Cracking the Nest Egg
Transitioning from accumulating retirement assets to taking income distributions
Welcome

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*Securities and investment advisory services offered through Voya Financial Advisors, member SIPC.
Retire: Defined?

Retire

1: To go away, retreat, recede
2: to give up one’s work, business, career due to advanced age
3: to go to bed
4: to withdraw as in battle
5: to remove from circulation
6: to move to a place of privacy or seclusion
7: to withdraw from contact with others
What does it really mean?

What does retirement mean to you?

Travel?
Hobbies?
Family?
Second Career?
Volunteering?
What retirement looks like

- Longer life
- Better health
- Early/late retirement
- Second career
- Leisure activities
- Fewer pensions
- Less Social Security
- More personal savings
- Higher healthcare costs
Your Time in Retirement

How long do you expect to live in retirement…
the next $\frac{1}{3}$ of your life?

65-year old female: 1 in 2 chance of living past age 84
65-year old male: 1 in 2 chance of living past age 81

The truth is, you may need to live without a paycheck, as long as you have lived with one. How much will you need?

SOURCE: Based on current Annuity 2000 Mortality Table assuming relatively good health. Society of Actuaries, Longevity: The Underlying Driver of Retirement Risk – 2005
What retirement looks like

Retirement isn’t just one new stage of life…
It can have three stages, each with its own characteristics and costs

1. Stage One: Go Go
2. Stage Two: Slow Go
3. Stage Three: No Go
## Determining retirement income needs

### Essential versus discretionary expenses

<table>
<thead>
<tr>
<th>Reduced Monthly Expenses</th>
<th>Increased Monthly Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work-related</td>
<td>Travel</td>
</tr>
<tr>
<td>$200-</td>
<td>$100+</td>
</tr>
<tr>
<td>Payroll taxes</td>
<td>Healthcare</td>
</tr>
<tr>
<td>$300-</td>
<td>$200+</td>
</tr>
<tr>
<td>Retirement plan contributions</td>
<td>Funds to replace insurance benefits</td>
</tr>
<tr>
<td>$250-</td>
<td>$300+</td>
</tr>
<tr>
<td><strong>$750</strong></td>
<td><strong>$600</strong></td>
</tr>
</tbody>
</table>

For illustrative purposes only. This example may not reflect your actual situation.
Funding your retirement

60-80% comes from your own resources

Source: Social Security Administration, Office of Policy, Income of the Aged Chartbook, 2010, issued March 2012. Key sources of retirement income for households with incomes of $57,957 or more per year. This chart is for illustrative purposes only.

No matter what goes into yours, chances are, your own personal savings will be the biggest piece of the pie.
Methods for generating retirement income

**Method 1:**
Lump sums as needed

**Method 2:**
Full or partial annuitization

**Method 3:**
Systematic withdrawals
Methods for generating retirement income

Method 1: 
Lump sums as needed

<table>
<thead>
<tr>
<th>Expense</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Essential living expenses</td>
<td>Pension and/or Social Security</td>
</tr>
<tr>
<td>Additional expenses</td>
<td>Lump sum withdrawals from personal retirement assets as needed</td>
</tr>
</tbody>
</table>
# Methods for generating retirement income

## Method 1: Lump sums as needed

<table>
<thead>
<tr>
<th>PROS</th>
<th>CONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Potential to outperform inflation</td>
<td>Potential to miscalculate when income needs will occur</td>
</tr>
<tr>
<td>Complete flexibility in withdrawals</td>
<td>Potential to outlive your assets</td>
</tr>
<tr>
<td>Full control on how assets are invested</td>
<td>Taxation of withdrawals</td>
</tr>
</tbody>
</table>
**Method 2:**
Full or partial annuitization

**Annuitzation**
An annuity is an insurance contract that generally guarantees periodic income payments. Annuities may be annuitized immediately or deferred, over a long or short time period, or in some cases, in one single payment. Payment guarantees are based on the claims paying ability of the Issuing insurance company.

Source: Investopedia.com
## Method 2: Full or partial annuitization

<table>
<thead>
<tr>
<th>PROS</th>
<th>CONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment risk is transferred to the insurance company</td>
<td>Loss of flexibility to take lump sum withdrawals</td>
</tr>
<tr>
<td>(N/A for variable payouts)</td>
<td></td>
</tr>
<tr>
<td>Steady and predictable stream of income</td>
<td>Income stream may not keep up with inflation</td>
</tr>
<tr>
<td>Can be for an individual or can include a spouse</td>
<td>Cannot make adjustments to payment amount</td>
</tr>
<tr>
<td>Ability to select an option so that you cannot outlive your assets</td>
<td>Death benefits may be limited or eliminated</td>
</tr>
</tbody>
</table>
Methods for generating retirement income

Method 3: Systematic withdrawals

A service that provides a specific payout amount to the shareholder at predetermined intervals, generally monthly, quarterly, semiannually or annually without requiring annuitization.

Source: Investopedia.com
Methods for generating retirement income

Method 3: Systematic withdrawals

<table>
<thead>
<tr>
<th>PROS</th>
<th>CONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steady income stream</td>
<td>Can outlive your assets</td>
</tr>
<tr>
<td>Potential to outperform inflation</td>
<td>Can be significantly impacted by poor market performance</td>
</tr>
<tr>
<td>Ability to take lump sum withdrawals</td>
<td></td>
</tr>
<tr>
<td>Can adjust amount of the payments</td>
<td></td>
</tr>
</tbody>
</table>
Retirement is like a long vacation. The goal is to enjoy it to the fullest, but not so fully that you run out of money.
Next steps

- Synch up with your spouse
- Speak to a financial professional
- Determine how to reach your retirement goals
Cracking the Nest Egg
Transitioning from accumulating retirement assets to taking income distributions
Variable annuities, group annuities or funding agreements are long-term investments designed for retirement purposes. If withdrawals are taken prior to age 59 1/2, an IRA 10% premature distribution penalty tax may apply. Money taken from the annuity will be taxed as ordinary income in the year the money is distributed. An annuity does not provide any additional tax deferral benefit, as tax deferral is provided by the plan. Annuities may be subject to additional fees and expenses to which other tax-qualified funding vehicles may not be subject. However, an annuity does provide other features and benefits, such as lifetime income payments and death benefits, which may be valuable to you.

Variable investments, of any kind, are not guaranteed and are subject to investment risk including the possible loss of principal. The investment return and principal value of the security will fluctuate so that when redeemed, it may be worth more of less than the original investment. In addition, there is no guarantee that any variable investment option will meet its stated objective.

For 403(b)(1) annuities, the Internal Revenue Code (IRC) generally prohibits withdrawals of 403(b) salary reduction contributions and earnings on such contributions prior to death, disability and age 50 ½, severance of employment, or financial hardship. Amounts held in a 403(b)(1) annuity as of 12/31/1988 are "grandfathered" and are not subject to these restrictions. For 403(b)(7) custodial accounts, the IRC generally prohibits withdrawals of any contributions and attributable earnings prior to death, disability, age 59 ½, severance of employment, or financial hardship. For both 403(b)(1) annuities and 403(b)(7) custodial accounts, the amount available for hardship is limited to the lesser of the amount necessary to relieve the hardship, or the account value as of 12/31/1988, plus the amount of any salary reduction contributions made after 12/31/1988 (exclusive of any earnings).

All Guarantees are based on the financial strength and claims-paying ability of the issuing insurance company, who is solely responsible for all obligations under its policies.

You should consider the investment objectives, risks, and charges and expenses of the investment options carefully before investing. Prospectuses containing this and other information can be obtained by contacting your Representative. Please read the prospectuses carefully before investing.
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