Retirement Income

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Then and Now

Asset allocation before and after retirement

Before retirement

- Accumulation
- Long-term growth
- Current savings
- Time to recover
- Tax-deferred growth

After retirement

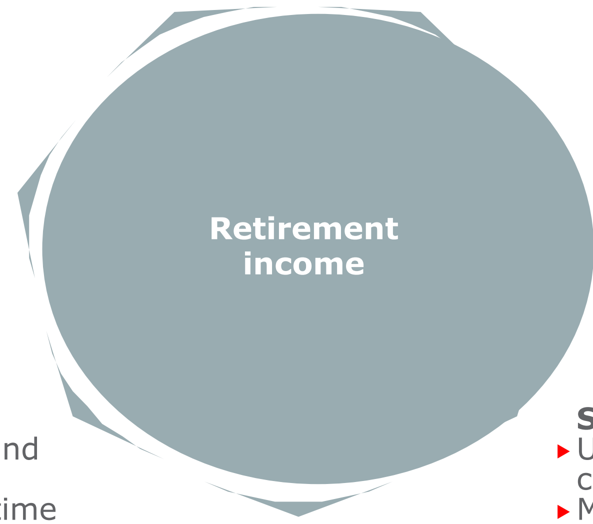
- Disbursement
- Long-term growth
- Current income
- Downturns immediately felt
- Minimum required distributions
- Taxes

Retirees Face Numerous Risks

Withdrawals
- What rate is sustainable?
- Sequencing by tax bracket
- Managing RMDs

Longevity
- Long retirement horizons—a couple aged 65 has 25% chance of a survivor living to age 96

Retiree spending
- Replacement ratio
- Essential versus lifestyle expenses
- Medical expenses



Solvency
- Pension plans and retiree benefits—a thing of the past
- Social Security and Medicare

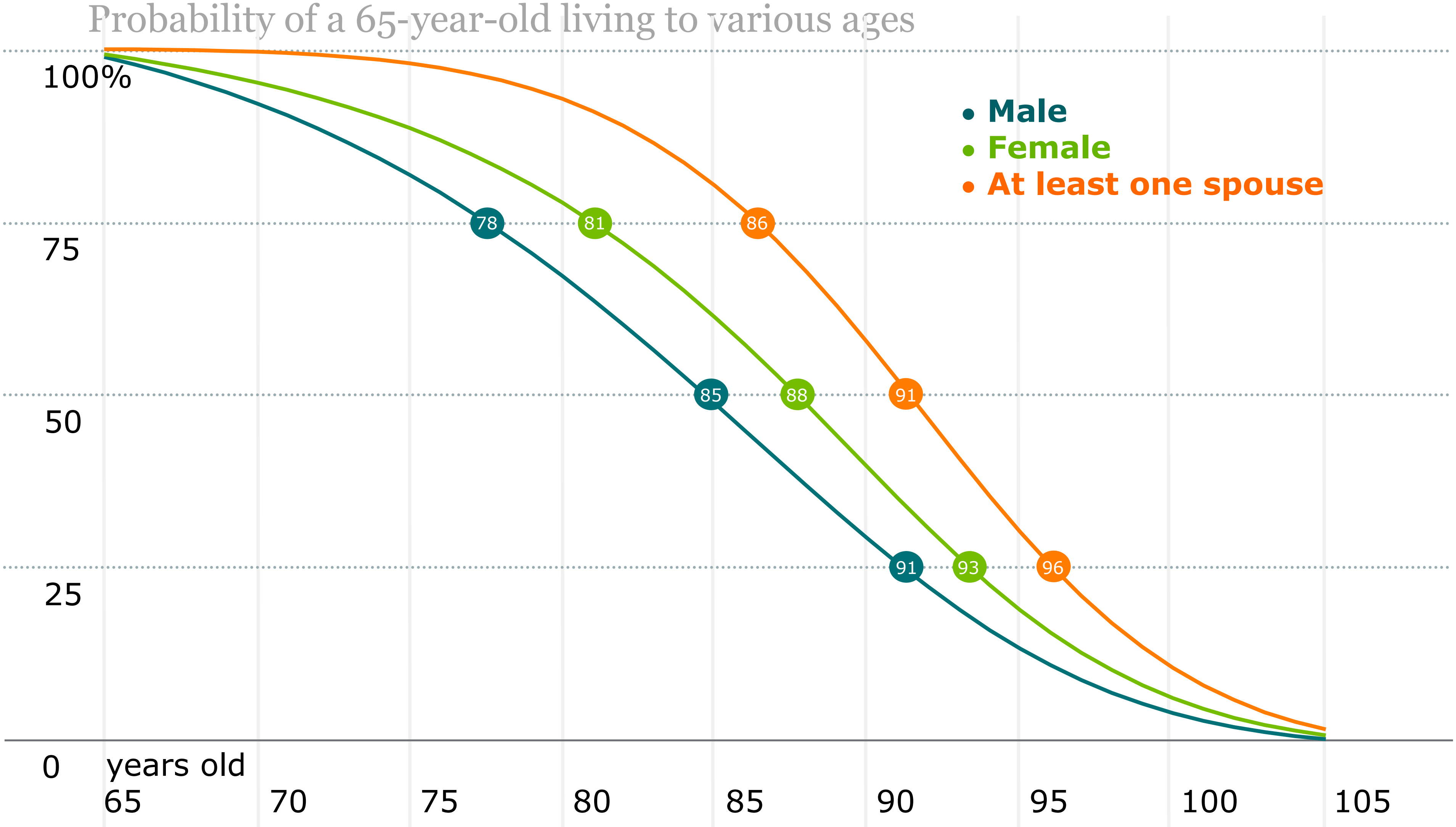
Market volatility
- Uncertain returns and income
- Impact of point in time
- Asset allocation and location

Savings
- Under-funded defined contribution accounts
- Most Americans have an enormous savings gap

Inflation
- Erodes the value of savings and reduces returns
- Health-care inflation 4.3%

Retirees Should Plan for a Long Retirement

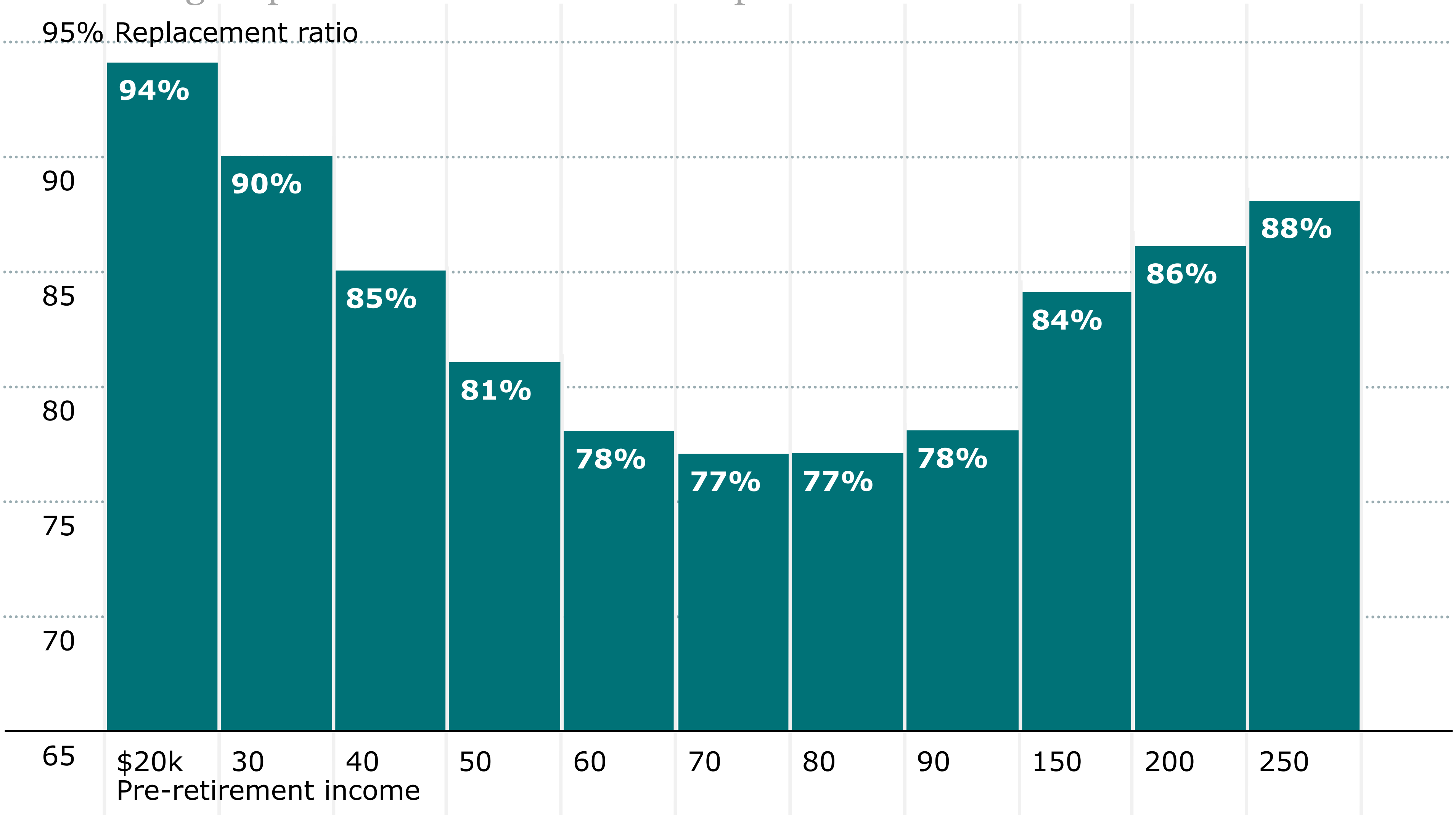
Probability of a 65-year-old living to various ages



Source: Annuity 2000 Mortality Tables.

Retirees Need to Replace a Significant Amount of Income in Retirement

Average replacement ratios at various pre-retirement income levels



Data is from Aon Consulting's 2008 Replacement Ratio Study: A Measurement Tool for Retirement Planning.

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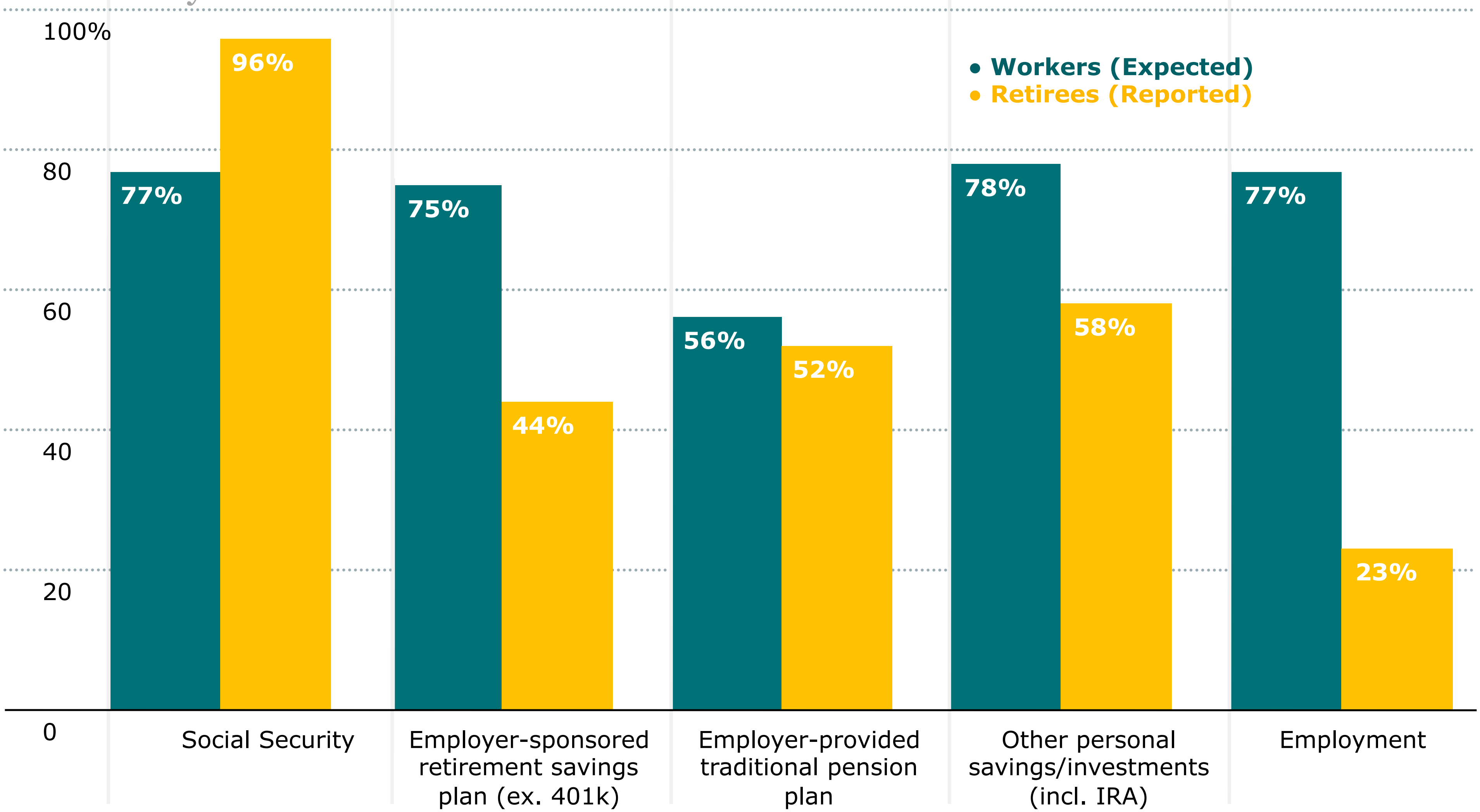
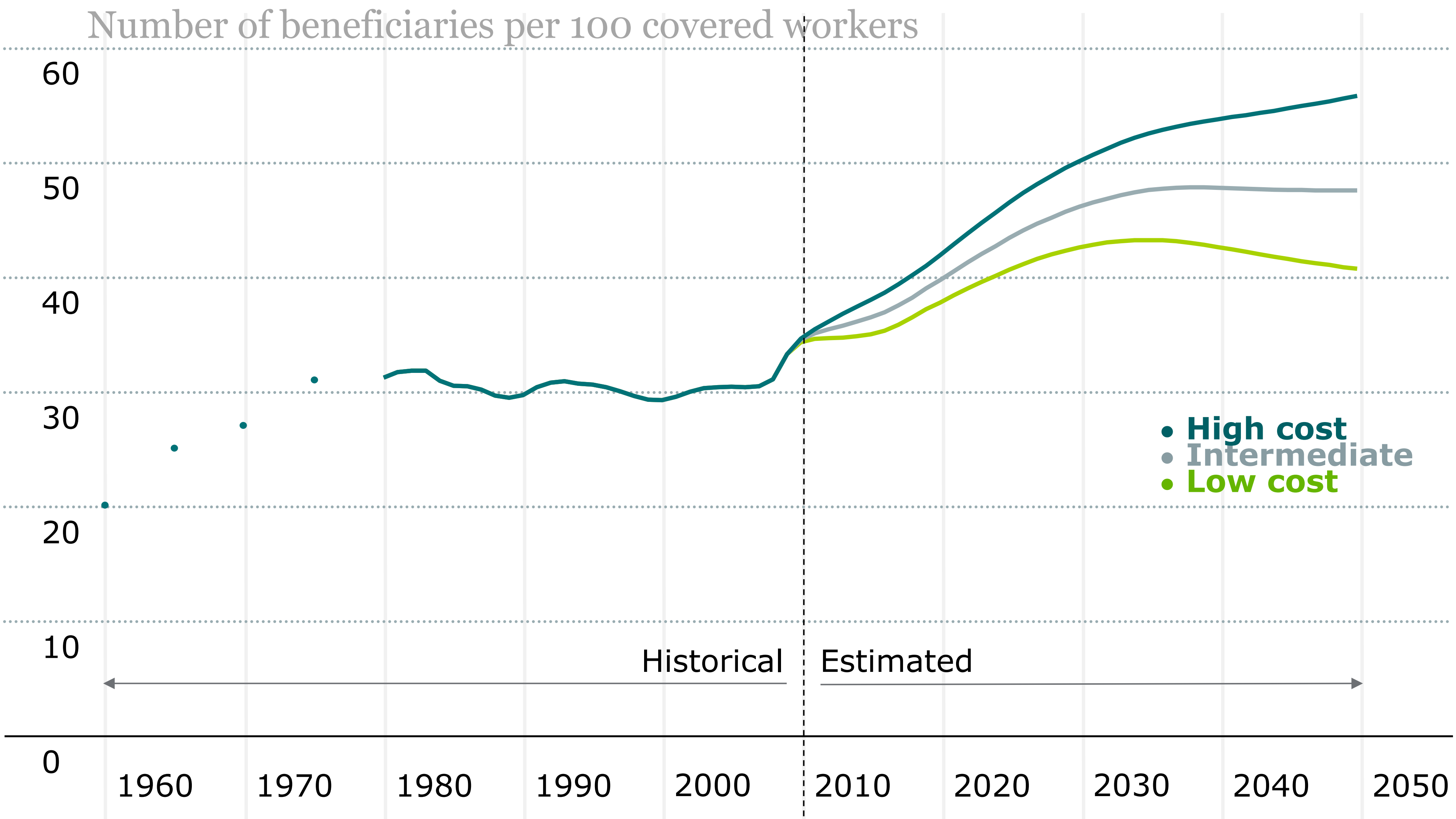
Personal Savings Expected to Play a Larger Role in Retirement

Survey of retirement income sources



Source: Employee Benefit Research Institute, 2010 Retirement Confidence Survey.

Social Security is Under Strain



Low-cost—assumes relatively rapid economic growth, low inflation, and favorable (from the standpoint of program financing) demographic and program-specific conditions; Intermediate—represents the Trustees' best estimates of likely future demographic, economic, and program-specific conditions; High-cost—assumes relatively slow economic growth, high inflation, and unfavorable demographic and program-specific conditions.

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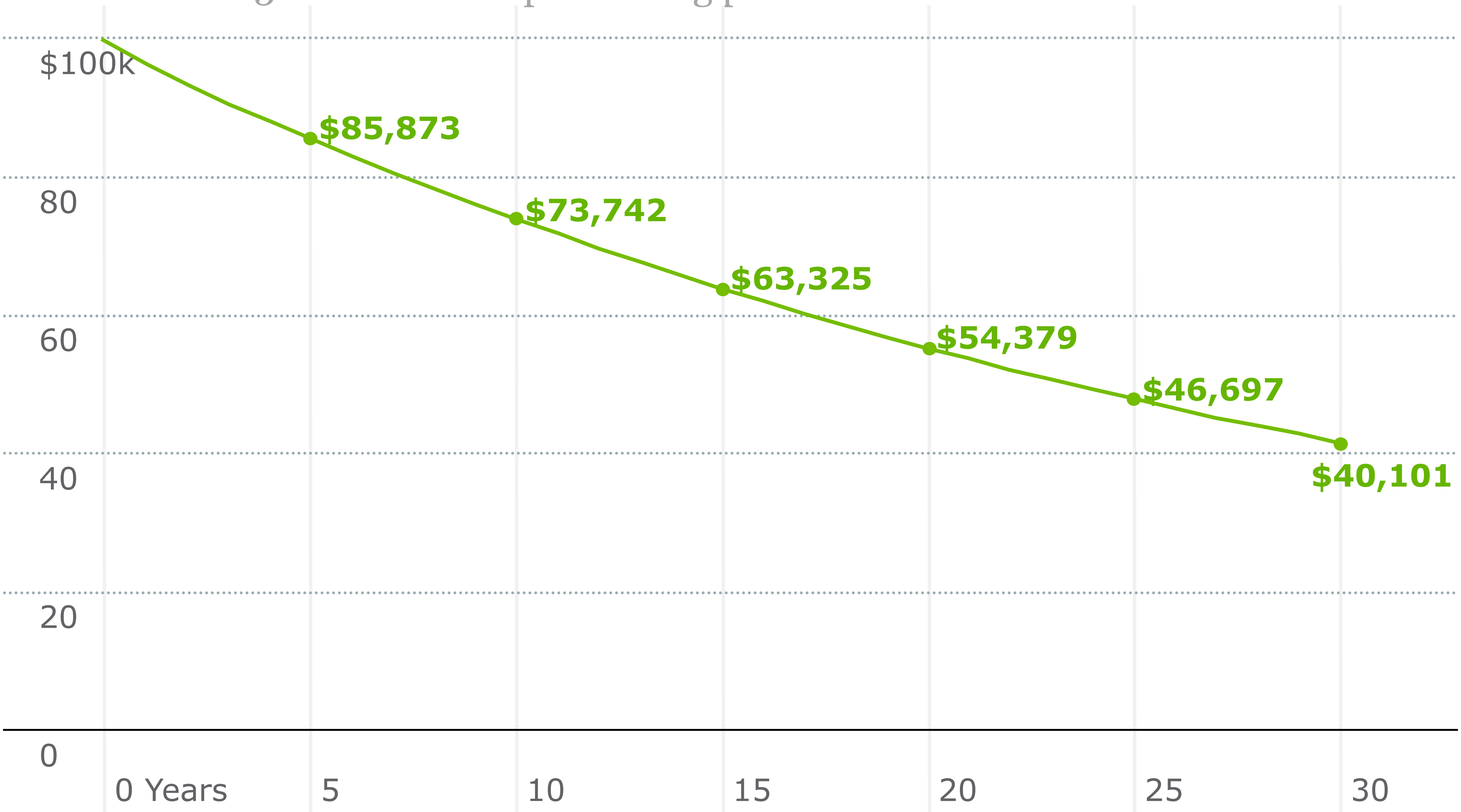
Inflation Significantly Erodes Purchasing Power Over Time

Effects of 3% inflation on purchasing power



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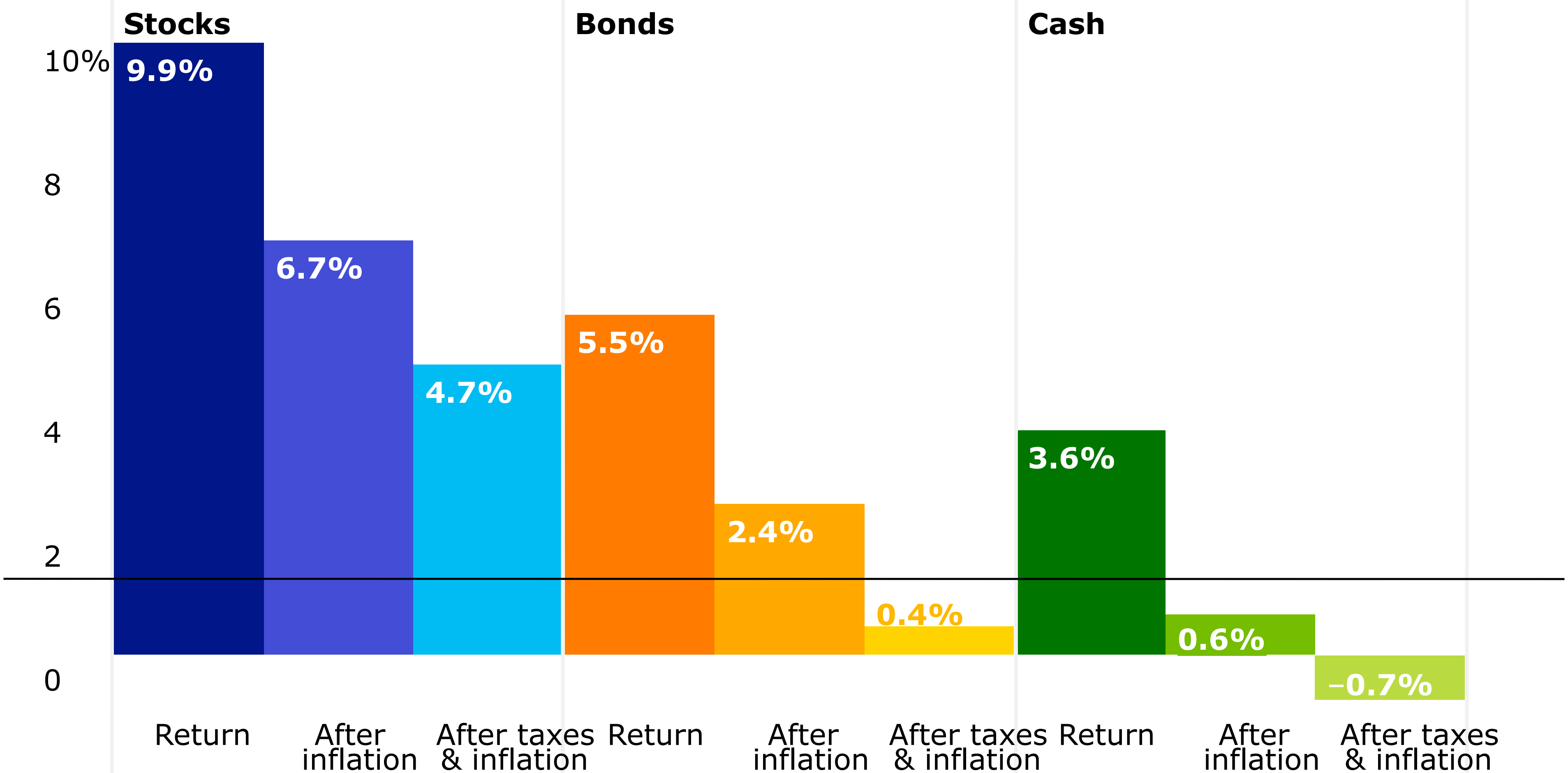
Inflation and Taxes Reduce Returns

Compound annual returns 1926–2010



Past performance is no guarantee of future results. Assumes reinvestment of income and no transaction costs. Inflation rate over the time period 1926–2010 was 3.0%. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index.

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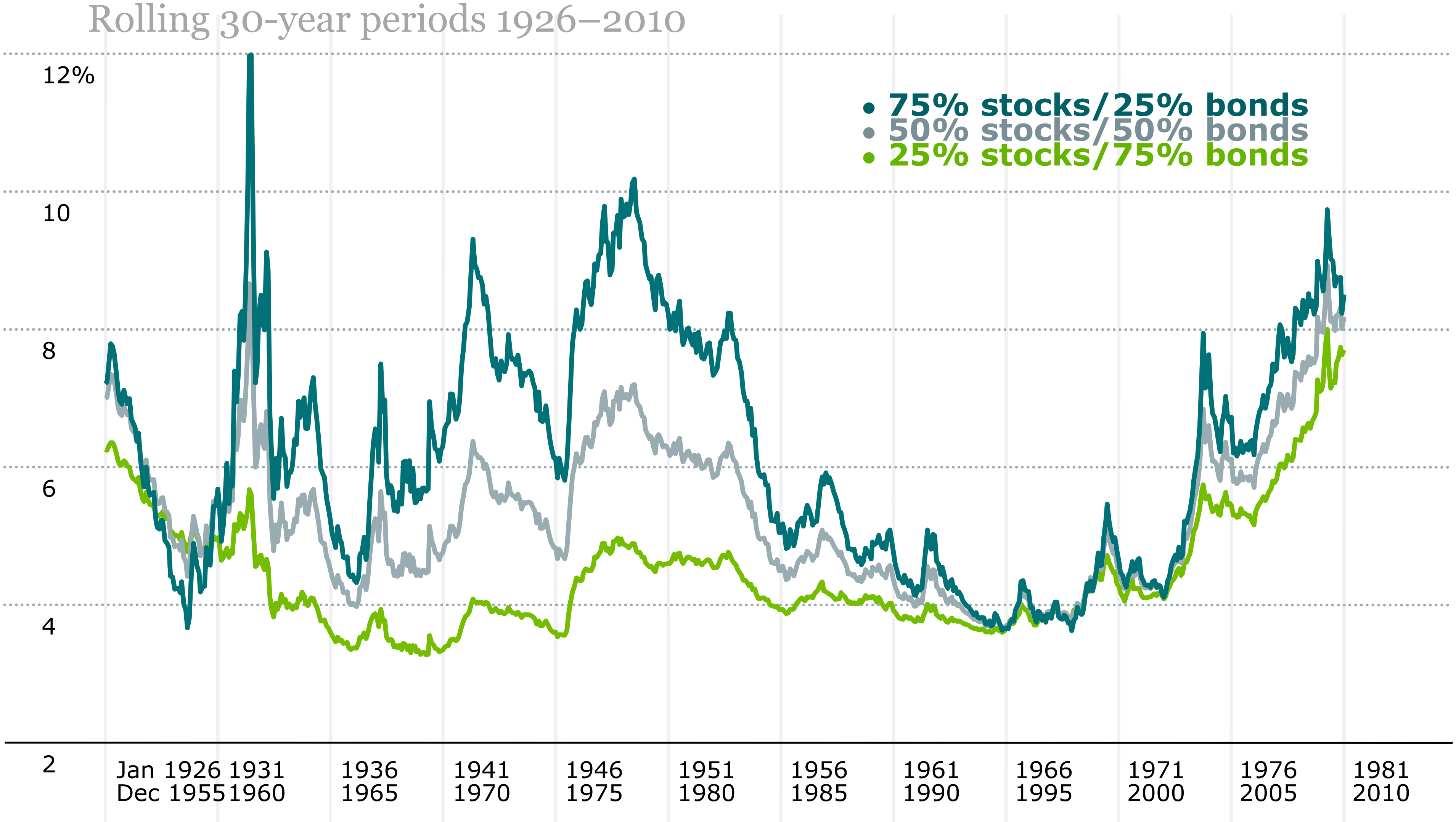
Sustainable Withdrawal Rates Vary Over Time

Rolling 30-year periods 1926–2010



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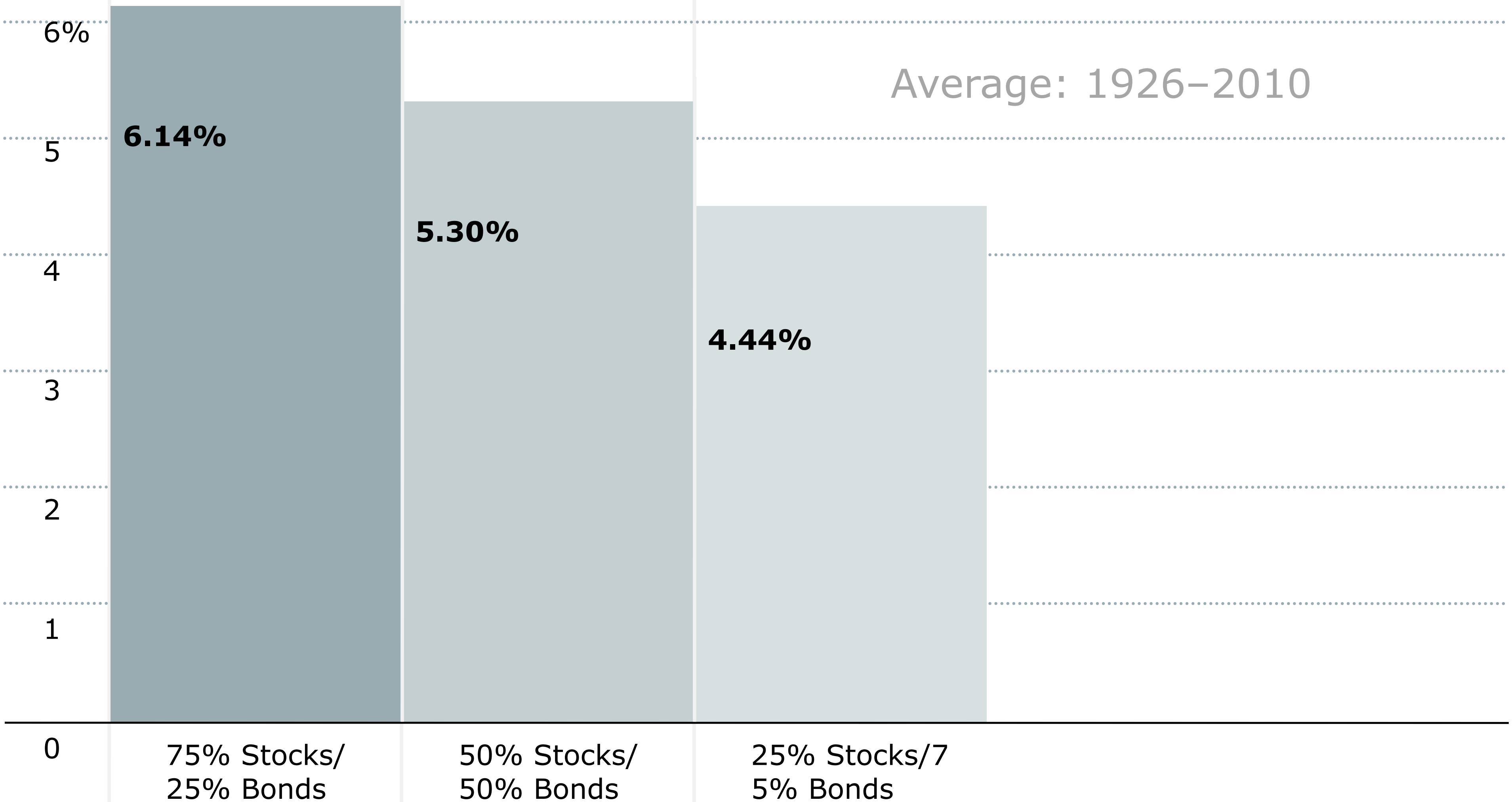
Withdrawal Rate You Can Sustain May Be Lower Than You Think



Past performance is no guarantee of future results. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. ©

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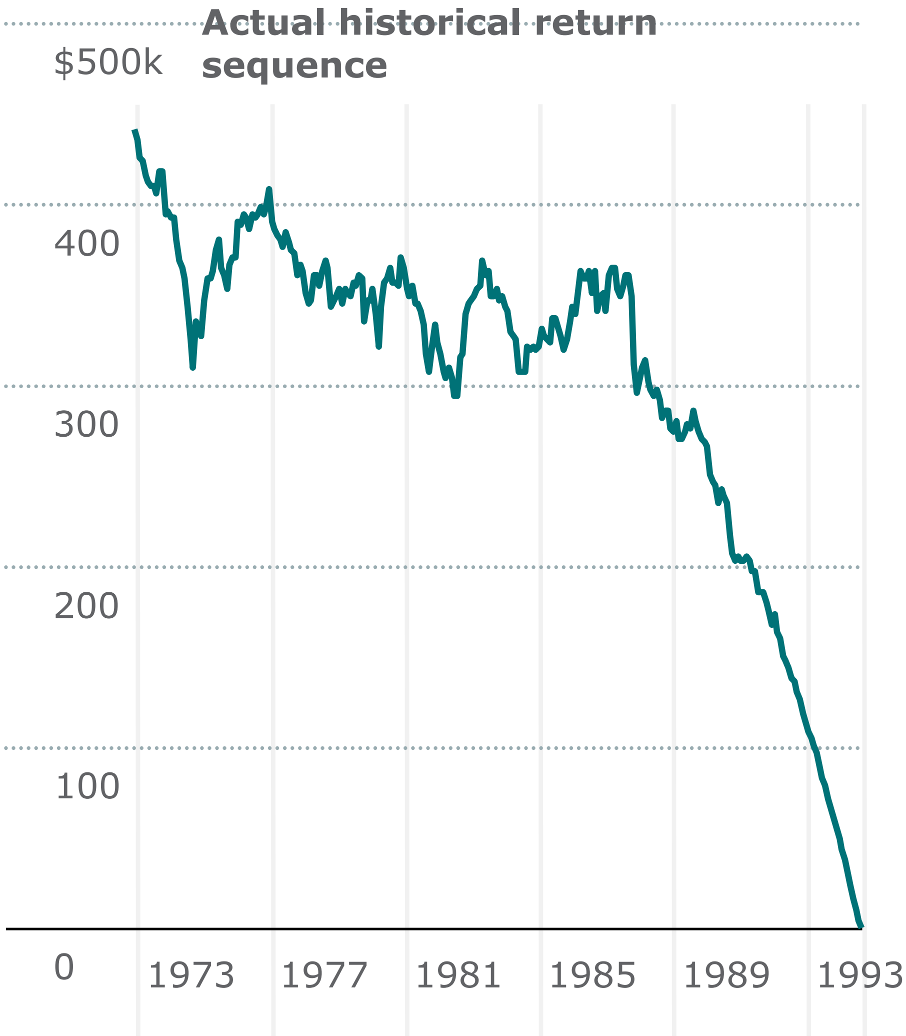
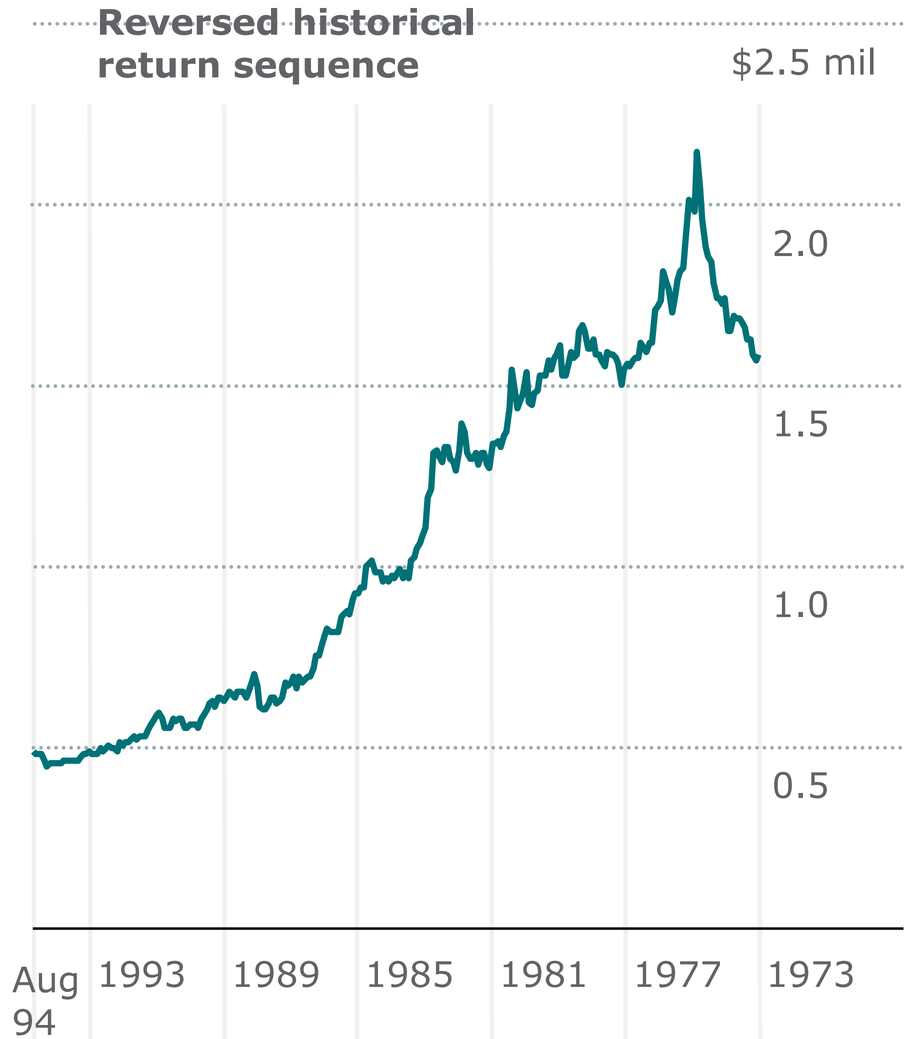
The Sequence of Returns Can Significantly Affect Your Retirement





Past performance is no guarantee of future results. Hypothetical value of $500,000 invested at the beginning of 1973 and August 1994. Assumes inflation-adjusted withdrawal rate of 5%. Portfolio: 50% large-company stocks/50% intermediate-term bonds. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index.

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Discussion of Simulation Criteria and Methodology

- Many of the following images were created using Monte Carlo parametric simulation. This model estimates the range of possible outcomes based on a set of assumptions including arithmetic mean (return), standard deviation (risk), and correlation for a set of asset classes. The inputs used herein are the historical 1926–2010 figures. The risk and return of each asset class, cross-correlation, and annual average inflation over this time period follow. Stocks: risk 20.4%, return 11.9%; Bonds: risk 5.7%, return 5.5%; Correlation –0.01; Inflation: return 3.1%.

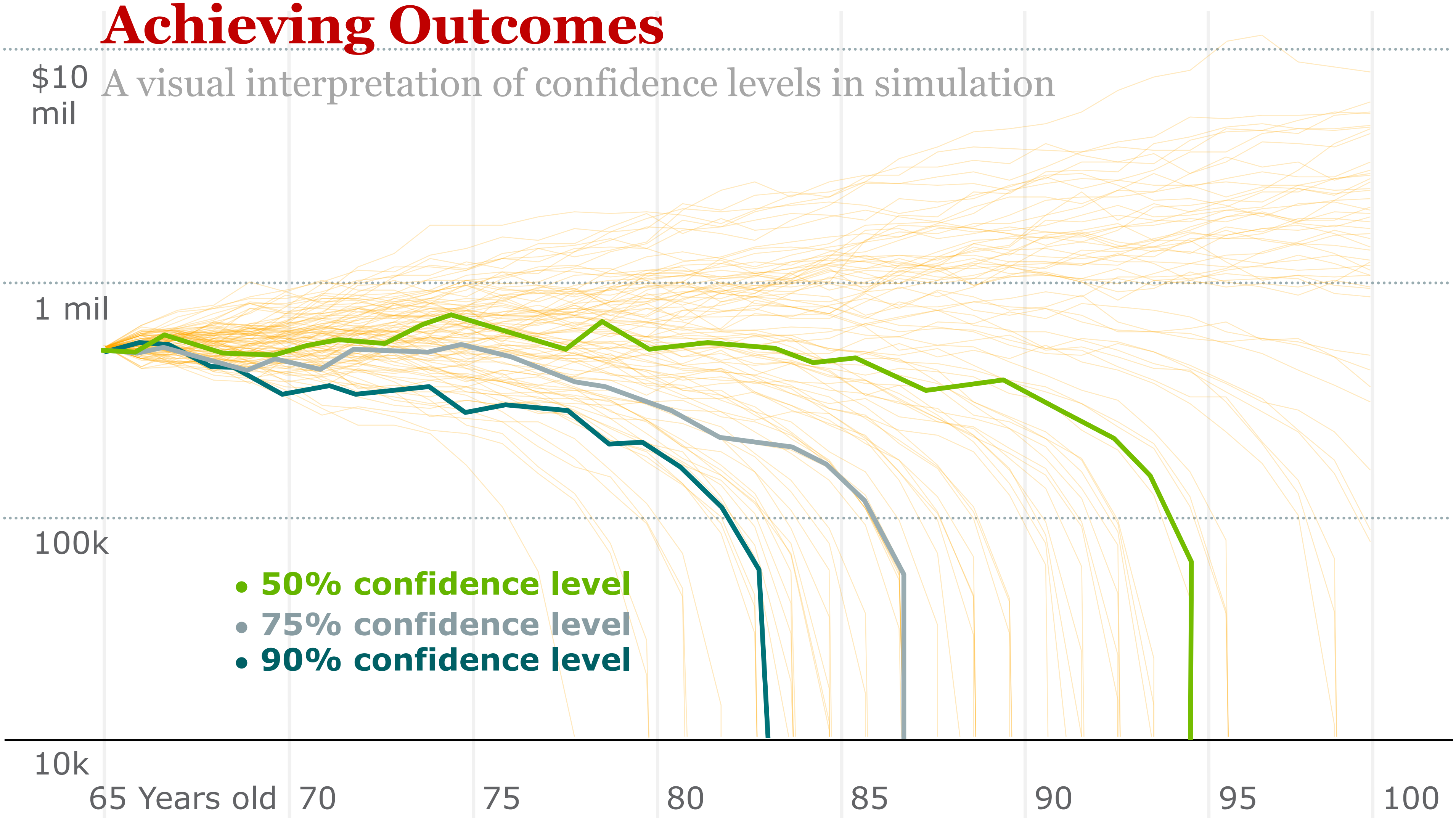
- Note that other investments not considered may have characteristics similar or superior to those being analyzed. Each simulation produces 35 randomly selected return estimates consistent with the characteristics of the portfolio to estimate the return distribution over a 35-year period. Each simulation is run 5,000 times, to give 5,000 possible 35-year scenarios. A limitation of the simulation model is that it assumes the distribution of returns is normal. Should actual returns not follow this pattern, results may vary.

Interpreting Confidence Levels in Simulation

Confidence level	Chance of exceeding	Chance of falling short
50%	50%	50%
75%	75%	25%
90% (More conservative)	90%	10%

Simulation Can Illustrate the Probability of Achieving Outcomes

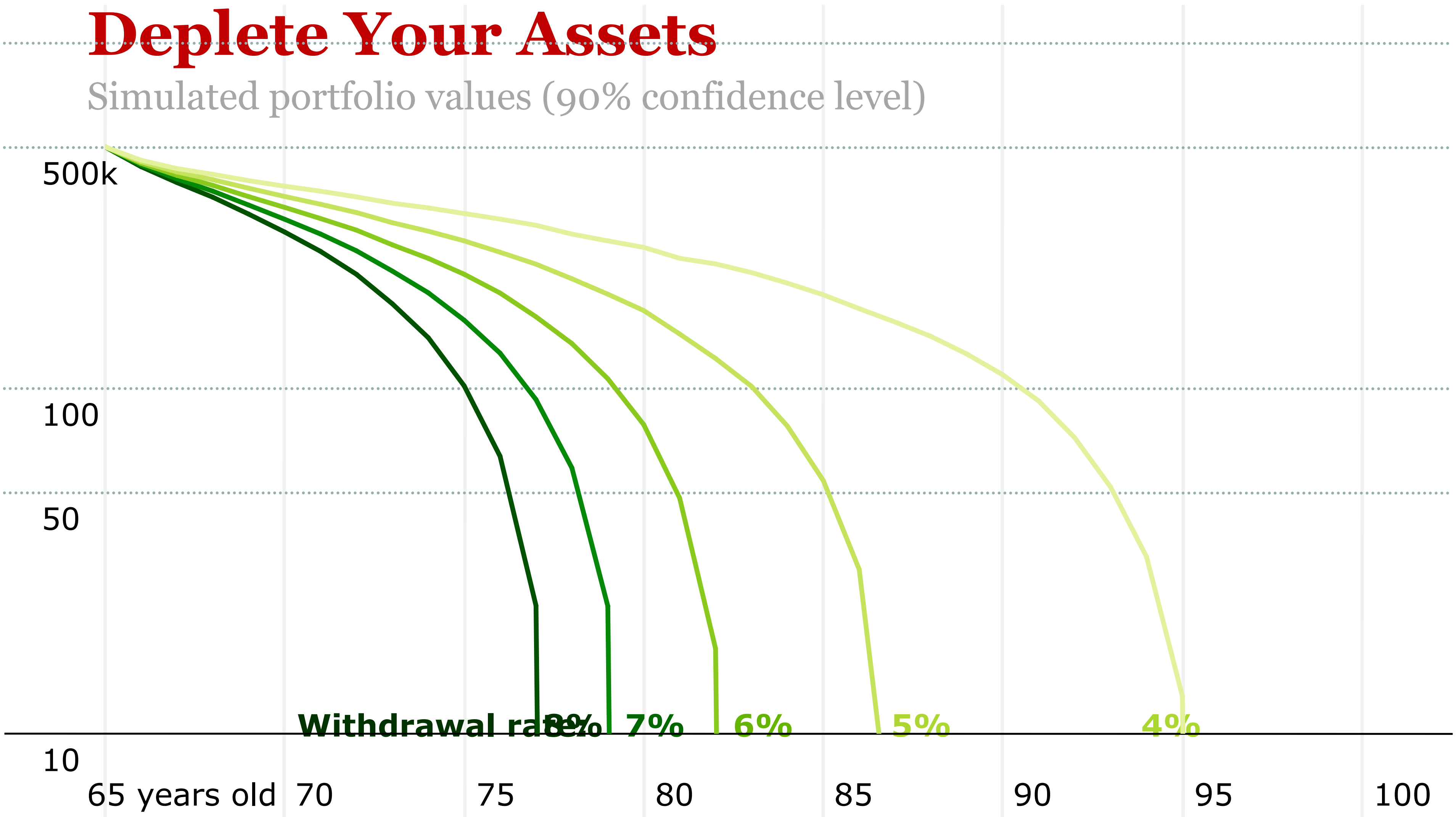
A visual interpretation of confidence levels in simulation



IMPORTANT: Projections generated by Morningstar regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Results may vary over time and with each simulation. This is for illustrative purposes only and not indicative of any investment. An investment cannot be made directly in an index. 3/1/2011

High Withdrawal Rates Will Quickly Deplete Your Assets

Simulated portfolio values (90% confidence level)



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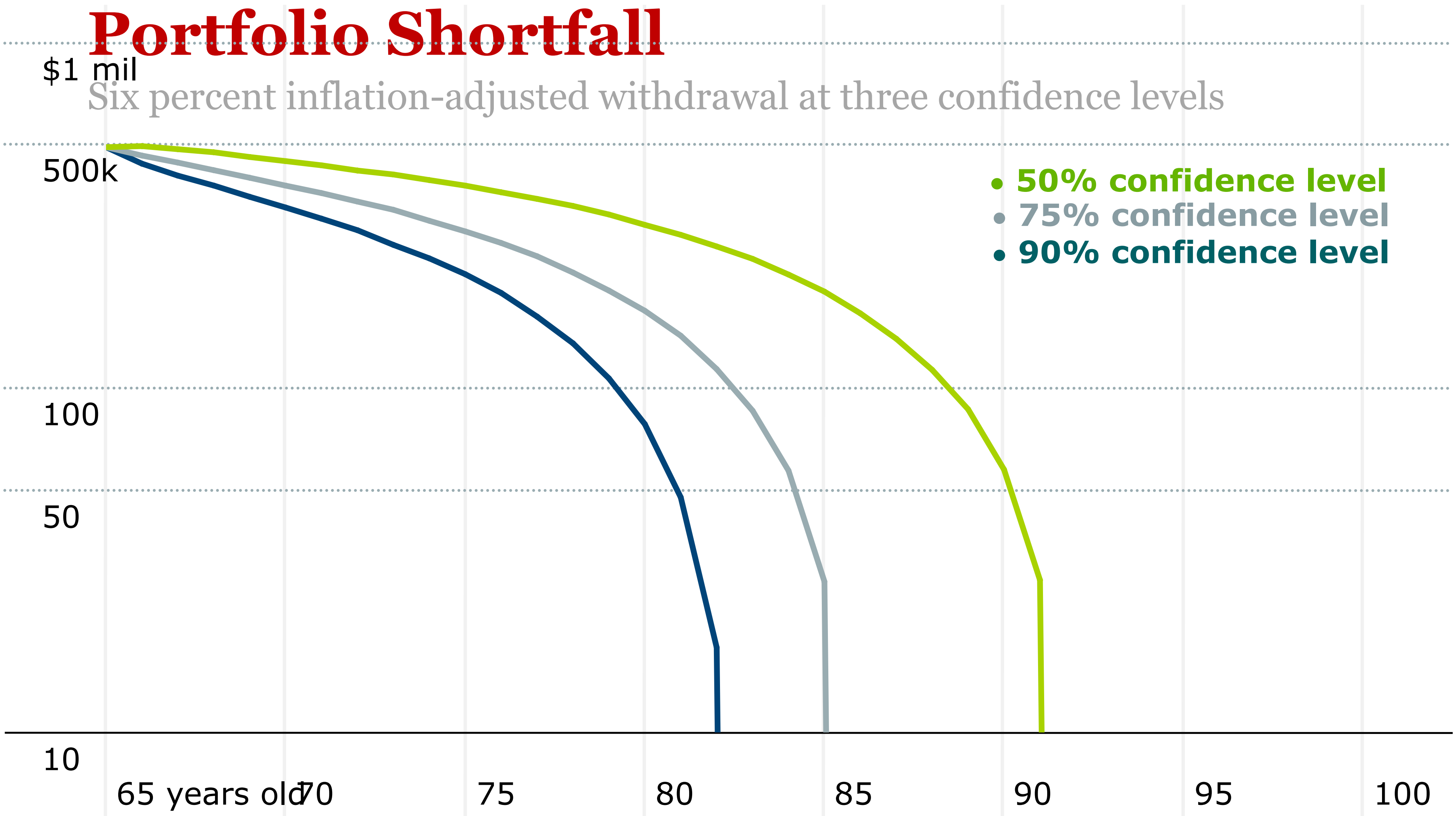
Market Performance Affects Chance of Portfolio Shortfall

Six percent inflation-adjusted withdrawal at three confidence levels



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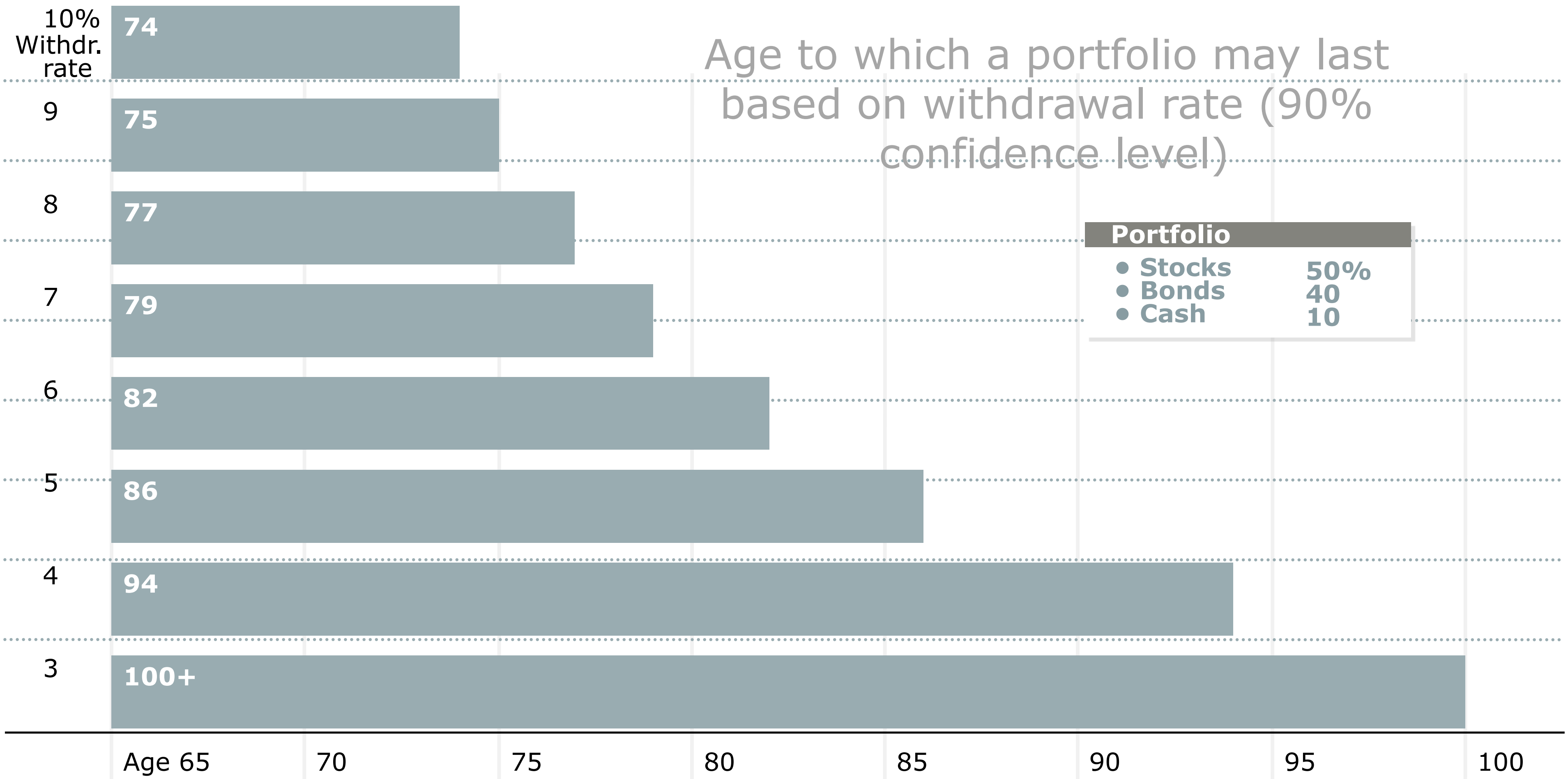
Retirement Assets Deplete Faster with Higher Withdrawal Rates



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Probability of Meeting Income Needs

Withdrawal rate	100% Bonds	75% B 25% S	50% B 50% S	25% B 75% S	100% Stocks
4% Withdrawal rate	87%	98%	96%	93%	90%
5%	38%	75%	82%	81%	79%
6%	5%	31%	56%	64%	65%
7%	0%	6%	30%	45%	51%
8%	0%	0%	13%	29%	39%

Various withdrawal rates and portfolio allocations over a 25-year retirement

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Providing for Retirement Income

- Retirement risks can be managed by intelligent combination of funds, stocks and bonds, and insurance products

- How do you find the right asset mix for retirement?
  - age and risk tolerance
  - desire for consumption and bequest
  - expenses and fees of product choices

Glossary of Indices

The indices are presented to provide you with an understanding of their historic long-term performance, and are not presented to illustrate the performance of any security. Investors cannot directly purchase an index. Past performance is not indicative of future results. Individual investor results will vary.

- **Citigroup WGBI Non-US Index**: Unhedged is a subset of the WBGI index that includes Domestic Sovereign issued debt of Australia, Austria, Belgium, Canada, Denmark, Finland, Germany, Greece, Ireland, Italy, Japan, the Netherlands, Norway, Poland, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.
- **MSCI EAFE:** The MSCI EAFE® Index (Europe, Australasia, Far East) is a free-float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US & Canada.

Lehman Brothers Government/Credit Intermediate Index: Non-securitized component of the U.S. Aggregate Index. The Lehman Brothers Government/Credit Intermediate Index includes Treasuries, Government-Related issues and USD Corporates with remaining maturities between 1 to 9.99 years.

Lehman Brothers US Government Long-Term Index: Non-securitized component of the U.S. Aggregate Index includes Treasuries (maturities greater than 10 years), Government-Related issues, and USD Corporates.

Lehman Brothers Corporate – Long Term Bond Index: A subset of the Lehman Brothers Corporate Bond Index covering all corporate, publicly issued, fixed-rate, nonconvertible US debt issues rated at least Baa with at least $50 million principal outstanding and maturity greater than 10 years.

Lehman Brothers Treasury Bond Index: Composed of all US Treasury publicly issued obligations. Includes only notes and bonds with a minimum outstanding principal amount of $50 million and a minimum maturity of one year. Flower bonds are excluded. Total return comprises price appreciation/ depreciation and income as a percentage of the original investment.

Lehman Brothers Investment Grade Corporate Index: The U.S. Corporate Index covers USD-denominated, investment grade, fixed rate, taxable securities sold by industrial, utility and financial issuers. It includes publicly U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements. Securities in the index roll up to the U.S. Credit and U.S. Aggregate indices. The U.S. Corporate Index was launched on January 1, 1973.

Glossary of Indices

(continued from previous page)

- **Lehman Brothers Mortgage-Backed Securities Index**: The LB Mortgage-Backed Securities Index includes 15 and 30 year fixed rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal Home Loan Mortgage Corporation (FHLMC), and Federal National Mortgage Association (FNMA).

- **Lehman Brothers High Yield:** The Lehman Brothers Corporate High-Yield Index covers the USD denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. A small number of unrated bonds are included in the index. The index excludes Emerging Markets debt.

Merrill Lynch US Treasury Bill Index: The Merrill Lynch US Treasury Bill Index tracks the performance of USD denominated US Treasury Bills publicly issued in the US domestic market. Qualifying securities must have at least one month remaining term to final maturity and a minimum amount outstanding of USD 1 billion.

Russell 2000 Value Index: Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2000 Growth Index: Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Growth Index: Measures the performance of those companies in the Russell 1000 Index with higher price-to-book ratios and higher forecasted growth values.

Russell Mid Cap Index: Measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 30% of the total market capitalization of the Russell 1000 Index.

Russell 1000 Value Index: The Russell 1000 Value Index measures the performance of companies in the Russell 1000 Index with lower price-to-book ratios and lower forecasted growth values

S&P 500 Index: The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market-value-weighted index, with each stock's weight in the Index proportionate to its market value. The "500" is one of the most widely used benchmarks of U.S. equity performance.

Important Disclosures

Asset Allocation: Asset allocation cannot eliminate the risk of fluctuating prices and uncertain returns.

Fixed Income Securities: Investing in fixed income securities involves certain risks such as market risk if sold prior to maturity and credit risk especially if investing in high yield bonds, which have lower ratings and are subject to greater volatility. All fixed income investments are subject to availability and change in price and may be worth less than original cost upon redemption or maturity. In addition to market risk, there are certain other risks associated with an investment in fixed income funds, such as default risk, the risk that the company issuing debt securities will be unable to repay principal and interest, and interest rate risk, the risk that the security may decrease in value if interest rates increase.

International/Emerging Market Securities or Funds: Investing in international securities or funds that invest in these securities takes on special risk. These risks include, but are not limited to, currency risk, political risk, and risk associated with varying accounting standards. Investing in emerging markets normally accentuates these risks.

Sector Funds or Portfolios: he investor should note that funds or portfolios that invest exclusively in one sector or industry carry additional risks. The lack of industry diversification subjects the investor to increased industry specific risks.

Non-Diversified Funds or Portfolios: Non-Diversified Funds or Portfolios that invest more of their assets in a single issuer involve additional risks, including share price fluctuations, because of increased concentration of investments.

Small Cap Securities or Funds: The prices of small- and mid-cap company stocks are generally more volatile than large company stocks. They often involve higher risks because small- and mid-cap companies may lack the management expertise, financial resources, product diversification and competitive strengths to endure adverse economic conditions.

High Yield Bonds or Bond Funds: Investing in lower rated debt securities (commonly referred to as junk bonds) or funds that invest in such securities involves additional risk because of the lower credit quality of the security or fund portfolio. These securities or funds are subject to a higher level of volatility and increased risk of default, or loss of principal. In addition to market risk, there are certain other risks associated with an investment in a convertible bond, such as default risk, the risk that the company issuing debt securities will be unable to repay principal and interest and interest rate risk, the risk that the security may decrease in value if interest rates increase.

Real Estate Investment Trusts (REITS): Investing in REITS involves special risks, including the potential for illiquidity of REIT securities if they are not listed on an exchange. REITS have limited historical data and their historical behavior has varied over time.

Government Bonds and Treasury Bills are guaranteed by the U.S. Government, and if held to maturity, as with all bonds offer a fixed rate of return and principal.

Stocks are not guaranteed, represent ownership in a company and offer long term growth potential but may fluctuate more and provide less current income than other investments.

Important Disclosures

Securities and Insurance Products:

NOT INSURED BY FDIC OR ANY FEDERAL GOVERNMENT AGENCY	**MAY LOSE VALUE**	**NOT A DEPOSIT OF OR GUARANTEED BY A BANK OR ANY BANK AFFILIATE**

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