

Executive Summary: *Planning for a Successful Retirement*

Elements of a financially-secure retirement:

1. *Control baseline costs:*

- Plan to pay off your mortgage before you retire.
- Own the number of houses you live in, no more and no less.
- Once your kids are out of the house, downsize to a home that reflects your post-retirement lifestyle.
- In later years, consider making a transition from fully independent living to a continuing-care retirement community.

The primary unplanned expense for most retirees is long-term care costs.

Medicare pays only about 3% of all long-term care costs. Medicaid pays a much larger percentage, but requires the recipient to substantially exhaust personal assets to qualify.

2. *Transfer risks.*

- Purchase long-term care insurance to convert unpredictable future care expenses into more level and predictable annual premium costs.
- Consider immediate annuities to shift longevity risk to a third party (insurance company).
- Don't annuitize until you are older (at least 75), and try not to annuitize when interest rates are low. Monthly annuity payments typically contain no inflation protection

3. *Invest for your proper time horizon.* Someone retiring at age 65 has a remaining life expectancy of more than 18 years (age 83). If you are age 70 and in good health, you should be planning for the next two decades.

- Most younger retirees should have 40% to 60% of their baseline portfolios in stocks or other growing assets.
- Older retirees (over age 75) should have between 20% and 60% in growth assets.
- Beware of the trap of fixed income.
- Keep a two-year spending reserve in cash equivalents, short-term bonds or Certificates of Deposit.
- If you are strongly risk-averse, the best investment strategy for funding your retirement is a combination of Treasury Inflation-Protected Securities (TIPS) and an immediate annuity with a lifetime payment.

The trap of fixed income:

The apparently risk-free fixed-income portfolio strategy usually follows a deadly pattern – overspend early, begin to consume capital as inflation reduces spending power, and run out of money long before you run out of lifetime.

4. *Know your number:* Your *Sustainable Distribution Rate* is the percentage of your investment net worth you can consume this year, with adequate confidence that you will not run out of money in the future.

5. *Keep score.* Monitor your spending against what is sustainable. Track the value of your portfolio against inflation.

The most difficult risk to manage in retirement is inflation. Your portfolio must provide protection against inflation.

About the Firm

For over twenty years TGS Financial Advisors has been an industry leader in fee-only, discretionary investment management and financial planning services.

We utilize our *Lifetime Wealth Management Process™* to systematize the review and implementation of a client's investment strategy and financial planning needs.

We work with doctors, small business owners, retirees and people nearing the peak of their career. In general, our clients tend to come from creative or technical fields where they have a high degree of independence in their work. They generally love what they do, and are aware that work and savings are the main drivers of long term wealth.

To serve our clients needs, we have developed special expertise in areas of: retirement transition, asset protection, small business valuation and estate planning. We are particularly involved with the unique circumstances facing doctors, entrepreneurs and families with overlapping trusts and estate planning needs.

Our investment strategy: *The Dynamic Contrarian Portfolio Strategy™ (DYCOPS)*

The best strategy for managing risk is to diversify broadly across asset classes. By owning diverse assets with relatively low correlation, we can reduce risk and increase our confidence about earning acceptable returns.

We believe that no one has the ability to predict short-term market trends. We do not try to time the market.

More concentrated portfolios have the potential to deliver superior investment returns. We diversify between asset classes, but we use only one investment manager or mutual fund to implement our strategy in each asset class.

The principle of regression to the mean has powerful application in managing investments. Our asset allocation process attempts to identify those asset classes that are relatively under-valued. We believe that such assets may provide superior performance as valuations return to historic levels.

Our financial planning strategy:

Planning starts at the onset of a client relationship in the form of an initial proposal, *The Lifetime Wealth Plan™*. *The Lifetime Wealth Plan™* is a comprehensive audit of a client's financial situation and includes recommendations and action items. At the *Annual Progress Report™ (APR)* meeting the advisor, financial planner and client review and re-prioritize specific planning needs. A dedicated team of financial planners works with the firm's financial advisors, and the client's other professional advisors, to ensure that planning issues are identified and resolved quickly.



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Jim has been managing individual client portfolios since 1978. In 1990, he founded TGS Financial Advisors with David Burd.

Jim earned the Certified Financial Planner™ (CFP®) in 1982. He also holds the Chartered Financial Consultant (ChFC), Chartered Life Underwriter (CLU) and the Chartered Advisor for Senior Living (CASL) designations (all through study at the American College in Bryn Mawr, PA). He earned the Certified Investment Management Analyst (CIMA) designation and the Investment Strategist Certificate through programs at the University of Pennsylvania Wharton School of Business.

He serves as the firm's Chief Investment Strategist and is one of the firm's three Managing Directors. Jim's practice focuses on planning for life transitions, specifically the transition from work to a successful retirement.

Jim and his wife Amy have three children: Jack, Katharine and Alex. The family loves to travel. In 2007-2008, they spent a year trekking around the world. They are active members of Holy Trinity Episcopal Church in West Chester, PA, where Jim has served as the Senior Warden, Accounting Warden and currently as the Stewardship Chair.

Please contact TGS Financial Advisors if there are any changes in your personal or financial situation, your investment objectives or for the purpose of reviewing, evaluating and revising our previous recommendations and/or services. Please also advise us if you would like to impose, add, or modify any reasonable restrictions to our investment advisory services. A copy of our current written disclosure statement discussing our advisory services and fees is available for your review upon request.