

# Lauderhill Police Department Pre-Retirement Seminar

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## Basic Principles to Prepare and Protect Yourself for Retirement

Presented by:

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# Pension Maximization

Pension Maximization is a life insurance strategy used in conjunction with a defined benefit pension plan. Plan participants have to make an election prior to retiring regarding what type of benefit they will receive. Their choices generally come down to electing a Life Only benefit or some version of a Joint and Survivor benefit. Generally the life only benefit is larger, sometimes by as much as 10% more. **This strategy if used properly will allow you to choose the highest payout without sacrificing your family's well being.**

# Start today on your road to Pension Success



The road to financial success requires reading signs and following directions. Begin your journey now by setting goals and establishing priorities. No one arrives at the destination of financial success by chance. Most people fail because they don't implement a solid plan. One of the best strategies for Pension Success is to start planning, start saving and start now!

# What can you be doing right now to have more money in retirement?

## Start Early

Most people spend more time planning their vacation than planning for their retirement. But retirement could be the ULTIMATE vacation.

## Protect Your Assets

An unexpected accident, an act of nature or a lawsuit can easily derail your retirement plans.

## Buy Life Insurance

Having the correct type of Life Insurance not only protects the bread winner but it may allow you to choose the highest payout option from your pension. This can equate to several hundred dollars more a month, every month for the rest of your life.

## Filling the "GAP"

The last thing you want to discover after you retire is that you don't have enough money. Calculate future pension benefits and social security (if you think it will be around) and determine the GAP. Start a monthly investment plan with proper diversification and risk now!!

# PROPERTY & CASUALTY INSURANCE

*Property insurance* protects a person's physical property against loss, damage or theft.

*Casualty insurance* mainly protects a person against the legal liability for losses caused by injury to other people or damage to the property of others.

## Types of Personal Lines to Consider

- Automobile Insurance
- Homeowners Insurance
- Personal Umbrella Insurance



# What you need to know about LIFE INSURANCE

Purchasing life insurance is an important investment in your future and that of the people you love. Make sure to research all of the options available to you before making a final decision.



# LIFE INSURANCE

***What are the benefits of life insurance ? And why do I need it?***

Life insurance is a vital part of financial planning. People purchase life insurance to replace income that would be lost with the death of a provider. These benefits can help insure your dependents will maintain their current lifestyle. In most cases it makes sense for both spouses to have some life insurance coverage.



# LIFE INSURANCE

*When is the right time to buy insurance?*

Buying when you are young and healthy will allow you to lock in a lowest possible cost, including guaranteed insurability. Even if you do not have dependents now, you probably will in the future.

*Consider this: In certain policies, buying when you are young will allow you to build hundreds of thousands of dollars in cash value that can be used while you are alive.*

# LIFE INSURANCE

## ***How much insurance do I need to purchase?***

Before buying life insurance you will need to consider your budget. You will need to think about your family's needs after death, including healthcare expenses, funeral costs, taxes and debt.

## ***Will your family be able to continue living the way they do now?***

Funds may be needed to downsize into a different home or relocate. Also think about future costs for tuition, cars and living expenses.

# WHICH TYPE OF PLAN IS RIGHT FOR ME?

## Term Insurance

- The most affordable life insurance coverage available.
- Provides temporary coverage and builds no cash value, similar to renting.
- There are different types of term policies. Policies range from 5, 10, 15, 20 and 30 years of coverage with a level premium.
- When needs change many term policies can be converted to permanent insurance.

# Sample – 30 yr old male \$1 million 20 yr Term

## VitalTerm Comparison for John

\$1,000,000 – Male in Florida, 01/01/1981

Monthly Bank Draft Guaranteed Premiums

Rank	Product	Calc. Age	Guar. Period	Quoted Class	Monthly Prem.	Annual Prem.	Next Avail. Class	Monthly Prem.	Annual Prem.
<b>20 Year Level Term</b>									
1	Banner OPTerm 20 (4/18/2011)	31	20	Pfd+NonTob	\$37.19	\$425.00	Pfd NonTob	\$51.19	\$585.00
2	SavingsBank PremiumTerm 20 (12-1-2010)	31	20	Prf Plus NonNic	\$38.28	\$440.00	Prf NonNic	\$53.94	\$620.00
3	AG Select-A-Term 20 (03-11)	31	20	Prf. Plus	\$38.85	\$444.00	Prf. NT	\$52.85	\$604.00
4	Genworth ColonyTermUL 20 GLAIC	31	20	PfdBstNoNic	\$39.70	\$469.77	Pfd NoNic	\$54.82	\$648.57
5	Transamerica TransTerm 20 (1-11)	31	20	Preferred Plus	\$40.63	\$480.00	Pfd NonSmkr	\$54.13	\$640.00
6	(ING)ReliaStar TermSmart 20 (10-2-2010)	31	20	SuperPfd	\$40.95	\$468.00	PfdNoTob	\$54.08	\$618.00
7	WesternReserve TermPlus II 20	31	20	Preferred Plus	\$42.88	\$490.00	Pfd NonSmkr	\$56.88	\$650.00
8	Transamerica Trendsetter Super 20 (1-11)	31	20	Preferred Plus	\$42.88	\$490.00	Pfd NonSmkr	\$56.88	\$650.00
9	AXAEquitable 20-151	31	20	Pfd Elite	\$43.20	\$475.00	Pfd NonTob	\$55.17	\$615.00
10	Principal National Life 20 (01-11)	31	20	Super PrfNT	\$43.31	\$495.00	Prf NT	\$56.44	\$645.00
11	SecurityMTINY LT Protector 20	31	20	Pfd+NonSmkr	\$43.43	\$505.00	Pfd NonSmkr	\$59.77	\$695.00
12	UnionCentral Keystone 20	31	20	Pfd Plus	\$44.74	\$520.00	Preferred	\$61.08	\$710.00
13	MetLife Investors GLT 20 (6-17-2011)	31	20	Elite+NonSmkr	\$44.91	\$499.00	Pfd+NonSmkr	\$56.61	\$629.00
14	Aviva 20yr Term 01-2010	31	20	Premier NT	\$46.73	\$525.00	Preferred NT	\$64.53	\$725.00
15	WestCoast Secure-T 20 (1-11)	31	20	SuperPfd NT	\$50.07	\$571.20	Pfd NonTob	\$66.17	\$754.80
16	LincolnBenefit TrueTerm 20 (4-12-2010)	30	20	Pfd Elite	\$51.63	\$590.00	Pfd NonTob	\$66.50	\$760.00
17	Prudential Essential 20 (7-18-11)	30	20	Prf Bst	\$52.65	\$585.00	Prf Non	\$62.55	\$695.00
18	Prudential Elite 20 (7-18-11)	30	20	Prf Bst	\$57.15	\$635.00	Prf Non	\$67.95	\$755.00
19	Lincoln LifeElements 20 (6-6-2011)	31	20	Pfd Plus NT	\$57.41	\$645.00	Pfd NT	\$69.86	\$785.00
20	Assurity 350 Plus 20	30	20	Preferred+NT	\$58.08	\$660.00	Preferred NT	\$67.76	\$770.00
21	Nationwide YourLife II 20	31	20	Pfd+NonTob	\$59.19	\$665.00	Pfd NonTob	\$82.33	\$925.00
22	JohnHancock Term 20 (2-2010)	31	20	Super Pfd	\$60.13	\$650.00	Pfd NonSmkr	\$75.00	\$820.00
23	American National Select Term 20	30	20	PfdPlusNoNic	\$61.78	\$715.00	Pfd NoNic	\$67.82	\$785.00
24	UnitedOmaha Term Life Answers 20 (4-1-2011)	30	20	Pfd+NonTob	\$63.41	\$712.50	Pfd NonTob	\$66.08	\$742.50
25	JohnHancock Term 20 Conv Ext Rider (2-2010)	31	20	Super Pfd	\$63.63	\$690.00	Pfd NonSmkr	\$79.38	\$870.00

# Sample – 30 yr old female \$1 million 20 yr Term

## VitalTerm Comparison for Jane

\$1,000,000 - Female in Florida, 01/01/1981

Monthly Bank Draft Guaranteed Premiums

Rank	Product	Calc. Age	Guar. Period	Quoted Class	Monthly Prem.	Annual Prem.	Next Avail. Class	Monthly Prem.	Annual Prem.
<b>20 Year Level Term</b>									
1	SavingsBank PremiumTerm 20 (12-1-2010)	31	20	Pref Plus Non-Nic	\$31.32	\$360.00	Pref Non-Nic	\$37.41	\$430.00
2	AG Select-A-Term 20 (03-11)	31	20	Pref. Plus	\$32.73	\$374.00	Pref. NT	\$41.48	\$474.00
3	Banner OPTerm 20 (4/18/2011)	31	20	Pfd+NonTob	\$32.81	\$375.00	Pfd NonTob	\$41.56	\$475.00
4	(JIG)ReliaStar TermSmart 20 (10-2-2010)	31	20	SuperPfd	\$33.95	\$388.00	PfdNoTob	\$42.70	\$488.00
5	Genworth ColonyTerm UL 20 GLAIC	31	20	PfdBstNoNic	\$34.42	\$407.29	Pfd NoNic	\$43.83	\$518.57
6	Transamerica TransTerm 20 (1-11)	31	20	Preferred Plus	\$34.73	\$410.00	Pfd NonSmkr	\$42.33	\$500.00
7	UnionCentral Keystone 20	31	20	Pfd Plus	\$36.14	\$420.00	Preferred	\$47.32	\$550.00
8	AXAE quitable 20-151	31	20	Pfd Elite	\$36.36	\$395.00	Pfd NonTob	\$47.48	\$525.00
9	WesternReserve TermPlus II 20	31	20	Preferred Plus	\$36.75	\$420.00	Pfd NonSmkr	\$44.63	\$510.00
10	Transamerica Trendsetter Super 20 (1-11)	31	20	Preferred Plus	\$36.75	\$420.00	Pfd NonSmkr	\$44.63	\$510.00
11	MetLife Investors GLT 20 (6-17-2011)	31	20	Elite+NonSmkr	\$36.81	\$409.00	Pfd+NonSmkr	\$48.51	\$539.00
12	SecurityMTINY LT Protector 20	31	20	Pfd+NonSmkr	\$37.41	\$435.00	Pfd NonSmkr	\$52.03	\$605.00
13	Principal National Life 20 (01-11)	31	20	Super PrefNT	\$38.06	\$435.00	Pref NT	\$47.69	\$545.00
14	Prudential Essential 20 (7-18-11)	30	20	Prf Bst	\$38.25	\$425.00	Prf Non	\$49.95	\$555.00
15	Aviva 20yr Term 01-2010	31	20	Premier NT	\$40.49	\$455.00	Preferred NT	\$52.96	\$595.00
16	Prudential Elite 20 (7-18-11)	30	20	Prf Bst	\$40.95	\$455.00	Prf Non	\$53.55	\$595.00
17	WestCoast Secure-T 20 (1-11)	31	20	SuperPfd NT	\$42.02	\$479.40	Pfd NonTob	\$53.65	\$612.00
18	LincolnBenefit TrueTerm 20 (4-12-2010)	30	20	Pfd Elite	\$42.88	\$490.00	Pfd NonTob	\$56.00	\$640.00
19	Lincoln LifeElements 20 (6-6-2011)	31	20	Pfd Plus NT	\$44.95	\$505.00	Pfd NT	\$56.52	\$635.00
20	Assurity 350 Plus 20	30	20	Preferred+NT	\$45.76	\$520.00	Preferred NT	\$53.68	\$610.00
21	JohnHancock Term 20 (2-2010)	31	20	Super Pfd	\$47.88	\$510.00	Pfd NonSmkr	\$62.75	\$680.00
22	Nationwide YourLife II 20	31	20	Pfd+NonTob	\$49.40	\$555.00	Pfd NonTob	\$68.08	\$765.00
23	JohnHancock Term 20 Conv Ext Rider (2-2010)	31	20	Super Pfd	\$50.50	\$540.00	Pfd NonSmkr	\$66.25	\$720.00
24	American National Select Term 20	30	20	PfdPlusNoNic	\$52.27	\$605.00	Pfd NoNic	\$60.91	\$705.00
25	UnitedOmaha TermLife Answers 20 (4-1-2011)	30	20	Pfd+NonTob	\$55.40	\$622.50	Pfd NonTob	\$57.18	\$642.50

# WHICH TYPE OF PLAN IS RIGHT FOR ME?

## Universal Life Insurance

- A life insurance policy designed to be permanent in nature and last to age 121. You are paying more than the term cost of your coverage in the early years and less in the later years, making the payments more affordable over time.
- “Flexible premiums” go into an account which grows tax deferred, from which the cost of insurance and other charges are deducted. If funded properly cash value can also be used as a retirement supplement vehicle.
- Universal life insurance comes in many forms: Guaranteed, Fixed, Indexed and Variable. The growth of the cash value differs depending on the type of coverage you choose.

# WHICH TYPE OF PLAN IS RIGHT FOR ME?

## Whole Life Insurance

- Designed for Guaranteed Permanent life insurance protection and Guaranteed cash value. The most conservative of all types of Life Insurance and it has the most guarantees. Over the long run the internal rate of return on the cash value will be similar to that of a bond portfolio
- Whole life products sold by Mutual Insurance Companies have the policy owners as the owners of the company. This gives you direct access to dividends from the company and in some cases allowing you to stop paying premiums after a certain # of years.



# My Life Recommendations

- **It's more important to have the right amount of Life Insurance than the right type of Life Insurance.** The sooner you start the cheaper it is. Some insurance is better than no insurance.
- The smartest Life Insurance Plans have a combination of products types from different insurance companies to meet your specific needs and goals.
- Buy some Permanent Life Insurance. The need for insurance never goes away.
- Review in-force policies at least every few years to make sure they are funded properly and competitive by today's standards.



**Filling the “GAP”**

**Start a systematic  
investment account  
now!**

# Fundamentals of Investing

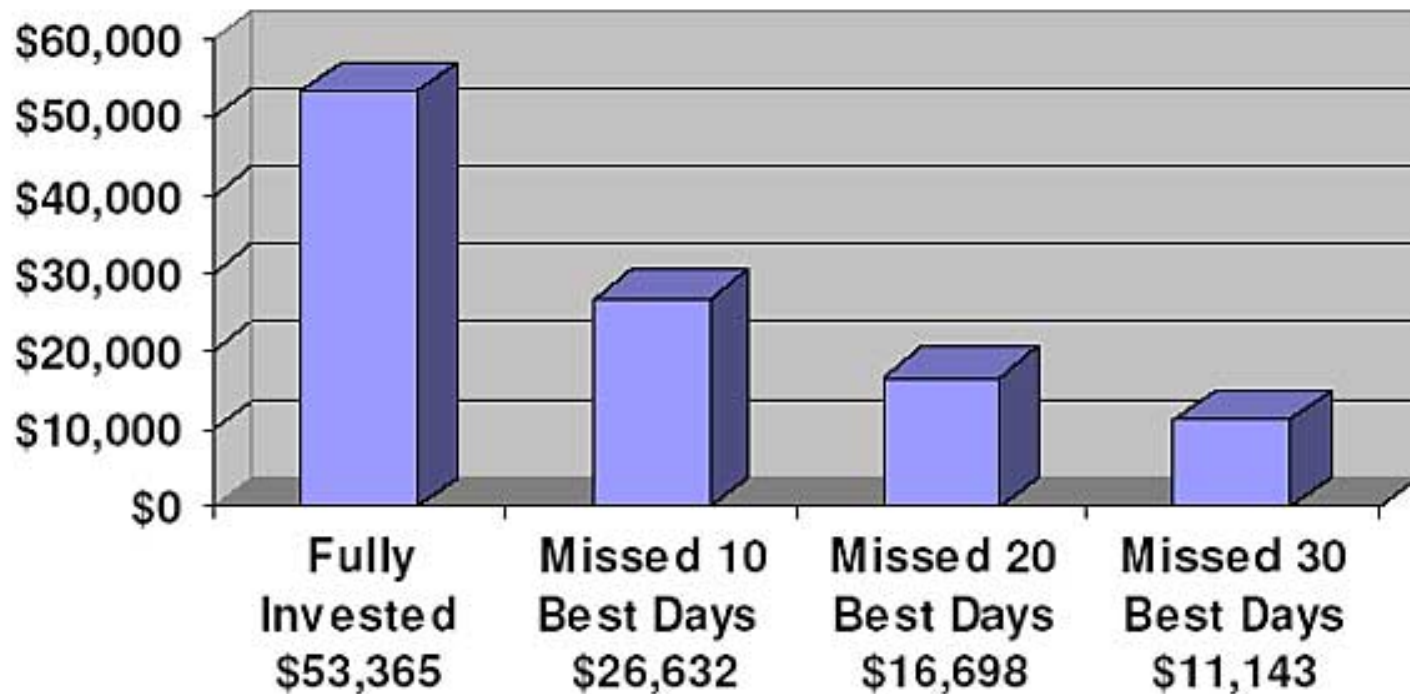
**Diversify your Investment Portfolio** - One way of maximizing your return while maintaining or minimizing risk -- and still staying within your risk tolerance level -- is to diversify. In short, diversification involves making sure all your eggs do not end up in one basket. The most successful portfolios utilize many different vehicles including Mutual Funds, ETFs, Life Insurance and Money Managers from different companies.

**Asset Allocation** - Many people think the key to successful retirement planning is Market Timing or picking a “hot” performing Stock. The truth is, even the experts rarely pick consistent winners. Studies show that the real key is asset allocation -- the science of selecting the right types of investments in the right proportions.

**Dollar Cost Averaging** – The technique of buying a fixed dollar amount of a particular investment on a regular schedule, regardless of the share price. More shares are purchased when prices are low and fewer shares are bought when prices are high.

# Dangers of Market Timing

Growth of \$10,000 in the S&P 500  
20 Years Ending June 30, 2011



Source: Standard and Poor's, American Century Investments

# The Credit Card Pitfall



Managing money begins with a few simple, good financial habits. Pay off your credit card balance at the end of each month! Credit card companies make it very easy to pay only the minimum amount on your bill.

*Most people don't realize the interest they charge can be as much as 18% or more annually!*

How many people's investment portfolio earns 18% a year. If they don't and you are still saving while not paying of Credit Card debt you are losing money.

Don't pay such high rates unless absolutely necessary.

**What Do I Do Before I Retire?**

**Will My Retirement Cover All of My  
Financial Needs?**

# Pre Retirement Concerns

**INFLATION** - One of the hidden risks of a successful retirement. Inflation eats away at the purchasing power of your investments. Make sure you understand how inflation works and how much you need to save to achieve your goals. Don't get caught off guard.

**Health Care Costs** - Home health care costs have grown by 13% since 2008 due to rising hourly rates for Licensed Practical Nurses. In the United States the average annual cost for a private room in a nursing home exceeded \$90,000 in 2010, a 14% increase in the past two years. It's a lot less expensive to pay with the insurance company's money than your own money.

**Longevity** – People are living longer today. According to estimates, if you are 65 and married, there is a 50% chance that either you or your spouse will live to age 93.

# What to do with my DROP?

- For Lauderhill Police, retirement is a four legged stool – Your 457 Plan, your monthly pension benefit, your DROP account, and Social Security.
- The Social Security age keeps getting later and will potentially be raised to 70 years of age.
- Your DROP money can be distributed in a Lump Sum payment or by a direct rollover or a combination of the 2. The DROP money is subject to immediate taxes when distributed, unless it is rolled into a qualified retirement account. The DROP account must be distributed or rolled over 90 days after employment ends.
- Some of you may have a deferred compensation plan (Section 457). This increases your opportunity for diversification.
- Remember** if you separate **BEFORE** the year in which you turn 50, there are early distribution penalties (10%) unless you roll it over into a qualified account or take substantially equal distributions.
- Managing this money requires a careful balancing act. Make sure you have a plan in place. It's not too late to start right now. Later is better than never!



# RISING COSTS

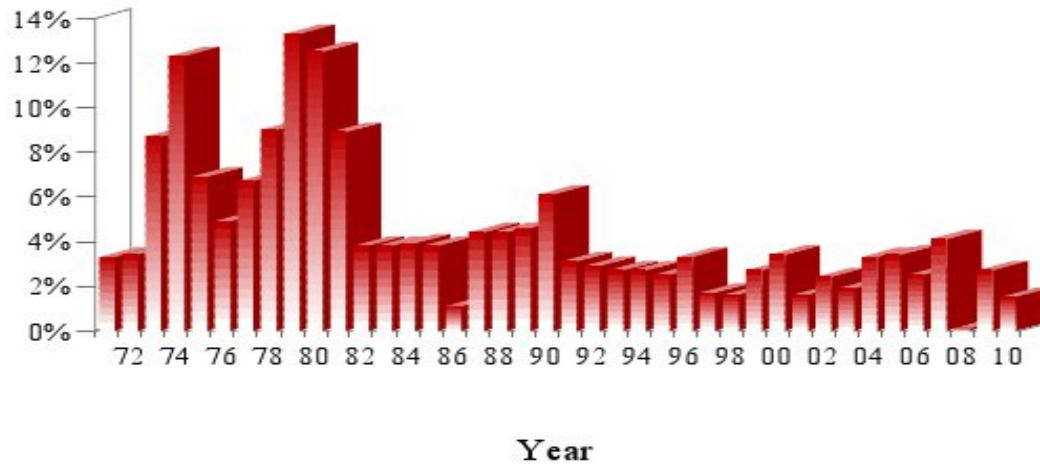
**Inflation, taxes, healthcare**

Have you saved enough to address rising expenses in retirement?



# History of Inflation

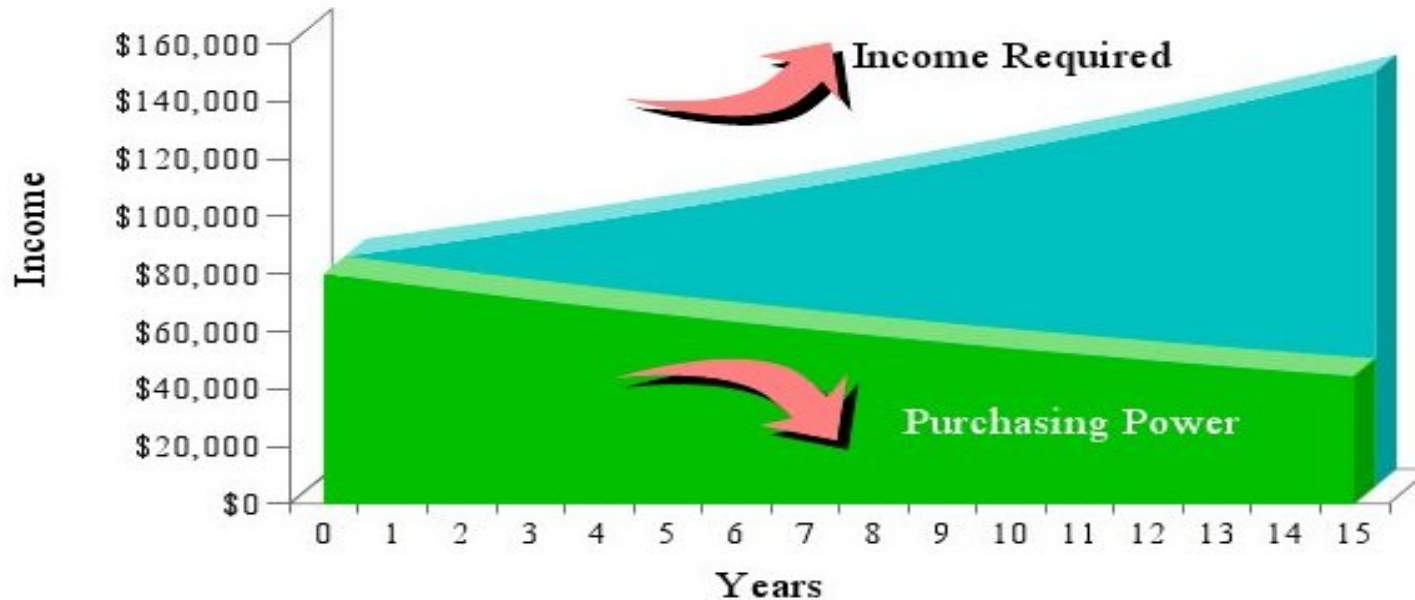
## *CPI Annual % Increase 1971 to 2010*



<b>Inflation - Decades in Review</b>		
		<b>Annual Average CPI Increase</b>
The 70s	1970-1979	7.4%
The 80s	1980-1989	5.1%
The 90s	1990-1999	2.9%
The 2000s	2000-2009	2.5%
Last 40 Years	1971-2010	4.4%

Source: Bureau of labor statistics Consumer Price Index(CPI-U). Data through year end 2010.

# Impact of Inflation



- This illustration demonstrates the impact of a 4% inflation. For example, your annual income of \$80,000 would have to increase to \$144,075 in 15 years to have the same purchasing power it does today.
- On the other hand, if your income of \$80,000 remains level, it will lose its purchasing power to inflation. In 15 years your income would be worth only \$44,421

# ANNUAL COSTS FOR BASIC EXPENSES

## Food



+72%\*

1988\*

\$3,748

2008\*

\$6,443

2028\*\*

\$11,637

## Gas



+191%\*

\$932

\$2,715

\$4,904

## Utilities



+109%\*

\$1,747

\$3,649

\$6,590

\*\*estimated

\* Source: United States Department of Labor, <http://stats.bls.gov/data/>

\*\* Assumes an annual inflation rate of 3%. This is an example for illustrative purposes only.

# What's Your Long Term Care Plan?

## **FACT:**

**Healthcare costs rose an alarming 149%  
between 2000 and 2009**

**That's over 4 times greater than the  
average worker's income, which rose at  
just 37% during that time**

# LONG TERM CARE

## *What is Long Term Care Insurance?*

This policy helps you pay for long-term care services in your home or in a facility. LTC insurance covers services that are generally not covered by health insurance, Medicare or Medicaid. You pay premiums, and in the event you need long term care, your policy provides a daily benefit.

**Remember:** Individuals who require long-term care are generally not sick in the traditional sense, but instead, are unable to perform some of the basic activities of daily living because of an illness, accident, or through the normal effects of aging.



# LONG TERM CARE

## *Why buy Long Term Care Insurance?*

It supports independence! It gives individuals choices and control as to where and how they receive long term care services whether its in their home or in a facility. Protect your assets!

## *When is the right time to buy?*

The earlier you buy the less expensive it is and the easier it is to get.

**Consider this:** A 55-year-old couple buying a three year benefit of \$150 a day coverage that adjusts with inflation might pay \$2,860. The same policy would have cost \$2,200 in 2005. The price will continue to rise!

How to use this interactive Cost of Care Map <sup>i</sup>



## Miami

### CURRENT COST OF CARE <sup>1</sup>

Per Day  
Per Month  
Per Year

#### NURSING HOME COSTS

Private Room	\$316
Semi-private Room	\$258

#### HOME HEALTH COSTS

Home Health Aide <sup>2</sup>	\$96
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#### ADULT DAY CARE COSTS

Adult Day Care <sup>3</sup>	\$54
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#### ASSISTED LIVING COSTS

Private, One Bedroom	\$64
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1. Based on John Hancock's Cost of Care Study, conducted by LifePlans, Inc., 2011. Individual facility costs may vary. Costs rounded to the nearest dollar.

2. Costs are based on six hours of care per day, five days a week.

3. Costs are based on five days of care per week.

Individual long-term care insurance is underwritten by John Hancock Life Insurance Company (U.S.A.), Boston, MA 02117 (not licensed in New York) and in New York by John Hancock Life & Health Insurance Company, Boston, MA 02117.

# Summarizing the Numbers

- **\$18 an hour is the average cost for home health care.**
- **2.4 years is the average stay in a nursing home.**
- **\$258 dollars per day is the average cost for nursing home care in South Florida.**
- **70% of individuals who reach age 65 require some form of long-term care.**



## **Important Benefit**

**Distributions of up to \$3,000 from governmental pension plans to pay for the health or long term care insurance of public safety officers are excluded from income tax.**

## **MOST AMERICANS DON'T HAVE A WILL**

A recent survey found that 57% of Americans do not have a will, leaving them without any say over how their assets will be distributed or who will care for their minor children after they die.



Source: FindLaw.com, 2003

# The Keys to your Financial Success



- Make a Plan and stick to it!
- Start Early
- Diversify
- Buy Life Insurance
- Start Early
- Protect your Assets
- Start Early



# Let us help you with your Plan today!

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