Executive Summary

Otium Advisory Group

12100 Wilshire Blvd, Suite 800
Los Angeles, CA 90025

Prepared by: John C Pak, CFP® RICP®

Date	Services Performed By:	Services Performed For:
June 11, 2015	Otium Advisory Group 12100 Wilshire Blvd, Suite 800 Los Angeles, CA 90025	Dean Taylor

Scope of Engagement

Review current financial situation and identify areas that have room for improvement. Analyze current bank accounts and IRAs to assess viability as an income generating source. Evaluate current investment selections to ensure alignment to client's objectives, goals, and risk tolerance. Discuss alternate investment strategies that complement or enhance safety, income, and conservative growth of current holdings in portfolio. Review current Social Security benefits and present claiming strategies that can help maximize monthly benefits.

Assumptions

- Unemployment benefits will come to an end on December of 2015: $1800 Gross
- Bank Accounts yield an average rate of return of 0.05%
- Each Mutual Fund in Invesco, Fidelity, and Franklin Templeton have been purchased over 10 years ago (Invesco and Franklin Templeton carried Front end Loads – 5.5%)
- Social Security benefits will be paid out according to the following ages: 62 - $1650, 66 - $2201, 70 - $2905
- Inflation Rate used for this proposal is 2.5%
- Tax Rate used is 15% Federal and 2% State
- Full Retirement Age is 66
- No Social Security Taxation
- Expressed desire to continue working for the next 4 years

**Wharton school of Business: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1482023*
**AARP job site: http://www.aarp.org/work/*

Client and Advisor Responsibilities

- Dean will inform me of any life changes (e.g., health status, employment status)
- Advisor will keep Dean abreast of any changes to the investing, legal, tax, and economic landscape that will either hurt or help improve his portfolio
- Review the performance and progress of plan with Dean annually (minimum requirement)

Recommendation(s): Implementation

Check Point 1: **Wake up your dormant accounts**

A) Take the $150,000 bank account that is dormant in your 0% yielding checking account and transfer 6 months worth of emergency funds into a savings or money market account. Take the remaining balance and invest in a conservative (taxable) portfolio that diversifies your existing holdings. *See exhibit (1A) for a list of recommendations based on Investment Policy Statement + Risk Tolerance Questionnaire.

B) Actively seek employment, however, start with a part time job and work your way into a full time position. Or another strategy would be to find a non-paying position (e.g., a non-profit organization or internship) and show-case your abilities and work your way into a paying position.

C) Consider consolidating your INVESCO funds and Franklin Templeton Fund (from past 401K plans) into your Fidelity IRA account. Fidelity has a reputation of being a low cost provider of many investment options and this move should save you approximately $5000 per year. *Reduce the risk level by increasing short term bond funds and/or inflation protection bonds thereby promoting negative correlation (fancy term for diversification).

D) Next year, assuming unemployment checks do not get extended for another term, I recommend withdrawing from IRA before you tap into Social Security (watch out for the earnings test before age 66 + reduction of benefit for early withdrawal). This move will reduce RMDs.

**Wharton school of Business: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1482023*
**AARP job site: http://www.aarp.org/work/*

Check Point 2: **Secure your income floor with Guaranteed Streams of income**

E) Re-assess your personal risk tolerance level to determine if the current 50% Defensive / 50% Aggressive allocation continues to be the right asset mix
F) Monitor the performance of both the defensive and aggressive assets to determine if shifting 5% from aggressive to defensive is warranted
G) Delay Social Security until the age of 66 to claim benefits of $2201 per month (at FRA, you have the option to voluntarily suspend payments to earn 8% per year at any point before the age of 70)
H) Revisit your employment status: If you have decided at the age of 66 to stop working, activate your monthly income by creating a Bond ladder with a min term of 1 year to a max term of 5 years (*Payment can be as low as $1000 to as high as $2500 per month).

Check Point 3**: Financial house-keeping in preparations for longevity and health expense risk**

I) Prepare to discuss Medicare A, B, and D options before you reach age 65
J) Delegate separate account to prepare for Health Expense Risk (Long Term Care) *service fees can add up to $150K per year
K) You can scale down your equity exposure by taking strategic withdrawals (monthly) from your IRA each year to minimize the Required Minimum Distributions that will be enforced at the age of 70 ½. (Approximately $1815 per month or $21790 per year). This move will help reduce your tax liability by $126 per month or $1512 per year.
L) To defend against longevity risk, there is a specific order of operations (withdrawal strategy) that will ensure that your money will not only last longer, but you will also minimize tax liability: 1) First take money out of your taxable account, 2) IRA 3) Social Security 4) Roth IRA

**Wharton school of Business: http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1482023*
**AARP job site: http://www.aarp.org/work/*