



Retirement Planning Software, Inc.

Bulletin

Number 111

Summer 2011

FREE Retirement Income Software!

We have held up this *Bulletin* for a week or so in order that we could announce to you the availability of our "Free Limited Version" of RetirementWorks® II.

This limited version, along with our full individual version, is available on our consumer website (<http://www.retirementworks2.com/>), but we can now also offer it to corporate clients, either as a free version, or bundled with our traditional versions at a discounted price.

As some of you are aware, RetirementWorks® II is the most comprehensive, integrated software available anywhere for people in or near retirement. That's the good news.

The bad side of it is that in order to be that powerful, the software has had to ask for a lot of inputs. Although consumers generally don't have a problem with this, it has been a significant hurdle for professional advisers and financial institutions.

The limited version provides a solution.

Instead of asking detailed questions about financial and related matters, which have normally taken people from one to three hours to complete, the free version asks for much less information. At its simplest, it can be completed in five or ten minutes, and even if the maximum detail is entered, it doesn't take a great deal longer.

Yet the comprehensive analysis that we are known for still gets done, and recommendations

are still made about the purchase of financial products (including annuities, long-term care insurance, and life insurance), the appropriateness of IRA Rollovers or Roth conversions, the right time to sign up for Social Security, the best option to take from a defined benefit plan, and a dozen or two other issues. Detailed cash flow projections under different scenarios can also be selected.

There are two main differences, one for the better, one for the worse.

The limited version is quick and easy to use. But the cost of this ease of use is that, with less data to work with, recommendations are less likely to be optimal.

So we still prefer the full, more detailed versions. But we do understand why others feel differently, so now you have a choice!

How This Can Work for You

There are two different ways we currently offer the limited version of RetirementWorks® II, and we are inventive enough to come up with more, if you need something special.

The first is on our consumer website. If you are a financial adviser, or if you are scouting new solutions for a larger financial institution, you could allow your clients to sign up directly on this site. Alternatively, if you are a larger institution, we could clone the processing and create a new site just for you, or we could work with you to add it to your own site, with your own marketing message.

The second way we offer the limited system is bundling it with the two other versions. In this

(cont.)

configuration, the client (or some other sponsor on the client's behalf) pays for the software, and the client gets a version that is capable of processing all three levels of detail. So the client decides which one makes the most sense to him or her. And if the client wants to step up to the next level of detail to get more reliable results, then he or she can do that simply, at no extra charge, and with no intervention required on the part of the sponsoring adviser or financial company.

We have also been having some discussions with financial firms about customized versions of this software, linking it to other software, or adding company- and product-specific processing to illustrate annuity strategies in particular (such as delayed or split annuities). Our software platform is flexible enough to accommodate almost anything that you might need.

That's important because, as an industry, we are still in the early stages of developing true proficiency in helping people make the transition from work to retirement, and in helping them manage their retirement finances in a way that keeps them solvent (and keeps assets under management for financial firms). Too many attempts to achieve these aims in today's world are simplistic, heavy-handed, and prone to result in poor advice for the client. We can do better – even today, with the RetirementWorks® II platform – and will be able to do so increasingly well in the future.

Give us a call, or send us an email, and let us know what you want to achieve, and we'll let you know how we can help you. We remain the most creative and forward-thinking company in this business, and though, to be honest, we have gotten too far ahead of our own audience at times, we are now reaching back to help close the gap. We have seen what's on the other side of the mountain, and we want to help you get there, too.

Contact Chuck Yanikoski at 978-456-7971, or csy@StillRiverRetire.com.

For more information about serving the financial needs of older clients . . .

If you happen to be attending the Society of Actuaries annual conference in Chicago this October, stop in to see Chuck Yanikoski's presentation on "Creating a Reality-Based Financial Decision-Making Model for Older Americans."

Recent System Updates

- **Paycheck Comparison / State income taxes:**
 - Updates to California, Connecticut, North Dakota, and Vermont.
- **State Retirement Plans:**
 - None yet, but our annual complete review of all plans will be taking place, as usual, during August and September. We will announce all changes in our Autumn newsletter, due out around October 1. From what we are hearing, there will be *a lot* of changes!
- **RetirementWorks II:**
 - Limited Free version now being offered.



Retirement Planning Software, Inc.

Bulletin

Number 110

Spring 2011

Why We Are Offering Consulting Services

If you have been to our website in the past few weeks, you've probably noticed that our home page has changed. Instead of focusing almost exclusively on software, we are emphasizing innovation and consulting.

There are two reasons for this: (1) it better reflects our current reality; and (2) it focuses more on the real need.

The reality is that we have always been consultants. We just didn't highlight it, and only rarely charged people for it.

Back in the pre-2002 days of the 403(b) Maximum Exclusion Allowance – which even the auditing and enforcement group within the IRS did not fully understand – our company was one of very few sources for reliable information about what the rules were, and how they might apply to unusual situations. Even other consultants who were nationally renowned for their own expertise would sometimes come to us privately for an opinion, and there were cases where our insights into the implications of new or proposed 403(b) legislation or regulations were well ahead of the curve.

In the post-MEA world, that expertise is no longer of critical value, but in these more recent years, we have increasingly focused on "retirement income," "decumulation," or whatever other terms you care to use for the phenomena that occur when people finally retire and need to turn their savings into a life.

Feb. 2011 72(t) Interest Rate: 2.34%
Mar. 2011 72(t) Interest Rate: 2.80%
Apr. 2011 72(t) Interest Rate: 2.94%

And again, we often find that our knowledge – which we have acquired partly out of real interest and concern and partly out of the need to develop truly leading-edge software and related tools – has thrust us into the role of experts.

What we did not foresee was that a decade or more after the financial industry began taking seriously this phase of people's lives, and first offered strategic and tactical "solutions" for clients entering retirement, the same fundamental (and often erroneous) assumptions and techniques are still being used, though their implementation has become more skillful.

So more and more investment goes into methods that were, at best, stop-gap solutions, and older clients continue to get services that are of tangential value, while most of their real needs in retirement go unaddressed, or poorly addressed. And financial providers continue to let enormous opportunities slip through their fingers.

The Understanding Gap

One old assumption that is starting to break down is that retirement is just about money. Of course, it is about money, but unless at least as much weight is given to retirees' key "non-financial" decisions – which generally have important financial consequences – the financial situation cannot be understood. A great deal more progress needs to be made in this area.

A second, more prevalent, and more dangerous assumption is that retirement finances are mostly about income. Retirees need to manage all their financial resources in a coordinated fashion, and income is just one piece.

Stacked on top of these two misunder-

(cont.)

standings is the notion that what retirees really need are fancier financial products with more options and more guarantees – and, not coincidentally, more complexity, higher costs, and less payback to the typical purchaser. There is certainly a place for product innovation, but the returns on these products often turn out to be so attenuated that they are not worth buying. And they do not solve the fundamental problems.

More importantly, there are new opportunities that providers in this area need to know about. Economical ways of providing education and advice in the non-financial area. Better software and other tools in the financial area. New approaches to providing advice to older prospects and clients.

If anything, this whole domain is moving more rapidly now than it ever has before. Even when new offerings are based on flimsy premises, they can still be impressive – and whether they are dangerous or useful, they need to be evaluated, understood, and (if your competitors are using them) combated.

There is still enormous opportunity in this realm. The gaping deficiencies that currently exist in the offerings of every major financial institution mean that each runner in this field has a wide-open lane to sprint to the front – and not just marginally in front, but way in front.

Although we do not claim to know everything that is going on, or to have canned answers to every problem and opportunity, we do have unique expertise, existing tools (both software and non-software) that are well ahead of the crowd, and years of experience providing customized advice and solutions at reasonable prices to major financial companies, plan sponsors, individual advisors, professional associations, and even individual consumers.

As a sample of our continued thought leadership, check out the links to these four new papers recently posted on the home page of our website (http://www.stillriverretire.com/SRRPS_home.asp):

- ***Retirement Income: Moving from a Transactional to a Relationship Model***
- ***Integrative Advising: The Newest Approach to Serving Affluent Clients***
- ***Let's Build a Defined Contribution Services Company from Scratch***
- ***Retirement Income Planning for the Middle Market – With or Without Field Reps***

Interested? Let's talk. Contact Chuck Yanikoski at 978-456-7971, or csy@StillRiverRetire.com.

Recent System Updates

- **Paycheck Comparison / State income taxes:**
 - Illinois: tax rate increased from 3% to 5%.
 - Minor changes to Maine, Missouri, and New Mexico.
- **RetirementWorks II:**
 - Updated future medical cost projections, based on the latest Federal data.
 - Ability to specify relocation to a specific state at a specific time, so that differences in state income tax rates can be taken into account.



Retirement Planning Software, Inc.

Bulletin

Number 109

Winter 2010-2011

Retirement Education and Advice for the Non-Affluent

Most of you who are clients for our software are more focused on the “middle” market than on the affluent market. Still, apart from whatever outreach occurs in the marketing of specific financial products or retirement plans, middle market consumers don’t receive much good financial education and advice. And some of what they do get is really not well suited to them, because it relies on assumptions that are better tuned to affluent people.

We see this as an area of opportunity.

We also see it as an area of genuine need. And this sets the middle market apart from the affluent market.

The affluent – even the downright wealthy – do have legitimate financial needs, but since they can afford to pay for help, there is no shortage of it for them. And even without good advice, the affluent would mostly get by all right, because they will generally not become impoverished if they occasionally make poor decisions.

By contrast, middle market consumers are much more at risk. As the recent recession has demonstrated, even families with adequate sources of income can lose their financial security very quickly, and drop into near poverty – especially with the ugly combination of job loss, home equity loss, and investment losses.

But a high percentage of middle market people are vulnerable even in good times – living paycheck to paycheck while working, and in re-

tirement being reduced to slender incomes while facing unpredictable future expenses.

Yet, because of their numbers, the middle market can be a very lucrative target for financial companies.

Differentiation in the Middle Market

It is not easy to achieve differentiation, however. Financial products and services in this market tend to be very similar from one provider to the next, in terms of features, pricing, and service. How do you stand out?

One area where financial companies can most readily stand out is in the free education and advice they offer. Few (if any) of them, however, have made much headway in this regard.

What is typical: financial companies provide detailed information about issues related to the products and services they offer. This makes a certain amount of obvious sense, but at the same time, it (1) fails to differentiate them from their competitors, and (2) screams out the message: “This is about us and our needs, not about you and your needs.”

What is needed: A source of general information and advice for the middle market that will broadly address both the life planning and the financial planning needs of this constituency. This means helping them understand, and put in context, *all* of their financial needs, even if you don’t sell products for them. And putting these needs in context means helping people think through the non-financial issues they are facing and the changes they are contemplating (or that are being forced upon them), so that the financial aspects are truly clear. *(cont.)*

Nov. 2010 72(t) Interest Rate: 2.33%
Dec. 2010 72(t) Interest Rate: 2.07%
Jan. 2011 72(t) Interest Rate: 1.91%

Still River's Plans

Most of what we do is already geared to this market, and it reflects what we perceive to be some of the real needs. Rather than imitate what other software creators have done, we have designed advice modules that try to give *correct* answers rather than just *quick and easy* ones (because, remember, middle market customers can't afford mistakes).

In recent years, we have also focused more on the non-financial context. In particular, our web-based information pages for people in the second half of life explicitly includes the full range of issues that pertain to that age group, and only a small portion of that content is devoted to financial questions and problems. (See http://www.retirementworks2.com/RetireReady/RW_RetireReady_Home.htm; these pages can be customized to the needs and preferences of companies who want to offer them.)

We are also helping to launch, and expect to help lead, a project focusing on delivering life planning services to non-affluent Americans, in cooperation with the Life Planning Network based here in Massachusetts, and with Fielding Graduate University in Los Angeles. If you are interested in being involved in that project, or are interested in following its progress, let us know.

Recent System Updates

- **Federal / State Income Tax Withholding:** Updates have been made in all systems, as needed, for the new 2011 Federal Income Tax withholding rates, and for 2011 state changes in California, Colorado, Hawaii, Kentucky, Maryland, Michigan, Minnesota, North Dakota, Oklahoma, Oregon, and Rhode Island. As usual, we will also be doing a mid-January review, where we often pick up information on a few states that are slow to post their changes.
- **Social Security Tax:** Under the new tax law passed in December, FICA taxes for Social Security are being reduced from 6.2% to 4.2% for 2011 only. Our Paycheck Comparison software now reflects this change.
- **Federal Inflation Adjustments for 2011:**
 - Federal Income Tax rates, as per the December 2010 tax law.
 - Social Security benefit calculation factors.
 - Note: NO changes to qualified plan limits this year that affect our software, except for inflation adjustments to IRA and Roth IRA contribution limit phase-out ranges.
- **State Retirement Plans:**
 - Colorado PERA option factors changed to correct a previous error.
- **Miscellaneous system changes:**
 - Ease of use changes to the desktop State Retirement Plan calculator.
 - Removal of the 403(b) bibliography.
 - Optional updated design on the web-based Paycheck Comparison and State Retirement Plan calculators.
 - Updates to RetirementWorks II to accommodate Roth 457 plans, spouses living outside the principal household, and the new estate tax brackets.



Retirement Planning Software, Inc.

Bulletin

Number 107

Summer 2010

Retirement Readiness: “Free” Education and Advice for Consumers (Clients, Employees, Union/Association Members)

Through its RetirementWORKS, Inc., subsidiary, Still River will soon introduce a web-based facility for consumers who are approaching retirement or already there. It is intended for sponsorship by financial firms, benefits consultants, employers, pension plans, unions, and other voluntary associations. Its main benefits are:

- It offers education and advice on the full gamut of retirement issues, not just financial ones.
- By linking to “best of the web” resources, it provides access to the best materials and services available.
- Being web-based, it offers the same content and quality to everyone, regardless of physical location.
- There is minimal (sometimes zero) cost to sponsors of this service.

May 2010 72(t) Interest Rate: 3.25%
June 2010 72(t) Interest Rate: 3.45%
July 2010 72(t) Interest Rate: 3.45%

Education vs. Advice

Retiring successfully requires both an understanding of key concepts and issues, and the means to apply those concepts and issues to the retiree’s specific situation. By their nature, educational sources are generic: they should help the consumer understand his or her situation, but they usually cannot tell a given individual what she or he should do. Advice fills this gap, but it usually requires that the individual provide detailed information and (typically) that difficult calculations or other analysis be performed.

Both education and advice are needed. Education without sound advice is risky, because with retirement issues even more than with life as a whole, a little knowledge is a dangerous thing. Conversely, advice without education is unlikely to be well understood, and therefore is unlikely to be followed. So either alone is a dead end.

Financial vs. Non-financial Content

Successful retirement has to do with a lot more than financial products and benefit plans. For that matter, it has to do with a lot more than overtly financial questions.

Other critical decisions that are made as retirement approaches, or during retirement, have a huge financial impact: e.g., whether to move in order to be near children or to live in a more appealing climate, whether to trade down to a smaller home, whether to look for a full-time or part-time job, what kind of leisure activities to pursue, whether to get married or re-married or divorced, whether to maintain a healthy lifestyle or let oneself go. And so on.

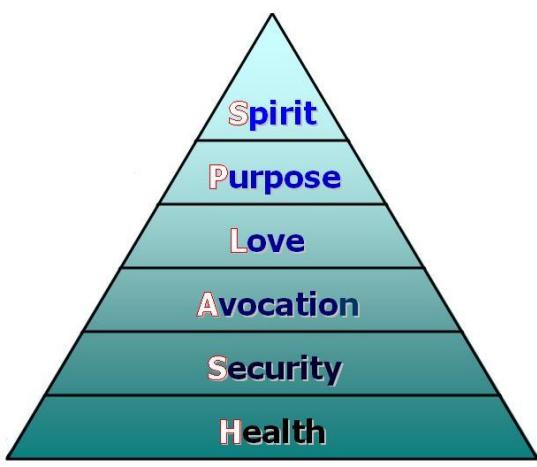
Increasingly, retirement experts see a very broad range of issues as being critical to a successful retirement, not only because they are important in and of themselves, but also because they affect one another. A forward-looking retirement program should take a holistic view of retirement, and of each member.

A New Approach

Toward these ends, we are using the SPLASH model, which we have developed in cooperation with the Life Planning Network and the Association of Financial Professionals.

(cont.)

ciation for Integrative Financial and Life Planning. In this model, all aspects of living are assigned to one of the six categories in the triangle – and because all of them inter-relate, the connections among them are also noted in the model.



Although we are still working on fleshing out this framework, it is more than half done, and it should be completed over the summer. In our implementation if it, each of the six main categories is divided into several (usually four-to-six) sub-categories, and each of these in turn is divided into several fairly specific areas of interest or concern – well over 100 in all.

For each of those areas of interest, we provide usually half a dozen to a dozen references to high quality education and/or advice sources – many of them free websites, with others being subscription services, books, or other products or services the consumer would have to pay for, but that are worth the price when needed.

Since we ourselves are major software developers in the retirement arena, there are occasional spots where consumers are referred either to our own free materials, or to our premier retirement planning software for older consumers, RetirementWorks® II. Since individuals can purchase this directly from our consumer website, a sponsor of these pages does not have to be directly involved in the software purchase, any more than they are involved in the use of other free or non-free products and services referred to in these web pages. But since we do get paid by the consumer him/herself, we do not need to get paid much by the sponsoring organization – mostly just enough to cover setup, customization, and maintenance costs. The real costs – for developing these pages and doing the ongoing research to keep them up-to-date – is borne by Still River, and funded by individual software purchases.

Currently, the gateway into this web utility is a webpage called “[Retirement Readiness: Within One Year of Retirement](#).” A bit later, we will have gateway pages for people who are already retired or who are more than one year from retirement. Although, as noted, only a little more than half of the “SPLASH” pages are complete, there is enough there so that you can get a clear idea of its value.

Do let us know if you have any comments, or if you think you might be interested in using this.

Recent System Updates

- **State Income Tax Withholding:** Updates were made in June for Arizona, Connecticut, Maryland, and Oregon.
- **State Retirement Plans:** Recent updates:
 - Arkansas PERS (new plan)
 - California STRS (option factor updates).



Retirement Planning Software, Inc.

Bulletin

Number 106

March-April 2010

When Plan Sponsors Want to Set Up a Retirement Readiness Program for Their Older Employees

Two kinds of employers are looking at programs to help their older employees retire:

- Organizations who were not badly hurt during the recession, or who now are feeling the beginnings of an upswing, and once again are seeking ways to help their employees retire successfully. Reports of companies restoring 401(k) matches suggest that this is at least an incipient trend.
- Organizations that already have some sort of “retirement readiness” program but that are not yet seeing the light at the end of the tunnel and are looking for a new way to deliver this service that will be less expensive than classroom education or one-on-one advice.

Those of you who are in the insurance industry perhaps have an advantage here, because you are more accustomed to offering services on-site (especially in the 403(b) market), and you may be able to step in as a free provider where plan sponsors would otherwise have to pay.

But sponsors have two other big concerns that you will have trouble meeting alone:

- First, many of them have employees in multiple locations, perhaps even in multiple states. They want the same content and quality of support for all of them. The easiest and most cost-effective way to do this is by using web-based services, so everyone has access to exactly the same thing

March 2010 72(t)
Interest Rate:
3.39%
April 2010 72(t)
Interest Rate:
3.39%

- Second, employers tend to be concerned about the objectivity of advice that comes from any kind of product vendor. You may have good reason to think that advice that comes out of *your own* company is fair and legitimate, but you know darn well that your *competitors* are putting out information or offering advice that is skewed toward themselves. Unfortunately, to plan sponsors, you all look pretty much the same in this regard.

The Solution: Partnering with an Unbiased Source

OK, you know we’re talking about ourselves here, so let’s be specific about how this can work.

When we talk with plan sponsors about providing this kind of service, the first thing they want to know is whether we are good at what we do. The second thing they look at is what we are selling other than retirement information and calculations, because if we are selling other financial products or services, they are going to look somewhere else. Some of them also want to affirm that we can offer service over the internet, not only so employees in different locations get the same services, but also so they can use them at home, and not during working hours.

And of course this is, in fact, exactly how we do business. Our most potent software for retirees and near-retirees is available as a web-based application, accessible anywhere, and we do not sell other products or services besides retirement software and information. So we get ushered right in the door, while financial companies get to cool their heels in the waiting room.

(cont.)

More importantly, when you partner with us, you partner with the best:

- We have, by far, the most powerful and most consumer-oriented financial model for retirees and near-retirees. No one else even comes close. This model began to be planned nearly 20 years ago, went under active development in 2003, and is now fully operational. It helps people in this age group resolve as many as two dozen different financial issues they face, including decisions about whether they should purchase life insurance, long-term care insurance, or annuities, or whether they should be considering IRA Rollovers or Roth conversions. But it puts these decisions in a broader context, because it also deals with non-product issues such as when it is financially feasible to retire, when to start taking Social Security benefits, which option to take from a defined benefit plan, what financial strategy to adopt with a special needs child, and a dozen or so others. No one can deal with all these issues in a comprehensive and comprehensible way, and in a fashion that integrates all of these decisions with one another.
- Due to our close relationship with the Association for Integrative Financial and Life Planning, and with the Life Planning Network – two organizations actively pursuing holistic planning models for people in the second half of life – we have unusual insights into the way financial and non-financial decisions interact. And we have knowledge of these non-financial domains as well as the financial ones. The best and most popular books on retirement are already dealing with this very broad array of issues, and a few financial firms have started to dabble in them. Working with us, you can leap to the head of the class.

Outline of a Retirement Readiness Offering

A powerful Retirement Readiness program should offer both *education* and *advice*. And then there should be back-up for *implementation* of financial decisions. When we partner on this kind of offering, we take care of the education and overall advice, which needs to be objective, and which for you would only be overhead anyway. And you get to take care of the financial implementation, which is where you have true expertise, and is where you get paid. A perfect match!

As noted, we differentiate education and advice. Education is generic, where advice is specific to the individual's situation. The outcome of education is knowledge, while the outcome of advice is action. If you are a provider of products and services, customer education is good to offer, since it is very useful to consumers, but only advice will regularly send new clients to the table. We can provide both.

Our Retirement Readiness model includes an overview for employees of the kinds of information and advice they will need to assure themselves of a successful retirement. It will then provide many hundreds, potentially thousands, of recommendations and links to "best of breed," objective external web resources on a wide range of financial topics, and on an equally wide range of non-financial topics.

In addition, employees will have access (at a large discount, perhaps even for free if the employer wants to subsidize it) to our unequalled flagship software, RetirementWorks® II. We can also make supplementary, specialized retirement calculators available, and/or provide links to other sources for specialized retirement advice tools.

Want to know more? Email us or give us a call. We can adapt to your clients' needs, and to your own.

System Updates

- **No new changes to announce this month.**



Retirement Planning Software, Inc.

Bulletin

Number 105

January-February 2010

“Software Best Preparation for Planning Retirement”

When a nationally syndicated financial columnist not only echoes what you've been saying for years, but endorses your specific software as the best solution available, there is a certain sense of vindication.

“Software Best Preparation for Planning Retirement” was actually the title of the January 27 edition of “The Savings Game” by Humberto Cruz, the award-winning financial columnist of the Tribune Media Service, as the article appears on the Chicago *Tribune* website. He was referring specifically to our software for retirees and near-retirees, RetirementWorks II (RW2).

He calls RW2 “the most comprehensive retirement planning software for consumers I've tested,” and praises it for providing “detailed information you simply can't get from the plethora of free but superficial and potentially misleading retirement calculators on the Internet.”

The financial industry has long preferred quick and simple retirement calculators, even for their older clients, whose needs require that multiple, inter-connected decisions be made. Like us, Cruz finds that approach faulty. More detail is required. “Rather than a turn-off,” he writes, “I find ... detailed questioning a reassurance that a program is factoring in all relevant information before spewing out conclusions and recommendations.”

He also notes that having software that asks for detailed information forces one to think seriously

(continued on next page)

The Roth Conversion Gamble

Now that the federal government has lifted the income restrictions on Roth Conversions, we figured it was time to revisit this subject.

A few years ago we added a new kind of Roth calculator to our desktop RetirementWorks® II software. Our approach was novel at the time, but it still remains the best way to attack the issue, because it is the only method that recognizes the Roth decision for what it truly is: a gambling proposition.

Feb. 2010 72(t)
Interest Rate:
3.16%

As is fairly widely recognized, the determining factor concerning Roth conversions is the marginal tax rate. If you will be in a higher tax bracket when you withdraw the money in the future, then you are almost always better off with a Roth plan, because you pay your taxes now at the lower rate, and all future withdrawals are tax-free, no matter how large the account grows. But if your tax rates will be lower in the future, it's better to keep a traditional tax-deferred account and pay the (lower) taxes when you withdraw the money in the future.

The decision is simple, therefore, assuming you know what your future marginal tax rate will be. The catch is, you cannot know. Any number of factors, some of them unpredictable, might affect your taxable income. Even less predictable is what Congress will do to change tax rates – or conceivably even the entire tax structure – over the coming years.

(continued on next page)

Software (cont'd)

ously about the issues that apply in one's retirement years. In our view, our software's ability to address so many of these issues – in fact, virtually every important financial concern that older people face – is perhaps its most important feature. Even if your own interest as a vendor or advisor is with product sales or investment management, other decisions that are being made, or should be made, have an impact, sometimes an overwhelming impact, on the suitability of what you are recommending.

Cruz's article was published in newspapers across the country, under various titles. The Chicago Tribune version can be found at: <http://www.chicagotribune.com/business/yourmoney/sc-ym-0124-cruz-20100120,0,5325654.story>

You can also visit our consumer website for more information about this software, at: <http://www.RetirementWorks2.com>.

Roth Conversion (cont'd)

There is simply no way to know, therefore, what your own future marginal tax rate will be, making the Roth decision, in effect, a crap shoot.

This being so, it is irrational to try to guess whether the Roth option is favorable or not, and then place all your chips on that guess. Instead, the rational strategy is to hedge your bet, and put some of your chips on each possibility.

The trick is to figure out whether you should be splitting the bet 50-50, or putting a bigger wager on the Roth plan or the traditional plan. That's what our software helps you do.

For a more detailed analysis of this problem, check out our latest analytical paper, "The Roth Conversion Gamble," which you can link to from our Still River website, at:

http://www.stillriverretire.com/SRRPS_FinancialTopics.asp

Software Updates

- **Federal income taxes:** Federal income tax rates have been updated in the 403(b) Contribution Planner®, RetirementWorks®, and RetirementWorks® II, as applicable.
- **Federal and state income tax withholding:** We have also updated federal withholding rates in all three systems, along with various state tax withholding formulas. States with updated formulas in December were California, Connecticut, Delaware, Maine, Minnesota, New York, North Dakota, Rhode Island, and Wisconsin.. Updates were also made in January for Missouri and the District of Columbia.
- **State retirement systems:** Updates are available for:
 - Missouri PERS, where we have separated out the closed plan; we have also included the current plan, for employees hired in 2000 and after, with the MSERS plan.
 - New York State TRS and ERS each have a new Tier 5 plan, in effect as of January 1.
 - Washington State has updated option factors for all plans.

California STRS announced in 2009 that new option factors would go into effect in 2010, but they have not yet announced what the new factors are. We will be updating these as soon as they are made public.



Bulletin

Retirement Planning Software, Inc.

Number 104

November-December 2009

Coming Soon: A New Way to Do Retirement Planning

In our last Bulletin, we discussed the growing trend toward more integrative planning methods. Since then, an important development is underway, and Still River is one of the main players.

The Association for Integrative Financial and Life Planning (AIFLP), together with the Life Planning Network (LPN), has initiated a project to define a methodology that financial and non-financial advisers can use in collaboration to create integrative plans for their clients.

The team undertaking this effort understands that there are several models that would, in principle, enable integrative (or “holistic”) planning to be done. A model where more-or-less independent professionals with various expertise work together on appropriate cases is only one such approach, but we feel that it is the one that is most widely applicable, as well as one that would be readily adaptable to other circumstances.

Nov. 2009 72(t)
Interest Rate:
3.45%
Dec. 2009 72(t)
Interest Rate:
3.20%

with a particular client, and understand how multiple issues in multiple domains can realistically be analyzed and addressed together.

- A “financial model,” which will be an adaptation of the general process model for the particular needs and orientation of financial professionals.
- A “collaboration model” that deals with the organizational and procedural realities of different professionals, with different backgrounds, expertise, skills, and compensation structures, working together in a manner that benefits both clients and advisers.

Limitations

This is a very ambitious project, attempting something that has never been achieved before, although pieces of it have been done from time to time. Despite the difficulty, the AIFLP/LPN team is determined to accomplish this task in the first half of 2010.

The reason we believe it can be done in that timeframe is that we are not trying to create The Perfect Model. Even assuming there is such a thing, it isn’t required.

In today’s environment, a financial planner or life coach, for instance, who is aware of the inadequacies and pitfalls of one-dimensional planning and wants to take a more holistic approach has very few options, none of them very good. Although some financial planning models exist that encourage and allow for exploration of other issues, and while some life planning models take cognizance of financial concerns, no existing model or set of processes does a good job all around. And for the individual

(cont.)

There are four key components to this project:

- A “conceptual model” that enables us to understand the various domains, both financial and non-financial, where clients have needs and concerns; and that helps us understand the relationships among these domains, and how these shift over time.
- A “generic process model” that advisers of all kinds can use to: identify when integrative planning is appropriate, diagnose which domains in the conceptual model are in play

practitioner who recognizes that other experts need to be brought into the process, there are no established protocols for doing so.

So *any* workable model will be a vast improvement over the hodgepodge of bits and pieces that we have today, and a mission to develop *one* such model, which others can then use, and adapt if necessary, will constitute both a big advance in the profession and a basis upon which other models can be developed.

Eventually, we hope to have many models with many interchangeable parts. But that is a later task. In the meantime, we here at Still River continue to work both on the AIFLP/LPN models and on our own software-based model that we hope to introduce in 2014.

As you can see, we're in it for the long haul.

System Updates

- **RetirementWorks II:**
 - Recommendations on starting ages for Social Security now take into account the “file and suspend” option, which permits a higher-earning spouse to file for benefits so that a lower- or non-earning spouse can begin receiving spousal benefits. Then the first spouse immediately suspends his or her own benefits, delaying them until a later age when the benefit amount will be higher. This is not usually the best strategy, so it is not usually recommended anyway. But we also doubt that Congress will keep this loophole available forever, given the need to improve the solvency of the Social Security system. Therefore, even when this strategy appears to be beneficial, we will illustrate it only within a year or so of its preferred implementation date, not ahead of time.
 - Clients who do their own input to the system are now reminded to print out the Input Summary report so they can verify that the data being used in the calculations is what they intended.
 - When there is an indication that a client is not concerned about losing money in down markets, we now offer the opportunity to indicate whether this attitude is due to a policy of not making any risky investment choices in the first place. If so, then it obviously is an indicator of low rather than high risk tolerance.
- **State Retirement Plans:** Two items listed in the last Bulletin were not implemented correctly in Version 15.01:
 - New Jersey PERS: contribution rates of 5.5%.
 - Texas ERS: new plan for members hired on or after September 1, 2009 (not labeled correctly).
 - Also, for the Wyoming Retirement System: one of the calculation factors had earlier been coded incorrectly.

If you have not already received an updated version and if you want one, just let us know.