Overcoming three common retirement concerns

Getting ready for retirement often brings mixed emotions. You're giving up an employer paycheck in exchange for income you create from what you've saved. It's a big shift in thinking, and it often comes with these new concerns:

- **Will I outlive my money?**
- **Am I protected from market losses?**
- **Will my investments keep pace with inflation?**

If you feel this way, you're not alone. Most of us enter retirement with some common concerns and uncertainty around generating income. Knowing you have options to create income can help.

Creating retirement income

Retirement income can be either guaranteed or non-guaranteed. Guaranteed sources provide income on a regular basis. Social Security is a good example of money you may expect to receive in retirement. For most of us, Social Security won't be enough to cover all retirement expenses though.

An annuity is another form of guaranteed income where you essentially purchase income for life. Just remember products with income guarantees generally have higher fees and expenses. And guarantees are based on the claims-paying ability of the issuing insurance company.

Mutual funds are an example of a non-guaranteed product. You'll have easier access to your money, but it's also tied to the market. That means the ups and downs of the economy can change your account value, which may affect how much you can withdraw.

Three common concerns

Since retirement will look a little different for everyone, it's important to know your options and create a retirement income plan to fit your life. See how retirement income products may address one or more common retirement concerns. Then check out the details for each product.

	Variable annuity with a lifetime income rider	Mutual fund	Income annuity
I don't want to outlive my income	✔		✔
I want to protect myself from market losses	✔		✔
I want my money to keep pace with inflation	✔	✔	✔*

Variable annuity with a lifetime income rider

Variable annuities are long-term investments using subaccounts that are invested in stock and bond funds, which makes your investment subject to market fluctuation.

- Contracts will be issued with a surrender charge period – an amount of time you must wait to take a withdrawal without facing a penalty.
- Most allow a free withdrawal amount for each contract year, even if the contract is within its surrender charge period. Withdrawals above that free amount will be charged.
- Liquidity riders can also be purchased for greater access to the account's assets.
- Some variable annuities allow you to purchase a guaranteed income rider that uses investment gains to create a withdrawal benefit base – this base is used to produce the stream of guaranteed income.
- Your withdrawal benefit base may be increased by yearly market gains, which are locked in, or by bonus "step-ups" that help you build your benefit base even in years of investment losses.
- Guaranteed lifetime income riders provide protection but don't guarantee against losses in total accumulated account value. Losses impact future step-ups in the withdrawal benefit base.

Mutual funds

Mutual funds are operated by professional money managers who allocate the fund's investments with the goal of producing income gains.

- Funds are structured to meet specific investment objectives.
- Mutual funds are generally fully liquid, although typically it's best to not redeem shares until the up-front sales charges have been recouped, or after a deferred sales charge expires.
- There may be trading fees associated with mutual fund purchases and sales.

Income annuity

An income annuity converts an initial lump sum of money into a series of payments made over a specified number of years or guaranteed for life.

- Because it's not invested, an income annuity isn't affected by market fluctuations.
- There's no cash value to the contract, which means no true liquidity. But contracts typically have features allowing you to advance payments if needed.

* Inflation protection only available with income annuities if an inflation protection rider is available. Use of the inflation rider will lower income payment amounts.

Which product or combination of products you choose depends on your financial situation and your retirement goals. For instance, both variable annuities and mutual funds offer the opportunity for money to grow in equity markets, but that comes with the risk of losing money. Historically broad equity markets have produced returns that have outpaced inflation over time. But, past performance doesn't guarantee future results.

Pull your plan together

Now that you know more about these products, consider the following hypothetical example showing how guaranteed income, non-guaranteed income or a combination of both sources can be used to help meet income needs.

Meet Joe.

- Age 65
- $500,000 in his company-sponsored retirement plan
- $2,000 estimated monthly retirement expenses

Using his current plan savings, Joe needs to create enough income to meet his monthly retirement expenses. The chart below shows examples of some common options he might consider.

	Variable annuity with 5% for life GMWB	Mutual fund portfolio	Income annuity	50% variable annuity + 50% income annuity	50% mutual fund + 50% income annuity
Initial account balance	$500,000	$500,000	$500,000	$500,000	$500,000
Monthly non-guaranteed income	$0	$2,083	$0	$0	$1,042
Monthly guaranteed income	$2,083	$0	$2,254	$2,169	$1,127
Total monthly income	$2,083	$2,083	$2,254	$2,169	$2,169

The amount calculated is based on hypothetical income annuity payout rates for a life income with 10-year period certain payout option. Actual income annuity payout rate used will be the rate in effect at time of application. Rates are not guaranteed and are subject to change without notice. Mutual fund portfolio assumes a 5% withdrawal rate. This example assumes no interest earnings. If withdrawals are made from a variable annuity or mutual fund IRA account prior to age 59½, a 10% Internal Revenue Service penalty tax may apply. Distributions from the variable annuity or mutual fund IRA must begin by age 72.

You have many options available to help with your retirement income goals. The best solution for you will depend on your goals for retirement, income needs, risk tolerance and time horizon. While the goal is to help create an income stream to last your lifetime, it’s important to note that product allocation does not ensure a profit nor guarantee against losses.

Talk with your financial professional to sort through your choices and to make a decision that fits your needs.

What will it cost?

Let's face it — costs are often a contributing factor to many important decisions. Below is a general guide to the types of costs and fees typically associated with these retirement income products. Keep in mind adding riders and features can affect the cost.

Variable annuity with lifetime income rider

- Mortality and expense fees
- Administration fees
- Fees and expenses of the underlying investments, typically mutual funds or subaccounts
  - Implicit fees outlined in the prospectus cover the cost of managing the mutual funds/subaccounts
  - Expressed as a percentage of the value of your investment
- Surrender charges for withdrawals made before the end of the surrender charge period

Mutual funds

- Sales charges or loads may apply at purchase or redemption of shares
- Ongoing management fees and distribution and/or service (12b-1) fees
  - Outlined in a mutual fund's prospectus and represent the internal costs associated with managing and distributing a mutual fund
  - Expressed as a percentage of the value of your investment

Income annuity

Income annuities have no upfront or ongoing charges. Instead, the insurer agrees to pay a guaranteed income stream in exchange for a premium payment (contribution).

- Generally, the longer you live, the greater the benefit to you. Conversely, the shorter your life span, the less an insurer will need to pay in the form of guaranteed income.
- The purchaser of an income annuity trades their contribution amount for an income payment that they typically cannot outlive.
- Income annuities can be set up to provide guaranteed income now or in the near future (immediate) or set aside to begin payments at a later date (deferred).

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Before investing in mutual funds or a variable annuity, investors should carefully consider the investment objectives, risks, charges and expenses of the funds or contract and the underlying investment options. This and other information is contained in the free prospectus, and, if available, a summary prospectus, which can be obtained from your local representative. Please read the prospectus carefully and, if available, a summary prospectus, before investing.

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