



ALL ABOUT TRUST

An Interview with

BILL & DAVID CUNNINGHAM

By Frank Maselli

Bill and David Cunningham are a father & son team who specialize in working with single women in or near retirement. Their personal experience with Alzheimer's has guided their philosophy of protection. And the women they work with are finding their approach to be both powerful and comforting. It's all about trust!

You had a fun and interesting beginning to your career in this business. Care to tell that story?

Bill: I had just left a tour of duty in the Air Force and was invited to go to the Panhandle of Texas with a friend who was in the commodity business. I met my first rancher who asked me "So what's your name?" I said "William." He said "No what's your full name?" I answered, "William Robert Cunningham." He said "Well around

this neck of the woods we're gonna call you Billy Bob!" And he took me to a western wear store and bought me a pair of boots, jeans and hat. I asked, "Do I get a horse with that?"

That's hysterical.

Bill: So I started in the business by hedging cattle futures on the Chicago Mercantile Exchange. It was quite an experience. That was my first introduction to risk management and it has stayed with me to this day.

David, what about you?

David: I graduated college in 2001 and when straight into the insurance industry. I worked in the asset management division of a major life insurance firm and stayed there about fifteen years before partnering with my dad.

Given the hedging and insurance backgrounds, you both have a good handle on risk management.

David: Risk is something we both understand very well and try to protect our clients from at all times.

Your wife was a major inspiration for you. Can you talk about that?

Bill: Carol was absolutely the inspiration for everything we do today. She was diagnosed with Alzheimers and we all went through some pretty tough times.

Our mission now is to help people successfully plan for retirement and ensure they don't suffer financially from catastrophic disability.

And you work mostly with women?

Bill: Our clientele is almost all women who are in or near retirement. They are extremely vulnerable and often unprepared for handling the risks that come with that time of their lives.

Why is that?

Bill: Several reasons. First, in many families, the husband was the one who made the financial decisions. Most advisors never bothered to involve the wife in the conversations or the decision process made earlier in their relationship. In many cases, when the husband dies, the wife has no idea where they stand financially.

David: Also, most advisors never talk about long-term care issues. But the vast majority of caregivers in a relationship will be women. Again, they are totally under-

served and unprepared. But if a woman has a million dollar portfolio she could easily be wiped out in a long term care event.

Are women willing to work with a male advisor?

David: Definitely...but it's all about trust. Over 70% of women today leave the male advisor their husband had once he passes away. The reason is they have no relationship with the advisor. There's no trust.

Women love our approach because we do the exact opposite. We include them in every aspect of the process from Day 1. And our entire philosophy is based on protection and defense rather than the more aggressive money management side of the business which most men seem to enjoy.

Bill: We actually have a very large number of widows who have never left us when their husband died. They tell us it's because we made them partners every step of the way. They've gotten to know us and we've gotten to know them.

Are there any other differences?

David: Absolutely. Because women tend to live a lot longer than men, the challenges and the risks they face in retirement are much greater. They also tend to be much more interested in planning than performance.

Bill: They are not eager to roll the dice in the stock market and shoot for big returns. In fact, for most advisors the term "ROI" means "Return on Investment." For us and our clients it means "Reliability of Income!"

In fact, we tell our prospective clients if they are looking for the highest returns on their portfolio, we won't do business with them. On the other hand, if they are seeking reliable and rising income, then we have a basis for discussion. You cannot do both at the same time.

Your planning process is very interesting. Talk about that a bit.

David: We found that there are two major financial risks in retirement for women. If we could reduce or eliminate those risks there would be a much higher probability making sure they never run out of money in retirement.

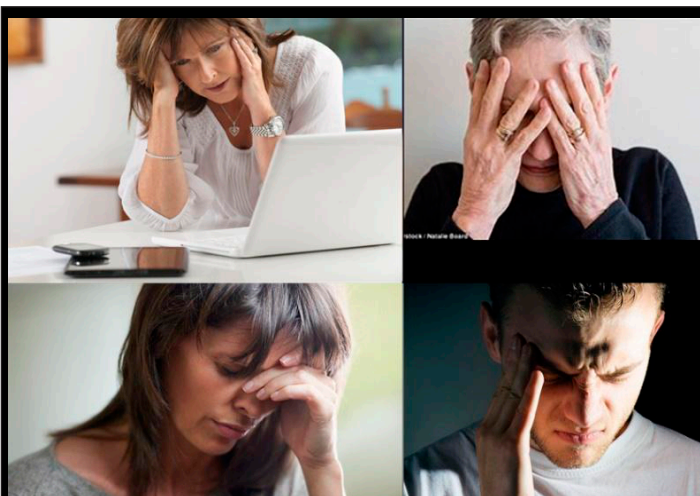
What are these risks?

Bill: The biggest one is a long-term care issue. Most people don't understand long-term care and they need to be educated on it. Every 57 seconds, someone is diagnosed with Alzheimers. And it's not only about dementia, it could be the result of diabetes, or heart disease. There are many reasons someone might need this care. And it is almost always catastrophically expensive. Medicare does NOT pay for long-term care expenses.

You experienced this yourself.

Bill: Yes...but with my wife Carol we were fortunate.

Fortunate...how so?



Often family members are forced to be caregivers and it can cause tremendous stress. Better to hire a professional.

Bill: In 2012 my next door neighbor called and said her husband had just passed away from Alzheimers. We were shocked! He had be suffering for over twelve years and we had no idea she was going through this. She said it wiped out their entire retirement nestegg and now they had nothing left.

That next week I went out and bought long-term care insurance for my wife and myself. Two years later, Carol was diagnosed with Alzheimers. But in our case, the insurance company was there to cover the \$8,000 monthly caregiver bill. In total, they paid over \$300,000 of expenses that I did not have to pay out of pocket. And I am thankful for that every day.

That’s quite a story.

Bill: Our mission is to make sure what happened to our neighbor never happens to anyone else.

And that was years ago. I’m guessing the costs have gone up since then.

David: The costs have exploded. For a dementia-related disease, you’re talking about an average of seven years of a long-term care stay. It’s less for men, but either way, this could easily wipe out most people financially and emotionally.

And it’s not just care in a facility it’s home health care as well. The number of home health agencies that have popped out of the ground in the last five years is astounding. They’re expecting the Boomers to supply them with all kinds of money.

Bill: I ended up hiring a caregiver for \$200 a day. In addition, the agency was charging \$175 for a total of \$375 a day! When I questioned that cost they told me it was for doing background checks on their people. I said, “*For THAT you’re charging me \$175 PER DAY?*”

The aggressiveness of these agencies is terrifying and they’re just sitting and waiting to take your money. People need to be aware of what’s happening.

That’s truly stunning!

Bill: If you drive around up here you will see there’s a new retirement community popping out of the ground everywhere. They are capturing desperate people at the scariest time in their lives.

Do you have any facilities you recommend?

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Bill: We have a handful we work with and we keep close touch with them. There are some very good people out there who truly care. But finding them is not easy.

Have you seen LTC insurance programs change over the past several years?

David: Definitely! Twenty years ago there were over 225 insurance companies in the LTC space. Today there might be 20. They priced the product wrong and the annual premiums had to be increased every year.

Today you have an asset based insurance policy with a long-term term care rider. That answers the question, “*What if I never need it?*” Well if you never need long-term care, your beneficiaries will receive a tax-free benefit from the insurance company. People seem to really appreciate that approach. It’s not the “use it or lose it” model anymore.

Beyond health care, what are some other risks you see people facing in retirement?

Bill: We also try very hard to minimize the risk that our clients will need to pull money out of their portfolio to generate cash to live on.

How do you do that?

Bill: We employ a little known but proven model to design a reliable and rising income. It is called Income Conductor. We take a look at the total financial picture and divide their retirement into five year segments.

For the first five years we determine all their sources of income. It could be Social Security, a pension, part-time work, an annuity, rental income, interest and dividends. We add all that up and determine what that would be on a monthly basis.

Then we do a detailed analysis of their current and planned



Our Saturday morning breakfast Income Design Workshop.

spending needs. Typically, there's a gap between the income and spending.

Then we go into the portfolio and extract five years worth of income and place it into a non-risk bucket. So now they have a reliable income that they can plan to live on over the next five years.

That's pretty impressive. But why not just go with a simple withdrawal rate?

David: Most advisors use the standard withdrawal rate model. They take a 4% out of the portfolio every year and that simply does not work. Our process enables us to provide consistent income and actually creates the foundation for a rising income over time, which is critical in an inflationary environment because costs go up in retirement.

You seem to like an educational approach.

Bill: Definitely. We've started a series of breakfast

workshops on Saturday mornings for women. This is something we plan to do twice a month. I also write articles on Substack about what to do when your loved one is diagnosed with Alzheimers. I try to help with people with the emotional and financial stress of this situation.

Do you manage client assets?

David: No. We use third-party money managers for that. It's a conflict of interests for us to manage the money directly.

How so?

Bill: Think about it – if I'm managing your money and I have a bad performance year I'm not going to fire myself! Using independent managers allows us to act as the architect and general contractor of the portfolio.

David: We get to choose from the best and brightest asset managers in the industry and we find you the best disciplines that will fit your goals. Once people understand this approach they really respond to it.

Do many of your clients come from other advisors?

Bill: Most often, our clients are leaving their husband's advisor since they have no relationship whatsoever. I hear stories like this all the time – “We had a broker for 25 years but my husband handled everything and I never knew what they were doing.” They have no connection to the previous advisor and are looking for someone new they can rely on

It sounds like you do a lot of careful listening.

Bill: Listening is critical to a great relationship. I was always told, “You have two ears and one mouth!” And I live by that axiom.

Thank you gentlemen!



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111 Barclay Blvd, Suite 207 | Lincolnshire, IL 60069 | (708) 655-9798
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