

THE RETIREMENT INCOME COMPASS

BECAUSE THERE ARE BIG RISKS ON THE ROAD AHEAD

Investing Challenge/Compass Advantage

The Sequence of Returns Matters

Even though the returns are the same, the results are drastically different

Year	Portfolio A		Portfolio B	
	Return	Balance*	Return	Balance*
0		\$100,000		\$100,000
1	-18.39%	\$75,897	26.57%	\$117,710
2	-19.14%	\$55,710	19.61%	\$132,420
3	-4.59%	\$46,475	5.26%	\$132,017
4	18.47%	\$46,766	16.57%	\$145,733
5	6.79%	\$42,466	33.60%	\$185,347
6	14.30%	\$40,537	21.23%	\$216,210
7	-15.39%	\$28,376	13.92%	\$238,332
8	14.59%	\$24,495	-1.61%	\$227,608
9	8.95%	\$19,060	21.03%	\$267,002
10	19.52%	\$14,414	16.21%	\$302,148
11	20.72%	\$8,951	20.72%	\$356,303
12	16.21%	\$2,267	19.52%	\$417,486
13	21.03%	\$0	8.95%	\$447,225
14	-1.61%	\$0	14.59%	\$504,454
15	13.92%	\$0	-25.39%	\$371,150
16	21.23%	\$0	14.30%	\$416,224
17	33.60%	\$0	6.79%	\$437,010
18	16.57%	\$0	18.47%	\$509,433
19	5.26%	\$0	-4.59%	\$479,371
20	19.61%	\$0	-19.14%	\$381,959
21	26.57%	\$0	-18.39%	\$306,004
Mean Avg.:	10.4%		10.4%	
Std. Deviation:	14.6%		14.6%	
Cmpd. Avg:	9.4%		9.4%	

*Starting balance — \$100,000, Withdrawals = \$7,000
Source: Fidelity Research Institute and QWeMA Group Inc.

Expect the Unexpected

When you retire there are things you can control, such as spending and asset allocation. Sequence of stock market returns after you retire is not controllable yet will have a significant impact on your lifestyle in retirement, and how long your portfolio can last while sustaining needed withdrawals.

The 'sequence of returns' challenge revolves around the timing of a series of adverse investment returns. The table is a striking illustration. Two portfolios, A and B, both begin with \$100,000. Each aims to withdraw \$7,000 per year, and each starts in a period with exactly the same returns over the following 21 years, only in inverse order, or 'sequence.' Portfolio A has the bad luck of more negative returns in its early years

and is completely depleted by year 13.

Portfolio B has more positive returns in its early years and ends up two decades later with tripling its assets.

Manage the Unexpected

Systematic withdrawals, the conventional income replacement strategy used in A and B, can lead to both victory and defeat. Managed Withdrawals, an alternative paycheck replacement strategy, incorporates pre-established guidelines that allow annual tactical adjustments to minimize the two big risks of portfolio withdrawals:

- running out of money too soon, and
- living too frugally for fear of the above.

Whether still working or retired, get the scoop on Managed Withdrawals, the really smart way to manage retirement income.

The Challenge

Your retirement income success is built on critical decisions in each of the four Compass Points:

- Planning
- Investing
- Managed Withdrawals
- Navigating

Managed Withdrawals

- Madden will help you establish a prudent withdrawal rate designed to get your portfolio safely through your retirement years.
- We know that crises will occur, and we cannot know how long they will last: therefore,
- A critical part of the retirement income planning process is to develop 'Plan B' — the actions that will be taken if the portfolio's assets fall to such a great degree that if 'Plan A' is not altered the result would be its likely failure—the portfolio will run out of assets

THE RETIREMENT INCOME
COMPASS
BECAUSE THERE ARE BIG RISKS ON THE ROAD AHEAD

What to know...
and how to go

Madden Funds Management, Ltd.

*an independent, fee-only
financial advisor*

1010 Lake Street, Suite 604

Oak Park, IL 60301

Phone: (708) 848-3200

Web: maddenfunds.com

E-mail: maddenfunds@mac.com

Custody by Fidelity Investments