

RIIA®'s RMA® PROCEDURAL PRUDENCE MAP: A Summary of Wealth and Consumption PlanningSM Levels of Service

CLIENT DIAGNOSTIC KIT ADVISOR-PROVIDED DATA **CH. 1 RPS #1**

- Capital market expectations
- Household Balance Sheet (HHBS) BenchmarksSM

CLIENT DIAGNOSTIC KIT CLIENT-PROVIDED DATA **CH. 1 RPS #2**

- Funded ratio analysis with the measures of fundedness (overfunded, constrained, underfunded)
- Collection of Budget/Income & Expense Statement data
- Collection of the Household Balance Sheet data (human, social, financial, and physical capital, as well as liabilities)
- Mapping of systematic, portfolio view risk exposures (Sequence of Return Risk Profile)
- Mapping of unsystematic, client view risk exposures (Sequence of Consumption Risk Profile)

CLIENT DIAGNOSTIC KIT KEY POLICY DECISIONS **CH'S 2 & 3 RPS #3, 4.a**

- Budget/Income & Expense Statement projections over the retirement lifecycle horizon
- Household Balance Sheet projections over the retirement lifecycle horizon

<p>Based on Measures of Fundedness:</p> <ul style="list-style-type: none"> Fundamental planning decision <ul style="list-style-type: none"> Investment-based planning Aspirational-based planning (Existential Attitudes/Learning Identities/HC Abilities/Client Typologies) Goals-based planning Product-based planning Data-gathering approach <ul style="list-style-type: none"> Incremental vs. Comprehensive <p>Based on the Household Balance Sheet:</p> <ul style="list-style-type: none"> Capital management style <ul style="list-style-type: none"> Conservative vs. Dissipative Portfolio implementation style <ul style="list-style-type: none"> One vs. Multiple Flooring determination methodology <ul style="list-style-type: none"> Formula/HHBS/Qualitative 	<p>Based on the Budget/Income & Expense Statement:</p> <ul style="list-style-type: none"> Flooring duration/Horizon Front-loaded/Back-loaded/Smoothed/Variable standard of living cash-flow pattern Flooring expense <ul style="list-style-type: none"> Budget vs. Insure Monitoring frequency <p>Based on the Risk Exposure Map:</p> <ul style="list-style-type: none"> Solidity of flooring <ul style="list-style-type: none"> Probability-based/Safety-first/Guarantees Risk-monitoring thresholds <ul style="list-style-type: none"> Levels of impairment
--	---

CLIENT DIAGNOSTIC KIT SHARED EXPECTATIONS **CH'S 2 & 3 RPS #4.b, 5**

ASSETS	LIABILITIES
<p>PV of Human Capital (HC):</p> <ul style="list-style-type: none"> Employer Contributions W2/1099 Income <p>PV of Social Capital (SC):</p> <ul style="list-style-type: none"> Social Security analysis Pension decision analysis Income from trust analysis Expected inheritance analysis <p>PV of Financial Capital (FC):</p> <ul style="list-style-type: none"> Tax-advantaged accounts Tax-free accounts Taxable accounts <p>Value of Other Assets:</p> <ul style="list-style-type: none"> Primary home Other real estate Business ownership Vehicles (planes, boats, autos, etc.) Tangible property <p>Contractual Protection:</p> <ul style="list-style-type: none"> Life insurance Disability insurance Long-term care insurance P&C insurance Liability/Umbrella insurance Professional insurance 	<p>PV of Expected Consumption in Retirement:</p> <ul style="list-style-type: none"> Fixed/Non-discretionary/Essential Rising/Non-discretionary/Essential Healthcare/Medicare decision analysis Variable/Discretionary/Non-essential <p>Debt:</p> <ul style="list-style-type: none"> Primary mortgage Primary home equity loan(s) Reverse mortgage Other real-estate loans Education loans Vehicle loans (planes, boats, autos, etc.) Credit card debt Other debt <p>Household Net-Worth (Risk Capacity Analysis)</p> <p>Special Circumstances Checklist:</p> <ul style="list-style-type: none"> Last Will & Testament and/or Revocable Trust Living Will Estate executor Durable Power of Attorney Married/Cohabit/LGBT Single/Divorced/Widowed Dependent children Dependent adults Special needs children/adults Other special circumstances

RETIREMENT ALLOCATIONS **CH. 4 RPS #6, 7**

Strategic Choices of Risk-Management Techniques Allocations:

- Retention/Diversification/Risky Assets - Upside Portfolio (%)
- Pooling/Insure vs. Budget/Insurance - Longevity Portfolio (%)
- Management/Prevention/Hedges - Floor Portfolio (%)
- Avoidance/Cushion/Cash - Reserves Portfolio (%)

RMA TOOLBOX PROCESS APPROACH(ES) IMPLEMENTATION **CH. 5 RPS #8**

Tactical Selection of Implementation Process Approaches:

<ul style="list-style-type: none"> Engineering process approaches <ul style="list-style-type: none"> Total return portfolios Systematic withdrawal plans <ul style="list-style-type: none"> Decision rules/market view/fixed Actuarial/client view/variable Floating floors Time segmentation Ladders Rolling Floors Guarantees Economic process approaches <ul style="list-style-type: none"> Smoothing (Kotlikoff) MRT (Branning) Floor/Upside (Zwecher) Safety-First (Bodie) Barbell (Taleb)
--

RMA TOOLBOX PORTFOLIO CONSTRUCTION **CH. 6 RPS #9**

- Account location choices (tax-free, tax-deferred, taxable)
- Product selection
 - Products that "wrap" the market
 - Products that "wrap" ladders
 - Products that "wrap" mortality
 - Long/life insurance
 - Short/annuities
 - Products that "wrap" an actuarial bond
 - Products that "wrap" structures across risk-management techniques
 - Products that "wrap" options
 - Products that "wrap" the HHBS
 - Products that "wrap" the price of income
 - Products that "wrap" debt
 - Products that "wrap" inflation
 - Products that "wrap" taxes
 - Products that "wrap" liquidity

RMA PRACTICE MANAGEMENT EXECUTION **CH. 7 RPS #10**

<p>Written Retirement Policy Statement:</p> <ul style="list-style-type: none"> Summary of Client Diagnostic Kit/Retirement Allocations/RMA Toolbox choices Retirement Policy Statement process checklist Planned implementation steps 	<p>Account Consolidation</p> <ul style="list-style-type: none"> Bank Accounts Brokerage Accounts Asset Management Accounts Retirement Accounts 	<p>Buy/Sell list:</p> <ul style="list-style-type: none"> Custom solutions Turnkey solutions <ul style="list-style-type: none"> R-MAP (Lonier) Asset Dedication (Burns) Income-4-life (Macchia)
---	---	---

RMA PRACTICE MANAGEMENT PERFORMANCE MEASUREMENT

Note: Chapter #'s refer to the chapters in the 2013 RMA Curriculum Book (5th Edition).
 Note: RPS #'s refer to the RMA's Retirement Policy Statement steps identified in the 2014 RMA Update Bulletin #1, as well as a defined term in the Glossary.