Mitigate Sequence-of-Return Risk with Annuities

A challenge that retirees may face when relying primarily on investment portfolios for income is the sequence-of-return risk; **the potential impact of market downturns early in retirement**, which can significantly erode the value of a portfolio and potentially lead to premature depletion.

FOR EXAMPLE

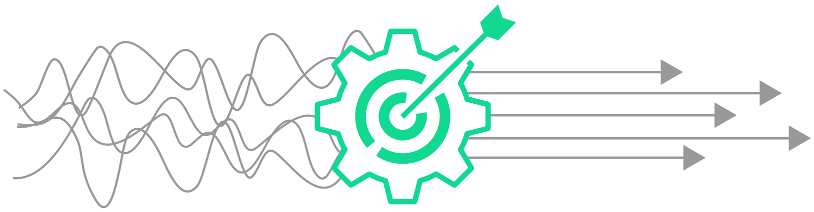
Jake is 65 and wants to draw retirement income from his portfolio each year. He worries about the impact of negative market performance – especially if it happens right away:

A. If **negative returns occur later**, Jake's funds may last longer.

B. If **negative returns occur sooner**, Jake's funds could run out early.

Year	A. Return %	A. Withdrawal	A. Balance	B. Return %	B. Withdrawal	B. Balance
			$100,000.00			$100,000.00
1	10.00%	-$7500	$102,500.00	-7.50%	-$7500	$85,000.00
2	9.50%	-$7500	$104,737.50	-7.00%	-$7500	$71,550.00
3	9.00%	-$7500	$106,663.88	-6.50%	-$7500	$59,399.25
4	8.50%	-$7500	$108,230.30	-6.00%	-$7500	$48,335.30
5	8.00%	-$7500	$109,388.73	5.00%	-$7500	$43,252.06
6	7.50%	-$7500	$110,092.88	5.50%	-$7500	$38,130.92
7	7.00%	-$7500	$110,299.39	6.00%	-$7500	$32,918.78
8	6.50%	-$7500	$109,968.85	6.50%	-$7500	$27,558.50
9	6.00%	-$7500	$109,066.98	7.00%	-$7500	$21,987.59
10	5.50%	-$7500	$107,565.66	7.50%	-$7500	$16,136.66
11	5.00%	-$7500	$105,443.94	8.00%	-$7500	$9,927.60
12	-6.00%	-$7500	$91,617.31	8.50%	-$7500	$3,271.44
13	-6.50%	-$7500	$78,162.18	9.00%	-$3566	$0.00
14	-7.00%	-$7500	$65,190.83	9.50%	0	$0.00
15	-7.50%	-$7500	**$52,801.52**	10.00%	0	**$0.00**

Although both scenarios average a 3.00% Return overall, if losses occur in earlier years, the erosion to future growth **may not be** recoverable.



Jake could consider a Fixed Indexed Annuity (FIA) with an income benefit rider where his $100,000 could secure competitive annual income payouts for the rest of his life, with **NO SEQUENCE-OF-RETURN RISK!**

When incorporating a FIA for income in a retirement strategy, it could help offset sequence-of-return risk by:

- Creating a reliable and consistent income stream, while helping to preserve the long term sustainability of a portfolio.
- Transferring risk to the annuity carrier. This creates a foundation that could withstand market loss and may include additional guarantees.
- Acting as a financial buffer during bear markets, retirees would not be forced to sell assets at depressed values to fund living expenses.
- Providing financial peace of mind by reducing stress associated with market volatility.

These safeguards could help empower retirees to keep the rest of their funds invested in the market for potential long-term growth without being overly concerned about short-term fluctuations.

By combining annuities with other retirement assets, such as stocks and bonds, advisors can help clients strike a balance between growth potential and risk mitigation.

When income sources are diversified, you could help your clients create a more RESILIENT AND RELIABLE retirement strategy that may better withstand the challenges posed by sequence-of-return risk.

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