

Retirement Income Strategies

Taking steps toward planning
a fit retirement



FUTUREFIT® FINANCIAL WELLNESS SERIES

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The three phases of retirement

The Go-Go Years

Early years of retirement with an active lifestyle spent golfing, playing tennis, traveling, etc.

The Slow-Go Years

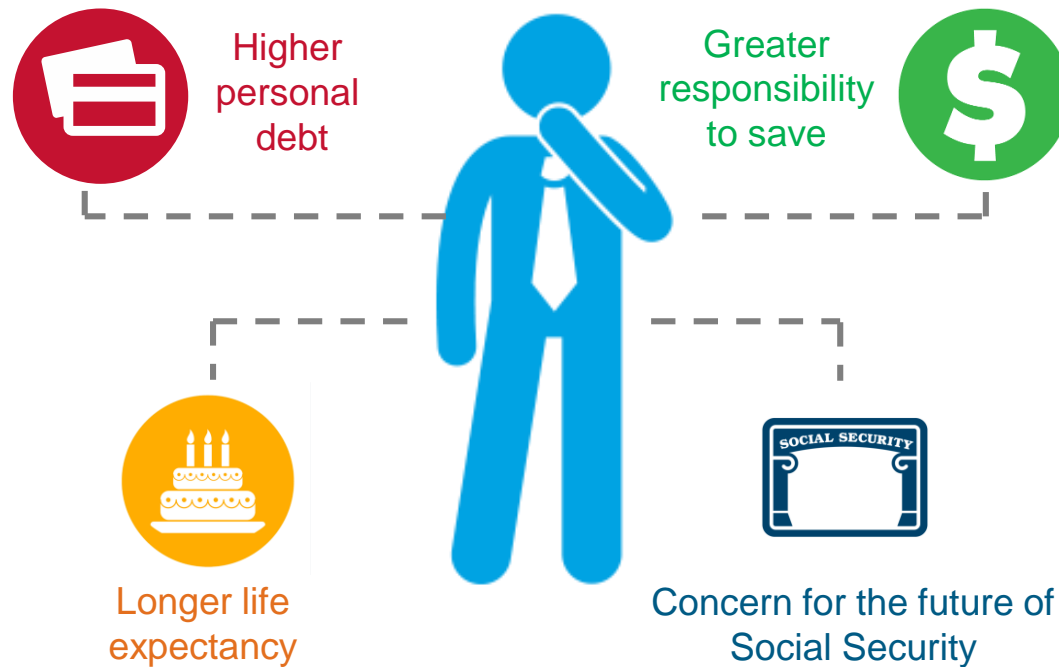
More passive stage of retirement in which you decide to let the pace of your life slow down

The No-Go Years

The stage of retirement where failing health makes medical treatment and nursing care the defining characteristics

What are you looking forward to doing most in retirement?

Possible challenges



The five major risks to retirement income



Longevity



Healthcare



Investment



Inflation



Withdrawal

1. Longevity risk

Risk of outliving your retirement savings



72,000¹

Number of
centenarians
in the U.S.



86%²

Percent of centenarians
that live in the city



66%³

Percent of Americans
who believe they
will outlive their
retirement savings

Sources: ¹How Many People live to 100 Across the Globe? Updated September 1, 2018. The Centenarian.

²Centenarians: 2010. 2010 U.S. Census Report.

³Here's how much Americans have saved for retirement. May 16, 2018. cnbc.com.

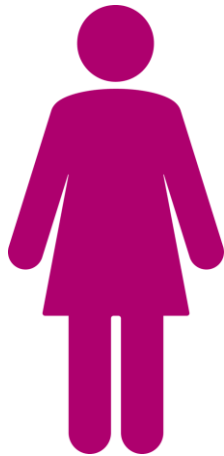
Managing longevity risk



Neither asset allocation nor diversification ensure a profit or protect against market loss.

2. Healthcare risk

The high cost of healthcare in retirement



\$285,000

The average couple retiring today at the age of 65 will need \$285,000 to cover healthcare expenses in retirement



Options to pay for healthcare

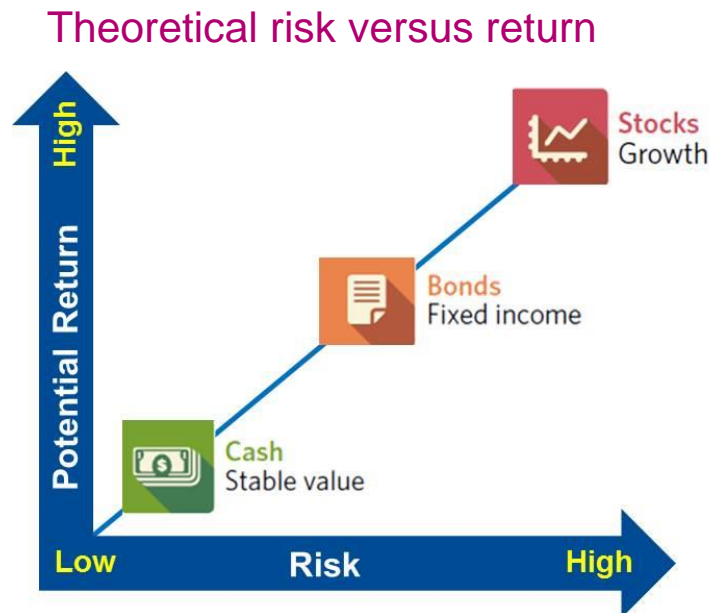
Medicare and Medicaid

	Medicare	Medicaid
Features	<ul style="list-style-type: none">• Medical coverage for people on Social Security• Federally managed• Does not pay for long-term care services	<ul style="list-style-type: none">• Medical care for those living in poverty• State managed• Pays for long-term care, if certain conditions are met
Eligibility requirements	<ul style="list-style-type: none">• Age 65 or older• Under 65 with certain disabilities• Any age with permanent kidney failure requiring dialysis or transplant	<ul style="list-style-type: none">• U.S. citizen• Senior, disabled or blind and resident of state• Unable to perform two activities of daily living• Financially impoverished

Source: Medicare & You. Centers for Medicare & Medicaid Services, 2016.

3. Investment risk

Risk that actual investment return could be different than expected



Asset classes and indexes from which their historical returns are derived are not managed funds, have no identifiable objectives and cannot be purchased. They do not provide an indicator of how individual investments performed in the past or how they will perform in the future. Performance of indexes does not reflect the deduction of any fees and charges and past performance of asset classes does not guarantee the future performance of any investment.

Investment considerations

Expectations

- How will the income from the investment be used?
- How much will you need?
- When will you need it?

Investor profile

- What is your risk tolerance?
- When will you need the money?

Risk tolerance

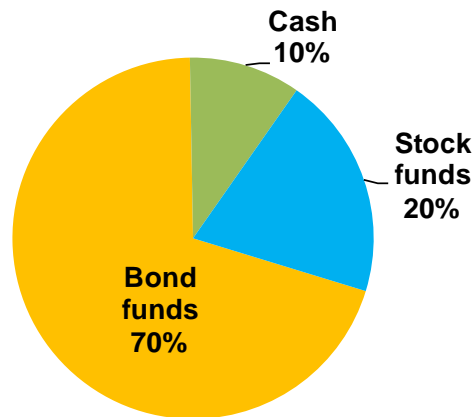
- Emotional temperament
- Current financial status
- Time horizon
- Prior investment experience

Time horizon

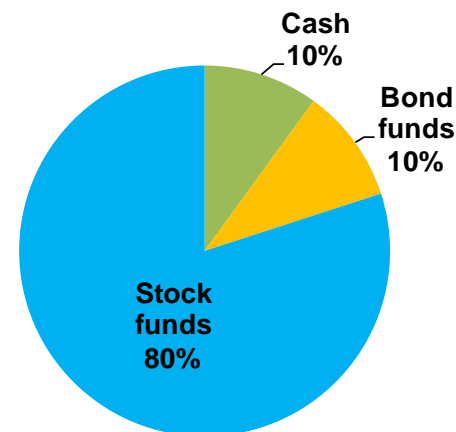
- How long before you retire?
- Short-term: capital preservation
- Long-term: capital appreciation

Asset allocation

Conservative



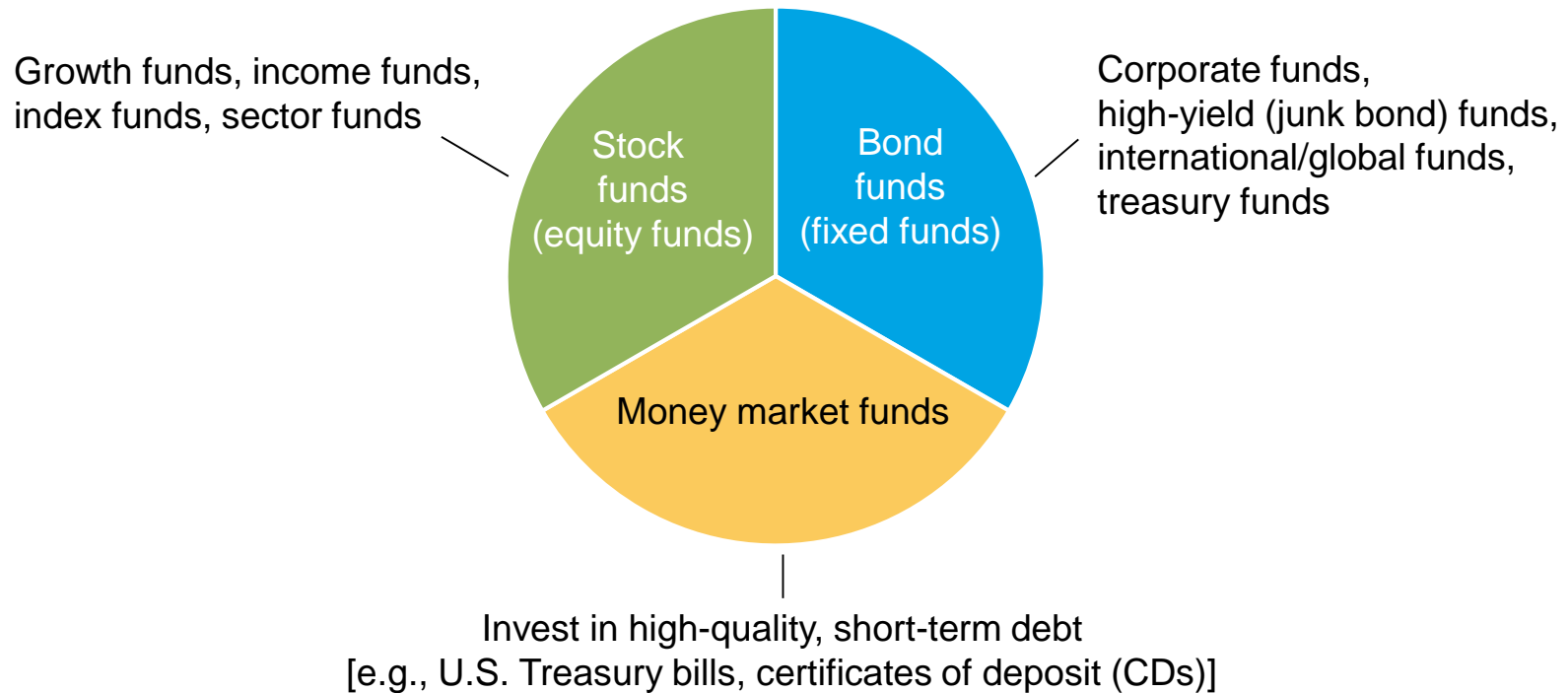
Aggressive



Higher potential returns generally involve greater risk and short-term volatility is not uncommon when investing in various types of funds, including but not limited to sector funds, emerging market funds and small- and mid-cap funds. Risks for emerging markets include, for instance, risks relating to the relatively smaller size and reduced liquidity of these markets, high inflation rates and adverse political developments. Risks for smaller companies include business risks, significant stock price fluctuations and reduced liquidity. Investing in higher yielding, lower rated bonds has a greater risk of price fluctuation and loss of principal and income than U.S. government securities such as U.S. Treasury bonds and bills. Treasuries are guaranteed by the government for repayment of principal and interest if held to maturity. Investors should carefully assess the risks associated with an investment in the fund. Government securities are guaranteed by the timely payment of principal and interest if held to maturity. Fund shares are not insured and are not backed by the U.S. government and their value and yield will vary with market conditions. Neither asset allocation nor diversification ensure a profit or protect against market loss.

Diversification

Mutual funds: Allow for asset allocation and diversification



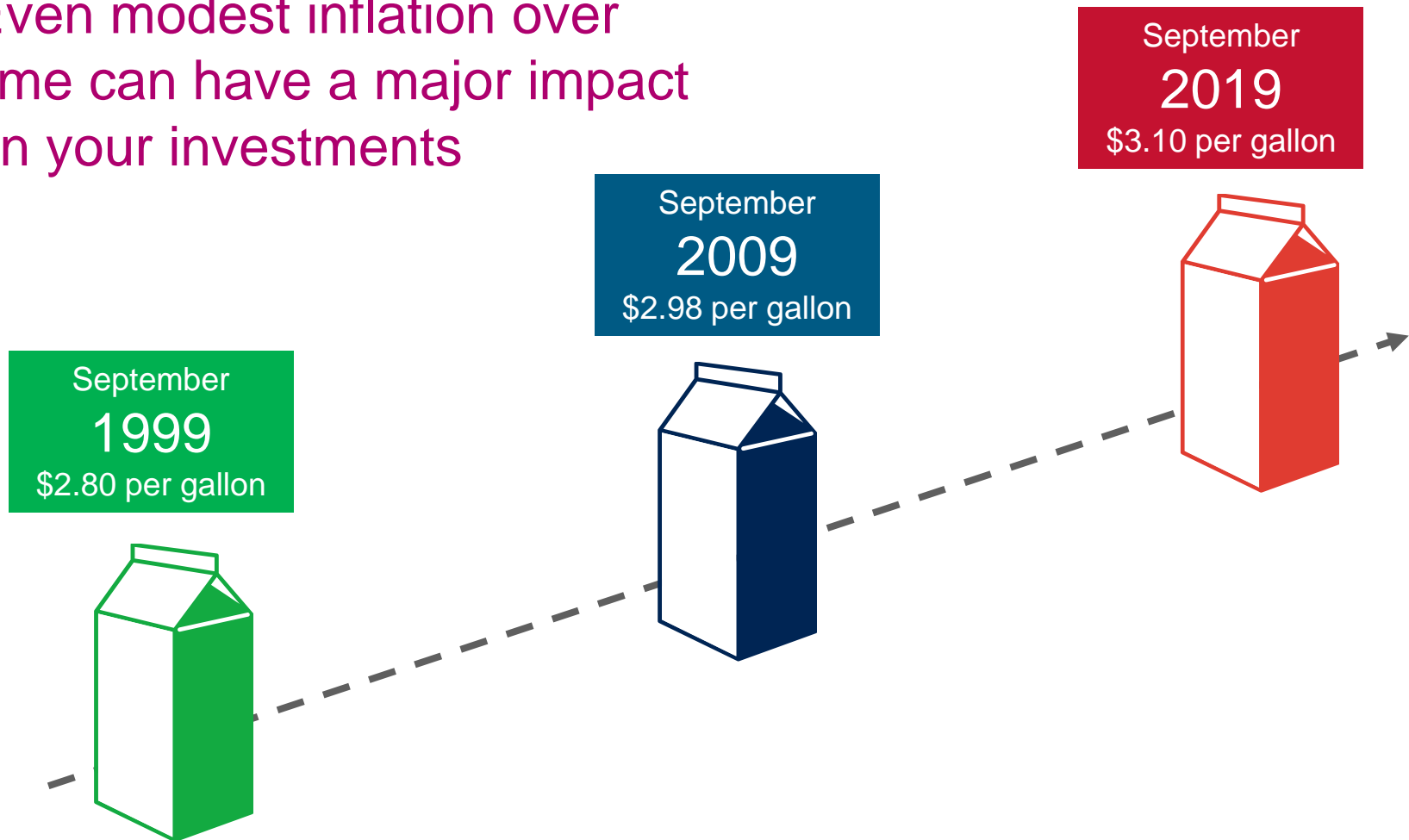
Annuities

An option to turn assets into income you'll never outlive



Guarantees are backed by the issuing insurance company's claims-paying ability

Even modest inflation over time can have a major impact on your investments



Managing the risk of inflation



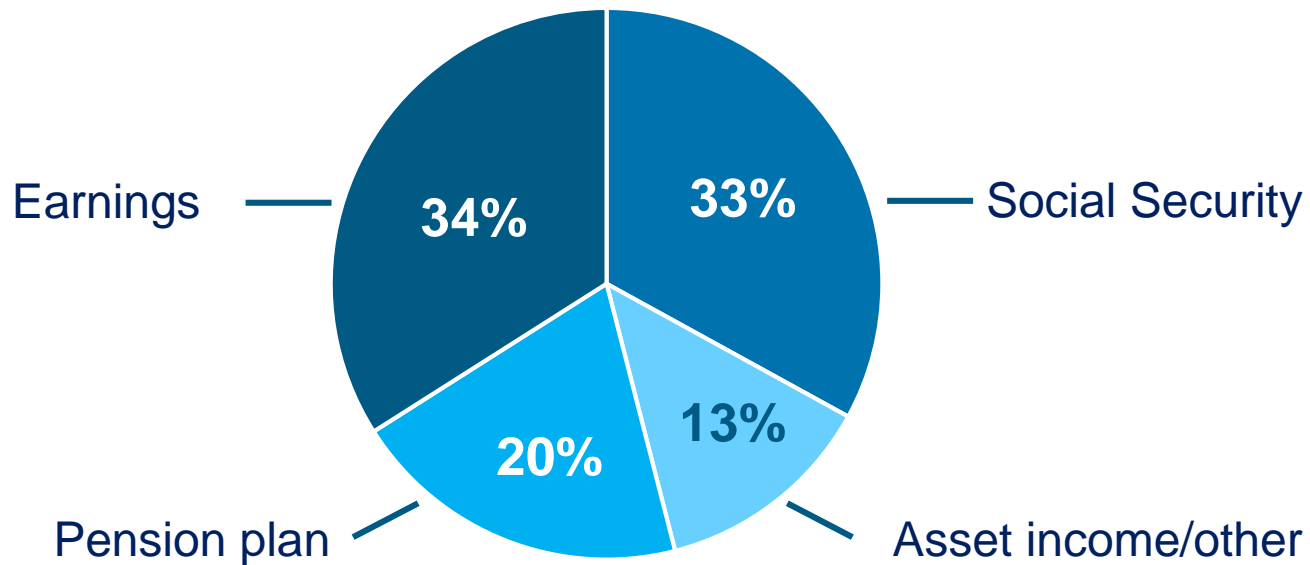
5. Withdrawal risk

Risk of drawing down your assets too aggressively to meet spending needs

Lump-sum withdrawals	Systematic withdrawals	Annuitization	Rollover
<ul style="list-style-type: none">20% immediate withholdingOrdinary income taxes10% federal early withdrawal tax penalty, if under age 59½*	<ul style="list-style-type: none">Payments at regular intervalsOrdinary income taxes10% federal early withdrawal tax penalty, if under age 59½*	<ul style="list-style-type: none">Periodic payments, irrevocableOrdinary income taxes10% federal early withdrawal tax penalty, if under age 59½*	<ul style="list-style-type: none">Direct:<ul style="list-style-type: none">No income taxes, penalties or 20% employer tax withholdingIndirect:<ul style="list-style-type: none">20% withholdingMust roll over cash, plus 20%, within 60 daysIf over 60 days, income taxes and 10% federal early withdrawal tax penalty apply (if under age 59½*)

*The 10% federal early withdrawal tax penalty does not apply to 457(b) plans.

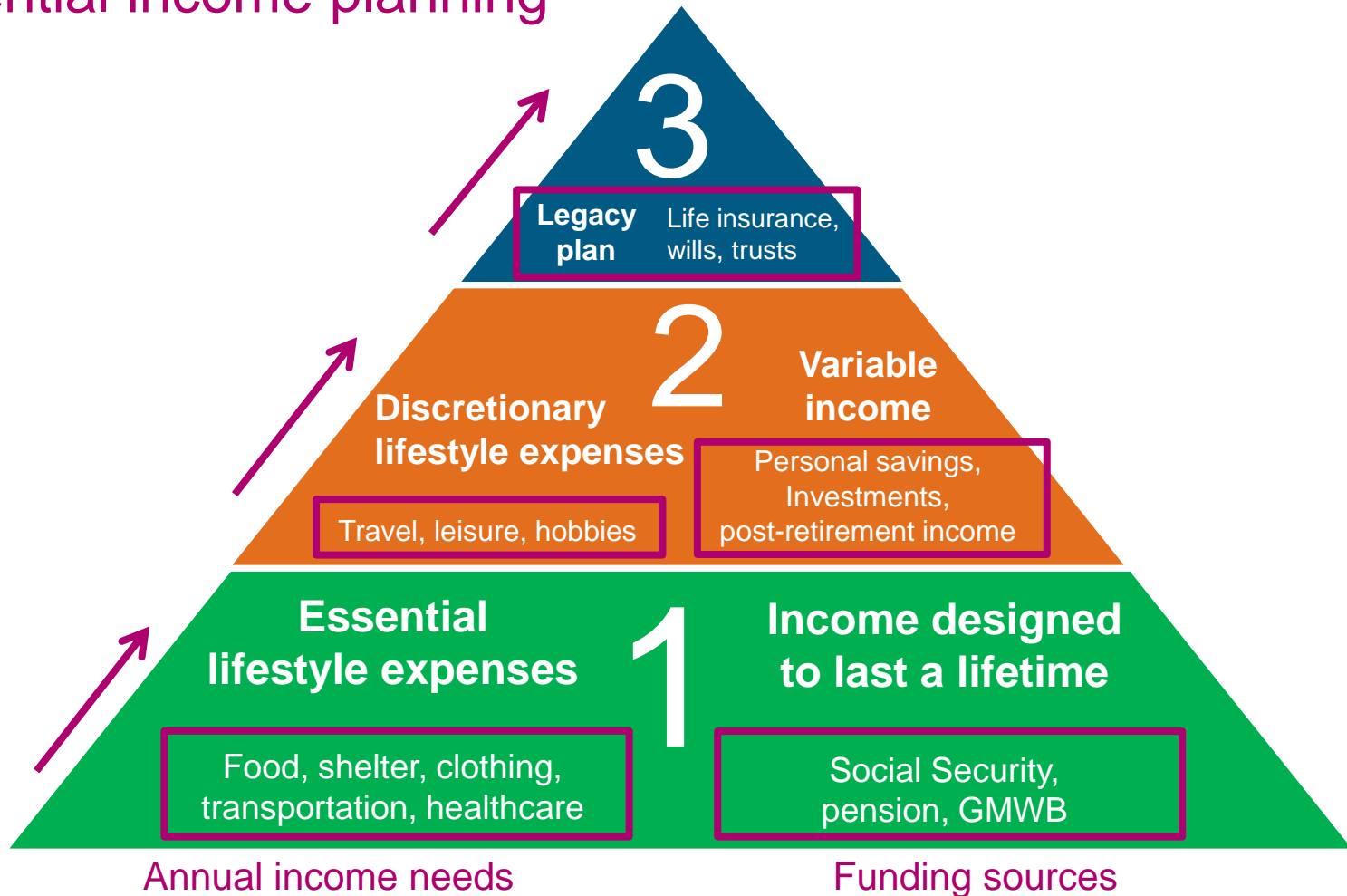
Sources of retirement income



Please note that this is just one scenario and the sources of retirement income will vary depending on your individual situation.

Source: Income of the Aged Population, Shares of Aggregate Income by Source, 1962 and 2015. Fast Facts and Figures About Social Security, 2017. SSA Publication No. 13-11785. Released September 2017.

Essential income planning



Consider your expectations for retirement

- Will you continue to work?
- How is your health?
- Is there a history/expectation of longevity?
- Do you have a plan that guarantees your essential income needs will be met?



Benefits of financial planning



Provides a big picture view of your current financial situation



Helps identify your financial goals and objectives



Allows you to understand the impact of your decisions



Helps your goals stay on track, if reviewed regularly

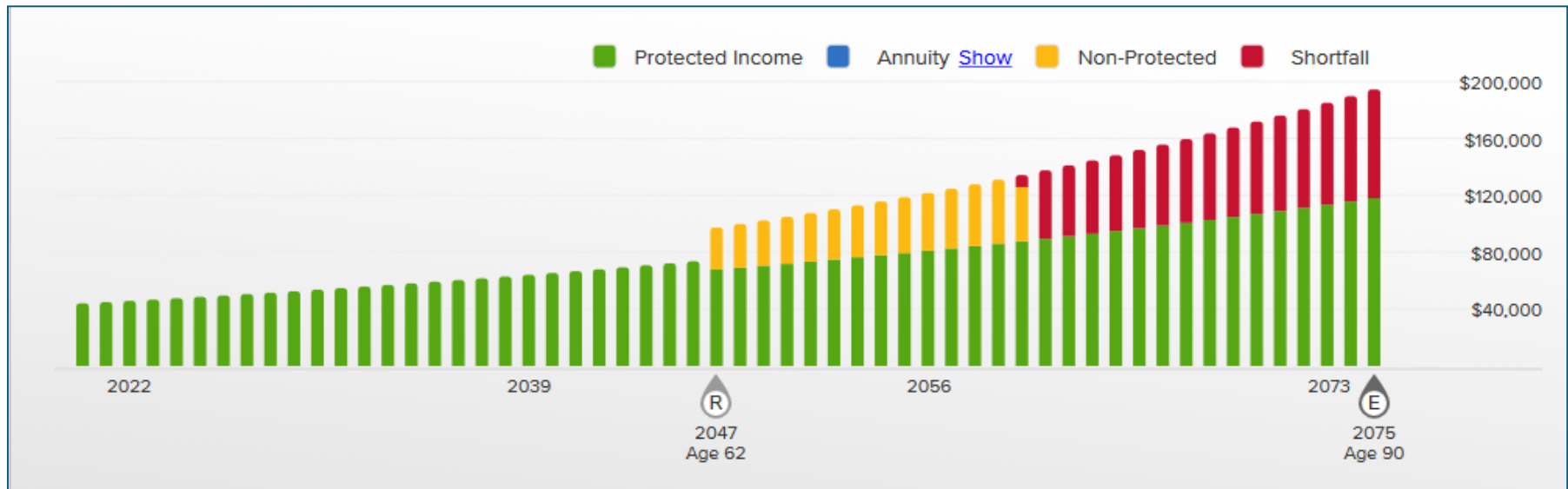


Offers you a course of action needed to achieve your financial goals

Retirement Pathfinder[®]

Get answers to your questions:

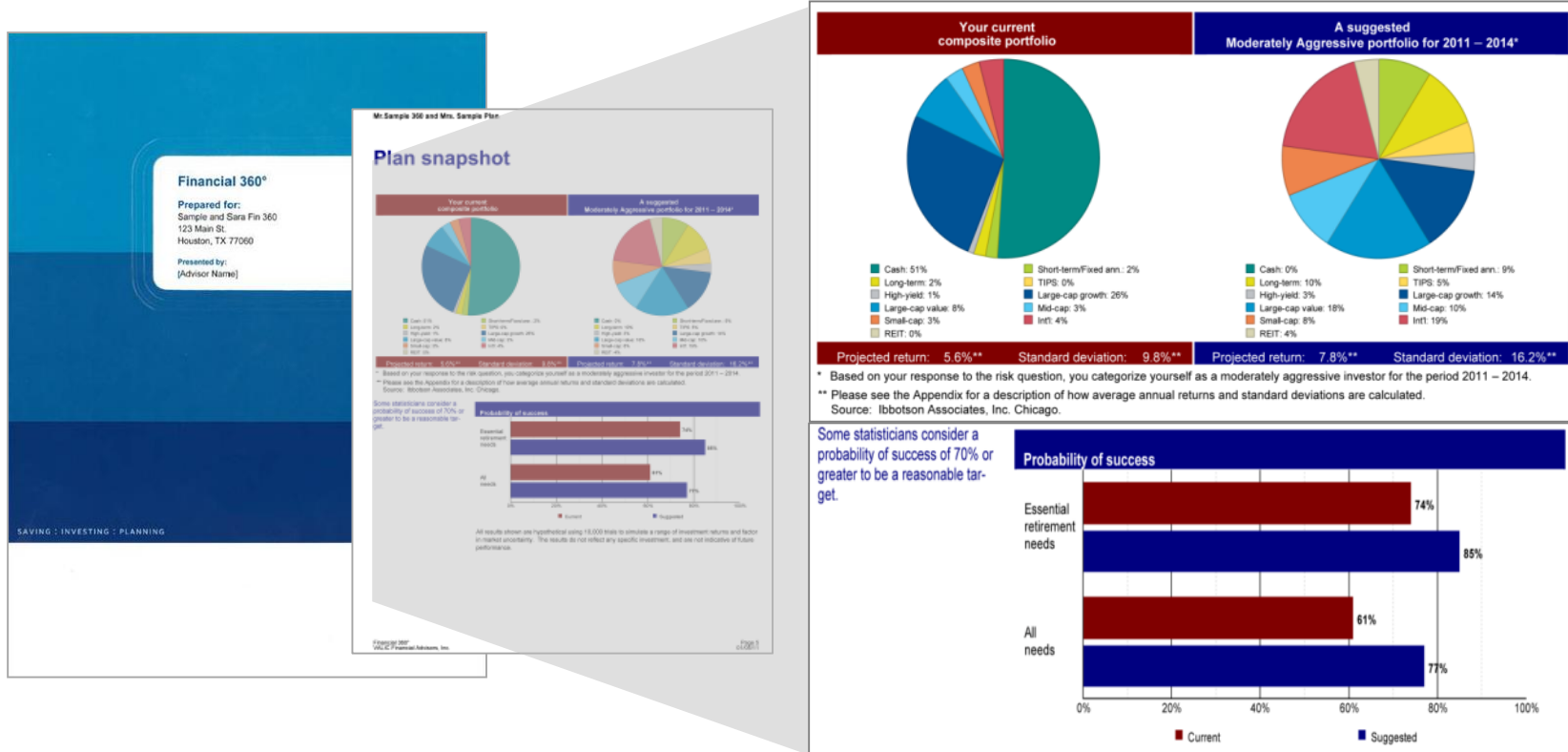
- Can I retire when I planned?
- How much monthly income will I need?
- Am I currently saving enough?
- Is it possible to guarantee my retirement income?
- Will I outlive my retirement savings?
- What happens if I die prematurely?



Retirement income strategies

Financial 360 Plan

Provides a customized analysis of your financial situation



Financial 360 Plan - retirement summary sample plan

Age Client/Spouse	Essential retirement needs	Non-essential needs	Social Security / pension / GMWB ¹	Retirement plan withdrawals	Non-retirement withdrawals	Taxes ²	Total income & withdrawals (minus taxes)	Surplus / shortfall	Retirement plan balances (excluding GMWB assets)	Non-retirement balances	
	Initial Savings Balances:			Retirement (excluding GMWB assets):			\$119,980				Non-retirement: \$50,000
65 / 64	\$60,734	\$10,746	\$67,162	\$0	\$16,850	\$12,531	\$71,481	\$0	\$268,936	\$48,681	
66 / 65	\$62,364	\$11,069	\$68,105	\$0	\$18,072	\$12,745	\$73,432	\$0	\$281,003	\$32,527	
67 / 66	\$64,047	\$11,401	\$69,066	\$0	\$19,347	\$12,965	\$75,448	\$0	\$293,612	\$14,461	
68 / 67	\$65,787	\$11,743	\$70,045	\$6,925	\$15,031	\$14,472	\$77,530	\$0	\$299,861	\$0	
69 / 68	\$67,584	\$12,095	\$71,044	\$27,020	\$0	\$18,384	\$79,680	\$0	\$286,295	\$0	
70 / 69	\$69,442	\$12,458	\$72,061	\$28,748	\$0	\$18,908	\$81,900	\$0	\$270,394	\$0	
71 / 70	\$71,362	\$12,832	\$73,099	\$30,546	\$0	\$19,451	\$84,194	\$0	\$251,980	\$0	

This table assumes a hypothetical 4.5% rate of growth on investments (based on the geometric mean rate of return of your current portfolio).

¹ Estimates of pension values are only an approximation of the future amount(s) you may receive, and many things can affect the accuracy of the estimate, such as pensionable earnings, interest rates and plan changes, among others.

² This report approximates taxes by applying the effective tax rate furnished by the client to payments that are received from tax-deferred accounts as well as to any other taxable income. The taxes column also includes estimated capital gains taxes on any equity nonretirement assets withdrawn. Taxes on the growth of non-retirement assets are not included in this column. Instead, the effect of taxes on the amounts shown in the *Non-retirement balances* column is estimated by using an after-tax rate of return to grow taxable investments.


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Evaluation




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Evaluation form

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Are you a current AIG Retirement Services client? Yes No

Would you like to schedule a complimentary consultation? Yes No

Name: _____

Day phone: _____ Evening phone: _____

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Please rate the overall workshop

Not very good 1 2 3 4 5 Excellent

1. What did you find of particular interest in today's presentation? _____

2. How could we improve this presentation? _____

3. What other topics would you like to learn more about? _____

4. Would any of your friends or associates benefit from this presentation?
 If so, may we invite them to a future presentation?




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Retirement income strategies

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Retirement Income Strategies



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