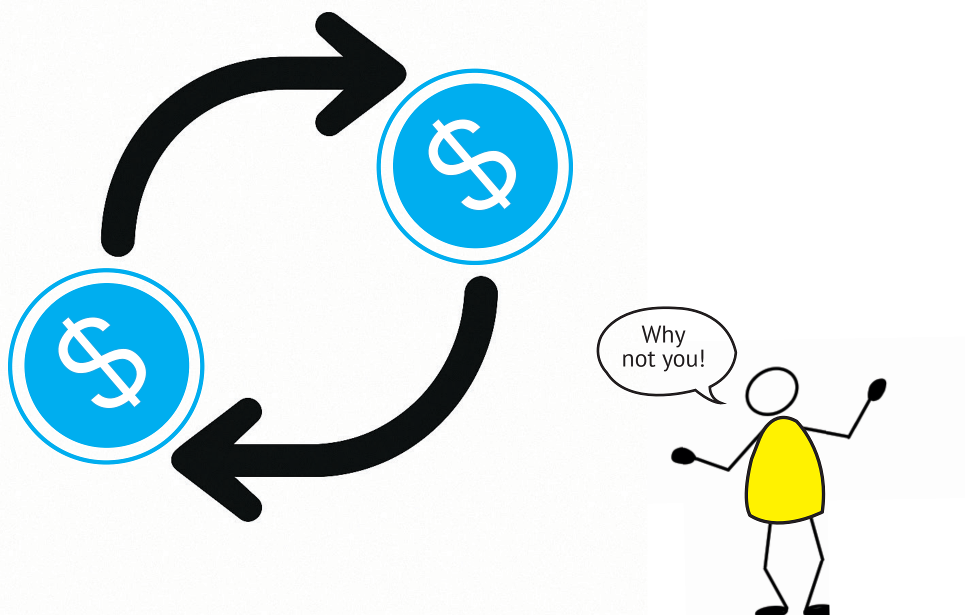
REPLACE YOUR PAYCHECK™

WORKBOOK



ROBERT LETTIN

AUTHOR OF THE *WHY NOT YOU!* SERIES

REPLACE YOUR PAYCHECK WORKBOOK

A simple Workbook to calculate how much you need to
Replace Your Paycheck and learn how to make it happen

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Lettin Wealth Management Group, Inc.
17685 SW 65th Ave., Ste. 500
Lake Oswego, Oregon 97035

www.LettinWealth.com

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THE QUESTION

Most people, at some point in their lives, ask this important question: **How much money do I need to retire?**

The question is a simple one, but the usual answers are often complicated formulas that seem way more difficult than the question.

Our answer is simpler than that. After three decades of helping people prepare for retirement, we have come up with this answer to the question, “How much money do I need to retire?”

Our answer is: Replace Your Paycheck.

If you are making enough money to support yourself, your family, and your lifestyle, why not keep the same paycheck coming? Why not earn in retirement what you earned while you were working? Why not!

You can have your retirement paycheck deposited to your checking account on the same day your employment paycheck was deposited so the transition is seamless. If you want more income in retirement, you can do that, too. Need less? You can adjust it. **We know some things will change when you stop working, but your paycheck does not need to be one of them.**

HOW TO REPLACE YOUR PAYCHECK

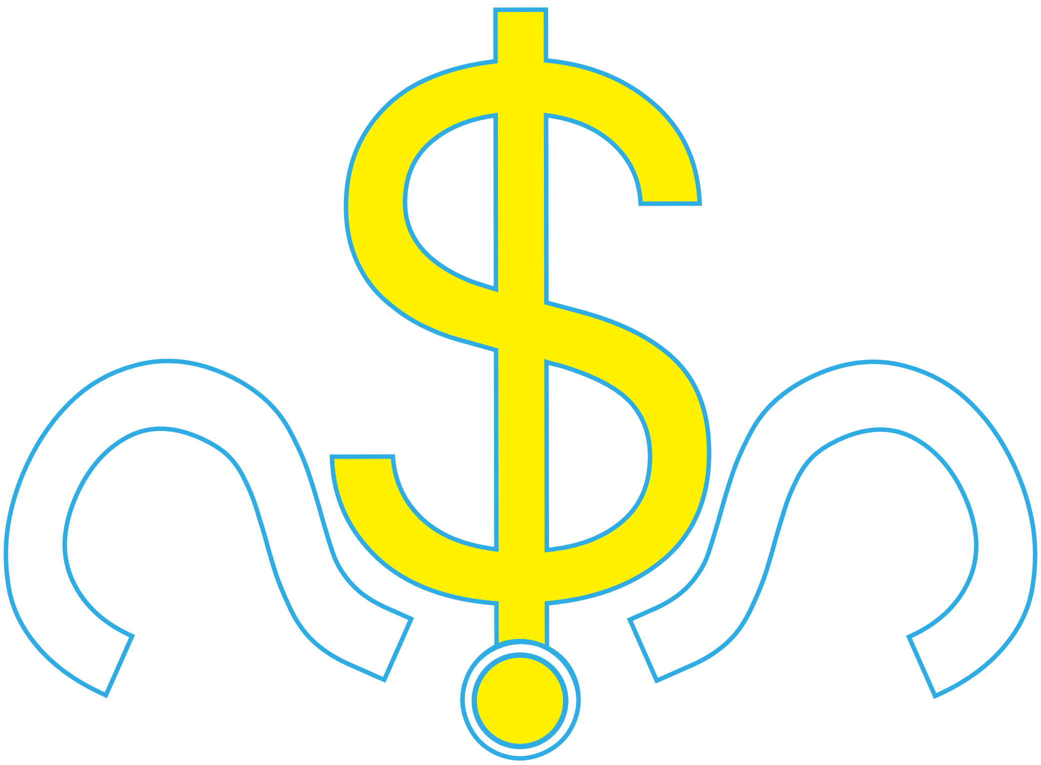
Here is how you Replace Your Paycheck in retirement:

1. Calculate the amount you need to Replace Your Paycheck - we have a simple way for you to do this.

2. Open and fund the 3 Must-Have Accounts - these accounts will help you build the amount of money you need to Replace Your Paycheck

3. Adjust as needed - life happens, adjust accordingly. We show you how.

These three steps help you reach your retirement with enough money to Replace Your Paycheck.



1. CALCULATE THE AMOUNT YOU NEED

The first step is to calculate the amount of money you need to Replace Your Paycheck. Here's how:

Multiply your annual income times 25.

25 x Your Annual Income = The amount of money you need to Replace Your Paycheck at a 4% withdrawal rate.

This is The 25/4 Rule.

The “25” in The Rule of 25/4 is your multiplier and the “4” is your withdrawal percentage rate.

Why 25? If 100 equals the amount of money you need at retirement and 4% equals your withdrawal rate, you divide 100 by 4 to get to 25. Then 25 becomes the multiplier that determines the amount of money needed to Replace Your Paycheck.

The 25/4 Rule is a simple way to calculate the total amount of money needed in your 3 Must-Have Accounts to Replace Your Paycheck.

Why 4%?

Three professors from Trinity University in Texas did a study on “Retirement Portfolio Success Rates by Withdrawal Rate.” This study is based on various withdrawal percentages from different portfolio mixes of Stocks and Bonds. (*See the full chart on page 8.*)

According to their research:

A 3% withdrawal rate offers the highest lifetime success rate. It seems to last the longest but may not generate enough income for most. Of course this depends on how much money is in the 3 Must-Have Accounts.

A 4% withdrawal rate of a stock and bond portfolio has the next highest success rate and seems to offer a more livable income stream.

The 25/4 Rule uses the 4% withdrawal rate. If you want to withdraw at a different rate, just adjust your multiplier. See Step Three, on page 18.

How to use The 25/4 Rule

Let’s say your annual income is $100,000. You want to know how much money you need in your 3 Must-Have Accounts to Replace Your Paycheck.

Multiply your Annual Income by your withdrawal rate.

$100,000 × 25 = $2,500,000
$2,500,000 x .04 = $100,000/year
$100,000 ÷12 = $8,333.33/month

A CLOSER LOOK AT
THE TRINITY REPORT

Looking at the Trinity Report Chart on page 8 of this workbook, you’ll notice withdrawal rates of 3%, 4%, 5% and 6% seem to last 30 years for most portfolio combinations of stock and bonds. These successful withdrawal rates are in the 90th percentile.

The money needed to generate a livable income stream is a lot less at higher withdrawal rates.

The difference is that with a higher withdrawal rate, the money does not seem to last as long and you have less to pass on to your heirs.

Theoretically, the lower the withdrawal rate, the longer your money will last and the more money you have to pass on to your heirs.

This means the total amount of money you need in your 3 Must-Have Accounts is $2,500,000 million to generate $100,000 a year at a 4% withdrawal rate.

Yes, that's a lot of money.

So, how do you lower the amount of money needed to Replace Your Paycheck?

This is where Social Security helps.

Let's say your Social Security is estimated to be $50,000 a year. Now all you need to replace is $50,000 to have $100,000 a year in income.

Recalculate:

$50,000 x 25 = $1,250,000.

$50,000 Social Security + $50,000 from your 3 Must-Have Accounts = $100,000 a year income.

$1.25 million is still a lot of money, and this is why you need the 3 Must-Have Accounts. You need them because there are contribution limits to your other retirement accounts.

Do you have other sources of income to use during retirement, such as rental income or inheritance? Subtract your income estimates from the $50,000 and multiply by 25.

Now, you know how to calculate the amount of money needed to Replace Your Paycheck at a 4% withdrawal rate.

Use the following *Replace Your Paycheck* Worksheets to determine how much **you** need to Replace Your Paycheck in retirement. *There is an extra set of worksheets at the back of the workbook.*

TRINITY CHART

Retirement Portfolio Success Rates by Withdrawal Rates

Annualized Withdrawal Rate as a Percentage of Initial Portfolio

PERCENT SUCCESS RATE

PAYOUT PERIOD	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%
100% Stocks										
15 Years	100	100	97	97	94	93	86	80	71	63
20 Years	100	98	97	95	92	86	77	66	55	51
25 Years	100	98	97	93	90	80	67	55	45	40
30 Years	100	98	96	93	87	76	62	51	40	35
75% Stocks / 25% Bonds										
15 Years	100	100	100	100	97	94	90	77	66	56
20 Years	100	100	100	97	95	89	74	58	49	43
25 Years	100	100	98	97	92	78	60	52	42	32
30 Years	100	100	98	96	91	69	55	38	29	20
50% Stocks / 50% Bonds										
15 Years	100	100	100	100	100	99	93	73	57	46
20 Years	100	100	100	100	98	88	63	46	32	20
25 Years	100	100	100	100	95	67	48	28	18	13
30 Years	100	100	100	98	85	53	27	15	9	5
25% Stocks / 75% Bonds										
15 Years	100	100	100	100	100	100	86	53	34	30
20 Years	100	100	100	100	100	68	35	26	22	14
25 Years	100	100	100	100	68	33	25	17	13	10
30 Years	100	100	100	96	38	24	15	9	5	2
100% Bonds										
15 Years	100	100	100	100	100	73	56	44	29	19
20 Years	100	100	100	92	54	49	28	20	14	9
25 years	100	100	97	58	43	27	18	10	10	8
30 Years	100	100	64	42	24	16	7	2	0	0

HERE COME YOUR WORKSHEETS

REPLACE YOUR PAYCHECK™
WORKSHEET 1: CALCULATE USING THE 25/4 RULE

Use The 25/4 Rule to calculate the size of portfolio you need to generate enough money to replace your paycheck.

Whether you are making $50,000 a year or $200,000 a year, you can replace your current income with an investment portfolio income stream. If the income stream seems too low or too high, adjustments can be made. Studies have shown an investment income withdrawal rate betwen 3% and 6% offers you the best chance to not outlive your money.

Let's say you are making $100,000 a year. We know the number 25 represents a 4% withdrawal rate. This is the 25/4 Rule.

Therefore:

$100,000 x 25 = $2,500,000 portfolio value
$2,500,000 x .04 = $100,000 annual income
$100,000 / 12 = $4,167 monthly income

NOW CALCULATE THE AMOUNT YOU NEED

Use The 25/4 Rule to calculate the amount you need to Replace Your Paycheck.

$____________________ x 25 = $______________________________
Desired Annual Income | Multiply by 25 | Value/Size of your portfolio to support your annual income at a 4% withdrawal rate

$____________________ x .04 = $____________________
Value of your portfolio | Multiply by .04 | Annual income

$____________________ /12 = $____________________
Annual Income/12 months | Divide by 12 | Monthly income

REPLACE YOUR PAYCHECK™
WORKSHEET 2: HOW TO REDUCE THE AMOUNT YOU NEED

To reduce the amount of money needed to Replace Your Paycheck, subtract Social Security and any other income you may be receiving at retirement from your retirement paycheck.

EXAMPLE:

Retirement paycheck	$100,000
Social Security Income	- 50,000
Rental Income	- 10,000
	$ 40,000 is the adjusted amount needed from your 3 Must-Have Accounts

NEXT:

Multiply the adjusted retirement paycheck amount by a desired withdrawal rate.

EXAMPLE:

At a 4% withdrawal rate (The 25/4 Rule)	$40,000 x 25 - $1,000,000 portfolio value* $1,000,000 x .04 - $40,000 annual income $40,000 / 12 - $3,333 monthly income
At a 5% withdrawal rate	$40,000 x 20 = $800,000 portfolio value* $800,000 x .05 = $40,000 annual income $40,000 / 12 = $3,333 monthly income
At a 6% withdrawal rate	$40,000 x 16.66 = $666,400 portfolio value* $666,400 x .06 = $40,000 annual income $40,000 / 12 = $3,333 monthly income

** This is the total amount needed in the 3 Must-Have Accounts.*

WORKSHEET 2, CONT'D:

CALCULATE THE ADJUSTED AMOUNT OF MONEY YOU ESTIMATE **YOU** WILL NEED TO REPLACE YOUR PAYCHECK

Enter the amount of annual income you need to Replace Your Paycheck (your Retirement Paycheck), then substract any other income you will be receiving at retirement from your Retirement Paycheck:

Annual Retirement paycheck	$_________
Subtract Annual Social Security Income	- $_________
Subtract Annual Rental Income	- $_________
Subtract Other income	- $_________
Adjusted amount needed:	**$________**

NEXT:

Multiply the adjusted retirement paycheck amount by your desired withdrawal rate.

At a 4% withdrawal rate	$_________	x 25	= $__________	portfolio value*
(The 25/4 Rule)	$_________	x .04	= $__________	annual income
	$_________	/ 12	= $__________	monthly income
At a 5% withdrawal rate	$_________	x 20	= $__________	portfolio value*
	$_________	x .05	= $__________	annual income
	$_________	/ 12	= $__________	monthly income
At a 6% withdrawal rate	$_________	x16.66	= $__________	portfolio value*
	$_________	x .06	= $__________	annual income
	$_________	/ 12	= $__________	monthly income

** This is the total amount needed in your 3 Must-Have Accounts.*

2 OPEN AND FUND YOUR 3 MUST-HAVE ACCOUNTS

The second step is to open and fund your 3 Must-Have Accounts. Each one of these accounts has a purpose and a role to play in replacing your paycheck.

Also, each of these accounts is used to increase your retirement income and lower your income taxes. ***Income taxes can be the largest expense you will have in your retirement.***

The 3 Must-Have Accounts are:

1. An Individual Investment Account or Joint Account if you are married.

2. A Roth Account. This could be an IRA Roth, 401k Roth, SEP IRA Roth, 403(b) Roth, etc.

3. An IRA, 401k and other pre- tax retirement accounts.

Now let's look at the purpose of each account.

1. The Individual or Joint Investment Account (IIA or JTIA)

Purpose:

- Increase your retirement income
- Lower your income taxes

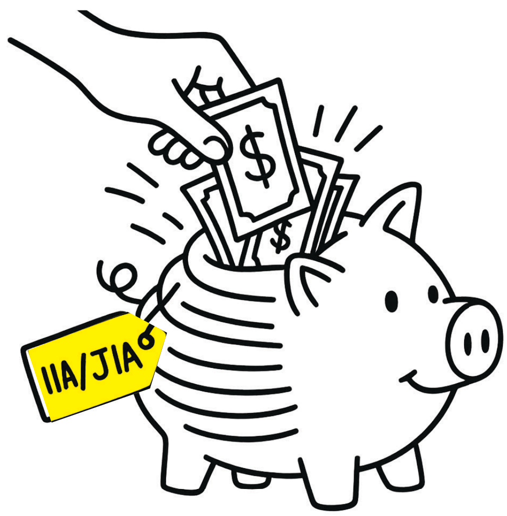
How the IIA/JTIA help increase your retirement income:

- No contribution limits regardless of the amount of your income.
- Put in as much money as you want, anytime, and take out as much money as you want anytime.
- Great for filling in the gaps after your other retirement accounts are fully funded.
- Least regulated by the IRS.

So, if your retirement income is less than what you want it to be from your Roth Account, your IRA account, and all of your other retirement income sources, **you can always create more monthly income by contributing more money to your IIA or JTIA.**

The IIA and JIA accounts also help lower your retirement income tax rate.

It's worth saying again that the income from IIA and JIA accounts are taxed at the Capital Gains rate - a lower tax structured rate than the income tax rate from your IRA, 401k, and other pre-taxed retirement accounts that are taxed at the higher "ordinary income" tax rate.



2. Roth Account

Purpose:

• Tax-free income
• Multiple other tax advantages

Roth Accounts offer tax-free income and other tax advantages. They:

- Generate tax-free income
- Help lower your taxable income
- Help lower your Medicare Premiums
- Help lower your Social Security tax
- Help lower your Capital Gains tax
- Inherited tax free
- No Roth RMD (Required Minimum Distribution), meaning you do not need to withdraw from your Roth until you want to

What else to know about a Roth account:

Under current laws...

- If you inherit a Roth IRA, you must remove all of the money from the inherited Roth within ten years. The good news is, there are no tax consequences. If possible, leave all of the money in the Inherited Roth for the ten years to grow tax-free, then withdraw the money. The account value could double in that time.
- It is an outstanding investment account.
- It has limited annual contribution amounts
- Earnings are tax free after five years and you are 59 ½, whichever comes later.
- Both conditions must be met for tax-free distributions.
- It has unlimited Roth Conversions.

One more benefit: Roth Conversion

A Roth Conversion is the transfer of your traditional IRA, 401k or other pre-tax accounts to your Roth Account. Before employing this strategy you should consider doing some tax planning.

When a Roth Conversion is completed, the converted amount creates a taxable event in the year the conversion was done. It is best to pay the taxes from a savings account, your IIA, or JTIA. Try not to use part of the converted money to pay the taxes. The idea is to create as much tax-free income as possible. You don't want to use tax-free money to pay for the conversion. Use already-taxed money.

3. IRA, 401k and Other Pre-Tax Accounts

Purpose:

- Fund your pre-tax retirement accounts while at the same time lowering your employment taxable income.

Your pre-tax retirement accounts have contribution limits. These limits may make it difficult to put enough money in your pre-tax retirement accounts to Replace Your Paycheck. This is why you have the IIA or JTIA accounts.

The idea of pre-tax retirement accounts is to take the tax write-off today and pay the taxes later. The concept sounds good, but when you look at the bottom line, it may not seem like such a good idea.

For example: Let's say you put in $10,000 in your 401k and you save $2,000 in Federal Income Taxes that year. Over the years, your $10,000 grows to $100,000. Now, when you retire, you will pay taxes on $100,000, costing you $20,000 or more in taxes.

Or, you put the $10,000 in your 401k Roth. Pay the $2,200 in Federal income taxes that year. Over the years, your $10,000 grows to $100,000. Now, when you retire the $100,000 is tax free - no $22,000 tax bill.

Roth Account Contributions and Roth Account Conversions allow you to pay the taxes today for tax-free growth and tax-free income later.

ROTH IRA V TRADITIONAL IRA

	TRADITIONAL 401k	ROTH 401k
Contribution	$10,000	$10,000
22% Federal Income Tax	$0	$2,200
Invested Amount	$10,000	$10,000
Grows to:	$100,000	$100,000
22% Federal Income Tax	$22,000	$0
FINAL VALUE	$88,000	$100,000

Taxes on tax-deferred retirement accounts cannot be ***avoided***, only ***delayed***. If you contribute to a Roth you will only pay taxes on the contributions, not the growth. **If you contribute to an IRA, 401k, or any pre-tax retirement plan, you will pay taxes on both the contributions and the growth.** In other words, it's a double whammy if you don't go with a Roth.

Photo by Kelly Sikkema on Unsplash

The Strategy Behind The 3 Must-Have Accounts

1. The idea is to structure your 3 Must-Have Accounts so you pay the least amount of taxes over your lifetime instead of paying the least amount of tax today for greater tax payments tomorrow.

2. Roth Conversions generate taxable income. Try to complete your conversions while you are still working and before you begin taking Medicare, Social Security, or your Required Minimum Distribution (RMD).

3. Medicare Premiums are determined by your income. Roth Conversions create income. The more income you have the higher your Medicare Premiums. This is one reason you might consider completing your Roth conversions before taking Medicare.

4. By spreading your portfolio values over your 3 Must-Have Accounts, you have the potential to reduce your taxable retirement income. In retirement, one of the largest expenses is income tax. Roth Conversions help you lower your income taxes over your lifetime.

5. Tax on your Social Security is determined by an IRS formula called the Provisional Income Tax Calculation. All your income is part of this calculation. This includes tax-free municipal bond income, IRA distributions, and half of your Social Security income.

6. The only income not part of the Provisional Income Tax Calculation is Roth Income. This is another reason why Roth income is so important. Roth income helps lower your income taxes over your entire life. This could amount to hundreds of thousands of tax dollars in retirement.

7. A goal to meet when you retire is to have **no debt.**

3 ADJUST AS NEEDED

The third step to Replace Your Paycheck is to make adjustments as needed. Everything is adjustable in this plan. It adjusts to your needs and circumstances.

For example, let's say you want to change your withdrawal rate.

Adjust Your Withdrawal Rate

Remember, according to the Trinity Report:

- A 4% withdrawal rate has a success rate of over 90% for lasting longer than 30 years
- 5% and 6% rates still show strong success, but with a slight increased risk of outliving your money

If you'd like to withdraw at a higher or lower rate than 4%, here's the way to adjust your calculation. It is only a matter of changing your multiplier of 25, as follows:

3% withdrawal: 100 ÷ 3 = 33.33 is your multiplier
4% withdrawal: 100 ÷ 4 = 25 is your multiplier (The 25/4 Rule)
5% withdrawal: 100 ÷ 5 = 20 is your multiplier
6% withdrawal: 100 ÷ 6 = 16.67 is your multiplier

The difference the withdrawal rate makes is:

- How much money you need to Replace Your Paycheck.
- How much money you will leave to your heirs. The more money you take upfront, the less money you will leave behind.
- How long your money will last decreases with the higher withdrawal rate. The-higher the withdrawal rate, the fewer years your money will last.

You can change your withdrawal rate at any time. Remember to stay aware of how this changes the estimated life of your portfolio.

Adjust Your Goal

What if you can't Replace Your Paycheck after all? Consider a withdrawal rate that covers your monthly expenses with a little left over to enjoy life. This is another reason to enter retirement debt-free. Debt changes your dreams.

Let's say your monthly bills are $3,000.

$3,000 × 12 = $36,000 in annual bills $36,000 × 25 = $900,000 needed in your 3 Must-Have Accounts.

$900,000 × 4% = $36,000 per year to pay your bills.

Now check your Social Security. If your Social Security covers your expenses, great. If not, fill the gap with income from your 3 Must-Have Accounts or other income sources.

For example, you can use this formula to cover utilities and a car payment, for example. Or, if Social Security covers your expenses, use this formula to fund, say, a three-month vacation each year.

Other Adjustments

As you make other changes in your career and life, you will adjust this formula to accommodate them.

SPEAKING OF CAREER, If the job you have is not supporting the lifestyle you want, check out the Lettin Job Chart at the end of this workbook. This Job Chart helped me find the profession that gave me what I wanted from a job. Be sure to check it out. I think it can help you.

TO SUM IT UP

The Ultimate Financial Principle: Build a Tax-Free Paycheck

The core tenet of building wealth is simple: Replace Your Paycheck with income from your 3 Must-Have Accounts.

While most people focus on saving for retirement, a more advanced and critical strategy is to ensure that the income you live on in retirement is as tax-efficient as possible. In fact, for many, the largest and most overlooked expense in retirement isn't housing or healthcare - it is income tax.

Think about it. During your working years, you are accustomed to paying taxes on every dollar you earn. But what happens when you retire and start withdrawing from your retirement accounts? If your savings are in a traditional 401(k) or IRA, every withdrawal is taxed as ordinary income. The tax burden you avoid today is simply deferred to your future. In your future, you will then pay taxes on the amount of money you contributed to your 401k and IRA. You will also pay taxes on the amount of money your contributions have grown. This often happens at a time when you have less control over your income stream and your tax bracket.

This is where Roth accounts—such as a Roth IRA or Roth 401(k)—become a powerful tool in your financial tax strategy. Unlike traditional retirement plans, contributions to Roth accounts are made with after-tax dollars.

Imagine the power of this. The money you contribute today will compound for decades, and when you are 59 1/2, 65, 75, or even 85, you can take out all your contributions and growth without owing a single penny to the IRS.

That's a game-changer. It means you can plan your retirement budget with certainty, knowing a portion of your income is safe from the whims of future tax laws. Roth accounts provide a critical hedge against potential future tax increases. It's a reasonable bet that tax rates will be higher in the future than they are today. **By using a Roth account, you are essentially locking in today's tax rate for your future income.**

For younger investors especially, who have decades for their investments to compound, a Roth account is an indispensable tool for building a retirement paycheck that can't be touched by the taxman. It is a key part of ensuring you not only have enough money to retire but also the financial freedom to truly enjoy it. The Individual and Joint Account compliment the Roth Account. The Individual and Joint Account are taxed at a tax-favored rate called Capital Gains.

Gain Confidence with Professional Guidance: Consider Working with an Advisor

While understanding these concepts is a great start, navigating the complexities of investing and tax strategy can be daunting. This is precisely why working with a qualified investment and tax advisor can give you invaluable confidence.

Studies have consistently shown that investors who partner with a financial advisor are generally more confident about reaching their goals.

These professionals can help you craft a plan, ensure you're making the most of your Roth accounts, and integrate your tax strategy with your overall investment portfolio. Financial and Tax Advisors provide the expertise and a second set of eyes to help you avoid costly mistakes. They can help you stay on track, turning complex financial principles into a clear, actionable strategy to your retirement goals.

Furthermore, industry studies estimate that **professional financial advice can add up to 5.1% to portfolio returns over the long term.** This value is derived from a number of factors, including tax-efficient portfolio management, strategic rebalancing, behavioral coaching to prevent emotional decisions, and comprehensive financial planning.

Building lasting wealth isn't about luck.
It's about making deliberate choices.

The journey to financial freedom begins with a simple, powerful shift in mindset: Stop working for money and make your money work for you.

To build wealth, you must relentlessly **acquire assets and minimize liabilities**. This is only possible if you spend less than you earn. This fundamental principle creates the surplus needed to invest.

You can't build a fortune with an empty wallet.

Every dollar you don't spend is a dollar you can invest. Every dollar invested has the potential to grow to thousands of tax-free dollars over time.

Whether it's choosing a career path or buying a home, understanding the financial trade-offs empowers you to make smarter, more intentional choices. By consistently applying these principles, you can take control of your financial future, build a life of freedom and security, and, when you're ready - Replace Your Paycheck.

Diversify your portfolio across different asset classes around the world. **Rebalance to manage downside risk.** Avoid emotional decision-making. **Stick to your long-term plan.** Invest all the time.

HERE IS A SUCCESSFUL INVESTMENT STRATEGY

Using Modern Portfolio Theory to invest in the 3 Must-Have Accounts

Investing aims not just to grow wealth, it also seeks to create a steady income source. This can eventually Replace Your Paycheck. Replacing your paycheck isn’t about quick riches. It’s a disciplined, long-term strategy of paying yourself first.

By setting aside part of each paycheck into your 3 Must-Have Accounts, you build a new financial future. This future frees you from job dependency, allowing you to live on your own terms.

This goal is tangible. It gives your investing clear purpose and direction.

From the beginning of my investment career in 1987, I searched for an investment strategy that made sense. My search ended when I found the Modern Portfolio Theory (MPT) in 2008.

From its start, MPT revolutionized the way investors and financial analysts perceive risk and return.

MPT is a solid framework for investing. MPT's core idea is to build a portfolio with various asset classes. When combined, these asset classes can offer better returns for a given risk than any single asset.

It’s not about finding the “best” stock. It’s about creating a well-diversified portfolio. This way, some asset returns can offset losses from others while improving overall returns.

HOW DOES MPT WORK? It uses a mathematical framework to assemble a portfolio that maximizes expected return. It balances risk and return based on the investor’s risk tolerance.

A successful investor understands their portfolio's potential downside risk. Once you know this, the upside potential will take care of itself.

The mix of stocks, bonds, and other assets drives your downside risk and your upside potential. An 80% stock portfolio typically will drop more in a market downturn than a 40% stock portfolio. And an 80% stock portfolio typically has higher long-term returns that a 40% stock portfolio.

Here are the Key Principles of the Modern Portfolio Theory:

- MPT is a risk-averse method for creating diversified portfolios.
- MPT maximizes returns with acceptable risk levels, known as the Efficient Frontier.
- MPT uses statistical measures like variance and correlation.

Creating a risk level that lets you sleep at night is crucial. You also need a return rate that helps you Replace Your Paycheck.

Due to MPT's complexity, we here at Lettin Wealth collaborate with three MPT money managers who build investment portfolios. For many, constructing a successful portfolio using MPT can be challenging. Extensive research is necessary to maximize returns for given risks. The costs of diversifying in global stock markets can also be high for individual investors.

MPT research is a full-time job for many. Investing in over 78 countries can be too costly for one person.

The three MPT money managers we work with are Matson Money, Efficient Advisors, and Index Fund Advisors.

A Fidelity Wealth Management study found that investors with advisors feel more confident about reaching their goals. Professional advice can add up to 5.1% to portfolio returns over time.

We have seen that portfolio returns often cover the costs of a fee-based advisor. They also provide services like tax planning, estate planning, and specific Replace Your Paycheck strategies, all while offering better returns for the level of risk.

As you begin your Replace Your Paycheck journey, consider working with an advisor who uses money managers employing the MPT strategy.

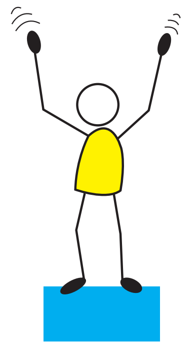
NOW YOU KNOW HOW TO REPLACE YOUR PAYCHECK

☒ You know how to find your number using The 25/4 Rule.

☒ You know how to build to that number using The 3 Must-Have Accounts.

☒ You know how to adjust the numbers as your career and life change.

What else do you want to know?
What other questions can we answer for you?
Let us know, so you can learn all you need to Replace Your Paycheck.



WHAT'S NEXT?

Here is a checklist of next steps you may want to take:

- ❑ Complete the worksheets in this workbook.
- ❑ Get up to date on your existing retirement accounts.
- ❑ Open your 3 Must-Have Accounts.
- ❑ Adjust your deposits to your new Replace Your Paycheck amount.
- ❑ Adjust your budget to your Replace Your Paycheck goals.
- ❑ Engage with a financial advisor who aligns with your goals.

IN THE MEANTIME

My team and I are here to help you, and we welcome your feedback and questions.

Here are some of the ways we can help you:

1. Run a Tax Report. Very helpful in showing your Marginal Tax Rate, Average Tax rate, long- and short-term Capital Gains, ordinary dividends, qualified dividends, Medicare Tax rate, Social Security Tax rate, and more. We just need your tax return to do it.

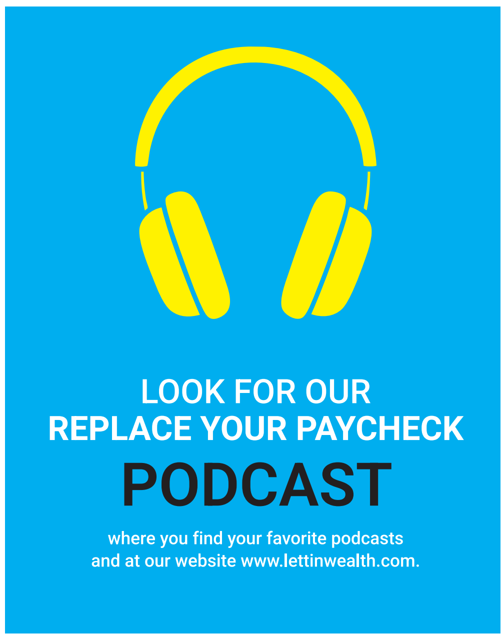
2. Show you *The 5 Retirement Tax Trip Wires* and how to maneuver around them.

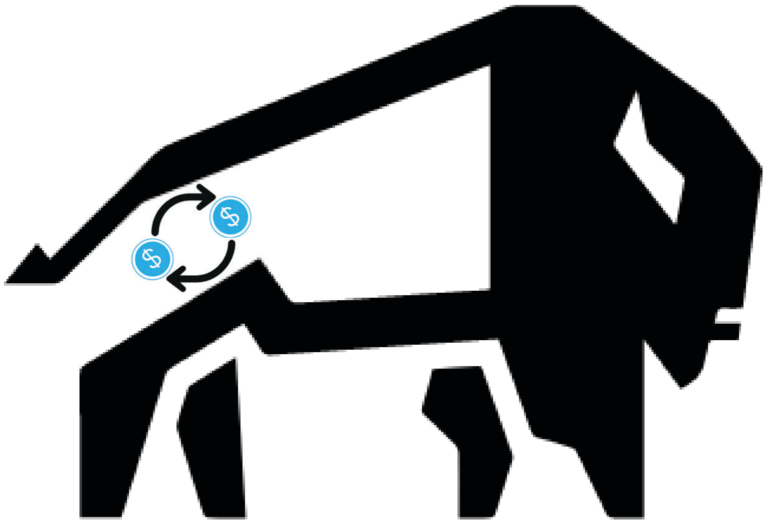
3. Discuss ways to lower your taxes. We all pay income taxes. Our goal is to help you pay the least amount of income taxes over your lifetime, with the highest amount of tax-free income.

4. Build you a good investment portfolio that is globally diversified, quarterly re-balanced, and designed for security and peace of mind.

5. Talk through your options about any or all of this and, of course, about how to Replace Your Paycheck.

Call us at 503-925-0554
Email info@LettinWealth.com





What’s Your Buffalo?

To me, the buffalo represents freedom. My buffalo - or freedom - is knowing I can choose to work or not. It is being able to help out and give to causes that matter to me. It is having a place to live that settles and inspires me and my family. It is having dogs and horses and trees and pasture. **I’ve grown into this life by investing.**

What’s your picture of freedom?

RETIREMENT INCOME STREAM WORKSHEET

This exercise will help you determine your monthly income at retirement. You will be replacing your current income with your investment portfolio income stream. Studies have shown an investment income withdrawal rate beween 3% and 6% offers you the best chance at never outliving your money.

			You		*Partner/Spouse*	
			Monthly	*Annually*	*Monthly*	*Annually*
Social Security (visit www.ssa.com)						
taken @ age 62			________	________ /	________	________
taken @ age 67			________	________ /	________	________
taken @ age 70			________	________ /	________	________

			Monthly	*Annually*
1. Individual/Joint Investment Account				
Beginning Value	________	x 4%	________	________
		x 5%	________	________
		x 6%	________	________

			You		*Partner/Spouse*	
			Monthly	*Annually*	*Monthly*	*Annually*
2. IRA Accounts/Simple/SEP						
Beginning Value	________	x 4%	________	________ /	________	________
		x 5%	________	________ /	________	________
		x 6%	________	________ /	________	________

			You		*Partner/Spouse*	
			Monthly	*Annually*	*Monthly*	*Annually*
3. Roth IRA Account						
Beginning Value	________	x 4%	________	________ /	________	________
		x 5%	________	________ /	________	________
		x 6%	________	________ /	________	________

Totals	*Monthly*	*Annually*
Social Security Total	________	________
3 Must-Have Accounts @ 4% Total	________	________
Pension Distribution Total	________	________
Real Estate Income Total	________	________
Other Income Total	________	________
Gross Income Total	________	________

Here's the Job Chart I used to find my profession.

FIND A JOB CHART

Robert Lettin's Chart from 1987

JOBS OF INTEREST

WHAT YOU WANT FROM YOUR JOB	ATTORNEY	CPA	TEACHER	DOCTOR	FINANCE
Help people be better off tomorrow than they are today	X		X	X	X
Proud	X	X	X	X	X
Time is my own					X
Always changing		X	X	X	X
Make as much money as possible	X			X	X
TOTAL	**3**	**2**	**3**	**4**	**5**

USE THIS JOB CHART to find your profession. Across the top, write the professions that interest you. Down the left side, list what you most want from your job.

FIND A JOB CHART

JOBS OF INTEREST

WHAT YOU WANT FROM YOUR JOB					
TOTAL					

YOUR EXTRA WORKSHEETS

Others replace their paycheck. Why not you!

REPLACE YOUR PAYCHECK™
WORKSHEET 1: CALCULATE USING THE 25/4 RULE

Use The 25/4 Rule to calculate the size of portfolio you need to generate enough money to replace your paycheck.

Whether you are making $50,000 a year or $200,000 a year, you can replace your current income with an investment portfolio income stream. If the income stream seems too low or too high, adjustments can be made. Studies have shown an investment income withdrawal rate betwen 3% and 6% offers you the best chance to not outlive your money.

Let's say you are making $100,000 a year. We know the number 25 represents a 4% withdrawal rate. This is the 25/4 Rule.

Therefore:

$100,000 x 25 = $2,500,000 portfolio value
$2,500,000 x .04 = $100,000 annual income
$100,000 / 12 = $4,167 monthly income

NOW CALCULATE THE AMOUNT YOU NEED

Use The 25/4 Rule to calculate the amount you need to Replace Your Paycheck.

$__________________ x 25 = $__________________
Desired Annual Income — Multiply by 25 — Value/Size of your portfolio to support your annual income at a 4% withdrawal rate

$__________________ x .04 = $__________________
Value of your portfolio — Multiply by .04 — Annual income

$__________________ /12 = $__________________
Annual Income/12 months — Divide by 12 — Monthly income

REPLACE YOUR PAYCHECK™
WORKSHEET 2: HOW TO REDUCE THE AMOUNT YOU NEED

To reduce the amount of money needed to Replace Your Paycheck, subtract Social Security and any other income you may be receiving at retirement from your retirement paycheck.

EXAMPLE:

Retirement paycheck	$100,000
Social Security Income	- 50,000
Rental Income	- 10,000
	$ 40,000 is the adjusted amount needed from your 3 Must-Have Accounts

NEXT:

Multiply the adjusted retirement paycheck amount by a desired withdrawal rate.

EXAMPLE:

At a 4% withdrawal rate (The 25/4 Rule)	$40,000 x 25 - $1,000,000 portfolio value* $1,000,000 x .04 - $40,000 annual income $40,000 / 12 - $3,333 monthly income
At a 5% withdrawal rate	$40,000 x 20 = $800,000 portfolio value* $800,000 x .05 = $40,000 annual income $40,000 / 12 = $3,333 monthly income
At a 6% withdrawal rate	$40,000 x 16.66 = $666,400 portfolio value* $666,400 x .06 = $40,000 annual income $40,000 / 12 = $3,333 monthly income

** This is the total amount needed in the 3 Must-Have Accounts.*

WORKSHEET 2, CONT'D:

CALCULATE THE ADJUSTED AMOUNT OF MONEY YOU ESTIMATE **YOU** WILL NEED TO REPLACE YOUR PAYCHECK

Enter the amount of annual income you need to Replace Your Paycheck (your Retirement Paycheck), then substract any other income you will be receiving at retirement from your Retirement Paycheck:

Annual Retirement paycheck	$_________
Subtract Annual Social Security Income	- $_________
Subtract Annual Rental Income	- $_________
Subtract Other income	- $_________
Adjusted amount needed:	**$________**

NEXT:

Multiply the adjusted retirement paycheck amount by your desired withdrawal rate.

At a 4% withdrawal rate	$_________ x 25	=	$__________	portfolio value*
(The 25/4 Rule)	$_________ x .04	=	$__________	annual income
	$_________ / 12	=	$__________	monthly income
At a 5% withdrawal rate	$_________ x 20	=	$__________	portfolio value*
	$_________ x .05	=	$__________	annual income
	$_________ / 12	=	$__________	monthly income
At a 6% withdrawal rate	$_________ x16.66	=	$__________	portfolio value*
	$_________ x .06	=	$__________	annual income
	$_________ / 12	=	$__________	monthly income

* *This is the total amount needed in your 3 Must-Have Accounts.*

The Lettin Lessons

1 Investing is about becoming wealthy before retirement. It is not just about retirement.

2 Financial independence is freedom with all of the options it provides.

3 Change the way you look at wealth: Think of it as living off of your portfolio.

4 Avoid debt. NOTHING is worth sacrificing your financial freedom.

5 Never give access to your credit cards, investments, or cash accounts to anyone who is thoughtless, foolhardy or reckless with money.

6 Buy your financial freedom first. Then your luxuries. (In the meantime, enjoy the luxury of peace of mind and enough).

7 Don’t get trapped by ownership, or it will own you.

8 Try to save and invest up to 50% of your income.

9 If your 401k contributions are matched by your employer, fund it first to get the full match (**it’s free money**), then fund your Roth Account, and next fund your IIA.

10 Consider converting your IRA and 401k accounts to a Roth account as soon as you can.

11 Invest in assets, not liabilities.

12 Assets pay you. You pay liabilities.

13 Stocks are critical to building a successful income-generating portfolio.

14 Never **sell** stocks on market drops.

15 Always **buy** stocks on market drops.

16 A properly constructed/engineered portfolio is the key to your financial success.

17 Remember the three rules of investing: Own Equities. Diversify Globally. Rebalance Annually - Quarterly, if possible.

18 Build your Individual Investment Account to a point where working becomes optional.

19 You are never too young to begin or too old to make this work.

20 Once your investment portfolio can pay your expenses, you are financially free.

21 It is the present and your future that matters. Just take that first step. **It is fun**.

22 Make a 10-year plan. Live like a college student. Spend little and invest a lot. After 10 years, you could be financially free.

23 Enjoy the process, if you do not enjoy the journey, you will not complete it.

24 Be on a mission. It isn't always easy, but it is rewarding..

25 Invest $10 a week, and increase it over time. Just begin.

26 Most people can't or won't put in the effort. **You can.**

27 Don't look back at the age of 50 and say you wish you had, you should have, or you could have invested better or planned better.

28 Life choices are not always about the money, but always be clear about the financial impact of the choices you make.

29 Income tax is the single greatest expense that every individual, all of us, will pay throughout our lifetimes. The way to substantially lower your income tax is to learn how to grow your wealth through your Individual Investment

30 The main idea of investing is to Replace Your Paycheck. Replace the income of your paycheck with the income from your Individual Investment or Joint Account, and you are financially free before retirement age.

ROBERT LETTIN

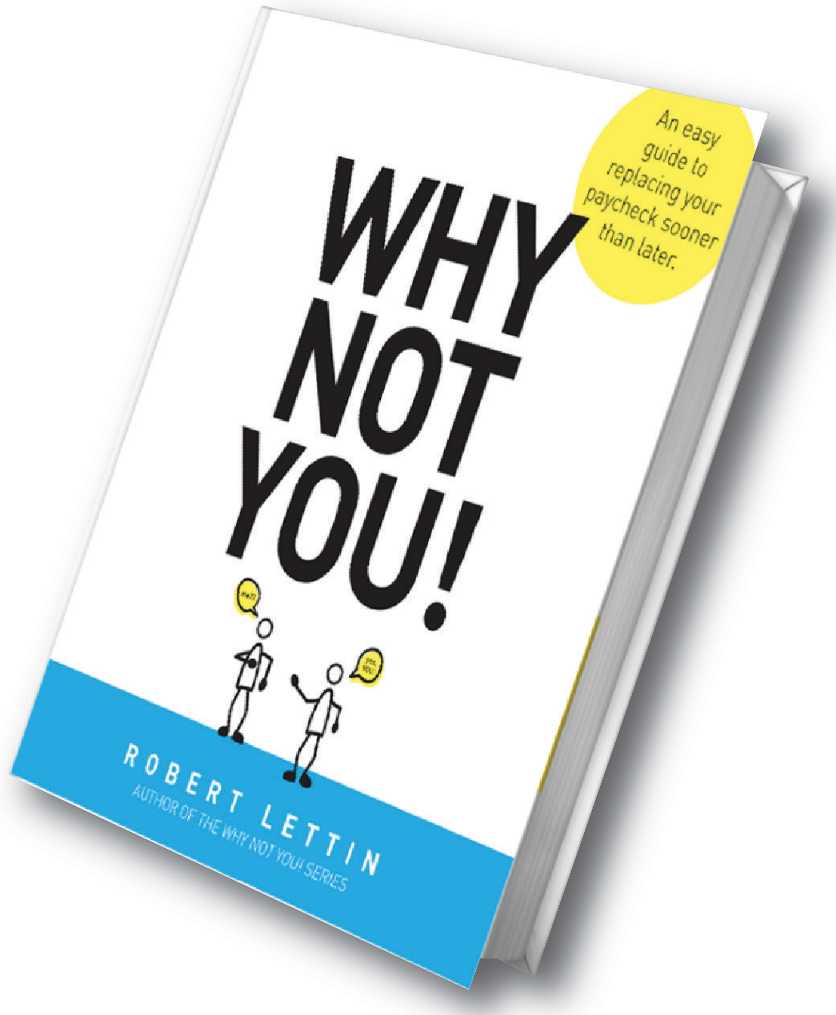
Robert Lettin is President/CEO of Lettin Wealth Management Group, Inc., a Tax Planning and Wealth Management firm and the author of the Why Not You! book series.

Lettin began his investment career in 1987 with Smith Barney Harris and Upham in Medford, Oregon. In 1990, he became Assistant Vice President of the Bank of California's Investment Division in Portland, Oregon. In 1997, Robert joined the investment firm of Strand, Atkinson, Williams and York, and soon after opened his own firm.

Prior to his career in investments, Lettin was an Actor, a Flight Attendant, and Associate News Producer for KUTV Salt Lake City. He then moved to Washington D.C. working on Capitol Hill as Press Secretary for Congresswoman Patricia Schroeder (D-Colo).

Before joining Smith Barney in 1987, Lettin, with partners, purchased country western radio station, KHUG in Phoenix, Oregon, just outside Medford.

Lettin holds an MBA in Finance from City University, Seattle, Washington, and an undergraduate degree in Journalism with a minor in Theater from the University of Colorado, Boulder. Lettin is a Fiduciary with his Series 7, 24, 63 licenses.



OUR GIFT TO YOU!

DOWNLOAD MY eBOOK, *WHY NOT YOU!* at
https://lettinwealth.com/ebook.

The book goes deeper and beyond what is included in this
Replace Your Paycheck workbook.

A WORD FROM THE AUTHOR

The goal of this workbook is to give you a **starting point** to determine how much money you need to retire - or how much money you need to **stop working at any age**. It will give you a **process** to determine how much money it takes for you to live the way you want to live.

For us, the simple idea of using your paycheck as the starting point to determine how much you need in your investment portfolio made sense. **Once you know how much money it takes to Replace Your Paycheck, you can build and adjust the numbers from there.** Maybe you will decide you do not need that much money to live, and maybe you will decide you want more. It's up to you.

As you will learn in this workbook, your retirement paycheck will be limited only by the amount you can contribute to your **3 Must-Have Accounts**.

The good news is, as soon as you Replace Your Paycheck or create one that supports the way you want to live, you are **free to begin doing what you want to do and stop doing what you have to do.**

There are two things in life: Assets and Liabilities. This is true in finance as well as relationships. Assets are positive and supportive. Liabilities are detractors.
Assets pay you. You pay liabilities. Debt is a liability.

Build assets. Eliminate liabilities.

Have **fun** with this process. **Build your dream**. There are **no limits**. **No right or wrong**. Just your **determination** to get to where you want to be.

Robert Lettin

Replace Your Paycheck
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