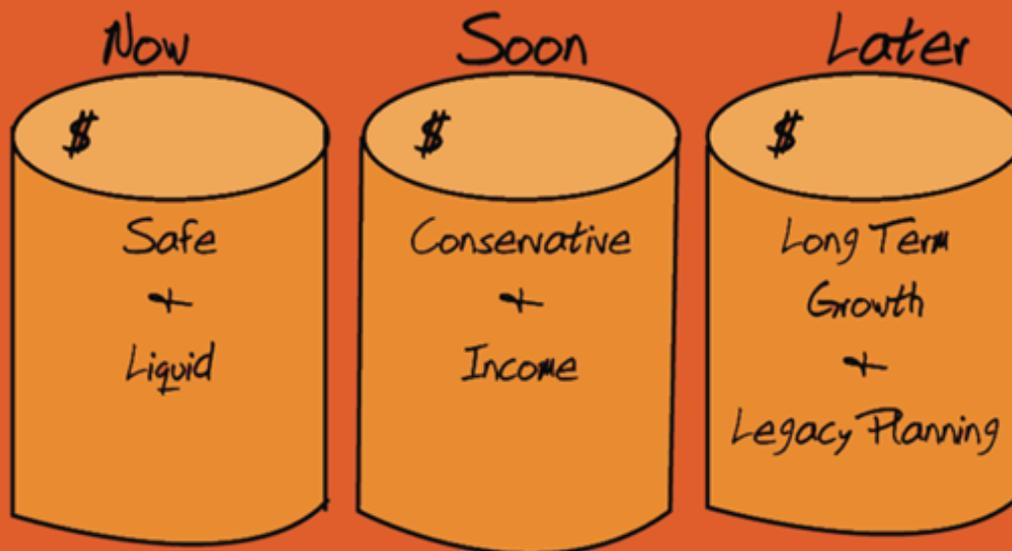


# The Bucket Plan<sup>®</sup> 1.0



**BEST INTEREST PROCESS**  
White Paper

## The Bucket Plan® Best Interest Process

A New Approach by Jason Smith, CEO | Founder of Clarity 2 Prosperity  
The Innovators of Planning Processes for Financial Advisors and their Clients

We've all heard of the bucket plan. It's traditionally been used as a way to categorize money for a specific purpose, such as fixed expenses, discretionary spending and legacy. For many years, advisors, agents, reps, planners and similar have used the term bucket plan to essentially...sell products. The idea was to show how their financial product is the best to accomplish the singular objective of each bucket. At Clarity 2 Prosperity we are always looking to change things for the better and our definition of *The Bucket Plan* couldn't be further from this dated sales-pitch approach.

To us, the new way we approach *The Bucket Plan* is as a comprehensive process to gather, analyze and advise on a client's specific and entire financial situation. With this all-inclusive approach, you can help maximize income distribution for each of the different phases leading up to and through retirement while helping the client take control of taxes, fees, diversification and risk. *The Bucket Plan*, as we've laid it out, is designed to eliminate the three biggest dangers in retirement: interest rate risk, market risk and sequence of returns risk. A product-based approach can't do that. We believe that only a complete planning process can accomplish each of these objectives for the different phases of retirement.

Our bucket plan is an educational holistic client experience – providing value and wisdom at every phase of the planning process to help clients understand how to reduce taxes, protect their assets and maximize income in retirement. Our process is so unique and all-inclusive that we had to trademark *The Bucket Plan* to make sure this point was emphasized and protected.

### So...why are we giving this away?

At Clarity 2 Prosperity, we put the client first, above all else, in all cases. We do not believe in encouraging our affiliated advisors to "sell" the same products over and over again, no matter a client's situation. In our eyes, your level of "production" is not what makes you a top advisor. We believe in holistic planning and leading with the plan. Our definition of a top advisor is one who

advises the client above all else, even if the right solution to their financial needs does not monetarily benefit you. To us, success is measured by serving a client holistically.

It's because of our client first, advisor second, corporation third hierarchy that we're writing this white paper and offering it to you. We're opening up our holistic planning process to you, so your clients, who are counting on you for their future financial security, can benefit. We believe that this process and the tools described within will help you to provide better service to the people who need it the most. Use it wisely!

### *The Bucket Plan Best Interest Process*

*The Bucket Plan* Best Interest Process is a complete client engagement and educational experience. It can be used as a stand-alone process or as part of a full financial plan. While it does set the stage for income distribution planning, it can be used at any point of a person's life for financial planning.

*The Bucket Plan* is not solely meant to "bucket" a client's money for different types of expenses, but rather to compartmentalize assets to efficiently ensure liquidity, maximize potential income distributions, minimize taxes, eliminate sequence risk, maximize growth opportunities and ensure certain risks associated with behavioral finance are minimized. We accomplish this by establishing three phases, or buckets, the immediate, the short term and the long term. The Soon Bucket provides an income source to a person during the earlier years of retirement, buying a bridge to invest money in the Later Bucket so inflation doesn't derail one's long term retirement plans. Each phase has a different time horizon, so each phase has a different risk profile. When you approach bucket planning with this in mind, you can be truly strategic in advising a client on the financial solutions that will help maximize their income while focusing on minimizing controlled risks such as: market volatility, sequence of timing of returns risk, inflation, taxes, longevity and estate transfer.

There are six steps and tools to *The Bucket Plan* Best Interest Process to use with your clients to come to a final plan and recommendation, including:

- The Money Cycle: Educate your client on the three phases of the money cycle, along with the biggest mistakes we see clients' make – skipping the preservation phase
- *The Bucket Plan* Presentation: Package a financial plan in terms a client can understand

- The Asset Sheet: Gather comprehensive information about their liquid investable assets segmented out by tax qualification
- The Income Gap Assessment: Determine the “income gap” between retirement income sources and retirement income needs
- The Investment Risk Assessment: Discover the appropriate amount of risk the client is comfortable with in each bucket to make suitable recommendations
- The Pyramid of Risk: Educate your client on the level of risk associated with various types of investments and show them where they are with their current allocation

In total, *The Bucket Plan* Best Interest Process identifies a clients’ comfort level of risk in each bucket and gives you a full picture of all of their investable assets so you can provide holistic and thorough financial advice with a keen eye towards tax efficiency. And, through the planning experience and sequential steps, it simplifies the client experience, giving them the knowledge, comfort and confidence to move forward with your recommendations.

*The Bucket Plan* Best Interest Process provides a deliverable to the client—further differentiating you from “other” advisors, agents, reps and planners who are simply selling products.

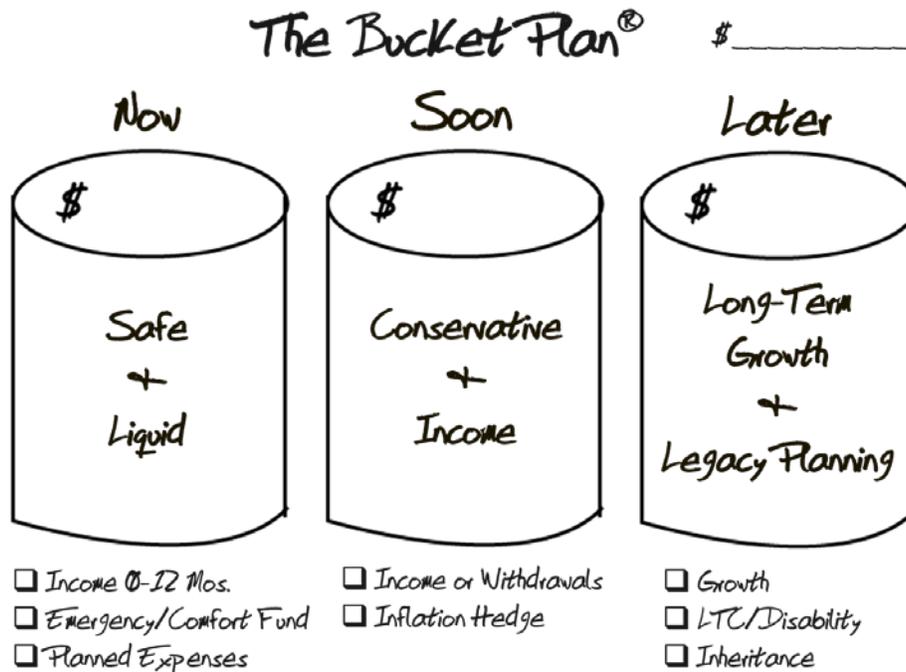
In this white paper, we will focus on explaining *The Bucket Plan* philosophy to prospects and clients.

*“This evidence-based approach to income distribution planning will help you to buy income for the sooner years and invest confidently for the later years.”*

Jason L Smith, CEO | Founder  
Clarity 2 Prosperity

## Time-Based Planning

These three buckets represent the big picture of how the client will fund his or her remaining lifespan.



### Now Bucket

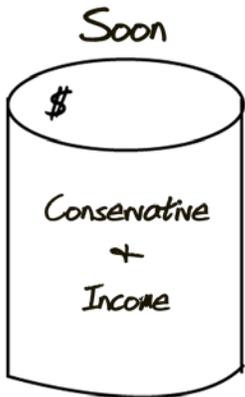
First we have the Now Bucket; this is the client's safe and liquid money, and it's typically kept at a bank in a checking, savings or money market account. This bucket has three primary purposes:

- (1) It's the client's emergency fund;
- (2) It's for any big planned expenses they have over the next couple of years (cars, home repairs, weddings, etc.);
- (3) If they're retiring or already retired, it will be their income for the first year.

### Now Bucket Questions & Dialogue Samples

- "What's the magic number; how much safe and liquid money is going to give you peace of mind to put your head on the pillow at night?"
- "Do you have any upcoming planned expenses such as travel, weddings, college, car, new roof, or similar?"
- "When do you plan to retire?"

### Soon Bucket



- Income or Withdrawals
- Inflation Hedge

Next, the Soon Bucket contains the money the client will use sooner rather than later. If they are currently retired or getting ready to, this would be the money needed to fund their first phase of retirement. If a client is younger or has a long time before they retire, this would be any money they could access penalty-free, if they needed to access assets outside of the Now Bucket.

Our first goal with the Soon Bucket is preservation. We want to work to mitigate the potentially catastrophic damages that market volatility or sequence risk could have on the value of the account. For a conservative client, this account might be comprised of a 100 percent fixed or low-risk investments.

For a client who is comfortable with taking a bit more risk, this money can participate in the market, but needs to be invested conservatively to preserve the account value. Rather than allowing the market to force our clients to change their lifestyle or retirement timelines, the Soon Bucket's conservative investments help insulate from major market corrections. This helps avoid pulling money out of investments for income purposes when the market is down. The Soon Bucket should also include the client's inflationary hedge to ensure that when drawing from this bucket during the first phase of retirement, we have enough funds to also be able to increase the income to keep pace with inflation.

### Later Bucket



- Growth
- LTC/Disability
- Inheritance

Now that we have bought the client a time horizon with the money in the Now and Soon Buckets, we turn to the Later Bucket. Since we know we will not need to draw any money from this bucket until the later years of retirement (generally 10 years or longer), we can confidently invest this bucket in more long-term growth-oriented investments. As the Soon Bucket is spent down over time, the Later Bucket will be used to replenish those assets. We do this in one of two ways, or a combination of both:

- Market growth in a low-cost diversified managed portfolio, or
- A guaranteed lifetime income (pension annuity) to create an income floor for a more conservative client.

Because of the healthy time horizon established with the Now and Soon Buckets, a client can feel comfortable about committing a portion of their assets to those longer term vehicles in the Later Bucket. In addition to growth and income, it is critical to educate the client on long-term care disability and legacy planning in the Later Bucket as well.

### Using *The Bucket Plan* Best Interest Process In a Client Presentation – An Advisor's Perspective

When describing *The Bucket Plan*, it is impactful to have the Now, Soon and Later Buckets drawn on an electronic whiteboard (I use the Panaboard made by Panasonic) and to give an overview of the process. Showing the visual on the board has a powerful effect, because a client can easily see that he or she doesn't have anything like this in their current retirement plan. I describe some of the biggest mistakes I see people make and show how *The Bucket Plan* helps avoid them. For example, many people who are ready to retire continue to invest their money as if retirement is many years away. They have Now and Later Buckets, but never set up that all-important Soon Bucket (which should be much more conservatively invested) containing the money they will draw off of in the first phase of retirement. That's just another disaster waiting to happen.

#### The Money Cycle

At this point in the meeting (actually, whenever I'm describing *The Bucket Plan* to anyone,) I explain the concept of the Money Cycle. I tell the client that we all go through a three-phase money cycle in our lifetimes. The accumulation phase is first. That's the phase I am personally going through right now. When we're younger, we can afford to take more risk because we have a long time horizon ahead of us. If the market takes a turn for the worst, we have time to let it rebound and recover our losses, or to continue working. The second phase is preservation, which is when we begin to protect some of the assets we've accumulated throughout our lifetime in preparation for the third and final phase – the distribution phase. This is where we start to dispense funds to ourselves in retirement and to our family upon our passing.

I explain these three money-cycle-phases to the client, and I state that the BIGGEST MISTAKE I see most people make is that they skip over the preservation phase and go directly from accumulation to distribution. They continue to invest all their money as if they are a long way away from retirement. That's why so many pre-retirees got into so much trouble back in 2000 and 2008. They didn't have a Soon Bucket established to protect their assets for the first phase of retirement. The Soon Bucket is your preservation mechanism. When you lay it all out this way, the client understands. They begin to appreciate your efforts and expertise even more than they did before.

### Three Principles of Sound Investing

*The Bucket Plan* Best Interest Process is all about educating the client, so *The Bucket Plan* recap is a great time to go over the three principles of sound investing to help affirm that your efforts are aligned.

1. Time Horizon: The first principle is the time horizon. By creating Now and Soon Buckets, you've bought the client sufficient time to grow the money in the Later Bucket.
2. Risk Tolerance: The second principle is risk tolerance. We want to set clear expectations with the client to avoid taking on too much or too little risk. That's why we are going to complete a two-pronged Risk Assessment Questionnaire, so we can be sure to stay within their investment comfort zone for both the Soon Bucket and Later Bucket.
3. Diversification: The third principle of sound investing is diversification (don't keep all your eggs in one basket.) By now the client can clearly see the thorough measures you are taking to provide these three investment principles.

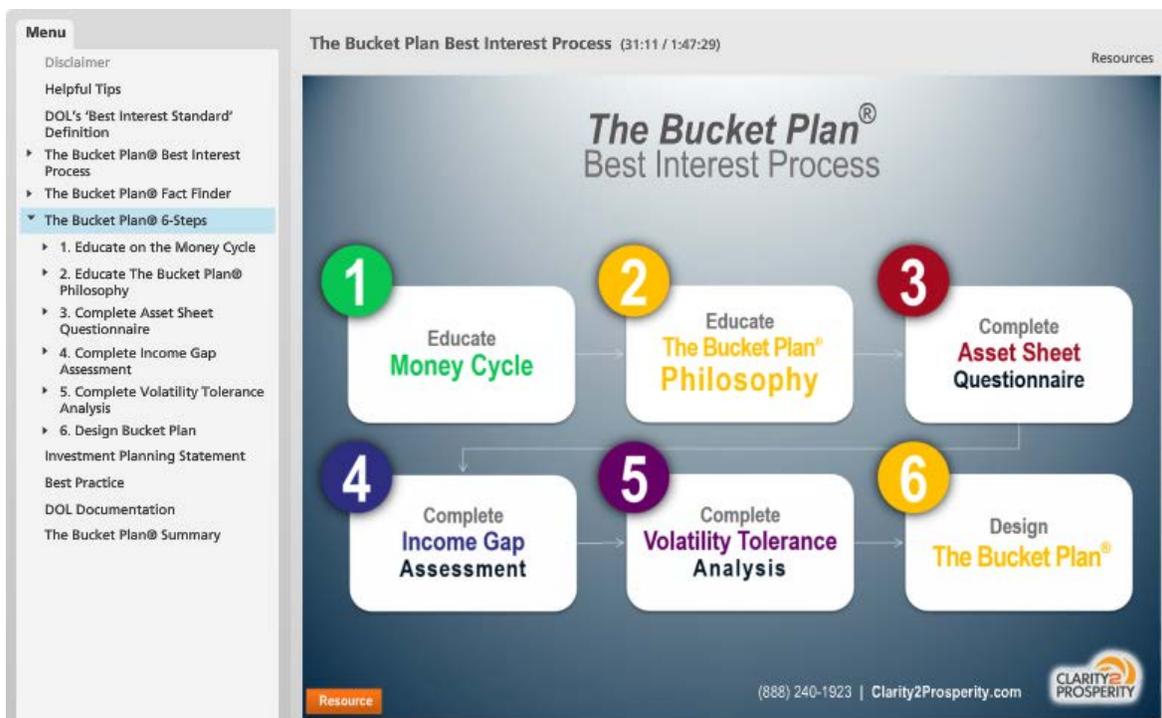
When you sit and sketch out an individual bucket plan going through these exercises, you are walking your client down the path to a stark realization: his or her assets are not properly allocated – and YOU are the professional to help make it right.

## The Bucket Plan Keeps It Simple

One of the most important things to remember is to keep it simple. At a certain point in an advisor's career, once they have a certain level of education and experience in this industry, it can become easy to overcomplicate things for clients. That's another benefit of using *The Bucket Plan* Best Interest Process to frame out a client's financial or retirement income plan. It's a simple way to communicate a complex topic.

"I have used *The Bucket Plan*, Risk Assessment Questionnaire and Pyramid of Risk in four meetings with prospects. Two have become clients, and we have follow up meetings with the other two in the coming weeks. The system has proven to be a great differentiator, and we find that prospects really like the simplicity of the approach. We will be submitting roughly \$1M in new asset transfers in the coming days."

Greg Dillon, CFA®, CFP®, CLTC  
Atlas Advisory Group



Again, *The Bucket Plan* Best Interest Process incorporates six steps and planning tools. In this paper, we've explained how we use *The Bucket Plan* philosophy in conjunction with the money cycle to clearly and easily communicate inflation and sequence-risk, the two biggest dangers your clients and prospects face in retirement. Take a look at the screen shot below of the "Just In Time" e-learning module that you can gain access to through Clarity 2 Prosperity. From worksheets, audios, videos, checklist, flow charts, scripts, letter templates and more – everything you and your team need to plug in and effectively execute this planning process with your prospects and clients.

To learn more about how you can gain access to the complete *The Bucket Plan* Best Interest Process, and 20 other processes to grow, automate and enhance your financial planning practice as a Fusion Capital Management affiliated advisor, contact Fusion Capital Management. Or, if you want to speak to someone today, give us a call at (866) 254-4235.

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## About Clarity 2 Prosperity

Clarity 2 Prosperity (C2P) is a financial training, coaching and IP development organization led by financial advisors, coaches, mentors and business leaders committed to simplifying the financial planning process and improving the financial lives of American families. Its mission is to help advisors shift from a transactional mindset and planning process to holistic planners and service providers, offering best interest advice by coordinating all areas of their clients' financial lives including insurance, investments, tax, legal, Social Security and Medicare. The foundation of the training, processes and resources is based on the philosophy of collective wisdom from a mastermind group, in which like-minded advisors learn, share and grow their businesses together. New business-building ideas are continuously tested in model offices and, once proven successful, scalable and repeatable, packaged into turnkey processes and added to the company's innovative, university-style e-Learning platform for advisors and their teams to implement effectively.