Miller Wealth Advisors

CASE STUDY | VOLUME 114

RETIREMENT & FINANCIAL PLANNING OPTIONS IN A COVID-19 ECONOMY

3-BUCKET INVESTMENT STRATEGY ADDRESSES RETIRED DENTIST'S RETIREMENT, LONG-TERM CARE & LEGACY GOALS

THE SITUATION

Scott Gold*, age 67, is a successful dentist planning to retire this year. He is married to Ilene, age 62, and they have two children. Scott is concerned about outliving his assets in retirement, especially at a time when interest rates have fallen to unprecedented levels. The Golds have investible assets of $3M, of which $2M is held in Scott's Profit-Sharing Plan and the rest in various brokerage accounts. The Golds lack insurance to cover the risk that one or both will need some form of extended care. Finally, they wish to leave each child $500,000 as a legacy.

THE PROBLEM

Due to the Fed's decision to lower interest rates to near zero after the outbreak of Covid-19, retirees like Scott and Ilene cannot depend on much interest income from bonds in their portfolio. Yet the Golds require an annual income of $150,000 per year to achieve their desired lifestyle. Their traditional 60/40 stock/bond allocation may not yield enough return to meet their ongoing needs.

However, the Golds are moderate risk takers who are worried about market volatility at this uncertain time in the economy. Further, what if one of them needs long term care and is forced to spend down assets faster than planned?

THE SOLUTION

With only 1-2% expected yields from bonds in the near future, we presented a three-bucket retirement approach to the Golds.

- **IN THE SHORT-TERM BUCKET** (0-3 years) we proposed holding cash reserves and short-term bonds.
- **IN THE MID-TERM BUCKET** (4-10 years), we proposed the use of structured products like buffered annuities and hedged exchange traded fund models that limit downside market risk in volatile markets. These structured products utilize options (selling calls and buying puts) to achieve defined outcomes. In effect, they give a moderate to conservative investor-type like the Golds the psychological edge to allocate more money to stocks knowing there is some protection.
- **IN THE LONG-TERM BUCKET** (10+ years), we proposed deferred variable annuities with living benefit riders, dividend-paying stocks that have a strong history of paying increasing dividends, Treasury Inflation-Protected Securities (TIPS) to hedge inflation, and deferred income annuities that act as longevity insurance. To meet their extended care and legacy goals, we recommended that they each purchase a life insurance policy that has a death benefit of $500,000 with a long-term care rider.

CONTACT US | BILL MILLER, CFP® CLU, ChFC, AEP® | 561.613.0130 | BILL@MILLERWEALTHADVISORS.COM