

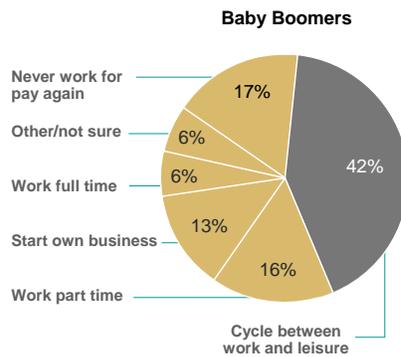
# Managing Your Career Transition

ORGANIZATION OF AMERICAN STATES

Presented by **Merrill Lynch**

The Retirement Group at Merrill Lynch

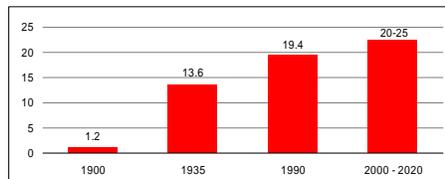
## What Retirees are saying



- Key Findings:
  - Most boomers say they want to work for financial compensation in retirement, and many (56%) want to do it in a different field.
  - Many said they will seek a more satisfying work/leisure balance than they did during their working years.
  - Only 17% said their vision of the ideal retirement meant never working for money again.
- The survey found that 42% of baby boomers say "cycling between work and leisure" is their ideal retirement plan.

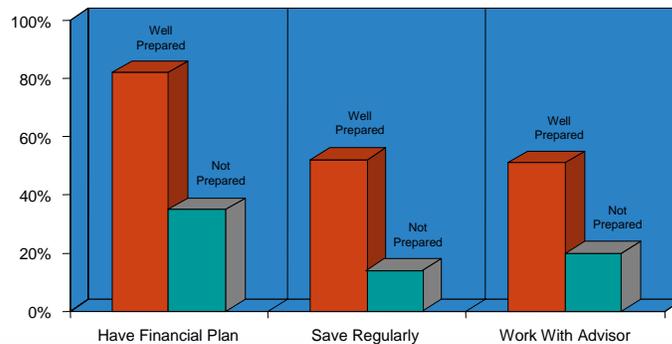
## How Long Will it Last?

•When Social Security went into effect in 1935, life expectancy at the retirement age of 65 was a little more than 13 years. Today, life expectancy at 65 is a little more than 20 years. So retirement could easily last 20 to 30 years or more. How will you get ready for the next quarter of your life?



## Financial Preparedness Matters

•Boomers who are well-prepared financially are more likely to have a financial plan, save regularly for the future and work with an advisor than those who are not prepared.



Let's get started...

**Managing Your Career Transition**  
Withdraw and Plan for Tax

**consider the tax impact of a withdrawal**

**Don't give your money away to taxes**

**Merrill Lynch**

## Your Transition "To Do" List

- ① Assess your current situation
- ② Examine your options
- ③ Consult Advisors
- ④ Review your investment strategy
- ⑤ Get Started!

## Create Your Vision of Retirement

- Webster's defines retirement as the "withdrawal from active service; to seek privacy or seclusion"
- In our opinion, retirement does not mean "withdrawal" or "seclusion"— it is now time to explore and pursue time for family, travel, etc. etc.
- Retirement as we see it today is more a lifestyle of enjoyment and *activity*, not "withdrawal" from activities.
- Now is the time to start creating your vision of what you would like to do— and how you would like to do it!

## Create Retirement

- Now is the time to integrate all pieces of your financial life.
- Decide if you will travel, or pursue educational learning, and how you might finance or afford those desires.
- Now is the time to look at the needed steps you need to focus on to make retirement successful!
- Let's begin with Financial Planning!

## Financial Planning- What is it?

- **Financial Planning is the emotional journey detailing your hopes and dreams in your life, carefully balanced with your expectations and needs.**
- **It is the process of planning for the achievement of both short and long term goals.**
- **There are 6 components of Financial Planning that are vital to preparing you and your family for a transition.**
- **Allow us to define those steps.**

## Components of Financial Planning

- **Net Worth Statements**
  - Understand your Assets and Liabilities
  - Cash Flow Management
- **Tax Analysis- (if applicable)**
- **Risk Management and Insurance Planning**
- **Retirement Planning**
- **Investment Allocation Planning**
- **Estate Planning**

## Net Worth

- **Understanding your Net Worth is essential to the planning process because it provides you with a starting point– if you don't know where you are, you will never know where you are going!**
- **Knowledge of what you owe vs. what you own!**
- **Budget vs. Cash Flow**
- **Define your lifestyle needs vs. those you want**

## Tax Analysis

- **If applicable, tax considerations should always be monitored.**
- **Seek the advice/consultation of a tax advisor.**
- **The current U.S. tax code states that dividends and interest are taxed for Non-Resident Clients. The tax can be as high as 30%, unless there is tax treaty between the U.S. and your country.**
- **Estate Tax– the value of any U.S. asset that you own can be taxed on amounts greater than \$60,000**

## Risk Management/Insurance

- An important component to your financial health is insurance.
- In financial planning, the two most frequent areas of insurance planning involve: Life Insurance and Long Term Care Insurance.
- Life Insurance provides needed liquidity and cash in the event of death. The cash proceeds help provide the beneficiary with the funds needed to support lifestyle
- Long Term Care insurance provides for extended care by health care professionals primarily for older individuals– provides coverage for hospice and extended stay facilities.

## Retirement Planning

- Examine your budget
- Understand your inflow and outflow
- Review all investments and potential yield or cash flow
- Review your options here at OAS
  - Should you take a pension? (if applicable)
  - Lump Sum?
  - Both?
- Develop an investment strategy that provides stability and income to address your cash flow needs– *Diversify your assets!*
- Involve professional advisors– rely on the experts for advice!

## Investment Planning

### Review your investment strategy

- Are you satisfied with your current investment mix?
- Will it help you reach your long-term financial goals?
- Are you diversified enough?
- Have your goals changed since you established your strategy?
- Different Investments respond differently in the market- understand what your options are for investing
- Above all else, seek the advice of a professional.

## Estate Planning

- Review and update if necessary your beneficiary designations.
- Consult with an attorney about U.S. asset taxation values and what your exposure may be.
- Establish Transfer on Death (TOD) rights on taxable accounts to family members in the event of your passing.
- If applicable, update and coordinate your wills with given state rules and inform a trusted party where a copy is kept.

## The Planning Process

- **Establish Goals**
- **Gather Data**
- **Analyze Data**
- **Develop a Plan**
- **Implement all aspects of the Plan**
- **Review and Monitor the Plan**

## Pertinent Documents for Planning

- **Assets/Liabilities**
  - Investment Accounts
  - Personal Assets
  - Life Insurance and other Annuities
  - Mortgages Information
  - Pension Information
  - Other: receivables, artwork, collectibles
- **Tax Returns**
- **Retirement Statements**
  - Other employee benefit statements

## Documents

- **Copies of Wills, Trusts**
- **Information on Guardians for those with minor children**
- **Educational Accounts or Trusts**
- **Outside Business Interests**
  - Ownership holdings
  - Dissolution Agreement

## Understanding Investments

- **Develop a strategy**
- **Evaluate Performance of strategy**
- **Revisit and Change if needed**

## Types of Investments-Stocks

- Historically, equities have provided growth, and they are an essential part of almost every retirement plan. However, equities also have greater risk than bonds or cash.
- In helping you choose your allocation of stocks, we'll look at the comparative advantages of many sorts of equities, from high dividend payers to more volatile stocks that may have more potential to appreciate.
- We also can help you diversify your stock holdings across a range of market capitalizations, styles and risk levels.

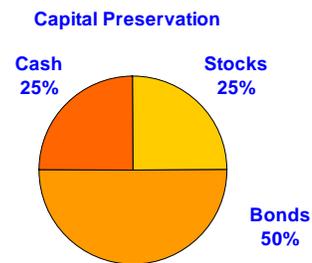
## Types of Investments-Bonds

- Bonds can provide a steady stream of income, as well as balance risk in your portfolio.
- For example, as stocks declined 37.6% from 2000 to 2002 and interest rates fell, bonds had a total return of 36.8%, providing a significant hedge against stock market losses.
- Changes in interest rates or credit ratings can cause bond prices to fluctuate, and inflation can erode their value. To achieve the right balance, we'll help you select the bonds and maturities for your retirement portfolio. Some options include:
  - U.S. government securities
  - Municipal bonds
  - Corporate bonds
  - Mortgage- and asset-backed securities
  - Federal agency securities
  - Foreign government bonds

## Develop a Strategy

### Guidelines for a successful investment strategy

- Diversify to help protect against market volatility
- Allocate your assets



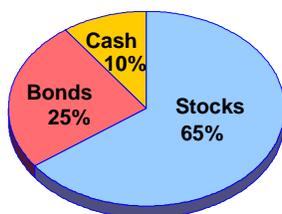
Source: Merrill Lynch Global Research Investment Policy, 2004. For illustrative purposes only. Asset allocation models are subject to change depending on economic changes. Your own circumstances and/or risk tolerance may require a different asset allocation.

## Revisit Your Strategy

### Guidelines for a successful investment strategy

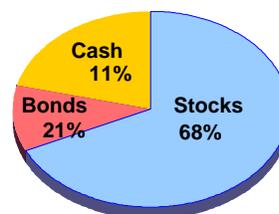
- Diversify to help protect against market volatility
- Allocate your assets
- Rebalance to stay on target

Beginning of Year\*



**Rebalancing Example**  
Liquidate 3% of stock portfolio and 1% of cash portfolio and buy bonds.

End of Year\*



\*For illustrative purposes only.

## Evaluate Your Investments

### Guidelines for a successful investment strategy

- Diversify to help protect against market volatility
- Allocate your assets
- Rebalance to stay on target
- Consider the benefits of tax-deferral
- **Revisit investment strategy with each important milestone**



## Get Assistance

- **There is a lot at stake**
- **The cost of making a mistake can be high**
- **Consider working with a financial advisor**



## Who We Are

- The Fraley, McKnight, Kenny, Mailloux Group of Merrill Lynch is a boutique group within the larger company, allowing our clients to benefit from the breadth of resources from a large firm, while also enjoying hands on, efficient and comprehensive financial counsel.
- We base our investment advisory and management services on a financial philosophy and a proven approach toward building a portfolio that works to achieve our client's objectives.
- The individual members of the team have a wide range of skills including alternative investments, equities, fixed income and financial allocation and planning.
- We pride ourselves on our ability to serve each client uniquely and comprehensively, yet grounded in years of education, experience and expertise.

## Contact Information

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