Retirement Transition Planning
James H. Lannan
As you can see your retirement date on the horizon, it is time to start thinking differently about your future and planning your transition into retirement.

- Have you worked for 20 or more years of service at your company and accumulated a significant amount of retirement savings?

- Is most of your company pension vested and you are either close to, or already achieved, pension eligibility?

If so, congratulations on your career success. Still, very critical retirement planning years remain ahead of you.

Even if your retirement date is 10 years or less from now, please recognize that the decisions you make with your retirement nest-egg are vital to your ability to both retire at an age you prefer, and manage the lifestyle in retirement you envision.


Your transition years into retirement are critical
Retirement planning is all we do

In general, most financial advisors provide retirement planning services, but we are among the very few who do it, exclusively.

We spend the majority of our time developing ways to help clients make the smoothest transition into their post-career life. In working with thousands of individual clients over the years, there are few, if any, retirement situations we have not encountered before.

Trust in our experience

Both novice and highly experienced investors may lack the time, inclination, or expertise to keep ahead of ever-changing retirement regulation and tax laws. This fact is even more significant when considering the consequences for making the wrong investment decisions can be irreversible.

We work with clients of all levels of sophistication. Some are very knowledgeable with their investments; others are new to investing. We recognize that everyone’s needs are different.

Yet, what all of our clients have in common is the desire to maximize their opportunities in retirement and increase their confidence about the future.

We believe you can gain from our experience in retirement transition planning whatever your background is. We will strive to earn your trust throughout our relationship.

Do we know “your specific” company plan?

In addition to our skills at implementing smart investment strategies and guiding you through the complex maze of retirement regulations, we may well know the intricacies of your specific employer’s retirement plan: its terminology, unique procedures associated with your savings and pension, and even specific people within your company to contact who may help with your situation.

We learned these value-added skills because many of our clients work for the region’s largest employers. In helping them sort out their retirement transition challenges, we are familiar with many company plans. Leveraging our relationships and skills, we may even be able to resolve a problem you are facing with a simple phone call.

Yes, there is the possibility that we have not previously encountered your company’s plan. Still, you can be assured that we likely work with many others similar to it and will put our years of retirement planning experience to work for you.

Because retirement planning is all we do, we have become very good at it. James H. Lannan has been named to the firm’s Blue Chip Council for demonstrating the highest professional standards and achieving excellence in client service. Members are recognized in the industry for their knowledge of investments and level of service rendered to their clientele.
Retirement transition services:

These are some of the services we regularly provide to our clients:

**Income replacement**
Re-create as much as possible of the income stream you enjoyed during your career.

**Asset Management**
Build a retirement portfolio to preserve your savings and potentially grow to stay ahead of inflation.

**Investment advice**
Choose the right investments for your needs, given your age, risk tolerance, and financial goals.

**Concentrated/highly appreciated stock management**
Diversify your concentrated company stock in a tax-efficient manner.

**Pension Analysis**
Elect to receive right pension distribution for your particular needs and circumstances.

**Estate Planning**
Strategies to avoid potentially costly estate taxes and trust planning.

Client education
Understand how tax and regulatory changes and financial-market developments influence your retirement plan.

Client Appreciation Events
Be our guest at routine client appreciation luncheons/dinners located at premier locations across the Twin Cities and the United States. We want to thank you for your business.

"In many cases, you can start taking penalty-free distributions from your current employer’s 401(k) upon retirement at age 55—not age 59½, as is often thought. It is one of the most commonly misunderstood 401(k) distribution rules. We can explain the exceptions and help you implement the most appropriate withdrawal strategy, often called, bridging."

James H. Lannan, Financial Advisor

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Global stock plan services

James H. Lannan works in strategic-partnership with Morgan Stanley’s Corporate Client Directors on employee stock plans for Fortune 500 companies. Morgan Stanley’s Global Stock Plan Services assess a corporation’s employee census, vesting schedules, and other issues in order to collaboratively develop a comprehensive strategy for:

**Stock Option and Restricted Stock Plans**
Clients often ask us about their company stock options and restricted stock. We can help you understand your individual vesting schedule, how your company stock option and restricted stock plan(s) correlate to the rest of your retirement investments, and any potential tax implications you should consider.

**Employee Stock Purchase Plans**
We recognize that your individual ownership of company stock fosters a long-term commitment to your employer.

**Employee Stock Ownership (ESOPs)**
As you accumulate your company stock over your career, we can help you understand the benefits of tax-favored liquidity, provided specific conditions are met.

**Rule 10b5-1 trading plans**
These increasingly popular plans enable directors, officers, and key executives to establish written trading plans, gaining the liquidity. All trades initiated by officers, directors, & affiliates are executed in compliance with SEC Rules 144, 145, & 701.

We are committed to helping clients with their reinvestment and retirement planning needs should they participate in any of these aforementioned employee benefit plans.
Planning Ahead: What will your retirement income plan look like?

The first step in our retirement planning process is to learn what is most important to you, as well as what you hope to achieve in the coming years. In order for us to help you, first, we need to listen. When we listen to our clients, we repeatedly hear common questions:

• Do I have enough to reach my goals?
• Can I retire at the age I want?
• Will my family be taken care of?
• How much income can I safely withdraw from my portfolio?

We understand your concerns. There may also be questions you have not considered that we may ask on your behalf. Our intention is to help you clarify your thinking about what you want from your retirement as you transition towards your final day at your company.

Again, we are here to both listen, and to counsel. The more we learn about you, the better we serve your retirement transition. We believe a retirement plan is more than a collection of numbers – it is an action plan for achieving your future goals.

Complimentary retirement financial plan

We value the opportunity to earn your trust. As part of our process, our team will provide you with a complimentary retirement financial plan. This comprehensive document is specifically tailored to your unique circumstances and will explain how we propose to help finance your new life in retirement. The complimentary retirement financial plan includes:

• 401(k) rollover into an IRA: an analysis of the tax implications.
• Your estimated income and cash flow during your retirement.
• Pension Lump-Sum vs. Monthly Annuity: advantages and/or disadvantages.
• Pension-annuity maximization analysis: Should you receive your full pension-annuity benefit from your employer’s retirement plan, this analysis teaches you how to use life insurance to ensure your spouse will be able to replace that cash flow need should you die first.
• Our individually tailored investment recommendations for your portfolio.
• Net-Unrealized Appreciation: Diversify your concentrated company stock in a tax-efficient manner.
• Estate & Trust Planning considerations, if necessary.
A comfortable meeting

The final step of your complimentary retirement financial plan is to meet with you and review it together. We want the location of our meeting to be convenient for you. Some of our clients prefer to meet at their office. Others invite us into their home for a comfortable meeting at their kitchen table. For your convenience, we are also able to meet with you at any of the Morgan Stanley offices located throughout the metropolitan areas where many of our clients are located:

- **Morgan Stanley - Bloomington**
  8300 Normandy Center Drive
  Suite 1150
  Bloomington, Minnesota 55437

- **Morgan Stanley - Wayzata**
  Bay of Lake Minnetonka
  445 E. Lake Street
  Suite 320
  Wayzata, Minnesota 55391

- **Morgan Stanley - Downtown Minneapolis**
  225 South 6th Street
  Suite 5100
  Minneapolis, Minnesota 55402

- **Morgan Stanley - Downtown Saint Paul**
  345 St. Peter Street 1800
  Landmark Tower
  Saint Paul, Minnesota 55102

- **Morgan Stanley - Stillwater**
  270 Main Street
  North Suite 100
  Stillwater, Minnesota 55082

- **Morgan Stanley - Duluth**
  11 East Superior Street
  Suite 580
  Duluth, Minnesota 55802

- **Morgan Stanley - Rochester**
  14 Second Street S.W.
  Suite 201
  Rochester, Minnesota 55902

When we personally meet with you to discuss your retirement, we will elaborate on the reasoning behind your specifically tailored plan; and we will answer any questions you may have while discussing our specific investment recommendations.

An objective and realistic view

We want to help you achieve every one of your goals. At the same time, a vital part of our job is to put your goals in the right perspective.

A solid retirement financial plan must be realistic. Our clients appreciate that we are willing to tell them, respectfully, what they sometimes might not want to hear. We will honestly tell you whether your current pace is likely to get you to the retirement you envision.

Many clients are surprised about their progress, possessing more options than originally anticipated. For others, we may tell them: their hopes for retirement may need to be deferred by several years; they may need to save more, work more, or scale back their income goals.

While we want you to enjoy your retirement, our clients, first, need to be able to afford it. If you are not where you need to be financially, we will advise you on practical steps you may take to increase your probability of a successful retirement.

Estate and legacy planning: Time equals options

We use a holistic approach when helping plan your retirement. Just as we address your immediate concerns, we also plan for your future.

For example, if you have specific goals for your estate and legacy planning, we will help you prepare for the transfer of your wealth to future generations.

Your retirement plan should be a work in progress: the more preparation we help you implement today, the more effectively you can respond in the future.
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Investing for your future

Portfolio allocation: After we fully understand your financial situation, we will help you develop the right combination of fixed income and equity investments in your portfolio. Your precise allocation may vary depending on several factors: both your current, and expected age at retirement, the expected length of your retirement, current savings, risk tolerance, desire to leave a legacy for your loved ones, and any estate or gift planning goals that are important to you.

1. The Fixed Income Strategy
is designed to provide both regular income, and stability of principal. It may consist of the following:
• Laddered Certificates of Deposit (CDs): may help fund the initial years of your retirement, protect against interest rate risk, and provide liquidity.
• Laddered Government & Investment-Grade Corporate Bonds: may help against interest rate risk, and provide liquidity.
• Laddered Municipal Bonds: may help provide tax-exempt income, protect against interest rate risk, and provide liquidity.
• Guaranteed income annuities: may help protect against a more flat yield curve, and/or equity market volatility.

2. The Growth Strategy
is designed to potentially keep your retirement portfolio growing ahead of inflation. It is important to note that as each client’s risk tolerance and investment objectives vary, only some of the following investments may be suitable for their growth portfolio. Below is a palette of all the various investments clients may elect for their growth models:
• Portfolio of institutionally managed Mutual Funds
• Index Management or Exchange-Traded Funds (ETFs)
• Your individual company stock that was transferred over “in-kind” from your 401(k)/profit sharing plan into your IRA Rollover Account.
• Managed Futures or Funds of Managed Futures
• Hedge Funds of various funds
• Real Estate Investment Trusts (REITs)

Again, your growth strategy may consist of only some of the investments listed above, but not necessarily all of them.

3. Rebalance: Strategic & Tactical
In order to maintain a suitable investment mix over time, your target asset allocation will likely change throughout your retirement. Morgan Stanley’s asset allocation team may recommend periodic shifts in your portfolio weightings to take advantage of changing market conditions. So, throughout our ongoing management strategy and portfolio reviews, we will also regularly rebalance your asset mix to return to your desired allocation.

“A common mistake many people make when investing for retirement is to be either too aggressive or too conservative. It is important to find the right asset allocation mix that is consistent with your goals and objectives. Invest too aggressively and you are exposed to the kind of risk that could permanently affect your long-term income plan. Invest too conservatively and your assets may not grow faster than inflation. It is worth it to seek good advice.”

- James H. Lannan, Financial Advisor
"Company stock in your 401(k) that has appreciated over the years may be treated differently when distributed at retirement. Ask us about the strategy: Net Unrealized Appreciation. You can potentially minimize your taxes on the company-stock portion of your retirement funds."

- James H. Lannan, Financial Advisor

**Net-unrealized appreciation (NUA)**

If you hold employer stock in your 401(k) or other employer-sponsored retirement plan, you may need to make some important decisions about the handling of this stock prior to changing jobs or retiring. The stock can receive special tax treatment under certain circumstances.

We can help you understand your options to help you make the right decision. Some of the key features of this strategy are:

- At your distribution, there is no tax on the net unrealized appreciation ("NUA") of your employer stock: the difference between your cost basis in this stock (i.e. what you paid for in your company 401(k)/profit-sharing plan) and the fair market value of the stock on the date of the distribution.
- The cost basis is taxed as ordinary income in the year the distribution is received unless you are eligible for ten-year forward income averaging tax treatment.
- When you sell the employer stock, the sale is taxed as long-term capital gains on the NUA rather than ordinary income.
- Your potential tax savings implementing the NUA strategy should be weighed against the increased market risk associated in investing assets in a concentrated equity position.

"As you think about what you want out of your retirement years, plan to save enough for a longer life-expectancy. For couples who are both age 65 today, at least one spouse can be expected to live to age 92. In other words, your retirement may last as long as your career."

- Andrew D. Griffo, Managing Director, Wealth Management
James H. Lannan, Financial Advisor, and his associate colleagues in-strategic-partnership are notable for continuity of teamwork in service. They have worked together to create a successful retirement for Morgan Stanley clients. In that time, they have helped many people achieve their retirement hopes—the true measure of a their success.

We have access to sophisticated modeling tools, cutting-edge investment tools and the firm’s multi-million dollars research budget. Morgan Stanley has more than impressive resources available to you. Our clients can see a powerful combination here: The firm’s vast resources connected to our intimate client-focus. The result: providing you the personal attention you deserve, and at the same time, confidence in dealing with a well-respected company around the world.

Dedicated teamwork: Big and small...at the same time

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Make the move

At this critical time in your life, you face many important decisions. Trust in the right people to guide you through the complex transition from career to retirement.

We believe the more you learn about us, the more you will come to value our professionalism, skill, experience, honesty and commitment to helping you ensure the best financial future for you and the people you love.

For more information about us or to discuss your individual situation, please call or e-mail James H. Lannan, Financial Advisor. We look forward to getting to know you and your family and to helping you with this exciting transition in your life.

James H. Lannan,
Financial Advisor

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Bonds are subject to interest rate risk. When interest rates rise, bond prices fall; generally the longer a bond's maturity, the more sensitive it is to this risk. Bonds may also be subject to call risk, which is the risk that the issuer will redeem the debt at its option, fully or partially, before the scheduled maturity date. The market value of debt instruments may fluctuate, and proceeds from sales prior to maturity may be more or less than the amount originally invested or the maturity value due to changes in market conditions or changes in the credit quality of the issuer. Bonds are subject to the credit risk of the issuer. This is the risk that the issuer might be unable to make interest and/or principal payments on a timely basis. Bonds are also subject to reinvestment risk, which is the risk that principal and/or interest payments from a given investment may be reinvested at a lower interest rate.

INVESTMENTS AND INSURANCE PRODUCTS: NOT FDIC INSURED • NOT A BANK DEPOSIT • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY • NOT BANK GUARANTEED • MAY LOSE VALUE

Diversification does not guarantee a profit or protect against a loss.

Life insurance, disability income insurance, and long-term care insurance are offered through Morgan Stanley Smith Barney LLC's licensed insurance agency affiliates.

The investments listed may not be suitable for all investors. Morgan Stanley Smith Barney LLC recommends that investors independently evaluate particular investments, and encourages investors to seek the advice of a financial advisor. The appropriateness of a particular investment will depend upon an investor's individual circumstances and objectives.

Interest in municipal bonds is generally exempt from federal income tax. However, some bonds may be subject to the alternative minimum tax (AMT). Typically, state tax-exemption applies if securities are issued within one's state of residence and, local tax-exemption typically applies if securities are issued within one's city of residence.