QUICK REVIEW OF RECENT HISTORY (CONT'D

4. Fourth Significant Innovation: 2026; Genda, Neuwirth, Sacks, & Sacks,

(a) Finally, spike expenses are considered. This presentation begins the process.

(b) This presentation shows two components of a way to provide distributions of retirement income that meet, in addition to ordinary and continuing regular expenses, certain sudden large (but rare) spending needs, throughout a 30-year retirement.

(c) Those two components consist of (i) A strategic use of the reverse mortgage credit line, that has previously been ignored (for reasons to be explained); and (ii) Relatively small, but not insignificant, reductions in ordinary and continuing regular distributions..

ANALYTIC APPROACH (CONT'D)

4. **The Strategies and How They Work:**

(a) The Coordinated Strategy;

(b) The Reserve Strategy; and

(c) The Last Resort Strategy

5. **The Advantages and Disadvantages of the Strategies**: (a) The Coordinated Strategy provides a good balance between lowering risk of cash flow exhaustion and legacy/bequest residue. (b) The Reserve Strategy provides the lowest risk of cash flow exhaustion but the least amount of legacy/bequest amount. Moreover, it has been ignored because people are reluctant to consider establishing a reverse mortgage, incurring the "upfront" fees, and not expecting to get any benefit from it for approximately **14 years, if ever**. But, considering the results presented here, the "upfront" fees (which are **not-out-of pocket)** can be considered an "**insurance premium**" against the risk of spike expenses.

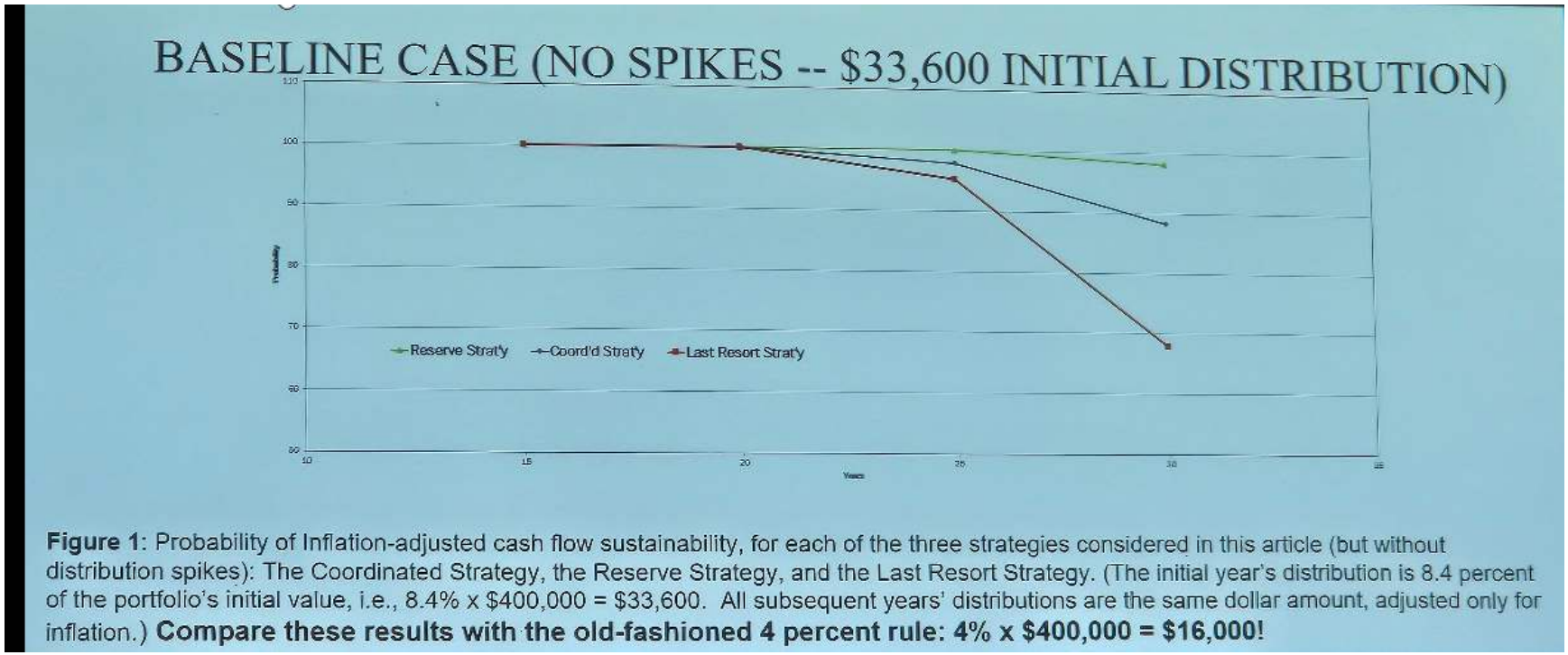
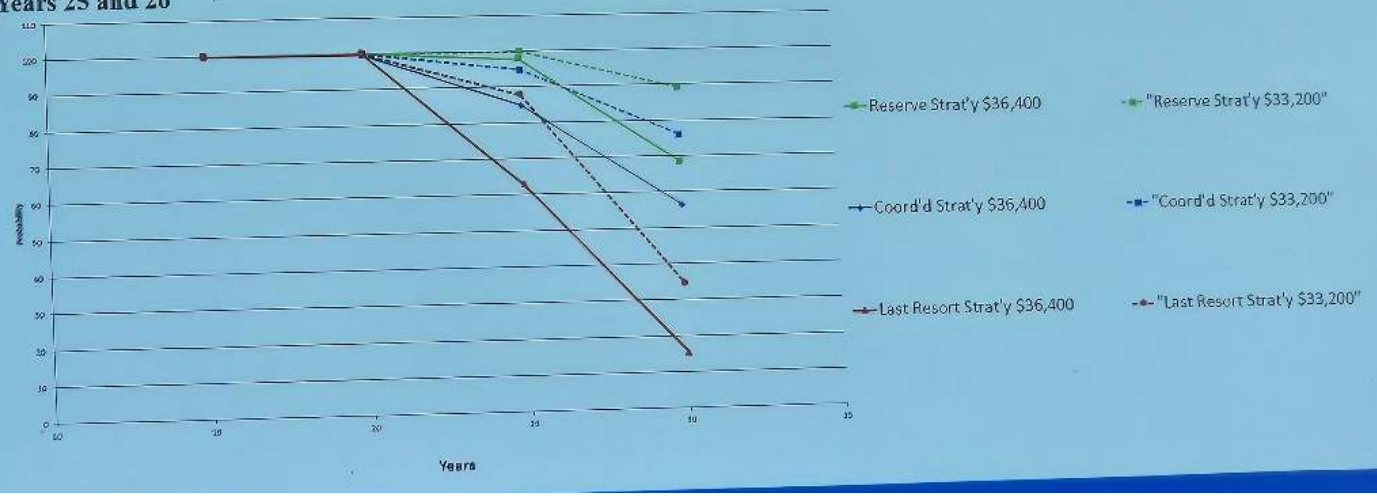


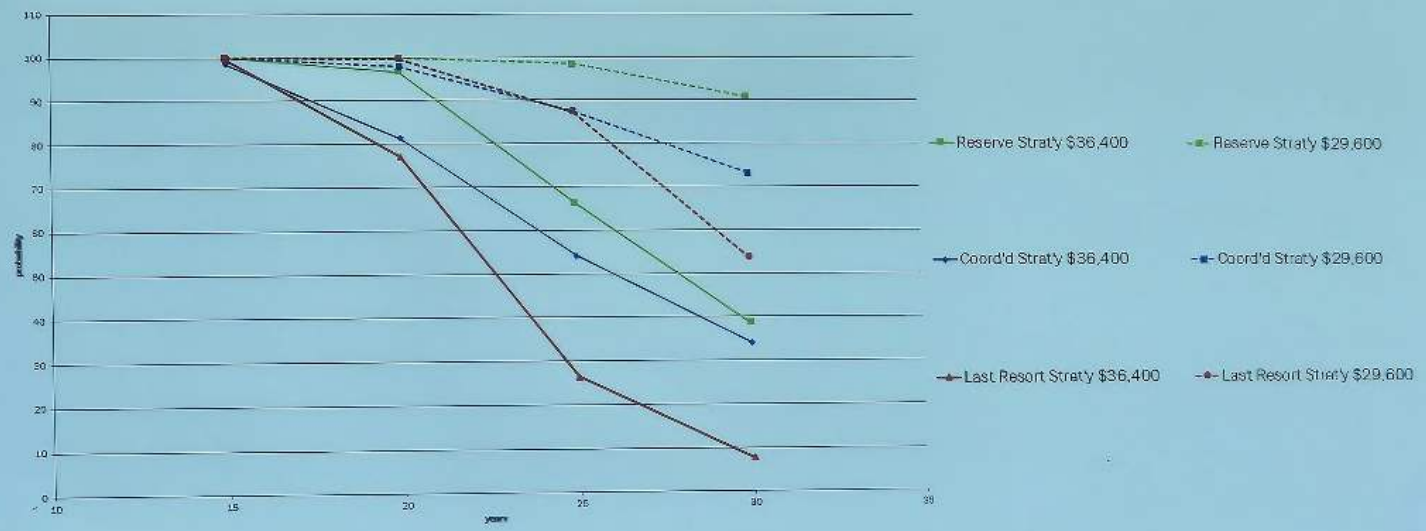
Figure 1: Probability of Inflation-adjusted cash flow sustainability, for each of the three strategies considered in this article (but without distribution spikes): The Coordinated Strategy, the Reserve Strategy, and the Last Resort Strategy. (The initial year's distribution is 8.4 percent of the portfolio's initial value, i.e., 8.4% x $400,000 = $33,600. All subsequent years' distributions are the same dollar amount, adjusted only for inflation.) **Compare these results with the old-fashioned 4 percent rule: 4% x $400,000 = $16,000!**

EFFECTS OF SPIKES AT YEARS 25 AND 26
RESULTS FOR CHANGED INITIAL DISTRIBUTION AMOUNTS

Spikes in Years 25 and 26



EFFECTS OF SPIKES AT YEARS 5 AND 6
RESULTS FOR CHANGED INITIAL DISTRIBUTION AMOUNTS



EFFECT OF SPIKES IN OTHER PAIRS OF YEARS

- Similar graphs are generated with the spikes in other pairs of years. The results are summarized in the table below:

"Locations" of Spikes (Years)	No Spikes	5, 6	10, 11	15, 16	20, 21	25, 26
Initial Year's Distribution (Dollars)	$36,400	$29,600	$30,600	$31,200	$32,400	$33,200
Initial Year's Distribution (Percentage)	9.10%	7.40%	7.65%	7.80%	8.10%	8.30%