



# Managing Retirement Risks MARKET



**Our withdrawal calculator will help you examine why market risk is so important.**

**Welcome to Managing Retirement Risks** – an interactive tool which will help you solve the challenges and issues of retirement planning. You’ve spent decades accumulating your savings and assets, so it makes sense that you spend some time learning about the most critical risks you face – and how to address them. The time spent could mean the difference between success and failure. Take control of your financial destiny today!

## Why Is Market Risk So Important?

Many retirees take a different approach to investing once they are no longer earning a paycheck and are instead drawing on their nest egg to provide income. They often become more risk averse and invest more conservatively reducing their chances of keeping up with inflation. On the other hand, some retirees invest too aggressively, leaving themselves vulnerable to market risk, the risk that their nest eggs will decline in value and thus becomes insufficient to maintain their desired lifestyle. Market risk is important because many sources of retirement income do not keep up with inflation. And retirees today can expect long retirements, thanks to increasing longevity. To maintain their standard of living throughout many years of retirement, retirees should attempt to earn returns that at least keep pace with inflation adjusted withdrawals from their assets while balancing their exposure to poor market performance. It’s also important to continue to build a cushion in case of future health care costs.



## MARKET continued

### What Do I Need to Know?

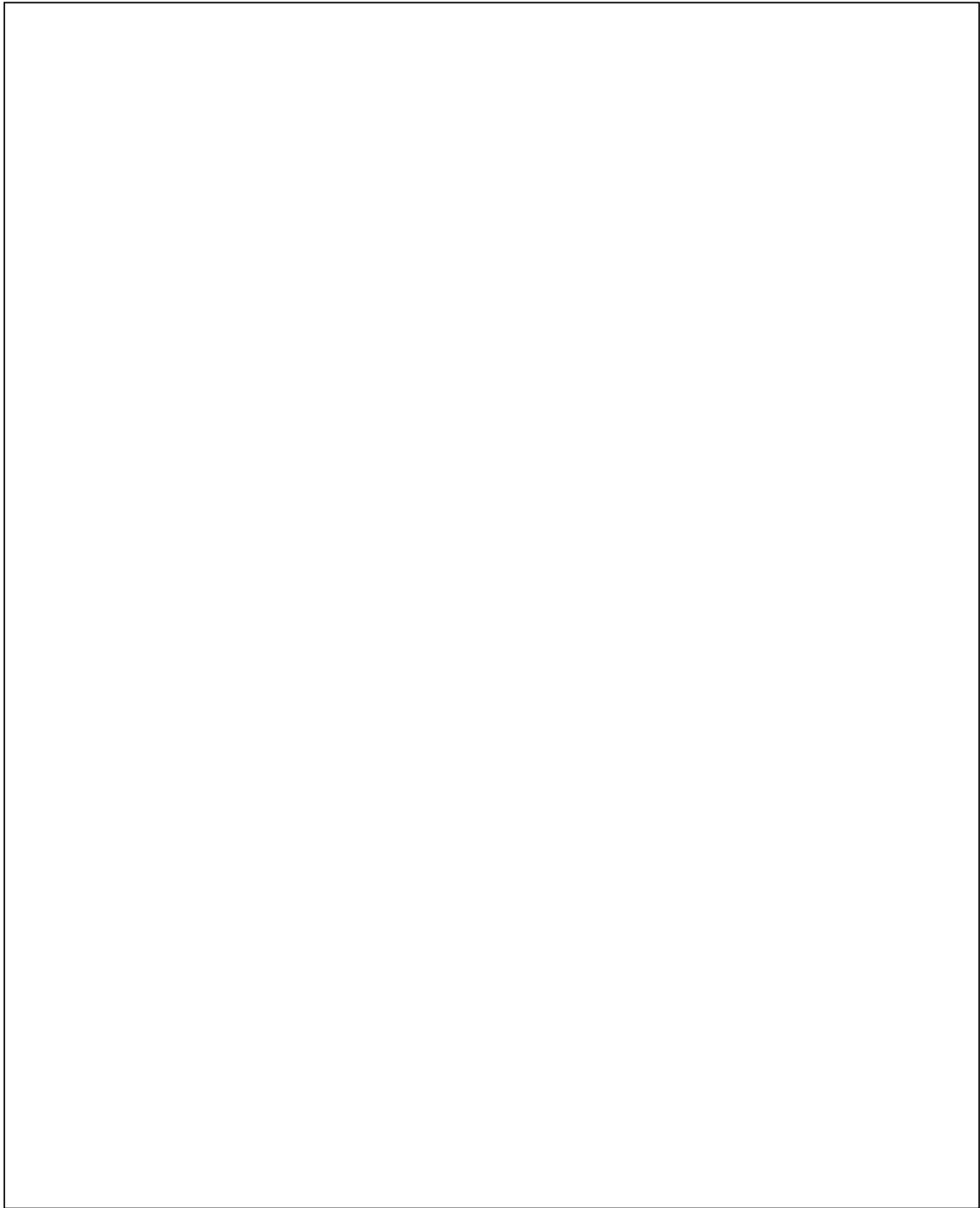
Because of inflation risk, being too conservative with your investments can be as risky as being too aggressive. Your assets could dwindle late in retirement if they haven't grown enough to provide you the "cost of living" increase your need every year. Finding the right balance of risk and reward with your investments in retirement is a delicate task. Your tolerance for taking on risk should be factored into your retirement plan, along with your lifestyle needs, the size of your nest egg, and your estimated lifespan.

#### Use the tool on the next page to:

- Observe how different investment mixes affect your potential success in retirement.
- Understand how your investment mix combines with other choices to impact your chance of running out of money.

#### Here's what to do:

- Set the withdrawal age to the age you plan to retire, and the gender as appropriate.
- See your chance of living that long (the left gauge), and your chance of running out of money (the middle gauge) during that time.
- Note the most relevant measure: your chance of being alive and running out of money during that time (the right gauge).
- Move the *Investment Mix* slider from Conservative to Aggressive to see how it affects the right gauge.
- Adjust each of the sliders to your situation, and see if you can keep the right gauge in the green.





## MARKET continued

### What Should I Do Now?

#### Remember these key points about market risk:

- Most retirees need some growth in their assets to keep up with inflation, under most market scenarios and withdrawal assumptions.
- Retirees don't need to "bet the farm" to have a high chance of success.
- Your retirement may last 30 years – or longer – giving you a long horizon to weather market ups and downs.
- A combination of equity and bond investments, immediate fixed income annuities, variable immediate annuities, or variable deferred annuities with a lifetime withdrawal benefit\* may be considered as part of an overall withdrawal strategy.
- The specific mix of products will vary depending on individual preference and need; no one solution is better than the others, and not all will be appropriate.

#### Consider taking these actions:

- Maintain a portion of your investment portfolio in the market even after you retire, taking on an appropriate level of risk.
- Maintain a well-balanced, well-diversified portfolio. Keep in mind, however, that diversification cannot assure a profit or provide any guarantee against loss.
- Work with a financial advisor to devise a strategy that works for you.
- Evaluate lifetime income funding options to provide certainty and safety, especially for the portion of your income needs that are essential.

**Caution: There can be no guarantee that these strategies will be successful.**

**Note: Annuities are long-term investment products designed for retirement purposes and carry investment and insurance-related fees and charges, including surrender charges, mortality and expense risk charges, and administrative charges. Withdrawals from an annuity are subject to income taxes and withdrawals prior to age 59 ½ may be subject to an additional 10% tax penalty.**

*\*Such options carry additional charges. Any guarantees are subject to the claims-paying ability of the underlying insurance company.*



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### DISCLOSURES

Equity investments may be subject to high volatility and significant loss. Bond investments may decline in value as interest rates rise. Diversification cannot assure a profit or provide any guarantee against loss.

Variable annuities carry risks, including the potential for loss of principal.

This calculator has been designed for educational purposes only and is not intended to provide investment or financial advice. This model calculator provides only a rough directional result that should not be acted upon or relied on. No record of this interaction or its results will be maintained. The calculator does not recommend a specific withdrawal rate program or a specific investment mix. These are choices that you make.

We use the A2000 Annuitant Mortality Table to estimate the chance that you will live to various ages in future. However, the mortality that you will experience may be higher or lower than that which is assumed in this calculator. The A2000 table is published by the Society of Actuaries. The Society of Actuaries has not endorsed this calculator.

We use Monte Carlo techniques based on the principles of Modern Portfolio Theory to simulate the future performance of a hypothetical portfolio of stocks and bonds -- based on the Investment Mix you selected -- over thousands of potential future scenarios. We analyze the impact of taking annual withdrawals from such a portfolio over a time horizon that extends from the retirement age you indicated until age 115 (or the end of the mortality table.) We count the number of scenarios in which the balance of the portfolio declines to \$0 before the end of the Withdrawal Duration you indicate as a result of the investment performance modeled and the withdrawals taken from the portfolio. The percentage of scenarios in which the portfolio declined to \$0 is indicated as the chance of depletion in the calculator.

We assumed that stocks average 10.4% annual returns and that bonds average 5.9% returns over the time horizon. The assumed rate of return on equity investments is based on the historical performance of the S&P 500® index over the period 1930-2008. The Standard & Poor's (S&P) 500 Index is an unmanaged index that tracks the performance of 500 widely held, large-capitalization U.S. stocks. The assumed rate of return on bonds is based on the historical performance of the US Long Term Corporate Bond index over the period 1930-2008. The Morningstar Long-Term Corporate Bond Index is an unmanaged index that tracks the performance of US corporate bonds with maturities of seven years or longer. Indices are not managed and do not incur fees or expenses. It is not possible to invest directly in an index. This calculator only models these two broad investment categories, stocks and bonds. The performance results you may experience on your investments may be different than what is assumed in this model.

We assumed that the investment expense for stocks is 1.00% per year and for bonds is 0.75% per year. We reduced the annual investment returns for the respective categories by these amounts. Your investment expenses may be different from those assumed. We ignored the effect of taxes. The effect of taxes could increase or decrease the risks of depletion.

Although the average performance used in the model is consistent with observed historical averages, **past performance is not a guarantee or indicator of future results.** In addition, while the model attempts to reflect the volatility of the investment categories modeled using statistical techniques, it cannot perfectly reflect reality or how the stock and bond markets could perform in future in terms of averages or volatility. The risks indicated cannot be taken as absolute measures, but only as comparative estimates.

When withdrawing from an investment portfolio you either will or won't run out of money. This calculator cannot predict whether you will or not. It only provides estimates of the chance that you will experience the outcome of depletion. However, we believe the comparative results are statistically credible and are appropriate for the purpose intended.

You should consult a financial advisor for investment or financial advice or to assist you with your financial planning needs.

Important: The projections or other information generated by the Market Risk calculator regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. Results may vary with each use and over time.