value**
On top of supporting yourself, you may also wish to leave money to your spouse, other family members, or even charity.

**Retirement planning is a very personal activity. Examine your own situation and determine what is most important to you.**

**Clearly establishing your financial objectives provides the foundation necessary to build a proper retirement plan.**
Formulate an Investment Strategy & Plan That is Right for You

With your time horizon, annual cash requirements, and long-term goals in mind, you can now begin to examine various investment strategies. It is important to develop a well-balanced strategy that will help you maximize value in relation to your goals and needs. In order to do this, you need to understand the nature of different investment vehicles.

The table below shows the average annual performance for various investment categories over the last 35 years. This gives one an idea of the potential returns in each category. For instance, you can see that if you had invested $100,000 in U.S. bonds 35 years ago, you would have about $649,000 today. If, on the other hand, you put that money into U.S. stocks, your investment would be worth over $5.3 million. Of course, as any investor knows, different investment vehicles can carry varying degrees of risk and volatility.

A properly structured portfolio most often contains a balanced combination of different types of investments. How you structure your portfolio has to do with what you are seeking to accomplish and other factors of your personal situation, as outlined in this guide.

Selecting a strategy that best suits you is the key to reaching your goals and ensuring you have sufficient funds in retirement.

**Growth of $100,000 Investment Over a 35-Year Period, by Investment Category**

<table>
<thead>
<tr>
<th>Investment Category</th>
<th>Growth Over 35 Years</th>
<th>Average Annual Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>BONDS (T-BILLS)</td>
<td>$649,225</td>
<td>5.49%</td>
</tr>
<tr>
<td>CRUDE OIL</td>
<td>$756,021</td>
<td>5.95%</td>
</tr>
<tr>
<td>GOLD</td>
<td>$1,169,922</td>
<td>7.28%</td>
</tr>
<tr>
<td>INTERNATIONAL STOCKS</td>
<td>$1,244,669</td>
<td>7.47%</td>
</tr>
<tr>
<td>BUSINESS REAL ESTATE</td>
<td>$2,047,962</td>
<td>9.01%</td>
</tr>
<tr>
<td>U.S. STOCKS</td>
<td>$5,363,091</td>
<td>12.05%</td>
</tr>
</tbody>
</table>

There is more to an investment strategy than simply deciding upon the general allocation of your assets. You should also have an understanding of proven tactics that can be employed when determining which specific stocks, bonds, or other investments to put your money into.

For example, when investing in the stock or bond markets, studies have shown “value investing” to be among the most successful strategies. This method, properly implemented, enables investors to earn higher long-term returns while minimizing risk.

Warren Buffett, who is widely considered to be the greatest investor of all time, has employed value investing principles throughout his 60-year investment career. This philosophy has helped to make him one of the wealthiest people in the world.

“Value investing” is defined as purchasing stocks or bonds in public companies when they are selling for less than they are intrinsically worth. Put another way, value investors seek to purchase stocks and bonds at bargain prices.

The basic principles of value investing are put into practice every day by consumers who seek to find the best prices for their favorite products. For instance, imagine a scenario where your local grocery store has a sale on your favorite cereal. Since you know from experience that this cereal brand is generally very popular and probably won’t be on sale for long, you would likely buy several boxes to take advantage.

This same idea can be applied to stocks and bonds. Value investors will strive to determine the inherent value of companies and seek to purchase the stocks or bonds of those companies when they “go on sale.” When they are not selling at a discount, the value investor will patiently wait for the price to fall to their targeted buying range.

What does this mean for you? There are many possible approaches to investing your money. It is important for you to understand the investment strategy that is being employed in the management of your portfolio.

Whether you are investing in stocks, bonds, annuities or other investments, be sure to choose a proven investment strategy that has withstood the test of time.
The Complete Retirement Plan

Formulating a complete retirement plan that properly factors in your unique goals and specific needs can provide you the freedom to enjoy the things that matter most. There is nothing quite like the peace of mind that comes with knowing you have a firm grasp on your future.

Since no two investors are the same, there is no cookie-cutter approach to planning for what lies ahead. A prudent financial plan should take into account each of the points outlined in this guide, as they pertain to you. Additionally, there may be other elements to factor in, such as your children’s education, home purchases and other life events.

Start building your complete retirement plan today, so that you can have the security of knowing you are on the right track.

Getting Ahead With Dash Investments

Are you prepared for retirement? Our professional financial advisors will assess your situation and help you build a customized plan. We've helped countless investors transition from years of hard work into a comfortable, worry-free retirement. We can do the same for you.

Call Dash Investments at 888.770.0336 to learn more.
Dash Investments: The Full Service Investment Firm

Perhaps the most important aspect of retirement planning is having the confidence that your financial future is in the right hands. You need to know that your investment advisor understands your goals and is always working to help you reach them.

Investors who choose Dash receive a personalized, comprehensive financial service that your current advisor may not be able to provide:

**Customized portfolio creation**
With a portfolio designed and managed according to your unique needs, your money will always be working to help you accomplish your specific goals – not someone else’s.

**Unmatched, individualized service**
Work with your very own Private Financial Advisor, whose sole task is servicing you. Your advisor will ensure you always know what is happening with your money and will remain at your disposal to answer financial questions or consult with you regarding future plans.

**Professional financial consultation**
We are constantly updating our outlook on global economies and prevailing market trends, and we adjust our strategies accordingly. Through in-person meetings and our regular client publications, you will remain well advised as to the current investment climate and what it means for you.

**Highly experienced investment managers with a record of performance**
A seasoned team of managing executives, with over 50 years combined experience, will personally oversee your portfolio. The Wall Street Journal, Barron’s and CNBC have profiled our CEO, Jonathan Dash, as an opinion leader in the investment industry, with a track record of creating value for his firm’s clients.

**A partner in your success**
Your interests are 100% aligned with ours. All principles of our firm keep a majority of their personal assets invested alongside client investments.

**Competitive & transparent fee structure**
You will be provided with a fair and transparent fee structure that puts your interests first.