



# McAdam

*Financially Advanced*<sup>™</sup>

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# Welcome and Thank You!



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# Today's Agenda

- Introduction to McAdam
- Retirement Risks to Consider
- Today's Market
  - Keeping Your Portfolio Current
- Income in Retirement
  - 3 Bucket Approach
  - Understanding Social Security
- Questions

# Who We Are

- \$1 Billion in AUM
- 250 Financial Advisors
- 5 Metro Areas: Boston, Philadelphia, New York, Chicago, Washington D.C.
- Ranked Top 4% of over 400 RIA's for Performance through August 2015
- Leadership - collectively 100+ years experience, worked with thousands of clients, trained thousands of advisors



# McAdam

## Advanced Advisory Model™

### Products

- o Advanced investment strategies
- o Reporting and analysis tools
- o Client access to aggregated online accounts
- o Financial calculators

### Knowledge

- o Investment advisors with industry certifications
- o Decades of combined experience
- o Global research and insights
- o Broad client scenario expertise

### Trends

- o Short-term trend strategies
- o Alternative financial products and services
- o Long-term hedge strategies

### Opportunities

- o Emerging markets
- o Unique valuations
- o Industry/sector risk analysis



### Lifestyle

- o Fixed spending analysis
- o Discretionary spending analysis
- o Risk tolerance profile
- o Life stage planning

### Family

- o Life insurance strategies
- o Income protection planning
- o College planning
- o Family trust planning
- o Comprehensive estate planning

### Retirement

- o Retirement goal analysis
- o Retirement lifestyle planning
- o Specialized income portfolio planning
- o Succession planning strategies

### Special Needs

- o Short-term goals
- o Unique health concerns
- o Family hardships



### Career Landscape

- o Anticipated financial trajectories
- o Industry growth trends
- o Compensation models
- o Equity opportunities

### Benefits Landscape

- o 401(k) strategies
- o Health plan considerations
- o Comprehensive insurance planning
- o Deferred compensation strategies
- o Stock options strategies

### Risk Landscape

- o High-risk promotions
- o Travel
- o Cash reserve layering

### Investment Landscape

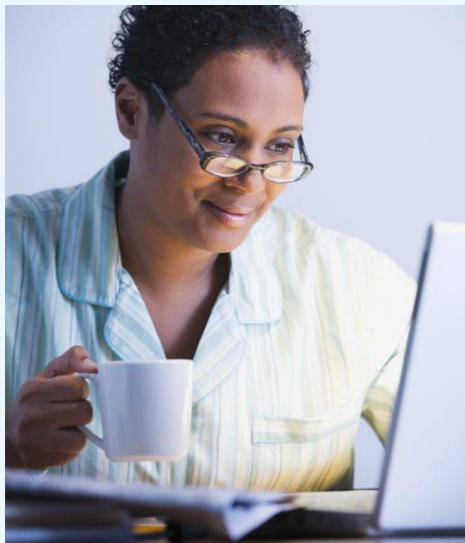
- o Access to capital
- o Entrepreneurial ventures
- o Strategic partner deals
- o Participation in capital markets



# Potential Retirement Risks

# You may be retired for longer than you think

## Questions you may be considering:



Will I be able to maintain my lifestyle?



Will I be able to meet all my expenses?



Can I retire now?  
Or should I wait?

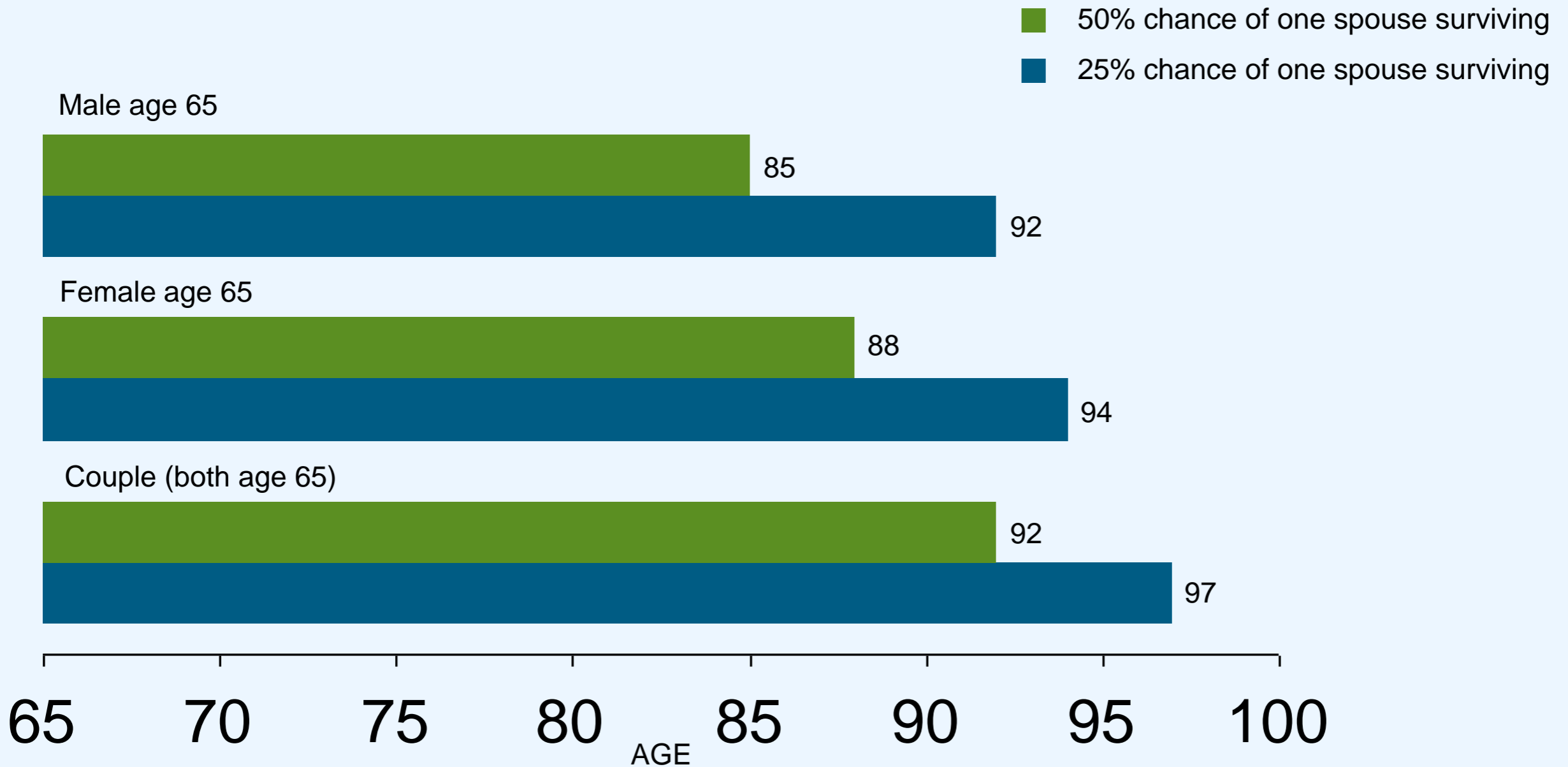


How should my assets be allocated?

Will my money last?

# Longevity

## Plan for living longer than you think

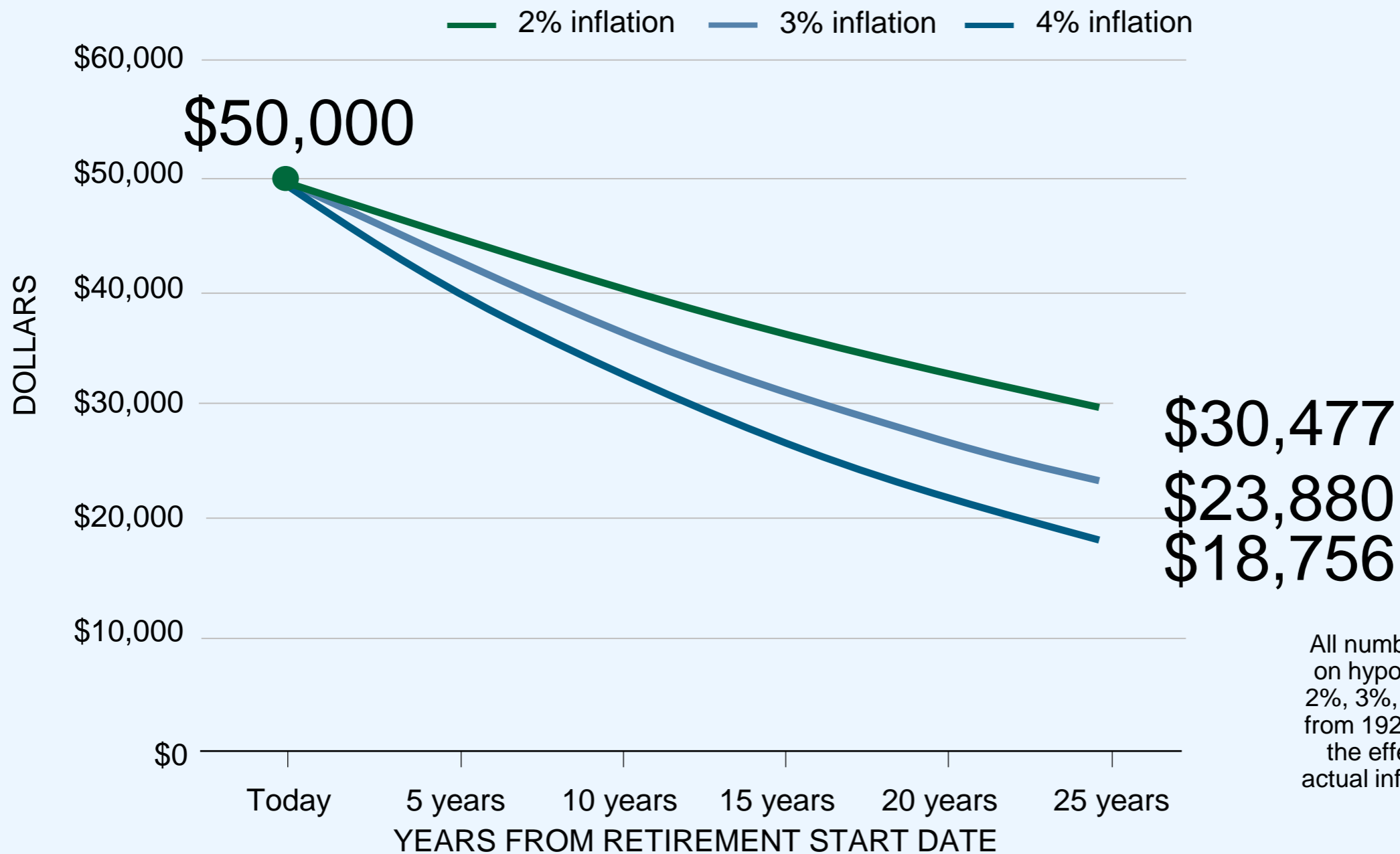


Source: Annuity 2000 Mortality Table; Society of Actuaries. Figures assume a person is in good health.



# Inflation

Even low inflation could damage purchasing power

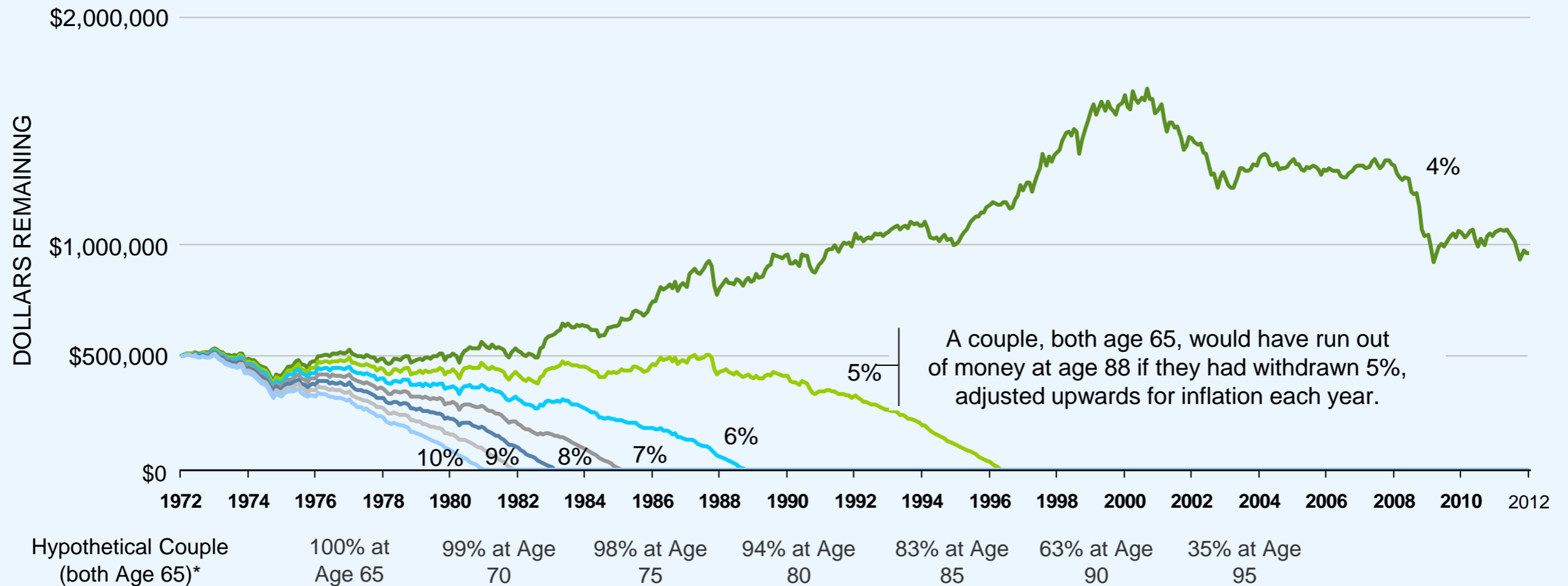


All numbers were calculated based on hypothetical rates of inflation of 2%, 3%, and 4% (historical average from 1926 to 2012 was 3%) to show the effects of inflation over time; actual inflation rates may be more or less and will vary.

# Excess withdrawal

## Sustainable withdrawal rates can extend the life of a portfolio

How a couple retiring in 1972 with \$500,000 is affected.



Source: Fidelity Investments. Hypothetical value of assets held in an untaxed account of \$500,000 invested in a portfolio of 50% stocks, 40% bonds, and 10% short-term investments with inflation-adjusted withdrawal rates as specified. This chart uses historical monthly performance from January 1972 through December 2012 from Ibbotson Associates; stocks, bonds, and short-term investments are represented by the S&P 500, U.S. Intermediate-Term Government Bonds, and U.S. 30-day T-bills, respectively. You can not invest directly in an index. This chart is for illustrative purposes only, is not indicative of any investment, and is not intended to project or predict the present or future value of the actual holdings in a participant's portfolio or the performance of a given model portfolio of securities.

See slide 24 for further details about indices. Past performance is no guarantee of future results.

\* Probability of a couple surviving to various ages is based on Annuity 2000 Mortality Table, Society of Actuaries. Figures assume a person is in good health.

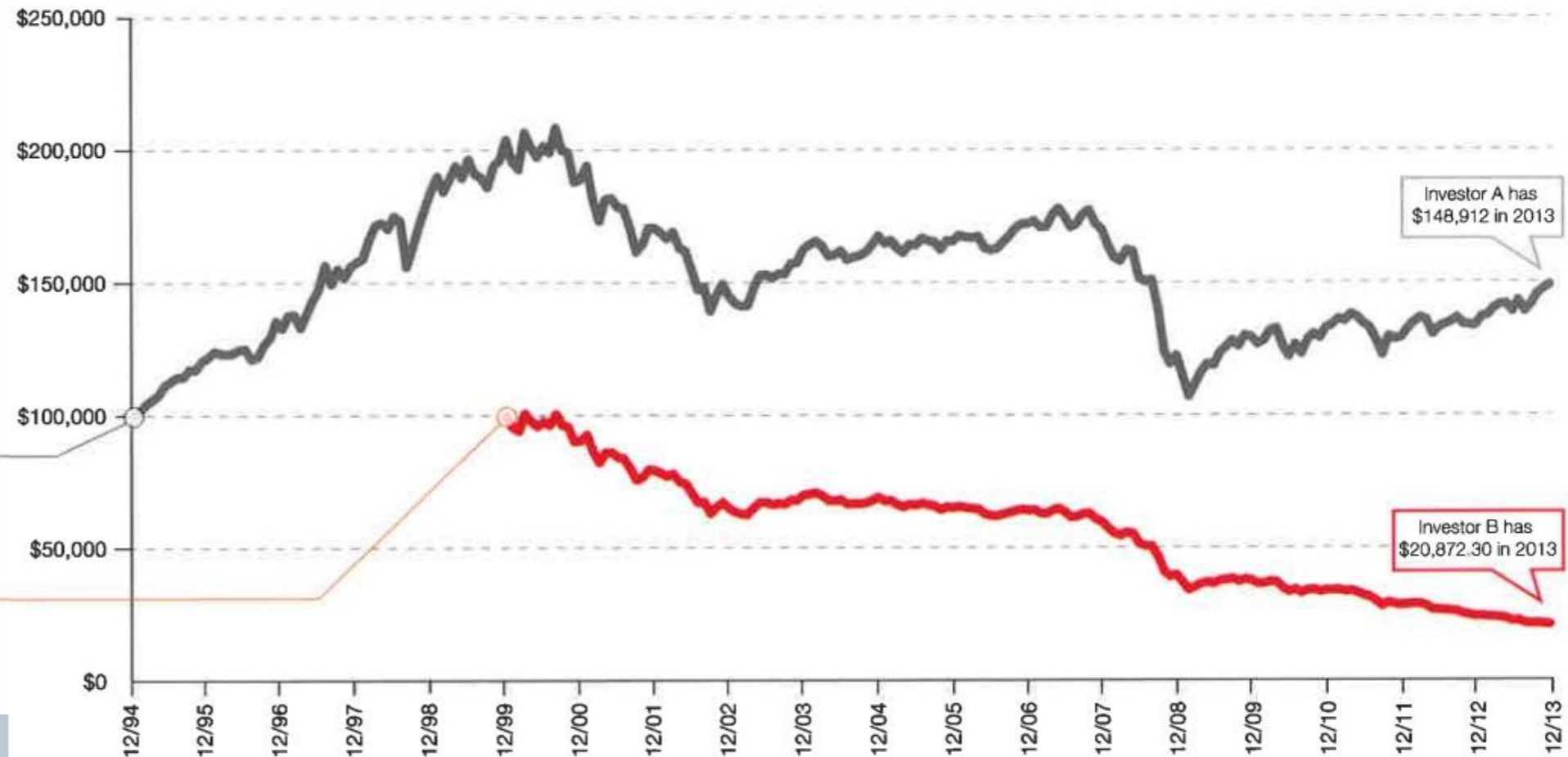
# Understanding Sequence of Returns

## How “when” you retire can affect your retirement income

This chart shows two investors that retire and start taking income at age 65. Although they both take 5% annual income from an initial \$100,000 investment they have very different experiences due to when they retired.

**Investor A** retires in 1994, the beginning of an up market.

**Investor B** retires in 1999, the beginning of a down market.



This hypothetical chart assumes a 60/40 Index featuring 60% S&P 500®, 40% Barclays U.S. Aggregate Bond Index. Annual withdrawals of 5% are represented, taken monthly and adjusted to inflation. This is a hypothetical illustration and does not represent the results of an actual investment. It does not reflect any investment fees, expenses or taxes associated with investments. S&P 500 is representative of general equity performance and Barclays U.S. Aggregate Bond is a general representative of bond performance. You cannot invest directly in an index. Past performance does not guarantee future results.

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# Understanding Sequence of Returns

## Withdrawals Taken during Down Years

Age	Beginning of Year Balance	Annual Withdrawal	Post Withdrawal Balance	S&P 500 Return	End of Year Balance
65	\$1,000,000	\$70,000	\$930,000	-14.66%	\$793,662
66	\$793,662	\$70,700	\$722,962	-26.47%	\$531,594
67	\$531,594	\$71,407	\$460,187	37.20%	\$631,377
68	\$631,377	\$72,121	\$559,255	23.84%	\$692,582
69	\$692,582	\$72,842	\$619,740	-7.16%	\$575,366
70	\$575,366	\$73,571	\$501,796	6.56%	\$534,713
71	\$534,713	\$74,306	\$460,407	18.44%	\$545,306
72	\$545,306	\$75,049	\$470,257	32.50%	\$623,090
73	\$623,090	\$75,800	\$547,290	-4.92%	\$520,363
74	\$520,363	\$76,558	\$443,805	21.55%	\$539,445
75	\$539,445	\$77,324	\$462,122	22.26%	\$564,990
76	\$564,990	\$78,097	\$486,893	6.27%	\$517,422
77	\$517,422	\$78,878	\$438,544	31.73%	\$577,694
78	\$577,694	\$79,667	\$498,027	18.67%	\$591,009
79	\$591,009	\$80,463	\$510,546	5.25%	\$537,349
80	\$537,349	\$81,268	\$456,082	16.61%	\$531,837
81	\$531,837	\$82,081	\$449,756	31.69%	\$592,284
82	\$592,284	\$82,901	\$509,383	-3.11%	\$493,541
83	\$493,541	\$83,730	\$409,810	30.47%	\$534,680
84	\$534,680	\$84,568	\$450,112	7.62%	\$484,411
85	\$484,411	\$85,413	\$398,997	10.08%	\$439,216

## No Withdrawals Taken during Down Years

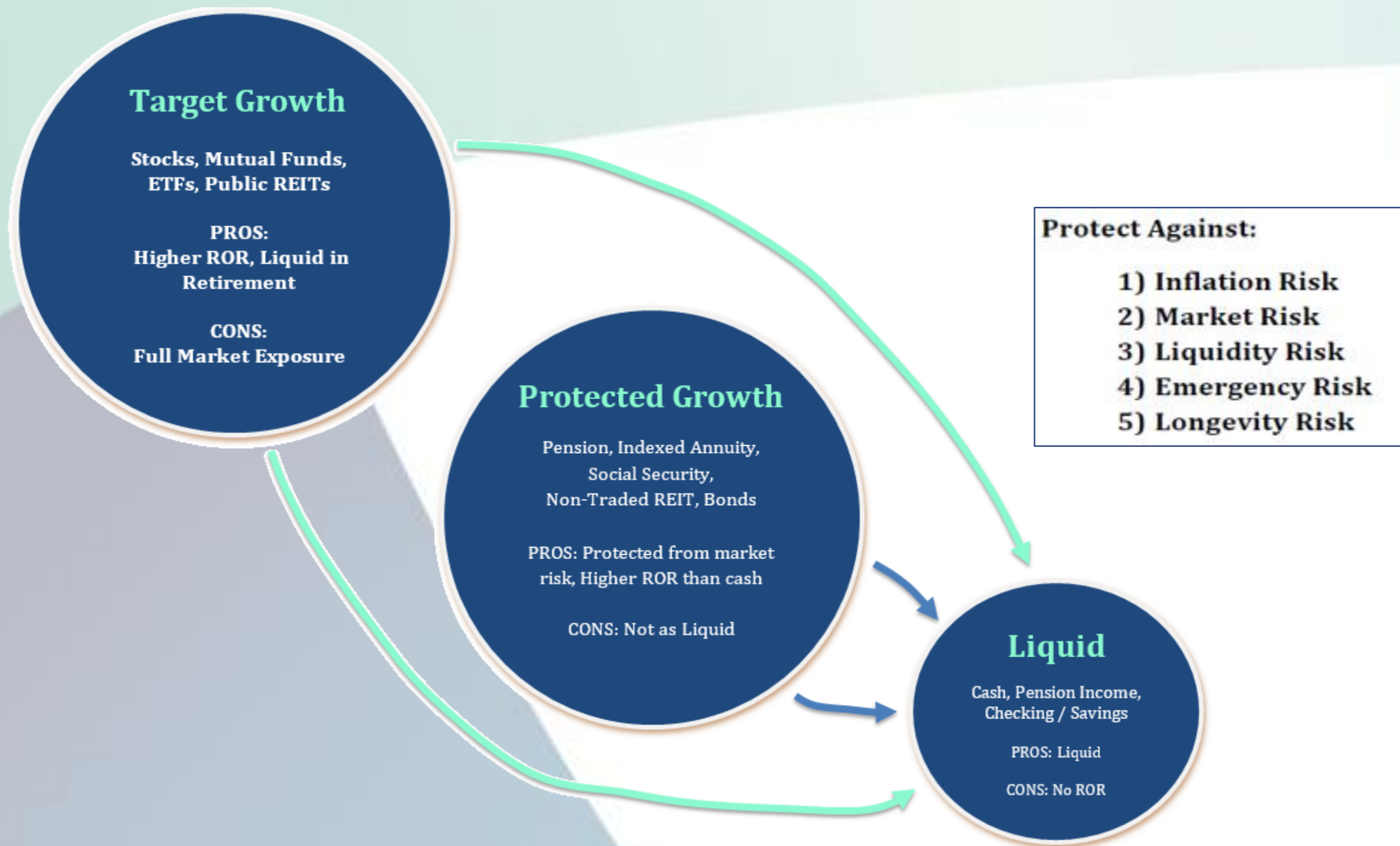
Age	Beginning of Year Balance	Annual Withdrawal	Post Withdrawal Balance	S&P 500 Return	End of Year Balance
65	\$1,000,000	\$70,000	\$930,000	-14.66%	\$793,662
66	\$793,662		\$793,662	-26.47%	\$583,580
67	\$583,580		\$583,580	37.20%	\$800,671
68	\$800,671	\$72,121	\$728,550	23.84%	\$902,237
69	\$902,237	\$72,842	\$829,394	-7.16%	\$770,010
70	\$770,010		\$770,010	6.56%	\$820,522
71	\$820,522	\$74,306	\$746,216	18.44%	\$883,818
72	\$883,818	\$75,049	\$808,769	32.50%	\$1,071,618
73	\$1,071,618	\$75,800	\$995,819	-4.92%	\$946,824
74	\$946,824		\$946,824	21.55%	\$1,150,865
75	\$1,150,865	\$77,324	\$1,073,541	22.26%	\$1,312,512
76	\$1,312,512	\$78,097	\$1,234,415	6.27%	\$1,311,813
77	\$1,311,813	\$78,878	\$1,232,935	31.73%	\$1,624,145
78	\$1,624,145	\$79,667	\$1,544,479	18.67%	\$1,832,833
79	\$1,832,833	\$80,463	\$1,752,370	5.25%	\$1,844,369
80	\$1,844,369	\$81,268	\$1,763,101	16.61%	\$2,055,952
81	\$2,055,952	\$82,081	\$1,973,872	31.69%	\$2,599,392
82	\$2,599,392	\$82,901	\$2,516,490	-3.11%	\$2,438,228
83	\$2,438,228		\$2,438,228	30.47%	\$3,181,155
84	\$3,181,155	\$84,568	\$3,096,588	7.62%	\$3,332,548
85	\$3,332,548	\$85,413	\$3,247,134	10.08%	\$3,574,446

Figures shown are past results for the S&P 500 index and are not predictive of results in future periods. Current and future results may be lower or higher than those shown. Share prices and returns will vary, so investors may lose money. Returns are based off of actual historical S&P % Rtn from 1973 to 1993. Withdrawal rated begin a 7% and Inflation on annual withdrawals set to 1% for illustrative purposes.





# Three-Buckets Approach to Retirement



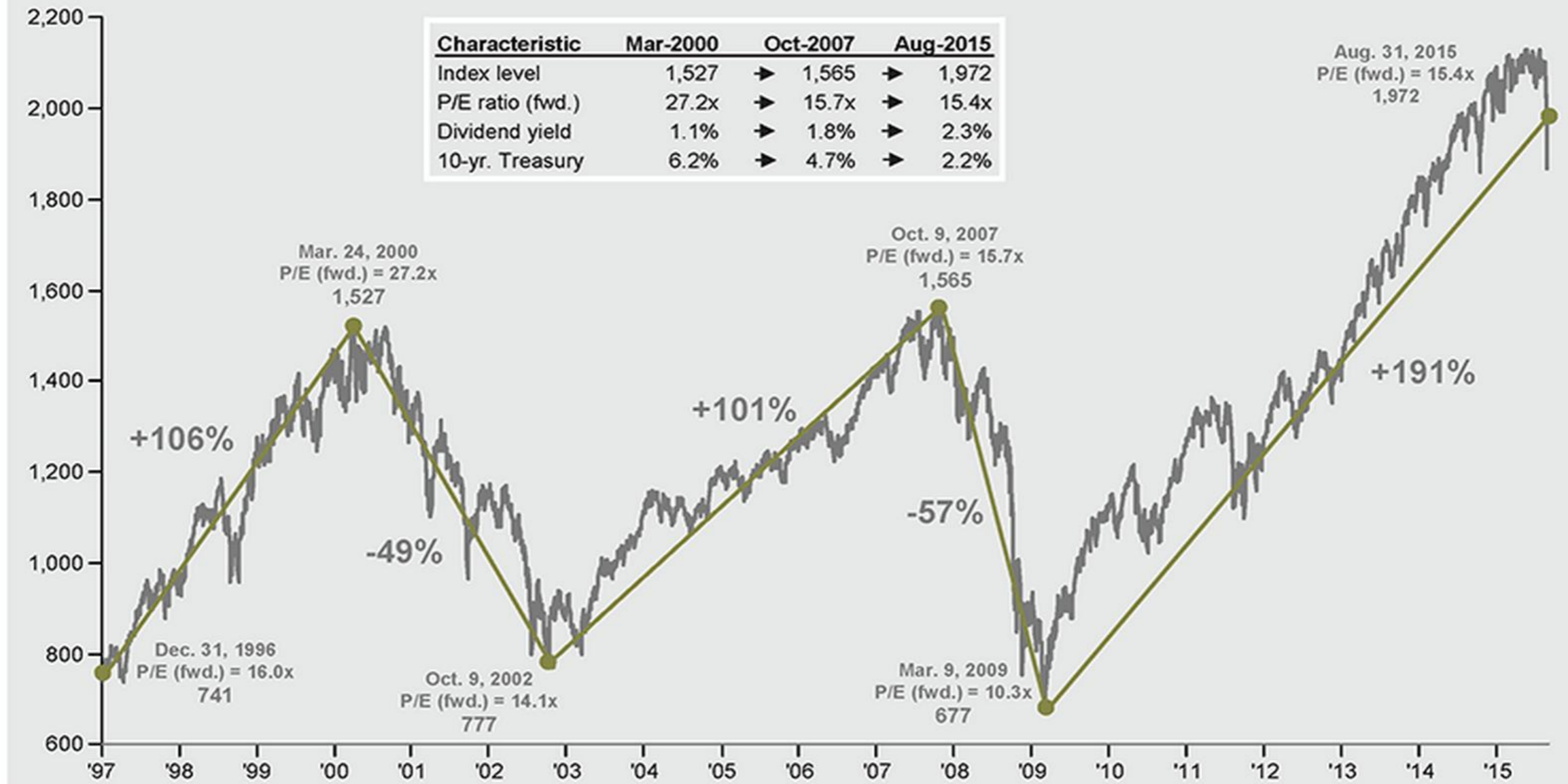
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# Today's Market Conditions

# S&P 500 Inflection Points

S&P 500 Price Index



Source: Compustat, FactSet, Standard & Poor's, J.P. Morgan Asset Management.

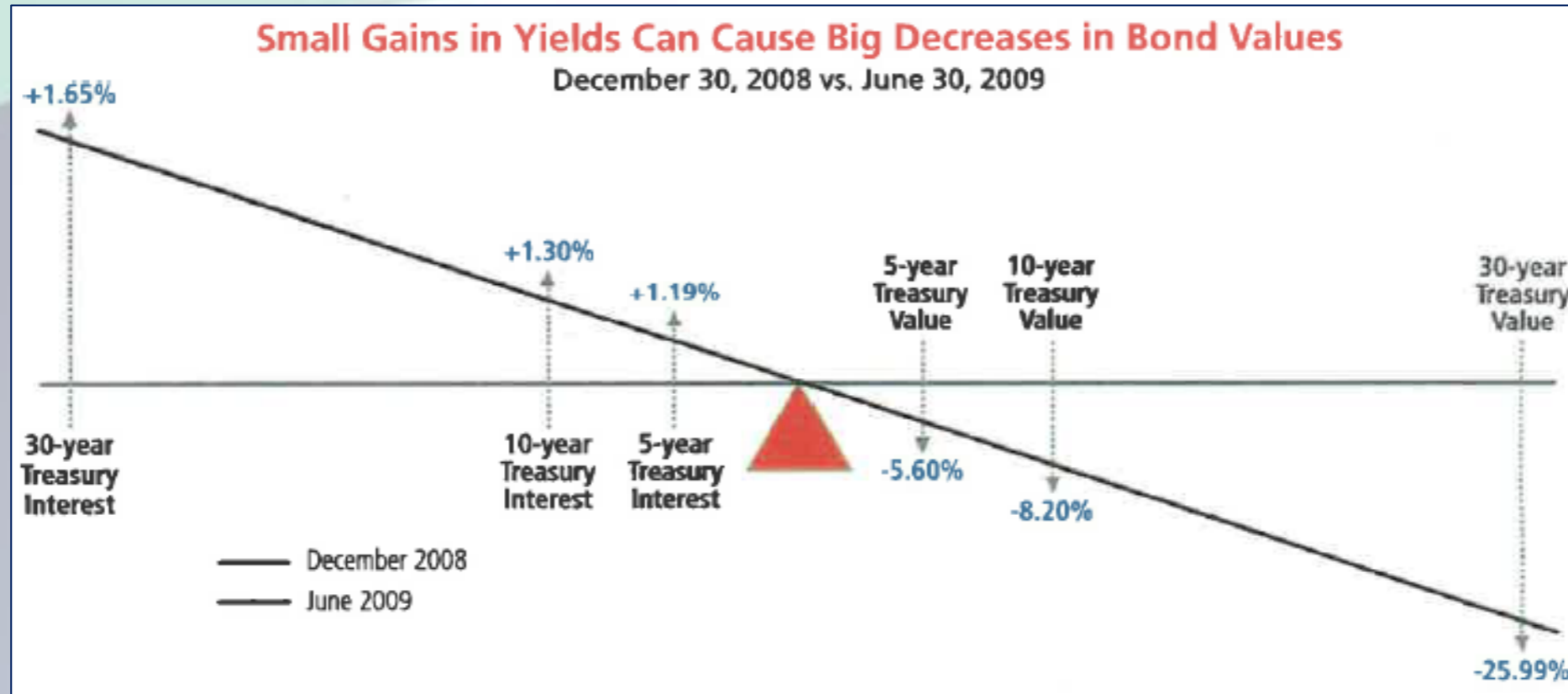
Dividend yield is calculated as the annualized dividend rate divided by price, as provided by Compustat. Forward Price to Earnings Ratio is a bottom-up calculation based on the most recent S&P 500 Index price, divided by consensus estimates for earnings in the next 12 months (NTM), and is provided by FactSet Market Aggregates. Returns are cumulative and based on S&P 500 Index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns. Guide to the Markets – U.S. Data are as of August 31, 2015.

**J.P.Morgan**  
Asset Management

**McAdam**  
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# Interest Rate—Bond Price Relationship

When interest rates rise...



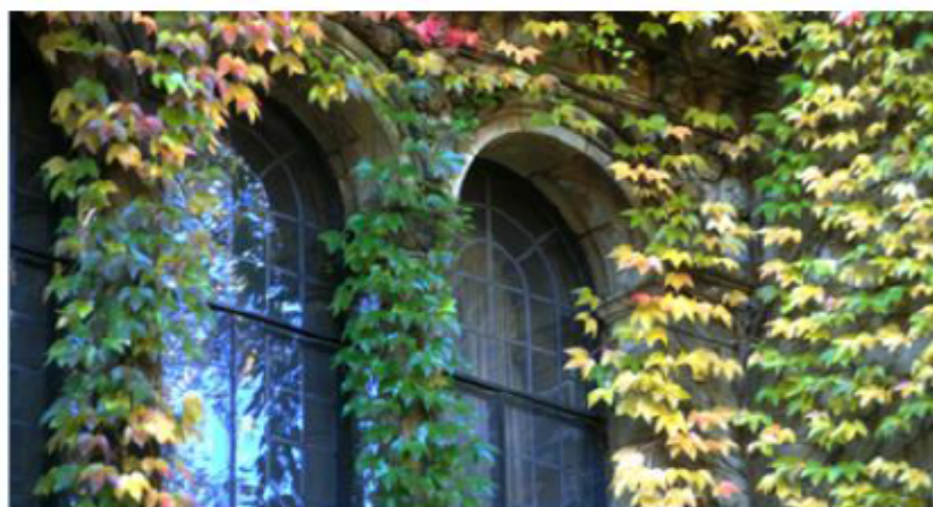
Bond values go down...

Source: Jackson compared interest rates from the U.S. Federal Reserve and bond values from the U.S. Department of the Treasury for December 2008 and June 2009 to calculate the changes in interest rates and the percentage change of bond values.



# Yale's Endowment Fund Holdings

## Endowment earns 12.5% return



Yale's endowment earned a 12.5% investment return for the year ending June 30, 2013. The endowment value grew from \$19.3 billion on June 30, 2012, to \$20.8 billion on June 30, 2013. The university benefited from investment gains of approximately \$2.3 billion and spending distributions of more than \$1.0 billion. Spending from the endowment for Yale's 2014 fiscal year is budgeted at \$1.05 billion, representing approximately 35% of the university's net revenues. Endowment distributions to the operating budget have more than doubled in the last decade.

The university's longer-term results remain in the top tier of institutional investors. Yale's endowment returned 11.0% per annum over the 10 years ending June 30, 2013, surpassing broad market results for domestic stocks, which returned 8.1% annually, and for domestic bonds, which returned 4.5% annually. Relative to the estimated 7.8% average return of college and university endowments, over the past decade, Yale's investment performance added \$7.0 billion of value in the form of increased spending and enhanced endowment value. During the 10-year period, the endowment grew from \$11.0 billion to \$20.8 billion.

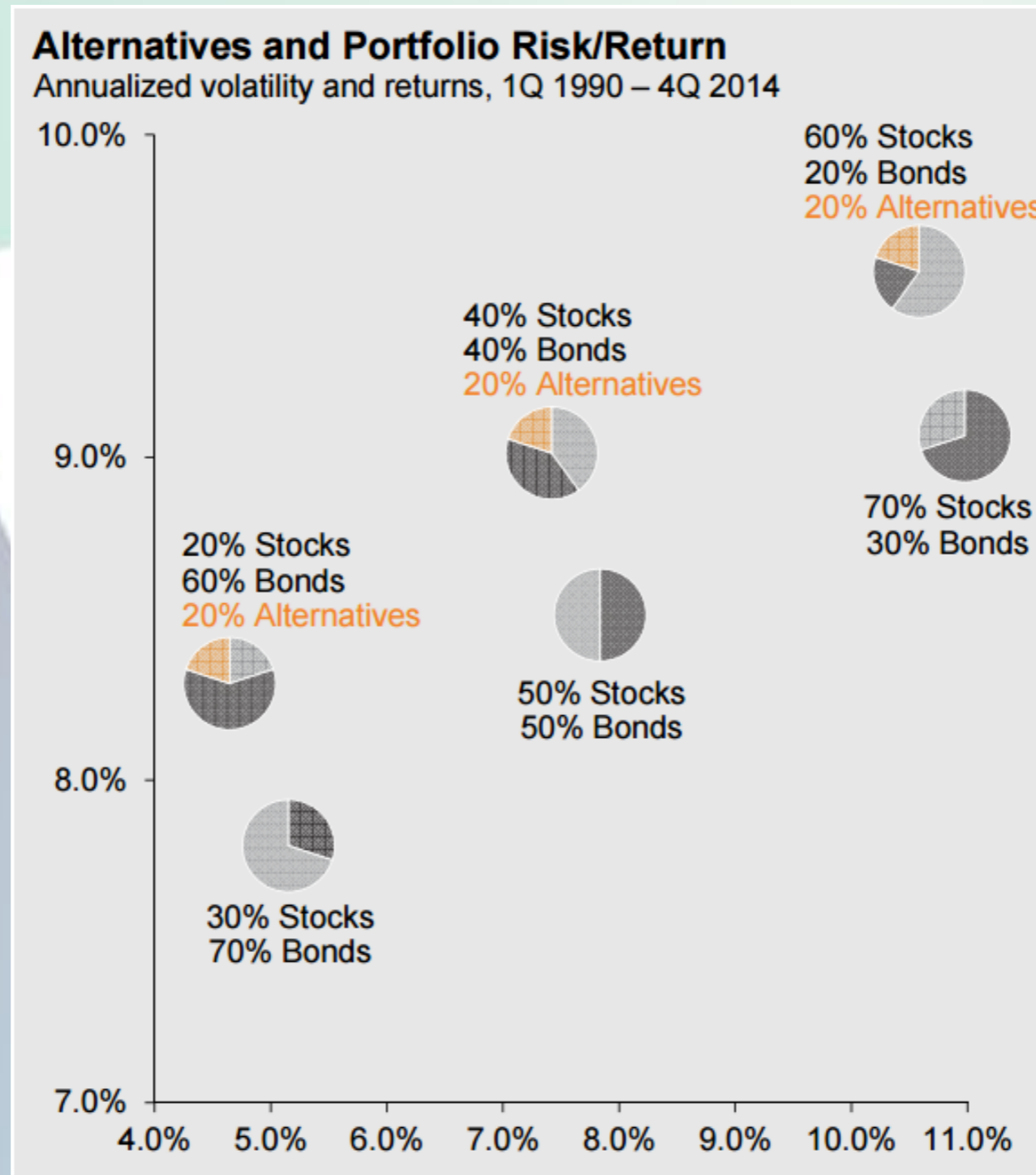
Over the past two decades, Yale's endowment generated returns of 13.5% per annum. Compared to the estimated 8.7% average return of college and university endowments, Yale's investment performance added \$18.4 billion of incremental value. During the 20-year period, the endowment grew from \$3.2 billion to \$20.8 billion.

## Asset Allocation

Yale continues to maintain a well-diversified, equity-oriented portfolio, with the following asset allocation targets for fiscal 2014:

Private Equity:	31%	Real Estate:	19%	Natural Resources:	8%
Absolute Return:	20%	Foreign Equity:	11%	Domestic Equity:	6%

# Diversifying with Alternatives

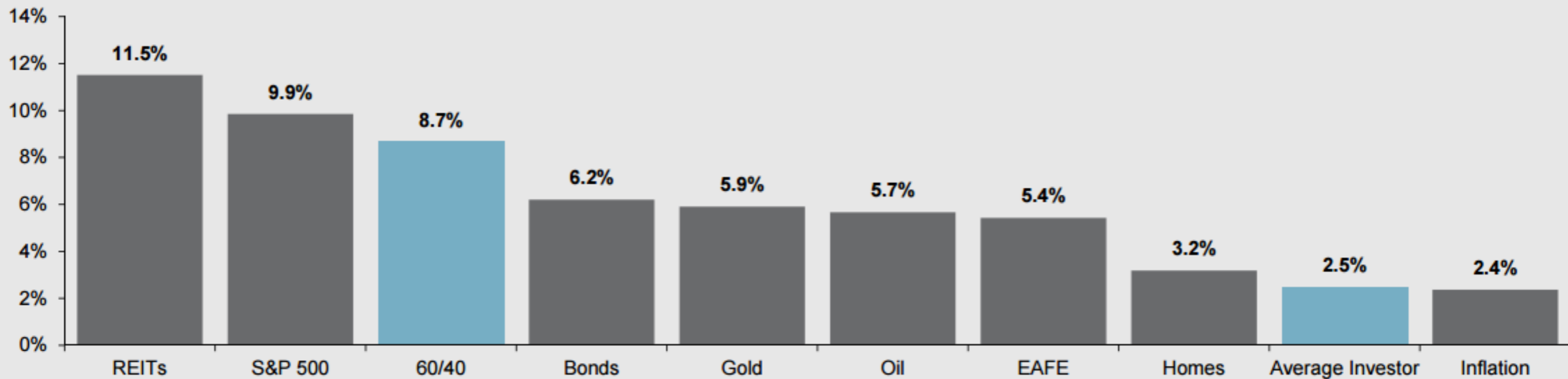


Sources: Towers Watson, HFR, Cambridge Associates, Burgiss, NCREIF, Standard & Poor's, Barclays, FactSet, J.P. Morgan Asset Management. The portfolios that do not contain alternatives are a mix of the S&P 500 and the Barclays U.S. Aggregate, in the amounts highlighted in the chart. The 20% allocation to alternatives shown in the other portfolios reflects the following: 10% in hedge funds, 5% in private equity, and 5% in private real estate. The volatility and returns are based on data from 1Q90 to 4Q14.\*The investor breakdown is based on a Towers Watson survey of 578 investors. Participants include pension funds, endowments and foundations, banks, insurance firms, funds of funds, sovereign wealth funds, and wealth managers. Data as of March 31, 2015.



# Diversification vs. The Average Investor

20-year Annualized Returns by Asset Class (1995 – 2014)



Source: Morningstar Direct, Dalbar Inc., J.P. Morgan Asset Management. (Bottom) Indexes used are as follows: REITS: NAREIT Equity REIT Index, EAFE: MSCI EAFE, Oil: WTI Index, Bonds: Barclays Capital U.S. Aggregate Index, Homes: median sale price of existing single-family homes, Gold: USD/troy oz, Inflation: CPI. Average asset allocation investor return is based on an analysis by Dalbar Inc., which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior. Returns are annualized (and total return where applicable) and represent the 20-year period ending 12/31/14 to match Dalbar's most recent analysis. Data are as of March 31, 2015.

**J.P.Morgan**  
Asset Management

# Retirement Income Planning

# Steps to Determine Retirement Income Need

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- Step 1: Determine Consistent Expenses
- Step 2: Determine Fixed Income Streams
  - Social Security, Pension Income, etc.
- Step 3: Calculate Income Gap
- Step 4: Close Income Gap with Supplemental Income Strategy

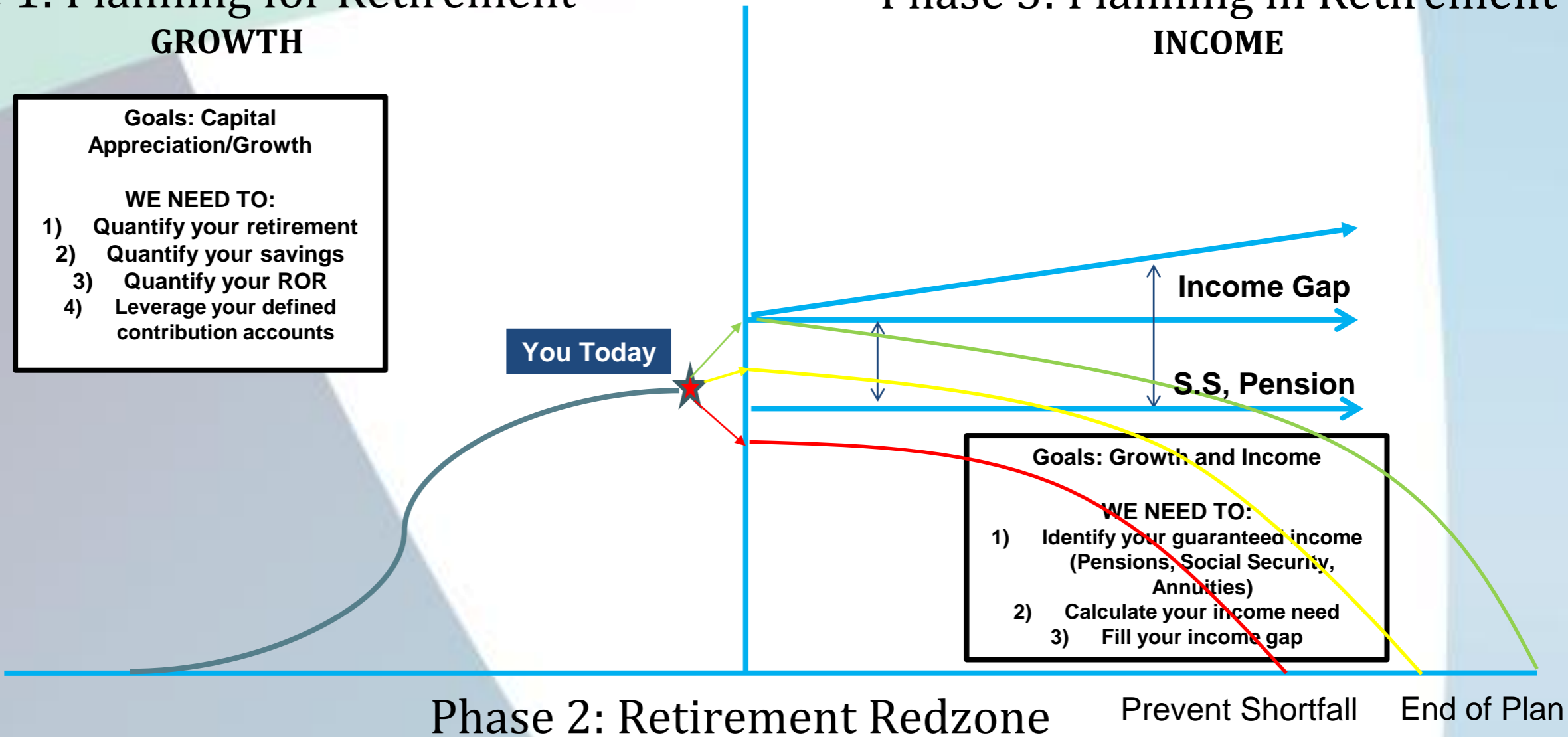
# Phases of Retirement Planning

## Phase 1: Planning for Retirement GROWTH

- Goals: Capital Appreciation/Growth**
- WE NEED TO:**
- 1) Quantify your retirement
  - 2) Quantify your savings
  - 3) Quantify your ROR
  - 4) Leverage your defined contribution accounts

## RETIREMENT

## Phase 3: Planning in Retirement INCOME

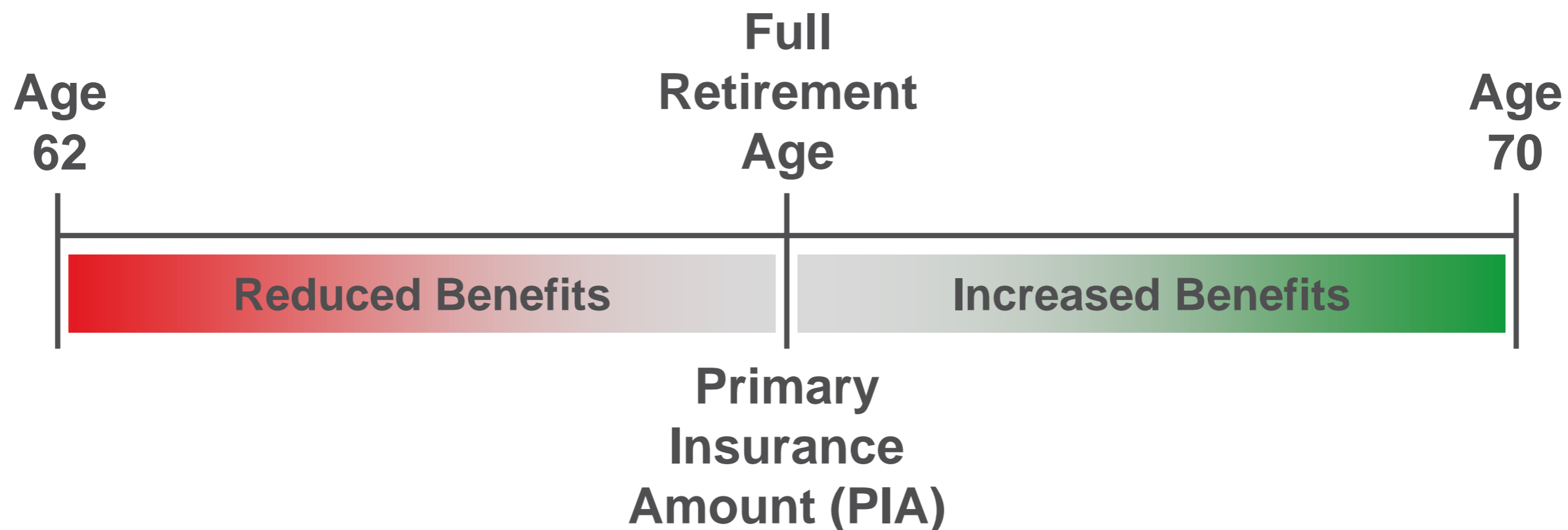


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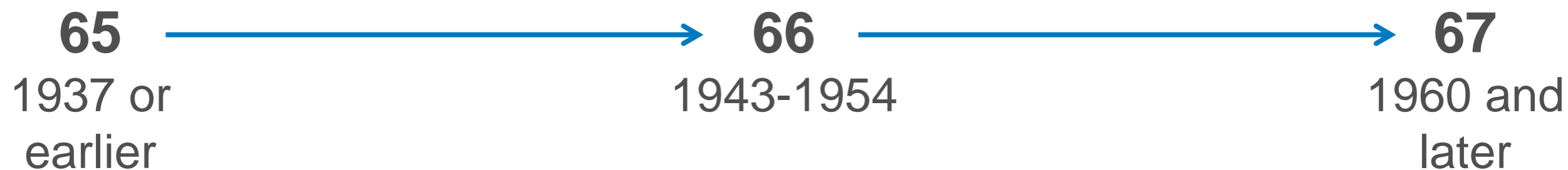
# Social Security



# The Tradeoff for Individual Benefits



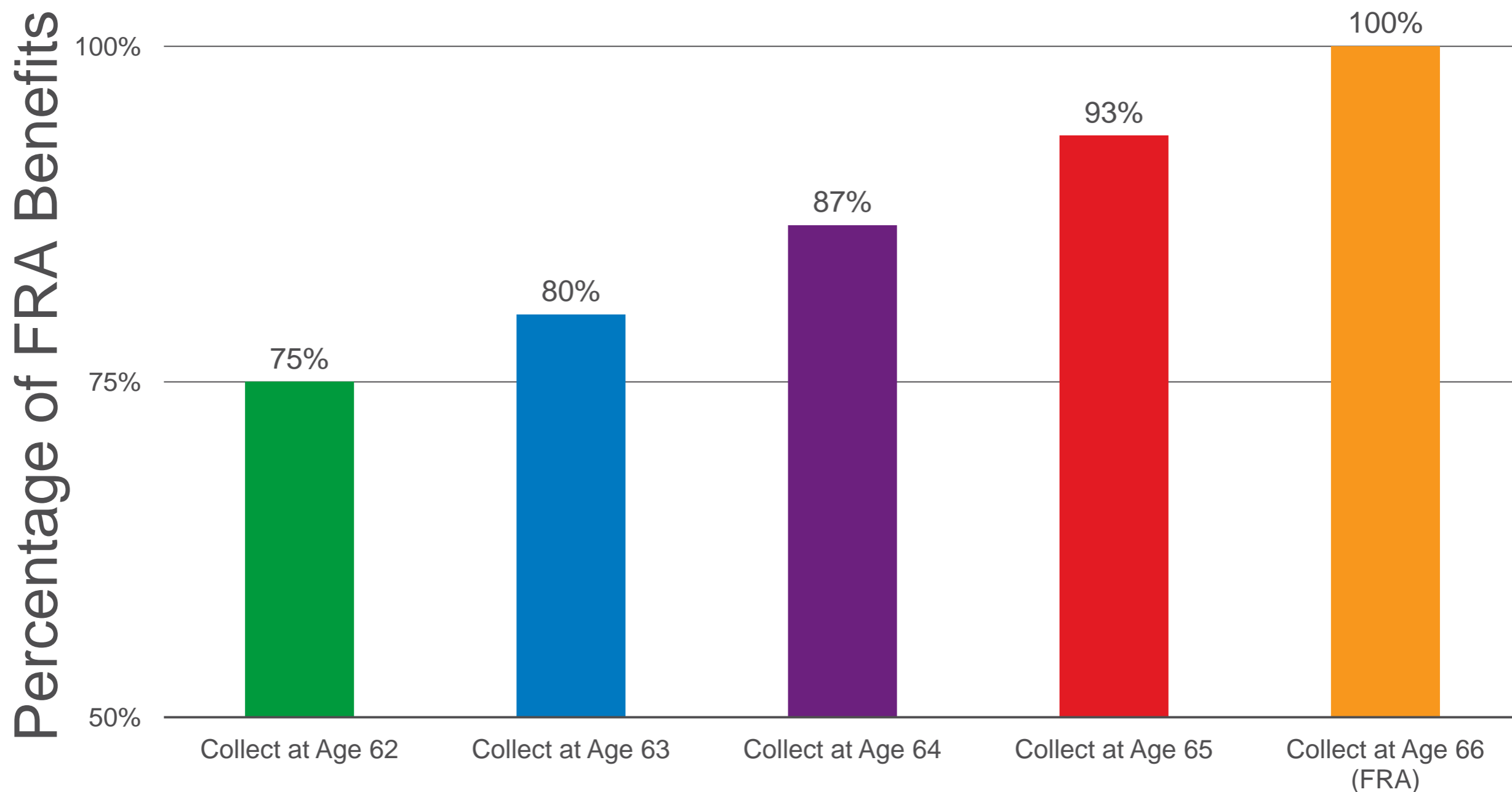
## Full Retirement Age (FRA)



Source: Social Security Administration ([www.ssa.gov](http://www.ssa.gov)).

# Collecting Early: The Cost

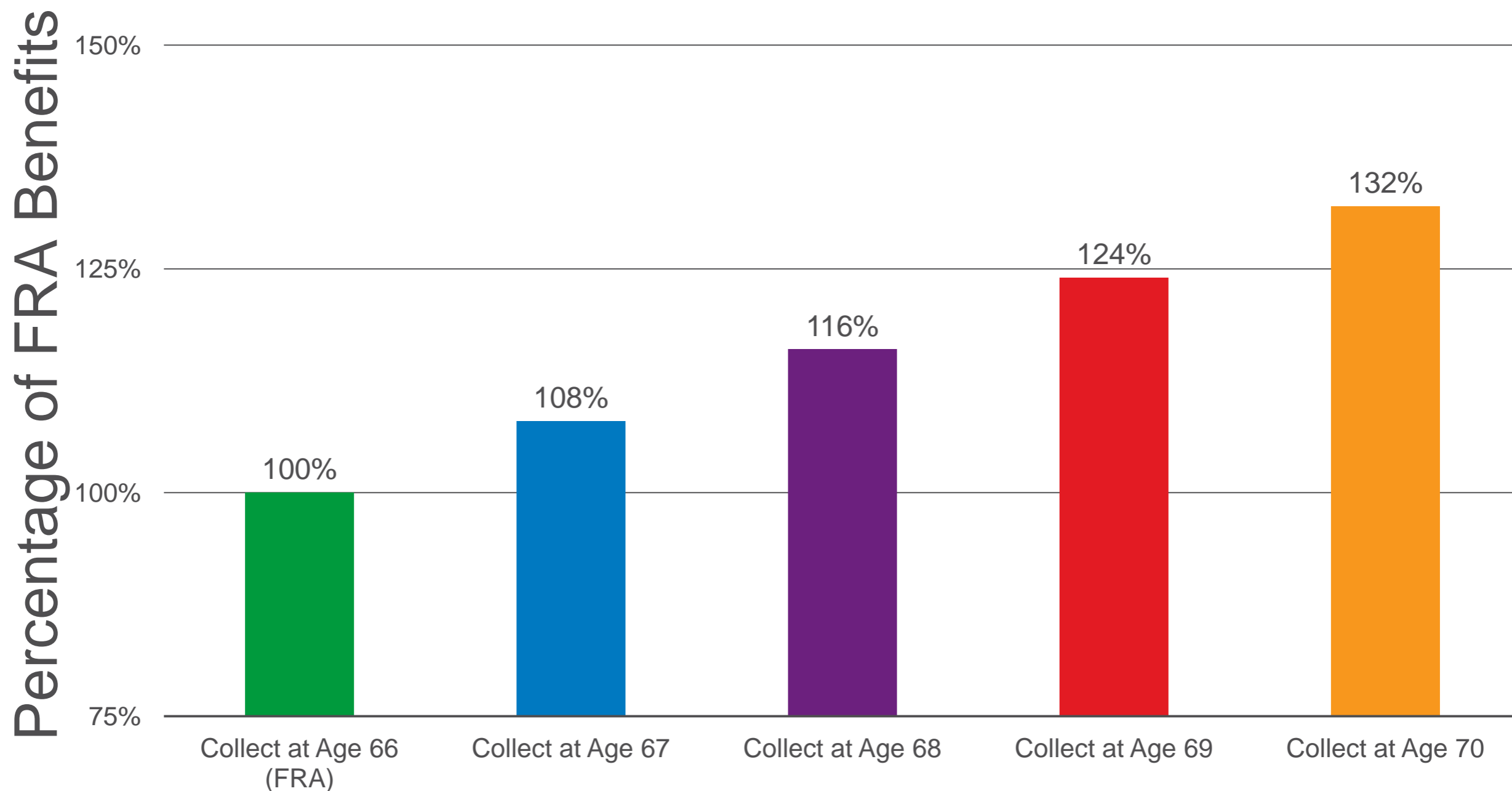
## Cost of Collecting Early



Source: Social Security Administration ([www.ssa.gov](http://www.ssa.gov)). Assumes full retirement age of 66.

# Collecting Late: The Guaranteed Increase

## Increases for Collecting Late



Source: Social Security Administration ([www.ssa.gov](http://www.ssa.gov)). Assumes full retirement age of 66 and individual born in 1943 or later.

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Any reference to a market index is included for illustrative purposes only, as it is not possible to directly invest in an index. Indices are unmanaged, hypothetical vehicles that serve as market indicators and do not account for the deduction of management fees or transaction costs generally associated with investable products, which otherwise have the effect of reducing the performance of an actual investment portfolio.



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# Important information

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Charts on slides 9 and 10 are not intended to project or predict the present or future value of the actual holdings in a participant's portfolio or the performance of a given model portfolio of securities.

On slide 9: Generally, among asset classes, stocks may present more short-term risk and volatility than bonds or short-term instruments but may provide greater potential return over the long term. Although bonds generally present less short-term risk and volatility than stocks, bonds contain interest rate risk (as interest rates rise, bond prices usually fall); the risk of issuer default; and inflation risk. U.S. Treasury bills maintain a stable value (if held to maturity), but returns are generally only slightly above the inflation rate. Foreign investments, especially those in emerging markets, involve greater risk, but may offer greater potential return than U.S. investments.

The target asset mixes are hypothetical models and illustrate certain examples of many possible combinations of investment allocations that could help an investor pursue his or her goals; these target asset mixes do not constitute investment advice under the Employee Retirement Income Security Act of 1974 (ERISA). You should choose your own investments based on your particular objectives and situation.

## Methodology and information:

For the charts shown on slides 9 and 10, which highlight varying levels of stocks, bonds, and short-term investments, the purpose of these hypothetical illustrations is to show how portfolios may be created with different risk and return characteristics to help meet a participant's goals. You should choose your own investments based on your particular objectives and situation. Remember, you may change how your account is invested. Be sure to review your decisions periodically to make sure they are still consistent with your goals. You should also consider all of your investments when making your investment choices.

All index returns include reinvestment of dividends and interest income. It is not possible to invest directly in any of the indices described above. Investors may be charged fees when investing in an actual portfolio of securities, which are not reflected in illustrations utilizing returns of market indices.

## Index Definitions

Standard & Poor's 500 Index (S&P 500) is a market capitalization-weighted index of 500 widely held U.S. stocks and includes reinvestment of dividends.

U.S. Intermediate-Term Government Bond Index is an unmanaged index that includes the reinvestment of interest income.

MSCI EAFE (Europe, Australasia, Far East) Index is an unmanaged market capitalization-weighted index that is designed to represent the performance of developed stock markets outside the United States and Canada and assumes the highest possible withholding taxes are applicable.

The Consumer Price Index is a widely recognized measure of inflation calculated by the U.S. government.

U.S Treasury bills are backed by the full faith and credit of the U.S government.

# Important information (continued)

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Read it carefully.