Retirewise®

A Four-Part Workshop Series

MetLife | Retirewise®

A Four-part Workshop Series

Session 1: Building the Foundation

Presentation Slides	5-30
Workbook	31-72

Session 2: Creating and Managing Wealth

Presentation Slides	75-96
Workbook	97-134

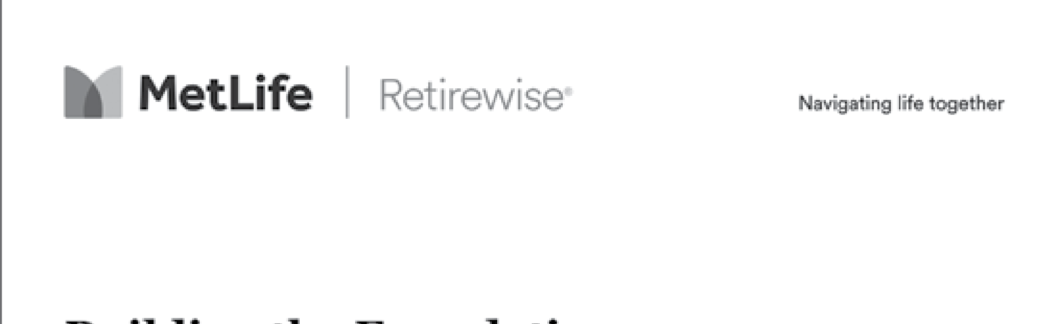
Session 3: Establishing Your Retirement Income Stream

Presentation Slides	137-160
Workbook	161-194

Session 4: Making the Most of What You Have

Presentation Slides	197-218
Workbook	219-276

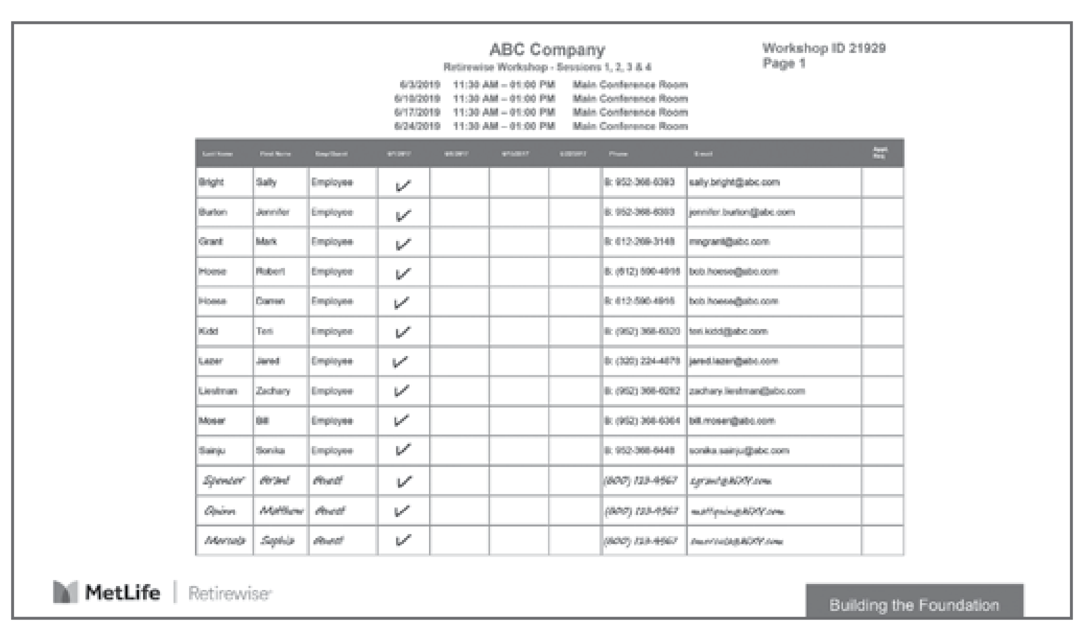
MetLife
Retirewise®



Slide 1

Slide 2

SESSION 1



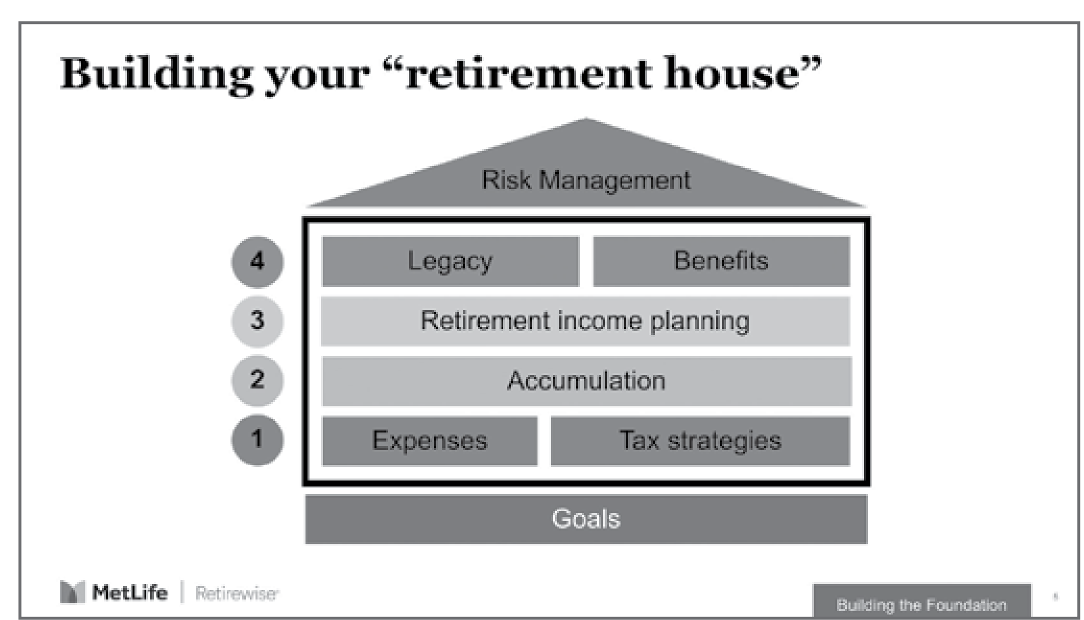
ABC Company
Retirewise Workshop - Sessions 1, 2, 3 & 4
Workshop ID 21929
Page 1

6/3/2019 11:30 AM – 01:00 PM Main Conference Room
6/10/2019 11:30 AM – 01:00 PM Main Conference Room
6/17/2019 11:30 AM – 01:00 PM Main Conference Room
6/24/2019 11:30 AM – 01:00 PM Main Conference Room

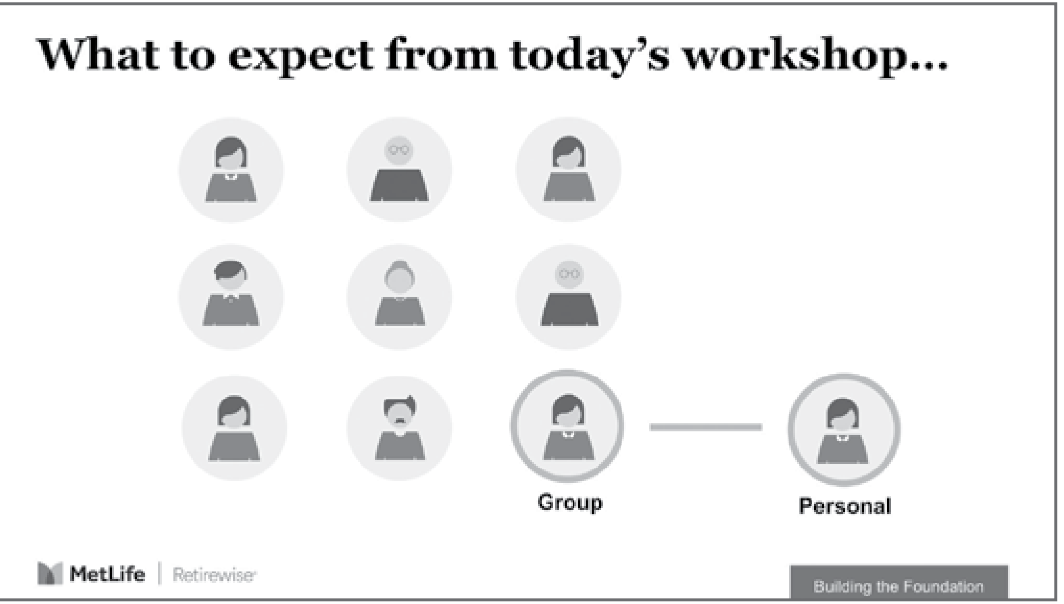
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bright	Sally	Employee	✓				B: 952-368-6363	sally.bright@abc.com	
Burton	Jennifer	Employee	✓				B: 952-368-6303	jennifer.burton@abc.com	
Grant	Mark	Employee	✓				B: 612-269-3148	mngrant@abc.com	
Hoese	Robert	Employee	✓				B: (612) 590-4916	bob.hoese@abc.com	
Hoese	Darren	Employee	✓				B: 612-590-4916	bob.hoese@abc.com	
Kidd	Teri	Employee	✓				B: (952) 368-6320	teri.kidd@abc.com	
Lazer	Jared	Employee	✓				B: (320) 224-4879	jared.lazer@abc.com	
Liestman	Zachary	Employee	✓				B: (952) 368-6282	zachary.liestman@abc.com	
Moser	Bill	Employee	✓				B: (952) 368-6364	bill.moser@abc.com	
Sainju	Sonika	Employee	✓				B: 952-368-6448	sonika.sainju@abc.com	
Spencer	[illegible]	Guest	✓				(800) 123-4567	[illegible]	
Quinn	Matthew	Guest	✓				(800) 123-4567	[illegible]	
[illegible]	Sophia	Guest	✓				(800) 123-4567	[illegible]	

Slide 3

Slide 4

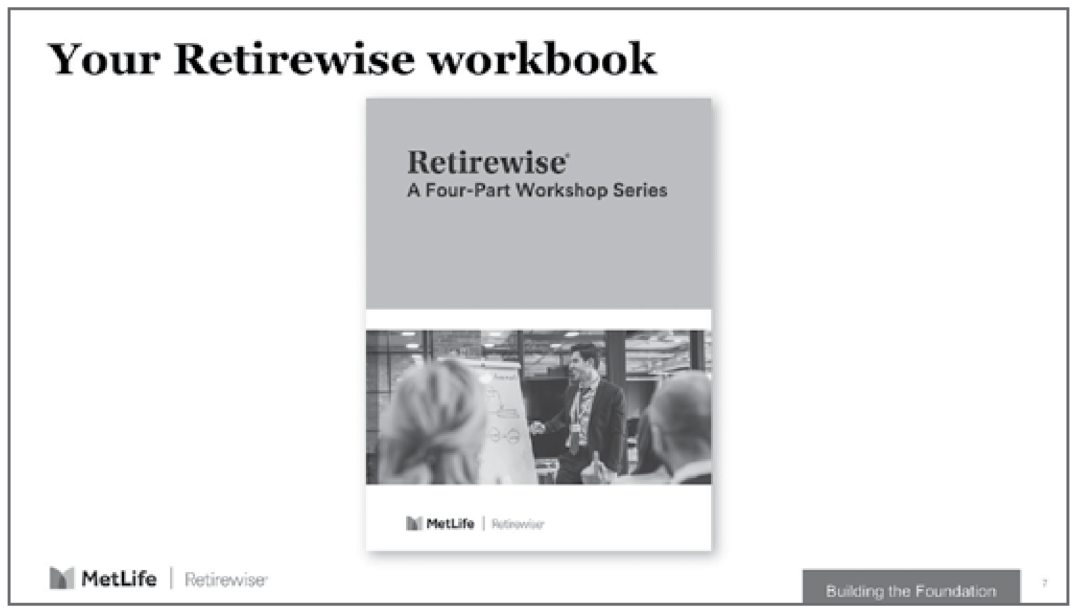


Slide 5

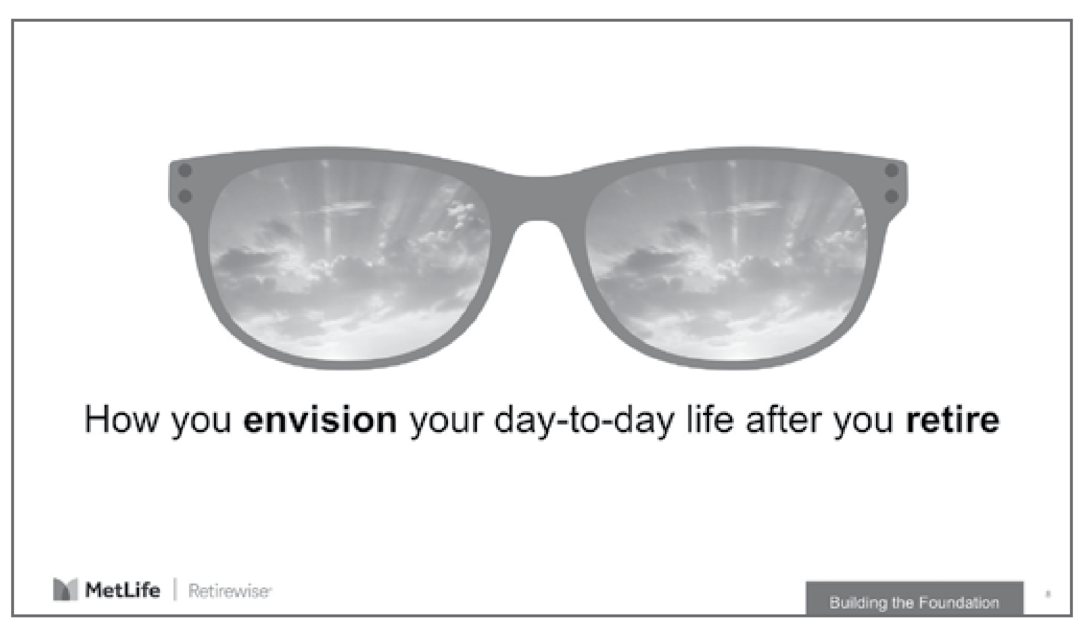


Slide 6

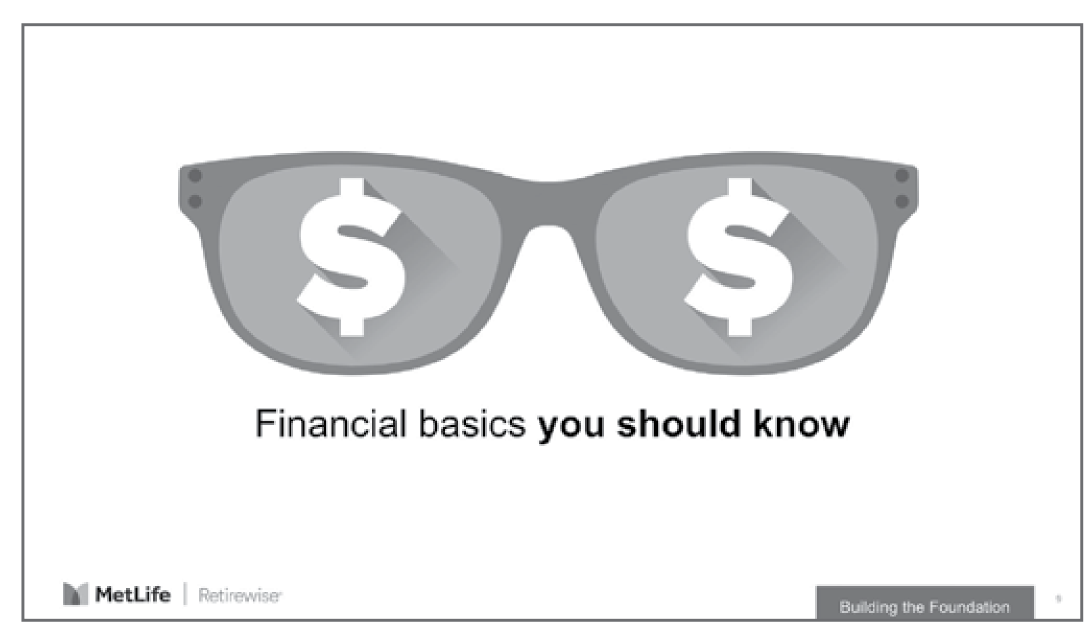
SESSION 1



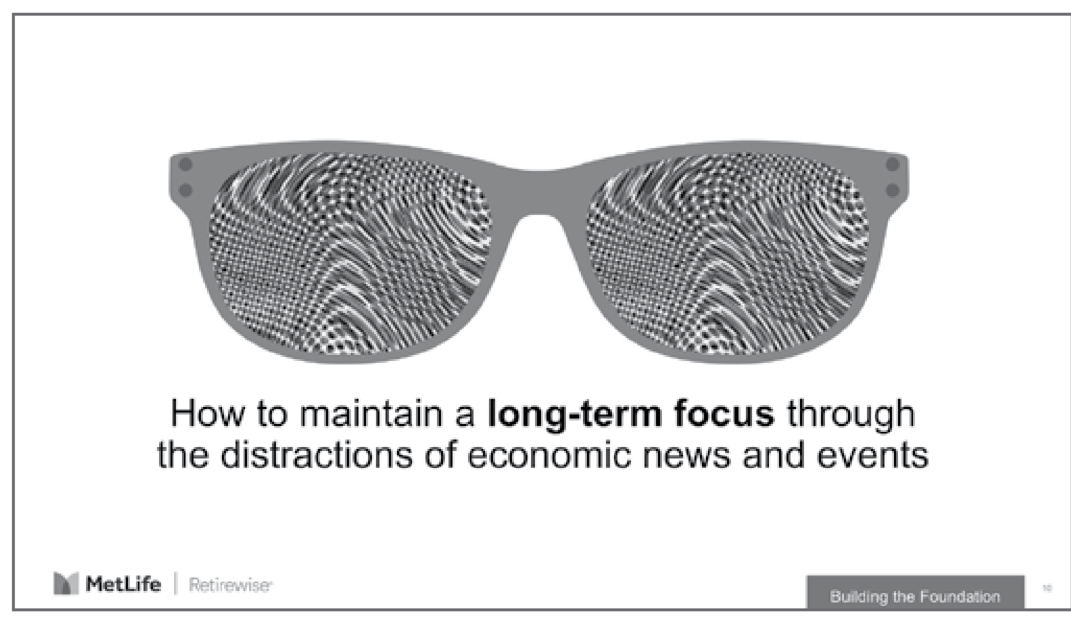
Slide 7



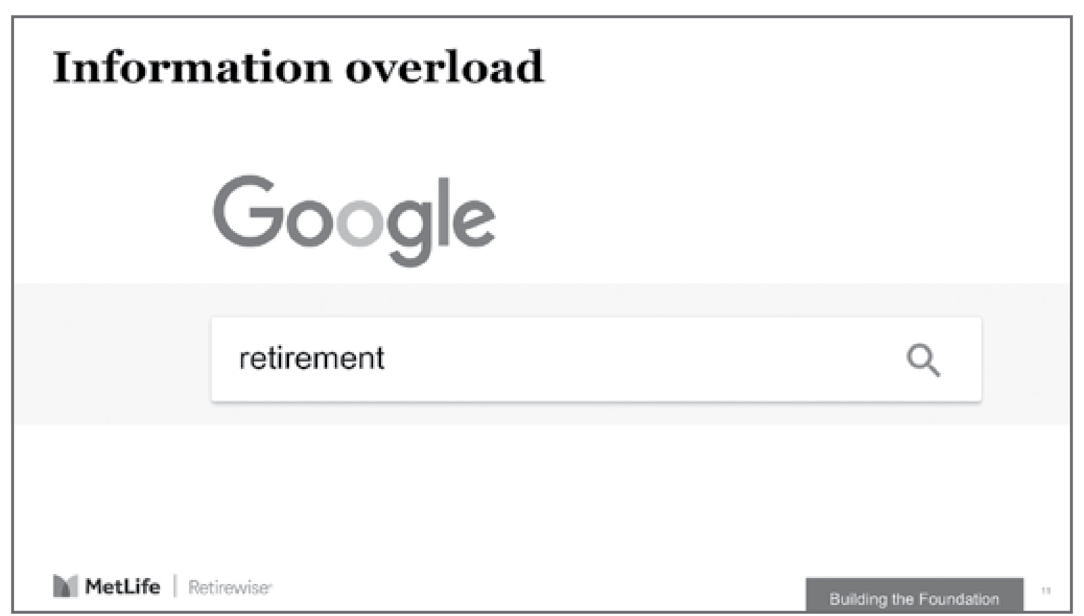
Slide 8



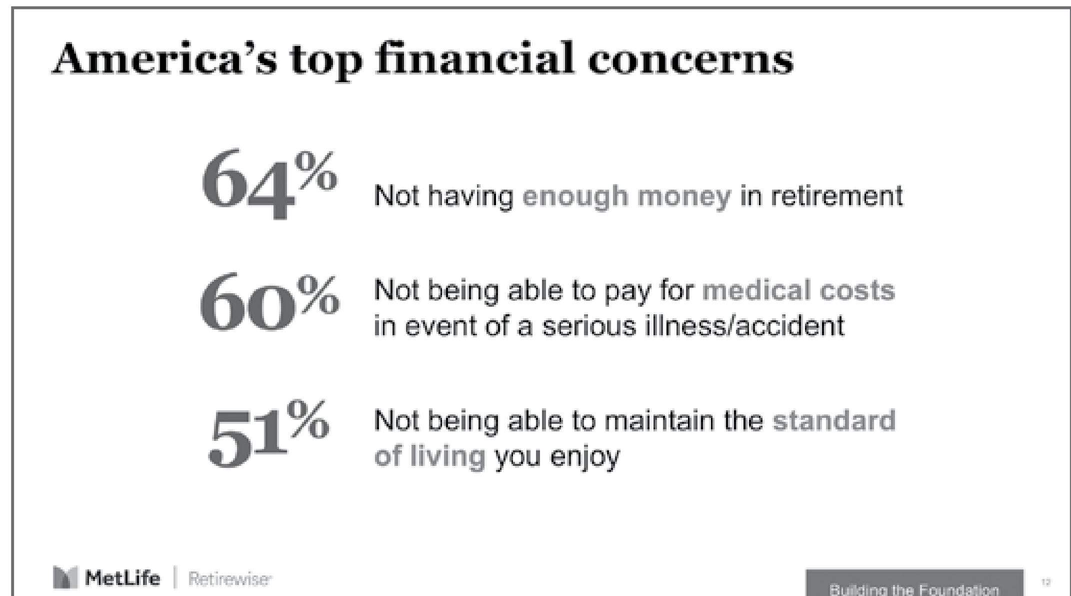
Slide 9



Slide 10

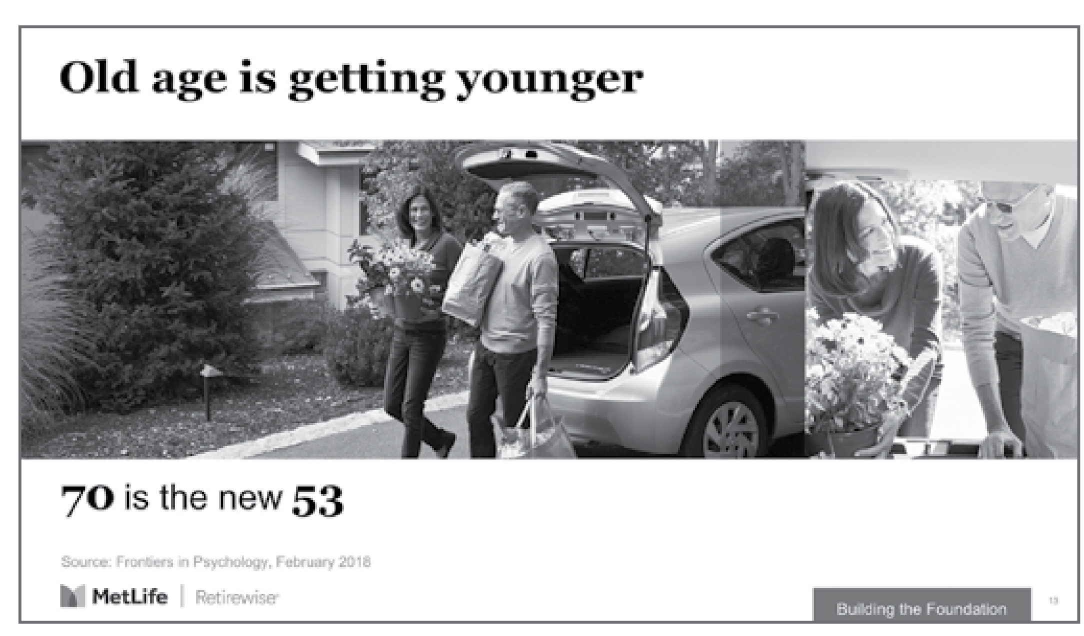


Slide 11

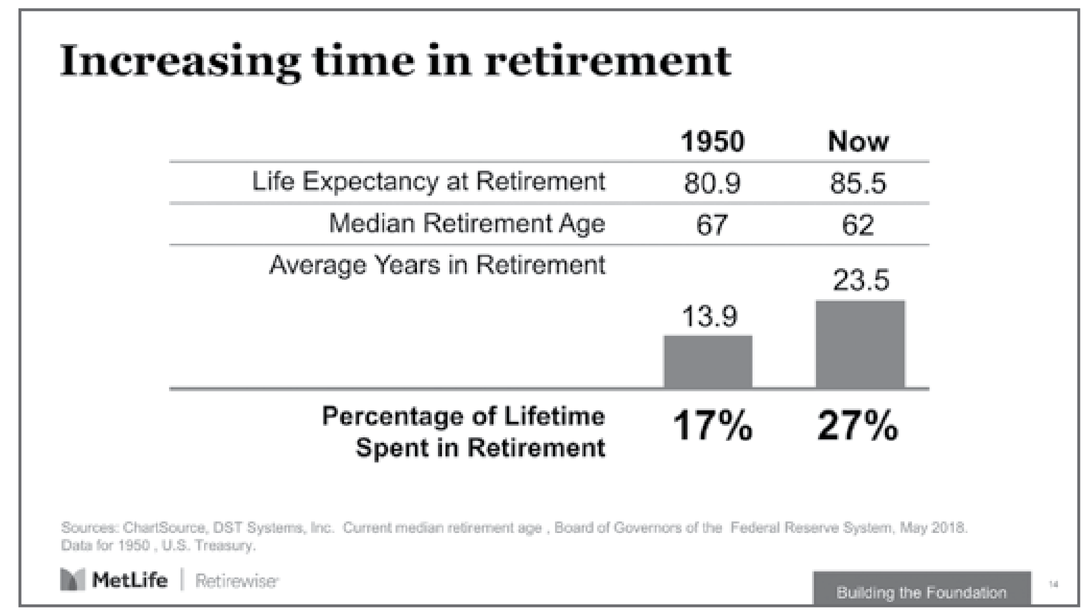


Slide 12

SESSION 1



Slide 13



Slide 14

Good news / bad news.

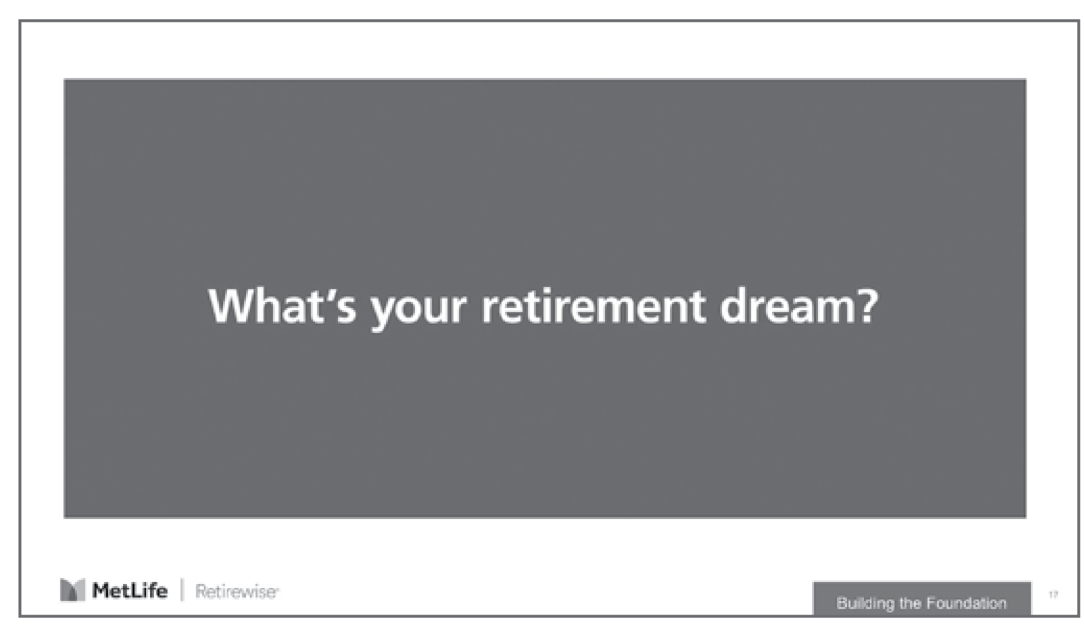
You can look forward to the longest and healthiest retirement in history . . . but also the most costly

MetLife | Retirewise

Building the Foundation

Slide 15

Slide 16



Slide 17

Slide 18

Slide 19

Slide 20

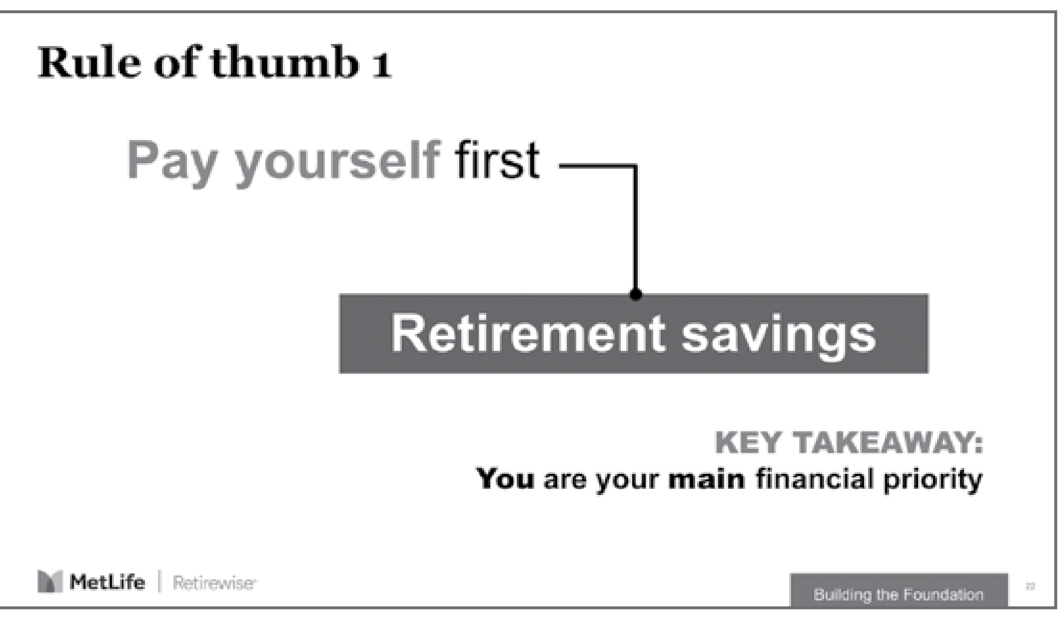
Rules of thumb to using your money more wisely

1. Pay yourself first
2. Create and stick to a budget
3. Take advantage of compounding
4. It's not what you earn . . . it's what you keep

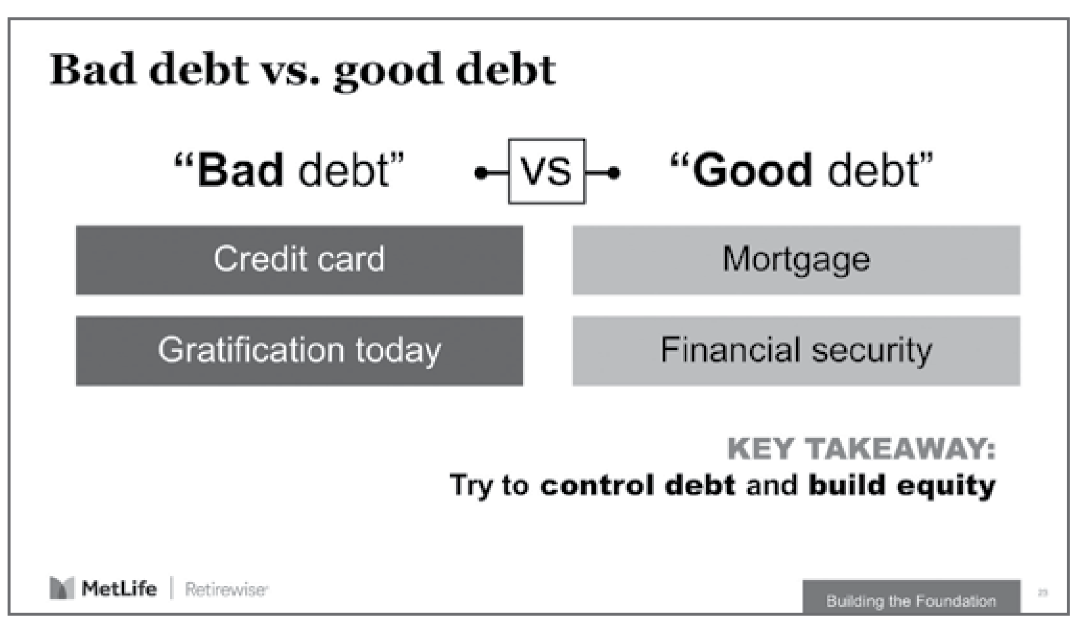
MetLife | Retirewise

Building the Foundation

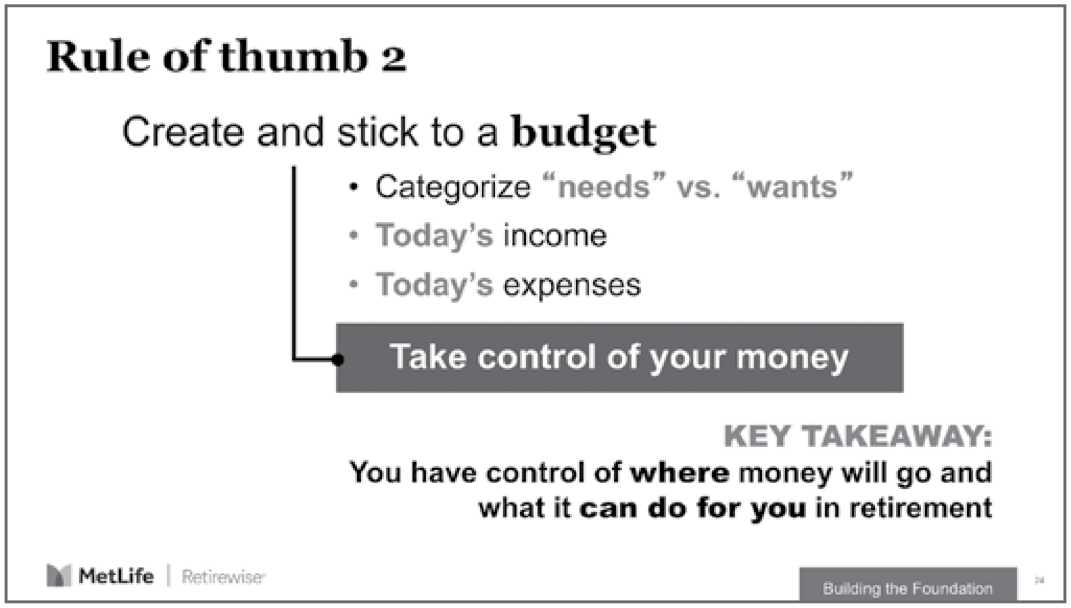
Slide 21



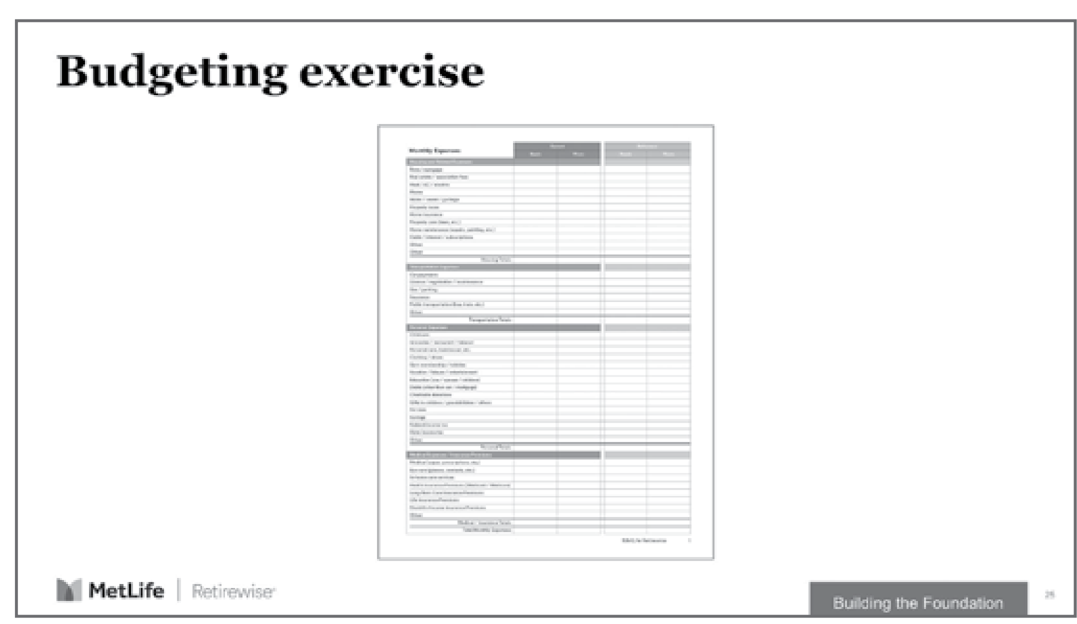
Slide 22



Slide 23



Slide 24

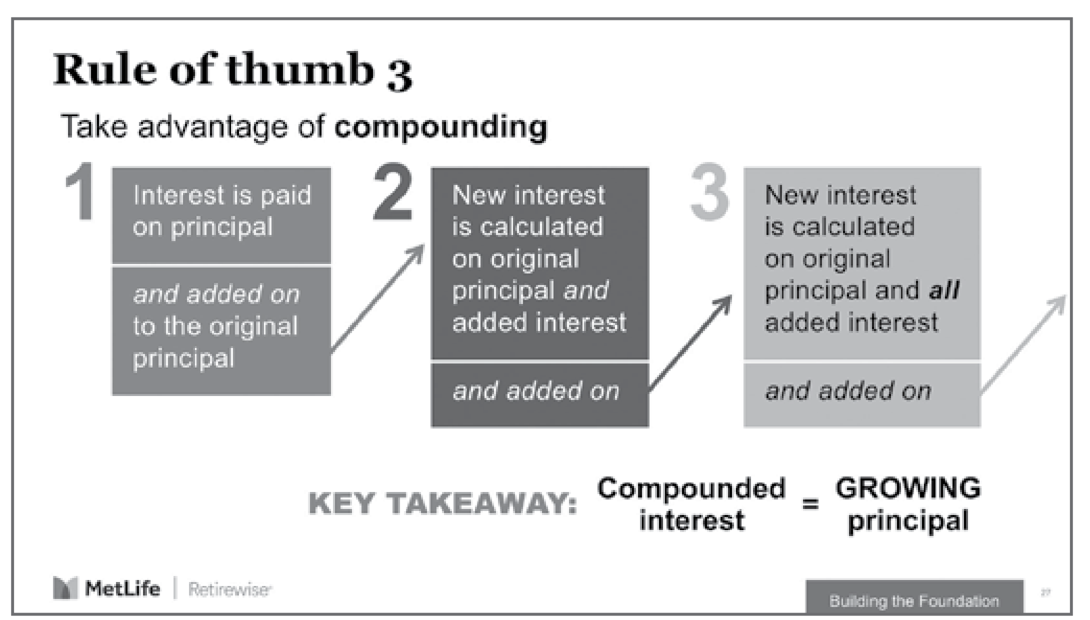


Slide 25

Consider the following . . .

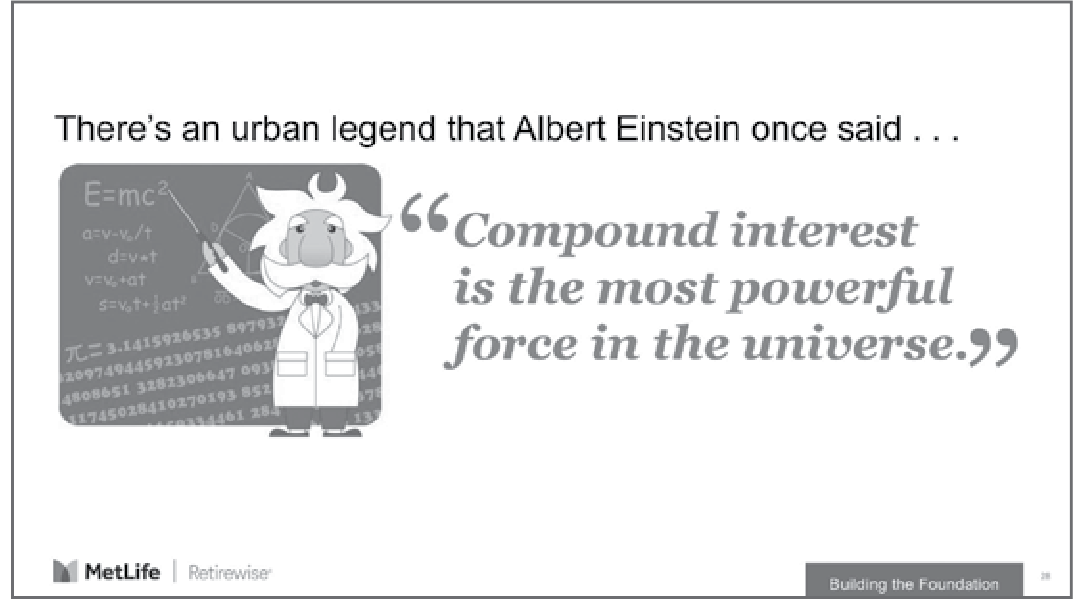
- Do you have money **set aside** in an emergency fund?
- Should you continue to **pay off your mortgage quickly** or **invest that money** for retirement?
- What's the best way to invest today for **multiple goals and different time frames?**
- How much **life insurance** should you have?
- Are you concerned about **healthcare** and **long term care** costs?

Slide 26

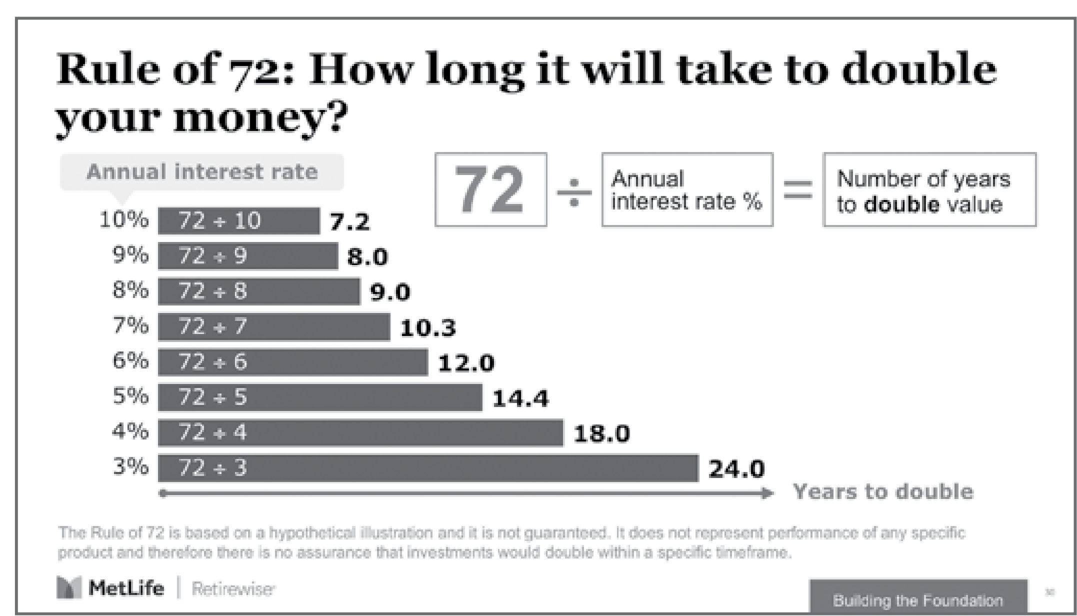


Slide 27

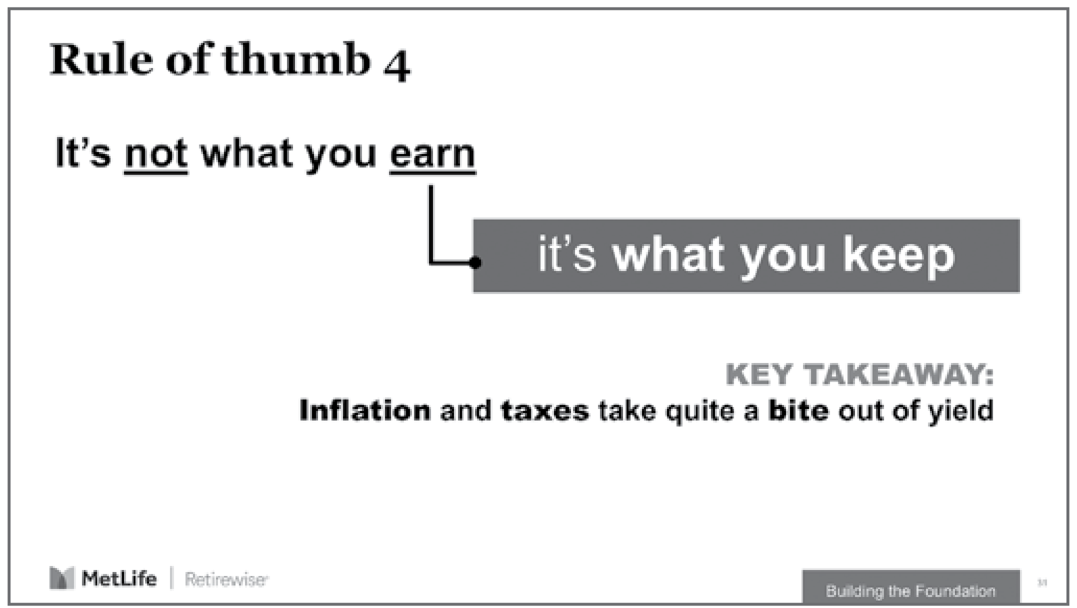
Slide 29



Slide 28

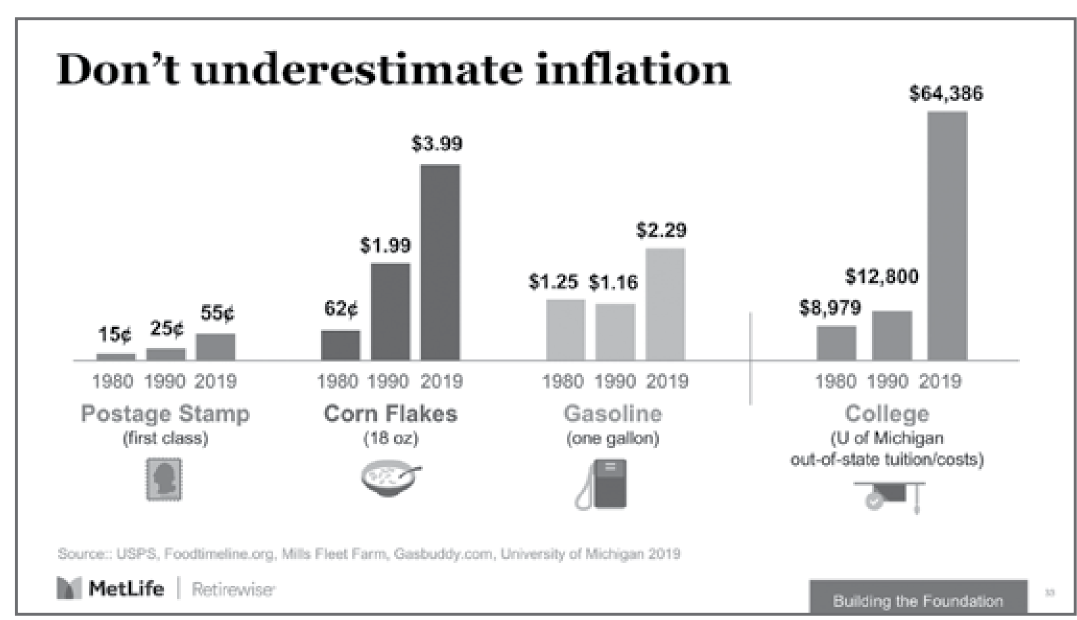


Slide 30

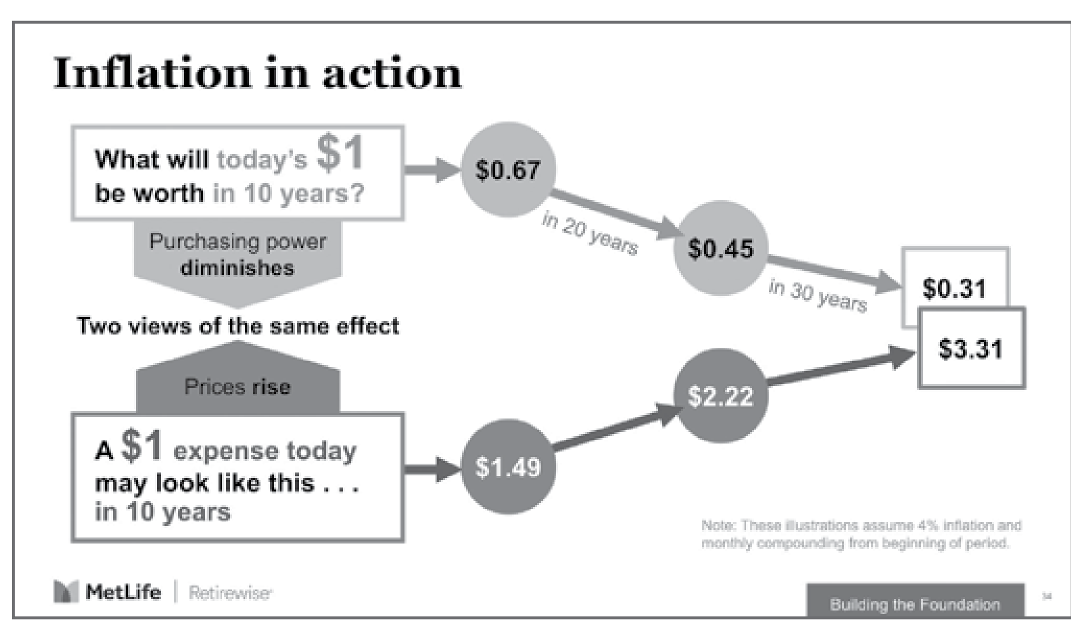


Slide 31

Slide 32



Slide 33



Slide 34

Think about taxes today

2019

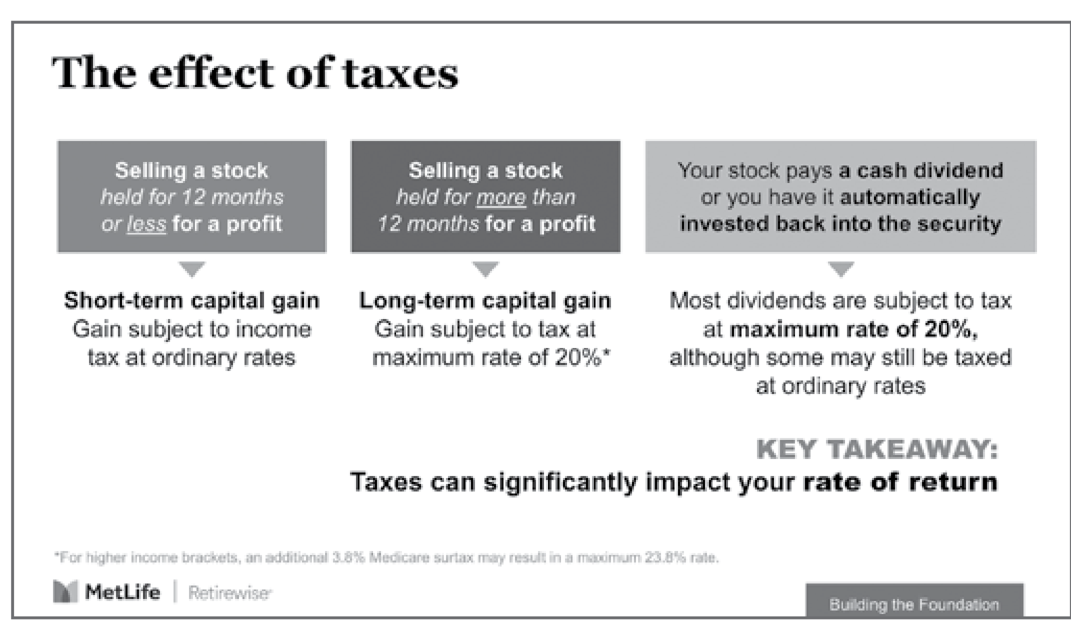
Tax Rate	Single Filers	Married Filing Jointly or Qualifying Widow/Widower	Head of Household Filers
10%	$0 to $9,700	$0 to $19,400	$0 to $13,850
12%	$9,701 to $39,475	$19,401 to $78,950	$13,851 to $52,850
22%	$39,476 to $84,200	$78,951 to $168,400	$52,851 to $84,200
24%	$84,201 to $160,725	$168,401 to $321,450	$84,201 to $160,700
32%	$160,726 to $204,100	$321,451 to $408,200	$160,701 to $204,100
35%	$204,101 to $510,300	$408,201 to $612,350	$204,101 to $510,300
37%	$510,301 or more	$612,351 or more	$510,301 or more

Source: IRS, 2019

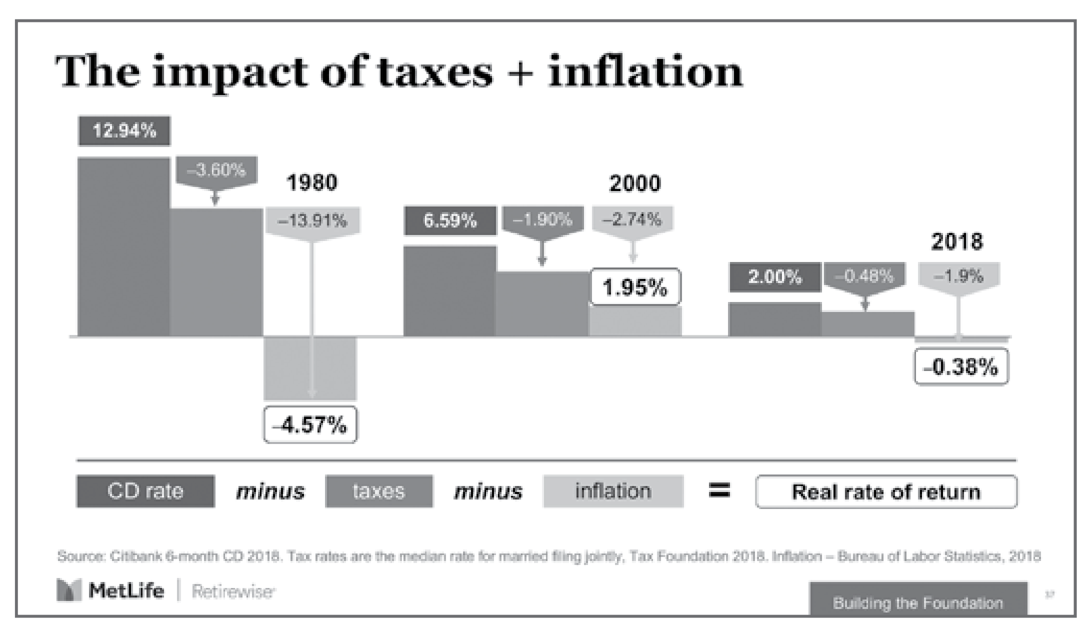
MetLife | Retirewise

Building the Foundation

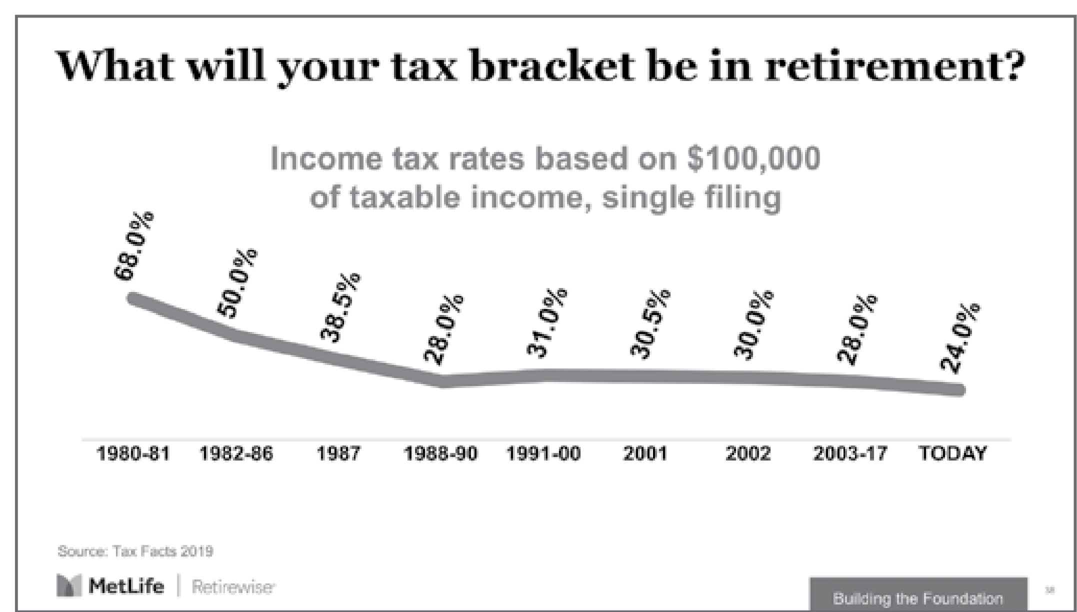
Slide 35



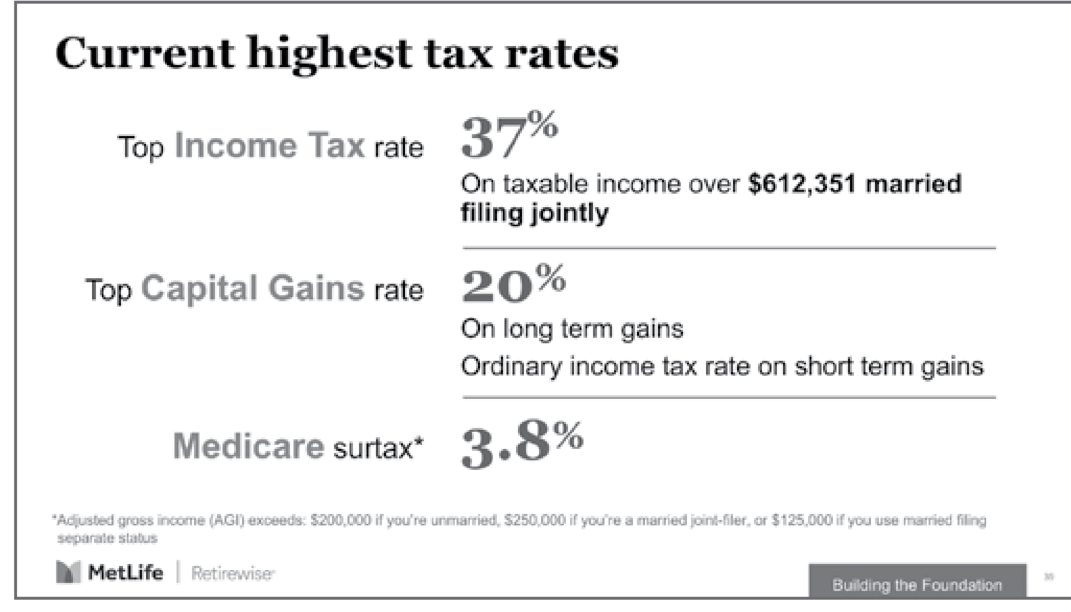
Slide 36



Slide 37

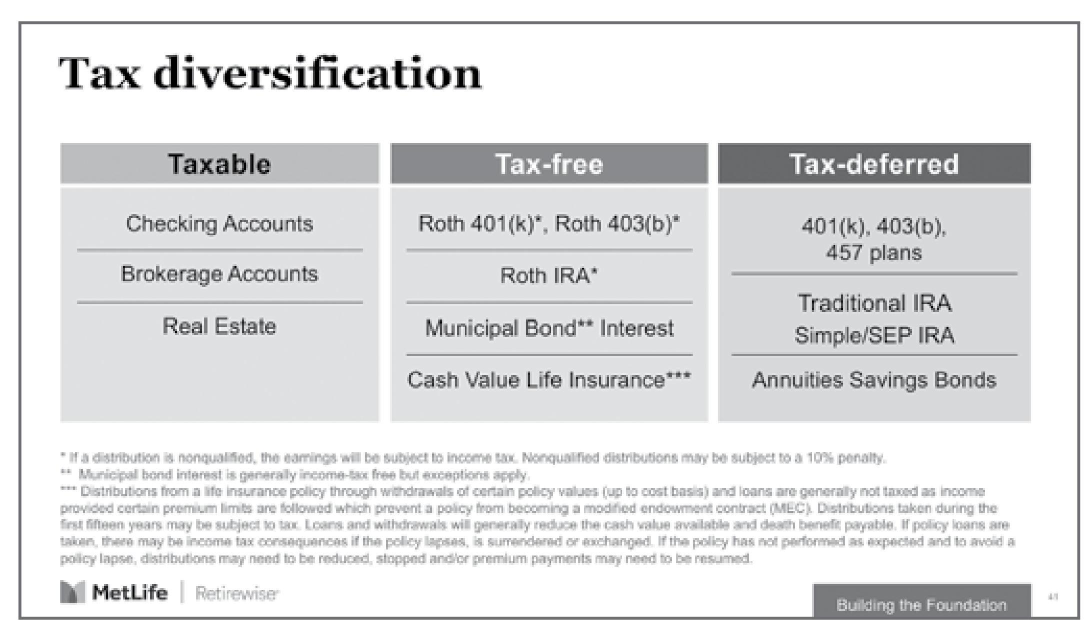


Slide 38

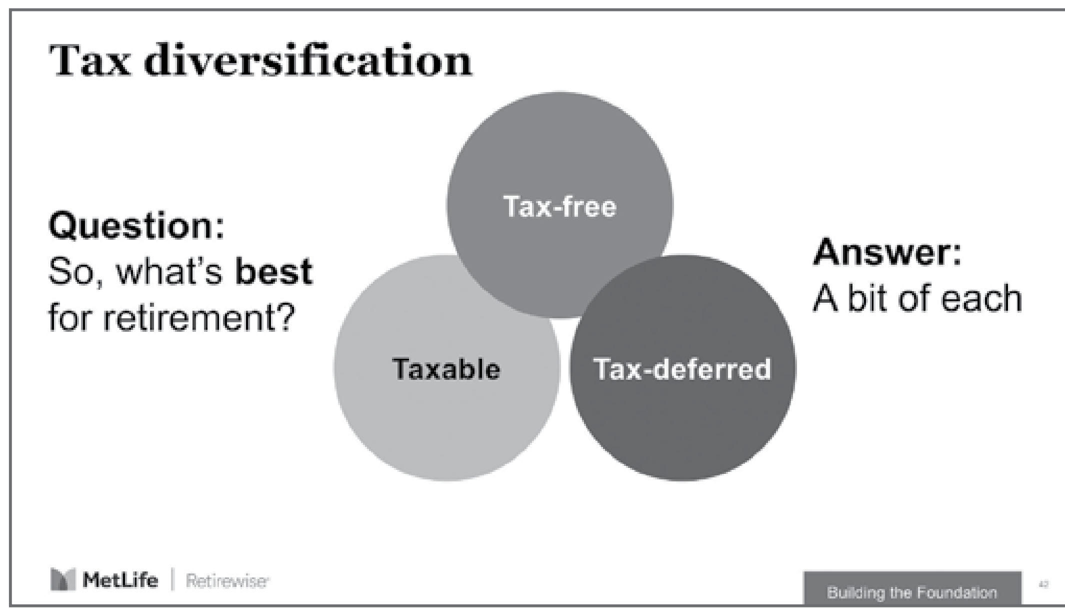


Slide 39

Slide 40

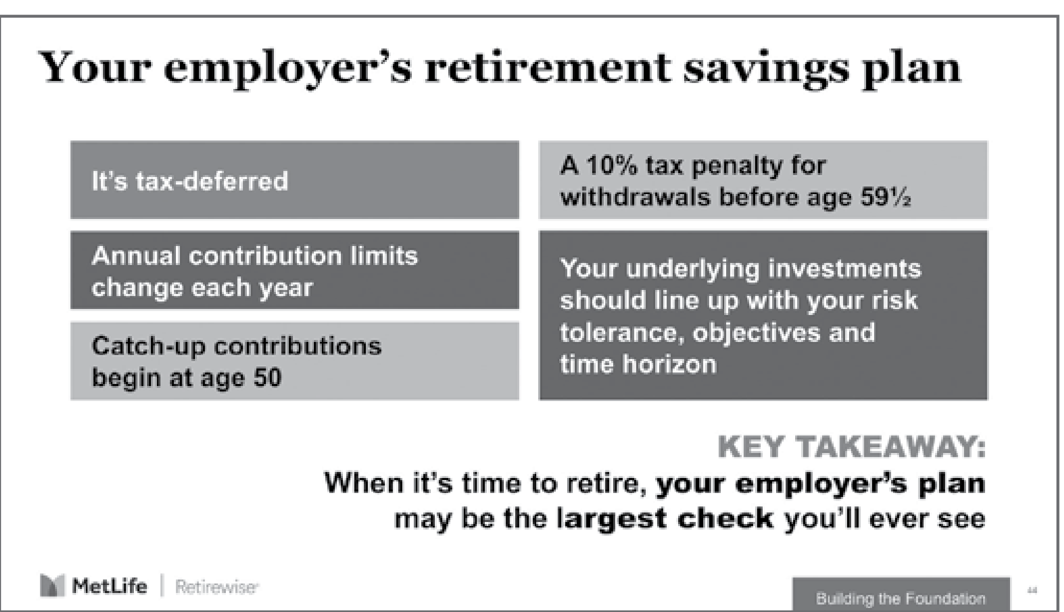


Slide 41



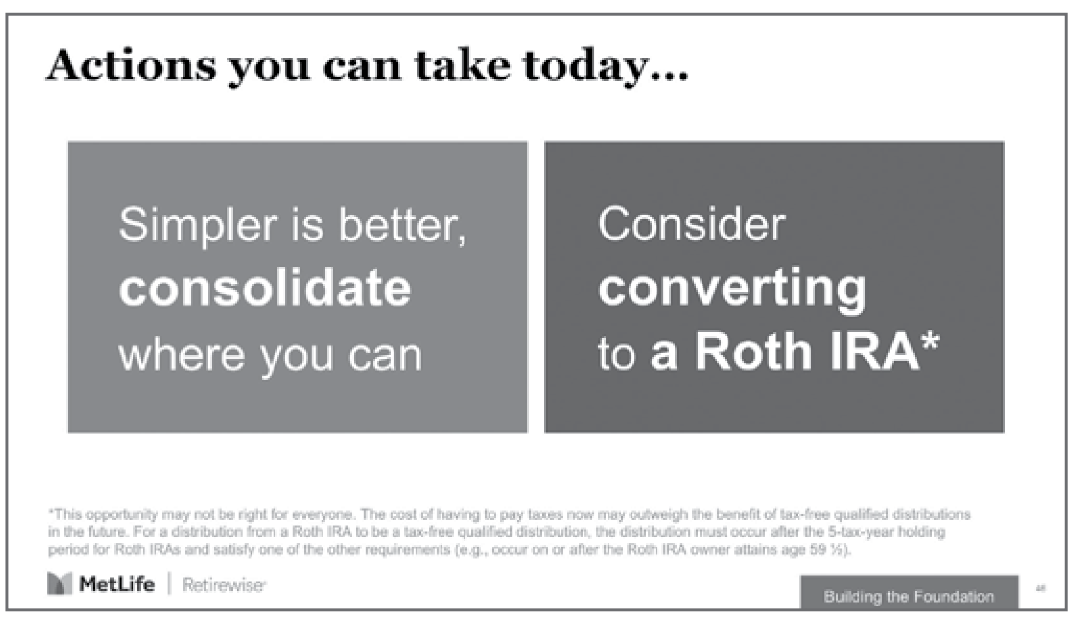
Slide 42

Slide 43



Slide 44

Slide 45



Slide 46

Today's key learning:
Inflation and taxes can impact your investments.

MetLife | Retirewise

Building the Foundation

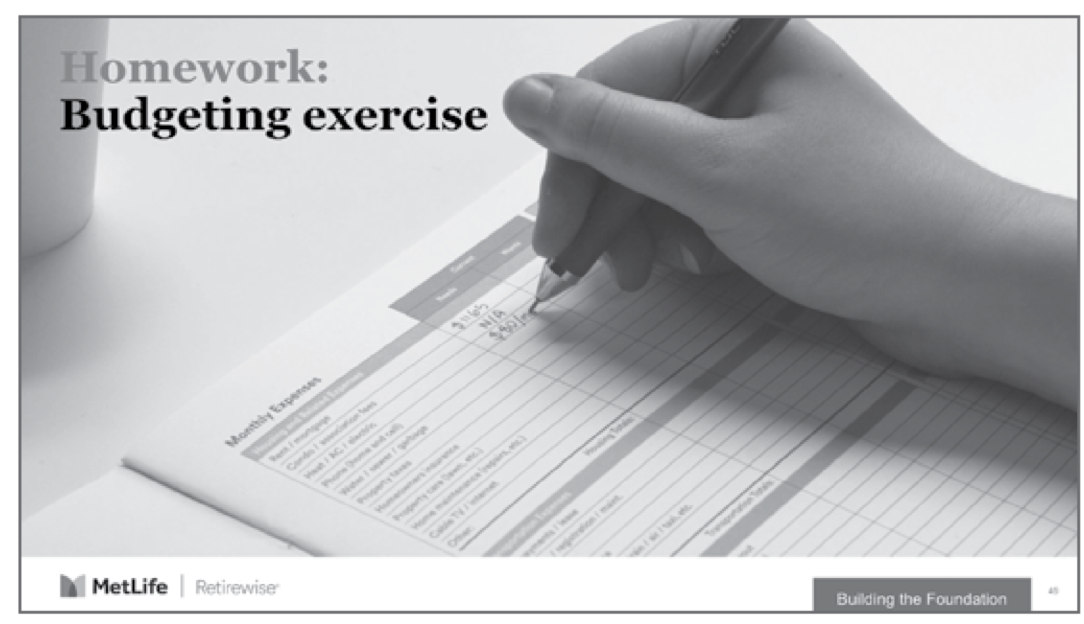
Slide 47

Retirement is NOT a one-size-fits-all proposition.

MetLife | Retirewise

Building the Foundation

Slide 48



Slide 49

MetLife administers the Retirewise program, but has arranged for Massachusetts Mutual Life Insurance Company (MassMutual) to have specially-trained financial professionals offer financial education and, upon request, provide personal guidance to employees and former employees of companies providing Retirewise through MetLife.

Any discussion of taxes is for general informational purposes only, does not purport to be complete or cover every situation, and should not be construed as legal, tax or accounting advice. Clients should confer with their qualified legal, tax and accounting advisors as appropriate.

Securities and investment advisory services are offered through qualified registered representatives of MML Investors Services, LLC, Member SIPC. MML Investors Services, LLC is not affiliated with MetLife, or its affiliated companies.

MetLife | Retirewise

L0319512935[exp1220][All States][DC,PR]

Building the Foundation

Slide 50

Slide 51

L0319512935[exp1220][All States][DC,PR]

Session 1: Contents

Welcome	33
Session 1: Introduction	34
Retirement Quiz	36
Managing the Future	40
A New Look at Money and Retirement	43
How long do you expect to live?	44
The Early Bird Gets the Worm	45
The Cost of Waiting	46
How to Be a Mmillionaire by Age 65	47
Your Credit Report	48
Shopping for a Credit Card	51
How much do your credit cards really cost?	52
Dos and Don’ts of Debt	54
Rule of 72	56
The Impact of Taxes and Inflation	57
What do things cost?	58
How are things taxed?	59
How much can you contribute?	62
Traditional IRAs	63
Roth IRAs	66
Which IRA is right for you?	69
Retirement Plan Limits	70

Session 1: Building the Foundation

Welcome

The oldest members of the Baby Boom generation, born in 1946, are the first members of that generation to deal with the need to turn assets into income, manage risk more than investment returns, and maximize their resources in order to create the most financially secure retirement they can manage. The success or failure of their retirement experience will have far-reaching implications for generations following them.

Whether you are a Boomer (born between 1946–1964) or, a younger generation (Gen X, Gen Y, or Gen Z) your employer recognizes that you will continue to face important financial challenges through your working years and as you plan for retirement.

We want you to walk away feeling:

- **Better prepared** to make the transition from work to retirement
- **Well informed** about your personal, retirement situation
- More in **control** and ready to **take action**

This workbook contains much of the key information that will be talked about during the four sessions. This important resource was developed to present useful ideas and practical advice to help you meet current and future financial challenges. We hope that it adds value as you plan for a happy and secure financial future.

MetLife is honored to be the company that your employer selected to develop this program at your work location. We hope that you will participate as fully as your time and work schedule permit.

Please note: Throughout our workshop series we use the term spouse/partner to reflect the various domestic arrangements individuals may have. Federal and tax legislation may vary based on your particular arrangement.

Introduction

We live in a time when the entire context of setting long-term financial goals for retirement has changed radically. The word itself used to evoke images of old age, declining health, and inactivity. Today, retirement can be a transition ***to*** a new way of life, not just ***from*** a job.

We have more choices than ever (such as continuing to work, but maybe at a different job or career) because Americans are in better health, and live longer than any previous generation.

That means learning how to make smart choices that are usually focused on money. Money is important, but there is much more to retirement. Because we now have so many choices, we need to set money *and* lifestyle goals. That means making plans for how we want to live — to accomplish the goals that we set. There are many things to think about and do, and you may not have enough time to do them all successfully.

This first workshop is called *Building the Foundation*. It sets the stage for the "why" and "how" of the planning process. We'll talk about money, of course, but also about what retirement might look like, what you need to think about, and how to plan so that unforeseen events do not prevent you from achieving your retirement goals.

Is the Amercian Dream Within Reach?

The American dream means different things to different people. A recent survey indicates that far fewer Americans say "becoming wealthy" is essential to the American dream than say the same about personal freedom and a good family life.

Overall, 36% of U.S. adults say their family has achieved the American dream, while another 46% say they are "on their way" to achieving it, according to the survey. Those who say they have already achieved the American dream are generally older, more affluent and better-educated than those who say they are on their way to achieving the American dream and those who say it's out of reach.*

*Pew Research Center August, 2017

Americans and Their Shared Values

When it comes to money, nearly everyone, regardless of educational level or affluence, is concerned with:

- The sufficiency of their money – "Do I have enough?"
- The sustainability of their resources – "How long will my money last?"
- The appropriateness of their financial decisions – "Is this the right choice for me?"

Of course everyone is different, so the answers to these questions will be based on an individual's financial values. Those less concerned about appropriateness of purchases are less likely to be prepared for financial emergencies. Those who think more about how long their money will last may have more savings. And of course, what is "enough" to one person is not necessarily "enough" for the person sitting next to him or her.

Retirement Quiz

1. At what age are you eligible to receive your Social Security benefits?
   a) 60
   b) 62
   c) 66
   d) 70

2. What is the national average annual cost of a nursing home?
   a) $40,000-$59,000
   b) $60,000-$79,000
   c) $80,000-$99,000
   d) Over $100,000

3. Which of the following strategies is least likely to improve retirement security?*
   a) Saving an additional 3 percent of salary in the five years prior to retirement
   b) Deferring Social Security benefits for two years longer than originally planned
   c) Working for two years past the planned retirement date

4. If you were to need long term care services that required home health care or assistance in a facility (nursing home or otherwise) over an extended period of time, the expenses would be covered by:
   a) Disability income insurance
   b) Medicare/Medicaid
   c) Health insurance
   d) None of the above

*Smart About Money, LifeValues, National Endowment for Financial Education 2017

Retirement Quiz Answers

1. Answer — B: 62

You are eligible for Social Security benefits beginning at age 62, BUT you aren't eligible to receive your full benefit until after age 65 (if you were born after 1938).

The year you were born is used to determine the normal retirement age.

Year of Birth	Full Retirement Age	At age 62 benefit, what percentage do you get of the full benefit?
Before 1938	65	80.0
1938	65 and 2 months	79.1
1939	65 and 4 months	78.3
1940	65 and 6 months	77.5
1941	65 and 8 months	76.6
1942	65 and 10 months	75.8
1943 – 1954	66	75.0
1955	66 and 2 months	74.1
1956	66 and 4 months	73.3
1957	66 and 6 months	72.5
1958	66 and 8 months	71.6
1959	66 and 10 months	70.8
1960 and later	67	70.0

Source: Social Security Administration, 2017

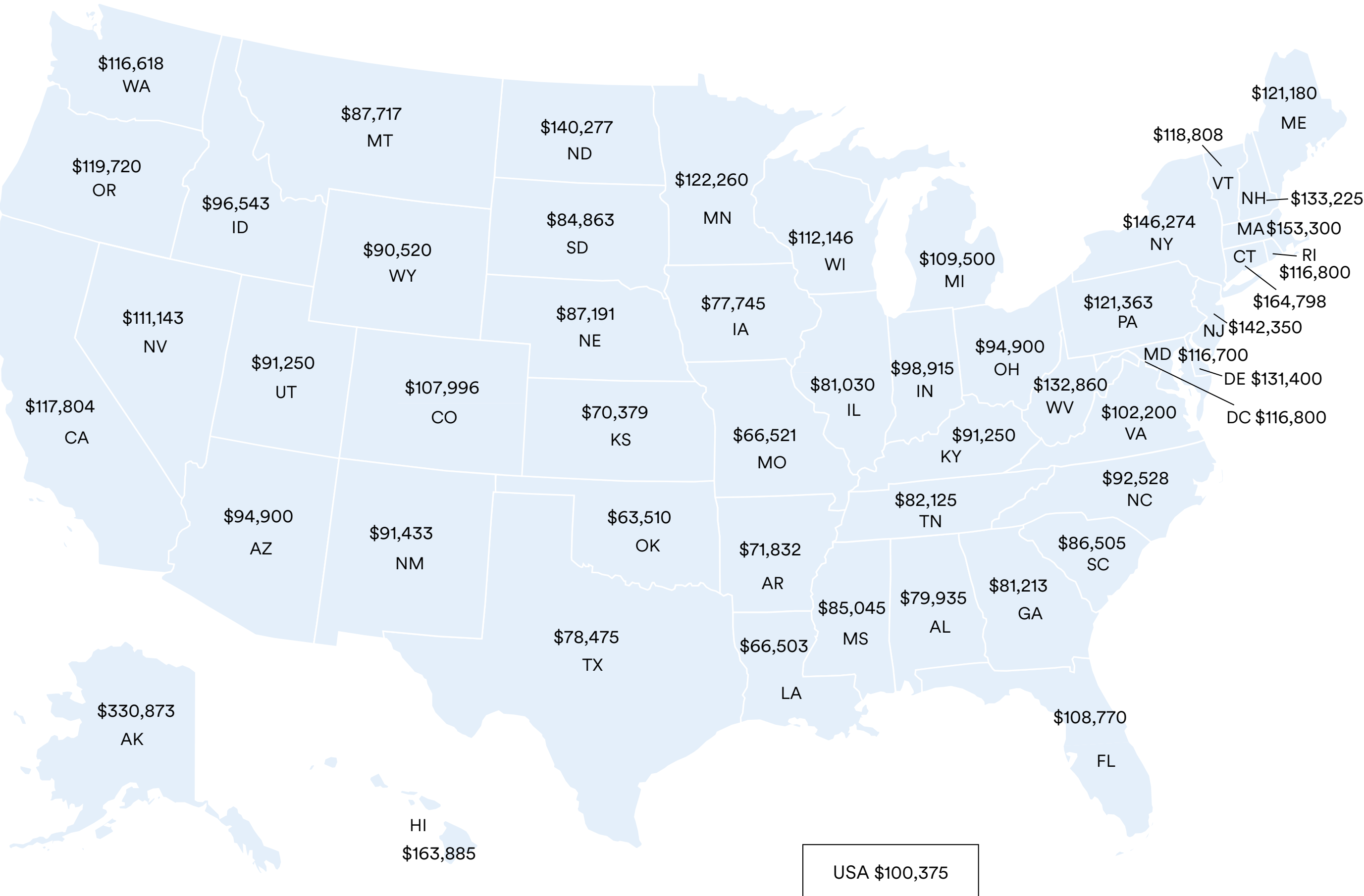
2. **Answer — D: The national average annual cost of nursing home care is over $100,000.**

   Below are the actual nursing home care (private room) costs by state throughout the country.

3. **A — Saving an additional 3 percent.***

   This is crucial to understand. Working longer and deferring Social Security are the two best ways to improve financial security. Saving a little bit more in the years just prior to retirement will not have a big impact on retirement savings as the money does not have a lot of time to grow with investment earnings.

   *Squared Away Quiz, 2016



Source: Genworth Cost of Care Study, 2018

4. **Answer — D: None of the above**

   Generally speaking, Medicare/Medicaid, health insurance and disability income insurance are not designed to pay for the expenses incurred if you were to require long term care services over an extended period of time.

   - Disability income insurance is designed to replace a portion of your income if you were to be out of work with a disability.
   - Medicare/Medicaid and health insurance may provide for some skilled nursing homes, home health aides and hospice care, but coverage is limited and you must meet certain criteria to qualify. These programs are designed to cover acute medical care and do not account for the custodial everyday care one may need with a chronic condition such as Alzheimer's.

Managing the Future

Inflation continues to eat away at our purchasing power. Every year it costs more to maintain our standard of living.

How much will I need each year to equal my current annual income if inflation is steady at 3.0%?

Current Income	$30,000	$40,000	$50,000	$60,000	$75,000	$100,000
In 10 Years	$40,317.49	$53,756.66	$67,195.82	$80,634.98	$100,793.73	$134,391.64
In 15 Years	$46,739.02	$65,318.70	$77,898.37	$93,478.04	$116,847.56	$155,796.74
In 20 Years	$54,184.34	$72,244.45	$90,305.56	$108,366.67	$135,458.34	$180,611.12
In 25 Years	$62,813.34	$83,751.12	$104,688.90	$125,626.68	$157,033.34	$209,377.79
In 30 Years	$72,817.87	$97,090.50	$121,363.12	$145,635.75	$182,044.69	$242,726.25

This table is hypothetical and is just an example. It does not seek to reflect or predict actual inflation rates, which will vary over time. Source: U.S. Department of Labor, 2010

Chances Are You May Live Longer Than You Think

Probability of a 65 year old living to:

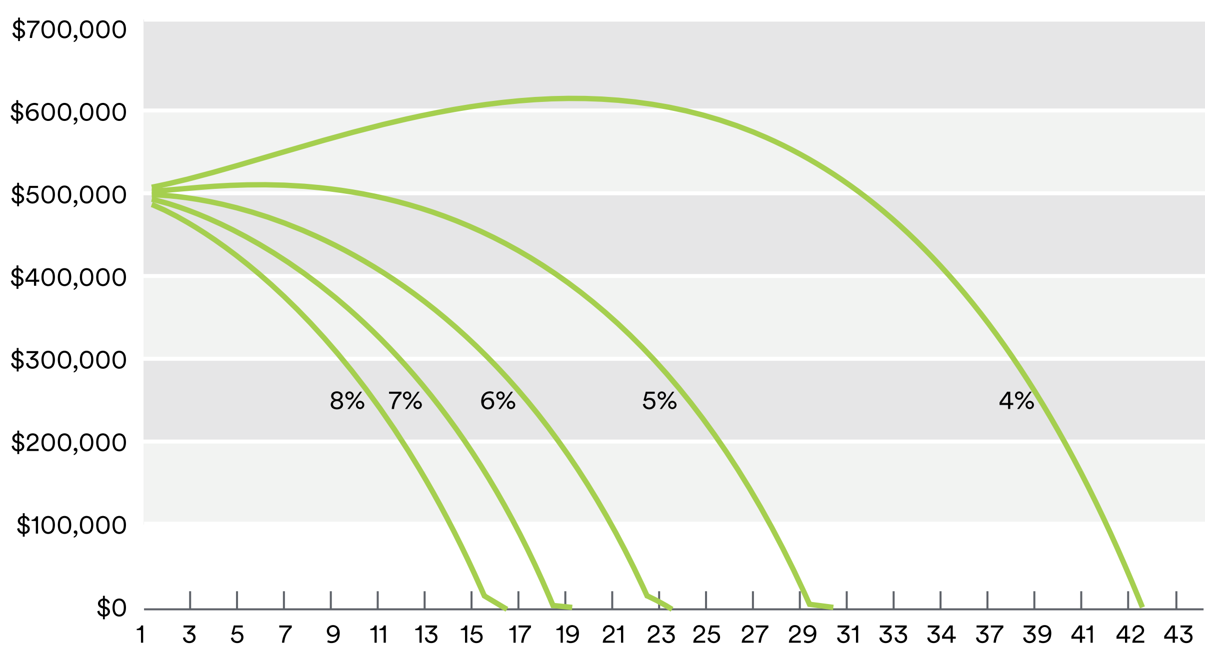
Age 80		Age 90	
62% Male	71% Female	22% Male	34% Female

The Hamilton Project Brookings, June 2015

We may spend as much time retired as we did working. We need to make sure our money will last.

This chart shows how long your retirement savings will last at various withdrawal rates. The chart assumes $500,000 in savings at retirement, a 3% annual inflation rate, and a 6% annual rate of return.

Compares how long retirement savings would last at various annual withdrawal rates.



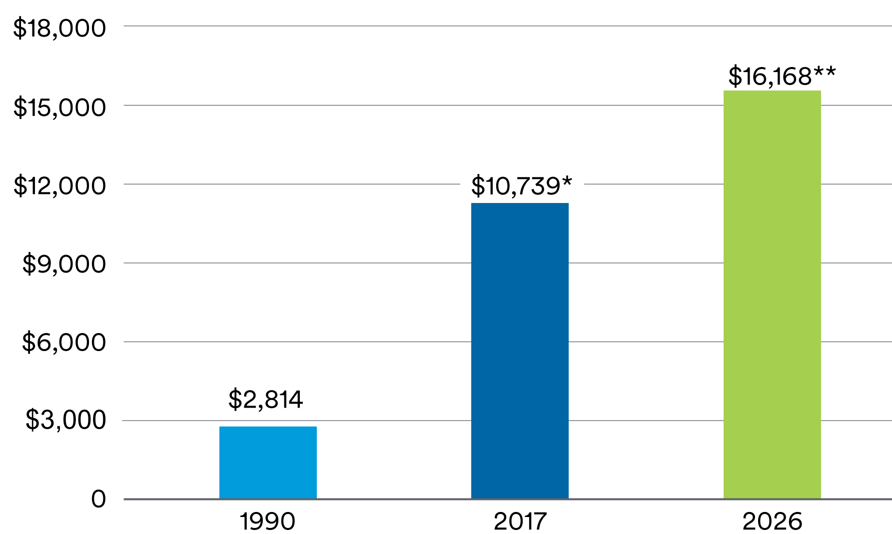
Source: ChartSource®, Wealth Management Systems Inc. Example is hypothetical and not representative of any actual investment. Actual investing includes fees and other expenses that may result in lower returns than this hypothetical example. Your results will vary. Copyright © 2014, Wealth Management Systems Inc. All rights reserved. Not responsible for any errors or omissions.

Will Social Security really assist in maintaining your current standard of living? For example, in 2019 the average monthly Social Security benefit for both men and women is estimated to be $1,461*. Many people tend to overestimate the amount of guaranteed lifetime income Social Security will provide.

*TMFEBCapital. 2018

As you can see from the chart below, health care costs continue to rise. In fact, they are rising at a much greater rate than inflation. Not only are Baby Boomers paying more for health care in out-of-pocket expenses, but Medicare and the health care system in general are becoming increasingly strained by our aging population.

Estimated Annual U.S. Health Care Expenditure per Person



*CMS.gov 2019
**Peterson Kaiser, Health System Tracker: 2018

A New Look at Money and Retirement

Let's take a moment to compare your generation to others and see how views on life, money and general habits may be quite different.

	66+ or "Traditionalists" 1910-1945	Older Boomer or "Leading Edge" 1946-1951	Middle Boomer 1952-1958	Young Boomer or "Tailing Edge" 1959-1964	Generation X 1965-1983	Gen Y or Millennials 1983-2002
Influences	• World War II • The Depression • Radio • Frank Sinatra • First cross-Atlantic flight • Roaring Twenties	• John F. Kennedy and Martin Luther King Jr. assassinations • The Beatles • Vietnam War • Racial and Feminist movements • Television	• Nuclear Family • Watergate • Sesame Street • Man on the moon	• U.S. Iran hostage crisis • MTV premiers • U.S. stock market drops 22.6% • First Apple computer created	• Fall of Soviet Union • Internet • Rise of mass media • Game Boy • Personal computers	• 9/11 terrorist attacks • Columbine High School shooting • Challenger explosion • Smartphones • Social Media • Diverse Internet resources
Behaviors	• Owns, spends and saves more • Trust authority • Patriotic • Dependable • Not "me" focused	• More conservative lifestyle • Open to new ideas • Homeowners • Involved in civic activities	• Weight gain • Working women • Center of the universe • High home ownership rates	• Two-earner households • More educated • Larger families • Homeowners • Children at home • High spenders	• Highly educated • Self-reliant • Distrust institutions • Technologically adept • Work hard/ play hard • International travelers	• Multi-taskers • Prefers virtual problem solving • Tech savvy • Independent thinkers • Seeks instant gratification • Peer oriented
Life Events	• Health issues • Death of a spouse • Women living longer • Still want to enjoy life	• Grandchildren • Death of a parent • Retirement transition • Getting older but "better"	• Driven • Empty nest • Boomerang kids • Aging parents • Divorce • Second homes	• Active lifestyle • Increased longevity • Retirement saving shortfall • Aging parents • Tuition bills	• Divorce • Work-life balance • Economic and job uncertainty • Workaholic parents • Alternative lifestyles	• Emphasis on family • Hands on parents • Frequent job change • Large student loans • Civic minded • Well-traveled

How long do you expect to live?

Men

How old is your father or how long did he live? ____________ years

How old is your grandfather or how long did he live? ____________ years

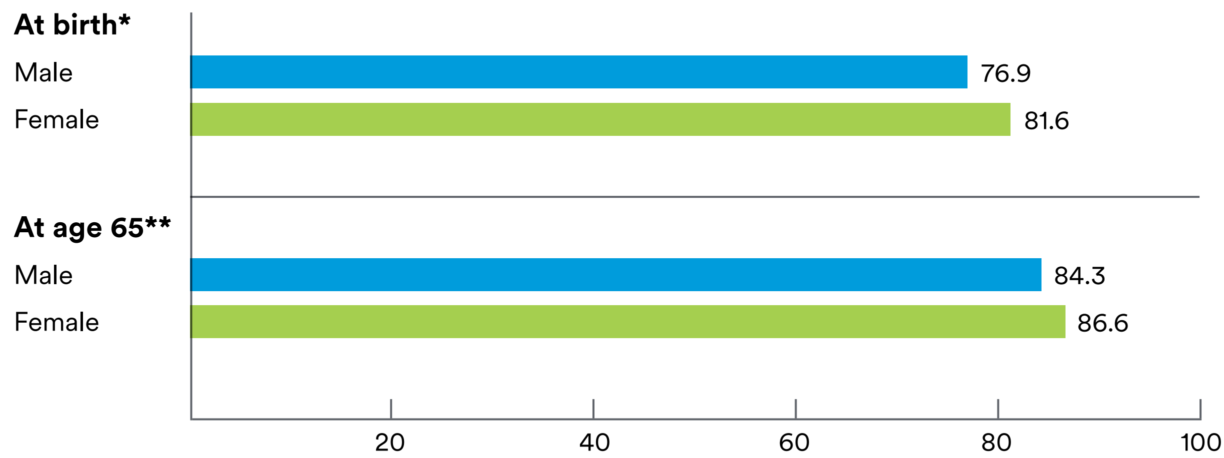
Women

How old is your mother or how long did she live? ____________ years

How old is your grandmother or how long did she live? ____________ years

We often base our life expectancy on the life expectancies of our parents and grandparents. However, life is much different from our parents' day. The medical momentum of the past decades is continuing today. The research to cure ALS/Lou Gehrig's disease, Alzheimer's disease and cancer, among other illnesses, is ongoing and new treatments may be just around the corner.

How long can we expect to live?



And those are just averages. About one out of every four 65-year-olds today will live past age 90, and one out of 10 will live past age 95.*

*World Health Organization, 2016
** SSA, 2017

The Early Bird Gets the Worm

Procrastination carries a high cost. In this example, **Investor A** starts contributing $5,000 annually to an IRA for 10 consecutive years then stops contributing permanently. **Investor B** starts 10 years after Investor A and also contributes $5,000 annually to an IRA for 20 consecutive years. Who ends up with a higher investment value at the end of thirty years?

- In total, Investor A contributed $50,000 at a 6% compounded rate for 10 years and finishes with an investment value of $224,044 at the end of 30 years.
- In contrast, Investor B contributed $100,000, twice as much, at a 6% compounded rate for 20 years and finishes with an investment value of $194,963 at the end of 30 years.

Contribution	Investor A	Investor B
First 10 Years	$5,000	$0
Next 20 Years	$0	$5,000
Total Contribution	$50,000	$100,000
Value at End of 30 Years	$224,044	$194,963

Figures, calculations, and illustrations are for illustrative purposes only. They are based on hypothetical rates of return and do not represent investment in any specific product. They may not be used to predict or project investment performance. Unless otherwise noted, charges and expenses that would be associated with an actual investment are not reflected.

The Cost of Waiting

Meet Jane. At age 45, she decides to begin contributing to her IRA. She contributes $4,000 per year for 20 years. At age 65 she has accumulated over $132,000. At that time, she begins to receive a life income with an annuity. Her monthly income from the annuity is $794.91 before taxes. What if Jane had decided to wait before beginning her IRA savings? What if Jane waited 1 year, 2 years, 5 years or even 10 years? What is the impact on her IRA "nest egg" and on her lifetime income stream?

Waiting Period	Accumulation Amount Age 65[1]	Reduction in Accumulation Amount from Waiting	Monthly Income Age 65 Life Annuity — Life Only[2]	Reduction in Lifetime Monthly Income from Waiting
No Wait	$132,264	N/A	$795	N/A
1 Year	$122,156	$10,108	$734	$61
2 Years	$112,530	$19,734	$676	$118
5 Years	$86,314	$45,950	$519	$276
10 Years	$50,312	$81,952	$302	$493

Now imagine at age 50, Jane began making an additional $1,000 deposit into her IRA annually. Look at the numbers again:

Waiting Period	Accumulation Amount Age 65[1]	Reduction in Accumulation Amount from Waiting	Monthly Income Age 65 Life Annuity — Life Only[2]	Reduction in Lifetime Monthly Income from Waiting
No Wait	$153,842	N/A	$925	N/A
1 Year	$143,735	$10,107	$864	$61
2 Years	$134,108	$19,734	$806	$119
5 Years	$107,893	$45,949	$648	$276
10 Years	$62,889	$90,953	$378	$547

Figures, calculations, and illustrations are for illustrative purposes only. They are based on hypothetical rates of return and do not represent investment in any specific product. They may not be used to predict or project investment performance. Unless noted, changes and expenses that would be associated with an actual investment are not reflected.

Given Jane's situation, can you afford to wait?

1. Compound interest rate assumption 5%.
2. Monthly income rates based on hypothetical Single Premium Immediate Annuity (SPIA), Annuity 2000 Mortality Table, 4% interest assumption, 4% expense assumption. All numbers nearest dollar.

How To Become a Millionaire by Age 65

Monthly Savings Needed to Accumulate $1 Million by Age 65

Monthly Savings Required*	$381	$820	$1,920	$5,776
Start Saving at Age	25	35	45	55

Assumes a 7% annual rate of return, compounded monthly

Americans are living longer and with that comes many more years in retirement. As you can see from this chart, it really pays to invest early.

If you start saving at age 25, you will need to save $381 per month to become a millionaire by age 65. However, if you put this off just 10 years until age 35, you monthly savings rate must increase to $820. That number steadily increases over time. If you are a real procrastinator that number increases to almost $5,800 at age 55.

The moral of the story - start saving and investing as early and as much as possible.

Your Credit Score

What It Is and Why It Matters

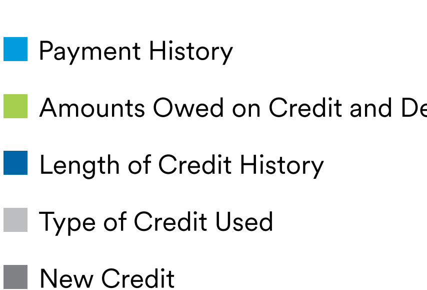
Virtually all lenders use your credit score as a factor when you apply for credit. Whether you are applying for a credit card, a mortgage, a car loan, or refinancing your student loans, your score will more than likely come into account.

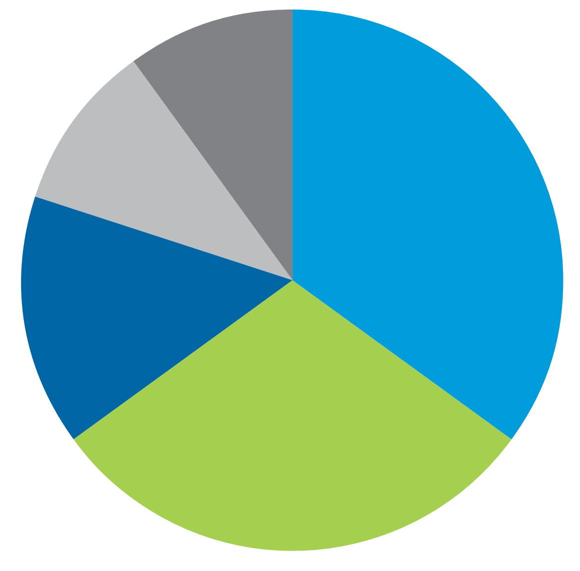
The most widely used credit scores are FICO Scores created by Fair Isaac Corporation. FICO Scores are calculated based solely on information in consumer credit reports maintained at the credit reporting agencies.

How scores are calculated?

Your score considers positive and negative information

in your credit report, and it's divided into five categories.





Aim for 740 or Higher

Your FICO credit score can range from 300 to 850 and can influence what credit is available to you, how much interest you'll pay and even how much you pay for utilities and car insurance. Scoring ranges are just one of the tools lenders can use to make more informed lending decisions quickly and fairly — the higher the score, the lower the risk. The lower the score, the higher the risk.

Investor A	Investor B	% of People	Impact
300-579	Very Poor	17%	Credit applicants may be required to pay a fee or deposit, and applicants with this rating may not be approved for credit at all
580-669	Fair	20.2%	Applicants with scores in this range are considered to be subprime borrowers
670-739	Good	21.5%	Only 8% of applicants in this score range are likely to become seriously delinquent in the future
740-799	Very Good	18.2%	Applicant with scores here are likely to receive better than average rates from lenders
800-850	Exceptional	19.9%	Applicants with scores in this range are at the top of the list for the best rates from lenders

Know Your Score

You are entitled to one free credit report every 12 months from each of the three reporting agencies — Experian, TransUnion or Equifax. You can order your credit report online from **annualcreditreport.com** or by calling **877-322-8228**. After you get your report always check it for accuracy — especially if you are a victim of identity theft, trying to repair credit, or applying for a major loan.

Improve Your Score

Once you know your score and have your credit reports in hand, there are steps you can take to improve your credit score.

- Make sure you make all loan payments on time and for the appropriate amount. Even one late payment can affect your score for a period of time.
- Try to avoid carrying large balances on your credit cards and stay below 30% of the limit.
- The longer a credit account has been open and in good standing, the better this reflects on your credit score.
- A home loan has a more positive impact on your credit score than a credit account with some financing companies.
- Try to limit the number of times you apply for credit. While not all views by prospective creditors are viewed negatively, frequent credit applications will depress your score.
- Paying off your debts will generally improve your score within a few months. Keep this goal in mind and diligently work toward it.

Remember:
Even an unpaid library book fine of $16 can affect your credit.

Defend Your Identity

Identity theft continues to be one of the fastest growing crimes in the United States. According to a recent survey, almost 16.7 million Americans became victims of identity theft.* What can you do to protect your identity?

- Monitor your credit and bank accounts- the earlier you notice and report suspicious activity the better.
- Do not open suspicious emails-do not click on any links and delete the email immediately. Filters do not always work.
- Be careful with your garbage-shred bills and documents that contain financial information, social security numbers and other important information.
- If asked, don't tell- never disclose personal information and credit card details if you receive an unsolicited request
- Get a free annual check-up- check your credit report annually to make sure they are accurate and up-to-date by contacting any of the three consumer reporting companies-Equifax, Experian and Transunion.
- Create unique passwords or PIN numbers – use a random mix of letters and numbers to make it harder for identity thieves to discover these codes.

Identity theft is a serious problem affecting more people every day. That's why knowing how to prevent identity theft makes your identity more secure.

* Identity Force, 2018

Shopping for a Credit Card

When shopping for a credit card, a consumer should carefully compare the terms under which a card is offered:

- **Interest rate on unpaid balances:** The interest rate on unpaid balances can be either a fixed rate or variable rate. Card issuers are required to state the interest rate as both an annual percentage rate (APR) and as periodic interest rates for each billing cycle.
- **Unpaid balance computation:** The method by which a card issuer calculates the unpaid balance on an account. The unpaid balance, multiplied by the periodic interest rate, determines the finance charge.

Average Daily Balance	Previous Balance	Adjusted Balance
Each day the issuer subtracts any payments from and adds new purchases to the account balance. The daily balances for each day in the billing cycle are added together and then divided by the number of days in that cycle.	The issuer charges interest on the balance outstanding at the end of the previous billing cycle.	The issuer starts with the previous balances, subtracts any payments or credits, and charges interest on any remaining unpaid amount.

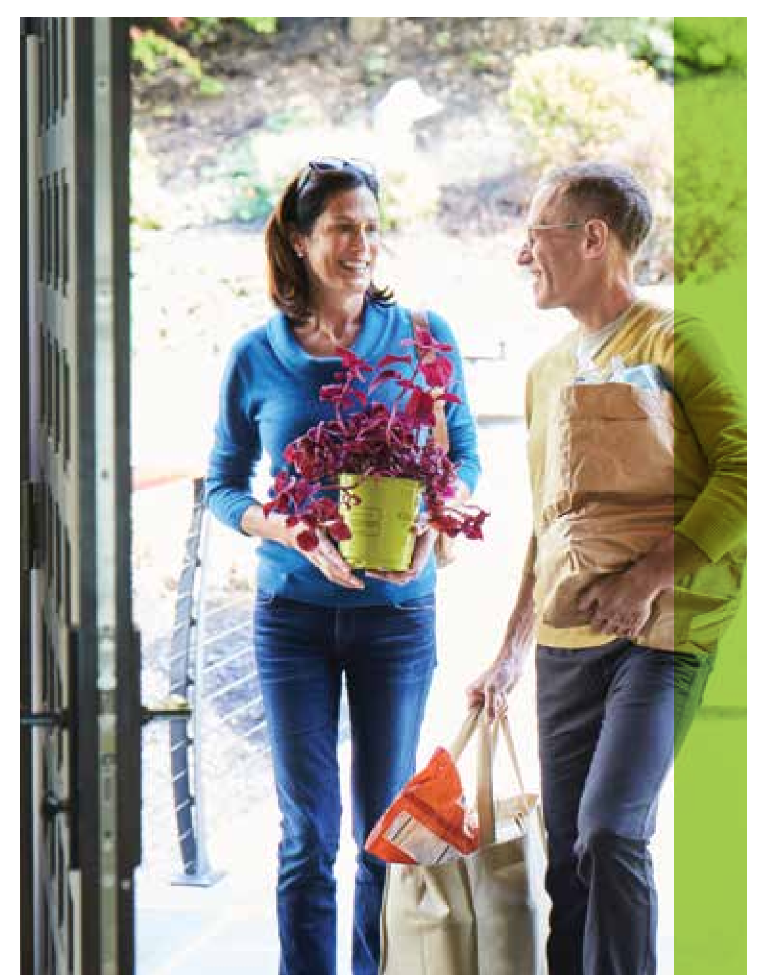
- **Fees:** Some card issuers will charge you an annual fee, just to have the card. Fees may also be charged for such items as cash advances, late payments, charging over the established credit limit, and lost card replacements.
- **Grace period:** The amount of time during which no interest is charged, if the entire amount is paid off.
- **Other benefits:** A card may provide other benefits such as loyalty rewards, cash advances, flight insurance, or discounts on travel.

How much do your credit cards really cost?

The magic of compounding can work for you when you're trying to build a nest egg. When it comes to your credit card debt, compounding suddenly becomes much less "magical" for you. If you're paying only the minimum balances on your credit cards each month, the interest you're being charged each month — stated as your Annual Percentage Rate or APR — is being tacked onto your balance. Your APR for the next month is based on the new, higher balance.

Jane, Tracey, and Bill have decided to pay off their credit cards. Jane has $5,000 in debt, Tracey, has $15,000 in debt, and Bill, the biggest spender of the three, has $25,000 outstanding.

Let's look at their situations at two different hypothetical APRs: 18% and 10%. Jane, Tracey and Bill all are planning to continue making their minimum payments of 2.5% of their balances each month, make no new purchases on the cards and, lucky them, pay no annual fee.



Based on the calculations from Bankrate.com, making minimum payments only:

Jane	10% APR	18% APR
How long until her balance will be paid off?	16 years, 6 months	26 years, 8 months
How much will she pay in interest?	$2,338.45	$7,115.42
Total amount Jane will pay on her $5,000 balance	$7,338.45	$13,115.42

Tracey	10% APR	18% APR
How long until her balance will be paid off?	22 years, 8 months	35 years, 2 months
How much will she pay in interest?	$7,388.13	$22,115.70
Total amount Tracey will pay on her $15,000 balance	$22,338.13	$37,115.70

Bill	10% APR	18% APR
How long until his balance will be paid off?	24 years, 5 months	39 years, 5 months
How much will he pay in interest?	$12,387.70	$37,115.16
Total amount Bill will pay on his $25,000 balance	$37,387.70	$62,115.16

Please note: No additional expenses are added to credit card.

There are two things Jane, Tracey, and Bill have shown us:

1. Making only minimum payments on credit cards will have you paying a lot of interest, and it will take a long time to reduce your debt to zero.
2. APRs matter — a lot. Make sure you know what you're paying and shop around for the best rate available.

Do’s and Don’ts of Debt

Quick Tips

Do:	Don’t:
• Close out extra and unnecessary accounts or credit cards • Save!! Never underestimate savings — no matter what age, no matter how much, just start! • Use cash You’ll be more aware of where your money is going • Use a debit or check card Using these instead of a credit card makes you account for your cash immediately • Check your credit report • Seek financial counseling if you’re feeling overwhelmed	• Create more credit card debt Use only in an emergency Don’t use for non-essential items unless you pay them off completely every month • Borrow from your 401(k) or any retirement savings to pay off credit card debt

Good Debt vs. Bad Debt

Example of good debt:

The borrowed money goes towards something that will **appreciate** in value over time

- Mortgage
- Refinancing home to reduce high rates

Example of bad debt:

The borrowed money goes towards something that will **depreciate** in value over time

- Disposable items purchased on credit card
- Cars — A car depreciates in value the minute you drive it off the lot!

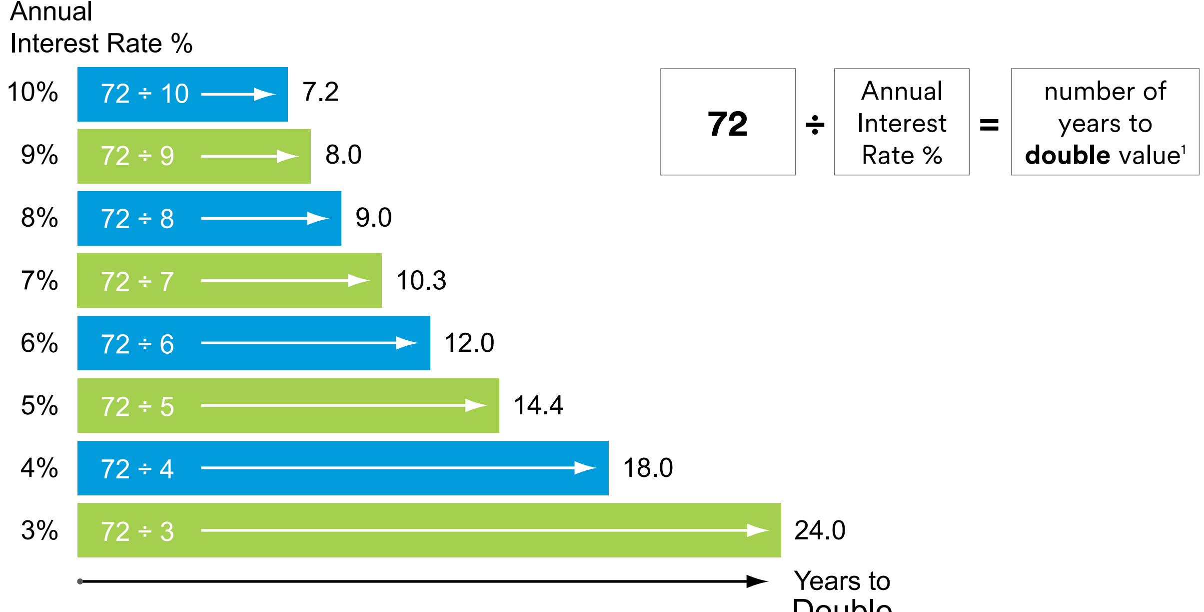
Having trouble? Here are some tips:

- Develop a daily, weekly, or monthly budget
- Record all expenses
- Begin paying off debts
- Avoid charging on your credit cards until the balances have been paid off
- Remember: If you are feeling over-whelmed or are having a hard time dealing with your debt on your own — seek financial counseling from a debt management professional

Rule of 72

Rule of 72

Estimate how long it will take for compounding to double your money:



1. The Rule of 72 is based on a hypothetical illustration and is not a guarantee of future performance. This illustration does not represent the performance of any specific product and there is no assurance that investments would double or triple within any specific time frame.

The Impact of Taxes and Inflation

How much will your investments really be worth when you need them to help reach your goals? Many investments have an average stated nominal rate of return. In fact, it's usually the first thing people look at when choosing one type of investment over another. But not only is the past performance of an investment no assurance of the future results, what you bring home can vary from the stated rate of return quite significantly.

Real Rate of Return on a CD after Taxes and Inflation

Let's look at a 6-month certificate of deposit or CD. The chart below shows actual average historical CD rates, the tax rate for an individual with an annual income of $100,000 and the effect of inflation. When looking at the actual CD rate of return, understand the impact of both taxes and inflation on this common savings vehicle.

What's the moral of this story? No matter what your goals, be sure to look at the big picture when selecting investments. And get some help if you need it.

Year	CD Rate[1]	Taxes[2]	Inflation[3]	Real Rate of Return	Year	CD Rate[1]	Taxes[2]	Inflation[3]	Real Rate of Return
1989	9.08%	33.0%	4.65%	1.43%	2004	1.74%	28.0%	3.30%	−2.04%
1990	8.17%	31.0%	6.11%	0.47%	2005	3.73%	28.0%	3.40%	−0.71%
1991	5.91%	31.0%	3.06%	1.02%	2006	5.24%	28.0%	3.20%	0.57%
1992	3.76%	31.0%	2.90%	−0.31%	2007	5.23%	28.0%	2.85%	0.91%
1993	3.28%	31.0%	2.75%	−0.49%	2008	3.14%	28.0%	3.85%	-1.59%
1994	4.95%	31.0%	2.67%	0.75%	2009	0.87%	28.0%	-0.34%	0.97%
1995	5.98%	31.0%	2.54%	1.59%	2010	0.44%	28.0%	1.64%	-1.32%
1996	5.46%	31.0%	3.32%	0.45%	2011	0.42%	28.0%	3.16%	-2.86%
1997	5.72%	31.0%	1.70%	2.25%	2012	0.63%	28.0%	2.10%	-1.65%
1998	5.44%	31.0%	1.61%	2.14%	2013	0.50%	28.0%	1.20%	-1.56%
1999	5.39%	31.0%	2.68%	1.04%	2014	0.65%	28.0%	1.30%	-0.83%
2000	6.63%	31.0%	3.39%	1.18%	2015	0.55%	28.0%	0.73%	-0.33%
2001	3.53%	30.5%	1.55%	0.90%	2016	0.55%	28.0%	1.70%	-1.30%
2002	1.78%	30.0%	2.38%	−1.13%	2017	0.40%	28.0%	2.20%	-1.91%
2003	1.17%	28.0%	1.88%	−1.04%	2018	2.00%	24.0%	1.90%	-0.38%

1. CDA Weisenberger 7/03 and Federal Reserve Board H15 Data Releases ending November 2017, 6-month CD rate. Bankrate.com, 1 year CD 2017. Citibank 6 month CD 2018.
2. Rates based on $100,000 of taxable income, filing singly, Tax Facts.
3. InflationData.com

What do things cost?

In another 20 years?

Year	1967	1987	2007	2038?
Eggs	.49	.65	1.79	
Bread	.25	.75	1.29	
Postage Stamp	.05	.21	.41	

Source: Cost of Gas, Eggs and Bread: Consumer Price Index, U.S. Department of Labor, Bureau of Labor Statistics up to 2009

How much did your first car cost? ______________________

How much did your current car cost? ______________________

How much did you pay for a soda as a kid? ______________________

How much does a soda cost now? ______________________

Effect of Inflation

In 1980, if something cost:	In 1990, due to inflation, the same item cost:	In 2000, due to inflation, the same item cost:	In 2018, due to inflation, the same item cost:
$2.00	$3.41	$4.46	$6.48
$20.00	$34.11	$44.65	$64.89
$200.00	$341.10	$445.50	$648.94

Source: data.bls.gov/cgi-bin/cpicalc.pl. 2017 January-September

How are things taxed?

"There is one difference between a tax collector and a taxidermist — the taxidermist leaves the hide."

Former IRS Commissioner Mortimer Caplin

Very few people actually like to think or talk about taxes — except, maybe, to contemplate them (we all do that). However, as an investor, knowing more about the kinds of taxes you pay on your investments can help you become a more effective decision maker.

A key part of any investment strategy is developing a good mix of shorter- and longer-term investments. It's important to keep in mind that all investments *do not receive the same tax treatment* — some are taxed at capital gains rates, others as ordinary income.

How are things taxed?

Interest	Ordinary Income
Dividends	20% Rate[1]
Capital Gains	
Asset held one year or less	Ordinary Income
Asset held for more than one year	20% Rate[1]
Capital Gains Distributions	Same as capital gains, based on how long the mutual fund held the assets
Tax-Deferred	Taxed as ordinary income when withdrawn[2]

1. Some dividends may still be taxed at ordinary income tax rates. For higher income brackets, a 3.8% Medicare surtax may result in a maximum 23.8% rate.
2. Additional penalties may apply.

We hope that the following questions and answers will help you become a better and more confident investment decision maker.

Q. In general, what are the differences among taxable, tax-deferred and tax-exempt income?

A. *Taxable* income is the income that you are required to report on your federal income tax return. *Tax-deferred* income is income that will not be taxed until the future. *Tax-exempt* income is free from federal and/or state income tax (depending on the type of investment and the issuer). Municipal bonds and some U.S. Government securities generally produce tax-exempt income.

What happened to the investment in the past year? If it produced income, such as interest or dividends, it is probably ordinary income. Taxable and tax-deferred income as well as income that was previously tax-exempt are each taxed at the investor's current rate (usually higher than capital gains tax rates), while other types of ordinary income, such as dividends, may be taxed at a lower, preferential rate.

Q. How are capital gains and ordinary income different?

A. A *capital gain* (or loss) equals the amount that you gain or lose on the sale of an asset (the amount of money or value of property you receive) less your "adjusted cost basis" in the asset, which is the amount you paid when you bought it. If you sell a stock for $5,000 and paid $3,000 for it, your capital gain is $2,000. If you sell an asset for less than your adjusted basis, you have a capital loss. Let's say you bought the stock for $5,000 and sold it for $3,000. In that case, your capital loss would be $2,000.

Common types of *ordinary income* are dividend income, interest, or rent. Savings accounts, CDs, annuities, bonds, and some preferred stock produce ordinary income, taxed at the investor's current rate, usually higher than capital gains tax rates.

Q. How are capital gains taxed?

A. If you sold an investment, you probably had a capital gain or loss. Capital gains are taxed differently than ordinary income. The specific rate that applies to you depends on the type of asset you sold, your cost basis, the length of time you held the asset before selling it, and your level of income.

Holding Period

This refers to how long you held the asset before you sold it. A capital gain is considered long-term if you held the asset for longer than one year. It is short-term if you held it for a year or less. Tax rates applied to long-term capital gains are generally lower than rates for short-term gains, which are taxed at the same rate as ordinary income (your normal tax bracket).

Tax Bracket

Your amount of income and filing status (joint, married filing separate, single, or head of household) determine your capital gains tax rate. In general, capital gains tax rates are either 0%, 15% or 20% for most assets held for more than a year. Capital gains tax rates on most assets held for less than a year correspond to ordinary income tax brackets (10%, 12%, 22%, 24%, 32%, 35% or 37%).

Cost Basis

The initial cost basis is the amount you paid for the investment when you bought it. Let's say the initial cost basis for a stock was $10,000. If you sell the stock for $15,000, then $5000 would be taxable gain.

Realized vs. Unrealized Gains

Realized capital gains occur when the actual sale of the asset returned more money than you paid for it. Unrealized capital gains occur when the asset has appreciated in value but has not yet been sold.

IRS Publications 551 *(Basis of Assets)* and 550 *(Investment Income and Expenses)* offer easy to understand guidance on taxation of investment assets. These articles offer general information only and do not provide tax advice or recommend specific financial actions. Please contact your tax advisor for advice that is relevant to your particular situation.

How much can you contribute?

How can you contribute to a traditional and Roth IRA?

- You may contribute up to **$6,000** or 100% of compensation (whichever is less) in **2019.**
- If you are age 50 or older, you qualify for an additional "catch-up contribution" of $1,000 a year. For **2019,** you may, therefore, contribute up to **$7,000**, depending on your compensation.
- If you are married and file a joint return, you and your spouse may each contribute up to the allowable annual limit. For **2019,** you may, therefore, contribute up to **$6,000** each or **$12,000** in total, plus any catch-up contributions that apply.

Source: Yahoo Finance, 2019

Traditional IRAs

Tax-Deferred Growth

A traditional IRA grows tax-deferred. In other words, you don't have to pay taxes on your earnings until you make withdrawals—a significant benefit that can help your money grow faster.

Possible Deductible Contributions

For many individuals, contributions to a Traditional IRA may be deductible. Deductibility depends on whether or not you are an active participant in a company-sponsored retirement plan. If you are an active participant, you still may be able to deduct your contribution if your Adjusted Gross Income (AGI) is below a certain level. The chart below shows the AGI limits for 2019:

Who is Eligible?	100% Deductible	Partially Deductible	Nondeductible
Single and you participate in retirement plan	$64,000 or less	More than $64,000 but less than $74,000	$74,000 or more
Married filing jointly and you participate in retirement plan	$103,000 or less	More than $103,000 but less than $123,000	$123,000 or more
Married Filing Jointly. You don't participate in a retirement plan but your spouse does	$193,000 or less	More than $193,00 but less than $203,000	$203,000 or more
Married filing separately		Less than $10,000	$10,000 or more

Source: IRS.Gov 2019

A retirement plan is a great employer benefit

If you are looking to set aside funds for retirement, you should maximize your opportunities to participate in an employer-sponsored retirement plan before opening an IRA.

Flexibility

You may choose from a wide variety of savings and investments to fund your IRA—mutual funds, annuities, bank products, and investment management accounts, to name a few. Life insurance and collectables, however, are not eligible IRA investments.

Access to your money when you need it

Once you're ready to take withdrawals from your IRA, you will pay income tax on any earnings you've accrued and deductible contributions you've made. If you are under age 59½ when you withdraw IRA assets, you may also be subject to a 10% penalty on taxable amounts unless an exception applies.

Penalty-free withdrawals under age 59½ are available under the following conditions:

- Your disability (as defined by the Internal Revenue Code)
- Your death
- Deductible medical expenses
- Qualified higher education expenses
- First-time home purchase expenses (up to $10,000)
- Health insurance premiums (only available to certain unemployed individuals)
- Certain tax levies
- As a part of a series of lifetime income payments (special rules apply—please consult your tax advisor)
- Special situations for those active in the military (special rules apply—please consult your tax advisor)

Rollovers* and transfers

Subject to certain crucial technical requirements, you can generally transfer money from one existing Traditional IRA to another or, upon the occurrence of certain events, from an employer-sponsored retirement plan to a Traditional IRA without tax liability. Consolidating assets in one IRA can offer a number of benefits, including reduced administration of costs and a more cohesive investment strategy for your retirement. In addition, IRAs typically offer a much broader range of investment choices than employer-sponsored retirement plans, as well as greater flexibility in designating beneficiaries.

*You can make only one rollover from an IRA to another (or the same) IRA in any 12-month period, regardless of the number of IRAs you own.

Transfers by non-spouse beneficiaries

A non-spouse beneficiary may transfer a deceased participant's eligible retirement plan amounts into an inherited IRA. The transfer must be a direct trustee-to-trustee transfer, directly from the plan administrator to the inherited IRA.

Mandatory withdrawals and tax implications

When you reach age 70½, you must begin taking distributions from your Traditional IRA each year, whether you want to or not. These Required Minimum Distributions, as they're called, are based on your age, the age of your beneficiary, and your year-end account balance. Failure to take the proper amount can result in tax penalties. However, most IRA custodians will help you determine how much you're required to withdraw each year.

Like other withdrawals from a Traditional IRA, Required Minimum Distributions are subject to income tax on the portion that consists of investment earnings and deductible contributions.

Nondeductible contributions

If you find you cannot deduct your IRA contributions, you may still contribute to a Traditional IRA; however, your initial contributions will be made on an after-tax basis and you must keep track of this after-tax amount using IRS form 8606. If you are in a situation where nondeductible contributions are your only option, you may want to consider another investment alternative. Your representative can help you look at other alternatives.

Roth IRAs

Tax-advantaged Growth

Tax-free access

Because your contributions are made on an after-tax basis, if you meet certain requirements, contributions can be withdrawn at any time without tax or penalty; however, there may be an early withdrawal penalty and exceptions to tax-free distributions for distributions of income.

Tax-free growth

To benefit from tax-free growth, you must follow certain guidelines. The distribution must occur at least 5 years after the first tax year for which you made a Roth IRA contribution, and:

- Attainment of age 59½
- Your death or disability
- A qualifying first-time home purchase (up to $10,000)

Flexibility

Like Traditional IRAs, Roth IRAs offer a wide variety of funding options based on your objectives and risk tolerance. Unlike a Traditional IRA, contributions to a Roth IRA may be made beyond the age of 70½, if you qualify, so you have the opportunity to continue to build what is potentially tax-free income. Also unlike a Traditional IRA, a Roth IRA does not require you to begin withdrawals once you reach age 70½, or at any point in your lifetime.

Income tax-free distributions for beneficiaries

At your death, your beneficiaries may receive the proceeds of your Roth IRA free from federal income tax. To do so, the Roth IRA must have been in existence for at least five years. Roth IRAs will be included in your gross estate and may be subject to federal estate tax. The Required Minimum Distribution rules do apply to your beneficiary after your death.

Rollovers and transfers

You can typically transfer assets from one Roth IRA without tax liability. Consolidating your Roth IRA assets can help reduce administration costs and result in a much more cohesive investment strategy.

Rolling over assets from a qualified plan

You can roll over amounts from an eligible retirement plan into a Roth IRA. This includes:

- A qualified pension, profit-sharing, or stock bonus plan (including a 401(k) plan),
- An annuity plan,
- A tax-sheltered annuity plan (section 403(b) plan),
- A deferred compensation plan of state or local government (section 457 plan), or
- A Traditional IRA

Any amount rolled over is subject to the same rules for converting a Traditional IRA into a Roth IRA, except that amounts rolled over to a Roth IRA are generally subject to immediate income taxes.

Note: You can make only one rollover from an IRA to another (or the same) IRA in any 12-month period, regardless of the number of IRAs you own.

Which IRA is right for you?

With tax-free income as well as tax-deferred growth, Roth IRAs may seem like a more tempting option than Traditional IRAs. If you're thinking about converting your Traditional IRA to a Roth IRA, however, you should consider the following:

- Do you expect your tax bracket to be the same or higher at retirement? If so, conversion might make sense.
- Do you expect your tax bracket to be lower at retirement? If so, a Traditional IRA might provide you with greater benefits, especially if you qualify for deductible contributions.
- Upon conversion, your Traditional IRA balance, excluding any nondeductible contributions, will be included in your income for tax purposes. In general, the federal income tax penalty of 10% for early withdrawals does not apply to converted amounts. However, withdrawals of converted amounts within 5 years of the conversion may be subject to the penalty tax, if you do not qualify for an exception.

Now that you know the difference between Traditional and Roth IRAs, you may wonder which is right for you—or whether they're both right for you. The answer is as individual as you are, although these questions may help guide you as you determine which IRA better meets your objectives.

If you answer "yes" to most of the following questions, you should consider contributing to a Roth IRA — assuming that your Modified Adjusted Gross Income (MAGI) is at or below the eligibility limits.	Yes	No
1. Do you want the potential of tax-free earnings (after owning the account for five years and upon turning age 59½)?	❑	❑
2. Do you want to continue contributing after age 70½ if you have earned income?	❑	❑
3. Do you want to leave all your IRA money invested after age 70½?	❑	❑
4. Do you think your tax rate is lower now than it will be when you retire?	❑	❑
5. Do you want to be able to pass on tax-free earnings to your beneficiaries?	❑	❑

If you answer "yes" to most of the following questions, then you may want to consider a Traditional IRA instead of a Roth IRA.	Yes	No
1. Do you qualify to deduct all or part of your annual IRA contributions?	❑	❑
2. Do you think your tax rate will be lower when you retire than it is now?	❑	❑
3. Do you want a fully deductible IRA for a spouse who is not participating in an employer plan, while you are participating (if joint adjusted gross income is not more than $203,000)?	❑	❑
4. Do you want to be able to contribute to an IRA no matter how high your income?	❑	❑

These questions are meant to guide you, not give you a definitive answer. Before taking any action, consult with your Representative and tax advisor.

Retirement Plan Limits

401(k) Contribution Limits

Year	Age 49 & Below	Age 50 & Above
2018	$18,500	$24,500
2019	$19,000	$25,000

Simple IRA Limits

Year	Age 49 & Below	Age 50 & Above
2018	$12,500	$15,500
2019	$13,000	$16,000

403(b) Contribution Limits

Year	Age 49 & Below	Age 50 & Above
2018	$18,500	$24,500
2019	$19,000	$25,000

Defined Contribution Plans, Basic Limits

Year	Max Dollar Allocation	Max Considered Compensation
2018	$55,000	$275,000
2019	$56,000	$280,000

The maximum amount that can be contributed to a Defined Contribution Plan is 25% of an employee's compensation, which is capped at a maximum, per above.

SEP IRA Limits

Year	Max Dollar Allocation	Max Considered Compensation
2018	$55,000	$275,000
2019	$56,000	$280,000

The maximum amount that can be contributed to a Simplified Employee Pension (SEP) plan is 25% of an employee's compensation, which is capped at a maximum, per above.

Section 457 Plan Limits

Year	Age 49 & Below	Age 50 & Above
2018	$18,500	$24,500
2019	$19,000	$25,000

MetLife administers the Retirewise program, but has arranged for Massachusetts Mutual Life Insurance Company (MassMutual) to have specially-trained financial professionals offer financial education and, upon request, provide personal guidance to employees and former employees of companies providing Retirewise through MetLife.

This material and any estate, gift or generation skipping transfer (GST) tax (together referred to as "transfer tax") calculations reflect the law established under the American Taxpayer Relief Act of 2012 (the "Act") along with changes made by the recent Tax Cuts and Jobs Act. Starting in 2018, the transfer tax exemption amount has been increased from $5,000,000 to $10,000,000 (indexed for inflation) per person, provides a maximum estate tax rate of 40% and provides for continuing portability of the estate tax exemption between spouses. Customers should understand that tax law is always subject to interpretation and change. Any discussion of taxes is for general informational purposes only, does not purport to be complete or cover every situation, and should not be construed as legal, tax or accounting advice. Clients should confer with their qualified legal, tax and accounting advisors as appropriate.

State estate and inheritance tax rules vary widely: a few states have no estate or inheritance taxes while others have a separate estate tax with varying exemption amounts. Thus, while you may have no Federal estate tax liability, your estate may owe some to the state in which you resided. If you've got enough assets to think your estate may have to pay estate taxes, you'll probably fall into a discussion that's beyond the scope of this session—and it's probably best handled by your attorney and/or tax advisor with specialized knowledge and planning skills.

Securities and investment advisory services are offered through qualified registered representatives of MML Investors Services, LLC, Member SIPC. MML Investors Services, LLC is not affiliated with MetLife, or its affiliated companies.

L0319512863[EXP1220][ALL STATES][DC,PR] © 2019 METLIFE SERVICES AND SOLUTIONS, LLC

SESSION 2

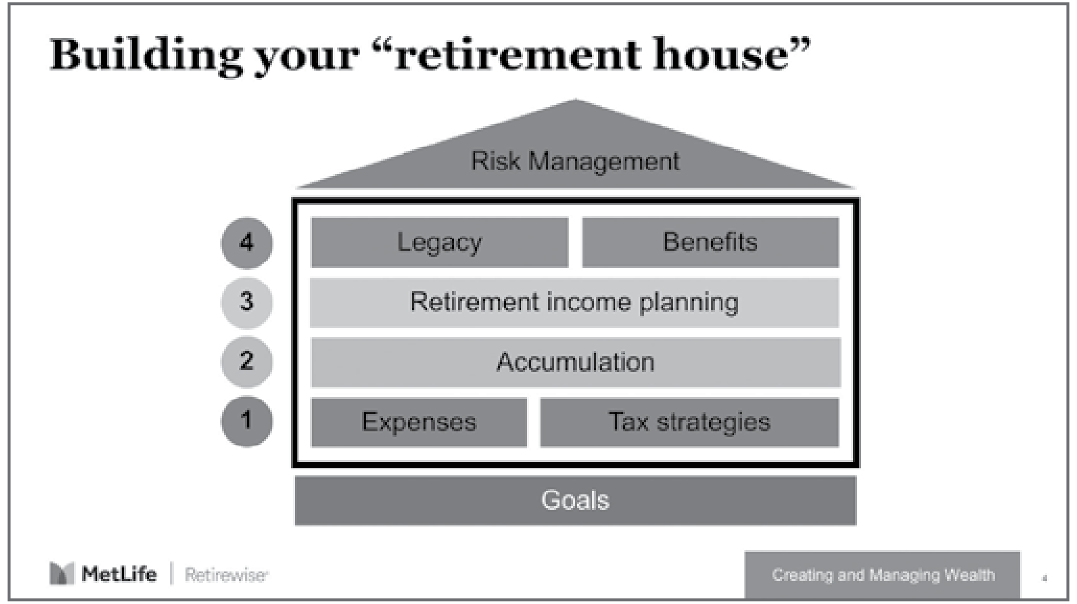
MetLife | Retirewise®

Creating and Managing Wealth

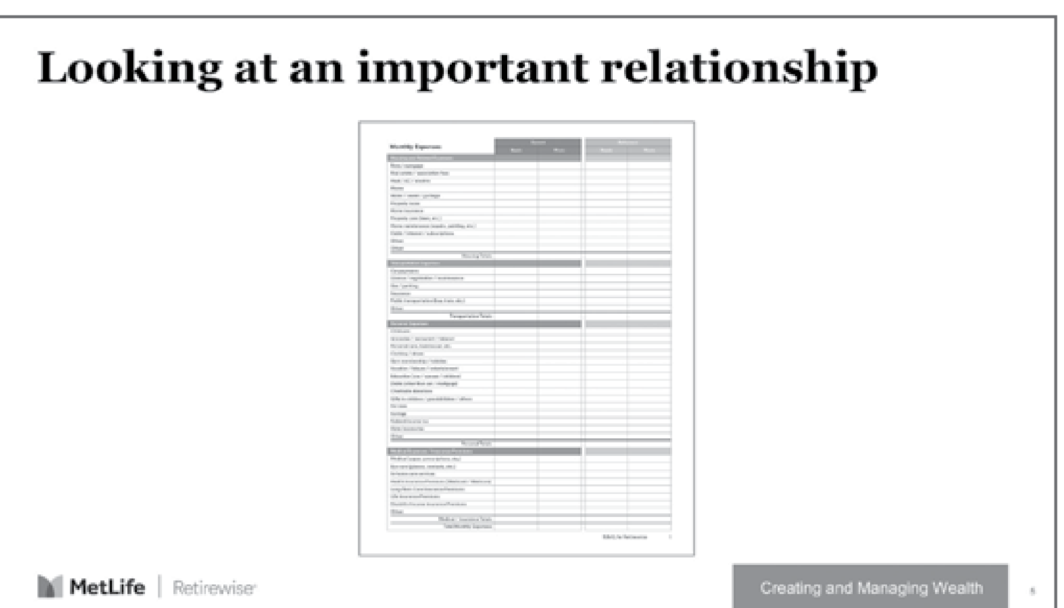
Slide 1

Slide 2

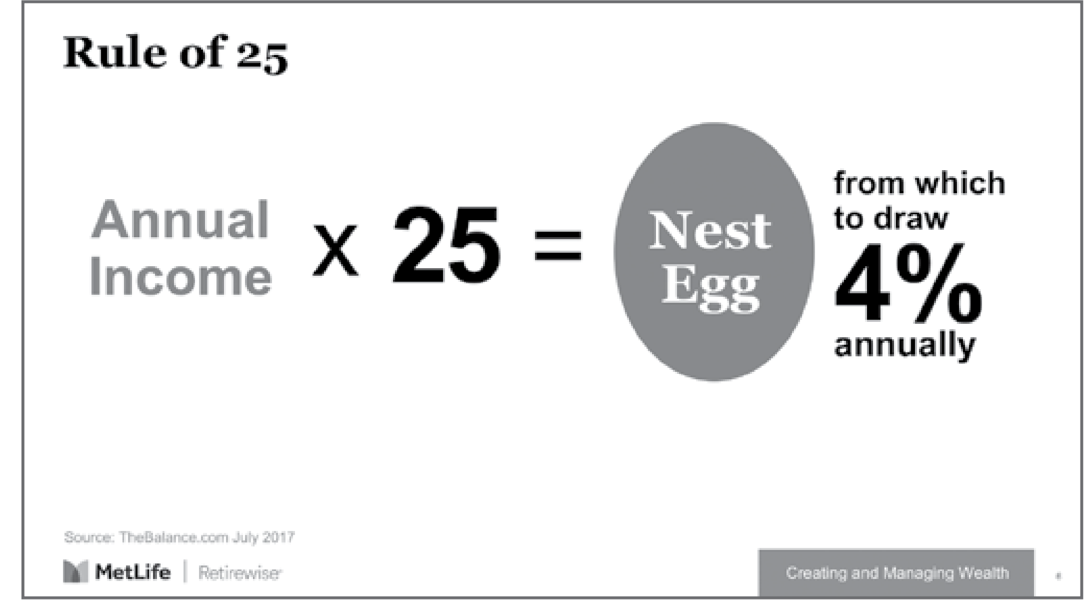
Slide 3



Slide 4



Slide 5



Slide 6

SESSION 2

Applying the Rule of 25 to calculate the total assets needed to meet retirement goals

Assume an assets drawdown of 4%, starting at retirement in 15 years

Monthly	Annual	
$5,000	$60,000	– need based on homework
$2,500	$30,000	– available via Social Security, pensions
$2,500	$30,000	– gap we need to fill
	x 25	– 100 divided by 4% drawdown
	$750,000	– of assets needed
	$500,000	– of assets available
	$250,000	– additional assets needed

Figures, calculations and illustrations are hypothetical in nature and are for illustrative purposes only and do not take into account the potential impact of fees, expenses or taxes.

MetLife | Retirewise   Creating and Managing Wealth

Slide 7

Investment guiding principles

Manage Risks: Understand the risks inherent in different types of investments

Get Invested: Don't pay the cost of waiting

Diversify: A diversified portfolio of investments may allow for more consistent returns

Stay Invested: It's "time in" the market, not "timing" the market

Balance: Periodic adjustments are needed due to varied economic conditions

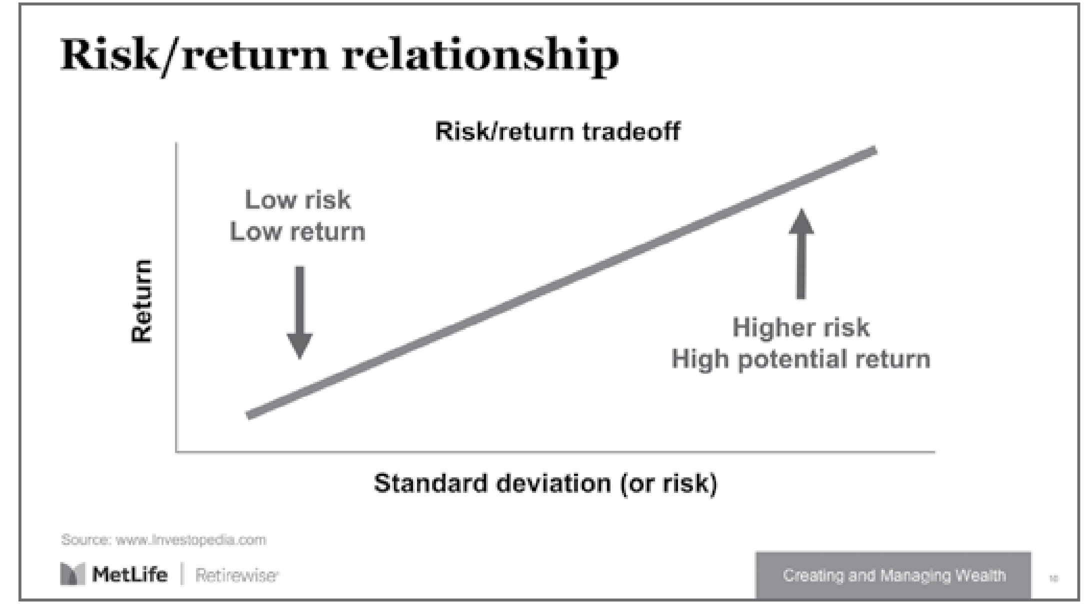
MetLife | Retirewise   Creating and Managing Wealth

Slide 8

Manage risks: Understand the risks inherent in different types of investments

MetLife | Retirewise   Creating and Managing Wealth

Slide 9



Slide 10

SESSION 2

Slide 11

Interest rate risk: Understanding the impact of interest rates on bond prices

Interest rate/ bond price relationship

When interest rates rise bond prices fall

7% interest rate

$1,000 bond price

$875

KEY TAKEAWAY:

Bond prices and **interest rates** have an ***inverse*** relationship

Bonds and other fixed-income securities involve both credit risk and market risk, which includes interest rate risk. Please be sure you understand any risk relative to bonds that may affect you. This is a hypothetical example shown for illustrative purposes only. It does not reflect any specific investment.

MetLife | Retirewise — Creating and Managing Wealth

Slide 12

Volatility risk

Trading days with changes of 1% or more in domestic stock prices

Stock market volatility may unnerve investors who watch it closely. This chart could help put daily volatility in perspective. It shows that while daily moves of 1% or more have been relatively common at some points, there have been significant variations from year to year. Investors should keep this in mind when evaluating daily changes in stock prices.

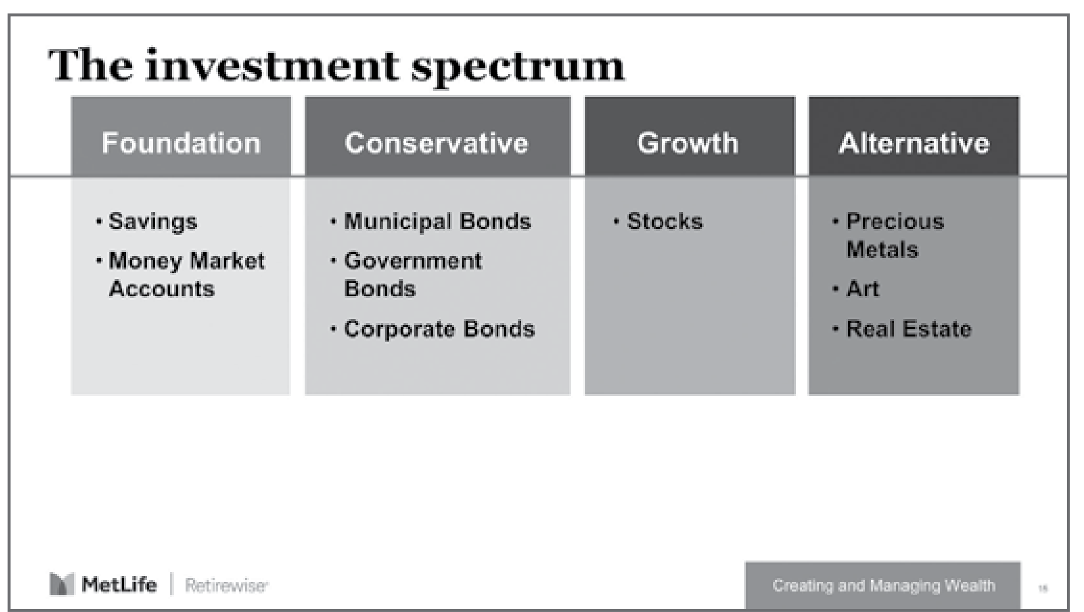
Standard & Poor's Composite Index of 500 Stocks

Source: ChartSource®, DST Systems, Inc., 2019

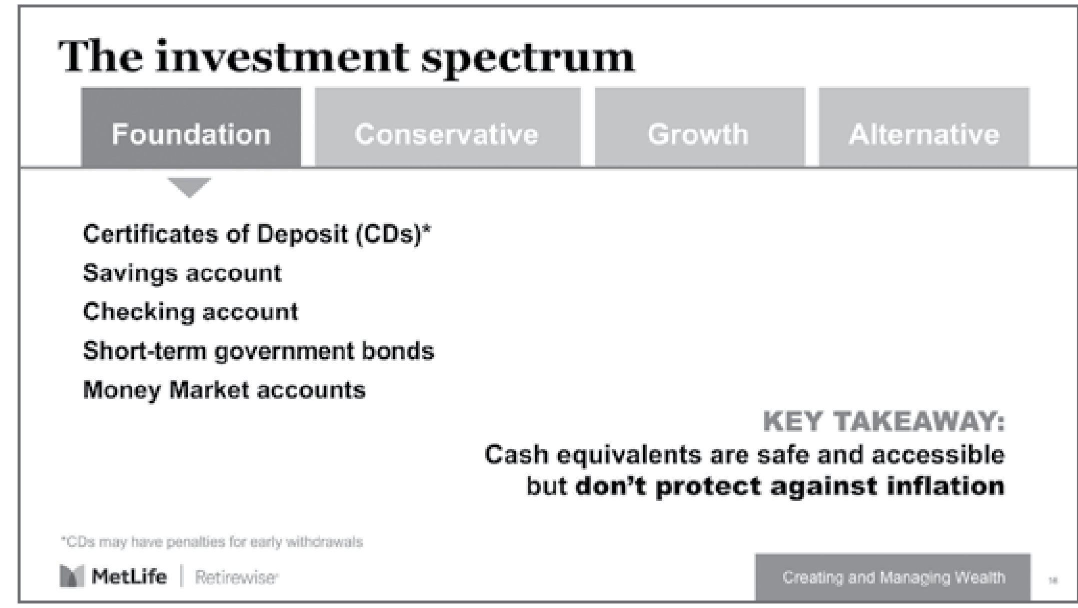
MetLife | Retirewise — Creating and Managing Wealth

Slide 13

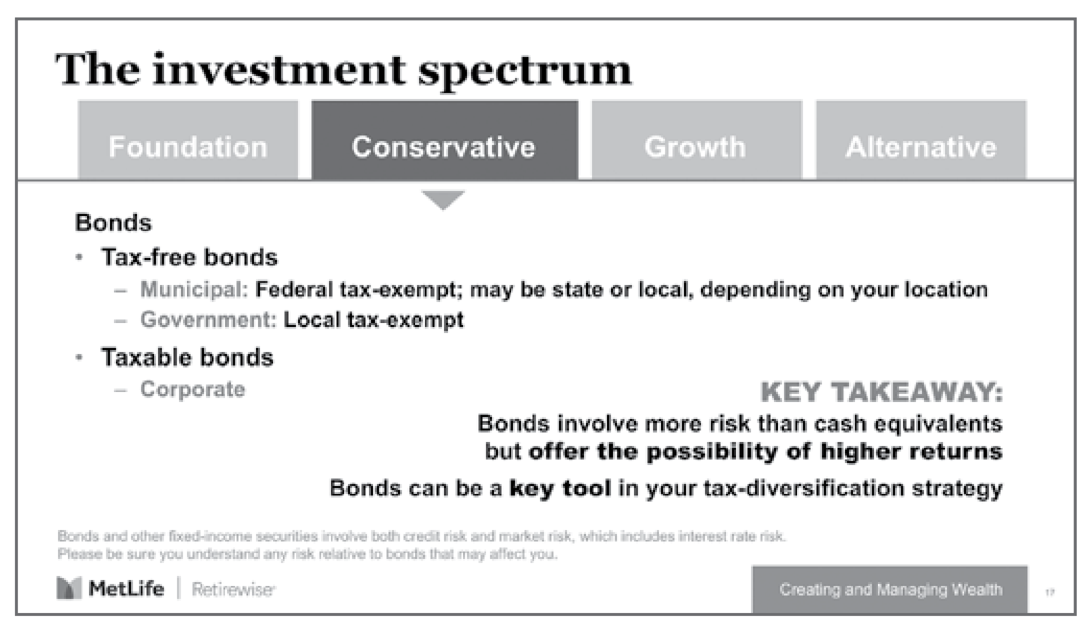
Slide 14



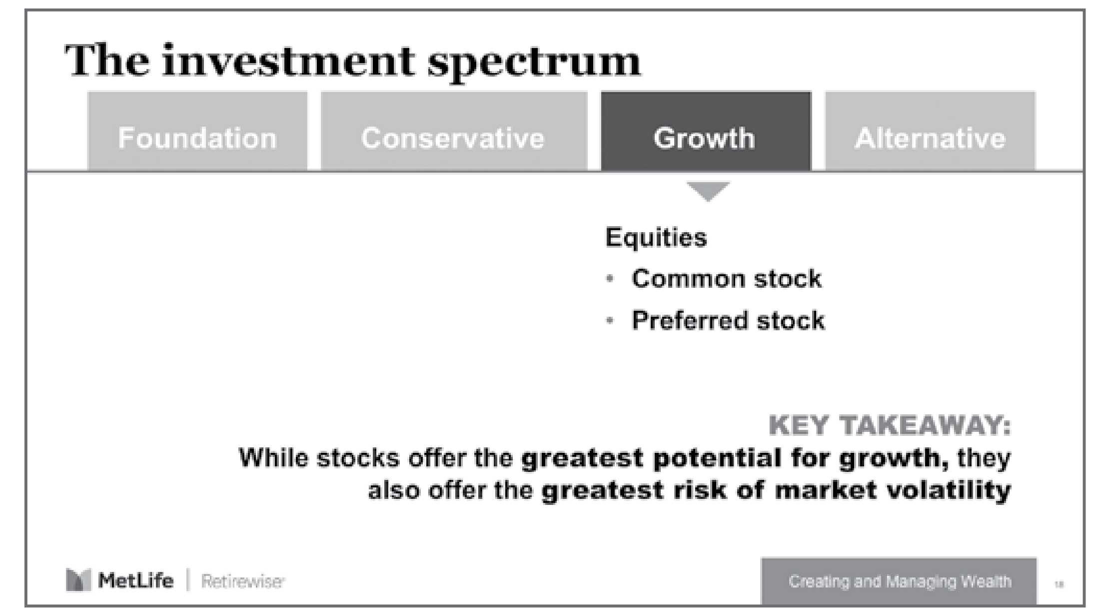
Slide 15



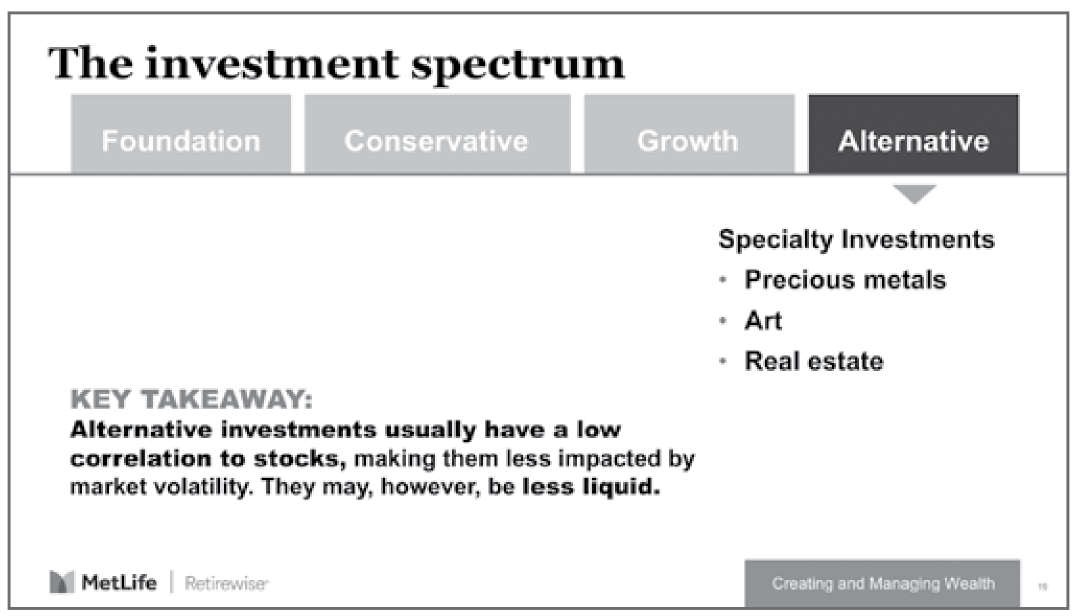
Slide 16



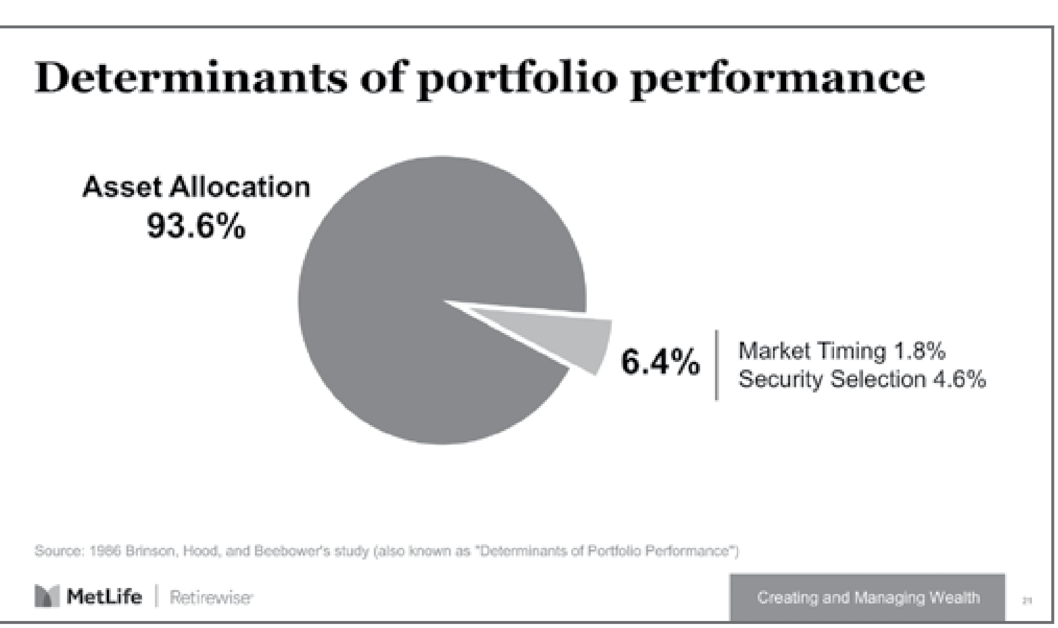
Slide 17



Slide 18

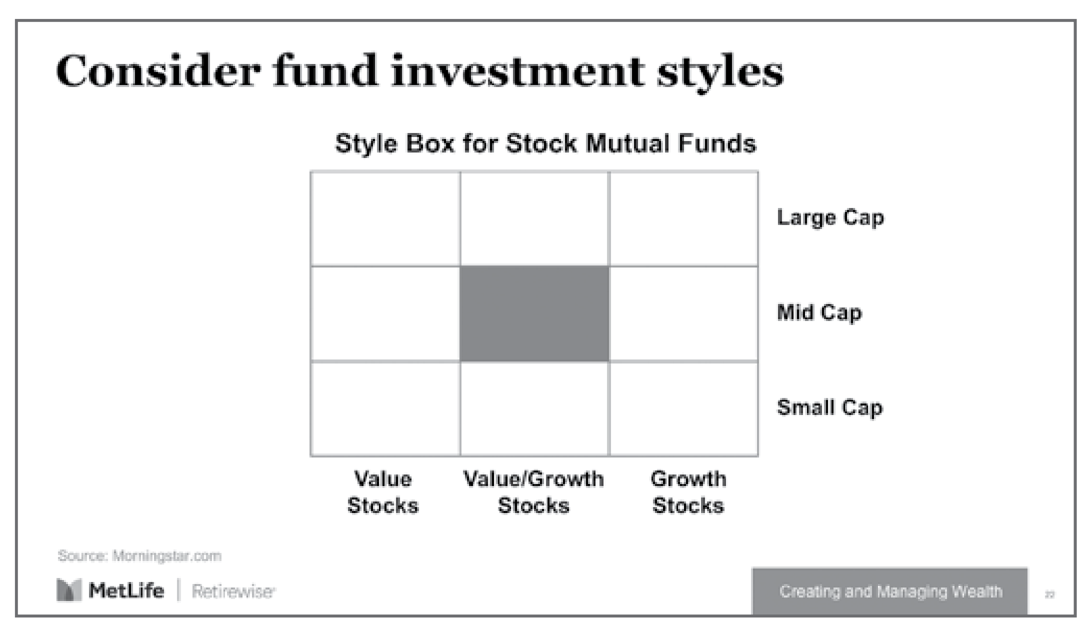


Slide 19



Slide 21

Slide 20



Slide 22

SESSION 2

The value of a diversified approach

Annual Returns for Key Indices Ranked in Order of Performance (2007–2018)

Source: Callan Associate Inc., 2019.
The Table highlights the uncertainty inherent in all capital markets. Rankings change every year.

MetLife | Retirewise

Creating and Managing Wealth

Slide 23

Market index descriptions for annual percentage returns chart

(slide 23-24)

Large Cap Equity (S&P 500) measures the performance of large capitalization U.S. stocks. The S&P 500 is a market-value-weighted index of 500 stocks. The weightings make each company's influence on the Index performance directly proportional to that company's market value.

Small Cap Equity (Russell 2000) measures the performance of small capitalization U.S. stocks. The Russell 2000 is a market-value weighted index of the 2,000 smallest stocks in the broad-market Russell 3000 Index.

Non-U.S. Equity (MSCI World ex USA) is an international index that is designed to measure the performance of large and mid cap equities in developed markets in Europe, the Middle East, the Pacific region, and Canada.

Emerging Market Equity (MSCI Emerging Markets) is an international index that is designed to measure the performance of equity markets in 24 emerging countries around the world.

U.S. Fixed Income (Bloomberg Barclays US Aggregate Bond Index) includes U.S. government, corporate, and mortgage-backed securities with maturities of at least one year.

High Yield (Bloomberg Barclays High Yield Bond Index) measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt.

Non-U.S. Fixed Income (Bloomberg Barclays Global Aggregate ex US Bond Index) is an unmanaged index that is comprised of several other Bloomberg Barclays indices that measure the fixed income performance of regions around the world, excluding the U.S.

Real Estate (FTSE EPRA/NAREIT Developed REIT Index) is designed to measure the stock performance of companies engaged in specific real estate activities in the North American, European, and Asian real estate markets.

Cash Equivalent (3-month Treasury Bill) is a short-term debt obligation backed by the Treasury Department of the U.S. government with a maturity of less than one year.

MetLife | Retirewise

Creating and Managing Wealth

Slide 24

Diversifying with mutual funds

Investors pool their money to purchase shares in a professionally managed portfolio of stocks, bonds, or other investments

This provides an affordable way to access professional money managers

The money managers buy and sell securities based on the stated objective of the mutual fund which often includes diversification

Sample Investment Objectives		
	Growth	Balanced
	Income	Sector
	Socially Responsible	Tax-Free

While diversification is a useful technique that can help to manage overall portfolio risk and volatility, there is no certainty or assurance that a diversified portfolio will enhance overall return or outperform one that is not diversified.

MetLife | Retirewise

Creating and Managing Wealth

Slide 25

Diversifying with mutual funds

Index Funds: A portfolio constructed to match or track the components of a market **index**, such as the Standard & Poor's **500 Index** (S&P 500)

Index Funds seek to generate returns that equal the return of the respective index minus fees

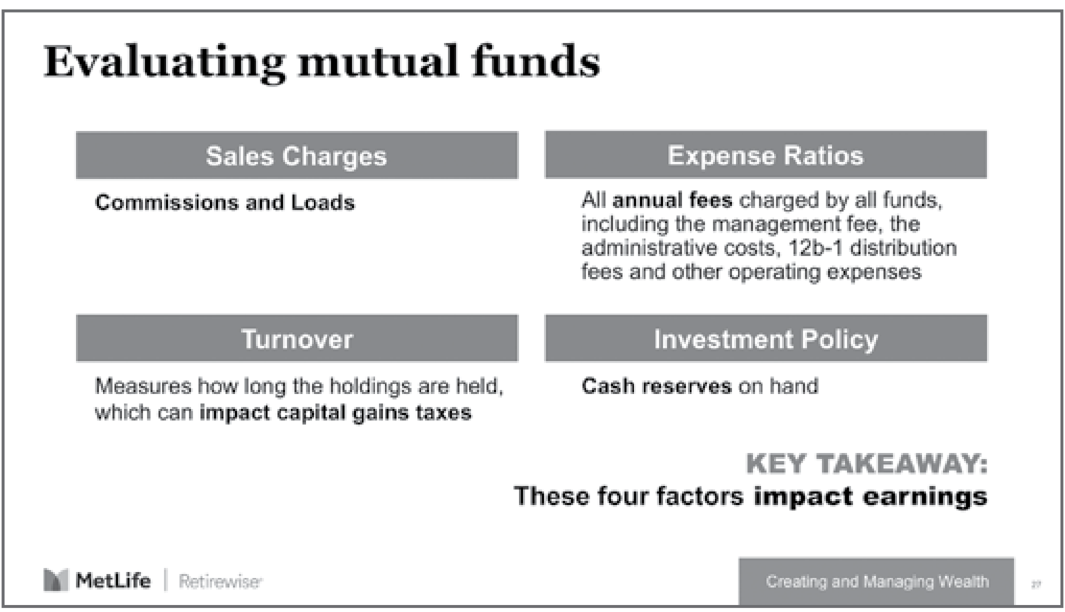
An index fund generally provides broad market exposure, low operating expenses and low portfolio turnover

Source: Jordan Wathen (TMFValueMagnet), August, 2016

MetLife | Retirewise

Creating and Managing Wealth

Slide 26



Slide 27

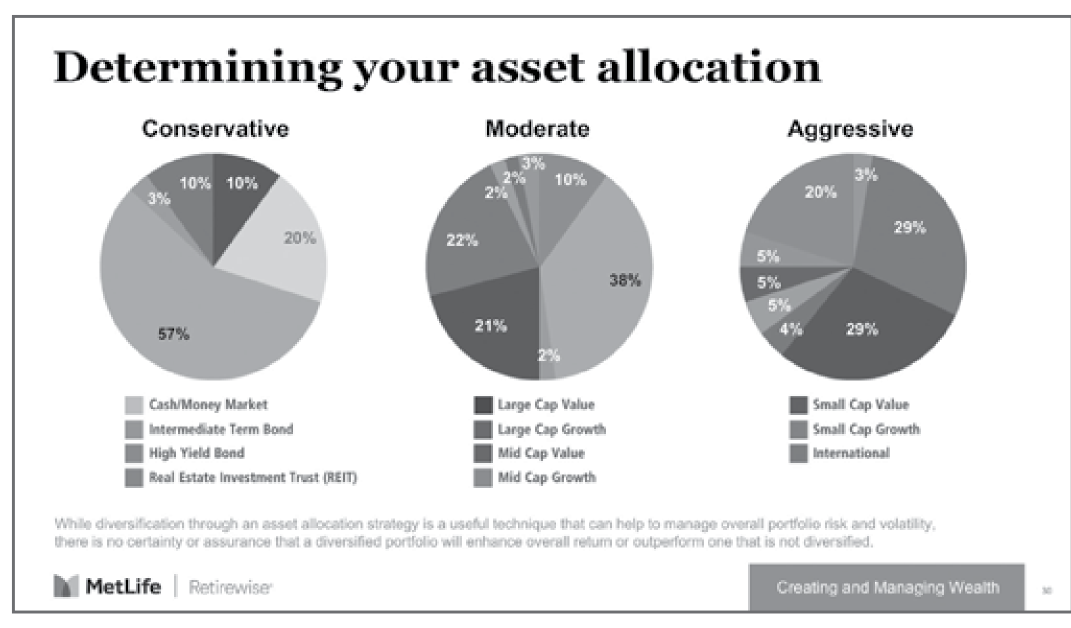
Slide 29

Mutual funds are sold by prospectus, which is available from your registered representative. Please carefully consider investment objectives, risks, charges, and expenses before investing. For this and other information about any mutual fund investment please obtain a prospectus and read it carefully before you invest. Investment return and principal value will fluctuate with changes in market conditions such that shares may be worth more or less than original cost when redeemed. Diversification cannot eliminate the risk of investment losses, and past mutual fund performance is not a guarantee of future results.

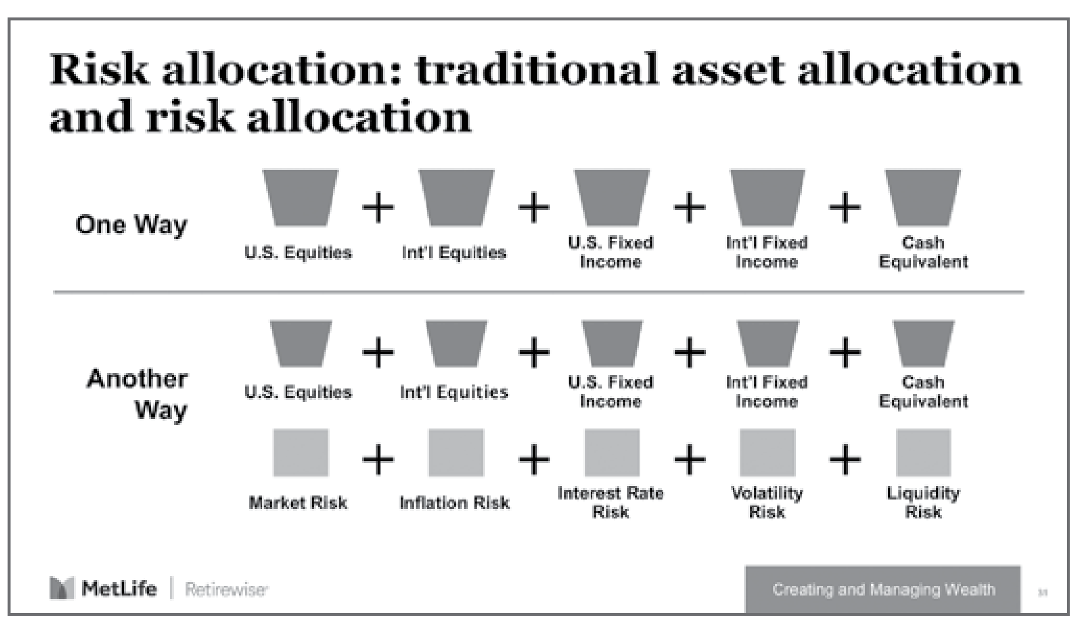
MetLife | Retirewise

Creating and Managing Wealth

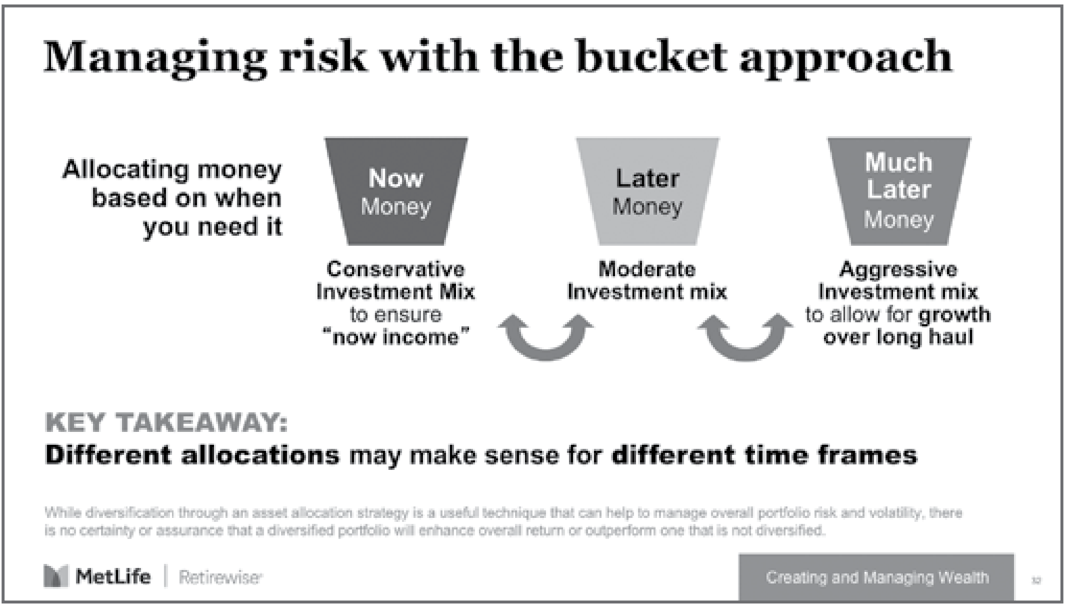
Slide 28



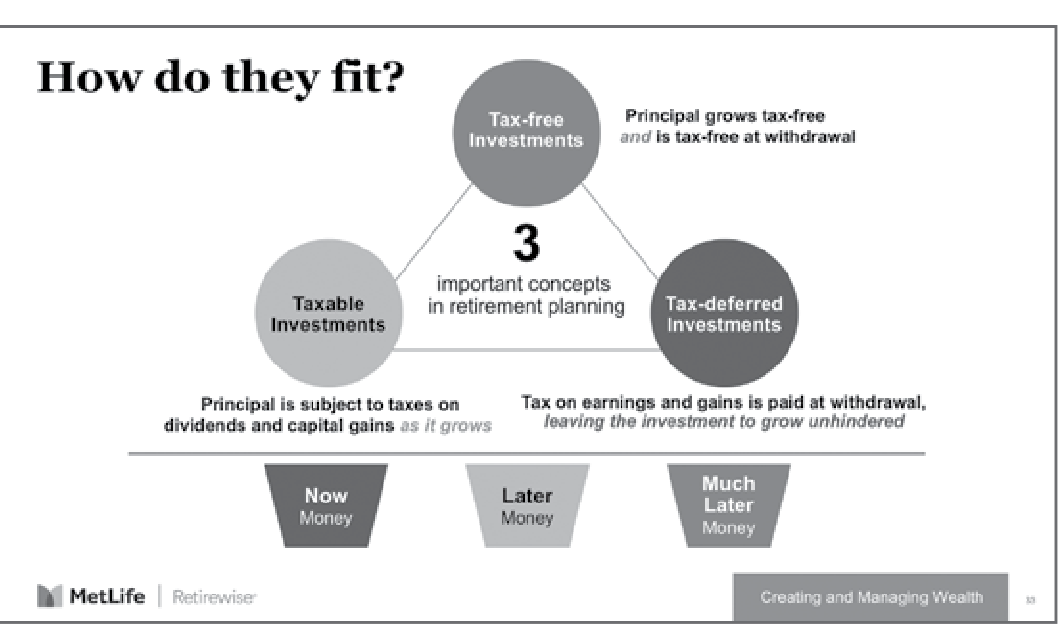
Slide 30



Slide 31



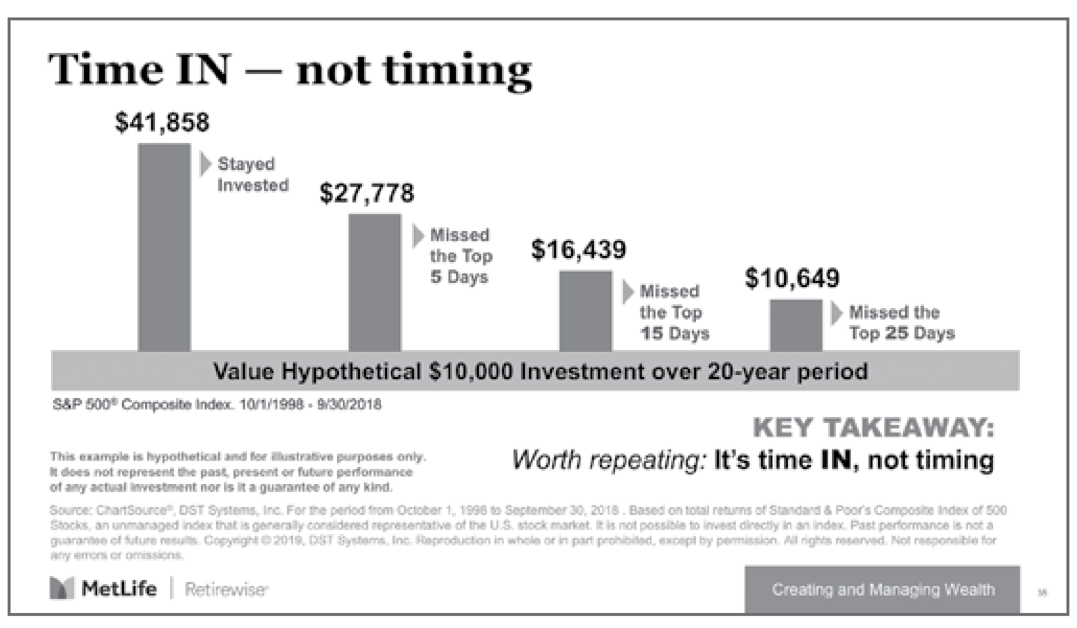
Slide 32



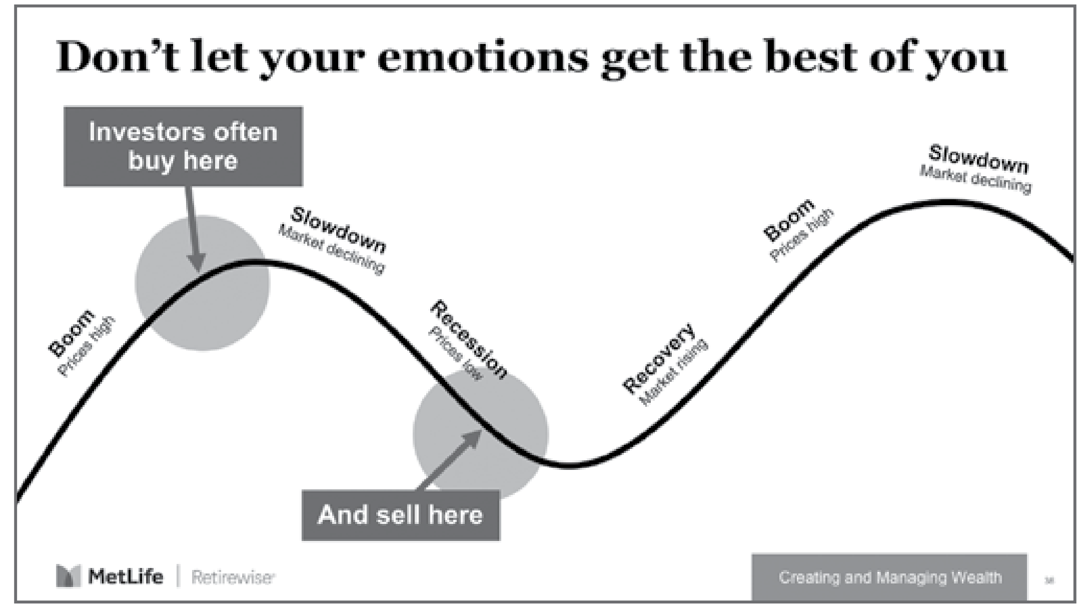
Slide 33

Slide 34

SESSION 2



Slide 35



Slide 36

Let dollar cost averaging work for you

Month	Monthly Investment	Share Price	Shares Purchased
January	$500	$10.00	50.0
February	$500	$9.00	55.6
March	$500	$8.00	62.5
April	$500	$9.00	55.6
May	$500	$10.00	50.0

Average Cost/Share: $9.13 ($2,500/273.7)

KEY TAKEAWAY:
When the share price declines, the same monthly investment buys **more shares**

Dollar Cost Averaging does not ensure a profit nor does it protect against a loss in declining markets. It involves continuous investment in securities regardless of fluctuating price levels. An investor should consider his or her ability to continue purchases in periods of low or fluctuating price levels.

MetLife | Retirewise — Creating and Managing Wealth

Slide 37

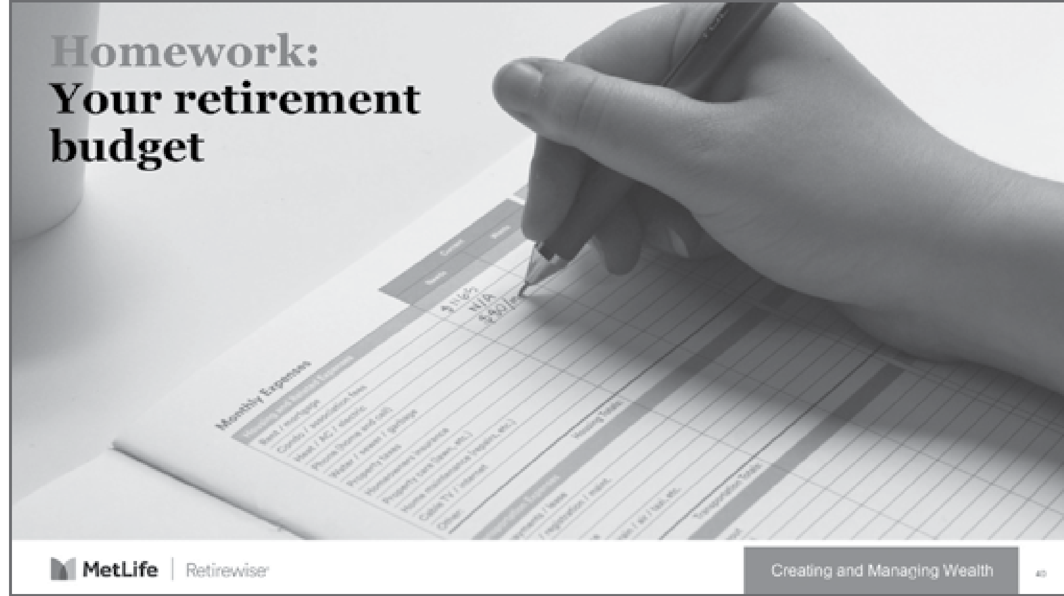
Balance:
Periodic adjustments are needed due to varied economic conditions

MetLife | Retirewise — Creating and Managing Wealth

Slide 38

SESSION 2

Slide 39



Slide 40

Slide 41

Slide 42

MetLife administers the Retirewise program, but has arranged for Massachusetts Mutual Life Insurance Company (MassMutual) to have specially-trained financial professionals offer financial education and, upon request, provide personal guidance to employees and former employees of companies providing Retirewise through MetLife.

Any discussion of taxes is for general informational purposes only, does not purport to be complete or cover every situation, and should not be construed as legal, tax or accounting advice. Clients should confer with their qualified legal, tax and accounting advisors as appropriate.

Past performance is no guarantee of future results. Diversification does not ensure a profit or guarantee against a loss.

Securities and investment advisory services are offered through qualified registered representatives of MML Investors Services, LLC, Member SIPC. MML Investors Services, LLC is not affiliated with MetLife, or its affiliated companies.

MetLife | Retirewise   L0319512936[exp1220][All States][DC,PR]   Creating and Managing Wealth

Slide 43

Slide 44

L0319512936[exp1220][All States][DC,PR]

Session 2: Contents

Introduction	99
Cash Equivalents/Savings Accounts	100
FDIC Limitations and Types of Ownership	102
Bonds	105
Bond Yields	107
Types of Bonds	108
Stocks	110
Well-Known Stock Indexes	112
Real Estate	114
Whole Life Insurance	115
Calculate Your Net Worth	116
Managing Your Investment Risks	118
Market and Inflation Risks	119
Other Common Risks	121
Annuities	122
Variable Annuity Living Benefits	123
Variable Annuity Death Benefits	126
Asset Allocation	128
Mutual Funds	130
A Disciplined Approach To Investing	132

Session 2: Creating and Managing Wealth

Session 2: Introduction

Now that we've envisioned how we would like our retirement to look we're going to learn how to spend it. But we need to know how to spend it the right way — not too little and not too much — to reach the level of income we'll need each year in retirement. As we've seen, today's retirement can last 30 years or more.

This session, Creating and Managing Wealth, marks the first key turning point in the four-part program MetLife has developed. In session 2, we're going to start the discussion about investments. By choosing the right investments, in the right amounts, at the right times and keeping in line with your risk tolerance, you can build a diversification strategy designed to help protect the money you're working so hard to save.

Cash Equivalents/Savings Accounts

Almost everyone has had experience with a cash account of some type — bank and/or credit union accounts, Certificates of Deposit (CDs). The primary advantage of bank savings accounts is that they are federally insured against loss of principal and accrued interest through the Federal Deposit Insurance Corporation (FDIC) for up to $250,000.[1]

The equivalent agency insuring most credit union accounts from loss of principal is the National Credit Union Share Insurance Fund (NCUSIF), for up to $250,000 per account. Safety of principal comes at a "cost;" typically, such accounts offer low returns, which are further reduced by taxes and inflation.

These accounts are highly liquid (though penalties or fees can apply for early withdrawals from a CD). Cash accounts are excellent for funds earmarked for short-term needs (e.g., $10,000 needed in one year for a down payment on a home). Additionally, cash savings accounts or cash equivalents are commonly part of a diversified asset allocation strategy along with stocks and bonds.

Cash-related accounts also include money market funds, a type of mutual fund that invests in short-term money market instruments (see next page). Money market funds commonly offer somewhat higher returns than savings accounts. **Money market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although they seek to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the fund.**

Mutual funds are sold by prospectus only, which is available from your registered representative. Please carefully consider investment objectives, risks, charges, and expenses before investing. For this and other information about any mutual fund investment please obtain a prospectus and read it carefully before you invest.

1. Information summarized here regarding FDIC deposit insurance coverage was derived primarily from publications of the FDIC, and is presented in a non-technical manner. Such information is not intended to be a complete legal interpretation of the FDIC's laws and regulations on deposit insurance coverage. For greater detail regarding FDIC deposit insurance coverage, see the Federal Deposit Insurance Act (12 U.S.C. 1811 et seq.) and the FDIC's deposit insurance regulations (12 C.F.R. Part 330). FDIC deposit insurance information is also available online at www.fdic.gov.

Investment return and principal value will fluctuate with changes in market conditions such that shares may be worth more or less than original cost when redeemed. Diversification cannot eliminate the risk of investment losses.

The most common types of short-term money market investments are:

Bankers' Acceptances: A draft or bill of exchange accepted by a bank to guarantee payment of the bill.

Commercial Paper: An unsecured promissory note with a fixed maturity of one to 270 days; usually it is sold at a discount from face value.

Repurchase Agreements: Short-term loans, normally for less than two weeks and frequently for one day, arranged by selling securities to an investor with an agreement to repurchase them at a fixed price on a fixed date.

The FDIC

So What's the FDIC Anyway? The Federal Deposit Insurance Corporation (FDIC) is an agency of the federal government that was created in 1934 in response to the extensive bank failures that occurred in the Great Depression. It essentially insures deposits up to $250,000 per FDIC-insured bank or thrift institution. Deposit insurance coverage is adjusted for inflation and, hence, may exceed $250,000.

But — Not all your money may be covered under an FDIC-insured facility. Let's take a closer look at the specifics:

FDIC Insurance for Banks and Thrift Institutions

What is Insured?	What is not Insured?
Checking Accounts	Mutual Funds
Savings Accounts	Annuities
Trusts	Life Insurance Policies
Certificates of Deposit (CDs)	Stocks
Individual Retirement Accounts	Bonds

Please Note: FDIC insurance does not cover investment products/securities such as stocks, bonds, mutual funds or variable products.

FDIC Limitations and Types of Ownership

FDIC Limitations

Single Ownership

Ownership Detail	Owned by one person
FDIC Insurance Coverage	Up to $250,000 per person, per bank
	Includes accounts established by agent, nominee, guardian, custodian or conservator (escrow and brokered deposit accounts).

Certain Retirement Accounts

Ownership Detail	Owner directs how the funds are invested, including directing funds to a specific FDIC-insured bank.
FDIC Insurance Coverage	All self-directed retirement accounts are added together and the total is insured up to $250,000 per person, per bank.
	Includes all IRAs, Simplified Employee Pension accounts, “Section 457” deferred compensation plan accounts, self-directed Keogh plan accounts, and self-directed defined contribution plan accounts

Joint Ownership

Ownership Detail	Owned by two or more people who have equal rights to withdraw funds
FDIC Insurance Coverage	Each co-owner‘s share of every account that is jointly held at the same insured bank is added together with the co-owner‘s other shares, and the total is insured up to $250,000.
	Legal entities such as corporations, trusts, estates, or partnerships are not eligible for joint account coverage — owners must be individual persons.

Revocable Trust

Ownership Detail	Owned by one or more people (grantor/trustor/settlor) who indicate an intention that the deposit will belong to one or more named beneficiaries to receive funds upon the death of the owner(s).
FDIC Insurance Coverage	Account is insured up to $250,000 for each account owner’s trust relationship with a beneficiary if all of the following requirements are met: • Account must be titled as “payable-on-death,”“in trust for,” or “as trustee for” for informal trusts and “living trust,” “family trust,” or similar language for formal trusts. • The beneficiaries must be identified by name in the deposit account records of the insured bank. (For informal trusts only.) • The beneficiaries must be “qualifying”: owner’s spouse, child, grandchild, parent, or sibling. Adopted and stepchildren, grandchildren, parents, and siblings also qualify. Others, including in-laws, cousins, nieces and nephews, friends, organizations (including charities), and trusts do not qualify.

Two Types:

- Formal (living or family trusts): for estate planning purposes. Owner controls funds during lifetime. Upon the owner’s death, the trust generally becomes irrevocable.
- Informal (POD, Totten trust or ITF): owner signs an agreement — usually part of the bank’s signature card — stating that the funds are payable to one or more beneficiaries upon the owner’s death.

Irrevocable Trust Account

Ownership Detail	The grantor (the creator of the trust — also referred to as a trustor/settlor) contributes funds or property and gives up all power to cancel or change the trust.
FDIC Insurance Coverage	The interests of a beneficiary in all accounts established by the same grantor and held at the same insured bank are added together and insured up to $250,000, provided all of the following requirements are met: • Account records must disclose the existence of the trust relationship. • Beneficiaries must be identifiable from the deposit account records of the bank or from the records of the trustee. (A beneficiary does not have to be related to the grantor.) • Each beneficiary's interest must not be contingent as defined by FDIC regulations. • Trust must be valid under state law.

Since irrevocable trusts often contain specific conditions that affect the interests of the beneficiaries or provide a trustee or a particular beneficiary with the authority to invade the principal, deposit insurance for an irrevocable trust account often is limited to a total of $250,000.

Employee Benefit Accounts

Ownership Detail	Employee benefit plan accounts are deposits of a pension plan, profit-sharing plan or other employee benefit plan that is not self-directed.
FDIC Insurance Coverage	Employee benefit plan deposits are insured up to $250,000 for each participant's non-contingent interest in the plan.

Coverage for a plan's deposits is not based on the number of participants, but rather on each participant's share of the plan. Because plan participants normally have different interests in the plan, insurance coverage cannot be determined by multiplying the number of participants times $250,000.

Bonds

In exchange for the purchase price, the issuer owes the bondholders a debt and is generally obliged to repay the principal and interest at a later date, called maturity. Bonds are generally issued for a fixed term of at least ten years. U.S. Treasury-issued debt with a maturity of ten years or more is a bond. U.S. Treasury-issued debt between one year and ten years is a note, and new debt of less than a year is a bill.

U.S. government and agency bonds are considered the safest, since they are backed by the full faith and credit of the U.S. government. However, this comes at a cost — these bonds have practically no risk premium, which is generally why interest rates on government debt are lower than on other types of bonds.

Investors considering investing in bonds, bond mutual funds, or variable annuity sub-accounts investing in underlying bond funds need to consider interest rate risk and inflation risk — the possibility that the investment's return might not keep pace with long-term interest rates or inflation.

Most bonds pay a specified interest rate and have a stated maturity date. Bonds that mature in one to three years are considered short-term, bonds with maturities of between four and seven years are considered intermediate-term, and bonds with maturities of eight years or more are considered long-term.

In a low-interest-rate environment, most individual purchasers of bonds prefer to "stay liquid": with short-term maturities. This allows for greater flexibility should interest rates rise. Locking in long-term rates during a period of low but rising interest rates can be a risky decision.

Before investing, carefully consider the investment objectives, risks, charges and expenses of the mutual fund and/or variable annuity as well as their investment options. This and other information is contained in the prospectus, which you should read carefully before investing. Prospectuses are available from your registered representative. Mutual funds and/or variable annuities are subject to market risk. Your principal value may decline.

Perhaps the most common bond question is, "why are bonds worth less when interest rates rise?" Bond prices are influenced most by general supply and demand conditions in the overall bond market, as well as interest rate trends and expectations for inflation. Here is why bond prices and interest rates move in opposite directions.

When interest rates are low or falling, the prices of existing bonds that pay higher interest rates go up — they become more valuable to investors than new bonds issued with lower interest rates.

Now, let's consider the reverse — when interest rates are high or rising. Under these conditions, the price of existing bonds that pay lower interest rates go down — they become less valuable to investors than new bonds issued with higher interest rates.

Bond Laddering

Some investors prefer to “ladder” their longer-term bond holdings. Bond laddering works by purchasing bonds with different maturities, and continually rolling over the proceeds to successive bonds with the same maturities.

Here’s how it works: You might purchase 3-year, 5-year, and 10-year bonds and continually roll over the proceeds to new bonds maturing at subsequent 3, 5 and 10-year periods. You can continue to do this indefinitely, or for as long as the tactic is profitable for your portfolio. Bond laddering is a good idea for anybody who needs liquidity and a greater certainty of receiving their money at regular intervals.

Bond Yields

Yield is a critical concept in bond investing. It is an important tool used to compare one bond against another, enabling you to make an informed decision about which bond to purchase. There are three types of yields:

Nominal Yield: The annual interest rate payable on a bond, usually printed on the face of the bond itself. Also known as the coupon rate.

Yield to Maturity: The total return an investor will receive if a bond is held until maturity. It also enables investors to compare bonds with different maturities and coupons. Yield to maturity includes all your interest plus any capital gain you will realize if you purchase the bond at a discount (below its par value) or minus any capital loss you will have if you purchase the bond at a premium (above par value).

Yield to Call: Some types of bonds have a “call” provision, in which the bond issuer has the right to redeem the bond before the maturity date. Yield to call is the total return realized on a callable bond if it were redeemed by the issuer on the specified call date. Investors risk losing a bond paying a higher interest rate when rates decline and companies elect to “call” the bonds back. When a bond is called, the investor may have to reinvest in similar securities paying a lower yield.

Because the call feature puts the investor at a disadvantage, callable bonds carry somewhat higher yields and higher price than non-callable bonds. The difference between the call price and the par value is the call premium. Most callable bonds will state the potential call dates on the prospectus or offering document that accompanies the bond.

Types of Bonds

Types of Bonds

High Yield Bond: A bond that is rated below investment grade by the credit rating agencies (Moody's, Standard & Poor's, Fitch). As these bonds are relatively risky, investors expect to earn a higher yield. These bonds are also called junk bonds.

Inflation-Linked Bond: A bond in which the principal amount is indexed to inflation. The interest rate is lower than for fixed rate bonds with a comparable maturity. However, as the principal amount grows, with inflation, the interest rate is applied to this increased amount. This causes the interest payments to increase over time.

Investment Grade Bond: A bond judged by the credit rating agencies as likely enough to meet payment obligations that banks are allowed to invest in it.

Municipal Bond: A bond issued by a state, city, or local government, or their instrumentalities. Interest income received by holders of municipal bonds is often exempt from federal income tax and from the income tax of the state in which they are issued. Certain municipal bond interest may be subject to the alternative minimum tax.

Bond Ratings

A bond rating is like a "cheat-sheet" for an investor assessing the credit risks associated with the bond — the probability that the issuer (a company, corporation, government, or municipality) would not be able to meet its debt obligations.

The ratings are essentially a scorecard of the company's ability to handle current and future financial or economic pressures. Simply put, will they be around and able to pay you the interest and principal due under the bond?

Several companies issue these ratings after thorough and detailed research. The best known are Moody's Investor Services, Standard & Poor's and Fitch Ratings. They can each give their own ratings to a particular company, and they may sometimes vary. However, the evaluations and ratings are not very different.

How to Read the Ratings:

There are two main categories of bond ratings:

- Investment grade bonds = low probability of default
- Below investment grade = greater probability of default

Credit Ratings

Credit Risk	Moody's	Standard & Poor's	Fitch Ratings
Investment Grade			
Highest quality: extremely strong capacity to meet financial commitment	Aaa	AAA	AAA
High quality: very strong capacity	Aa	AA	AA
Upper medium quality: strong capacity	A	A	A
Medium quality: adequate capacity	Baa	BBB	BBB
Below Investment Grade			
Lower medium quality: somewhat speculative capacity	Ba	BB	BB
Low grade: speculative	B	B	B
Poor quality: may default	Caa	CCC	CCC
Most speculative	Ca	CC	CC
No interest being paid or bankruptcy petition filed	C	C	C
In default	D	D	D

Stocks

A stock represents a fractional share of ownership in a corporation. A common stockholder has the right to vote for the company's board of directors and certain matters that come before the Board for consideration, and to receive information on the firm's activities and business results. A stockholder usually has the opportunity to share in the profits of the corporation through dividends.

If the corporation is successful and growing, the value of its stock will generally rise. If the firm is not successful, the price of the stock will generally fall or not rise as fast as that of other companies in the same industry group.

Stocks are usually considered long-term investments. Historically, they offer the greatest potential for growth, but also the greatest potential for loss. It is not unusual for a company's stock to experience significant fluctuations in price over the short and medium term. Based upon recent events and newspaper articles, stocks have significant volatility over the short, medium and long run.

Another form of stock ownership is preferred stock. Preferred stockholders generally do not have the right to vote for company directors, but do have the following rights:

- To receive dividends before common stockholders. Dividends paid to preferred stockholders are generally at a fixed amount. Dividends paid to common stock-holders may vary as declared by the company's board of directors.
- Claim to assets over common stockholders — If a company runs into financial difficulty and has to liquidate, there may not be enough money to pay all stockholders. Preferred stockholders will be paid before payments (if any) are made to common stockholders.

Stocks are often classified as/by

- Blue Chip, Growth, Income, Value
- Market Capitalization
- Domicile of Company

Blue Chip: Stocks of well-established companies that have relatively stable earnings and manageable liabilities. They have a track record of paying regular dividends, and are valued by investors seeking relative safety and stability. The name comes from the blue-colored chips in the game of poker, which are typically the most valuable.

Growth: A company that has exhibited faster than average gains in earnings over the last few years and is expected to continue to show high levels of growth in profits. They make little or no dividend payments to shareholders and the bulk of the shareholders' growth will come from the change in share price. Many technology companies are considered growth stocks.

Income: Offer a higher dividend in relation to their market price. They are especially attractive to investors who are looking for current income that will gradually grow over the years as a way to offset inflation.

Value: A company whose stock is undervalued relative to its fundamentals. Generally a value stock will produce a high dividend yield, a low price-to-book ratio and/or a low price-to-earnings ratio.

Market Capitalization:

The value of a corporation as determined by the market price of its issued and outstanding common stock. Its market capitalization is calculated by multiplying the number of outstanding shares by the current market price of a share.

Below are approximate market cap sizes for mega, large, mid, small and micro cap companies. These size ranges may vary.

- Mega Cap: Market capitzilzation of $200 billion or more.
- Large Cap: Market capitalization of at least $10 billion.
- Mid Cap: Market capitalization of between $2 billion and $10 billion.
- Small Cap: Market capitalization of between $300 million and $2 billion.
- Micro Cap: Market capitalization less than $300 million

Domicile of Company:

- Domestic: Issued by corporations located in the United States.
- International: Issued by corporations located outside of the United States.

Well-Known Stock Indexes

Well-Known Stock Indexes

Market Indicator	Description
Dow Jones Industrial Average	The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries. These 30 stocks represent about a fifth of the $8 trillion-plus market value of all U.S. stocks and 15% - 20% of the value of stocks listed on the New York Stock Exchange.
NASDAQ Composite Index	The NASDAQ Composite index measures all NASDAQ domestic and international based common stocks listed on the Nasdaq Stock Market. Today, the NASDAQ Composite includes over 3,000 companies.
S&P 500 Index	This index includes a representative sample of leading companies in leading industries and is widely regarded as the standard for measuring large-cap U.S. stock market performance.
Wilshire 5000 Stock Index	The Wilshire 5000 Stock Index measures the performance of all U.S. headquartered equity securities with readily available price data. Currently, over 7,000 capitalization-weighted security returns are used to create the index.
Morgan Stanley EAFE® Index	Market-value-weighted international index that includes stocks traded on 21 exchanges in Europe, Far East, and Australasia (Oceania: Australia, New Zealand & neighboring islands in the Pacific Ocean)

Source: NASDAQ Index Descriptions, www.nasdaq.com/reference/IndexDescriptions.stm

The Dow Jones Industrial Average (DJIA)

First appearing on May 26, 1896, the Dow Jones Industrial Average is the oldest and most-quoted market indicator. It represents the price-weighted average of 30 actively traded Blue Chip stocks. Over the years, composition of the DJIA has changed from mostly industrial companies to include many service-related firms. The components represent between 15% and 20% of the value of NYSE-traded stocks.

Component companies of the Dow Jones Industrial Average (DJIA)*:

- 3M (Conglomerates, manufacturing)
- American Express (Credit services)
- Apple (Technology)
- Boeing (Aerospace/defense)
- Caterpillar (Farm and construction equipment)
- Chevron (Integrated oil and gas)
- Cisco Systems (Computer networking)
- Coca-Cola (Beverages)
- Disney (Entertainment)
- DowDuPont (Chemicals)
- ExxonMobil (Major integrated oil and gas)
- Goldman Sachs (Banking, Financial services)
- Home Depot (Home improvement stores)
- Intel (Semiconductors)
- IBM (Diversified computer systems)
- Johnson & Johnson (Consumer and health care products conglomerate)
- JPMorgan Chase (Money center banks)
- McDonald's (Restaurant franchise)
- Merck (Drug manufacturers)
- Microsoft (Software)
- Nike (Apparel)
- Pfizer (Drug manufacturers)
- Procter & Gamble (Consumer goods)
- Travelers Companies (Insurance)
- UnitedHealth (Health services)
- United Technologies (Conglomerates)
- Verizon (Telecommunications)
- Visa (Consumer banking)
- Wal-Mart (Discount, variety stores)
- Walgreens (Consumer staples)

*As of January, 2019

Real Estate

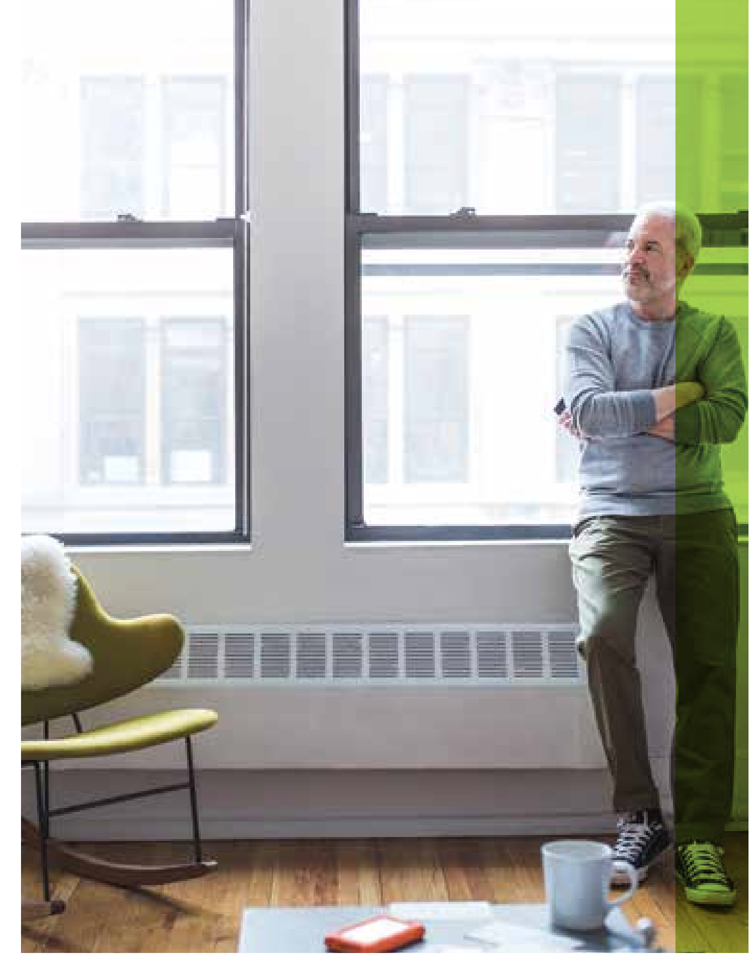
Real estate ownership is generally considered part of a long-term investment strategy in conjunction with other diversified asset classes. It may provide a hedge against inflation and its market cycle does not correlate with stocks and bonds. However, a challenge with real estate, compared with most other investments, is a relative lack of liquidity.

For many, their home represents not only their primary means of shelter, but their largest asset, even with the recent downturn in the real estate market. If the market is viable, some individuals and families elect to downsize their residence as they move into retirement. This can provide additional money for retirement expenditures and/or savings. The equity in one's home may also be available without selling, through a home equity loan.

Whole Life Insurance

We know that "life insurance" is not the first thing you think of when talking about retirement. However, whole life insurance offers flexibility that can be an important part of your retirement income strategy for managing market volatility.

Market volatility can be a real threat during retirement, especially when you are taking a portion of your income from sources invested in equities. Whole life insurance can help you overcome and weather the ups and downs of the financial markets during retirement. It can add a conservative element to your retirement accumulation and income strategy because the cash value, which accumulates on a tax-deferred basis, never declines in value due to market conditions.



Calculate Your Net Worth

Your net worth is in many ways more important than your salary, what you owe on credit cards or pretty much anything else. It's important to know how well, or not well, you're really doing with your money. That's done by figuring out your net worth. To calculate your net worth, you need to add up your assets — what you own — and then subtract your liabilities — what you owe.

Total Assets		Total Liabilities		Net Worth
$	–	$	=	$

Assets

Your assets include any money that you have, (checking, savings and investment account balances), plus the current value of any big ticket items that you own. For most people, this includes things like retirement accounts, emergency funds, houses and cars.

Liabilities

Your liabilities are debts that you owe: student loans, mortgage, car loan, or even a personal loan from a family member or friend — basically, any moneythat you have borrowed and are paying back.

Assets	Value
Taxable	
Checking	
Savings	
Credit union	
Money markets	
CDs	
Mutual funds	
Stocks	
Bonds	
Other	
Retirement	
Annuities	
Traditional IRAs	
Stocks	
Bonds	
Partnerships	
Other	
Personal Property	
Home(s)	
Car(s)	
Art, jewelry, antiques, etc.	
Bonds	
Life Insurance cash value	

Total Assets ______

Liabilities	Value
Mortgage(s)	
Home equity loan(s)	
Car loan(s)	
Credit card debt	
Student loans	
Retirement account loan(s)	
Personal loan(s)	
Other	

Total Liabilities ______

SESSION 2

Managing Your Investment Risks

Nobody knows more about you than you. And nobody cares more about your money than you do. After you start learning more about risk and know yourself better as an investor, you might become your own most reliable advisor. If that is your goal, you will want to become more comfortable with risk management. We will go into some depth about what risk is and how to manage it — through diversification, asset allocation, asset rebalancing, and dollar cost averaging.

Fundamentals of Managing Risk

Risk — An investment's actual return may be different than expected, including the possibility of losing some or all of the original investment
• **Diversification** A strategy to reduce risk by spreading assets across a mix of companies, investments, geographic areas, maturity dates, and/or other investment categories*
• **Asset Allocation** Dividing a portfolio among major asset categories such as stocks, bonds or cash*
• **Asset Rebalancing** Realigning the mix of assets in a portfolio to restore the originally designed asset balance
• **Dollar Cost Averaging** Invest same amount of money regularly, regardless of high or low prices of stock, bond, fund, etc.**

Diversification cannot eliminate the risk of investment loss.

While the process of diversifying your assets across multiple asset classes can help to reduce overall risk, it does not eliminate market risk altogether.

The goal is to understand the risks inherent in different types of investments and make decisions that you will be comfortable with — not by trying to outguess the direction of the economy or financial markets but by taking sensible risks with investments that you understand.

*Diversification and asset allocation cannot eliminate the risk of investment loss. While the process of diversifying your assets across multiple asset classes can help to reduce overall risk, it does not eliminate market risk altogether.

**Dollar cost averaging does not ensure a profit nor does it protect against a loss in declining markets. An investor should consider his/her ability to continue purchases in periods of low or fluctuating price levels.

Market and Inflation Risks

Risk and reward go hand-in-hand

- Generally, the greater the risk, the greater the potential reward
- The lower the risk, the lower the potential reward

Market Risk

What it is:
Unfavorable market price trends of an investment result in possible loss of principal for an investor

Example:

- Fluctuation of the stock market
- Ups and downs of bond prices in response to changing interest rates
- Interest rates rise, bonds typically fall — and vice versa

Reduce the Risk:

- Only invest what you can afford — try not to use money that will impact your basic needs and avoid having to sell assets when the market may go down
- Invest long-term — this helps ride out market downs and allows for the opportunity of market ups
- Diversify investments — investing in different asset categories (stocks, bonds, cash, and real estate) may help reduce the risk that poor performance of one or more categories could reduce the value of your entire portfolio. Diversification and asset allocation cannot eliminate the risk of investment loss.

Inflation Risk

What it is:

The possibility that inflation will reduce the purchasing power of the money you invest.

Example:

A $10,000 investment is made earning 5% interest per year. Refer to the chart to see how an annual inflation rate of 3% can reduce the overall purchasing power of these dollars (this chart does not account for income taxes, which would further reduce the net return):

End of Year	CD Value at End of Year (5%)	Purchasing Power at 3% Inflation Rate	"Real" Value of CD	"Loss" Due to Inflation
1	$10,500	97.09%	$10,194	$306
2	$11,025	94.26%	$10,392	$633
3	$11,576	91.51%	$10,594	$982
4	$12,155	88.85%	$10,800	$1,355
5	$12,763	86.26%	$11,009	$1,753
6	$13,401	83.75%	$11,223	$2,178
7	$14,071	81.31%	$11,441	$2,630
8	$14,775	78.94%	$11,663	$3,111
9	$15,513	76.64%	$11,890	$3,624
10	$16,289	74.41%	$12,121	$4,168

After 10 years, inflation reduced the overall purchasing power of the investor's money by more than 25%.

Reduce the Risk:

- Consider investing some of your assets in the stock market.
- Tangible assets (gold, real estate) generally tend to do well in periods of inflation.

Other Common Risks

Tax Risks

The possibility that changes in tax laws (federal, state or local) can change the tax treatment of an investment to the point that it may no longer meet your needs.

Reduce the Risk:

- Consider the tax implications of your investments on your current situation. Be sure to talk to your tax advisor!

Interest Rate Risk

An increase in the level of interest rates can cause the market value of existing investments to fall.

Reduce the Risk:

- Spread out the maturities in your bond portfolio so portions of it mature periodically instead of all at the same time. It may also be helpful to hold some bonds until they reach maturity so you can collect all the interest that is due to you.

Liquidity Risk

An investor may not be able to sell or liquidate an asset without losing part of the principal. This may be caused by an investment's relative lack of liquidity due to an imbalance of buyers vs. sellers (e.g., real estate) or an asset that is thinly traded.

Reduce the Risk:

- Invest in assets traded in active markets, and only invest dollars that are not needed for current expenses.

Annuities

Deferred Annuities

An annuity is a contract issued by an insurance company in which the company agrees to pay you income for a specified period of time either immediately or at some point in the future.

At retirement, you can receive regular income payments based on the value of the annuity. Of course, you don't have to wait until retirement to receive income. However, deferred annuities are long-term investments by design. Ideally, you may not want to withdraw money until you are ready to receive it as retirement income, at which time you may be in a lower tax bracket.[1]

There are two types of deferred annuities, variable and fixed. While fixed annuities return your principal and pay a fixed rate of return, variable annuities invest your principal in investment portfolios, called sub-accounts, that fluctuate with market performance. Variable annuities can offer growth potential if the sub-accounts perform well.

While both types of annuities have long been characterized by their ability to provide retirement income, you cannot outlive the income you receive during the payout phase if a lifetime income option is chosen. Guarantees apply to certain insurance and annuity products or contractual riders (not securities, variable or investment advisory products) and are subject to product terms, exclusions and limitations, and the insurer's claims-paying ability and financial strength. The decision to purchase an annuity within a qualified plan or IRA should not be based upon the annuity's tax-deferred accrual feature as this is already provided by the qualified plan or IRA itself.

1. Withdrawals of taxable amounts are subject to ordinary income tax and if made before age 59½ may be subject to a 10% federal income tax penalty. Withdrawals will reduce the living and death benefits and account value. Withdrawals may be subject to withdrawal charges.

Variable Annuity Living Benefits

Variable Annuity Living Benefit Options

Many variable annuities offer optional living benefits that guarantee a benefit base or death benefit base. There are three primary types of living benefits. While similar in design and purpose, the specifics vary from insurer to insurer and are available for an additional charge.

Let's take a look at some examples:

Guaranteed Minimum Income Benefit

Jill Jones, age 58, is looking for a predictable guaranteed income amount to pay for the rest of her mortgage and other expenses when she retires in 12 years. She purchases a $50,000 variable annuity and elects an optional guaranteed minimum income benefit. She does not make any withdrawals from the annuity. The account value grows to $80,000 in year 8 then declines to $72,000 in year 12. Although the contract value is now only worth $72,000, Jill annuitizes to convert the contract into an income stream for the rest of her life based on the $80,000 contract value. The annuitization values for the guaranteed minimum income benefits are generally based on conservative annuity factors and are only available to be exercised after a contractually specified waiting period.

Guaranteed Minimum Withdrawal Benefit

Jane Brown, 63, is ready to retire in the next 3 years and is looking for a way to manage the amount of income she'll receive while still allowing for her investment to grow. She'd also like to make sure her 65-year-old husband, John, will be taken care of if she passes away.

Jane purchases a variable annuity with an optional guaranteed minimum withdrawal benefit. The contract with this benefit allows her to stay invested in the funding options and take advantage of its growth potential while receiving periodic guaranteed income payments. Since her $70,000 contract value has grown to $75,000 in year three and she's taken no withdrawals, she can step up the contract and will receive income for the rest of her life based on a percentage of the $75,000 rider value. Jane elects a joint and survivor life income option, and has qualified with lifetime withdrawals as specified in the contract. If Jane passes away in year 25, John will continue to receive payments for the rest of his life.

Please note that all the variable annuity living benefit options listed below have additional fees which usually can be increased upon a 'step-up'. In some cases, the rider permits you to take a benefit for which you paid an additional fee to also utilize the same benefit (with no guarantee) under the base contract terms. For example, a guaranteed minimum income benefit will permit you to take your annuity payments under the base contract if those payments would be larger than those with the benefit rider. In that case, you would have paid for the rider without ever using it.

Typically, these additional riders have limited cancellation provisions. Sometimes, they are irrevocable. Read the contract and the prospectus to make sure that you understand these features and their limitations.

Generally, these features use a separate calculation — not contract balance — to determine their value. These separate values, for example, "benefit base" or "income base", may not be withdrawn in a lump sum or guarantee a specific contract value or investment return. Withdrawal charges may apply.

Variable Annuity Living Benefit Options[1]

Benefit Option:	Guaranteed Minimum Income Benefit*	Guaranteed Minimum Withdrawal Benefit
What:	Guarantees minimum future fixed lifetime income (via annuitization) based on higher of two income bases	Guarantees the return of principal (plus the potential for additional credit) — for specified period or life contingency, depending on contract, over time through systematic withdrawals without annuitizing the contract
Details:	• Must annuitize to receive benefit • Funding options restrictions may apply • Prior to annuitization or lifetime payments, you may have the opportunity to take withdrawals while preserving your lifetime income guarantee	• Maximum withdrawal amounts vary • Annuitization not required • Income for one life or two • Often able to step up guaranteed amount if account performs well • Funding options restrictions may apply

Guarantees apply to certain insurance and annuity products or contractual riders (not securities, variable or investment advisory products) and are subject to product terms, exclusions and limitations and the insurers claims-paying ability and financial strength.

1. For qualified retirement plans and IRAs, certain living benefits may have limited or diminished usefulness as a result of having to comply with the required minimum distribution rules. Please consult your own independent legal or tax advisor.

Variable Annuity Death Benefits

Variable Annuity Death Benefit Options

Most variable annuity contracts include a standard death benefit where your beneficiary is guaranteed to receive a specified amount — typically the greater of the current account value or the amount of purchase payments minus any withdrawals. This benefit gives the annuitant a guarantee that his or her beneficiary will be protected from down markets and decreases in account value. For example, if there is an economic downturn and the account value falls by 20% when the annuitant dies, the beneficiary will still receive the full guaranteed amount as dictated by the contractual terms of the annuity. Some contracts also offer optional enhanced death benefits at an additional cost. Like living benefit options, the specifics vary from provider to provider and are available at an additional cost. Death benefits are payable only prior to annuitization.

Variable Annuity Death Benefit Options

Death Benefit Option:	Step-up Death Benefit	Annual Increase Amount Death Benefit	Earnings Preservation Benefit
What:	The amount your beneficiaries receive at death is based on the greater of the initial purchase payment or highest anniversary account value.	Annual increase amount death benefit compounds your standard death benefit amount by a specified percentage year.	Beneficiaries not only receive the death benefit selected, but an additional death benefit equal to a specified percentage of "earnings" in the account.
Details:	• The step-up "locks in" your account value performance and prevents a later decline in value. • The "step-up" can occur at different intervals, usually 1, 3 or 5 years.	The percentage your standard death benefit is compounded by is usually about 5%.	This optional benefit may increase the amount passed on to your beneficiaries to help pay for taxes upon your death. There is no guarantee that this amount will be sufficient to pay taxes upon your death.

Variable annuities are offered by prospectus only, which is available from your registered representative. You should carefully consider the product's features, risks, charges and expenses, and the investment objectives, risks and policies of the underlying portfolios, as well other information about the underlying funding choices. This and other information is available in the prospectus, which you should read carefully before investing. Product availability and features may vary by state. All product guarantees are based on the financial strength and claims-paying ability of the issuing insurance company.

The amounts allocated to the variable investment options of your account balance are subject to market fluctuations so that, when withdrawn or annuitized, it may be worth more or less than its original value. It is possible to lose money in a variable annuity even with a protection benefit rider. Optional riders may be irrevocable and expire without use.

Asset Allocation

As an investment strategy, asset allocation may reduce the overall risk to your investments. Spreading your assets among asset classes could alleviate the losses associated with the up and down fluctuations of any one asset class.

Choosing how to allocate your assets is a personal decision and needs to take your individual situation and goals into account, along with the risk/return profile and historical performance of each asset class. You can develop an investment strategy that is customized to your needs, and it should be reviewed at least annually to determine if your portfolio needs to be rebalanced.

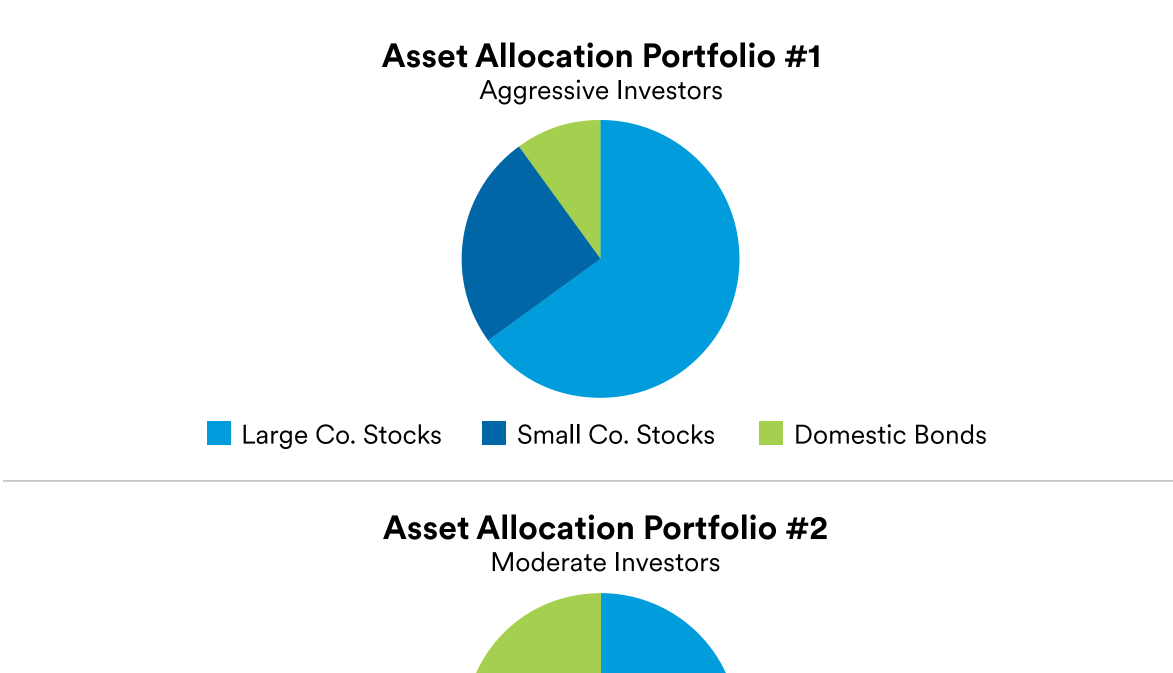
The next page presents some asset allocation models that exemplify different types of investors (aggressive to conservative) and how they may choose to distribute their investment portfolio.

Asset allocation is a strategy to help maximize gains and minimize risks in your investment portfolio. Asset allocation involves dividing your assets on a percentage basis among major asset categories such as stocks, bonds or cash.

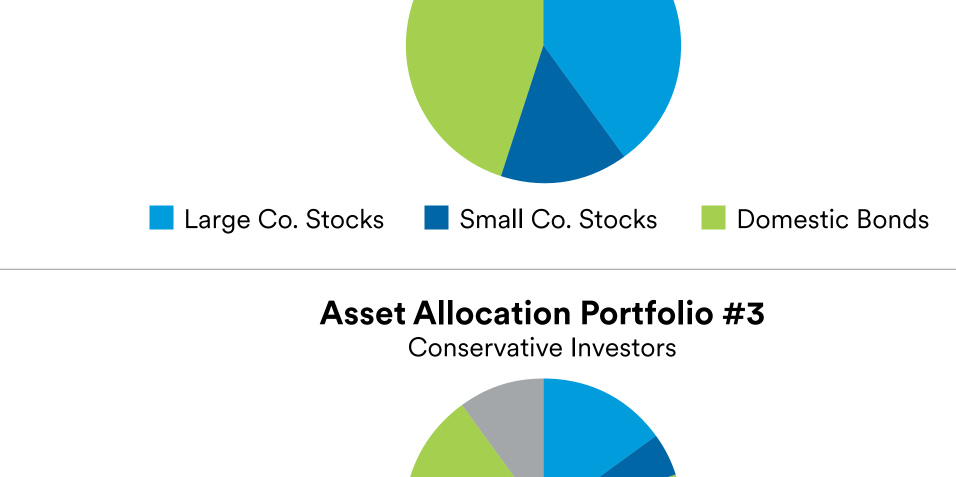
Diversification mixes a variety of investments within a portfolio. It is diversifying investments to help reduce risks. Diversification does not ensure a profit or guarantee against a loss.

Sample Asset Allocation Models

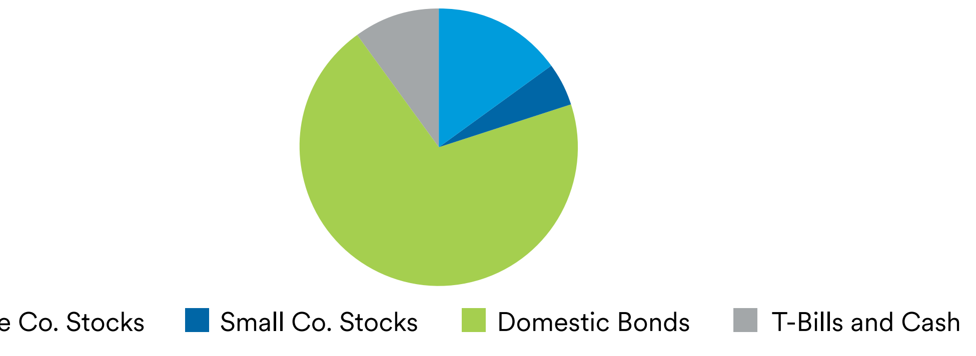
Asset Allocation Portfolio #1
Aggressive Investors



Asset Allocation Portfolio #2
Moderate Investors



Asset Allocation Portfolio #3
Conservative Investors



Note: These are hypothetical examples and not specific recommendations.

Mutual Funds

A mutual fund pools the assets of many investors to achieve a common purpose. The money raised is then invested in accordance with pre-defined goals. The mutual effort of a number of investors provides benefits that an individual, working alone, might not be able to receive:

Money Market Funds	Invest in a variety of short-term debt (Treasury Bills, commercial paper, etc.)
Growth Funds	Emphasize long-term capital growth. Usually invest in common stock.
Income Funds	Focus on current income using bonds and other income producing securities.
Balanced Funds	Strive for both income and long-term gain using both stocks and bonds.
Index Funds	Seeks to generate returns that equal the return of the respective index minus fees.

Money market funds are neither insured nor guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although they seek to preserve the value of your investment at $1.00 per share, it is possible to lose money by investing in the fund.

- **Professional Management:** Experienced investment professionals provide the research, selection, and monitoring skills needed to manage an investment portfolio.
- **Diversification:** Owning shares in a mutual fund allows an investor to participate in a diversified portfolio. Instead of placing all eggs in one basket, diversification spreads the risk over many different securities. Remember, diversification cannot eliminate the risk of investment loss.
- **Convenience:** Investment programs start with relatively small amounts of money. Dividends and other gains can be automatically reinvested. Many funds offer features to automate both contributions and withdrawals. Regular fund statements make bookkeeping easier by tracking an investor's purchases, withdrawals, and reinvestments, as well as providing tax information.

Types of Mutual Funds

- **Open-end mutual funds:** Mutual funds that issue as many shares as the public wishes to buy are called open-end mutual funds. When the public wants to sell, open-end funds are required to redeem all shares tendered. Shares are redeemable on any business day at the net asset value.
- **Closed-end mutual funds:** Funds that have a fixed number of shares. Unlike shares in open-end funds, the share is traded on public exchanges.

Share Classes

A single mutual fund usually offers more than one "class" of shares. The most common, A, B, and C, are described below. When choosing the share class that's best for you, think about your investment's size, how long you want to hold the fund and the expenses you'll pay for each class.

- **Class A Shares** usually have a front-end sales charge or load that is included in the price of fund's shares. They often offer volume discounts (breakpoint discounts) if you make a large purchase. Class A shares may impose an asset-based sales charge, but it is generally lower than the asset-based sales charge imposed by the other classes.
- **Class B Shares** typically don't charge a front-end sales charge but purchasers may be required to pay a contingent deferred sales charge (CDSC) if you sell your shares within a specified
time period (typically 6 years). The CDSC usually declines during that 6-year period. Once the CDSC is eliminated, Class B shares often then "convert" into Class A shares. When they convert, they will begin to charge the same asset-based sales charge as the Class A shares.
- **Class C Shares** typically do not impose a front-end sales charge on purchase, but they usually impose a CDSC or other redemption fees if you sell your shares within a short time of purchase, usually one year. Class C shares typically impose higher asset-based sales charges than Class A shares, and since their shares generally do not convert into Class A shares, their asset-based sales charge will not be reduced over time. As a result, in most cases your expense ratio would be higher than for Class A shares, and for Class B shares if held for a long time.

Mutual funds are sold by prospectus, which is available from your registered representative. Please carefully consider investment objectives, risks, charges, and expenses before investing. For this and other information about any mutual fund investment please obtain a prospectus and read it carefully before you invest. Investment return and principal value will fluctuate with changes in market conditions such that shares may be worth more or less than original cost when redeemed. Diversification cannot eliminate the risk of investment losses, and past mutual fund performance is not a guarantee of future results.

A Disciplined Approach To Investing

How does asset allocation help reduce market volatility?
As you can see, each year has its strongest and its poorest performers.

Annual Index Returns 2007 – 2018

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Emerging Market Equity 39.38%	U.S. Fixed Income 5.24%	Emerging Market Equity 78.51%	Small Cap Equity 26.85%	U.S. Fixed Income 7.84%	Real Estate 27.73%	Small Cap Equity 38.82%	Real Estate 15.02%	Large Cap Equity 1.38%	Small Cap Equity 21.31%	Emerging Market Equity 37.28%	Cash Equivalent 1.87%
Non-U.S. Equity 12.44%	Non-U.S. Fixed Income 4.39%	High Yield 58.21%	Real Estate 19.63%	High Yield 4.98%	Emerging Market Equity 18.23%	Large Cap Equity 32.39%	Large Cap Equity 13.69%	U.S. Fixed Income 0.55%	High Yield 17.13%	Non-U.S. Equity 24.21%	U.S. Fixed Income 0.01%
Non-U.S. Fixed Income 11.03%	Cash Equivalent 2.06%	Real Estate 37.13%	Emerging Market Equity 18.88%	Non-U.S. Fixed Income 4.36%	Non-U.S. Equity 16.41%	Non-U.S. Equity 21.02%	U.S. Fixed Income 5.97%	Cash Equivalent 0.05%	Large Cap Equity 11.96%	Large Cap Equity 21.83%	High Yield -2.08%
U.S. Fixed Income 6.97%	High Yield -26.16%	Non-U.S. Equity 33.67%	High Yield 15.12%	Large Cap Equity 2.11%	Small Cap Equity 16.35%	High Yield 7.44%	Small Cap Equity 4.89%	Real Estate -0.79%	Emerging Market Equity 11.19%	Small Cap Equity 14.65%	Non-U.S. Fixed Income -2.15%
Large Cap Equity 5.49%	Small Cap Equity -33.79%	Small Cap Equity 27.17%	Large Cap Equity 15.06%	Cash Equivalent 0.10%	Large Cap Equity 16.00%	Real Estate 3.67%	High Yield 2.45%	Non-U.S. Equity -3.04%	Real Estate 4.06%	Non-U.S. Fixed Income 10.51%	Large Cap Equity -4.38%
Cash Equivalent 5.00%	Large Cap Equity -37.00%	Large Cap Equity 26.47%	Non-U.S. Equity 8.95%	Small Cap Equity -4.18%	High Yield 15.81%	Cash Equivalent 0.07%	Cash Equivalent 0.03%	Small Cap Equity -4.41%	Non-U.S. Equity 2.75%	Real Estate 10.36%	Real Estate -5.63%
High Yield 1.87%	Non-U.S. Equity -43.56%	Non-U.S. Fixed Income 7.53%	U.S. Fixed Income 6.54%	Real Estate -6.46%	U.S. Fixed Income 4.21%	U.S. Fixed Income -2.02%	Emerging Market Equity -2.19%	High Yield -4.47%	U.S. Fixed Income 2.65%	High Yield 7.50%	Small Cap Equity -11.01%
Small Cap Equity -1.57%	Real Estate -48.21%	U.S. Fixed Income 5.93%	Non-U.S. Fixed Income 4.95%	Non-U.S. Equity -12.21%	Non-U.S. Fixed Income 4.09%	Emerging Market Equity -2.60%	Non-U.S. Fixed Income -3.09%	Non-U.S. Fixed Income -6.02%	Non-U.S. Fixed Income 1.49%	U.S. Fixed Income 3.54%	Non-U.S. Equity -14.09%
Real Estate -7.39%	Emerging Market Equity -53.33%	Cash Equivalent 0.21%	Cash Equivalent 0.13%	Emerging Market Equity -18.42%	Cash Equivalent 0.11%	Non-U.S. Fixed Income -3.08%	Non-U.S. Equity -4.32%	Emerging Market Equity -14.92%	Cash Equivalent 0.33%	Cash Equivalent 0.86%	Emerging Market Equity -14.58%

Source: Callan Associate Inc., 2018

Bloomberg Barclays Aggregate US Bond Index includes U.S. government, corporate, and mortgage-backed securities with maturities of at least one year.

Bloomberg Barclays High Yield Bond Index measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt.

MSCI World ex USA is a Morgan Stanley Capital International Index that is designed to measure the performance of large and mid cap equities in developed markets in Europe, the Middle East, the Pacific region, and Canada.

MSCI Emerging Markets is a Morgan Stanley Capital International Index that is designed to measure the performance of equity markets in 23 emerging countries around the world.

Russell 2000 measures the performance of small capitalization U.S. stocks. The Russell 2000 is a market-value-weighted index of the 2,000 smallest stocks in the broad-market Russell 3000 Index.

Russell 2000 Growth and Russell 2000 Value measure the performance of the growth and value styles of investing in small cap U.S. stocks. The indices are constructed by dividing the market capitalization of the Russell 2000 Index into Growth and Value indices, using style "factors" to make the assignment. The Value Index contains those Russell 2000 securities with a greater-than-average value orientation, while the Growth Index contains those securities with a greater-than-average growth orientation. Securities in the Value Index generally have lower price-to-book and price-earnings ratios than those in the Growth Index. The indices are market-capitalization-weighted. The constituent securities are not mutually exclusive.

S&P 500 measures the performance of large capitalization U.S. stocks. The S&P 500 is a market-value-weighted index of 500 stocks. The weightings make each company's influence on the Index performance directly proportional to that company's market value.

S&P 500 Growth and S&P 500 Value measure the performance of the growth and value styles of investing in large cap U.S. stocks. The indices are constructed by dividing the market capitalization of the S&P 500 Index into Growth and Value indices, using style "factors" to make the assignment. The Value Index contains those S&P 500 securities with a greater-than-average value orientation, while the Growth Index contains those securities with a greater-than-average growth orientation. The indices are market-capitalization-weighted. The constituent securities are not mutually exclusive.

A mutual funds portfolio may differ significantly from the securities held in the indices. These indices are not available for direct investment, therefore, their performance does not reflect the expenses associated with the active management of an actual portfolio. Past performance is no guarantee of future results and investment results and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Total return includes reinvestment of dividends and capital gains.

Trying to go for the "hot" investments or market leaders? It is really a game for amateurs. This chart shows the best performing types of investments for each year from 2007 through 2018. It is sometimes called a Callan Chart and reflects a comparative analysis of the indices for different categories of investments.

You'll notice that there is no pattern, a few years of consistent rankings, but otherwise all over the place.

The point is that different investment categories fall in and out of favor in different market environments.

MetLife administers the Retirewise program, but has arranged for Massachusetts Mutual Life Insurance Company (MassMutual) to have specially-trained financial professionals offer financial education and, upon request, provide personal guidance to employees and former employees of companies providing Retirewise through MetLife.

Any discussion of taxes is for general informational purposes only, does not purport to be complete or cover every situation, and should not be construed as legal, tax or accounting advice. Clients should confer with their qualified legal, tax and accounting advisors as appropriate.

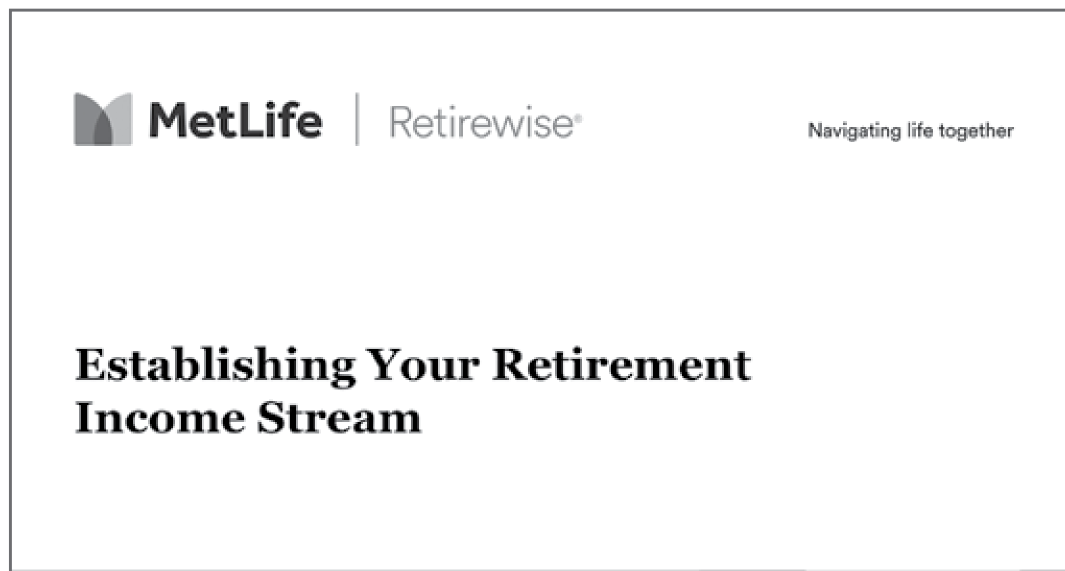
Past performance is no guarantee of future results. Diversification does not ensure a profit or guarantee against a loss.

Securities and investment advisory services are offered through qualified registered representatives of MML Investors Services, LLC, Member SIPC. MML Investors Services, LLC is not affiliated with MetLife, or its affiliated companies.

L0219512560[EXP1220][ALL STATES][DC,PR] © 2019 METLIFE SERVICES AND SOLUTIONS, LLC

SESSION 3

MetLife | Retirewise®



Slide 1

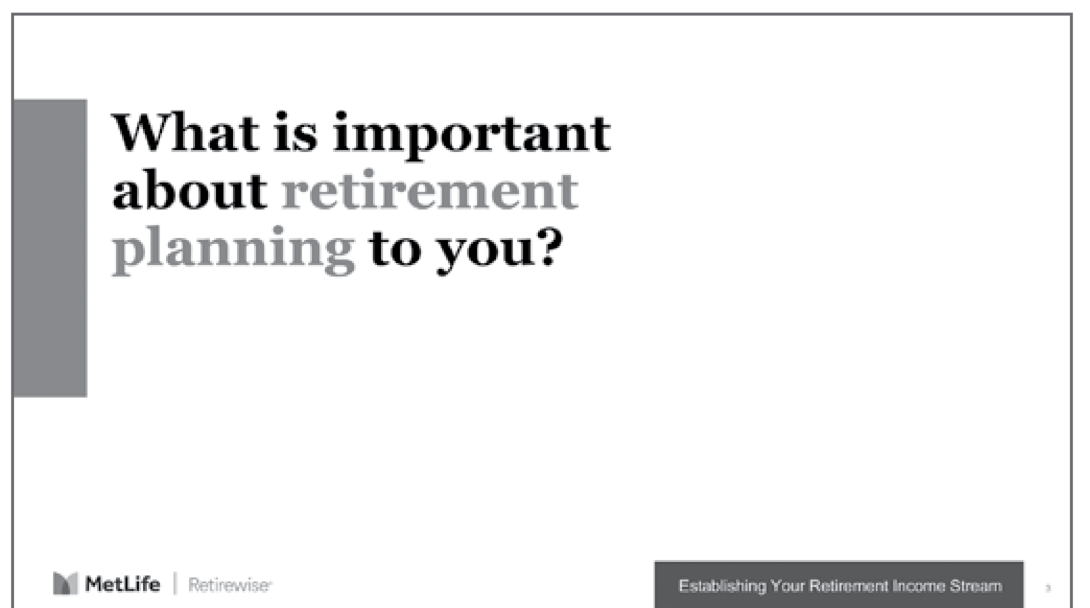
Establishing
Your Retirement
Income Stream

MetLife | Retirewise

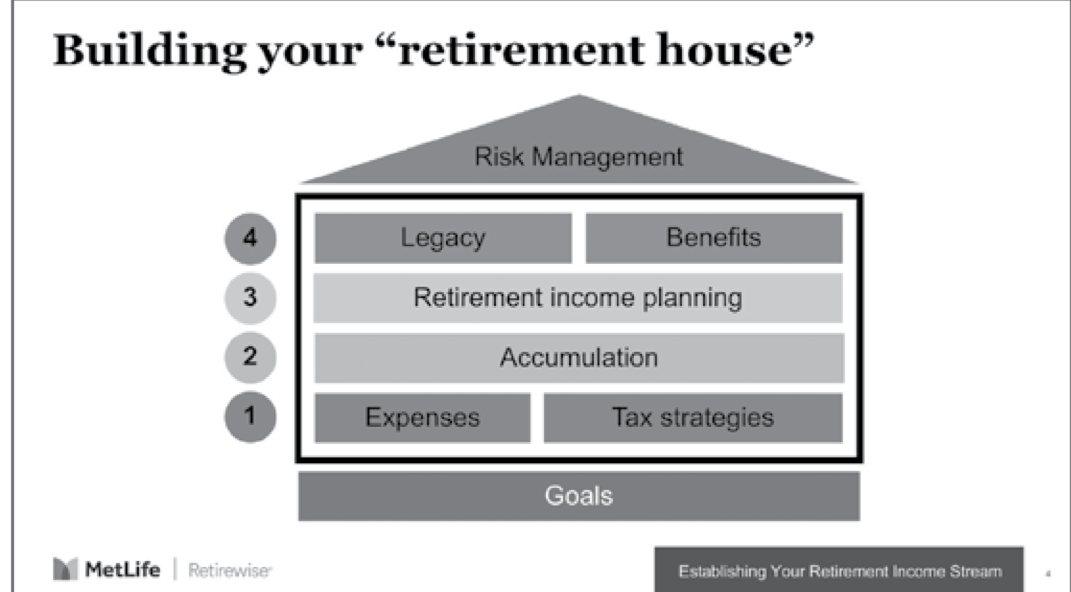
Establishi SESSION 3

Slide 2

SESSION 3



Slide 3

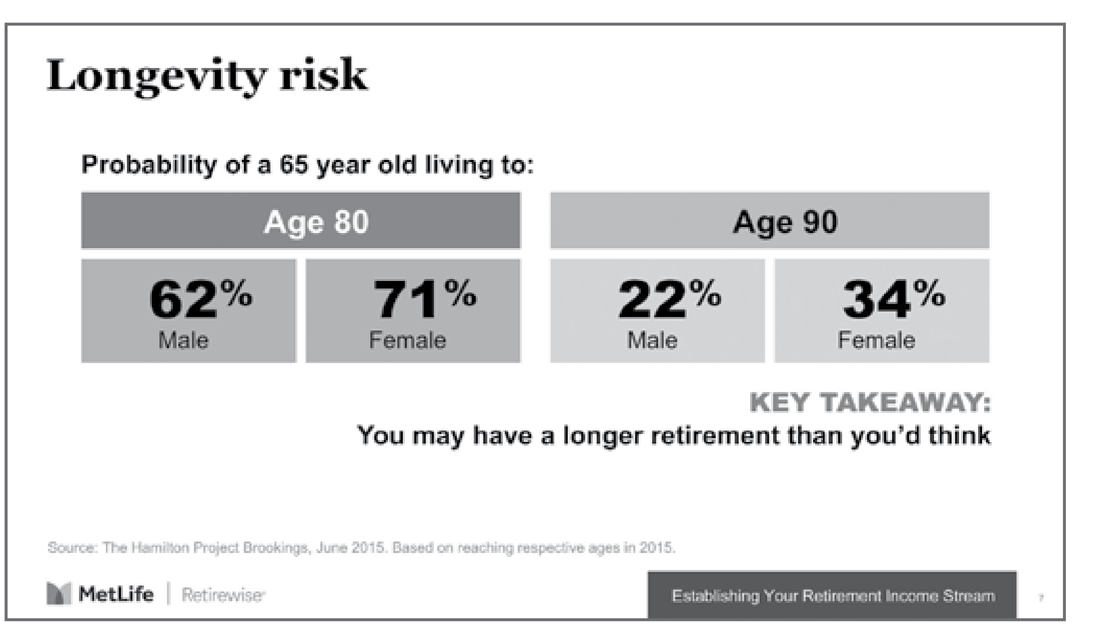


Slide 4

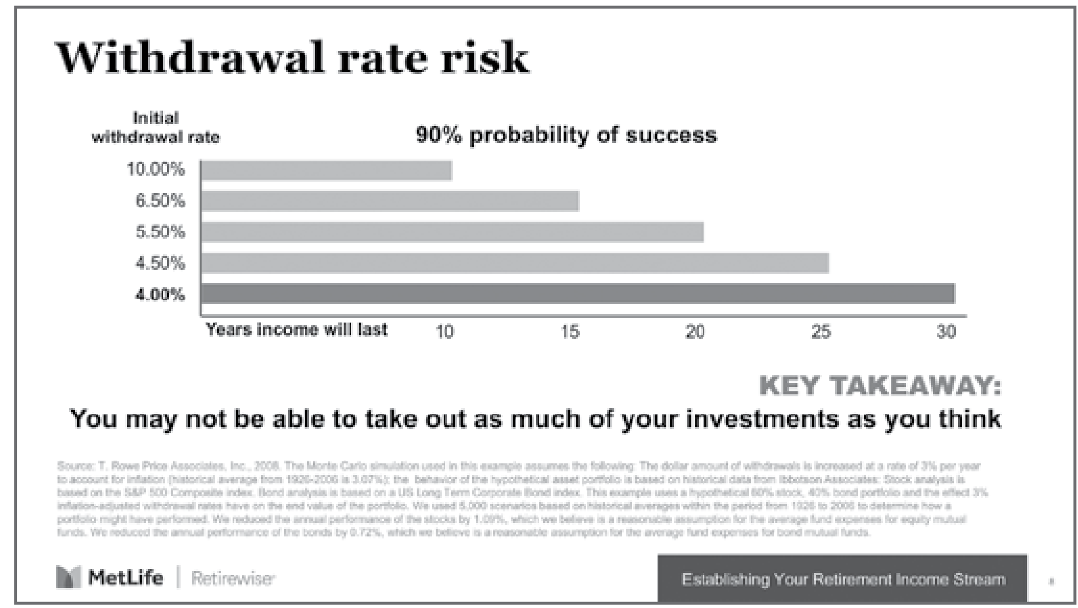
Slide 5

Slide 6

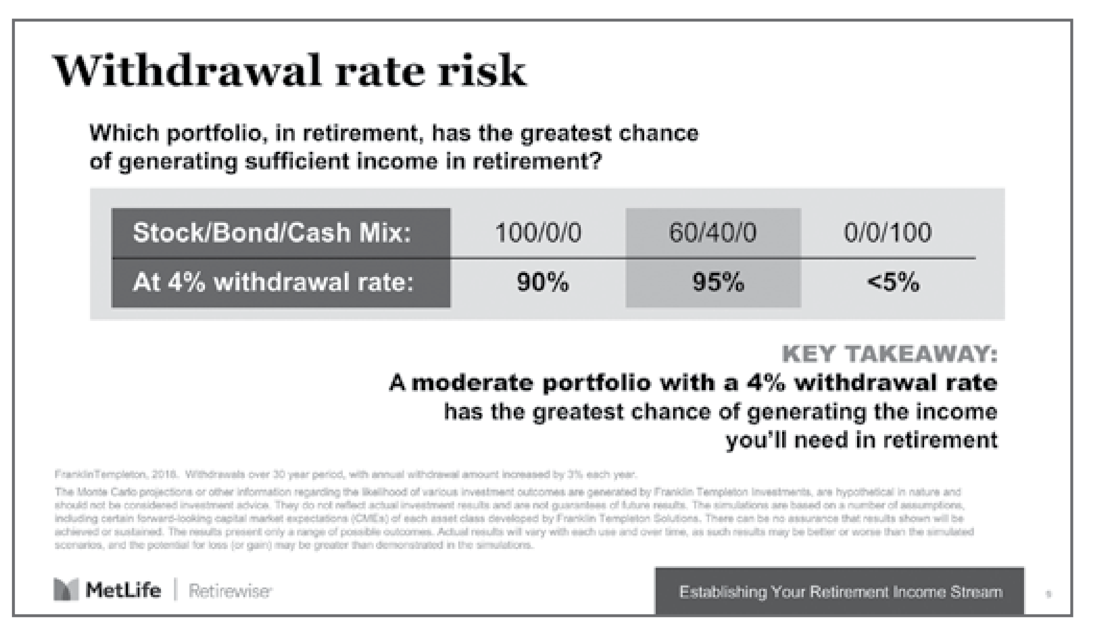
SESSION 3



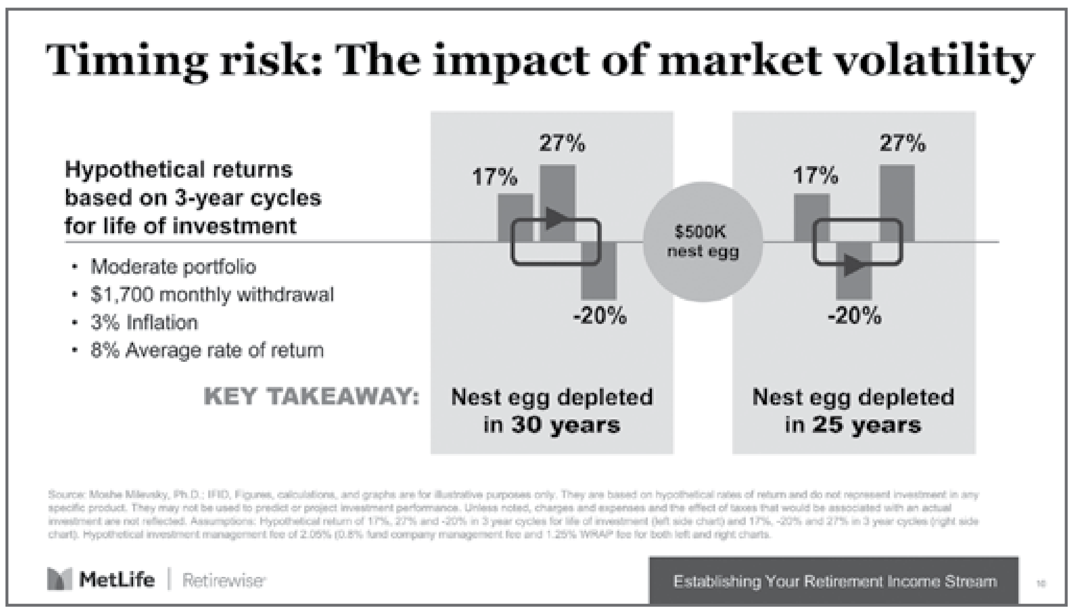
Slide 7



Slide 8

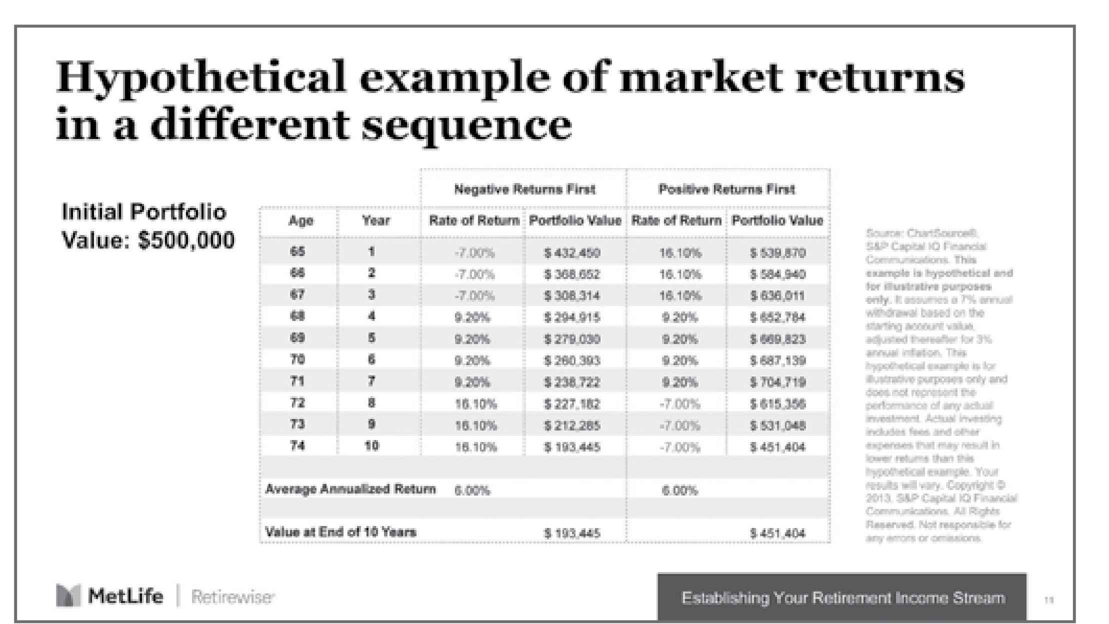


Slide 9



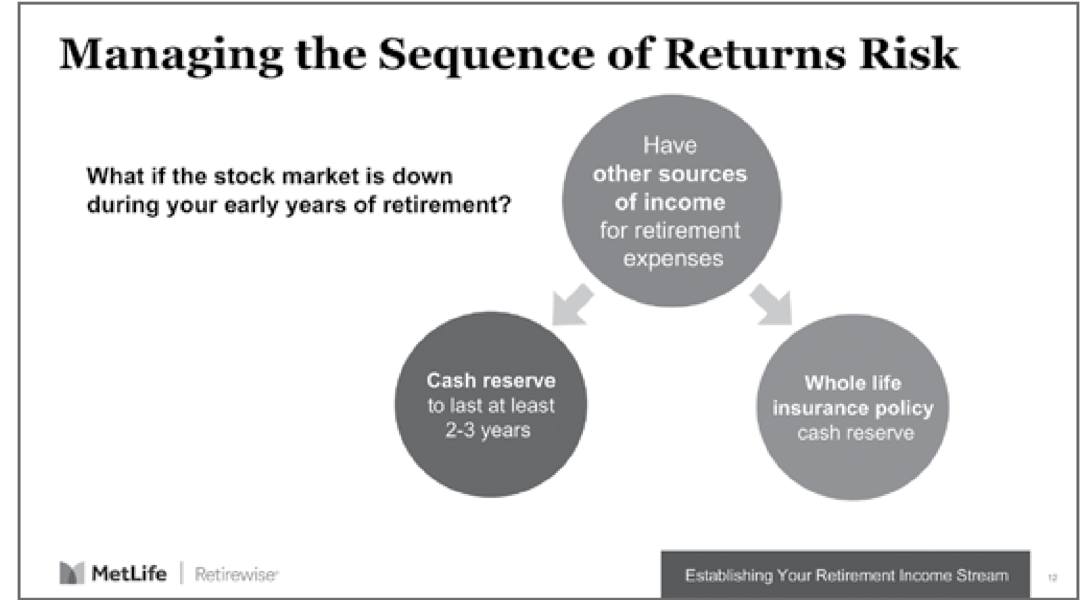
Slide 10

SESSION 3

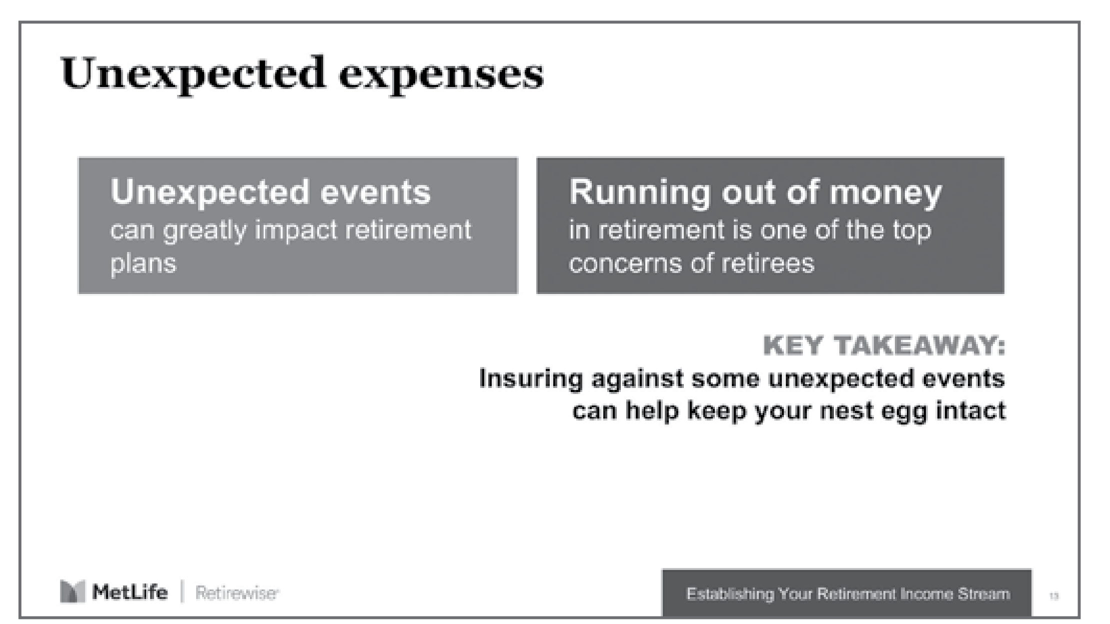


		Negative Returns First		Positive Returns First	
Age	Year	Rate of Return	Portfolio Value	Rate of Return	Portfolio Value
65	1	-7.00%	$ 432,450	16.10%	$ 539,870
66	2	-7.00%	$ 368,652	16.10%	$ 584,940
67	3	-7.00%	$ 308,314	16.10%	$ 636,011
68	4	9.20%	$ 294,915	9.20%	$ 652,784
69	5	9.20%	$ 279,030	9.20%	$ 669,823
70	6	9.20%	$ 260,393	9.20%	$ 687,139
71	7	9.20%	$ 238,722	9.20%	$ 704,719
72	8	16.10%	$ 227,182	-7.00%	$ 615,356
73	9	16.10%	$ 212,285	-7.00%	$ 531,048
74	10	16.10%	$ 193,445	-7.00%	$ 451,404
Average Annualized Return		6.00%		6.00%	
Value at End of 10 Years			$ 193,445		$ 451,404

Slide 11



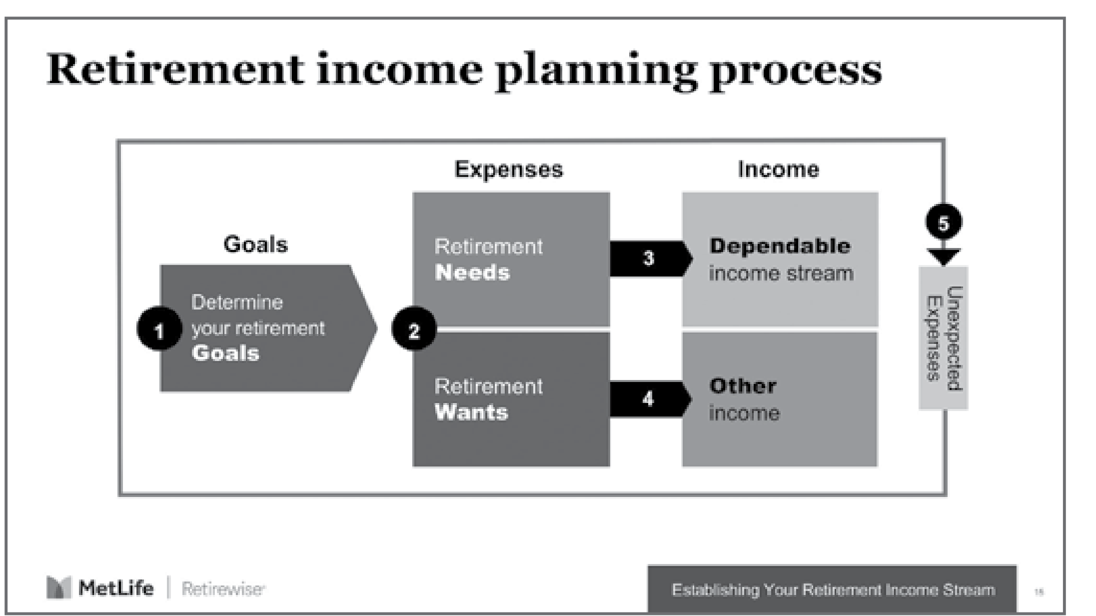
Slide 12



Slide 13

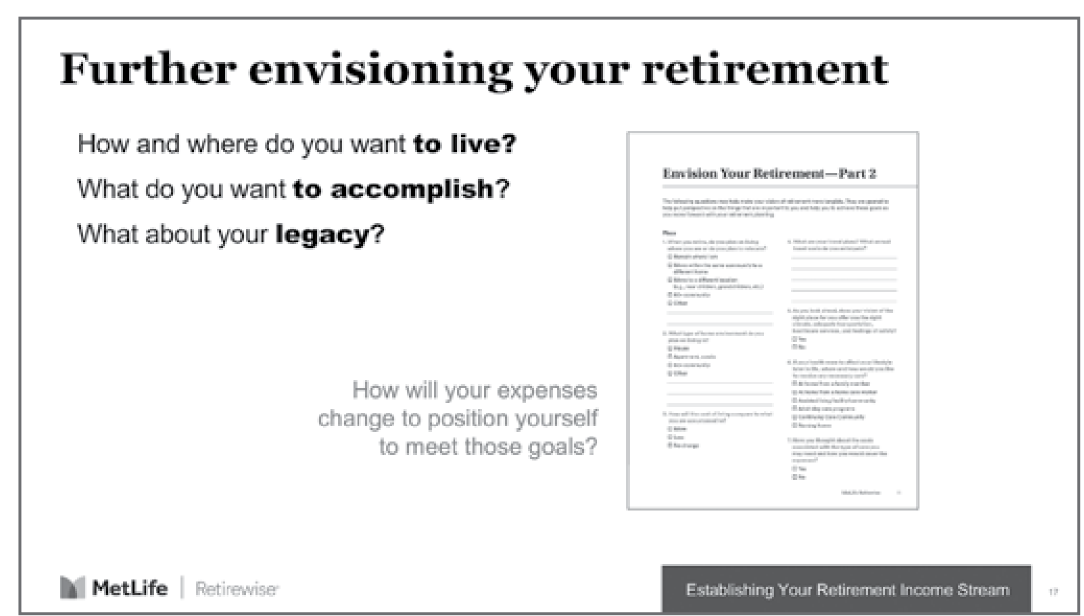
Slide 14

SESSION 3



Slide 15

Slide 16



Slide 17

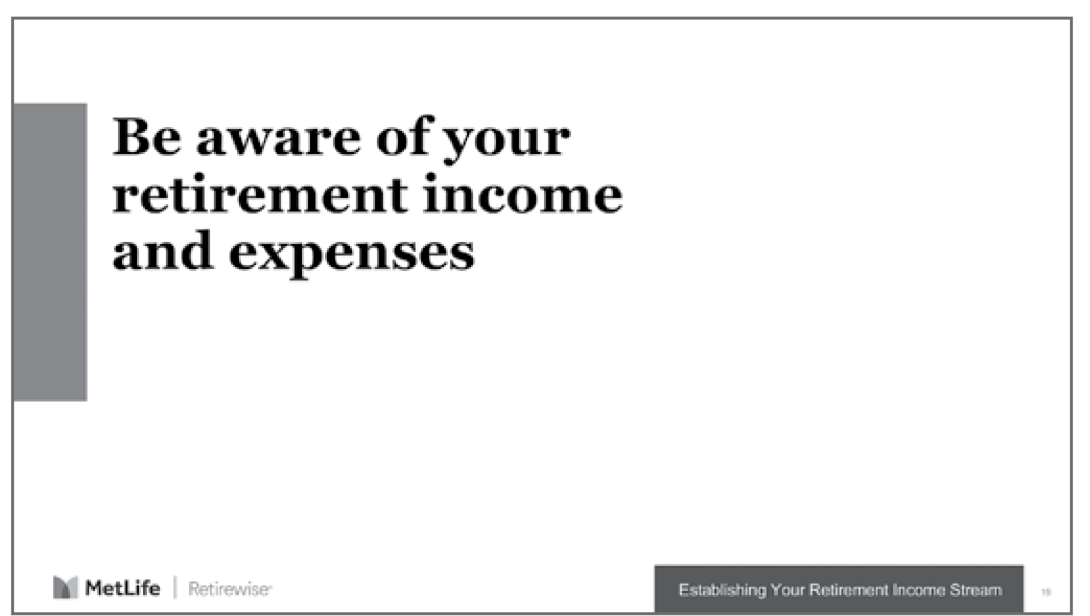
Budget exercise

MetLife | Retirewise

Establishing Your Retirement Income Stream

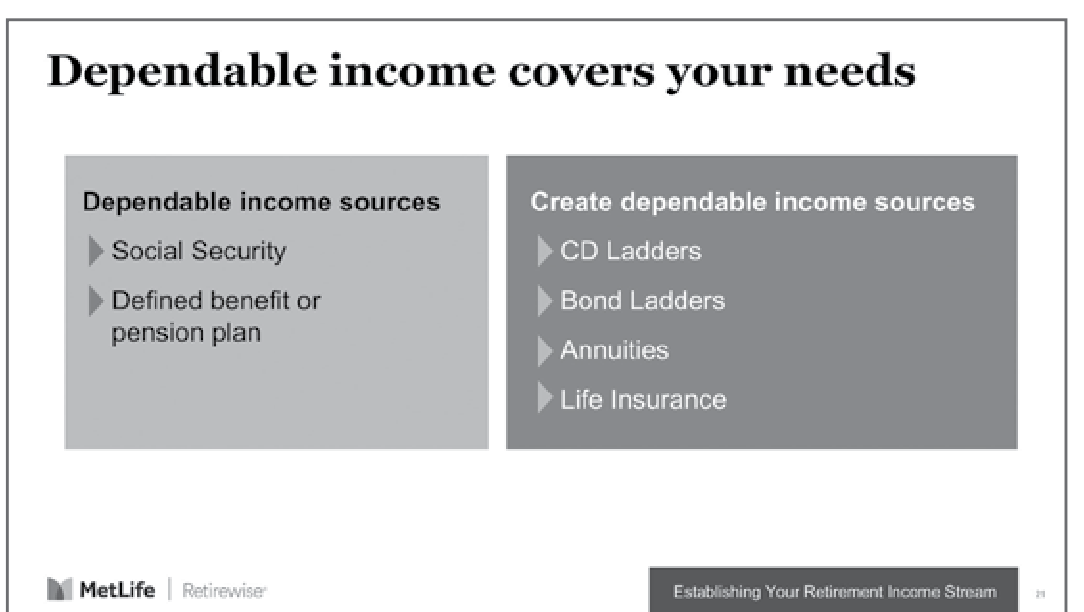
Slide 18

SESSION 3



Slide 19

Slide 20



Slide 21

Social Security: The traditional guaranteed income source

- Benefits are based on your earnings
- All covered workers will receive guaranteed payments for life depending on what age they choose to retire
- Benefits can begin at age 62 but will be at a reduced level
- For 2019, there will be a cost of living adjustment (COLA) of 2.8%

KEY TAKEAWAY:
If you delay taking benefits until your "normal retirement age" or even later, you can receive higher payments

Source: Social Security Administration, 2019

MetLife | Retirewise

Establishing Your Retirement Income Stream

Slide 22

SESSION 3

Start collecting Social Security at 62 — or wait?

Your Estimated Benefits

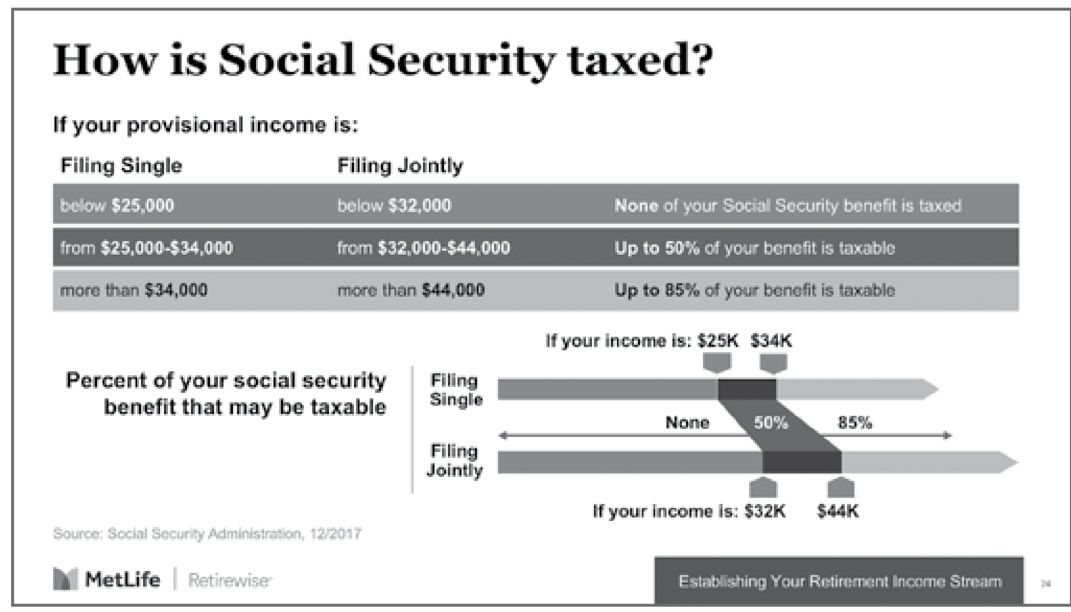
*Retirement — You have earned enough credits to qualify for benefits. At your current earnings rate, if you stop working and start receiving benefits…
At age 62, your payment would be about .... $ 1,064 a month
If you continue working until…
your full retirement age (67 years), your payment would be about .... $ 1,543 a month
age 70, your payment would be about .... $ 1,924 a month

By starting at age 62	$ 1,064
Benefit at full retirement age of 67	$ 1,543
By waiting to age 70	$ 1,924

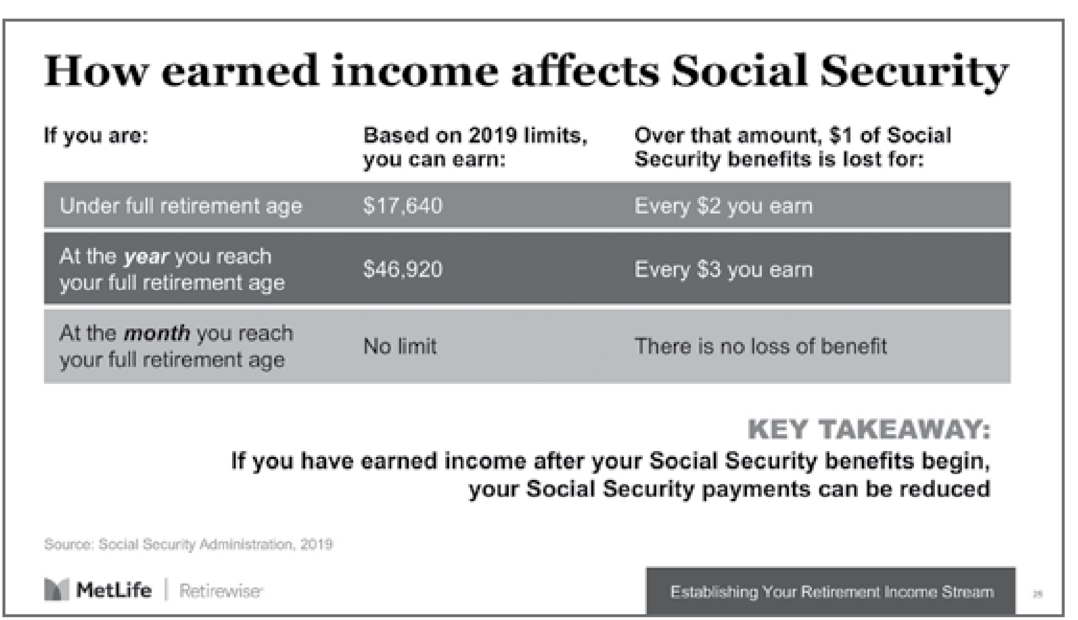
KEY TAKEAWAY:
By delaying your payments for 8 years, you would receive an extra $860 dollars monthly for the rest of your life

MetLife | Retirewise — Establishing Your Retirement Income Stream

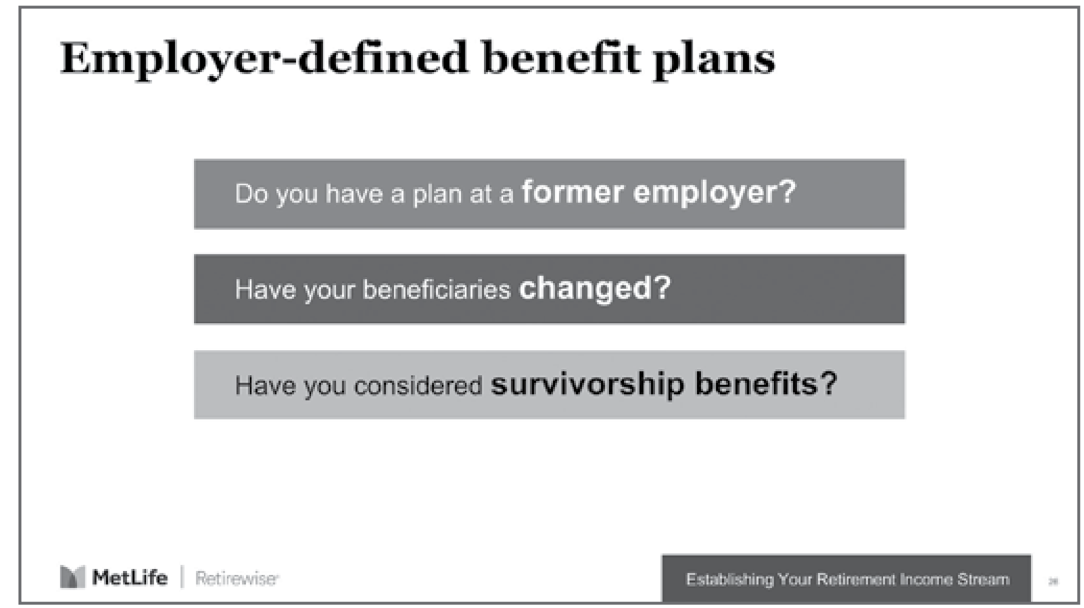
Slide 23



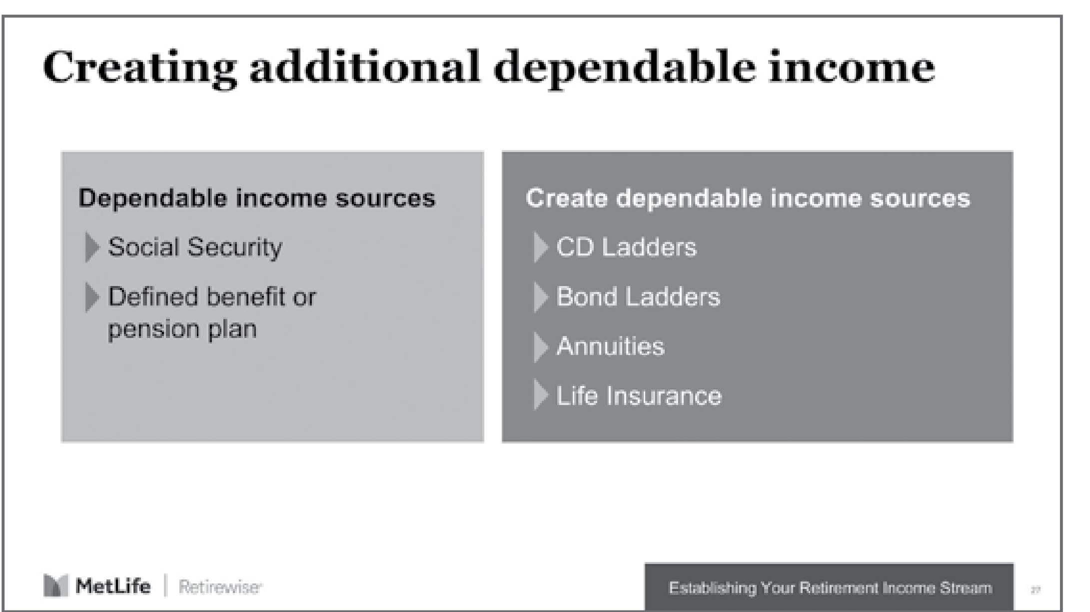
Slide 24



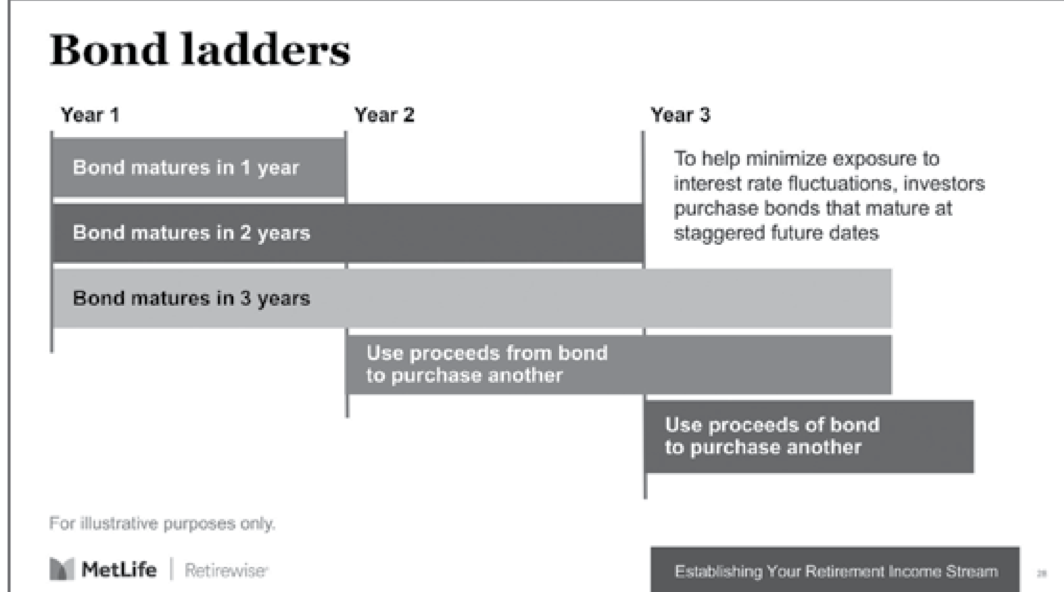
Slide 25



Slide 26



Slide 27



Slide 28

Using annuities to create dependable income

Annuity — A tax-deferred contract sold by an insurance company that can provide an income for a specified time period, such as a number of years or for life

Annuities are a way to provide guaranteed lifetime income

Two types of annuities: Immediate, Deferred

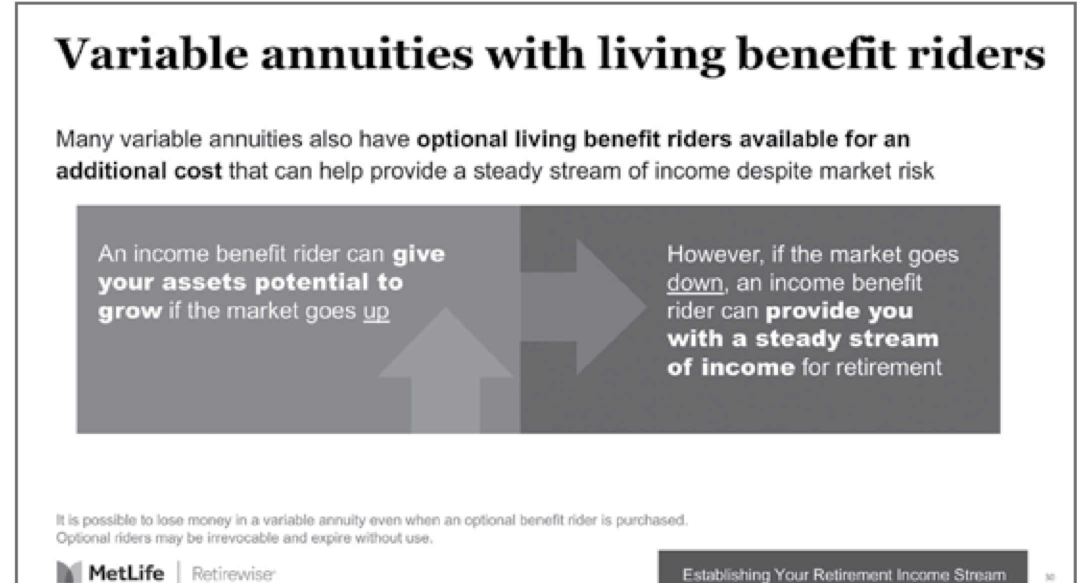
Two types of annuity returns: Fixed, Variable

Guarantees are based on the financial strength and claims-paying ability of the issuing insurance company.

MetLife | Retirewise

Establishing Your Retirement Income Stream

Slide 29



Slide 30

SESSION 3

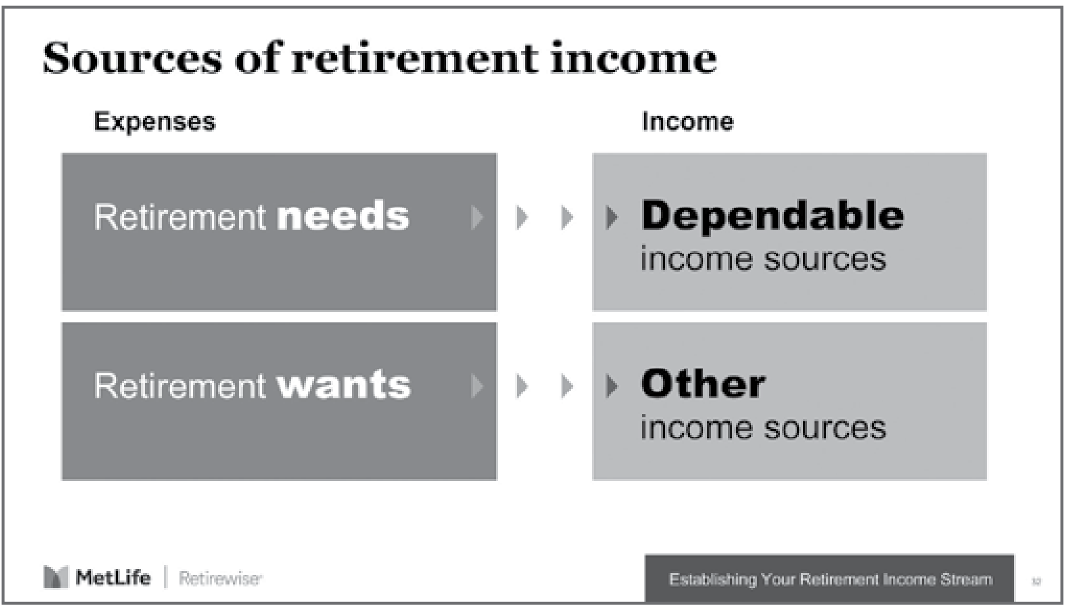
Variable annuities are offered by prospectus only, which is available from your registered representative. You should carefully consider the product's features, risks, charges and expenses, and the investment objectives, risks and policies of the underlying portfolios, as well other information about the underlying funding choices. This and other information is available in the prospectus, which you should read carefully before investing. Product availability and features may vary by state. All product guarantees are based on the financial strength and claims-paying ability of the issuing insurance company.

The amounts allocated to the variable investment options of your account balance are subject to market fluctuations so that, when withdrawn or annuitized, it may be worth more or less than its original value. It is possible to lose money in a variable annuity even with a protection benefit rider. Optional riders may be irrevocable and expire without use.

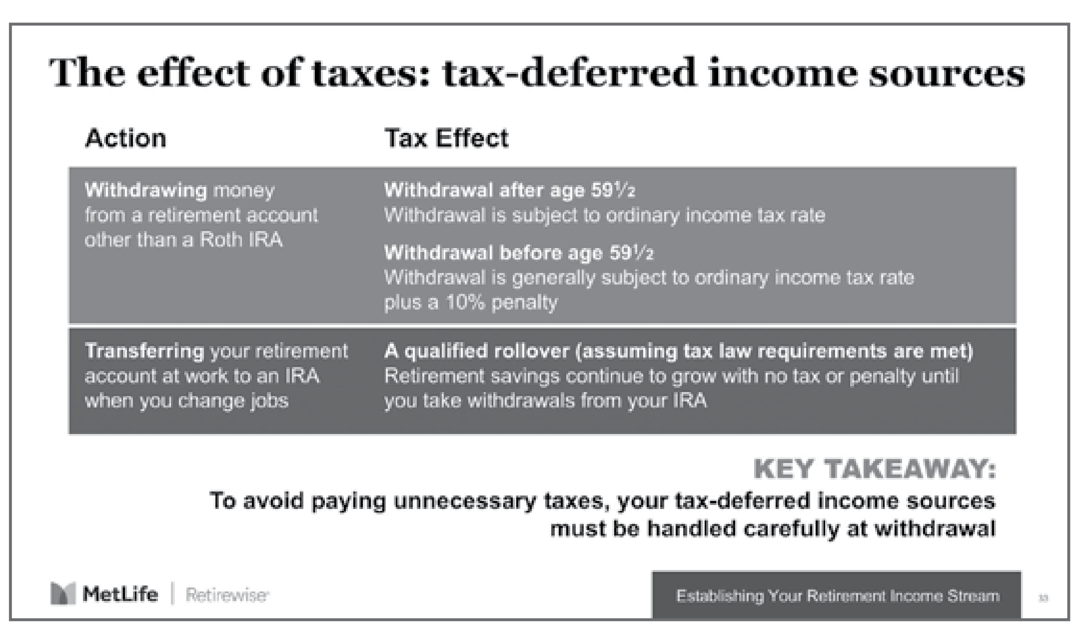
MetLife | Retirewise

Establishing Your Retirement Income Stream

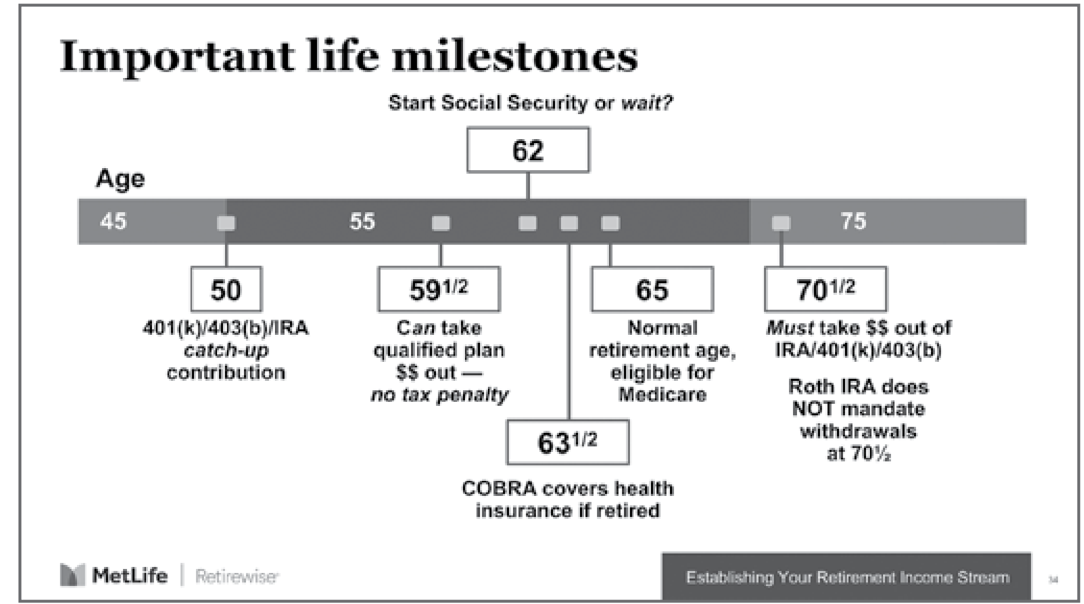
Slide 31



Slide 32



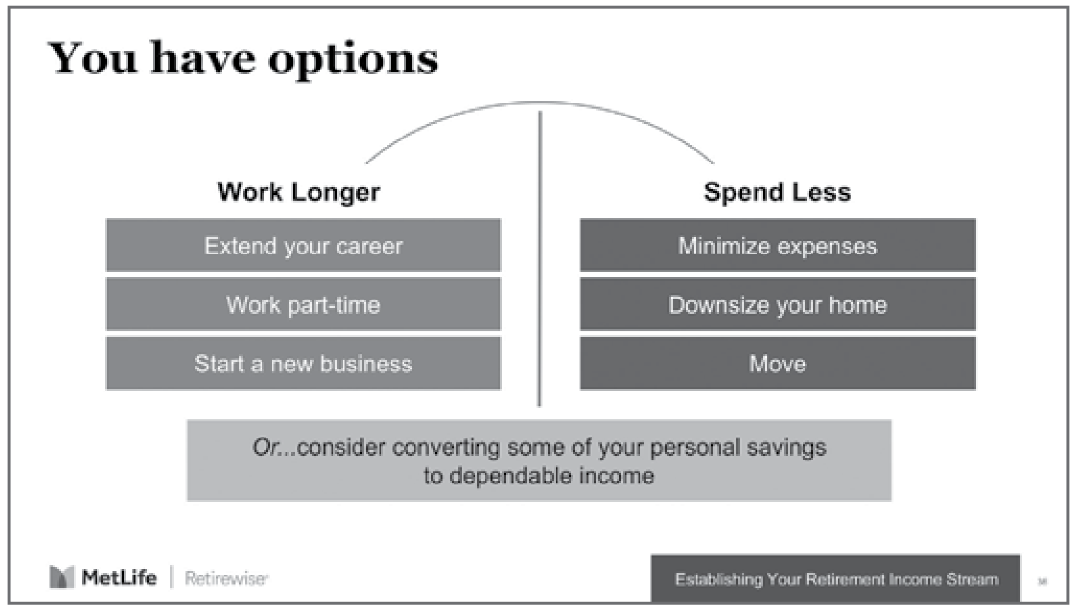
Slide 33



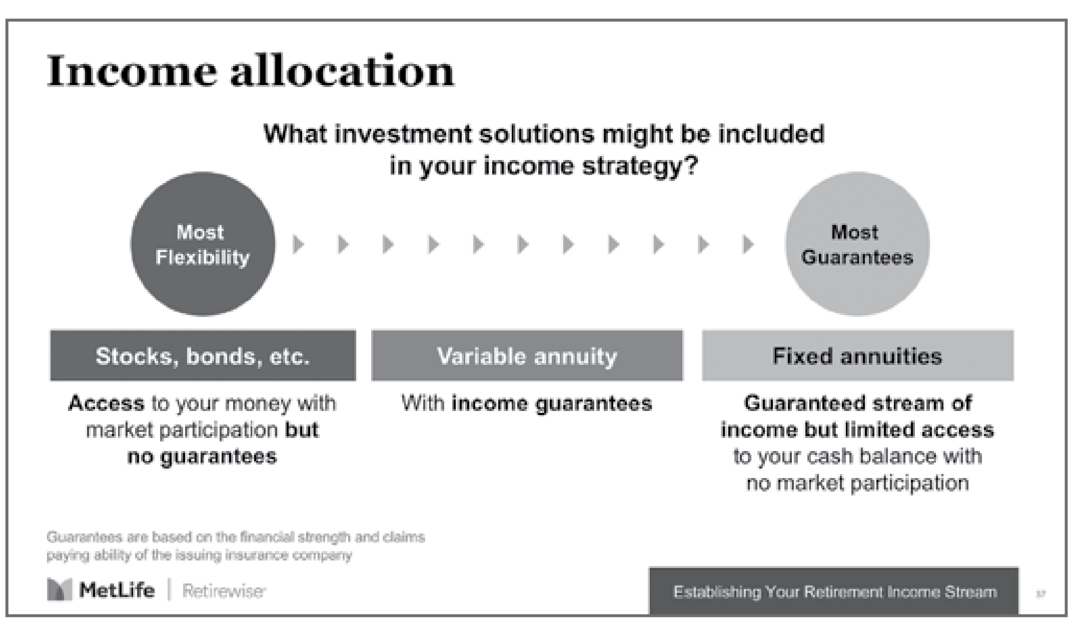
Slide 34

SESSION 3

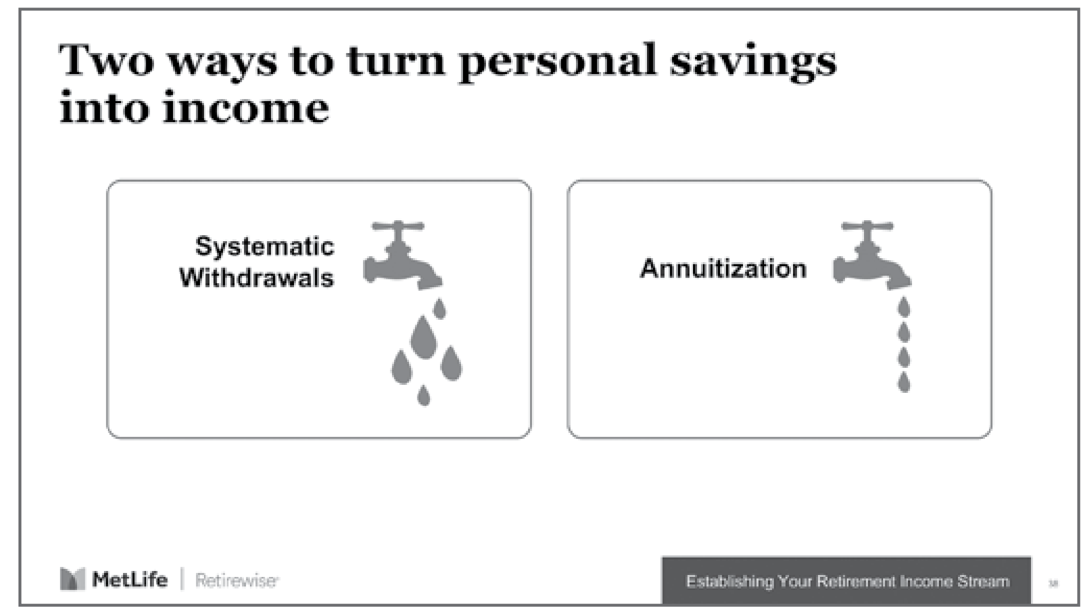
Slide 35



Slide 36

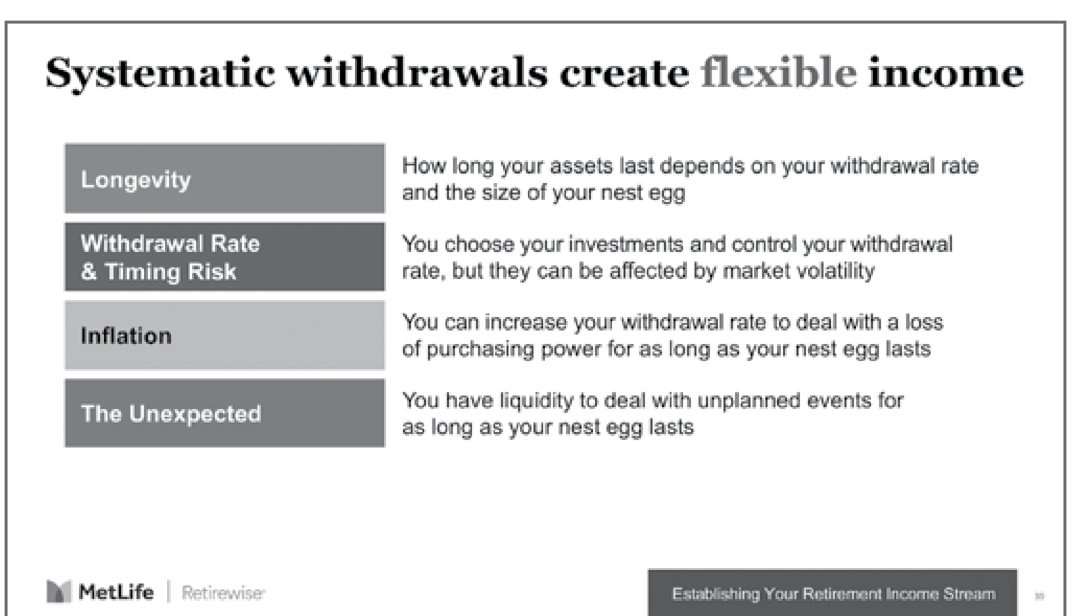


Slide 37



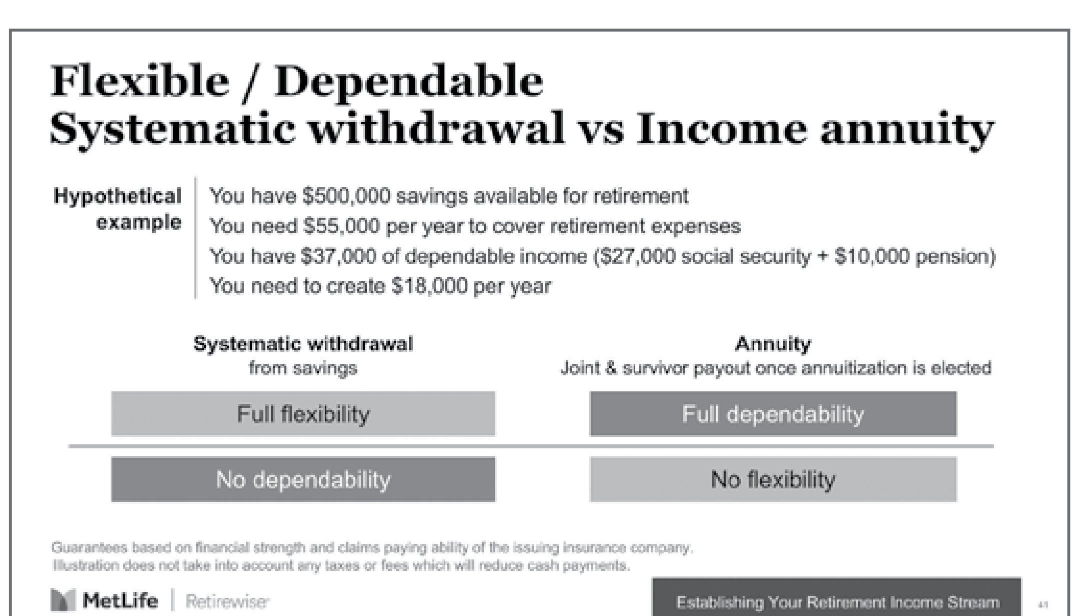
Slide 38

SESSION 3

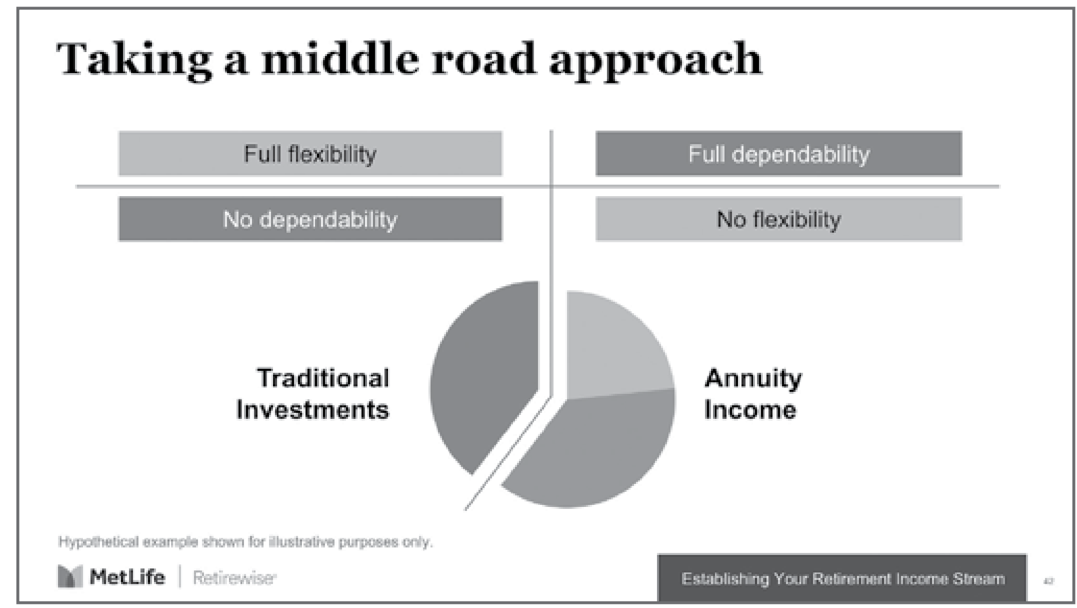


Slide 39

Slide 40

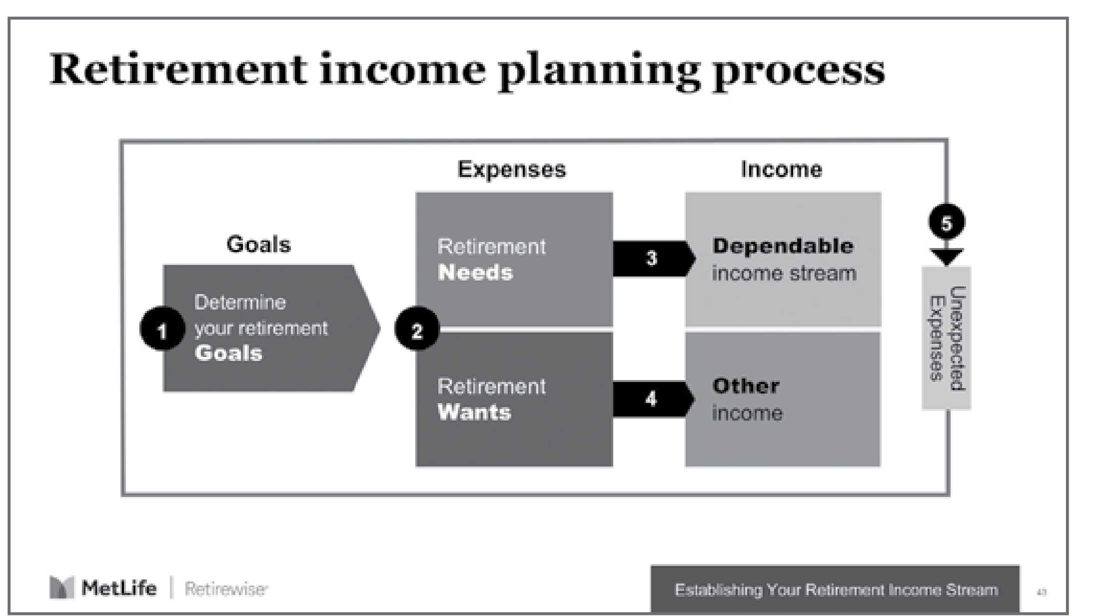


Slide 41



Slide 42

SESSION 3



Slide 43

Today's key learnings:

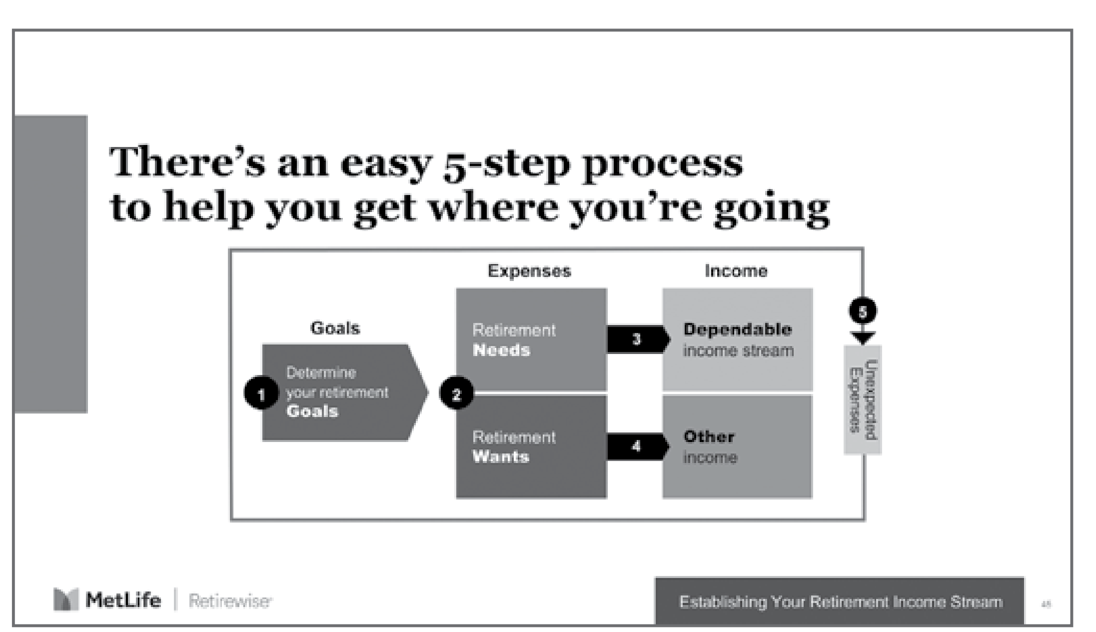
Your needs should be covered by income sources that last a lifetime.

Your income allocation will help you cover both your needs and wants.

MetLife | Retirewise

Establishing Your Retirement Income Stream

Slide 44



Slide 45

MetLife administers the Retirewise program, but has arranged for Massachusetts Mutual Life Insurance Company (MassMutual) to have specially-trained financial professionals offer financial education and, upon request, provide personal guidance to employees and former employees of companies providing Retirewise through MetLife.

Any discussion of taxes is for general informational purposes only, does not purport to be complete or cover every situation, and should not be construed as legal, tax or accounting advice. Clients should confer with their qualified legal, tax and accounting advisors as appropriate.

Most insurance policies and annuity contracts contain exclusions, limitations, reduction of benefits, surrender charges and terms for keeping them in force. If they turn out to be a good solution for you, the representative can provide you with costs and complete details.

Guarantees are based on the financial strength and claims-paying ability of the issuing insurance company.

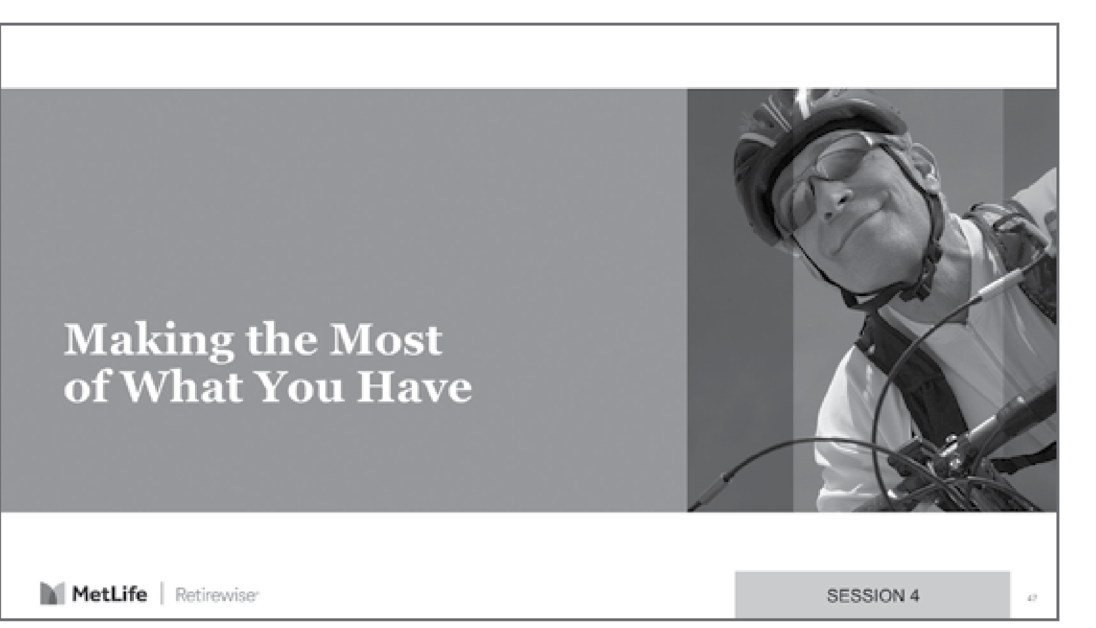
Securities and investment advisory services are offered through qualified registered representatives of MML Investors Services, LLC, Member SIPC. MML Investors Services, LLC is not affiliated with MetLife, or its affiliated companies.

MetLife | Retirewise

Establishing Your Retirement Income Stream

Slide 46

SESSION 3



Slide 47

L0319512937[exp1220][All States][DC,PR]

Session 3: Contents

Introduction	163
What is your fragile risk zone?	164
Understanding Your Risks: Sequence of Returns	165
Calling It Quits	166
Pension Payout Options	167
Understanding Your Defined Contribution Plan Choices	168
How does an income annuity work?	170
Make the most of your income with income annuities	173
Income Annuity Myths vs. Realities	174
Annuitization Payout Options	175
Rating Annuity Providers	176
Where will my retirement income come from?	177
Overview of Social Security Benefits	178
How are my social security benefits taxed?	180
What's my full retirement age?	181
Understanding Your Social Security Statement	182
Social Security: Where You Stand	184
The Benefits of Waiting	184
Social Security Benefits Tips	185
Social Security and Earned Income	186
Identifying Sources of Retirement Income	187
Matching Sources of Retirement Income with Expenses	188
Happy Legislative Birthday! Age 59½	190
Substantially Equal Periodic Payments	191
Happy Legislative Birthday! Age 70½	192
Do you have a retirement income gap?	193

Session 3: Establishing Your Retirement Income Stream

Introduction

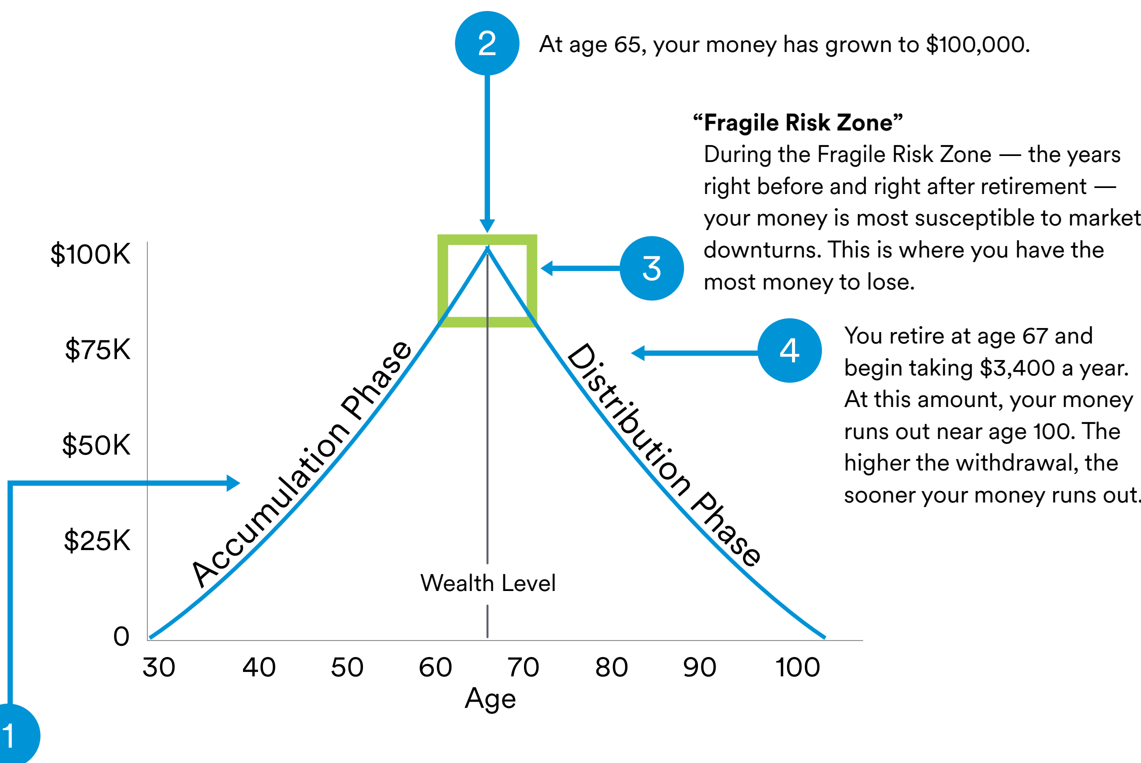
Now that we've envisioned how we would like our retirement to look and learned about some of the investments that can help us accumulate a nest egg to get us there, we're going to learn how to spend it. But we need to know how to spend it the right way — not too little and not too much — to reach the level of income we'll need each year in retirement. As we've seen, today's retirement can last 30 years or more. Making your income last can at first seem like a daunting task. However, with a sensible and efficient withdrawal strategy on your side, it's far from impossible.

Planning for retirement income is a process and this session will walk you through the process we began in the last session, one step at a time.

Having income to last as long as your retirement is not as complicated a proposition as it seems. And, of course, MetLife will be here to help you along the way if you need it.

What is your fragile risk zone?

Lifetime Wealth Cycle



Starting at age 30, you invest $2,400 a year and receive a return of 1% (assuming an average 4% return less an average inflation rate of 3%).

This example is hypothetical and is for illustrative purposes only. It is not meant to represent the performance of any particular investment. Results shown are before tax; therefore, they do not reflect the effect of taxes.

Understanding Your Risks: Sequence of Returns

Here's a hypothetical example of how market returns in a different sequence could affect how long your income lasts.

Hypothetical example. For illustrative purposes only.

Two market scenarios. Same average return. Very different outcomes.

- Both times, you start out with $250,000
- Withdrawals of $12,500 per year
- Average annual rate of return for both 10-year periods is 3.7%

Negative Returns Later On

End of Year	Rate of Return	Withdrawals	Account Value at End of Year
			$250,000
1	24%	$12,500	$294,500
2	20%	$12,500	$338,400
3	16%	$12,500	$378,044
4	12%	$12,500	$409,409
5	8%	$12,500	$428,662
6	4%	$12,500	$432,809
7	0%	$12,500	$420,309
8	–8%	$12,500	$375,184
9	–10%	$12,500	$326,415
10	–20%	$12,500	$251,132
Average Annual Rate of Return:	**3.7%**		

Negative Returns Early On

End of Year	Rate of Return	Withdrawals	Account Value at End of Year
			$250,000
1	–20%	$12,500	$190,000
2	–10%	$12,500	$159,750
3	–8%	$12,500	$135,470
4	0%	$12,500	$122,970
5	4%	$12,500	$114,889
6	8%	$12,500	$110,580
7	12%	$12,500	$109,849
8	16%	$12,500	$112,925
9	20%	$12,500	$120,510
10	24%	$12,500	$133,933
Average Annual Rate of Return:	**3.7%**		

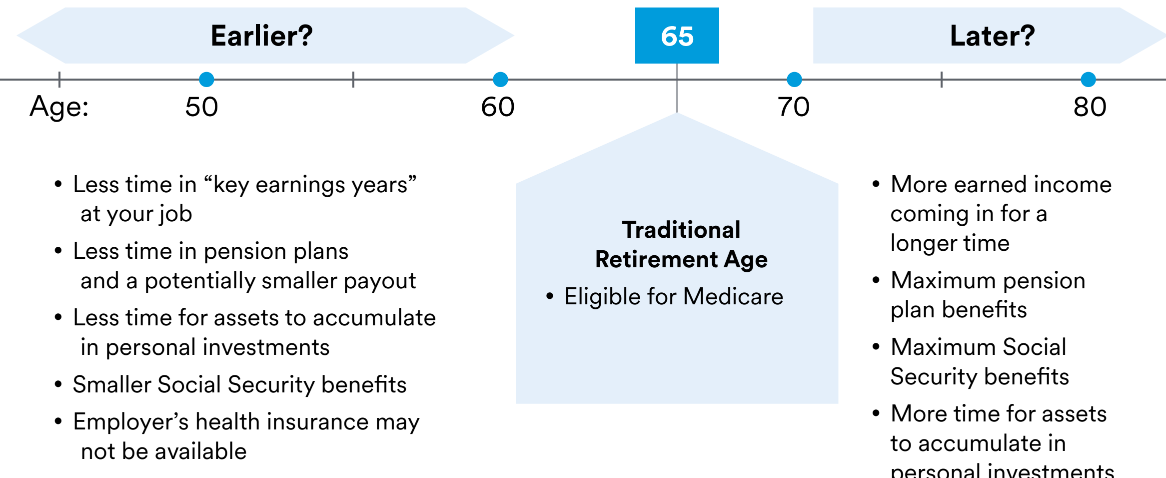
These examples are hypothetical and are for illustrative purposes only. They are not meant to represent the performance of any particular investment. These examples are meant to demonstrate the impact of the sequence of returns, assuming annual withdrawals of $12,500 (initially 5% of the account value). Withdrawals are taken before the rate of return is calculated. Results shown are before tax; therefore, they do not reflect the effect of taxes.

In both scenarios, on a before-tax basis, your average annual return is 3.7%. However, at the end of year 10, the portfolio with negative returns early on has just over half as much as the other portfolio!

Calling It Quits

When you think about your ideal time to retire, you may automatically think age 65. Since the establishment of Social Security in the 1930s, it's been the landmark age for many Americans when they think about retirement. However, as retirements are lasting longer than ever, there are several factors to consider when choosing the year of your retirement date.

Factors to Consider When Choosing the Year of Your Retirement



Traditional Retirement Age represented may not be the normal retirement age for many Baby Boomers (who need to wait as late as age 67 to receive full Social Security benefits).

Pension Payout Options

As mentioned in Session 1, pension plans are becoming less common today. However, if your employer does offer one, this section may be of assistance to you when deciding your payout. Most defined benefit pension plans base the payment on years of service, salary over the course of employment and your final salary. While your employer's defined benefit plan determines how much you'll receive, you may have some control over how you receive the money. In most cases, you can either take a lump sum distribution to invest as you wish, or convert your pension assets to an income stream that can provide income for both you and your spouse. If you take a lump sum payment, many people roll it into an IRA to keep assets growing tax deferred. The chart below shows some questions to ask yourself if you're deciding what to do with your pension payout, potentially the biggest check you'll ever receive. This is by no means a comprehensive list of considerations, but just a way to begin to guide your thought process.

Do I take payments from the plan?

Should I take the lump sum?

Should I roll the lump sum into an IRA?

Should I take payments?

- Do I need a source of guaranteed income for life?
- Does longevity run in my family?
- Is your former employer financially stable? Is there a chance they could default on their payments?
- Am I in a better position to pay taxes now instead of later?
- Do I want to provide lifetime income for my spouse?
- Do I know my distribution options and how they'll affect my payments?

You're not done yet

If you choose to take payments, you have to choose your distribution option

- Do I want my spouse to continue to receive payments after my death?
- If so, what percentage of my benefit do I want him/her to receive?
- How big a reduction of current benefits am I comfortable with in order to provide my spouse with income later?
- Are there other ways I can ensure my spouse will have survivor income?

Should I take the lump sum or roll it into an IRA?

- Am I comfortable investing a large sum of money?
- Do I want more access to my assets? Or less?
- Do I have current needs that must be met?
- Is there a way I can generate more income from assets by investing it myself?
- Do I have employer stock in my plan?

I'll take the lump sum and invest in a taxable account

- Do I realize the tax implication if I'm under age 59½?
- Have I factored in the 20% with-holding when calculating the amount I'll receive?

I'll roll the money into an IRA

You're not done yet

Traditional IRA or Roth IRA?

- Am I in a better position to pay taxes now or later?
- Do I understand how a Roth IRA works and its conditions?

SESSION 3

Understanding Your Defined Contribution Plan Choices

Many people have been accumulating assets for years by participating in their employer's 401(k), 403(b) or other retirement plan. When you're ready to leave your employer for a new career opportunity or retirement, you have an important financial decision to make.

You can either:

- Leave your money in your employer's plan
- Take your savings in a lump sum and pay taxes and possibly penalties
- Take your savings in a check and roll it into an IRA or another retirement plan within 60 days
- Directly transfer your retirement savings into an IRA or another employer retirement plan

Distribution Option	Benefits	Investment Choices	Items to Consider	Tax Considerations
Leave Money in Previous Employer's Plan or Roll Over into a New Employer Plan	• Employer plan may have loan provisions • May provide for life insurance	• Limited to those offered by the plan • May have employer stock	• Not all qualified plans accept a rollover • Distributions from qualified plans are required to begin April 1 of the calendar year following the later of your attaining age 701/2 or the calendar year you retire	• No mandatory 20% federal income tax withholding if you leave the money in previous employer plan or roll over into a new employer plan, but only if it's a direct rollover. If you receive money and then roll it over within 60 days, the mandatory withholding will apply. • No 10% federal tax penalty on premature distributions • Money in qualified plan grows tax deferred
Take Retirement Savings in a Lump Sum	• Immediate access to your money	• Spend your money any way you'd like	• Lose benefits of tax deferral • Possible 10% federal income tax penalty if under age 59½ • Reduced growth or income potential • Rollover to an IRA or qualified plan is generally only available during the first 60 days after distribution	• Immediate taxes due on your distribution • Mandatory 20% federal income tax withholding • Earnings on your money taxed each year (unless you invest in tax-free or tax-deferred investments) • Future annual earnings on this money will be added to your other income, possibly raising your income tax bracket
Direct Transfer to an IRA or Employer Plan	• Provides control over money • Employer plan — if it accepts a rollover or transfer, it may provide loans or employer stocks	• Wide range of choices in an IRA including stocks, mutual funds, bonds, annuities, CDs • In employer plan, limited to what employer offers but may include employer stock	• Must start taking Required Minimum Distributions from IRAs by April 1 of the year following the year you turn age 70½. Roth IRAs are the exception as they have no such Required Minimum Distributions. • Distributions from qualified plans are generally required to begin April 1 of the calendar year following the later of your attaining age 701/2 or the calendar year you retire	• No mandatory 20% withholding • No 10% federal income tax penalty on premature distributions • Maintain tax deferral

SESSION 3

How does an income annuity work?

Purchasing an income annuity is like buying a monthly pension check. Income annuities are immediate annuities that are purchased from the issuing insurance company with a single lump sum payment in exchange for a guaranteed income stream. The monthly payments start immediately — usually within 30 days of making the purchase payment. Immediate income annuities shouldn't be confused with deferred annuities. A deferred annuity is a retirement savings vehicle in which income payments are deferred until some later date. By contrast, an income annuity is a way to convert at least a portion of your retirement funds into a steady income that lasts as long as you do. When you receive income payments from an immediate annuity, a portion of each payment is considered a tax-free withdrawal of premium; the portion attributable to earnings is taxed. Return of premiums only relates to a non-qualified annuity. There are three types of income annuities:

Type	Advantage	Consideration
Fixed Income Annuity	Guaranteed lifetime income with pension-like level payments	Doesn't keep pace with inflation
Variable Income Annuity	Guaranteed lifetime income with growth potential to help keep pace with inflation	Payments fluctuate based upon performance of underlying investments
Deferred Income	Guaranteed lifetime income with pension-like level payments that may increase if life expectancies continue to improve — providing a form of "longevity insurance." May also offer adeath benefit if you die before taking income.	May not keep pace with inflation if life expectancies do not adjust

Note: Deferred Income Annuities have an account value as opposed to Fixed and Variable Income Annuities that do not.

The following examples are hypothetical and are not based upon any particular product.

Joe, a recent 65-year-old retiree, discovers he has a retirement income gap of $600 per month.

Joe takes $100,000 of his savings and expects to earn 8% per year, less 4% for inflation. Taking inflation into account, he expects an adjusted rate of return of 4% per year and finds he can plan to withdraw an inflation-adjusted $602 per month — enough to cover his income gap for 20 years. However, after 20 years, his savings will be depleted. What can he do?

Joe has a couple of choices. He could reduce his monthly income to make his savings last longer, but that would mean compromising his lifestyle. Another option is to use this $100,000 to purchase an annuity.

With a fixed income annuity's life-only annuitization option under the assumed annuity factors below, based on his age and other factors on the date of purchase, Joe would receive $631 per month — no matter how long his retirement lasts.

This example helps illustrate the benefits of guaranteed lifetime income.*

Joe's Options

Income Duration	Monthly Income	Probability of Outliving Income
20 years	$602	50%
30 years	$473	14%
40 years	$414	1%
Fixed Immediate Annuity	$631	0%

*Assumes standard mortality projections and 4% interest rate. Payments commence one month after contract date.

Examples shown are for illustrative purposes only. Income payment amounts illustrated here are not guaranteed. Actual monthly income amounts would be determined based on an insurer's current annuity purchase rates when a purchase payment was actually received.

These examples are hypothetical and are not based upon any particular product or MetLife product.

Alex and Ben both retired the same year from the same company at age 65. Each used the $100,000 from their retirement savings accounts to purchase annuities for monthly income.

- Alex chose to purchase a fixed income annuity and, based on his age and other factors on the date of purchase, receives $665 a month for as long as he lives. Because Alex needs his annuity income to cover his basic living expenses, he cannot risk having his payments decrease. A fixed income annuity may be a good choice for him.
- Ben, an experienced investor, was comfortable taking on some risk to achieve potentially higher returns. He chose a variable income annuity and allocated his entire purchase payment to a stock index fund option. Ben's income fluctuates each month based on the performance of his investment. But because he has other sources of income to meet his basic expenses, he is comfortable with changes in his payment levels.

How Funding Choices Affect Their Payments

Payment Year	Alex's Monthly Income 100% Fixed	Ben's Monthly Income 100% Variable Option
Year 1	$664	$605
Year 3	$664	$670
Year 5	$664	$620
Year 7	$664	$738
Year 9	$664	$823
Year 11	$664	$780

Key Assumptions:

- Income Type: Lifetime income
- Purchase Payment: $100,000
- Annuitant Age at Purchase: 65
- Pricing Basis: Annuity Mortality Table C; Variable annuity AIR: 4%; Fixed annuity interest rate: 5%; No expense load
- Assumed Net Investment Return under Immediate Variable Annuity: 7% per year for first three years, 12% per year for next six years, –9% per year for next three years

Rates are for illustrative purposes only and not guaranteed. Actual monthly income payments would be based on an insurer's current annuity purchase rates when a purchase payment is actually received.

These examples are hypothetical and are not based upon any particular product or MetLife product.

As long as payout is taken with a life income option. Refer to page 181 for life income payout option descriptions.

Variable annuities are offered by prospectus only, which is available from your registered representative. You should carefully consider the product's features, risks, charges and expenses, and the investment objectives, risks and policies of the underlying portfolios, as well other information about the underlying funding choices. This and other information is available in the prospectus, which you should read carefully before investing. Product availability and features may vary by state. All product guarantees are based on the financial strength and claims-paying ability of the issuing insurance company.

The amounts allocated to the variable investment options of your account balance are subject to market fluctuations so that, when withdrawn or annuitized, it may be worth more or less than its original value. It is possible to lose money in a variable annuity even with a protection benefit rider. Optional riders may be irrevocable and expire without use.

Make the most of your income with income annuities

When planning your retirement income stream, the goal is to have the greatest amount of inflation-adjusted income possible for every dollar you invest in order to live the lifestyle you want — for as long as you live. In addition to being able to live the life you want once you retire, making the most of your income also gives you more resources to address other important retirement needs. They might include general and long-term health costs or leaving a legacy for children, grandchildren or charitable interests.

Annuities are one product that can provide an income stream for life; adding an income annuity to your retirement income plan can help reduce the uncertainty of outliving your assets by providing guaranteed income to last as long as you do. This payout is taken with a life income option. This income stream can supplement Social Security and pensions to help you cover fixed or rising essential expenses.

Guarantees are based on the claims-paying ability and financial strength of the issuing insurance company.

Income Annuities Myths vs. Realities

Myth	Reality
If I die, the insurer keeps all my money	**With a life only payout this is true; however, there are income annuities with refund options.** These income annuities guarantee to pay back to the annuitant at minimum the amount invested. If the annuitant dies prior to repayment, the beneficiary receives the balance. Also, insurers offer income annuities with survivorship features (even lifetime income) that continue to pay income to a surviving spouse.
Income annuities lack liquidity	**Although some do, an increasing number of income annuities now offer liquidity for either a portion of or the entire annuitized amount.** Additionally, all of your assets should not be allocated to any one investment, including an income annuity.
Income annuities are only appropriate for older individuals	**Not all income annuity payout options provide for lifetime income. Sometimes, an individual needs to secure a specific income stream for a specific number of years.** Fixed income annuities can provide a guaranteed fixed monthly payment for a specified number of years. Additionally, some insurers offer deferred income annuities that allow an individual to deposit a lump sum today for guaranteed income payments at a specific point in the future. Some annuities allow for withdrawals if you change your mind before the selected payout option begins.

Annuitization Payout Options

When it's time to start taking payments through annuitization, you have a decision to make regarding how you want the payments structured. In most cases, there are five options that can provide guaranteed lifetime income for either one life or two. The options may include:

- **Life Only:** Lifetime income that ends at the death of the annuitant
- **Life with a Period Certain:** Lifetime income that continues for the life of the annuitant. If the annuitant dies before the end of the period certain, the beneficiary would receive the remaining number of payments
- **Joint and 100% Survivor:** Lifetime income for two that continues at the death of the first. Payments end at the death of the second person, typically a spouse.[1]
- **Joint and 50% Survivor:** Life income for two that at the death of the first continues at 50% to the second person, typically a spouse. Payments end at the death of the second person.[1]
- **Fixed Period:** Income that lasts for a guaranteed time period only, 10 years, for example

1. For qualified retirement plans and IRAs, if annuity payments are payable over the joint lives (or a period not exceeding the joint life expectancy) of you and a non-spousal beneficiary, the federal tax law may require that the payments be made over a shorter period or that payments to your beneficiary be reduced after your death. Please consult your own independent legal and tax advisor.

Rating Annuity Providers

One of the primary things to consider when choosing an annuity provider is its financial strength or what's known as the "claims-paying ability rating" as it relates to any product guarantees provided. These ratings reflect the rating agencies' opinions of the ability of the insurance company to pay its policyholder and contract holder's claims in accordance with their terms. Each agency assigns a rating to insurance companies that it evaluates, typically as a letter grade. While they act independently of each other, agencies generally focus on:

- A company's financial strength measured by its balance sheet reserves and liquidity to pay claims
- The skill and historical record of the company's investment process
- The track record of its ability to generate profits and sustain its capital

Investment Grade/Secure Credit Ratings

A.M. Best Company		Standard & Poor's		Moody's Investors Service		Fitch Ratings	
A++, A+	Superior	**AAA**	Extremely Strong	**Aaa**	Exceptional	**AAA**	Exceptionally Strong
A, A–	Excellent	**AA**	Very Strong	**Aa**	Excellent	**AA**	Very Strong
B++, B+	Good	**A**	Strong	**A**	Good	**A**	Strong
		BBB	Good	**Baa**	Adequate	**BBB**	Good
		S&P uses + and – to indicate relative position within the category		Moody's uses numerical modifiers 1, 2, and 3 to rank each rating within the category with 1 being the highest		Fitch uses + and – to indicate relative position within the category	

You can generally get an overview of many of the company ratings by contacting the company or taking a look at its website. Additionally, you can contact the rating agency.

- **A.M. Best:** 908-439-2200; www.ambest.com
- **Standard & Poor's:** 877-772-5436; www.standardandpoors.com
- **Moody's Investors Service:** 212-553-1653; www.moodys.com
- **Fitch Ratings:** 212-908-0500; www.fitchratings.com

NOTE: The rating opinion is not specific to any particular policy or contract, nor does it address the suitability of a particular policy or contract for a specific purpose or purchaser. It is not a recommendation to purchase, sell or hold a financial obligation of any issuer.

Where will my retirement income come from?

Income during retirement comes from a variety of sources. The sources generally fall into one of two categories:

Guaranteed Income Sources — provides a retirement income you can usually rely on:

- Social Security
- Employer-Sponsored Defined Benefit Plans (pension plans)
- Fixed Annuity Income*
- Veteran's Benefits

Other Income Sources — provides income that will be available, but may vary greatly with market performance or due to other variables:

- Employer-Sponsored Defined Contribution Plans (such as a 401(k))
- Earned Income (employment income)
- Unearned Income (investment-related income)
- Personal Savings
- Rental Income
- Inheritances
- Gifts
- Sale of a Business

*Certain fixed annuities provide guaranteed income. Such guarantees are subject to the financial strength and claims-paying ability of the insurer.

Overview of Social Security Benefits

Social Security is a system of social insurance benefits available to all covered workers in the United States. Begun in 1937, the Social Security system covers a wide range of social programs. The term “Social Security” refers to the benefits provided under one part of the system, known by its acronym, OASDI, or Old Age, Survivors and Disability Insurance.

OASDI benefits are funded primarily by payroll taxes paid by covered employees, employers and self-employed individuals. Both the OASDI portion of the payroll tax and the part of the tax that goes to finance Medicare are provided under the Federal Insurance Contributions Act (FICA).

Generally, the following people are entitled to receive OASDI benefits through their relationship to a covered worker:

- **Worker’s Benefits:** Provides monthly income to the covered worker
- **Spouse’s Benefits:** Provides monthly income for the spouse or former spouse of a retired or disabled worker
- **Widow(er)’s Benefits:** Provides monthly income for the surviving spouse of a deceased worker
- **Child’s Benefits:** This is monthly income for the dependent child of a deceased, disabled or retired worker. To receive benefits, the child must be under age 18, over 18 and attending elementary or high school full-time, or over 18 and disabled before 22.
- **Mother’s or Father’s Benefits:** Monthly income paid to a surviving spouse who is caring for a worker’s dependent child who is under age 16 or over age 18 but disabled before age 22. If under age 62, the spouse of a retired worker receives the same benefit.

Information summarized here regarding Social Security benefits was derived primarily from publications of the Social Security Administration (SSA) and is presented in a non-technical manner. Such information is not intended to be a complete legal interpretation of the SSA’s laws and regulations. For greater detail regarding Social Security benefits, visit www.ssa.gov or consult a qualified advisor.

What are the benefits based on?

In general, a covered worker’s benefits and those of his or her family members are based on the worker’s earnings record. The earnings taken into account are only those reported to the Social Security Administration (SSA), up to a certain annual maximum known as the “wage base.” The “wage base” is indexed for inflation each year and effectively places a cap on wages subject to OASDI contributions as well as on the amount of Social Security benefits a worker can receive, regardless of earnings. The wage base for 2018 is $128,700. Using a worker’s earnings record, the SSA calculates a number known as the Primary Insurance Amount or PIA. The PIA is the basic value used to determine the dollar amount of benefits available to a worker and his or her family.

How are my social security benefits taxed?

Social Security is a critical source of income for many retirees and their families. A portion of it is subject to income tax, depending on your income. The chart below shows the guidelines based on whether you file a single or joint tax return. Be sure to consult your tax advisor regarding your situation.

Filing Single	Filing Jointly
If your income is below $25,000, none of your Social Security benefit is taxed.	If your income is below $32,000, none of your Social Security benefit is taxed.
If your income is $25,000–$34,000, up to 50% of your benefit is taxable.	If your income is $32,000–$44,000, up to 50% of your benefit is taxable.
If your income is more than $34,000, up to 85% of your benefit is taxable.	If your income is more than $44,000, up to 85% of your benefit is taxable.

For purposes of this chart, "your income" refers to your modified adjusted gross income including tax-exempt interest plus one-half of your Social Security benefits.

Source: IRS 2018

What's my full retirement age?

At the early retirement age of 62, you can start receiving a percentage of your Social Security benefit. However, under current law, the year you were born determines when you're eligible for full Social Security retirement benefits. The longer you wait to take your benefits, the greater the percentage you'll receive until you eventually qualify for full benefits.

Year of Birth	Full Retirement Age
1937 or Earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943–1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 or Later	67

Understanding Your Social Security Statement

Your Earnings Record

Years You Worked	Your Taxed Social Security Earnings	Your Taxed Medicare Earnings
1984	574	574
1985	1,377	1,377
1986	2,343	2,343
1987	3,957	3,957
1988	5,436	5,436
1989	6,724	6,724
1990	8,407	8,407
1991	10,738	10,738
1992	13,223	13,223
1993	14,928	14,928
1994	16,766	16,766
1995	18,786	18,786
1996	20,904	20,904
1997	23,230	23,230
1998	25,439	25,439
1999	27,724	27,724
2000	30,020	30,020
2001	31,400	31,400
2002	32,346	32,346
2003	33,703	33,703
2004	35,777	35,777
2005	37,656	37,656
2006	39,845	39,845
2007	42,181	42,181
2008	Not yet recorded	Not yet recorded

There's an annual cap on the amount of income that is taxed for Social Security.

You put money into Social Security each year you work.

Since you receive your statement about 3 months before your birthday, the current year's income may not be recorded.

You and your family may be eligible for valuable benefits:

When you die, your family may be eligible to receive survivors benefits.

Social Security may help you if you become disabled—even at a young age.

A young person who has worked and paid Social Security taxes in as few as two years can be eligible for disability benefits.

Social Security credits you earn move with you from job to job throughout your career.

Total Social Security and Medicare taxes paid over your working career through the last year reported on the chart above:

Estimated taxes paid for Social Security:		Estimated taxes paid for Medicare:	
You paid:	$29,916	You paid:	$7,008
Your employers paid:	$29,916	Your employers paid:	$7,008

Note: You currently pay 6.2 percent of your salary, up to $106,800, in Social Security taxes and 1.45 percent in Medicare taxes on your entire salary. Your employer also pays 6.2 percent in Social Security taxes and 1.45 percent in Medicare taxes for you. If you are self-employed, you pay the combined employee and employer amount of 12.4 percent in Social Security taxes and 2.9 percent in Medicare taxes on your net earnings.

Help Us Keep Your Earnings Record Accurate

You, your employer and Social Security share responsibility for the accuracy of your earnings record. Since you began working, we recorded your reported earnings under your name and Social Security number. We have updated your record each time your employer (or you, if you're self-employed) reported your earnings.

Remember, it's your earnings, not the amount of taxes you paid or the number of credits you've earned, that determine your benefit amount. When we figure that amount, we base it on your average earnings over your lifetime. If our records are wrong, you may not receive all the benefits to which you're entitled.

Review this chart carefully using your own records to make sure our information is correct and that we've recorded each year you worked. You're the only person who can look at the earnings chart and know whether it is complete and correct.

Some or all of your earnings from last year may not be shown on your *Statement*. It could be that we still were processing last year's earnings reports when your *Statement* was prepared. Your complete earnings for last year will be shown on next year's *Statement*. Note: If you worked for more than one employer during any year, or if you had both earnings and self-employment income, we combined your earnings for the year.

There's a limit on the amount of earnings on which you pay Social Security taxes each year. The limit increases yearly. Earnings above the limit will not appear on your earnings chart as Social Security earnings. (For Medicare taxes, the maximum earnings amount began rising in 1991. Since 1994, all of your earnings are taxed for Medicare.)

Call us rig... 13 (7 a.m.–7 p.m. your local time) ... before last year are shown inc... W-2 or tax return for those years ... side the U.S., follow the directions a...

Your earnings information is displayed on page 3.

3

Your Estimated Benefits

***Retirement** You have earned enough credits to qualify for benefits. At your current earnings rate, if you stop working and start receiving benefits...

At age 62, your payment would be about	$ 1,064 a month
If you continue working until...	
your full retirement age (67 years), your payment would be about	$ 1,543 a month
age 70, your payment would be about	$ 1,924 a month

***Disability** You have earned enough credits to qualify for benefits. If you became disabled right now, your payment would be about ... $ 1,411 a month

***Family** If you get retirement or disability benefits, your spouse and children also may qualify for benefits.

***Survivors** You have earned enough credits for your family to receive survivors benefits. If you die this year, certain members of your family **may** qualify for the following benefits:

Your child	$ 1,101 a month
Your spouse who is caring for your child	$ 1,101 a month
Your spouse, if benefits start at full retirement age	$ 1,468 a month
Total family benefits cannot be more than	$ 2,702 a month

Your spouse or minor child may be eligible for a special one-time death benefit of $255.

Medicare You have enough credits to qualify for Medicare at age 65. Even if you do not retire at age 65, be sure to contact Social Security three months before your 65th birthday to enroll in Medicare.

*** Your estimated benefits are based on current law. Congress has made changes to the law in the past and can do so at any time. The law governing benefit amounts may change because, by 2041, the payroll taxes collected will be enough to pay only about 78 percent of scheduled benefits.**

We based your benefit estimates on these facts:

Your date of birth (please verify your name on page 1 and this date of birth)	April 5, 1968
Your estimated taxable earnings per year after 2008	$42,181
Your Social Security number (only the last four digits are shown to help prevent identity theft)	XXX-XX-1234

The amount of benefits in relation to your full retirement age.

Your full retirement age is here.

The basis for the Social Security Administration's calculations and your personal information are shown at the bottom. Be sure to store in a safe place!

How Your Benefits Are Estimated

To qualify for benefits, you earn "credits" through your work — up to four each year. This year, for example, you earn one credit for each $1,090 of wages or self-employment income. When you've earned $4,360, you've earned your four credits for the year. Most people need 40 credits, earned over their working lifetime, to receive retirement benefits. For disability and survivors benefits, young people need fewer credits to be eligible.

We checked your records to see whether you have earned enough credits to qualify for benefits. If you haven't earned enough yet to qualify for any type of benefit, we can't give you a benefit estimate now. If you continue to work, we'll give you an estimate when you do qualify.

What we assumed — If you have enough work credits, we estimated your benefit amounts using your average earnings over your working lifetime. For 2009 and later (up to retirement age), we assumed you'll continue to work and make about the same as you did in 2007 or 2008. We also included credits we assumed you earned last year and this year.

Generally, estimates for older workers are more accurate than those for younger workers because they're based on a longer earnings history with fewer uncertainties such as earnings fluctuations and future law changes.

We can't provide your actual benefit amount until you apply for benefits. **And that amount may differ from the estimates stated above because:**

(1) Your earnings may increase or decrease in the future.
(2) After you start receiving benefits, they will be adjusted for cost-of-living increases.
(3) Your estimated benefits are based on current law. **The law governing benefit amounts may change.**
(4) Your benefit amount may be affec... **service, railroad employment o... through work on which you did... Security tax.** Following are two... You can also visit ***www.socialsec***... to see whether your Social Secur... will be affected.

Windfall Elimination Provision (WE... you receive a pension from employmen... pay Social Security taxes, such as some... government work, some nonprofit orga... employment, and you also qualify for y... Security retirement or disability benefit, your Social Security benefit may be reduced, but not eliminated, by WEP. The amount of the reduction, if any, depends on your earnings and number of years in jobs in which you paid Social Security taxes, and the year you are age 62 or become disabled. For more information, please see *Windfall Elimination Provision* (Publication No. 05-10045) at ***www.socialsecurity.gov/WEP***.

Government Pension Offset (GPO) — If you receive a pension based on federal, state or local government work in which you did not pay Social Security taxes and you qualify, now or in the future, for Social Security benefits as a current or former spouse, widow or widower, you are likely to be affected by GPO. If GPO applies, your Social Security benefit will be reduced by an amount equal to two-thirds of your government pension, and could be reduced to zero. Even if your benefit is reduced to zero, you will be eligible for Medicare at age 65 on your spouse's record. To learn more, please see *Government Pension Offset* (Publication No. 05-10007) at ***www.socialsecurity.gov/GPO***.

Your benefit information is displayed on page 2.

2 [c]

SESSION 3

Social Security: Where You Stand

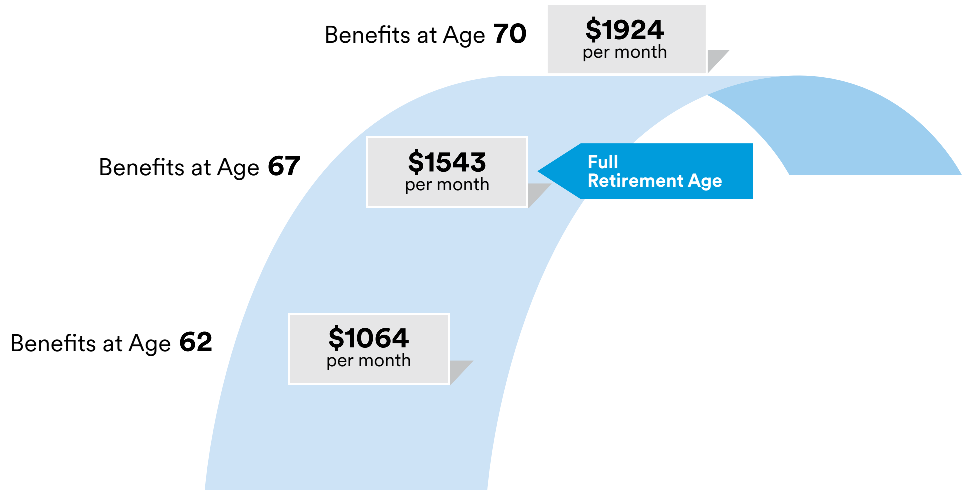
It's time to take a look at your Social Security Statement and your spouse/partner's to see what your household's benefits will be by referring to page 2 of your Social Security Statement.

At Age 62, My Benefit Would Be:	At My Full Retirement Age, My Benefit Would Be:	The Amount of My Full Benefit Would Be:

At Age 62, My Spouse/Partner's Benefit Would Be:	At My Spouse/Partner's Full Retirement Age, His/Her Benefit Would Be:	The Amount of My Spouse/Partner's Full Benefit Would Be:

The Benefits of Waiting

As you can see above, delaying your Social Security payments beyond the full retirement age results in an increase in monthly guaranteed income payments.



Keep in mind that these examples are based on the above hypothetical Social Security Statement and current Social Security policy.

Social Security Benefits Tips

1. If you haven't received your Social Security Statement, request it online at www.SSA.gov. The Social Security Administration charges for each request of **detailed certified** yearly Social Security earnings information, regardless of the number of earnings years requested. **Non-certified,** yearly earnings totals (Form SSA-7004, Request for a Social Security Statement) are available as a **free online service** and do not show any employer information.
2. Decide the age at which you will start receiving benefits.
3. Plan to file for Social Security benefits three months before you want to receive them.
4. Take into account the effect of working during your retirement and how it will affect your benefit.
5. When you file for Social Security, you will need the following documents:
   - Social Security Card
   - Proof of age
   - W-2 wage form from the previous year, or Schedule C if self-employed
   - Marriage certificate
   - Divorce decree
   - Proof of death of worker if you're applying for survivor benefits

Social Security and Earned Income

Social Security benefits are reduced for every dollar of income a person earns over a specified amount. How much the benefits are reduced, and to what age, is based on your full retirement age.

If You Are	You Can Earn Up to	Over That Amount, One Dollar of Social Security Benefits is Lost for
Under the full retirement age	$17,640	Every 2 dollars you earn
At the year you reach your full retirement age	$46,920	Every 3 dollars you earn
At the month you reach your full retirement age	No Limit	There is no loss of benefit

Source: SSA, 2019 Limits

Let's look at an example. Wanda Worker starts receiving Social Security benefits at age 62; her full retirement age is 67. Below is a section of her most recent Social Security Statement.

Your Estimated Benefits

***Retirement** You have earned enough credits to qualify for benefits. At your current earnings rate, if you stop working and start receiving benefits...
At age 62, your payment would be about .... $ 1,064 a month
If you continue working until...
your full retirement age (67 years), your payment would be about........ $ 1,543 a month
age 70, your payment would be about .... $ 1,924 a month

If Wanda Returns to Work at 65 Years Old

Her Social Security benefit is:		$11,700/year
She earns an additional:	$20,000/year	
The Social Security earnings limit is:	$13,560/year	
Her benefits would be reduced by 50% of the amount she earns over the limit: *($20,000 – $13,560) x .5*		–$3,220/year
Her new Social Security benefit would be:		$8,480/year

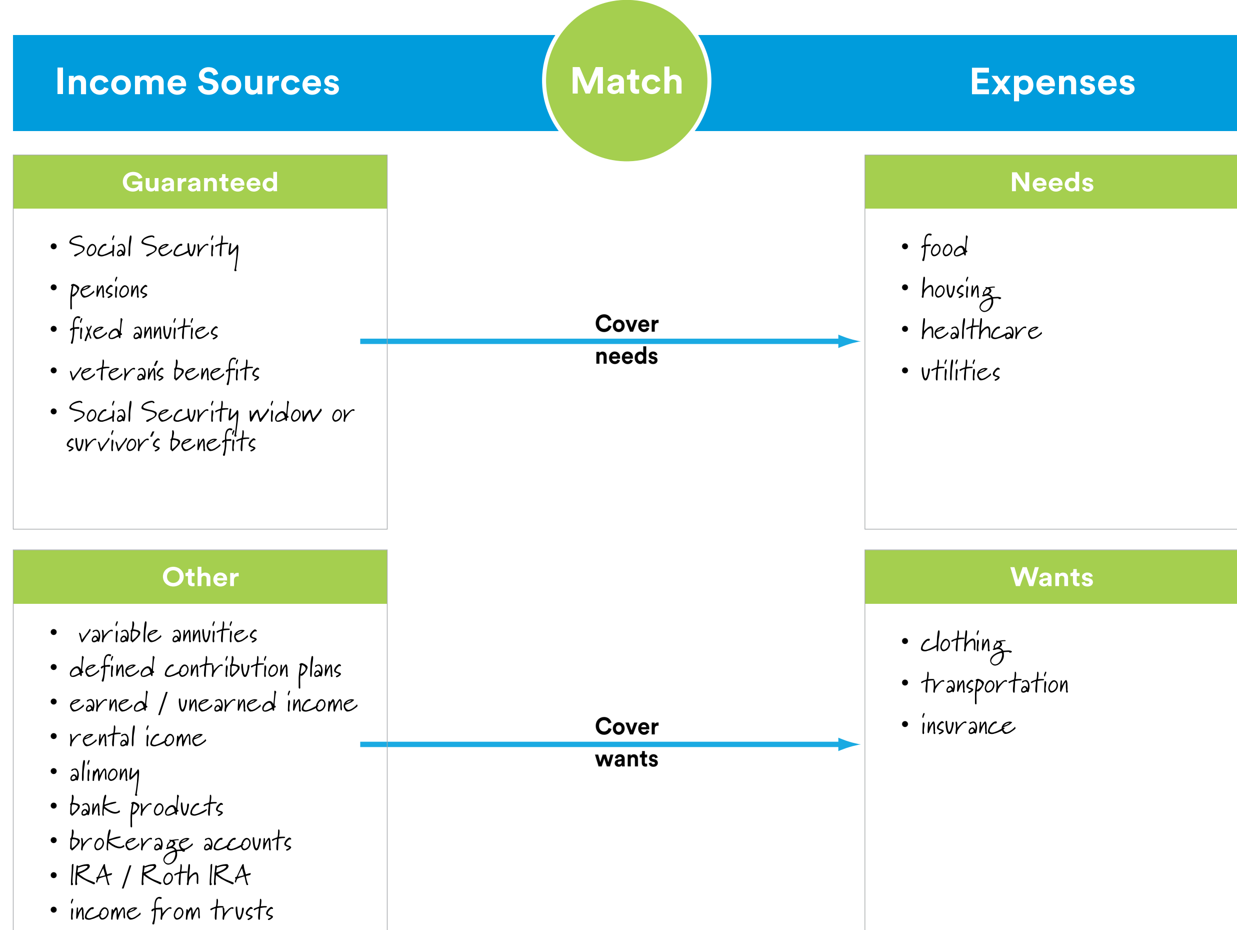
Identifying Sources of Retirement Income

Sources of Income	Guaranteed	Other
Social Security		
Employer-Sponsored Defined Benefit Plans		
Variable Annuities		
Immediate Annuities		
Whole Life Insurance		
Veteran's Benefits		
Social Security Widow or Survivor's Benefits		
Employer-Sponsored Defined Contribution Plans		
Earned Income		
Unearned Income (investment-related income)		
Personal Savings		
Rental Income		
Sale of a Business		
Inheritances		
Alimony		
Income from a Trust		
IRA/Roth IRA		
Stock Options		
Bank Products (CDs)		
Brokerage Accounts		
Other:		
Other:		
Other:		
Other:		
Other:		
Other:		
TOTALS:		

Total Anticipated Monthly Income: $ ____________

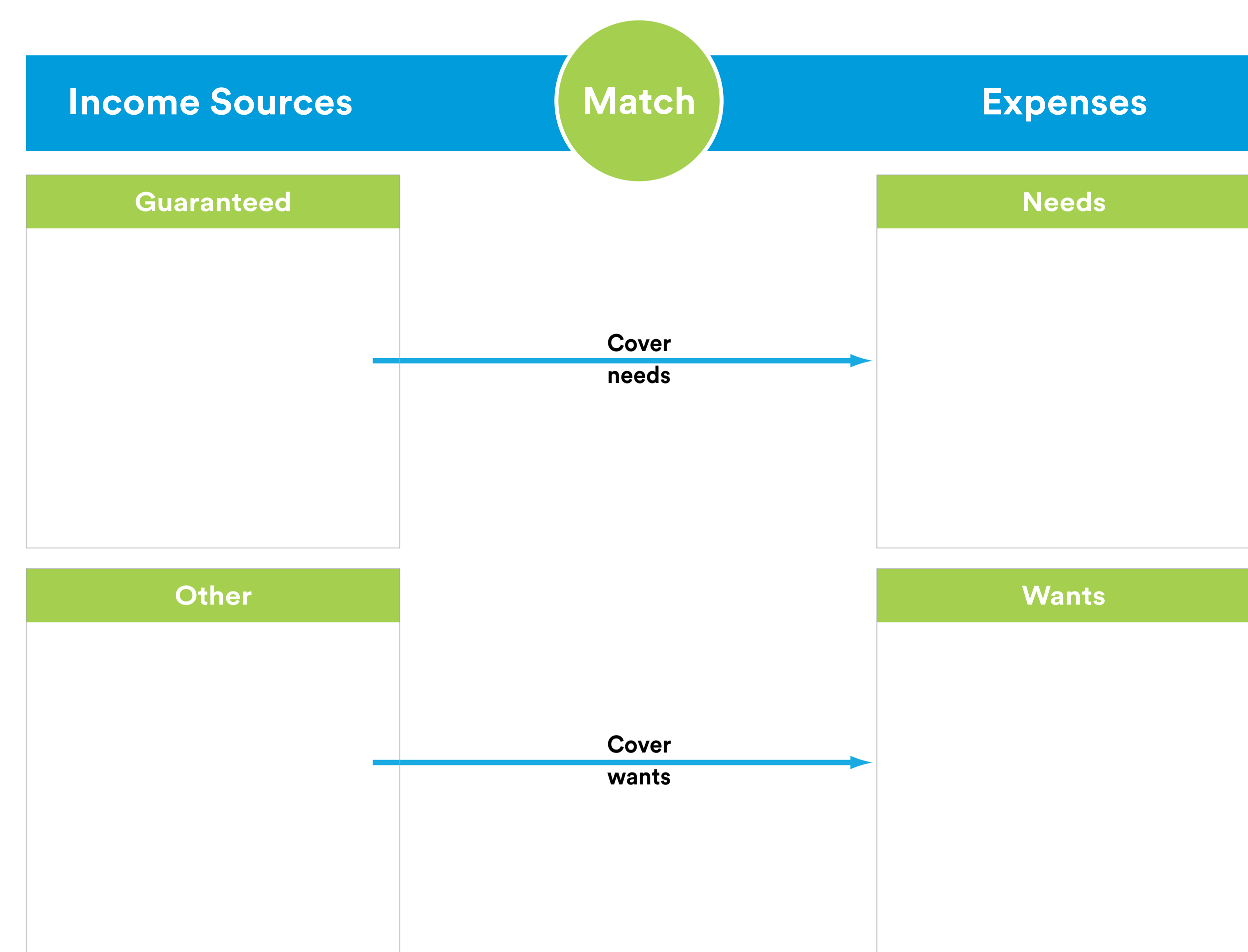
Matching Sources of Retirement Income with Expenses

Matching your different income sources with types of expenses can be the first step in determining if you have a retirement income gap that you need to plan for. Of course, it's not as simple as shown here. It's important to make up any shortfall in your basic needs before contributing to your personal wants.



Certain fixed annuities provide guaranteed income. Such guarantees are subject to the claims-paying ability of the insurance company.

Try this for yourself – don't worry about dollar amounts, just expenses and income sources.



SESSION 3

Happy Legislative Birthday! Age 59½

At age 59½, you can begin taking withdrawals from IRAs and other qualified retirement plans without the 10% early withdrawal income tax penalty. These withdrawals will be subject to ordinary income tax rates.

Distributions from qualified plans, 403(b) annuities, SIMPLE plans and all IRAs may be subject to a 10% penalty tax if made before the participant reaches age 59½. The penalty tax is waived if the distribution is rolled over to an eligible recipient plan or if the participant is totally disabled or dies.[1] Since premature withdrawals are generally also subject to ordinary income tax, the extra 10% penalty could make the total tax very high.[2]

There are several possible exceptions to the 10% penalty rule:

- For qualified employer plans, 403(b) annuities and SIMPLE 401(k) plans, for distributions to participants who have separated[3] from employment after age 55.
- When distributions are for deductible medical expenses or pursuant to a qualified domestic relations order, e.g., a divorce decree.
- In certain situations, premature distributions from IRAs to pay health insurance premiums for unemployed individuals may also avoid the penalty tax.

For IRAs there are two additional exceptions:

- If the distribution is used to pay for qualified education expenses of the individual, spouse, child or grandchild, the 10% penalty tax is not assessed.
- For a first-time homebuyer, there is a lifetime exemption of $10,000 from the 10% penalty tax. The purchaser of the home may be the individual, a spouse, child or grandchild. A first-time homebuyer is someone, or his or her spouse, who had no ownership in a principal residence during the preceding two years prior to purchasing the new home.

One other exception available to any qualified plan, SIMPLE, 403(b), Tax Sheltered Annuity (TSA) plan or IRA participant is the substantially equal periodic payments exception in IRC Sec. 72(t)(2)(A)(iv).

1. Distributions before age 59½ from SIMPLE IRA plans made within the first two years of participation are subject to an increased penalty amount of 25%, with the usual exceptions. If a premature distribution from a SIMPLE IRA is made after two years of participation, the 10% penalty applies. See IRC Sec. 72(t)(6).
2. The discussion here concerns federal income tax law. State or local income tax law may differ.
3. For the owner of a small business, it can be very difficult to separate from employment.

Substantially Equal Periodic Payments

This exception applies when the distribution is part of a scheduled series of substantially equal periodic payments, made at least once a year, over the life (or life expectancy) of the participant, or the joint lives (or joint life expectancies) of the participant and a beneficiary. If the series of payments is substantially modified (except because of death or disability) within a 5-year period, the 10% penalty will be reapplied and interest will be charged.

- **Required minimum distributions:** The annual payment is determined using a method acceptable for calculating the required minimum distribution required under IRC Sec. 401(a)(9). In general, the account balance is divided by a life expectancy factor, resulting in a payment that fluctuates from year to year.
- **Fixed amortization method:** The payment under this method would be similar to the annual amount required to pay off a loan (equal to the amount in the plan at the start of the distributions), at a reasonable interest rate, over the number of years of life expectancy. The dollar amount of the payment remains the same in each subsequent year.
- **Fixed annuitization:** An annuity factor is determined from a reasonable mortality table at an interest rate which is then reasonable for the age of the recipient of the distribution. The payment is determined for the first distribution and remains the same in each subsequent year.

Happy Legislative Birthday! Age 70½

Like all good things, the tax deferral offered by qualified plans must eventually come to an end and the IRS must be paid. The tax benefits of these accounts are provided for one purpose — to help individuals save for retirement.

Therefore, once an individual reaches age 70½, the same rules that provided the tax deferral benefits dictate that a required portion of the qualified plan funds must be withdrawn, and the taxes that have been previously deferred on that amount must be paid.

What does this mean?

The Required Minimum Distribution rules are very complicated, and you should consult your own tax advisor regarding your individual situation. Generally, it means the federal government has created a set of rules that require that a minimum amount of money must be withdrawn from qualified retirement plan accounts, starting at a specific age known as the "required beginning date"— generally age 70½.

The amount required to be distributed is determined by a special calculation that, in essence, takes the total amount in the account and divides it by the number of years the individual is expected to live. It's actually a three-step process:

- Find the value of your account at the end of your plan's fiscal year, usually December 31.
- Look up the distribution period you must use on the applicable life expectancy table (in most cases the Uniform Life Table) based on your current age.
- Divide your account balance by the distribution period to find your Required Minimum Distribution (RMD).

Uniform Life Table

Age	Distribution Period (in years)	Age	Distribution Period (in years)	Age	Distribution Period (in years)
70	27.4	86	14.1	102	5.5
71	26.5	87	13.4	103	5.2
72	25.6	88	12.7	104	4.9
73	24.7	89	12.0	105	4.5
74	23.8	90	11.4	106	4.2
75	22.9	91	10.8	107	3.9
76	22.0	92	10.2	108	3.7
77	21.2	93	9.6	109	3.4
78	20.3	94	9.1	110	3.1
79	19.5	95	8.6	111	2.9
80	18.7	96	8.1	112	2.6
81	17.9	97	7.6	113	2.4
82	17.1	98	7.1	114	2.1
83	16.3	99	6.7	115 and over	1.9
84	15.5	100	6.3		
85	14.8	101	5.9		

Source: Internal Revenue Service, Publication 590-B, 2018

For use by unmarried owners, married owners whose spouses are not more than 10 years younger and married owners whose spouses are not the sole beneficiaries of their IRAs

Do you have a retirement income gap?

It's time to take a look at some numbers to determine if you have an income gap. You'll need your total expense and income sources from your Session 2 homework.

Total Anticipated Monthly Income		Total Anticipated Monthly Expense		Potential Monthly Income Gap		Potential Annual Income Gap
	–		=		x 12 =	

MetLife administers the Retirewise program, but has arranged for Massachusetts Mutual Life Insurance Company (MassMutual) to have specially-trained financial professionals offer financial education and, upon request, provide personal guidance to employees and former employees of companies providing Retirewise through MetLife.

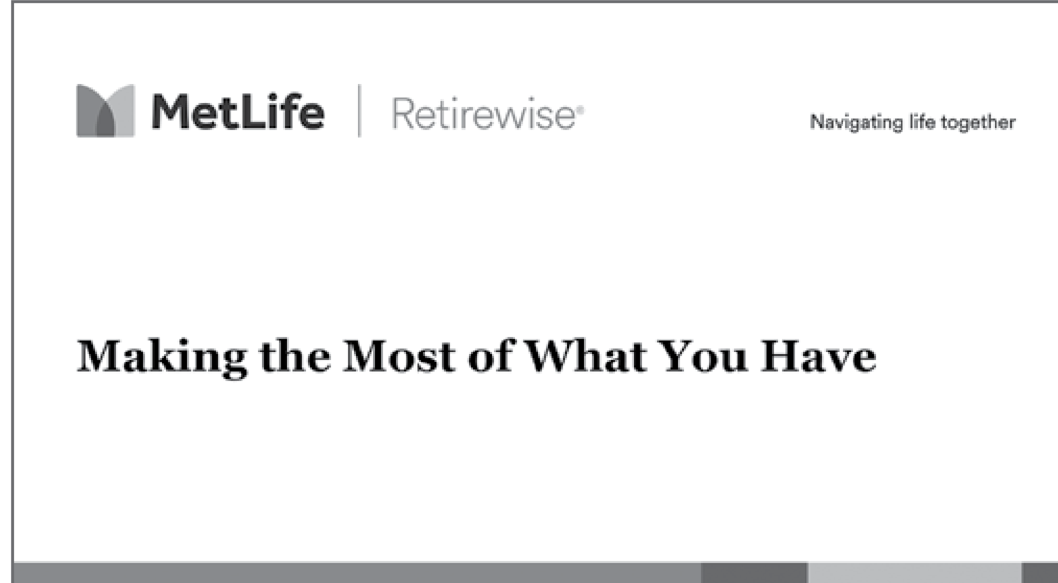
Any discussion of taxes is for general informational purposes only, does not purport to be complete or cover every situation, and should not be construed as legal, tax or accounting advice. Clients should confer with their qualified legal, tax and accounting advisors as appropriate.

Securities and investment advisory services are offered through qualified registered representatives of MML Investors Services, LLC, Member SIPC. MML Investors Services, LLC is not affiliated with MetLife, or its affiliated companies.

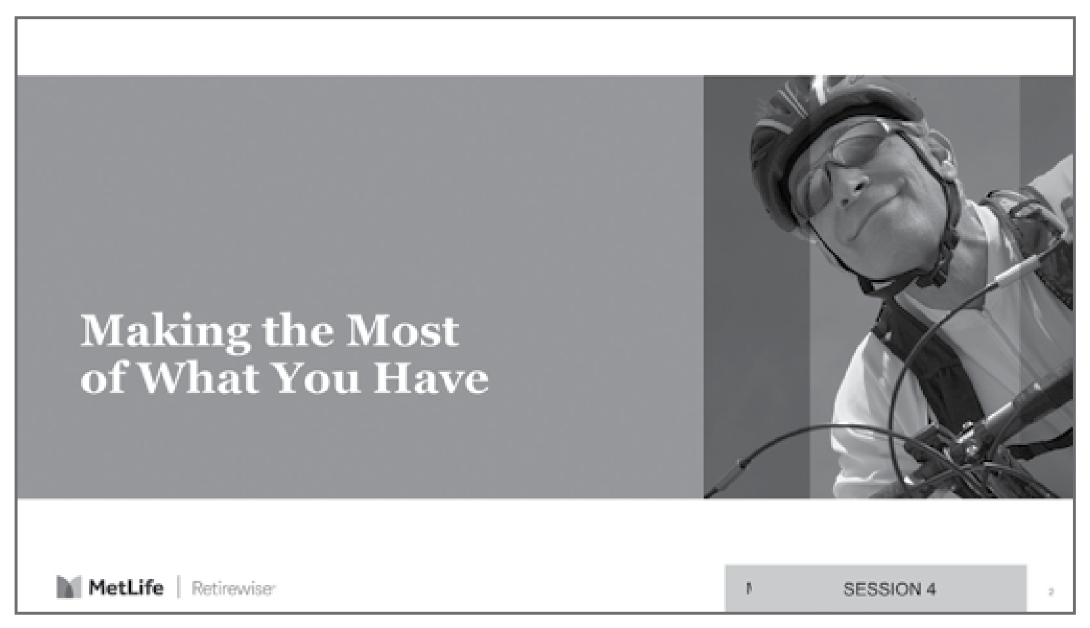
L0219512561[EXP1220][ALL STATES][DC,PR] © 2019 METLIFE SERVICES AND SOLUTIONS, LLC

SESSION 4

MetLife | Retirewise®



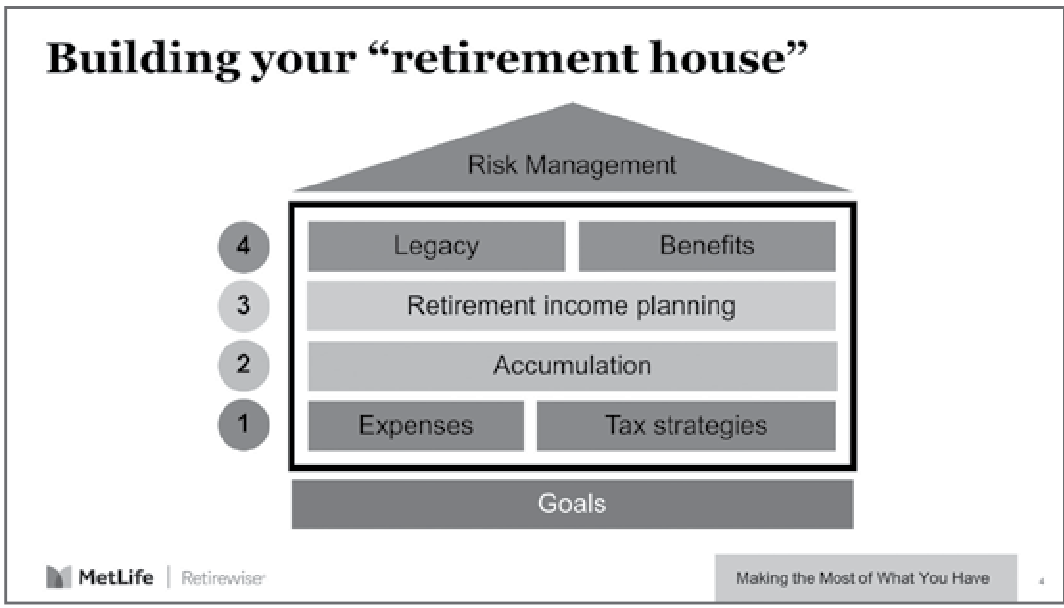
Slide 1



Slide 2

SESSION 4

Slide 3

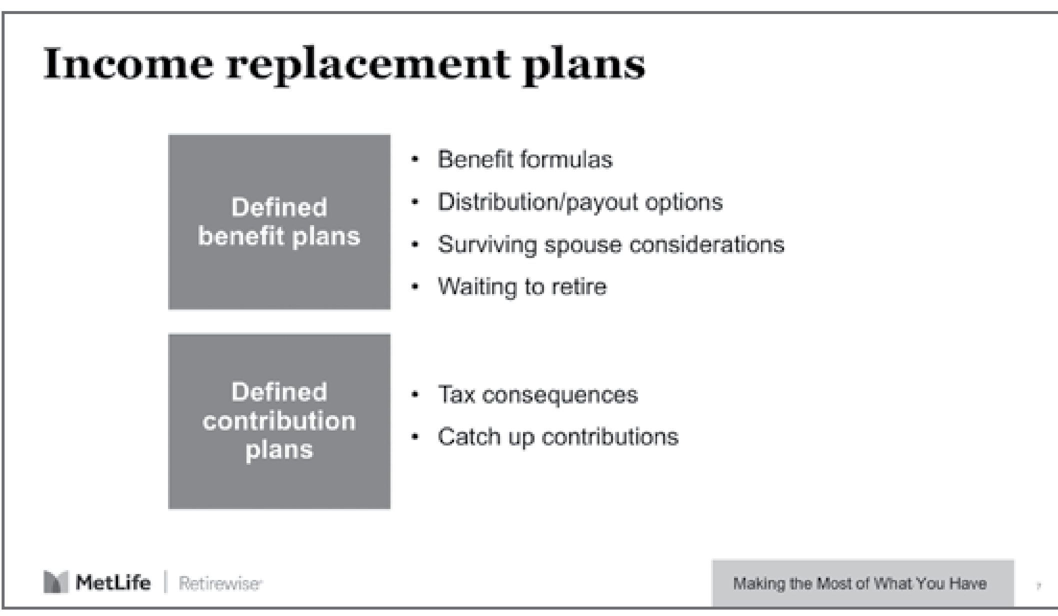


Slide 4

Slide 5

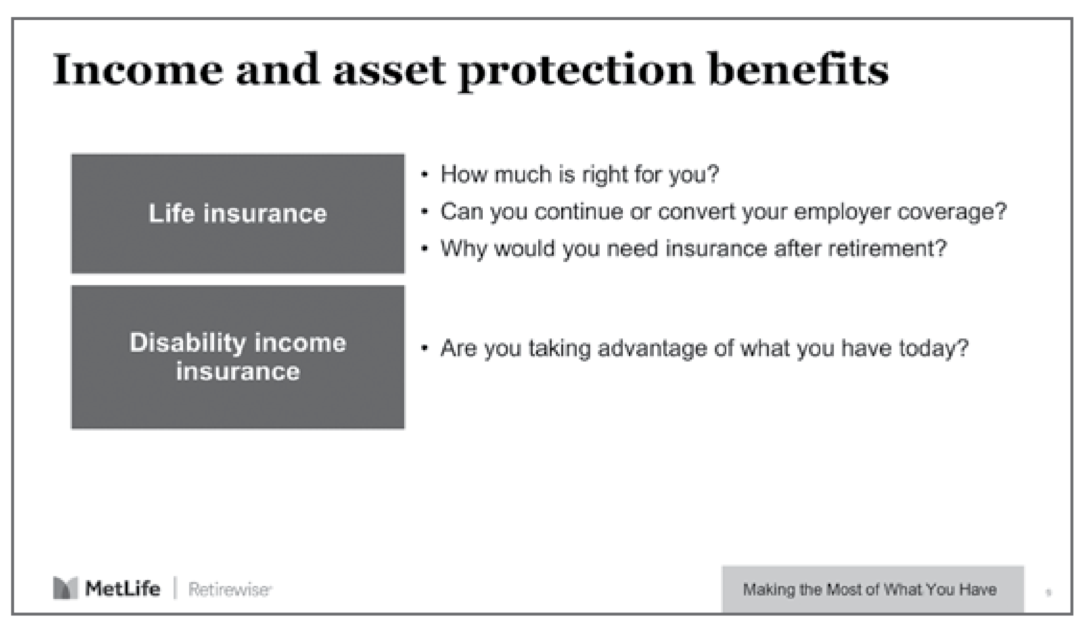
Slide 6

SESSION 4

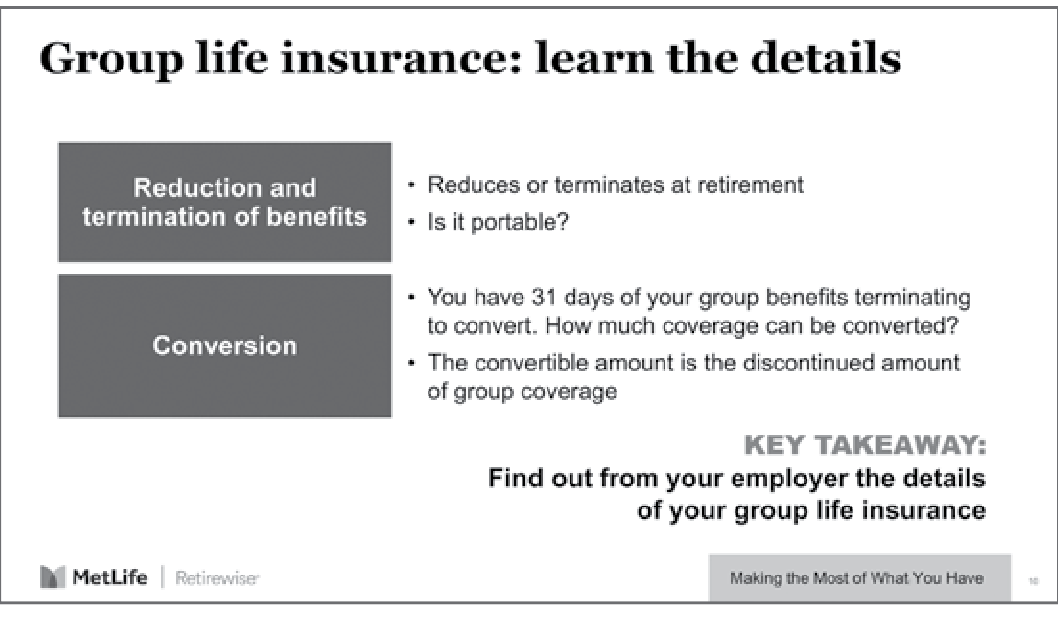


Slide 7

Slide 8

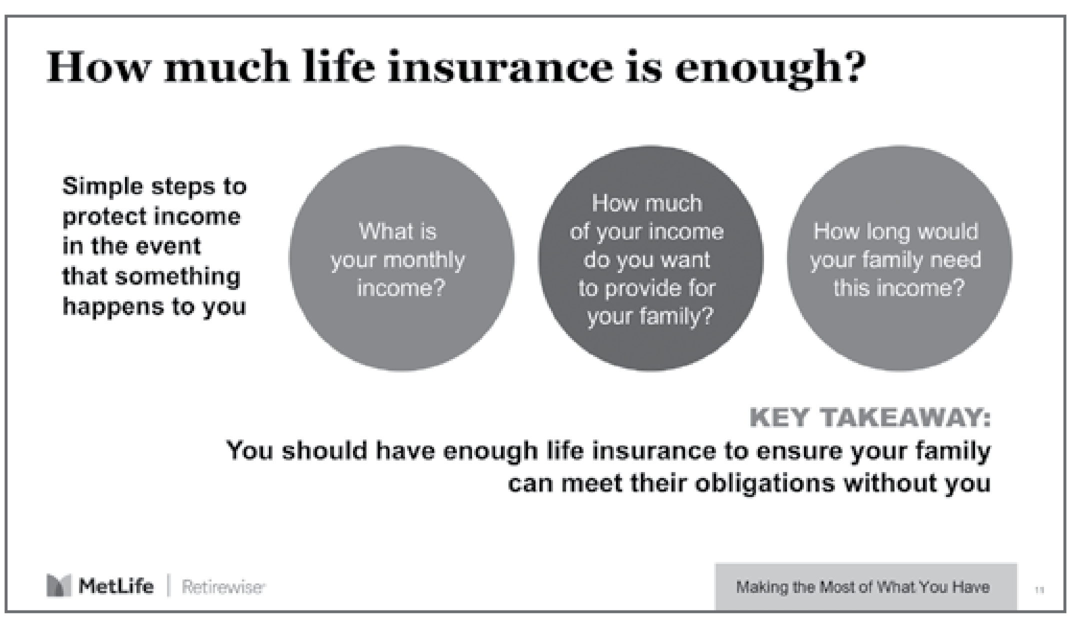


Slide 9

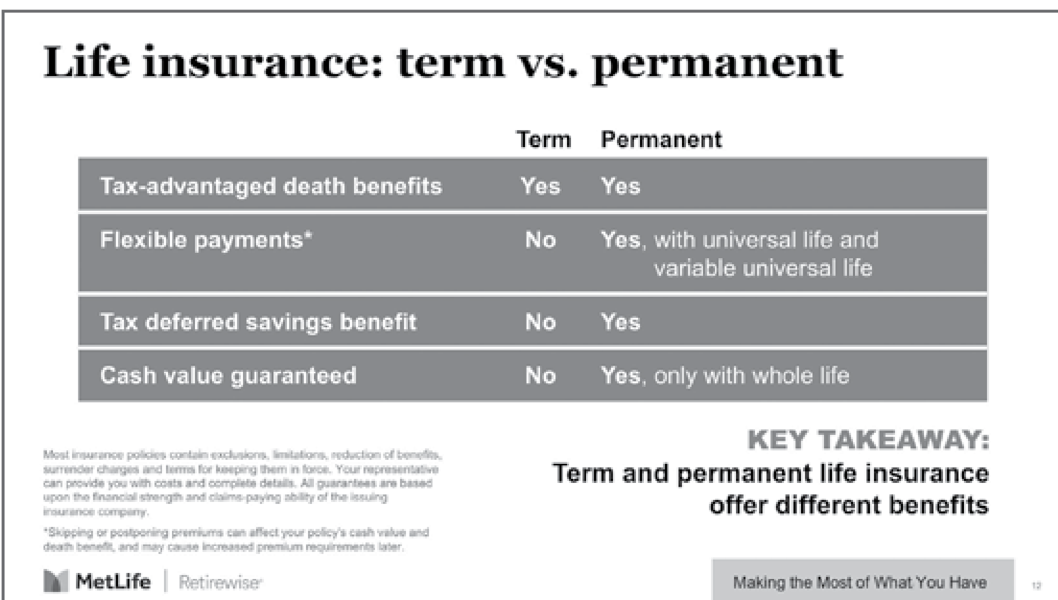


Slide 10

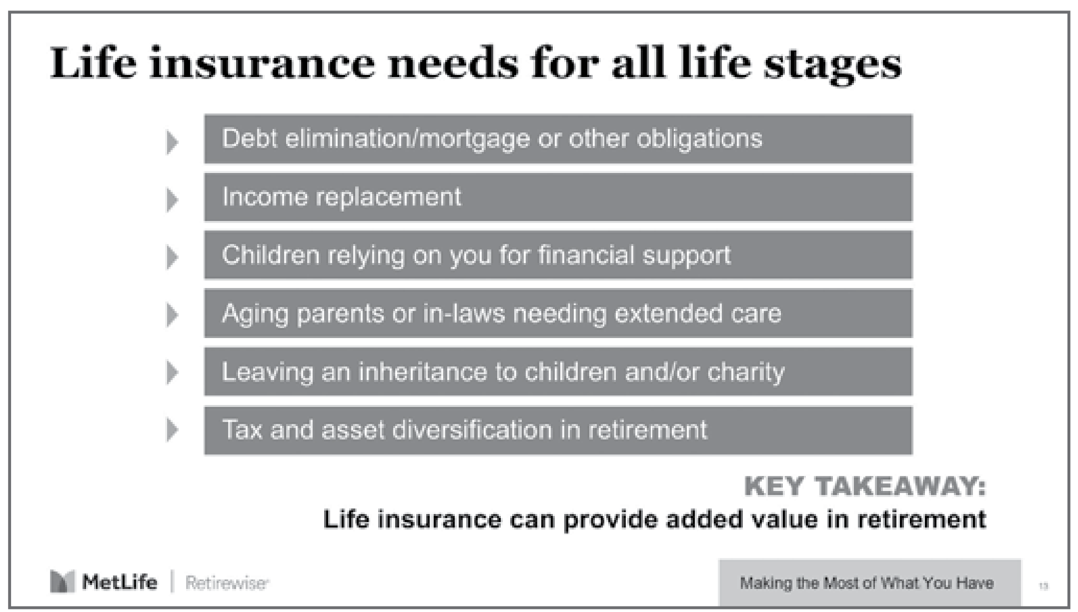
SESSION 4



Slide 11

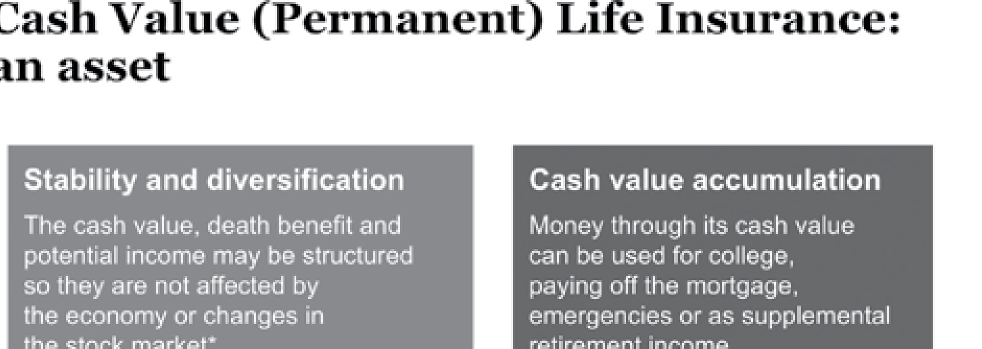


Slide 12



Slide 13

Cash Value (Permanent) Life Insurance: an asset



*Only variable life insurance would be subject to the economy or changes in the stock market.

MetLife | Retirewise

Making the Most of What You Have

Slide 14

SESSION 4

Cash Value (Permanent) Life Insurance: an asset

- **Systematic and disciplined approach to accumulate funds**
- **Tax savings** with income tax-free death benefit and potential for tax-deferred growth guaranteed
- **Flexible funding limits**
- **Unlike many retirement plans there is no 10% penalty tax** on cash value distribution before age 59½

Only permanent insurance policies should be considered assets, since they are the only policies that have cash value.

MetLife | Retirewise Making the Most of What You Have

Slide 15

Health and Welfare Benefits

MetLife | Retirewise Making the Most of What You Have

Slide 17

Disability income insurance

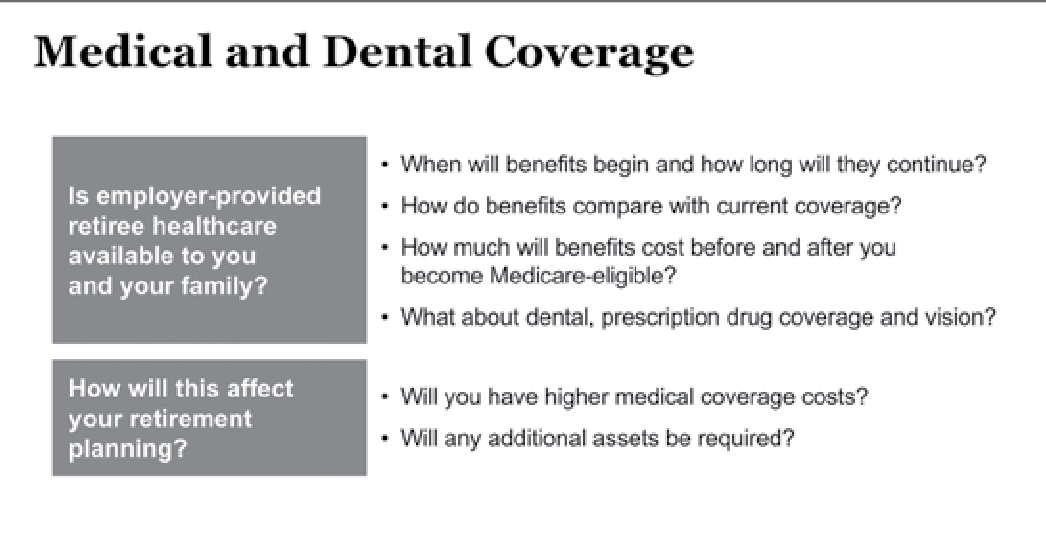
- Disability income insurance can replace a portion of your income if you become sick or hurt and are unable to work
- Take advantage of what is available through your employer today

Three factors to understand in a company disability plan

Incentive pay	Taxes	Maximum benefit levels

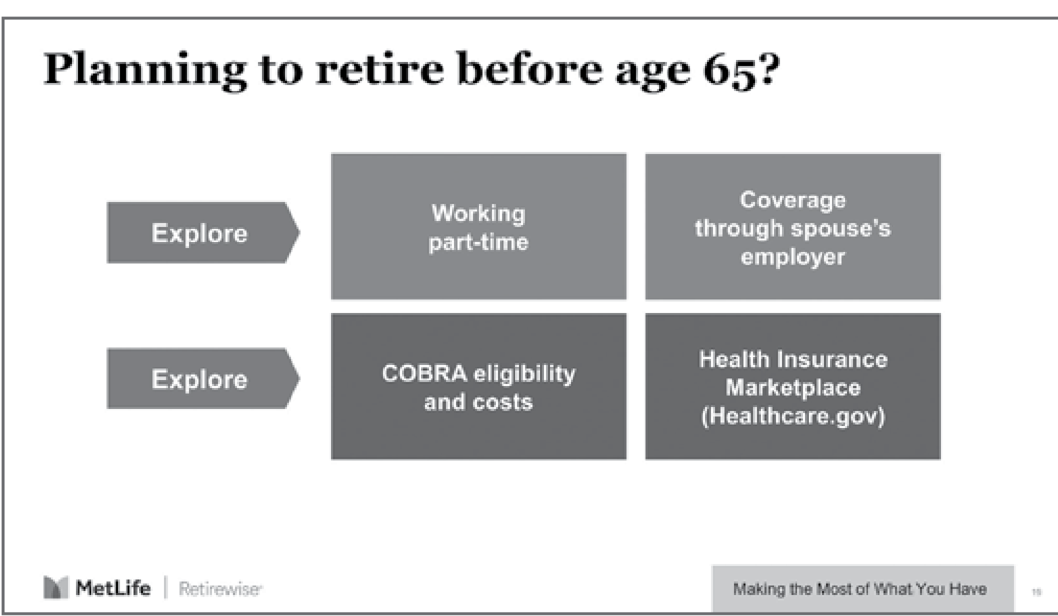
MetLife | Retirewise Making the Most of What You Have

Slide 16

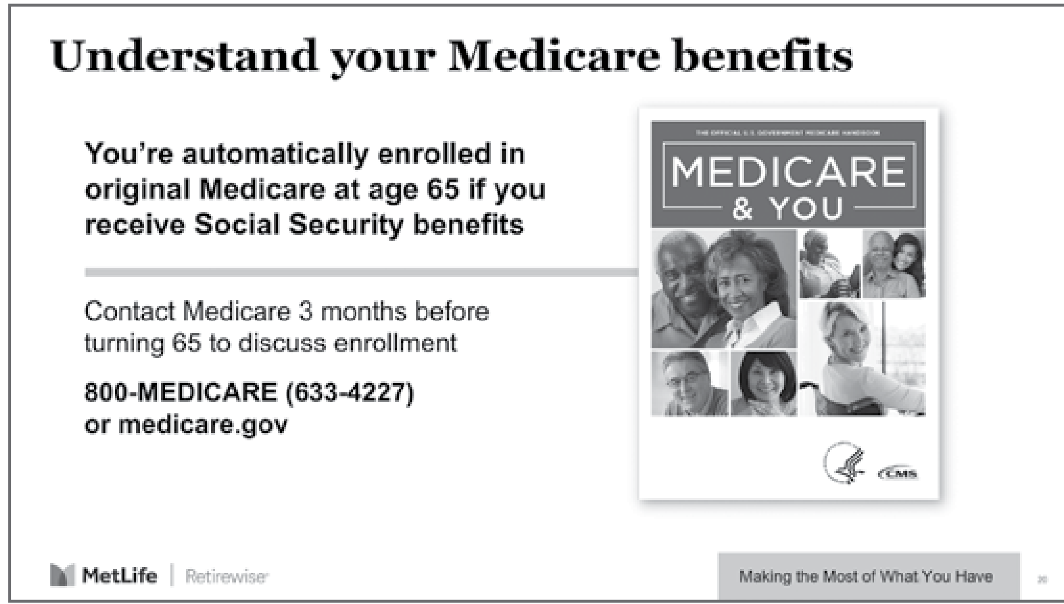


Slide 18

SESSION 4



Slide 19



Slide 20

Medicare health plan options

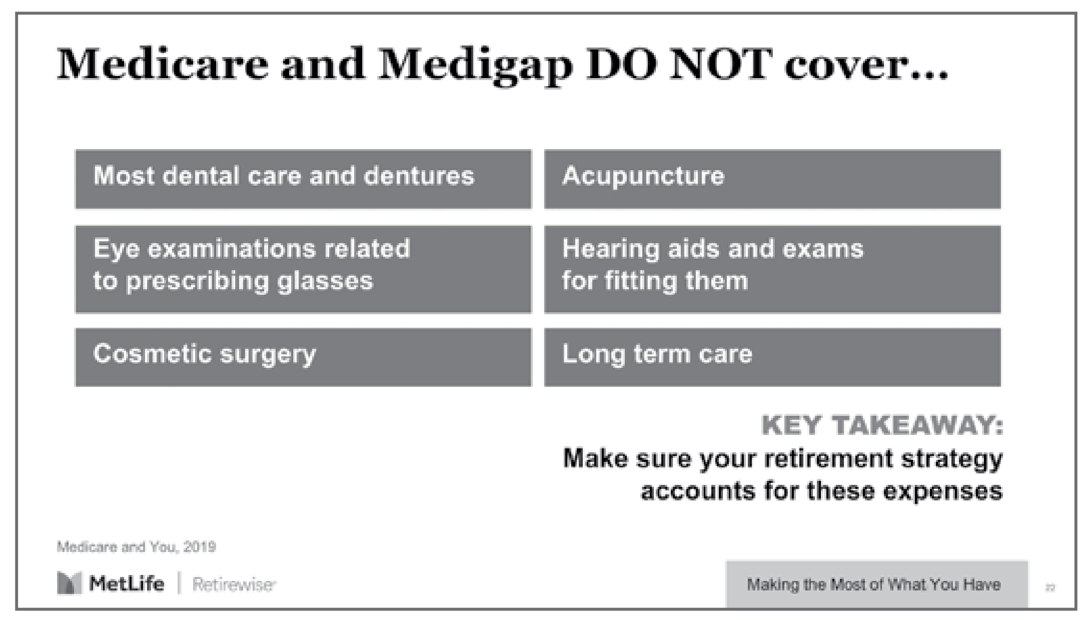
Medicare Part A	Hospital Insurance	Eligible at age 65; funded through payroll taxes
Medicare Part B	Medical Insurance	Monthly premium ($135.50 or higher depending on income) paid through Social Security
Medigap	Medicare Supplement Plans	Extra health insurance from private insurers
Medicare Advantage Part C	Medicare A+B + extra services	Covers all Medicare services generally with extra coverage, like vision, hearing and dental coverage
Medicare Part D	Prescription drug coverage	Subsidizes the costs of prescription drugs and prescription drug insurance premiums; average $33 monthly premium

Medicare.gov 2019

MetLife | Retirewise

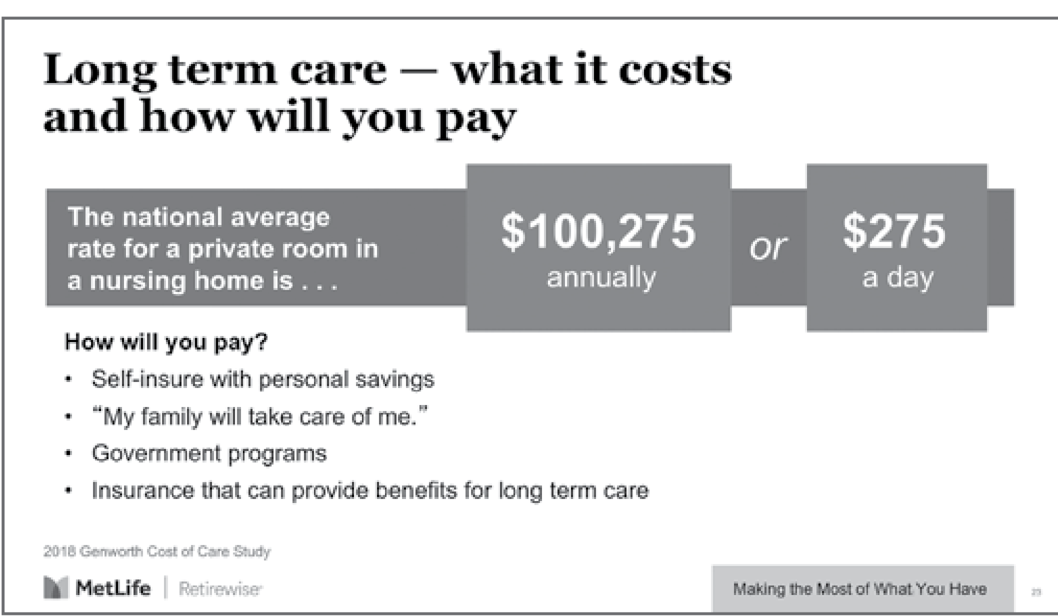
Making the Most of What You Have

Slide 21

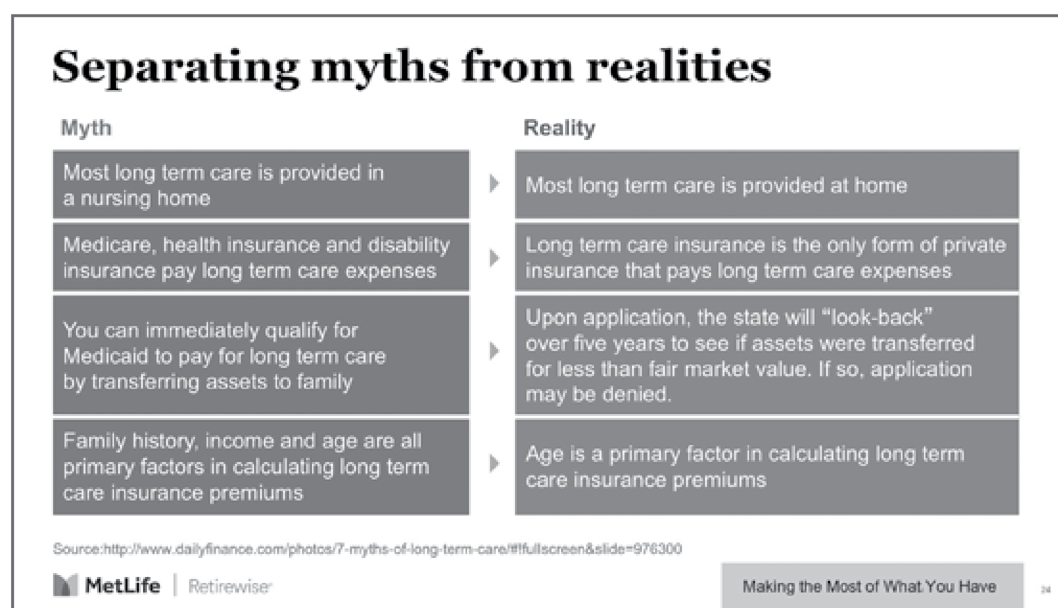


Slide 22

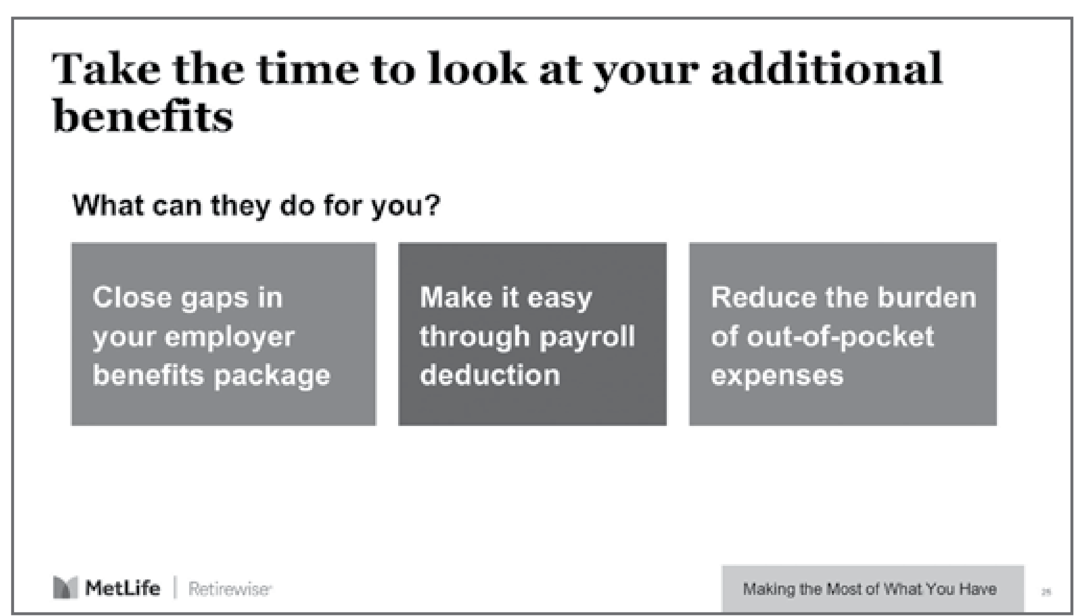
SESSION 4



Slide 23



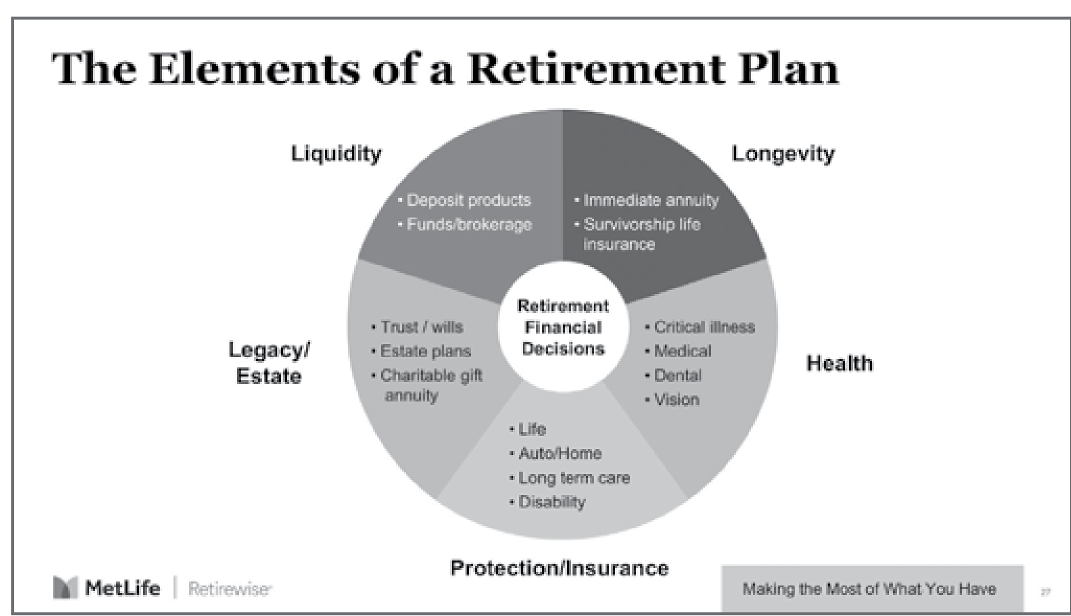
Slide 24



Slide 25

Slide 26

SESSION 4



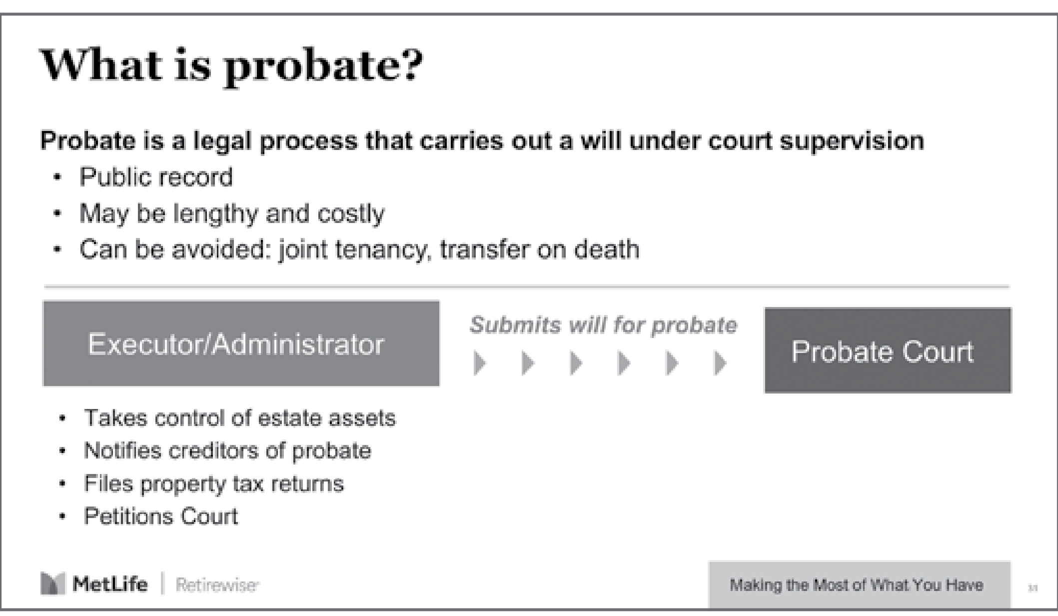
Slide 27

Slide 29

Slide 28

Slide 30

SESSION 4

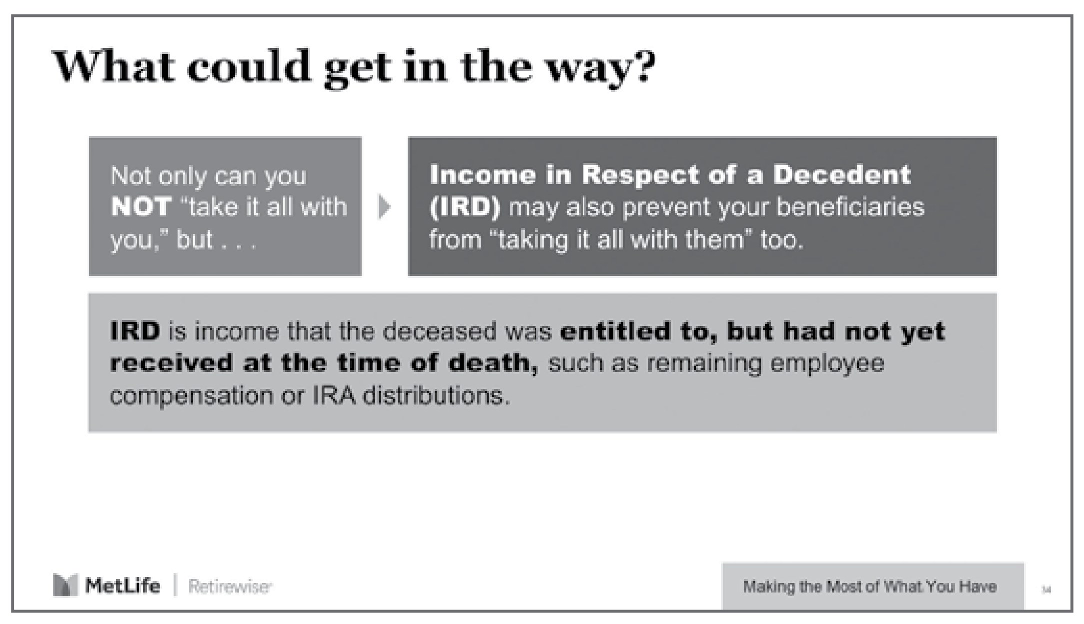


Slide 31

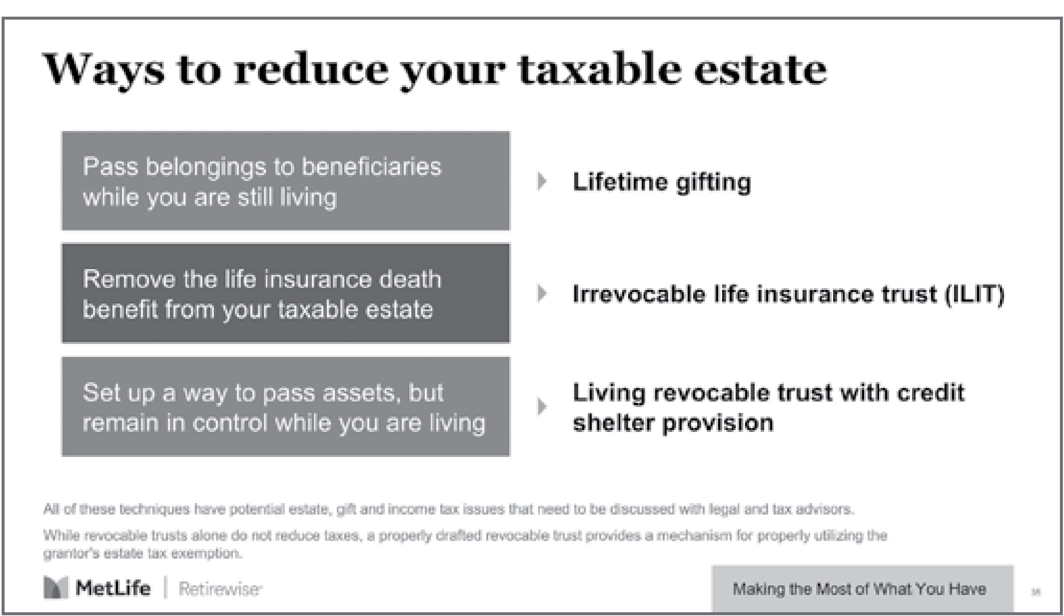
Slide 32

Year	Exempt Amount Per Person	Top Rate
2010	Estate Tax Is Repealed	
2011	$5,000,000	35%
2012	$5,120,000	35%
2013	$5,250,000	40%
2014	$5,340,000	40%
2015	$5,430,000	40%
2016	$5,450,000	40%
2017	$5,490,000	40%
2018	$11,180,000	40%
2019	$11,400,000	40%

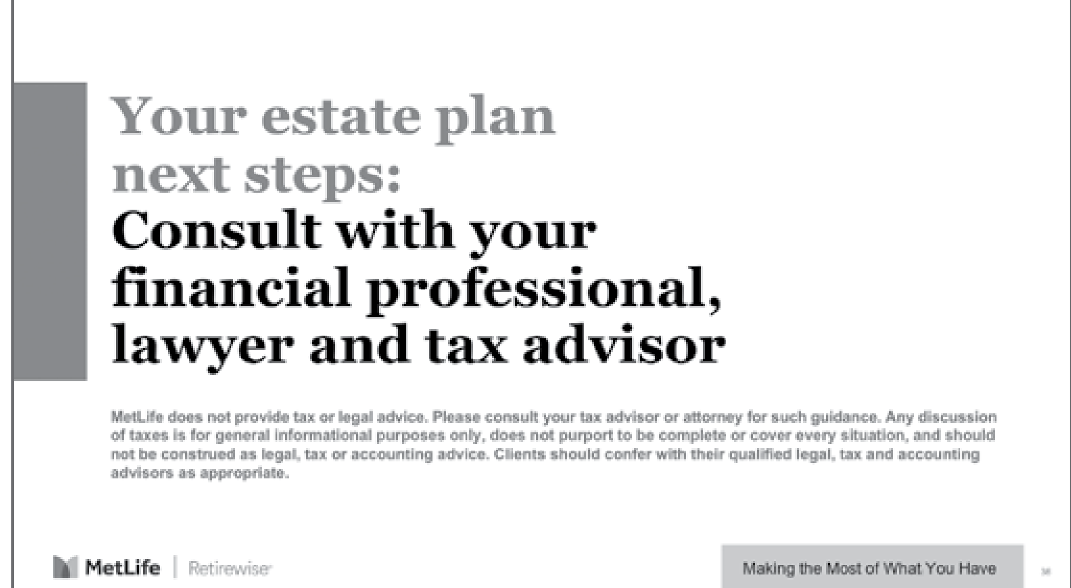
Slide 33



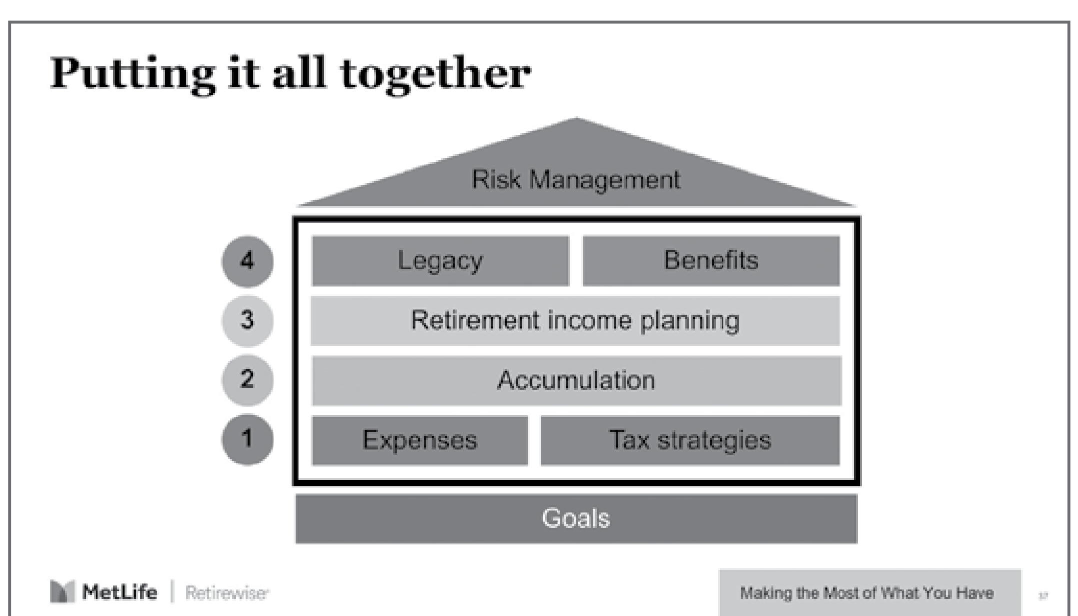
Slide 34



Slide 35



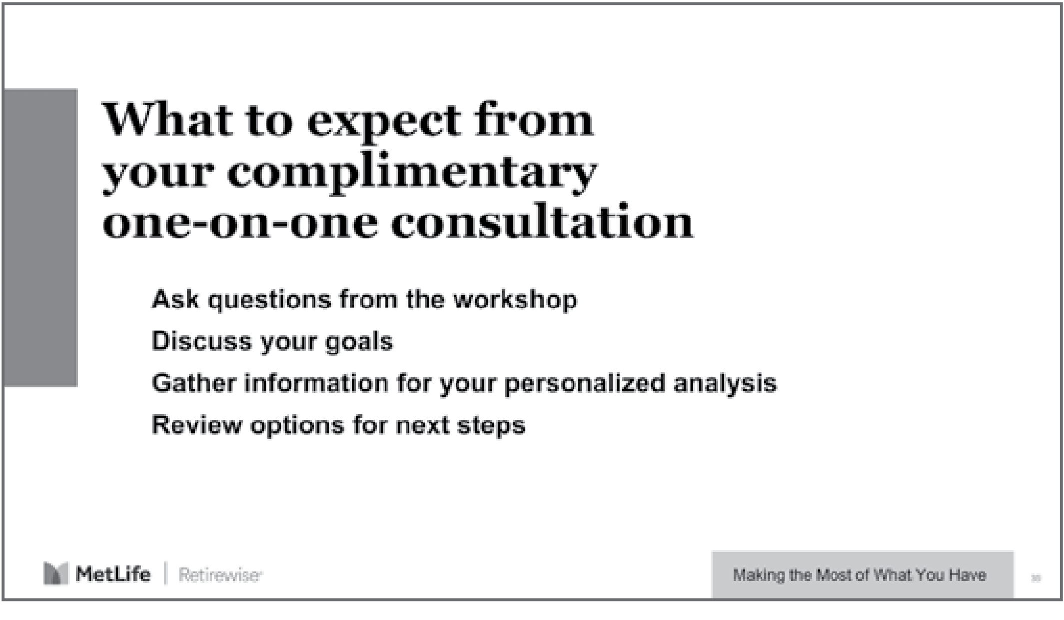
Slide 36



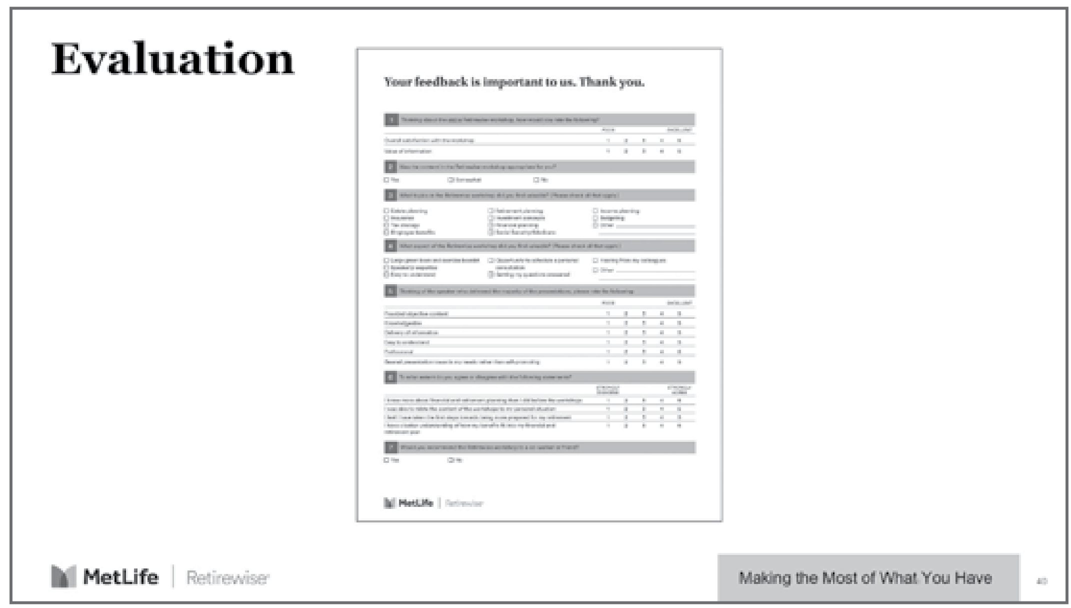
Slide 37

Slide 38

SESSION 4



Slide 39



Slide 40

Take advantage of a complimentary personal consultation
Sign Up Now

Whether you have a few questions or need help with more in-depth planning, you can get the answers you need to achieve your retirement goals. Simply select the date and time that works best for you below and provide your contact information.

	Appointment Times	First and Last Name	Business Phone	Home Phone	Address	E-mail	Method of Contact Preferred
1							
2							
3							
4							
5							
6							
7							
8							

MetLife | Retirewise

Making the Most of What You Have

Slide 41

MetLife administers the Retirewise program, but has arranged for Massachusetts Mutual Life Insurance Company (MassMutual) to have specially-trained financial professionals offer financial education and, upon request, provide personal guidance to employees and former employees of companies providing Retirewise through MetLife.

Like most disability income insurance policies, MetLife's policies contain certain exclusions, waiting periods, reductions, limitations and terms for keeping them in force. Ask your representative about costs and complete details.

For policies issued in New York: These policies provide disability income insurance only. They do NOT provide basic hospital, basic medical or major medical insurance as defined by the New York State Insurance Department. The expected benefit ratio for these polices is at least 50%. This ratio is the portion of future premiums that MetLife expects to return as benefits when averaged over all people with the applicable policy.

MetLife Auto & Home® is offered by Metropolitan Property and Casualty Insurance Company, (Met P&C®) Warwick, RI 02887. Not available in all states.

Securities and investment advisory services are offered through qualified registered representatives of MML Investors Services, LLC, Member SIPC. MML Investors Services, LLC is not affiliated with MetLife, or its affiliated companies.

MetLife | Retirewise

Making the Most of What You Have

Slide 42

SESSION 4

Any discussion of taxes is for general informational purposes only, does not purport to be complete or cover every situation, and should not be construed as legal, tax or accounting advice. Clients should confer with their qualified legal, tax and accounting advisors as appropriate.

This material and any estate, gift or generation skipping transfer (GST) tax (together referred to as "transfer tax") calculations reflect the law established under the American Taxpayer Relief Act of 2012 (the “Act”) along with changes made by the recent Tax Cuts and Jobs Act. Starting in 2018, the transfer tax exemption amount has been increased from $5,000,000 to $10,000,000 (indexed for inflation) per person, provides a maximum estate tax rate of 40% and provides for continuing portability of the estate tax exemption between spouses. Customers should understand that tax law is always subject to interpretation and change.

State estate and inheritance tax rules vary widely: a few states have no estate or inheritance taxes while others have a separate estate tax with varying exemption amounts. Thus, while you may have no Federal estate tax liability, your estate may owe some to the state in which you resided. If you’ve got enough assets to think your estate may have to pay estate taxes, you’ll probably fall into a discussion that’s beyond the scope of this session—and it’s probably best handled by your attorney and/or tax advisor with specialized knowledge and planning skills.

MetLife | Retirewise

Making the Most of What You Have

Slide 43

L0319512938[exp1220][All States][DC,PR]

Session 4: Contents

Introduction	221
Keep healthy!	222
Health Insurance	225
Documents That You Need When Your Child Turns 18	228
Reviewing Your Employee Benefits	229
Income and Asset Protection Benefits	232
Life Insurance	234
What concerns you? — A Personal Risk Assessment	236
Considering Your Insurance Needs	237
Income Replacement Benefits	238
COBRA Coverage	240
Look at your additional benefits	242
Mental and Emotional Well-Being	243
Volunteer Opportunities in Retirement	246
Senior Living Options	248
Basic Steps in the Estate Planning Process	250
Who needs estate planning?	252
The State Estate Tax System	253
Common Forms of Ownership	254
Understanding Probate	255
Steps in the Probate Process	256
The Advantages of a Will	257
An Executor’s Role	258
Durable Power of Attorney	259
Advanced Health Care Directives	260
How often should legal documents be reviewed?	261
Eight Common Mistakes People Make with Their Estates	262
The Federal Estate Tax: Overview	265
How Federal Estate Tax Works	266
How Death Taxes Are Paid	267
Valuation of Estate Assets	268
Types of Wills and Trusts	269
How a Special Needs Trust Works	270
Lifetime Gifts	272
Annual Exclusion Gifts	274

SESSION 4

Session 4: Making the Most of What You Have

Introduction

The fourth session, *Making the Most of What You Have,* marks a key turning point in the four-part program that MetLife has developed. In session 4, we will be discussing in some depth the features and advantages of the retirement and health plans available to you as an employee.

After that, the session will move to a basic discussion of estate planning. Now, before you decide you came to the wrong session, let us assure you that we will provide important guidance regarding wills that anyone can use and help you identify the people to whom you want to leave your assets and assure that they will be the ones who receive them. Since we do not provide legal or tax advice, it is important that you consult with your own qualified advisor regarding your personal situation.

We have talked a great deal about money in this four-part program, but it's not about money alone. It's about YOU, the people you love and those who love you. Although there are no guarantees, it *can* be a wonderful life. We wish you nothing but the best!

Keep healthy!

Managing your health while aging could be the most important part of your retirement plan. While you're pondering the opportunities that this phase of life offers and struggling with the details of aligning your finances to fit them, basic health maintenance can sometimes be forgotten.

There are many things in this world that are within your control and plenty that are not. So do what you can: Stay in tune with your body and treat it well with healthy foods and regular exercise. Equally important, see your doctor for check-ups. Many health complications may be lessened with early detection. And medical advances offer you opportunities to maintain and even restore your health.

Do not risk your health! Here are some tips and a guiding worksheet that can help you get or stay on track:

Food and Nutrition:

- Eat well balanced meals, regularly
- Include whole grains, fruits, vegetables and protein
- Don't skip meals
- Avoid processed foods as much as possible (high sodium/low nutritional value)
- Make smart choices: Keep it simple (easy-to-grab snacks) and prepare in advance

Control Portions:

- Eat until you are full. Then stop.
- Consider the size of your meal when you go out to eat — you can always take half home.

Drink Plenty of Water:

- Our body is composed mainly of water — keep it replenished.
- Avoid drinking soda, juice and caffeine on a regular basis — have it as a treat once in a while.

Don't Diet!

- A diet implies a beginning and end — you must think of eating healthy as a lifestyle.
- Eat everything in moderation.

Exercise:

- Know the parameters in which you can work out safely. Check with your doctor, get a physical exam if necessary.
  - If you do have any physical limitations, ask your doctor for safe alternatives that won't stress your body.
- Set realistic goals.
  - It is not normal to lose 20 pounds in a week and expect to be able to run a marathon the next month.
  - Small steps are the way to success — choose an enjoyable cardio routine, increase small goals gradually over time.
  - Switch up your activities to keep your mind and body stimulated and challenged.
- Keep a routine.
  - Set aside 30–45 minutes a day, 3–4 times a week for your activity.
  - Remember that a little is better than nothing – just do something.

Think Long Term!

Don't beat yourself up if you miss one day of exercise or gorge yourself at a lavish restaurant, just get back on track and back to your routine. It's a way of life, remember, not a crash diet plan. Life has a way of taking us on a roller coaster ride up highs and lows. A low point does not mean you're a failure at achieving a healthy lifestyle. Think long-term and move toward short-term goals. You will realize how much better you feel and look when you are treating your body well.

Additional Tips:

- Maintain a healthy weight
- Don't smoke, and consume alcohol in moderation
- Monitor medication intake (use correctly)
- Control stress levels

Keep Healthy

With the advances in modern medicine, it is becoming more and more clear that overall health goes beyond the basics of nutrition and exercise. Our health is now considered the combined status of our physical, mental and emotional well-being. Each is reliant on the other, and each must be cared for equally.

Health Insurance

From rising costs of medical care to individuals' lack of coverage, issues surrounding health insurance make headlines frequently these days. There are many factors to take into account when deciding which health insurance program will work best for you as an individual or for you and your family. However, the more you pay, the more freedom you have to choose things such as your doctor and medical facility.

Let's Look at the Basics:

What It Is: Health Insurance is designed to help cover the costs incurred by sickness or accidental bodily harm. It essentially provides payment for benefits to cover an illness or injury.

Insurance Terminology:

Deductible: This is the amount of money the insured must pay before the costs are picked up by the insurance.

Find Out:

- How much (the amount may differ for different services)
- How is it applied: once a year, one per covered
family member, etc.

Coinsurance: The amount or percentage of expenses the insured must pay. Typically, the insured and the insurer share the costs of services — at a ratio. Example: An insured has a 20% coinsurance (this means that 80% is covered by the insurer), so for a $1,000 doctor visit, the insured would pay $200 and the insurer would cover the remaining $800. Coinsurance does not include any deductibles or co-payments that the plan requires the insured to pay.

Co-Payment: An amount of money paid by the insured for any services at the time they are received. For example, when you pick up a prescription or have a doctor's visit, you might have a specific fee that you must pay at that time.

Inside Limits: Limits for specific benefits of a health insurance policy that are less than the maximum policy benefits or that modify the policy benefits to some extent. Example: Hospital room benefits may be limited to a semi-private room for 90 days.

Child Age Limits: Understand what the age limit is on coverage for your children. The Patient Protection and Affordable Care Act extend health care coverage for young adult children under their parent's health plan up to the age of 26.

Lifetime and Annual Limits: With the Affordable Care Act, lifetime limits on most benefits are prohibited in any health plan or insurance policy. The Act also bans annual dollar limits that all job-related plans and individual health insurance plans can put on most covered health benefits. It's important to note that plans can put an annual dollar limit and a lifetime dollar limit on spending for health care services that are not considered essential health benefits. In addition, grandfathered individual health insurance policies are not required to follow the rules on annual limits.

Keep in Mind Your Family Needs: You should have an idea of the kinds of services your family uses regularly.

And don't forget about:

- Orthodontia — braces for the kids
- Health maintenance (well-care preventive visits)
- Preventive therapies
- Family doctors — make sure they are in your approved network

Preferred Providers: Some plans have a list of preferred care providers (network doctors) and hospitals or facilities that must be used.

Outpatient Benefits: Due to the high costs of hospitalization, outpatient services are becoming more and more common. Look carefully into what is covered under your plan for services such as pre-admission testing, diagnostic testing, etc.

Individual Health Plans

If you are ever between jobs, self-employed or ineligible for a group policy, you can purchase an individual policy. The cost of an individual plan is determined by the deductible you choose, the coverage options you select and any current medical conditions. Be sure to think about how much you would probably spend on your health care per year and ensure that the maximum coverage per claim and per lifetime lines up with your potential needs.

Keep in Mind:

- "Raise your deductible": The higher your deductible, the lower your premiums (and vice versa)

Health Plan Options

Different Types of Health Insurance Plans

When you are looking for health insurance, the first step is to find out what plans are available to you. Consider the following plans when looking at what is best for you and your family.

- Discount Plans
- Health Savings Accounts (HSAs)
- Healthcare Management Organization (HMO)
- Point-of-Service Plans (POS)
- Preferred Provider Organization (PPO)
- Prescription Plans
- Short-Term Health Plans: Similar to individual and family plans, with a prescribed length of coverage of between 30 days and 1 year
- Small Group Health Plans

Documents That You Need When Your Child Turns 18

Turning 18 is a big deal, not just from a parent's emotional perspective, but legally too. Parents may not realize they can no longer make legal decisions. If your child will be going away to college, many of them do a good job of notifying parents of these matters. However, it is probably a good idea to take the initiative by having documents in place. Here are some of the primary ones to consider.

Health Care Power of Attorney/ Proxy: When we think of a Health Care Power of Attorney it is frequently for an older parent, but it is just as important for college-age adult children. This document gives parents the ability to make decisions about their child's health care. Usually this is not used unless a child becomes incapacitated. If a student goes to school in a different state it is suggested to have a document from each state.

HIPAA Authorization: This authorization allows doctors to speak about a student's medical condition with whomever the student chooses. Students can also set limits on how much and what type of information can be shared. This authorization should be kept in a handy place because you will need to show it to a local medical professional or hospital if you should need access to otherwise private information. Even with this authorization, students might still need to sign a release form that is specific to their college as many have varying policies and procedures.

Financial Power of Attorney: This document is a way to allow parents to manage their child's finances. It can become effective immediately upon signing or at a point in the future. It can also permit parents to act on all financial matters or have limits on their authority. This would be especially useful if the child has a car accident or is ill, leaving him or her unable to make financial decisions. It may also be useful if a child is planning on traveling abroad or has an overdrawn bank account due to fraud.

Education Record Release: The Family Educations Rights and Privacy Act (FERPA) require students age 18 and older to provide written consent (with very few exceptions) before grades, transcripts and disciplinary actions can be shared with parents. This would also include notifications of financial-aid documents. Colleges usually notify parents of this requirement but even so, many may not understand the implications or forget to act upon it.

Source: Wall Street Journal, December 2017

Reviewing your employee benefits is an important step in preparing for retirement

Employee benefits have traditionally provided you with a safety net — protection from the financial impact of unforeseen events. As you begin to prepare for retirement, an important step is to review your benefits to determine what actions you may need to take to help ensure that your safety net continues into retirement. Rethinking your benefits safety net for retirement is just as important as having a sound investment strategy.

Retiree Health Care Benefits

In general, health care costs seem to be rising at a faster rate than general inflation and individuals run the risk of compromising their retirement goals if they do not plan properly for anticipated and unanticipated expenses. It is important to address any potential coverage gaps to protect against health care cost risks.

About Retiree Health Care

- Because of rising health care costs, many employers have reduced or discontinued retiree health care benefits. 23% of firms, with 200 or more workers offered health benefits to retired workers in 2015, down from the 66% that did so in 1988 and 34% in 2006.

  Source: Kaiser Family Foundation, May 2016

- The Affordable Care Act (ACA), through its Health Insurance Marketplace, helps uninsured people find health coverage by filling out the application at Healthcare.gov. No matter what state you live in, you can use the Marketplace. Some states operate their own Marketplace. In some states, the Marketplace is run by the Federal government. If you have, or are considering COBRA coverage (see below), you can buy a plan in the marketplace, where you may find lower cost options.

- Under federal law, firms with 20 or more employees that offer health care benefits must offer employees continuation health insurance known as COBRA for up to 18 months after an employee leaves. The employee pays the cost of the insurance plus in most instances, a 2% administrative fee. COBRA can bridge the gap to Medicare for up to 18 months or serve as a temporary solution while you explore private insurance options.

  Source: Consolidated Omnibus Budget Reconciliation Act of 1985

- If you are not eligible for COBRA, or your COBRA coverage expires, and you are not eligible for Medicare, under the Health Insurance Portability and Accountability Act (HIPAA), you may have a guaranteed right to purchase an individual policy. (Health Insurance Portability and Accountability Act of 1996.) Rates for these policies will generally be higher than COBRA and benefits may be less favorable.

- There are also many private health insurance plans available, but in most cases you must qualify for coverage.

Questions to Ask about Your Benefits

If you will have access to health insurance benefits through your employer at retirement:

- When do you qualify for coverage?
- Are benefits available to all retirees, or must one have worked for the employer for a specific period of time?
- What is the projected cost for these benefits? Is coverage “access only” (i.e., retiree pays all of the premium, at group rates), or does your employer also contribute to the premium?
- Will you have access to prescription drug, dental and vision coverage? What are the projected costs for these benefits?
- Will your benefits mirror those that you currently have?
- What type of plan is it (PPO, HMO, etc.) and what will be covered if you are out of your home area?
- If you are married, will your spouse be covered under your retiree health plan? And will your spouse be entitled to continue with the benefits should you die?
- How will the premiums and benefits change at the point that you become eligible for Medicare?

If you will not have access to retiree health benefits through your employer, and you will not be eligible for Medicare at retirement:

- Do you have the option to work part-time rather than retire and retain your health benefits?
- What will your premiums and benefits be if you elect COBRA coverage or if you elect an individual health care policy under HIPAA (see explanation of COBRA and HIPAA coverage under Facts about Retiree Health Care Benefits)?
- Do you qualify for private health insurance? If so, explore the costs and benefits of this option.
- Do you have the option to receive coverage through your spouse’s employer? If so, explore the costs and benefits of this option.

If you are eligible for Medicare at retirement:

- When should you enroll in Medicare’s voluntary options including Part B and Part D in order to avoid penalties for late enrollment?

Income and Asset Protection Benefits

At retirement, it will be important to protect your retirement income and legacy goals and ensure you have enough funds to enjoy your retirement. For example, life insurance can help protect income for the partner who lives longer as well as securing your legacy goals. It will also be important to protect your income-producing retirement assets from unexpected costs that could significantly reduce your asset base. You might also want to review your current disability income insurance coverage to ensure that your retirement income goal is protected even if an illness or injury prevents you from working in the last few years before your target retirement date.

About Income & Asset Protection

- Employer group term life insurance plans may have a conversion option that allows employees to continue their coverage, but typically at significantly higher premiums.
- For retirees, life insurance can be a tax-efficient vehicle for funding estate planning and legacy goals and for providing income to a surviving partner or dependent.
- Many group disability income insurance plans cover only a certain portion of an employee's current income, and maximum benefit caps can reduce this amount even further for higher wage earners.
- As you near retirement, disability income insurance protects your ability to generate income and continue saving for retirement. Loss of income at this stage of life may prevent you from meeting your goals for retirement.

Questions to Ask about Your Benefits

Will you be able to continue your life insurance benefit at retirement?

- If you have a conversion option, what would your premium rate be?
- How will the premium increase over time?
- Do you have the opportunity to increase your coverage level before you retire?
- Will you qualify for an individual life insurance policy and, if so, what will the premiums be compared to other options?
- If an injury or sickness prevents you from working, how much of your current income will be replaced by your disability income insurance benefit?
- Does your disability income benefit cover salary only or does it include bonuses and overtime?
- How much disability income benefit would you receive if you became disabled today?
- Is there a waiting period before you can receive disability income insurance benefits?
- Would your disability income benefit be taxable?
- Do you have the opportunity to increase your disability income coverage level at your next annual benefit enrollment?

Life Insurance

The primary purpose of life insurance is to protect your family's current and future financial security in the unfortunate event of your premature death. Life insurance can be a low-cost way to guarantee that your family receives cash (in the form of a death benefit and which is generally free from income tax) when it is most needed. That guarantee is the promise of an insurance company and, accordingly, is subject to the financial strength and claims-paying ability of the insurance company.

Before you embark on any other aspect of your financial plan, your current income, projected future income, inflation, debt and financial goals should all be evaluated by a professional to determine your specific requirements for life insurance.

Some of the possible uses of life insurance death benefits include:

- **Payment of Debts (including home mortgage):** Provides funds that can be used to pay a mortgage or other debts.
- **Replace Income:** Replaces income of deceased policyholder with an immediate lump sum cash benefit.
- **Create Immediate Estate:** Death benefit provides family with time to think about financial decisions. Future actions may not need to be rushed because an immediate infusion of cash may provide that flexibility.
- **Pay Estate Costs:** Life insurance provides money, that can be used to pay estate taxes and other estate settlement costs, permitting family assets to remain intact.
- **Business Needs:** Could include "key person" insurance, which provides the financial resources upon death of a key employee to replace that individual, or buy-sell insurance, which provides cash to buy out the interest of a deceased partner's heirs.
- **Inheritance Equalizer:** If a family member elects not to participate in the family business, life insurance can provide for a fair inheritance to the family member without disrupting the family business.
- **Charitable Giving:** Life insurance can provide for a specified benefit passing to a charitable organization. Life insurance can also replace family assets when other advanced charitable strategies are used, including a charitable remainder trust.

Group Insurance	Sometimes offered by an employer, group insurance pays a death benefit that is typically a multiple of your salary. Since it's offered by an employer, the premiums are often partially or completely paid by the company.
Term Life	Pays if the insured dies during the specified term period (e.g., 10, 15 or 20 years). The longer the policy is in effect, the higher the premiums will be.
Whole Life	It will pay at your death. Benefit payment is not limited by a time period like term life. Premiums remain level for the insured's lifetime. Generally costs more than term insurance. Builds cash value.
Universal Life	A form of permanent insurance like whole life. However, premiums and the benefit at death can go up and down based on the performance of an underlying account. You have a degree of control over your premium payment and death benefit. You may have a choice of death benefits.
Variable Life	A form of permanent insurance like whole and universal life. However, you choose how your cash values are invested in the sub-accounts offered by the contracts. The policy cash value and death benefits will fluctuate based on the performance of the sub-accounts.

Variable life insurance is offered by prospectus only, which is available from your registered representative. You should carefully consider the product's features, risks, charges and expenses and the investment objectives, risks and policies of the underlying portfolios, as well other information about the underlying funding choices. This and other information is available in the prospectus, which you should read carefully before investing. Product availability and features may vary by state. All product guarantees are based on the claims-paying ability of the issuing insurance company. The amounts allocated to the variable investment options of your account balance are subject to market fluctuations so that, when withdrawn or surrendered it may be worth more or less than its original value.

What concerns you? — A Personal Risk Assessment

Many different risks need to be managed in retirement. Fortunately, insurance provides a way to take certain unknowns (potential financial risk) and make them known insurable risks (by paying premiums).

Areas that you may wish to address include:

Needs in the Event of Death: Understand the financial impact of death on survivors, including continuing income needs, debt payment and immediate cash needs.

Disability Income Insurance: Examine the impact should you lose your ability to earn a living due to illness, disease or injury.

Long Term Care Insurance: Understand the potential depletion of assets that any prolonged stay in a nursing home or even in receiving home health care may have.

Automobile Insurance: A liability judgment or the loss of a car resulting from an automobile claim could have a devastating impact on your finances. Review your current coverage with an insurance agent to make sure that you have appropriate coverage in place.

Homeowners Insurance: Certain personal liability exposures are covered in the liability section of your homeowners insurance policy. As with automobile insurance, make sure to review your current coverage with an agent to make sure you have appropriate coverage in place.

Personal Excess Liability: Generally provides one million dollars or more over your current liability limits on your automobile and homeowners insurance policies. This can be, and often is, called an umbrella policy.

Considering Your Insurance Needs

Life Insurance

- How much coverage do you need on your life and, if applicable, your spouse's life? Complete our attached human life value worksheet to better understand how much coverage you may need.
- Consider whether term or permanent life insurance is the better option.
- Contact a financial professional to review your options.
- Consider your employer-sponsored life insurance (understand cost and portability of such coverage and whether any coverage continues beyond retirement).

Disability Income Insurance

- Calculate how much income you will lose if you were to become disabled.
- Consider employer-sponsored coverage as your first option, if available.

Long Term Care Insurance

- What do hourly home health care and annual nursing home care cost in your area?
- Do you have sufficient income to cover the cost of long term care?

Automobile Insurance

- Determine whether your current liability insurance is adequate.
- Review with your insurance agent your current underinsured/uninsured motorist coverages.

Homeowners Insurance

- Discuss with an insurance agent whether your current liability insurance is adequate.
- Are your property damage limits adequate based on the current value of your home?
- Do you require a rider to insure jewelry, art, collectibles above base policy limits?
- Consider whether you want to purchase a flood insurance policy or optional earthquake coverage.
- Videotape and catalog your possessions.

Excess Liability Insurance

In coordination with your automobile and homeowners liability coverage, consider purchasing one million dollars or greater of personal excess liability insurance. This can be, and often is, an umbrella liability policy.

Income Replacement Benefits

About Income Replacement

- As you begin to plan for your income in retirement, you should look at the big picture and determine your retirement goals, identify your expenses and sources of income in retirement, match your income sources to expenses, and identify and close any income gaps.
- A general guideline for retirement income is that you'll need a minimum of 70-80% of your pre-retirement income each year to maintain your current lifestyle.

  Source: CBS MoneyWatch http://moneywatch.bnet.com/topic/retirement-income/

- If you have a defined contribution plan (such as a 401(k) or 403(b)), when you're ready to take withdrawals, you can take a lump sum distribution or roll it into an IRA. Many employers will allow you to leave it in their plan until you're ready to take withdrawals. If you make withdrawals before age 59½, generally you'll be subject to a 10% IRS penalty.

  Note: You can make only one rollover from an IRA to another (or the same) IRA in any 12-month period, regardless of the number of IRAs you own.

- If you have a defined benefit plan (pension), typically, the earlier you start receiving benefits, the smaller the benefit. Generally, if you start prior to age 59½, your withdrawals will be subject to a 10% federal income tax penalty. All plans must provide for spousal survivor income, unless the spouse waives it. Most plans provide a lifetime income stream option, and some allow for a lump sum distribution.
- Social Security benefits can begin at 62 but will be at a reduced level. If you delay taking benefits until your "normal retirement age" or even later, you can receive higher payments.

Questions to Ask about Your Benefits

If you are eligible for a pension at retirement:

- What is your benefit formula under the plan?
- What are your distribution/payout options at retirement?
- How much income will you receive under each option?
- How much income will your spouse/partner receive under each option?
- Should you elect the maximum payment and provide no income to a surviving spouse or take a lower payment and provide income to surviving spouse?
- What do you gain by waiting?

If you have a traditional or Roth 401(k) or 403(b) plan:

- Are you currently contributing the maximum permitted by law, including catch-up contributions?
- What are your distribution options at retirement?
- What are the tax consequences of each distribution option?

If you have traditional or Roth IRAs, or if you have non-qualified retirement plans:

- What are the different payout options and the tax consequences of each?
- Review your Social Security Statement to determine:
  - What is your estimated benefit level at your "normal retirement age"?
  - What is your estimated benefit level if you begin to take benefits before your "normal retirement age"?

SESSION 4

COBRA Coverage

COBRA = Consolidated Omnibus Budget Reconciliation Act. Passed by Congress in 1986. It amends the Employee Retirement Income Security Act (ERISA), the Internal Revenue Code and the Public Health Service Act to provide health coverage to employees and immediate family members in an event that would normally cause them to lose coverage (divorce, loss of employment, resignation, death of a spouse, etc).

The Basics

What COBRA Does

COBRA provides former employees, retirees and family members continuing health care coverage at group rates. COBRA generally covers the health plans of employers with 20+ employees, employee organizations and state/local governments.

How Much Does it Cost?

Generally, the beneficiary pays 100% of the costs that would normally be divided by the employee and the employer. In addition, there is usually a 2% administration fee. If a beneficiary is qualified to receive extended coverage, premiums can increase to 150% of the total cost of coverage.

Who Pays for COBRA?

The beneficiary pays premiums for the continued health insurance coverage.

Who is Eligible?

If you were covered by an employer group health plan up until the day before a "qualifying event," you may be eligible for COBRA benefits.

What is a Qualifying Event?

The reasons for loss of health insurance (known as a qualifying event) vary for each individual and are highlighted as follows:

Employees:

- Termination of employment (voluntary or involuntary) — does not include termination for gross misconduct
- Reduced hours of employment

Spouses:

- Termination of the covered employee's employment (voluntary or involuntary) — does not include termination for gross misconduct
- Reduction in hours of covered employee's work schedule
- Covered employee becoming eligible for Medicare
- Divorce or legal separation from covered employee
- Death of covered employee

Dependent Children:

- Loss of dependent child status under the plan rules
- Termination of the covered employee's employment (voluntary or involuntary) — does not include termination for gross misconduct
- Reduction in hours of covered employee's work schedule
- Covered employee becoming eligible for Medicare
- Death of covered employee

What Does COBRA Cover?

Eligible beneficiaries under COBRA must be offered the same health coverage offered prior to their losing it under their qualifying event. It is essentially the same plan they had as active employees.

How Long Does COBRA Coverage Last?

COBRA coverage begins the date the eligible beneficiary lost his or her coverage due to a qualifying event. Generally, these benefits last up to 18 months. In some instances, a second qualifying event may allow coverage to continue up to 36 months.

Benefits may terminate earlier if premiums are not paid, if the employer terminates their health insurance coverage altogether or the beneficiary becomes eligible for Medicare (after electing COBRA) or he/she obtains health coverage under another employer group health plan.

Look at your additional benefits

Many of us don't take enough time to consider the value of all of the benefits offered by our employers. These additional benefits are paid completely or mostly by employees. They are important because they can close gaps in employer-sponsored coverage, allow easy access through payroll deduction and help ease the burden of what can be high and unpredictable out-of-pocket expenses. Here are some of the traditional additional benefits your company may offer:*

- **Accident Insurance:** Helps offset costs that may not be covered under your employer's existing medical plan. It generally provides a lump-sum payment after an accident and helps with out-of-pocket expenses such as deductibles, copays, and transportation to medical centers, childcare and more. It may also include benefits for Injuries: fractures, dislocations, concussions, lacerations, eye injuries, torn knee cartilage, ruptured discs, and second and third degree burns.
- **Cancer Insurance:** A cancer diagnosis can mean unexpected expenses such as deductibles, copays, and costs for out-of-network care. Even if you have a disability plan, it may only cover a portion of your income. There could also then be a significant gap between any disability payments you receive and your family's everyday living expenses like utilities, groceries and rent.
- **Critical Illness Insurance:** Critical illnesses can happen when you least expect them – and they can be costly. Even quality medical plans can leave you with extra expenses to pay. Costs like plan deductibles, copays for doctor visits and extra costs for out-of-network care can add up fast. A critical illness insurance policy can help close those gaps.
- **Hospital Indemnity Insurance:** A hospital stay can be expensive. Be ready for costs not covered by your medical plan with hospital indemnity insurance which may include coverage for hospital admission, accident-related inpatient rehabilitation and hospital stays.
- **Legal Services:** Group legal plans provide affordable, convenient access to a highly qualified network of attorneys for everyday personal legal matters which may include preparation of wills, living wills and trusts, purchase, sale and refinancing of a residence, debt collection and foreclosure defense, Identity theft defense, tenant negotiations, civil litigation defense, and adoptions.
- **Pet Insurance:** Vet visits can be expensive. Pet insurance helps cover the cost of injuries and illnesses so you can give your pet the best possible care.
- **Auto Insurance:** Whether it's a car, boat, or RV, auto insurance protects your vehicles, yourself and your family. Policies generally offer a wide variety of coverage options including liability protection, collision and comprehensive coverage, personal injury protection and uninsured motorists' coverage.
- **Home Insurance:** If you own a house, condo, or apartment a homeowners' insurance policy can protect you if you have to rebuild your home and replace lost or damaged property. Some policies may also include customizable coverage in the event of tornadoes, hail, fire, theft, and vandalism.

*Not all companies will offer these benefits

Mental and Emotional Well-Being

The human brain represents the single greatest system in the universe. Weighing but two to four pounds and made up of nearly 60% fat, this wonderful integration of brain cells and supportive cells produces our every thought, emotion and behavior. A lifestyle to promote brain health should be considered a lifelong process and one that has benefit at any age.

Building a robust and healthy brain has the benefits of not only achieving health for the central nervous system but may also delay the onset of neurodegenerative diseases such as Alzheimer's or other forms of dementia. Also remember that the state of our mind can profoundly affect what goes on with our body. Stress, anxiety and depression can become huge factors in many physical ailments. These "Ten Tips for Maintaining a Healthy Brain" represent critical ingredients of a brain-healthy lifestyle.

1. **Don't Smoke**

   Smoking represents a major risk factor for cancer, heart disease and stroke. These leading causes of death represent an ongoing concern for all Americans. Nonsmokers might consider taking an empathetic approach to smokers who are trying to quit, and parents might use a "tough love" approach with their children to make sure they don't even start.

2. **Follow Your Physician's Advice**

   Your relationship with your physician is critical to your health. Remember that as a consumer of health services, your doctor is your employee, so establish a good working relationship based on the understanding that you are the boss of your body. We must develop a proactive attitude toward maintaining our health and take responsibility to change those aspects of our lifestyles that are minimizing our longevity potential. Our physicians can help guide this process.

3. **Exercise Regularly**

Exercise and physical activity continue to emerge as primary components of a healthy lifestyle at any age. Aerobic exercise, weight training and recreation are critical not just to our cardiovascular health, but to our brain health as well. Every time our heart beats, 25 percent of its output goes to our brains — quite a large market share! Clearly, maintaining efficient blood flow to our brains through regular exercise promotes health. If you don't exercise regularly, start by walking around the block tonight and build from there.

4. **Reduce the Overall Calories You Consume Daily**

As Americans, we tend not to under-consume anything — including food. Yet the leading factor for longevity in animals is calorie restriction. This finding has yet to be demonstrated in humans. However, provided you get your daily nutritional needs from the USDA's food pyramid, you should pay close attention to how much you eat. Take the following physician's advice: Never go to bed stuffed, and eat only 80 percent of what you intend to consume at every meal.

5. **Socialize and Have Fun**

Also as Americans, we specialize in stress, with little understanding of how to have fun. We need more time to socialize, celebrate and laugh! Some of us have walls around us that keep other people away. As humans, though, we need to be engaged and to be social. Kofi Annan, the former Secretary-General of the United Nations, once stated that every time "we lose an elder from our village, we lose a library." If we begin to think of everyone as a library, it becomes clear that we can learn from others.

6. **Develop Your Spirituality**

Evidence continues to emerge that prayer is a health-promoting behavior and that attendance at formalized places of worship may have more significance for our health than we understand. Meditation, yoga, relaxation procedures and prayer have neurophysiological bases. They help to alter our existing inner balance for the better. Praying or meditating daily can help us combat the stresses of life and focus on the challenges ahead.

7. **Engage in Mentally Stimulating Activities**

"Mental stimulation" refers to the ways our brains respond to stimuli in the environment. Novel and complex stimuli are health-promoting for the brain. New learning translates to neurophysiological growth and to mental stimulation in the same way that aerobics translates to cardiovascular health. We can benefit from being challenged, from learning new information and acquiring new skills that we do not yet understand, and from engaging in pursuits that are initially hard for us!

8. **Maintain Your Role and Sense of Purpose**

Retirement as it is presently envisioned in this country is not good for the human brain, which benefits from environments rich in novel and complex stimuli. Retirement by definition reinforces disengagement and passivity. Our nation might consider prioritizing social engagement across the lifespan — from a brain-health perspective. Although it is important to allow elders to choose more passive lifestyles, many may benefit from an understanding of the importance of actively participating in society and finding personally relevant roles and senses of purpose.

9. **Seek Financial Stability**

Research clearly demonstrates that having some money late in life correlates with better health; therefore, a practical tip for maintaining lifelong health is to hire a financial planner, investment adviser or other qualified financial professional and begin a savings plan that will provide some money late in life. Financial planners do not consider themselves to be health-promoters, but they are. We are never too young or too old to begin saving, and the less money we make the sooner we need to get started!

10. **Engage Family and Friends**

Developing and maintaining a social network of relationships is important from a health perspective. Our friends and family help us stay active and involved in the fabric of society. They can provide us with emotional support and can nurture trust. Our roles in life, from child to parent to grandparent, exist within the family; they provide much health and human enrichment across the lifespan. Intimacy, broadly defined, is itself a health-promoting behavior at any age.

Volunteer Opportunities in Retirement

Your may decide that retirement is an opportunity to try new things and give back to your community. You may also have no idea how to get involved or how much time to dedicate to these endeavors. Here are a few things to take into consideration and think about when looking for volunteer opportunities:

Ask Yourself:

1. **What types of activities are you interested in? Is there anything new you would like to do? Do you have a passion you would like to pursue through a volunteer opportunity?**
   - Children
   - Underprivileged families, battered women, homelessness
   - Advocacy for health or political issues: cancer/disease research, women's issues, multicultural opportunities
   - Mental/physical illness

2. **How much time can you devote to volunteering?**
   - Keep in mind that some opportunities may require more time than others. Being a mentor to a child may require a more structured time frame than volunteering to deliver meals or serve them at a shelter.

3. **What special skills do you have to offer or hope to gain?**
   - You can align your expertise and passion in many circumstances. Just because there isn't an advertisement for a specific opportunity doesn't mean you can't create it! Always ask. For example, if you enjoy art and want to work with mentally ill patients, ask a facility if you could do craft activities once a week with some of the patients.

Take the Next Step:

Search to Find a Cause:

- Use the Internet to find a nonprofit organization that fits your interests
- Contact churches, hospitals, schools, etc., for potential opportunities

Do Research and Get Background Information:

- What kind of organization is it (profit or nonprofit)?
- Are they a respected, charitable organization?
- Are you comfortable with the work they do — would you be proud to be an advocate?
- Can you see yourself making a difference there?

Get in Touch:

- Call, schedule an appointment or visit the facility/organization, etc.
- Find out what opportunities are available and the time involved
- Share your skills, interests and desire to volunteer for that cause
- Make sure the opportunity aligns with your goals — that it is a "good" fit

Make a Difference!

- Go out and volunteer

Senior Living Options

The options surrounding retirement living arrangements are just as diverse as your personal retirement goals. Many retirees choose to stay in the home they raised their children in, and many do not. Downsizing, moving, single living, health conditions — these are all things to take into consideration when deciding "where" you want to live in retirement. Fortunately, there are many options out there to support most wishes and circumstances. Let's take a look at some of them:

Active Adult Communities

Active Adult Communities typically offer a resort-style living environment for younger or active seniors. Many times these communities offer stand-alone houses with similar designs, or are apartment/condo complexes with many individual units and can be purchased or rented. Whatever style of housing, they often accommodate senior living with open floor plans and low-maintenance so the transition for those with physical abilities while aging doesn't seem so severe. For example, the community may have 1st floor master bedrooms, wider hallways and on-call maintenance for things like snow removal or landscaping services. There may also be on-site activities or activity planners to engage seniors in an active lifestyle with optional sports, events, classes and/or activities.

Continuing Care Retirement Communities

Continuing Care Retirement Communities (CCRCs) are similar to Active Adult Communities in that they support seniors enjoying an independent lifestyle. The difference with a CCRC is that a senior can remain in the same environment as their physical needs increase; medical and nursing care services are available when needed. In addition, many of these communities may include services for meals, housekeeping and transportation.

Assisted Living Communities

Assisted Living Communities or Facilities (ALFs) are designed for individuals who cannot function in an independent living environment — seniors who need help with the activities of daily living — but do not need nursing care on a daily basis.

These communities can range in size from a residential house to a large-scale facility and typically allow residents to choose the level of care they require and define their own lifestyle needs. Residents can live in a single room/apartment, choose up to three meals a day, have assistance with personal care, transportation, laundry and maintenance services as well as medical supervision.

Adult Day Care Centers

Adult Day Care Centers are exactly what they sound like — centers open during daytime hours during the week to offer seniors a supportive, stimulating and safe environment. It is a program of planned activities designed to promote well-being in a social setting. These centers offer nutritious meals and social activities for seniors who may be physically or cognitively impaired (for example, early stages of Alzheimer's). Some of these centers, referred to as "Adult Day Health Care Centers" (ADHC) often provide physical and speech therapy with an RN as well.

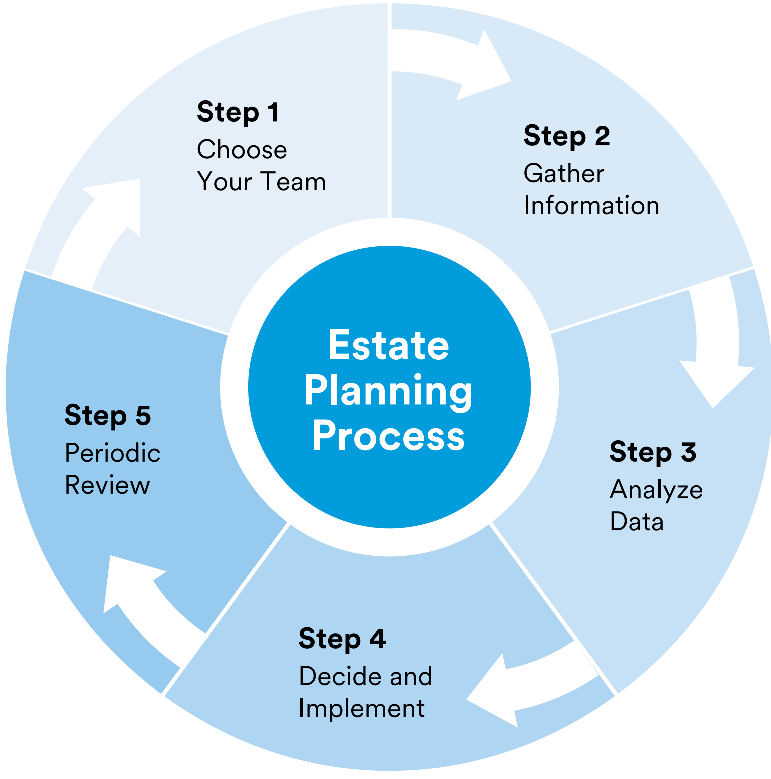
Nursing Homes, Skilled Nursing Facilities and Rehabilitation Centers

Nursing Homes, Nursing Facilities or Nursing Care Centers provide care to individuals who need specialized care on a regular basis but do not need to be hospitalized. They provide 24-hour medical and custodial care to those who cannot function independently because of a chronic illness or injury. A licensed physician supervises each patient's care and a nurse or other medical professional is almost always on the premises.

SESSION 4

Basic Steps in the Estate Planning Process

There are several basic steps to take in planning your estate. A typical program would be as follows.



The Basic Steps:

1. **Choose Your Team:** Choose, as needed, your attorney, tax professional, insurance professional, trust officer, planned-giving specialist and financial advisor.
2. **Gather Information:** A completed fact-finder serves to list your goals and objectives, shows names, ages, assets and liabilities, and the goals and objectives of your desired heirs.
3. **Analyze Data:** Pretend death occurred yesterday. What happens to your estate, your business and your family? What if you die ten years from now? Team analyzes data to provide you with the results.
4. **Decide and Implement:** Select the plan that best fits your needs and goals. Sign essential documents, purchase needed insurance and change investments, if necessary.
5. **Start the Cycle Over:** Because the world (and your estate) is constantly changing, many advisors recommend an annual planning review.

Estate Settlement Costs

At a person's demise, his or her assets are subject to a number of expenses that can significantly reduce the size of the estate left for the heirs. Proper estate planning can minimize these expenses and determine in advance how the costs that remain are to be paid.

Personal Property / Business Interests	
Death Taxes	Probate Expenses
Accounting Fees	Attorney Fees
Appraiser's Fees	Executor's Commissions

Who needs estate planning?

Everyone, including those who care about:

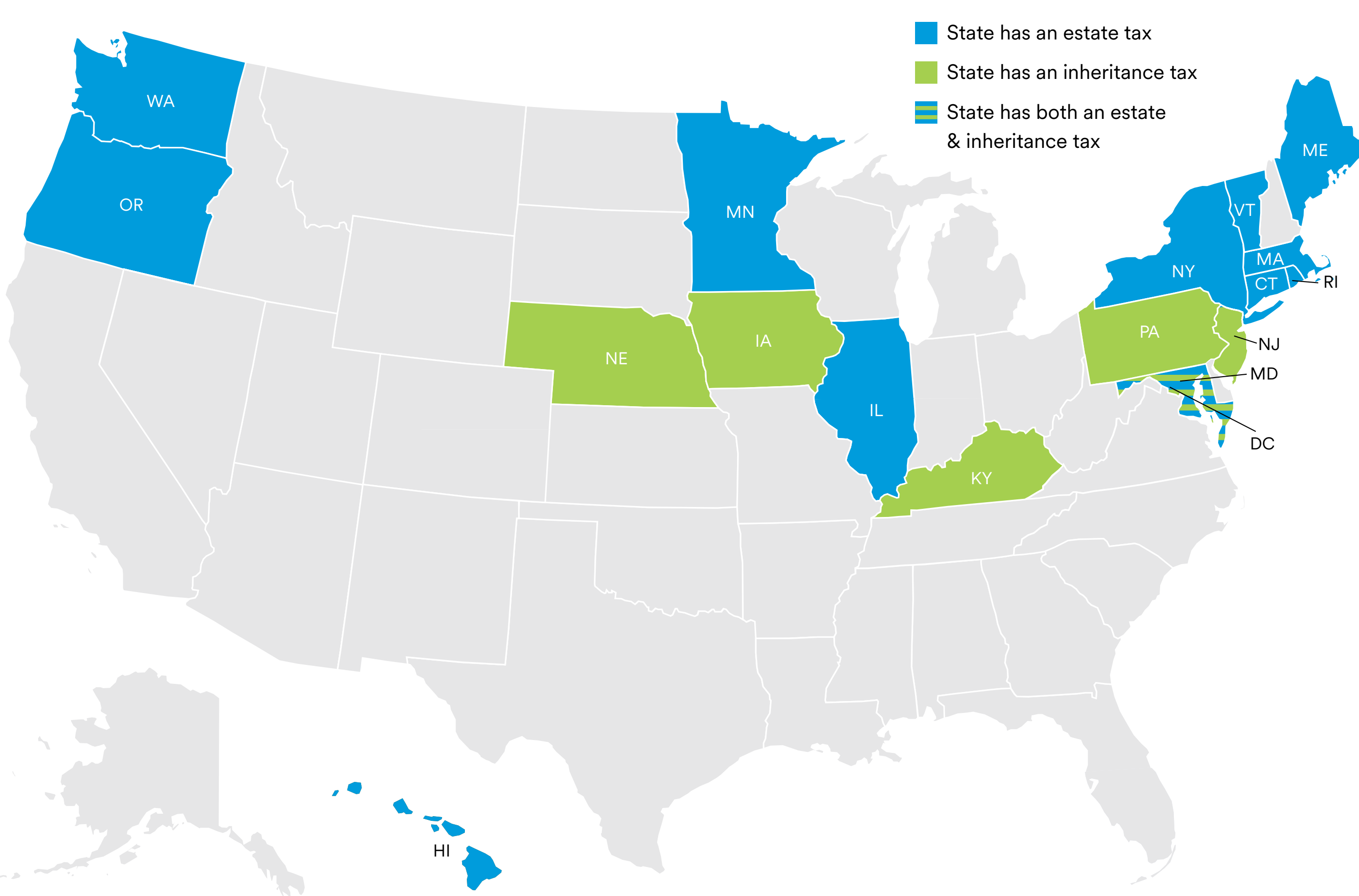
- who inherits their property
- minor or special needs child
- heirs who are financially irresponsible
- spouses or parents who are dependent on them
- outstanding debts
- businesses and business partners
- taxable retirement plans and employee benefits
- estates large enough that they may be subject to estate taxes
- benefits to their grandchildren
- benefits to charities
- possibility of needing expensive medical assistance during life
- not being able to manage their finances during life
- “blended families,” involving multiple marriages and children with different spouses

The State Estate Tax System

The federal tax exemption has increased significantly since 1997 while the estate tax rate has significantly decreased. Aside from federal estate taxes, a handful of U.S. states collect a death tax at the state level. In some states the tax is based on the overall value of the estate, which is referred to as an estate while in other states the tax is based on who inherits the estate, which is referred to as an inheritance tax. State estate and inheritance tax rules vary widely: a few states have no estate or inheritance taxes while others have a separate estate tax with varying exemption amounts.

Your home and retirement accounts will be counted when your estate is valued for tax purposes, and proceeds from your life insurance could be counted, too, depending on how the policy is owned and who gets the money.*

The Least Friendly Places to Die



*Source: Wolters Kluwer Tax & Accounting U.S., 2019

SESSION 4

Common Forms of Ownership

Common Forms of Ownership

Separate Property	In community states, property owned by either a husband or a wife (separately) is called separate property. In general, this will include property acquired by either spouse prior to marriage, by will, by inheritance (and not placed in the name of both spouses), or the rents and earnings on such properties of the above or any money damages for personal injury.
Community Property	Both real and personal property earned or accumulated during the marriage through the efforts of either spouse living together in a community property state. Deceased spouse's will has control over one-half of the community property.
Joint Tenancy	Joint ownership of equal shares by two or more persons with right of survivorship.
Tenancy by Entirety	Joint ownership of an asset between a husband and wife (with rights of survivorship) that generally cannot be terminated without the consent of both parties or by divorce.
Tenancy in Common	Ownership by two or more people who hold undivided interests without right of survivorship. Interests need not be equal and will pass under the terms of the owner's will.
Severalty	Ownership held by one person only. This can be a non-natural person, such as a corporation.
Tenancy in Partnership	Method by which property is owned by a partnership. Specific interest in the property cannot be conveyed by one partner alone.
Trustee	The trustee of a living or testamentary trust holds legal title to property for beneficiaries who have equitable title.
Life Estate	A form of ownership in real or personal property that terminates upon death of the life tenant.

Understanding Probate

Probate is the process of passing assets through a will. Although many states have simplified their probate process, probate can still be costly, time-consuming and public. Costs include attorney's fees and court costs. They do not include federal or state estate taxes. Typically, the process can take one year, with 6 months being the minimum time if all is in order.

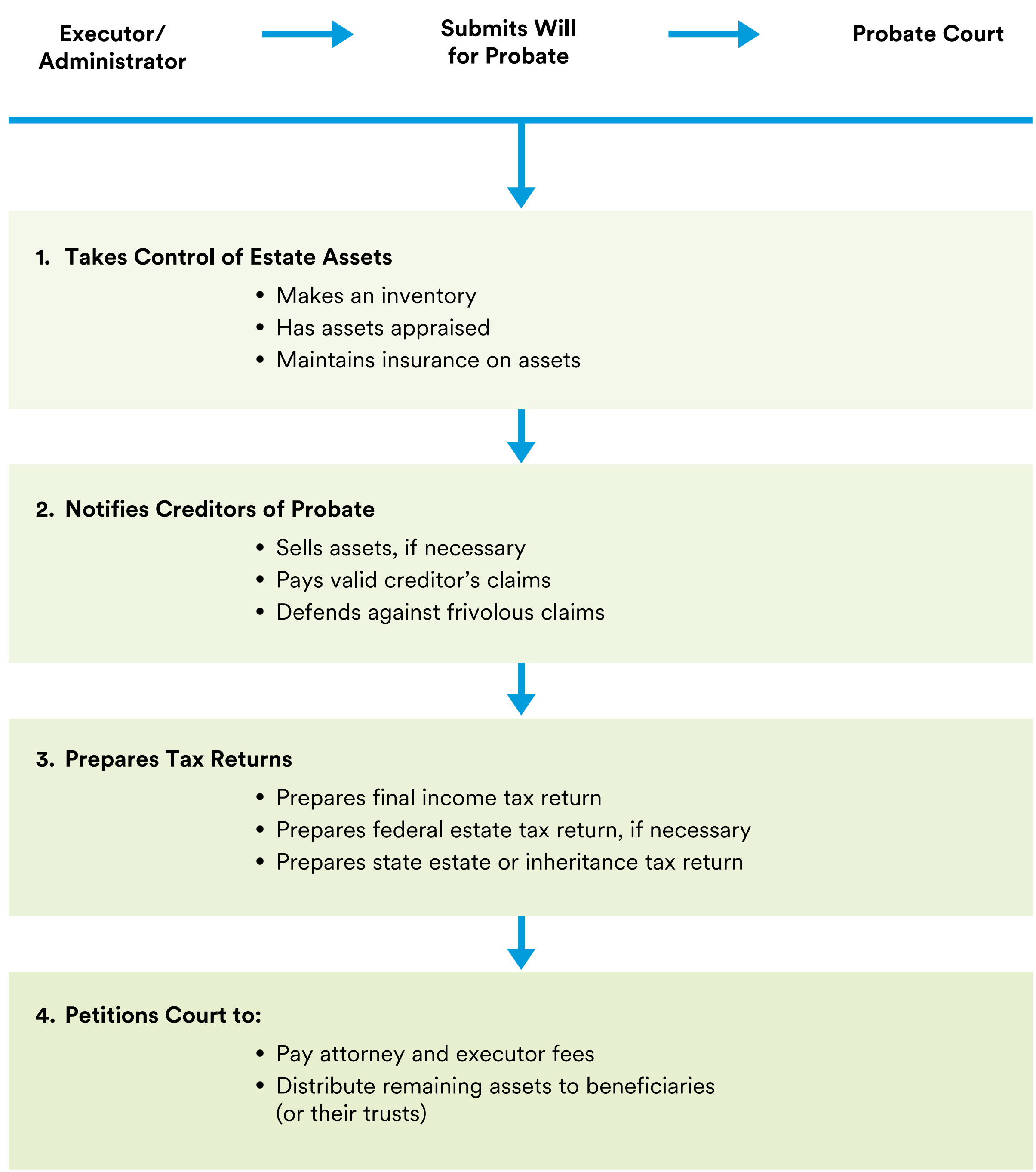
Common Steps in the Probate Process

1. The Executor/Administrator submits will for probate
2. Assets are appraised and insured
3. Creditors are notified of the probate process
4. Assets are sold to cover any creditor claims
5. The tax return is prepared
    a. Final income taxes
    b. Federal and state estate tax returns (if necessary)
6. Court is petitioned to pay attorney and executor fees
7. The rest is distributed to the beneficiaries

Avoiding probate can save time, money and publicity. There are many methods available to transfer assets outside the probate process.

- **Joint Tenancy:** a form of title arrange-ment that conveys 100% ownership to two or more people. Title passes automatically to surviving joint tenants. Tenants by entirety is a form of joint ownership between spouses.
- **Community Property with Rights of Survivorship:** title automatically passes to surviving spouse.
- **Totten Trust:** a vehicle for passing savings accounts to heirs.
- **By Contract:** involves some sort of contract where a beneficiary has been named, such as in a life insurance policy or annuity.
- **Lifetime Gifts:** may be brought back into the estate for estate tax purposes but will pass outside of probate.
- **Transfer on Death:** permits securities to be registered so that ownership automatically passes to named beneficiary at the death of the owner.

Steps in the Probate Process



Note: Steps will vary with each state in which assets are owned.

The Advantages of a Will

- **Avoids distribution under the law of intestacy.** The state intestacy law will pass property to certain relatives of the decedent. These laws have been drafted to be fair in the average situation, but most people would like to choose who will receive their estate when they die.
- **Permits the nomination of a guardian for minor children.** Without a nomination in a will, the court will appoint a guardian for minor children of the deceased. Relatives are not always the best choice for a guardian and consideration must be given to the financial situation of the potential guardian, as well as his or her health, age, willingness and ability to care for your young children.
- **Waiver of Probate Bond.** In the absence of a will, the court will require a fiduciary bond to be posted by the administrator of the estate to guarantee the replacement of any funds embezzled or diverted to him or her and to protect unsecured creditors. Since this additional cost must be borne by the estate, the will may want to waive the bond requirement.
- **Choosing the executor.** The duties of the executor of an estate can be very time consuming and frustrating, especially to a spouse who has just lost his or her mate. In the will, a qualified individual and/or a corporate trust company can be chosen to handle these responsibilities.
- **Making specific bequests to individuals.** An individual may bequeath specific items of jewelry, heirlooms and furniture or make cash bequests to be certain that they will pass to the proper persons. Without a will, written or oral instructions may not be followed.
- **Sale of assets during the administration of probate.** Additional expense to the estate can generally be avoided by permitting the sale of assets without the executor's having to obtain court approval. A sale of assets may be necessary in order to pay death taxes and expenses of probate.
- **Authorizing the continuation of business.** Unless the will authorizes the continuation of a business, the executor must operate it at his or her own risk.
- **Deferring distributions to minors.** When parents die leaving young children, the will can provide that the share of such beneficiaries be retained in trust, under the control of a trusted family member or other advisor, for the benefit of the child, until he/she reaches a stated age.
- **Tax Savings.** Certain, sustainable tax savings are possible though the use of trusts. The will can be used to create trusts after death. Such trusts are known as testamentary credit shelter trusts.
- **Peace of mind.** Although this advantage cannot be measured in dollars and cents, when the estate is in order, an emotional load is lifted from the person who is concerned for his or her family's well-being.

An Executor's Role

The executor of an estate is named in a person's will and has many duties and responsibilities to carry out including:

- Finding the latest will and reading it
- Filing a petition with the courts to probate the will
- Assembling all of the decedent's assets and getting them appraised, if appropriate
  - Taking possession of safe deposit boxes
  - Consulting with banks and checking for cash and valuables in the home
  - Transferring all securities to his or her name (as the executor)
  - Reviewing life insurance proceeds
  - Taking inventory of all real estate deeds, mortgages, leases and tax information
  - Collecting monies owed the deceased
- Determining liquidity needs and selling assets, if necessary
- Paying valid claims against the estate
- Filing the income taxes for the deceased and the estate and estate taxes, if required
- Preparing statement of all receipts and disbursements
- Distributing specific bequests and what's left over as directed in the will

Durable Power of Attorney

A power of attorney is a written document that one person uses to empower another person to act on his or her behalf.

Powers That May Be Included:

Non-Tax Powers	Tax-Related Powers
• To buy, sell or lease assets • To sue on the principal's behalf • To collect from creditors • To operate the principal's business	• The power to make gifts to the spouse (to equalize the estates) and to children, etc. (to utilize the annual gift tax exclusions) • The power to make disclaimer • The power to complete transfers to a living trust if the principal becomes incompetent • The power to join the competent spouse in signing income and gift tax returns

Advanced Health Care Directives

A living will is also known as a directive to physicians. The document provides guidance for an appointed person (usually a family member) to make health care decisions for the individual, or to the attending physician if there is no health care agent. A living will might include:

- Directions as to pain medication
- Directions on what to provide or withhold, including CPR and artificial nutrition
- A discussion of any religious beliefs that might impact medical treatment
- Instructions for funeral or burial expenses

Durable Power of Attorney for Health Care is also known as a health care proxy. With these directives, an individual directs another person to make health care decisions for them if he/she is incapable of doing so. Additional powers that could be granted to the agent include:

- Access to medical records
- Authority to transfer the principal to another facility or another state
- Ability to authorize a "Do Not Resuscitate" (DNR) order
- Postmortem powers to dispose of the remains, to authorize an autopsy or to donate all or part of the body for transplant or research purposes
- Admission to a nursing home
- Consent for surgical operations

How often should legal documents be reviewed?

Once a legal document is completed and signed, it is often carefully laid to rest in a safe deposit box or file drawer and comes out again only when a party dies or a conflict arises.

Prudent people periodically review and update their legal documents. Just how often depends, of course, on the document and which circumstances have changed. The following list sets forth some events that may require the updating of a legal document.

Life Events

- Marriage
- Divorce
- Death of a spouse
- A substantial change in estate size
- A move to another state
- Death of executor, trustee or guardian
- Birth or adoption
- Serious illness of a family member
- Change in business interest
- Retirement
- Change in health
- Change in insurability for life insurance
- Acquiring of property in another state
- Change in tax (property or probate) and trust law
- A change in beneficiary attitudes
- Financial responsibility of a child

Eight Common Mistakes People Make with Their Estates

Many people think that "estate planning" is something meant for just the "rich." This is a misconception that all too often leads to miscommunication, hurt feelings and unhappy surprises. Here are eight mistakes people often make and how you can avoid them.

1. **Failing to Plan.** Estate Planning is about making sure your wishes are carried out and that the people and/or organizations you wish to receive your assets do so. Working with a team that includes a financial planner, tax professional and estate planning attorney can help put you on course.

2. **Not Documenting Your Wishes.** It's important to work with your attorney to create:
   - **Will:** One that clearly spells out what you want to have happen to your assets and possessions at your death. Without a will, state law will determine how your property will be distributed.
   - **Durable Health Power of Attorney or Proxy:** Used for assigning the person who you want to make health decisions for you if you are unable.
   - **Durable Financial Power of Attorney:** Used for assigning the person who will make financial decisions if you are unable.
   - **Living Will:** Provides clear instructions as to what treatment you do or do not want if you are terminally ill and unable to speak for yourself.
   - **HIPAA Release Form:** Several years ago the federal government passed a law to help protect our health care information. In doing so, it made it more difficult for our family members or trusted individuals to deal with health insurance matters at a time of our incapacitation. By having this special form completed ahead of time you allow those individuals, named in your advanced health power of attorney, to have access to healthcare information to deal with insurance matters on your behalf at a time when you cannot do so.

3. **Not Properly Setting Up Guardianship for Minor Children.** If you do not name a guardian to care for your minor children, a judge will appoint one, and it may not be someone you would have chosen. Talk to the person ahead of time about what you are asking. Remember that the person you are naming as a guardian doesn't necessarily have to be the person that manages the money that is left for your child's benefit. You can name a couple as co-guardians, but should the couple divorce, custody will come into question and your children may not end up with the person you originally chose.

4. **Not Taking Advantage of Trusts.** The reason to set up a trust is to give you additional control. Think of a trust as a container designed to hold money for your heirs. You decide what you are going to put into the trust, which heir gets what in the trust and how it is distributed. So, a properly structured trust can help ensure that your plan is executed exactly the way you intended it to be. A trust should be drafted by an attorney with experience dealing with estate planning and trusts.

5. **Disregarding Federal and State Estate Taxes.** If your estate is subject to federal or state estate taxes, keep in mind that they are due within nine months of death — in cash. This may be a concern if much of your estate is not actually in cash. That will mean selling assets, such as a house, for instance, that you may have meant to leave to an heir. Federal and state estate taxes also can eat away at the assets you meant for your heirs to enjoy — not Uncle Sam. You can work with a financial planner, tax professional and estate planning attorney to determine which strategies may best help you avoid this.

6. **Subjecting all Assets to Probate.** Simply put, probate is the legal process of verifying your will through the courts. It can be slow and costly and isn't private — it's all a matter of public record. So, if you didn't want Cousin Sally to know Cousin Jimmy is getting your baseball collection, you're out of luck. You still need a will, but there are actions you can take so that a portion of your assets does not need to go through the probate process.

7. **Not Being Prepared for Long Term Care.** Suppose your partner is in need of long term care services. Such care can be quite costly and can eat away at assets — assets that you originally had earmarked for your heirs. The good news is that you can properly prepare for the possible need of long-term care while preserving your hard-earned assets for your heirs.

SESSION 4

8. **Forgetting About Digital Assets.** Digital is a relatively new and often overlooked category of assets that you should consider when creating an estate plan. Most of us have many digital accounts, and those accounts may be inaccessible when a person becomes incapacitated or dies. What's more, if you have strong passwords- using different ones for different accounts and changing them frequently-you can pretty much guarantee no one can get easy and timely access to your digital world when the time comes.

   So what should you do? An estate plan can designate a "digital fiduciary" who would be given the right to access digital information, such as login names and passwords.

   The bottom line is it's difficult to know where our survivors would start, other than that they would likely be over-whelmed. Therefore, planning for digital assets is becoming an important part of good estate planning. That's why you should work with an attorney and make sure, to the best of your ability, you have a plan to shut down your "online" presence.

These are eight of the more common mistakes people make when planning their estates. They don't have to be your mistakes. Work with your team including your financial planner, tax professional and estate planning attorney. You can create a plan that will help you avoid these mistakes so that you can ensure that the people who you want to receive your assets do so. You can keep control.

The Federal Estate Tax: Overview

The federal estate tax is a tax on the right to transfer property at date of death. The gross estate includes the fair market value of all assets owned by the decedent as of the date of death, including life insurance policies. The top estate tax bracket for 2019 is 40% on taxable estates over $11,400,000 for individiuals.

- The estate tax applies only to taxable estates that exceed the applicable exclusion amount.
- Transfers to a U.S. Citizen Spouse generally qualifies for the unlimited marital deduction and are free of current estate tax.
- Upon the death of the first spouse, if a portability election is properly made, the surviving spouse can use the deceased spouse's unused exclusion amount.
- The estate tax return (Form 706) and any taxes due are generally payable nine months after the date of death. In some situations, a portion of the taxes may be paid to the IRS in installments.
- If the value of the estate assets declines during the first six months after death (which often happens if the decedent owned a business), the value (for all assets) as of six months after death may be used on the tax return.
- Lifetime gifts that exceed the annual gift tax exclusion will also reduce the estate owner's remaining applicable exclusion amount.

Some transfers made during one's lifetime may be brought back into the decedent's estate. A few examples are listed below.

- Transfer of life insurance policies within three years prior to death
- Transfer of an asset from which the donor retains an interest income for his or her life
- Transfer of an asset where the donor retains the right to alter or terminate the transfer
- Assets placed in joint tenancy with another are included in the gross estate

How Federal Estate Tax Works

1. Determine the Gross Estate.

Total the fair market value of all assets the decedent owned

- Residence, real estate
- Business interests, stocks, bonds
- Life insurance, personal property, etc.

2. Subtract the Deductions.

Certain items may be deducted to determine the taxable estate amount

- Assets passing to surviving spouse
- Debts of the decedent
- Probate and burial expenses
- Bequests to charities, etc.
- State estate and inheritance taxes

3. Calculate the Tax.

Using the taxable estate amount, calculate the federal estate tax

4. Take Applicable Credits.

For assets passing to someone other than a spouse, reduce the tax by the unified credit

Also, other credits may apply

5. Pay the Tax.

After subtracting the credits, any remaining tax is due nine months after death — in cash

Due in Cash

How Death Taxes Are Paid

Death taxes are due and payable in cash within nine months of the taxpayer's death.

5 Ways to Provide Money for Death Taxes

1. The executor may borrow the cash: This only defers the problem, since the money will have to be repaid with interest.
2. The taxpayer may pay in cash: Rarely does a person accumulate large sums of cash. If he or she does, he or she probably will forego many profitable investment opportunities in order to keep the estate in a liquid position.
3. The taxpayer may sell stock market investments: This may be a wise choice if the market is "up" when the stocks or bonds need to be converted to cash and the taxpayer has been investing long enough to accumulate the necessary amount.
4. The executor may liquidate other assets. If there is not a ready market, however, the assets may be sold at a great loss.
5. The estate can pay the estate settlement costs with life insurance proceeds.

Advantages of Life Insurance

- Payment of benefit is prompt.
- There is generally no income tax on the proceeds.
- Proceeds may be free of estate tax if there is no incidence of ownership. This usually involves the ownership of the policy by an irrevocable life insurance trust.
- Payments can be spread out rather than paid all at once.
- The proceeds are generally not subject to probate.
- If ownership of the life insurance is structured properly, the proceeds can provide cash for a predictable and certain need that will arise at some unpredictable moment.

Valuation of Estate Assets

Assets belonging to the deceased estate owner are included in his or her estate at their fair market value on the date of death or, if the executor elects, their value six months after the date of death.

Type of Assets	How Asset Is Valued
Listed stocks and bonds (including over-the-counter)	The mean between highest and lowest quoted selling prices on the valuation date.
Mutual funds	Valued at their bid price or redemption value (i.e., the amount the fund would pay the shareholder if it redeemed the shares on the valuation date).
Survivor's annuity (under a joint and survivor annuity contract)	The amount that the same insurance company would require for a single life annuity on the survivor, as of the applicable valuation date.
Close corporation stock	Fair market value is based on history and nature of business, economic outlook, book value, earning capacity, dividend paying capacity, goodwill, recent sales of stock and similar publicly traded company stock.
Real estate	Fair market value of real estate in the United States or in a foreign country.
Real estate (farm or corporate owned)	Value may be determined by actual use rather than on its highest and best use if certain conditions are met.
Mortgages and notes	The amount of the unpaid principal plus accrued interest, unless a lower value can be proven (i.e., an insolvent debtor).
Life insurance on the decedent's life	Amount receivable by the estate or by a named beneficiary, if the deceased insured had any incidents of ownership in the policy at the time of his/her death or at any time within the three-year period ending on his or her death.

Types of Wills and Trusts

There are many varieties of wills and trusts to fit the needs of each individual. Only a qualified attorney should draft these documents. A few of the more common documents are listed below:

- **Basic Will:** A basic or simple will generally gives everything outright to a surviving spouse, children or the heirs.
- **Will with Contingent Trust:** Frequently, married couples with minor children will pass everything to the spouse if living, and if not, to a trust for their minor children until they become more mature.
- **Pour-Over Will:** The so-called pour-over will is generally used in conjunction with a living trust. It picks up any assets that were not transferred to the trust during the person's lifetime and pours them into the trust upon death. The assets will generally be subject to probate administration.
- **Tax-Savings Will:** A will may be used to create a testamentary credit shelter trust. This trust provides lifetime benefits to the surviving spouse, without having those trust assets included in the survivor's estate at his or her subsequent death.
  - **Living (Revocable) Trusts:** This type of trust, sometimes referred to as a "will substitute," provides both lifetime benefits and benefits at death. Generally, the creator of the trust (sometimes called the settlor or the grantor) has full control over the principal and income of the trust. Its main purpose is to avoid probate, and all assets held in the trust at the date of the settlor's death will not be subject to probate. On death of the settlor, the trust can create new trusts to use the settlor's applicable credit amount.

  In addition, living trusts can be used to set up trusts for beneficiaries who are not yet ready to inherit the assets outright, because they lack experience in financial and investment matters.
- **QTIP Trust:** A type of trust known as a QTIP trust allows the spouse who dies first to specify who will receive his or her assets after the surviving spouse dies. Use of a QTIP also permits the deferral of death taxes on the assets until the death of the surviving spouse. QTIP means qualified terminable interest property. The income earned on assets in a QTIP trust must be given to the surviving spouse for his or her lifetime, and no one other than the surviving spouse may be a beneficiary of the QTIP Trust while the surviving spouse is alive. After the death of the surviving spouse, however, the assets then pass to beneficiaries chosen by the first spouse to die, frequently children of a prior marriage.
- **Qualified Domestic Trust:** Transfers at death to a noncitizen spouse will not qualify for the marital deduction unless the assets pass to a qualified domestic trust (QDOT). The QDOT rules require a U.S. Trustee and other measures that help ensure collection of a death tax at the surviving noncitizen spouse's last demise.

How a Special Needs Trust Works

In order to preserve the public assistance benefits of a person with a disability, such as a child with a developmental disability, many people use a special needs trust.

Trusts for Children with Disabilities

A parent of a child with a disability should review each asset to see whether or not it will pass to that child at the time of the parent's death. For example, life insurance, annuities, IRAs, pension benefits and joint bank accounts often pass to persons other than those named in one's will or trust. If such assets pass to a disabled child, however, he or she may lose current government benefits.

One must also decide whether or not to disinherit a child with a disability or use a special needs type of trust.

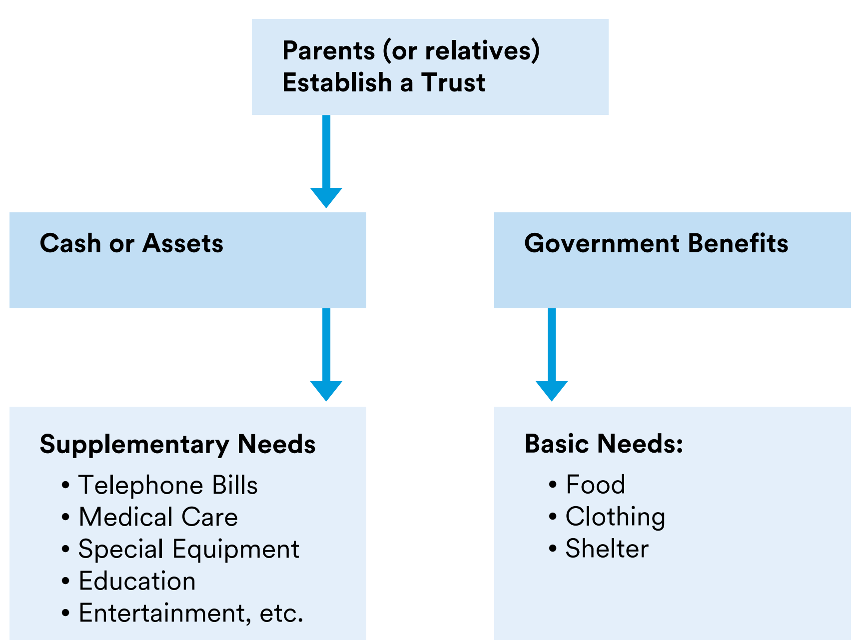
Special needs trusts are generally established by the parent or other relatives of the disabled child. The trustee should have absolute discretion over how to expend the trust funds for the benefit of the disabled child.

- **Government Benefits:** Government benefits should be used to meet basic needs such as food, clothing and shelter.
- **Special Needs Trust:** The funds from the trust should be used for supplementary needs such as utilities, medical care, special equipment, education, job training or entertainment.

Don't Try This Alone!

Since the laws for special needs trusts are very complex and vary from state to state, experienced, knowledgeable legal counsel should be retained to draft the appropriate documentation and provide advice based on your personal situation and current law.

Special needs trusts allow family members to provide some benefits to a special needs child without causing him or her to lose government benefits.



SESSION 4

Lifetime Gifts

Lifetime gifts and transfers at death are taxed using a tax schedule that has cumulative progressive rates. Each taxable transfer, including the final transfer at death, begins in the tax bracket attained by the prior gift.

The chart below illustrates gifts that can be made in 2012 – 2019.

Calendar Year	At-Death Exemption	Gift Tax Exemption
2012	$5,120,000	$5,120,000
2013	$5,250,000	$5,250,000
2014	$5,340,000	$5,340,000
2015	$5,430,000	$5,430,000
2016	$5,450,000	$5,450,000
2017	$5,490,000	$5,490,000
2018	$11,180,000	$11,180,000
2019	$11,400,000	$11,400,000

Source: Internal Revenue Service, 2019

Annual Gift Tax Exclusion

Each taxpayer is allowed to transfer/gift a certain amount of assets each year without concern for gift taxes. This annual exclusion amount is currently $15,000 per donor and a gift of this amount can be given to each of any number of donees. If husband and wife agree, they can "split" gifts and give twice this amount to any number of children, grandchildren, etc.

Marital Deduction

There is an unlimited marital deduction for gifts of separate or community properties passing from one spouse to another. Transfers to spouses who are not U.S. citizens are not protected by the gift tax marital deduction, but in 2019, a non-citizen spouse is entitled to a $155,000 per year special annual gift tax exclusion if such a gift would qualify for the marital deduction if the spouse were a U.S. citizen.

Educational or Medical Expenses

A donor may give, free of gift tax consequences, unlimited amounts for a donee's school tuition or qualified medical expenses. Such gifts must be made directly to the school or health care provider and not to the donee.

Deductibility for Income Tax Purposes

Gifts to family and /or other loved ones, or gift taxes, are not deductible for income tax purposes. Gifts may be deductible if made to a qualified charity.

Gift Tax Returns: These returns are filed annually on April 15 of the year following the gift for amounts in excess of the annual gift tax exclusion, or if a husband and wife agree to split gifts.

Includability of Gifts in the Estate

Gifts made by a decedent more than three years from the date of death are generally not considered in the computation of the gross estate. Gifts in excess of the annual gift tax exclusion amount, even if made beyond three years of death, are generally added to the taxable estate as adjusted taxable gifts. This, in effect can push the assets remaining in the taxable estate into higher tax brackets; however, the appreciation on the assets from date of gift until the date of death is not brought into the computation.

Death proceeds of life insurance policies, however, are still included in the gross estate if the decedent relinquished an incident of ownership (which includes making a gift of the policy) within three years of death. Certain incomplete transfers will also be included in the gross estate without regard to when they were made.

Annual Exclusion Gifts

By following a consistent program of annual lifetime gifts to children or grandchildren, an estate owner can dramatically reduce his or her taxable estate. The following hypothetical chart illustrates the results of such a gifting program. It assumes that the gifts are made at the beginning of each year and will grow at 6% annually outside the donor's estate. A person can give up to $15,000 per year in 2019 to any number of people without incurring a gift tax.

Number of Years Over Which Gifts Are Made

Annual Gift	5 Years	10 Years	15 Years	20 Years	25 Years
$13,000	$90,679	$194,631	$333,743	$519,905	$769,033
26,000	181,358	389,263	667,486	1,039,811	1,538,066
39,000	272,037	583,894	1,001,229	1,559,716	2,307,099
52,000	362,717	778,525	1,334,971	2,079,622	3,076,132
65,000	453,396	973,157	1,668,714	2,599,527	3,845,165
78,000	544,075	1,167,788	2,002,457	3,119,433	4,614,198
91,000	634,754	1,362,419	2,336,200	3,639,338	5,383,231
104,000	725,433	1,557,051	2,669,943	4,159,244	6,152,264
117,000	816,112	1,751,682	3,003,686	4,679,149	6,921,297
130,000	906,791	1,946,314	3,337,429	5,199,054	7,690,330
143,000	997,471	2,140,945	3,671,172	5,718,960	8,459,363
156,000	1,088,150	2,335,576	4,004,914	6,238,865	9,228,396

Potential amount removed from your estate x **Estimated top estate bracket** (See below) = **Approximate savings which could pass**

Top Federal Estate Brackets

Years	Top Bracket
2004	48%
2005	47%
2006	46%
2007-2009	45%
2010	0%
2011-2012	35%
2013-2019	40%

Note: If some of the annual gift amounts are used to purchase life insurance outside of the estate, the potential wealth-building effect can become dramatic.

This material and any estate, gift or generation skipping transfer (GST) tax (together referred to as "transfer tax") calculations reflect the law established under the American Taxpayer Relief Act of 2012 (the "Act") along with changes made by the recent Tax Cuts and Jobs Act. Starting in 2018, the transfer tax exemption amount has been increased from $5,000,000 to $10,000,000 (before adjustments for inflation) per person, provides a maximum transfer tax rate of 40% and provides for continuing portability of the estate tax exemption between spouses. Customers should understand that tax law is always subject to interpretation and change. Any discussion of taxes is for general informational purposes only, does not purport to be complete or cover every situation, and should not be construed as legal, tax or accounting advice. Clients should confer with their qualified legal, tax and accounting advisors as appropriate.

State estate and inheritance tax rules vary widely: a few states have no estate or inheritance taxes while others have a separate estate tax with varying exemption amounts. Thus, while you may have no Federal estate tax liability, your estate may owe some to the state in which you resided. If you've got enough assets to think your estate may have to pay estate taxes, you'll probably fall into a discussion that's beyond the scope of this session—and it's probably best handled by your attorney and/or tax advisor with specialized knowledge and planning skills.

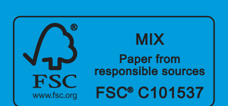
MetLife administers the Retirewise program, but has arranged for Massachusetts Mutual Life Insurance Company (MassMutual) to have specially-trained financial professionals offer financial education and, upon request, provide personal guidance to employees and former employees of companies providing Retirewise through MetLife.

Any discussion of taxes is for general informational purposes only, does not purport to be complete or cover every situation, and should not be construed as legal, tax or accounting advice. Clients should confer with their qualified legal, tax and accounting advisors as appropriate.

Securities and investment advisory services are offered through qualified registered representatives of MML Investors Services, LLC, Member SIPC. MML Investors Services, LLC is not affiliated with MetLife, or its affiliated companies.

MetLife Auto & Home® is offered by Metropolitan Property and Casualty Insurance Company, (Met P&C®) Warwick, RI 02887. Not available in all states.

L0319512867[EXP1220][ALL STATES][DC,PR] © 2019 METLIFE SERVICES AND SOLUTIONS, LLC



Metropolitan Life Insurance Company | 200 Park Avenue | New York, NY 10166

RETIREWISE 17TH EDITION (0419) L0219512597[EXP1220][ALL STATES][DC,PR] © 2019 METLIFE SERVICES AND SOLUTIONS, LLC