SCOTT: Okay. This is where I'm going to need some feedback. Based on what you see so far, am I at least going down the right path? Am I thinking correctly here?

ROY: I think so, yeah.

SCOTT: Okay. So, I'm on the right path, at least right now, the path we're heading down.

ROY: Right.

SCOTT: Fair enough?

PATTY: Yes.

SCOTT: Okay, very good. All right. What I want to do now is I want to move to my second commitment. My second commitment was to put together a written Retirement Income Plan for you guys, okay, to show you how to have all the income you need to enjoy the rest of your life. Let's take a look at that, okay? All right. So, let's pull up your income plan. Now, as you look here, this looks like there's a lot of moving parts, but there's really not, okay? The first thing you'll notice here is, Roy, there's your Social Security at age 62. Patty, this will be your Social Security at age 62, all right? Now, remember, in order to live comfortably, remember you need $5,000 a month to live, and you need $10,000 a year to have

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a life, after taxes. Five thousand a month is 60,000 a year, plus 10,000 for your fun money. That's 70. We need $70,000 per year to cover your expenses, right? So, look what we've got here. We got you to 92,000. You see that? So, Roy you're Social Security plus Patty's Social Security doesn't get us where we need to be. We need more income than that, don't we? So, where do we get extra income from? You see the private pension over here? This private pension is what is going to fill the income gap between this $33,000 and the 92 that you need. Does that make sense guys? So, we set up a private pension. Remember, we talked about the private pension? This is where you invest the money to create the income that you need so that you can comfortably retire and enjoy the rest of your lives, all right? Now, I want to be clear about this private pension that you're looking at here. See this $58,000 right here?

ROY: Uh-huh.

SCOTT: This is the minimum guaranteed amount of money that they will pay you starting, Roy, at your age 63, okay? This is the minimum guaranteed amount that they'll pay you, all right? Could it be more than that? The answer is yes, it could be, but that's not guaranteed, okay? That's not guaranteed. So, when I do plans like this, I only do them based on the minimum guaranteed amount, all

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right? So, by giving you that minimum guaranteed amount, we've gotten you to 92, really $93,000 a year. You really only needed, 70 don't you? Now, why do I have 93 when I only need 70? Do you understand when I say 70, $60,000 to live, plus $10,000 to have a life, that's 70 grand, all right? You're going to pay some taxes in there, but you're not going to pay $22,000 in taxes on this, right? Why do I have it up that high? Because if you retire prior to age 65 we need a little bit of money there to pay for some health care, don't we? So I built in some fat in there that we could pay for some health care if we needed to, okay? Does that make sense guys? So, we've got you in a position where you have the income you need coming in on a guaranteed basis, all right? So, here's what we've done. I'm going to borrow some cashews here guys, okay?

PATTY: Okay.

SCOTT: This cashew right here, this represents a stock market crash, okay? If there's a stock market crash, Patty, how does that affect any of this income right here?

PATTY: It doesn't.

SCOTT: It doesn't, does it? So, you guys have all the income you need to accomplish all your goals on a guaranteed basis, right?

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PATTY: Right.

SCOTT: So, a stock market crash doesn't affect you. So, what did we just do to this problem? We just took it.

PATTY: Threw it away.

SCOTT: Gone! Right? Threw it away. There's another cashew here. That cashew right there, you know what it represents? A bad economy. Roy, if there's a bad economy, how does that affect your income here at all?

ROY: It doesn't.

SCOTT: So, it's coming in guaranteed. So, you have all the income you need coming in guaranteed even if there's a bad economy. What do we do with this problem right here?

ROY: Throw it away.

SCOTT: Throw it away. It's gone. Took it away, right? All right. We have another problem. You know what that problem rights there is? It's inflation. Let's take a look over here. Notice how your income goes up from '92 to '93, '94, '95; you see that, how it goes up a little bit each year? It is going up, but it may not be going up to enough to keep up with inflation. Well, how do we fix that problem?

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Well, first of all, why is it going up? Well, notice, look at your Social Security here. See how your Social Security is going up a little bit each year? Your Social Securities get what's called a COLA, a cost of living allowance. But it's based on the Consumer Price Index. Remember, we talked about the problem with the Consumer Price Index, okay? How that affects the country as a whole, but it may not affect you, all right? It may not pertain to you, I should say. But, notice, your private pension over here doesn't go up. You see that right there?

PATTY: Oh, yeah.

SCOTT: Because you get that guaranteed amount for the rest of your life. So, it's nice you're going to get that guaranteed amount, but if your income doesn't increase enough with inflation, you're going to have an inflation problem. So, how are we going to solve that? Watch what we do. Look at a new chart. Now, this looks busier, okay, but it's same thing we were just looking at a moment ago. Notice here Roy, you have your Social Security, see it right here? Patty, there's your Social Security, there's your private pension. There's your 92,000, okay? But notice I've created these other columns over here. See them? These are additional private pensions. You know what those are? Those are these private pensions here, okay? So, let's picture this. Here you guy are. You're retired, and

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after one year, we sit down and we meet, and I ask you guys "Hey, how are you doing? Do you need any more income?" And you know what you say? "We're fine." So, how much more income do we give you? See that zero right here? There's no reason to give you more income. You don't need it, right? And then next year we say "You need any more?" You say "No, we're good, we're fine, we don't need any. Nope, we're good." But at some point in time you're going to say "Scott, you know what? We could probably use an extra 190-200 bucks a month in your budget." So, when that happens, what do we do? We turn on the next private pension and see, BAM! We turn on the income that you need. Now, then you start moving on from there and everything's fine and you're doing good and I say "Hey, you need any income?" And you say "No, we're fine, we're doing good, everything's hunkydory." But at some point in time, you're going to say "Scott, you know what? We could probably use an extra 300 bucks a month or so in our budget." So, what do we do? POW, we turn on the the next private pension, BAM. You see it there, guys? So, whenever you need more income, we turn on the next private pension, so that gives you the income you need. Now, I want to be clear about something. I'm being very literal here in this example. I'm showing that every five years you turn on the next income stream. Will you turn on income streams every five years? Probably not. You'll probably turn them on sooner or

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later, it just depends. All I'm trying to do is demonstrate to you here that when you need income, we can turn it on when you need it. Does that make sense?

PATTY: Uh-huh.

SCOTT: So, when you need the income, we flip a switch and check starts flowing. Can you turn this on sooner? Of course you can, all right, but it just demonstrates that the money's there when you need it. Does that make sense, Patty?

PATTY: Yep.

SCOTT: So, based upon this, seeing that you have the income coming in when you need it, because of the offset inflation, what have we just done with this cashew right here that represents inflation?

PATTY: Made it go away.

SCOTT: You see that?

ROY: Uh-huh.

SCOTT: Do you agree with that?

PATTY: Uh-huh.

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SCOTT: It's gone. You see how we solved the income problem, solved the inflation problem? So, so far we've solved for a stock market crash, we've solved for a bad economy, and we've solved for inflation, okay? I have to go back to the trough, though, because there's another cashew we got to get out of here. You know what that cashew right there represents? A long-term care crisis.

PATTY: Okay.

SCOTT: What happens if one of you has a long-term care crisis? Well, remember, from a financial perspective, a long-term care crisis is a income crisis, right? And remember what happens in an income crisis; all hands on deck, right?

ROY & PATTY: Right.

SCOTT: So, here's how we can help you self-insure against the long-term care crisis. So, let's just say there's a long-term care crisis and that long-term care crisis occurs, Roy, at your age 72 . . I'm sorry your age 73, and Patty your age 72. Why did I pick those ages? I had to pick an age. I had to pick an age, guys, right? All right. If you have a long-term care crisis, it's all hands on deck. All of your income needs to be turned on, correct? Make sense? So, see all these private pensions over here, four, five, and six? See private pensions four, five and six over here? Notice they have no more money in them. You know why? Because I turned

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them all on, right here. See that 14,000? I turned them all onto create income. Now, if you remember, we put 67 percent of your money into private pensions, right?

PATTY: Uh-huh.

SCOTT: Well, what about the other 33 percent? Well, the other 33 percent is over here. That's the 74,000. We turn all of your income on at once. And if we have a long-term care crisis, we can create about $191,000 a year of income. Now, why that much? Well remember this, a long-term care crisis is a nursing crisis . . is an income crisis, correct? Is an income crisis. So, if you guys have a nursing-care crisis, this 191 right here would have to be used to pay for long-term care. Now, if you remember in the class, you learned that quality long-term care starts at about 80,000 and can get up to as high as 120, all right? So, let's just say that we've got a little bit of inflation, and let's just say you want to make sure that, Patty, we'll pick on you because of your muscular dystrophy, okay? If you need long-term care, all right let's say you want to get top-drawer long-term care because you're not physically able to do it, all right? Let's just say that costs 120, 130, 140,000 bucks a year. Let's say, 140, okay? Here's what's going to happen. You've got 191. We're going to use 140,000 of that 191 to pay for your long-term

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care. Now, since we're using 141,000 to pay for that long-term care, we're using to it to pay a medical expense, right? That means that you're exceeding the deductibility threshold for medical expenses on your tax return. That means that 140,000 is going to be virtually tax-tree to you. So, there's no taxes on that. If we use 140,000 to pay for quality care for Patty, or, Roy this is you, pay for you, okay? That means we have $51,000 left over. Does that make sense guys? Do you see that? What's that $51,000 for? Patty, this is you getting care, that's for Roy. He needs some money to live on. Now, I'm not going to pretend, Roy, that $51,000 is going to be a perfect world for you, but look; is this a fair statement, guys? I mean, you guys have been married for a little while now, and you're a pretty good team, right? Roy, you're blessed with Patty. Patty, you're stuck with Roy right? So, is this a fair statement: Patty, if Roy needed long-term care, nursing care, you're not going to be galivanting around the globe with Juan the pool boy. You're probably going to be visiting and taking care of your husband, right?

PATTY: Oh, yes.

SCOTT: Roy, if Patty needed care, you're probably not going to be galivanting around the globe with Helga the housekeeper, right? Now, I didn't say Heidi the housekeeper, I said Helga. Helga's got a big roll of hair coming out over

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here. Okay? That's Helga. You're not going to be going around the globe with Helga the housekeeper. You're going to be caring for you wife, right? So, you're going to be kind of stuck in St. Louis, right? And but you want to enough money to continue have poker, play poker night with your friends and go to the domino night, and you want to be able to continue to visit with the grandkids and do the things you want to do. Does that make sense? That's what you have available to do that. You see that? And, you know, the nice thing about this is we can take it a step further. We talked about quality care and how much it costs. Remember, the bottom end of quality care is about 80,000, all right? If the time came where both of you needed long-term care at the same time, we have 191,000 bucks here. That's basically $95,000 each. Now, it wouldn't be the top end of quality care, it would at the lower end of quality care, but the very least you guys know that you would have the care you want for the rest of your lives. Do you see what I'm getting at here, guys? Patty, with your health we can't get you long-term care. But I can hopefully get you to see, give you the peace you have mind to know you can have care.

PATTY: Yeah, I can.

SCOTT: You see it? Roy see it?

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ROY: Uh-huh.

SCOTT: So, is it fair to say . . what have we done with this cashew right here?

PATTY: Took it away.

SCOTT: It's off the table, isn't it? Roy, would you agree, off the table? Just take it off the table. So, we've solved for a stock market crisis, we've solved for a bad economy, we've solved for bad inflation and we've solved for giving you the opportunity, potentially, to strive to self-insure for long-term care.

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