# Managing Retirement Risks
# WITHDRAWAL

**Our withdrawal calculator** will help you examine why withdrawal risk an important retirement consideration.

**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 Withdrawal Risk So Important?

Annual surveys conducted by the Employee Benefit Research Institute reveal that retirees often overestimate how much they can withdraw each year before they deplete their assets. Setting an improper withdrawal strategy may make you vulnerable to withdrawal risk: the premature depletion of your retirement assets.

Withdrawal risk is heightened if you retire in a difficult market environment, like the one we're facing right now, or if you expect a long retirement.

### What Do I Need to Know?

Your risk of running out of money depends on several factors: how much you withdraw each year, what your investments are, how the market performs, and how long your retirement lasts.
Common mistakes retirees make are:

- Taking out too much money, particularly at the start of retirement.
- Not matching their investment mix to their withdrawal strategy.
- Not taking into account other retirements risks, such as inflation and longevity, when setting their withdrawal strategy.

# WITHDRAWAL continued

The right way to evaluate your withdrawal risk is to look at your chance of success over your expected lifetime.

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

- Examine how higher withdrawal rates increase the chance of running out of money.
- Evaluate how the length of your retirement can impact your chances of success.
- Understand the tradeoffs you can make to keep your withdrawal strategy in the "green."

**Here's what to do:**

- Set the withdrawal age to the age you plan to retire, and the gender as appropriate.
- Move the *Withdrawal Duration* slider to 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 *Initial Withdrawal* slider to see how increasing the rate reduces your chances of success.
- Give yourself an annual increase to keep up with inflation by moving the *Annual Increase* slider.
- Adjust each of the sliders to your situation, and see if you can keep the right gauge in the green.

You do not appear to have javascript enabled.  This calculator will not function without Javascript.



## What Should I Do Now?

**Remember these key points about withdrawal risk:**

- Withdrawal risk should be measured by looking at the chance of being alive *and* out of money.
- Low withdrawal rates reduce risk, but can't completely eliminate it.
- Don't forget the need to keep up with inflation; you'll need an annual increase in your withdrawals.
- Setting the right withdrawal strategy can be a complex task, and is critically important to retirement success.
- 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:**

- Avoid large withdrawals at the beginning of retirement.
- Develop a realistic spending plan. Think carefully about how much to withdraw from your portfolio to meet your lifestyle, yet try to keep your withdrawal rates low.
- Evaluate lifetime income funding options to provide certainty and safety, especially for the portion of your income needs that are essential.
- See how your strategy might perform in a variety of scenarios.
- Work with a financial advisor to devise a strategy that works for you.

**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.*



## 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.