

Breaking the rules (of thumb)

Annuity

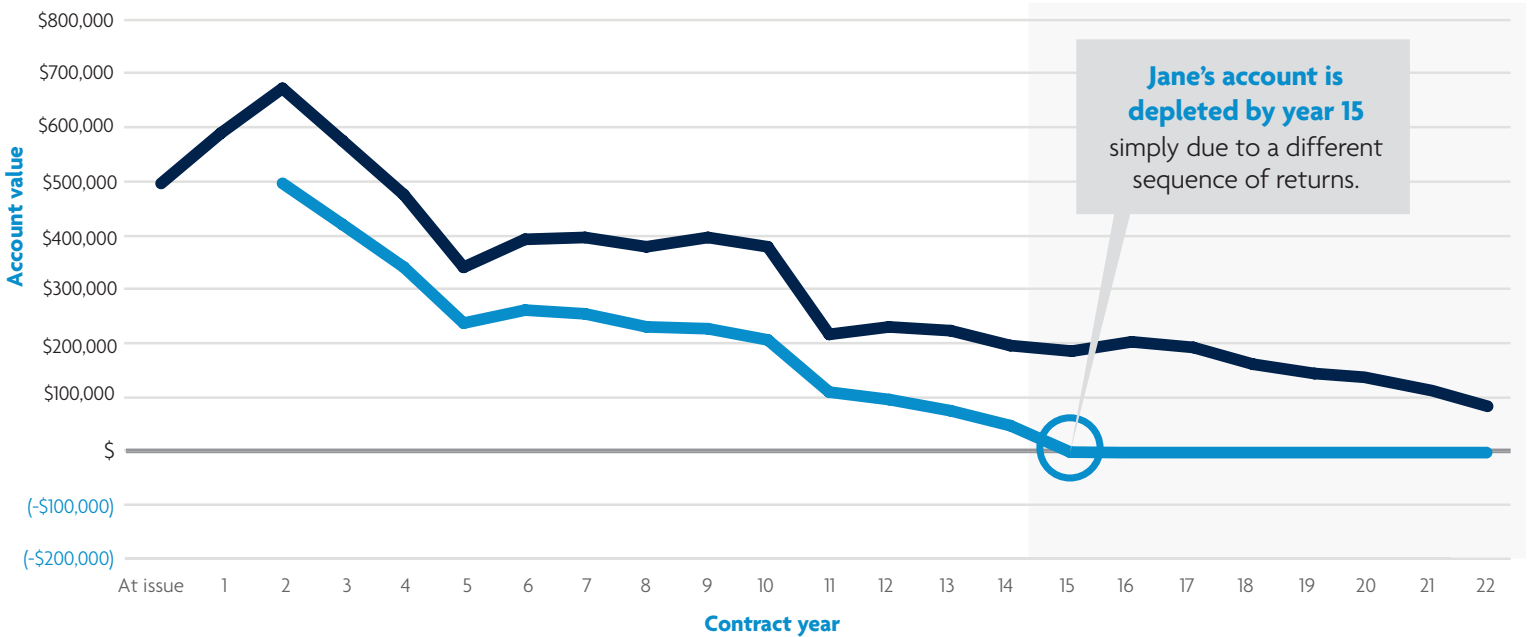
Drawdown drawbacks

Could a sequence of returns deplete your savings?

When it comes to generating sustainable retirement income, many people only think of an average rate of return needed on their assets. However, what might be more important is not the “average” return but the order of the returns. In the two hypothetical examples provided, George retires and begins taking withdrawals in 1998 and Jane begins taking withdrawals just two years later in 2000. Both have \$500,000 at the time they begin withdrawals. 21 years later, with just a difference of two years from when withdrawals started, George still has over \$100,000 while Jane’s account is depleted by year 15.

Year	George		Jane	
	Gain/Loss	Account value	Gain/Loss	Account value
At issue	-	\$500,000.00	-	-
1998	26.67%	\$595,342.37	-	-
1999	19.53%	\$675,731.38	-	\$500,000.00
2000	-10.14%	\$580,259.47	-10.14%	\$422,345.82
2001	-13.04%	\$478,490.84	-13.04%	\$341,173.38
2002	-23.37%	\$343,696.62	-23.37%	\$238,464.71
2003	26.38%	\$396,451.03	26.38%	\$263,458.53
2004	8.99%	\$399,407.63	8.99%	\$254,454.51
2005	3.00%	\$380,493.64	3.00%	\$231,190.44
2006	13.62%	\$398,228.88	13.62%	\$228,591.43
2007	3.53%	\$381,225.80	3.53%	\$205,600.87
2008	-38.49%	\$216,053.76	-38.49%	\$108,019.48
2009	23.45%	\$229,691.17	23.45%	\$96,318.32
2010	12.78%	\$225,217.12	12.78%	\$74,795.60
2011	0.00%	\$195,210.91	0.00%	\$44,794.18
2012	13.41%	\$187,358.58	13.41%	\$16,777.44
2013	29.60%	\$203,938.68	29.60%	\$0
2014	11.39%	\$193,751.40	11.39%	\$0
2015	-0.73%	\$162,561.58	-0.73%	\$0
2016	9.54%	\$145,201.35	9.54%	\$0
2017	19.42%	\$137,573.41	19.42%	\$0
2018	-6.24%	\$100,863.78	-6.24%	\$0
2019	28.88%	\$91,327.87	28.88%	\$0

Assumptions: Initial premium \$500,000, annual withdrawal \$30,000, S&P 500® index



Talk to your financial professional for details.

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