

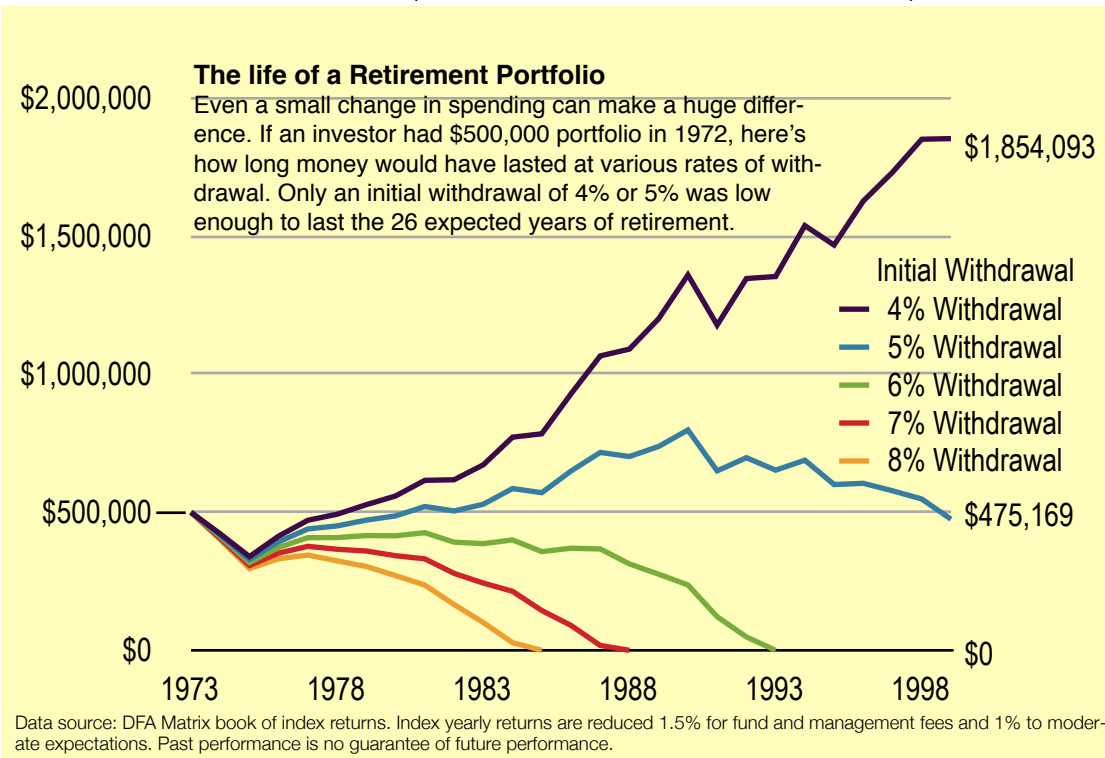
THE RETIREMENT INCOME COMPASS

WHAT TO KNOW . . . HOW TO GO

Withdrawal Challenge/Compass Advantage

Longevity Creates a Withdrawals Challenge

Most Americans underestimate the impact withdrawals can have on their retirement portfolio.



The Challenge

Jean, 65 years old, has retired and is looking for help to manage her \$500,000 retirement portfolio. Right now, a 65-year-old female has a 50% chance of living to 85, and a 25% chance of living to age 91. Jean has to plan for 26 years of withdrawals.

The chart above provides a cautionary illustration on how even a small change in the level of spending can make a big difference in lifestyle during retirement and portfolio longevity.

The chart illustrates the results of returns and withdrawals for a \$500,000 portfolio (globally balanced; 60% stocks, 40% bonds) in the 26-year period, 1973 to 1998, one of the most dismal 26-year periods in market history. The Initial Withdrawal Rate is the percentage withdrawn at the start of the first year; \$20,000 for a 4% rate, \$40,000 for an 8% rate. That figure is adjusted for inflation annually.

The Outcomes

A portfolio with an 8% initial withdrawal rate runs dry in year 12 of the planned 26 years.

A 7% initial withdrawal rate gets the portfolio to year 15.

Using a 6% initial withdrawal rate provides 19 years of withdrawals.

Only the 5% and 4% initial withdrawal rates get the portfolio through the needed 26 years.

The message: A conservative withdrawal rate goes a long way toward coping with increased life expectancy and difficult market returns. The universal withdrawal advice of professional financial planners is 'Absolutely select the lowest withdrawal rate that you can live with.'

Madden Funds Management has created the Managed Withdrawals program to help clients cope with the unexpected in life expectancy and market returns.

Managed Withdrawals

Madden helps clients manage a prudent withdrawal program designed to get your portfolio safely through your retirement years. The tools:

- **The Planner.** This planning tool calculates the total withdrawal dollars needed from a portfolio over the expected years of retirement, based on: expected return, initial withdrawal rate and annual withdrawal increases. The planner is monitored throughout the retirement years.
- **Plan B.** We know that crises can be expected, therefore, a critical tool of Managed Withdrawals is to develop Plan B, the actions that will be taken if the portfolio's assets fall to such a great degree that if the original plan is not altered the result would likely be 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

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