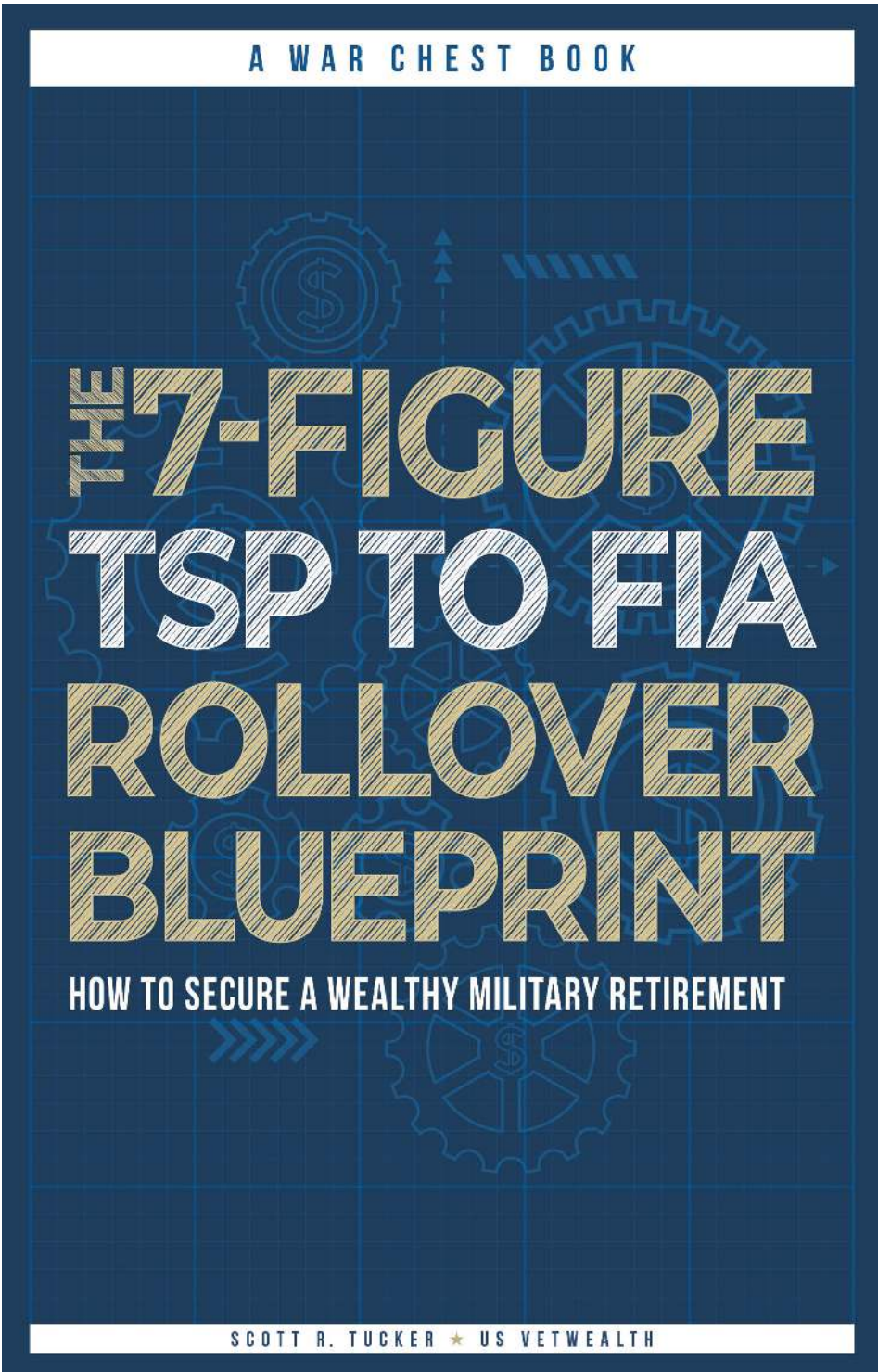


A WAR CHEST BOOK



THE 7-FIGURE TSP TO FIA ROLLOVER BLUEPRINT

HOW TO SECURE A WEALTHY MILITARY RETIREMENT

SCOTT R. TUCKER ★ US VETWEALTH

Copyright

The 7-Figure: TSP to FIA Rollover Blueprint

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US VetWealth | The Military Retirement Blueprint

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Disclaimer

Client Stories and Product References

The narratives shared in this book are based on actual client experiences from our practice at US VetWealth. However, we have altered the individuals' names to maintain confidentiality and respect privacy. Additionally, the specific financial products and carriers mentioned are illustrative examples drawn from various options available in the marketplace.

Our role at [US VetWealth](https://www.usvetwealth.com) involves guiding clients through these choices to find solutions that best suit their unique needs.

Intention and Scope of the Book

This book intends to educate and enlighten readers about financial strategies and options. It also serves to identify potential clients whose financial goals might align well with our approach.

This book empowers you to decide whether to engage with our services. It is not about persuading you that one approach is superior to another; instead, it presents our methodology when clients seek our assistance.

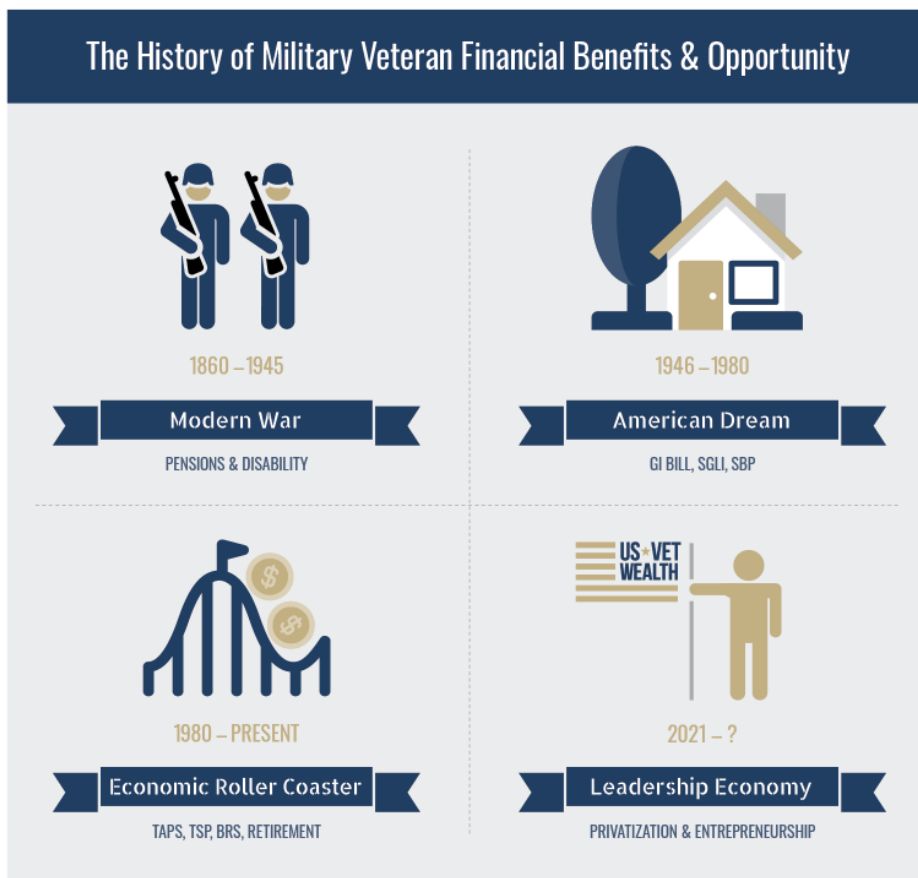
Over the years, we have honed our understanding of who benefits most from our services and, just as importantly, who may not. Transparency is vital in our practice; we are forthright in our advice, ensuring benefits are mutually agreeable and aligned with your best interests.

Financial and Investment Advice Disclaimer

This book is not intended to be taken as investment or financial advice. While it offers insights into financial planning and strategy, it should not replace personalized guidance from a qualified professional.

I hold insurance licenses in over 20 US states and possess a Series 65 Investment Advisory license, acting as a fiduciary in that capacity. However, this book does not constitute a client-advisor relationship or offer personalized investment guidance. For tailored financial advice, please consult with a licensed professional who can consider your circumstances and goals.

Remember, financial planning is a personal journey, and this book provides knowledge and perspective to help you navigate your path more confidently. We encourage readers to use this information to further explore and consult with qualified professionals.



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How to Read This Book

Welcome to your guide on transitioning from Thrift Savings Plan (TSP) to Fixed Indexed Annuities (FIAs). Whether you're short on time or prefer an in-depth approach, this book adapts to your reading style:

- Jump directly to [Section 2: The Client Case Study](#) for Quick Insights. This section focuses on a TSP to FIA rollover, complete with numbers and practical examples. It's ideal if you're familiar with TSP risks and market fluctuations.
- For Detailed Understanding: Progress through the book from the start, reflecting on the discussion questions at the end of each chapter to apply insights to your retirement planning.

Though centered on TSPs, the strategies here are equally relevant to IRAs, 401(k)s, and other retirement accounts. Use this book as a tool to craft a secure and prosperous retirement tailored to your financial goals.

***Note About Working With Financial Professionals**

If you're already working with a financial planner or wealth advisor, we're open to collaborating with them. Our expertise in military retiree financial challenges can complement their services, offering access to our specialized products and strategies. This partnership aims to enhance your financial planning experience.

We're here to discuss your options for seeking a new wealth manager or additional financial advice. We believe in a team approach to your financial journey, ensuring comprehensive support for your retirement goals.

Need to Talk to a Human?

Schedule a Complimentary Consultation from our Website:

usvetwealth.com

Access our Resources (Courses, Case studies, Live Webinars):

militaryretirementblueprint.com



**MILITARY RETIREMENT
BLUEPRINT** Understanding Your Options
for the SBP, VGLI, TSP & More

 **PROTECT**  **PRIVATIZE**  **PROFIT**

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Primer Scenarios

A Quick Look At The TSP to FIA Blueprint

Scenario 1: Wealth Insurance for Market Downturns with FIAs

Consider a scenario where the stock market faces a significant downturn, a situation not uncommon given global uncertainties. In this illustrative example, let's consider two retirees, Alex and Jordan, who have \$500,000 in their retirement funds.

Alex has remained invested in a traditional market-linked portfolio using the TSP C Fund (S&P 500 index), while Jordan has chosen a Fixed Indexed Annuity (FIA).

As the market takes a downturn, Alex's portfolio suffers a 20% loss in value, reducing his retirement savings to \$400,000. This decline represents a real impact on Alex's financial security and future retirement plans.

The recovery path for Alex's TSP account is now steeper, requiring a significant market upswing to return it to its original value.

On the other hand, Jordan's FIA provides a safety net against this market volatility. Despite the same market conditions, the principal protection feature of the FIA shields Jordan's account from any loss.

His account value remains at \$500,000, unaffected by the 20% market downturn. This stability is crucial for retirees who rely on their savings for current and future income needs and cannot afford substantial market losses.

This example highlights the core benefit of an FIA during periods of market turmoil.

While Alex's traditional investment exposes him to the full brunt of market downturns, Jordan's FIA ensures that his principal amount is safeguarded, providing peace of mind and financial stability.

In scenarios like these, FIAs prove their worth as an effective risk mitigation tool, valuable for retirees who need to preserve their capital during volatile economic times.

Benefits of a War Chest

The Advantages Are Clear.

We know or understand this about you.

What retirees think they want:	What retirees really want:
<ul style="list-style-type: none">☐ more life insurance☐ another retirement account☐ to sacrifice and save more☐ to wait longer until full retirement☐ a new financial advisor	<ul style="list-style-type: none">☐ a backup plan☐ another secure income stream☐ a place to stash extra cash for future needs☐ confidently maintain or enhance lifestyle☐ access to niche experts, tactics, and tools

Scenario 2: Market Upswing & Fluctuations in a \$1M TSP Account

In this scenario, let's consider a military retiree, Sam, with a Thrift Savings Plan (TSP) account valued at \$1,000,000.

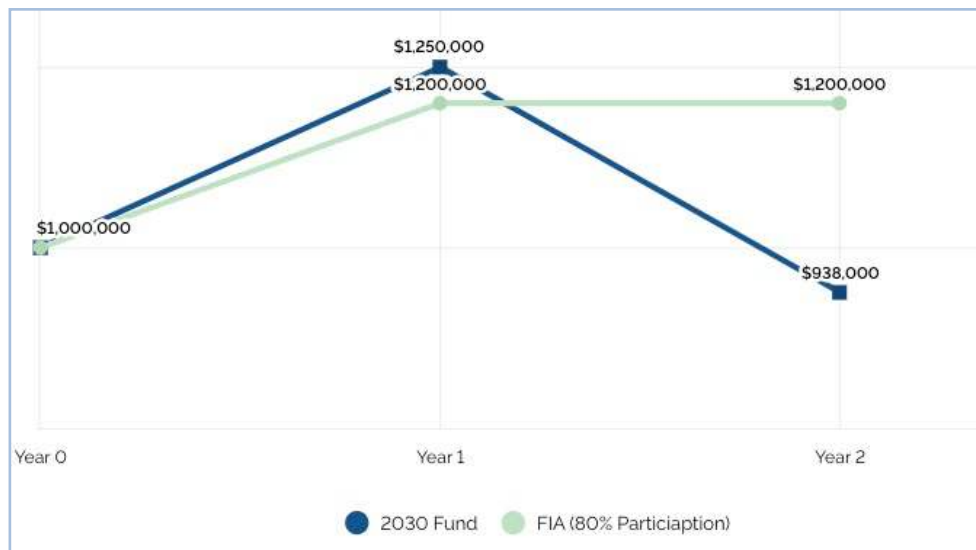
Sam is evaluating how his investment would perform in a market upswing scenario with two strategies: keeping the funds in a TSP Lifecycle 2040

fund (a 70/30 portfolio) and transferring to a Fixed Indexed Annuity (FIA) with an 80% participation rate.

The stock market experienced a significant upswing, increasing his savings by 25% over the year.

Conversely, Sam's potential FIA with an 80% participation rate in the S&P 500 means that when there's a market upswing, his returns would be 80% of the 25% market increase, equating to a 20% return on his investment.

This would result in his FIA account growing to \$1.2M compared to the \$1.25M in TSP.



While the FIA's return is lower than the entire market upswing, it's important to note that this growth is achieved with the FIA's principal protection feature, ensuring that Sam's original investment is not at risk.

This scenario also demonstrates how FIAs can help beat inflation more confidently.

In an environment of rising inflation, the FIA's ability to generate substantial returns, even if they don't fully match the market peak, provides a

significant advantage in preserving the purchasing power of Sam's retirement savings.

When the Market Drops the Following Year

Let's consider the following year when the market experienced a downswing of the same amount, creating a 25% loss for that year. We would be mistaken to assume his account would return to the same \$1M he started with. In reality, his new balance would be less than \$938K.

However, Sam's account value would remain at \$1,200,000 with the FIA, as the principal protection feature shields the recent growth from any loss due to the market downturn.

Comparing the new account values after these two years, Sam's TSP Lifecycle 2040 fund, even with its risk mitigation strategies, would have experienced fluctuations in line with market changes.

In contrast, the FIA would have maintained its increased value, showcasing its effectiveness in capitalizing on market upswings and providing stability during downturns.

This example highlights the advantages of an FIA in a fluctuating market. It shows how FIAs can capitalize on market upswings with a substantial participation rate and, importantly, protect gains and principal during downturns.

Introduction

Mastering Wealth Beyond TSP

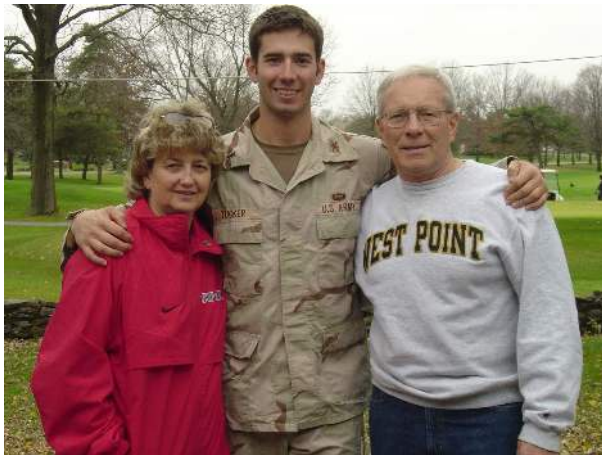
Imagine stepping out of the military with a locked-in military pension and a guaranteed, ever-increasing private pension crafted from your Thrift Savings Plan (TSP).

This isn't merely a dream scenario; it's the experience of one of my most successful, long-term clients. I just got off the phone with her, finalizing some of her imminent financial decisions.

That inspired me to share her story as I returned to writing this book. Erin, who recently retired from active duty, is now a few weeks away from transforming her TSP into a significant private pension. More on that in a bit.

Who Am I and Why This Book Matters

Hi, I'm Scott from a small town in Ohio near Amish country. As the son of a kindergarten teacher and a D1 college football coach, I admit that I didn't envision a life in financial consulting.



But their passion for serving others led me to West Point. After several deployments, I became a wealth insurance consultant dedicated almost exclusively to military retirees for the past 15 years.


My journey isn't about numbers and portfolios; it's deeply personal. Over 1,000 consultations with military families have profoundly shaped my approach.



Their stories have been diverse and enlightening, from facing sudden unemployment and coping with the aftermath of divorce to celebrating unexpected high salaries and entrepreneurial ventures.

My client, a recently retired LTC from the US Air Force, Erin's story embodies this book's mission.

She once said, "As I've been going through the retirement process, my friends who are a few years behind me are asking so many questions. So, I've shared Scott's LinkedIn profile with many.

Like me, initially, they don't know what they're doing with their investments. I trust him; our candid conversations about money, investing, and planning for retirement beyond military life have been invaluable."

★  **WAR CHEST STRATEGY** ★

 DEFENSE	<p>Control your wealth using tax-free asset classes, maximum liquidity, investment loss avoidance, benefits increase & cost minimization.</p>	 OFFENSE	<p>Mobilize your wealth with double-digit growth, asset protection, guaranteed income & build a meaningful legacy.</p>
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Why this Book is Different

This isn't a generic investment guide or a simple rundown of financial products. It's a manifesto for military retirees, acknowledging that their financial planning needs are as diverse as their stories.

The conventional advice about military retirement pay and benefits often echoes a one-size-fits-all approach, which is far from practical.

This book is about breaking free from that mold. It's about controlling how you spend your time, talent, and treasure after the uniform comes off.

Erin's experience, moving from uncertainty to confidently making informed financial decisions, is a case in point. Her inquisitive nature and willingness to explore unconventional strategies set her on the path to economic success.

She also said, **“Scott’s books and videos make post-military personal finance approachable. It’s not about having a degree in economics; it’s about making educated decisions.”**

Structure and Content Overview

The following chapters introduce you to strategies that blend financial acumen with a deep understanding of the military retiree's journey.

Each section provides practical, actionable advice on topics ranging from decoding the intricacies of the TSP and identifying common financial pitfalls to leveraging Fixed-Indexed Annuities (FIAs) for a robust, tax-efficient retirement asset.

Insights from Successful Military Retirees


Surrounding myself with highly successful military retirees has offered unparalleled insights. This book distills those learnings.

We will focus on holistic growth strategies catering to personal development and financial well-being. It's about crafting a retirement that's as rewarding as your service.

Stories of Success


As you read the chapters ahead, think of this book as your ally in unlocking the full potential of your military retirement benefits. Whether you're looking to overcome financial challenges or seize new opportunities, the strategies within these pages are designed to guide you toward a secure and prosperous future.

“ US VetWealth stands out as a **current, relevant, and credible resource**, offering a unique alternative to ETAP’s broad advice, specializing in personalized financial strategies for SBP and TSP. Their approach ensures military retirees receive tailored guidance, aligning their retirement plans with individual financial objectives for a secure and well-planned future.”



Mike Wallace – USN CAPT(R)

Blue Water ADVISORS

“ The key to financial peace of mind is education and finding advisors who have your best interests at heart. Scott and Jen represent that **trust and professionalism** to me. I’m fully assured that they handle my financial matters with integrity and expertise. It’s truly a privilege to have advisors like them in your corner.”


Stephanie Brown – Spouse of RADM(R)

“ US VetWealth is a gold mine for military retirees! His IUL and FIA products are two game changers that I added to my portfolio to help my family solve life insurance, long term care, risk mitigation, distribution strategy, tax problems, and more. **Scott encouraged me to proceed at my own pace, do my own independent research, and bring my personal financial advisor into all the conversations so that everything was transparent!**”


Matt Anderson – Colonel, USAF (Retired)

Erin’s closing thoughts to our last conversation encapsulate the essence of this journey: “I’m getting kind of good at this!”

This sentiment is what I hope for each reader – a newfound confidence and mastery over their post-military financial life. She’s indeed become adept at this, building her wealth with an inspiring confidence.

Redefining Financial Guidance

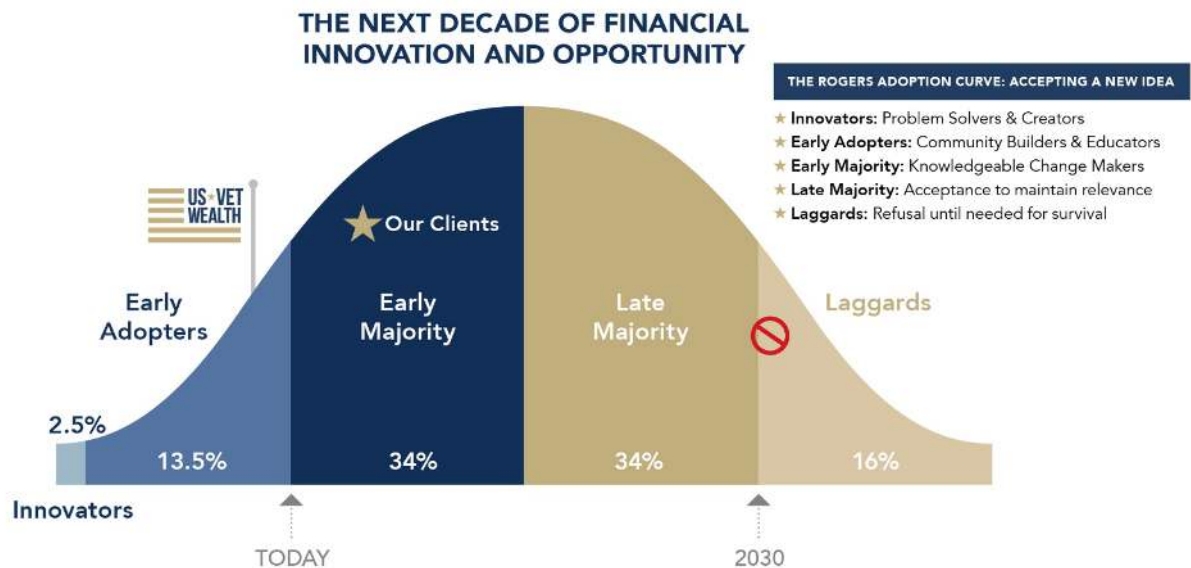
A “financial expert” is often fluent in complex jargon that may be irrelevant to your financial needs. The essence of economic empowerment lies in ensuring your wealth autonomously, steering clear of dependency on conventional advice.

A more impactful approach involves collaborating with a consultant who empowers you to understand your finances. This eliminates the need to unveil every aspect of your financial life to a stranger so you can receive actionable guidance on one aspect.

Avoiding “Group-Think”

Many believe they pay investment advisors for their expertise, but their firm product lines and regulatory compliances often restrict their capability to provide bespoke solutions.

That’s why a book like this hasn’t been penned before; most are hindered by these constraints or, even worse, by conventional thinking.



Consultants Offer Access, Not Advice

In financial planning, what sets us apart isn’t only the wisdom we share; it’s the access we provide to a system that has repeatedly proven its worth. We don’t spend time with the complex financial planning you might find at any local firm stocked with CFPs.

However, I encourage you to go there if that’s what you need. Bring this book! In this capacity, we can act as a hybrid firm that consults the advisor and the client.

Systems Not Goals

Instead, our war chest approach is about solving a problem (SBP) or solidifying an opportunity (TSP). Rather than chase a vague goal with unknowable 30-year or more outcomes, we work with you to design a *system*.

A system that effectively addresses both long-term and 3 to 10-year objectives. And saves you tens or hundreds of thousands of dollars in management fees.

This strategy ensures a worry-free retirement. It liberates you from daily stock market checks and fluctuation concerns. It's about peace of mind—having a reliable financial plan that works autonomously.

We aim to provide a strategy tailored to your unique military retirement journey, maximizing your savings potential.

Systems vs Goals

Without a long-term relationship with a trustworthy financial advisor, you're likely either perpetually perplexed or self-managing your finances.

In the latter case, you're probably always on the lookout for superior financial strategies, aware of the gaps in your knowledge.

Retirement Nest-Egg | Old Frame (Goals)

Risk
goals
advisors
money managers
performance
costs
sacrifice
taxes on retirement
save more
wait longer
fee only
investment fiduciary

Income Independence | New Frame (Systems)

safety
systems
consultants & coaches
privatize
protection
profits
tax advantaged
contracts
outcomes
insurance income sources
2nd Private Pension
life fiduciary

Insurance of Life, Not Death

Consider why people buy insurance on anything: to protect things they care about that will impact them financially. Contrary to the mass financial media's portrayal of annuities as an investment product akin to mutual funds, annuities are, in reality, a life insurance product. They insure something vital – a guaranteed income stream – rather than focusing on the eventuality of death.

This perspective is intriguing, isn't it?

However, the CEOs of insurance companies aren't regulars on financial news channels. Their offices aren't nestled in the skyscrapers of Manhattan; they're in places like Des Moines.

And let's be honest, annuity providers aren't the best at explaining what their products do.

That's where I come in to demystify these products for you within a helpful context: your incomparably valuable situation as a high-income military retiree.

This book breaks down the misunderstood world of annuities.

How does a life insurance product create a private pension akin to your military retirement pension?

It's about specializing in a tool that assures your financial security and aligns closely with the essence of your military pension. When you turn the final page, you'll clearly understand how these products work and how they can form an integral part of your retirement plan.

Consult with Me

Consider this book your consultation session with me—no strings attached. The significance of your military benefits is too important. Time is short. I've aimed to make this 60-minute read concise yet comprehensive.

Or, if you prefer, [watch one of our webinars](#).

Should this book resonate with you, the Appendix provides access to a wealth of additional resources on our website, including videos, webinars, and articles on

other topics within our Military Retirement Blueprint portal.

If it doesn't align with your needs, you lose nothing but gain insight into a path that might not be for you.

Ultimately, my mission is to decode and distill critical knowledge, providing you with the tools to ensure a secure private pension. This knowledge alleviates the anxieties associated with retirement account fluctuations, ensuring peaceful nights free from financial worries.

You can speak with us anytime you have questions: scott@usvetwealth.com.

TSP After Service

Shifting from Accumulation to Protection and Growth

Upon retirement, Colonel Brown was at a financial crossroads that many military retirees encounter. A C-17 pilot who diligently saved throughout his career, Brown had accumulated an impressive \$800,000 in his Thrift Savings Plan (TSP) by prudently investing his bonuses while deployed.

Now retired, with a six-figure military pension and an additional \$200K/yr from his government contracting job, Brown seemed assured of comfort and security. Yet, in 2022, Brown watched with growing unease as his TSP balance fluctuated wildly, dropping by \$100,000, rebounding, and then plunging again.

Conventional wisdom suggested he shouldn't worry at 48. After all, he couldn't access his TSP funds until age 59.5. However, this did little to alleviate the stress of watching his life's savings ebb and flow with market tides.

It was a revelation for Brown: having done everything right, why was this phase of his financial journey so disconcerting? He realized that his disciplined approach to saving, so effective during his years of service, needed a new direction in retirement.

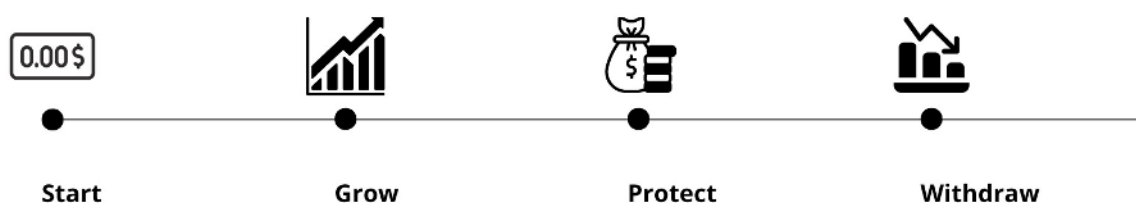


The Evolving Role of TSP in Retirement

It's a situation many high-ranking officers like Colonel Brown experience. The skills honed in service – strategic planning, foresight, and discipline – are now called upon in a different arena. We are managing retirement funds. A substantial TSP requires more than just watchful waiting; *it necessitates a defined objective.*

And that's the purpose of this book: to remind you of the intent of sacrificing part of your income each year to build your TSP.

For Brown and countless others in similar positions, the challenge is clear: to achieve income independence, he must consider upgrading his approach to managing TSP, ensuring that his hard-earned savings are preserved and that he continues to thrive in the civilian phase of his life.



TSP in the Context of Retirement

In confronting this new challenge, Colonel Brown, like many high-income military retirees, faced a common predicament: the Thrift Savings Plan, while a formidable tool during active service, demands a reevaluation upon entering retirement.

For individuals like Brown, the TSP isn't only a savings account; it represents years of disciplined saving and the hope for a financially secure future.

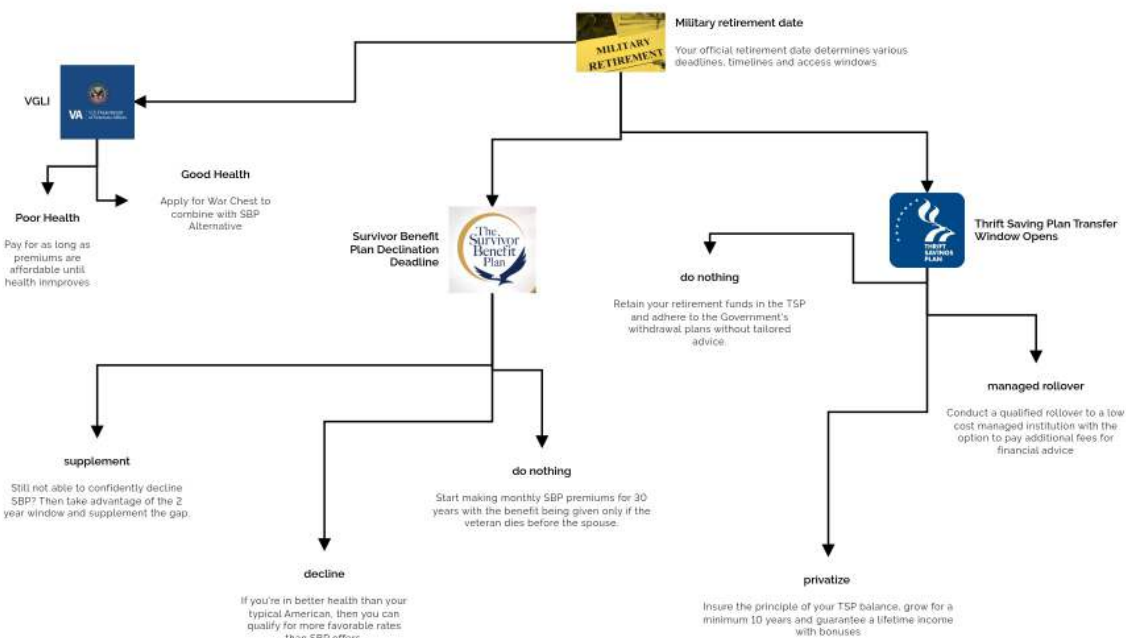
However, the volatile nature of the market, as seen in the tumultuous year of 2022, brings to light an essential question: how does one shift from a mindset of accumulation to one of strategic purpose of accumulated assets for income?

This strategy shift is more than a mere financial decision. It's about understanding the nuances of the TSP in the broader context of crafting a post-military financial strategy.

For someone in Brown's position, with a significant pension and additional income, the approach to TSP should not be about aggressive growth but ensuring it is available when needed. The key lies in understanding that retirement planning is multifaceted, particularly for high-income earners.

It's not about the value of the numbers in a TSP account; it's about how those numbers interact with other taxable income streams, life expectancy, lifestyle choices, and potential unforeseen expenses.

This comprehensive view of income planning helps make informed decisions about the purpose of TSP funds. It's about striking the right balance.



TSP as a Major Retirement Asset

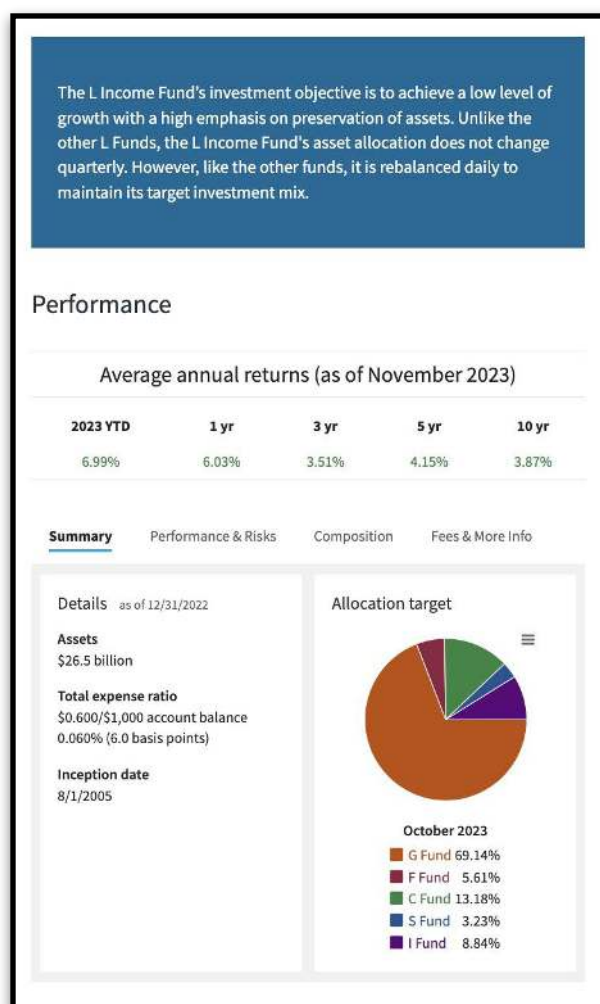
For many military retirees like Colonel Brown, the Thrift Savings Plan represents the cornerstone of their post-service financial stability.

Consider Lieutenant Commander Smith, who discovered that his \$300K TSP accounted for all his retirement assets. As his career advanced, limited time and a lack of interest in consulting financial professionals meant he never established investment accounts outside his TSP.

This was a pivotal moment for him. Until this point, he had never contemplated the necessity of personally managing these assets. However, as he navigated choosing a new career, making the SBP decision with his spouse, and completing his VA Disability rating process, he realized the importance of giving attention to his TSP.

Rather than viewing the TSP as one of many components of his retirement plan, Lieutenant Commander Smith began investigating strategies for managing this significant asset.

His journey to this strategic shift was not without personal and financial challenges. An early career divorce drained his financial resources. A few years



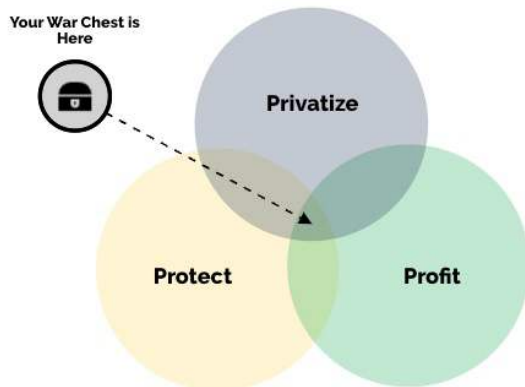
later, upon remarrying. He and his spouse committed to maximizing his Roth TSP contributions as part of a catch-up strategy.

Consequently, he opted for the most straightforward approach, setting his TSP contributions on autopilot with the low-risk Lifecycle-Income Fund predominantly invested in the G-Fund. He chose safety over growth due to the trauma of losing so much in the divorce—an understandable emotional reaction.

Now, realizing that his TSP comprises almost all his net worth and facing traditional investment advice that often favors a risk-averse strategy, Lieutenant Colonel Smith wanted to act. He needed to find an appropriate balance to manage his market volatility concerns and make up for years of missed growth opportunities due to the low growth of his G-Fund allocations.

WEALTH INSURANCE OBJECTIVES

Your Health & Longevity is an Asset Class



High income retirees can insure their assets by investing in their lifetime income producing potential

Introduction to Wealth Insurance Strategies

As Colonel Brown and Lieutenant Colonel Smith reassessed their TSP strategies, a new concept emerged as a compelling alternative. This method offers a blend of principal protection and growth potential, a combination that traditional TSP investment options don't provide.

For Colonel Brown, whose TSP experienced significant market fluctuations, this felt like a stress-free way to solidify his retirement income streams.

Meanwhile, for Lieutenant Colonel Smith, who had most of his TSP in the low-yielding G-Fund, this guaranteed income approach presented an opportunity to step beyond the conservative bounds and explore growth potential without excessive risk.

Colonel Brown was particularly interested in transforming a portion of the TSP into a second private pension. With a secure military retirement pension already in place, additional guaranteed lifetime income was appealing.

For Colonel Brown, this approach meant stabilizing his \$800K TSP from market volatility and potentially converting it into an additional \$100K of annual lifetime income within a decade (we will break down this real-life scenario in [the client case study](#)). He wouldn't lose access to the account balance nor miss out on market growth opportunities.

This often overlooked method mirrors his O-6 pension, doubling his guaranteed retirement income streams and allowing him to consider full retirement much sooner than expected.

When Colonel Brown turns 60, he's looking forward to a financially secure and robust retirement, a sentiment he often echoes: "This helps move my full retirement to the left!"

Empowering Your Financial Future

As we conclude this chapter, let's reflect on the transition from mere accumulation to a more nuanced approach to protection and growth in managing your TSP.

Once a passive savings vessel during active duty, the TSP now demands a proactive, informed approach to ensure it remains a substantial asset in retirement.

By exploring wealth insurance strategies, such as uncapped fixed indexed annuities, you can safeguard your TSP and turn it into a dynamic tool that supports and amplifies your retirement.

The big idea of this chapter, and indeed of the entire book, is to empower you with the knowledge and tools to make informed decisions about your TSP. In the next chapter, we will learn about the complexities and opportunities of this approach, continuing our focus on securing a financially robust retirement.

Questions for Reflection:

- How does your experience managing retirement funds compare or contrast the scenarios presented in this chapter?
- What are your key challenges(time, knowledge, desire, etc..) in managing a TSP during the transition from active service to retirement?
- In your retirement planning, how do you balance the need for stable income against the potential for asset growth?
- How have personal life events (like marriage, children, or career changes) impacted your retirement and TSP management?

Strategic Post-Military TSP Decisions

Embracing the Financial Shift

The end of your military career doesn't open a new opportunity to re-assess your approach to finances. The strategies that worked during your active years may not be as effective in retirement.

It's time to shift gears from a mindset of accumulation to one of achieving income independence.

Next, we will explore the nuances of managing your TSP in a civilian context. This chapter aims to bridge the gap between your past financial strategies and the uncertainty you now face.

Veteran Perspective on Economic Challenges

I left the Army and entered the financial field 15 years ago. I've witnessed firsthand the ever-changing economic scenarios impacting military retirement planning.

This environment is multifaceted, with geopolitical tensions, changing fiscal policies, and demographic trends impacting career opportunities and investment outcomes.

The current economic scenario offers distinct challenges and opportunities for military retirees.

Similar to the prospects of your new salary, these changes can affect your retirement savings, including aspects like interest rate variations and tax implications.

In my years consulting military families, I've learned the importance of looking beyond the surface of economic news. It's about understanding how these macroeconomic factors trickle down to individual retirement plans like the TSP.

This means we need to ask ourselves a question. What are the factors that I can control to improve the positive outcomes? Saving more is the easy answer, but beyond that, it's up to the factors mentioned above.

So what can you do instead?

The only thing you can do is insure your wealth as a future income stream. More specifically, *you can design a mutual agreement* with a primary insurance carrier that contractually promises this income based on how much you ask them to insure.

The Certainty of Financial Uncertainty

How to I protect what I've already earned? <ul style="list-style-type: none">? Military Retirement Pension? VA Disability Benefits (Tax-Free Income)? Retirement Savings (Largest Cash Asset)? Family Lifestyle? Above Average Health	How do I efficiently use my savings? <ul style="list-style-type: none">? Emergency Savings & Death Benefits? Withdrawing retirement income (taxes)? Inflation hedge? Market corrections
Introducing the War Chest Strategy <ul style="list-style-type: none">✔ Wealth Insurance - Protected Principle✔ Tax-Advantaged✔ Competitive Indexing✔ Lump Sum Tax-Free Death Benefit✔ Long Term Care Benefit	The Private Pension <ul style="list-style-type: none">✔ Increasing Withdraw Rates✔ Guaranteed Lifetime Income (Age 120)✔ Option for JOINT Income✔ 0% Fee structure available✔ Annual step up and Lock-in

The Path to Private Pension TSP Rollover

As a civilian and a veteran, deciding to roll your TSP into an Individual Retirement Account (IRA) can impact your financial strategy. This rollover is more than a mere transfer of funds; it's a step towards taking private control of your retirement savings.

Multiple paths are available with an IRA rollover.

Opting for a financial advisor-managed account requires considering the impact of their fees on your investments. While this option offers professional management, it often comes at a cost.

You are potentially reducing your retirement savings over time.

Alternatively, a self-managed account, like those offered in partnership with Betterment at US VetWealth, provides an option with more control and lower costs.

This route suits those who prefer a hands-on approach to retirement. It offers flexibility and allows you to tailor your investment strategy to your needs and risk tolerance.

Investing in an uncapped Fixed Indexed Annuity (FIA) through an IRA is a less-traveled but highly advantageous path. You'll learn everything you need to know about these in later chapters.

Tax-Free Retirement Income

A rare opportunity arises for those with Roth TSP funds. You can create a tax-free private pension by rolling these into a Roth status FIA. This innovative approach preserves the tax-free status of your investments and ensures a steady, secure, tax-free income stream in retirement.

It's a forward-thinking strategy that capitalizes on the tax advantages of Roth accounts.

Solution to Post-Service Economic Challenges

Our exploration of TSP rollover options reveals an ideal solution to the economic problems military retirees face—a solution that aligns with the needs of high-income earners.

Uncapped FIAs offer a stable and predictable financial tool in an economic environment where certainty is scarce.

As you'll learn, uncapped FIAs' flexibility in terms of growth potential makes them an attractive option for retirees aiming to enhance their financial portfolio.

These annuities adapt to changing economic scenarios, providing peace of mind and control over one's financial future. However, to understand the full context of this new solution, we need to identify the financial landmines.

Questions for Reflection:

- How do you perceive transitioning from a military to a civilian financial environment?
- How do current global economic factors influence your retirement planning and TSP management?
- What factors would you consider most critical when rolling over your TSP into an IRA?
- What are the most significant economic challenges you foresee in your post-military life, and how do you plan to address them?

Facing TSP Risks

Addressing TSP Risks and Ensuring Resilience

Exploring the Thrift Savings Plan (TSP) management in retirement, we encounter USN Captain (Retired) Thompson's story. It vividly shows the risks involved in this phase.

His experience, marked by post-career financial challenges, highlights the intricacies of handling retirement funds.

Approaching retirement at 65, CAPT(R) Thompson faced a dilemma. During his 15-year post-military career as a GS-15 and Boeing contractor, he accumulated \$2 million across his military TSP, Federal TSP, and Boeing 401k.

Healthy and eager for his golden years, he looked forward to a \$100K annual withdrawal to augment his military pension.

However, 2022, the year he chose to retire, brought unforeseen challenges. Despite his prudent diversification, including a stake in the moderate lifecycle 2030 fund with a balanced 60/40 stock and bond portfolio, the market's volatility took a toll.

A modest yet 5% drop in his portfolio's value was still a jarring 6-figure decline. While hopeful for a market rebound, Thompson couldn't ignore the possibility of further declines as he continued to draw from his savings.

By the end of the year, his balance, affected by market losses and withdrawals, had shrunk to \$1.8 million. With a stagnant market as the backdrop, the prospect of needing \$100K annual withdrawals became a pressing concern.

Thompson's situation became more complex due to tax factors. To sustain his \$100K income goal, he needed to withdraw an extra 30-40% yearly to cover taxes on his traditional, tax-deferred accounts.

Required Minimum Distributions (RMDs) made this tax burden unavoidable.

The lower account balance also forced him to seek higher returns, heightening his financial risk.

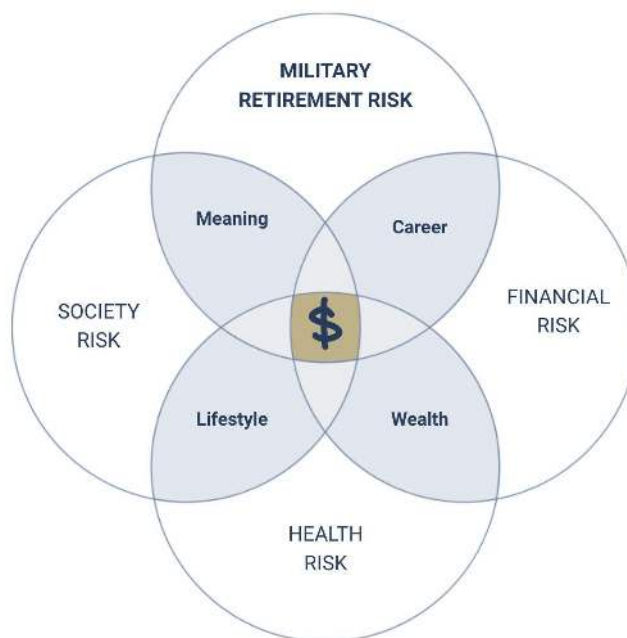
This left Thompson with a tough choice: riskier stocks or an investment advisor's uncertain market predictions.

This scenario mirrors the challenges many military retirees face, emphasizing the benefits of a private pension.

CAPT(R) Thompson's story is a common one faced by military retirees expecting to rely on their TSP for retirement income planning. In this context, the allure of a private pension becomes increasingly apparent.

Understanding Economic Risks: a Concise Exploration for Military Retirees

Although I am not an economist, my years of working with military retirees have provided me with insights that I believe will be as valuable to you as they have been to my clients.



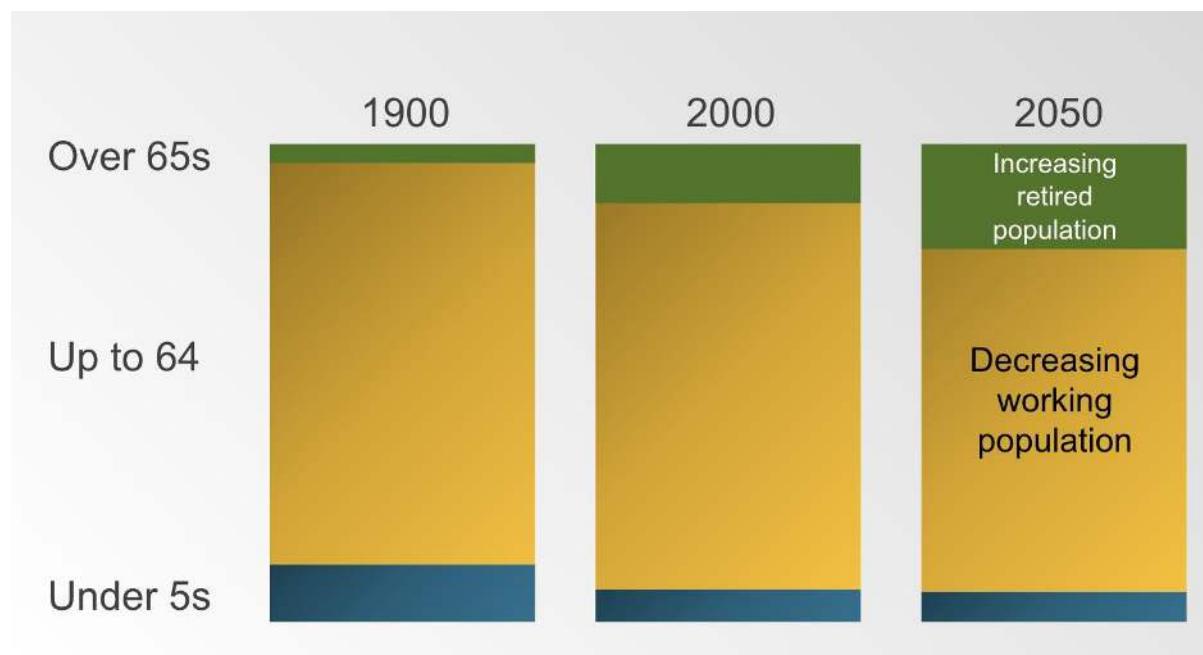
Using this information as a starting point for your research is essential. I encourage you to [explore our videos or courses for a more in-depth understanding](#).

Demographic Shifts and Market Impact

America's changing demographics are reshaping retirement planning. The retirement of the affluent baby boomer generation is expected to reduce market demand as they withdraw funds for rising living costs and healthcare, possibly driving down prices.

The problem intensifies as people live longer than expected, withdrawing from economic participation and straining financial resources. This overturns decades-old financial forecasts, compelling a reassessment of retirement strategies amidst these shifts.

Sadly, many will not prosper but live long in a poor and sickly state, with wealth lost to medical expenses and estate taxes.



Source: US Census Bureau

Intergenerational Wealth Trap

Younger generations, struggling with their financial challenges, are not saving at a pace to counterbalance the decrease in market demand caused by the baby boomers' withdrawals. Having had fewer children, the baby boomers mean a smaller, younger population unable to fill the economic gap.

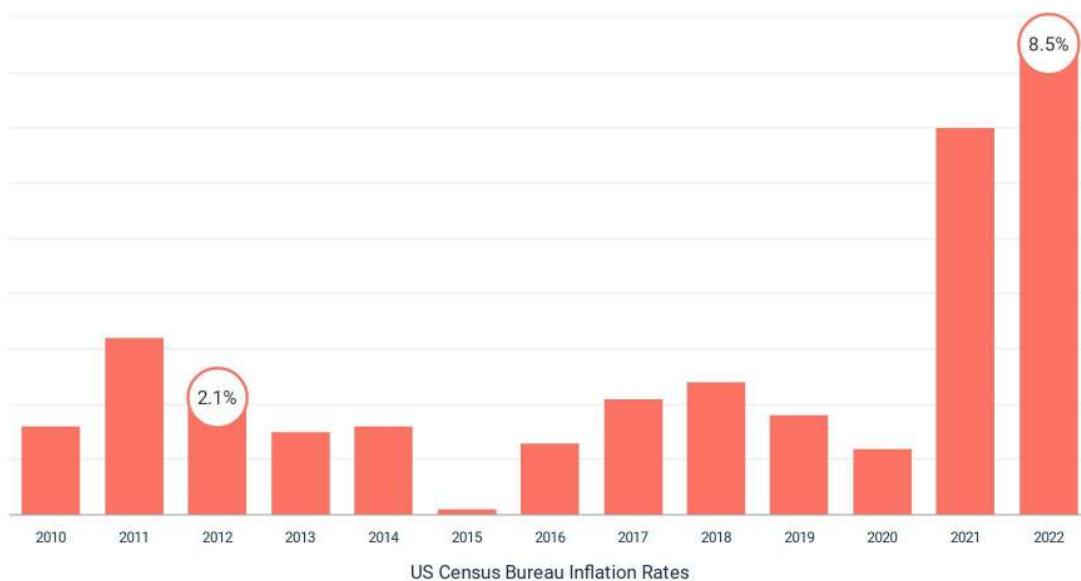
To their offspring's dismay, their parents are depleting retirement funds, diminishing expected inheritances. This imbalance underscores concerns about market sustainability and points towards an impending market correction.

The Ripple Effect on Inflation and Markets

These demographic changes affect stock market dynamics and have broader implications for inflation.

With a significant portion of the population transitioning from wealth accumulation to wealth distribution, there could be substantial shifts in consumer spending patterns. This, in turn, could impact inflation rates that affect the purchasing power of your retirement savings.

2022 saw inflation reach 8%, affecting retirees counting on the conventional "rule of thumb" 4%-withdraw-rate not meeting their needs.



Preparing for Market Corrections

While it's impossible to predict exactly when a market correction might occur, preparing for such an eventuality is essential. Market corrections can be part of a healthy economic cycle, but they can also take a bit of your savings.

Remember that the goal is not to predict the future but to be prepared for various scenarios.

Compounding Losses

It's imperative to understand the *sequence of returns risk*. This unpredictability is essential in market corrections, especially in the early years of retirement distributions when your account may not have enough time to recover from these losses.

Balancing the Sequence of Returns Risk

A market decline during these initial years can disproportionately impact the principal of your retirement accounts due to negative compounding.

The sequence of returns risk refers to the risk that the timing of withdrawals from a retirement account will negatively impact the overall rate of return.

If you are forced to withdraw funds during a market downturn, you deplete a more significant portion of your account than anticipated.

Consider this scenario: If the market takes a downturn in the same year you begin taking withdrawals, and your account value drops, the amount you withdraw constitutes a more significant percentage of your account. These conditions leave you with a lower balance from which you earn potential returns.



Even if the market recovers later, these early withdrawals have a negative compounding effect that can impact your retirement savings.

Chapter 6 details this situation, but first, we need to discuss the risks *within your control*.

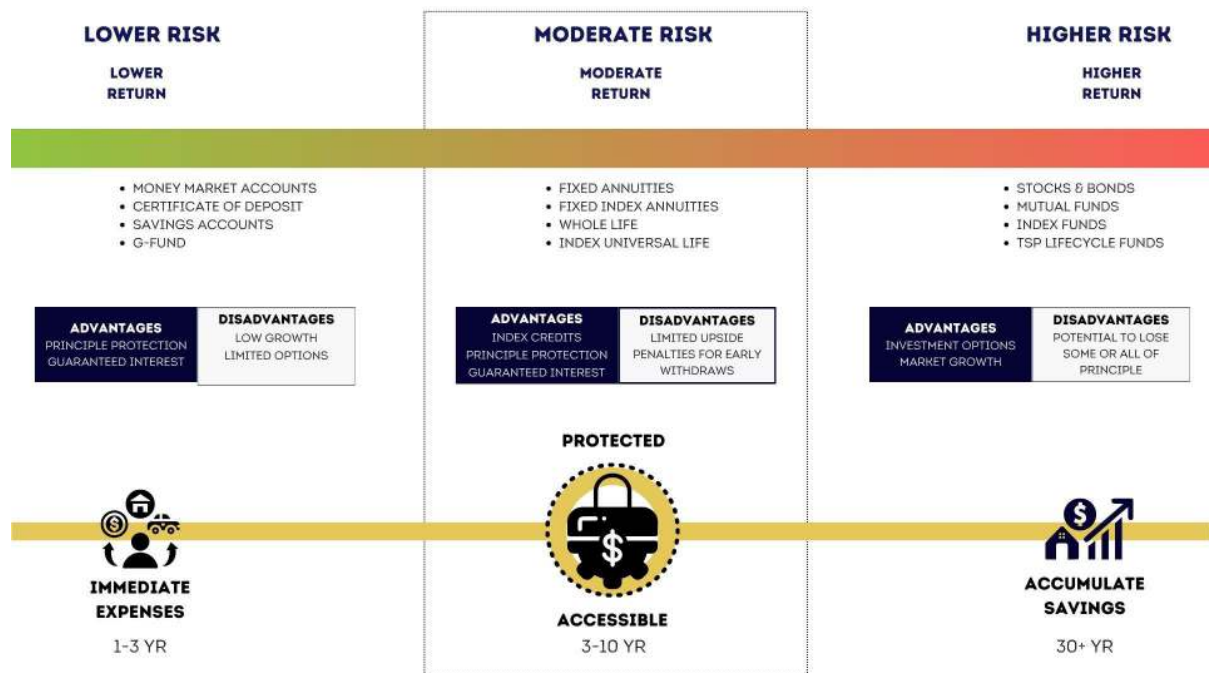
Questions for Reflection:

- How will demographic shifts, like the baby boomer generation's retirement, impact your retirement investments?
- How might a market downturn at the beginning of your retirement affect your long-term financial plans?
- How will you evaluate the effectiveness of traditional risk management strategies, such as diversification and conservative investments, for your TSP in retirement?
- How would you react to a significant market correction affecting your TSP balance, and what steps would you take to mitigate its impact?

Conventional Risk Management Challenges

Traditional strategies for mitigating hazards in wealth accumulation often include diversifying your portfolio or reducing the withdrawal rate. However, these strategies may not always be practical.

Diversification can protect against specific asset risks but may not shield you from broad market declines. Similarly, shifting to conservative investments might reduce your exposure to market volatility and limit your portfolio's growth potential.



Tax Risk and Strategic Withdrawals in Retirement

An often-overlooked aspect of retirement planning for military retirees is the management of tax risks associated with Traditional and Roth Thrift Savings Plan (TSP) accounts. Recall that your military pension will always be subject to taxation as income, a factor beyond your control.

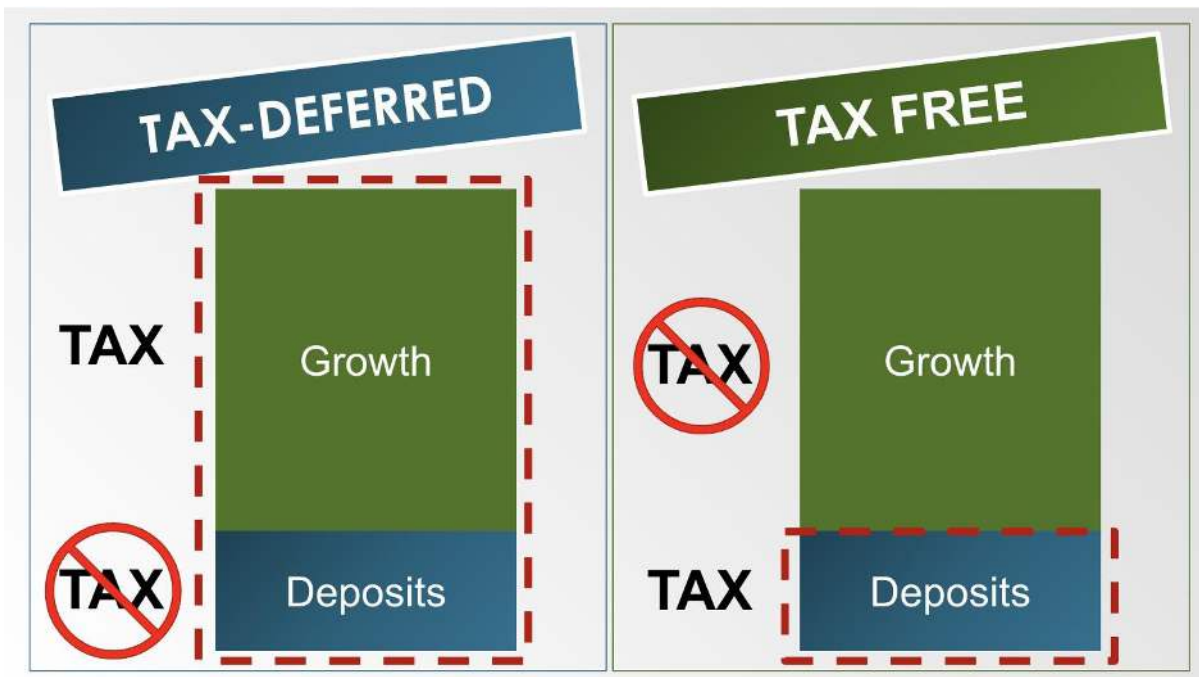
However, handling withdrawals from your TSP can influence any additional tax obligations. This is where strategic wealth insurance planning helps.

With a Traditional TSP, withdrawals are taxed as income that coincides with your military pension income, leading to higher tax liabilities. In contrast, Roth TSP distributions are generally tax-free but require careful planning to maximize benefits.

The key to managing these tax risks is understanding when and where to withdraw income from retirement savings.

You can use a private pension strategy in a tax-free Roth or a tax-deferred Traditional IRA. This offers the flexibility to choose the timing of income withdrawals based on prevailing tax rates.

This approach is beneficial when you have a guaranteed income stream from a private pension, like a Fixed Indexed Annuity, as it gives you more control over your annual taxable income.



Investment Advisor Risks and Simplified Strategies

Since leaving military service, I've been a licensed investment-advisory fiduciary, witnessing firsthand the labyrinth of investment advice and its inherent pitfalls.

Many firms, like my previous employer, depend significantly on external money managers. This leads to a multi-tiered system where each layer extracts its fees.

This setup complicates matters and diminishes the predictability of financial outcomes. This realization made it evident that the role of a portfolio manager often added more chaos than value to a retiree's financial planning.

Average Fees



The Simple & Low Fee Risks

This is where the Thrift Savings Plan (TSP) is often seen as an advantage, with its straightforward index fund approach and notably low costs.

This projects the appearance of safety and predictability when neither exists. Not to mention a lack of personalized advice and rigid account management protocols, including frustrating cooling-off periods that restrict prompt access to your funds.

Low cost doesn't always equate to the best value if it leaves you in a predicament without guidance.

Addressing Longevity Risk with a Balanced Approach

Retirement planning involves a unique paradox: the blessing of a long life entwined with the financial uncertainty of outliving one's savings. This issue is particularly acute for retirees with sizeable savings. Despite their wealth, they often live frugally, driven not by need but by the fear of exhausting their funds prematurely.

The question arises: how can one enjoy the fruits of a lifetime of saving without the looming anxiety of financial depletion?

The answer lies in the strategic use of Fixed-Indexed Annuities (FIAs) within private pension plans. Unlike traditional annuities, which are criticized for high fees and rigid structures, *the modern FIA has evolved.*

These innovative financial instruments offer a compelling blend of principle protection and flexible income streams.

What sets them apart is their ability to provide guaranteed income for life without forfeiting access to the principal amount. Retirees can confidently draw on their savings, knowing their principal remains intact and accessible for unexpected needs or legacy planning.

Furthermore, these FIAs are designed to cater to retirees' individual needs. With options for lump-sum withdrawals and death benefits that pass any

remaining principal to one's estate, they provide a safety net that traditional retirement savings vehicles cannot match.

This flexibility is valuable in today's dynamic economy, where retirees need both stability and adaptability in their financial plans.

In the next chapter, we will discuss the multifaceted benefits of FIAs as a versatile tool in your retirement planning arsenal. The new-age FIAs offer a path to a retirement that is as rewarding as it is secure, allowing you to embrace both the certainty and uncertainties of life.

Questions for Reflection:

- How will tax implications influence your withdrawal strategy from your TSP during retirement?
- How will you balance the desire to enjoy retirement savings with the need to ensure financial security throughout your retirement years?

Wealth Insurance - The FIA Advantage

A War Chest of Financial Stability

For military retirees aiming for or already earning over \$250,000 annually, a robust and reassuring concept emerges—wealth insurance.

Imagine your retirement savings as a war chest, a stronghold against today's economic unpredictability. Fixed-indexed annuities (FIAs) are the cornerstone of this war chest, offering an uncommon blend of security and growth.

This chapter introduces the concept of wealth insurance through FIAs, framing it as an essential strategy for those who have achieved financial success and now seek to fortify their future.

Benefits of the FIA in Your War Chest



The FIA - a Primer

At the heart of a well-structured wealth insurance plan lies the Fixed Indexed Annuity (FIA), a financial instrument that deserves a thorough understanding for its pivotal role in a high-income military retiree's portfolio.

The FIA is a hybrid savings tool ingeniously designed to offer the best of both worlds - the security of a fixed annuity and the potential for growth akin to a stock market investment.

A Military Retirement Game Changer

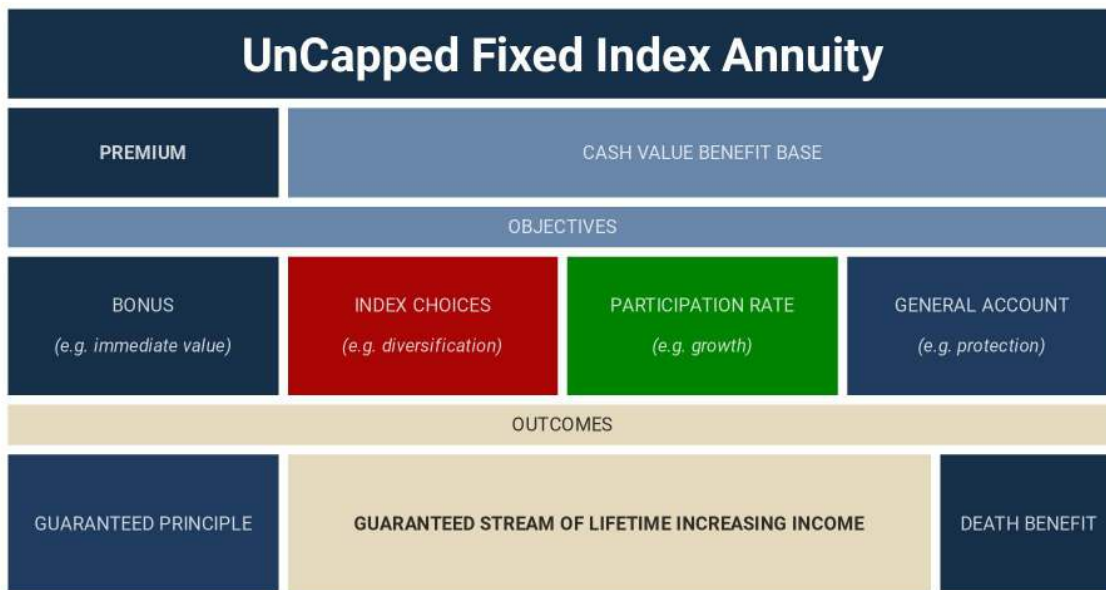
FIA's represent a pivotal shift in the approach to retirement planning; as you continue reading, you will begin to understand their fundamental components and how they differentiate from traditional retirement instruments.

At its core, an FIA is a type of annuity that combines the safety of a fixed annuity with the potential for growth linked to a stock market index. Unlike direct investments in the stock market, FIA's offer a safeguard – they are a contract with a major insurance carrier offering to guarantee the principal from market downturns.

This means that while you can earn returns based on the positive performance of a market index, your initial investment *and growth* remain shielded from the next crash.

Mechanics of Uncapped FIA's

This section informs you on the intricate workings of FIA's, shedding light on why they are becoming an increasingly popular choice for savvy military retirees pursuing a stable and prosperous retirement.



Growth Potential

An FIA is linked to a stock market index, such as the S&P 500, but it differs because it safeguards against market downturns. This is achieved through a ‘participation rate’ mechanism, which determines how much of the index’s gain is credited to your account.

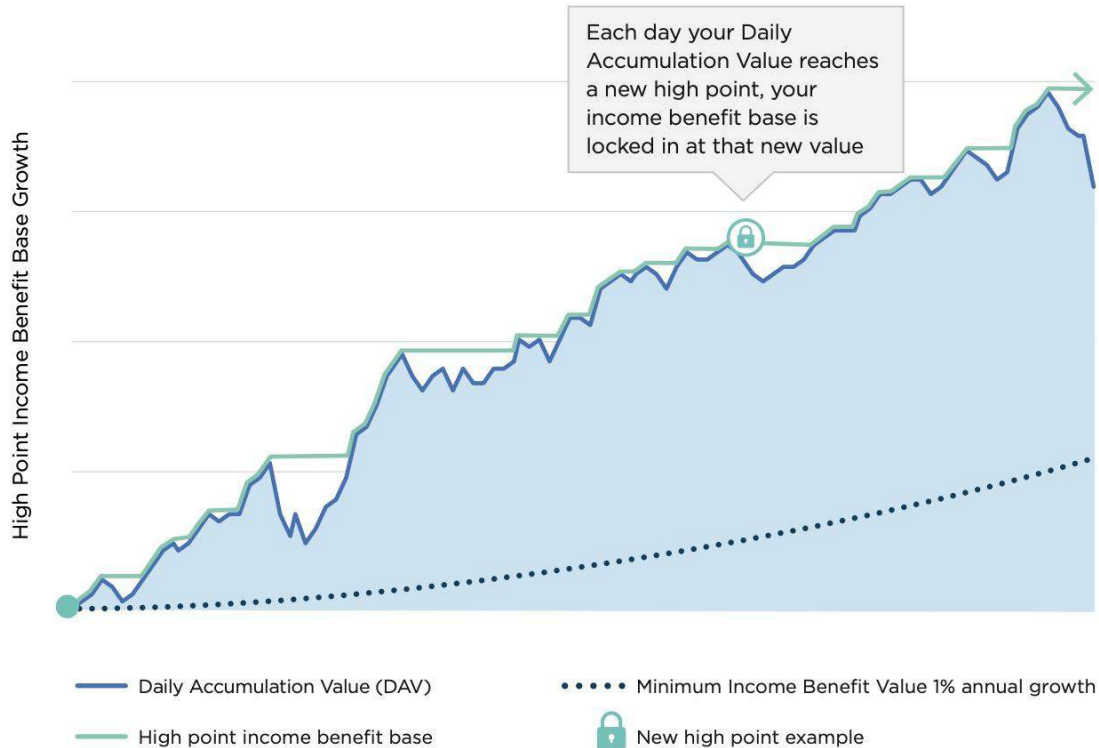
For instance, if the participation rate is 80% and the index increases by 10%, your account would grow by 8%. However, your principal remains intact even if the index dips by -30 %.

Principle Protection

FIA’s function relatively straightforward yet innovatively. As we discussed, your premium in an FIA earns interest based on the performance of a specific stock market index.

However, the exclusive aspect of FIA’s lies in their “floor” mechanism, which ensures that even if the linked index performs negatively, your principal is

Automatically lock in each new high point for future income growth



not at risk. This floor typically guarantees a 0% return rate, meaning you won't lose money due to market dips.

This dual benefit of FIAs offers a solution for those transitioning from a high-stakes military career to a retirement phase where preserving the accumulated wealth becomes as important as growing it.

Cost of Living

FIAs effectively counter inflation, unlike traditional fixed-income investments that often lag behind rising costs. Their ability to outpace inflation is critical to preserving your retirement funds' purchasing power.

Moreover, FIAs address the sequence of returns risk, which is especially crucial during early retirement when withdrawals are more frequent.

Simplifying Choices and Reducing Fees

This retirement savings life insurance product stands out for its straightforward, cost-effective options. Unlike the limited range of choices in typical TSP Lifecycle funds, FIAs offer a broader spectrum of managed index fund opportunities, often at low or even zero cost.

The flexibility of Fixed Indexed Annuities (FIAs) is a crucial benefit. Unlike other financial products burdened with complex fee structures and the need for financial planners, FIAs offer a straightforward and cost-effective approach.

Their simple design makes them ideal for those looking for an efficient way to manage retirement savings.

Chapter 5 presents a detailed case study of BG(R), a retiree with an unforeseen financial crisis—a real-life dilemma that many retirees face: early withdrawal from retirement funds during a market correction.

With a substantial TSP balance and the sudden onset of high property taxes and increased living expenses, his story is a compelling example of the challenges and decisions faced in such scenarios.

This chapter promises to be an eye-opener, providing practical insights into managing retirement funds amidst market unpredictability.

Questions for Reflection:

- Reflect on the role FIAs can play in your retirement portfolio. How do they compare to other retirement savings tools you are familiar with?
- How would an FIA's protection against market downturns change your approach to retirement savings and investments?

- Reflect on the importance of beating inflation in retirement. How do FIAs address this concern compared to traditional retirement investments?
- Specifically for high-income military retirees, how do FIAs address their individual financial needs and goals in retirement?

TSP Vs. FIA Results

“Past performance does not guarantee future results” is a well-known adage in the investment world. This principle holds when comparing the Thrift Savings Plan (TSP) and Fixed Indexed Annuities (FIA).

The distinction lies in the investments. Unless fully invested in the G-Fund, TSP also includes unlimited downside risk, potentially down to zero.

Market fluctuations always pose the question: Will it recover or dip further? This uncertainty leads to continuous speculation about market recovery and potential further dips.

This is where the “safe money” approach of wealth insurance, a cornerstone of US VetWealth’s War Chest strategy, comes into play.

Unlike the conventional investment approach that focuses on rates of return during market highs, our strategy considers what happens during market downturns with TSP compared to the stability offered by an FIA.

The FIA’s design inherently protects against value loss in negative market years. It allows the account to grow and pick up from where it left off when the market rebounds without recovering from losses.

The chart below is a screenshot of the L2040 Fund allocations and returns from the TSP website. From there, you can view the TSP Fund

performance and risk, the asset composition, and the fee structure.



As you can see, the L2040 fund is considered a moderate portfolio by conventional industry wisdom. Yet, it is still 70% exposed to the stock market and 10% to the bond market, which has had to deal with rapidly

rising interest rates. The remaining investment languishes in the G-Fund as the portfolio “protection.” So, only a little over a fifth of the account value is protected.

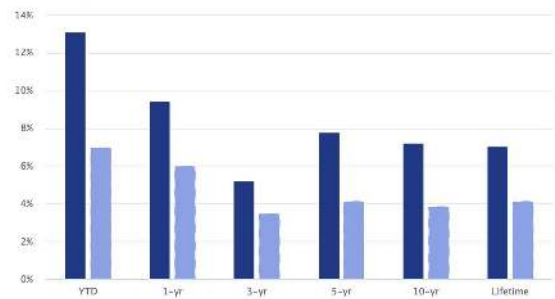
Regardless, the above chart from the TSP website shows that the L2040 fund's average returns have done well! A 7% average return is on par for this portfolio allocation.

The key word here is “average”. More on that in a bit.

First, let’s discuss how the FIA shares its average returns, referenced in an illustration for an uncapped fixed index annuity contract. Insurance carriers offer various hypotheticals of REAL contract values depending on performance, not averages.

The chart below shows the last 18 years of performance of the L2040 Fund, G-Fund, and S&P 500 compared to an FIA. In this example, we assume the FIA is 100% allocated in an index that tracks the S&P 500 but with an 85% participation rate.

Average rates of return (as of November 2023) ≡



	YTD	1 yr	3 yr	5 yr	10 yr	Lifetime
■ L 2040	13.10%	9.46%	5.24%	7.78%	7.23%	7.07%
■ L Income	6.99%	6.03%	3.51%	4.15%	3.87%	4.15%

TSP L2040 Fund

Average Returns

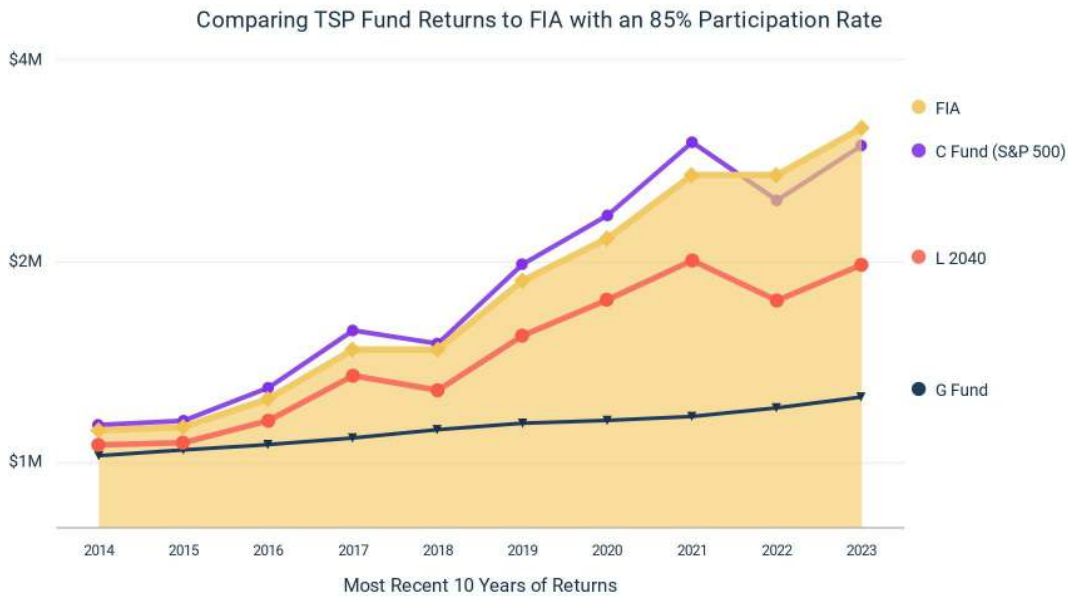
Year	L 2040	G Fund	C Fund	S&P 500	FIA (85% Participation)
2006	16.53%	4.93%	15.79%	15.79%	12.63%
2007	7.36%	4.87%	5.54%	5.49%	4.39%
2008	-31.53%	3.75%	-36.99%	-37%	0%
2009	25.19%	2.97%	26.68%	26.46%	21.17%
2010	13.89%	2.81%	15.06%	15.06%	12.05%
2011	-0.96%	2.45%	2.11%	2.11%	1.69%
2012	14.27%	1.47%	16.07%	16%	12.8%
2013	23.23%	1.89%	32.45%	32.39%	25.91%
2014	6.22%	2.31%	13.78%	13.69%	10.95%
2015	0.73%	2.04%	1.46%	1.38%	1.1%
2016	7.9%	1.82%	12.01%	11.96%	9.57%
2017	16.77%	2.33%	21.82%	21.83%	17.46%
2018	-4.89%	2.91%	-4.41%	-4.38%	0%
2019	20.69%	2.24%	31.45%	31.49%	25.19%
2020	13.16%	0.97%	18.31%	18.4%	14.72%
2021	14.51%	1.38%	28.68%	28.71%	22.97%
2022	-12.9%	2.98%	-18.13%	-18.11%	0%
2023	13.1%	3.82%	20.76%	20.8%	16.64%

The critical years to note that tell the whole story of the FIA are what happened in 2008, before the decade-long bull market, and before the economy started to struggle in 2018 and 2022.

	L2040	G-Fund	C-Fund	S&P 500	FIA (85% Participation Rate)
Annualized Average	7.96%	2.66%	11.25%	11.23%	11.62%

As you can see from the annualized averages, while contractually designed to perform less than the C-Fund & S&P 500 due to the participation rate, simply by not losing value in the negative years and having locked in the previous gains, the FIA doesn't need to rebound from losses. The Lock In feature allows the account to grow and pick up where it left off when the market rebounds.

Actual Returns



Now, as we extrapolate these annual returns on a graph for a \$1M value, we see that the FIA comes out not only slightly ahead but also without any of the declines of a typical account.

\$1M in an L2040 fund account would have dropped 12.9% in 2022... that's \$130K. Many retirees aren't comfortable with that. Section 2, Colonel Brown's case study, discusses this scenario more.

Where \$1000 Goes

How Your Investment Accesses Growth

Fees are often a focal point when evaluating investment options. It's a common belief that lower fees invariably lead to better net outcomes. However, the truth is more nuanced.

The real value of your investment lies in its net growth; sometimes, fees can be justified by superior net performance. However, discerning the actual cost-benefit ratio can be complex when fees are tied to market-dependent asset management.

Understanding Fees

Consider the case where an advisor charges a 1% fee. On a \$100K account, this translates to a \$1,000 fee.

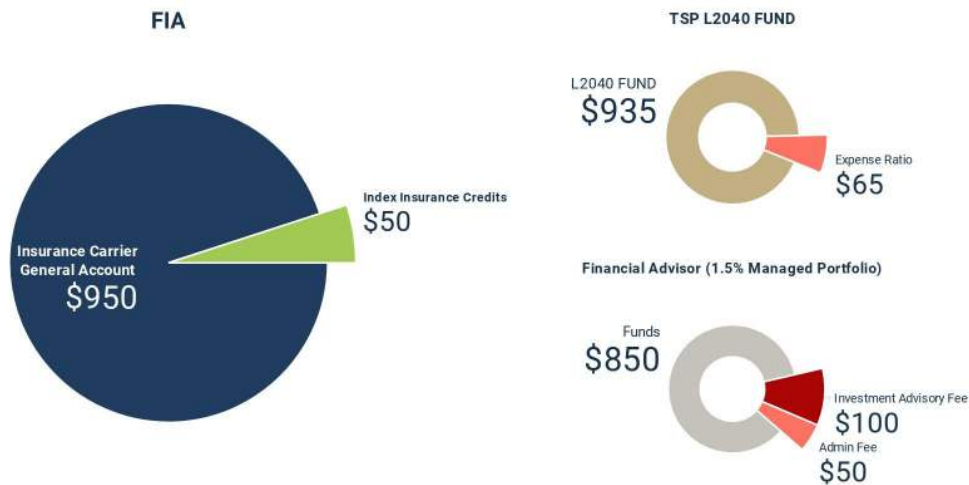
If the account grows to \$200K the following year due to additional funds or market performance, the fee doubles to \$2,000 despite no change in the advisor's service level. This industry-standard model can obscure the potential for alternative arrangements.

Unlike the traditional asset-under-management fee model, working with a specialist consultant like us doesn't entail upfront planning fees or ongoing management charges.

Instead, our compensation comes from the insurance carrier when we facilitate an annuity contract. Carriers have praised this model as it adds high-quality individuals to their insurance pool, creating a triple-win scenario.

Fixed Indexed Annuities (FIAs) offer a distinct approach. There are no ongoing contract costs; the agreement during the surrender period allows

Where \$1000 Goes



your assets to be managed and secured within the insurer's general account.

The insurer can earn enough profit from these long-term, investment-grade bonds to share gains with you without imposing additional fees.

However, FIAs involve a trade-off. When you invest in an FIA, the majority of your money—between 95-98%—is secured in the insurer's general account, which is pooled with hundreds of billions of dollars from other policyholders, earning safe long-term bonds earning an interest of 4-5%.

This is an insurance company's profitability center. They wouldn't offer you this deal if they weren't growing, and we want them to profit.

The remainder is allocated to purchasing index credits that serve as an insurance policy on the stock market's year-over-year value.

If the market rises, the FIA credits your policy with annual growth based on a predetermined participation rate, securing your gains annually. If the market drops, the index credit isn't utilized, providing the downside insurance.

The accompanying pie charts illustrate this principle. For every \$1,000 invested in an FIA, the vast majority is allocated to the insurance carrier's general account, while a small portion purchases index insurance credits.

This strategy contrasts sharply with traditional investment accounts, where fees can reduce the practical value of your investment.

The Retirement Spending Myth

The Tale of BG(R) Michaels

It's time to challenge the widely held fallacy that retirement naturally leads to lower expenses. I call this the *"Spend Less in Retirement Trap."*

This outdated notion overlooks key factors like inflation, which steadily diminishes the purchasing power of savings, and lifestyle changes that often accompany retirement. The cost of maintaining one's standard of living generally remains consistent, if not increases, when considering healthcare, leisure, and family support.

These rising costs can quickly unravel even the most meticulously crafted retirement plans. The story of Retired Brigadier General Michaels serves as a prime example.

Despite a successful career and a seemingly secure financial future, General Michaels encounters unexpected financial demands that his retirement plan was not structured to handle. His situation underscores the need for adaptable and comprehensive financial strategies beyond traditional retirement planning assumptions.

The High-Income Earner's Dilemma

As Brigadier General Retired Michaels steps into his 62nd year, he does so with the confidence of having accumulated \$2M in his TSP, reflecting his prudent financial planning and successful military career.

Unforeseen Financial Hurdles

His lifestyle, set against the backdrop of an affluent neighborhood, speaks volumes of his achievements. Yet, this seemingly secure financial landscape is shaken by unexpected challenges – a significant hike in

property taxes due to escalating property values in his area and the substantial costs of funding his children's college education.

These unforeseen financial burdens have abruptly confronted General Michaels with the reality that even a well-funded retirement can be vulnerable to sudden economic shifts.

The Paradox of Wealth: Asset Rich - Cash Poor

General Michaels' situation presents another financial Catch-22: his substantial wealth is *mainly inaccessible*—a classic example of wealth on paper contrasted with a reality of limited liquidity.

His assets are substantial yet predominantly tied up in non-liquid forms: \$2M in a traditional TSP and a home in Colorado Springs, originally purchased at a fraction of its current market value of \$3.5M. This home, a proud acquisition at a low interest rate a decade earlier, is now a testament to his financial success.

General Michaels is in a bind. His accessible funds are surprisingly low, hovering around \$125,000 in his bank accounts. The lavish wedding of his eldest daughter last year has drained his savings.

While he intended to replenish these funds gradually, the unpredictable financial climate now doubts this possibility.

During the 2008 financial crisis, General Michaels, then a Colonel, saw his investments sharply decline. He was compelled to use a substantial portion of his savings to rescue a failing rental property.

Despite this setback, his investments eventually rebounded.

This recovery and his strategic decision to invest in a high-value property paid off in the long term. However, they also contributed to his current situation, where his wealth is largely tied up in assets that are not readily accessible.

This scenario highlights the often-overlooked aspect of a post-service financial plan: *the need for liquid assets* to meet unexpected expenses and the balance between investing in growth and ensuring the availability of funds.

Income Needs and Market Timing

General Retired Michaels' property, nestled in the Black Forest area of the Springs, has a financial story as dynamic as his military career.

Purchased earlier in his career while teaching at the Air Force Academy and during the post-recession recovery period, the property's worth has steadily climbed from an estimated \$1.2 million in 2012 to a staggering \$3.4 million in 2022. (Source: – Colorado Springs Real Estate Data)

This growth mirrors the general market trends in the area, where the properties gradually increased in value as the area continued to boom due to the introduction of the US Space Force and Space Command.

While the home's soaring value is a testament to General Michaels' investment savvy, it has also brought significant increases in property taxes and maintenance costs, contributing to his current financial dilemma.

Now facing rising living costs and additional family expenses, General Michaels needs approximately \$100K per year in extra income. This need is exacerbated by the property tax on his high-value home, and the ongoing college fees for his children have escalated beyond his initial estimates.

The stock market's current state compounds his financial predicament. After a period of growth, the market faces a downturn. This development significantly complicates his decision to draw from his TSP to manage rising living expenses and family-related costs.

Withdrawing substantial amounts during a market

downturn reduces the principal and exacerbates the impact due to the sequence of returns risk.

The Tax Conundrum of Accessing TSP Funds

General Michaels' choice to use his TSP for extra income seemed reasonable but led to significant tax consequences. After age 59.5, his withdrawals are taxable, but they avoid penalties.

These added withdrawals increase his taxable income, pushing him into a higher tax bracket and unexpectedly raising his tax burden.

This scenario is a common oversight for many retirees. The need for cash flow inadvertently leads to a higher tax bill, eroding TSP savings faster.

Late Vs. Early Market Return Impact on Withdrawals

The graphic below delineates two scenarios using actual TSP C Fund returns over two decades—presented in chronological order and reverse.

This deliberate juxtaposition illuminates the critical impact of market correction timing, with the “Market Correction Late” scenario providing a compelling visualization of how the sequence of returns can shape the durability of General Michaels' retirement savings.

Our graphic compares two sequences: one in which market downturns occur early and another in which they happen later in the retirement cycle.

This illustration showcases the potential outcomes for a retiree withdrawing \$100K annually from a TSP account under contrasting market scenarios.

A \$2 Million TSP Balance at Stake

By using actual TSP C Fund returns from 2000 to 2020 and then applying these returns in reverse order, we delve into the profound impact of the sequence of returns risk on the ending balance during market corrections. Observe the identical average returns of 8.2% in both scenarios.

However, the timing of these returns, when juxtaposed—actual versus reverse order, reveals the stark difference in outcome. Early market corrections and consistent withdrawals can deplete retirement savings, even if subsequent years offer robust market recovery.

Market Correction Early			Age	Market Correction Late		
Year End Value	Actual TSP C Fund Returns ('00 -> '20)	Annual Withdraw		Year End Value	Reverse TSP C-Fund Returns ('20 -> '00)	Annual Withdraw
\$2,000,000	▼ -9.1%	-100,000	62	\$2,000,000	▲ 18.3%	-100,000
\$1,726,340	▼ -11.9%	-103,000	63	\$2,497,550	▲ 31.5%	-103,000
\$1,429,513	▼ -22.1%	-106,090	64	\$2,288,950	▼ -4.4%	-106,090
\$1,031,608	28.5%	-109,273	65	\$2,659,160	21.8%	-109,273
\$1,165,570	10.8%	-112,551	66	\$2,856,129	12%	-112,551
\$1,189,120	5%	-115,927	67	\$2,783,635	1.5%	-115,927
\$1,126,423	15.8%	-119,405	68	\$3,035,317	13.8%	-119,405
\$1,166,026	5.5%	-122,987	69	\$3,862,126	32.5%	-122,987
\$1,100,823	-37%	-126,677	70	\$4,340,018	16.1%	-126,677
\$613,809	26.7%	-130,477	71	\$4,302,242	2.1%	-130,477
\$612,285	15.1%	-134,392	72	\$4,800,033	15.1%	-134,392
\$549,864	2.1%	-138,423	73	\$5,910,434	26.7%	-138,423
\$420,122	16.1%	-142,576	74	\$3,636,944	-37%	-142,576
\$322,148	32.5%	-146,853	75	\$3,687,956	5.5%	-146,853
\$0	33.8%	\$0	76	\$4,100,242	15.8%	-151,259
\$0	1.5%	\$0	77	\$4,144,853	5%	-155,797
\$0	12%	\$0	78	\$4,420,672	10.8%	-160,471
\$0	21.8%	\$0	79	\$5,476,063	28.5%	-165,285
\$0	▼ -4.4%	\$0	80	\$4,139,752	▼ -22.1%	-170,243
\$0	▲ 31.5%	\$0	81	\$3,495,549	▼ -11.9%	-175,351
\$0	▲ 18.3%	\$0	82	\$3,016,732	▼ -9.1%	-180,611
Average Return 8.2%			⊘	Average Return 8.2%		
Total Income -\$1,708,632				Total Income -\$2,867,649		
Balance Remaining \$0				Balance Remaining \$3,016,732		

Figure 5.1: Sequence of Returns Risk Scenario

Disclaimer: While the graphic is a powerful tool to visualize the potential impact of market volatility, it is important to remember that these are hypothetical illustrations. They are not predictive but highlight possible outcomes based on past TSP C Fund performance.

For Brigadier General (Retired) Michaels, the sequence of returns risk we discussed in Chapter 3 is a tangible factor that could dictate the success or failure of his retirement strategy.

This underscores how the chronological order of investment returns can critically impact the depletion or preservation of a retiree's savings. In scenarios like that of BG(R) Michaels, withdrawing \$100,000 during early market decline rapidly erodes the principal, curtailing the benefits of later positive returns.

The Myth of Average Return

While a helpful measure, the average return can be deceiving when considered in isolation, as demonstrated by Brigadier General (Retired) Michaels' retirement scenario. Despite both market scenarios yielding an identical average return of 8.2%, the outcomes couldn't be more divergent.

An average return does not account for the adverse compounding effects early in the withdrawal phase.

The sequence of returns—a key element often overshadowed by the average—holds significant sway over the sustainability of a retiree's fund. In the case of BG(R) Michaels, the same average return leads to a complete depletion of funds in one scenario while preserving a healthy balance in the other.

This dichotomy lies at the heart of retirement planning, illustrating that it's not the returns. Still, when those returns happen relative to withdrawals, that shapes one's financial future trajectory.

Comparing the Outcomes

Conversely, when the market correction happens later, as depicted in the 'Market Correction Late' scenario, the initial years of positive returns create a buffer that protects the portfolio from later volatility.

Even as the market dips in the later years, the reduced balance means that the same loss rate has a less drastic effect on the overall fund. This leaves General Michaels with a remaining positive balance, demonstrating that a well-timed sequence of returns can be as impactful as the returns themselves.

This insight is invaluable for BG(R) Michaels and many like him. It underscores the need for strategic planning and potential reallocation to vehicles like FIAs, a wealth insurance tool that can help mitigate such risks by providing more predictable, non-market correlated returns.

Additionally, there are dual benefits of principal protection and structured withdrawals that align with an individual's financial needs over time.

As we approach the next chapter, we'll examine an illustrative FIA example, providing a clearer understanding of how FIAs function in practice and why they could be the cornerstone of a resilient retirement strategy.

Questions for Reflection:

- Reflect on how spending less in retirement might be a misconception. How do inflation and lifestyle changes challenge this notion?
- How can you balance having substantial assets with ensuring sufficient liquidity in retirement?
- Considering the current economic climate, how would you plan your retirement withdrawals to minimize the impact of market volatility?
- How might withdrawing from your TSP or similar accounts impact your tax situation? What strategies could you use to minimize this tax burden?

From TSP To FIA

Making the Transition to Income Independence

For military retirees accustomed to the structured savings of the Thrift Savings Plan (TSP), the move to a Fixed Indexed Annuity (FIA) marks a deliberate pivot toward a retirement strategy that offers both control and potential for enhanced returns.

The TSP has been a steadfast savings vehicle, but its growth potential is tied to market fluctuations.

An FIA, by design, introduces a systematic growth mechanism, engaging in market increases with the added assurance that your core investment remains shielded from loss.

Retirement Transition Considerations

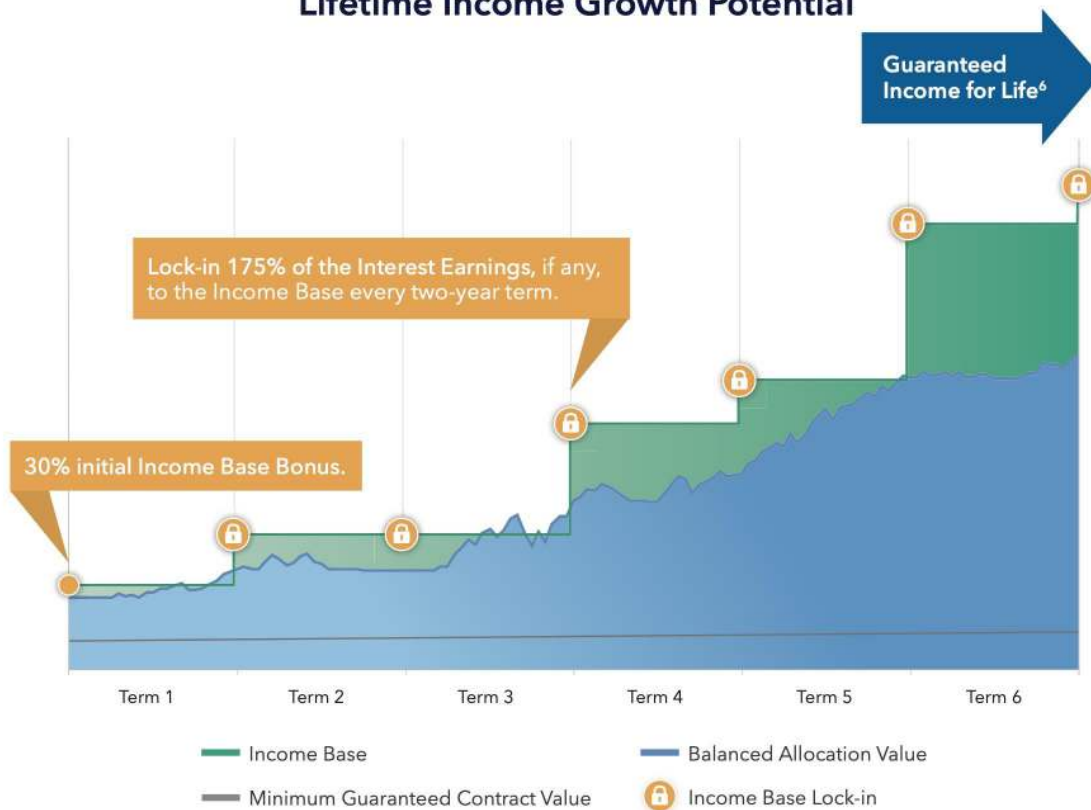
Timing and strategy are critical when shifting from TSP to FIA. Rush decisions at retirement's brink can lead to missed opportunities or unexpected complications.

The transition calls for a comprehensive review of your current financial standing and how an FIA aligns with your future aspirations. Key considerations should include evaluating risk tolerance, income projections, and the tax ramifications of reallocating your funds.

Visualizing FIA Features

The Fixed Indexed Annuity provides a level of predictability rarely found in conventional retirement accounts. An FIA's architecture is primed to counteract stock market instability.

Lifetime Income Growth Potential



Disclaimer: Product features are dependent on the product and current economic conditions.

Key Features of FIAs:

- **Growth with Protection:** Investments in FIAs enjoy the upside of market gains without risking principal in market downturns.
- **Bonus Incentives:** Select FIAs offer bonus additions, instantly boosting your income benefit base amount.
- **Gain Lock-In:** Profits are secured regularly, protecting them from future market declines.

Benefits for Military Retirees:

- **Pension Supplementation:** FIAs can augment military pensions, diversifying and reinforcing your monetary foundation.
- **Escalating Income Potential:** Certain FIAs are structured to supply an income that can increase over time, offsetting inflation and the rising cost of living.
- **Risk Management:** These financial instruments are designed to mitigate previously discussed risks, including sequence of returns risk and inflationary pressures.

The peace of mind underscores this proactive shift from mere savings accumulation to active growth so that your retirement funds are secure and poised for potential growth.

Uncapped Growth

They understand that FIAs' function requires delving into their unique growth mechanics. Index credits and participation rates are at the core of growth potential.

This index credit mechanism ensures that FIAs are shielded from losses while participating in market gains.

Index Credits and Participation Rates

As a reminder from Chapter 4, index crediting in FIAs is typically assessed annually, based on the performance of a linked index, such as the S&P 500. If the index shows positive growth, the FIA is credited based on its participation rate.



The Importance of Uncapped Indexes

Uncapped FIAs take this concept further by not limiting the upper growth potential. Without a cap, if the market experiences significant growth, the account can realize substantial gains.

This feature is advantageous during years of robust market performance.

Hypothetical: Uncapped FIA vs. TSP during the Financial Crisis

Consider two retirees, each with a \$500,000 balance in 2007—one in a TSP C-Fund and the other in an uncapped FIA with an 85% participation rate in the S&P 500 index.

Over three years (2007-2009), the market experienced significant fluctuations:

- In 2007, the S&P 500 grew by 5.5%. The TSP C-Fund, mirroring this growth, increased to \$527,500. Meanwhile, with an 85% participation rate, the FIA grew by 4.7% (85% of 5.5%), increasing the balance to \$523,375.
- 2008 was a tumultuous year, with the market plunging by 37%. The TSP C-Fund balance would have dropped to \$332,125. The FIA, shielded from the downturn, retained its previous year's balance of \$523,375.
- In 2009, the market rebounded with a 26% upswing. The TSP C-Fund partially recovered to \$418,277. The FIA, benefiting fully from the uncapped growth, increased by 22.1% (85% of 26%), boosting the balance to \$638,816.

This scenario vividly demonstrates how the mechanics of an uncapped FIA can protect and potentially increase retirement savings, even during volatile market periods like the financial crisis.

Customization: Tailoring FIAs to Individual Needs

FIAs offer retirees a highly customizable financial tool that can be adapted to individual retirement goals and needs. This adaptability is crucial for crafting an FIA that fits one's financial plan, risk appetite, and income needs.

The key to this process is choosing growth indices, selecting higher participation rates, and considering contracts with bonus options, ensuring that the FIA is a tailored fit for one's financial strategy.

Executing the Rollover: TSP Protocols

[\(See Appendix A\)](#)

The withdrawal procedure of the Thrift Savings Plan (TSP) is a critical step in transitioning to a Fixed Indexed Annuity (FIA) via an Individual Retirement Account (IRA).

The TSP, known for its stringent protocols, necessitates a meticulous approach when accessing funds.

Whether opting for a Roth or Traditional IRA rollover, understanding the TSP's requirements is essential. Now broadly online, the process can be complex, but with the proper guidance – such as our detailed explanatory video – it becomes more navigable.

IMPORTANT: Retirees should be prepared for the “cooling“-off” period” mandated by the TSP. This waiting phase, which can range from 7 to 30 days, depends on the recency of account changes.

Additionally, 10 to 14 business days are typically expected before the funds are transferred to the new IRA once the rollover is initiated. This period helps ensure all regulatory and procedural boxes are checked, paving the way for a smooth transition to the new retirement plan.

Preparing for an FIA-Inclusive Retirement: Strategic Financial Planning

Incorporating this tool into your retirement plan isn't just a new investment product; it's reshaping your financial future with a tool that offers security and growth. Strategic planning comes into play as you prepare for an FIA-inclusive retirement.

This means understanding how FIAs fit within your overall retirement goals and seeking the guidance of wealth insurance consultants who can help tailor your FIA to your financial circumstances.

In the next part of the book, we'll revisit COL Brown, who was introduced in Chapter 1, examining how his insights into TSP can be amplified through an FIA. His experience will be a practical example of how a carefully planned FIA can revolutionize retirement planning.

Questions for Reflection:

- Reflect on the timing and strategy considerations for transitioning from TSP to FIA. How do you evaluate these factors in your retirement planning?
- Reflect on the customization options available with FIAs. How would you tailor an FIA to meet your retirement goals and risk tolerance?
- What are the essential procedural steps and considerations you need to be aware of when rolling over TSP funds into an IRA for an FIA?
- How does incorporating an FIA into your retirement plan change your financial strategy and planning?

Section 2: Client Case Study

The Math Behind the TSP to FIA Rollover

Colonel Brown's "Move Retirement Left" Strategy

A \$790K TSP to FIA Rollover Illustration

Part I: The Pivotal Decision

Colonel Brown's TSP Concerns

Colonel Brown, now leading a new Veteran's Foundation, called me frustrated. It had been a while since we talked, and I half-expected him to request my company's sponsorship for an event – an opportunity my wife and I always appreciate.

But today, he had something entirely different on his mind.

Colonel Brown, whom I previously guided through the complexities of the Survivor Benefit Plan (SBP) alternatives, faced a new financial challenge. Having a 20-year history with a financial advisor who steered his assets through various challenges, he now confronted a crucial decision regarding his Thrift Savings Plan (TSP).

Settling into his life post-uniform, with a newfound career and more flexibility, he hadn't yet made a decisive move with his advisor regarding managing his TSP. But now, the recent economic tumult had caused his TSP value to fluctuate more than he was comfortable with, and this volatility had spurred him to rethink his entire financial strategy.

As Colonel Brown scanned his bookshelf, his eyes landed on a copy of "The Veteran Retirement Rescue," a book I had written a few years back. It was penned as a cautionary tale for veterans, warning of an impending economic crisis and offering guidance on dealing with it.

Seeing the book made him realize it was time to act.

So, he was on the phone with me, asking, "Hey Scott, is there anything we can do about this?"

I responded with the very strategies outlined in this book, explaining how they could be tailored to his situation. We later extensively discussed our

ideas with his financial advisor, dissecting every aspect of the TSP to FIA rollover.

To my surprise and Colonel Brown's relief, his advisor and I concluded that the Fixed Indexed Annuity (FIA) was the perfect tool for him. It aligned seamlessly with his objective of achieving income independence sooner, consequently 'moving his retirement to the left.'

Colonel Brown's journey marked a significant turn, reshaping his financial future and lighting a way for many veterans facing similar choices. Reflecting on that crucial conversation, it was more than mere advice-seeking; it was the start of a revolutionary military retirement planning strategy.

Part II: Pre-Rollover Financial Landscape

From Accumulation to Utilization

Colonel Brown had already sailed past the millionaire net worth mark years ago, a milestone that would be the pinnacle of financial success for many. Yet, for him, it was a realization that amassing wealth wasn't the endgame.

The real question he faced was not about how much more he could accumulate but rather how he could best utilize what he had already built.

It was a shift from a pursuit of wealth to a strategy of wealth utilization.

In this stage of his life, Colonel Brown wasn't only sitting on a significant TSP balance; It was deeply interwoven with his life experiences and personal milestones. He had built and was now enjoying his dream home, a sanctuary he shared with his wife as the kids headed to college.

However, owning his dream home wasn't the end of his financial journey; it was a springboard to the next phase - optimizing his accumulated wealth for a fulfilling retirement.

Interestingly, his income levels in his post-military career exceeded his expectations. This pleasant surprise led him to another important realization: he could retire earlier than planned.

The prospect of early retirement brought a new set of considerations to the forefront of his financial planning. It wasn't about growth anymore *but strategic distribution and preservation of his wealth.*

Colonel Brown's advisor did not specialize in insurance products when managing his investment portfolio. Though he possesses an insurance

license, his expertise lies elsewhere. Similarly, despite having had an investment advisory license, I don't claim to be an expert investment advisor.

This specialization is common yet underutilized in the financial industry, where professionals often focus on specific areas while maintaining a broad understanding of related fields.

This scenario was quite reflective of my approach. In my practice, I focus on the aspects of wealth insurance where I can provide the most value while understanding the importance and role of other financial tools and professionals.

This holistic but specialized approach to financial planning is more advantageous for clients like Colonel Brown, who require nuanced and tailored strategies to optimize their financial portfolios. It's about finding the right balance and tools for each individual's retirement goals.

In Colonel Brown's case, his journey towards reevaluating his retirement strategy was not about numbers on a balance sheet; it was about realizing the potential of his assets and planning how to leverage them for a fulfilling and secure retirement.

Part III: Decision-Making Process

TSP Rollover Decision Tree

Colonel Brown's journey to the decision to roll over his TSP into an FIA was not linear. Instead, a series of reflective questions guided him through a simple decision-making process.



He asked himself many outcome-focused questions, clarifying the common pitfalls of fixating on fees or performance metrics. They were designed to align with his long-term goals and the true purpose of his TSP funds.

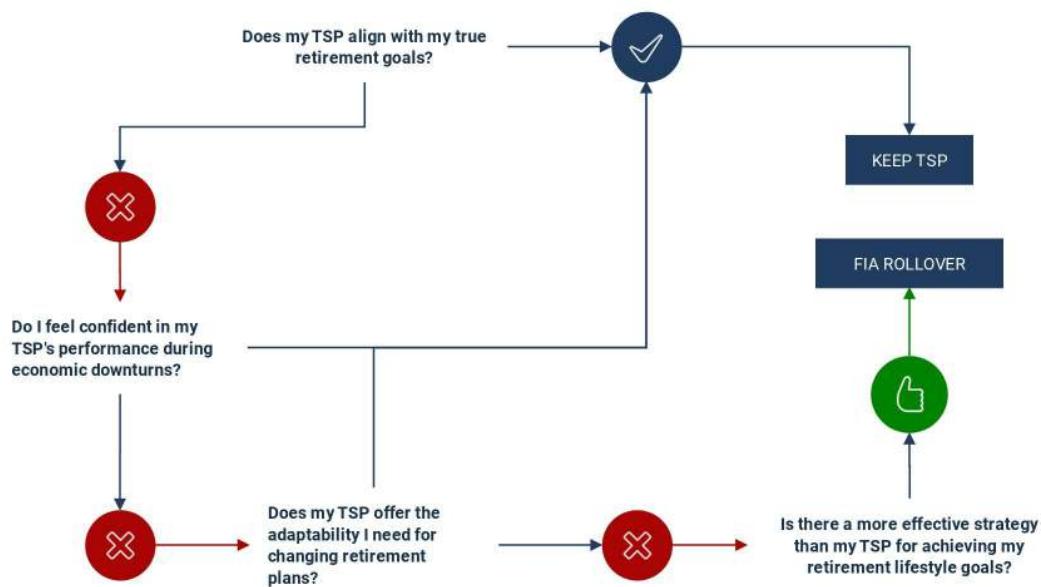
1. TSP's Ability for Stable Income Stream: Brown started by questioning the TSP's capability to provide a stable income during early retirement. Uncertain of its adequacy, he realized the need to explore how different retirement strategies might better serve a steady income flow.

2. Confidence in TSP During Economic Downturns: The recent economic instability undermined his confidence in the TSP's resilience, driving him to consider alternatives that could offer more robust protection against market downturns.

3. TSP's Adaptability for Changing Plans: He also contemplated whether the TSP offered the necessary adaptability for his evolving retirement

plans. He recognized that the TSP lacked the dynamism and looked towards more adaptable retirement planning tools.

4. Exploring More Effective Retirement Strategies: Brown deliberated on whether a strategy was more effective than the TSP for achieving his retirement lifestyle goals. Believing in the existence of a better-suited strategy, he began researching and consulting about strategies like FIAs, which seemed more aligned with his lifestyle aspirations.



As he went through these questions, Colonel Brown found clarity.

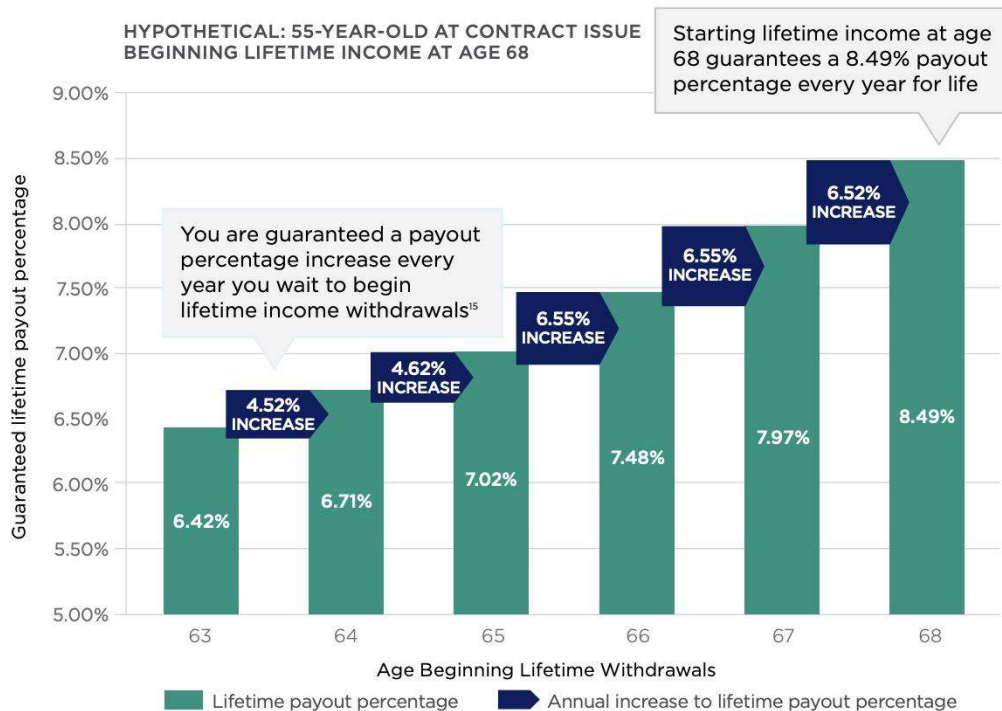
This process helped him articulate his true financial objectives, which were not just about wealth accumulation but also about ensuring a meaningful and comfortable retirement life for himself and his family.

His answers pointed toward a strategy that was less about chasing higher returns and more about providing a stable, secure, and flexible financial future.

Question for the reader to consider:

- Does my TSP align with my actual retirement goals?
- Am I comfortable with the current level of risk in my TSP, given the market volatility?
- Do I have sufficient control and flexibility over my TSP investments to adjust as my retirement needs evolve?
- Is the TSP the most efficient tool for my retirement aspirations, such as income independence?

The power of increasing lifetime payout percentages



Part IV: Col Brown's FIA Contract

A Closer Look

Colonel Brown's journey to financial reassurance culminated in his decision to transition from a Thrift Savings Plan to a Fixed Indexed Annuity (FIA). His particular needs and financial philosophy guided this choice, shaping a contract that resonated with his retirement vision.

It's essential to recognize that while certain features of Col. Brown's contract were instrumental to him, other retirees might find different aspects of an FIA more aligned with their objectives.

1. Premium Amount and Tax Qualification Status

Col Brown's FIA contract was funded with a \$790K premium, derived solely from his Traditional TSP funds. The simplicity of a one-time premium appealed to him, offering a consolidated and hassle-free approach to his retirement planning.

This singular action secured a significant portion of his retirement assets, eliminating the need for ongoing management typically associated with diversified investments like low-cost index funds.

2. Contract Bonus

The bonus feature of Col Brown's FIA was desirable, as it offered an immediate uplift to his investment. This was beneficial, considering the recent dip in his TSP account value.

The contract bonus compensated for the shortfall, enhancing the value of his rollover amount and thus providing a reassuring jumpstart to his lifetime guaranteed income benefit base.

Uncapped Fixed Index Annuity Contract

Hypothetical Illustration
Assumed Issue Date: September 06, 2023

A single premium fixed indexed deferred annuity

Owner/Annuitant:	Colonel Brown	Issue State:	California
Age/Gender:	48/Male	Tax Qualification:	Qualified
		Premium Amount:	\$790,000

The inputs selected in this hypothetical illustration are listed below. All rates shown below are current as of the Assumed Issue Date of this illustration and are subject to change.

Illustration Explanation

Product Details

Strategy Option	Allocation Percentage	Current Rate	Minimum Guaranteed Rate	Current Participation Rate	Minimum Guaranteed Participation Rate	Current Annual Spread	Maximum Guaranteed Annual Spread
2-Yr Point-to-Point (AIPEX)	5%	N/A	N/A	155%	10%	0.00%	0.00%
2-Yr Point-to-Point (BNPIMAD5)	15%	N/A	N/A	200%	10%	0.00%	0.00%
2-Yr Point-to-Point (BOFANFCC)	10%	N/A	N/A	125%	10%	0.00%	0.00%
2-Yr Point-to-Point (UBSIBAL)	15%	N/A	N/A	135%	10%	0.00%	0.00%
2-Yr Point-to-Point (SPX)	5%	12.50% cap	0.50% cap	100%	100%	0.00%	0.00%
1-Yr Point-to-Point (BNPIMAD5)	10%	N/A	N/A	145%	10%	0.00%	0.00%
1-Yr Point-to-Point (BOFANFCC)	10%	N/A	N/A	82%	10%	0.00%	0.00%
1-Yr Point-to-Point (UBSIBAL)	10%	N/A	N/A	100%	10%	0.00%	0.00%
1-Yr Point-to-Point (SPX)	10%	6.00% cap*	0.50% cap	100%	100%	0.00%	0.00%
Fixed	10%	3.00%	0.25%	N/A	N/A	N/A	N/A

Additional Benefits:

* Income and Death Benefit Rider
 † Benefit Base Bonus: \$284,400
 Interest Credit Applied Percentage: 175%
 Earnings-Indexed Income Credit Percentage: 100%
 Lifetime Income Withdrawal type: Single
 Annuitant's age at first Lifetime Income Withdrawal: 60
 Lifetime Income Withdrawal amount: \$146,451 (Annual)

3. Variety of Index Options

Having actively participated in his financial decisions, Col Brown appreciated the variety of index options in the FIA contract. This feature allowed him to tailor his investment strategy to his liking and make adjustments over time.

The flexibility to choose and change index options catered perfectly to his proactive and involved financial management style.

4. Lifetime Income Guarantee

The lifetime income guarantee feature was the cornerstone of Col. Brown's decision to opt for an FIA. This aspect of the contract promised a steady, increasing income stream mirroring the combined value of his VA disability payments and O-6 pension.

It offered a way to double his guaranteed retirement income without additional savings, aligning with his financial objectives.

Interest Crediting Strategies

The contract offers multiple interest crediting Strategies. Premium will be allocated to the Strategies based on the Allocation Percentages shown on page 3. The following is a brief overview of the Strategy options.

Fixed Strategy - Premium that is allocated to the Fixed Strategy will be credited with a fixed interest rate that is declared by the Company and guaranteed for one year. This interest rate can change each Contract Year and is guaranteed to never be less than the minimum guaranteed rate shown on page 3. Interest is credited daily based on the declared annual interest crediting rate.

Indexed Strategies - Premium allocated to the Index Strategies will receive interest that is calculated in reference to the upward movement of an external market index, subject to limitations such as a Cap Rate, Annual Spread, and/or Participation Rate. You are not purchasing stock or directly investing in the stock market. The Interest Credits for each Indexed Strategy will be determined in accordance with the terms of the Endorsement for each Strategy and are guaranteed to never be less than zero. The following crediting Strategies are subject to availability as of the Assumed Issue Date of the Contract.

Point-to-Point Index Strategy - This Strategy credits interest, if any, to your annuity once per Term based on the percentage change in the index each Index Term Period subject to any applicable Annual Spread, Cap Rate and/or Participation Rate. The percentage change will be calculated using two dates - the beginning Contract anniversary date and the Contract anniversary date one Term later.

For more information regarding the calculations of the interest crediting Strategies refer to the Certificate of Disclosure.

Bailout Feature - Flexibility and Protection

Feel confident about your money with the flexibility to use the bailout feature for full access to your Accumulated Value - free of any charges.

Each year, a new Cap Rate is set based on a variety of factors, including changes in market conditions. If the declared Cap Rate ever falls below the Bailout Cap Rate, you have up to 30 days after the Contract Anniversary to withdraw any amount up to your Accumulated Value regardless of what indexed strategy you chose.

Your withdrawal is protected from any charges, such as Withdrawal Charges or Market Value Adjustment (MVA), when you use the bailout feature. After the 30-day Bailout Window, all charges may apply.¹

Please see the Certificate of Disclosure for more information on these features.

Free Withdrawals

A Free Withdrawal is a withdrawal not subject to Withdrawal Charges or Market Value Adjustment. The Free Withdrawal amount will be equal to the greater of 10.00% of Premium or 10.00% of the Accumulated Value as of the Contract Anniversary on the first day of that Contract Year. For qualified contracts, required minimum distribution (RMD) withdrawals are available in all Contract Years and are not subject to Withdrawal Charges or Market Value Adjustment. Additionally, Lifetime Income Withdrawals are not subject to Withdrawal Charges or Market Value Adjustment.

Income and Death Benefit Rider

An Income and Death Benefit Rider is included automatically at no additional charge with the contract annuity.

When you purchase your annuity, a Benefit Base is set up for your rider. The initial value of the Benefit Base is equal to the premium used to purchase your annuity, plus a

Withdrawal Charges

Contract Year	1	2	3	4	5	6	7	8	9	10
Withdrawal Charge	9.0%	8.0%	6.9%	5.8%	4.7%	3.6%	2.4%	1.3%	0.1%	0.0%

5. 10-Year Surrender Period

Initially, the 10-year surrender period of the annuity might seem restrictive, but for Col Brown, it was a fair trade-off. Understanding that this period aids the insurance company in balancing the books to offer substantial guarantees, he saw it as a reasonable commitment.

Considering he was still a dozen years from the standard penalty-free withdrawal age, this timeframe fit neatly into his retirement timeline.

6. Death Benefit and Annuitization

Another facet that Col. Brown valued was the death benefit and the lack of a mandatory annuitization requirement. He found comfort in knowing that in the event of his early passing, the remaining balance would be paid out as

a death benefit to his chosen beneficiary, ensuring his family's financial security.

This flexibility meant that his investment would benefit his loved ones, regardless of how long he lived.

Conclusion: Transitioning to the Results

Each element of Col. Brown's FIA contract was carefully chosen to align with his retirement goals and financial preferences. His story is a testament to the tailored nature of FIAs and their potential to transform a retirement strategy.

As we move into the next part, we'll delve into the tangible results of this well-orchestrated plan, revealing its impact on Col Brown's financial future.

Discussion Points for the Reader:

- How does the concept of a one-time premium and its simplicity resonate with your retirement planning?
- Are you inclined to actively manage your retirement funds, similar to Col. Brown's preference for selecting index options?
- How important is the concept of a guaranteed income stream in your retirement plan?
- Would a 10-year surrender period align with your financial timeline and retirement goals?

Part V: Real-World Impact – Col Brown's Results

Unveiling the Realities of an FIA Contract

This chapter examines Colonel Brown's actual Fixed Indexed Annuity (FIA) contract in-depth, offering insight into the key features that align with his retirement objectives.

Colonel Brown reflects on the impact of this financial decision. "As a retired Colonel," he stated, "I had to reassess my financial strategy upon entering the corporate sector. Understanding the distinctive opportunities as a military retiree was crucial.

The benefit of affordable healthcare through TRICARE allowed me to consider an earlier retirement, shifting my focus to family, hobbies, and enjoying the rewards of my military career."

The following sections will dissect his FIA contract, showing how each component aligns with his vision for an earlier and financially secure retirement.

Accompanying graphics will guide readers through the contract's critical components, highlighting their role in ensuring fiscal stability and meeting retirement goals. While specific company and product names are withheld, the principles and mechanisms discussed apply to various FIA contracts.

Our analysis is centered on clarifying the complexities embedded in the FIA contract.

Withdrawal Strategy of Col Brown's FIA Contract

Col Brown's FIA contract features a withdrawal strategy that is valuable to his new private pension.

A. RMDs – Redundancy in Col Brown’s Context

Required Minimum Distributions (RMDs) are typically essential in retirement plans. However, for Col Brown, RMDs are not a significant concern. His strategic planning and the nature of his FIA contract render these distributions unnecessary, as his financial goals are met without the need for these compulsory withdrawals.

B. Lifetime Income Withdrawals – Ensuring Financial Security

The core of Col Brown’s contract is the lifetime income withdrawal feature. Beginning at age 60, he is set to receive a guaranteed annual income of \$103,000. Based on a 7% assumed interest rate, this income is designed to increase over time, consistently meeting his financial needs throughout retirement.

C. Cumulative Withdraw – a Testament to Investment Success

The cumulative withdrawal column in his contract highlights the effectiveness of Col Brown’s investment. By age 67, he will have received \$882K in benefits, surpassing his original investment of \$790K.

This milestone signifies a return on investment and maintains an increasing yearly income, solidifying the FIA contract as a critical component of his retirement plan.

End of Year Non-Guaranteed Annuity Contract Values – Analyzing Col Brown’s FIA Contract

“Non-guaranteed” values in Fixed Indexed Annuities are hypothetical projections based on assumed interest rates. These projections, influenced by index selection, offer potential contract performance estimates. A full FIA illustration also presents guaranteed values to view possible outcomes comprehensively.

D. Cash Surrender Value – Accessible Wealth at 67

Col Brown’s FIA contract projects a cash surrender value of approximately \$1.5 million at age 67. This amount, accessible after income withdrawals,

Here's a view of Non-Guaranteed Annuity Contract Values **Custom Illustrated Rate: 7.00%**

Values generated use the Custom Illustrated Rate

This hypothetical illustration is based on the allocation percentages and rates that are current as of the Assumed Issue Date of this illustration. This hypothetical illustration is based on a Premium Amount of \$790,000. See page 6 for guaranteed values.

Year Ending	Beginning of Year Age	End of Year Age	Withdrawals			End of Year Non-Guaranteed Annuity Contract Values			
			RMD Withdrawals ¹	Lifetime Income Withdrawals	Cumulative Withdrawals	Benefit Base ²	Accumulated Value	Cash Surrender Value ³	Death Benefit ⁴
09/2024	48	49	\$0	\$0	\$0	\$1,117,258	\$814,490	\$748,296	\$814,490
09/2025	49	50	\$0	\$0	\$0	\$1,263,111	\$897,835	\$832,524	\$897,835
09/2026	50	51	\$0	\$0	\$0	\$1,311,830	\$925,675	\$867,998	\$925,675
09/2027	51	52	\$0	\$0	\$0	\$1,478,460	\$1,020,891	\$967,048	\$1,020,891
09/2028	52	53	\$0	\$0	\$0	\$1,533,868	\$1,052,553	\$1,007,882	\$1,052,553
09/2029	53	54	\$0	\$0	\$0	\$1,724,261	\$1,161,349	\$1,123,330	\$1,161,349
09/2030	54	55	\$0	\$0	\$0	\$1,787,307	\$1,197,375	\$1,171,426	\$1,197,375
09/2031	55	56	\$0	\$0	\$0	\$2,004,884	\$1,321,705	\$1,306,080	\$1,321,705
09/2032	56	57	\$0	\$0	\$0	\$2,076,649	\$1,362,714	\$1,361,483	\$1,362,714
09/2033	57	58	\$0	\$0	\$0	\$2,325,325	\$1,504,814	\$1,504,814	\$1,504,814
09/2034	58	59	\$0	\$0	\$0	\$2,407,047	\$1,551,512	\$1,551,512	\$1,551,512
09/2035	59	60	\$0	\$0	\$0	\$2,691,301	\$1,713,943	\$1,713,943	\$1,713,943
Begin Lifetime Annual Income									
09/2036	60	61	\$0	\$103,615	\$103,615	\$2,616,742	\$1,660,680	\$1,660,680	\$1,660,680
09/2037	61	62	\$0	\$106,838	\$210,453	\$2,748,527	\$1,725,343	\$1,725,343	\$1,725,343
09/2038	62	63	\$0	\$118,628	\$329,081	\$2,647,025	\$1,656,702	\$1,656,702	\$1,656,702
09/2039	63	64	\$0	\$122,319	\$451,400	\$2,747,911	\$1,703,711	\$1,703,711	\$1,703,711
09/2040	64	65	\$0	\$135,817	\$587,218	\$2,614,215	\$1,616,672	\$1,616,672	\$1,616,672
09/2041	65	66	\$0	\$140,043	\$727,260	\$2,672,930	\$1,639,583	\$1,639,583	\$1,639,583
09/2042	66	67	\$0	\$155,497	\$882,758	\$2,500,231	\$1,530,258	\$1,530,258	\$1,530,258
09/2043	67	68	\$0	\$160,335	\$1,043,093	\$2,502,828	\$1,521,101	\$1,521,101	\$1,521,101
09/2044	68	69	\$0	\$178,029	\$1,221,122	\$2,283,021	\$1,384,857	\$1,384,857	\$1,384,857
09/2045	69	70	\$0	\$183,568	\$1,404,689	\$2,212,395	\$1,333,858	\$1,333,858	\$1,333,858
09/2046	70	71	\$0	\$203,825	\$1,608,515	\$1,935,845	\$1,165,189	\$1,165,189	\$1,165,189
09/2047	71	72	\$0	\$210,167	\$1,818,681	\$1,771,111	\$1,060,415	\$1,060,415	\$1,060,415
09/2048	72	73	\$0	\$233,360	\$2,052,041	\$1,426,381	\$852,786	\$852,786	\$852,786
09/2049	73	74	\$0	\$240,620	\$2,292,661	\$1,142,140	\$679,722	\$679,722	\$679,722

Reference the right-side “End of Year Non-Guaranteed Annuity Contract Values” column.

provides significant liquidity and financial flexibility in his later retirement years.

E. Accumulated Value – Echoing the Surrender Value

The accumulated value in his contract tracks the surrender value as the surrender period ends. Withdrawals over penalty-free limits affect this value. The accumulated value becomes a critical financial resource as the surrender period concludes.

F. Benefit Base – Enhancing Income

The ‘ratchet-up and lock-in’ feature in the benefit base is a standout aspect of Col Brown’s contract. It ensures that positive index gains each year are permanently added to the benefit base, increasing it over time.

The contract's initial bonus feature further strengthens the benefit base from the first year, adding over \$300K due to a 40% bonus. This enhanced benefit base forms the foundation for calculating his income from year 12, offering a substantial income base.

Personal Testimony: Col Brown's Satisfaction

Impact on Lifestyle

Colonel Brown describes the FIA rollover's impact: "This strategic move was about more than finances; it was about securing a future to look forward to. Now, I have financial security and can enjoy retirement pursuits stress-free."

Securing Success

Col Brown's sense of fulfillment echoes the accomplishment of securing his military pension. "The FIA contract," he notes, "affirms my financial sacrifices, bringing peace of mind for the future."

Conclusion: The Tangible Benefits Realized

Summarizing the Outcomes

Col Brown's FIA contract emerges as a dynamic financial tool, providing a secure income stream and a significant wealth reserve. The benefit base and bonus features are vital in enhancing his financial stability and ensuring a prosperous retirement.

Looking Ahead

Next, the appendixes will be referenced to explore the broader implications of Col Brown's experience for other retirees.

[BONUS Chapter]: Using A War Chest

From Retirement to Income Theory

Transitioning from a military career to civilian life is a significant phase for service members retiring in their mid-career, still in their 40s or 50s.

Introducing A New Financial Paradigm

This period demands a reevaluation of traditional financial strategies, leading to the introduction of a novel paradigm by US VetWealth: the shift from Retirement Theory to Income Theory. This approach changes financial planning and completely reorients utilizing post-military life resources.

Retirement Theory vs. Income Theory

Retirement Theory traditionally suggests a long-term, 30-year horizon centered on goal-based planning, often lacking the necessary flexibility for modern military retirees.

Income Theory, on the other hand, focuses on a more immediate 3 to 10-year timeframe, emphasizing adaptive systems over static goals. This approach is specifically tailored for military retirees, recognizing their financial and personal circumstances post-retirement.

The “War Chest” Strategy

Central to US VetWealth’s philosophy is the “War Chest” strategy for wealth accumulation and protection, moving away from the traditional passive investment model.

This strategy focuses on ensuring the potential of known quantities: the time, talent, and treasure inherent in every military retiree. It is about harnessing and maximizing the retiree's known assets, ensuring a stable and prosperous transition to civilian life.

Empowering Military Retirees

The War Chest strategy empowers military retirees to take control of their post-service lives. This involves a step-by-step methodology, starting with assessing the retiree's financial status and strategizing how to utilize their resources best. This process includes exploring avenues for asset protection, income optimization, and aligning potential investment opportunities with the retiree's skills and experience.

Redefining Post-Military Financial Opportunity

As championed by US VetWealth, income theory redefines post-military financial opportunity by offering an active, controlled approach to wealth management. It reshapes how military retirees view and utilize their hard-earned assets, ensuring a rewarding and successful transition to civilian life congruent with their service experience.

Appendix A: TSP Protocols

Condensing the TSP Transfer Protocols into a simplified process, here is a 7-step guide:

1. Log into TSP Account and Access Withdrawal Options:

Begin by logging into your Thrift Savings Plan account. Locate and click on the 'Withdrawals' tab at the top of the page to access your payment account for the transfer process.

2. Select Transfer Type and Account:

Choose 'Total Distribution' if transferring the entire TSP account to an IRA, or select 'Partial Distribution' if only moving a portion. Ensure you pick the correct account type: 'Roth IRA' for a Roth TSP or 'IRA' for a traditional TSP.

3. Initiate the Transfer:

Click on 'Get Started' to initiate the Transfer. For total distributions, note that your spouse will receive a certification email to accept for the process to continue.

4. Specify Rollover Amounts:

Enter the amounts you want to roll over. If you have non-taxable or tax-exempt cash, decide whether to receive it as cash or roll it into your Roth IRA. Traditional balances usually move into the new traditional IRA.

5. Review Notices and Choose Check Destination:

Carefully read all notice rights and disclosures. Provide the address to which the TSP should send the check. Opt for direct Transfer to the new annuity company for the annuity inside the traditional IRA.

6. Select Payment Method and Submit Transfer:

Choose between direct deposit or a paper check for the cash payment. Review all details for accuracy, then submit the transfer request.

7. Verify and Confirm Transaction:

Enter the verification code sent via text message for security. After verification, your spouse must confirm the Transfer via email. Once approved, the account balance will be sent to the new account, completing the process.

Remember, this is a simplified overview, and it is recommended that you seek professional advice for personalized guidance throughout the TSP transfer process.

Appendix B: Definitions

Accumulated Value – Premium plus interest credited, minus withdrawals and any applicable charges.

Annual Assumed Interest Rate – A hypothetical interest rate credited to the annuity's Accumulated Value. The rate will vary based on different scenarios.

Annual Spread – A preset deduction from the index growth percentage used to calculate any interest credited to your Contract each Contract Year. The Company declares the Annual Spread at the beginning of each Index Term Period. The Annual Spread is guaranteed never to be greater than the maximum guaranteed Annual Spread rate for the respective strategy on page 3.

Annuitization – Converting the Contract into periodic payments on the Annuity Date. Once the Contract is annuitized, the amount or frequency of the annuity payments cannot be stopped or modified.

Annuity Date – The date annuity payments are to begin.

Assumed Issue Date – The effective date that reflects the Company's current rates as of that day.

Beginning of Year Age – The beginning of year age(s) is the age(s) at the beginning of the Contract.

Benefit Base – The Premium Amount plus applicable Benefit Base Bonus, plus interest credited, minus withdrawals and any applicable charges, which is used to determine the Lifetime Income Withdrawals (it is not an amount that has a cash value that can be paid out to you in a lump sum).

Cap Rate – The maximum rate of interest credits that may be applied for a particular interest crediting period. The Cap Rate, if applicable, for each strategy, is declared by the Company at the beginning of each Index Term Period. The Cap Rate is guaranteed never to be less than the minimum guaranteed Cap Rate for the respective strategy on page 3.

Cash Surrender Value – The greater of the Accumulated Value adjusted for any withdrawals, applicable charges, and Market Value Adjustment, or the Minimum Guaranteed Contract Value.

Contract Year – Contract Years are determined from the Assumed Issue Date. (Ex. If the Contract's Assumed Issue Date is January 10, 2020, the first Contract Year ends January 9, 2021.)

Cumulative Withdrawals – Year over-year sum of Free Partial Withdrawals, Required Minimum Distributions, Lifetime Income Withdrawals, and Enhanced Income Benefits, if applicable.

Death Benefit – The amount paid to the beneficiaries upon the annuitant's death. Equal to the greater of the Accumulated Value or the Minimum Guaranteed Contract Value. In place of this lump sum Death Benefit provided by the base contract before the Extended Income Guarantee Phase, the beneficiary can elect to receive the Benefit Base paid out in equal periodic payments over the currently declared Rider Death Benefit Payout Period.

End-of-Year Age—The end-of-year age(s) is the age(s) at the beginning of the Contract plus the number of Contract Years.

Lifetime Income Withdrawal – The annual income stream for life, up to a maximum allowable amount.

Minimum Guaranteed Contract Value – The minimum value of the Contract, required by law, while the Contract is in force.

Participation Rate—The Participation Rate determines how much of the index's net increase will be used to calculate interest credits after the applicable Annual Spread. The company declares the Participation Rate at the beginning of each Index Term Period. The Participation Rate is guaranteed never to be less than the minimum guaranteed Participation Rate for the respective strategy on page 3.

Premium Amount – The amount paid for the annuity.

Required Minimum Distribution (RMD) Withdrawals – The minimum amounts required by the Internal Revenue Code that a tax-qualified Contract owner must withdraw annually once they reach the required beginning age. The required beginning age is 72 for those who reached 72 before 2023 and 73 for those reaching 73 before 2033. For those who do not get 73 before 2033, the required beginning age is 75.

Term – The length of time, expressed in whole years, between the crediting of interest earnings.

Year Ending – Each 12-month period of time starting from the Assumed Issue Date

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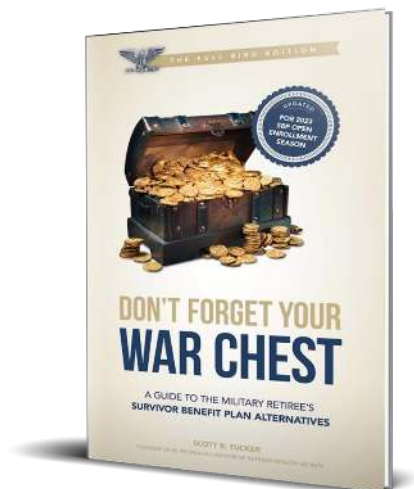
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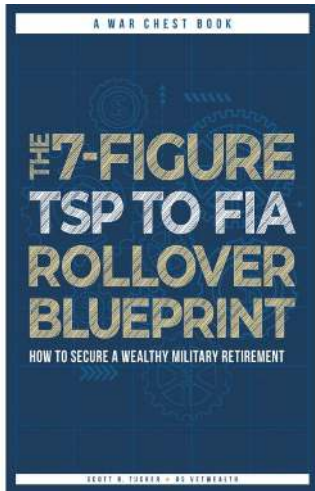
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