



# THE ARC PROCESS™

ACHIEVING RETIREMENT CLARITY



# REACHING THE SUMMIT

Climbing to the peak of a mountain is considered by many to be one of life's greatest achievements. Experienced climbers know that the key to achieving their goal is planning and preparation. Without focused **planning and proper preparation**, the journey can quickly turn disastrous. Consider the many climbers who have attempted to tackle Mount Everest—only 30% have made it to the peak. The difference is in the level of planning and preparation.

Like climbing, **Retirement Planning begins with the goal of reaching a peak**. For most of us, that peak is a well-funded retirement plan. But just as with climbing, unless we adequately plan and prepare, we are unlikely to achieve our goal.



## ARC: ACHIEVING RETIREMENT CLARITY

The ARC Process is a goals-based planning process designed to aid individuals through the asset accumulation phase of their lives. The analysis includes emergency, retirement savings & education, as well as survivorship needs.

A proper accumulation plan should cover three important checkpoints to meet its objective. **The ARC Process™ incorporates all these steps into one comprehensive plan.**

# 3

### INCOME PROTECTION

helps safeguard your path from obstacles that can prevent your financial goals from becoming reality.

# 2

### WEALTH ACCUMULATION

assesses your current financial position and identifies the most efficient path for reaching your ultimate objective.

# 1

### CASHFLOW MANAGEMENT

directs how resources are earned, spent, and saved. It is the cornerstone of all accumulation plans.

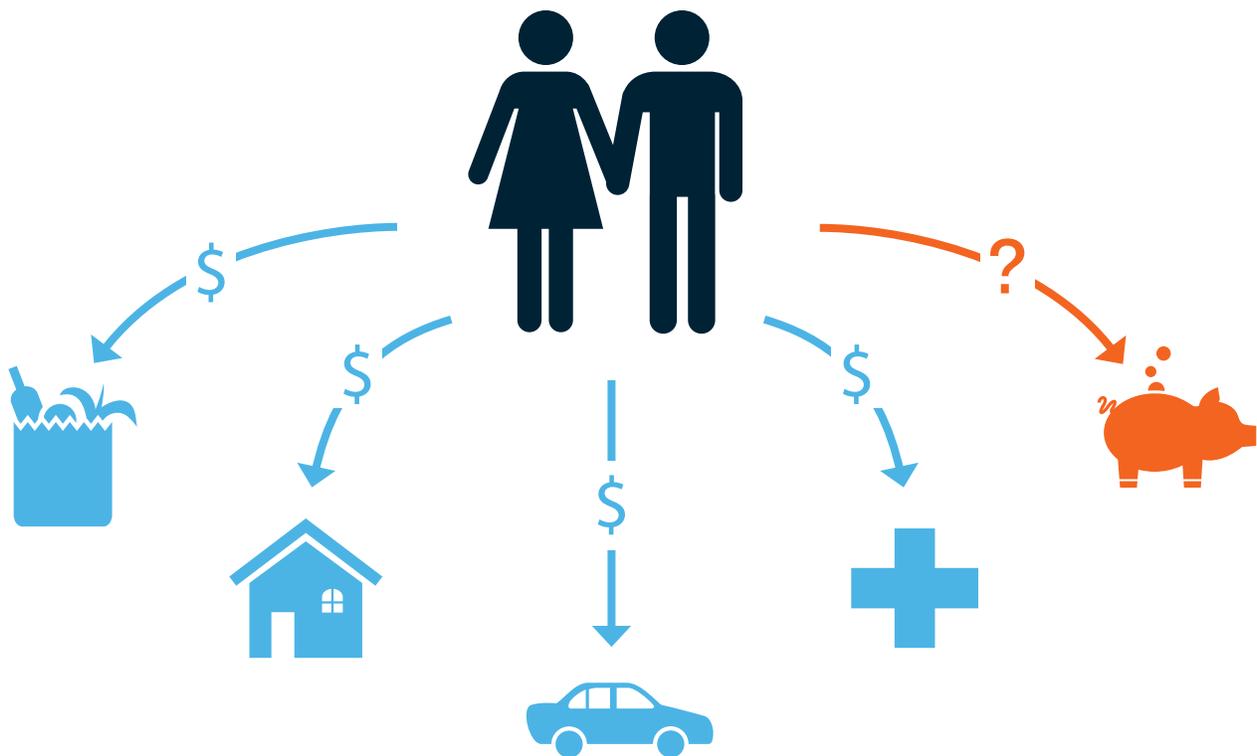


Now that you have the critical information needed to take the first step, talk with your Financial Advisor to start your ARC Process™.

# 1 CASHFLOW MANAGEMENT

*Cashflow Management directs how resources are earned, spent, and saved. It is the cornerstone of all accumulation plans.*

Cashflow Management is the cornerstone of successful financial planning. As we begin our journey through The ARC Process™ we must remember to stay focused on the future. Large portions of our income are allocated to current needs such as groceries, housing, travel, and medical bills. These expenses are necessary but can distract from the overwhelming future need, which is retirement. To effectively reach our goal, we must transition to thinking of retirement not as a future need but as a current need.



## **ARE YOU BUDGETING TODAY TO REACH YOUR GOALS TOMORROW?**

Most of us allocate income towards housing, travel, medical bills, and groceries, as these are essential to maintaining our current lifestyle. It is important that we view retirement savings the same way because future lifestyle needs are easily overlooked.

<sup>1</sup>40% of individuals have no money set aside for retirement.

<sup>2</sup> Those who do not have money set aside, have a median retirement savings of just \$5,000.

## **WE SHOULD VIEW OUR RETIREMENT AS A CURRENT NEED**

1: Bradford, Hazel, EBRI: 30% of Workers are Stressed About Retirement Savings, Pensions & Investments, March 2017.

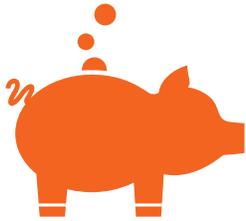
2: Frankel, Matthew, 40 Sad Facts About Retirement, The Motley Fool, May 2018.



# WEALTH ACCUMULATION

Wealth Accumulation assesses your current financial position and identifies the most efficient path for reaching your ultimate objective.

When planning for retirement, each of us has a unique set of objectives to accomplish. With these goals in mind, The ARC Process™ not only tailors a custom plan for managing cash flow, but also maps out the best possible trajectory for accumulating the savings needed to reach our personal retirement summit. To accomplish this second step, we have combined Traditional Diversification with our own Diversification 2.0™.

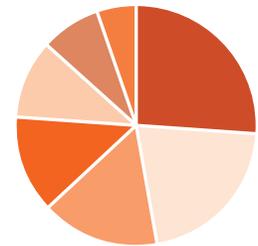


## Retirement Savings

Our retirement savings can be an idle pool of money sitting in an account, or a dynamic investment vehicle that helps us meet our goals. Rather than thinking about savings as a pot of money, we need to recognize the potential for our savings to be a working, diversified portfolio.

## Traditional Diversification

Traditional planning focuses on asset class diversification. The aim of diversification is to allow investors to achieve high returns and reduce volatility primarily through asset allocation, the practice of dividing investment money into different classes of assets - such as stocks, bonds, real estate, and cash - that will act independently of each other. Accordingly, The ARC Process™ uses diversified asset allocation when tailoring an investment program around your personal goals.



## Diversification 2.0™

Asset class diversification is essential to a strong portfolio, but The ARC Process™ allows you to diversify one level deeper to address the tax ramifications of our investments. We call this Diversification 2.0™. It is the idea of diversifying not only based on asset class but tax class as well. Investments can be classified into one of three tax categories: tax deferred, taxable, or tax favored. Proper tax diversification allows us to take advantage of tax savings today and in the future, while maintaining adequate flexibility for our changing needs.

	Taxation of Funds	Sources in Retirement
<b>Tax Deferred</b>	<ul style="list-style-type: none"> <li>↑ TODAY: Contributions may be tax deductible</li> <li>↑ DEFERRAL: Grows tax deferred</li> <li>↓ DISTRIBUTION: Mostly taxable as ordinary income</li> <li>↓ FLEXIBILITY: Limited accessibility</li> </ul>	<ul style="list-style-type: none"> <li>• Pension Benefits</li> <li>• Social Security (up to 85%)</li> <li>• 401(k) Distributions</li> <li>• IRA Distributions</li> <li>• Annuity Distributions</li> </ul>
<b>Taxable</b>	<ul style="list-style-type: none"> <li>- TODAY: Contributions are made with after-tax dollars</li> <li>↓ DEFERRAL: Tax liability based on investment selection</li> <li>- DISTRIBUTION: Potential capital gains or ordinary income</li> <li>↑ FLEXIBILITY: Maximum accessibility</li> </ul>	<ul style="list-style-type: none"> <li>• Brokerage Accounts</li> <li>• Non-qualified Accounts</li> <li>• Trusts</li> </ul>
<b>Tax Favored</b>	<ul style="list-style-type: none"> <li>- TODAY: Contributions are made with after-tax dollars</li> <li>↑ DEFERRAL: Grows tax deferred</li> <li>↑ DISTRIBUTION: Generally tax-free income</li> <li>- FLEXIBILITY: Moderate accessibility</li> </ul>	<ul style="list-style-type: none"> <li>• Roth IRA Distributions</li> <li>• Health Savings Account Distributions</li> <li>• Life Insurance Distributions</li> <li>• Municipal Bond Interest</li> </ul>

### CASE STUDY

The table to the right shows the tax impact of a 60-year-old withdrawing \$100,000 from an investment portfolio. (Assume current marginal tax brackets & 15% blended tax rate on taxable accounts).

	SOURCE OF FUNDS	TAX LIABILITY	TAX SAVINGS
	<b>NO PLANNING</b>	<b>100% Tax Deferred</b>	<b>\$22,140</b>
		<b>50% Tax Deferred</b>	<b>\$8,930</b>
<b>DIVERSIFICATION 2.0</b>	<b>25% Tax Favored</b>	<b>\$0</b>	<b>\$9,460</b>
	<b>25% Taxable</b>	<b>\$3,750</b>	<b>(43%)</b>

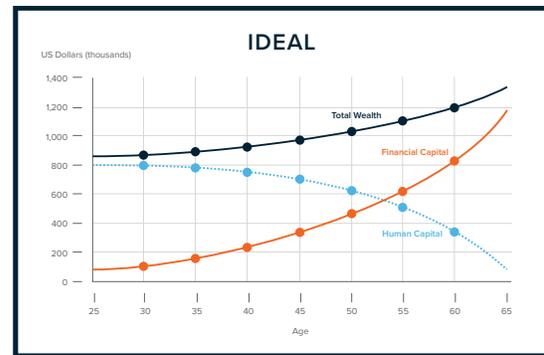
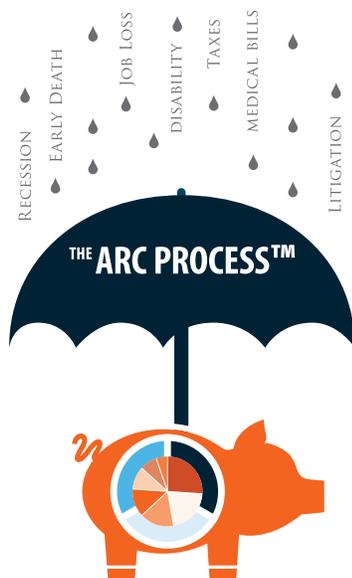
# 3 INCOME PROTECTION

*Income Protection helps safeguard your path from obstacles that can prevent your financial goals from becoming a reality.*

Income protection equips us with the proper tools and solutions for weathering the storms of life. We cannot predict market conditions, tax legislation, health, personal or professional liability. However, we can manage the risk associated with these various perils and insulate our retirement path accordingly.

## DEFINING YOUR TOTAL WEALTH

Our total wealth is comprised of two components: human capital and financial capital. Early in life, our total wealth is comprised mostly of human capital. As time passes, we save money and our financial capital grows. During our working years, it is important to plan for catastrophic events that could impact the value of our human and financial capital.



- Human Capital-** The future earnings potential of the individual
- Financial Capital-** The net worth of individual
- Total Wealth-** The sum of human capital and financial capital



## The ARC Process™

- 1. EDUCATE:** The first step of The ARC Process™ begins with proper education about the key fundamentals of accumulation planning.
- 2. ENGAGE:** You have the option of entering into an agreement which defines the commitments of each party.
- 3. EXPLORE:** The third step is to gather information about your current financial situation and identify retirement goals.
- 4. ENGINEER:** Using the gathered information, we'll construct your unique wealth accumulation and protection path.
- 5. EXECUTE:** The fifth step is to prepare your action plan for achieving retirement clarity.
- 6. EVALUATE:** With the plan established, we will provide ongoing evaluation to keep you on your unique accumulation path.

