Retirement Income Challenges

Volatility Risk

The unpredictability of the financial markets.

Significant concerns when considering how you will generate your retirement income are “market volatility risk” and “sequence of returns risk.”

Volatility is the “**ups** and **downs**” of the financial **markets**.

Sequence of **Returns** is the **order** in which these ups and downs **occur**.

It is important to understand how these risks can impact your retirement security.

Volatility always has a big impact.

$100
Starting Balance

5% Withdrawal with 3% Increase
Withdrawals Taken at Beginning of Month. Withdrawal Increasing .025% Monthly (3% Annualized) for Inflation

		Gain / Loss	End of Year Balance
S&P 500® Last 5 Years	2005	3.00%	$ 97.75
	2006	13.62%	$ 105.37
	2007	3.53%	$ 103.73
	2008	38.49%	$ 59.75
	2009	23.45%	$ 66.83

This is the scenario we must be concerned with for a retirement of 20 years or more!

Assumes gain/loss equals 100% of S&P 500° Index (which is unlikely), an unmanaged index representing “large cap” companies. S&P 500° results based upon closing value on last trading day of each month, January through December.

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The chart above illustrates the potential impact of volatility upon your retirement savings when taking income withdrawals. Note that the original $100 savings balance moves up and down in relation to the gain or loss shown for each year. **Of note is the 38.49% loss shown at the year 2008 and its impact upon the End of Year Balance; at this point the original savings balance is reduced by nearly 40%!** Note also that the large gain of over **23% shown at the year 2009 is not enough** to restore the savings balance to a comfortable level. *This level of potential volatility is the scenario you have to be concerned about when your retirement savings need to last for 20 years or more.*

The risk is that volatility cannot be predicted.

Not intended to illustrate any specific investment. Different returns would produce different results.