Instructions: Keep in mind that you can use this presentation one-on-one or with groups of people, but it uses some concepts that in some states may be considered securities advice. Thus, for your own protection, make sure that you have the proper licensing to discuss these concepts with your clients. If in doubt, contact your state securities regulator.

The purpose of the income flow presentation is to get your clients thinking about their retirement savings differently. Up until now, chances are many of your clients may have thought of their retirement savings as money that is set aside that they’re not touching and that they’re planning on growing. Now that they are approaching or are in retirement, they may need to start thinking about the real purpose of their retirement savings – to at least partially replace the income flow that they earned from working.

This presentation helps your clients understand that a portion of their retirement savings can be used to purchase an annuity that creates a guaranteed retirement income flow, and it helps them to realize that their savings may not be set up today to do that. As a result, their income flow may be unreliable, and to make it potentially more reliable, they can consider an insurance product – an annuity.

The income flow presentation is a PowerPoint show. There are 27 slides. As each slide comes onto the screen, there’s a bit of animation. You’ll see items appear on the screen, items move, items disappear, and then the animation will pause. That is your chance to talk about what’s on the screen. Then when you’re ready to proceed onto the next slide, take your cursor down to the bottom left-hand side of the slide, and you will see some navigation buttons appear. You can advance to the next slide and again, it will go through some animation and then pause, giving you a chance to talk through the content on the slide with your clients.

Let’s proceed through the presentation. In this talk, remember that “you” is your client.

Slide 1 poses our theme question – How strong will your income flow be in retirement? How strong will be that flow of annual income into your wallet? At this point, your clients may be wondering what we mean by “income flow.” They are about to find out!

Slide 2 shows that during your working years, your career provides a steady flow of money into your wallet, money that you can spend to support your lifestyle.

Slide 3: Eventually you begin to think about the fact that you either won’t want to work forever or that you will not be able to work forever. Therefore, you may begin to think about the need to plan for the possibility that one day you may not have this earnings from your career.
Slide 4: As a result, you may have started diverting some of your income into retirement savings, with the goal of building up enough savings that one day you would be able to retire.

Slide 5: Hopefully, throughout your career you were building up retirement savings so now that as you’re either on the verge of retirement or are already retired, you have an adequate amount of retirement savings. A reason you may have accumulated that retirement savings was so that you would be able to keep that flow of money to your wallet going strong even after you leave your career.

Slide 6: Once your career ends, then it’s all up to that retirement savings to provide that flow of income to your wallet.

Slide 7: Fortunately you may have at least some reliable retirement income coming from Social Security and perhaps a company pension. (Confirm how much your clients have from Social Security and pensions. Also find out how that compares to how much they are or were receiving from their employment.)

Slide 8: But that flow of income from Social Security and pensions may only be a small fraction of what you were earning while you were working.

Slide 9: The question we are going to explore is, “How strong will your income flow be in retirement? Will you be confident in the amounts provided by Social Security, company pensions and retirement savings? Can you utilize a portion of your retirement savings to create a steady source of income to help meet your income needs?”

Slide 10: Many retirees may fear the possibility that they may run out of retirement savings, and if they do run out of retirement savings, that will dry up much of their income flow. You may be wondering what things can cause you to actually run out of retirement savings, so let’s explore that a little further.

Slide 11: I’m going to tell you about three things that, in my opinion, can cause you to run out of retirement savings. First is not putting enough money into retirement savings. Well, if you have made it to retirement and you have adequate retirement savings, then that has been taken care of. Hopefully you feel like you have enough retirement savings, but even then, you still face two risks that are completely beyond your control, rate-of-return risk and sequence-of-return risk.

Slide 12: Not putting enough money into retirement savings is a risk that you may be able to control. Throughout your working career, you chose how much money to put into retirement savings, but the other two risks, rate-of-return risk and sequence-of-return risk, you cannot control. Even after retirement, these two risks can impact your retirement savings, which can potentially reduce your retirement income flow. Now what we need to do is help you to better
understand what are rate-of-return risk and sequence-of-return risk, and how they may affect your retirement income.

Slide 13: We’ll start with rate-of-return risk. It has to do with what rate of return will you earn on your savings. Most people have their retirement savings in qualified plans such as IRA’s, 401(k)’s, 403(b)’s, etc. Within that qualified plan, you may allocate your money to various assets, and the typical asset allocation consists of stocks, bonds, and cash, typically within mutual funds. When determining a strategy for your retirement income, there are some risks that, in my opinion, are worth considering.

Slide 14: The first is that these assets may not have a guarantee of principal. For example, let’s take a look at stock values as measured by the Standard & Poor’s 500 Index. Over the last 15 years, you can see that the index values have fluctuated quite a bit, and thus the values of most stock-based investments have fluctuated quite a bit. Over the next few years, will most stock values be rising or falling? We don’t know – there’s no guarantee of principal.

Slide 15: Also, these assets may not have a guaranteed rate of return. Consider, for example, how much the interest rate on the ten-year Treasury bond has fluctuated over the last 15 years. While a bond may have a guaranteed rate of return for a period of time, whenever interest rates rise, values of existing bonds generally fall. Also, whenever interest rates fall, values of existing bonds generally rise, but upon maturity, bond owners often find that they can’t purchase a new bond with an interest rate that matches the maturing bond. Will the next few years have interest rates rising or will they have interest rates falling? We don’t know because we don’t have a guaranteed rate of return.

Slide 16: The problem, in my opinion, is when you don’t have a guarantee of principal and you don’t have a guaranteed rate of return, the amount of retirement savings you could have a few years from now could be quite different from the amount that you have today. Consider this hypothetical example of someone with $200,000 today. Now you might feel like you should have a reasonable expectation of knowing how much money you would have in ten years, but you can see here three potential returns, all of them reflecting the fact that you don’t have a guarantee of principal and you don’t have a guaranteed rate of return. We can see that we could be going from an amount of money that’s lower than what you have today to an amount that’s considerably higher just with this seemingly modest range of returns, and of course, the rate of return could be even lower than our lowest return or even higher than our highest return, so the amount of money that you have today is unfortunately not a very good predictor of how much money you’ll have ten, twenty, or more years from now due to the lack of a guarantee of principal and the lack of a guaranteed rate of return.

Slide 17: Because your retirement strategy may include financial vehicles that may not have a guarantee of principal nor a guaranteed rate of return, rate-of-return risk is unpredictable and not
something you can directly control. If your experience growth in your retirement savings, you could do well…

**Slide 18:** … but losses can impact your retirement savings and may even deplete them before you are ready.

**Slide 19:** Now let’s consider our second big risk, sequence-of-return risk. One thing we know with the traditional asset allocation is that there will most likely be some periods of positive returns and most likely there will be some periods of negative returns. Now besides the fact that we know there will be some positives and there will be some negatives, there’s the matter of in what sequence will these occur. You may think it really doesn’t matter in what sequence they occur, but we’re going to see that it could matter very much. Compare two people, John and Beth. Let’s take a look at a hypothetical example. It’s not based on any particular mix of assets or any particular historical time period. It just reflects that fact that if your asset allocation is mostly stocks and bonds, most likely you will have some years of positive returns and some years of negative returns. In this hypothetical example, John and Beth each have the same returns, just in a different order. John is going to have two years of negative 20% returns followed by eight years of positive 10% returns. Beth, on the other hand, is going to have eight years of positive 10% returns followed by two years of negative 20% returns, so again the same set of returns just in a different order.

**Slide 20:** Now let’s suppose that they each have $200,000 accumulating for ten years and they’re not taking any withdrawals. While they take very different paths getting there, the value of their assets after ten years ends up the same. The sequence of returns does not affect the ending balance as long as they’re taking no withdrawals. But once you are retired, perhaps you are going to take withdrawals from your savings, so let’s change one little assumption.

**Slide 21:** Let’s take that same $200,000, but let’s have them instead taking $20,000 annual withdrawals at the beginning of each year. Notice that John with his particular sequence of returns runs out of depletes his retirement savings after 9 years whereas Beth doesn’t, so the sequence of returns ends up having a dramatic effect when they’re taking withdrawals. Having bad returns happen in the early years can lead to a much greater chance of running out of money. That’s what we mean by sequence-of-return risk.

**Slide 22:** So sequence-of-return risk can cause this type of asset allocation – even fully funded – to result in you having less retirement income than perhaps you would like. From this asset allocation, due the two risks we have discussed (rate-of-return and sequence-of-return risk), you have unreliable income. The question is, “How can we turn that pool of assets that creates an unreliable income into a pool of assets that creates a supplemental retirement income?”

**Slide 23:** With a fixed annuity, you can guarantee a periodic payment for life. Annuities are insurance products that are designed to help meet long term needs for retirement income. They
provide guarantees against the loss of principal and credited interest. They may be subject to
restrictions, such as surrender charges and holding periods which vary by product and carrier.
Withdrawals made are subject to ordinary income tax and, if taken prior to 59 1/2, a 10% federal
tax penalty.

**Slide 24:** The result of that insurance guarantee is that you have an additional source now of
income because you have used a portion of your retirement savings to purchase an annuity that
can provide guaranteed income.

**Slide 25:** The result of that insurance guarantee is that even if the rest of your retirement savings
succumbs to the risks we discussed, the income amount from your annuity continues –
guaranteed.

**Slide 26:** To summarize, thanks to the insured income solution, by utilizing annuities for a
portion of your retirement assets, you can have a guaranteed income amount. This guaranteed
income amount is not subject to rate-of-return risk and is not subject to sequence-of-return risk,
so the risks that could cause you to run out of money that we discussed are controlled when it
comes to this particular source of money. However, there are other risk factors that the annuity
may be subject to, including surrender charges and early withdrawal fees. Your worst-case
scenario may now be much better than it was before because no matter what happens, you can
rely upon your Social Security income, you can rely upon your pension income, and you can rely
upon your guaranteed income from the annuity.

**Slide 27:** That leads us to the closing question: How much of your retirement savings would
you like to help create a dependable stream of income for life? In addition to other retirement
savings vehicles, an annuity can be purchased to provide supplemental income for your
retirement. (Now you’re ready to provide your clients with an illustration using carrier-provided
illustration software.)