WOMEN ARE THE FUTURE OF FINANCIAL ADVICE

Women stand to receive the lions’ share of the estimated $3.2 trillion that will transfer to the next generation in the U.S. in the coming years. Already women are the CFO and primary financial decision-maker in a majority of U.S. households, and this massive transfer of wealth further puts women in the driver’s seat when it comes to financial power in the U.S. And yet, they struggle with financial wellness.

Prudential’s own research found that 57 percent of Americans who are not doing financially well and who feel hopeless and trapped are women. Not surprisingly, the research also shows just 45 percent of women are doing financially well and feel confident.

When we consider the dichotomy between women’s increasing financial responsibility and the lag in

Continued on page 2
Continued from page 1

Women's unique needs require a tailored strategy and approach. And financial firms are taking note of the demand and the need for holistic financial planning.

“We must understand the unique challenges facing women in order to take action toward greater gender parity and set women up for success,” said Ellevate Network CEO Kristy Wallace. “Only by understanding their needs can we, as an industry, ensure women have the right financial education and access to tools to succeed financially.”

THE PROBLEM

To provide the appropriate assistance, we first need an in-depth understanding of the unique challenges facing women today. These can be viewed through three lenses—retirement savings and income, time pressure/family focus and financial decision-making. Not only are women making less money than their male counterparts doing the same work, but they also still take on the majority of family caretaking responsibilities, leaving less time to work and to plan for retirement. And when it comes to financial decision-making, most women feel ill-prepared and want the right advice. Research shows women take a more thoughtful and analytical approach to financial decision-making than men.

Research shows women tend to take a more analytical approach to decision making and often do this by seeking input from others.

RETIREMENT RESOURCES

Women are the economic engines of more than half of U.S. households—yet, despite improving trends, women still lag in earnings, making roughly 80 cents for each dollar men make doing the same work. That impacts women’s ability to put money aside for retirement and leaves them at great risk of outliving their hard-won savings. Prudential research found women have saved an average of $115,000 for retirement compared with $203,000 for men, and nearly half (46 percent) of women said they have no retirement savings. A separate Prudential Retirement study found 25 percent of women indicated that they don’t think they’ll ever be able to retire, compared to 14 percent of men.

Making matters worse, women carry a disproportionate amount of debt compared with men. A quarter of women in Prudential’s research reported having student loan debt with an average balance of $7,860. Just 18 percent of men carried student loan debt, but their average balance was nearly half that of women at $4,126. Additionally, 55 percent of women surveyed reported having other types of non-mortgage debt with an average balance of $7,793 compared with 49 percent of men who reported an average balance of $7,080.

Lower earnings also means reduced income in retirement from both savings and Social Security. And the fact that women outlive men on average means women need that income to cover an even longer period of time. Additionally, 80 percent of men die married, but 80 percent of women die single, according to the Women’s Institute for a Secure Retirement. Combine that with the fact that by age 85, women outnumber men 2-to-1, and it becomes clear—women need to be even more prepared to manage their finances in retirement.

TIME CRUNCH

The pressure women face in preparing for retirement isn’t just about income and retirement savings. Time is also a critical factor. In addition to being the primary breadwinner in more than half of households, U.S. women spend on average 28 hours per week on unpaid work, 65 percent more than the average for men.

Parenting is also a significant factor. Maternity leave takes a time-consuming and financial toll on women. Prudential data has also found women employed outside the home still spend more than twice as much time as men caring for children.

While parenting duties have always disproportionately affected women’s time, other caretaking responsibilities are having the same effect or compounding this time. About one in six workers is caretaker to an aging or disabled family member, relative or friend. Two thirds of these caretakers are women.

When we consider that just a third of women have a clear set of retirement goals and contrast that with the fact that nearly half of women agree retirement is important, but that they just haven’t found the time to give it the attention it deserves, the reality of the time crunch on women is made starkly clear.

DIFFERENT DECISION-MAKING

Women’s approach to financial decision-making is fundamentally different than that of men. On average, women are more worried about their financial future than men.
and are more concerned about the potential impacts of risks in retirement on their financial security, according to LIMRA. Women see themselves as being less on track to meet their financial goals than men—and perhaps because of this, are likely to seek out more input to inform their decisions.

Research shows women tend to take a more analytical approach to decision making and often do this by seeking input from others. In addition to consulting family and friends, LIMRA has found almost half of women are not comfortable planning for retirement without the assistance of a financial professional.

When it comes to investing, women’s shortage of time, combined with their desire for more information in decision-making, may yield procrastination, lower engagement and reduced confidence. Prudential research found just 20 percent of women felt very well prepared to make wise financial decisions.

Understanding women’s general financial picture, it’s critical for us as financial professionals to communicate with them. It’s no different than with any other client. Ask the right questions—what is your current situation? What are your future goals? What are your needs and pain points? Even among women, needs can vary greatly.

THE SOLUTION

So how do we, as an industry, help women? By truly understanding their needs as outlined above, while also acknowledging each individual has their own unique challenges. Truly getting to know our clients and what keeps them up at night is the key to helping them achieve their financial goals. Millennial women just building their earning potential, for example, have a much different need than Baby Boomers on the cusp of retirement. Similarly, a couple has different needs than those who are single or divorced. Pairing an understanding of broad challenges with individual needs enables a holistic approach to financial planning that supports clients in achieving life goals, not just financial milestones.

“What I focus on with my female clients is how to care for what is important to them,” says ShirleyAnn Robertson, a Schaumburg, Ill.-based financial professional. “We find out what their priorities are in life—whether it’s caring and providing for an aging parent, making sure their kids can afford college, or securing their ability to retire to a beach house—and tailor the financial plan to achieve that goal.”

But we have our challenges. Consider, more than half of women don’t work with a financial advisor, either because they can’t afford it, or they don’t have adequate resources to warrant an advisor’s help. Still, they recognize the importance of professional financial guidance—and many are ready to make a long-term commitment. In fact, two-thirds of women would like to work with their advisors for the rest of their lives. That’s where it’s on us to be proactive, communicate with women, educate them and help them to understand the long-term benefits of proper financial planning.

“What can happen in our industry is management of the money becomes the main focus, rather than what proper financial planning enables the client to do—and that’s not unique to women, but it is essential in working with them.” Robertson said.

In this way, we can help women enjoy the retirement they’ve earned.
INCOME PLANNING CONVERSATIONS: HELPING CLIENTS UNDERSTAND OPTIONS TO PRESERVE THEIR SAVINGS LONGER

By John Kennedy
*Head of Retirement Solutions Distribution*
*Lincoln Financial Distributors*

As a financial advisor, you have helped your clients to accumulate assets over time with strategies tailored to their individual needs and risk preferences. But planning for retirement income and determining how to make those assets last is a critical next step and a conversation that must be had.

Letting clients know about the risks they face in retirement, including the fact that they may run out of money, is one of the most difficult conversations you can have. This discussion triggers a sudden wave of questions, such as “How can I get back on track?” and “Can I still afford to maintain my lifestyle?” As an advisor whose primary concern is the wellbeing of your client, how do you prevent this conversation from turning into a reality?

Providing information on the risks they face, and the solutions that may help them overcome challenges and potentially maximize the retirement income taken from tax-deferred accounts, is an important and critical step to building trust with your clients.

Here are three steps to take to help get income planning conversations going in the right direction:

1. **DON’T DISCOUNT THE VALUE OF FACE-TO-FACE MEETINGS**
   Technology has brought practice management in entirely new directions, but when it comes to client meetings, research shows that nearly three-quarters of pre-retirees want a face to face conversation about retirement. And combined with 54% who are worried about managing their money once they are no longer receiving a salary, the time is now to meet with your clients and have these important conversations. Make a point of scheduling in-person meetings with your clients who are getting closer to retirement.

2. **MAKE RMDS PART OF THE CONVERSATION**
   A funny thing can happen to clients as they’re about to turn 70. Certain realities set in, especially when they’re faced with required minimum distributions (RMDs) that can trigger renewed fears about running out of money. Lincoln’s research shows that 55% of those who plan to retire within the next five years are worried about running out of their savings after they retire. This is an opportune time to discuss clients’ qualified investing strategies, to help maximize the retirement income taken from tax-deferred accounts. Solutions in the marketplace are available to help clients maximize income from their IRAs.

3. **DISCUSS OPTIONS FOR LONG-TERM GROWTH AND PROTECTION**
   Unlike the past, today’s retirements may last longer than 30 years. In fact, a 65-year-old couple has a nearly 1 in 2 chance that one of them will live to age 95. Without a clear plan to help make their money last, your clients may be fearful about outliving their income.
In some cases, this fear can lead them to underspend and miss the chance to truly enjoy the most active years of their retirement. They may not realize that some income solutions offer options for higher income earlier in retirement years, to help clients close the gap between what they’ve saved and where they want to be.

You can help ease fears and help your clients feel more confident with a retirement income plan that addresses their concerns. For some clients, adding a source of protected monthly income that won’t run out can help increase their confidence—both about making their savings last and spending comfortably today. Help them to create a plan that can keep their savings growing while adding a protected stream of monthly income for life.

As an advisor, you are in the unique position to transform your clients’ moments of concern into moments of greater certainty through conversations about the positive impact protected lifetime income can have on their portfolios and their retirement.

About the author:
John Kennedy is Head of Retirement Solutions Distribution for Lincoln Financial Distributors, Inc. (LFD). The wholesale distribution organization for Lincoln Financial Group, LFD provides expertise and access to a range of solutions that help advisors protect wealth and deliver outcomes for their clients.

Kennedy is responsible for overseeing growth strategies for the distribution of Lincoln's annuities and intermediary 401(k) businesses. Lincoln’s diverse portfolio of annuity solutions are distributed by nearly 45,000 advisors to over one million policy holders. Kennedy also oversees relationship management, strengthening firm-to-firm partnerships and reinforcing successful wholesaler partnerships with individual producers.

IRI FAST FACTS

BABY BOOMER CONFIDENCE IN RETIREMENT SAVINGS LASTING UNTIL AGE MILESTONES

OWN ANNUITIES

<table>
<thead>
<tr>
<th>AGE</th>
<th>OWN ANNUITIES</th>
<th>DO NOT OWN ANNUITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>75</td>
<td>85%</td>
<td>46%</td>
</tr>
<tr>
<td>80</td>
<td>78%</td>
<td>37%</td>
</tr>
<tr>
<td>85</td>
<td>65%</td>
<td>29%</td>
</tr>
<tr>
<td>90</td>
<td>54%</td>
<td>21%</td>
</tr>
<tr>
<td>95</td>
<td>45%</td>
<td>18%</td>
</tr>
</tbody>
</table>

Percentage of Baby Boomers

Source: "Boomer Expectations for Retirement 2019" (IRI, Publishing April 2019)
Aligning people’s expectations with their needs is an important step of income planning that many of today’s retirees missed. A recent study commissioned by Global Atlantic Financial Group reveals how preconceived notions of retirement don’t always align with reality. However, the data highlights fewer regrets among annuity owners, revealing an opportunity for us as an industry to do a better job of educating clients and helping them close the gap between what they expect and what their plans will provide.

Global Atlantic’s Retirement Spending Study found that nearly 40% of U.S. retirees are spending more than they expected. For context, the typical non-retired U.S. consumer over the age of 40 spends an average of roughly $3,000 a month, yet the typical retiree spends slightly more than $2,000, 32% less. In addition to lowering their discretionary spending, such as entertainment, travel and dining, retirees are spending less on housing, reflecting the likelihood of downsizing.

These cutbacks, though, may not always be by choice. More than half of retirees – 55% – have retirement planning financial regrets. The top three financial regrets are:

![Chart with data]

Not saving enough: 36%
Relying too much on Social Security: 20%
Not paying down debt before retiring: 12%

However, the picture changes for those with an annuity. This subset spends $2,545 a month – 37% more than the average retiree who doesn’t own an annuity. It’s probably no coincidence that the most common areas where these retirees are spending more are the same areas where the typical retiree has made cutbacks – discretionary activities and housing.

As pensions gradually disappear, personal savings are often insufficient and uncertainty around Social Security grows.
Regardless of relationship status, individuals who are saving for retirement would benefit from working closely with financial advisors to assess their retirement income needs and consider different strategies for generating income.

Variable annuities are sold by prospectus. The prospectus contains investment objectives, risks, fees, charges, expenses, and other information regarding the variable annuity contract and the underlying investments, which should be considered carefully before investing money. You can obtain a prospectus from your financial advisor or by visiting www.globalatlantic.com.

Annuities are issued by Forethought Life Insurance Company, 10 West Market Street, Suite 2300, Indianapolis, Indiana. Variable annuities are underwritten and distributed by Global Atlantic Distributors, LLC.

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SEQUENCE OF RETURNS: DON’T ROLL THE DICE WITH RETIREMENT

EXECUTIVE SUMMARY.
Retirees who saved a good portion of their earnings during their working years, accumulated a sizeable nest egg, and allocated their assets in a way that matched their risk profile and supported their future spending needs should feel confident about their ability to enjoy a long, happy retirement... Or should they?

Market volatility early in retirement can be frightening for new retirees, particularly since significant losses early on have the potential to derail a recently constructed plan for retirement. This is known as sequence of returns risk. Our analysis of this important risk faced by retirees uncovered the following key takeaways:

1. The order in which returns occur is very important, because withdrawing from a portfolio after poor market returns results in any possible future gains accruing off a smaller base. The transition from being a net saver during one’s working years to a net spender in retirement exacerbates this risk.

2. Simply investing in traditional assets and ignoring sequence of returns risk results in luck playing a large role in retirement outcomes.

3. Reducing equity allocations in retirement portfolios does not necessarily decrease the risk of running out of money in retirement, and can lead to early portfolio depletion.

4. Income annuities help mitigate sequence of returns risk because they are uncorrelated with capital markets and help reduce the withdrawal strain on retirement portfolios.

5. Our findings show that allocating 20% of a retirement portfolio to an income annuity improves portfolio longevity in many cases, based on historical results.

THE ORDER OF RETURNS MATTERS IN RETIREMENT.
The average annualized equity market returns earned during retirement are critical to the overall success of a retirement plan. However, our research shows that the order in which these returns occur is also important. Generally speaking, strong equity market returns in the first decade of retirement (a good sequence of returns) tend to increase overall portfolio longevity, while poor returns in the beginning of retirement (a bad sequence of returns) can often lead to early depletion, even with the same average returns across the entire retirement period.

Sequence of returns risk is most pronounced at the onset of retirement, which is when individuals typically begin drawing down their assets to support spending needs. Figure 1 illustrates how important the sequence of returns becomes when spending is brought into the picture. While ending portfolio balances are unchanged in the scenario with no spending, spending from a portfolio with a poor sequence of returns resulted in a 13% lower ending portfolio balance versus a portfolio with a good sequence of returns and the same spending in this simplified example.

This shows how withdrawing from a portfolio after poor market returns will most likely result in future gains accruing off a smaller base, thus limiting the impact that good returns could eventually have on the portfolio.

Sequence of returns risk is less of an issue during one’s working years because income earned typically meets or exceeds one’s expenses and pre-retirees have the ability to save more or work longer in order to accumulate more assets. In retirement, the opposite is true—expenses typically exceed income, and many retirees have limited options for increasing their nest egg if market losses occur. While returns may average out in the long run (e.g., over a 30-year retirement period), poor returns early in retirement may deplete a retirement portfolio before the positive returns occur.
Figure 1: Withdrawing from a portfolio to fund retirement expenses increases sequence of returns risk.

<table>
<thead>
<tr>
<th>Without spending</th>
<th>With spending</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Beginning balance</strong></td>
<td>100</td>
</tr>
<tr>
<td><strong>Spending</strong></td>
<td>0</td>
</tr>
<tr>
<td><strong>Returns</strong></td>
<td>20%</td>
</tr>
<tr>
<td><strong>Ending balance</strong></td>
<td>120</td>
</tr>
<tr>
<td><strong>Good sequence of returns</strong></td>
<td></td>
</tr>
<tr>
<td>Year 1</td>
<td>120</td>
</tr>
<tr>
<td>Year 2</td>
<td>144</td>
</tr>
<tr>
<td>Year 3</td>
<td>173</td>
</tr>
<tr>
<td>Year 4</td>
<td>0</td>
</tr>
<tr>
<td>Year 5</td>
<td>0</td>
</tr>
<tr>
<td>Average returns</td>
<td>12%</td>
</tr>
</tbody>
</table>

Change in Ending Balance w/ poor sequence of returns: 0%

REAL LIFE EXAMPLE: WHAT A DIFFERENCE A YEAR MAKES.

Individuals may have some control over when they retire; however, no one can control market volatility. **Approaching retirement without a well-defined plan for mitigating sequence of returns risk is a case of hoping for the best and preparing for the best.** The purpose of planning is to eliminate the need for luck and increase the odds of enjoying a long and happy retirement.

To illustrate the importance of the sequence of returns in retirement and the effect luck can have on outcomes, let's look at a hypothetical example of a 60-year-old pre-retiree, Michael, with a $1 million portfolio in the year 1970. He does not know exactly when he wants to retire, but he knows it will be in the next four or five years. While deciding whether to retire at age 64 or 65 may seem like a relatively insignificant decision in the greater scheme of things, history shows that one year can make a big difference, particularly when retiring during a period of market volatility.

Figure 2 shows that if Michael were to retire at the beginning of 1974, he would have a portfolio balance of $1.3 million at retirement. Assuming a 50/50 equity and fixed-income allocation, which is rebalanced each year, and an initial 4% withdrawal rate, the portfolio would be depleted after 19 years and would support $2.2 million of total spending. If he waited one additional year and retired in 1975, the starting portfolio balance at retirement would fall to $1.1 million, due to a drop in the equity market in 1974. But the portfolio would last the full 30-year retirement period and support $3.6 million of total spending. This example shows that by delaying retirement just one year, his portfolio lasted more than a decade longer and supported 62% higher total retirement spending. In addition, retiring in 1975 would have allowed him to leave more than $1 million, or 94% of his beginning portfolio balance, to his heirs. **This shows the role luck can play in retirement, since two time periods with nearly identical average annual returns and inflation can have very different outcomes based on the order in which the returns occur.**

There are two primary reasons for the early portfolio depletion in the 1974 retirement scenario: (1) the equity market declined more than 26% in 1974, the first year of retirement; and (2) market losses occurred three times in the first eight years of retirement (1974, 1977, and 1981). The combination of a big loss in Year 1 coupled with a volatile first decade of retirement is a one-two punch that is difficult
for retirees invested solely in traditional assets to overcome without a significant reduction in spending.

The equity market decline experienced in 1974 had minimal impact on the 1975 retirement scenario because delaying retirement one year allowed Michael to avoid withdrawing from his portfolio at the bottom of the market. In fact, rebalancing would have actually led to him buying more equities at the bottom of the market, plus he had one more year's worth of income and savings to help offset the unrealized portfolio losses from 1974.

**LOWER EQUITY EXPOSURE INCREASES THE RISK OF EARLY PORTFOLIO DEPLETION**

To many individuals at or near retirement, the simple solution to mitigating sequence of returns risk would appear to be to reduce, or even eliminate, equity holdings in portfolios. However, doing so compromises the upside potential that equities can provide and may lead to quicker depletion of the portfolios. Figure 3 provides an example of how various equity allocations can affect portfolio longevity in various scenarios. To illustrate this, we used our earlier example of Michael retiring in 1974 with a 50/50 equity and fixed-income allocation. Results showed that he was negatively impacted by a poor sequence of returns and subsequently depleted his portfolio after 19 years.

Our findings show that increasing the fixed-income allocation would have actually shortened portfolio longevity even further, while increasing equity exposure would have improved the longevity of the portfolio. Allocating 100% of a portfolio to fixed-income assets would have led to portfolio depletion after only 16 years, while a 100% allocation to equities would have lasted 20 years, a 25% improvement. The primary issue with being heavily allocated to fixed-income investments is that retirees are forced to spend at a rate that is lower than the yield they receive from their fixed-income portfolios, or they run the risk of depleting their assets prematurely. This is particularly relevant given the current interest rate environment, where yields on fixed-income investments are low. Portfolios with higher allocations to equities have typically outperformed, because downside volatility in the U.S. equity markets has historically been relatively short-lived.

This certainly does not mean that all investors should assume additional investment risk when approaching retirement or that higher equity allocations always translate to successful outcomes. Nor can we guarantee that equity markets will perform in the future as they have in the past. **However, the example shows that simply adjusting the traditional asset allocation**
of one’s portfolio and rebalancing each year may not be enough to fully offset sequence of returns risk and ensure that one’s portfolio has the potential to sufficiently fund all retirement expenses. An alternative approach is to include both traditional and insured assets in retirement portfolios. Doing so increases guaranteed retirement income, which can help to reduce overall volatility. It also decreases net withdrawals from the portfolio and helps mitigate sequence of returns risk.

INCOME ANNUITIES EFFECTIVELY REDUCE SEQUENCE OF RETURNS RISK.

There are two characteristics of income annuities that make them a valuable hedge against sequence of returns risk: (1) they provide a guaranteed source of lifetime income that is uncorrelated with the capital markets, meaning equity market volatility or interest rate movements will not affect the amount of income received in any given year after the policy is issued; and (2) annuity income, which is typically higher than other fixed-income assets of similar credit quality, lowers the net withdrawals that need to be taken from a portfolio to fund retirement expenses. This is particularly helpful in scenarios where the market performs poorly early in retirement, as it reduces, or eliminates, “selling at the bottom.”

To assess the impact that owning an income annuity can have on retirement outcomes, New York Life’s internal study analyzed every rolling 30-year time period since 1871, a total of 115 periods. This analysis used historical returns experienced during each period and tested several different combinations of asset allocations (equity and traditional fixed-income assets), withdrawal rates, and inflation levels to identify the periods in which retirees would have run out of money before the 30-year period ended. We then took the scenarios that failed (i.e., the portfolio depleted in 29 years or fewer) and reran the analysis to include various allocations to both traditional assets and an income annuity (5% to 25% of the portfolio) to determine the optimal asset allocation for each period. The annuity used in this analysis was based on payouts from New York Life’s Guaranteed Lifetime Income Annuity II (GLIA), which is a single-premium immediate annuity.

It is worth mentioning that we may be understating the value of GLIA in this analysis given that we are using historical capital market returns and inflation (which were from periods of higher interest rates) and current annuity payouts, which are lower than historical averages due to the low interest rate environment we are in.

In our base example, we used a 40/60 equity and fixed income allocation, a 4% withdrawal rate, 1% inflation and 1% investment management fees. Of the 115 time periods tested, portfolio depletion occurred prior to the end of the 30-year period 28 times (a 24% failure rate). After then testing multiple allocations to both traditional assets and GLIA, we found that allocating anywhere from 5% to 25% of a starting portfolio to an income annuity would have reduced the number of failures to eight (a 7% failure rate). In addition, the severity of the eight remaining failures would have dropped from an average shortfall of seven years with only traditional assets to four years with a GLIA, a 40% reduction. Finally, we found that allocations to a GLIA extended the portfolio longevity by at least one year for all 28 failed periods in this scenario, with an

Our findings show that the optimal asset allocation across all scenarios in this situation was generally 60% equity, 20% fixed income, and 20% GLIA.

Continued on page 11
average increase of eight years, not to mention that the annuity continued to provide income after the rest of the portfolio was depleted.

Our findings show that the optimal asset allocation across all scenarios in this situation was generally 60% equity, 20% fixed income, and 20% GLIA. Figure 4 shows that our findings hold true across various asset allocations, withdrawal rates, and inflation levels. In our view, a key takeaway here is that, holding all else equal, retirees can improve outcomes by modestly increasing allocations to income annuities and equities, while reducing allocations to traditional fixed-income assets.

**CONCLUSION.**

Without proper planning, the sequence of returns early in retirement can have a significant impact on retirement outcomes. While average annual returns earned over one’s entire retirement period are critical to successful outcomes, our findings show that returns early in retirement can be just as important. Simply reducing equity exposure is an insufficient strategy, because doing so reduces the upside potential of a portfolio, and fixed-income-heavy portfolios typically support lower spending levels and have a higher probability of depleting prematurely.

Adding income annuities to a retirement portfolio is an efficient way to hedge sequence of returns risk because income annuities are uncorrelated with capital markets and reduce the net withdrawals from a portfolio. This helps lessen the likelihood of “selling at the bottom” and allows retirees to keep some of their money invested in the market and take advantage of any possible future gains. Having additional sources of guaranteed lifetime income also reduces the role luck plays in retirement outcomes. New York Life’s analysis of every rolling 30-year time period since 1871 shows that allocating roughly 20% of a retirement portfolio to an income annuity improves retirement outcomes and increases portfolio longevity in many scenarios. Of course, we can’t guarantee that equity markets will behave in the future as they have in the past.

**DISCLOSURES.**

1. To compare the hypothetical outcomes for this individual if he were to retire in 1974 vs. 1975, we included the actual equity and fixed-income returns experienced prior to retirement (1970–1975), as well as actual returns in the rolling 30-year time periods of 1974–2003 and 1975–2004 (our defined retirement periods). Our analysis assumed $10,000 of annual pre-retirement savings. We also included annual investment management fees of 1.5% and taxed all portfolio withdrawals at a 28% marginal tax rate. The initial withdrawal amount was adjusted each year based on actual inflation during that year.

2. Historical returns were obtained from economist Robert Shiller’s online data set of S&P 500 returns (www.econ.yale.edu/~shiller.data.htm).

3. New York Life’s Guaranteed Lifetime Income Annuity II (GLIA) is a single-premium immediate annuity. Life Only payouts were used for this analysis with payout rates as of 3/23/17. Future payout rates may be different, and the rate difference can affect the analysis.

4. New York Life’s analysis also considered taxes. Portfolio withdrawals were taxed at a 28% marginal rate in all scenarios.

This material is general in nature and is being provided for informational purposes only. It was not prepared, and is not intended, to address the needs, circumstances, and/or objectives of any specific individual or group of individuals.

All examples shown regarding the likelihood of various equity portfolios and fixed-annuities projections and possible outcomes, are hypothetical and are not intended to represent the actual performance of any specific investment product or strategy. There is no assurance that any specific investment, annuity product, or strategy will be successful. New York Life and its affiliates are not making a recommendation to purchase any specific products. For advice regarding your personal circumstances, you should consult with your own independent financial and tax advisors.

Annuity products are issued by New York Life Insurance and Annuity Corporation, a wholly owned subsidiary of New York Life Insurance Company, 51 Madison Avenue, New York, NY 10010. All guarantees are dependent on the claimspaying ability of New York Life Insurance and Annuity Corporation (NYLIC). Available in jurisdictions where approved.

The policy form number for New York Life’s Guaranteed Lifetime Income Annuity II is ICC11-P103 (it may be 211-P103). State variations may apply.
He gave her everything, except the burden of worrying about him.

You plan for what matters most to your clients. However an unplanned event can derail even the best of plans.

A long-term care event impacts not only the individual but the entire family. Advisors have an opportunity to help clients and their families be proactive by putting a care plan in place which can lead to more satisfied and loyal clients down the road.

At Lincoln Financial, we pioneered the hybrid policy that provides long-term care benefits should your clients need them, and life insurance if they don’t.

The Social Security Administration, the Internal Revenue Service (IRS), and other government agencies recently announced changes and other key retirement planning figures that will impact retirees and retirement savers in 2019.

**SOCIAL SECURITY**

- **2.8%**
  Cost of living adjustment (COLA) for Social Security benefits.

- **$1,461**
  Estimated average Social Security monthly benefit for a retired worker payable in January, 2019, up from $1,422 in 2018.

- **$2,861**

**MEDICARE**

- **$3,820**
  Medicare Part D initial coverage limit (standard benefit plan).

- **$185**
  Medicare Part B annual deductible. After the annual deductible, enrollees typically pay 20% of the Medicare-approved amount for most doctor services (including most doctor services while a hospital inpatient), outpatient therapy, and durable medical equipment.

- **$5,100**

- **$133.60**
  Minimum Medicare Part B premium for current enrollees paying premiums through deduction from Social Security, up about 2.8% from 2018 due to the "hold harmless" provision of Social Security. New enrollees, enrollees not receiving Social Security benefits and/or whose Medicare premiums are paid by Medicaid, and enrollees with individual income above $85,000 or joint income above $170,000 will pay increased premiums. See the table below for more information.

**MEDICARE PART B PREMIUMS 2019**

| Modified Adjusted Gross Income (MAGI) in 2017 | | |
|---------------------------------------------|---------------------------------------------|---------------------------------------------|---------------------------------------------|
| Filing individually | Filing jointly | Married, filing separately | 2018 Medicare Part B Premium |
| $85,000 or less | $170,000 or less | $85,000 or less | $133,60\(^1\)/$135,50\(^2\) |
| Greater than $85,000 up to $107,000 | Greater than $170,000 up to $214,000 | N/A | $189.60 |
| Greater than $107,000 up to $133,500 | Greater than $214,000 up to $267,000 | N/A | $267.90 |
| Greater than $133,500 up to $160,000 | Greater than $267,000 up to $320,000 | N/A | $352.90 |
| Greater than $160,000 and less than $500,000 | Greater than $320,000 and less than $750,000 | Greater than $85,000 and less than $415,000 | $433.40 |
| $500,000 or more | $750,000 or more | $415,000 or more | $460.50 |

\(^1\) Standard premium for current enrollees receiving Social Security benefits.

\(^2\) Standard premium for those enrolling for the first time in 2019 and those not receiving Social Security benefits and/or whose premiums are paid by Medicaid.
### SOCIAL SECURITY AND MEDICARE TAXES

<table>
<thead>
<tr>
<th>Description</th>
<th>Percentage</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Security payroll tax</td>
<td>6.20%</td>
<td></td>
</tr>
<tr>
<td>Taxable wage base for Social Security payroll tax</td>
<td>$132,900</td>
<td></td>
</tr>
<tr>
<td>Medicare payroll tax</td>
<td>1.45%</td>
<td></td>
</tr>
<tr>
<td>Medicare payroll tax for self-employed individuals</td>
<td>2.9%</td>
<td></td>
</tr>
<tr>
<td>Additional Medicare tax on income earned above the following thresholds: Single - $200,000; Married filing jointly - $250,000; Married filing separately - $125,000. The thresholds are statutory and not inflation adjusted.</td>
<td>0.9%</td>
<td></td>
</tr>
<tr>
<td>Medicare surtax on investment income – including dividends, interest, and capital gains – that applies to higher income taxpayers: Single - $200,000; Married filing jointly - $250,000; Married filing separately - $125,000. Income from retirement plan distributions and municipal bond interest are excluded.</td>
<td>3.8%</td>
<td></td>
</tr>
</tbody>
</table>

**UNLIMITED** Taxable wage base for Medicare payroll tax.

### RETIREMENT SAVINGS AND INCOME

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum IRA contribution limit, up from $5,500 in 2018.</td>
<td>$6,000</td>
<td></td>
</tr>
<tr>
<td>Maximum IRA contribution limit for those aged 50 and older, up from $6,500 in 2018.</td>
<td>$7,000</td>
<td></td>
</tr>
<tr>
<td>Maximum elective deferral to a 401(k) plan, up from $18,000 in 2018.</td>
<td>$19,000</td>
<td></td>
</tr>
<tr>
<td>Maximum elective deferral to a 401(k) for those aged 50 and older, up from $24,500 in 2018.</td>
<td>$25,000</td>
<td></td>
</tr>
<tr>
<td>Annual &quot;all sources&quot; limit on additions to a 401(k) plan (including employee elective deferrals and all employer contributions), up from $55,000 in 2018.</td>
<td>$56,000</td>
<td></td>
</tr>
<tr>
<td>Annual &quot;all sources&quot; limit on additions to a 401(k) plan (including employee elective deferrals and all employer contributions) or those aged 50 and older, up from $61,000 in 2018.</td>
<td>$62,000</td>
<td></td>
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<tr>
<td>Maximum elective deferral for a SIMPLE 401(k) plan, up from $12,500 in 2018.</td>
<td>$13,000</td>
<td></td>
</tr>
<tr>
<td>Maximum elective deferral for a SIMPLE 401(k) plan for those aged 50 and older, up from $15,500 in 2018.</td>
<td>$16,000</td>
<td></td>
</tr>
<tr>
<td>Maximum contribution to a non-qualified annuity (no limit imposed by the government, insurance companies may impose limits).</td>
<td>UNLIMITED</td>
<td></td>
</tr>
<tr>
<td>Maximum annual payout from a defined benefit plan, up from $220,000 in 2018.</td>
<td>$225,000</td>
<td></td>
</tr>
<tr>
<td>Dollar limitation on premiums paid with respect to a qualifying longevity annuity contract (QLAC), increased to $130,000 effective January 1, 2018, up from the initial $125,000 limit set in 2014.</td>
<td>$130,000</td>
<td></td>
</tr>
</tbody>
</table>
Premier Alliance Partners are leaders in the industry, propelling their brand forward through the partnership with the Insured Retirement Institute (IRI). Make sure to CONNECT, ENGAGE and NETWORK with the partners who have aligned with IRI to be the most impactful companies in the industry.