Retirement Income Source Comparisons

Retirement Income Source	Recession Protection	Inflation Protection	Longevity Protection Guarantee	Liquidity Protection	Survivor Protection	Net Income Payout Percentage
Continued Employment	Maybe	Maybe	No	N/A	No	N/A
Traditional Pension	Yes	No	Yes	N/A	Maybe	Age Dependent
Social Security	Yes	Limited	Yes	N/A	Spouse only	Age Dependent
Fixed Rate Annuity	Yes	No	Yes	No	No	Age Dependent
Variable Rate Annuity*	Maybe	Maybe	Maybe	Yes	Yes	Age Dependent
Equity Indexed Annuity*	Yes	Maybe	Yes	Maybe	Yes	Age Dependent
Immediate Annuity	Yes	No	Yes	No	No	Age Dependent
Longevity Annuity	Yes	No	Yes	No	No	Age Dependent
Money Market/High Yield	Yes	No	No	Yes	Yes	Low
Bank C.D.'s	Yes	No	No	Maybe	Yes	Low
TIP's Treasury bonds - Inflation Protected	Yes	Yes	No	Yes	Yes	Low
Investable Grade Bonds	Maybe	No	No	Yes	Yes	Low-Med
Common Stocks	No	Exceeds	No	Yes	Yes	Med-High

(*)For these annuity options, assume no income/liquidity/survivor riders. Annuity income, liquidity and survivor riders may be available at additional cost.

Annuity Descriptions

Fixed Rate Annuity

Fixed rate annuities are essentially CD-like investments issued by insurance companies. Like CDs, they pay guaranteed rates of interest, in many cases, higher than bank CDs. They are tax-deferred.

Variable Rate Annuity

A variable annuity is a tax-deferred retirement vehicle that allows you to choose from a selection of investments including stock and bond allocations, and then pays you a level of income in retirement that is determined by the performance of the investments you've chosen.

Equity Indexed Annuity

An equity-indexed annuity is a combination of a fixed and a variable annuity. It also has minimum market loss protection and limited up-side performance potential.

Immediate Annuity

Immediate annuities start paying out income right away. They're frequently used by people already in retirement. A deferred annuity can also be converted into an immediate annuity.

Longevity Annuity

This type of annuity requires you to wait until you reach an older age usually age 80 to begin receiving a payout. Once the payout begins, the annuity provides a guaranteed, regular amount of income for the rest of your life.

Using stock & bond asset allocation with different income strategies

Constant Income Amount

Withdrawal amount is determined by applying a fixed percent (typically 4%) of investment account value when income distributions commence. This result determines a fixed initial amount of income, increased annually by inflation. Retirement account is a blend of stock and bond mutual funds/Exchange Traded Funds. Allocation percentages range from 20% Stocks/80% Bonds to 80% Stocks/20% Bonds.

Advantage: Automatic, simplified.   Disadvantage: Requires investor discipline during down market periods.

Constant Percentage Amount ("Endowment Approach")

Withdrawal amount is a "fixed percentage of portfolio value" (typically 4%) applied to a variable investment account balance – usually up-dated annually. Retirement account is a blend of stock and bond mutual funds/Exchange Traded Funds. Allocation percentages range from 20% Stocks/80% Bonds to 80% Stocks/20% Bonds.

Advantage: Income distributions are proportional to rising and falling account value. Conserves principal value during periodic financial market value declines, provides excess income distribution during periods of rising financial market values.

Disadvantage: Requires supervision. Also requires "stand by" income sources (cash reserve, reverse mortgage) or adjusted living expenses during declining value periods when income distributions are less.

Bucket Approach

Withdrawal amount is taken from "cash bucket" which is refilled periodically by longer-term investment buckets.

Typically, this approach utilizes 3 buckets with varying maturities: Cash Bucket – immediate use; Mid-Term Bucket (3-5 years) consisting of an allocation of stocks and bonds; and a Long Term Bucket (5 years plus) primarily invested in common stocks.

Advantage: Efficient use of investable assets. Reduced sequence of return risk.

Disadvantage: Cash bucket could become depleted prior to longer term bucket asset maturity.

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