

## Reduce Retirement Portfolio Risk

# The BalancedChoice® Annuity helps grow and protect your retirement savings

The BalancedChoice® Annuity (BCA™) is designed to help people like you meet your retirement objectives. BCA™ offers a number of potential benefits, including:

- **Growth potential** – Your annuity can increase in value based in part on the performance of an underlying index.
- **Downside market protection** – Your premium and credited earnings are protected from downside market risk.<sup>1</sup>
- **Lifetime income** – Create a source of retirement income you can't outlive with the optional BalancedAllocation Lifetime Income Rider® (BALIR®), available for additional cost at contract issue.

Adding an insurance product like a fixed indexed annuity to your retirement portfolio can be an effective way to reduce the risk and increase the potential of achieving your retirement goals.

## WHAT IS A FIXED INDEXED ANNUITY?

A fixed indexed annuity is a contract issued by an insurance company. In exchange for your premium, the insurance company provides the opportunity for growth based in part on the performance of an underlying index while protecting your money from downside market risk. All guarantees are backed by the claims-paying ability of the issuing carrier and may be subject to annual fees. Other restrictions and limitations may apply. Please refer to the BCA™ product brochure and inserts for complete details.

<sup>1</sup> Please note that an optional rider charge will reduce the value of the annuity contract.

# Evaluate the potential risk of your current portfolio allocations

As Americans live longer, those planning for retirement face the possibility of living 30 years without a paycheck. Despite this possibility, only 54% of households have a formal retirement income plan.<sup>2</sup> If you're concerned about the possibility of outliving your retirement savings, you may want to consider reducing the retirement income shortfall risk in your retirement portfolio.

Income shortfall risk combines several important risk factors, including longevity risk (married couples have a 50% chance of one spouse living to age 93<sup>3</sup>), sequence of returns risk (potential market losses at the beginning of retirement have a significant impact on retirement income) and inflation risk. An optimal retirement income portfolio provides a balance between increasing potential legacy and lowering income shortfall risk. The graph below illustrates the hypothetical relationship between income shortfall risk and legacy:

## THE OPTIMAL PORTFOLIO'S POTENTIAL RISK AND RETURN



Your financial professional can show you how you may be able to increase the potential legacy and reduce the potential income shortfall risk of a portfolio. An efficient frontier is a visual representation of the relationship between risk and legacy based on a portfolio's allocation. The following case study uses data from Morningstar Investment Management LLC to draw efficient frontier curves before and after repositioning a portion of the portfolio to BCA™ with BALIR®.

### Case Study Assumptions

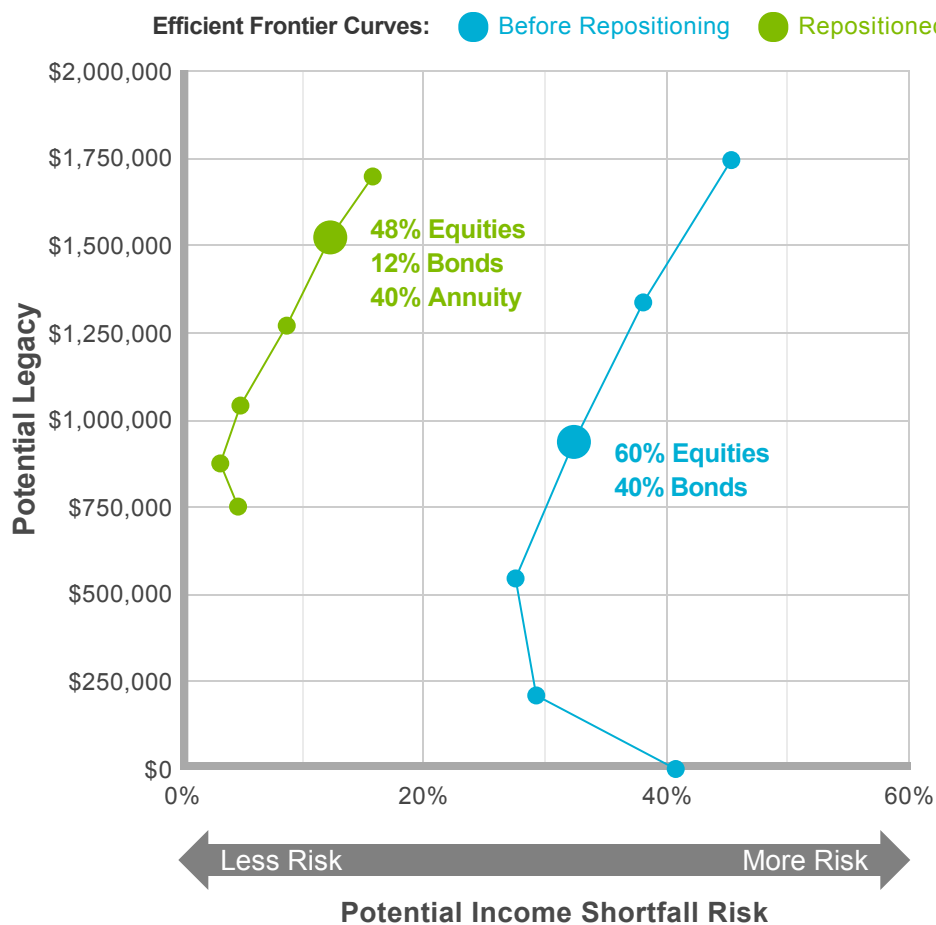
The following case study is based on a 55 year-old planning to retire at age 65. The current \$650,000 portfolio is allocated 60% to equities and 40% to bonds.

<sup>2</sup>Source: Cerulli Associates, 2012.

<sup>3</sup>Source: 2007 Period Life Table, Social Security Administration.

# Adding BCA™ shifts the efficient frontier

The following analysis was developed to help you determine the effect of re-allocating 40% of a portfolio to BCA™ with BALIR®. The graph below is based on thousands of dynamically generated simulations from research conducted by Morningstar Investment Management LLC. The information is designed to help analyze the probability of meeting retirement needs under a broad range of market conditions.



## How to read the graph

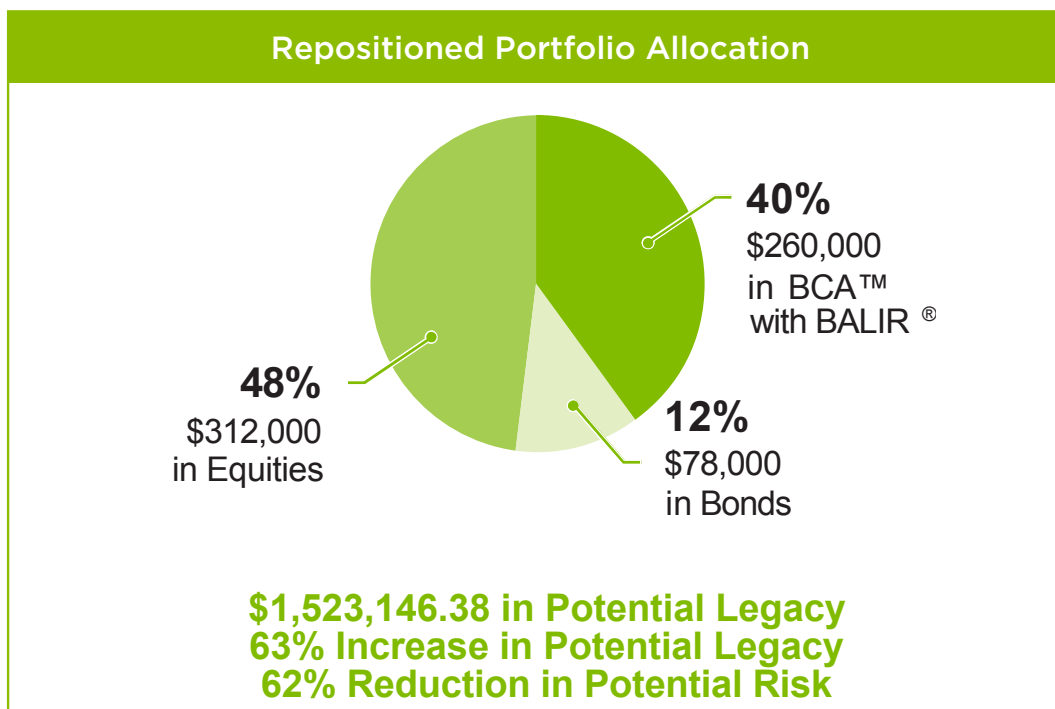
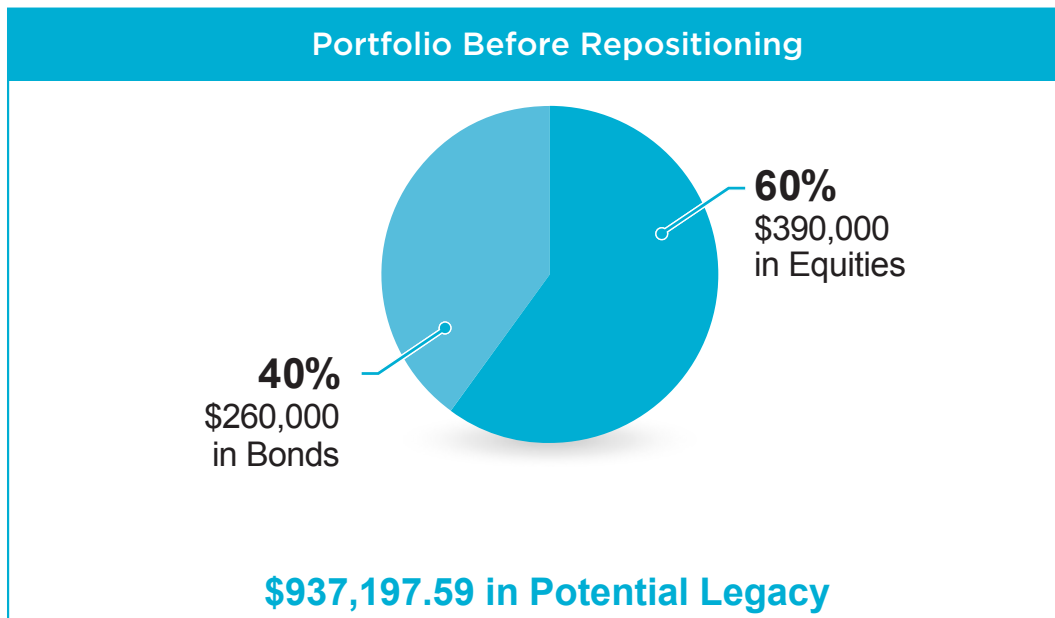
The efficient frontier line represents a scenario of the possible risk and legacy potential of a portfolio. The vertical or "Y" axis represents the total potential value of the portfolio after retirement. The higher up the graph a portfolio moves, the greater the potential legacy.

The horizontal or "X" axis illustrates the potential income shortfall risk to the portfolio. The further to the left your portfolio is positioned, the less hypothetical risk of running out of money during retirement.

The smaller points on the line indicate alternate portfolio allocations of equities and bonds with the equity allocation increasing to the right.

# The benefit of an optimal portfolio allocation

The table below represents the possible result of a portfolio before and after repositioning a portion to BALIR®. BALIR® can help reduce income risk and increase potential legacy. The tables below represent outcomes before and after repositioning 40% of the portfolio to BALIR®.



The information above is based on data provided by Annexus and Morningstar Investment Management LLC. It is hypothetical not a guarantee of future performance. The calculations are based on a number of hypothetical assumptions about market performance provided by Annexus and Morningstar Investment Management LLC.

# Analysis Assumptions

The BCA™ Portfolio Analysis compares an equity and bond portfolio allocation to an allocation that includes a BalancedChoice® Annuity with BalancedAllocation Lifetime Income Rider® (BALIR®). This analysis is based on the BCA™ Foundation strategy (60% Index Allocation, 40% Declared Rate Allocation, 1% Declared Rate, 1.50% Strategy Fee) with the BALIR® (8% Income Base bonus based on initial premium amount, stacked Income Base growth of 3% fixed plus 150% of 2-year interest credit amount, 0.85% annual fee, and payout options of either 5% or 4% (adjusted for inflation) of income benefit base). For current rates, please consult that current BalancedChoice® Annuity rate sheet.

The data used to generate the efficient frontier calculations are derived from research conducted by Morningstar Investment Management LLC and includes over 1,000 dynamically generated Monte Carlo simulations to help project income shortfall, income drawdown analysis and the probability of meeting retirement needs under a broad range of market and longevity conditions. For each simulation, an income shortfall occurred if the income was less than the amount of the required annual withdrawal from the portfolio. A Minimum Acceptable Return (MAR) of 0% was used to measure downside risk in the savings/accumulation efficient frontier analysis. An inflation rate of 2.2% was applied to the income calculations. Calculations and withdrawals do not include the potential impact of taxes.

The equity portion of the allocation is a hypothetical large-cap mutual fund with an average annual return of 9.1% and standard deviation of 19.0%; the bond allocation is a hypothetical diversified bond mutual fund with an average return of 4.0% and standard deviation of 6.5%. An inflation rate of 2.2% was also applied. Calculations and withdrawals do not include the potential impact of taxes.

The retirement income need is based off an initial withdrawal rate of 4% of the total portfolio with income payments beginning at age 65. The withdrawal amount is assumed to be increased annually by inflation for the duration of retirement. The retirement duration is based on the 25th percentile life expectancy in the 2012 Society of Actuaries Mortality Table. Withdrawals are first taken first from BCA™ with BALIR® income benefit payment with any remaining annual income needed withdrawn from the securities portfolio until the portfolio is exhausted. If the annuity withdrawal exceeds the target, the excess is saved as potential legacy.

Monte Carlo is an analytical method used to simulate random returns of uncertain variables to obtain a range of possible outcomes. Such probabilistic simulation does not analyze specific security holdings, but instead analyzes the identified asset classes. The simulation generated is not a guarantee or projection of future results, but rather, a tool to identify a range of potential outcomes that could potentially be realized. The Monte Carlo simulation is hypothetical in nature and for illustrative purposes only. Results noted may vary with each use and over time.

## ASK YOUR FINANCIAL PROFESSIONAL HOW BCA™ AND BALIR® CAN HELP PROVIDE YOU WITH A SOURCE OF LIFETIME RETIREMENT INCOME.

• Not a deposit • Not FDIC or NCUSIF insured • Not guaranteed by the institution • Not insured by any federal government agency • May lose value

The BalancedChoice® Annuity Portfolio Analysis is provided for educational purposes only; it is not intended to be an illustration of any specific investment and does not constitute investment, legal, tax or accounting advice. You should consult a qualified tax professional or attorney for more information.

The general assumptions used in this tool may change over time and do not represent actual investment results, do not guarantee future results and do not represent an optimized or recommended allocation from Athene®, Annexus®, Morningstar Investment Management, or any of their affiliates. Although a broad range of investment outcomes were analyzed to develop the results for this tool, there may be other investment outcomes possible.

The calculations have been generated by Morningstar Investment Management, Genesis Financial, and Annexus and are believed to be reliable. However, Athene, Morningstar Investment Management and Annexus make no guarantees as to the accuracy of the calculations or applicability to a client's individual circumstances and cannot be held liable for loss resulting from the use of information provided by this tool.

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