RISA®

What if?

A retirement income strategy based on market participation and income guardrails

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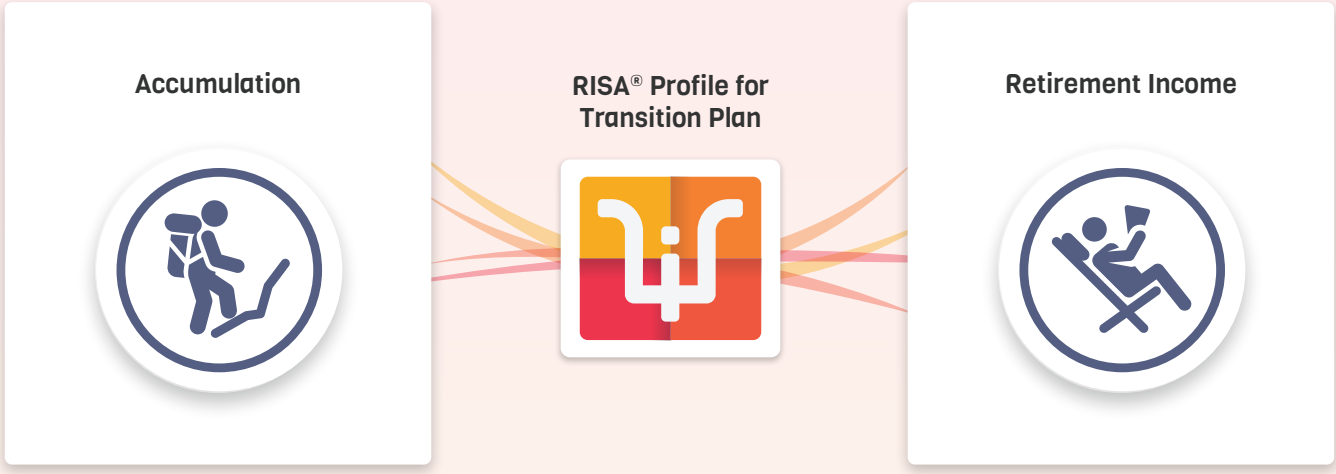
Introduction

Finding and implementing the right strategy for sourcing your retirement income can be a daunting task. A myriad approaches and options are available, and truthfully, many of them will probably work all right, more or less, at least for a time. But which approach is best for you—is most precisely suited to your strengths and weaknesses, your concerns and biases and priorities, your preferences and lifestyle—may be something else altogether. A strategy that's custom tailored not just to your requirements but to your personality is one you'll feel good about and, consequently, one you're most likely to implement with relative ease. It's the one you'll be able to stick with because it feels right—and therefore, the one that's most likely to succeed.



Our Retirement Income Style Awareness® (RISA®) tool can help you identify that solution. From your unique profile, it will show you a range of appropriate options so you can choose what's best for you. That's because it's designed to capture the multifaceted aspects of a retirement income plan beyond a traditional accumulation-focused portfolio guided by a minimal risk-tolerance questionnaire.

RISA® is Different

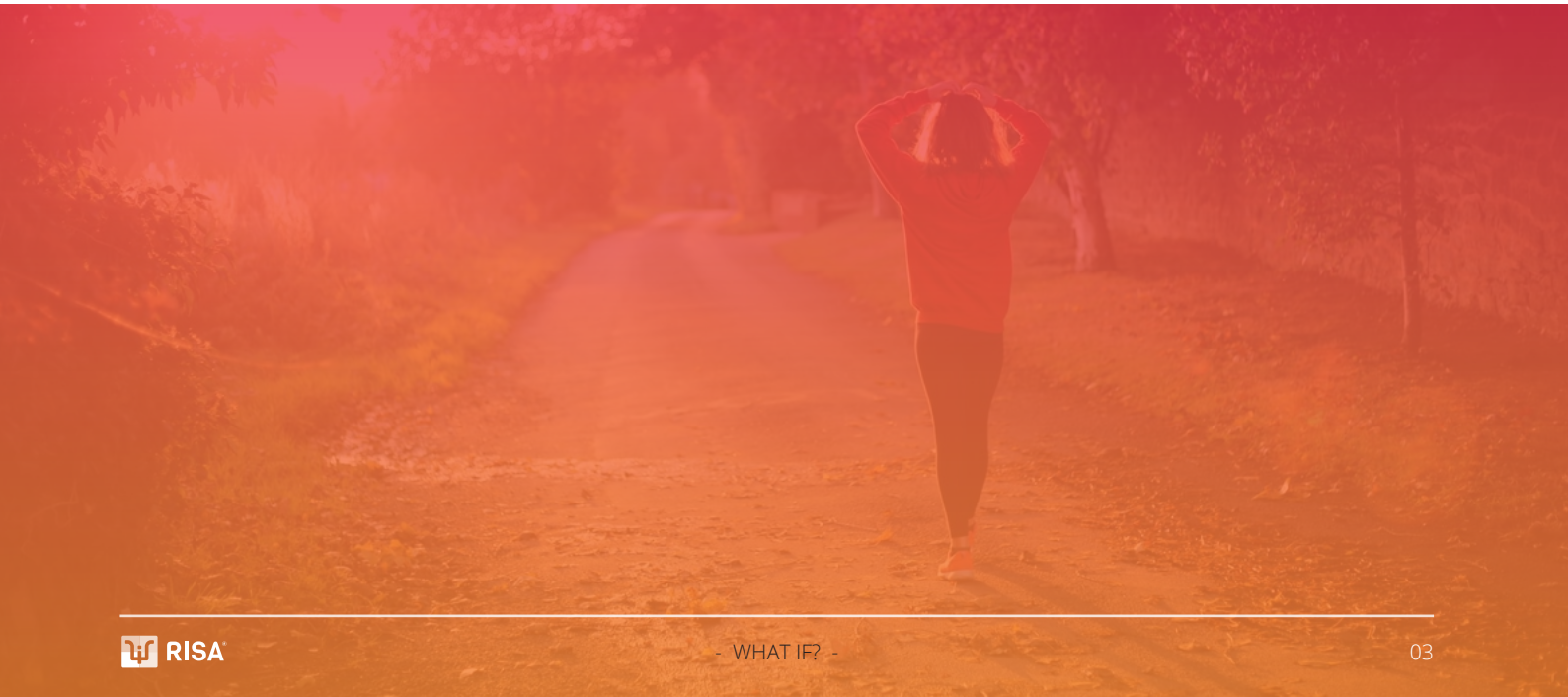
Unlike any retirement planning tool that's come before, the RISA® was specifically built to measure a variety of choices about how you're most comfortable sourcing your retirement income.

It translates your choices into a snapshot of appropriate, viable strategies that fit your style. It's an empowerment tool to help you find what's best for you.

No single approach or product will work for everyone, of course. So our methodology effectively identifies your particular preferences and matches them to specific retirement income strategies and recommendations for you to choose.

In this way, the RISA® solves the problem of scattershot retirement planning.

Through a series of user-friendly questions, it zeroes in on your unique profile to generate custom-tailored retirement income solutions. The secret behind the system is we've broken down retirement income styles into specific dimensions that gauge your preferences in relation to financial decision-making.

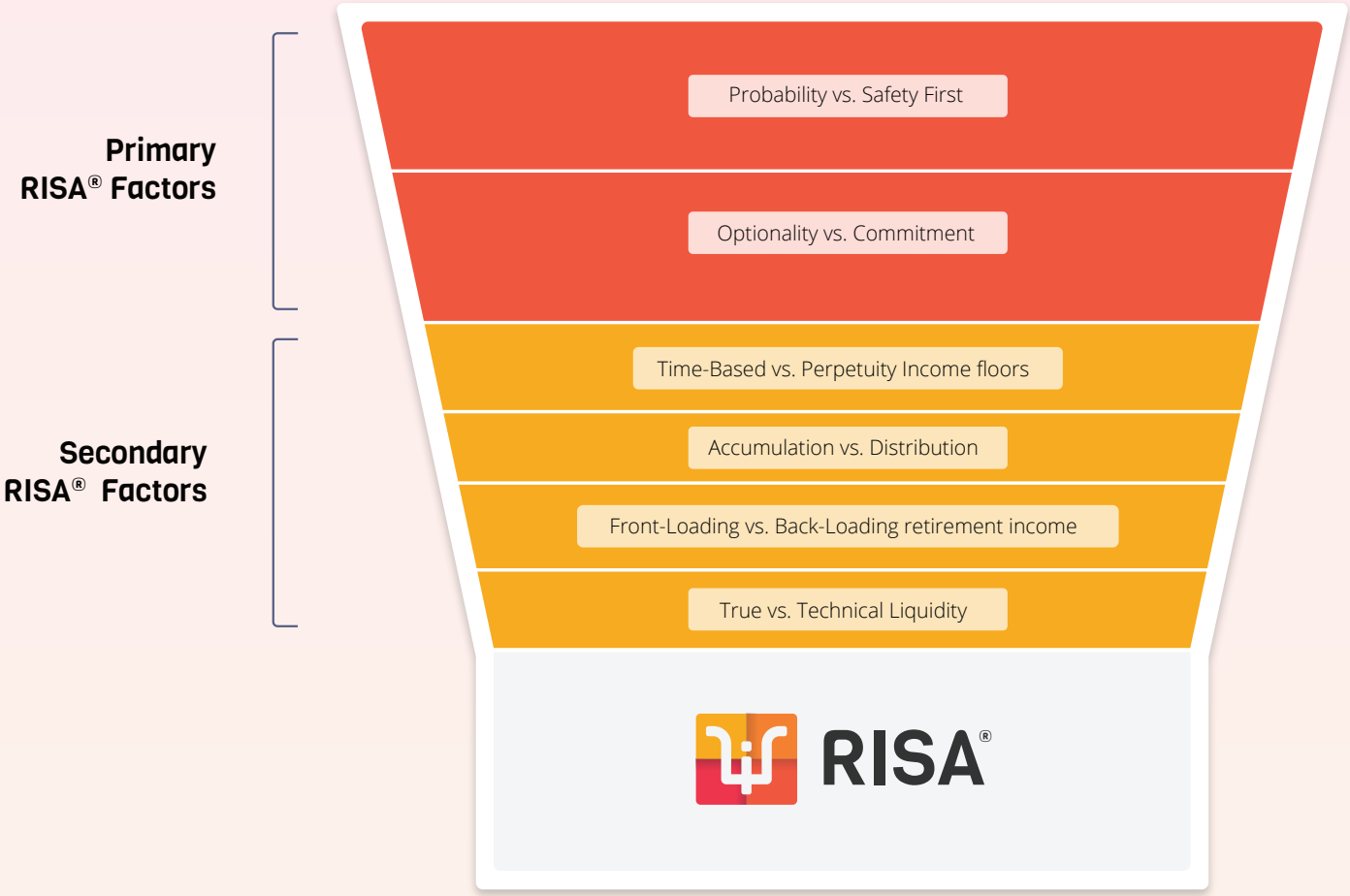


Two Primary Factors

The two primary factors our questions assess are Probability versus Safety First and Optionality versus Commitment. Probability versus Safety First details how you would like to source your retirement income—from sources dependent on potential market growth or from contractual obligations. Optionality versus Commitment delves into the degree of flexibility sought. Maybe you like to keep your options open, or your prefer to commit to one solution and be done. There are no right or wrong answers here. It's all a matter of preference.

Four Secondary Factors

We then examine four secondary factors to sharpen and refine your profile: Accumulation versus Distribution, Technical Liquidity versus True Liquidity, Front-Loading versus Back-Loading, and Time-Based versus Perpetuity planning. These dig deeper into precisely which type of approach for sourcing retirement income feels best and most fitting for you.



The RISA® Matrix

From there, with this foundation of distinct factors to identify your preferences, we define your RISA® Matrix, which is made up of appropriate and practical retirement income approaches. More specifically, the Matrix lays out four quadrants to delineate your individualized retirement income profile

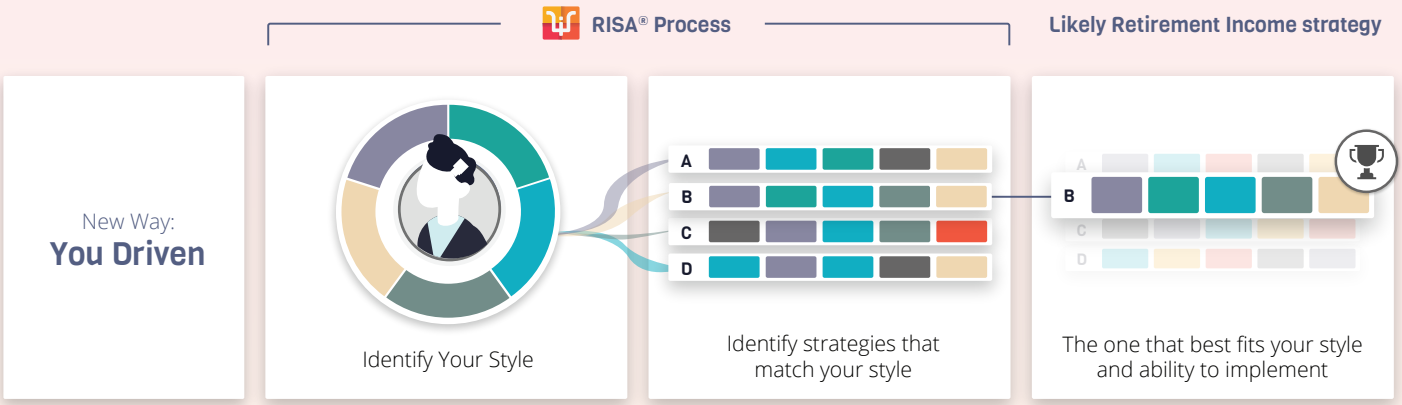
The RISA® Matrix (cont.)

Next, we identify the four main strategies that match up with the four RISA® Matrix quadrants.

The Case Study

To illustrate this process, here is an example of how you can identify a retirement income approach that best fits unique personalities and preferences. Your story may be completely different. This is just sample a case study to demonstrate the effectiveness of our system. No one situation or solution is better than the others. You may or may not identify with this case, but that's okay. What's best for you depends entirely on who you are.

> *That, after all, is the point. The retirement income sourcing strategy that's best for you is one that's matched to your specific and unique style and preferences*



Ruth

What if? A retirement income strategy based on market participation and income guardrails.

Ruth was only in her mid-50s when her husband succumbed to a long illness. As a widow, she kept working until three months ago, when she retired at age 62. She is well-educated, quick-witted, and a voracious reader. While she is open to future companionship, it's not something she is pursuing. Since her husband's death, she is guided by her increasing desire to spend time with her children, her volunteer activities at church, and a renewed compassion to help the needy.

She is always ready to provide financial support for her two kids, even when it's not the most prudent thing to do. Though her portfolio is intended to be her primary source of retirement income, she is quick to take withdrawals when family needs arise. She has a good sense about her saving and spending habits, but admits she's never stuck to a formal budget. She is not a spendthrift, but she doesn't hesitate to help others without much consideration for her own longer term essential spending needs. She is starting to notice that she doesn't really have a consistent income stream for her retirement, and she's beginning to feel uneasy about it. Besides worrying about taking care of her own needs, she's becoming sensitive to the possibility of being a burden to her children.

Ruth

Ruth ponders what to do. She understands that market growth is needed to accomplish longer term retirement goals, but she doesn't want to be overly dependent on the stock market either.

She wants a way to automate her income throughout her retirement and have a solution in place in case the markets turn sideways.

She also realizes that the traditional allocation to bonds for retirement income may not provide the level of protection it used to, since interest rates are at all-time lows.

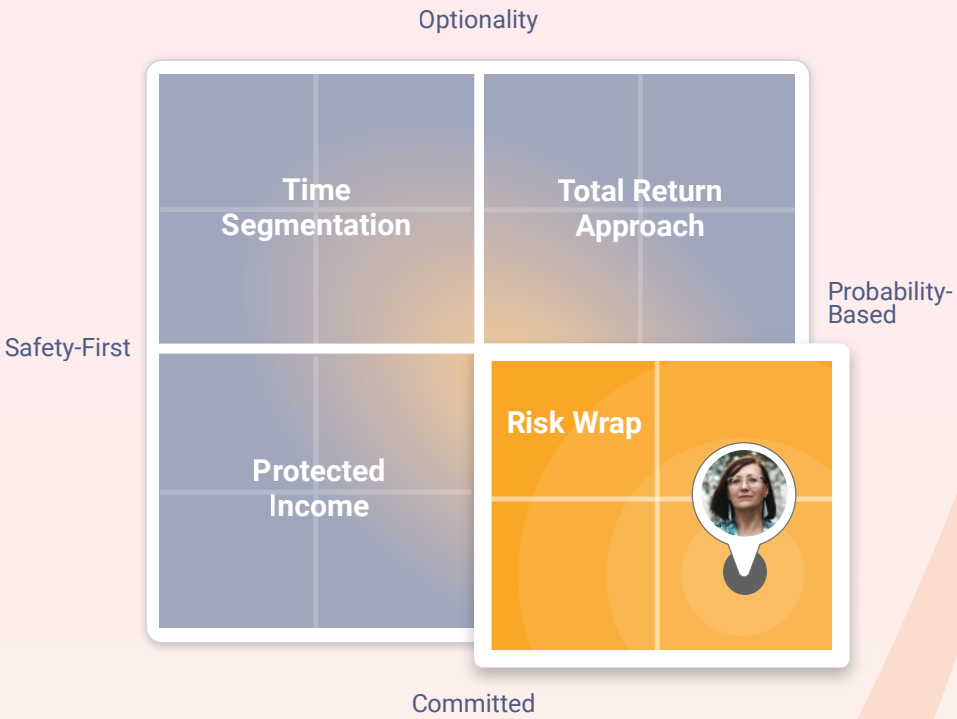
So, she is considering different sources of steady income, which would allow the stock portion of her portfolio to remain aggressively invested—maximizing growth opportunities and (she hopes) supplying enough returns to satisfy nonessential, discretionary needs.

In exchange for this income protection, she is willing to commit to a strategy in her early retirement years that will ensure she has enough to last her entire retirement, even if she lives to 100. After all, she simply wants to enjoy her basic standard of living throughout retirement while still being of service to others.

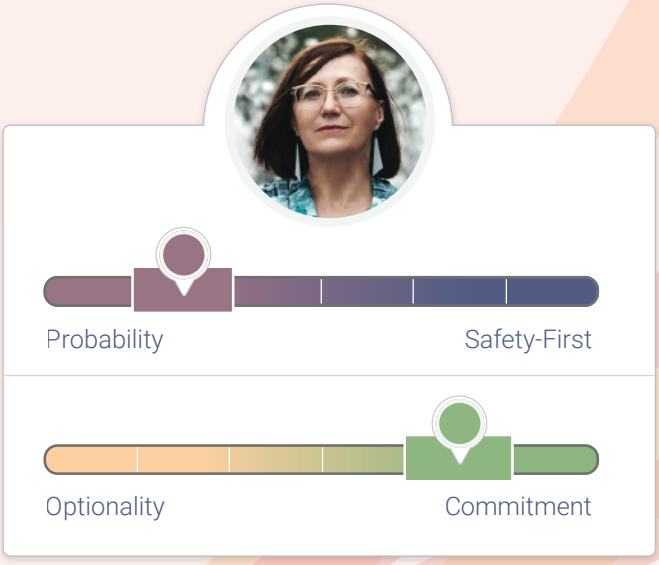
RISA® Interpretation

Through the RISA® questions, we were able to pull out many of the preferences that Ruth exhibited during her accumulation years and as she readied for retirement.

Her RISA® profile was as follows:



On the two primary factors, Ruth came out like this:



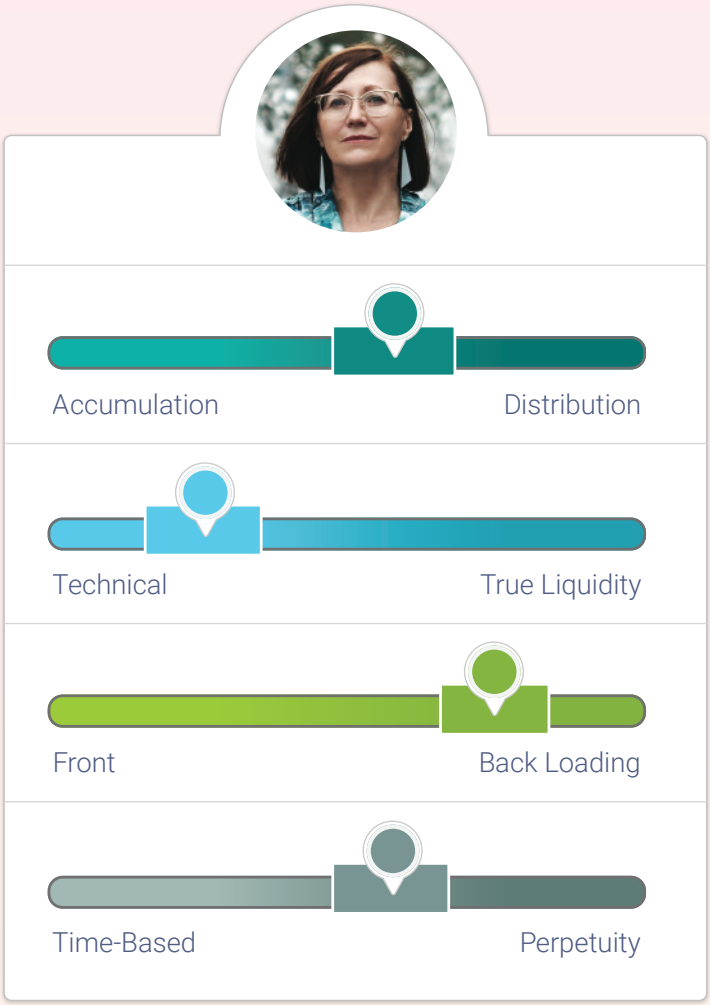
RISA® Interpretation

As shown, Ruth's RISA® profile indicates she prefers to draw retirement income from a mix of both market-driven sources and structured retirement income products with "guardrails." She exhibits a Probability-Based and Commitment orientation.

While she is likely to maintain a Probability-Based outlook with a desire for market participation, she also has more desire to commit to a solution that provides an opportunity for a structured income stream.

Secondary Factors

On the four the secondary factors, which provide further detail, this is how she scored:



Her secondary RISA® factors exhibit a preference for a balance between increasing an investment asset base to sustain future spending needs and maintaining consistent income, especially during volatile markets. She also needs to be able to raise cash for unexpected expenses from a general investment asset base. She expressed a desire to backload her retirement because of the fear of outliving her assets and becoming a burden on her loved ones. Consequently, she prefers to be conservative with distributions in early retirement years so she won't run out of money. Finally, she intends to address potential funding gaps by creating an income floor that lasts in perpetuity.

All told, Ruth's preferences reflect a "risk wrap" strategy, which provides a blend of investment growth potential and lifetime income benefits, generally through a variable or fixed indexed annuity.

Such tools can be designed to offer a degree of upside growth potential alongside guaranteed lifetime income. The associated market exposure satisfies her Probability-Based preference while, at the same time, purchasing a secured retirement income guarantee addresses the Commitment dimension and the longevity risk aversion that are present in this quadrant of her RISA® profile.

With the RISA® in hand, Ruth can quickly assemble a retirement income plan focusing on the factors she cares about most - a plan that will give her "buy-in" satisfaction so she's likely to stick with it.

Conclusion

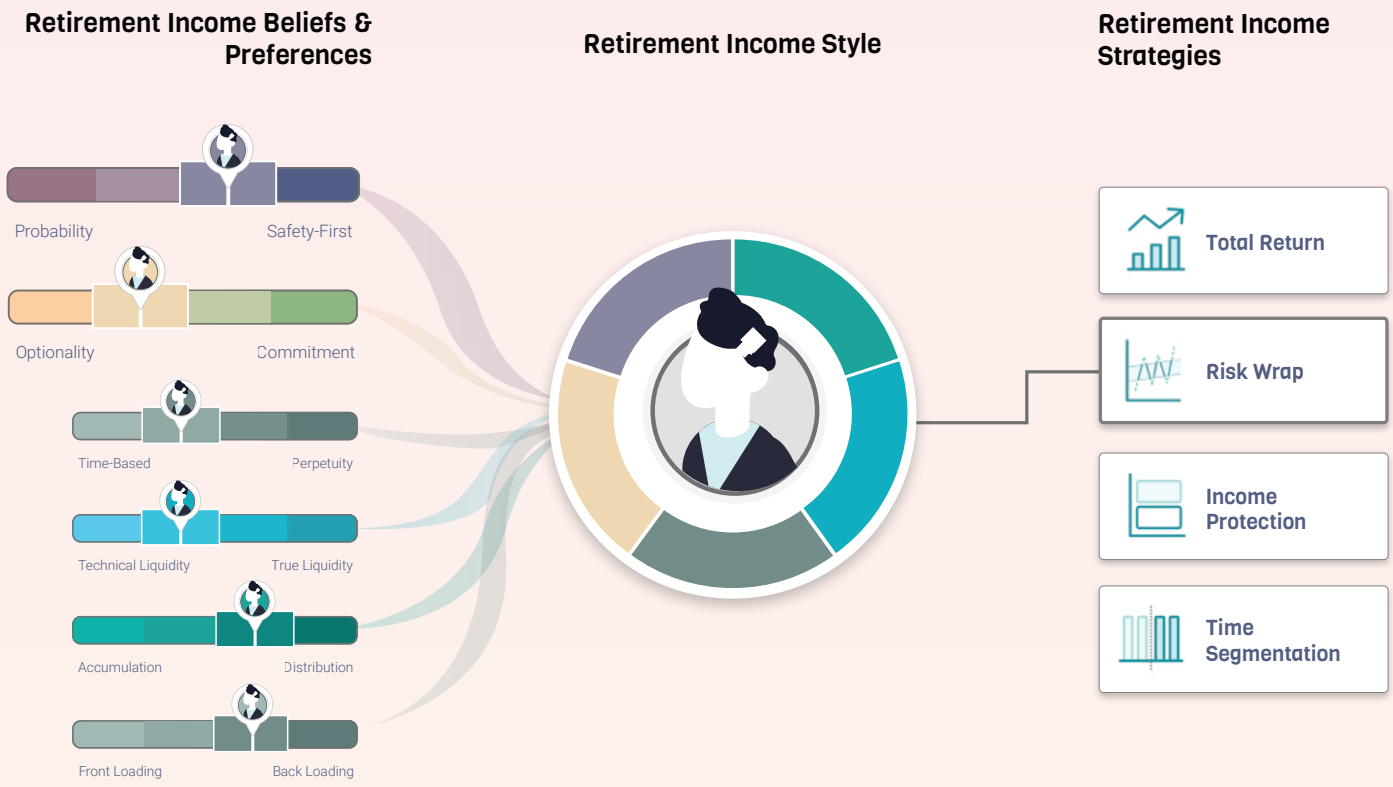
While this case study may not match your situation, the RISA® is specifically designed to capture your unique set of biases, leanings, and preferences. It's a tested and effective custom-tailored tool for an age-old problem: how to structure a retirement income sourcing strategy that feels right and will go the distance.

Financial experts are full of ideas and approaches to retirement income planning, many of which are valid. But they are not based on this kind of detailed assessment of your particular personality and financial style. Our RISA® system solves the problem of cookie-cutter methods by weighing specific measures of how you want to source your retirement income. As in the case described above, the RISA® will generate an appropriate matrix that matches suitable and available retirement income strategies to your particular quirks and desires.

Once you're armed with this information, you will become a more informed consumer. You will be empowered to choose the right retirement income strategy for you—one that fits as comfortably as an old pair of jeans, one that will feel right for the length of your retirement. That's important for not just your retirement satisfaction but your ability to stick with the plan. You can't be expected to implement a strategy that just doesn't feel right. That's a recipe for disaster.

But with the RISA® assessment, you can feel certain of finding the ideal approach for your situation and personality. That's one you'll be able to implement with confidence and ease. As such, it's the retirement income sourcing plan that's most likely to succeed for the long haul.

Conclusion



So take our RISA® questionnaire today. It's easy, and you might even find it fun.

But the most important reason to do it now, without delay, is that it could change the course of your retirement. It could improve your odds of successfully maintaining a retirement income strategy in a way you'll feel good about and enable you to implement it with success.

Want to learn more?

Visit our website:

www.risaprofile.com