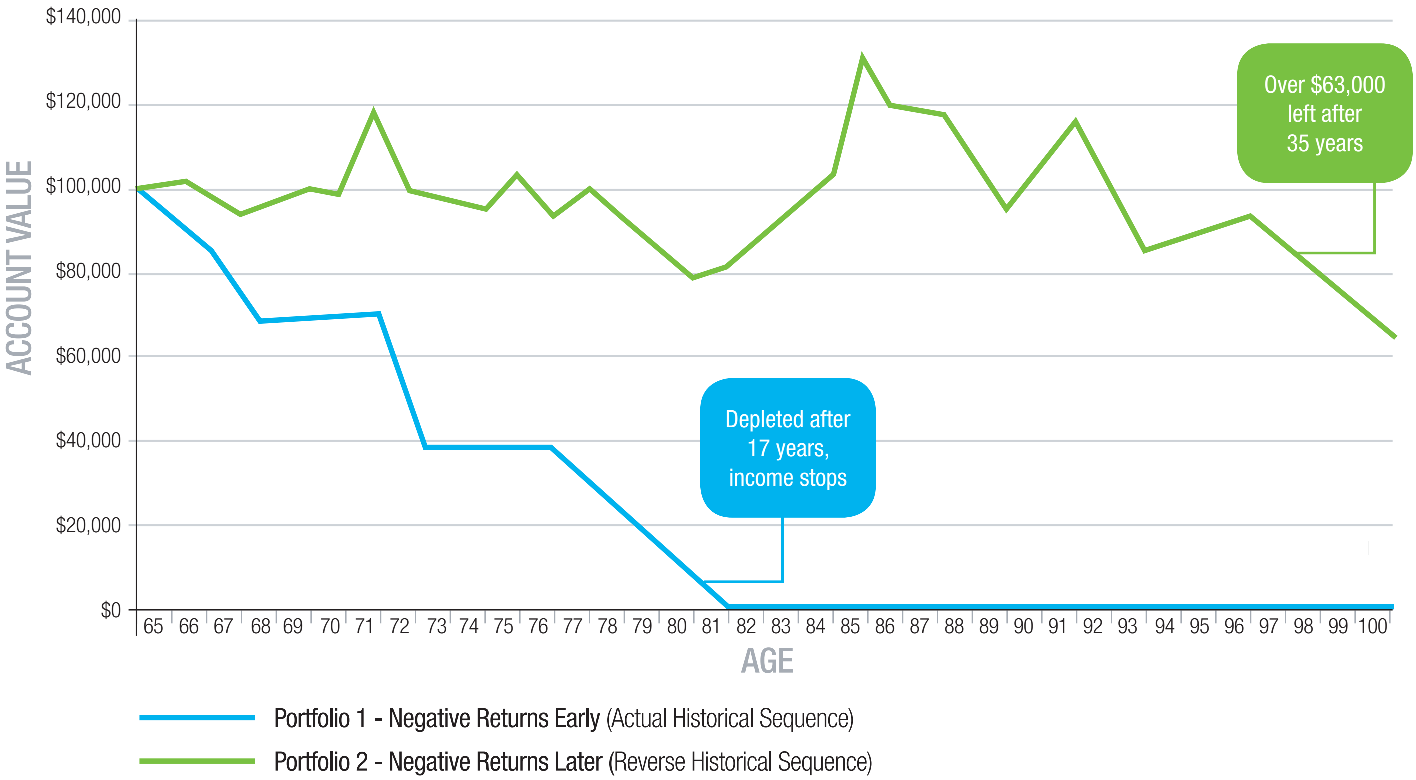
Poor Sequence of Returns: The Potential for Lost Income

Like many retirees, you may be planning to rely on regular portfolio withdrawals for retirement income. But a poor sequence of returns could hit at any time and derail your long-term income plan, especially with a loss early in retirement. See how you could be left with only 17 years of income for a retirement that may last over 30 years.

COMPARING ACCOUNT VALUE AFTER RETIREMENT INCOME BEGINS



Initial Investment: $100,000 | Annual Withdrawal Amount: $5,000 | Average Annual Return: 9.62%

This example is for illustrative purposes only. Example assumes an initial account value of $100,000 for a hypothetical portfolio allocation of 70% bonds, as measured by the Ibbotson SBBI, and 30% large stocks, as measured by the S&P 500 (total return). Both scenarios assume annual withdrawals of $5,000. Historical returns are based on data collected from Morningstar for January 1,1966, through December 31, 2001, adjusted for inflation and compared to the same returns in reverse chronological order.

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Additional information on next page.

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A Side-By-Side Comparison

Whether you need more income up front, or want to hedge rising expenses later, it's important to see how much income each option can generate over time. Take a look at this example of cumulative income received from both scenarios:

PORTFOLIO 1 - NEGATIVE RETURNS EARLY				PORTFOLIO 2 - NEGATIVE RETURNS LATER		
BEGINNING ACCOUNT VALUE	RATE OF RETURN	ENDING ACCOUNT VALUE	AGE	BEGINNING ACCOUNT VALUE	RATE OF RETURN	ENDING ACCOUNT VALUE
$100,000	-2.88%	$ 92,262	65	$100,000	3.89%	$ 98,693
$ 92,262	3.73%	$ 87,859	66	$ 98,693	6.28%	$ 96,723
$ 87,859	5.12%	$ 83,187	67	$ 96,723	1.10%	$ 88,398
$ 83,187	-8.21%	$ 66,988	68	$ 88,398	16.11%	$ 91,735
$ 66,988	14.02%	$ 67,273	69	$ 91,735	19.07%	$ 98,516
$ 67,273	12.00%	$ 67,653	70	$ 98,516	7.87%	$ 97,734
$ 67,653	10.78%	$ 67,270	71	$ 97,734	30.32%	$117,683
$ 67,270	-3.61%	$ 54,544	72	$117,683	-3.64%	$ 98,671
$ 54,544	-10.08%	$ 38,503	73	$ 98,671	12.25%	$ 93,719
$ 38,503	21.42%	$ 38,329	74	$ 93,719	8.86%	$ 90,357
$ 38,329	20.23%	$ 38,468	75	$ 90,357	23.06%	$100,936
$ 38,468	-0.95%	$ 30,884	76	$100,936	3.82%	$ 93,103
$ 30,884	1.92%	$ 24,045	77	$ 93,103	20.87%	$ 98,535
$ 24,045	2.66%	$ 17,017	78	$ 98,535	12.48%	$ 92,757
$ 17,017	7.82%	$ 11,467	79	$ 92,757	1.39%	$ 78,096
$ 11,467	-2.34%	$ 5,737	80	$ 78,096	19.49%	$ 80,810
$ 5,737	36.26%	$ 976	81	$ 80,810	30.58%	$ 96,059
$ 976	11.15%	$ 0	82	$ 96,059	13.68%	$100,063
$ 0	13.68%	$ 0	83	$100,063	11.15%	$101,901
$ 0	30.58%	$ 0	84	$101,901	36.26%	$128,381
$ 0	19.49%	$ 0	85	$128,381	-2.34%	$119,097
$ 0	1.39%	$ 0	86	$119,097	7.82%	$117,990
$ 0	12.48%	$ 0	87	$117,990	2.66%	$110,998
$ 0	20.87%	$ 0	88	$110,998	1.92%	$103,109
$ 0	3.82%	$ 0	89	$103,109	-0.95%	$ 91,186
$ 0	23.06%	$ 0	90	$ 91,186	20.23%	$100,981
$ 0	8.86%	$ 0	91	$100,981	21.42%	$113,756
$ 0	12.25%	$ 0	92	$113,756	-10.08%	$ 94,801
$ 0	-3.64%	$ 0	93	$ 94,801	-3.61%	$ 84,158
$ 0	30.32%	$ 0	94	$ 84,158	10.78%	$ 85,682
$ 0	7.87%	$ 0	95	$ 85,682	12.00%	$ 87,682
$ 0	19.07%	$ 0	96	$ 87,682	14.02%	$ 92,864
$ 0	16.11%	$ 0	97	$ 92,864	-8.21%	$ 79,230
$ 0	1.10%	$ 0	98	$ 79,230	5.12%	$ 76,038
$ 0	6.28%	$ 0	99	$ 76,038	3.73%	$ 71,280
$ 0	3.89%	$ 0	100	$ 71,280	-2.88%	$ 63,341
Total Cumulative Withdrawals: $85,976				Total Cumulative Withdrawals: $180,000		

More negative returns in the first several years of retirement depleted account value in just 17 years.

The same sequence of returns in reverse chronological order provided dramatically different results.

Initial Investment: $100,000 | Annual Withdrawal Amount: $5,000 | Average Annual Return: 9.62%

Talk to your financial professional to learn how an indexed annuity can help you protect against sequence of returns risk and produce income that's guaranteed to last.

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