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TRU™ Method Frequently Asked Questions

Q: What is the TRU™ Method?

The TRU Method is Compass Point Retirement Planning's proprietary and patent-pending process for calculating a maximized but sustainable retirement income level. It isolates and corrects a previously unidentified valuation error that could often cause retirees to significantly overestimate or underestimate their available retirement income from savings. It provides today's retirees with a significantly improved approach for estimating the maximum level of income they may successfully draw from savings and helps gauge an optimal retirement paycheck over the course of a retirement lifetime.

Q: How does the TRU Method create confidence in retirement planning?

Rigorous testing and historically reliable outcomes allow the TRU Method to offer retirees the most up-to-date and dependable solution for optimizing regular retirement paychecks and greatly reduce retirees' worries about either running out of money or missing out on retirement dreams.

Q: Why did Compass Point Retirement Planning create the TRU Method?

Compass Point Retirement Planning of Wakefield, MA, developed the TRU Method with the goal of overcoming high percentages of historical upside and downside failure rates resulting from testing of the 4% Rule on over two centuries of data. The 4% Rule became the standard for estimating sustainable income levels from retirement savings when it was created by financial advisor William Bengen in 1994. This approach and its many variants are in common use today by retirement planning professionals and financial advisors.

Q: How does the TRU Method work?

The TRU Method provides a solution to the ValueGap, a portfolio valuation error almost always present on any given retirement start date. The ValueGap was first discovered and identified in a double peer-reviewed paper published in the July 2016 edition of "The Retirement Journal" (RMJ Vol. 6, No. 1). The TRU Method first quantifies the ValueGap error on any given retirement date, then mathematically eliminates or cancels this error. With a corrected starting balance, it then determines an appropriate Target Withdrawal Rate, which may be above or below 4%, based on the actual investment mix, an appropriate estimate of how long the income could be needed and real-world costs. The retiree then maintains steady income for life, adjusting only for changes in cost-of-living (CPI-U) going forward.

This process may be repeated annually or as often as desired, but the actual withdrawal amount needs to be adjusted only if the resulting income level increases.

Q: What critically important retirement income problems does the TRU Method attempt to solve?

The TRU Method addresses two historically prominent failure modes:

- *The Upside Failure*, which occurs when the selected income level turns out to be far less than the maximum possible, meaning a retiree unnecessarily missed out on the lifestyle level they could have truly afforded and enjoyed because they could have safely taken significantly more income.
- *The Downside Failure*, which occurs when the chosen retirement income level turns out to be too high, setting the retiree on a track to prematurely running out of their irreplaceable retirement savings.

Q: How is the TRU Method different from other retirement withdrawal strategies?

The TRU Method is the most up-to-date retirement withdrawal rate selection strategy available, developed with the goal of optimizing retirees' regular steady retirement paychecks. Rather than using a static withdrawal rate percentage like the 4% Rule, which has allowed the ValueGap error to often set a course toward failure, the TRU Method is designed to eliminate the ValueGap error and more closely align the income taken with the maximum income potential from the retiree's real-world investments. After addressing the ValueGap, it calculates an optimal *Target Withdrawal Rate* for an individual retiree based on all available historical data and uses three factors specific to a retiree's circumstances: investment mix, expected longevity and real-world costs for their underlying investments.

Q: What exactly is the 4% Rule and why is it frequently used in retirement planning?

The 4% Rule recommends that retirees withdraw 4% of whatever their account balance happens to be at the time of retirement, taken in 12 monthly installments for the first year. Then every year thereafter, it recommends retirees maintain this same income level, adjusting only for changes in the cost of living (inflation) as measured by the U.S. Bureau of Labor Statistics.

Q: What are the major reasons the 4% Rule is a flawed tool?

1. The 4% Rule was created in 1994 based on historical testing, but failed to consider realistic investor costs.
2. The 4% Rule assumes steady, inflation-adjusted income from an annually rebalanced U.S. equity-weighted portfolio of stocks and bonds, without accounting for differences in investor spending patterns or variation in investment selection.
3. The 4% Rule presumes that the constantly fluctuating portfolio balance is correctly priced on any given day.

Q: What are the potential impacts of the 4% Rule's shortcomings?

By starting with an unstable or mis-priced basis for the practical value of the portfolio balance, a retiree could grossly overestimate or underestimate the income potential of their particular investment mix. The 4% withdrawal percentage is unlikely to be properly aligned to the retiree's real-world circumstances. This can lead to downside failures or panic as the retiree tries to save themselves from premature depletion of the portfolio, or upside failures where the retiree misses out on the lifestyle they could have safely afforded.

Q: What is the proof that the TRU Method can successfully create a steady retirement income for the duration of an individual's retirement?

The 4% Rule was tested across all of the more than 1,350 historical 30-year time periods between December 1801 and December 2017. When including realistic cost assumptions, an unacceptably high percentage of upside and downside failures occurred in testing. The TRU Method, applied using the same investment and cost assumptions, resulted in exactly no downside failures when tested on these

same periods. Upside failures rates were either eliminated or greatly mitigated. This proves the TRU Method's historical success during all economic cycles and periods of global strife, creating a steady retirement income regardless of retirement date and market fluctuations.

Q: Can the TRU Method keep a person from running out of money in retirement?

The primary goal of the TRU Method is to avoid a path to running out of money early. The secondary goal of the TRU Method is to concurrently allow retirees to maximize their standard of living. The TRU Method is designed to be the best approach available to accomplishing these conflicting goals in the face of an ever-uncertain future. As with any investment or withdrawal strategy, risks are always involved, and Compass Point Retirement Planning cannot guarantee future results.

Q: Who created the TRU Method?

The patent-pending TRU Method was created by Michael LaBrie, AAMS, AIF, RMA, of Compass Point Retirement Planning in Wakefield, MA. LaBrie used his background in engineering to isolate the ValueGap problem and create the proprietary, mathematically engineered solution for resolving it. Aimed at gauging the optimal retirement "paycheck" from invested savings, LaBrie's calculation became the foundation of the TRU Method.

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