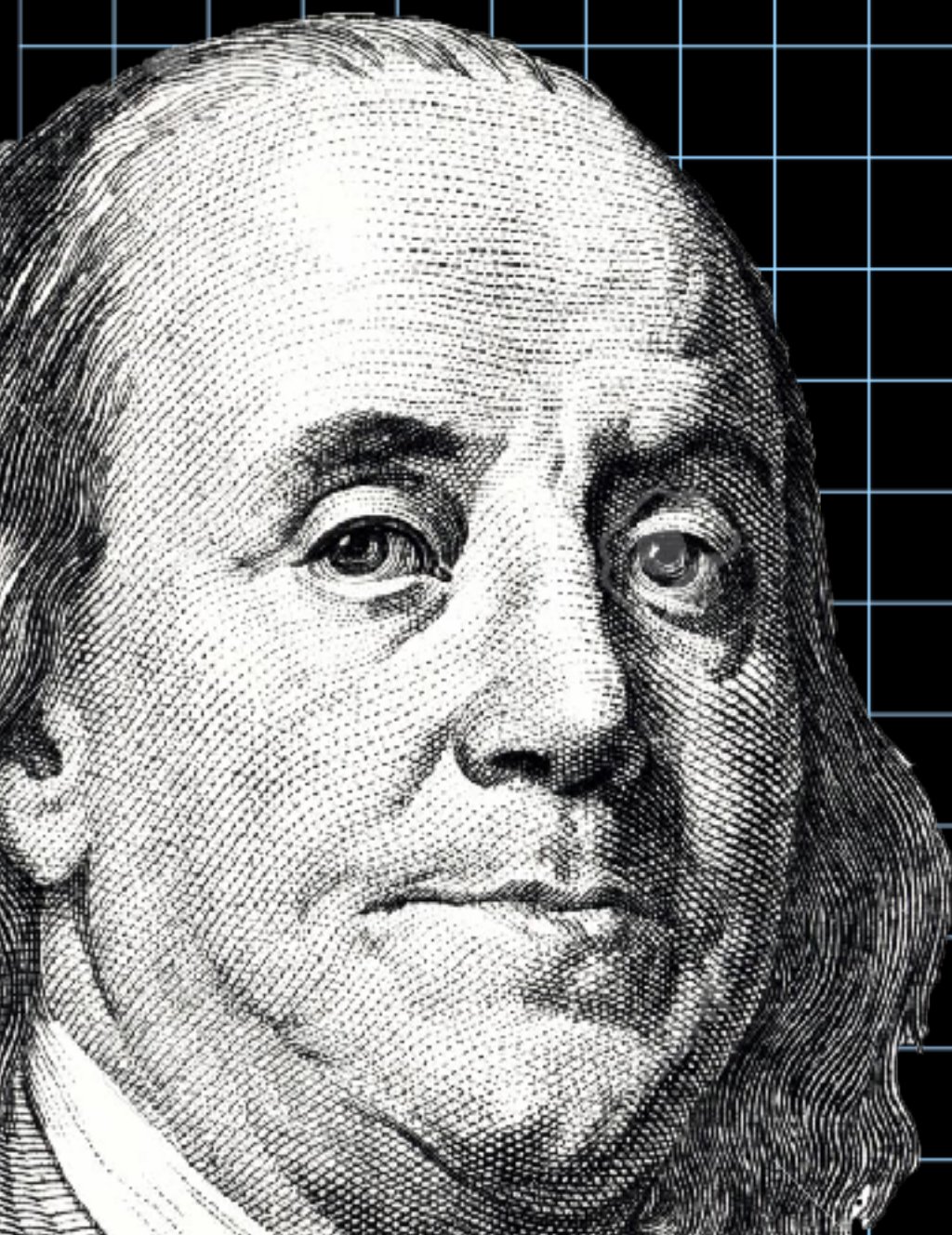


# Retirement Strategies

Just a few thoughts, not comprehensive, not financial advice



Presentation for the Junto by Matt, September 2021

# Outline

- Plan early and time is on your side
- Flexibility and robustness, i.e., it's good to have options
- An estimate of Social Security benefits *what if*, spreadsheet
- Retire early, retire later spreadsheet
- Asset allocation and balancing your portfolio
- ROTH IRA and tax-free income

# Full Disclosure

- I just might own some or all of the investments discussed
- I retired early

# Just Got This Today

OBITUARY

## *Edward Dean BABIUCH*

JULY 17, 1948 - SEPTEMBER 22, 2021

*Edward Dean BABIUCH, age 73, of Cocoa, Florida passed away on Wednesday, September 22, 2021. Edward was born July 17, 1948.*

- Ed, a friend of mine, a dragon slayer, was only 73
- We don't know what tomorrow has in store for us
- Your retirement is important, plan for it, enjoy it, live it!



## An Estimate of Social Security Benefits

- It's just a spreadsheet, *all models are wrong, some models are useful*
  - George Box, Wikipedia
- The steps, not too bad...
  1. Fetch your Earnings Record from <https://ssa.gov>
  2. Apply effects of inflation, bring all dollars to 'today'
  3. Sort to get the largest 35 years
  4. Calculate your monthly average & monthly benefit
  5. Study scenarios of replacing \$0 years, retiring early-late, etc
- I'll first show the spread sheet, then show how to get the data

# Social Security Estimate Sheet

	A	B	C	D	E	F
1	Work Year	Indexed Earnings	Year Rank		The sum of the highest 35 years of adjusted or indexed earnings divided by 420 (35 years times 12 months per year) produces a person's Average Indexed Monthly Earnings.	
2	2002	\$49,088.79	1			
3	1978	\$48,913.30	2			
4	1985	\$48,904.62	3			
5	1976	\$48,567.84	4		<u>Average Indexed Monthly Earnings (AIME)</u>	
6	1997	\$48,349.92	5			
7	1987	\$48,288.17	6		Taxed Total / 420	\$3,632.70
8	1999	\$48,233.94	7			
9	2020	\$48,175.00	8		(a) 90 percent of the first \$996 of average indexed monthly earnings, plus	\$896
10	1986	\$47,938.42	9		(b) 32 percent of average indexed monthly earnings between \$996 and \$6,002, plus	\$844
11	2005	\$47,921.90	10		(c) 15 percent of average indexed monthly earnings over \$6,002	\$0
12	1977	\$47,481.27	11			
13	2009	\$47,371.17	12		Total	\$1,740
14	2011	\$47,320.93	13			
15	2000	\$46,995.16	14		Ask "what if" by changing cells in GREEN.	
16	1982	\$46,861.24	15		Example:	
17	1989	\$46,621.24	16		The 35 year work history includes 2 years at zero dollars. When these 2 zero years (B35, B36) are replaced with \$60K years, the monthly retirement increases \$91 from \$1,905 to \$1,996.	
18	1995	\$46,340.15	17			
19	2015	\$46,180.89	18			
20	2014	\$45,998.62	19			

# How to get your Earnings Record

The screenshot shows the 'my Social Security' user interface. At the top left is the logo and 'my Social Security' text. At the top right is a 'Sign Out' link. Below the logo are navigation links for 'My Home', 'Message Center', and 'Security Settings'. The main content area is titled 'Overview' and contains several sections. The 'Social Security Statement' section includes a message from Social Security, a link to 'Your Social Security Statement...', and fields for 'Estimated Benefit at Full Retirement age (67):' and 'Last Reported Earnings:'. To the right of these fields are two links: 'View Estimated Benefits' and 'View Earnings Record'. The 'View Earnings Record' link is highlighted with a yellow background and a red dashed arrow. Below this section is a 'Print / Save Your Full Statement' section with a sub-link for 'Disclaimer'. At the bottom is a 'Download Your Statement Data' section with a sub-link for 'How to use this file'.

my Social Security Sign Out

My Home Message Center Security Settings

### Overview

Overview

[Estimated Benefits](#)

[Earnings Record](#)

[Replacement Documents](#)

### Social Security Statement

A Message from Social Security:

[▼ Your Social Security Statement...](#)

Estimated Benefit at Full Retirement age (67): [View Estimated Benefits](#)

Last Reported Earnings: [View Earnings Record](#)

[Print / Save Your Full Statement](#)

Get a copy of your Statement information in a convenient, print-friendly format.

[Disclaimer](#)

[Download Your Statement Data](#) [How to use this file](#)

Save your Statement information as an XML file.

# How to get Inflation Factors

- <https://www.ssa.gov/oact/cola/awifactors.html>

## Year of eligibility

Note: If you select a year after 2021, we will use average wage changes that were estimated under the intermediate assumptions in the [latest Trustees Report](#).

Enter the  
year of eligibility

for which you want indexing factors



## Automatic Increases



### Indexing factors for eligibility year 2021

September 26, 2021

When we [compute a person's benefit](#), we use the national [average wage indexing series](#) to index that person's earnings. The factors shown below can be used to closely approximate the indexed earnings for workers

- born in 1959 (and thus becoming eligible in 2021), or
- who die or become disabled in 2021.

### Indexing factors

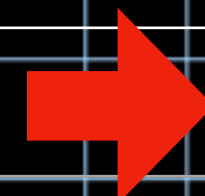
Year	Factor
1960	13.5009658
1961	13.2378681
1962	12.6066062
1963	12.3048487
1964	11.8217236
1965	11.6126296
1966	10.9550519
1967	10.3770236
1968	9.7096770
1969	9.1791980
1970	8.7452136
1971	8.3268160
1972	7.5836146
1973	7.1370512
1974	6.7365965
1975	6.2681603



# Time Value Of Money - Retire Age 62

- At the end of one year, this person has \$15,184
- This amount compounds to \$31,935 after 2 years
- After 5 years this amount is \$95,339
- This is a big advantage over the person retiring at a “full” retirement age

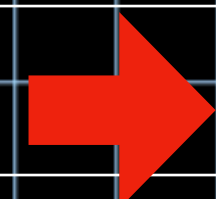
Retire at age 62				
	1,218	10%		
	SS/mo	Interest/mo	Balance	
8/1/2021	1,218	-	1,218	
9/1/2021	1,218	10	2,436	
10/1/2021	1,218	20	3,664	
11/1/2021	1,218	31	4,902	
12/1/2021	1,218	41	6,151	
1/1/2022	1,218	51	7,410	
2/1/2022	1,218	62	8,679	
3/1/2022	1,218	72	9,959	
4/1/2022	1,218	83	11,249	
5/1/2022	1,218	94	12,550	
6/1/2022	1,218	105	13,862	
7/1/2022	1,218	116	15,184	



# Retire Age 67

- The person that retires at age 67
  - Gets \$552 more each month
  - Has \$19,958 after the first year
- The person that retires at age 62 has \$118,225 on this date
- The person that retires at 67 or 70 never catches up to the person that retires at 62

	Retire at 67		
	1,740	10%	
	SS/mo	Interest/mo	Balance
8/1/2026	1,740	-	0
9/1/2026	1,740	15	1,740
10/1/2026	1,740	29	3,495
11/1/2026	1,740	44	5,264
12/1/2026	1,740	59	7,047
1/1/2027	1,740	74	8,846
2/1/2027	1,740	89	10,660
3/1/2027	1,740	104	12,489
4/1/2027	1,740	119	14,333
5/1/2027	1,740	135	16,192
6/1/2027	1,740	151	18,067
7/1/2027	1,740	166	19,958

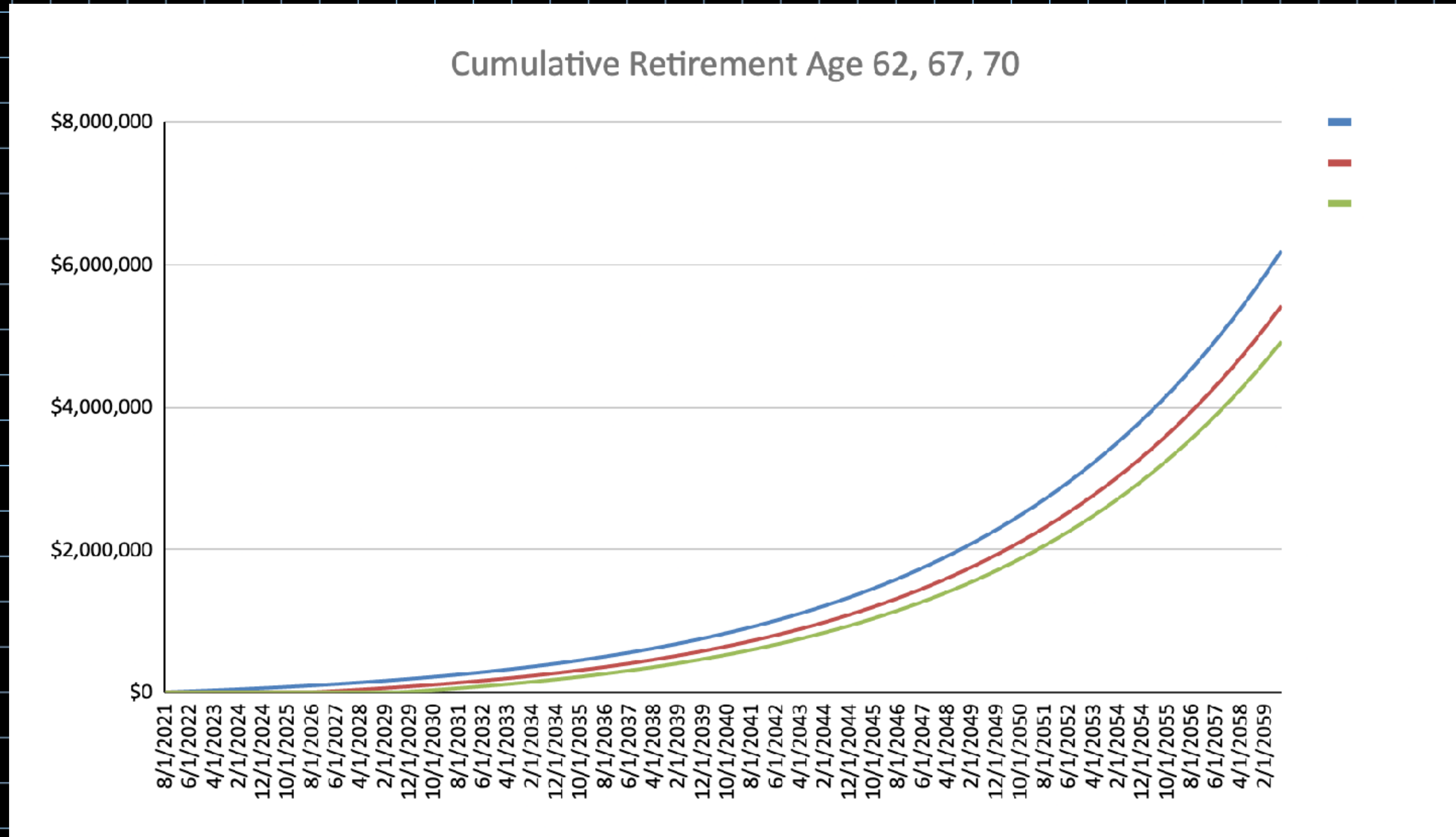


# The lines never cross

With compounding, early retirement produces more income

- Blue age 62
- Red 67
- Green 70

The spreadsheet link



# S&P 500

- The S&P 500 Index originally began in 1926 as the "composite index" comprised of only 90 stocks.
- According to historical records, the average annual return since its inception in 1926 through 2018 is approximately 10%–11%
- <https://www.investopedia.com/ask/answers/042415/what-average-annual-return-sp-500.asp>

# Will the stock market ever crash?

- Yes, and I am counting on it
- When a market crashes, it is easier to spot the strong and weak stocks
  - This is called a sensitivity analysis
- If you sell, and don't buy back in, you realize your loss
- If you sell and immediately buy stronger stocks or mutual funds, you get stronger



FSELX



# Fidelity® Select Semiconductors Portfolio

[Monthly Fact Sheet \(PDF\)](#)[Prospectus](#)[Compare](#)[More ▾](#)[Buy](#)[Sell](#)**NTF** No Transaction Fee<sup>1</sup>

## Morningstar® Snapshot\*

AS OF 8/31/2021; Morningstar Category: Technology | \*Data provided by Morningstar

### Overall Rating

[Rating Information](#)

### Returns



Low Avg High

### Expenses



Low Avg High

### Risk of this Category



Lower Higher

## Performance<sup>2</sup> ?

AS OF 8/31/2021 | \*AS OF 9/24/2021; Value is cumulative

[MORE >](#)

### Average Annual Returns

YTD (Daily)\*

**+31.04%**

1 Yr

**+60.59%**

3 Yrs

**+34.86%**

5 Yrs

**+31.95%**

10 Yrs

**+25.88%**[Summary](#)[Performance & Risk](#)[Ratings](#)[Composition](#)[Fees & Distributions](#)[Commentary](#)[View All Tabs](#)

## Details ?

[MORE >](#)

Morningstar Category

**Technology**

Fund Inception

**7/29/1985**

Exp Ratio (Gross)

**0.7%**

4/29/2021

Exp Ratio (Net)

**0.7%**

4/29/2021

NAV

**\$20.45**

9/24/2021

Minimum to Invest

**\$0.00**

Turnover Rate

**87%**

2/28/2021

Portfolio Net Assets (\$M)

**\$7,176.05**

8/31/2021

12 Month Low-High

**\$12.61 - \$20.41**

8/31/2021

## Hypothetical Growth of \$10,000<sup>3,4</sup> ?

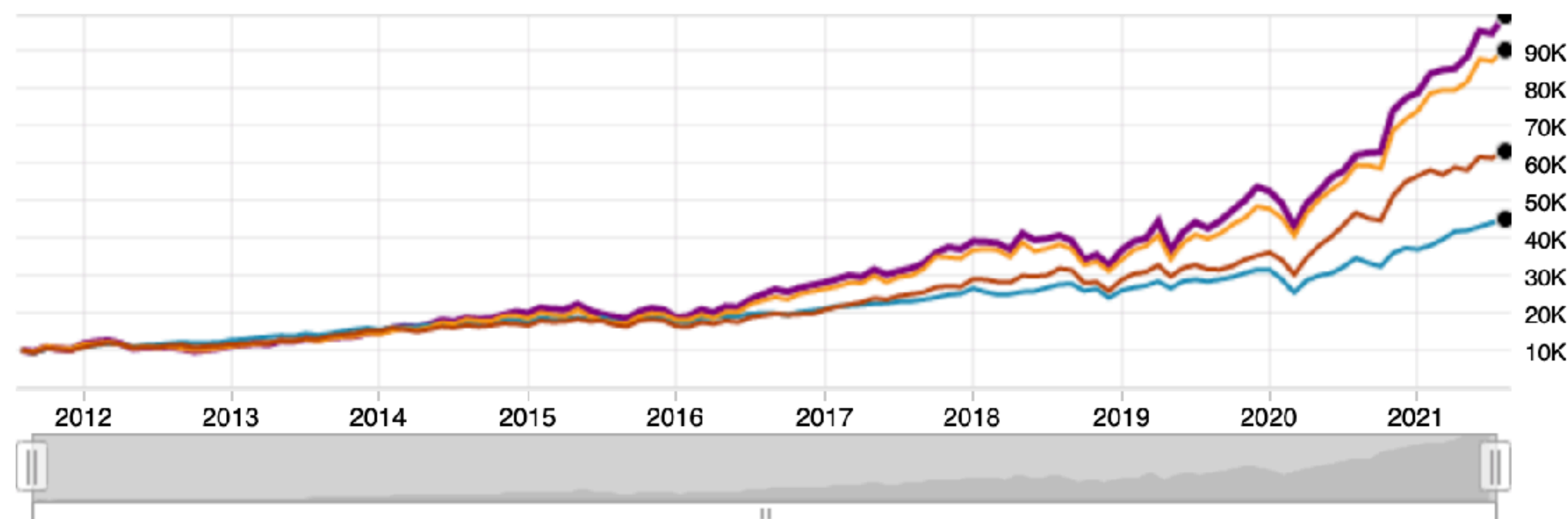
[MORE >](#)

AS OF 08/31/2021; Morningstar Category: Technology

08/31/2021:

FSELX: \$99,882 S&P 500: \$45,424 MSCI IMI Semicon Eq 25/50: \$90,674 

Technology: \$63,597



FBSOX



# Fidelity® Select IT Services Portfolio

**NTF** No Transaction Fee<sup>1</sup>

[Monthly Fact Sheet \(PDF\)](#)

[Prospectus](#)

[Compare](#)

[More ▾](#)

Buy

Sell

## Morningstar® Snapshot\*

AS OF 8/31/2021; Morningstar Category: Technology | \*Data provided by Morningstar

### Overall Rating



[Rating Information](#)

### Returns



Low Avg High

### Expenses



Low Avg High

### Risk of this Category



Lower Higher

## Performance<sup>2</sup> ⓘ

AS OF 8/31/2021 | \*AS OF 9/24/2021; Value is cumulative

### Average Annual Returns

YTD (Daily)\*

+11.16%

1 Yr

+21.76%

3 Yrs

+20.19%

5 Yrs

+24.35%

10 Yrs

+21.53%

Summary

Performance & Risk

Ratings

Composition

Fees & Distributions

Commentary

View All Tabs

## Details ⓘ

[MORE >](#)

Morningstar Category

Technology

Fund Inception

2/4/1998

Exp Ratio (Gross)

0.72%

4/29/2021

Exp Ratio (Net)

0.72%

4/29/2021

NAV

\$100.63

9/24/2021

Minimum to Invest

\$0.00

Turnover Rate

31%

2/28/2021

Portfolio Net Assets (\$M)

\$4,333.67

8/31/2021

12 Month Low-High

\$80.35 - \$104.40

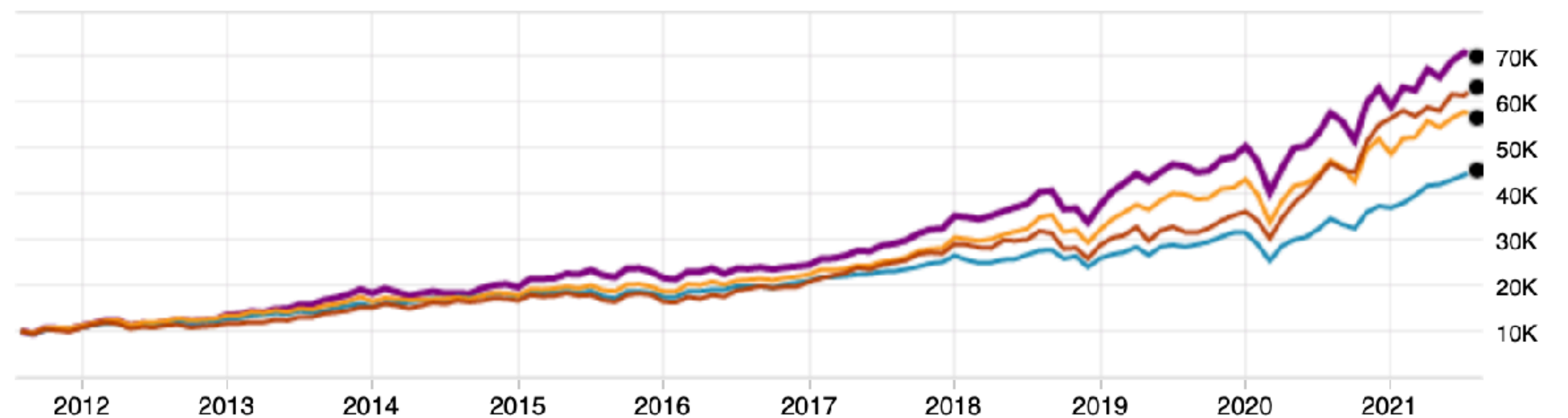
8/31/2021

## Hypothetical Growth of \$10,000<sup>3,4</sup> ⓘ

[MORE >](#)

AS OF 08/31/2021; Morningstar Category: Technology

08/31/2021:  FBSOX: \$70,257  S&P 500: \$45,424  MSCI IMI IT Srvcs 25/50: \$56,888  Technology: \$63,597

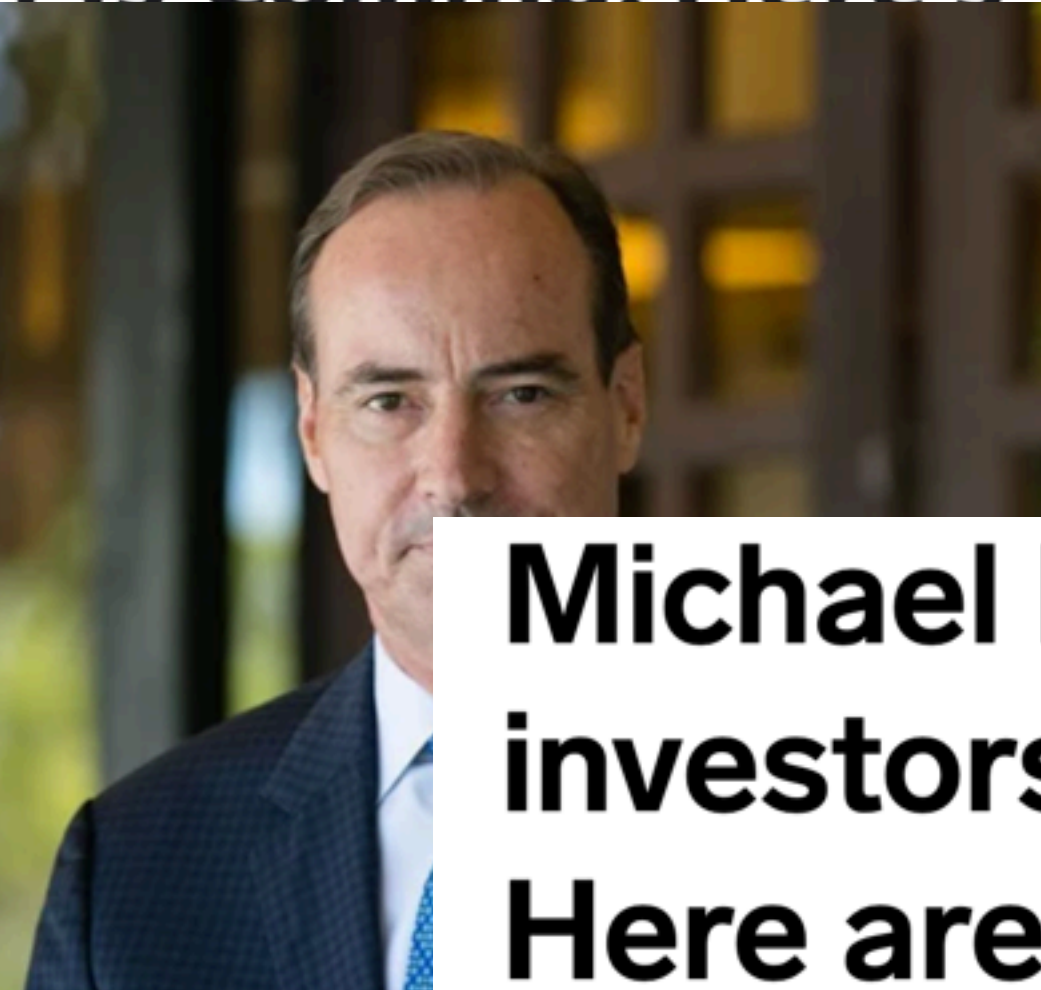




# What you see in the media is Fear, Uncertainty & Doubt ...and it's possibly true

## A Stock Market Crash Is Coming. Here's What to Do With Your Bro

by Maurie Backman | Published on Aug. 9, 2021



Portfolio > Economy & Markets

## Harry Dent: Stock Market Crash Likely Within 3 Months

**Michael Burry, Jeremy Grantham, and other top investors are predicting an epic market crash. Here are their gravest warnings so far.**

**munKNEE.com**  
Your Key to Making Money!

Home Economy Investing Finance Gold & Silver

History Says: "Gold & Silver Will Go M  
Stock Market Crash" (+11K Views)

Lorimer Wilson August 15, 2021 1 Comment 12,0

Theron Mohamed  
Jul. 5, 2021, 11:42 AM

SHARE

Your Market View

NAME	PRICE	+/-	%	DATE
▼ TSLA	787.40	16.97	2.19	Official Close 9/27/2021
▲ AAPL	144.96	-1.55	-1.06	Official Close 9/27/2021
▲ MSFT	294.10	-5.18	-1.73	Official Close 9/27/2021
▼ NFLX	591.10	0.25	0.04	Official Close 9/27/2021
▼ SPOT	232.50	2.76	1.20	Official Close 9/27/2021



# Portfolio Asset Allocation

## *Managing your portfolio and stress levels*

- Evaluate your portfolio often enough to be strategic, but not so often that it drives you crazy
- Holding individual stocks is more stressful than holding mutual funds
- For me I look at a portfolio monthly and make updates 3 or 4 times per year
- I make a deep dive one time each year
- What markets are likely to do well? Which to avoid?
- Are there any major purchases or expenses to budget for?
  - Plan ahead to have cash on hand

# Portfolio Balance Sheet

		Value	% Total	% Target	Action	Transaction	New total	Executed
<b>fdrxx</b>	Cash	<b>13,863</b>	17.1%	<b>3.0%</b>	sell	- 11,429	2,434	<b>x</b>
<b>fbgrx</b>	Blue Chip Growth Fund	<b>16,449</b>	20.3%	<b>23.0%</b>	buy	2,210	18,659	<b>o</b>
<b>fbsox</b>	Select IT Services Portfolio	<b>16,110</b>	19.9%	<b>23.0%</b>	buy	2,549	18,659	<b>o</b>
<b>fselx</b>	Select Semiconductors Portfolio	<b>16,999</b>	21.0%	<b>23.0%</b>	buy	1,660	18,659	<b>o</b>
<b>fsmex</b>	Select Medical Technology and Devi	<b>17,704</b>	21.8%	<b>23.0%</b>	buy	955	18,659	<b>o</b>
<b>gld</b>	SPDR Gold Trust	-	0.0%	<b>5.0%</b>	buy	4,056	4,056	<b>o</b>
		81,125	100%	100.0%			81,125	
	1. Update values column							
	2. Revisit your % Target goals							
	3. Execute buy/sell mark Executed							

# The ROTH IRA

- Qualified withdrawals are tax-free
- Growth in the account is tax-free
- No Required Minimum Distributions
- Can withdraw principal portion at any age, without penalty
- Can withdraw all after age 59.5, without penalty
- The account holder can leave 100% of it to their heirs
- Simplify taxes, no need to track all those financial transactions
- Yearly contribution max (fully taxed dollars)
  - age 49 and below is \$6,000, age 50 and above \$7,000



# Discussion