



CYPEN & CYPEN
NEWSLETTER
for
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Never Forget September 11, 2001

and

Always Remember May 2, 2011

1. JCC APPLIED INCORRECT ANALYSIS IN DETERMINING COMPENSABILITY OF HEART DISEASE UNDER FLORIDA PRESUMPTION STATUTE: Firefighter Gonzalez appealed denial of his claim for a determination of compensable heart disease under Section 112.18, Florida Statutes: any condition or impairment of health of any firefighter caused by heart disease resulting in total or partial disability or death shall be presumed to have been accidental

and to have been suffered in the line of duty unless the contrary be shown by competent evidence. The Judge of Compensation Claims found that the employer/carrier successfully rebutted the presumption of occupational causation. Because the JCC did not apply the correct analysis, the district court of appeal reversed and remanded. After tangentially participating in fighting a residential fire, Gonzalez became very lightheaded, and felt his heart race. It turns out that he was experiencing supraventricular tachycardia, subsequently diagnosed with arterioventricular node reentrant tachycardia, the condition for which Gonzalez claimed compensability. After an ablation, he is now essentially cured. The consensus medical opinion is AVNRT is heart disease involving a congenital abnormality of the heart, characterized by an extra electrical pathway, which causes tachycardia when there is a triggering event. Because some people born with the abnormality never experience tachycardia, the diagnosis of AVNRT requires both the congenital abnormality and the triggering event for the episode of tachycardia. Gonzalez's independent medical examiner testified that the triggering event for the episode of tachycardia was the adrenaline from the exertion he expended that day while working. Although he conceded that Gonzalez's work activities were not at the highest level of exertion, he explained that there is no perfect correspondence between the level of exertion and instance of tachycardia. Somewhat counterintuitively, the doctor also testified that laboratory testing showed that Gonzalez's tachycardia could only be induced and sustained with aggressive stimulation protocol (that is, high adrenaline levels). By contrast, another doctor

opined that there was nothing about what Gonzalez did as a firefighter that could be identified as the cause of the AVNRT. As people age, they develop fibrous growth into the AV node, which may slow conduction velocity enough to support the abnormal heart rate, so that AVNRT presents at different stages of life; the specific triggering event is often unknown. He testified that there was no medical evidence that emotional stress could ever be a trigger, but nevertheless acknowledged that physical exertion could have triggered Gonzalez's tachycardia. Significantly, this doctor testified that there is no medical literature linking AVNRT to occupation and no medical data to support a finding that Gonzalez's job was the trigger of the abnormal rhythm. Here, although the JCC afforded Gonzalez the statutory presumption of compensability, he ultimately found that the e/c successfully rebutted the presumption. A review of the JCC's findings as to rebuttal of presumption leads the Court to determine whether competent substantial evidence supports whatever decision is reached by the JCC as the finder of fact. The JCC expressly found that the e/c successfully rebutted the presumption under either competent evidence or the clear/convincing evidence standard. In this case, Gonzalez did not rely solely on the presumption, but also presented independent medical testimony in support of an occupational cause; thus, the e/c had to establish that the cause of trigger was either non-occupational or that there was a specific non-occupational cause for it. The independent medical examiner identified the adrenaline associated with Gonzalez's work activities as the trigger for the episode of tachycardia on the day in question.

Ultimately, the JCC found that the independent medical examiner only presumed Gonzalez had high adrenaline levels that day and did not explain why Gonzalez, who had been in the fire service for 13 years and also presumably had many occasions both on and off the job to experience events that raised his adrenaline level, suffered this particular episode of AVNRT. Although the JCC did not expressly accept the other medical opinion, he gave a reason why he rejected the independent's opinion. Because he essentially rejected that opinion -- the only evidence of an occupational cause beyond that of the presumption -- as not credible, the lesser standard of competent evidence will apply here to rebut the presumption. Recently, in *Mitchell* the same district court addressed the statutory presumption in context of the claim involving the same dual AV node physiology and with similar medical evidence regarding the need for both the congenital abnormality and a trigger to bring on the tachycardia, and set forth the proper analysis when the evidence includes a complicating factor of a trigger. ([See C & C Newsletter for February 25, 2016 Item 5](#)). Medical evidence of the congenital condition is sufficient to rebut the presumption, but, because the presumption does not disappear when the presumption is rebutted, the e/c also bears the burden of overcoming the presumption by competent evidence that the trigger is also non-occupational. At bar, the JCC concluded that Gonzalez's congenital condition is heart disease, which is contrary to the medical evidence. Instead, the evidence establishes that the AVNRT *is* the heart disease. Thus, both factors identified as necessary to produce the heart disease of AVNRT -- the

physiological abnormality and the trigger -- must be addressed. In other words, although the congenital nature of the physiological abnormality is sufficient to rebut the presumption, the cause of the trigger must also be determined. In the instant case, the medical opinions conflicted concerning the cause of the trigger. Although the JCC clearly rejected the independent's opinion concerning occupational cause of the trigger, he did not make a specific finding regarding whether the e/c overcame the presumption by establishing that there is one or more possible non-occupational cause for the trigger or that there are no occupational causes. (We note that the JCC, however, did not have the benefit of the above recent case.) *Gonzalez, v. St. Lucie County-Fire District/Florida Municipal Insurance Trust-Florida League of Cities, Inc.*, 41 Fla. L. Weekly D589 (Fla. 1st DCA March 8, 2016).

2. U.S. COMPANIES TO CONTRIBUTE OVER \$15 BILLION TO PENSION FUNDS: U.S. corporations tracked by *Pensions & Investments* plan to contribute a total of \$15.6 billion to their pension funds this year. Of the 31 companies that plan to contribute at least \$100 million in 2016, four reported the intent to contribute at least \$1 billion each. At this time last year, 51 companies had announced they intended to contribute \$17.35 billion to their plans in 2015. Of that, 35 companies were planning to contribute at least \$100 million to their U.S. plans, totaling \$11.6 billion. General Motors Co., which has the largest U.S. corporate pension plan, will make the largest contribution. The company will put \$2 billion into its U.S. hourly pension funds by

the middle of the year. General Motors' funding ratio increased 40 basis points to 87.9% from 87.5% in 2014. It will also contribute \$947 million to its non-U.S. plans. Ford Motor Co., (\$1.5 billion), United Parcel Service Inc., (\$1.16 billion) and Delta Air Lines Inc., (\$1 billion) round out the top four.

3. WHEN WARREN BUFFET SPEAKS, *EVERYONE* LISTENS: Here are a few snippets from Warren Buffet's annual letter: for 240 years it has been a terrible mistake to bet against America, and now is no time to start. America's golden goose of commerce and innovation will continue to lay more and larger eggs. America's Social Security promises will be honored, and perhaps made more generous. And, yes, America's kids will live far better than their parents did. Though the pie to be shared by the next generation will be far larger than today's, how it will be divided will remain fiercely contentious. Just as is now the case, there will be struggles for the increased output of goods and services between those people in their productive years and retirees, between the healthy and the infirm, between the inheritors and the Horatio Algiers, between investors and workers and, in particular, between those with talents that are valued highly by the marketplace and the equally decent hard-working Americans who lack the skills the market prizes. Clashes of that sort have forever been with us -- and will forever continue. Congress will be the battlefield; money and votes will be the weapons. Lobbying will remain a growth industry. It seems highly likely to me that climate change poses a major problem for the planet. I say "highly likely" rather than "certain,"

because I have no scientific aptitude and remember well the dire predictions of most experts about Y2K. It would be foolish, however, for me or anyone to demand 100% proof of huge forthcoming damage to the world if that outcome seemed at all possible and if prompt action had even a small chance of thwarting the danger.

4. HACKERS HOLD POLICE FILES HOSTAGE FOR RANSOM: In June 2014, according to *Governing*, an officer with the Durham, N.H., Police Department opened what she thought was a digital fax attached to an email about an investigation she was working on. Instead, it was a type of malicious software that infected files throughout the entire police department's network of computers. By the next morning, the entire system was in serious trouble. The officer had accidentally downloaded an extortion malware program popularly known as ransomware. It encrypts a computer's files (meaning they can only be accessed by the cybercriminals) and then sends victims a digital ransom note, demanding money to decrypt them. The Durham police department was able to minimize the damage and recover the locked files from a backup copy, which had not been infected, without paying the ransom. But that has not been the case for a number of other law enforcement agencies. Last year, five small police departments in Maine had their files encrypted. Police departments in Illinois, Massachusetts and Tennessee have also been held hostage by ransomware attacks. In each case, the police had to pay a ransom. Of course, it is not just the police who have been victims. An attacker demanded \$800,000 from the city of Detroit, after infecting some of its

computer files. (The city did not pay, though, because the encrypted database was no longer used by city staff).

5. THE RETIREMENT CHALLENGE FOR WOMEN: BNY Mellon has released a new publication entitled “The Retirement Challenge -- Dilemmas and Decisions Through Every Decade.” The guide examines how women’s challenges evolve over the decades, as they prepare for retirement, and offers ideas for action steps they can take at any age from their 20’s to their 70’s and beyond. When faced with the prospect of preparing for retirement, all investors must grapple with complex questions: How will the markets affect my portfolio? Will I see reductions to my Social Security? How healthy will I be? What am I not thinking of that might send a shock wave through my plans? Such questions assume more importance for women, due to a variety of compounding factors:

- Longer average life expectancies -- women who reach age 65 are expected to live 2.3 years longer than men who reach the same age.
- Lower incomes during working years -- women receive nearly 1/3 less compensation than men over their lifetimes.
- Gaps in employment -- women may take some time off to care for aging parents or others.
- Lower savings levels -- women have lower account balances than men despite needing higher ones -- women who retired in 2012 are expected to spend 15% more time in retirement than

men (20.5 vs. 17.9 years).

- Higher medical costs -- women have a higher chance than men of being impacted financially by chronic or terminal illnesses.
- Higher taxes -- 80% of women in their final years will be single, facing higher tax rates than married couples do.

What can women do to overcome these retirement challenges? Plenty, if they make smart moves at every stage of life. The booklet then goes on, in specific detail, for each decade of life, starting with the twenties and ending with the seventies and beyond.

6. WHEN A POLICE OFFICER DIES (LETTER FROM A TEXAS LEO): When a police officer dies, my Facebook feed is normally filled with the patch or badge of the fallen's agency. Right now, my news feed is full of "rookie pics". Police officers are posting pictures of their rookie year in a kind of social media memorial to Officer Ashley Guindon, a rookie Virginia cop who was gunned down while still in training. But these officers could not finish off the memorial to Officer Guindon before yet another cop was killed, and yet another Facebook tribute began. Officer David Hofer of the Euless, Texas, Police Department was killed in the line of duty. So far this year, 16 police officers have died in the line of duty. That is 16 flag draped caskets, 16 (or more) processions, 16 separate versions of TAPS, 16 different gun salutes, 16 folded flags handed to a grieving loved one and 16 last calls on the radio. All by March 1, 2016. Few (if any) elected officials have spoken up. I doubt any dignitaries went to any funerals.

The media have not blown these stories up or even really commented on them. Activists have not stirred. Public speakers have not demanded “justice.” And the president has not claimed that more needs to be done to curb this problem. I think police officers in the USA could feel slighted. They could be angry at the slanted reporting of officer-involved shootings, versus the lack of reporting for officer deaths. They could be frustrated at the fact that they must play by the rules -- EVERY SINGLE RULE -- but they are constantly fighting criminals who live by NO RULES, and have nothing to lose. Cops could seriously decide to just take a day off. They could decide that the stakes are too high, and the playing field is not fair. But they will not. On the contrary: tonight, tomorrow and every day forward, officers across this nation will still go to work. They will still velcro the vest, put on the belt, attach all the gear, lace/zip the boots, go in service and answer the call when you dial 911. They will be there when you crash. They will attempt to stop the criminal before he gets to you. They will stand in the gap for you. They will be the Thin Blue Line. To Officers Guindon and Hofer, to the ones before you, and to the inevitable ones to follow: your sacrifice was not in vain. The media, the activists and even the president may not care. But we Sure As Hell Do. We see you. We love you. And we will carry the torch. Your death will not be for nothing. Thank you for your service and your sacrifice. May you rest in peace knowing that we have the watch from here. Piece from letter by Texas Law Enforcement Officer J. Armstrong, reported in leoaffairs.com

7. THE PRIVATE TECH SECTOR GOES PUBLIC: In the past, few software companies had the resources to sell solutions that met the unique needs of 50 states and thousands of cities and counties, all while navigating the often arcane rules of public procurement. *Governing* says the result was limited choices and high costs. But thanks to a combination of venture capital, new technologies and the entrepreneurial spirit of Silicon Valley, dozens of businesses now offer digital tools and services designed explicitly for government. The number of these firms has grown so quickly that there is now a public sector version of the Fortune 500. Dubbed GovTech100, the list of companies and their products has names like ArchiveSocial, CitySourced, GovSense, mySidewalk and Urban Engines. Some of them mimic successful programs in the private sector, such as Airbnb and Amazon. But they all focus on a variety of public sector needs like transparency and efficiency. The GovTech100 list is compiled by e.Republic Labs, a division of *Governing's* parent company e.Republic, Inc. It represents the ways in which government is changing how it uses technology and operates. Check it out at: <http://www.govtech.com/100/>.

8. GUIDE TO RETIREMENT: JP Morgan Asset Management has released its Guide to Retirement (2016 Edition). In 46 pages, of resourceful information, the booklet deals with retirement landscape, saving, spending, investing and reference. In one particular snippet, of no particular relevance here, we are reminded of the impact of being out of the market. Trying to time the market is extremely difficult to do

consistently. Market lows often result in emotional decision making. Investors in the long term, while managing volatility, can result in a better retirement outcome. The impact of being out of the market is graphically demonstrated by showing performance of a \$10,000 investment between January 2, 1996 and December 31, 2015, as measured by the S & P 500:

- Fully invested -- Principal \$48,230 - Return 8.18%
- Missed 10 best days -- Principal \$24,070 - Return 4.49%
- Missed 20 best days -- Principal \$14,998 - Return 2.05%
- Missed 30 best days -- Principal \$9,908 - Return -0.05%
- Missed 40 best days -- Principal \$6,732 - Return -1.96%
- Missed 50 best days -- Principal \$4,694 - Return -3.71%
- Missed 60 best days -- Principal \$3,348 - Return -5.32%

One other thing: six of the ten best days occurred within two weeks of the ten worst days! The handy reference tool is available at:

<https://am.ipmorgan.com/blobcontent/1383169408019/83456/JP-GTR.pdf>.

9. MORNINGSTAR RELEASES ESG SCORES ON 20,000 FUNDS:

Morningstar's sustainability effort has kicked off with ESG scores on 20,000 funds, according to pionline.com. Morningstar rolled out its first batch of mutual fund scores with sustainable-investing grades related to environmental, social and corporate governance screens applied to the underlying securities in each fund. The scoring system add scores at both the fund and category levels. Funds will receive scores based

on ESG metrics applied to their underlying holdings, and at least 50% of funds underlying holdings need to be scored in order for the fund to receive an ESG score. Many investors are interested in sustainable investing, but unsure how to put it into practice. Some firms say they never invest according to sustainability principles, but it has been hard to verify. Now investors can draw their own conclusions. According to data so far, there is nearly \$7 trillion invested in ESG strategies in the U.S., up from \$4.3 trillion in 2014, and from \$202 billion in 2007.

Looks like the dawn of a new day.

10. RETIREMENT PLANNING -- NOT REALLY ABOUT HOW YOU

INVEST: For most people receiving advice and investing money is not the most important part of retirement planning, according to brookings.edu. In fact, most people do not have significant retirement savings, so talking about who or how to invest them is irrelevant. Their “financial planning” is more likely to be about whether and when to pay the credit card bill. What really matters are two things: how long you work and when you apply for Social Security. For most people, the answer is far more than whether your savings are invested in stocks or bonds. One of the great blessings of modern medicine is that people are living longer. But one of the consequences of that blessing is that unless people work longer or save more while they are working, they are more likely to run out of money in retirement than ever before. (The decline of traditional pensions, which pay lifetime income benefits, has not helped, either.) Most folks know this and are responding. Sixty-five percent of baby boomers expect to work past

65. However, those expectations may not be met. Currently, about half of workers stop working before age 65; some are wealthy enough, more often they are just not healthy enough. Flexible retirement is more slogan than fact. Moreover, the job market is not as flexible as some may hope. Yes, an increasing percentage of seniors are working at least occasionally, but that does not mean they are doing their dream job on their chosen schedule. Increasingly, most of those who do work past 65 work full-time. Twenty years ago about 60% of workers over the age of 65 worked part-time; today about 60% work full-time. It is not clear why part-time work has declined, but one reason may be that employers still have not adjusted to the idea. Retirement planning involves more than wishful thinking. If you want a flexible or a phased retirement, you need to know what your options really are, and the time to find out is long before you are on the verge of retirement. The other step that matters for most people is when they choose to apply for Social Security. Many apply as soon as they legally can do so, generally at age 62. For most people, that is a mistake, because it means they will get reduced payments for the rest of their lives. Most others claim their Social Security benefits by the time they reach normal retirement age, which for baby boomers is 66 years. For many people, that is a mistake, too, because your lifetime benefit increases each year that you delay from 62 up to age 70. How much more will your Social Security be if you start taking it at 70 instead of claiming benefits at the earliest possible age? A lot. For baby boomers, waiting until 70 increases the annual benefit by about 8% for each year of delay, which means instead of taking an annual

payment at 62 of \$10,000 a year, waiting 8 years means your annual payment will rise to \$17,600 -- inflation indexed for life. If you keep working after age 62, then the math can be even more compelling, because Social Security is based on your highest 35 years of earnings. If you are married, delaying also increases payments to your spouse after you die, so the next time someone approaches you about moving your 401(k) money over to him, consider the option he will not tell you about: suspending first and deferring Social Security. After all, Social Security gives you a guaranteed 8% return for waiting -- and an 8% guaranteed return is hard to beat.

11. BETTER INFORMATION ON INCOME REPLACEMENT RATES NEEDED TO HELP WORKERS PLAN FOR RETIREMENT:

Household spending patterns varied by age, with mid-career households (those aged 45-49) spending more than older households. For example, according to 2013 survey data from the Bureau of Labor Statistics, mid-career households spent an estimated average of around \$58,500, while young retiree households (those aged 65-69) spent about 20% less. While the share of spending was consistent for some categories, other categories had larger variations across age groups. For example, housing expenses comprised the largest share of spending regardless of age, while older households spent more out of pocket on health care than mid-career households. Spending was less variable across age for low-income households compared to other households. For example, there was not a significant difference in average spending between mid-career and

young retiree households in the lowest income quartile, compared to an approximately \$20,000 difference for the highest income quartile. These variations in spending patterns have implications for the resources households need to maintain their standard of living in retirement. Researchers and financial industry professionals develop target replacement rates, the percentage of income to aim for in retirement, based on certain key factors, including spending, household characteristics, and pre-retirement earnings. GAO's analysis of the literature found that calculating an appropriate replacement rate can be complex. For example, there is debate over whether households that have raised children should target a lower replacement rate than households that have not. In addition, a worker's pre-retirement earnings could be defined as earnings at the end of the worker's career or as average earnings over the course of the career. Despite these complicated considerations, target replacement rates cited in the articles and reports GAO reviewed typically range between 70 and 85%. Some financial industry professionals told GAO that they develop customized targets that take into account workers' assets and expected spending, while others questioned the usefulness of replacement rates. The information and tools on replacement rates that the Department of Labor provides may be too limited to help workers understand how to see such rates for retirement planning. DOL's Employee Benefits Security Administration's website provides information and tools to help American workers better plan for retirement, including a tool to help workers calculate their retirement income needs as a percentage of

preretirement income. While EBSA's materials note that a target replacement rate can vary based on individual circumstances, they do not include specific examples of demographic groups that research indicates can result in higher or lower income replacement needs, or how much a replacement rate might need to be adjusted for those groups or for other individual circumstances. Without additional information, workers may not understand how to adjust target replacement rates when planning for retirement. Further, EBSA's worksheet and online tool for calculating how much to save use a default replacement rate with no opportunity for a user to adjust the rate based on individual circumstances. Without the ability to adjust the replacement rates used in planning tools, workers may over-or under-estimate how much they need to save for retirement. GAO-16-242 (March 1, 2016).

12. TEN STRATEGIES TO MAKE DB PLANS SUSTAINABLE:

Defined benefit plans are still a great recruiting tool because employees want a pension. From benefitspro.com here are ten strategies to make DB plans sustainable:

- **Compliance/governance.** Plan sponsors need to establish and document their compliance processes, including how they make decisions. Among the factors to be included in that governance framework are clearly defined responsibilities for plan document compliance, fee benchmarking, administrative practices and legislative/regulatory changes.

- **Plan design.** The way a plan is designed should support the firm's employee benefit philosophy. In addition, it should efficiently use the sponsor's investment, as well as encouraging employees to retire once they have hit that retirement readiness milestone. But it does not end there; sponsors should continue to evaluate the design of their plans as demographics, market conditions, legislation, regulations and the competitiveness of benefits change.
- **Administration.** Data quality is an important factor not just in processing transactions, but also in forecasting the financial impact on participants that any potential plan changes may have. Sponsors need to be sure that the quality of plan data is held to high standards -- in particular participant data.
- **Communication.** Direct communications, via targeted tools and communications that are segmented to various groups within the employee population, are more effective in helping participants to understand the value of their DB plan. In addition, the timing of such personalized communications -- relating to key life events -- will enhance their understanding and appreciation of the plan.
- **Plan assumptions.** Sponsors should make sure they periodically review plan assumptions. Changes in everything from market conditions to plan experience and legislative and regulatory changes can affect how DB plans work over time.

Reviewing the effects of all these factors will ensure that assumptions about the plan's effectiveness are based on the most recent information.

- **Plan costs.** Sponsors often know some of the costs incurred by the DB plans they offer, but seldom know all of them. They need to look at factors other than fees when determining the true bottom line: such things as economic cost, benefit cost, administrative fees, and investment management expenses are all part of the total. In addition, plan cost must be considered in any strategic review of all plan management activities.
- **Plan funding.** Any short term benefit gained by skipping a plan funding contribution, even if it is not required, can not only increase subsequent contribution amounts, but also end up costing plan sponsors far more -- often at the worst time possible for the sponsor. Funding policies will differ from plan to plan and from industry to industry, but a long term funding policy will make sure that contributions are made on a regular basis and that unpleasant surprises do not lie in wait down the road.
- **Plan liabilities.** Plan sponsors should be on the lookout for opportunities to cut plan liabilities. Consider making periodic, small amount bulk lump sum sweeps or an ongoing lump sum offer as an effective and cost efficient way to reduce liability when conditions are right.
- **Investment policy.** The plan's investment policy should be in

alignment with the plan itself, and with the objectives of the business. In addition, plan sponsors should be clear on goals for investment return and risk tolerance, since these too have to be taken into account when aligning investment policy and business objectives.

- **Risk tolerance.** The plan's risk tolerance, including equity exposure, must be defined and monitored. Many organizations change their viewpoint on how much risk they want to take after modeling their risk tolerance. Some see that they can afford more risk than they thought. Even so, continuing to monitor risk tolerance is essential, lest circumstances change.

13. NINE WAYS TO GENERATE RETIREMENT INCOME:

Retirement plans is all about finding ways to secure an income after you have stopped working. According to *About Money*, the following are best investments for generating income in retirement:

- **Certificates of Deposit and Other Safe Investments.** A CD is a Certificate of Deposit issued by a bank, usually FDIC insured. The longer the term of your CD, the higher the interest rate you should receive. Pros: principal is safe; Cons: this strategy will generate little current income.
- **Laddered Bonds.** A bond, like a CD, has a maturity date. You can buy bonds now so that they mature at various future points when you are most likely to need the income. There are many types of bonds so you can choose safe government issued

bonds, or higher yielding corporate issued bonds. Pros: bonds are likely to provide more income than a CD or other super safe option; Cons: income may not keep pace with inflation.

- **Stock Dividend Income.** Stock dividends are a return of profits paid out to stock shareholders. Some stocks called the “Dividend Aristocrats,” have a history of increasing dividends each year and some stock dividend mutual funds allows you to invest in a group of these stocks all at once. Pros: historically, capital will grow, and companies gradually increase dividends, providing a means for your income to rise with inflation; Cons: principal fluctuates in value with market moves.
- **High Yield Investments.** Some investments pay out super-sized yields; it may be in the form of private lending programs, closed end funds, or master-limited partnerships. Be cautious -- often higher yields come with higher risks. Pros: high amount of initial income generated; Cons: principal will fluctuate in value. High yield investments may reduce or eliminate their distributions during tough times.
- **Systematic Withdrawals From a Balanced Portfolio:** A balanced portfolio owns both stocks and bonds, usually in the form of mutual funds. Systematic withdrawals provide an automated way of selling a proportional amount of what is in the account each year so you can withdraw from the account to meet your retirement income needs. Pros: if done right, this approach is likely to generate a reasonable amount of inflation adjusted lifetime income; Cons: principal will fluctuate in value

and you must be able to stick with your strategy during the down times.

- **Immediate Annuities.** Insurance companies issue contracts called annuities. With an immediate annuity in exchange for a lump sum deposit you receive income for life. Pros: guaranteed lifetime income even if you live past 100; Cons: income will not keep pace with inflation unless you buy an inflation adjusted immediate annuity (which will have a much lower initial payout). If you want the highest payout you will have no access to principal, nor will any remaining principal pass along to heirs.
- **The Income for Life Model.** This approach uses something called time segmentation to match up your investments with the point in time they will be needed. It provides a logical process for how much to put in safe investments and how much to put in growth-oriented investments. Pros: easy to understand and has potential to deliver great results; Cons: in its purest form, this strategy entails taking on investment risk, but it could be modified so that you would use guaranteed income products.
- **Variable Annuity with a Guaranteed Income Feature.** A variable annuity is a contract issued by an insurance company, but inside the annuity they allow you to pick a portfolio of market-based investments. What the insurance company provides is a lifetime income benefit rider that insures if the investments do not perform well you will still have retirement income. Pros: guaranteed lifetime income that may keep pace with inflation if market rises. Principal remains available to pass

along to heirs; Cons: may have higher fees than other options -- and the fees in some products can be so high that you are forced to rely on the guarantees as the investments are unlikely to be able to earn enough to overcome the costs.

- **Holistic Retirement Asset Allocation Plan.** When you look at all the options available, most of the time the best option is a plan that uses many of the choices discussed. The goal of a holistic retirement asset allocation plan is not to maximize return it is to maximize lifetime income. Pros: a combination of several retirement income ideas named in this piece is often what is needed to create the ideal income flow for your needs; Cons: takes a lot of work to put it together right, but the hours of planning can be worth the effort for months and years to come.

If you are near retirement, the most important thing you should know is that retirement investing needs to be done differently. You need income for life, not a hot stock tip. By now, you should be ready to use these techniques in a coordinated way. And always remember: planning is not a one-size-fits-all approach. Your unique circumstances and abilities need to be considered. For sure.

14. SO YOU THINK YOU KNOW EVERYTHING: February, 1865 is the only month in recorded history not to have a full moon.

15. TODAY IN HISTORY: In 1969, James Earl Ray pleads guilty in murder of Martin Luther King, Jr.

16. KEEP THOSE CARDS AND LETTERS COMING: Several readers regularly supply us with suggestions or tips for newsletter items. Please feel free to send us or point us to matters you think would be of interest to our readers. Subject to editorial discretion, we may print them. Rest assured that we will not publish any names as referring sources.

17. PLEASE SHARE OUR NEWSLETTER: Our newsletter readership is not limited to the number of people who choose to enter a free subscription. Many pension board administrators provide hard copies in their meeting agenda. Other administrators forward the newsletter electronically to trustees. In any event, please tell those you feel may be interested that they can subscribe to their own free copy of the newsletter at <http://www.cypen.com/subscribe.htm>.

18. REMEMBER, YOU CAN NEVER OUTLIVE YOUR DEFINED RETIREMENT BENEFIT.