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From the Desk of . . . .

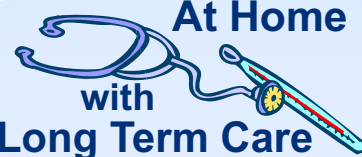
## Chuck Testino

Generating an income that you can't outlive is the goal of everyone moving towards retirement, as well as, those currently in retirement! In this quarter's newsletter we look at income streams as the featured topic. We touch on key concerns in retirement such as health and long-term care in our articles featured on the front of the newsletter. These are considerations that we must plan for to build a successful retirement plan.

On the flip side our articles highlight accessing cash from our investments and harnessing strategies to create the income stream that you can't outlive! To find out more about the income generating riders, like the GLWB, please contact my office and allow me to create a personalized illustration for you.



### At Home with Long Term Care



*Fifty (50%) percent of all new long-term care insurance claims opened during 2011 began with the policyholder receiving care at home, according to the American Association for Long Term Care Insurance.*

Clients might appreciate hearing that since many people believe long term care is provided solely in nursing homes. When purchasing this type of insurance, clients need to consider the ability of family members to provide specialty care within the home. Having a policy that pays for trained, professional help relieves the client from the fear of nursing home placement when in-home care is preferred.

Another piece of information helpful in purchasing a long-term care plan is the average hourly rate for in-home care, which last year was \$21. Rates vary by region with Boston topping the survey at \$39/hr. Meanwhile, aides in Dallas had the lowest reported rates at \$12/hr. Still, the numbers provide a starting point for considering options.

Please call our office if you are interested in purchasing a long term care policy, or would like to review your current policy.

*(Source: [insurancenewsnetmagazine.com/august12](http://insurancenewsnetmagazine.com/august12))*

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### Health Care: A Key Consideration

Last quarter's article about Longevity focused on planning for longer retirements and we looked at the difference between "Saving for Retirement" and "Living in Retirement".

Saving for Retirement
Emphasis on return
Time horizon clearly defined (age 65)
Impact of market declines manageable
Inflation managed through wage growth

Living in Retirement
Emphasis on income/capital preservation
Time horizon unknown
Impact of market declines less manageable
Inflation managed through investment choices

This quarter we are looking at aligning income and expenses as a key consideration. Although some expenses like mortgage costs and work related expenses may go away in retirement, other expenses are likely to increase. The rising cost of health care is "the most significant threat to the long-term economic security of retirees," according to the Social Security Advisory Board. As a percent of annual spending, health care cost double for the age group, 65-74 versus the 45-54 age group (an increase of 11.9% versus 5.6%, respectively).

Aside from taking good care of your health, developing a retirement income strategy that factors in your insurance coverage options and costs is the best way to align your income and spending to achieve long-term success. Meeting the retirement income challenge means selecting the right investments. Based on your needs and risk tolerance, the plan developed for you will be designed to extend the life of your money. Call me for a personal consultation and see how we can help strike a balance between income and expenses.

*Source: (American Funds. Retirement income: Making the most of your nest egg Brochure)*



## Income Strategy ~ A Case Study

Retirement is a time to anticipate a lifestyle dedicated to hobbies, grandchildren and travel. Making sure you have an income that you can never outlive is an important consideration when planning how you'll live during those years.

Recently, a couple approached me about their retirement income concern. He is 66 and she is 61. They are both retired and initially felt that they had done very well saving for the big day when each of them could raise the flag of retirement victory. However, their concerns this day stemmed from the low interest rate environment that we are currently experiencing. Many of their annuity and bank investments, which were at higher rates, were up for renewal and the new rate being offered could undercut their projections for future income.

Unfortunately, the low interest rate environment and its impact on income is a topic that many of my clients have expressed concerns about over the last year. In response we've seen an increased interest in products that addresses the topic of lifetime income through Guaranteed Lifetime Withdrawal Benefit Riders (GLWB). Income riders, like the GLWB, guarantees a steady stream of income, so long as you only withdraw the specific amount annually for the rest of your life. The longer you delay the start of that income, the greater the annual amount will be when you do decide you need that income stream.

In the case of the clients above, the illustration of an investment of \$100,000 of non-qualified funds produced an annual income of \$6,376, which would begin when he was 70 and she was 65. This amount filled a gap that they thought might exist in later years if interest rates didn't rise. The good thing about this rider was that it was based on both of their lives and contained an added feature of a home healthcare doubler. The home healthcare doubler increased the annual amount of \$6,376 to \$12,751 if either of them were unable to perform at least two of the basic activities of daily living. This doubler could continue for up to five years and gave the clients an added feeling of security that if a need presented itself, they would have an increase in income, not a depletion of income.

Addressing retirement challenges, creating income solutions and helping you provide for your spouse or beneficiaries is what I'm here to help you accomplish. For a consultation centered on your specific circumstance, please call my office to set up an appointment. I look forward to hearing from you!



## 2012 Contribution Limit Table

Plan	2012 Limit	Over Age 50	"Catch-Up"	Total
IRA/Roth	5,000	1,000	+ N/A	= 6,000
403b	17,000	5,500	+ 3,000	= 25,500
457/401(k)	17,000	5,500	+ N/A	= 22,500

*\*Note - If you will be 50 or older by the end of 2012, you have the benefit of being able to make "catch up" contributions. \*SEP IRAs do not allow for catch up contributions.*



## Cash Access

Growth is the #1 objective when investing. At the time of investment, concerns over rates and fees are at the forefront. At some point, investors have a need, desire or requirement to withdrawal funds.

Knowing when and how to withdrawal money is critical to planning an income stream. Some companies restrict the frequency of withdrawals. Other policies may allow withdraws of interest earnings during the surrender charge period. While others allow for a free 10% of the account value while the account is still under a surrender schedule.

Distributions from qualified accounts are, also, required by the IRS once the age of 70-1/2 or retirement is reached, whichever is later. Common qualified accounts are IRAs, 403(b), SEP, 401(k) and 457, just to name a few. The required minimum distribution (RMD) is often calculated by the company and is based on your current age, previous year ending account balance and the life expectancy factor found in the IRS Uniform Lifetime Tables.

Please note, if you own more than one IRA, you can withdraw your required minimum from each IRA account, or you can combine your IRA RMD amounts and withdraw the total from just one IRA. The same can be done if you own more than one 403(b) account. However, RMDs from 401(k), 457, money purchase and profit-sharing plans must be taken separately from each account. In any case making sure you have an income strategy in place before a need arises is helpful in maintaining a solid, well working retirement plan.

(Source: American Funds, Retirement Planning: Required minimum distributions)