RETIREMENTOPTIMIZER.COM

REFERRAL LISTING QUALIFICATION QUESTIONNAIRE:

Please answer each question, fill out your answers and information on page six. Scan and email page six to: cotar@rogers.com

1. What makes aftcasting different from forecasting?
   a. With aftcasting, you have to assume an average portfolio growth rate.
   b. With forecasting, you don't need to use an average inflation rate.
   c. Forecasting is accurate if assumptions are reasonable.
   d. With aftcasting, you don't enter an assumed a future portfolio growth rate or a future inflation rate in your calculations.
   e. Aftcasting is very similar to Monte Carlo simulations.

2. Aftcasting uses the actual, year-by-year market history just as happened.
   a. True
   b. False
   c. Sometimes
   d. Never
   e. Only when overridden by the user

3. During retirement, the most important determinant of portfolio longevity is:
   a. Asset allocation
   b. Withdrawal rate
   c. Market Timing
   d. Rebalancing
   e. Dividends

4. The second-most important determinant of portfolio longevity during ***early years*** of retirement is:
   a. Asset allocation
   b. Volatility of returns
   c. Sequence of returns
   d. Inflation
   e. Rebalancing frequency

5. The second-most important determinant of portfolio longevity during ***later years*** of retirement is:
    a. Asset allocation
    b. Volatility of returns
    c. Sequence of returns
    d. Dividends
    e. Inflation

6. As compared to aftcasting, what are the correct statements about Monte Carlo (MC) simulators?
    a. MC simulators can model the volatility of returns well
    b. MC simulators cannot model the sequence of returns well, even with fat tails present
    c. MC simulators still need a user input as to average assumed growth rate and a standard deviation about this average return.
    d. You might get different results each time you run a set of simulations
    e. All of the above

7. When we talk about the "luck factor" during retirement, we mean events that are out of the control of the retiree or the advisor. Which of the following factors make up the luck factor?
    a. Portfolio costs / Volatility of returns
    b. Sequence of returns / Inflation
    c. Asset Allocation / Risk tolerance
    d. Sequence of returns / Market timing
    e. Reverse dollar cost averaging / Portfolio Costs

8. What is the effect of dividends on portfolio longevity during retirement?
    a. In unlucky situations, dividends can increase the portfolio life by about 2 years.
    b. Dividends usually turn an unlucky outcome to a lucky outcome
    c. Over the long term, dividends wipe out the adverse effects of bad sequence of returns.
    d. All of the above
    e. None of the above

9. What has the most impact on portfolio growth?
    a. Missing the best 20 days
    b. Missing the worst 20 days
    c. Missing the best 20 days and the worst 20 days
    d. Both (a) and (b)
    e. None of the above

10. What are the four risks in retirement income planning
    a. Market risk
    b. Inflation risk
    c. Longevity risk
    d. Bad advice risk
    e. All of the above

11. Why is the payout from a life annuity usually larger than the sustainable withdrawal rate from an investment portfolio?
    a. Insurance companies make use of the pooling effect of life expectancy of the annuitants
    b. Withdrawal rates from a portfolio usually need to be based on a longer longevity than the average life expectancy of the individual retiree
    c. When insurance companies pool the annuity premiums, the market risk is also pooled significantly.
    d. The investment portfolio must have additional reserves to cover for the market risk
    e. All of the above

For questions 12 through 15, answer using the ORC. Assume the client is currently 65, has $200,000 in his basic ETF portfolio, asset mix is 50% large caps and 50% conventional bonds:

12. If he takes out $1,000/ month, indexed to inflation annually, what is the probability of having no money left at age 85?
    a. He will never run out of money
    b. 100%
    c. Between 40% - 45%
    d. About 15%
    e. None of the above

13. Instead of retiring at age 65, if he worked until 70 and then retired, takes out $1,000/ month in current dollars, indexed to inflation annually, what is the probability of having no money left at age 85?
    a. He will never run out of money
    b. 100%
    c. About 2%
    d. About 25%
    e. None of the above

14. Instead of retiring at age 65, if he worked until 70 and then retired, takes out $1,000/ month in current dollars, indexed to inflation annually, how much does he need to save annually between ages 65 and 70 for an acceptable retirement plan?
    a. About $22,000 per year
    b. Between $13,000 to $14,000 per year
    c. Nothing
    d. $5,500 / year
    e. None of the above

15. If he buys a life annuity with all his money, what is the probability of having no income at age 85?
    a. He will never run out of money
    b. 66%
    c. Between 30% - 40%
    d. About 15%
    e. None of the above

16. An annuity minimizes the market risk and longevity risk – as compared to an investment portfolio.
    Rank the following in order of effectiveness in reducing the inflation risk
    I. A variable annuity with GMWB rider
    II. A life annuity where payments are indexed to CPI annually.
    III. A prescribed life annuity
    IV. Holding 20% of assets in inflation indexed bonds.

    a. I, II,IV,III b. III,II,IV, I c. II,I,III,IV d. IV,II,I,III e. II,III,IV,I

17. Mark following statements as TRUE or FALSE for a **distribution** portfolio:

a.	If a portfolio loses 50%, it must grow by 100% to breakeven	TRUE	FALSE
b.	Rebalancing too often can decrease portfolio life	TRUE	FALSE
c.	Asset allocation has a small effect on portfolio longevity once the withdrawal rate exceeds 4%	TRUE	FALSE
d.	Geographic diversification has very little or no effect for unlucky outcomes	TRUE	FALSE
e.	During the last 100 years, it was better to miss the worst 30 months than not to miss the best 30 months	TRUE	FALSE

f.	We have four different **items**: stock price, bond price, inflation and interest rate. In a typical market cycle, we have four **time slices**: peak, contraction, trough and expansion. Each of the four these items behave in a specific pattern (up or down) in each of the four time slices **(sequence of events)**. If you randomize their behavior in a simulation model, there is about one in sixteen chance of aligning their behavior in the correct sequence of events. Therefore, if you run 16,000 simulations in a typical Monte Carlo simulator, 15,000 of these simulations might be far from the reality of sequence of events. Probably only 1,000 out of these 16,000 simulation will reflect the reality of market cycles.	TRUE	FALSE
g.	Anything that affects portfolio alpha, such as dividends, portfolio costs, avoidance of large losses, successful asset selection/rotation, have no impact on portfolio longevity	TRUE	FALSE
h.	Generally, you need to pay more attention to investment planning than to retirement income planning for clients in the red zone	TRUE	FALSE
i.	Generally, you need to pay more attention to tax planning than to cash flow planning for clients in the green zone.	TRUE	FALSE
j.	When it comes to GMWBs, most of them give a pay increase if the market value of the portfolio is higher than the guaranteed withdrawal benefit on the anniversary.	TRUE	FALSE
k.	Sequence of returns is very important during the early years of retirement. The price-earnings ratio (PE) can be a good indicator of overvalued or undervalued markets. A high market PE indicates a pending "bad" sequence of returns; therefore it can be a good indicator of portfolio longevity. For an initial withdrawal rate of 5%, one can roughly estimate the portfolio life in number of years using the following formula: $$4 + \frac{360}{PE} = years\ portfolio\ life$$	TRUE	FALSE

MY ANSWERS:

Please circle your answers below:

1. a b c d e
2. a b c d e
3. a b c d e
4. a b c d e
5. a b c d e
6. a b c d e
7. a b c d e
8. a b c d e
9. a b c d e
10. a b c d e
11. a b c d e
12. a b c d e
13. a b c d e
14. a b c d e
15. a b c d e
16. a b c d e

17 a. T F
17 b. T F
17 c. T F
17 d. T F
17 e. T F
17 f. T F
17 g. T F
17 h. T F
17 i. T F
17 j. T F
17 k. T F

Terms:

1. I promise that I will place the client's interests first.
2. I promise that I will treat my clients with respect and dignity.
3. I will notify you if my contact info or status of my designations (indicated below) change.

Name: _____

Current Designations:				
Since (year)				

City, State/Province: _____

Phone Number: _____

e-mail: _____

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