INCOME SAVVY®

Will You Retire at the "Wrong" Time?

The SEQUENCE OF RETURNS can impact how long your retirement savings may last

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Why the Sequence of Returns matters

Consider the case of two individuals retiring just one year apart, and how the market's returns, when combined with their withdrawals, impacted the value of their retirement savings and how long their savings may last for retirement income. **Both individuals started with the same amount of money and withdrew the same amount each year.**

What a difference a year makes

Case study: **Ted vs. June**
Initial Investment: **$250,000**
Annual Withdrawals: **5%** ($12,500)

Ted retired in 2001

Ted retired at the end of 2001 and began taking 5% annual withdrawals from his investment in 2002.

3 years into retirement, at the end of 2004, his account value is $233,653.

14 years into retirement, at the end of 2015, Ted's $250,000 investment was worth $265,939.

Ted encounters a sharp market downturn early in his retirement.

Year	S&P 500 Return	Withdrawal	Value After Withdrawal
2002	**-22.10%**	$12,500	$182,250
2003	28.68%	12,500	222,019
2004	10.87%	12,500	**233,653**
2005	4.89%	12,500	232,578
2006	15.81%	12,500	256,849
2007	5.49%	12,500	258,450
2008	-37.00%	12,500	150,324
2009	26.47%	12,500	177,614
2010	15.06%	12,500	191,863
2011	2.11%	12,500	183,411
2012	15.98%	12,500	200,220
2013	32.39%	12,500	252,572
2014	13.69%	12,500	274,649
2015	1.38%	12,500	**$265,939**

This material is intended only for educational purposes to help you, with guidance of your financial representative, make informed decisions. We are not a fiduciary and do not provide investment advice or recommendations.

The illustrations shown are hypothetical and assume past performance of the S&P 500 Index. They are not intended to be indicative of the performance of a specific investment option. Indexes are unmanaged and cannot be invested in directly. Performance illustrated is not indicative of future results.

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Ted and June retired just one year apart

After fourteen years, **the difference in their account values is dramatic—more than $249,000!** As you can see, encountering negative investment returns in the early years of retirement may increase the likelihood of eventually running out of money. Of course, no one can control the sequence of returns. However, there are strategies that can help you protect against this retirement risk and secure lasting income no matter how the market performs.

June encounters strong returns in the early years of her retirement.

Year	S&P 500 Return	Withdrawal	Value After Withdrawal
2003	**28.68%**	$12,500	$309,200
2004	**10.87%**	12,500	330,310
2005	4.89%	12,500	**333,962**
2006	15.81%	12,500	374,262
2007	5.49%	12,500	382,309
2008	-37.00%	12,500	228,354
2009	26.47%	12,500	276,300
2010	15.06%	12,500	305,411
2011	2.11%	12,500	299,355
2012	15.98%	12,500	334,692
2013	32.39%	12,500	430,598
2014	13.69%	12,500	477,047
2015	1.38%	12,500	471,130
2016	11.96%	12,500	**$514,978**

June retired in
2002

June retired at the end of 2002 and began taking 5% annual withdrawals from her investment in 2003.

3 years into retirement, at the end of 2005, her account value is $333,962.

14 years into retirement, at the end of 2016, June's $250,000 investment had grown to $514,978—nearly twice the value of Ted's investment.

Help protect your retirement income from sequence of return risk and guarantee lasting income

If you're concerned about volatility in the stock market impacting your retirement income and you are looking to generate protected lifetime income, it may be time to consider an annuity with an optional income benefit for a portion of your investment portfolio.

An annuity with an optional income protection feature can help you:

- **Grow your future retirement income**
- **Secure a guaranteed income stream that can last for as long as you live**
- **Provide lifetime income for a surviving spouse with a joint life option**

There are a number of different types of annuities to choose from, depending on your specific needs and goals, as well as your risk tolerance. Income protection features are generally available for an additional cost. Your financial representative can provide you with additional details.

Can an annuity help you address your retirement income needs? Talk to your financial representative today to find out.

See back cover for additional information about annuities.

Annuities are long-term financial products designed for retirement purposes. In the Accumulation phase, they can help you build assets on a tax-deferred basis. In the Income phase, they can provide you with guaranteed income through standard or optional features. You can annuitize your contract and receive lifetime income payments for no additional cost if a lifetime annuity option is chosen or elect an optional income protection benefit. Certain variable, index and fixed annuities offer income protection benefits, which are subject to additional fees, age restrictions, withdrawal parameters and other limitations. With variable annuities, investment requirements may also apply. Early withdrawals may be subject to withdrawal charges and a Market Value Adjustment (MVA) may also apply to certain index annuities and fixed annuities. Partial withdrawals may reduce benefits available under the contract, as well as the amount available upon a full surrender. Withdrawals of taxable amounts are subject to ordinary income tax and, if taken prior to age 59½, an additional 10% federal tax may apply. Keep in mind, for retirement plans and accounts (such as IRAs and 401(k)s), an annuity provides no additional tax-deferred benefit beyond that provided by the retirement plan or account itself.

Guarantees are backed by the claims-paying ability of the issuing insurance company.

The order in which you may encounter positive investment returns and negative investment returns—known as the **"sequence of returns"**—poses a retirement risk that you may want to consider.

During the **ACCUMULATION YEARS,** when income is not being withdrawn, the sequence of returns has no impact on ending values. It's the average return that matters.

For example, if an investor earned an average return of 4.5%* over an accumulation period of ten years, it makes no difference whether strong returns—or negative returns—are encountered early on. The ending values are the same.

Year	Investor with **Early Gains**		Investor with **Early Losses**	
	Return	$100,000	Return	$100,000
1	27%	$127,000	-29%	$71,000
2	16%	147,320	-2%	69,580
3	21%	178,257	-14%	59,839
4	-10%	160,431	17%	70,011
5	8%	173,266	11%	77,713
6	11%	192,325	8%	83,930
7	17%	225,021	-10%	75,537
8	-14%	193,518	21%	91,399
9	-2%	189,647	16%	106,023
10	-29%	**$134,650**	27%	**$134,650**
	Average Return **4.5%***		Average Return **4.5%***	

As illustrated here, the ending values are identical—even when the order of returns is reversed.

During the **DISTRIBUTION YEARS,** once withdrawals begin, the sequence of returns can have a long lasting impact on one's ability to draw income down the road.

In the example below, the average return over ten years for both investors is 4.5%.* However, when $5,000 is withdrawn each year, the investor who experienced negative returns early was left with $50,310 after ten years. That's $44,088 or 47% less than the investor who encountered strong returns early on.

Year	Investor with **Early Gains**			Investor with **Early Losses**		
	Return	$100,000	Withdrawal	Return	$100,000	Withdrawal
1	27%	$122,000	$5,000	-29%	$66,000	$5,000
2	16%	136,520	5,000	-2%	59,680	5,000
3	21%	160,189	5,000	-14%	46,325	5,000
4	-10%	139,170	5,000	17%	49,200	5,000
5	8%	145,304	5,000	11%	49,612	5,000
6	11%	156,287	5,000	8%	48,581	5,000
7	17%	177,856	5,000	-10%	38,723	5,000
8	-14%	147,956	5,000	21%	41,855	5,000
9	-2%	139,997	5,000	16%	43,551	5,000
10	-29%	**$94,398**	5,000	27%	**$50,310**	5,000
	Average Return **4.5%***			Average Return **4.5%***		

*Note: Return shown is the arithmetic average return.
The above illustrations are hypothetical. They are not intended to be indicative of the performance of a specific investment option. Indexes are unmanaged and cannot be invested in directly. Performance illustrated is not indicative of future results.

Additional information about annuities

- **Variable annuities:** Variable annuities offer professional money management, along with insurance features (such as a guaranteed death benefit and annuity income options) that you pay for through what is called a separate account charge. Variable annuities are subject to additional fees, including a contract maintenance fee, expenses related to the operation of the variable portfolios, and the costs associated with any optional features, if elected. An investment in a variable annuity is subject to risk, including the possible loss of principal. The contract, when redeemed, may be worth more or less than the total amount invested.
- **Index annuities**: Index annuities are not a direct investment in the stock market. They are long-term insurance products with guarantees backed by the claims-paying ability of the issuing insurance company. They provide the potential for interest to be credited based in part on the performance of the specified index, without the risk of losing premium due to market downturns or fluctuations. Index annuities may not be suitable or appropriate for all clients.
- **Fixed annuities:** Fixed annuities offer a rate of return guaranteed by the insurance company. Although not all fixed annuities offer income protection benefits, most offer a range of income options through annuitization, including the opportunity for guaranteed lifetime income.

Variable annuities are sold by prospectus only. The prospectus contains the investment objectives, risks, fees, charges, expenses and other information regarding the contract and underlying funds, which should be considered carefully before investing. Please contact your insurance-licensed financial representative or call 1-800-445-7862 to obtain a prospectus. Please read the prospectus carefully before investing.

All contract and optional benefit guarantees, including any fixed account crediting rates or annuity rates, are backed by the claims-paying ability of the issuing insurance company. They are not backed by the broker/dealer from which this annuity is purchased.

Products and features may vary by state and may not be available in all states. The purchase of an annuity is not required for, and is not a term of, the provision of any banking service or activity.

Annuities are issued by **American General Life Insurance Company** (AGL). In New York, annuities are issued by **The United States Life Insurance Company in the City of New York** (US Life). **Variable annuities are distributed by AIG Capital Services, Inc.** (ACS), Member FINRA, 21650 Oxnard Street, Suite 750, Woodland Hills, CA 91367-4997, 1-800-445-7862. AGL, US Life, and ACS are members of American International Group, Inc. (AIG).

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