



**SIZING**  
UP THE  
**FUTURE**

**29<sup>th</sup>**  
**Annual**

Conference  
& Expo

## How to Retire in Style

Jack Sharry, LifeYield

Tom Johnson, New York Life

Phil Eckman, Transamerica

**NICSA**





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**Jack Sharry**

EVP, LifeYield

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# How We Got “Here”

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- 1970's
  - Stock & Bonds
  - Standardized Commissions
  - A simple business

# How We Got “Here”

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- 1980's
  - “Packaged products,” IRAs
    - CMAs, mutual funds, UITs, annuities, tax shelters
    - “Professional management, diversification, cost effective”
  - Discounting/discount brokers
    - Product, price and advice become dis-aggregated
    - Negotiated relationships emerge
  - Savers become investors
    - March, 1987
    - October, 1987
  - Performance did not match expectations

# How We Got “Here”

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- 1990's
  - Information overload leads to confusion
    - “Load vs. No-Load” argument rages
    - A spectrum of “advice” becomes available
  - Advisory Programs emerge
    - “Wrap” Programs: Mutual Fund Wrap, SMAs
  - Investments & Guarantees converge
    - VAs with guarantees launch
  - Product selection and Asset allocation – by accident
    - Investors buy: Different products, at different times, from different advisors/firms, for different reasons

# How We Got “Here”

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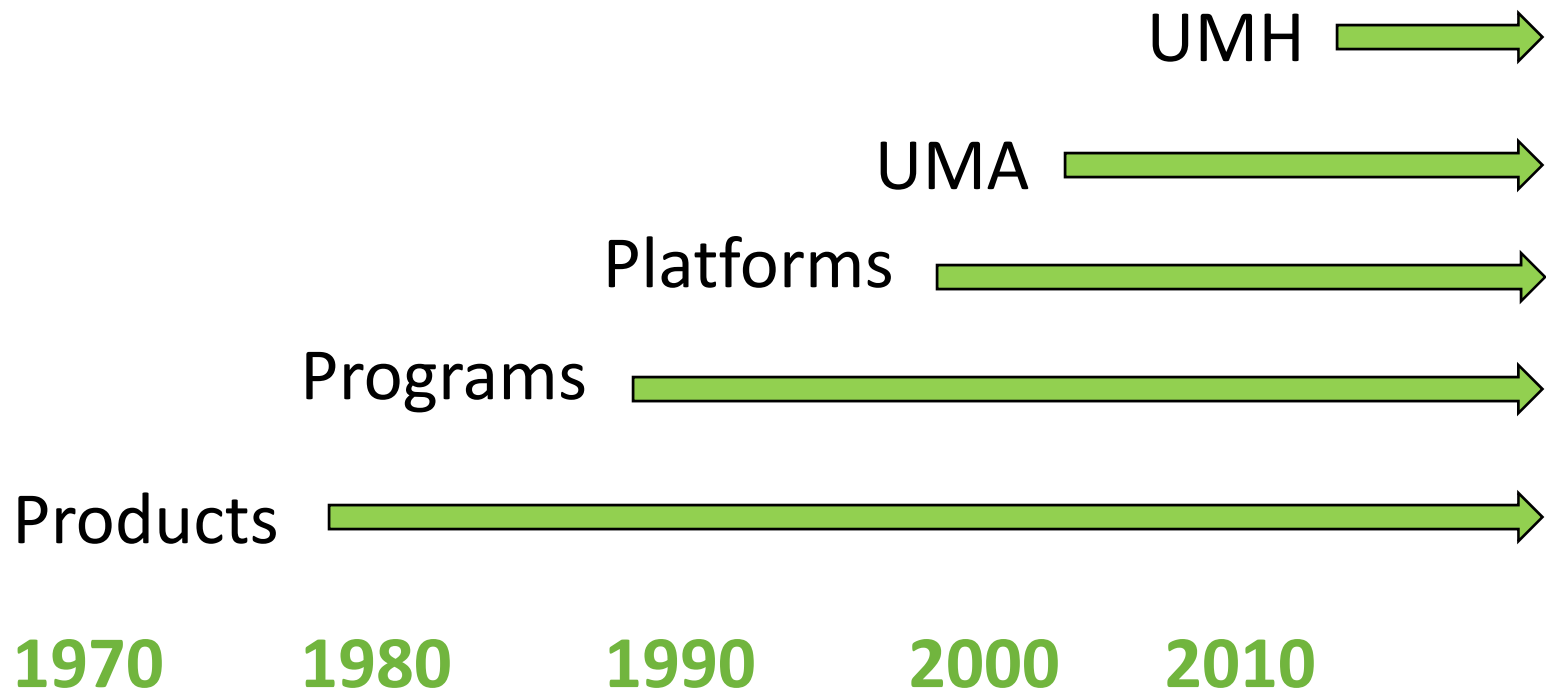
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- 2000's
  - Irrational exuberance”
    - Until May, 2002
  - Boomers reach 60
  - September, 2008 – 500 year flood
    - Changed retirement mindset
      - More conservative
      - Saving more
      - Spending less
      - Working longer
      - Not sure who or what to trust

# Where We Go From “Here”

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## What Now?



# Where We Go From “Here”

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## Planning

- Inventory
- Objectives
- Risk tolerance
- Income plan



## Investments

- Product selection
- Asset allocation
- Rebalancing

## Tax-Smart Household Management

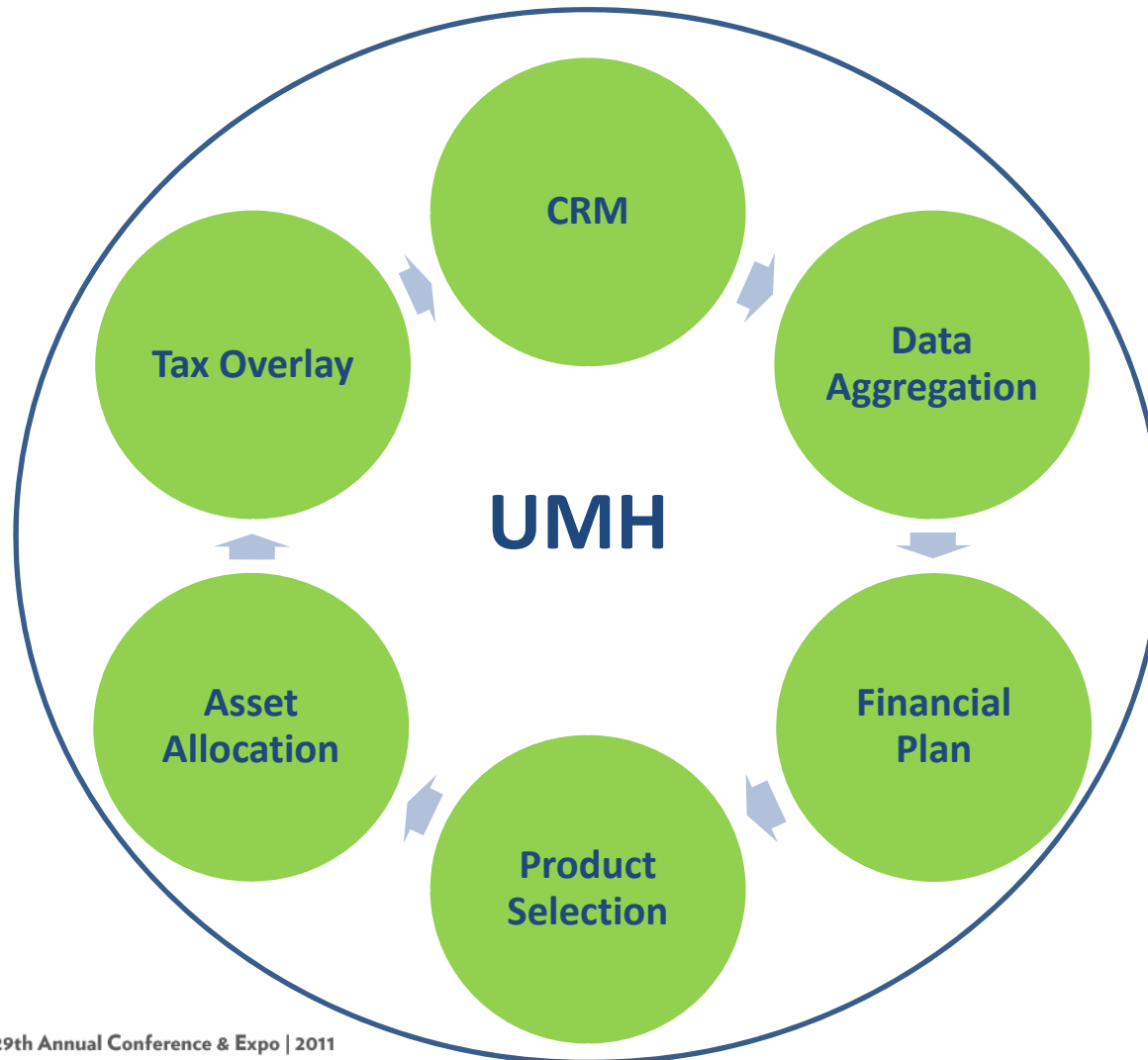
- Location
- Capital Gains
- Household Asset Allocation



# Where We Go From “Here”

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The diagram consists of three dark teal circles with light teal borders, connected by thin lines. The largest circle on the left contains the text 'SIZING UP THE FUTURE'. A line connects its right side to the left side of a medium-sized circle in the center, which contains '29<sup>th</sup> Annual'. Another line connects the right side of the medium circle to the left side of a small circle on the right, which contains 'Conference & Expo'.

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**Tom Johnson**

SVP, New York Life

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# Agenda

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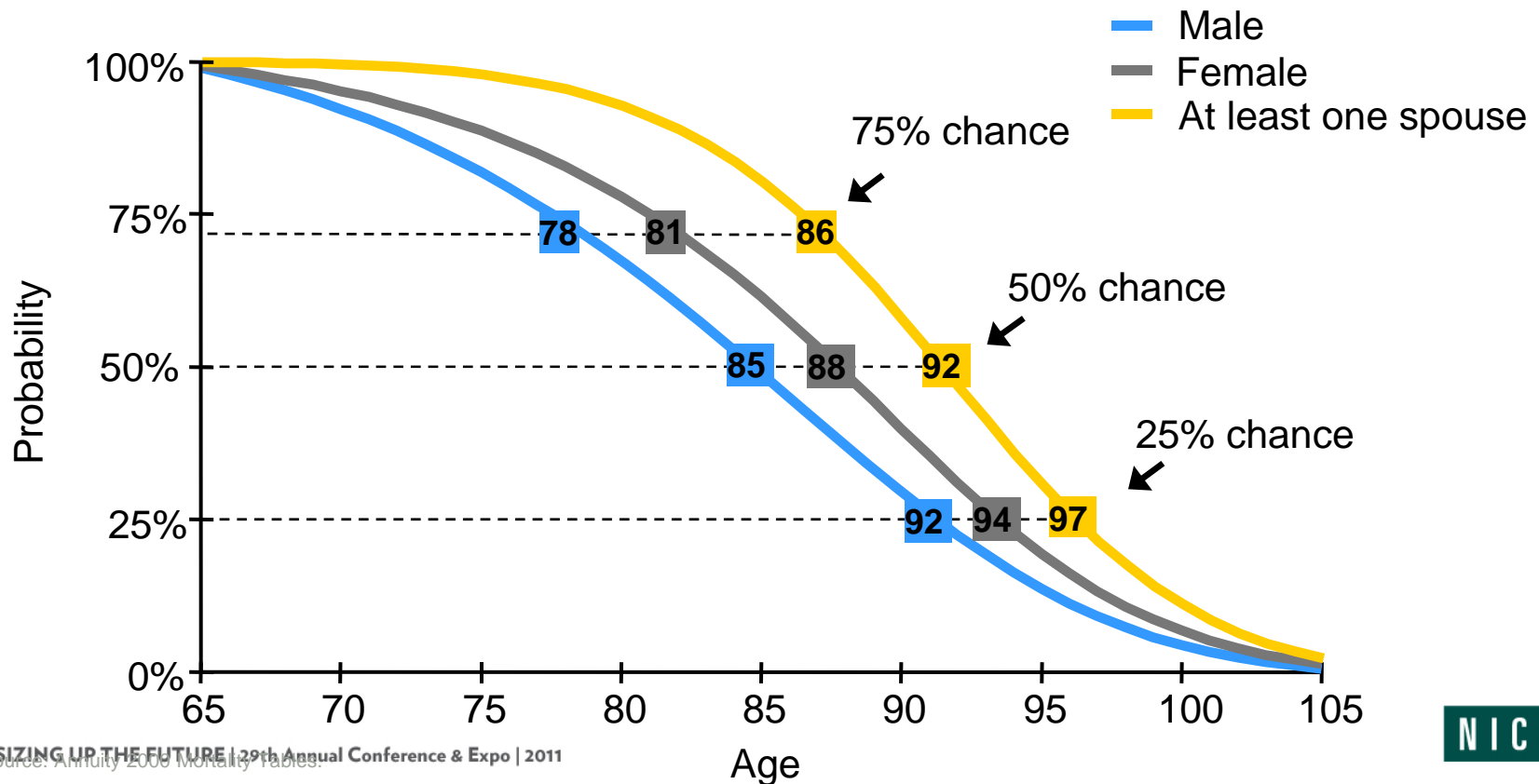
- Longevity Risk
- Money Comes to Rest/Participant Behavior
- Social Security Plays a Significant Role
- Modern Portfolio Theory Adapted for Retirement Income
- Adapting Accumulation Products to Manage Risks in Retirement

# Longevity Risk

*“Advisors are typically using a life expectancy of 90 for planning purposes.”*

*-- GDC and Practical Perspectives, 2009*

## Probability of a Healthy 65-year-old Living to Various Ages



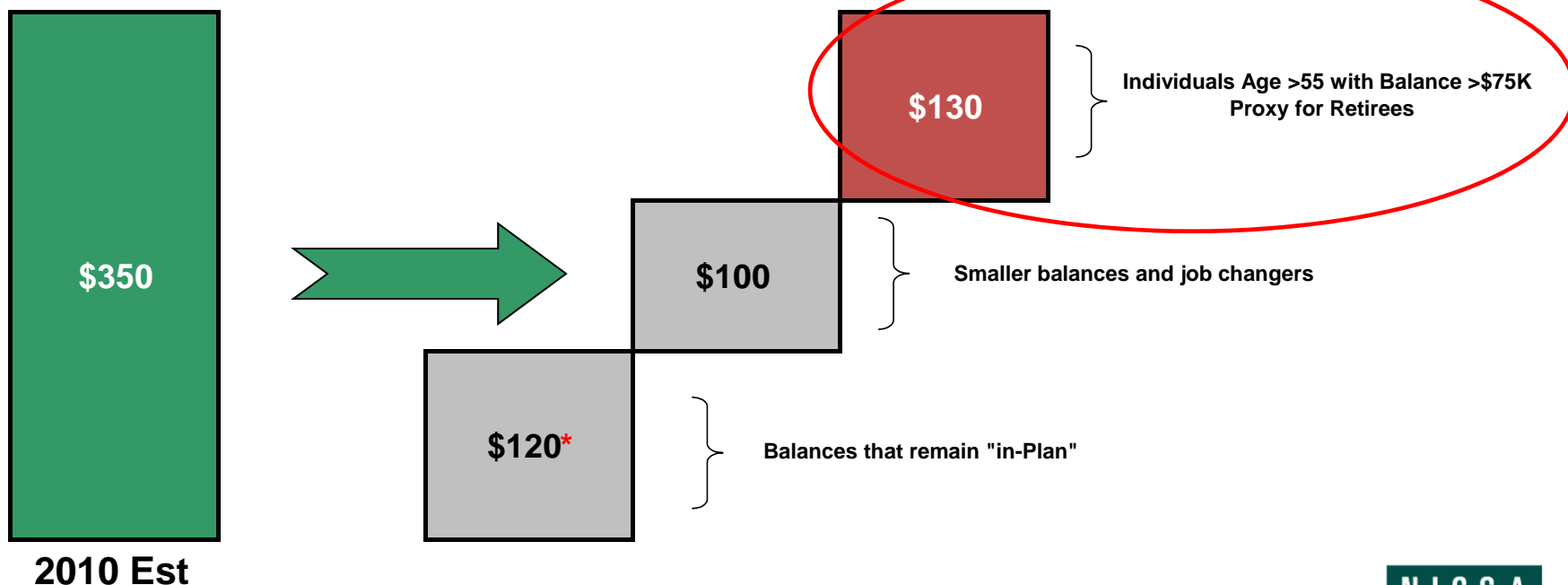
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# Better Defined Market

In contrast to the DC/DB markets, the IRA market promises tremendous growth (more than \$350 billion in potential new funds per year)

Projected balances that will become available in 2010 to new retirees or job-changers (\$ billions)



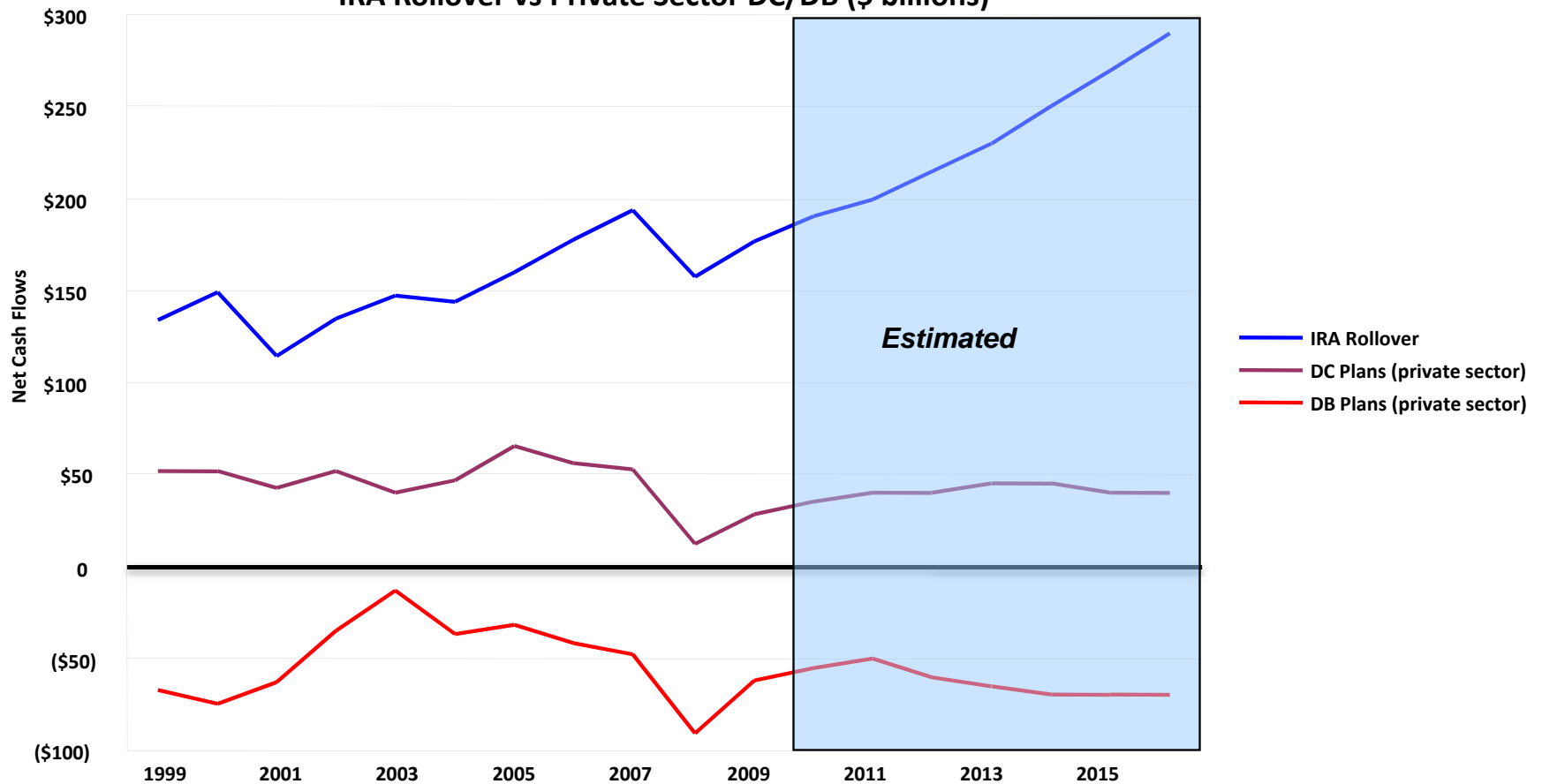
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\* A significant portion of the dollars that remain "in-plan" during the 1st year roll-over during the following 3-5 years.

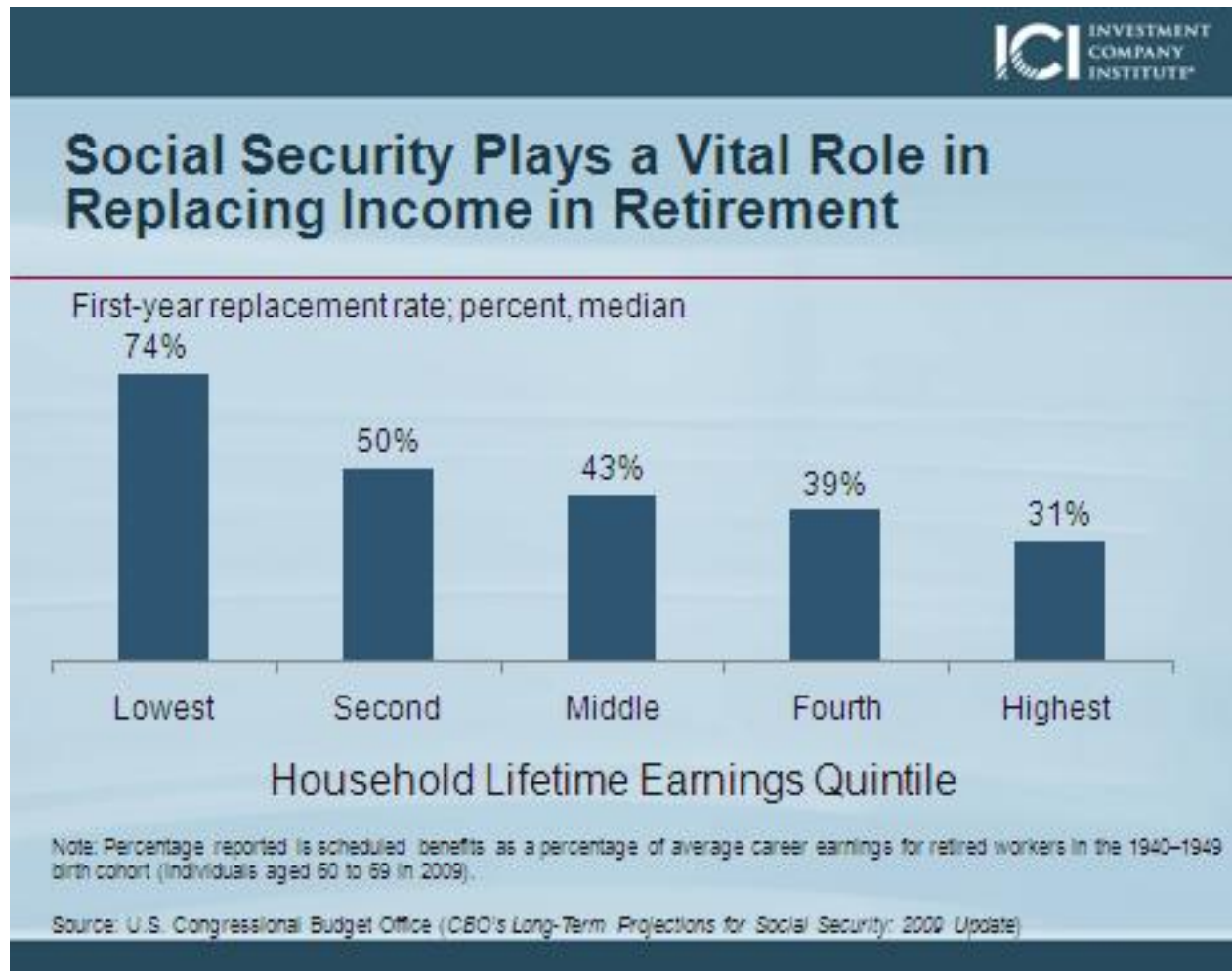
# IRA Flows Dominate

Net Cash Flows (1999 – 2016 est)

IRA Rollover vs Private Sector DC/DB (\$ billions)



# Social Security Plays a Significant Role

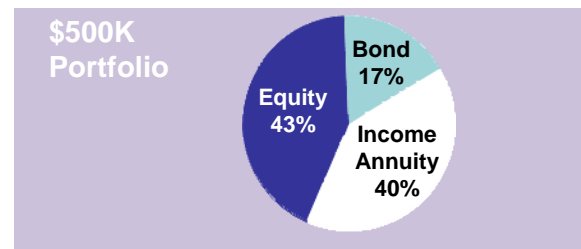
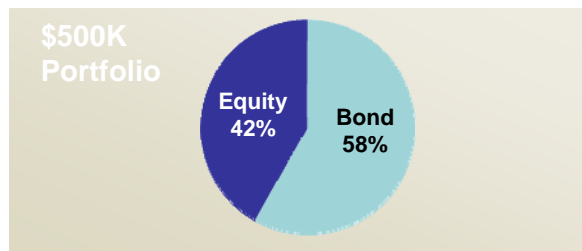


# Modern Portfolio Theory Adapted for Retirement

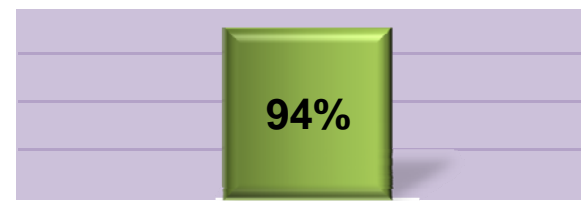
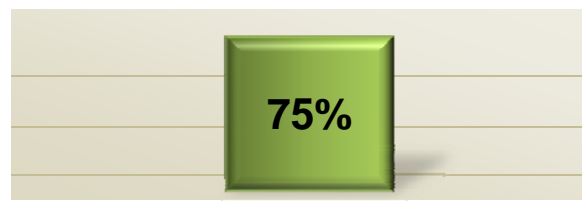
Incorporating income annuities into portfolios takes the pressure off withdrawals, leading to greater certainty that retirees won't outlast their portfolios, and potentially higher legacies!

Scenario: Male age 65, 4.5% withdrawal rate, adjusted annually for 2.5% inflation

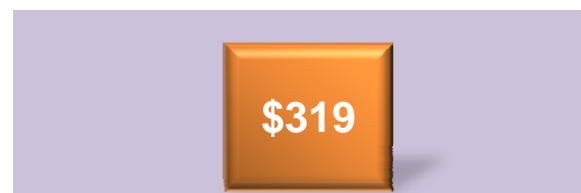
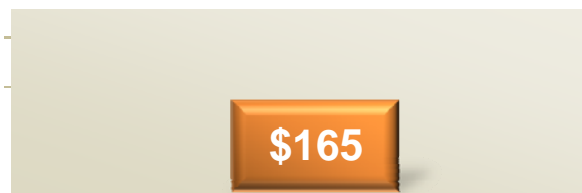
## Model Portfolio



Probability  
assets >\$0  
at age 92



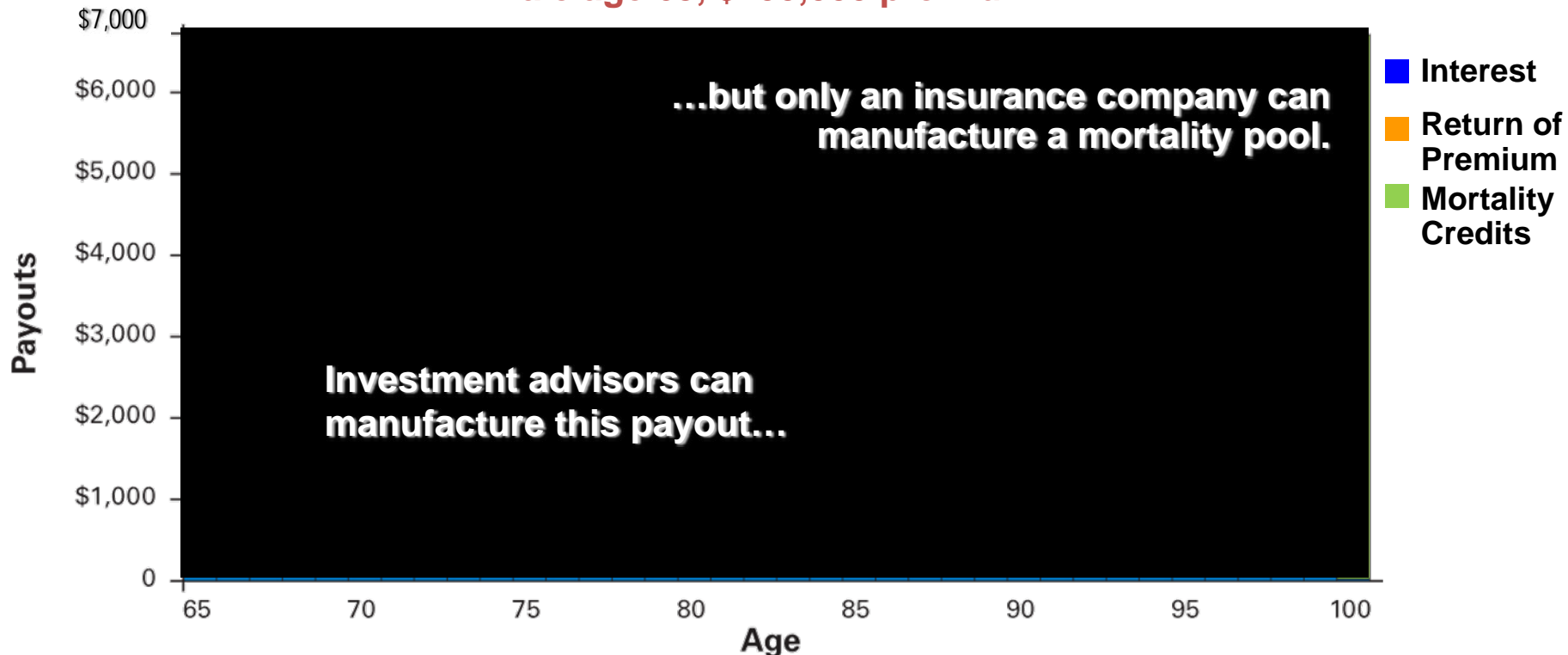
Median ending  
asset value (\$000s)





# Income Annuities Generate a Unique Form of Alpha

## Components of Lifetime Income Payout Male age 65, \$100,000 premium

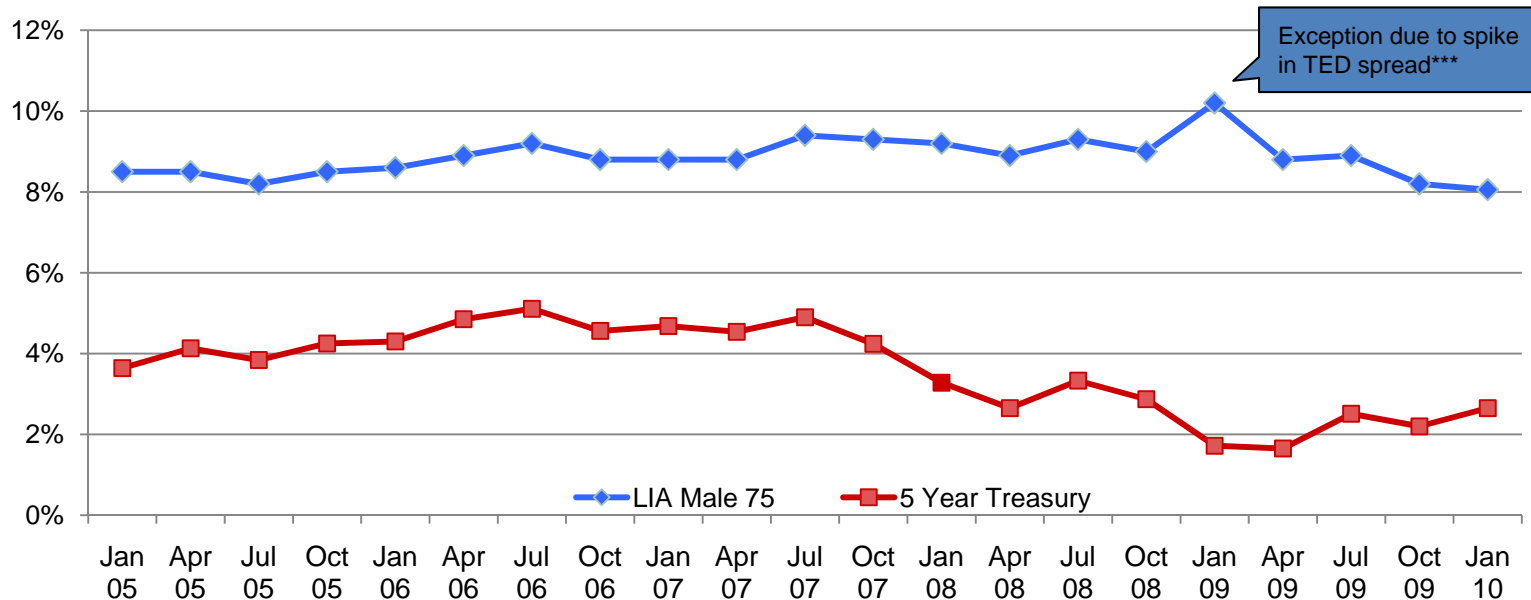


**Lifetime income annuities can deliver higher payouts because, in addition to distributing interest and premium, they subsidize those who live longer with the capital of those who die early.**

# Lifetime Income Annuity & U.S. Treasury Notes

- ☐ Payout rates for Lifetime Income Annuity have remained fairly constant over time.
- ☐ Lifetime Income Annuity payout rates\* fluctuated less than 5-Year U.S. Treasury notes\*\* over the past 5 years.

## Historical 5-Year U.S. Treasury Note & Lifetime Income Annuity Payout Rates 2005-2010 by Quarter



\*\*Treasury notes are negotiable debt obligations issued and backed by the full faith and credit of the U.S. Government. They are usually available with maturities ranging between 2 and 10 years. They pay interest twice a year and mature at par value.

\*Lifetime Income Annuity Payout rates include interest and return of principal. They represent the annualized payouts as a percent of total premium.  
 1. LIA rates are based on rates in effect on the first calendar day of each quarter, using a Life with Cash Refund payout for a male age 75. Note that LIA payout rates are lower than shown if annuitant is younger. 2. Source: U.S. Department of Treasury, rates as published for the first calendar day of each quarter.

\*\*\* TED spread, the difference between the 3-month T-bill interest rate and 3-month London Interbank Offered Rate (LIBOR), jumped towards the end of 2008 to a record high of 4.6% from a historical average range of 0.3%-0.5%, allowing an exception in the high level of payout rates offered by Lifetime Income Annuity.

# The New Realities of Retirement



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<sup>1</sup> MetLife Study of Employee Benefits Trends, 2009

## Summary

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- Longevity presents a financial risk (among others)
- Participant behavior is to “take the money and run” (rollovers)
- Employer provides a pension (Social Security)  
Segmentation is key
- Adapting Modern Portfolio Theory principles for retirement





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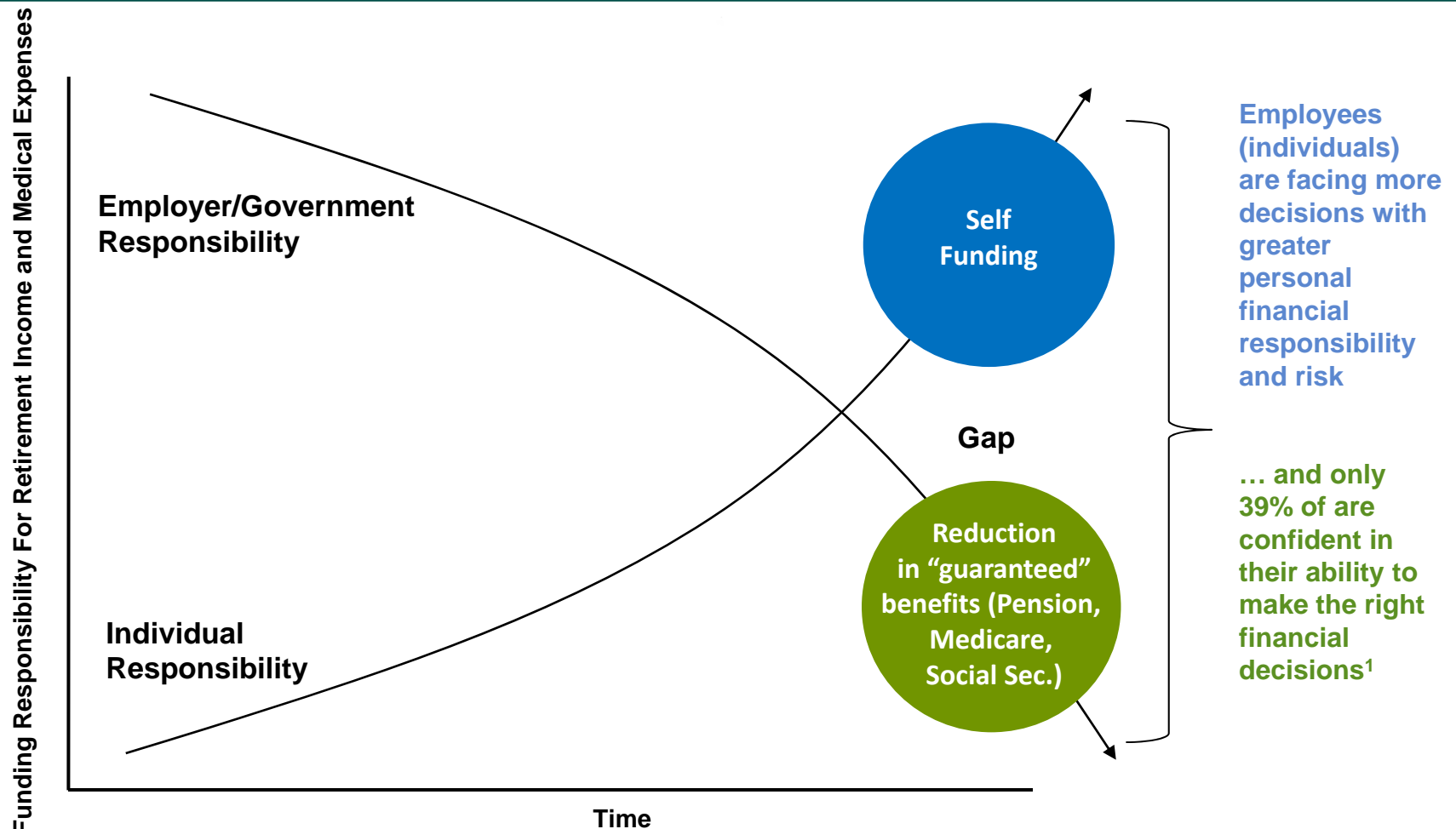
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**Phil Eckman**

CEO, Transamerica Retirement

**NICSA**

# The New Realities and Responsibilities of Retirement



*(Responsibility + Complexity) More People = Growing Need for Help!*



# A Process Solution: The Retirement Transition Service

## 3 Simple Questions

1. Can I afford to retire?
2. If now, how?
3. If not now, when?

## 5 Core Subject Areas



## Delivered Through a Centralized Noncommissioned Advisor Team



- ✓ Fully licensed and credentialed phone advisors and service reps
- ✓ Results in consistent delivery of education and advice
- ✓ Open architecture
- ✓ Depending on client need and organizational strategy, can operate in an advisory or brokerage capacity
- ✓ Industry leading retirement income planning tool
- ✓ Strong web presence complements advisor team

# Simple, Actionable Documents: The Retirement Checklist and Income Strategy Report

## Retirement Checklist



### Congratulations, Jake!

You have set a retirement date and the countdown is on! The following checklist has been customized to fit your personal timeline to help ensure you are ready to retire on 1/31/2012.

Lifestyle	Target Date	Completed
Determine how you will spend your free time	N/A	<input checked="" type="checkbox"/>
Decide if you will work part-time	N/A	<input type="checkbox"/>
Think about where you will live (short- and long-term)	*	<input type="checkbox"/>
Determine how much your retirement lifestyle will cost	*	<input type="checkbox"/>
Set a retirement date for yourself (and for significant other)	*	<input type="checkbox"/>

Investments	Target Date	Completed
Inventory all of your retirement savings	*	<input type="checkbox"/>
Identify any non-traditional assets (house(s), rental income, etc.)	*	<input type="checkbox"/>
Re-assess your risk tolerance and reallocate your assets accordingly	*	<input type="checkbox"/>
Review your level of debt and develop appropriate savings to debt ratio	7/31/2011	<input type="checkbox"/>
Create a liquid cash reserve to cover a minimum of six to nine months of expenses	7/31/2011	<input type="checkbox"/>

\*Recommendation - Complete within the next 30 days.

If you have questions about any of your action items, feel free to call Steve Tragner at 866-306-6343 or email [advisor@transamerica.com](mailto:advisor@transamerica.com)

February 01, 2011

Health Care	Target Date	Completed
Develop health insurance coverage plan if you (or significant other) are retiring prior to age 65	*	<input type="checkbox"/>
Determine all applicable health benefits that may be available to you (VA, retiree, etc.)	*	<input type="checkbox"/>
Determine if you will need dental or vision coverage	7/31/2011	<input type="checkbox"/>
Review Medicare options and choose appropriate plan to cover any gaps (Medicare Part C, Medigap and drug coverage)	7/31/2011	<input type="checkbox"/>
Estimate premium amounts and potential out-of-pocket expenses	7/31/2011	<input type="checkbox"/>

Protection	Target Date	Completed
Assess potential impact of long-term care expenses	*	<input type="checkbox"/>
Determine need for income protection plan (for surviving significant other or special needs children)	*	<input type="checkbox"/>
Develop a legacy plan	7/31/2011	<input type="checkbox"/>
Update all accounts with correct titling and beneficiary designations to ensure they properly transfer	10/31/2011	<input type="checkbox"/>
Establish appropriate legal documents to protect your estate and organize all important documents	10/31/2011	<input type="checkbox"/>

Income	Target Date	Completed
Determine amount of available pension income (employer or other)	*	<input type="checkbox"/>
Review all retirement plan payout options	*	<input type="checkbox"/>
Optimize your Social Security income	10/31/2011	<input type="checkbox"/>
Develop a tax efficient income strategy to determine which assets to spend first	10/31/2011	<input type="checkbox"/>
Create a sustainable income plan	10/31/2011	<input type="checkbox"/>

\*Recommendation - Complete within the next 30 days.

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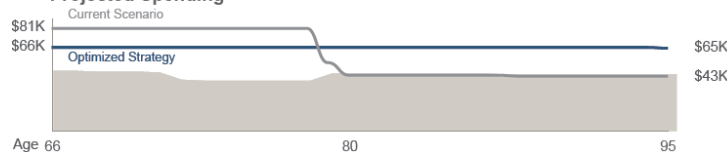
# Simple, Actionable Documents: The Retirement Checklist and Income Strategy Report

## Finding an Income Strategy that's Right for You

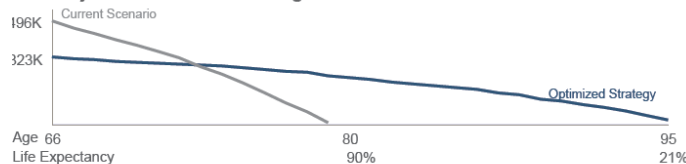


Carl, based on the information you provided, we have projected your *current retirement scenario*. For your comparison, we propose an *optimized strategy* that may better suit the retirement goals you have shared.

### Projected Spending



### Projected Retirement Savings



Your Current Scenario projects your income will drop to \$44,395 per year and your savings will be depleted at age 80. It is estimated you have a 90% chance of living longer.

### Recommendations

We propose an after-tax annual retirement income of \$66,000 based on a retirement age of 66, estimated savings at retirement of \$496,274, conservative risk tolerance for investing, and a desire to bequest \$50,000. We propose a \$173,696 investment in an income annuity which will produce a first-year after-tax annual income of \$9,064. This Optimized Strategy projects a longer lasting steady stream of income throughout retirement.

	Current Scenario	Optimized Strategy
Estimated savings at retirement	\$496,274	\$322,578
Purchase of an income annuity	--	\$173,696
After-tax annual income	\$80,879	\$66,000

All spending figures are in after-tax dollars and are adjusted for inflation. To calculate this projection we ran 350 simulations. Of those simulation runs, 70% did as well or better than this projection. Document ID 401. Client ID TEST3RD

TRM35425-05/10

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December 08, 2010

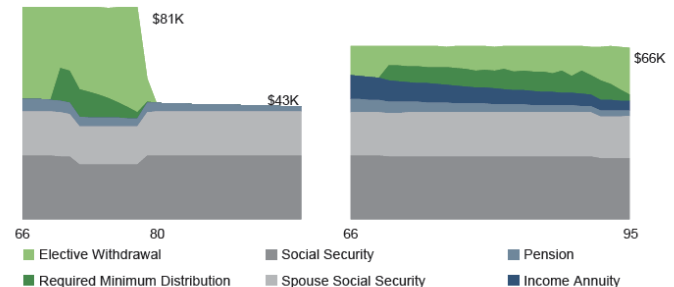
Finding an Income Strategy that's Right for You (continued)



## Projected Income Sources, after state and federal taxes

Current Scenario

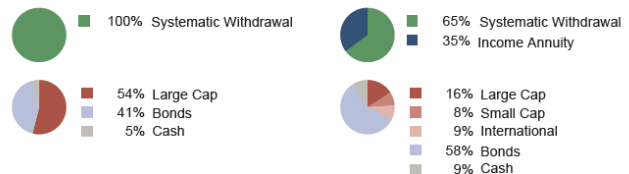
Optimized Strategy



## Retirement Savings Allocation

Current Scenario

Optimized Strategy



## Factors We Discussed

- Your desired spending level
- Risk tolerance
- Asset allocation
- Your retirement age
- Social Security start age
- Legacy planning
- Longevity expectations

## Next Steps

We will help you make the transition from relying on work for income to relying on your savings. Together, we'll allocate your savings across a broader product mix to provide a more stable level of income. We will also work to ensure you have properly diversified your investments based on your risk tolerance to help offset the effects of inflation and weather market volatility.

**We recognize that these factors will change over time and we are here to work with you to help manage your retirement plan today and in the future.**

All spending figures are in after-tax dollars and are adjusted for inflation. To calculate this projection we ran 350 simulations. Of those simulation runs, 70% did as well or better than this projection. Document ID 401. Client ID TEST3RD

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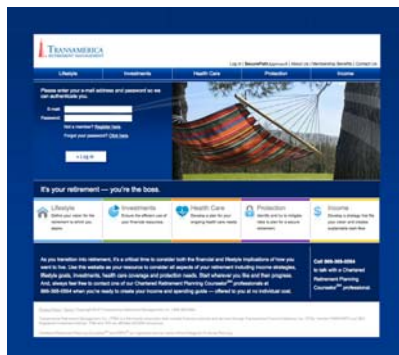
December 08, 2010

# How We Connect with the Pre-retirees and Get Them to Take Action with TRM?

## Referrals from Call Centers/IVR's



## Website and Tool Integration



## Referrals from Onsite Reps

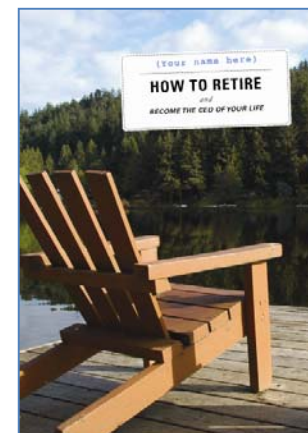


## Workplace Seminars



- ✓ AEGON/Transamerica Affiliates
- ✓ Direct to Employers
- ✓ Record Keepers
- ✓ Benefit Brokers and Consultants
- ✓ Associations
- ✓ Institutional Partnerships
- ✓ Private Labeling / Revenue Sharing Options Available

## Traditional & Digital Direct Mail





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The information provided here is general in nature and should not be considered as investment advice. Each individual's situation is unique and you should consider your risk to tolerance, personal circumstance, and complete financial situation.

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