A CONSUMER GUIDE · FROM THE FIDUCIARY POINT OF VIEW

The Harsh Reality of Retirement Planning

What retirement planning looks like when you remove the sales pitch — income, costs, and growth in the no-paycheck years

BRUCE J. SMITH III · THE WEALTHKARE INVESTMENT CENTER · companion to *The Flat Fee Revolution*

First, the one idea under this whole series

You worked your whole life trading *life for money* — by the hour or by the year. Retirement reverses the exchange: from here on, you trade *money for life*, and the job flips with it. While you worked, the right obsession was the wage — the most money for the life you traded. In retirement it is the **exchange rate** — the most life for the money you trade back — and that is a **cost** question. The industry aims your attention at earnings on money; this series aims it at the costs that quietly set your rate, because your capital can only compound on what the costs leave behind. This guide is the whole map — income, costs, and growth, priced honestly.

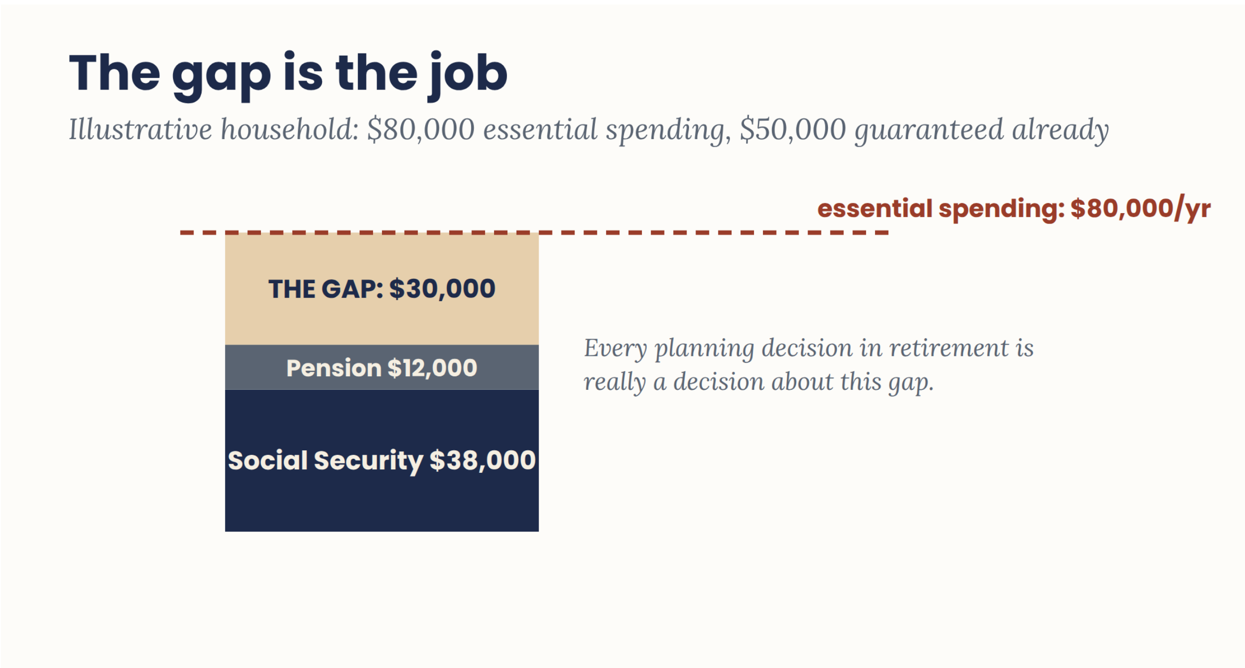
A different game, sold with the old playbook

Retirement is not the finish line of the saving game; it is the opening whistle of a different one, played by opposite rules. While you saved, a paycheck covered life and crashes were bargains. In the no-paycheck years, the portfolio *is* the paycheck — and selling shares into a decline to buy groceries turns temporary losses into permanent ones. Nearly all financial advice, and nearly every product pitch, was written for the first game. This guide is the second game's arithmetic, in three parts: income, costs, and growth.

Who is talking: The WealthKare Investment Center is a fiduciary firm charging a disclosed flat fee, and insurance products discussed below can be offered through our family's insurance firm, which earns commissions when they are. Conflicts named on page one, not page forty — weigh everything accordingly.

Income: the inventory, then the gap

Income maximization is not a product; it is a census. One page, two columns, real dollars: **guaranteed** (both spouses' Social Security, every pension from every employer you ever had, annuities already in force) and **variable** (portfolio draws, rents, work). Most households have never written it down — and the census routinely finds money: forgotten pensions, claiming mistakes, old contracts already doing what a new pitch promises. Then subtract guaranteed income from essential spending. What remains is **the gap** — the entire assignment of retirement finance, and the honest yardstick for every product anyone tries to sell you. Price solutions against the gap, never against the portfolio. And remember the gap grows: inflation, and the day one Social Security check disappears with a spouse.

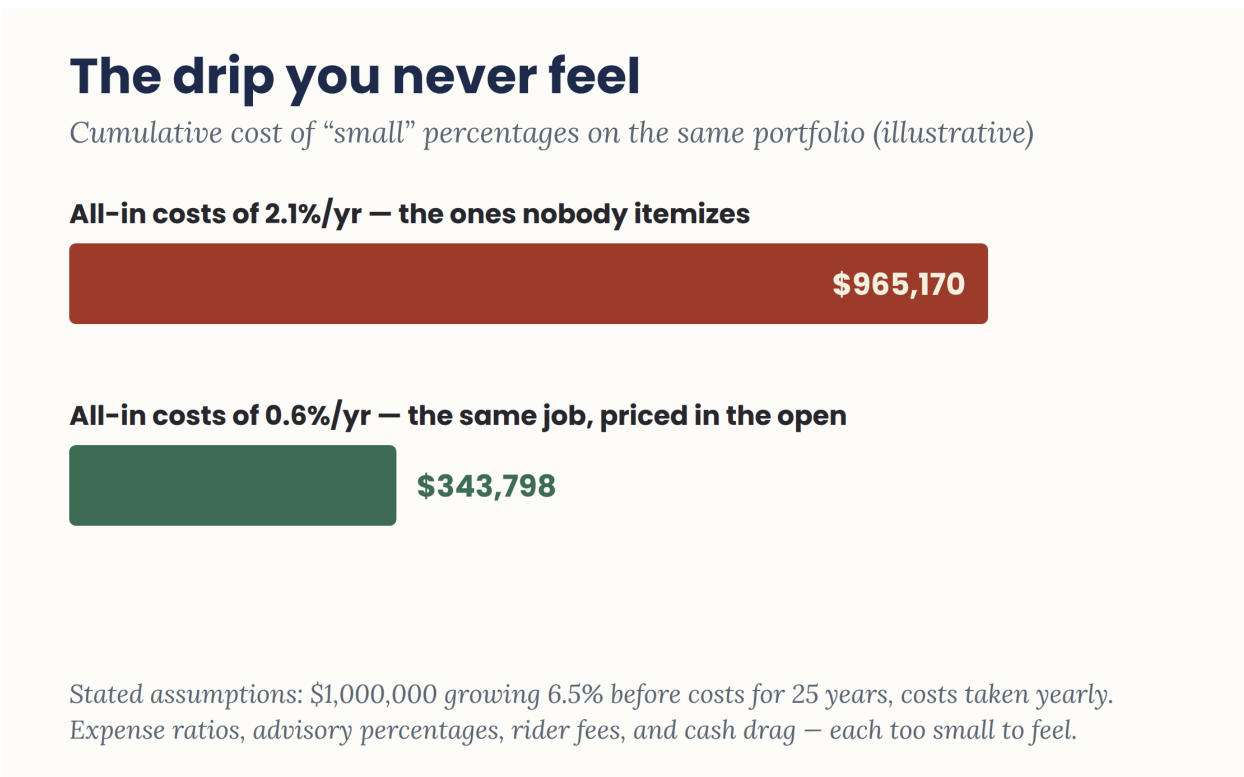


Illustrative household. A $30,000 gap and a $60,000 gap are different businesses — handing both the same model portfolio is malpractice with good manners.

Costs: the leaks nobody itemizes

Cutting the cable bill is fine. But the retirement-sized leaks are these four, and none of them arrives as an invoice:

The leak	Why you never feel it	The fix
Quiet fees	Expense ratios, advisory percentages, rider fees, and cash-sweep drag are subtracted before you see returns — often 1–2%/yr all-in	An annual audit: every cost, in dollars, on one page
Silent tax drainage	RMDs escalate yearly by design, dragging Social Security into tax and tripping Medicare surcharges — the IRS schedules your withdrawals if you don't	Use the low-tax years before RMDs: deliberate withdrawals and conversions (see *Retirement Tax Planning*)
The gross-vs-net bequest	Heirs must usually empty an inherited IRA within ten years, taxed at *their* peak-career rates — a $1M statement can be a $650K gift	Plan upstream while alive: conversions, charitable routing, matching assets to heirs' brackets
The kids' collateral damage	Forced taxable income lands in the children's own catch-up decade, crowding out their final retirement savings push	Measure every bequest in net dollars, on their brackets, before the funeral — not after



Arithmetic on stated assumptions. No single year of the expensive column ever feels like money — that is the design.

Growth: a job description for the non-stock money

The industry hands every retiree the same pie: stocks for growth, bonds for "safety." The harder question for the no-paycheck years: the bond slice's protection is statistical — there have been years stocks and bonds fell together — and nothing in it is *contractually* obligated to be standing when a bad opening decade forces you to sell something. One redesign gives the non-stock money written job descriptions instead: a **preservation sleeve** of structured notes (S&P-linked, a stated buffer absorbing the first layer of loss, upside capped) and a **protection sleeve** of no-stated-fee fixed indexed annuity (S&P-linked crediting, contractual floor of zero, upside capped) — each fundable in a storm so the equity engine is never sold at the bottom. The name for the trade is **risk-managed growth**: give up the top of the best years to buy defined behavior in the worst ones.

One year, three sleeves

What each sleeve gives up in good years buys what it keeps in bad ones

	STOCKS *growth*	STRUCTURED NOTES *preservation*	INDEX ANNUITY *protection*
+20% market year	+20%	capped ≈ +12%	capped ≈ +8%
-20% market year	−20%	15% buffer → −5%	floor of zero → 0%

Illustrative terms — caps, buffers, and participation are set by each contract and change at issue.

Illustrative terms. In the good year the redesign trails on purpose; in the bad year it holds — and that year's withdrawals come from the sleeves that held.

The full fiduciary paragraph, compressed: **"no fee" means no *stated* fee** — the annuity's cost lives inside its caps, which insurers can lower at renewal; its floor is only as good as the insurer's claims-paying ability, behind surrender schedules. **A structured note is an unsecured IOU of the issuing bank** — issuer failure makes the buffer worthless; a 15% buffer in a 35% crash still hands you 20%; liquidity before maturity is poor. Both will trail the market over most long stretches, by design. And if your guaranteed income already covers essentials, you have no gap to defend — the simplest, cheapest pie may genuinely be your best answer. This design solves a specific problem: a real gap, funded from a portfolio, exposed to a fragile first decade. That is many retirees — not all of them.

> *A plan starts with an inventory; a pitch starts with a product. A plan prices your gap; a pitch prices your portfolio. A plan can name the customer it isn't for.*

The harsh-reality checklist

- **Income** — the two-column inventory in real dollars; Social Security claiming optimized *before* any product conversation; the gap priced now and after a first death.
- **Costs** — all-in fees in dollars once a year; a tax projection for the next ten-plus years, not just last April; every bequest valued net, at the heirs' brackets.
- **Growth** — a written job description for every non-stock dollar; protection bought only where a gap exists; terms — caps, buffers, renewal history, issuer credit — in writing.

Six questions that expose a sales pitch

- May I see my complete income inventory — both columns, in dollars — before we discuss any product?
- What is my gap, and what happens to it when one of us is gone?
- What did my portfolio cost me last year, all-in, in dollars — including you?
- If you recommend an annuity or note: where does its cost live, what can the issuer change later, and what is your compensation?
- What would my children actually net from my accounts, at their brackets, under the ten-year rule?
- Describe the retiree who should *not* buy what you just showed me.

The last one is the whole guide in one line. A professional who cannot describe the customer their product doesn't fit is not describing a product — they are reciting a pitch.

The bottom line

The harsh reality is not that retirement planning is hopeless — it is that the real work is unglamorous and mostly unsold: a census, a gap, an annual cost audit in dollars, a ten-year tax projection, a net-value bequest plan, and a written job description for the money that isn't stocks. Every one of those is checkable arithmetic. Do them — or hire someone legally obligated to do them — and nobody will ever be able to sell you your own retirement again.

The full argument — with the stories, the diagrams, and the math shown at book length — is *The Harsh Reality of Retirement Financial Planning*, and the series companion is *The Flat Fee Revolution*. Other guides in this series: *Is Your Annuity Any Good?*, *Is an Annuity Right for You?*, *What Does Your Advisor Really Cost?*, *Retirement Tax Planning — Is It for Me?*, and *Declining Health & Wealth Transfer* · **InsideYourRetirement.com**

IMPORTANT DISCLOSURES

This guide is educational material, not individualized investment, insurance, tax, or legal advice, and not a recommendation to buy, sell, or replace any security, note, or insurance product. All figures are arithmetic on stated illustrative assumptions; actual returns, caps, buffers, participation rates, fees, and tax results differ by product, issuer, contract, year, and household. Diversification and risk-managed structures reduce certain risks but do not eliminate risk or assure a profit, and every approach described can underperform a conventional portfolio, sometimes for long periods. Fixed indexed annuities are insurance contracts, not market investments; guarantees are backed solely by the issuing insurer's claims-paying ability, not the FDIC; caps, participation rates, and spreads can change at each term; surrender charges apply; "no fee" means no stated fee — costs are embedded in crediting limits. Structured notes are unsecured debt of the issuing bank; issuer failure can cause loss of principal regardless of buffers; notes may be illiquid before maturity and are sold by prospectus or offering documents, which should be read before investing.

The WealthKare Investment Center (WealthKare.com, Inc.) is an SEC-registered investment adviser; registration does not imply any particular level of skill or training. WealthKare's advisory services are offered for a disclosed flat fee. Insurance products, including fixed indexed annuities, may be offered through American Assets Financial Corp., an affiliated insurance entity, and commissions are earned when they are — a conflict to weigh wherever this guide speaks well of insurance products; see WealthKare's Form ADV Part 2A at adviserinfo.sec.gov. Offices in Pennsylvania and Florida · 11898 Arrowhead Way, Mount Union, PA 17066 · 814-542-5433