THINGS *to know* *about* **PLANNING YOUR** RETIREMENT INCOME

EXPLORE PRODUCTS THAT CAN

PROVIDE GUARANTEED* INCOME

* Guaranteed by the financial strength and claims-paying ability of the issuing company, and may be subject to restrictions, limitations or early withdrawal fees. Annuities are not FDIC insured.

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EXECUTIVE SUMMARY

Historically, the United States had three strong legs of the retirement stool: a well-funded Social Security system, substantial corporate pensions with retiree health benefits and ideally, a strong personal savings rate. Now, the responsibility for providing retirement income is largely up to individuals. Because defined contribution plans are more common today, individuals have a greater responsibility for saving for their own retirement. The booming population coming of retirement age is an additional challenge to historical retirement provisions.

State and local government pension plans are typically underfunded, cutting back on benefits and raising retirement ages.[1] In the private sector, less than a third of today's Fortune 100 companies offer any type of defined benefit (DB) plan to newly hired salaried workers; only seven still offer a traditional DB plan to new hires.[2] Furthermore, due to the availability of new plans on the healthcare market exchanges for Medicare-eligible retirees, the percentage of employers that are somewhat or very likely to discontinue their employer-sponsored plan for retirees is projected to increase from 25 percent in 2014 to 44 percent in 2015.[3]

Instead of defined benefit plans, it is more common to have an employer-sponsored, defined-contribution plan such as a 401(k), 403(b) or 457 plan. These plans are an excellent way to save, but we are only now witnessing the first wave of "401(k) retirees" who will live off of this type of savings. Defined contribution plans will be watched to determine if they meet the retirement savings needs for anticipated longer life spans.

There are many variables involved in creating an income strategy for today's retirees. What follows are 10 things to know when working with a financial professional to develop a retirement income strategy.

[1] Congressional Budget Office, The Underfunding of State and Local Pension Plans, May 2011; http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/120xx/doc12084/05-04-pensions.pdf.

[2] Towers Watson, "Retirement Plans Offered by 2013 Fortune 100," Nov, 14, 2013; http://www.towerswatson.com/en/Insights/Newsletters/Americas/Insider/2013/retirement-plans-offered-by-2013-Fortune-100.

[3] Towers Watson, "Retirement Plans Offered by 2013 Fortune 100," Aug. 21, 2013; Health Care Reform Heightens Employers' Strategic Plans for Health Care Benefits; http://www.towerswatson.com/en/Press/2013/08/Health-Care-Reform-Heightens-Employers-Strategic-Plans-for-Health-Care-Benefits.

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#1: PLAN FOR A LONG LIFE

In 1935, when the Social Security Act was passed, 65-year-old beneficiaries received payouts for an average of 12 to 15 years.[4] Now, however, a couple age 65 has a 70 percent chance that at least one of them will live to age 85 — which means providing for 20 years or more of income once you qualify for Social Security benefits.[5] Furthermore, Social Security is not intended to be a retiree's sole form of income.

Average Life Expectancies Through the Ages

Those longevity statistics are quoted as averages for both men and women, but keep in mind that men weigh the average down because women in modern times outlive men by about five to six years. Researchers also have found that marriage has a positive impact on mortality. People who never married were more than twice as likely to die early than those who had been in a stable marriage throughout their adult life.[6]

[4] Life Expectancy for Social Security, http://www.socialsecurity.gov/history/lifeexpect.html; retrieved June 2012.

[5] Society of Actuaries, "2011 Risks and Process of Retirement Survey Report," 2012.

[6] Science Daily, "Marriage Linked to Better Survival in Middle Age; Study Highlights Importance of Social Ties During Midlife," Jan. 10, 2013; http://www.sciencedaily.com/releases/2013/01/130110102342.htm.

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#2: HEALTH CARE EXPENSES MAY INCREASE

Just because we are living longer doesn't mean we're going to be healthy throughout our longer lives. While some people continue to live healthy lives throughout their senior years, older age may bring on chronic health conditions such as diabetes, arthritis and/or heart disease.[7]

While some credit goes to more active, health-conscious, smoke-free lifestyles, it may be safe to say that today's pre-retirees and retirees enjoy access to prescription drugs and medical advances which may help to lengthen their lifespan. As we know, health care expenses can be significant. In fact, Fidelity Investments found in its 2013 Retiree Health Care Costs Estimate study that a 65-year-old couple retiring in 2013 with Medicare coverage will need about $220,000 to pay for medical expenses throughout retirement, excluding nursing-home care.[8] While a retiring couple may need that sum for medical expenses, costs can be offset by health insurance plans, and medical expenses will likely be distributed across many decades.

In 2012, 71 percent of individuals reported that medical expenses were extremely or very important when it came to planning for retirement.[9] This is a key component of your retirement strategy because health care costs can represent a significant portion of a retiree's expenses. When creating a retirement income strategy, it's important to consider that a couple's retirement savings may be diminished by the health care costs for the spouse who dies first. While you may spend less on things like travel and entertainment in the later retirement years, medical and long-term care costs may increase.

One of the 10 things you should consider is that medical expenses can add additional costs over the length of your retirement.[10]

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[7] Healthypeople.gov, Older Adults, September 2012.

[8] Fidelity Investments, Retiree Health Care Costs Estimate, 2013. http://www.fidelity.com/viewpoints/retirees-medical-expenses.

[9] Employment Benefit Research Institute, 2012 Health Confidence Survey, 2012; HYPERLINK "http://www.ebri.org/survey/hcs/" www.ebri.org/survey/hcs/.

[10] Bureau of Labor Statistics; Focus on Prices and Spending, February 2012, Volume 2, Number 15.

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#3: YOU MAY NEED A HOUSING PLAN (OR TWO)

Residential real estate enjoyed a strong rebound in 2013, with improving sales and a drop in foreclosures. However, if the record home equity losses from recent years tell us anything, it should be a cautionary tale about placing too much of your net worth in your home. The upward spike we experienced from 2005 to 2007 was quite the anomaly, and not one we're likely to see again in the baby boomer lifespan.[11]

It's not likely we'll return to the over-valued housing bubble of 2006 anytime soon.[11] Even though it feels like we've experienced a tremendous drop in value, consider what your home was worth back around 2003-2004. At the national level, we've not only returned to those levels but are, in fact, near where they would be had prices simply continued their slow, steady climb without the spike.[12]

Fluctuations in the housing market could impact your retirement income strategy. Your home may not provide the backup retirement income you have anticipated. Or, perhaps you've considered relocating to a senior community but have delayed that move to sell your home when prices recover.

In today's environment, taking on a modest mortgage and paying it off before retirement is the goal. At that time, and based on individual situations, you may have the option to downsize your residence or use the equity to help fund your retirement income via a reverse mortgage independent of an annuity purchase. You can also stay in your home until you pass away and let its equity serve as an inheritance for your heirs.

[11] CNNmoney.com, "Home prices rise 11%," http://money.cnn.com/2013/11/26/news/economy/home-prices/index.html

[12] Standardandpoors.com; "2012 Home Prices Off to a Rocky Start According to the S&P/Case-Shiller Home Price Indices," March 27, 2012.

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Relying on family for assisted living

Two-thirds of non-institutionalized people rely on family and friends for assistance with daily living activities.[13] Family caregivers can take on additional responsibility when caring for elderly parents, which can have consequences for the caregivers themselves.

According to the Family Caregiver Alliance Fact Sheet, 69 percent of working caregivers have had to rearrange their work schedule, decrease their hours or take an unpaid leave in order to meet their caregiving responsibilities.[14] Research shows an estimated 17-35 percent of family caregivers view their health as fair to poor.[15] The circumstances for every individual and family caregiver vary.

Housing away from home

Plenty of elderly individuals who live independently in their own home may do so indefinitely. But realistically, you should be prepared with a back-up plan. If you've ever been injured or ill, you know what it's like to need assistance. As we age, it may take longer to recover and acute health conditions may require home health assistance for recovery.

In-home professional health services offer a variety of fee-based options provided by home health aides, in-home physical or occupational therapists, nutritionists, and nurses, but these services can be costly. The cost of home care combined with paying for other living expenses, such as mortgage or rent, utilities, groceries and transportation, can be costly and is important to consider.

Senior living communities run the gamut of care from independent living to assisted living, rehabilitative care, memory care and complete 24-hour skilled nursing long-term care. The cost of facilities varies and should be considered when planning a retirement strategy. Consider the possibility that one spouse may have medical issues requiring full-time nursing care, while the other spouse continues to live in the family home. A split housing scenario may impact retirement savings.

It's good to have a contingency plan in place to help ensure that such a change in your housing situation doesn't drain your income resources.

[13] American Bar Association, "LGBT Retirement Planning After DOMA," July/August 2013: Retirement Planning and Elder Law; www.americanbar.org/publications/gp_solo/2013/july_august/lgbt_retirement_planning_after_doma.html

[14] Family Care Alliance, National Center on Caregiving Fact Sheet: Selected Caregiver Statistics (caregiver.org/caregiver/jsp/content_node.jsp?nodeid-439), Valuing the Invaluable: 2011 Update: The Economic Value of Family Caregiving. AARP Public Policy Institute – updated November 2012.

[15] Family Care Alliance, National Center on Caregiving Fact Sheet: Selected Caregiver Statistics (caregiver.org/caregiver/jsp/content_node.jsp?nodeid-439), Valuing the Invaluable: 2011 Update: The Economic Value of Family Caregiving. AARP Public Policy Institute – updated November 2012.

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#4: PLAN FOR LONG-TERM CARE ASSISTANCE

With a longer life comes the greater likelihood of needing assisted living or long-term care. According to the Genworth 2013 Cost of Care Survey, median costs can range from $41,400 to $83,000 per year depending on the type of care needed.[17] For a couple, this kind of care can be costly and is important to consider when developing a long-term care strategy.

Medicare pays for acute care, not long-term residency. Medicaid pays for long-term care but requires that you "spend down" your assets before coverage kicks in.[18] Individuals who delay buying long-term coverage may be considered high risk and may be denied coverage or charged higher premiums. Coverage costs around $2,350 a year for a 55-year-old couple. The same level of coverage would cost a 65-year-old couple $4,660.[19]

One of the 10 things you should consider is that the sooner you start thinking, researching, preparing and structuring your long-term care plan, the more time and choices you'll likely have to meet your personal needs and desires.

[17] Genworth, 2013 Cost of Care Survey, 2013.

[18] "Differences between Medicaid and Medicare." Homecare.com. http://homecare.com/differences-between-medicaid-and-medicare. Accessed July 23, 2013.

[19] Wall Street Journal, "Long-Term Care: What Now?" March 9, 2012.

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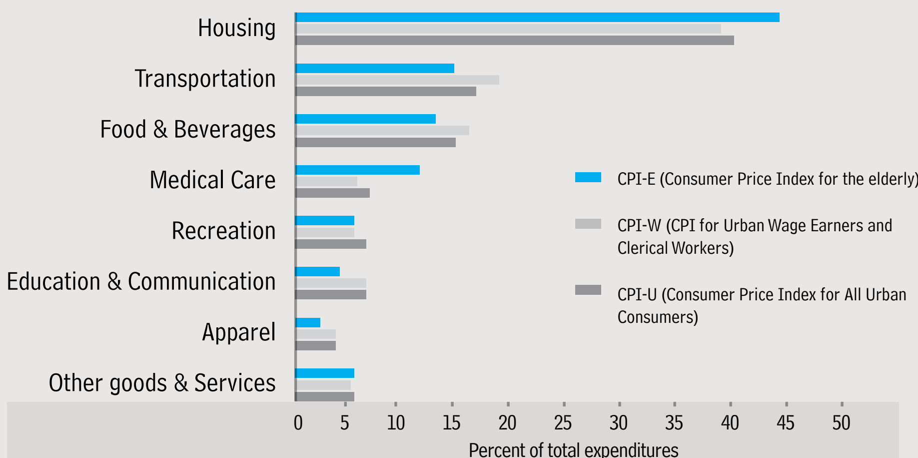
#5: CONSIDER THE POTENENTIAL IMPACT OF INFLATION

Inflation can be experienced a little differently when you retire. Typically, retirees tend to spend more money on the things that experience a higher rate of inflation. While the medical inflation rate has decreased in recent years, the government predicts that health care spending will comprise nearly one-fifth of the U.S. economy by 2021 — up from 18 percent today.[20]

As you can see in the accompanying graph, older Americans devote a larger share of their total budgets to housing and medical care than the other consumer groups, which is why these categories receive a higher weighting in the Consumer Price Index-Elderly (CPI-E). The CPI-E represents households whose reference person or spouse is 62 years of age or older and, like the other indices, weights measured categories according to their importance in the spending patterns of the respective population. According to the U.S. Department of Labor Statistics, older Americans devote a substantially larger share of their total budgets to medical care and shelter than the general population.[21]

Even without the higher inflation rate on certain expenses, you still have to account for the fact that many things cost more over time when planning for retirement income in the future. You'll want to consider the amount of retirement income you'll need and the potential impact of inflation.



Bureau of Labor Statistics, U.S. Department of Labor, "Consumer Price Index for the elderly" Mar. 2, 2012 http://www.bls.gov/opub/ted/2012/ted_20120302.htm (visited Jan. 29, 2013).

The Rule of 72

The Rule of 72 is a method to determine the time for money and buying power to halve. It is intended to demonstrate mathematical principles only and should not be regarded as an absolute.

The Rule of 72 illustrates why you may need more income every year you're retired. Just divide the number 72 by the inflation rate to estimate how quickly the prices you're paying now will double. For example, if you need $50,000 to live on today and estimate a 3 percent average annual inflation rate going forward, in 24 years (72 divided by 3 = 24) your income could need to double to $100,000 a year to maintain your current lifestyle. When you stop working, you may need to live on less income and should consider the impact of inflation in your retirement strategy.

[20] The Wall Street Journal," "Medical-price Inflation is at Slowest Pace in 50 Years," Sept. 17, 2013.

[21] Bureau of Labor Statistics, U.S. Department of Labor, "Consumer Price Index for the elderly," March 2, 2012 http://www.bls.gov.opub/tec_201220301.htm (visited Jan. 29, 2013).

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#6: RECONSIDER YOUR GOALS

The distribution of retirement income differs from the accumulation of retirement income because once retired, you may no longer have the timeline to help you recover from the impact of market declines. Your goals should revolve around what it is you want your savings to do for you in retirement; what is its purpose?

Traditionally, as pre-retirees approached retirement, they would transition retirement savings from growth-seeking financial vehicles to more conservative, fixed-income vehicles such as Treasury bonds and bank certificates of deposit (CDs).

One of the 10 things you should consider is what you want your savings to do for you in retirement and how you can best achieve those goals.

#7: SOCIAL SECURITY BENEFITS

Perhaps one of the most impactful decision you can make regarding Social Security benefits is at what age to begin drawing them. While full retirement age is between age 65 and 67, depending on the year you were born, you may be able to apply for Social Security benefits as early as age 62. There are a number of factors to consider when determining when to begin Social Security distributions.[22]

Starting earlier may decrease the monthly benefit you receive, but earlier distributions may mean your benefit extends over a greater period of time. Delaying benefits as long as you may increase the amount you are eligible to receive, as illustrated in the accompanying table.

Sample Benefits Based on Retirement Age[23]

Starting Age	Monthly Benefit
62	$1,125
63	$1,200
64	$1,300
65	$1,400
66	$1,500
67	$1,620
68	$1,740
69	$1,860
70	$1,980

Continuing to work in order to delay drawing Social Security benefits also allows you more time to contribute to qualified retirement plans, potentially accruing higher gains than you might have otherwise.

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[22] Social Security Administration, www.socialsecurity.gov/retire2/agereduction.htm; retrieved Jan. 8, 2013.
[23] Mercer, 2013 Guide to Social Security, 41st Edition, November 2012.

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Are you eligible for benefits based on your former spouse's work history?[25]

Divorce Facts

For a divorced spouse to receive benefits based on the ex's work history, the couple must have been married for 10 years or longer and both must be age 62 or older.

If a former spouse is eligible for a benefit but has not yet applied for it, the ex may still apply for the spousal benefit as long as they have been divorced for at least two years. Widows and widowers are entitled to the higher earner's full retirement benefit and may begin receiving benefits at age 60.

Once a divorced spouse remarries, he or she is no longer eligible to receive a benefit based on the first spouse's work history — unless the subsequent marriage ends in death, divorce or annulment. A surviving spouse may claim a reduced benefit on one working record and then switch to the other.

A former spouse may claim the highest benefit based on the work history of any number of ex-spouses as long as each marriage lasted at least 10 years. The higher earner can increase the survivor's benefit by waiting to receive any benefits until age 70.

A qualified divorced spouse may receive the same benefit as the current spouse. The current spousal benefit is not reduced as a result of this.

Spousal Benefits[24]

Once you reach full retirement age, you may claim either your own benefit or a derivative (up to 50 percent) of your spouse's benefit — whichever is higher. When it comes to Social Security benefits for spouses, the determining factors are the length of marriage, work history and the age of both spouses. Each spouse needs 10 years of work history (40 credits) to qualify for individual benefits, which will be based on an average of the 35 years of highest earnings.

When applying for Social Security benefits, each spouse will automatically receive the highest amount for which they are eligible. For instance, a wife may qualify for a higher benefit based on her husband's work history over her own. To receive benefits based on a spouse's work history:

- Both spouses must be at least age 62
- They need to have been married for at least one year
- The spouse with the stronger work history must apply for Social Security retirement benefits in order for the other spouse to collect (although he or she may then choose to delay collecting benefits until later in order to qualify for a higher benefit)

If the higher-earning spouse begins drawing benefits after attaining full retirement age, the other spouse may receive a spousal benefit of up to 50 percent of the higher earner's benefit. If the higher earner starts drawing early, his benefit and the spousal benefit will be reduced accordingly.

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[24] Mercer, 2013 Guide to Social Security, 41st Edition, November 2012.
[25] Mercer, 2013 Guide to Social Security, 41st Edition, November 2012.

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Are you eligible for benefits based on your former spouse's work history?

Widow(er) Facts[27]

Widows and widowers are entitled to 100 percent of the higher earner's retirement benefit if the decedent spouse had reached full retirementage before death.

A widow is entitled to 100 percent of the decedent spouse's benefit once she reaches full retirement age.

A widow may receive 71.5 percent of the decedent spouse's benefit once she reaches age 60.

A widow under age 61 may receive 75 percent of the decedent spouse's benefit if she cares for an eligible child who is under age 16 or disabled.

A surviving spouse may claim a reduced benefit on one working record and then switch to the other.

The higher earner can increase the survivor's benefit by waiting to receive benefits until age 70.

According to the Social Security Administration's 2012 Trustee Report, the ratio of 2.9 workers paying Social Security taxes to each person collecting benefits in 2011 will fall to 2.0 to 1 in 2034. Starting in 2010, the program paid more in benefits and expenses than it collected in taxes and other noninterest income, a pattern projected to continue for the next 75 years. The Trustees estimate that the trust funds will be exhausted by 2033, at which point payroll taxes and other income will be sufficient to pay only 75 percent of program costs.[24]

As President Franklin Delano Roosevelt (1935) once said, "We can never insure 100 percent of the population against 100 percent of the hazards and vicissitudes of life, but we have tried to frame a law which will give some measure of protection to the average citizen and to his family against the loss of a job and against poverty-ridden old age."

Roosevelt did not imply that Social Security was framed to provide full income for retired Americans, but that it was designed to help prevent poverty in old age.

One approach to Social Security could be to determine how much annual income you need to live comfortably in retirement and then to position your retirement savings to fill the gap between your retirement needs and Social Security benefits.

One of the 10 things you should consider is that Social Security provided at least half the income for 65 percent of the aged beneficiaries in 2010.[26] We can help you determine how to provide additional income during retirement.

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[26] Social Security Administration, Fast Facts and Figures About Social Security, 2012; http://www.socialsecurity.gov/policy/docs/chartbooks/fast_facts/2012/fast_facts12.pdf.

[27] Mercer, 2013 Guide to Social Security, 41st Edition, November 2012.

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#8: TAXES IN RETIREMENT

Starting in 2014, the income brackets for the top income tax rate of 39.6% will increase due to inflation adjustments to the following: Joint filers $457,601, singles $406,751 and head of household $432,201.[28]

On top of those increases, capital gains will be subject to an additional 3.8 percent Medicare tax imposed by the Health Care and Education Reconciliation Act of 2010 for single taxpayers with incomes over $200,000 ($250,000 for married taxpayers).

Social Security

Social Security benefits are income-tax free for the majority of beneficiaries. However, a portion of your benefits may be taxed if your combined income falls within established thresholds. Combined income includes your adjusted gross income, nontaxable interest and half of your Social Security benefits. Based on Internal Revenue Service (IRS) rules, if you file an individual federal tax return and your combined income is[29]:

- between $25,000 and $34,000, up to 50 percent of your benefits may be taxable.
- more than $34,000, up to 85 percent of your benefits may be taxable.

If you file a joint return and you and your spouse have a combined income that is:

- between $32,000 and $44,000, up to 50 percent of your benefits may be taxable.
- more than $44,000, up to 85 percent of your benefits may be taxable.

If you are married and file a separate tax return, you may pay taxes on your benefits.

Annuities

Annuity income from a non-qualified contract is considered a combination of return of principal and interest credited, and only the interest credited is taxed as ordinary income. If the annuity is purchased with pre-tax dollars in a qualified contract such as a 401(k) or traditional IRA, the entire payout is subject to income taxes because the contributions were never taxed. Withdrawals prior to age $59^{1/2}$ may be subject to a 10 percent federal additional tax.

You may wish to reconsider your current retirement income vehicles and perhaps consider putting some of your retirement savings toward a specific goal, such as retirement income.

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[28] IRS.gov, "In 2014, Various Tax Benefits Increase Due to Inflation Adjustments" IR-2013-87, Oct. 31, 2013.

[29] Social Security Administration, "Benefits Planner: Income Taxes And Your Social Security Benefits," October 15, 2012; http://www.socialsecurity.gov/planners/taxes.htm.

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Have you answered these questions?

- What is your "personal rate of return" — the rate of return, based on the income you need, that you may have to earn to avoid running short of money during retirement?
- When should you begin Social Security benefits?
- Can your income and savings last throughout retirement?
- What impact will taxes and inflation have on your income needs?
- If you pass away, will your spouse have enough income?
- How can a down market impact your income plan?

#9: DISTRIBUTION STRATEGIES

Saving for retirement can be a challenge in and of itself. It's like standing at the foot of a tall mountain and beginning the slow, steady climb toward your retirement savings goal. Once you reach retirement goals and are ready to retire, you face the challenge of figuring out how to take the retirement savings you have accumulated and manage it during your retirement years. Without a strategy, you may face challenges during your descent.

This is what a retirement income distribution strategy is all about. How long your retirement income will last can be significantly impacted by whether you stay within your pre-determined budget and don't withdraw more income than planned for each year.

To develop an effective distribution strategy, the first step is to identify the retirement income sources you have available to help pay for your lifestyle in retirement. On one hand, you're likely to have some reliable income sources such as Social Security benefits, a pension, an annuity or income from a job. You may also have retirement assets designated to fund your retirement, such as a 401(k) plan, IRA, savings, CDs, mutual funds and brokerage accounts.

One strategy is to position your reliable benefits sources — such as Social Security and pension — to pay for your basic needs, so you know they'll be covered. Next, use your other retirement savings to supplement any gap in the income you absolutely need and to pay for the things you want to enhance your lifestyle.

One of the 10 things you should consider is that there's a difference between saving for retirement and figuring out the best way to tap your savings once you retire.

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#10: THE ROLE OF INSURANCE PRODUCTS AND STRATEGIES IN RETIREMENT

The transition to individuals having more responsibility for their retirement savings isn't the only thing that has changed in the 21st century. The way many retirees design a retirement income strategy has changed as well, with a shift from an accumulation mindset to distribution mode.

As you get closer to retirement and once you are in retirement, you may want to consider limiting your exposure to market declines as you transition to the income distribution phase. You may want to consider purchasing different types of products, such as annuities.

By utilizing a variety of financial vehicles, such as life insurance or annuities, you can create a strategy that meets your needs and goals for retirement.

When determining how to utilize a variety of products for your retirement strategy, the following are some considerations that should be taken into account:

- Your age
- A ballpark estimate of your life expectancy, based on your health and family history
- Actuarial life expectancy rate
- The amount you expect to spend in retirement for basic needs and discretionary purchases
- Desired value of inheritance you wish to leave behind
- The risk and return characteristics of risky and conservative assets
- Liquidity — how much you need to have access to without restrictions

It is certainly worth considering strategies to place retirement savings in insurance vehicles such as annuities that are designed to convert a lump sum of cash (or a series of premium payments) into a guaranteed stream of lifetime income (guaranteed by the financial strength and claims-paying ability of the insurance company). Using annuities can generate a fixed income stream. Some of the more retirement income-oriented products you may wish to consider include lifetime income annuities, life insurance and long-term care insurance.

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IRAs

For 2014 the phase-out ranges for an IRA contribution deduction (when covered by a retirement plan at work) are:

- $60,000 to $70,000 for a single filer
- $60,000 to $70,000 for head-of-household filers
- $96,000 to $116,000 for married couples filing jointly
- $181,000 to $191,000 for married couples filing jointly (and the spouse who makes the IRA contribution is not covered by a workplace retirement plan)
- $0 to $10,000 for married couples filing separately[30]

If you waiver back and forth between using a traditional or Roth IRA, consider using them in concert with a tax-efficient IRA strategy. For example, contribute to a traditional IRA to defer more income when taxes are higher, and then convert the assets to a Roth (a taxable event) when taxes are lower so you position them for tax-free distributions in retirement. You may repeat this process indefinitely.*

Annuity

An annuity is a contract you purchase from an insurance company. For the premium you pay, you receive certain fixed and/or interest crediting options that compound tax-deferred until withdrawn. When you're ready to receive income, an annuity offers a variety of guaranteed payout options, backed by the claims-paying abilities and financial strength of the issuing insurer, through a process known as "annuitization."

The array of annuity contracts on the market today include immediate, fixed, variable and indexed annuities. The choices can allow you to match very specific, individual needs with a suitable product. Within each contract, you have the flexibility to select from a range of payout terms and death benefits and you may have the possibility to purchase optional riders for additional benefits. An annuity purchase can be strategically positioned within your overall retirement savings strategy for any number of personal objectives, such as income for your spouse should you die or a death benefit for your children and helping address inflation concerns. Coverage is available for two people within one contract, so you don't have to purchase a separate contract for your spouse. All guaranteed benefits are backed by the financial strength and claims-paying ability of the issuing insurance company.

These are long-term vehicles and are subject to surrender charges and holding periods, which vary by product. Additional fees may be charged for riders. Withdrawals will reduce the contract value and, if taken before age 59 $^{1/2}$, a 10 percent additional federal tax may apply. Withdrawals are taxed as regular income. Be sure to evaluate any products in light of your personal situation before purchasing.

**This presentation is designed to provide general information on the subjects covered. Pursuant to IRS Circular 230, it is not, however, intended to provide specific legal or tax advice and cannot be used to avoid tax penalties, or to promote, market or recommend any tax plan arrangement. Please note that we do not give legal or tax advice.*

[30] IRS.gov, "IRS Announces 2014 Pension Plan Limitations; Taxpayers May Contribute up to $17,500 to their 401(k) plans in 2014," IR-2013-86, Oct. 31, 2013.

This booklet is for informational purposes only. It is not intended to provide tax or legal advice. Speak to a qualified tax advisor or attorney regarding your personal circumstances.

Annuity with a guaranteed lifetime withdrawal benefit

A guaranteed lifetime withdrawal benefit (GLWB) is available as a rider you can purchase at additional cost with some annuities. A guaranteed lifetime withdrawal benefit allows for lifetime minimum withdrawals without having to annuitize the contract. Product features and availability will vary by state.

Fixed indexed annuity

The fixed indexed annuity combines a guaranteed minimum interest rate* or the opportunity for greater interest crediting based upon the market index to which it is tied. The principal in the annuity is not exposed to market risk, however. At the end of each contract year, the insurance company measures the growth of the annuity's linked index (such as the S&P 500®) over the previous 12 months and then credits your contract value with that growth, subject to caps, spreads and participation rates. This way, you receive the guarantee of a conservative interest crediting along with the opportunity for additional conservative interest. All guarantees are backed by the financial strength and claims-paying ability of the issuing company. Fixed annuities may be subject to restrictions, limitations or early withdrawal fees.

**Guaranteed minimum interest rate typically begins at 87.5 percent of premium paid, with 1 percent to 3 percent interest annually.*

Life insurance

Whole life insurance provides a component for accumulating savings within the contract, called the cash value, which grows tax-deferred and is guaranteed by the financial strength and claims-paying ability of the issuing company.

A universal life insurance policy (flexible premium whole life) allows you to vary the amount and timing of when you pay premiums and may also permit you to change the amount of the subsequent death benefit. A variable universal life policy includes an investment feature, which allows the death benefit and cash value of the policy to fluctuate based on the investment performance of a separate account fund.

Long-term care insurance

Long-term care insurance (LTCI) may offer flexibility and a viable choice for baby boomers still enjoying good health and relative wealth. LTCI is designed to help people pay for short- or long-term care and housing costs at an assisted living facility, nursing home or even in your own home — by far the preference of most seniors. One of the times to buy a policy at lower rates is around age 55, but later purchases can also have benefits because an LTCI policy can make the difference between institutional care and something far more comfortable, flexible and personal.

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CONCLUSION

While the "Greatest Generation" experienced the burgeoning of government and corporate retirement income and health plans, baby boomers and future generations are seeing these benefits being reduced or eliminated altogether. The baby boomer generation will continue to take on more responsibility for providing income for their own essential living expenses in retirement, like housing, food and health care.

Recent market corrections and economic challenges have caused some Americans to rethink their retirement income strategy. You might want to reconsider your retirement strategy with the changing economic times. In fact, you may need to reposition your retirement savings to accommodate a longer life with less savings than you previously thought. This is a good time to think about your true priorities and align your retirement savings to support your personal goals (not just your financial aspirations).

Obviously, with the bulk of the responsibility for providing retirement income shifting to individuals and the possible role of life insurance products in a retirement strategy, there can be a steep learning curve. The best advice is to work with financial professionals you trust to help ensure that your retirement strategy is designed to meet your long-term financial goals.

By contacting us, you may be offered insurance products to purchase.

Have you answered these questions?

- Which assets will you hold in tax-deferred accounts versus taxable accounts?
- From which accounts should income be withdrawn from first?
- When will you start taking Social Security?
- Should you roll over a 401(k) to an IRA?
- Who should be your designated beneficiary(ies) for IRA or qualified plans?
- Would a Roth IRA conversion be appropriate?
- What tax decisions should you address when leaving an employer?

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10 THINGS TO KNOW ABOUT PLANNING YOUR

RETIREMENT INCOME

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