

Plan for the Retirement You Want

Retirees share their lessons learned.

RETIREMENT



Merrill Lynch
Wealth Management[®]

Bank of America Corporation



Presented by: **Louis A. Falvo, Vice President, Financial Advisor**
Tel: (585-899-2664) Toll Free: (866-350-6268)
Email: louis_falvo@ml.com

October 10, 2012



The case studies presented are hypothetical and do not reflect a specific strategy we may have developed for an actual client. They are for illustrative purposes only and intended to demonstrate the capabilities of Merrill Lynch. They are not intended to serve as investment advice since the availability and effectiveness of any strategy is dependent upon your individual facts and circumstances. Results will vary, and no suggestion is made about how any specific solution or strategy performed in reality.

Merrill Lynch and its Financial Advisors do not provide tax, accounting or legal advice. Any tax statements contained herein were not intended or written to be used, and cannot be used, for the purpose of avoiding U.S. federal, state or local tax penalties. Please consult your own independent tax or legal advisor as to any tax, accounting or legal statements made herein.

Merrill Lynch Wealth Management makes available products and services offered by Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”), a registered broker-dealer and member [SIPC](#), and other subsidiaries of Bank of America Corporation (“BAC”).

Banking products are provided by Bank of America, N.A., and affiliated banks, members FDIC and wholly owned subsidiaries of BAC.

Investment products offered through MLPF&S and insurance and annuity products offered through Merrill Lynch Life Agency Inc.:

Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
Are Not Deposits	Are Not Insured by Any Federal Government Agency	Are Not a Condition to Any Banking Service or Activity

Merrill Lynch Life Agency Inc. is a licensed insurance agency and a wholly owned subsidiary of BAC.

© 2012 Bank of America Corporation. All rights reserved.

AR056631

423621PM-0212

Plan for the Retirement You Want



What we will cover

- A Look at Retirement Today
- What Current Retirees Tell Us
- The Way Forward
- Your Merrill Lynch Financial Advisor

360 Woodstock attendees per day will hit normal retirement age starting in 2013

Source: The Museum of Bethel Woods



New Challenges



Economic realities are hitting home

- 64% of affluent Americans say their top financial concern is the rising costs of healthcare*
- 57% say its whether their retirement assets will last throughout their lifetime*
- Rising tax rates can also impact your financial picture
- Loss of pensions and shakiness of Social Security mean more individual responsibility for retirement
 - 45% who work with an advisor say it is extremely or very important to get help with decisions about Social Security benefits**



* Source: Merrill Lynch Affluent Insights Quarterly, First Quarter 2011.

** Source: Merrill Lynch Affluent Insights Quarterly, Fourth Quarter 2010.

New Challenges



Personal realities affect families

- Accumulated debt/growing expenses
- Caring for aging parents or family members
- Helping children grandchildren with college
- Protecting assets for future generations



A New Life Stage



Retirees are living longer, healthier lives

- U.S. average life expectancy is now 78 years*
- Years spent in retirement can be 20 years or more
- Retirement is an opportunity to do what you want to, not what you have to:
 - Continue working full time or part time to stay active, save more or pay off debt
 - Switch back and forth between periods of work and time off
 - Change careers/start a business
 - Volunteer or mentor others
 - Relax, spend time with family, travel



A New Life Stage



Work because you want to

- Neither Joel nor Isabelle was ready to quit working in 2006 as originally planned
- Joel became “of counsel” to his own law firm, reducing his long hours
- Now he does what he loves, such as mentoring young attorneys and strategizing on cases.
- Isabelle sold her cosmetics marketing firm but cut back gradually
- They now have time play golf and spend time at their beachfront condo without dipping in their retirement assets



A Look at Retirement Today

A New Life Stage



Turn adversity into advantage



36% of all new businesses
are started by retirees

Source: 2010 Kauffman Index of
Entrepreneurial Activity, Kaufman Foundation

Many people are now rethinking the old concept of retirement—instead of the freedom *from* work, it's increasingly becoming the freedom *to* work.

Americans ages 55 to 64 are more likely than any other age group to start their own businesses.*

*Source: *NY Times* article published July 11, 2009

A Look at Retirement Today

The Bottom Line



More complexity requires a better strategy now



Rising healthcare costs: Knowing what healthcare will cost as your health changes

Concerns about running out of money: Worried about inflation and considering various investment selections

Develop a strategy—set a path forward with enough clarity to know where you're headed and enough flexibility to allow for changes along the way.

What Current Retirees Tell Us



Lessons learned from those who know*

- The number one piece of retirement advice affluent American retirees would give others approaching retirement age:
 - Start working with a Financial Advisor earlier in life (34%)
 - Take a more hands-on approach to your retirement portfolio (27%)
 - Account for long-term expenses such as college tuition, healthcare and caring for aging parents) (19%)
 - Manage debt better (14%)
- They also wish they had focused more on life goals and what matters most to them, not just the numbers.

The Way Forward



What you can do to prepare now

- Know what you want
- Recognize financial realities
- Save as much as you can
- Consider consolidating your assets
- Create a retirement income plan
- Consider withdrawals carefully
- Look at the tax/cash flow implications
- Manage your assets
- Manage liabilities as well as assets
- Leave a legacy for your loved ones



Know What You Want



Start with a vision of your retirement

- The biggest obstacle to a fulfilling retirement could be the need to develop a vision of what you want to achieve
- Think about what makes you happy/what motivates you
 - Being connected/relationships with others
 - Learning/intellectual stimulation
 - Making a difference/giving back
 - Being a leader/gaining recognition
 - Being creative
- Determine what kinds of activities can help you achieve these goals



If you don't know where you are going, will you get there?

Recognize Financial Realities

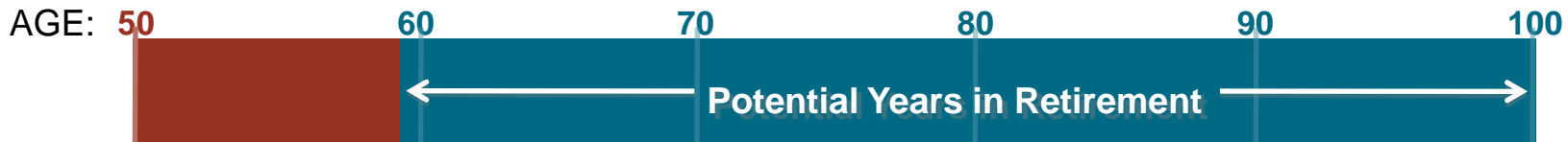


How long will your retirement be?

- Advances in healthcare have enabled us to live longer—lengthening the amount of time spent in retirement
- Recognize the financial realities and decide if working longer can help you achieve a more secure retirement
 - Pay for rising healthcare costs
 - Pay off debts/rebuild portfolio
 - Save more/build up a larger cushion
 - Fund extra expenses for yourself or your family
 - Support “splurge” spending just for fun

64% of affluent investors say their top financial concern is the rising costs of healthcare.

Source: 2011 Merrill Lynch Affluent Insights Quarterly



Contribute As Much As You Can



Contribute the maximum to your employer-sponsored plan or IRA, including catch-up contributions

Year	Individual Retirement Accounts (IRAs) ¹		Employer-Sponsored Plans ²	
	Individuals under age 50	Age 50 and up catch-up contribution	Individuals under age 50	Age 50 and up catch-up contribution
2012	\$5,000	\$1,000	\$17,000	\$5,500

¹ Contribution limits are for Traditional and Roth IRAs.

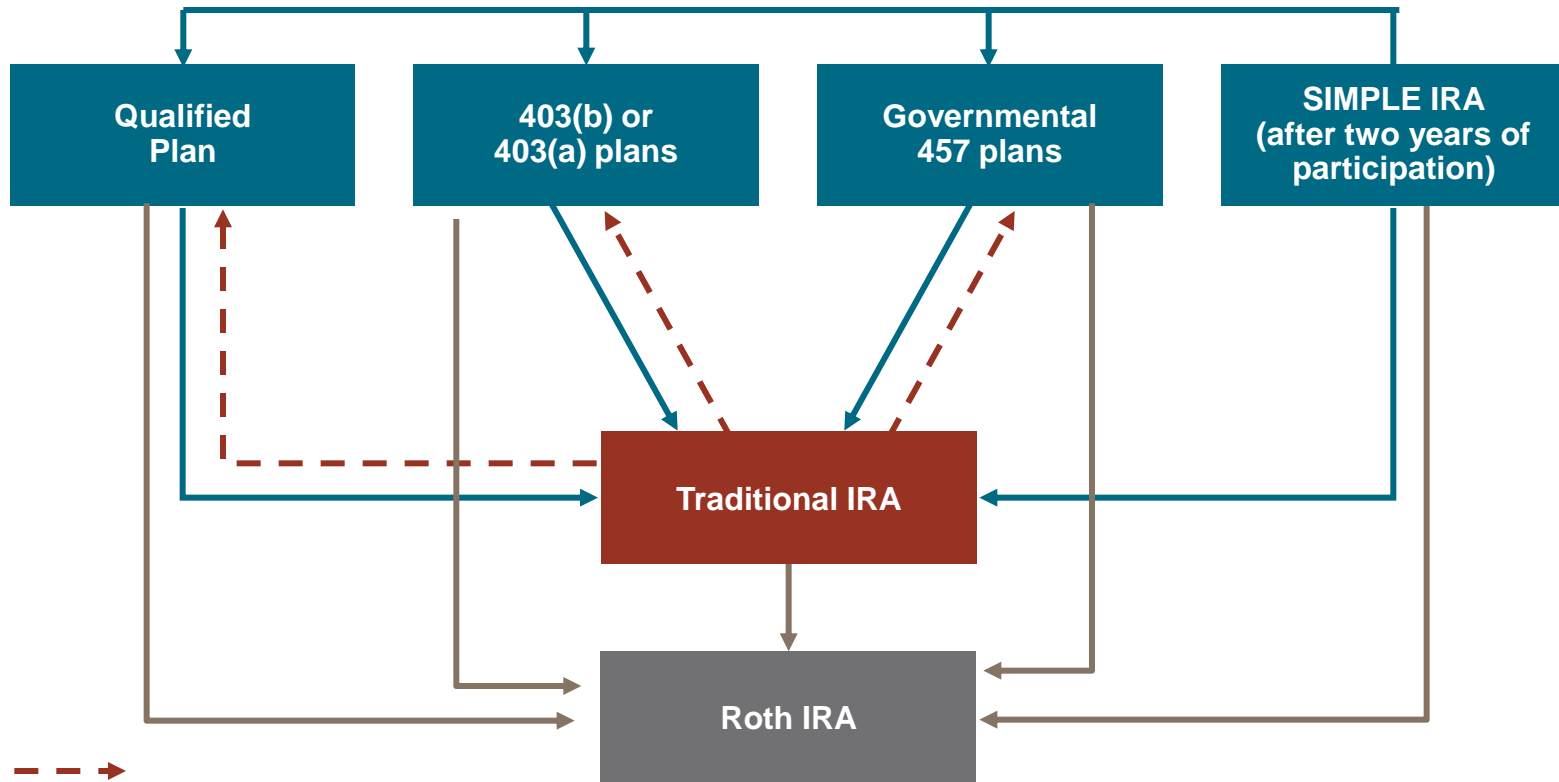
² These contribution limits apply to 401(k), 403(b) and 457(b) plans.

The Way Forward

Consider Consolidating Your Assets



Opportunities for Asset Consolidation and Simplification



(depending on specific plan rules)



(conversion)

Consider Consolidating Your Assets



Rollover to a traditional IRA

Possible Advantages

- Broader range of investment options
- Access to funds at any time*
- In-kind transfer of funds from prior employer plan
- Access to licensed professionals and a broad suite of planning products and services (with a Merrill Lynch IRA)

Possible Disadvantages

- Annual fee (with a Merrill Lynch IRA, you may qualify for a fee waiver)
- Commissions and sales charges on investment transactions
- Protection from creditors limited to bankruptcy
- No loans and no special tax treatments allowed (e.g., net unrealized appreciation)

*Subject to income taxes and an additional 10% federal tax for early withdrawals, unless an exception applies.

Create a Retirement Income Plan



Structure income and cash flow for longevity

- Consider all retirement resources
 - Goal is to meet your everyday expenses while extending the balance to last your lifetime
- Understand retirement account rules
 - Withdrawals at age 59-1/2 without incurring 10% additional federal tax (ordinary income taxes may apply)
 - Required minimum distributions (RMD) at age 70-1/2
 - Lump sum distribution (net unrealized appreciation strategy)
- Know how Social Security benefits impact your finances
 - When you begin collecting can impact the amount
 - Your income in retirement can affect taxes on your benefits

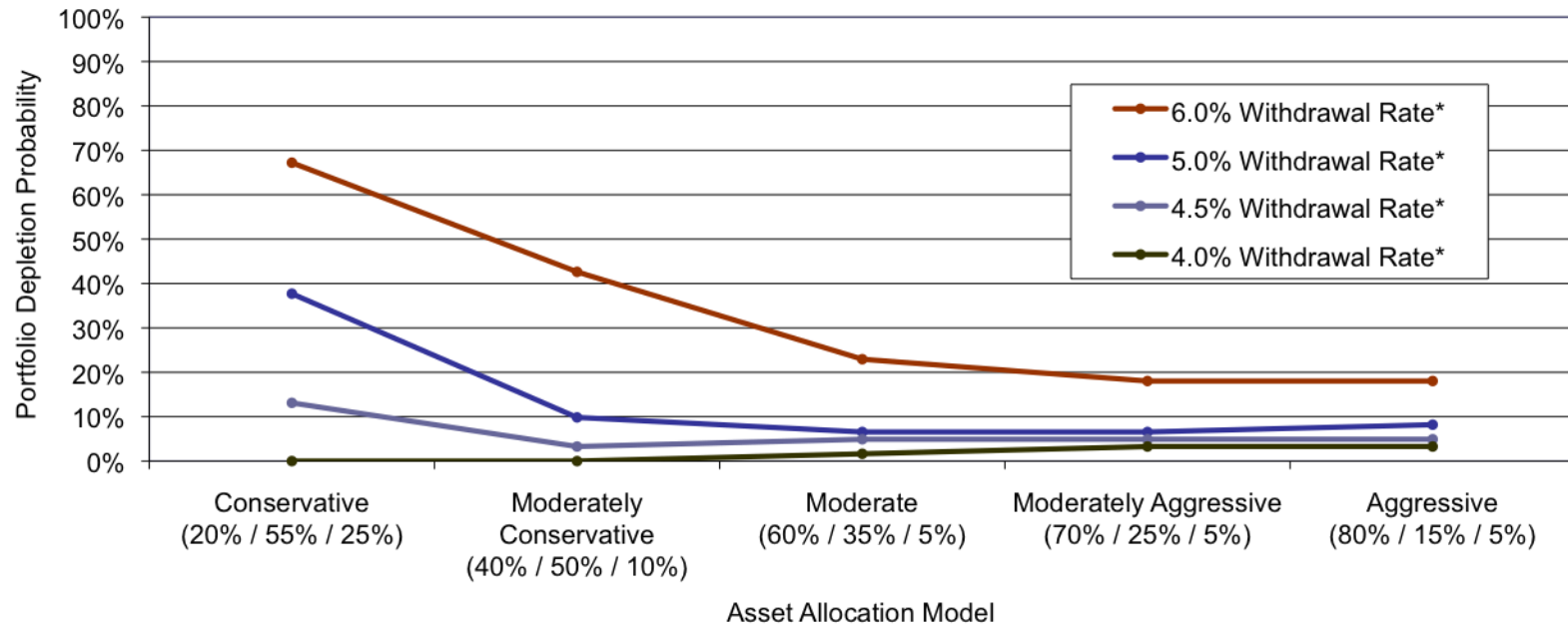
Create a Retirement Income Plan



Continue investing for growth

Chances of Outliving Your Money Over a 25-Year Retirement Period

(3% inflation each year with Merrill Lynch asset allocation models**)



* Calculated as Maximum of 4%/4.5%/5%/6% of Current Capital or 4%/4.5%/5%/6% of original Capital with Inflation Adjustment. Based on S&P 500, U.S. Intermediate Government Bond and U.S. 30 Day T-Bill returns (1926 - 2010) from Ibbotson Associates.

** U.S. client profile asset allocation (strategic without AI) from July 12, 2011 RIC report.

Create a Retirement Income Plan



Understand guaranteed vs. non-guaranteed income

- Guaranteed income sources
 - Pensions
 - Social Security
 - Annuities
- Securing a guaranteed income stream to meet your daily living expenses may offer some peace of mind

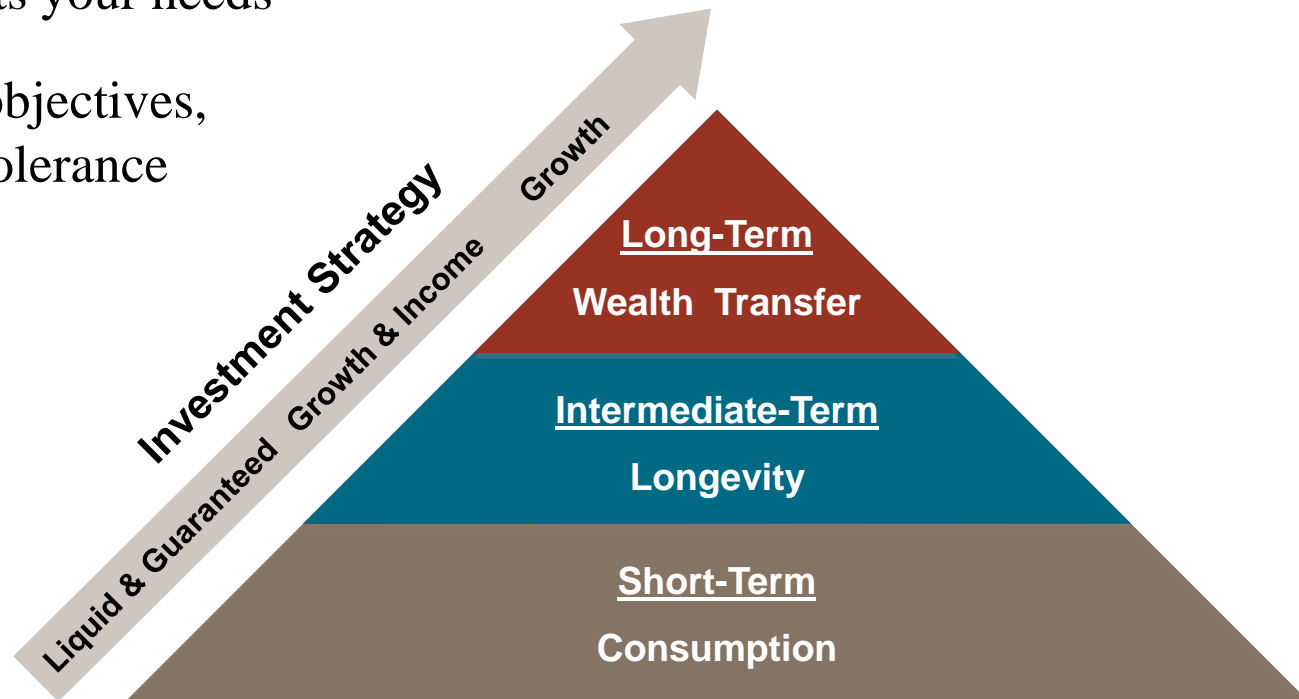
Annuities, pensions and Social Security are expected to be guaranteed based on the paying ability of the respective supporting entity.

Create a Retirement Income Plan



Develop an investment strategy to help meet your needs throughout retirement

1. Create an asset allocation strategy that reflects your needs
2. Align investment objectives, liquidity and risk tolerance
3. Consider various tax implications



Consider Withdrawals Carefully



Early withdrawals (before age 59-1/2)

- Ask these questions before taking early withdrawals:
 - How urgent is my current need for the money?
 - Are there other sources I could tap?
 - Am I comfortable trading retirement assets for a current cash stream?
 - Will I be able to pay the income tax I may owe on the payments?
 - Does my immediate need for the money outweigh the requirement to take IRA distributions for a minimum of five years?
- If withdrawals are necessary, there are two options for withdrawals prior to age 59-1/2 without incurring a 10% additional tax:
 - Substantially equal periodic payments (SEPPs)
 - Withdrawals from employer plans after separation from service beginning at age 55

Look at Tax/Cash Flow Implications



Consider a Roth IRA conversion

- A Roth IRA conversion is a rollover of assets from eligible retirement accounts to a Roth IRA for purposes of creating after-tax funds that can generate federal (and possibly, state) tax-free income. A Roth IRA conversion:
 - Can lock in current tax rate on retirement funds (offers a hedge against rising taxes)
 - Can provide tax-free income in retirement
 - Offers potential for income tax-free asset transfer to heirs
 - Exempt from required minimum distribution rules for the IRA owner during his/her lifetime
 - Roth IRA distributions do not affect taxability of Social Security

Look at Tax/Cash Flow Implications



Reasons to consider conversion to a Roth IRA

Personal Retirement Income

- Anticipate a higher tax bracket in retirement or are temporarily in a lower tax bracket
- Have adequate funds outside retirement accounts to pay conversion taxes
- Have unused tax deductions that can offset income generated by conversion

Event And Portfolio

- Want to increase your potential for tax-free income
- Experienced significant declines in the value of your portfolio
- Expect your portfolio to grow significantly in the near future

Legacy Planning

- Want to leave income tax-free assets to your children or heirs
- Have sufficient income from non-retirement accounts to support you in retirement
- Want to reduce the taxable value of your estate for estate tax purposes

Manage Your Assets



Keep tabs on your investment strategy

- Find the appropriate asset mix for your goals, timetable and risk tolerance
- Keep your account diversified to help protect against market volatility
- Consider whether your investment selections are likely to keep up with inflation
- Rebalance regularly*
- Review your strategy at least once a year as you near retirement

*Asset allocation, diversification and rebalancing do not assure a profit or protect against loss in declining markets.

Manage Liabilities As Well As Assets

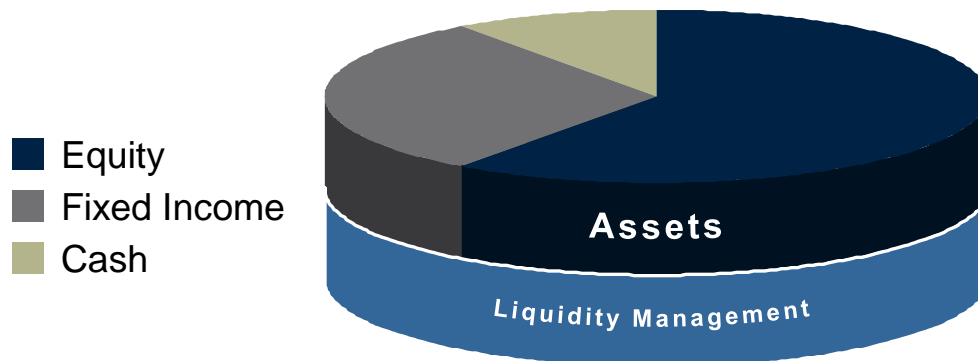


Having a “liquidity plan” in place can help you protect your assets for the long term

- Become more aware of day-to-day cash flow and expenses
- Pay down debt, especially high-interest debt
- Consider health care options
- Set up an emergency fund
- Have credit in place before you need it

52% of affluent retirees have made adjustments to their lifestyle due to the economic recession

Source: 2010 Merrill Lynch Affluent Insights Quarterly

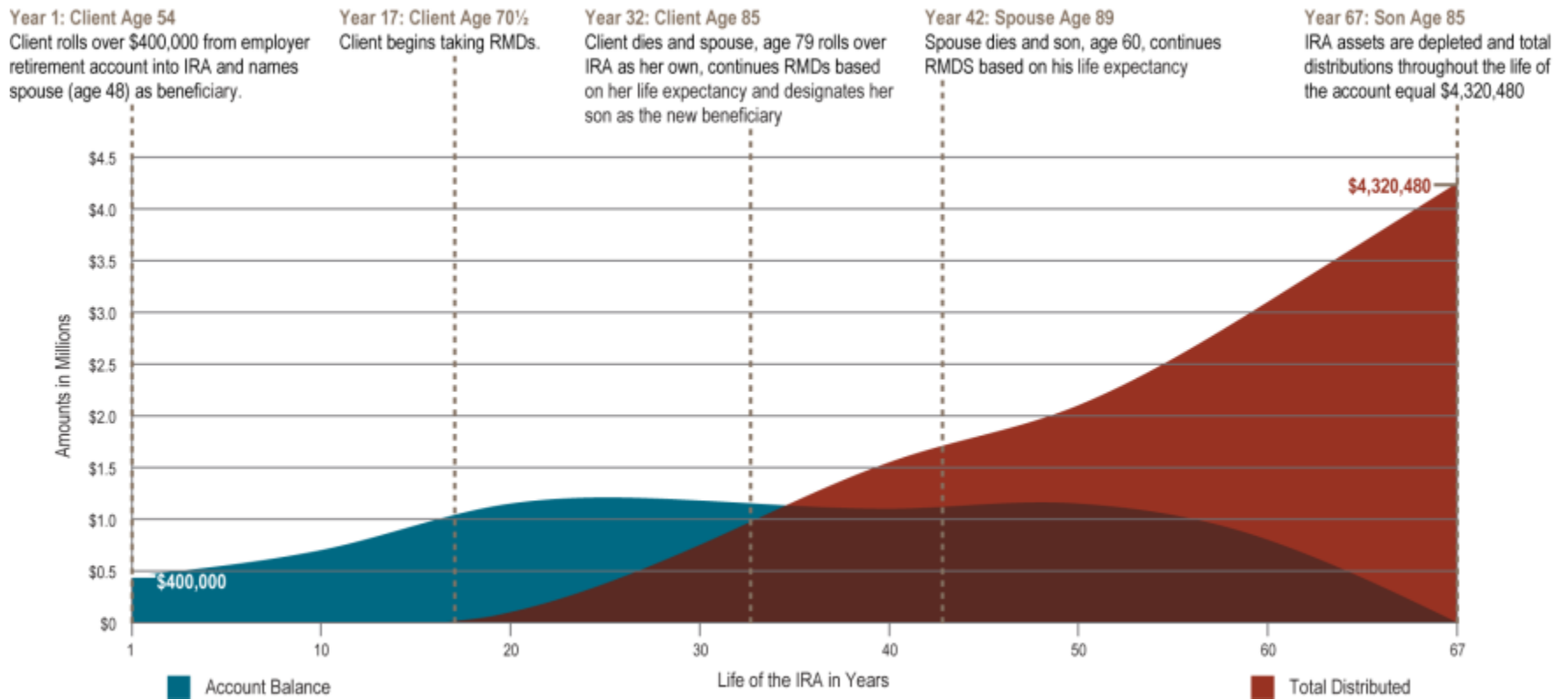


The Way Forward

Leave a Legacy for Your Loved Ones



Stretch an IRA (traditional and Roth)



This hypothetical example is illustrative only. It assumes a 6% annual return, that the account owner rolls over the account on Jan. 1 of the year he or she receives the assets, that all distributions are taken on the last day of each distribution year and that all distributions are the required minimum amount. These amounts are not adjusted for inflation and do not reflect any state or federal income tax that may be due upon distribution. This chart does not reflect past or future performance of any specific investment vehicle. It also does not reflect the volatility that can occur in an equity-based account and assumes current tax laws remain in effect throughout. This information is based on our understanding of current tax laws, which are subject to change.

Leave a Legacy for Your Loved Ones



Consider a Trusteed IRA (traditional or Roth)

- Allows IRA owner to control distributions to beneficiaries in a trust manner
- Provides greater flexibility in who receives assets, while providing many lifetime benefits such as incapacity protection and bill payment services
- Can be especially helpful for individuals who are:
 - In a second marriage or a blended family
 - Have a non-U.S. citizen spouse
 - Have spendthrift beneficiaries
 - Would like to provide for their children or grandchildren

Your Merrill Lynch Financial Advisor



A Financial Advisor works as a team player to help you put the pieces together

Helping you:

- Establish your vision—what you want and what you need
- Understand your priorities and top concerns
- With solutions to help maximize savings during your peak earning years
- Design an income stream strategy for retirement
- Manage assets throughout retirement to meet short-to-long-term goals
- With estate planning services/wealth transfer strategy

Important Information About Annuities



Annuities are long-term investments designed to help meet retirement needs. In essence, an annuity is a contractual agreement in which payment(s) are made to an insurance company, which agrees to pay out an income or a lump sum amount at a later date. Annuity contracts have exclusions and limitations. Early withdrawals may be subject to surrender charges, and, if taken prior to age 59½, a 10% additional federal tax may apply.

All annuity contract and rider guarantees, including optional benefits or annuity payout rates, are backed by the claims-paying ability of the issuing insurance company. They are not backed by Merrill Lynch, Merrill Edge, or its affiliates, nor does Merrill Lynch or its affiliates make any representations or guarantees regarding the claims-paying ability of the issuing insurance company.