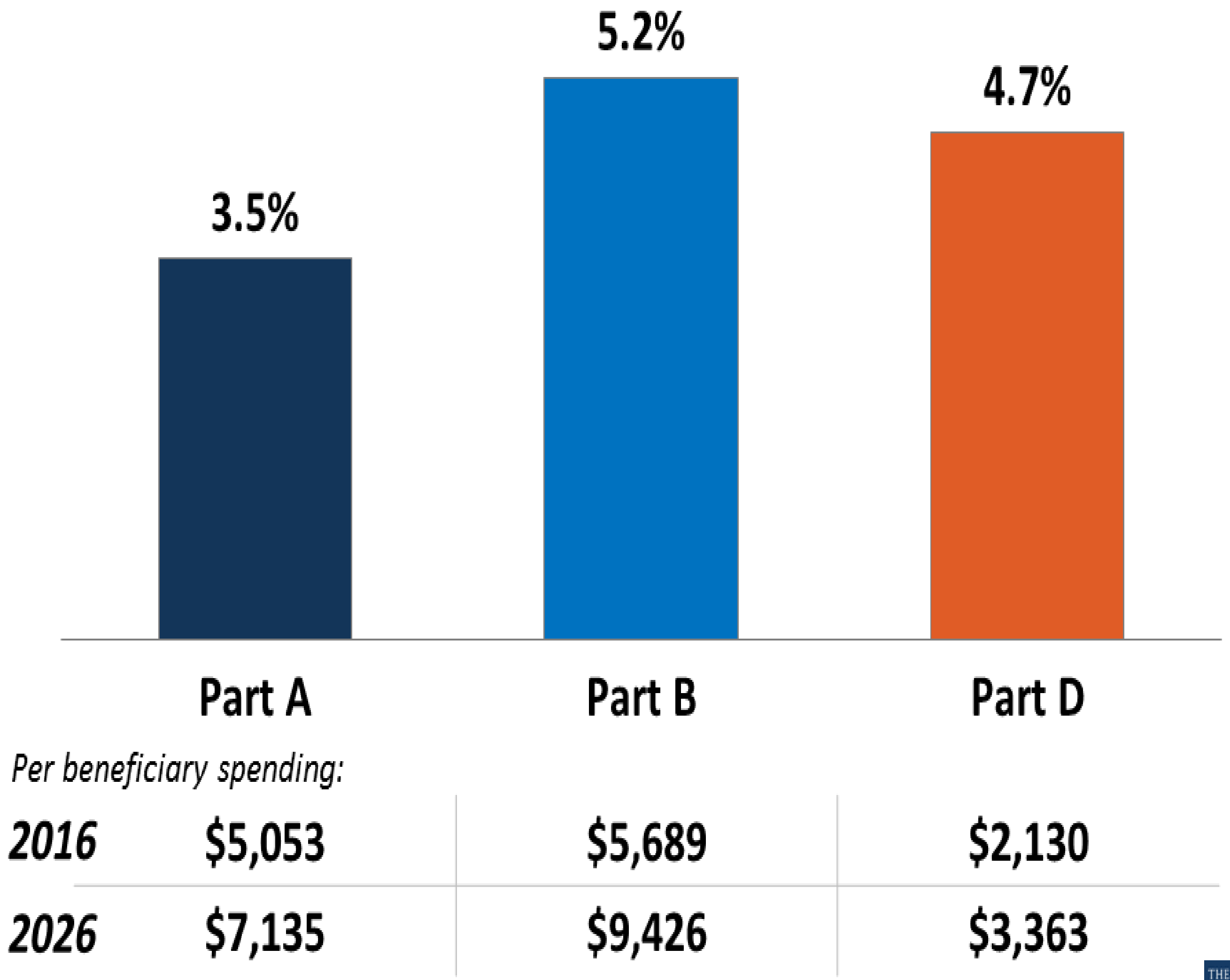
?Dad, that grass looks fake!? -Spring, 2018.

My daughter recalls how she couldn?t determine the difference between the once lush landscape of my front yard and the set for a movie about the aftermath of nuclear blast. The grass was a sea of brown bestrewed by tiny islands of a green Southern lawn fighting for life. Azaleas once thriving were reduced to long thin brittle branches that resembled skeletal fingers rising from the dust. **One summer of zero care and nurturing destroyed years of prosperous growth.** I?ve given myself credit for being a good saver and respectable steward of money. I better be as financial planner and money manager. Consistent at socking away 30% of my gross income. I?ve been fortunate to earn enough to be in the top 5% U.S. households. Then life got in the way. I needed to resign from a long-term employer due to my beliefs that the institution was ethically breached. Subsequently, I got sued and the stress caused permanent breakdown in the function of my right kidney. Oh, and then there was a divorce and the start of a new business. All in my late 40s. At an age I should have been winding down, thinking of retirement, I was starting up again. My life was wrought through a wash/dry cycle and spinning completely different than originally planned. •My decades of savings began to rapidly dwindle. Divorce, attorney costs, medical costs, and the capital required to grow a business took me back financially to a net worth I haven?t benchmarked since my early 30s. Thankfully, my daughter has a well-funded 529 for college or that would be yet another formidable expense or financial setback. Great starts to late starts and later finishes. The road of life can deviate far off an anticipated course; even tenured navigators with the most sophisticated of tools can lose their way. •Like riding out a storm, you get through it with what you got then assess the aftermath. For me personally, the irony wasn?t lost. Here I was assisting others financially map out imperfect retirements. Little did I realize that I too was about to embark on an all-too-similar journey. Care and nurturing encouraged by a healthy dose of current reality, forced me settle in, get comfortable in a thinner fiscal skin. I began to reevaluate an imperfect retirement plan. One that was very different than what began twenty years ago. Thankfully, the money I accumulated over the years was sufficient to make it through the shocks. However, when it came to my retirement goal, I was back in the first inning, batting for the minors. A financial landscape that once thrived was as unhealthy as my lawn. I decided to get to work. It all began with the basics, breaking my situation down to the foundation. I had to rewind. Start digging. And it was deep in the soil that I learned how far I was willing to go to get back on track. **First step: A holistic, micro-assessment of what makes me, ?me,? or: Do I have the stamina to rebuild?** I had to emotionally prepare to move forward. The bucolic retirement I originally designed was postponed indefinitely. The past as a weight on me had to be lifted. As Ramit Sethi author of the New York Times? best seller ?I Will Teach You To Be Rich,? says *? ?To launch a rich life you must first acknowledge where you are, then trust it?s the start.?* Easier said than done. The truth in the statement motivated me to realize that the game wasn?t over. I made the decision to hit the restart button and acknowledge. No. Enthusiastically embrace where I was now. I began to painfully and objectively question each potential obstacle to rebuilding wealth. I had to be tough. There was little room for compromise. From a thorough assessment of the new money management firm?s lofty goals and formal business plan progress (ahead of schedule; good to begin on a positive note), downsizing my primary residence which meant returning to a modest home in the ?burbs that served as a rental property (formerly occupied by a responsible young couple who didn?t know much about landscape care), to my overall physical condition which included a dramatic change/improvement in my diet and exercise regimen that impressed my physicians, I was beginning the journey of the care and nurturing of an imperfect retirement. It?s well-documented how healthcare has the potential to be an eternal cash-outflow concern in retirement, especially as life expectancies increase. Fidelity estimates that a healthy 65-year-old couple retiring today will require $280,000 to cover healthcare costs in retirement. Of course, this isn?t a lump sum a retiree needs to shell out. However, I think seeing costs in total is an effective ?scared straight? tactic; it hits one in the face with reality that being unhealthy in retirement can a formidable, ongoing expense. Keep in mind, this is Fidelity Investment?s assessment of AVERAGE healthcare costs which include premiums for Medicare Part B and D. It doesn?t include the cost of long-term care. The analysis assumes retirees are healthy. Based on my analysis of retirement distribution plans over two decades, poor health in retirement increases Fidelity?s total by 30%. Flip your mindset: Consider lifestyle changes such as regular workouts, diet improvements and annual checkups complete with full diagnostics, as investments. For example, when clients look to cut expenses, the gym membership is one of the first on the chopping block. It?s the one expense I urge them to continue. Consider every workout, each diet change, as dollars added to a future retirement investment bucket or as less distribution dollars spent on health and more on bucket list activities. Medicare Part B, D, and supplemental medical (Medigap) premiums allow planners like me to better estimate healthcare costs for retirees. It?s important for future retirees to understand and account for the impact of inflation on these expenses. As a rule of thumb, consider healthcare inflation at double the current U.S. annual inflation rate of 2.36% (as of March 2018), in your planning. The Kaiser Foundation estimated using the 2016 Consumer Expenditure Survey from the Bureau of Labor Statistics, that the share of average total household spending on health-related expenses was more than twice as large for Medicare households than for non-Medicare households in 2016. Middle-income Medicare households allocated a greater share of their household spending to health-related expenses than either the lowest or highest-income Medicare households.

Figure 6

Average Annual Growth in Medicare Beneficiary Costs for Part A, Part B, and Part D Between 2016 and 2026



SOURCE: Kaiser Family Foundation analysis of Medicare spending data from the 2017 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds (Table V.D1)

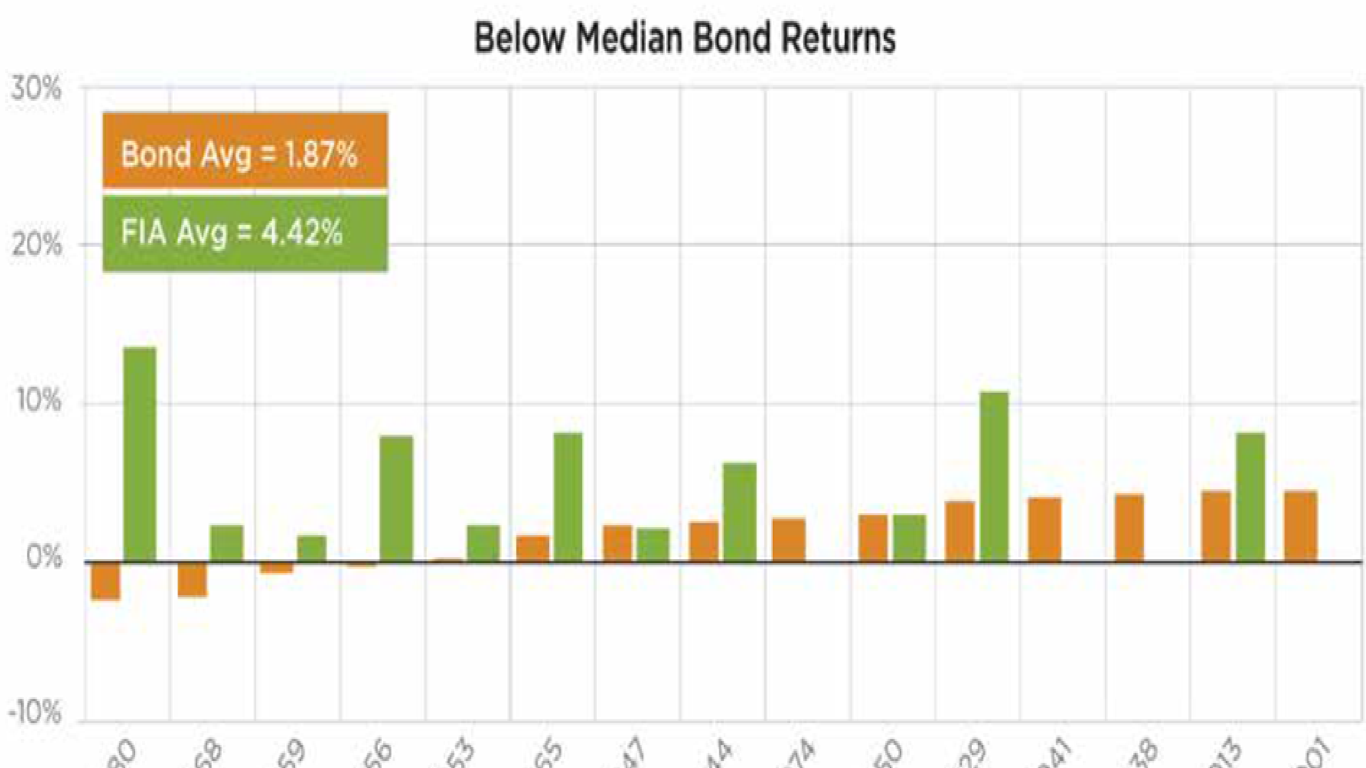
You got me. Consider this my attempt at a ?scare straight? moment. It scared me. A future retiree cannot avoid the inflation in Medicare premiums. However, a healthy individual can look to work longer, retire later, and save more to minimize the pain of the annual growth in Medicare beneficiary costs which leads in to my next personal hurdle. **Second step: I hit turbo-drive on savings and investment contributions combined with working longer**. Along with the big hit to the net worth, my savings rate went on hiatus. Well, actually, it hit ground zero. Goose egg. For three years. Downsizing the primary residence, cutting the mortgage payment by 70% combined with expense reduction has provided an opportunity to turbocharge my savings rate to 40% of annual gross income that I?ll need to accomplish consistently over the next decade. Working until 70 is now a reality because I love what I do; I?ll find a way to add flexibility into my schedule over the years. The life blood of a successful retirement plan is income. Pre-retirees who boost their savings rate and work on average an additional two years beyond a planned retirement date can dramatically increase retirement plan positive outcomes. **Third step: Mitigate potentially**

devastating financial risks & let an insurance company take the hit. Three out of every five financial plans I create reflect deficiencies to meet long-term care expenses. If my health continues to fire on all cylinders, then it?s likely I?ve added years to my life and will require assistance with activities of daily living. Medical insurance like Medicare does not cover long-term care expenses ? a common misperception. The Genworth Cost of Care Survey•has been tracking long-term care costs across 440 regions across the United States since 2004. Genworth?s results assume an annual 3% inflation rate. In today?s dollars a home-health aide who assists with cleaning, cooking, and other responsibilities for those who seek to age in place or require temporary assistance with activities of daily living, can cost over $45,000 a year in the Houston area where I reside. On average, these services may be required for 3 years ? a hefty sum of $137,000. We use a 4.25-4.5% inflation rate for financial planning purposes to reflect recent median annual costs for assisted living and nursing home care. Long-term care insurance is becoming cost prohibitive. Not only is insurance underwriting to qualify draconian to say the least, insurers are increasing annual premiums at alarming rates. In some cases, by more than 90% ostensibly forcing seniors to drop coverage or find part-time work to pay premiums. In addition, the number of insurers available is dwindling. Today there are less than 12 major insurers when at one time there were 106. As I examine policies issued recently vs. those 10 years or later, it?s glaringly obvious that coverage isn?t as comprehensive and costs more prohibitive. The long-term care crisis is rarely addressed by the media; there isn?t a governmental solution to the growing needs of an aging population. Unfortunately, the majority of those who require assistance will place the burden on ill-prepared family member caretakers or need to undertake drastic measures to liquidate assets. According to Genworth, roughly 70% of people over 65 will require long-term care at some point in their lives. **So, what to do?** One option is to consider a reverse mortgage. The horror stories about these products are way overblown. The most astute of planners and academics study and understand how for those who seek to age in place, incorporating the equity from a primary residence in a retirement income strategy or as a method to meet long-term care costs can no longer be ignored. Those who talk down these products are speaking out of lack of knowledge and falling easily for overblown, pervasive false narratives. Reverse mortgages have several layers of costs (nothing like they were in the past), and it pays for consumers to shop around for the best deals. Understand to qualify for a reverse mortgage, the homeowner must be 62, the home must be a primary residence and the debt limited to mortgage debt. There are several ways to receive payouts. One of the smartest strategies is to establish a reverse mortgage line of credit at age 62, leave it untapped and allowed to grow along with the value of the home. The line may be tapped for long-term care expenses if needed or to mitigate sequence of poor return risk in portfolios. Simply, in years where portfolios are down, the reverse mortgage line can be used for income thus buying time for the portfolio to recover. Once assets do recover, rebalancing proceeds or gains may be used to pay back the reverse mortgage loan consequently restoring the line of credit. Our planning software allows our team to consider a reverse mortgage in the analysis. Those plans have a high probability of success. We explain that income is as necessary as water when it comes to retirement. For many retirees, converting the glacier of a home into the water of income using a reverse mortgage is going to be required for retirement survival and especially long-term care expenses. American College Professor Wade Pfau along with Bob French, CFA are thought leaders on reverse mortgage education and have created the best reverse mortgage calculator I?ve studied. To access the calculator and invaluable analysis of reverse mortgages•click here. Insurance companies are currently creating products that have similar benefits of current long-term care policies along with features that allow beneficiaries to receive a policy?s full death benefit equal to or greater than the premiums paid. The long-term care coverage which is linked to a fixed-premium universal life policy, allows for payments to informal caregivers such as family or friends, does not require you to submit monthly bills and receipts, have less stringent underwriting criteria and allow an option to recover premiums paid if services are not rendered (after a specified period). Unfortunately, to purchase these policies you?ll need to come up with a policy premium of $50,000 either in a lump sum or paid over five to ten years. However, for example, paying monthly for 10 years can be more cost effective than traditional long-term care policies, payments remain fixed throughout the period (a big plus), and there?s an opportunity to have premiums returned to you if long-term care isn?t necessary (usually five years from the time your $50,000 premium is paid in full). Benefit periods can range from 3-7 years and provide two to five times worth of premium paid for qualified long-term care expenses. As a benchmark, keep in mind the average nursing home stay is three years. I decided on this hybrid strategy. For a total of $60,000 in premium, I purchased six years of coverage, indexed for inflation, for a total benefit of close to $190,000 in future dollars. It?s crucial to complete a comprehensive financial plan before investigating available long-term care products. A plan will help quantify how much coverage is necessary. In other words, your long-term care plan can be subsidized by a reverse mortgage or liquidation of assets. From there, a financial and insurance professional educated in long-term care can assist with the proper amount of coverage required. **Fourth step: Annuitize a portion of my future income and maximize Social Security retirement benefits.** Do not underestimate the lifetime income that Social Security can provide. After generating hundreds of Social Security benefits payout scenarios it?s rare I recommend future recipients claim benefits before age 70 especially if I must consider survivor benefits for a younger, lower-earning spouse. According to a•The Nationwide Retirement Institute• Consumer Social Security PR Study•conducted by Harris Poll,•it?s not surprising to discover than • of a retiree?s fixed expenses are covered by Social Security benefits. Per the study, surprisingly few retirees have a financial advisor who provides advice on Social Security strategies. The total incidence of having a financial advisor who provided Social Security advice was a dismal 11%. A 2015 study by the Consumer Financial Protection Bureau indicates•that more than 2 million consumers choose when to begin collecting Social Security retirement benefits.•Many make the decision based on limited or incorrect information. Of those given Social Security advice by their advisors, roughly half or more had to initiate the discussion themselves. Now with pensions all but gone, Social Security is the only guaranteed monthly income for roughly 69% of older Americans. Unfortunately, in 2013,•75% of retirees chose to start collecting before full retirement age which results in a permanent reduction in lifetime benefits.•This may be a very shortsighted decision. As Wade Pfau, Ph.D., CFA and professor at the American College outlines in the 2nd•edition of his Retirement Researcher?s Guide to Reverse Mortgages: *?Delaying Social Security is a form of insurance that helps to support the increasing costs associated with living a long life. It provides inflation-adjusted lifetime benefits for a retiree and surviving spouse, and those lifetime benefits will be 76 percent larger in inflation-adjusted terms for those who claim at seventy instead of sixty-two.?* According to Social Security expert Elaine Floyd, ignorance is the primary reason. The CFPB report outlines studies that represent how much people don?t know about claiming.•One study for example outlined that only 12% of pre-retirees knew how benefits differed if benefits were claimed before, at, or after full retirement age. If you?re having a difficult time finding the help required, it?s worth the investment in a comprehensive Social Security analysis tool. The one I suggest was created by Laurence Kotlikoff, Professor of Economics at Boston University and available at www.maximizemysocialsecurity.com. The tool will guide you to the highest benefit you or you and a spouse may receive from Social Security. •It will assess thousands of strategies before it suggests the one that maximizes lifetime benefits. The output is easy to interpret. There?s the ability to run ?what if?•scenarios, too. The $40 annual license for a household is good for a year and worth the cost. Respected Professor Emeritus of Finance at the Yale School of Management and Chairman, Chief Investment Officer for Zebra Capital Management, LLC Roger G. Ibbotson, PhD, in a comprehensive•white paper•released recently, outlined how fixed indexed annuities which provide upside market participation and zero downside impact may be attractive alternatives to traditional fixed income like bonds. In an environment where forecasted stock market returns may be muted due to rich valuations and bond yields still at historic lows, FIAs eliminate downside stock market risk and offer the prospect of higher returns than traditional asset classes. Per Roger Ibbotson: *?Generic FIA using a large cap equity index in simulation has bond-like risk but with returns tied to positive movements in equities, allowing for equity upside participation. For these reasons, an FIA may be an attractive alternative to (long-term government bonds) to consider.?* In financial services, Ibbotson is a god. Brokers and advisors have been misrepresenting to consumers his seminal chart of 100-year stock market returns for as long as I?ve been in the business. The chart outlines how domestic large and small company stocks compound at 10-12% and beat the heck out of bonds, bills and inflation; financial professionals showcase the lofty past returns and convince customers that without buying and holding stocks for the long term (whatever that is), they?ll succumb to the vagaries of inflation. Adhere to the chart and your portfolio will have it made in the shade! (if invested in stocks for 100 years plus). In all fairness to Roger Ibbotson, it?s not his fault that his data and graphics have been used to seduce investors to bet their hard-earned wealth on investment fantasy. He?s been in favor of annuities in retirement portfolios and in accumulation portfolios leading up to retirement for years. I found his study compelling enough to allocate 30% of my investment dollars to a fixed index annuity. So, what are fixed indexed annuities? First, they are not products that invest directly in stock markets. They are insurance vehicles that provide the potential for interest to be credited based on performance of specific market indexes. Selections within these fixed annuities allow owners to participate in a fixed percentage of the upside of a market index or earn a maximum rate of interest that?s based on the percentage change in an index from one anniversary date (effective date of ownership), to the next. A strategy identified as ?point-to-point.? Second, fixed indexed annuities are characterized by a ?zero floor,? which simply means there?s no risk of market downside. Owners may get a goose-egg of a return for a year, that?s true. However, there?s no need to make up for market losses, either. As stated in the academic research published by Mr. Ibbotson:

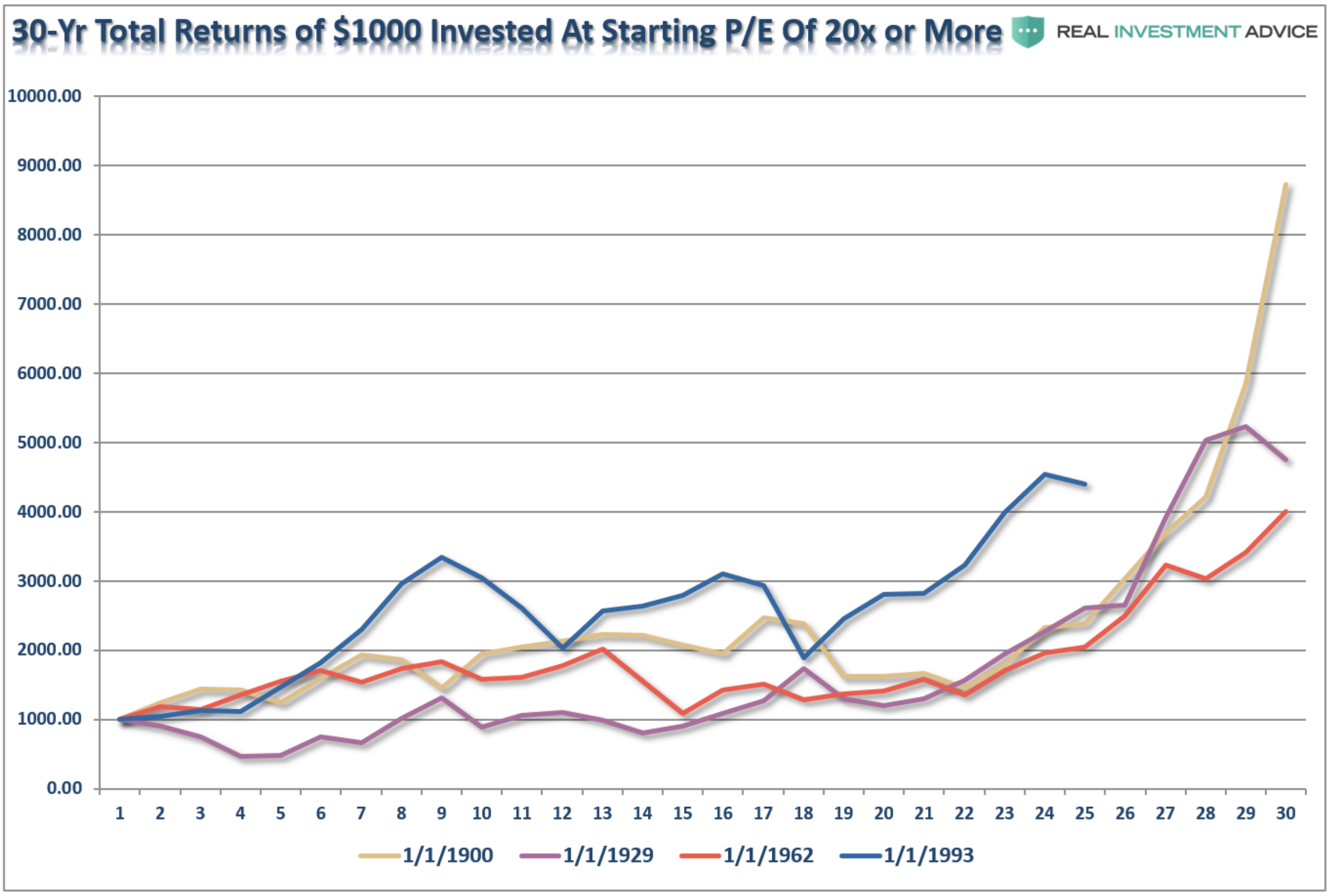
> *?This downside protection is very powerful and attractive to many individuals planning for retirement. In exchange for giving up some upside performance (the 60% participation rate),•the insurance company bears the risk of the price index falling below 0%. The floor is one way to•mitigate financial market risk, but also gain exposure to potentially higher equity performance•than traditional fixed income investments.?*

Third, Roger Ibbotson and his team analyzed fixed index annuities performance compared to periods of outperformance and underperformance for long-term government bonds. They isolated 15 three-year periods where bonds performed below the median like above, where the average 3-year annualized return was 1.87% compared to the FIA average of 4.42%. Through fifteen 3-year timeframes where bonds performed above median, returns for bonds and fixed index annuities averaged 9% and 7.55%, respectively.

Exhibit 10a: FIA vs. Bonds - Below Median and Above Median Bond Returns (1927-2016)



Last, the research is limited to a simulation of the net performance of a fixed index annuity tied to a large cap equity index with uncapped participation rates. A participation index rate strategy is mostly effective under strong stock market conditions as interest credited is a predetermined percentage multiplied by the annual increase in a market index?s return. For example, a fixed indexed annuity offers an uncapped point-to-point option with a 40% participation rate. If the chosen market index the participation rate is connected to increases by 10%, your return for the year will be 4%. The participation percentage may be changed annually. A *?point-to-point?* cap index strategy incorporates a ceiling on the upside and will not perform as well during periods when stocks are characterized by strong performance. The point-to-point cap index choice is best when markets are expected to provide limited growth potential and provides 100% participation up to the annual cap set by the insurance company. Let?s say a fixed indexed annuity has a 3% index cap rate and is tied to the performance of the S&P 500. For the year, the S&P 500 returns 2%. The interest credited to your account would be 2%, which is under the 3% cap. Under the participation index rate strategy outlined above, interest credited would be less at 40% of the S&P return, or .8%. Since credited interest increases the original investment and downside protection is provided, money compounds in the true sense of the definition since **compounding works only when there is NO CHANCE of principal loss**. I?m assured with a fixed indexed annuity as part of my overall portfolio that may be converted to an income stream I cannot outlive, to not suffer downside risk; along the way perhaps I?ll earn better returns than a traditional stock and bond allocation to top it off. **Fifth step: Reduce portfolio risk due to below average estimated future returns.** I?m bracing for a future of low returns for risk assets like stocks and bonds. You should too. Despite the unprecedented stock market volatility so far this year, the Shiller P/E, a measure of inflation-adjusted earnings over rolling prior ten-year periods at 32.34X, has not worked off excess valuations. The Shiller P/E is a poor predictor of short-term market performance; over long periods, lofty valuations today portend lower future returns. Displayed below is our analysis of the growth of $1,000 over 30 years when the Shiller PE is at 20X or higher. I?m preparing for a minimum of one decade of investment-return stagnation; therefore, I reduced my asset allocation to stocks last year from 70% to 40%. In our firm?s planning software, we reduced return estimates for every domestic asset class, with the greatest long-term return potential coming from international investments including emerging markets *(where valuations are attractive compared to the United States).*
•Shorter-term, we don?t see a reason to enter developed international and emerging markets. However, we monitor daily; Lance Roberts informs clients and newsletter readers of our asset allocation changes on a regular basis.



When creating comprehensive financial plans for clients, we explain and show through in-house analysis, how going forward until valuations normalize, *greater risk will not lead to a commensurate increase in return.* In fact, all additional risk is going to do is add risk and dampen returns. **Today, my front lawn is the finest in the neighborhood.** Two years later after care and nurturing of the soil, the grass is as robust and greener than it has ever been. So green that it compelled my daughter to do a double-take as she remembered how hopeless the situation appeared back then. The creation of an imperfect retirement can require tough decisions, hard work and discipline, but the results can be magnificent.