ARE YOU READY FOR RETIREMENT?

How to Prepare, Save and Plan
for a Fulfilling Retirement

At Shoreline Financial Advisors, we are fiduciaries. This defines our code of ethics and is your assurance of trust and quality of performance.

Merriam-Webster defines a fiduciary as:

fi·du·cia·ry ***noun***

> "A person in a position of authority whom the law obligates to act solely on behalf of the person he or she represents and in good faith. Unlike people in ordinary business relationships, fiduciaries may not seek personal benefit from their transactions with those they represent."

As fiduciaries, we are held to the **highest "trust" standard in law:** We are required by law to place the interests of our clients ahead of our own and provide the "best advice" to our clients.

In contrast, any employee of a stockbroker is held to the "suitability" standard. Under the "suitability" standard, an advisor need only provide "suitable advice" to clients – even if the advisor knows that the advice is not the best advice for the client, but is a more profitable option for the advisor.

This difference in standards is critical, and can significantly impact the quality and composition of your portfolio, the fees that you pay, and your portfolio's performance.

How much do you need to save for retirement?

The biggest question faced by retirees or those working to save for retirement is **"Have I saved enough for a comfortable retirement?"**

To help you determine the answer to this question, we propose a discussion framed around these four questions:

- What do you expect from retirement and how can you fulfill those goals?
- How many years do you expect to be retired?
- How will inflation affect your portfolio over time?
- How can scenario analysis help you to think about your retirement?

What do you expect from retirement and how can you fulfill these goals?

How do you envision your retirement?

Goal-based planning can help you explore the opportunities and possibilities you have in retirement. This exercise can help you make informed decisions and put a plan in place, so that you will be well-equipped to make the most of your future.

When it comes to planning for a fulfilling retirement, each of us has a unique perspective, and a unique set of expectations. Here are a few of the objectives our clients tell us are priorities for them:

- Traveling and other personal exploration activities,
- Buying a second home or relocating,
- Being able to give to causes,
- Starting a new business, and
- Passing a legacy on to the next generation.

Advanced planning can help make possibilities become a reality.

How many years do you expect to be retired?

Life expectancies have increased substantially in the last 50 years. According to the National Institute on Aging, the 85-and-over population is projected to increase 151 percent between 2005 and 2030.

In addition, the number of centenarians – people age 100 and over – is projected to more than quintuple between 2005 and 2030.

IF YOU ARE 60 YEARS OLD AND...

MALE, you have a

50% chance of living to age 80

and a **10%** chance of living to age 97

FEMALE, you have a

50% chance of living to age 83

and a **10%** chance of living to age 99

Probability and calculating your life expectancy

In the Life Expectancy table below, you can see that there is a 50% probability today that:

- A 60-year-old man will live to age 80,
- A 60-year-old woman will live to age 83, and
- A 60-year-old married couple will have one spouse that lives to the age of 91. This data is referenced in the table below under the heading "Joint" (Life Expectancy).

LIFE EXPECTANCY

50% Probability (of reaching age)

	CURRENT AGE	MALE	FEMALE	JOINT
AGE	50	78	82	90
	60	80	83	91
	70	83	86	92
	80	88	89	94

Calculations based on the Society of Actuaries' Annuity 2000 Mortality Table.

How will inflation affect your portfolio over time?

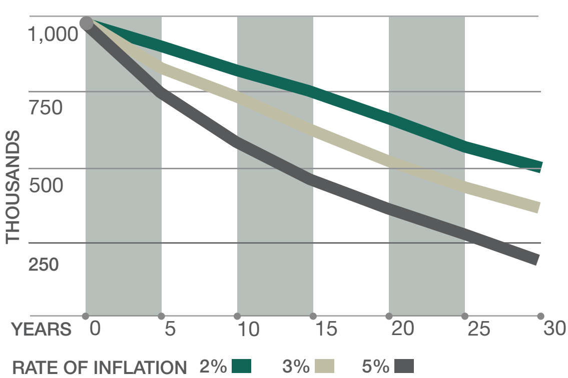
Because we are living longer, we need to plan for a longer retirement. It is important to consider that, over time, inflation will:

- Decrease the purchasing power of your portfolio.
- Increase the prices of the goods and services that you buy.

To maintain the lifestyle you enjoy today, you should plan for a portfolio that will be larger in 30 years.

This graph illustrates how the value of money depreciates over time, assuming inflation rates of 2%, 3% and 5%.

INFLATION'S IMPACT ON PORTFOLIO VALUE



In the case of 5% inflation, the value of an uninvested portfolio of $1,000,000 would be worth less than 25% of its current value in 30 years.

Why is it important for your portfolio to continue to grow in retirement?

Contrary to what many people assume, you should not plan on spending all of the annual returns that your investment portfolio generates.

To keep pace with inflation and afford the same lifestyle, you will need to continue to grow your portfolio to pay for future spending.

For example, if you spend $50,000 annually now, assuming an average 3% rate of inflation, those spending needs will grow to $58,000 in 5 years, and $67,000 in 10 years.

Inflation's Impact on Your Annual Expenses

3% INFLATION

EXPENSES Today	$50,000
5 Years	$58,000
10 Years	$67,000

What is Scenario Analysis? How can it help you in planning for retirement?

We know that retirement planning can feel overwhelming, and the process of setting goals and funding them can seem complex.

Scenario Analysis is one of the tools we use to provide you with easy-to-understand charts, graphs and tables.

This allows us to calculate, chart and discuss various scenarios with you so that you can see how key assumptions can influence the probability of successfully achieving your goals in planning for a fulfilling retirement.

Three Examples of Scenario Analysis

Here are three examples of scenario analysis.

For each, we will use a portfolio of $1 million and analyze the effect of varying key assumptions.

The "Probability of Success" is the percentage chance that you will have money left in your portfolio at the end of your retirement.

Example 1

How much money should you plan to take out of your portfolio each year in retirement?

First, we will look at three different withdrawal amounts over a 25-year timespan. To keep things simple, we will assume a well-diversified portfolio that is invested 60% in stocks or equities and 40% in bonds or fixed income, earning a long-term return of 7%.

If you were to retire at the age of 65, this exercise shows the effects on a portfolio through the age of 90.

ANNUAL WITHDRAWAL AMOUNT ($ / %)	PROBABILITY OF SUCCESS	ENDING PORTFOLIO VALUE IN FUTURE DOLLARS	ENDING PORTFOLIO VALUE IN TODAY'S DOLLARS
$40,000 / 4%	91%	$1,524,250	$727,990
$50,000 / 5%	72%	$738,660	$352,790
$60,000 / 6%	< 40%	$0	$0

As you can see, each $10,000 increase in your annual withdrawal has a significant effect on your portfolio and its ability to provide an annual stream of funds for you.

An increase of $10,000 per year, from $40,000 to $50,000, decreases the probability of having enough assets for retirement – from 91% probability that your funds will last with a $40,000 annual withdrawal, to a 72% probability that your funds will last with a $50,000 annual withdrawal.

Further, in today's dollars (adjusting for inflation) your portfolio has shrunk from $727,990 to $352,790. At a 6% withdrawal rate, or $60,000, you have a greater than 50% chance of running out of money. This emphasizes the importance of budgeting.

Example 2

How long will you be retired?

Let's look at different retirement lengths and assume a $50,000 annual withdrawal. It is important to understand how long your assets may need to provide for you and how increasing life expectancies can impact your portfolio.

LENGTH OF RETIREMENT IN YEARS	PROBABILITY OF SUCCESS	ENDING PORTFOLIO VALUE IN FUTURE DOLLARS	ENDING PORTFOLIO VALUE IN TODAY'S DOLLARS
20	90%	$947,110	$524,390
25	72%	$738,660	$352,790
30	47%	$355,300	$146,380

Assuming you retire at 65, this Scenario Analysis illustrates how living until 95 (30 years in retirement) can have a major impact. If you revisit the Life Expectancy tables on pages 4 and 5, you begin to realize that it is not unreasonable to plan for 30 years of retirement.

This could be the single most misunderstood factor in financial planning: Time and inflation eat away at the value of your savings. This is a vital assumption to consider in your asset allocation strategy.

And, if you want to retire early, your portfolio may need to last longer than 30 years.

Example 3

How much risk should you take?

In this Scenario Analysis, we increase the assumed rate of return by changing the asset allocation. This involves increasing or decreasing the allocation to higher risk/ higher return asset classes. All other assumptions are held constant.

ASSET ALLOCATION/ ASSUMED RATE OF RETURN	PROBABILITY OF SUCCESS	ENDING PORTFOLIO VALUE IN FUTURE DOLLARS	ENDING PORTFOLIO VALUE IN TODAY'S DOLLARS
20-80 / 5.2%	41%	$0	$0
40-60 / 6.2%	61%	$392,930	$187,670
60-40 / 7.0%	72%	$738,660	$352,780
80-20 / 7.8%	68%	$1,122,300	$536,020

The results from this exercise are very meaningful. Notice that the Probability of Success improves up to 60-40, and then declines slightly. Even though the more aggressive portfolios improve the chance of success, eventually the greater risk begins to exert a greater effect.

Increased return comes with an increase in the variability of those returns. This, in turn, decreases your chances of success slightly but increases the potential value of the portfolio. These are the trade-offs that Scenario Analysis helps to explain.

The returns and correlation coefficients used are based from sources deemed to be reliable. Probabilities are based off Monte Carlo simulation. The examples were provided for informational purposes to illustrate the general range of results you might expect. Investing in capital markets involves risk and can result in a loss. Past performance is no guarantee of future returns.

Meet Shoreline Financial Advisors Key Management

Brendan T. Smith, CPA, CFP®, Principal

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Brendan serves as the firm's Chief Operating Officer and the Head of Client Relationship Management. In these functions, he has established our client-centered approach, which is exemplified by an outstanding level of personalized client service.

Brendan also heads up the firm's Financial Planning effort, which is vital to our client experience. Before establishing SFA, Brendan was a CPA at Simione, Scillia, Larrow and Dowling, LLC; Brown and Brown, LLC; and Arthur Andersen.

Brendan has served or currently serves on the boards of the Guilford Library, Shoreline Women & Family Life, Guilford Foundation, Guilford Community Fund, Boy Scouts of America, Guilford Green Committee, Youth Mentoring, and the Unit Owners Association at the Guilford Yacht Club.

Brendan is a Certified Public Accountant and a CERTIFIED FINANCIAL PLANNER™ professional. He has a B.S. from Boston College and an M.S. in Taxation from Bentley College.

Patrick M. Smith, CFA, Principal

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Patrick is our Chief Investment Officer and the Head of Portfolio Management and Investment Strategy. Patrick's expertise lies in adeptly building investment portfolios that align with our clients' objectives.

Previously, he was a Senior Vice President and portfolio manager at Pioneer Investments; a Vice President and portfolio manager at Loomis, Sayles; and a securities analyst at Putnam Investments. While at Pioneer, he managed over $1 billion in global portfolios that were rated 4/5 stars by Morningstar Investment Services. He has appeared several times on CNBC as well as on various national public television programs, and has been featured and/or quoted in numerous national publications.

Patrick serves or has served on the boards of Chestnut Hill Concerts, Guilford Pension Committee, Our Lady of Mercy School, Guilford Preservation Alliance and Saint George Finance Counsel.

With a B.B.A. from the University of Notre Dame and an M.S. in Finance from Boston College, Patrick is a Chartered Financial Analyst, and a member of the CFA Institute and the New York Society of Security Analysts.

To learn more about our client-centered approach and the ways in which we can help you reach your retirement goals, just give us a call (203.458.6800) or send us an email. We welcome the opportunity to talk with you.

About Shoreline Financial Advisors

Our business is about building relationships – relationships where we are valued for our insight and expertise, but more important, for our personal approach.

We are not a large corporation, and that is intentional. We have worked at larger firms, and they have served us well in expanding our knowledge base and expertise in using the right tools for analyzing each client's situation and strategizing to help them achieve those goals.

We will get to know you to understand what is important to you, because that's what is important to us. When we understand your personal goals, we can recommend ways to help you achieve your goals.

So when you reach that point when you want to take a look at your life, and think about where you want to be down the road, we're ready to have a meaningful conversation about how you can get there.

Let's talk. Give us a call or send us an email.
We're ready when you are.

Shoreline Financial Advisors, LLC

REGISTERED INVESTMENT ADVISER

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