Taking control of your retirement

Defining and pursuing the life you want

Seminar and Insurance Sales Presentation

Presented by

The De Marco, McCarthy & Florio Group

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Let's start with your concerns

Will Social Security run out of money?

What happens if I start a second career in retirement?

How do my spouse's benefits affect me?

Will the amount of my check change over time?

Will my benefits change in the future?

When should I start collecting?

Do I have to pay taxes on my benefits?

Consider the risks you need to address in your plan

Longevity Risk

Inflation Risk

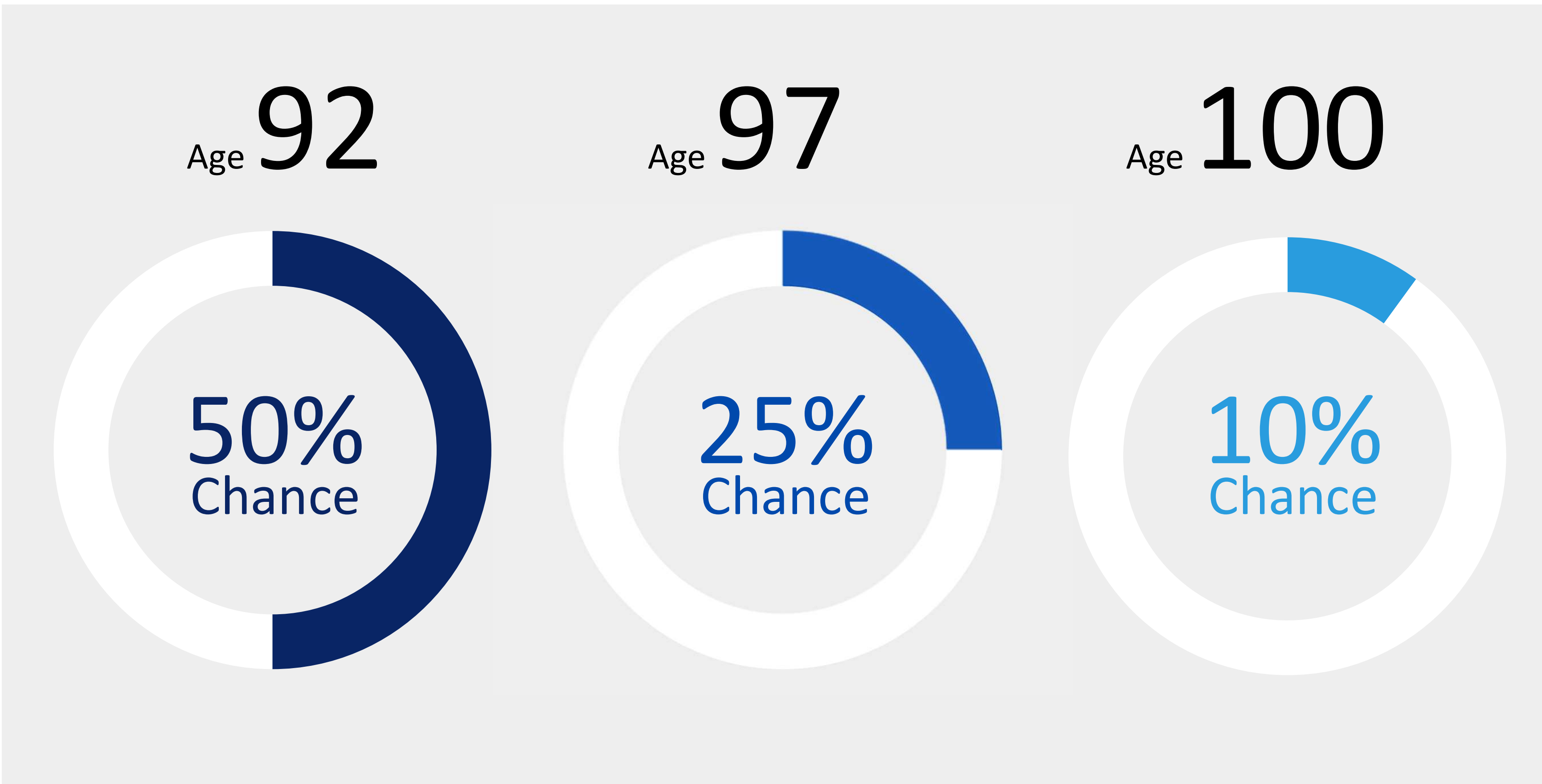
Withdrawal Risk

Market Risk:

Sequence of Returns

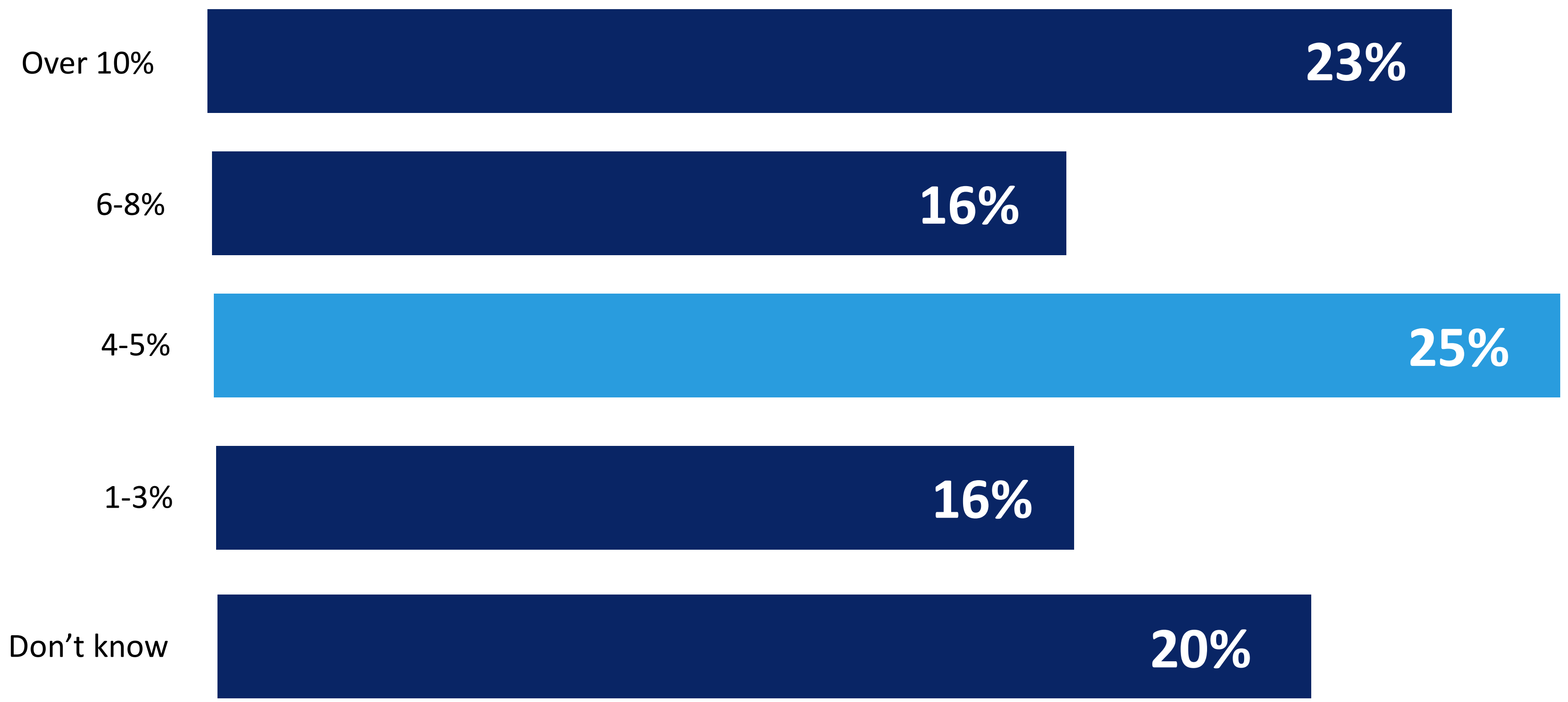
Think about how long retirement may last

Chance of one person in a 65-year-old married couple living until…



Source: Chief Investment Office, Portfolio Analytics calculations based on Society of Actuaries, 2012 Individual Annuity Mortality Tables, Basic.

Ask yourself how much you can withdraw each year



Source: Merrill "The Meaning of Sustaining Wealth" survey, December 2013.

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The actual number depends on a range of factors

The 4% rule is not universal.

“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. 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. Thus, we believe there is no one-size-fits-all guidance for spending rates.“

Chief Investment Office

- Asset allocation
- Marital status
- Age/Gender
- Market performance
- Current savings
- Family history
- Inflation

Source: Chief Investment Office, Portfolio Analytics, “Beyond the 4% rule: Determining sustainable retiree spending rates,” January 2021.

Chief Investment Office guidance on sustainable spending rates

Current age	Achievable spending rates[1]			Life expectancy (age)
55	3.32%	3.67%	4.64%	90
60	3.62%	3.95%	4.90%	90
65	4.02%	4.34%	5.25%	91
70	4.57%	4.86%	5.74%	92
75	5.36%	5.65%	6.49%	93
80	6.23%	6.54%	7.36%	95
85	7.53%	7.86%	8.64%	98
Probability of success	95%	90%	75%	
Level of confidence	*High*	*Moderate*	*Low*	

The **achievable spending rate** is the maximum initial share of wealth that you can spend while attaining a desired probability of success.

The **probability of success** measures the likelihood that you will be able to spend according to plan without exhausting your wealth.

Spending is assumed to rise each year with **inflation**.

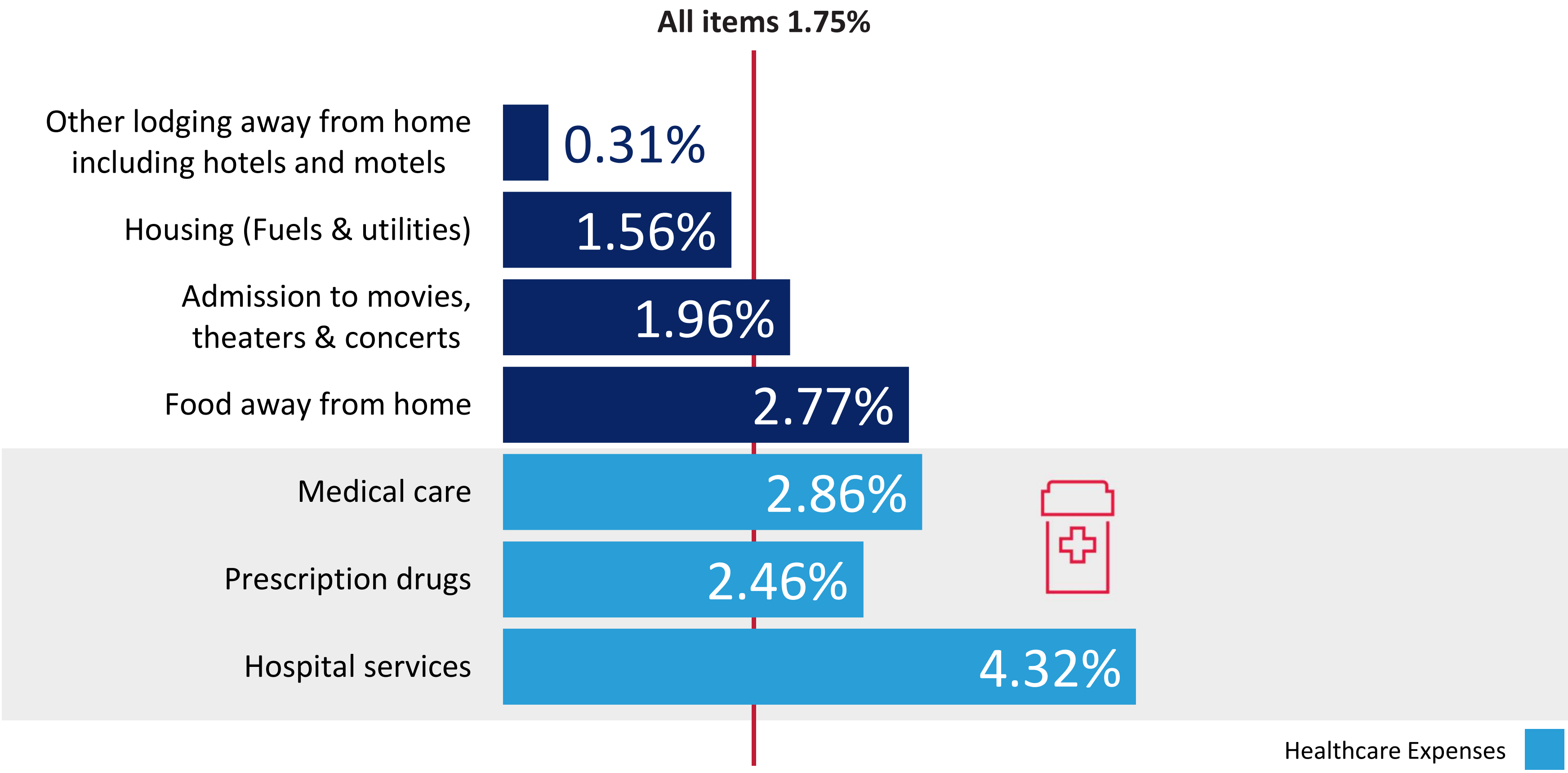
The **equity allocation** is the allocation that supports the achievable spending rate.

The **life expectancy** is the assumed age of death.

Source: Chief Investment Office, Portfolio Analytics, "Beyond the 4% rule: Determining sustainable retiree spending rates," January 2021.
See slide 30 for important notes on the methodology used in the achievable spending rates. This research is referenced here and on slide 18.

Consider how inflation may affect your lifestyle

Average annual inflation rates: 2011 – 2020[1]



[1] Bureau of Labor Statistics, U.S. Department of Labor, "Inflation & Prices: All Urban Consumers, Consumer Price Index," www.bls.gov/data/ (accessed February 12, 2021).

Don’t forget about the timing of market performance

Assumptions

- $1 million
- Average rate of return: 5.2%
- Composition: 50% stocks, 50% bonds
- No distributions

	Client 1: Down market at the end	Client 2: Down market initially
Year 1	24%	-20%
Year 2	18%	-8%
Year 3	14%	-6%
Year 4	12%	4%
Year 5	8%	6%
Year 6	6%	8%
Year 7	4%	12%
Year 8	-6%	14%
Year 9	-8%	18%
Year 10	-20%	24%
Value at end of year 10	**$1,538,846**	**$1,538,846**

Accumulation: While saving

The order of your returns has no impact

Source: Merrill Insured Solutions.
These charts are illustrative only. They do not reflect the return of any particular investment. Investment returns will vary. This is not based on actual performance.

Poor returns while withdrawing impacts long-term wealth

Assumptions

- $1 million
- Average rate of return: 5.2%
- Composition: 50% stocks, 50% bonds
- Distribution: **$50,000 annual withdrawal**

	Client 1: Down market at the end	Client 2: Down market initially
Year 1	24%	-20%
Year 2	18%	-8%
Year 3	14%	-6%
Year 4	12%	4%
Year 5	8%	6%
Year 6	6%	8%
Year 7	4%	12%
Year 8	-6%	14%
Year 9	-8%	18%
Year 10	-20%	24%
Value at end of year 10	**$1,074,455**	**$630,178**

Retirement: While spending

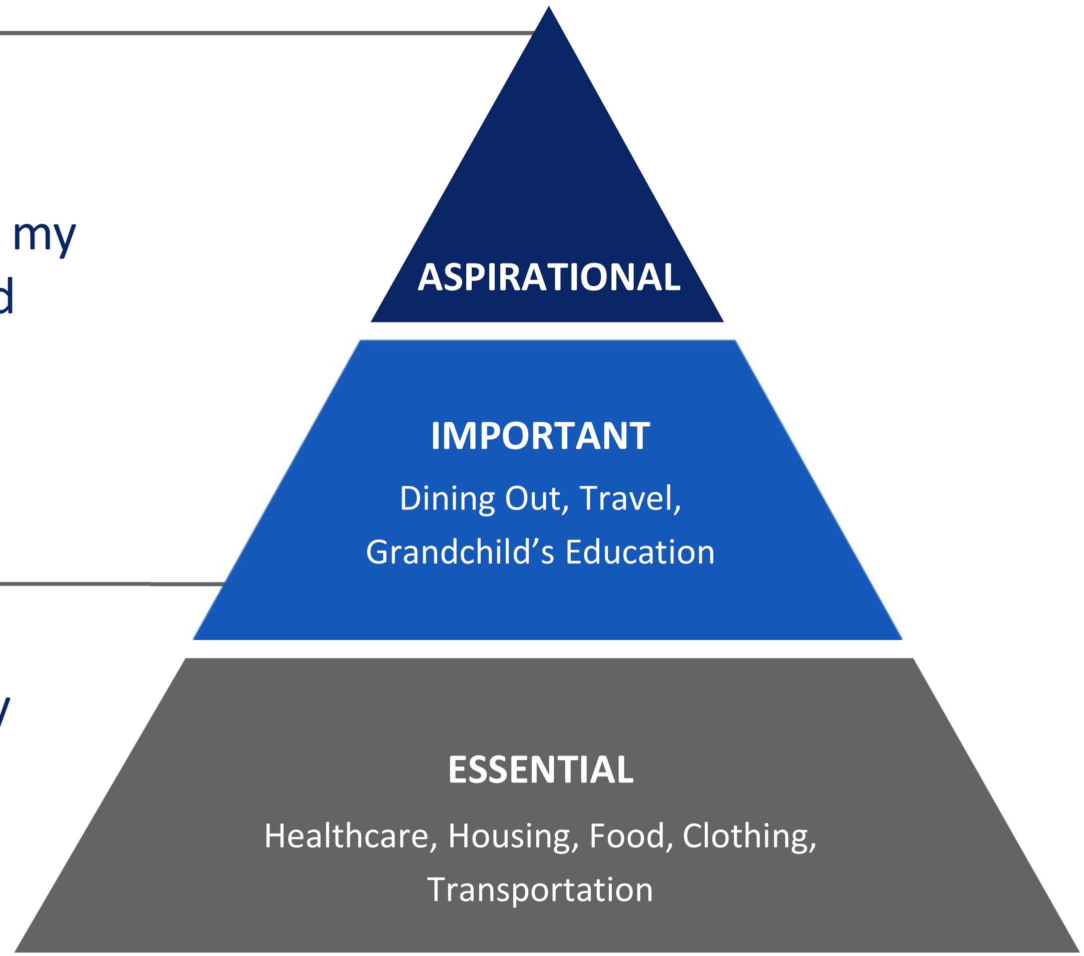
Negative returns early in retirement can rapidly deplete savings

Source: Merrill Insured Solutions.
These charts are illustrative only. They do not reflect the return of any particular investment. Investment returns will vary. This is not based on actual performance.

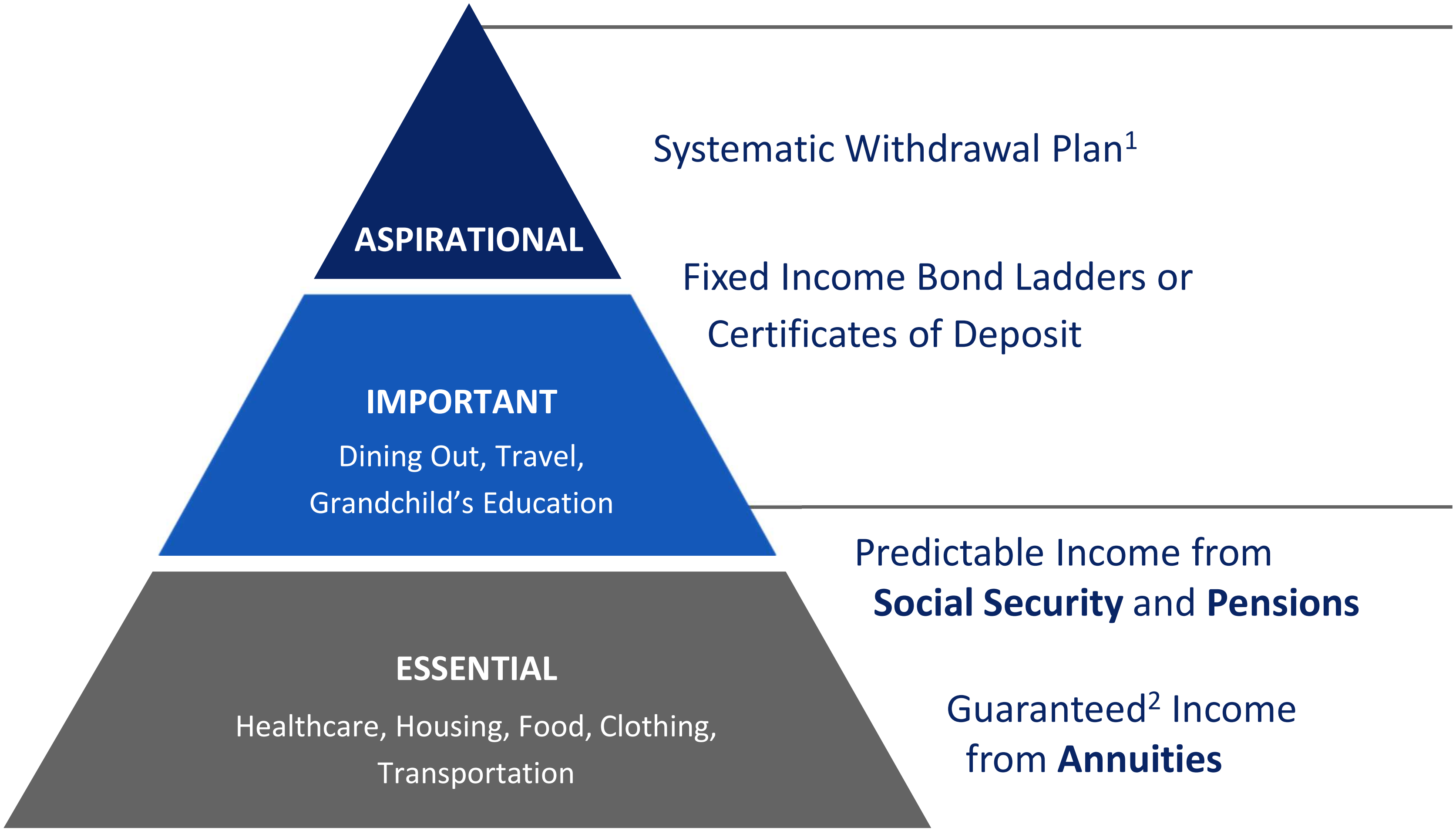
A disciplined approach starts with your goals and priorities

Help pursue my passions and interests

Maintain my lifestyle in retirement



And helps you align your portfolio to your priorities



[1] A Systematic Withdrawal Plan is one where you regularly draw down a percentage of the portfolio to provide income; and then regularly rebalance assets to a target allocation based on client risk profile and time horizon.
[2] Guaranteed income may be based on purchasing an optional benefit that is available for an additional cost. Withdrawals under the optional benefit may be taken only while it is in effect, and they are determined by, and subject to, the optional benefit's terms and conditions.

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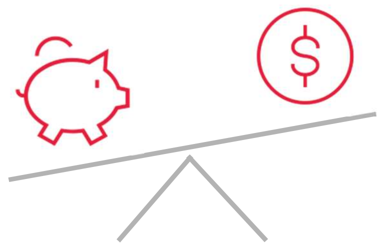
Not all income sources are the same

How does it address retirement risks

- Longevity?
- Withdrawal?
- Inflation?
- Sequence of Returns?



Flexibility of each income source

- How important is liquidity?
- How important is investment flexibility and growth?
- How important are guarantees?
- What are the costs?

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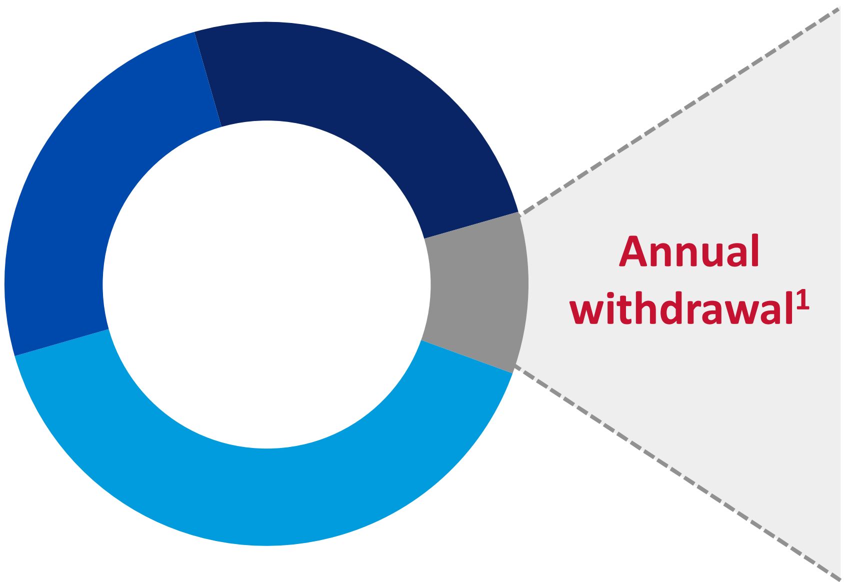
Systematic Withdrawal Plan

Balanced portfolio



Sustainable withdrawal rates

Current age	Achievable spending rates[1]		Life expectancy (age)
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70	4.57%	4.86%	92
Probability of success	95%	90%	
Level of confidence	*High*	*Moderate*	

[1] Chief Investment Office, Portfolio Analytics, "Beyond the 4% rule: Determining sustainable retiree spending rates," January 2021.

See slide 32 for important notes on the methodology used in the achievable spending rates. This research is referenced here and on slide 11.

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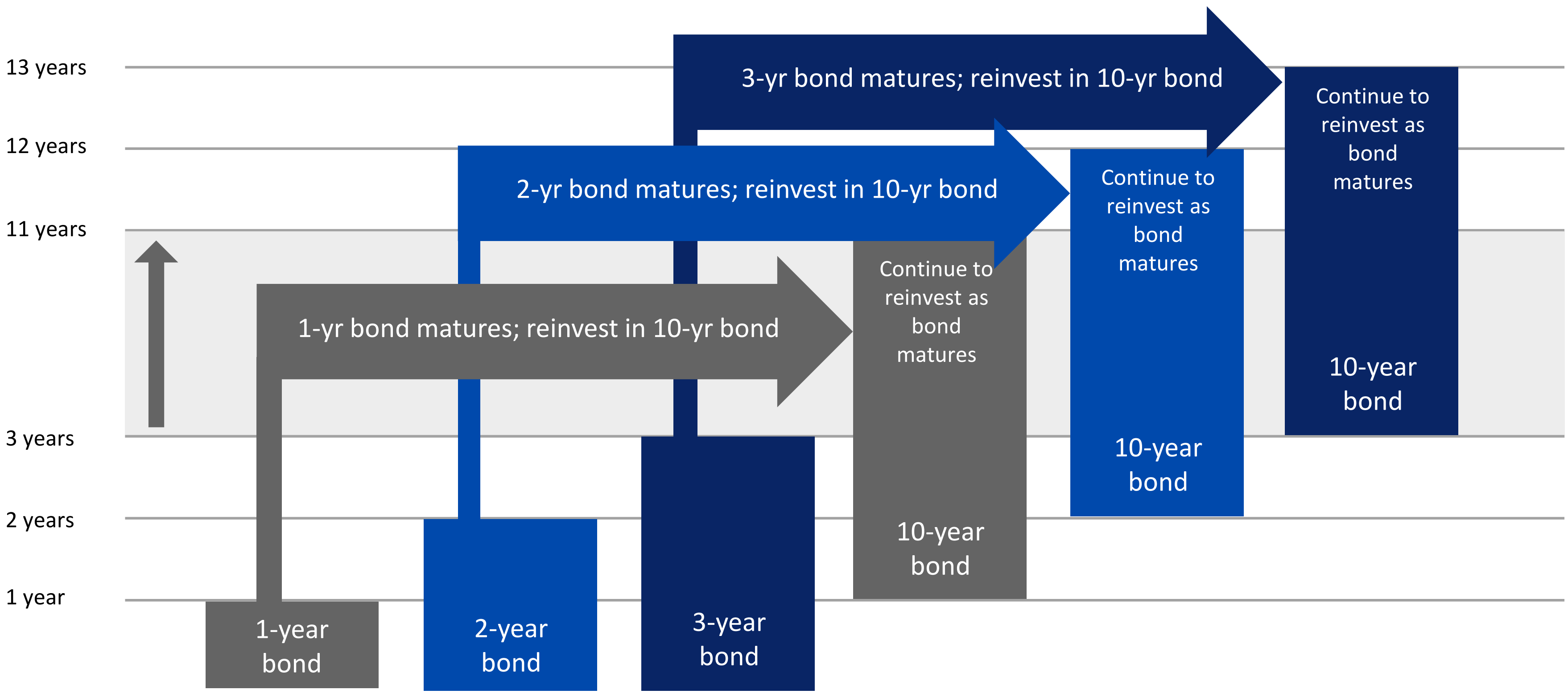
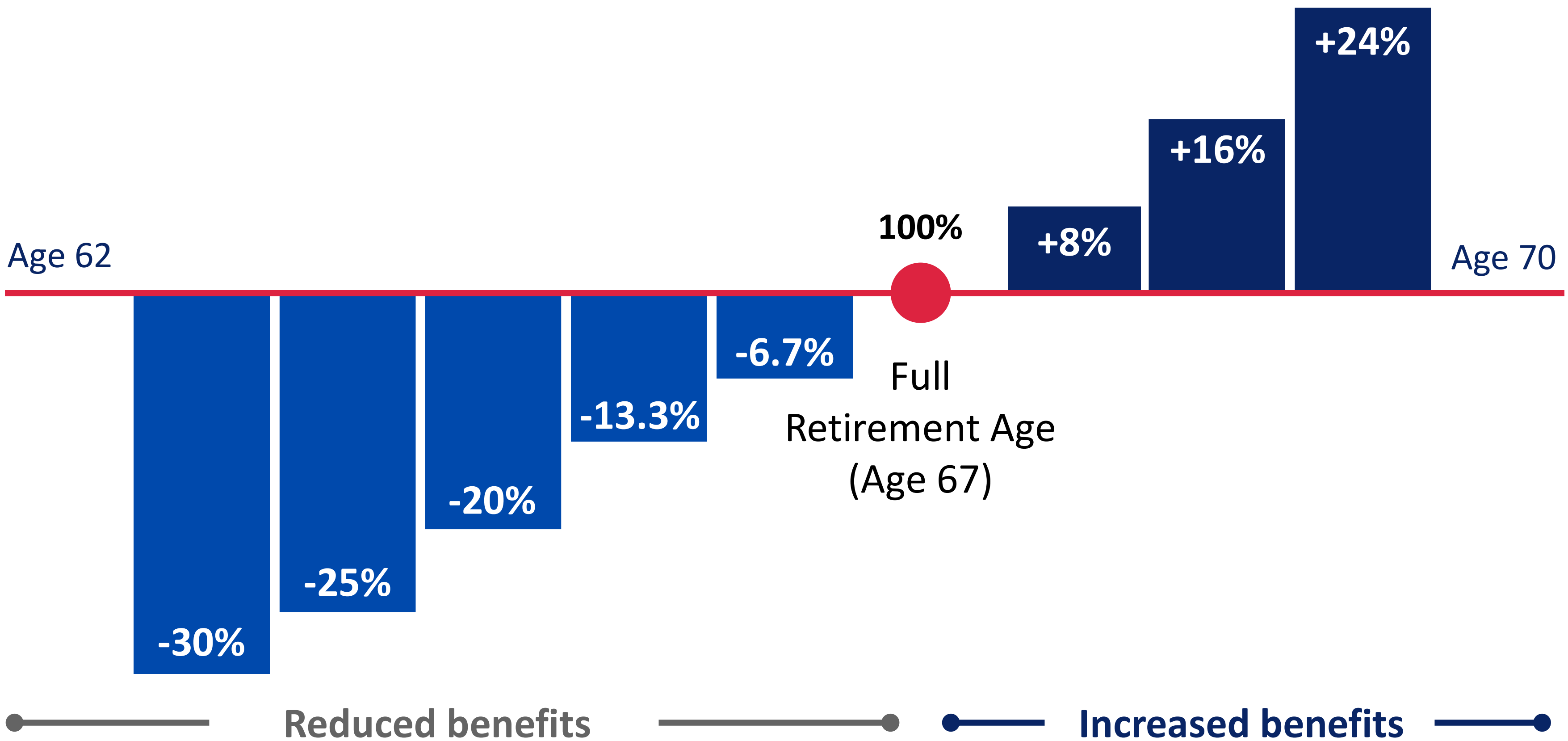
Bond ladders



Example is for illustrative purposes only.

Predictable income from Social Security



Source: Social Security Retirement Benefits, SSA Publication No. 05-10035, January 2021.

Lifetime income from annuities

Annuities are long-term investments designed to help meet retirement needs.

Client makes payment to insurance company

Predictable income,
allowing you to plan ahead

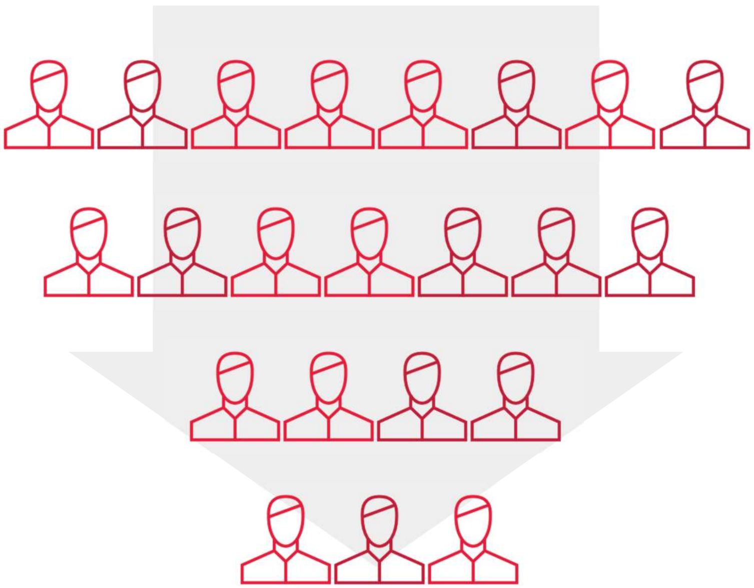
Guaranteed* for life,
regardless of market performance

Tax-deferred
accumulation of earnings

Client receives income stream, or a lump sum

*All annuity contract and rider guarantees, or annuity payout rates, are backed by the claims-paying ability of the issuing insurance company. They are not backed by Merrill or its affiliates, nor does Merrill or its affiliates make any representations or guarantees regarding the claims-paying ability of the issuing insurance company. Annuity contracts have exclusions and limitations. Early withdrawals may be subject to surrender charges, and, if taken prior to 59 1/2, a 10% additional federal tax may apply.

Annuities can offer potential for more efficient income



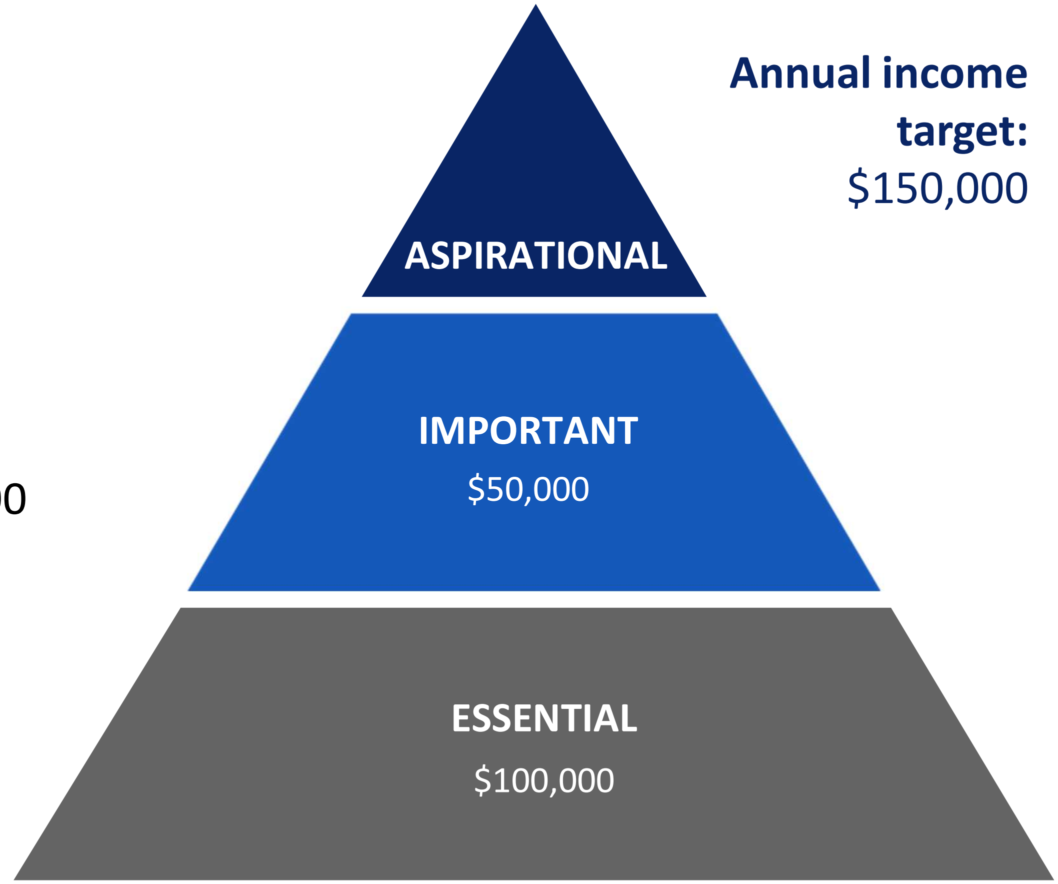
By pooling risk

Insurance companies can offer more income to each annuitant

And guarantee that income for life

Hypothetical case study

- Mark and Emily, married
- Both age 65
- Emily is retired and Mark is working with income of $150,000
- $2.2 million in assets
- Conservative investors and worried about funding their retirement lifestyle

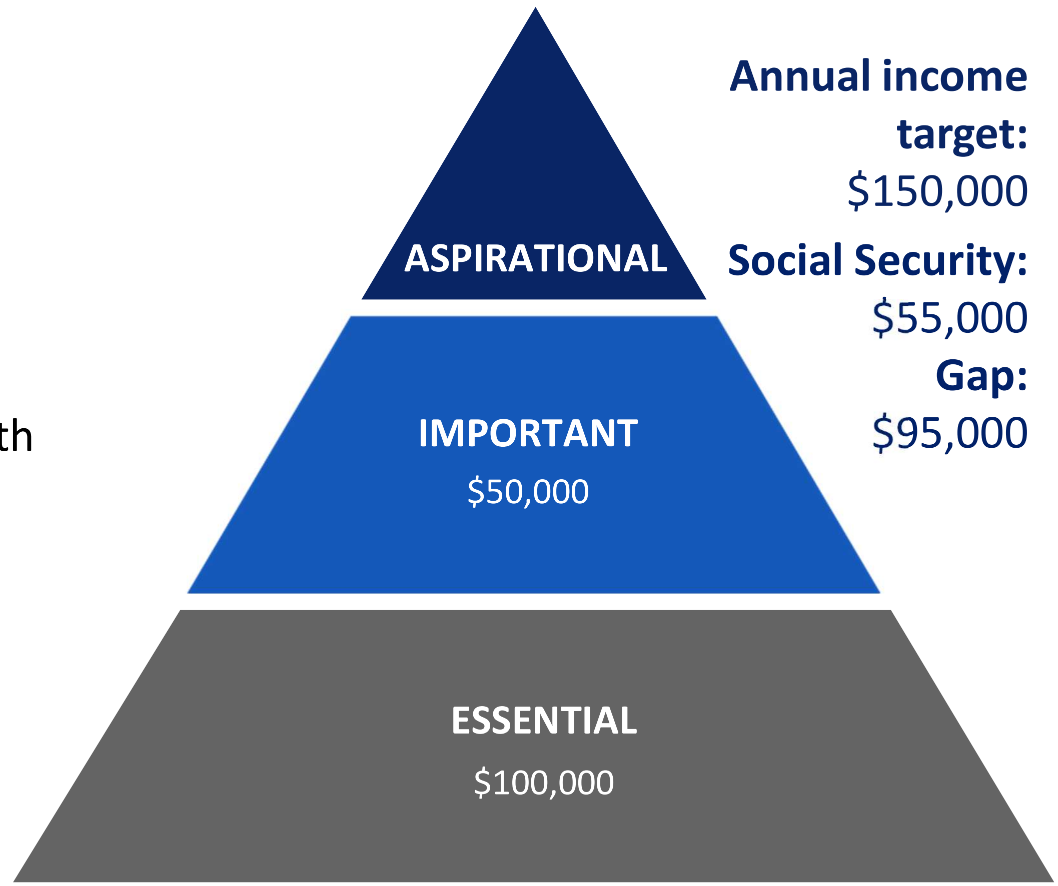


Annual income target:
$150,000

The case studies presented are hypothetical and do not reflect specific strategies we may have developed for actual clients. They are for illustrative purposes only and intended to demonstrate the capabilities of Merrill and/or Bank of America. They are not intended to serve as investment advice since the availability and effectiveness of any strategy is dependent upon your individual facts and circumstances. Results will vary, and no suggestion is made about how any specific solution or strategy performed in reality.

Hypothetical case study (continued)

- Emily retired at 63 with reduced Social Security benefits
- Mark plans to retire this year with reduced Social Security benefits
- No pension income



Annual income target:
$150,000

Social Security:
$55,000

Gap:
$95,000

Hypothetical case study (continued)

Scenario 1

Use a Systematic Withdrawal Plan (SWP) from a balanced portfolio of investments

As previously noted, our Chief Investment Office guidance for a 65-year-old is that an achievable spending rate at a **95% probability of success is 4.02%**[1]

Over time, review ongoing progress regularly with your advisor and potentially make adjustments, depending on performance of the investments and your actual withdrawal rates.

$95K
Income Gap

Systematic Withdrawal Plan (SWP) Only

Year 1

	Amount	Withdrawal rate	Income
SWP	$2.2M	4.02%	$88K

$7K shortfall

[1] Chief Investment Office, Portfolio Analytics, "Beyond the 4% rule: Determining sustainable retiree spending rates," January 2021.
See slide 32 for important notes on the methodology used in the achievable spending rates. This research is referenced here and on slide 11.

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Hypothetical case study (continued)

Scenario 2

Use an SWP to provide income for discretionary expenses that you can more easily modulate up or down based on market conditions

+

incorporate a guaranteed income stream from an annuity to help cover essential expenses

Over time, review ongoing progress regularly with your advisor and potentially make adjustments, depending on performance of the investments and your actual withdrawal rates.

$2.2M
Investable Assets

Disciplined Retirement Income Planning Process using a SWP + Annuity

Year 1

	Amount	Withdrawal rate	Income
SWP	$1.3M	4.02%[1]	$52K
Annuity	$900K	4.73%[2]	$43K

$95K total income

[1] Chief Investment Office, Portfolio Analytics, "Beyond the 4% rule: Determining sustainable retiree spending rates," January 2021.
See slide 32 for important notes on the methodology used in the achievable spending rates. This research is referenced here and on slide 11.
[2] Based on the average payout for all single premium immediate annuities available through Merrill as of January 2021.

Our goals-based approach

Help pursue my passions and interests

Maintain my lifestyle in retirement

ASPIRATIONAL

IMPORTANT
Dining Out, Travel, Grandchild's Education

ESSENTIAL
Healthcare, Housing, Food, Clothing, Transportation

Systematic Withdrawal Plan[1]

Fixed Income Bond Ladders or Certificates of Deposit

Predictable Income from **Social Security** and **Pensions**

Guaranteed[2] Income from **Annuities**

Review

Revise

Understanding your goals

Aligning with sources of income

Staying on track

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Let’s start a conversation

Ask questions now, call, or come see us

Think about your retirement lifestyle goals

Schedule time to discuss how we can help you

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Analysis based on Chief Investment Office, Portfolio Analytics, of Jan. 2021, "Beyond the 4% rule: Determining sustainable retiree spending rates”

Important notes on methodology used for the “Achievable spending rates” analysis
The achievable spending rate is the maximum initial share of wealth that a client can spend while attaining a desired “probability of success.” The probability of success measures the likelihood that a retiree will be able to spend according to plan without exhausting her wealth. Spending is assumed to rise each year with inflation. The equity allocation is the allocation that supports the achievable spending rate. The analysis builds on assumptions outlined below regarding market risk, returns and mortality to provide guidance crafted to reflect age and spending needs. The analysis was created by leveraging our goals-based asset allocation analytics tool. This research is referenced on slides 9 and 16.

Assumptions

Strategic asset allocations

	All Fixed Income	Conservative	Moderately Conservative	Moderate	Moderately Aggressive	Aggressive	All Equity
Equities	**0%**	**26%**	**43%**	**59%**	**74%**	**88%**	**98%**
U.S. Large Cap Growth	0%	7%	12%	17%	21%	25%	29%
U.S. Large Cap Value	0%	8%	15%	19%	24%	28%	31%
U.S. Small Cap Growth	0%	1%	1%	2%	2%	3%	3%
U.S. Small Cap Value	0%	1%	1%	2%	2%	3%	3%
International Developed Equity	0%	6%	10%	13%	17%	20%	22%
Emerging Markets	0%	3%	4%	6%	8%	9%	10%
Fixed Income	**98%**	**58%**	**55%**	**39%**	**24%**	**10%**	**0%**
Governments	28%	17%	16%	12%	7%	3%	0%
Mortgages	24%	12%	13%	10%	6%	2%	0%
Corporates	25%	17%	16%	13%	8%	3%	0%
High Yield	6%	3%	3%	2%	2%	2%	0%
International Fixed Income	15%	9%	7%	2%	1%	0%	0%
Cash	**2%**	**16%**	**2%**	**2%**	**2%**	**2%**	**2%**

Inflation: 2%

Asset class assumptions

Asset class	Geometric Return (%)	Arithmetic Return (%)	Arithmetic Volatility (%)
U.S. Large Cap Growth	8.1	10.1	21.3
U.S. Large Cap Value	8.9	10.3	17.8
U.S. Small Cap Growth	9.3	11.9	24.5
U.S. Small Cap Value	9.6	11.5	21.1
International Developed Equity	6.3	8.6	22.5
Emerging Markets	5.8	8.8	26.1
U.S. Government	3.1	3.3	5.1
U.S. Mortgages	3.6	3.7	6.0
U.S. Corporates	4.2	4.4	6.7
USD High Yield	5.3	5.7	9.1
International Fixed Income	3.3	3.4	4.1
Cash	2.4	2.4	1.7

Chief Investment Office, Portfolio Analytics, “Beyond the 4% rule: Determining sustainable retiree spending rates,” January 2021.