



ADDRESSING RETIREMENT RISK • MARKET RETURNS

The ups-and-downs of market returns are a concern for every client. One year of poor returns can reduce the long-term value of any retirement portfolio. It is important to assess retirement risks early and regularly to protect against an adverse downturn. Without sufficient risk management, one year of adverse returns can cause a great deal of insecurity in the long-term success of even the best-planned retirement portfolio.

CASE STUDY: A 65-year-old couple needs to withdraw an annual income of \$40,000 from their \$1 million nest egg. If, in the first year of retirement, the market falls 10, 20 or 30%, the portfolio has a great deal of ground to recover in producing their needed income and regaining principal. Clearly, having an adverse sequence of returns early in retirement could be the difference between financial success and failure.

Let's **assume** that, in the first year of retirement, the clients' portfolio **returned negative 10%** while they were taking distributions. The **portfolio would need to earn a net average return of 8.13% for the next five years** to return to the \$1 million principal balance in the account.

What if, instead of having a **negative 10% return** in year one, we have a **negative 30% return**? How does that affect the portfolio and the need for growth in subsequent years of retirement? In order to overcome the loss and get back to where it began, the portfolio will need to **gain a net average return 14.69% for the next five years** for the account value to reach the initial \$1,000,000.

These examples clearly illustrate that experiencing a market downturn while taking income early in retirement can substantially reduce assets. **By effectively allocating retirement resources and hedging against adverse market events, The R.I.S.K. Process™ is designed to provide stability and sustainability for your retirement nest egg.**

	INCOME NEEDED	INVESTMENT RETURNS	ACCOUNT VALUE	INVESTMENT RETURNS	ACCOUNT VALUE	INVESTMENT RETURNS	ACCOUNT VALUE
65	\$40,000.00	-10.00%	\$864,000.00	-20.00%	\$768,000.00	-30.00%	\$672,000.00
66	\$41,200.00	8.13%	\$889,660.55	11.13%	\$807,686.18	14.69%	\$723,465.82
67	\$42,436.00	8.13%	\$916,069.84	11.13%	\$850,415.52	14.69%	\$781,074.50
68	\$43,709.08	8.13%	\$943,248.60	11.13%	\$896,485.48	14.69%	\$845,685.92
69	\$45,020.35	8.13%	\$971,218.08	11.13%	\$946,225.40	14.69%	\$918,284.99
70	\$46,370.96	8.13%	\$1,000,000.00	11.13%	\$1,000,000.00	14.69%	\$1,000,000.00

