CRYSTAL CAPITAL
Management Corporation

5 PILLARS
TO YOUR RETIREMENT PLANNING

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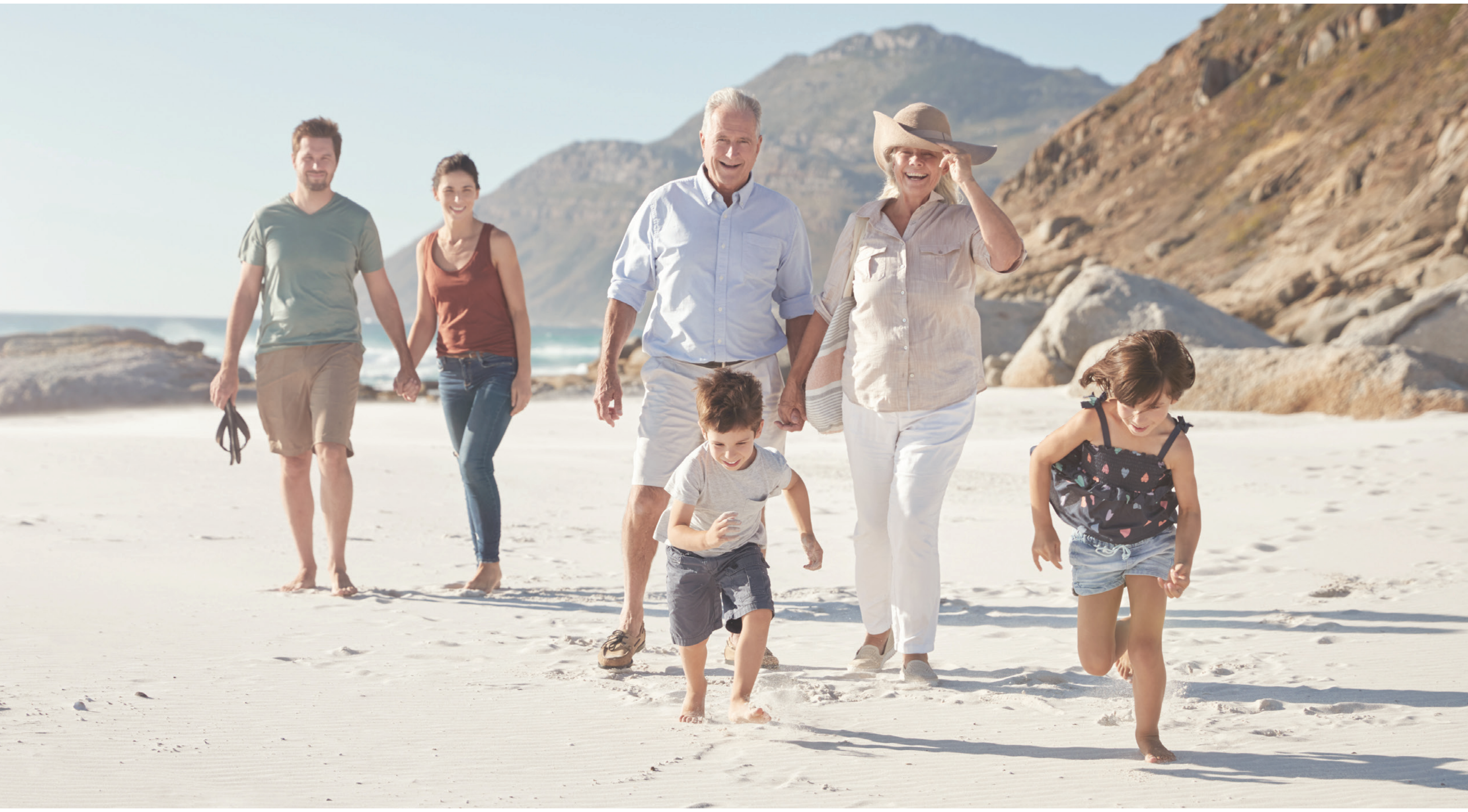


Even though you have several decades of experience budgeting and managing your finances, you might find yourself facing some new challenges when you retire.

Although it's still important to maintain a comfortable balance between your income, spending, and savings, your priorities for these different areas may change when you stop working.

These are the main challenges you'll most likely face as a retiree:

- Relying on an income other than your paycheck and living within your means, now that your income has changed.
- Finding a balance between paying off your existing debt and borrowing to maintain your lifestyle.
- Getting access to the health care you need without draining your finances.
- Helping your children financially and making some plans for your estate.

Needless to say, retirement has a big impact on your finances!

In this guide, you'll discover how to enjoy your retirement, stay in control of your finances, and protect your family without being overwhelmed by the difficult decisions that come with this stage of life.

1 RETIREMENT SAVINGS ACCOUNTS

Should you convert your 401(k) plan into a Roth IRA?

Although there are many pre-retirement benefits of a 401(k)—especially if your employer matches your contributions—once you retire, a Roth IRA becomes more advantageous.

A significant advantage of rolling your savings into a Roth IRA is that ***the withdrawals you make from your Roth account are tax-free.***

Most 401(k) plans give you access to a Roth rollover within the same program. There are limits on how much you can convert. You might also be eligible to roll the money over into a Roth IRA outside your plan. If you decide to transfer money to a plan outside your account, you may still have the option of reversing this process if you change your mind.

Another advantage of this type of conversion is that Roth IRA plans often give you access to a broader range of investments.

With a Roth IRA, ***there are no required withdrawals.*** You can leave the money in your Roth IRA to compound tax-free for your whole life and ***use it as an estate planning tool to leave your heirs tax-free income for life.***

Keep in mind that the money that you've put into your 401(k) was pre-tax money, but Roth IRA contributions are after-tax money. So rolling over this money would cause a taxable event.

If you decide that a rollover would be advantageous for your situation, ***talk to your tax advisor about ways to minimize the taxes from the rollover.***

Can you borrow funds from your 401(k)?

Putting some retirement savings aside and not being able to access this money when you need it can be frustrating. ***It is possible to borrow against your savings, but the main issue is that you risk running out of money during your retirement.***

You would also have to pay tax penalties if you have to start withdrawing from your account before you reach age 59½.

There are also limits that apply to the loan. You cannot borrow the entire balance unless you have under $20,000 in savings or you're experiencing a hardship situation.

You usually have five years to repay the loan, unless you borrow to finance a new home, in which case you would have more than five years.

The downside of borrowing against your 401(k) is that the amount you borrow will be considered as a taxable distribution, with penalties, if you fail to make payments on time and are under age 59½.

Check the details of your plan to learn more about your options when it comes to borrowing against your savings.

What about hardship situations?

Most retirement savings plans allow for a loan if you find yourself in a hardship situation, but you have to prove it. This can be a good option if you have to cover some medical expenses, pay funeral expenses, or your child's tuition.

You might also qualify for a hardship loan if you need to cover the cost of buying a primary home, make a payment to avoid being evicted, or if you need to cover some house repairs.

In some cases, you might even be able to use the funds from your 401(k) to cover any tax penalties associated with the loan.

ANNUITIES

What is the difference between a variable annuity and a fixed annuity?

With both types of annuities, your funds grow during the years before you begin your payouts. Fixed annuities grow at rates established by the insurance company, and a minimum rate is guaranteed. Variable annuities give you the option to choose between different types of investments, which usually consist of mutual funds.

Annuities have compound interest, and you don't have to pay taxes on the gains until you withdraw money or start accepting payouts. Penalties also apply for early withdrawal.

With most annuities, there usually is an age where you have to start accepting payouts.

The main difference between a variable annuity and a fixed annuity is that the payouts of a variable annuity depend on how your investment portfolio performs. With a fixed annuity, payouts are guaranteed to be a certain amount.

"Annuitizing is a good option if you need a source of regular income.

When should you annuitize?

Annuitizing refers to trading the cash value of your annuity for a number of regular payments from the insurance company. Your payouts will depend on the current value of your annuity, your age, and the payout option you choose. Keep in mind that it is not possible to opt for another amount or type of payment once you annuitize.

Annuitizing is a good option if you need a source of regular income. For annuities inside a qualified retirement plan, if you're over the age of 59½, you can start receiving payouts without penalties.

Annuities outside of a qualified retirement plan are more flexible as to when you start receiving payouts. With a lump sum, you can even purchase an immediate annuity to provide monthly payments for whatever term you choose, starting right after your purchase.

However, it might make more sense to wait to annuitize if the payments from your annuity would put you into a higher tax bracket. All or part of your payouts may be taxable. The taxable amount depends, in part, on whether the annuity is inside a qualified retirement plan. Check with your accountant or your plan administrator for the details in your particular situation.

The primary benefit of an annuity is that it can provide income for life. If you choose a life option when you annuitize, you'll never run out of money, regardless of how long you live.

What are your options if you don't want your annuity?

If you no longer want your annuity, you have several options:

1. CASH OUT

You can "cash out" your annuity in one lump sum if you haven't started accepting payouts yet. The amount you receive as a lump sum will probably be lower than what was guaranteed if you decide to cash out before your annuity reaches its maturity. Note that the IRS will charge a 10% penalty tax if you're under age 59½.

2. TAKE A COMMUTED VALUE

If you've started accepting payments from your annuity, you might be able to obtain a commuted cash value, but not all accounts offer this option.

3. SWITCH TO ANOTHER ANNUITY

Before the payout phase, if you no longer want an annuity because you feel the investment account isn't performing well, you may want to switch to another annuity. You may want a different annuity product at the same insurance company, or you can also cancel your current annuity and purchase a different one from another company.

- ***There are no taxes on gains or losses as long as you meet a few requirements,*** such as switching for a similar annuity and not changing the owner. However, the insurance company may take a surrender charge out of the proceeds.

4. SELL THE ANNUITY

An annuity is an asset, and if you want or need to sell it, there is a secondary market where you can do this. You won't get the full cash value, but will receive a lump sum for most of the value of your annuity.

Can you borrow against your annuity?

Borrowing against your annuity is an option if you need cash to purchase a home, make home repairs, pay medical bills, or pay your child's tuition. The conditions of these loans vary from one annuity to another.

If you decide to borrow against your annuity, a portion or the entirety of your annuity will be considered as collateral. Borrowing against your annuity is a good option if you need money and have no other asset to use as collateral.

The downside is that the amount used as collateral for the loan will be considered as a payout and you'll have to pay taxes on it, unless you qualify for a hardship situation.

3
LONG-TERM HEALTH CARE

How will you pay for long-term health care?

Today, more people are living longer than ever before, and ***it is likely that you'll have long-term health care expenses.*** These expenses total thousands of dollars each month. What will you do if you incur the cost of a nursing home, hospice, assisted living facility, or private home care?

Medicare and Medicare Supplement policies only cover such costs for a very short time immediately after a hospital stay.

Medicaid will cover long-term health care, but only after you use up your savings and have very few assets left. Then, Medicaid can also take whatever assets are left in your estate, after you pass on to pay back as much of your long-term health care bills as possible.

Luckily, you have some options:

1. SET SAVINGS ASIDE FOR THIS NEED
Keep these funds in an interest-bearing account, certificate of deposit (CD), or low-risk investments to help them grow as much as possible. Add to these savings every month. Setting up these savings early will help pay for long-term care needs when you need them by essentially stretching out the costs over many years.

2. SPEAK TO AN ESTATE PLANNING OR ELDER CARE ATTORNEY
They can help you set up your estate to protect it from Medicaid and these long-term expenses. The sooner the better, too. Medicaid has a five-year "lookback" on transferring assets out of your estate.

- If you transfer assets out of your estate to qualify for Medicaid, keep in mind that your care choices become limited to the quality of care that Medicaid will cover. Most nursing homes, if they accept Medicaid, limit the number of beds available for Medicaid patients.
- The homes that don't limit the number of Medicaid patients often have poor quality care.
- ***Whether you're using Medicaid funding or not, it's crucial to research the care in your area ahead of time—before you need it—to find options that meet your needs.***

3. PURCHASE LONG-TERM CARE INSURANCE (LTCI)

If you're currently in good health and can afford the premium, LTCI can help you cover the cost of extended care.

What does LTCI typically cover?

Each long-term care insurance policy is different, but most cover several types of long-term health care and provide you with a daily amount once benefits start. ***You can usually start receiving benefits if you can't perform some daily living activities such as moving, eating, dressing, or bathing.*** A medical certificate is usually required.

When comparing policies, look at the duration of the benefits, the daily amount you will receive, the type of care that is covered, and which medical conditions are covered.

This type of insurance can be expensive, but a LTCI policy may be worth it due to the high cost of long-term health care and access to a daily income for this type of care, which could greatly improve your quality of life.

How can you make your LTCI premiums more affordable?

You can cut the costs for this type of coverage with several strategies:

1. PURCHASE LTCI WHILE YOU ARE STILL IN GOOD HEALTH

Premiums are based on age and health status.

2. USE YOUR HEALTH SAVINGS ACCOUNT (HSA) TO PAY THE PREMIUMS

LTCI premiums are considered a health expense as long as the policy you choose meets a few requirements. ***This means you can withdraw tax-free money to pay your premiums.***

3. CONVERT YOUR ANNUITY

You might be able to convert your annuity into an LTCI policy or into a combination of an LTCI policy and another annuity without this being considered a taxable withdrawal. Check with your annuity's provider to see if they offer this benefit.

4. SAVE ON INCOME TAXES BY DEDUCTING THE LTCI PREMIUMS

Your LTCI premiums are tax-deductible medical expenses as long as your policy meets a few requirements.

MANAGING YOUR DEBT

Should you retire if you are in debt?

The choice to retire really depends on the amount of your debt and on the kind of income you can expect to receive during your retirement.

You might find that accepting payments from your annuity allows you to keep up with your payments on your mortgage or credit card debt.

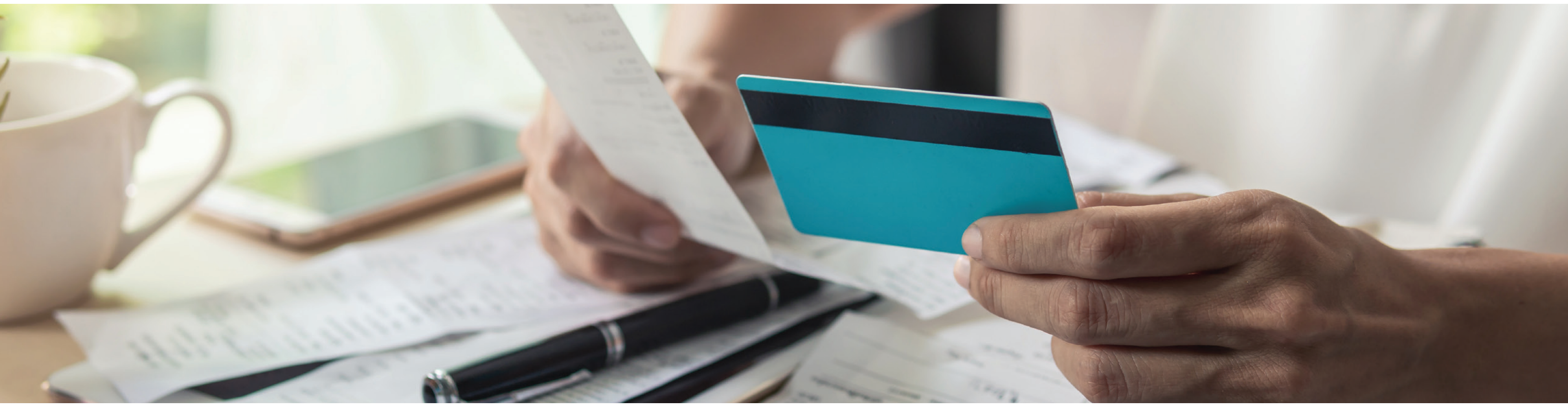
However, if your income would not cover the monthly payments and still allow you to live comfortably, postponing your retirement is an important option to consider. This could give you the opportunity to reduce your debt and have more time to put money aside in your nest egg.

Is bankruptcy a good option to erase your debt or protect your assets from creditors?

Pensions and 401(k) accounts are already protected from creditors. These sources of income would be protected if you were to file for bankruptcy, too. However, your other assets may be at risk if you are in debt and if creditors want to take legal action.

The equity you own in your home and the money you've invested in an IRA are safe from your creditors up to a certain limit, which varies from state to state. This means that filing for bankruptcy to avoid garnishments could be a viable alternative to protect your assets from creditors. Check the limits in your state or talk to an attorney about your options.

Keep in mind that bankruptcy will also make your credit score plummet and stay on your financial records for the next decade. It will be difficult to get a loan or obtain other credit during this time.



Can creditors garnish your Social Security income?

Technically, your Social Security income is safe from garnishments, as is the equity you own in your home, your pension, and your 401(k). However, if a judge rules in favor of your creditors and grants them the right to garnish your wages, they will legally be able to get to the money you keep in your bank account.

Your creditors will not be able to determine where the money in your bank account came from. This means your monthly Social Security check or annuity payments are not safe if you keep them in your regular bank account.

However, you could open a second bank account and only receive payments that creditors cannot legally garnish in this account. If creditors want to go after the money in this account, let them know that these funds are legally protected.

ESTATE PLANNING

Do you need life insurance?

The main advantage of a life insurance policy is to provide your named beneficiaries with cash immediately after your death.

Life insurance proceeds don't go through probate (unless you list your estate as the beneficiary), which is a process that can take six months or longer. Instead, the proceeds go directly to the people you list as beneficiaries.

Probate refers to settling your estate, including paying off debts and taxes. Purchasing a life insurance policy can provide your beneficiaries with enough cash to cover these expenses.

A life insurance policy is a great way to ensure your family will be able to live comfortably and could also provide you with the possibility of leaving a legacy by making a gift to your favorite charity.

What is a life insurance trust?

A life insurance trust is a trust that functions as the legal owner of a life insurance policy. The benefits go in the trust and a document established in advance dictates how the money is distributed or invested. Establishing a life insurance trust gives you more control over what happens to your estate after your death.

A life insurance trust is a good option if you have minor children or if you want to have control over the money to which your family has access. This option makes your estate more liquid since you can set up a life insurance trust that will cover debts and taxes upon your death.

You can also set up a trust with monthly payments that would allow a surviving spouse or heirs to live comfortably while ensuring that they do not spend the money too quickly.

> "A life insurance policy is a great way to ensure your family will be able to live comfortably.

Do you need a will?

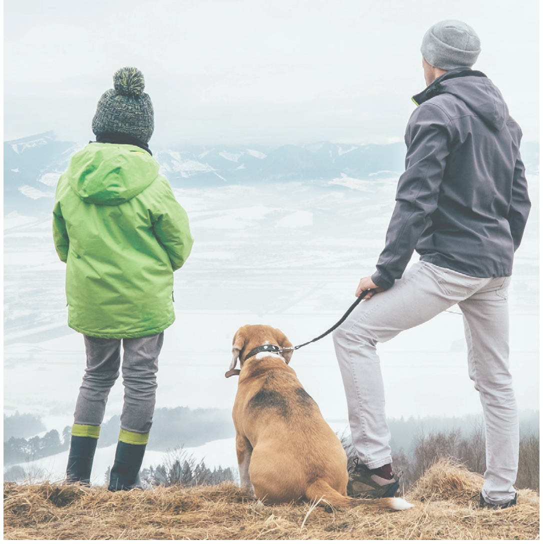
If you were to pass away without leaving a will, the state would distribute your property according to the laws in your state.

You need to establish a will if you want to have control over what happens to your estate. This is especially important if you'll be leaving minor children behind and want to name someone to take care of them. A will is also important if you want to leave something to people other than the typical heirs mandated by the state.

Should you establish a will or a trust?

Ideally, you would establish both a will and a trust. A will is not legally binding. ***Establishing a will is a good way to communicate with your surviving relatives about your final wishes, but they have no legal obligations to respect your wishes.***

With a trust, you'll have more control over what money your heirs can access and how it is used.


WHAT NOW?

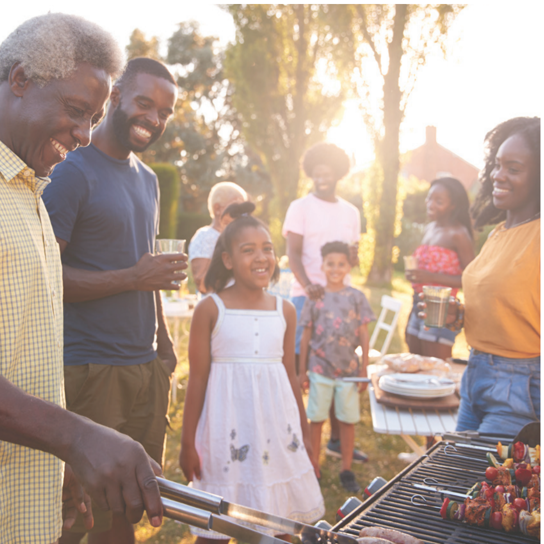
It's important to go over your finances, identify what your main challenges are now, and to set some retirement goals for the short-term and long-term.

Look for issues that could arise in the future, such as experiencing an income shortage.

Living comfortably and staying in control of your finances is possible during your retirement as long as you're aware of the challenges you're likely to encounter. Plan strategies to avoid a financial crisis in the future.

Getting help from a financial advisor can ensure that your estate takes care of your needs throughout your retirement and then passes to your heirs according to your wishes.

Start planning now or evaluate your current plan by working with a financial advisor. There could be better strategies to maximize your income to achieve the prosperous retirement that you deserve.



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