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The New Retirement Report

TABLE OF CONTENTS

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NOTE: Throughout this report, we have cited many sources for information. If you would like a copy of something, please call our office at 877.GROW.SAFE (877.476.9723). There are also parts of this report which are subject to disclaimers, such as references to contractual guarantees in annuities. Please see the Disclaimer on page 52 for complete details as to what they entail.

INTRODUCTION

Tens of millions of Americans are retired, and tens of millions more will be retiring in the years ahead. In the wake of economic uncertainty, many people have concerns about the future. You may be worried about whether you will have enough retirement income, and what measures it will take to get it.

Today's volatile financial landscape brings new challenges. We face new hurdles which are far different than what our parents and grandparents faced. Gone are the days of when you would receive a lifetime pension and health benefits after working at the same company for many years. Now it falls completely on us to map out our futures – and then to stick to the plan.

Unfortunately, some people make retirement decisions without fully understanding all of their options. It could take years before the negative effects of these choices are clear. What otherwise appears to be good decisions may actually diminish a retiree's finances. It impacts their ability to cover basic living, healthcare, and long-term care needs, which affects their quality of life.

Having worked hard for many years, you look forward to a comfortable retirement lifestyle. These times are uncharted territory. Nothing is certain. We have prepared this report to give you some semblance of greater retirement certainty. Its purpose is to provide sound, objective information for your own journey.

I hope this report helps educate you about these new retirement challenges, various solutions, and empowers you to make the right decisions for your future. Should you ever have any questions or need help, please do not hesitate to call us at 877.GROW.SAFE (877.476.9723).

All the best,

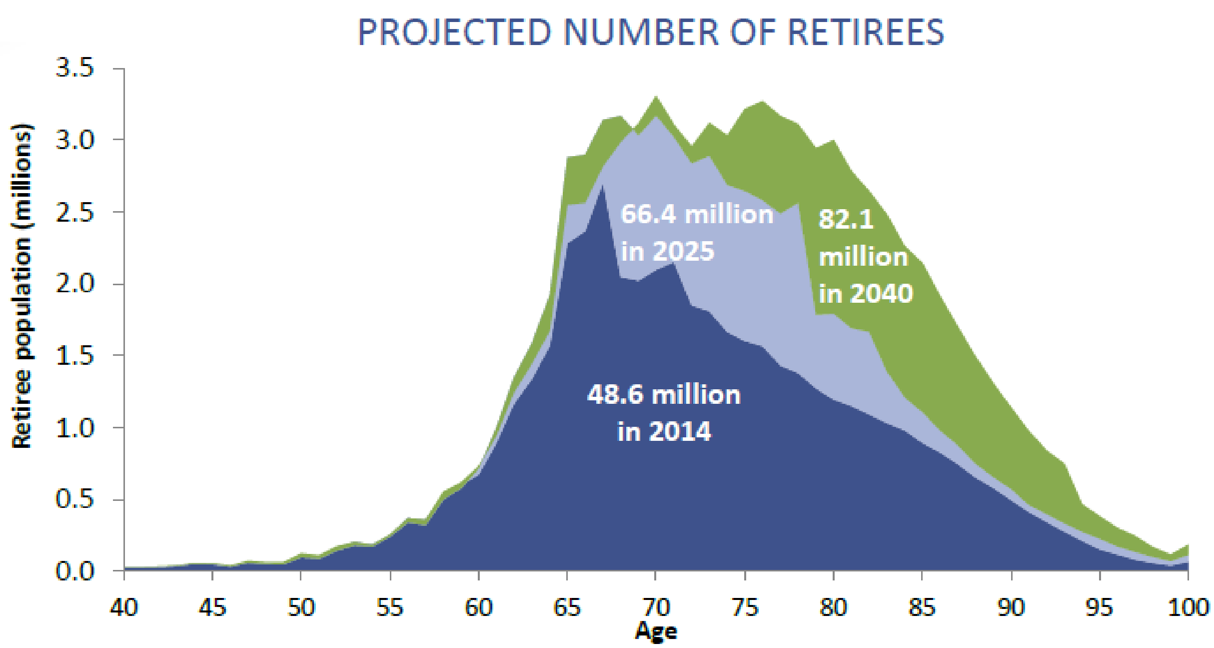
Brent Meyer

THE NEW RETIREMENT

In past years, financial pundits have talked about "the new retirement." You may be asking yourself, "What does that mean?" In a nutshell, it refers to the changing dynamics of retirement within the United States. Advancements in technology, medical innovations, and the interconnected economies of nations across the globe are but a handful of variables which have prompted this change. The times are different from when our parents and our grandparents retired.

Record Amounts of People Retiring

Take, for instance, the number of people retiring. Record numbers of Americans are retiring in droves. According to data projections from LIMRA Secure Retirement Institute, there will be over 82 million retirees in the United States in 2040. The graph below shows other notable projections, including 66.4 million U.S. retirees in 2025.



Source: LIMRA Secure Retirement Institute analysis of U.S. Census Bureau population projections. Graph from LIMRA, LOMA, LL Global President and CEO Presentation to Federal Advisory Committee on Insurance, August 6, 2015.

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Let's put this into perspective. Drawing on other retiree projections, consider the rate of Americans turning 65 years old, or the traditional retirement age, on a daily basis. A report by Pew Research Center projects each day roughly 10,000 baby boomers turn age 65 – a pattern which began in January 2011. Pew Research Center expects this daily trend to continue for another 14 years.[1]

You might ask why this would matter to you. One way this would affect your retirement is through the growing cumulative effects on Social Security, Medicare, and Medicaid (for qualified persons). These programs will be impacted as more retirees come to rely on their funds for retirement income, healthcare, and medical care needs. Furthermore, as these people tap into their retirement accounts for income, they will pull assets out of the stock market.

Later on in this report, you will learn about some strategies to address the growing need for retirement income, and which can help with your own income security. *The Annuity Insights Guidebook,* another resource from us, also discusses these matters in depth. It is recommended if you need further information.

Longevity, Uncertainty, and Other Retirement Hurdles

Population trends are not the only thing which impact retirement. Of course, there are other factors which hold strong sway:

- **More personal accountability.** Today, more than ever, income planning is a personal responsibility. The news is filled with stories of Social Security being underfunded, and corporate pensions are largely a distant memory. There are many accounts of how companies "too big to fail" are now bankrupt or now offering one-time buyouts of employee pensions to lessen their pension obligations.

  The graph below shows how the rigors of preparing for retirement are shifting from employers to individuals. Since the 1970s, defined-contribution plans such as 401(k) plans have steadily been on the rise while defined-benefit pension plans have greatly declined.

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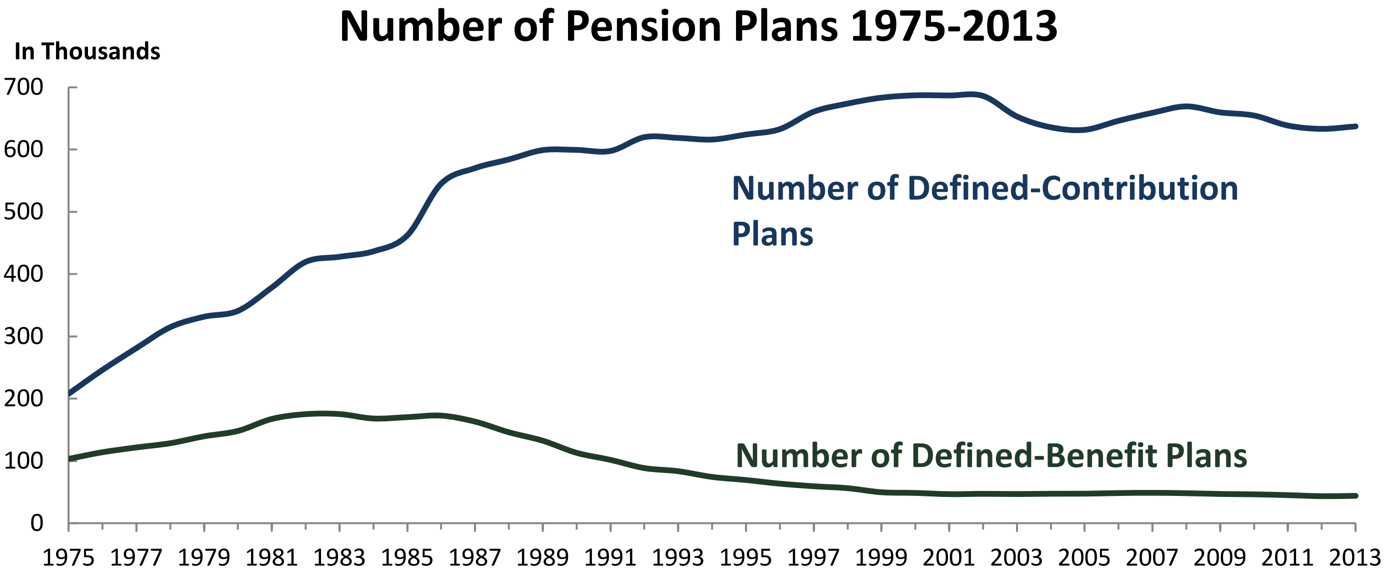

Graph created by SafeMoney.com with data from U.S. Department of Labor. Data available only up to 2013. Source: Private Pension Plan Bulletin Historical Tables and Graphs 1975-2013, U.S. Department of Labor, September 2015.

According to Towers Watson, the percentage of Fortune 500 companies offering new hires defined-benefit pension plans has declined from 60% to 24%.[2]

You may have or have had an employer-sponsored defined-contribution plan such as a 401(k). However, workers are largely left alone to deal with account investments and other nitty-gritty details. They have few places to turn for expert financial advice unless they enlist the help of a trustworthy, knowledgeable financial professional. So, the weight of careful planning for retirement falls squarely on our shoulders.

- **Greater longevity.** Thanks to innovations in technology and medical care, people are living longer than ever. If someone was born in 2014, their life expectancy then was 78.8 years of age. If you turned 65 in 2014, your life expectancy was for another 19.3 years, or until age 84.3. If you turned 75 in 2014, you would have had an expected remaining lifespan of 12.2 years, or until age 87.2.[3]

  According to the Social Security Administration, about one out of every four 65-year-olds today will live past age 90, and one out of 10 will live past age 95.[4] With this increased life expectancy comes greater longevity. You have more years to plan for in retirement. That means a longer time period to account for basic living expenses, medical costs, long-term care costs, and any other retirement spending projections.

- **Future uncertainty.** Will you have enough money in retirement? The 2008 bear market happened some years ago, but for many people, it is still a fresh memory. Future stock market ups-and-downs are a lingering concern for Americans of all ages. Then there are the other unknowns: future inflation, future taxation, and the possibility of lengthy recovery from a future market correction, to name a few.

  These variables have long been part of retirement planning, but that does not diminish their influence. They could erode finances, reduce your money's buying power, or force changes in your later-year retirement financial strategy. It is important to account for these possibilities so your golden years are a period of enjoyment, not recurring stress and unwelcome headaches.

New Challenges on the Horizon

Have you enjoyed the good life in your working years? Most people want to continue to live well in retirement. They would like a healthy income which lets them live on their terms, not a meager standard of living.

Despite high retirement expectations, several studies indicate many American households may not be anywhere near where they should be with retirement savings. To give an idea:

- A report from the Federal Reserve Board indicates 31% of non-retired adults have no retirement savings or pension; 22% of non-retired persons aged 45-59 and 27% of non-retired persons aged 60+ say they have no retirement savings.[5]
- A report from the Employee Benefit Research Institute estimates over 40% of baby boomers could run short of money in retirement.[6]

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- Including households with and without retirement accounts, research from the National Institute on Retirement Security projects the "median retirement account balance is $3,000 for all working-age households and $12,000 for near-retirement households."[7]
- According to LIMRA Secure Retirement Institute research, half of baby boomers have less than $100,000 saved and over a third have less than $25,000 in retirement savings.[8]
- According to the National Institute on Retirement Security, "Two-thirds of working households age 55-64 with at least one earner have retirement savings less than one times their annual income, which is far below what they will need to maintain their standard of living in retirement."[9]

The data suggests a large proportion of retirees will not always have the financial resources to cover standard living costs, medical costs, or other areas of retirement spending. Moreover, this may be hardly a short-term problem for these retirees. They could have income problems for the rest of their lives!

What Does It Mean for You?

Research from LIMRA Secure Retirement Research Institute finds many retirees will need to get over 40% of their retirement income from savings.[10] With U.S. debt levels at record highs, many workers wonder if Social Security will be around when they retire. Social Security is a much-used "staple" for retirement income: For 65% of elderly beneficiaries, Social Security provides the majority of their cash income, and 36% of them rely upon it for 90% or more of their income.[11]

We do not provide these research findings to frighten you, but rather to help you better understand the hurdles for retirement income security. The point is speaking realistically, we cannot rely upon guaranteed government assistance or disappearing income sources like pensions. It is up to us to plan and to take control of our retirement future.

Many Americans can avoid these pitfalls by taking the right steps to prepare for retirement. Having a prudent balance of conservative, low-risk vehicles and other financial instruments can help them get the income they need in retirement. As we discuss later in this report, there are many options for low-risk, income-generating financial solutions which can offer a steady income stream and lasting peace of mind.

NEW RETIREMENT RISKS

As you prepare for retirement, it helps to be aware of the risks you may encounter. We have discussed some new retirement trends, and those trends bring retirement pitfalls… potential perils which can greatly undermine your retirement financial security if they are not planned for. Knowledge is foresight, so we strongly believe you should understand these factors and how they can affect you.

Of course, there are things you can do to counter these risks, and the first step begins with knowing them. With that said, let's cover the retirement risks to keep in mind – and which we highly recommend you account for in your retirement income planning.

The New Normal

The first stage is being familiar with the dynamics of today's economy.

In 2010, Bill Gross and Mohamed El-Erain of Pimco touted the concept of the "new normal."[12] Gross is widely considered to be one of the top investment managers in the world, and Pimco is a global investment firm with approximately $2 trillion in assets under management. At the time, Bill Gross was using the "new normal" idea to describe what was then a period of great slowdown in global economic growth.

While investors were waiting for the market to return to the old "normal," Gross insisted they had to accept we were in a "new normal" of "years of slow economic growth and meager return on investments."[13] For the United States, it was a period of transition from spending to saving. The idea was that with trillions of dollars in assets lost in the bear market of 2008, Americans would be inclined to save more and spend less. The lowered levels of spending would then damper economic growth in the years ahead.

The New Situation: Slow Growth and Uncertainty

Now fast forward to 2015. In the United States, the stock market had a rebound. Across the globe, economies were recovering at modest growth rates. This new situation led Pimco to recast the times as "the new neutral," or a period of stronger, but still arguably minimal growth.[14]

You might be asking, "What are the circumstances of the 'new neutral,' and why do they matter?" As noted in the article about Pimco's readjusted forecast of these new conditions[15]:

- To try and stimulate their respective economies, central banks kept interest rates artificially low.
- Over the years, the central banks heavily committed monetary policy tools to the point where new policy may have adverse effects.
- The new reality is if the economy were to enter another recession, most countries would not have enough room to adopt new policy to reverse it.

In short, the global economy is growing but still at a slow rate, and the tools to combat another slowdown would be limited.[16] So our ability to recover from another recession would be greatly restricted!

What is the takeaway, then? We are in a new period of economic history. The possibility of a swift market downturn and big losses is very much real. The old strategies and tactics have become less effective. We need new, innovative retirement strategies and tactics in this new era of stagnant growth. Retirement planning <u>should include measures of protection</u> against <u>market swings</u> and <u>adverse effects to retirement income.</u>

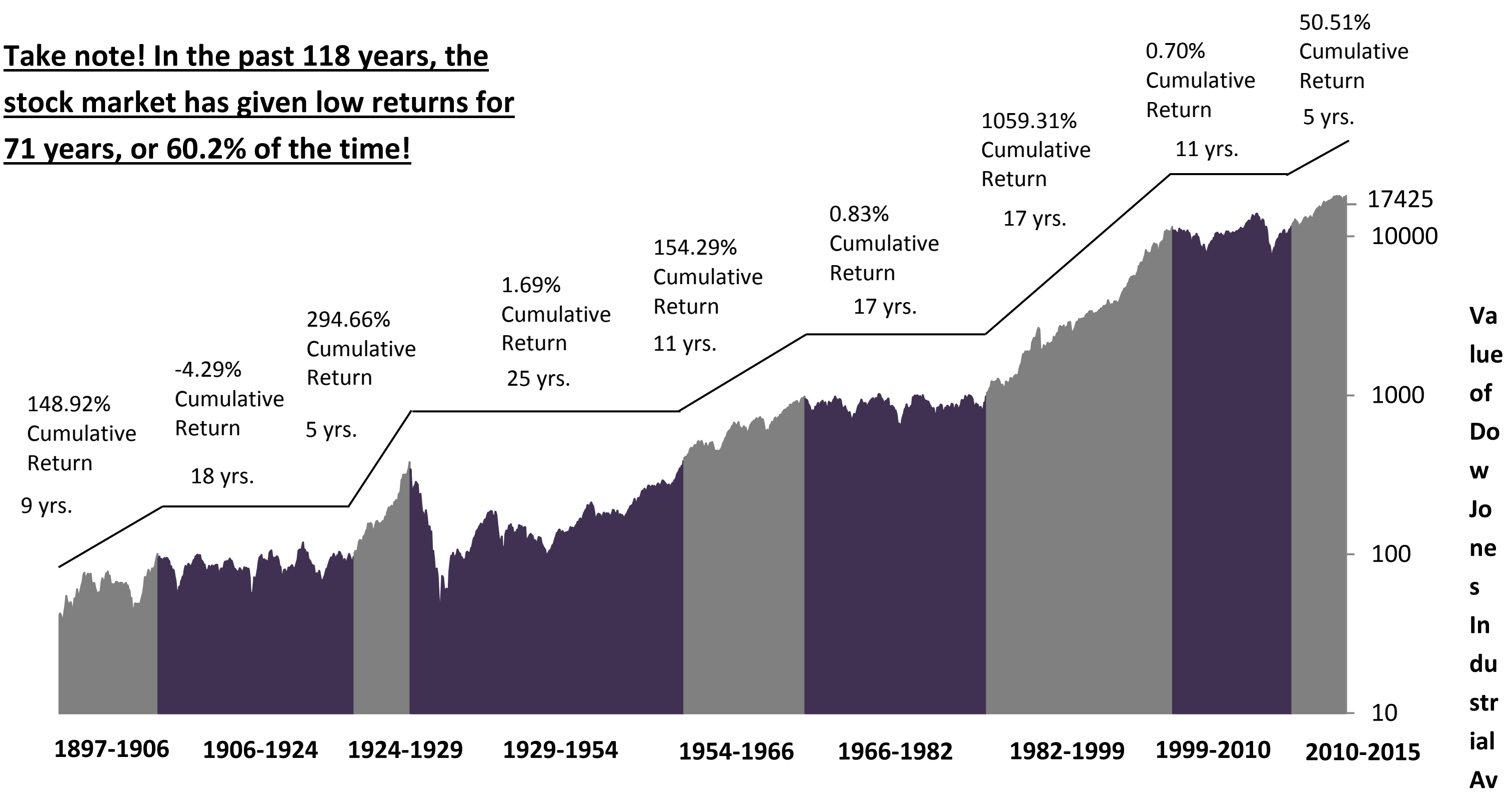
The Stock Market Gamble: Market Risk and Timing Risk

The stock market can bring great uncertainty in retirement. You may be attracted to the potential returns, but you do not want to lose what you already have. After all, what would happen if your savings were seriously drained by stock market losses early in retirement? How would you cover costs for all the remaining years of your life? This is a situation which most retirees cannot afford to have.

Two big retirement risks are related to stock market performance and investment timing. Market risk is the potential for you to lose money due to market swings. Timing is when you decide to invest in the market or pull out. Volatility, or fluctuations in market performance, is a big part of the risk. It can be hard to predict the ups-and-downs, and entering or exiting the market at different times can yield very different results. Poor timing could bring painful financial losses.

History shows the market tends to move in cycles. If you look at the graph below, you will see the exceptional stock market growth in the late 1980s and the 1990s. Of course, this was followed by market crashes in 2002 and 2008. Many of those who witnessed this growth came to understand rising market values as “typical” market performance. However, as the graph shows, the growth periods are followed by periods of flat or declining returns, or where market bubbles burst.

<u>Take note! In the past 118 years, the stock market has given low returns for 71 years, or 60.2% of the time!</u>



Graph created by SafeMoney.com associates using data from www.djaverages.com and information from graph “Dow Jones Industrial Historical Trends” from Guggenheim Investments.

A close look at the graph shows the returns which investors have gotten in flat markets. If you had money in the market during 1929-1954 (a 25-year period), you would have earned a total gain of 1.69%, or 0.07% per year! In the 17 years between February 1966 and October 1982, the stock market gave a total return of 0.83%, or earnings of just 0.05% per year.

Finally, say you bought and held stocks from January 2000 to December 2010. The graph shows your return would have been just 0.06% per year, or a grand total of 0.7% in overall earnings!

Overall, out of 118 years, the market produced low returns for 71 years, or for 60.2% of the time! So, it is not necessarily “normal” for the market to grow at any specific point. The graph shows at times the stock market can fall or hold steady for as long as 10 years or more!

This also illustrates another point. Investment strategies which worked in bull markets may not work in flat markets. In the bad times, inflation also eats away into your earnings, which erodes the buying power of the money you have in the stock market.

Then there is the timing of your own situation to consider. Between October 9, 2007, and October 9, 2008, the stock market declined 42%.[17] If you lost 42% of your investments in the 2008 bear market, it would take nine years to recover, assuming your investments grew at 7% annually.

Are you willing to leave your money at the mercy of a stock market slump? As the data shows, recovery can take time. Would you be okay with waiting for possibly as many as 10-20 years to regain those losses – during which you could have no gains or even more losses? **Would you be in the financial position to wait it out?**

You may be able to protect your investments and lessen their volatility via diversification. Working with a qualified professional for help is advisable.

The Real-World Impact of a Stock Market Crash

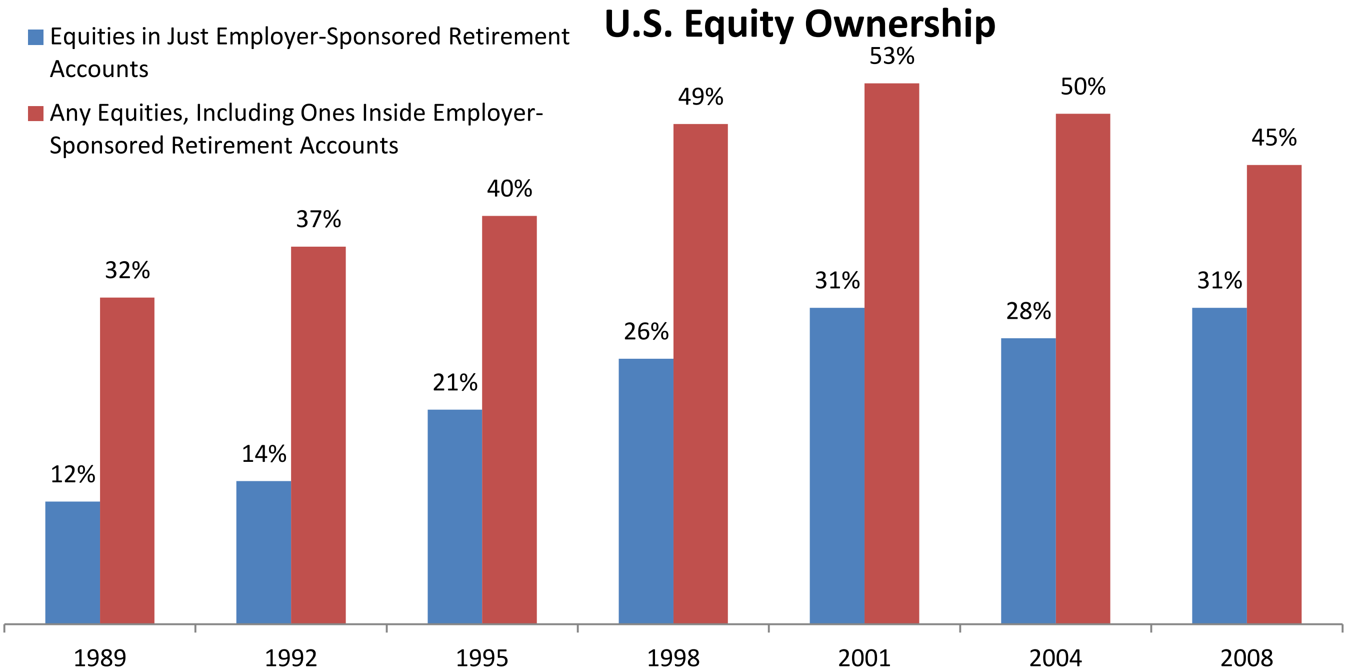
Having discussed stock market trends, it is helpful to note how a stock market correction could impact someone’s retirement. As mentioned earlier, the challenge of preparing for retirement has largely shifted from employers to individuals. The recent market events of 2008 give real insights into how a stock market correction hits investors directly.

Instead of defined-benefit plans, many Americans now have vehicles such as 401(k) plans for putting away funds for retirement. Increasing numbers of workers are using 401(k) plans and defined-contribution plans in general.[18] In the past, the Investment Company Institute found that about 52 million Americans were active 401(k) plan users, and there were around 515,000 401(k) plans.[19] This trend is noteworthy considering many retirement plan assets are in equities.

With the 2008 stock market correction, Americans' retirement accounts took a big hit[20]:

- Between September 2007 and December 2008, the stock market lost 47% of its value, or declined about $11 trillion.
- Assets in retirement accounts (in this case, defined-contribution plans and IRAs) had reached $8.7 trillion on September 30, 2007. At the time, about 70% of these assets were invested in stocks. By December 2, 2008, the retirement accounts had lost $2.8 trillion, or 32% of their value.
- From October 9, 2007 to October 9, 2008, equities in household portfolios and pension plans fell by $7.4 trillion.
- Americans lost $2 trillion in their defined-contribution plans and lost $1.9 trillion in their defined-benefit plans.

According to the Investment Company Institute, in 2008 45% of U.S. households owned equities, and 31% of U.S. households owned equities inside employer-sponsored retirement accounts.[21] In the past, the U.S. Census Bureau projected there were 116.8 million households at the beginning of 2008 (which the Investment Company Institute and the Securities Industry and Financial Markets Association used in their equity ownership statistics cited just beforehand).[22] The percentages of U.S. households owning equities from 1989 to 2008 are shown in the graph below. This includes equity ownership in general and equity ownership inside employer-sponsored retirement accounts.



Graph created by associates at SafeMoney.com using data from "Equity and Bond Ownership in America, 2008," The Investment Company Institute and the Securities Industry and Financial Markets Association, December 2008.

Say we examine the effects of the market correction using these statistics and these assumptions:

- 52.6 million U.S. households owned equities in general in 2008.
- 36.2 million U.S. households owned equities in employer-sponsored retirement accounts in 2008.
- Based on prior discussion, you may recall equities in household portfolios and pension plans fell by $7.4 trillion from October 2007 to October 2008.
- Private defined-contribution plans, IRAs, and federal government plans (Thrift Savings Plan holdings) suffered $2 trillion in equity losses.[23]
- Private defined-contribution plans had $1 .1 trillion in equity losses, IRAs $800 billion, and federal government plan holdings $100 billion.[24]
- Assume we can include IRAs to account for 401(k) plan rollovers into IRAs and IRA options which are employer-sponsored.
- Note not all IRAs will fit these parameters, but it helps to include them for informational purposes.

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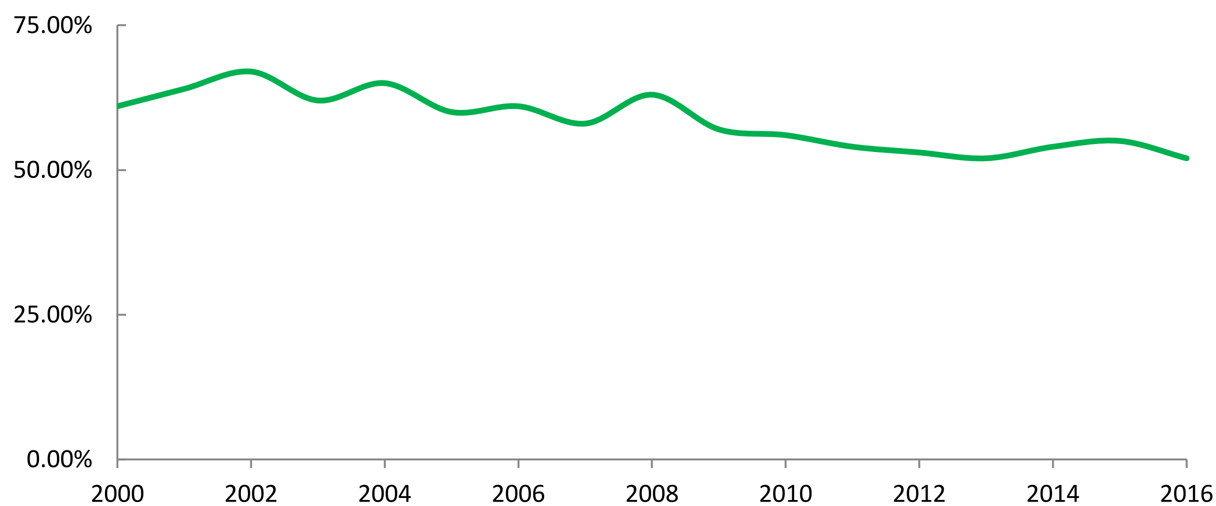
With these figures:

- Equity losses per household which owned equities in general from October 2007 to October 2008 were $140,684.41.
- For households with equities in employer-sponsored retirement accounts, equity losses per household in the same time-frame were $55,248.62.

Keep in mind these are rough estimates from different data sources, and losses varied heavily from household to household. But the pain from the losses was very impactful. This is perhaps a primary reason behind why Americans started dumping stocks, as the graph below shows.

Percentage of Americans Owning Stocks 2000-2016



Source: Gallup Survey Data, In-Depth Topics: Stock Market, http://www.gallup.com/poll/1711/stock-market.aspx

This graph shows the percentage of Americans who owned stocks in the midst of the two stock market corrections in 2002 and 2008. At the height in 2002, 67% of Americans had stock holdings. From there we see a decline. There is a noticeable drop in stock ownership after 2008 (when it dipped from 63% to 57%). Today, about half of Americans own stock (52%, down from 55% in 2015).

The point is when people have invested in equities and the stock market takes a downfall, the losses can be painful. Would you put your hard-earned retirement money in safe vehicles like annuities, or where it is protected from the stock market swings? Are your retirement funds allocated according to an appropriate diversification strategy for your financial picture? If not, are you ready to weather the effects of a market correction – something from which it could take as long as 15-20 years to recover? Also, remember, diversifying your portfolio may not be in itself enough to keep your life savings safe. An annuity can help keep money secure with its contractual guarantees.

Do you want direct answers on what steps many people are taking, and based on your needs, what we can recommend for keeping your money safe? Our *Retirement Simplified Roadmap* gives exact details for effective Safe Money Strategies.

Inflation Risk

Inflation, or the ever-rising cost of goods and services, can have a real impact on your retirement over the long run. If your investments are not keeping up with inflation, you are losing buying power. Should your portfolio decline in value due to stock market losses, your purchasing power would take an even bigger hit.

If unplanned for, the effects of cumulative inflation can be financially draining. The Society of Actuaries reports 45% of retirees and 28% of pre-retirees neglect inflation in their retirement plans.[25] To put this into context, ask yourself: Did it cost more to buy your last car than it did to buy your first home?

Let's see some examples of how inflation has impacted buying power – and how it could affect your lifestyle. The graph below shows yearly inflation from 1999-2015.

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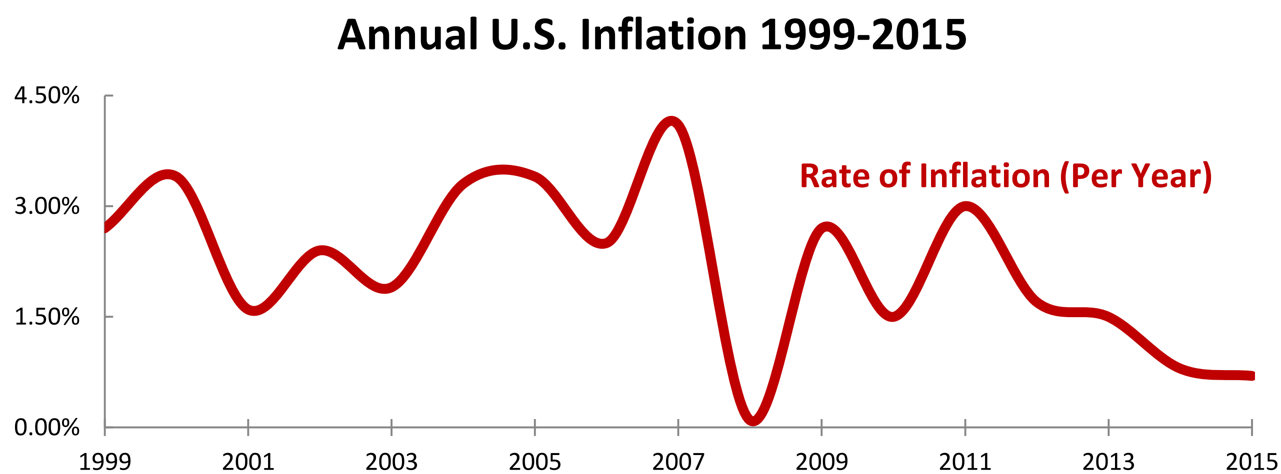

Graph created by SafeMoney.com associates with data from U.S. Inflation Calculator. Source: CoinNews Media Group, http://www.usinflationcalculator.com/inflation/historical-inflation-rates/

Over this period, inflation ranged from 0.1%-4.1%, which is in line with historical rates.[26] From 1985 to 2015, the dollar experienced a 53.8% decline in buying power, and from 2000 to 2015 the dollar's buying power decreased 26.4%.[27]

Now let's examine the effects of cumulative inflation in tangible terms:

- The median sales price of a new home in the U.S. in 1986 was $86,600; with cumulative inflation of 118.3% over 30 years, today it would cost $189,051.12.[28]
- From 1984 to 2015, the cost of medical care went up 322%.[29]
- From 1984 to 2013, the cost of prescription drugs increased 338%.[30]

You might be asking the questions, "How will I be able to afford things in the future?" and "What steps can I take to stay ahead of inflation?" The key may be having a carefully thought-out portfolio diversification. Some factors to keep in mind are your current situation, needs, and goals as well as your "risk capacity," or when you sustain losses heavy enough to the point that change is needed.

When people retire, they would like for their money to work for them – <u>not</u> that they work for their money. Inflation reduces your money's buying power, and if you incur any losses due to a market swing, the results could be disastrous. This has happened to many seniors and retirees, and it is one of the reasons why some people continue to work when retired. Others may even go back to work.

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If you would like a financial plan which emphasizes a guard against inflation and guaranteed income for life, there are options. An annuity with an income rider may be the right solution – it will keep your assets safe, help you ride out the effects of inflation, and provide a steady, guaranteed stream of income for you in retirement.

Healthcare and Personal Care Risks

As discussed, inflation can have a real impact on your retirement in the long term. This is especially true in the areas of healthcare, medical care, and long-term care. The costs of health-related and personal care-related goods and services are rising rapidly.

As everyone knows, life expectancies are on the rise, and it brings greater possibilities for caregiving needs. Research data indicates healthcare and personal care needs will be a great cost burden for future retirees. To put this in concrete terms:

- The Centers for Medicare and Medicaid Services expect to see at least seven years of healthcare costs increasing 5-7% annually.[31]
- In fact, this inflation trend may last even longer.[32]
- For someone retiring in May 2016, the cost of healthcare is expected to increase slightly over 5.1% annually for the next 20 years.[33]
- Future retirees may also face an additional 4.5% annual increase (or more) for supplemental insurance plan coverage.[34]

Retirees should definitely account for healthcare and personal care costs as well as other retirement expenses when planning their income. Despite the forecasts, many people do not seem to consider this factor.

A survey done by the Empower Institute and BrightWork Partners found just 12% of working Americans have taken any steps toward accounting for healthcare costs in retirement. Moreover, over 50% of those surveyed said they knew "virtually nothing" about Medicare costs.[35]

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Healthcare Costs and Impact on Retirement Income

The importance of accounting for healthcare inflation is even clearer when we look at the costs and real-world effects on retirement income.

Future costs:

- Health insurance costs on the rise – since 1998, employer-based health insurance premiums have increased nearly 300%.[36]
- Someone retiring in 2016 can pay out $33,000 more in total retirement healthcare costs than someone who retired in 2015, due to healthcare inflation.[37]
- For a healthy 65-year old couple retiring in 2016, total lifetime healthcare premiums (Medicare Parts B, D, supplemental insurance) are expected to be $288,400 (in present dollars). Factoring in the value of future dollars, the total goes to $435,472.[38]
- When you include out-of-pocket expenses like deductibles, copays, and vision, the couple's total healthcare expenses are projected to be $377,412 ($567,903 in future dollars).[39]

Future income effects:

- A 66-year-old couple retiring in 2016 will need 57% of lifetime, pre-tax Social Security to cover total health care costs (using a 3.1% cost-of-living adjustment in 2017 and then a 2.7% adjustment per year thereafter).[40]
- A 55-year-old couple retiring in 10 years will require 88% of their lifetime, pre-tax Social Security income, and a 45-year-old couple will need 116%.[41]

Notably, the rising costs of healthcare and age-related expenses (tied to supplemental plan coverage) are projected to exceed Social Security cost-of-living adjustments by approximately 50% for the next 10 years.[42]

With continuing medical innovations, lifespans are likely to continue to be extended. As people live longer, the need for quality medical care – and by extension total retirement healthcare and medical care costs – also goes up. It is prudent to plan for a long retirement; this includes preparing long-term by accounting for these costs, other retirement expenses, and what sources of income you will use to pay them.

What about Personal Care Costs?

Then there are personal care needs, or those needs relating to long-term care. Skilled nursing care and institutionalized care needs are on the rise, due to longer lifespans. It is estimated 70% of people reaching age 65 can expect to use some form of long-term care during their lives.[43]

As for the costs of long-term care, here is some data from 2010[44]:

- $205 per day or $6,235 per month for a semi-private room in a nursing home
- $3,293 per month for care in an assisted living facility (for a one-bedroom unit), or $39,516 per year
- $21 per hour for a home health aide, or $315-$420 per week (assuming 15-20 hours per week)
- $19 per hour for homemaker services, or $456 per month (assuming a 6-hour service day per week)
- $67 per day for services in an adult day healthcare center, or $2,010 for a month of services

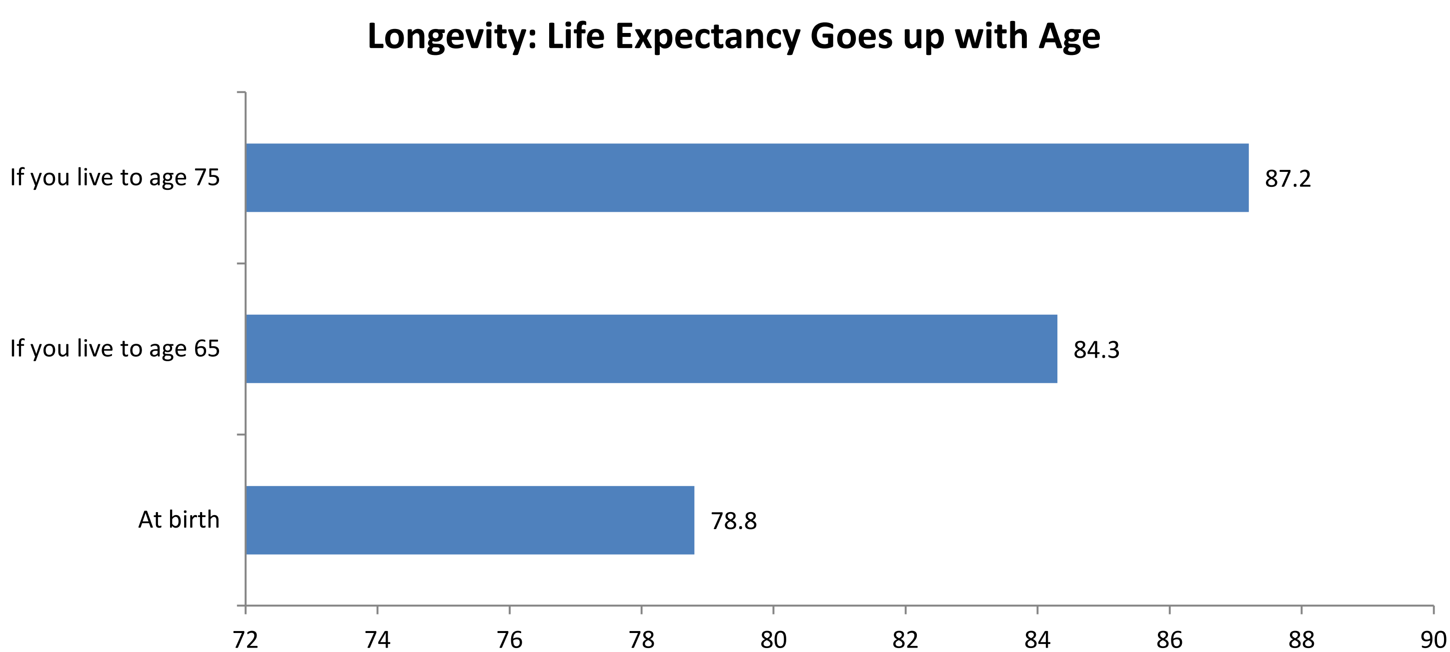
You might ask how you would be able to cover these healthcare and personal care expenses over time. Medicare covers many regular health costs. Supplemental plan coverage may take care of things such as prescription drugs. Long-term care policies can help with meeting many costs of institutional care or other personal care services.

A long-term care policy may be unsuitable for wealthier Americans or Americans with stronger health because they may never need the policy benefits. It depends on needs, financial resources, and personal circumstances. Let's say a long-term care policy would not be of interest to you. Some annuities now have additions you can buy to cover these needs. Should you want to learn more about these benefits and whether annuities might make sense for your portfolio, we suggest checking out *The Annuity Insights Guidebook*.

Longevity Risk

As we mentioned before, lifespans are on the rise due to innovations in medical care and technology. You may expect to live for many years in retirement. People are also retiring early in great numbers. In research from LIMRA Secure Retirement Institute, 49% of retirees said they retired earlier than they planned. A plurality of these retirees said health was the primary reason for early retirement.[45]

These dynamics increase longevity risk, or the possibility of outliving retirement funds. Accounting for longevity means ensuring you have enough income for your retirement lifetime. It may seem like a good idea to use life expectancies as an age-based benchmark for planning lifetime income. But this might not be a good approach for many reasons. For one, statistics show a person's life expectancy goes up as that person ages. There is a possibility a senior may live into their late 80s or even 90s as we will see later. This life expectancy trend can be seen below.



Source: CDC: Health, United States, 2015, Table 2: Life Expectancy at Birth, at Age 65 and at Age 75, by Sex, Race, and Hispanic Origin: United States, Selected Years 1900-2014.

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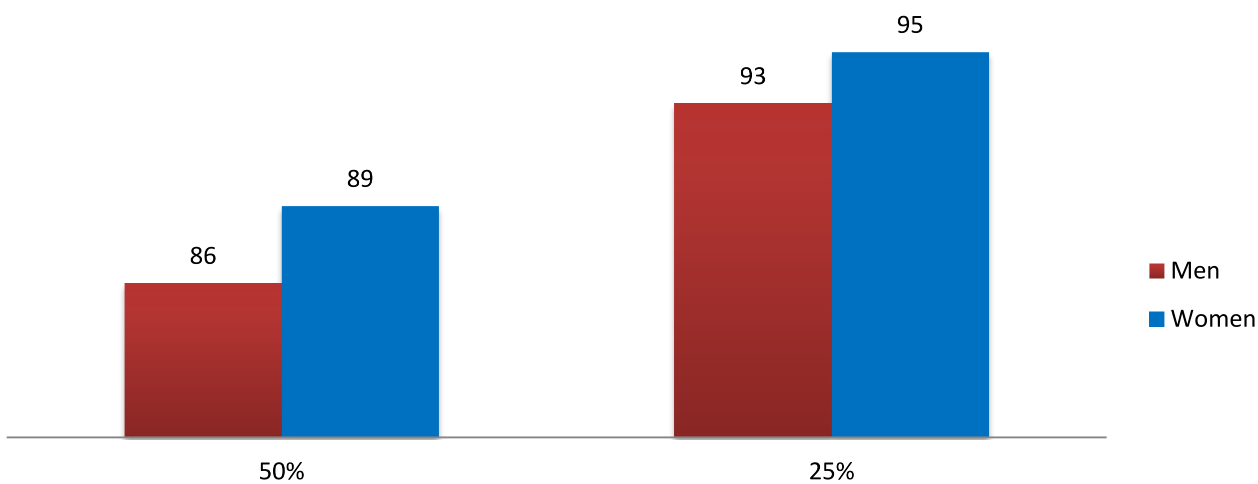
If someone was born in 2014, their life expectancy was 78.8 years old. As the graph shows, if you turned age 65 in 2014, your life expectancy was projected to be for another 19.3 years, or up to 84.3 years of age. Likewise, if you turned age 75 in 2014, your life expectancy was projected to be for another 12.2 years, or up to 87.2 years of age.

This brings up a valuable point. Longer life expectancies demand a longer planning horizon, or in other words, more years to account for in retirement planning. Retirees must consider their current expenses, assets, income, and debt, and anticipate what these variables are likely to be in the future. Then there are increasing costs tied to aging. As people age, the need for quality healthcare and personal care rises. As we covered earlier, it is vital to include cost projections for these services in your retirement plan, especially in later years of life.

"What does a longer planning horizon look like?," you might ask. The graph below provides insights into this matter. LIMRA Secure Retirement Institute gives what may be surprising findings for probabilities of 65-year-olds having a long lifespan.

As you can see, even with different select ages for men and women, the projections are quite high. The findings estimate a probability of 50% for 65-year-old men to live to age 86 and 50% for women aged 65 to live to be 89 years old.

Probability of 65-Year-Olds Living to Select Ages



Source: Retirement Income Reference Book, LIMRA Secure Retirement Institute, Graph from Presentation to Federal Advisory Committee on Insurance, August 6, 2015.

Moreover, the institute reports a probability of 25% for 65-year-old men to live to age 93 and 25% for 65-year-old women to live to age 95.

So using life expectancy as an age-based benchmark for lifetime income planning could be a costly mistake. What would happen if you outlived your life expectancy? How would you pay for the remaining years of your life? Parts of a retirement plan such as withdrawal strategies hinge on for how long you have planned. What if you used up too much of your savings earlier in retirement – how would this affect the future? Outliving your money and having no more checks come in the mail is hardly an ideal situation.

Despite the growing risk, a large percentage of seniors and baby boomers underestimate longevity and the time they will need to make their retirement funds last. In past years, LIMRA Secure Retirement Institute research has found:

- Only one-third of retirees and pre-retirees have ever estimated how long their assets will last in retirement.[46]
- Less than a third (28%) of people think longevity is a major risk to retirement financial security.[47]
- Only 25% of pre-retirees believe they will be at risk to outlive their income, while 60% of advisors believe this risk applies to their clients.[48]
- Just three in 10 pre-retirees and retirees have developed a specific income-generation strategy.[49]

Avoid Grave Effects of Underpreparing

The consequences of getting it wrong are costly. It might lead to what we call a "retirement nightmare" – living longer than your money lasts and saying goodbye to the retirement lifestyle of your dreams. This situation may prompt cutting back on spending, saving more, working longer, working harder by getting yet another job, or any combination of these actions.

After years of hard work, many people look forward to living comfortably and following their passions. Could you imagine not having the income you need in retirement because of a planning shortfall?

Planning ahead goes a long way toward a financially secure retirement. Stocks, bonds, and other investments may have a role in a well-designed, personalized retirement financial strategy. However, it may be worthwhile to consider allocationg enough money into conservative vehicles such as annuities – to ensure you have the resources to pay for all the years you may live, to supplement retirement income, and to keep your money safe from market downfalls.

If you would like to benefit from retirement income which can last as long as you live, and from asset protection against market slumps, annuities could offer the security you need. Our *Retirement Simplified Roadmap* can help you decide if an annuity or annuities may be right for your portfolio – we invite you to read it.

NEW CHALLENGES, NEW INNOVATIONS

We have examined the retirement risks facing retirees and pre-retirees today. As this report has discussed, there are many implications of which to take heed.

The "new neutral" suggests prolonged conditions of stagnant growth. Rising inflation puts more pressure on seniors for retirement income. Extended lifespans and early workforce departures increase the chances of people running out of money in retirement. Additionally, the rapid rise of healthcare inflation continues to be a growing concern. It could mean paying tens of thousands of dollars more in medical bills or other care-related expenses.

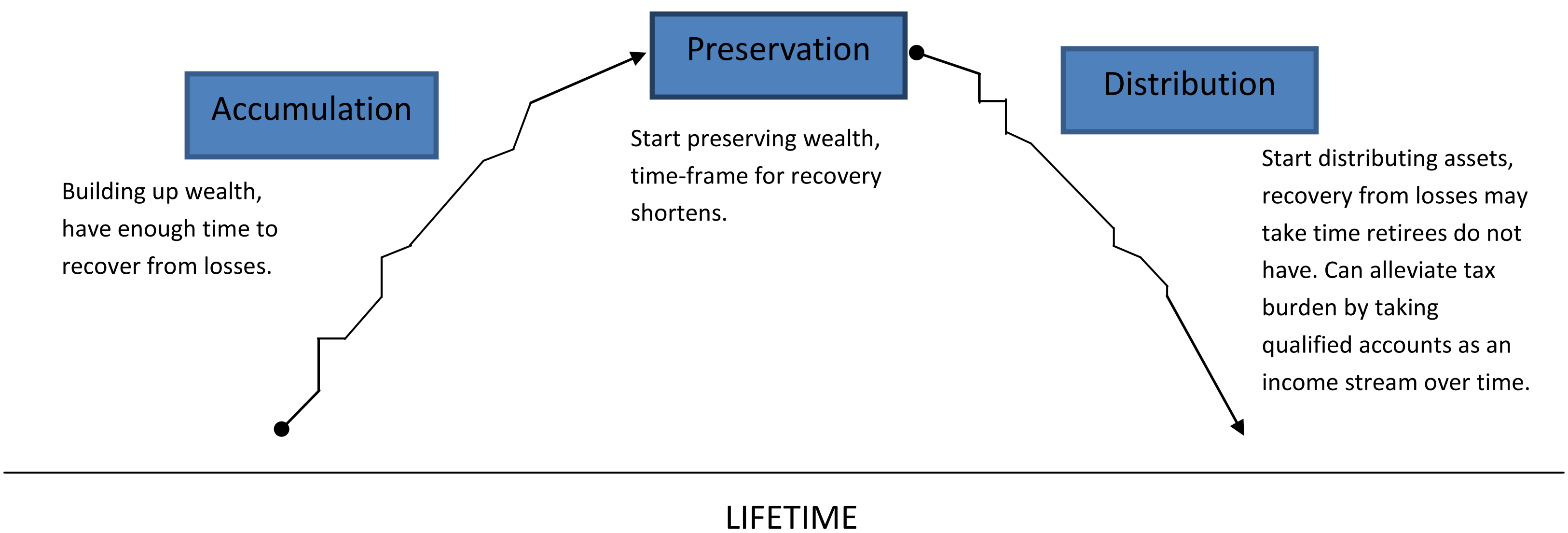
On top of this, seniors and baby boomers face uncertainty on the stock market front. With market corrections in recent decades, unusually high investment returns may no longer be "normal." In fact, investors may see different returns in the coming future than those they had in prior decades.

The bottom line is we are in a new period of asset management. Overcoming these challenges requires new innovations, not the old tactics developed for a different economy. Moreover, we strongly advocate that protection and preservation of life savings should be foremost priorities in retirement. Your financial strategy should be designed to preserve your assets and to help them last as long as you live.

In earlier years, you may have worked with an advisor to develop investment strategies which would offer solid returns over time. This is a good approach for the accumulation stage (when you are building up wealth and you have time to recover from market losses). However, things change in retirement. Your nest egg replaces career employment compensation as a source of income, and the time-frame for recovery from market downfalls is shorter.

The period just before you retire is the preservation stage (when you are taking measures to preserve your savings for retirement and from losses). When you retire, you enter the distribution stage (when you start drawing on your nest egg for income, or "distributing" your assets for retirement expenses).

Thus, retirees and pre-retirees will want to prioritize asset protection, income generation, and asset distribution in their income planning. Depending on where you are at in your financial journey – whether you are retired or many years from retirement – we advocate you evaluate whether your financial strategy is more geared toward accumulation or distribution. Once you are retired, you want to be sure you have suitable assets you can rely on for steady income. This chart shows how priorities can change over time, which can lead to financial strategy shifts.



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THE NEED FOR GUARANTEED LIFETIME INCOME

Given present circumstances, you might be wondering how you can ensure you have enough income in retirement. With factors such as uncertainty in the economy, the ups-and-downs of the stock market, or political gridlock in Washington, D.C., the future could seem harrowing. However, things do not have to be shrouded in doubt or anxiety. A careful, well-designed retirement income strategy can go a long way to help us achieve lasting financial security and peace of mind.

As discussed prior, asset protection is one of the most important retirement objectives. Retirees will want enough of their money in conservative vehicles so their exposure to losses is minimized. Once your assets are in low-risk instruments such as an annuity, it is vital to make certain you have enough assured retirement income.

Along with the retirement risks covered earlier in this report, there is another, secondary, potential retirement pitfall: income risk, or not having enough money to cover living expenses or other costs. It can happen if you incur investment losses early in retirement, make too many early withdrawals, must pay for emergencies or unexpected events, must stop working, or go through any other funds-depleting situations.

Survey after survey shows a continually pressing concern among Americans is having enough income in retirement. For instance, LIMRA Secure Retirement Institute research has found this strongly to be the case. In one study, “having enough money to last your lifetime” was reported to be the first, second, and third most important retirement priority for many people.[50]

If income security is an important factor in your retirement, an annuity may be an option to consider. Annuities are designed specifically to provide a steady, reliable income for a set period or a lifetime, backed by a contractual guarantee from the insurance company. In other words, these vehicles are designed to provide you with a “guaranteed” income.

As a contract, an annuity provides you with certain guarantees backed by the insurance company with which you are contracted. The insurance carrier is obligated to meet the terms, conditions, and guarantees laid out in the contract. They may cover lifetime income, inflation protection, market protection, or other benefits. These benefits may be part of the base contract or with an additional rider, which is purchasable at an additional expense on top of the contract.

Since the insurance company backs the contract, it takes the risks upon itself. You are not subject to these risks yourself. Annuities are secured by the financial strength and claims-paying ability of the insurance company issuing them. Some insurance carriers are reinsured by other insurance companies for another layer of consumer protection.

Annuities fit the purpose of giving guaranteed income well, perhaps more so than any other financial product. They can be a great way to generate income for your retirement lifespan and to keep your assets safe. However, like with any financial product, they are not for everyone.

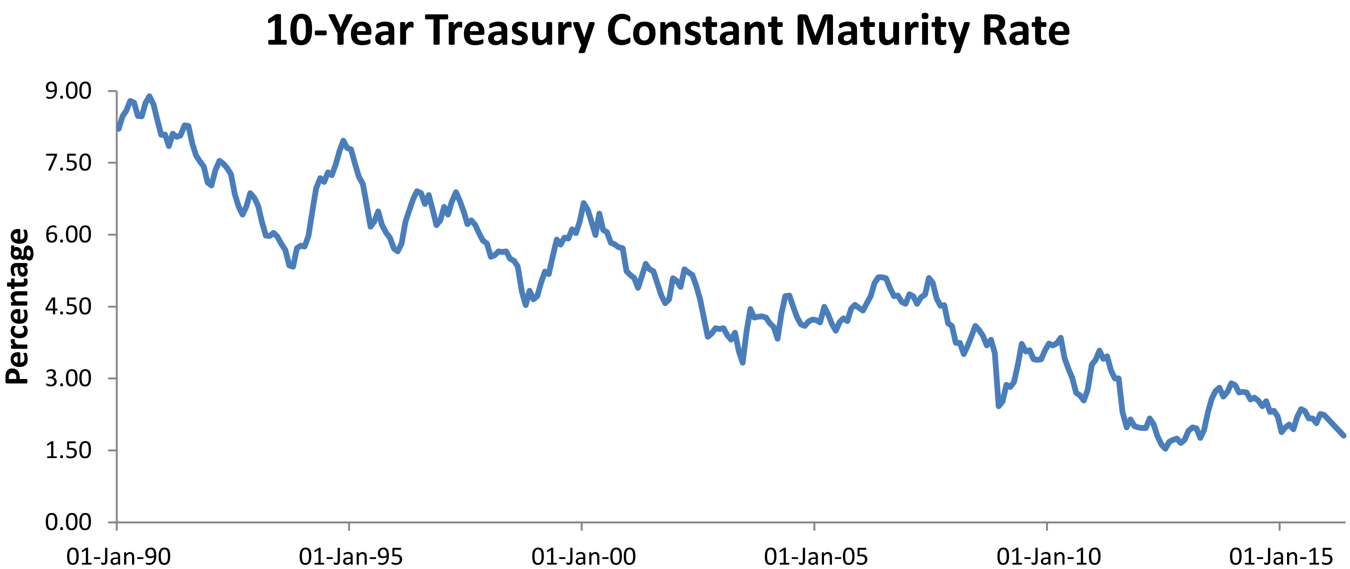
ALLOCATING YOUR PORTFOLIO IN THE NEW RETIREMENT

Based on the need for retirement income, you may be wondering just how to allocate your assets for retirement. Many seniors choose to leave their money in equities. Other seniors invest in lower-risk bonds so they avoid the effects of a stock market downturn.

How Should You Allocate Assets for Retirement?

Equities may be an attractive option – you can draw from their earnings for retirement income. However, they expose your money to market risk, and not all stocks pay dividends. Some stocks do, but these dividends can be suspended or ended if the company paying the dividends goes into financial hardship.

Bond yields have been low and are likely to continue to be so. For an illustration of part of this trend, let’s look at the graph below. It shows the “constant maturity rate” of a 10-year treasury note.

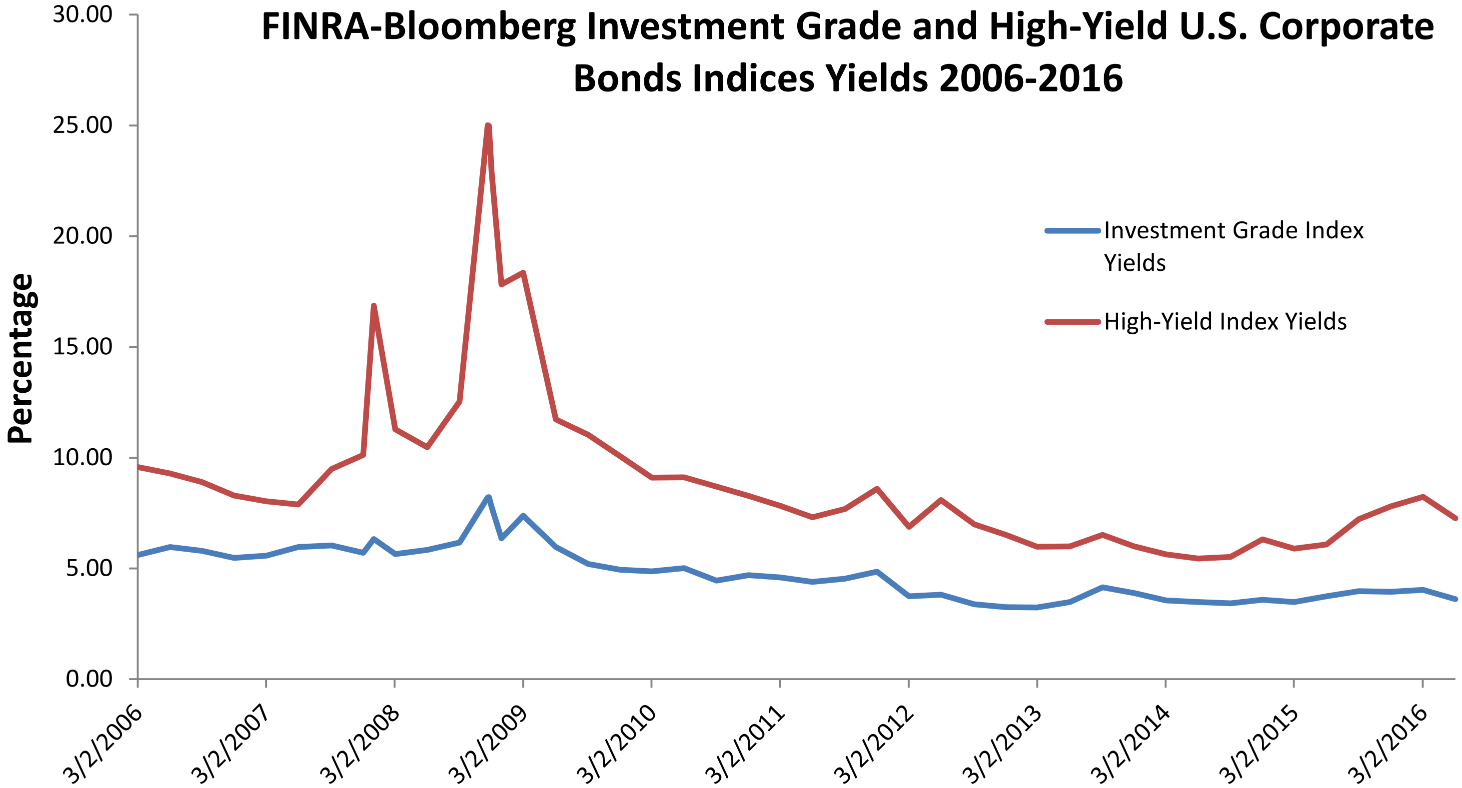


Graph created by SafeMoney.com associates with data from Board of Governors of Federal Reserve System. Source: 10-Year Treasury Constant Maturity Rate, FRED, Federal Reserve Bank of St. Louis, https://research.stlouisfed.org/fred2/series/DGS10.

Accordingly, a 10-year treasury constant maturity rate is an index based on the average yield of various Treasury securities, all adjusted to the equivalent of a 10-year maturity. It is put out by the Board of Governors of the Federal Reserve.

Based on the graph, we see bond yields hovering at 1.78%-2.09% in 2016. This range is down from that in the early 2000s, when interest rates exceeded 5% or 6% at times. The overall decline in interest rates from the 1990s until now is very apparent. There is also a notable decline starting in 2008. Since 2008, yields generally have stayed within the 1%-3.7% range, for the most part. Keep in mind these statistics are just market returns, which may not be representative of individual investor returns.

The possibility of future low bond yields can also be seen in the graph below. This graph shows three-month rolling periods of historical yields for U.S. investment grade and high-yield corporate bonds from 2006 to 2016. The yield data is courtesy of the FINRA-Bloomberg Active Investment Grade U.S. Corporate Bonds Index and the FINRA-Bloomberg High-Yield U.S. Corporate Bonds Index. Note we have included a few extra dates from November 2007 to January 2008 to give you a visual representation of yield highs within this time-frame.



Graph created by associates at SafeMoney.com with data from FINRA-Bloomberg Active U.S. Corporate Bond Indices. Source: http://finra-markets.morningstar.com/BondCenter/ActiveUSCorpBond.jsp.

Let's look at the high-yield corporate bonds index yields. These index yields reached a high of 25.01% in late November 2008. Since then, they have declined significantly. They have hovered around 6%-8.25% over the past few years. Now let's examine the investment grade corporate bonds index yields. These index yields attained a high of 8.22% in late November 2008. They have since seen a considerable decline. In the past few years, these index yields have fluctuated between 3%-4.2%.

Many retirees and pre-retirees use annuities to supplement income or to maximize their income for retirement. According to LIMRA Secure Retirement Institute research, a majority of retirees use annuities to supplement Social Security or pension income.[51] Having a guaranteed lifetime income and building up retirement assets have been reported as other reasons for buying an annuity.[52]

If an annuity sounds like a potentially good fit for your needs, you may want to consider a fixed annuity or fixed index annuity. These products were developed specifically to offer protection against market volatility, to provide a secure income stream for a retirement lifetime, and to give alternatives to low-interest bearing instruments such as CDs or bonds. Fixed annuities offer a fixed interest rate over a defined period, as do fixed index annuities. Additionally, fixed index annuities offer the potential to earn additional interest via being linked to an equity index, but without the downside of a volatile market. We will discuss these annuities in more detail in a while.

With that said, let's return to the discussion of asset allocation from above. Seniors may benefit from incorporating all three options in their portfolio: equities, bonds, and annuities. Investors might consider having a suitable amount of funds in equities for growth potential, but not to where they judge too much money is exposed to risk. Another possibility is that conservative bonds may be used for a guaranteed payout upon their maturation. Like many others have done, seniors may choose to use annuities as a supplementary income source.

Increase Income Security with Laddering Strategies

Another way to strengthen income security is through annuity laddering strategies, or a process in which several annuities are purchased over time. These annuities would have differing maturation dates and time-frames for penalty. Moreover, they should be planned so the annuity buyer does not experience adverse cumulative effects from ill-timed purchasing.

Benefits of laddering include:

- More flexibility in doing multiple purchases instead of committing a large amount of money to just one annuity in a one-time purchase.
- Gives some annuities more time to mature and rise in value so you can enjoy more income later on.
- New annuities can give the buyer additional or new benefits which their prior annuities did not have.
- Reduces buying risk which could arise with just one annuity purchase.

With careful planning, laddering techniques can increase your retirement income.

SOLUTIONS FOR TODAY'S ECONOMY

Over the course of this report, we have discussed the new generation of retirement risks and how they could undermine your retirement lifestyle. At times, this discussion has mentioned annuities, some of their benefits, and how they can strengthen an overall retirement financial strategy. To recap, annuities are designed for long-term financial objectives. They can provide a regular, guaranteed income stream for as long as you live, protect assets from market volatility, and let your money grow in a tax-efficient manner.

How, then, can annuities be adopted for solutions to these new retirement risks – particularly the "retirement nightmare" of you outliving your money? Let's cover some fundamentals of how annuities can help you get the retirement income you need.

Annuity Basics

Like we mentioned earlier, annuities are a contract between you and the insurance company. To be clear, they are <u>not</u> investments. In exchange for you paying a one-time lump sum or a series of premium payments over time, the insurance company offers certain guarantees to which it is bound contractually. The contract terms, conditions, and promises will vary depending on the contract design. So they will differ from contract to contract.

Some annuities offer benefits or features as part of the base contract. For instance, a fixed annuity offers a fixed, low interest rate over a set period. On the other hand, a variable annuity credits interest depending on how its "subaccounts," or the investments in which your premiums are allocated, perform. If you would like a guaranteed income in retirement, a fixed index annuity may be a good option.

Other benefits may be available only with the purchase of additional riders. An example of this would be an inflation rider, or an extra feature which pays you a sum that rises with a cost-of-living adjustment per year. If a base contract does not provide an income stream for life, you could add a rider onto the contract to

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enjoy this benefit. Such riders can be purchased at additional cost, and they are not required additions. Note they may come with various fee structures.

Annuity Advantages: What Do They Offer?

You may wonder how, in terms of consumer advantages, annuities differ from other financial vehicles. Their advantages will vary depending on the type of annuity you are considering. With that said, there are many unique benefits with fixed-type annuities which are not offered in investment vehicles:

- Contractual obligations backed by insurer
- Many options to fit different situations and income needs
- Guaranteed protection for your principal (original sum of money or premium payments)
- A guaranteed, steady income stream for a set period or as long as you live
- Minimum guaranteed interest rates
- Options for extra interest crediting linked to index growth
- Tax-deferred money growth
- Triple compounded interest (interest on your principal, interest on credited interest, and interest on taxes you did not pay)
- Some reasonable growth opportunity
- No exposure to stock market or index volatility
- Death benefit for successors (has certain terms and conditions – for example, this can be reduced with excess withdrawals)
- Up to 10% free withdrawal rate if funds needed (keep in mind withdrawals would be taxed as ordinary income)

Some annuities come with their own upsides. For instance, multi-year guarantee annuities are designed to grow at a rate which keeps up with inflation. Fixed index annuities let you enjoy growth opportunities tied to indices such as the NASDAQ® or the S&P 500®. On top of a fixed index annuity's guaranteed minimum interest rate, your annuity can earn more interest at times of positive index growth.

Note your participation in index value increases is limited by the cap, the indexing method, and the participation rate, among other things. If there are negative index changes, you are protected by a floor, or a minimum index-linked interest rate to guard against losses.

Using Annuities for Income

Because annuities are designed to be long-term income sources, many people find it helpful to think of them in terms of income. When you begin receiving income depends on whether you purchased an immediate annuity or a deferred annuity. An immediate annuity is designed to start income payments immediately – no later than 12 months after you have paid a one-time lump sum. A deferred annuity will start income payments some years down the road. So, with an immediate annuity, you get the "immediate" benefit of an assured income stream – you do not have to wait for it to start – but in exchange you give up control of your money paid in the lump sum.

A deferred annuity has two periods: the accumulation stage and the distribution stage.

- During the accumulation stage, the money put into your annuity, with any applicable fees subtracted, earns interest.
- As long as money and credited interest are left in the annuity, they grow tax-deferred.
- At the distribution stage, the insurance company pays income to you or someone you choose. Often you have options for how you receive this money: annuitization, lifetime income withdrawals, free withdrawals, or lump sum cash surrender. The details of these options vary from annuity contract to annuity contract.

The way your money earns interest depends yet on the type of annuity you choose. There are many flavors of annuities in this context: fixed annuities, fixed index annuities, variable annuities, and multi-year guarantee annuities.

As we discussed earlier, variable annuities enable you to allocate premiums into stocks, bonds, or other asset classes. So the interest you earn can vary; your money can be subject to losses depending on how the assets into which you allocated premiums perform. Fixed annuities give the benefit of your money growing at a fixed interest rate over a set period.

Fixed index annuities let your money grow at a guaranteed minimum rate; they also offer the opportunity for additional interest tied to index growth, as we discussed earlier. Multi-year guarantee annuities let your money grow at a certain interest rate for the entire accumulation period.

For people worried about having enough income, fixed index annuities can be fairly low-cost compared to other options.

How do Fixed Index Annuities Work?

You may recall how fixed index annuities give potential to earn additional interest via being tied to a specified index. We have mentioned how fixed index annuities are tied to indices such as the S&P 500® index or the NASDAQ®. However, this does not have to be the case. Other indices may be used.

Insurance companies employ a number of crediting methods for the purpose of crediting earned interest to a fixed index annuity. In everyday terms, a crediting method refers to how the insurer "locks in" rising values. The index your annuity is linked to and the crediting method are a few areas where you may be able to choose what you want from different options.

Some common crediting methods include:

- Annual reset – This is also known as "ratcheting" or "ratcheting up." Index-linked interest, if you earned any, is based on the difference between the index value at the end of the contract year from the index value at the beginning of the contract year. Interest is credited to your annuity yearly during the term; this earned interest is locked in. The prior year's endpoint is the following year's starting point.

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Using this method may lead to more credited interest than other methods would produce if there were frequent index fluctuations during the term.

- High watermark – Any index-tied interest, if any, is determined by comparing index values at various points within the term. This is usually on the yearly anniversaries of when you purchased the contract. Interest is based on the difference between the highest index value and the index value at the start of the term. You earn interest at term-end.

  Annuities with this design may credit higher interest than other designs should the index reach a high point early or middle in the term, then decline at the end.

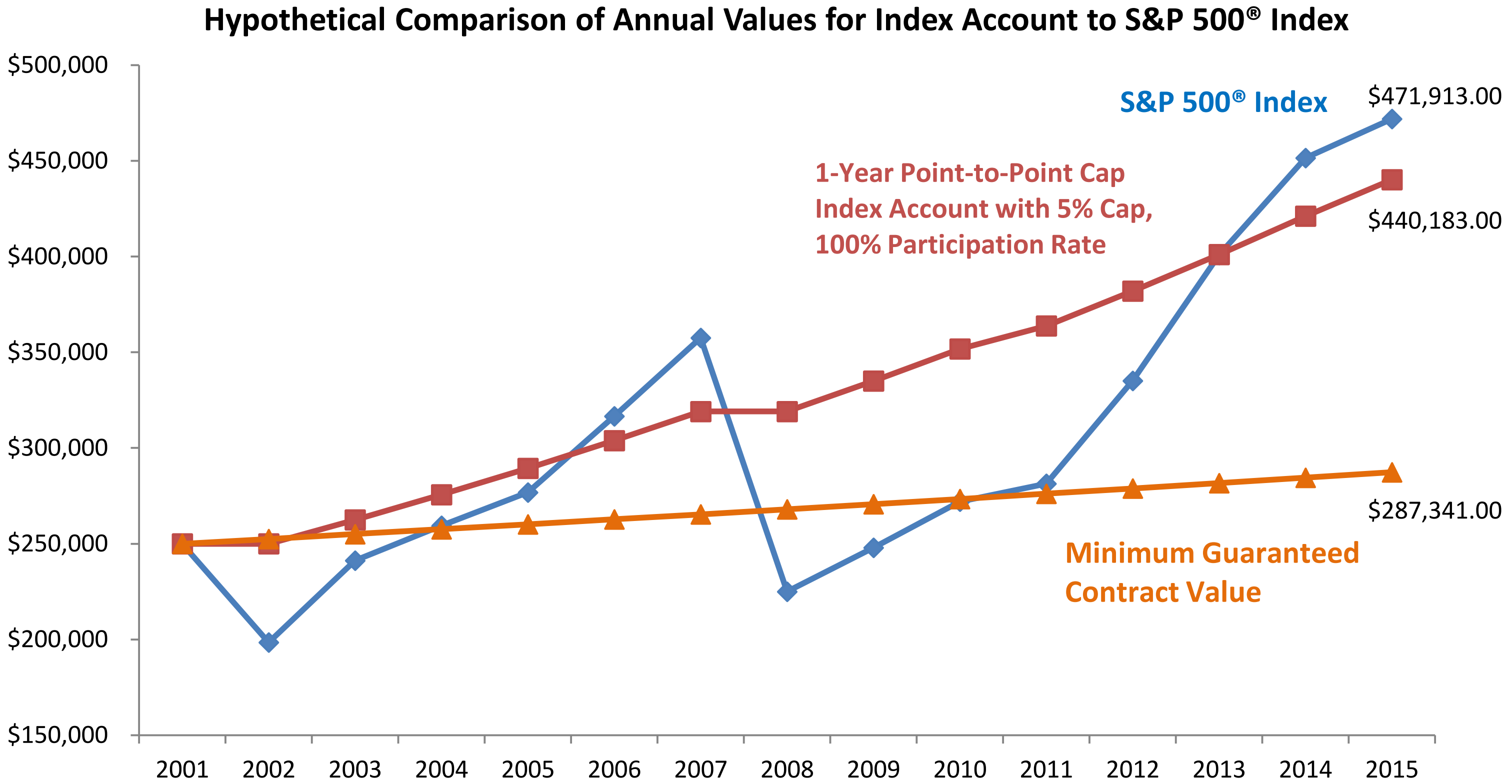
- Short-term point-to-point – Index-linked interest is based on the difference between the index value at the term's start and the index value at each anniversary every year. With an annual reset, earned interest is locked in annually. With potential for credited interest each year, annuities with this design tend to have lower participation rates or caps.

- Long-term point-to-point – Index-linked interest is determined by subtracting the index value at the end of the term from the value at the start of the term. The interest is credited at the term's end. With interest being calculated at end-of-term, annuities with this crediting method may have a higher participation rate than annuities with other methods.

The crediting method your annuity uses will have a significant impact on the level of interest you earn. So it is vital to choose a suitable crediting method. You may even want to diversify crediting methods. Maybe consider purchasing two annuities with different crediting methods so you can take advantage of index growth in varying circumstances.

At SafeMoney.com, you can connect with a financial professional who will give you information and work with you to help you determine which option(s) are suitable for your individualized needs.

Some people may wonder, "What if the stock market has a great year and gives excellent returns?" You might recall from our earlier discussion of the risk of market volatility that double-digit returns tend to be outside the norm. Even so, if the index your annuity is tied to rises that year, <u>you will earn interest from that index growth</u>. Of course, there will be those points at which the stock market yields double-digit returns. Fixed index annuities, and annuities in general, are not designed to keep up with stock market returns, but <u>rather to offer protection against volatility.</u> Over the long term, this can be of great benefit as the illustration shows below.



Created by associates at SafeMoney.com. Assumes 10/1/01 start date and 10/1 anniversary dates. These are hypothetical concepts and comparison for illustrative purpose only. Historical performance of the S&P 500® Index should not be considered a representation of current or future performance of the Index or Your Annuity. Each example above assumes a $250,000 initial premium with no withdrawals. The Cap and Participation Rate are for hypothetical purposes only. Please contact a SafeMoney.com financial professional for current Caps, Participation Rates, and other information.

As the illustration shows, fixed index annuities keep principal and locked-in interest safe when the index declines. Remember, the stock market is unpredictable, and its ups-and-downs can do a number on investment holdings. Contrastingly, fixed index annuities offer asset protection and opportunities for reasonable growth potential.

Is an Annuity Right for You?

Annuities are not for everyone. Be sure to carefully evaluate any options in the context of benefits and disadvantages. To that end, it helps to clarify what your specific retirement priorities, goals, and concerns are. Annuities should fit within the scope of your needs and circumstances. The same goes with consideration of riders. Riders may be beneficial for your retirement situation, but remember, they will lower the monthly income payments you receive. Riders also come with fees, which are calculated and levied according to different methods.

On the while, annuities should be evaluated in the entirety of your retirement plan. Some questions to consider include:

- Have you decided when you will retire (if applicable)?
- Are the income security and other contractual guarantees important enough to you where you are ready to give up ready access to certain monies in exchange for these guarantees? Surrender periods, or periods in which voluntary suspension of the contract is subject to penalties, can last 5-15 years.
- How important are the guarantees an annuity offers to you?
- Specifically, what place would annuities have in the scope of your retirement plan? Many people choose annuities for assured income and asset protection, but priorities can vary.
- What are your concerns for and motivations in retirement:
    - Having enough income in general?
    - Staying financially “healthy?”
    - Maintaining independence in retirement?
    - Enjoying a secure and comfortable lifestyle?
    - Using most or all of the nest egg you have accumulated over a lifetime?
    - Having enough money for health and medical costs?
    - Having enough money available to cover emergencies?
    - Having enough money to pursue your passions and/or hobbies?
    - Keeping money safe?
    - Helping children or grandchildren with college education expenses or other costly endeavors?
    - Leaving a legacy for loved ones or charities?
    - Any unique objectives or concerns?

- What are your retirement goals? For example, starting a new business, traveling, indulging in hobbies, helping family members with major life milestones that are costly, making renovations to your home?
- Will you stay in the area you currently live in? Or will you be moving to another area?
- What measures have you taken to assure sufficient retirement income?
- Do you believe your current retirement plan positions you to achieve these goals and address these concerns and/or motivations?
- If not, would an annuity or annuities get you closer to achieving these milestones?
- Many people use annuities to supplement Social Security or other income sources. They allocate annuity income toward fixed-income needs. However, this may not be the purpose you are considering – if annuities may be a solution, what gaps in your retirement plan would they specifically fill?
- How is your portfolio currently allocated?
- What are the current tax implications of how your retirement assets are allocated?
- Annuity income is taxed as ordinary income. How would moving money around in an annuity or annuities change your tax liability situation? Be sure to confer with a tax professional for such considerations.
- Will you be working in retirement? What are your income expectations from employment, if so?
- Will your partner retire at or near the same time you do? Will they keep working?

While we have covered annuities in detail, *The Annuity Insights Guidebook* presents comprehensive information on them. If you would a straightforward take on annuities to help you decide whether to purchase any, this resource can be a truly helpful asset.

Annuities can be a Great Solution, But Conduct Due Diligence

Annuities can be a terrific income strategy for many retirees and pre-retirees. But they are not for everyone. Like with any financial product, their appropriateness depends on your financial situation, needs, and goals.

If any pitch sounds too good to be true – those of us in the industry call it the “sizzle” – it probably is. Always take the time to review all the facts and details of any annuity you are considering. Read everything over, review all details including the fine print, and be sure you understand everything. This impacts your future, so it is important to get everything right.

Guidance from a financial or insurance professional can certainly help. But it is critical to choose the right advisor. After all, you will be making a decision with significant implications for your future. This decision involves contributing a certain sum of your life savings in exchange for certain contractual guarantees, along with any other benefits of an annuity contract.

The financial professional you work with should have strong qualifications, professional ethics and integrity, a clear commitment to your needs as a client, and a proven record of client success. Ideally, they should also operate according to a clearly stated best-interest standard, or offering guidance in your best interest. Here at SafeMoney.com, we offer access to independent insurance and financial professionals throughout the United States. If you are ready to discuss your needs, goals, and financial picture, and see if an annuity contract can help you meet those objectives, we invite you to take the next step. You can request a no-obligation initial consultation to discuss your financial circumstances and future goals. Find and connect directly with an independent financial professional by visiting our Locate a Licensed Advisor page on SafeMoney.com. You can also call us at 877.476.972 for a direct referral to a financial professional for guidance.

REDUCING THE IMPACT OF RETIREMENT RISKS

Having examined annuities in detail, let's return to the retirement risks covered earlier in this report. You may be wondering what measures can be taken to reduce their effects. This goes back to prior discussion of what we believe to be foremost priorities in retirement. In our professional opinion, having enough assured income and protecting the value of your assets are top objectives.

Evaluating Strategies

If you are a pre-retiree or early in your retirement, you may want to review your money management strategies. Are they aimed toward a "buy and hold" approach, which emphasizes the <u>value of investments and investment returns</u> instead of <u>specific monthly projections for retirement income needs</u>? With that approach, you would rely upon assets which could go up-and-down in value for retirement income. Or do your strategies include a <u>specific, defined plan design</u> to produce a <u>dependable, steady income stream</u> to meet monthly expenses and other areas of retirement spending? Remember, a "buy and hold" approach may be more appropriate for the working years, not so much in retirement.

Near the beginning of this report, we discussed how employer retirement plans are shifting from defined-benefit pensions to defined-contribution plans like 401(k) plans. As widely respected economist and Nobel Prize of Economics winner Robert C. Merton writes in the Harvard Business Review, this has swept the focus off retirement income:

> [There has been] a shift in focus away from retirement income to return on investment that has come with the introduction of saver-managed DC (<u>Editor note: defined-contribution</u>) plans: Investment decisions are now focused on the value of the funds, the returns on investment they deliver, and how volatile those returns are.
>
> Yet the primary concern of the saver remains what it always has been: Will I have sufficient income in retirement to live comfortably? Clearly, the risk and return variables that now drive investment decisions are not being

> measured in units that correspond to savers' retirement goals and their likelihood of meeting them.[53]

In other words, Merton says workers are being presented with updates of how their investments are performing in terms of returns and volatility. These updates do not tend to include specifics of how they help meet Americans' future goals for retirement income. In turn, people's perceptions of the investment returns and volatility are driving financial decisions – not necessarily what they will need for sufficient income in retirement, according to Merton.[54]

Of course, not everyone will rely upon a defined-contribution plan in retirement. But the situation stays the same in terms of the need for income planning. If your current strategies do not outline specifics for generating retirement income, we recommend you create a definitive income plan. Seniors and baby boomers will want to seek guidance from someone who specializes in income planning for retirement. <u>But it is important to work with the right professional – someone who understands retirement income strategies, prioritizes your needs, and can customize various solutions to fit your specific requirements.</u>

Annuities: Should They Be Part of Your Retirement Strategy?

Financial circumstances change in retirement. New income sources replace your employment income, including life savings, Social Security, your portfolio, and maybe some other means. You will want to be sure you have the money to stay financially secure throughout your retirement years.

Depending on your needs and circumstances, an annuity could serve as an effective retirement income strategy. Monthly living expenses could be paid with guaranteed income, which would help "free up" other income sources for greater financial flexibility. If you already rely on Social Security or a defined-benefit plan, annuities could be used for another level of income certainty and freedom.

Several Americans lost much of their investments in the 2008 market correction. Since then, many of us have recovered from those losses. Some of us even have gotten returns which exceeded the losses. As we have discussed, leaving money in the stock market exposes it to risk. A stock market slump can take a long time to recover from – what would you do if another market correction rolled around?

For those of us wanting to keep assets protected and still enjoy growth opportunities, selecting the right fixed index annuities can help. A solid fixed index annuity keeps money safe with its contractual guarantees. When the index goes up, your contract earns interest based on a percentage of its increase in value. When the index declines, your principal and any credited interest are locked in. You will not lose any money due to index volatility.

For those of us worried about inflation and healthcare, there are riders which are designed to provide increasing income. These options may be a solution for some needs. They are not an answer for everyone. In our view, the main purposes of annuities are to generate a guaranteed, steady income stream for retirement and to preserve life savings – their guarantees. We recommend caution if you receive suggestions for riders without due consideration of your needs and situation.

Last of all, many seniors and baby boomers would like to leave assets to beneficiaries. Depending on your wishes, there are life insurance and annuity products which can be used to create an estate, or be customized for estate planning needs.

Working with the Right Retirement Planning Professional

As you enter retirement or progress in your retirement years, you may also want to find the right guide. As we covered earlier, you may have worked with an advisor to find suitable investment opportunities. This approach tends toward the accumulation stage of life. In the retirement years, financial needs and priorities change. It may be more appropriate to work with a qualified professional who specializes in retirement income and asset preservation strategies.

Please remember, annuities are just one part of a portfolio, and any retirement strategy should always be individually tailored. If someone recommends you purchase an annuity without a careful analysis and review of your financial picture, future needs, and future goals, please be careful! They may not have your best interests at heart. It is critical to choose a qualified, trustworthy professional for expert guidance at this stage of life.

Here at SafeMoney.com, affiliated financial professionals have served thousands of clients across the United States. Their specialties are in wealth preservation, income generation, and asset distribution, utilizing carefully designed strategies with guaranteed insurance contracts. Via our SafeMoney.com Advisor Referral Network, retirees and pre-retirees get access to a nationwide group of attentive, knowledgeable wealth planners. They can assess your situation and can help you find the best solutions to achieve your income and financial goals.

BUILDING A COMFORTABLE RETIREMENT LIFESTYLE

This report has covered a lot of ground. As we have seen, preparation is vital. Being ready for the "new retirement" requires taking the proper steps today. Of course, there is a flip-side to this, as well. Even if you are some years into your retirement, there is no better time than the present to take control of your finances.

Many people have been impacted by these retirement risks, or they are feeling their effects now. We have presented information on these challenges and possible solutions, including fixed index annuities. Given their unique benefits and ability to generate a guaranteed lifetime income, it might be worth seeing if fixed index annuities make sense for your needs. Before discussing fixed index annuities, or any options for that matter, a SafeMoney.com affiliated financial professional will carefully review your situation and work with you to determine if any annuity products are appropriate.

With proper planning, we believe you will be better equipped to enjoy a comfortable retirement lifestyle, a standard of living set on your own terms. It is our aim for you to achieve a financially confident retirement. We sincerely hope this report helps you become more educated and better prepared to reach this worthy milestone.

RETIREMENT SOLUTIONS AT SAFEMONEY.COM

You may have noticed we have spoken very little in this report about SafeMoney.com. This is because we believe education is such an important step of any financial decision. You deserve to have a straightforward take on the new retirement: the retirement risks you might face, how they could impact your finances, and possible solutions to overcome them.

Sound decision-making begins with individual understanding and confidence. There are no shortcuts to making well-informed decisions without a strong, educational foundation. I sincerely hope this report has been of assistance to you in your journey, whether you are currently retired or not quite there yet.

Having finished this report, you may want to read *The Annuity Insights Guidebook* and *The Retirement Simplified Roadmap.* These are two premium, straightforward, information-rich resources we offer along with *The New Retirement Report* as a consumer education series. These two publications can help you become even more informed about various income strategies, and what solutions may be appropriate for you and your future goals.

Each year, SafeMoney.com publishes new, independent articles, research, and consumer resources on safe financial strategies and how fixed insurance products, like annuities and life insurance, can help investors achieve their goals. We do this with the aim of helping you become more educated about retirement planning fundamentals and acquire real, independent insights into these products and strategies. We believe that an educated public and educated financial professionals help create a more efficient and fair marketplace. Your retirement success and financial peace of mind are our hope. If you have any questions about what you have read, or would like more information on something, please don't hesitate to contact us.

If you are ready for personal guidance, SafeMoney.com can help you. A SafeMoney.com affiliated financial professional will assist you in discovery of personalized financial strategies to preserve your assets and give you the income you need in retirement. To get started, we invite you to schedule a no-obligation appointment with an affiliated agent or advisor. You can connect with an independent agent or advisor, or request more information directly, by visiting our Licensed Advisor Locator Referral resource.

To reinforce, we do not believe annuities are suitable for all retirees. Everyone is different, and there is no one-size-fits-all product for all needs. Your financial plan should be tailored to your situation, requirements, and objectives.

Along with this report, we offer resources on a variety of other topics. If you would like any of them, please call our office and request a copy.

Thank you, once again, for your confidence, trust, and the opportunity to help you obtain more information about today's retirement risks and possible solutions. Please do not hesitate to call us at 877.GROW.SAFE with any inquiries, comments, or anything else with which you may need help.

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This material should not be construed in itself as, and should not be relied upon for, investment, legal, tax, or accounting advice. Please consult a professional specializing in these areas for specific financial, legal, or tax-planning needs.

This report includes references to studies and other sources. They can be found in the report endnotes. If you would like to request a copy of any of these sources, please call us.

Please note any examples given within this report are not company-specific, they are concepts given to help you understand how these products function. Contracts can vary and change. Not all annuity contracts, benefits, riders, and rider features may be available in your state.

At times, this report refers to guarantees offered with annuity contracts. Please note annuity guarantees depend on the financial strength and claims-paying ability of the insurance company issuing the annuity contract.

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