



Retirement Income Solutions For a Changing Market

Investor Guide

Retirement Lifestyle

**Plan for retirement income
that can help you
maintain your lifestyle**



When planning for your retirement income, it's expected that you'll need to factor in the impact of inflation over time. However, when it comes to retirement spending, one of the common misconceptions is that a retiree's expenses will remain the same throughout retirement.

Typically, newly retired people spend more money than those who have been retired for a few years due to more travel, recreation, or care for elderly parents.

➔ Research shows that overall expenditures actually decline throughout retirement

You may need more income in the early years of retirement—to help maintain your lifestyle—and less later on as you become less active.

Expenses Over Time	
Ages	Average Annual Expenditures
55-64	\$56,267
65-74	\$48,885
75+	\$36,673
Total Change	-35%

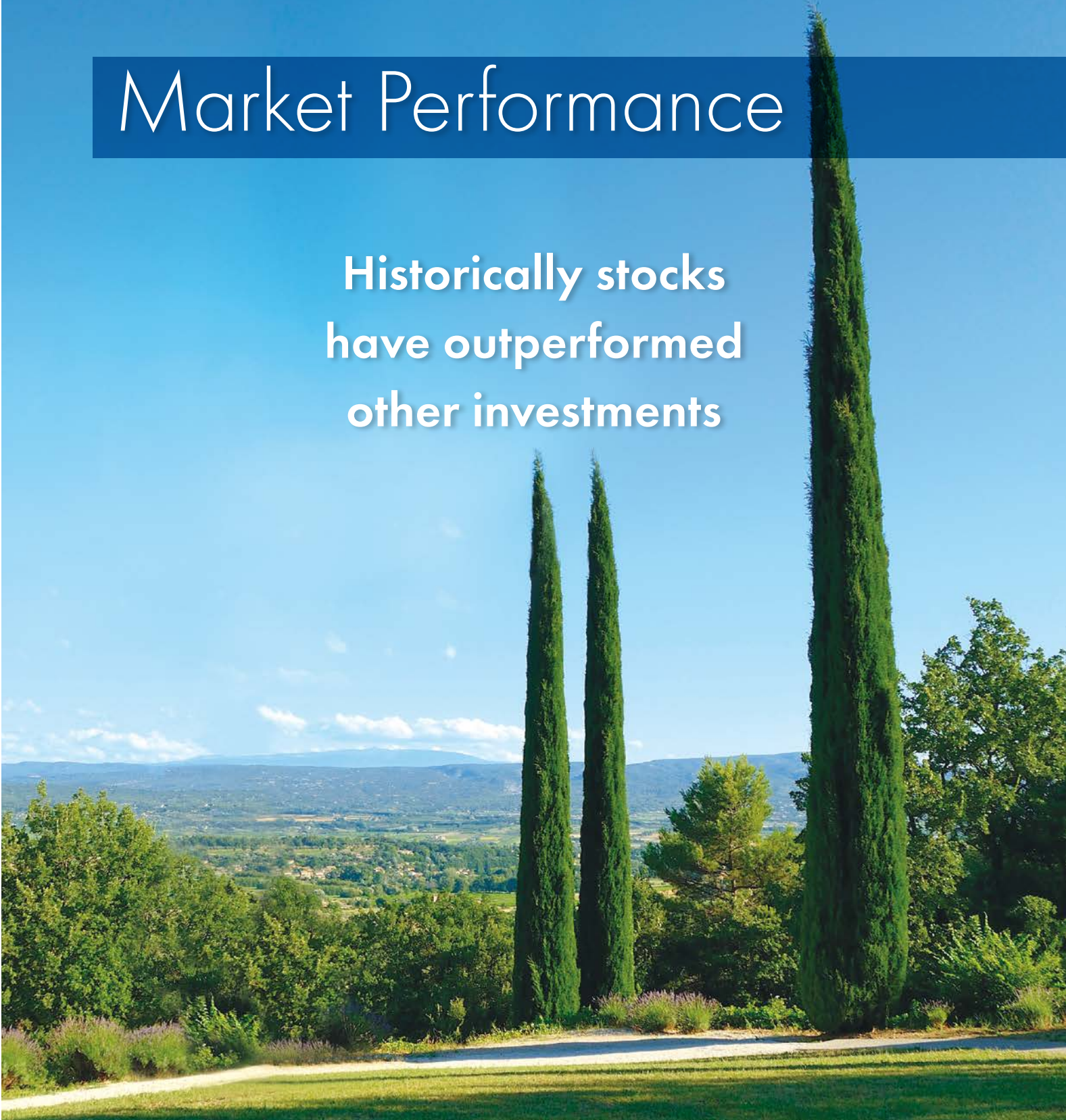
Source: U.S. Department of Labor, Bureau of Labor Statistics, Consumer Expenditure Survey, September 2015

Of course, as you prepare for retirement you'll want to invest for growth potential to help your money keep up with rising costs over time. And given today's longer retirements, you may also want to secure an income that is guaranteed to last for as long as you live.

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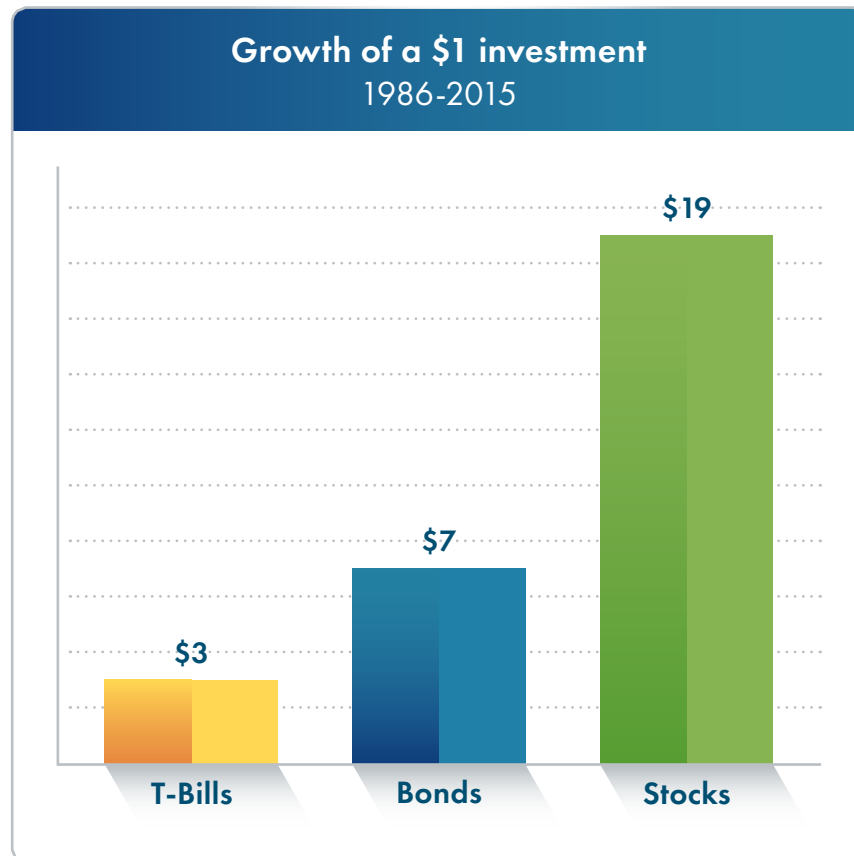
Market Performance

**Historically stocks
have outperformed
other investments**



➔ Stocks have outperformed other investments

over long periods of time. And while past performance is no guarantee of future results, it may be a factor worth your consideration.



Source: Wilshire Compass, 2016. T-Bills are represented by the T-Bill Index. Bonds are represented by the US Core Bond Index. Stocks are represented by the US Large Cap Core Stock Index. These indices are a proxy of the treasury, bond and equity markets. The indices have been constructed by Wilshire with data from various sources to provide a historical track record. T-Bills and government bonds are subject to interest rate risk, but they are backed by the full faith and credit of the U.S. Government if held to maturity. The repayment of principal and interest of a corporate bond is guaranteed by the issuing company, and subject to default, credit and interest rate risk. Stocks are subject to risk, including stock market fluctuation. This chart is for illustrative purposes only and does not represent any particular investment. Performance illustrated is not indicative of future results. Performance for specific investments is available from your financial representative. Your financial representative can help you determine what type of investments may be appropriate for you. Keep in mind, you cannot invest directly in an index; indexes are unmanaged.

An aerial photograph of a winding asphalt road with double yellow lines and white edge lines, curving through lush green hills. The road starts in the foreground and winds its way into the distance, disappearing into the hills. The surrounding landscape is covered in vibrant green grass and some trees.

Market Fluctuation

- **Market trends**
- **Sequence of returns**
- **Changes in interest rates**

All may have an effect on your income in retirement

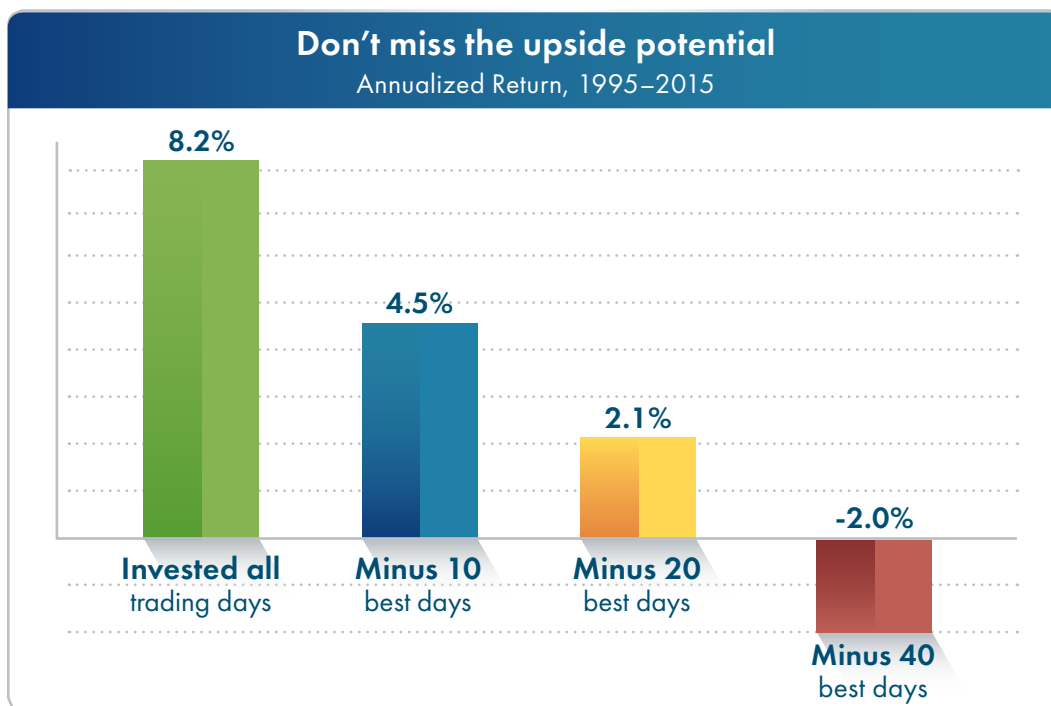
➔ While the long-term trend of the stock market has been positive, it has come with periods of significant volatility. Consider the “Dips,” “Corrections” and “Bear Markets” that have occurred since 1900. Such declines can have a direct impact on the value of your investments. Of course, past performance is no guarantee of future results.

Stock market volatility since 1900		
Dow Jones Industrial Average, daily closes, 1/2/1900 - 12/31/2015		
Dips (5% or more)	Corrections (10% or more)	Bear Markets (20% or more)
391	124	32
3.4 per year*	1.1 per year*	Once every 3.6 years*

*Average for period shown.

Source: Ned Davis Research, Inc., based on Dow Jones Industrial Average, daily closes.

➔ However, if you attempt to “time” the market, it could derail your long-term investment strategy. Here’s an example of how just missing a few days invested in the stock market can derail your long-term retirement strategy.



Source: Wellington Management Company, LLP. Wellington Management Company, LLP is an SEC-registered investment advisor and an independent and unaffiliated sub-advisor to SunAmerica Asset Management, LLC. The above chart is for illustrative purposes only. It is based on the S&P 500 Index and is not intended to be indicative of the performance of any specific investment option. Performance does not reflect the deduction of fees associated with any particular investment. If shown, results depicted would be lower. Indexes are unmanaged. You cannot invest directly in an index. Performance illustrated is not indicative of future results.

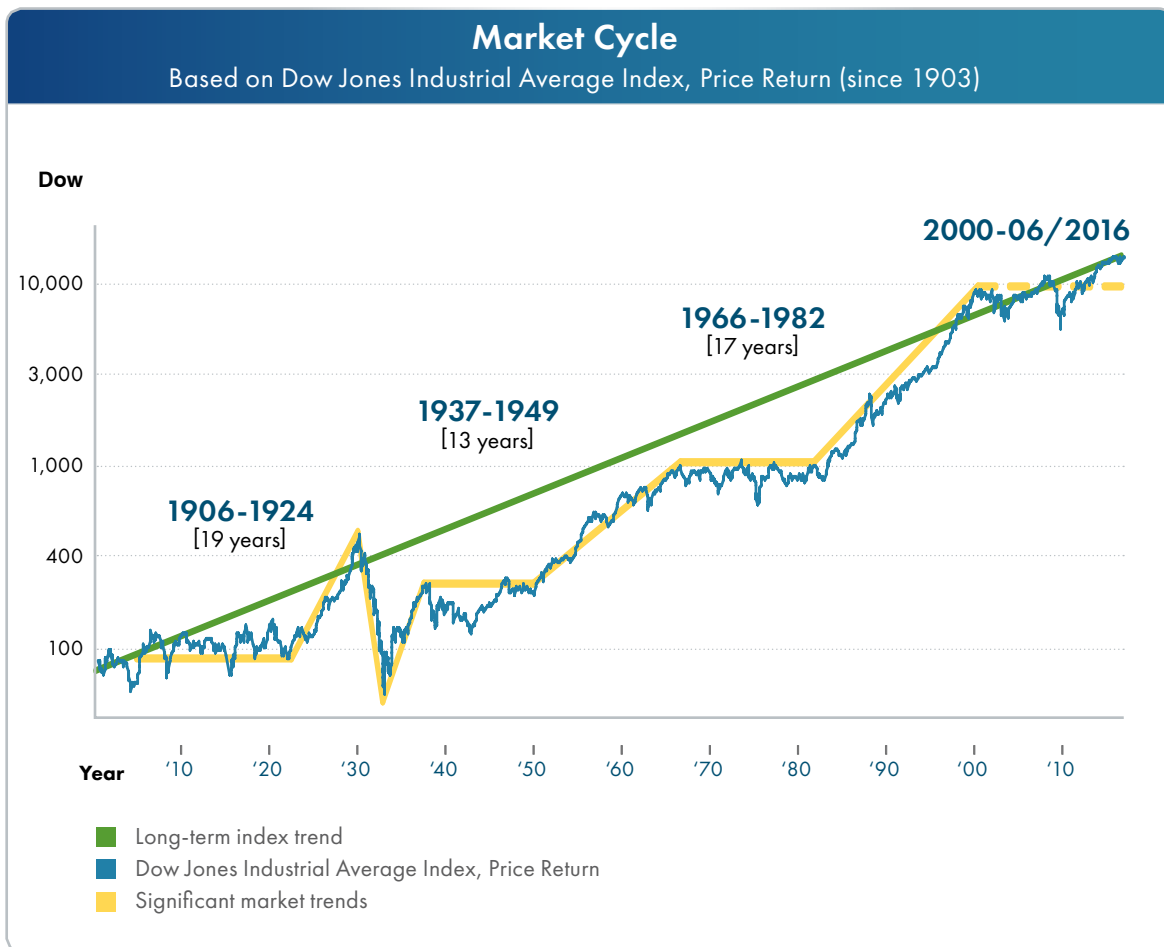
Market Cycle

**History shows that
the market typically
moves in cycles**



➔ Equity markets are unpredictable and have often gone through long periods of stagnant or horizontal movements before returning to a period of growth.

Investment strategies that work in bull markets may not be effective in bear or flat markets.



Source: Bloomberg, J.P. Morgan Asset Management. Data shown in log scale to best illustrate long-term index patterns. Data are as of 6/21/2016. The Dow Jones Industrial Average is a price-weighted average of 30 actively traded blue-chip U.S. stocks. All indexes are unmanaged and an individual cannot invest directly in an index. Index returns do not include fees or expenses. Past performance is not indicative of future returns. Chart is for illustrative purposes only. © 2016 JPMorgan Chase & Co., June 2016



Sequence of Returns

**Once you begin to take
withdrawals, market performance
can dramatically impact how
long your savings may last**


➔ **What's also important to consider** is the order in which you encounter positive and negative returns, also known as the "sequence of returns." During the accumulation years, the sequence of returns may have less of an impact on your long-term goals. It's really your overall return that matters.


However, once you begin withdrawing money from your investment, the sequence of returns can become more critical. For example, if you encounter negative returns in the initial years of your retirement, it can have a lasting impact.

Consider the case of two individuals retiring at different times, and how the market's returns, when combined with their withdrawals, impacted the value of their retirement savings and how long their savings may last.



➔ The sequence of returns matters

Mike retired at the end of 1994, invested \$250,000, and began taking 5% annual withdrawals from his investment in 1995				
	Year	S&P 500 Return	Amount Withdrawn	Value After Withdrawal
 <p>Mike encounters strong returns in the early years of his retirement.</p> <p>3 years into retirement, his account value is \$513,920.</p> <p>16 years into retirement, Mike's \$250,000 investment had grown to \$642,814.</p>	1995	37.54%	\$12,500	\$331,350
	1996	22.92%	\$12,500	\$394,795
	1997	33.34%	\$12,500	\$513,920
	1998	28.60%	\$12,500	\$648,401
	1999	21.04%	\$12,500	\$772,325
	2000	-9.09%	\$12,500	\$689,621
	2001	-11.85%	\$12,500	\$595,401
	2002	-22.10%	\$12,500	\$451,317
	2003	28.68%	\$12,500	\$568,255
	2004	10.87%	\$12,500	\$617,524
	2005	4.89%	\$12,500	\$635,221
	2006	15.81%	\$12,500	\$723,150
	2007	5.49%	\$12,500	\$750,350
	2008	-37.00%	\$12,500	\$460,221
	2009	26.47%	\$12,500	\$569,541
	2010	15.06%	\$12,500	\$642,814

Steve retired at the end of 1999, invested \$250,000, and began taking 5% annual withdrawals from his investment in 2000				
	Year	S&P 500 Return	Amount Withdrawn	Value After Withdrawal
 <p>Steve encounters negative returns in the early years of his retirement.</p> <p>3 years into retirement, his account value is \$125,246.</p> <p>16 years into retirement, Steve's \$250,000 investment had declined to \$93,293.</p>	2000	-9.09%	\$12,500	\$214,775
	2001	-11.85%	\$12,500	\$176,824
	2002	-22.10%	\$12,500	\$125,246
	2003	28.68%	\$12,500	\$148,667
	2004	10.87%	\$12,500	\$152,327
	2005	4.89%	\$12,500	\$147,275
	2006	15.81%	\$12,500	\$158,060
	2007	5.49%	\$12,500	\$154,237
	2008	-37.00%	\$12,500	\$84,669
	2009	26.47%	\$12,500	\$94,581
	2010	15.06%	\$12,500	\$96,325
	2011	2.11%	\$12,500	\$85,858
	2012	15.98%	\$12,500	\$87,078
	2013	32.39%	\$12,500	\$102,782
	2014	13.69%	\$12,500	\$104,353
	2015	1.38%	\$12,500	\$93,293

How did the sequence of returns impact each retiree's investment?

Mike and Steve each started with \$250,000 and withdrew the same amounts each year:

- 16 years into retirement, at the end of 2010, Mike's \$250,000 investment had grown to **\$642,814**
- 16 years into retirement, at the end of 2015, Steve's \$250,000 investment had declined to **\$93,293**

The difference in value is largely the result of the returns experienced in the early years of retirement. And while you can't control market performance in the early years of retirement, there are strategies that can help you control this type of market risk.

➔ The arithmetic of loss

Have you ever considered the impact of withdrawing money from your investment when the market is down? After a market decline, you'll need to earn even greater returns to make up for your losses—and the amount withdrawn—to get back to where you started.

Rebounding from a market decline during the accumulation years

Initial investment amount: \$250,000

Accumulation Phase		
Year	Rate of Return	Value at Year End
2000	-9.09%	\$227,275
2001	-11.85%	\$200,343
2002	-22.10%	\$156,067

A three-year decline of more than 37%!
Return required to get back to \$250,000: 60%

Rebounding from a market decline when income is withdrawn

Initial investment amount: \$250,000, annual withdrawal amount: \$12,500

Distribution Phase		
Year	Rate of Return	Value at Year End
2000	-9.09%	\$214,775
2001	-11.85%	\$176,824
2002	-22.10%	\$125,246


A three-year decline of nearly 50%!
Return required to get back to \$250,000: 100%

The illustrations on the previous page and above are hypothetical and assume past performance of the S&P 500 Index. These illustrations are not intended to be indicative of the performance of a specific investment option. Indexes are unmanaged. You cannot invest directly in an index. Performance illustrated is not indicative of future results.



Interest Rate Fluctuations

**Interest rate fluctuations may
dramatically affect
your income in retirement
and your lifestyle**



➔ Could changing interest rates impact your income?

Investors often turn to fixed-income investments, such as Treasury bills and Treasury bonds, for retirement income. These investments are available in different terms or durations. The interest you receive will vary based on the term selected and economic conditions at the time of investment and/or reinvestment, which can impact your income. (Of course, if different terms had been selected, the results would differ.)

In this example, Treasury bill income changed dramatically upon renewal.

Bond income was also subject to change after 10 years in this example.

What if you had invested \$250,000 in each of the following investments at the end of 1992?		
Year	Treasury Bills (6-month)	Treasury Bond (10-year)
1993	\$8,451	\$16,925
1994	10,075	16,925
1995	15,200	16,925
1996	13,513	16,925
1997	13,225	16,925
1998	13,463	16,925
1999	12,001	16,925
2000	14,900	16,925
2001	11,850	16,925
2002	4,563	16,925
2003	2,763	10,075
2004	3,313	10,075
2005	7,150	10,075
2006	11,876	10,075
2007	12,526	10,075
2008	6,913	10,075
2009	713	10,075
2010	451	10,075
2011	363	10,075
2012	251	10,075
2013	263	4,300
2014	200	4,300
2015	251	4,300
Total Income	\$164,274	\$282,900

- **Treasury bills and Treasury bonds** are guaranteed by the U.S. Government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. Income is exempt from state and local income tax, but subject to federal income tax.

Your financial representative can help you determine which investments may be right for you.

The following initial interest rates were assumed in this example: Treasury bill: 3.47%; Treasury bond: 6.77%. Past performance is no guarantee of future results. Historical results shown should not be considered reflective of a specific investment. Results shown do not reflect the impact of expenses that would be associated with an actual investment. Source: Treasury bills and Treasury bonds: U.S. Board of Governors of the Federal Reserve System.

Investor Behavior

Investor emotions and behavior are often affected by market corrections

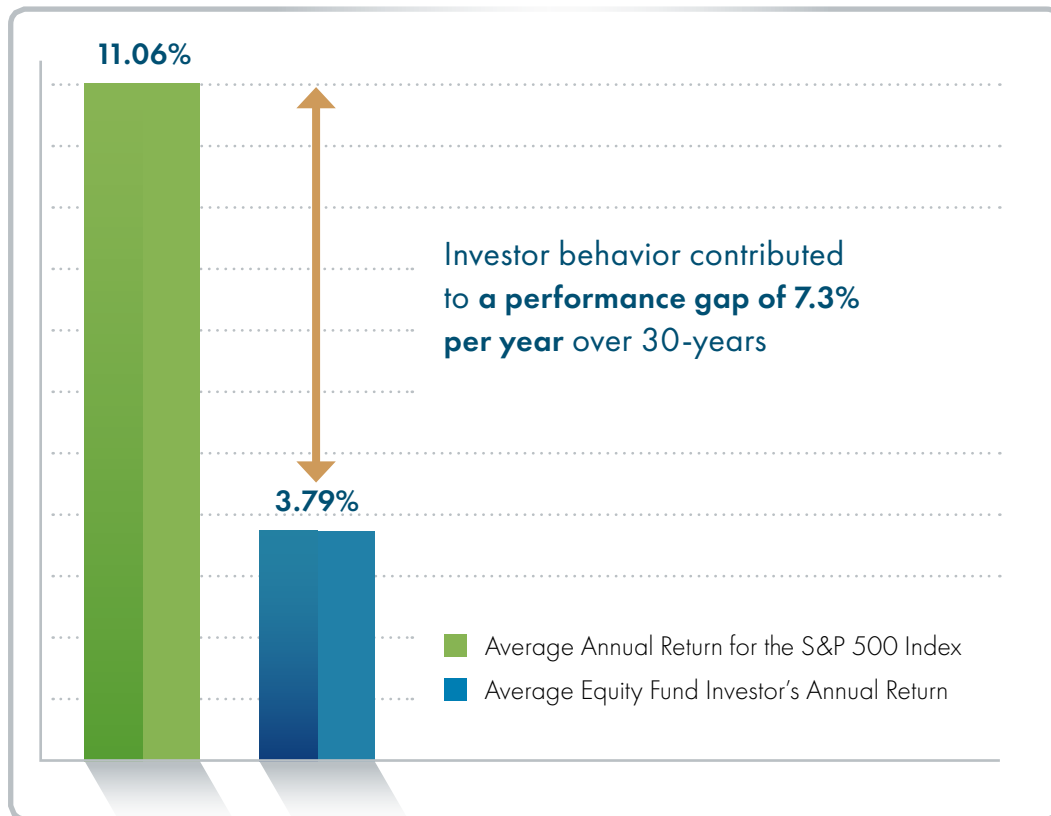


➔ Shifting emotions can impact a retirement plan

That's why it's important to understand your retirement strategy and stay committed to your plan for the long run.

The chart below shows that while stocks have performed well over the 30-year period examined, the return investors experienced was actually much lower. In fact, it was 65% lower.

These results are the outcome of an annual study that measures the effects of investor decisions to buy, sell and switch into and out of mutual funds.* Of course, past performance is no guarantee of future results.



Keep in mind that the investor returns reflect investment selection, as well as sales charges, fees, expenses, and transaction costs, whereas the S&P 500 Index returns do not. These factors also contribute to the difference in returns. Indexes are unmanaged; you cannot invest directly in an index. Performance illustrated is not indicative of future results.





*Source: 2015 Quantitative Analysis of Investment Behavior, DALBAR, period ended 12/31/15. This study utilizes data from the Investment Company Institute and Standard & Poor's to compare investor behavior with the returns of the overall equity market. The Average Equity Fund Investor represents the aggregate action of all investors in equity mutual funds. Investor returns are determined using the change in total equity fund assets after excluding sales, redemptions and exchanges. This method of calculation captures realized and unrealized capital gains, dividends, interest, trading costs, sales charges, fees, expenses and any other costs. The S&P 500 Index is an unmanaged index of large-cap U.S. stocks that is considered to be representative of the U.S. equity market.



Probability of Loss

**The stock market can
go up and it
can also go down**

➔ You protect what's important to you with insurance—even when the odds of incurring a loss may be slim. For example, most people would never think to leave their home or car *uninsured*.

ASSET	VALUE	INSURED?	
		Yes	No
 Home	\$		
	Odds of major fire damage over the next 30 years: less than 1%		
 Life	\$		
	Probability of a 60-year-old male dying within 5 years: less than 10%		
 Auto	\$		
	In 2013, there was only 1 crash for every 45 registered vehicles in the U.S.		
 401(k), IRA, other retirement investments	\$		
	Historically, the stock market has experienced a decline of 20% or more approximately once every 3 years		

Your retirement investments may be one of your most valuable assets. Should you consider protecting your retirement income against a market downturn?

An annuity can help you secure your retirement income for a more comfortable retirement

Annuities are long-term investments designed specifically for retirement. They can help you build assets on a tax-deferred basis as you prepare for retirement. And when you're ready to retire, they can provide you with guaranteed lifetime income through standard or optional features. Optional income guarantees are subject to additional fees, withdrawal parameters and other limitations.

Contract and optional benefit guarantees are backed by the claims-paying ability of the issuing insurer. Early withdrawals may be subject to withdrawal charges. Partial withdrawals may reduce benefits available under the contract, as well as the amount available upon a full surrender. Withdrawals of taxable amounts are subject to ordinary income tax and, if taken prior to age 59½, an additional 10% federal tax may apply. Keep in mind, for retirement plans and accounts, such as IRAs and 401(k)s, an annuity provides no additional tax-deferred benefit beyond that provided by the plan or account.

Variable annuities are sold by prospectus only. The prospectus contains the investment objectives, risks, fees, charges, expenses and other information regarding the contract and underlying funds, which should be considered carefully before investing. Please contact your insurance and securities-licensed financial representative or call 1-800-445-7862 to obtain a prospectus. Please read the prospectus carefully before investing.

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