INVESTMENT AND PLANNING SOLUTIONS

Redefine your means in retirement

LPL Financial

Member FINRA/SIPC


More guaranteed income to count on when you need it to count.

It's taking that second vacation instead of giving it a second thought. It's planning a room renovation with confidence instead of planning it with doubt. It's spending more time with your family instead of worrying about how much you're spending.

You've worked hard and done all the right things to plan for your retirement. Now keep a good thing going by adding more guaranteed income to your future cash flow. You'll know you'll be able to spend more confidently in retirement since a portion of your income will always be guaranteed.

Don’t just look forward to a long retirement, expect it.

Most people underestimate how long they’re going to live. This means they also misjudge how long their money will need to last. Chances are, a long retirement is in your future. Here is some data on the likelihood of a current 65-year-old living up to 30 more years.

The likelihood that a 65-year-old lives to be...

	Male	Female	One member of a couple
75 years old	84.9%	90.7%	98.5%
85 years old	56.1%	69.1%	86.4%
95 years old	29.1%	31.7%	46.7%

Source: Annuity 2000 Basic Mortality table, projected with scale G. More recent data may alter these assessments or outcomes.

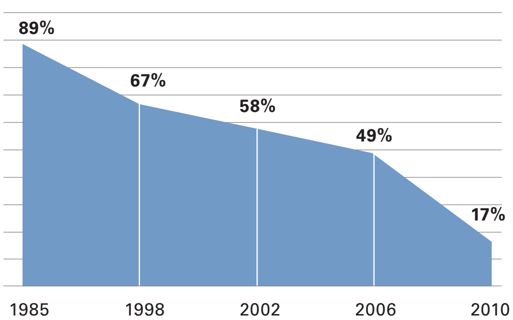
Defined Benefit Pension Plans are on the Decline

Over the past few decades, private sector employers have shifted away from traditional defined benefit (DB) pensions, which offer stable sources of income that last through retirement and are managed by professionals. The retirement plan that some private sector employers have moved to instead, is the defined contribution (DC) plan, such as 401(k) plan accounts.

While these DC plans offer benefits over DB pension plans, including the flexibility of being transferrable and providing immediate access to benefits, one striking difference is the fact that 401(k) plans remove the professional management found in DB plans, and instead put the risk and most of the funding responsibilities onto the individual employee. The concern here is that the employee often times lacks investment knowledge and expertise and may not contribute sufficiently to the plan on their own. When you factor in financial markets like the crisis in 2008 and the extremely low rate at which Americans tend to save for retirement, the major risk is that employees may outlive their retirement savings.*

With people living longer and a continued decline in sources of secure, stable retirement income, the need to identify solutions that can help Americans avoid outliving their retirement savings, is greater than ever.

Percent of *Fortune* 100 Firms Offering a DB Plan



Source: Towers Watson, Insider, Volume 20, June 2010. More recent data may alter these assessments or outcomes.

* “The Retirement Savings Crisis: Is It Worse Than We Think?” Nari Rhee, PhD, Manager of Research, National Institute on Retirement Security. June 2013.

A new approach to retirement income

Although there are several products and strategies investors can employ to generate retirement income, not all of them offer the predictability of a steady income stream, which is often absent in retirement. However, today there are products available that can offer guarantees and income predictability.

For investors who do not have pension plans or other sources of guaranteed income post retirement, they have the challenge of converting their retirement savings into an income stream to support their lifestyle. Incorporating a deferred income annuity can help provide a guaranteed lifetime income stream, starting at the time of your choosing.

How do deferred income annuities work?

A deferred income annuity provides a worry-free stream of guaranteed income, and can be purchased before or after you retire. The money used to purchase your annuity—which you invest as a lump sum or in a series of payments—generates a stream of income that starts on a future date that you choose. Each income payment is made up of a return of your premium, interest paid by the insurer and a component from risk pooling, something only offered by insurance companies. With a deferred income annuity, you purchase a fixed investment vehicle and you are not investing in or exposed to the equity markets, meaning that you will not participate in any market fluctuation or performance. Instead, by purchasing a deferred income annuity, you trade liquidity and full access to your money, for predictable, uninterrupted income payments guaranteed for life. These are paid to you by an insurance company, creating a strategy to insure your retirement assets in the form of an income stream.

* Guarantees are subject to contract terms, exclusions and limitations, and the claims-paying ability of the issuer. This contract is irrevocable, has no cash surrender value and no withdrawals are permitted prior to the income start date. Income payments are guaranteed at least as long as the annuitant is living, provided the annuitant is alive on the income start date chosen. Certain payout options will not provide a death benefit either prior to, or after, the designated income start date. Guarantees are backed by the claims-paying ability of the issuer. Generally, a deferred income annuity (DIA) contract is irrevocable, has no cash surrender value and no withdrawals are permitted prior to the income start date. Income payments are guaranteed at least as long as the annuitant is living, provided the annuitant is alive on the designated income start date. Contracts in which a Life Only payout option is selected do not provide a death benefit either prior to, or after, the designated start date. Please be sure to ask your LPL Financial advisor for more information regarding any specific product you may be considering.

Six reasons to consider a deferred income annuity:

1. It lasts a lifetime.

Receive income for your entire life.

Did you know most people underestimate how long they are going to live? Over half of pre-retirees estimate life expectancy to be below the national average.[1] Chances are, a long retirement is in your future.

So plan accordingly—the income from a deferred income annuity ensures no matter how long your retirement is, you will be covered.

2. They are dependable.

Enjoy guaranteed income not tied to market fluctuations.

Some people withdraw money from their investments to help pay for retirement. But stock market losses can have a significant impact on this strategy. Think about it: withdrawing money from a declining investment can quickly shorten the timeline for how long it will last.

By adding a deferred income annuity to your overall portfolio, you can remove some of this risk and unpredictability. The income you receive is fixed and is not tied to the stock market, so you can count on it for retirement and for the rest of your life.

3. You can keep up with inflation.

Use optional features to help maintain your purchasing power.

Over the past few decades, rising prices for gas, groceries and education serve as clear examples of inflation's impact on our lives. Conveniently, deferred income annuities can offer optional features* to help protect your income from the effects of inflation, allowing you to keep up with current economic environments throughout your retirement.

*Optional features are available at no additional cost, but initial income payments would be smaller than for someone who does not select the optional features.

[1] "How Long Do We Expect to Live? A Review of the Evidence." *Journal of Population Aging,* September 2011.

4. It's perfect for rollovers.

Turn existing retirement plan assets into guaranteed income for life.

Do you have money sitting in a 401(k) from a previous employer? Are you trying to figure out what to do with your IRA, 403(b), or employer-sponsored retirement plan? Rolling some, or all, of those assets into a deferred income annuity now is a way to turn that money into exactly what it was intended for—a steady stream of future income you can count on for the rest of your life. By doing so, you may automatically satisfy your required minimum distribution for these assets.

5. It's designed just for you and your spouse.

When do you need your income?

Your income can start as early as two years from when you purchase your policy or as far out as 40 years. It's up to you.

How often would you like to receive your income?

Choose to receive your income payments as frequently as monthly, quarterly, semiannually or annually.

Share your income through joint ownership.

If you want your income to also cover your spouse throughout his or her lifetime, you can purchase a joint life deferred income annuity.

6. You may get more income than you would from alternatives.

Create higher income amounts than other types of strategies.

Each income payment you receive from a deferred income annuity is comprised of three things:

1. A return of your premium (the money you put into it)
2. Interest (the money the issuer earns by investing your premium)
3. A component from risk pooling (something only an insurance company can provide)

The third component is why other strategies will likely yield lower income amounts. Only insurance companies—like those that issue deferred income annuities—can leverage risk pooling to help provide more income. It is always important to remember that no strategy assures success or protects against loss.

Rollover near retirement

An example of an investor with a shorter time horizon before retirement

(Please keep in the mind that payout rates vary depending on the specific situation.)

Benefit from higher payout rates by deferring the income start date

Consider Jan and Bob, both 62 years old and planning to retire at age 70. They are looking for a way to efficiently convert retirement assets into future income. They decide to rollover a portion of their assets to purchase a joint life $100,000 deferred income annuity with income starting in eight years at age 70. The annuity will pay them $7,548 a year for both of their lives. By waiting to start income until age 70, they not only maximize their income, but they should also satisfy the Required Minimum Distribution for this portion of qualified assets.

Age	Premium	Payout Rate	Annual Income for Life at 70
62	$100,000	7.5%	$7,548
63	$0	—	—
64	$0	—	—
65	$0	—	—
66	$0	—	—
67	$0	—	—
68	$0	—	—
69	$0	—	—
70	$0	—	—
Total	$100K		$7,548

Please Note: This hypothetical example is for illustrative purposes only. Illustration is based on the New York Life Guaranteed Future Income Annuity II (GFI) market rates as of 1/2/2013 for a Joint Life with a Cash Refund payout option. Rates are subject to change and payout will vary with age, gender, payout option selected and premium amount. Actual amounts are dependent upon interest rates in effect at time of policy issue. Income payments include return of premium, interest and mortality credits.

Seeking tax-efficient saving for retirement

An example of an investor with a longer time horizon before retirement

(Please keep in the mind that payout rates vary depending on the specific situation.)

Build Guaranteed Income by Investing Over Time

Linda is 54 years old and saving for retirement. She does not have a pension plan through her employer[1] so would like to build a guaranteed source of income over time. She invests in a deferred income annuity, makes regular premium contributions over time[2] and elects to begin income payments at age 65. By then, she will have invested $100,000, which will generate a $7,296 annual guaranteed stream of income for the rest of her life.

Age	Premium	Payout Rate	Annual Income for Life at 65
54	$26,350	8.5%	$2,240
55	$0	—	—
56	$0	—	—
57	$11,000	7.8%	$861
58	$15,000	7.4%	$1,117
59	$7,500	7.1%	$532
60	$7,000	6.8%	$474
61	$17,500	6.4%	$1,128
62	$7,650	6.1%	$470
63	$8,100	5.9%	$475
64	$0		
65	$0		
Total	**$100K**		**$7,296**

First year tax-free portion of income: $4,502*

[1] For non-qualified policies, premiums do not have the same tax advantages as if from qualified retirement plans such as 401(k)s and IRAs.

[2] Each premium payment will receive the payout rate in effect at the time the payment is received and will generate a percentage of the total annual payout)

*Over time, the premium will be returned and 100% of the income payment will be taxable.

Please Note: This hypothetical example is for illustrative purposes only. Illustration is based on the New York Life Guaranteed Future Income Annuity II (GFI) market rates as of 1/2/2013 for a Single Life with a Cash Refund payout option, female annuitant. Rates are subject to change and payout will vary with age, gender, payout option selected and premium amount. Actual amounts are dependent upon interest rates in effect at time of policy issue. Income payments include return of premium, interest and mortality credits.

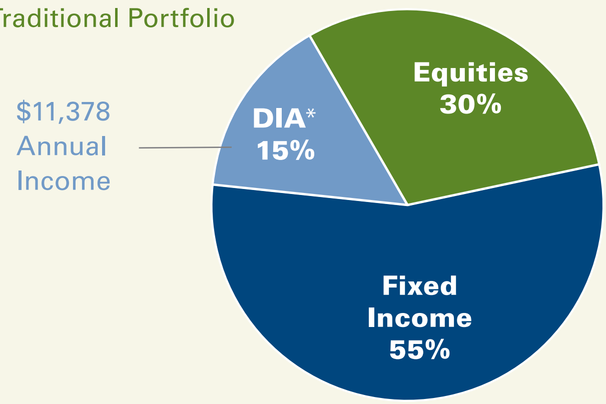
Seeking a fixed income alternative

An example of an investor in retirement

(Please keep in the mind that payout rates vary depending on the specific situation.)

Find a Fixed Income Alternative in Retirement
Paul is a 65 year old retiree who works part time, plans to fully retire in five years, and has a portfolio allocated 30% in equities and 70% in fixed income. Paul is interested in a fixed income alternative that will generate more guaranteed lifetime income than traditionally "safe" investments. He uses 15% of his portfolio to purchase a deferred income annuity with income starting in five years. At age 70, he will begin receiving an annual income of $11,378 for life. Paul can confidently invest the rest of his portfolio more aggressively now for potential growth and to help keep up with inflation.

$1 Million Traditional Portfolio



Please Note: This hypothetical example is for illustrative purposes only. Illustration is based on the New York Life Guaranteed Future Income Annuity II (GFI) deferred income annuity market rates as of 1/2/2013 for a Single Life with a Cash Refund payout option. Rates are subject to change and payout will vary with age, gender, payout option selected and premium amount. Actual amounts are dependent upon interest rates in effect at time of policy issue. Income payments include return of premium, interest, and mortality credits.

*DIA refers to Deferred Income Annuity

Let's do more.

Having the freedom to pursue what you love, and feeling good about it—that's the goal of retirement. And having the income to fuel those pursuits is what a sound retirement plan is all about.

By using just a portion of your assets now, a deferred income annuity will generate a steady stream of income later that you will be able to count on for life. So no matter how long your retirement lasts, you will always know it's there, guaranteed. That's something to feel good about.

How much to allocate to a deferred income annuity

Guaranteed Income Needs Analysis

Step 1 **Determine expenses and income needs for retirement**

This involves identifying your expected expenses at retirement and separating them between what you consider to be essential and discretionary.

Step 2 **Analyze current guaranteed income for retirement shortfalls**

Many investors have sources of recurring income at retirement. Social Security is a great example, although some may have pensions. Inventory the sum of your current sources of guaranteed income and define your target guaranteed income level.

Defining your target guaranteed income: Many investors seek to have all, or a portion of what they consider essential, expenses covered by guaranteed income. Think carefully about how much you will need to feel comfortable in retirement.

Finally, once you have calculated the sum of your guaranteed income and have defined your guaranteed income goal, the difference between these numbers will be your guaranteed income shortfall.

Step 3 **Inventory current assets**

Calculate the sum of your investable assets between your qualified and non-qualified accounts.

Step 4 **Reposition assets to guarantee total income needs**

In this step, you will need the help of your financial advisor. They will understand what is available within the deferred income annuity marketplace and will be able to run a calculation based upon your age, whether or not your goal is to cover two spouses, and when you plan on taking income.

Step 5 **Identify and understand the strategy**

Now that you have a rough estimate as to how much you might allocate to a deferred income annuity, you can work with your financial advisor to identify a specific product that meets your needs. While the numbers may differ slightly, it is important that you engaged in this process as you will know roughly how much you wish to commit to this strategy given the benefits and tradeoffs.

In this step, you want to evaluate the underlying insurance company since it is their claims paying ability that will fund your guarantee. Think through the payout and liquidity options of the deferred income annuity of your choosing.

Important benefits and considerations for deferred income annuities

Benefits

- Guaranteed stream of lifetime income that starts when you need it to.
- Predictable cash flows with no volatility or market risks (fixed income payments from a deferred income annuity are not subject to market ups and downs).
- Flexible funding options.
- Control over when you receive your money.
- Additional features to access your money if you need it.
- Income adjustment to meet current economic conditions.
- Guaranteed income for the life of one or two people.
- Potential legacy options for your beneficiaries. If you choose an option with a death benefit, your income will pass directly to your beneficiaries upon your death, typically allowing your loved ones to bypass the lengthy and costly probate process. Of course, death benefits are contingent on the payout option you choose and the amount of income you receive over the life of the policy.

Considerations

- No market growth potential.
- Cannot be surrendered or terminated.
- No account value provided.
- No liquidity, but limited access to your money.
- A 10% IRS penalty may apply in certain situations where a policy is purchased before age 59½ and distributions are taken through a payment acceleration feature.
- Taxable amount of distributions are taxed as ordinary income.
- All guarantees are subject to the claims paying ability of the issuing insurance company. If the insurance company becomes insolvent, you could lose all or a portion of your future guarantees depending on coverage provided by your state's insurance guarantee associations.

If you are currently in or nearing retirement and looking for protected lifetime income, a deferred income annuity may be appropriate for a portion of your retirement assets.

Talk to your financial advisor about how a deferred income annuity may fit into your overall retirement strategy.

Not FDIC/NCUA Insured	Not a Deposit	May Lose Value
Not Bank/Credit Union Guaranteed	Not Insured by any Federal Government Agency	

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