

# GREEN MONEY | HYBRID INSTRUMENT | RED MONEY

## SAFE INSTRUMENTS

## HYBRID INSTRUMENT

## AT-RISK INSTRUMENTS

Checking  
Savings  
CDs  
Treasuries  
Fixed Annuities  
Money Market

Fixed Index Annuities

Stocks  
Bonds  
Variable Annuities  
Mutual Funds  
REITs

“I KNOW SO” MONEY

“I HOPE SO” MONEY

### SAFE INSTRUMENTS

#### POSITIVE FEATURES:

- Safety of principle
- Guaranteed interest rate
- Possible tax advantages
- Possible probate avoidance

#### TRADE OFF:

- Potential withdrawal penalty
- Limited upside potential
- No lifetime income options
- Inflation risk

### HYBRID INSTRUMENT

#### POSITIVE FEATURES:

- Safety of principle
- Guaranteed interest rate
- Market participation
- Tax deferral
- Liquidity features
- Lifetime income options
- Probate avoidance

#### TRADE OFF:

- Penalties for early withdrawal

### AT-RISK INSTRUMENTS

#### POSITIVE FEATURES:

- Market participation
- Liquidity features
- Possible tax advantages
- Possible probate avoidance
- Possible guaranteed income

#### TRADE OFF:

- Potential withdrawal penalty
- No safety of principle
- No guaranteed interest

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At-risk instruments possible features only apply to variable annuities. Withdrawals prior to age 59 1/2 from annuities are subject to early withdrawal penalties. This illustration does not provide specific product details. Please consult your financial services professional for specific product features and benefits.

# RULE OF 100

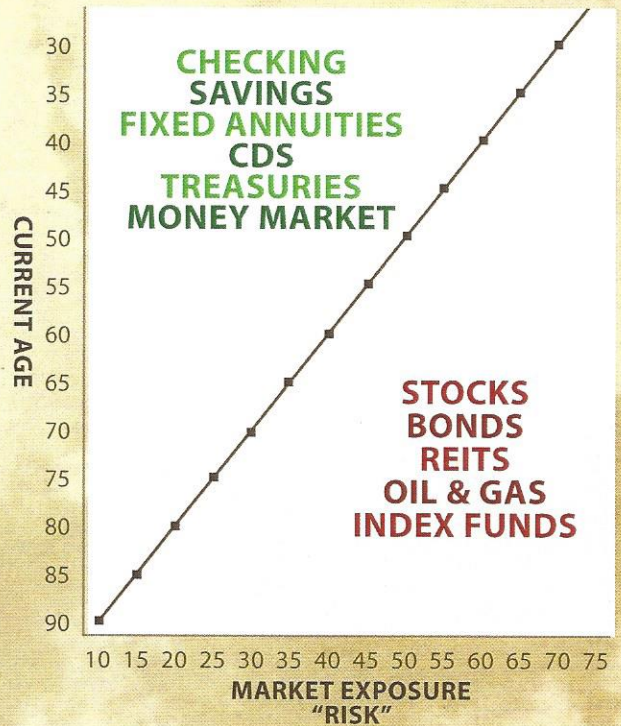
The **Rule of 100** is a tool used by financial professionals to provide you with general guidelines for proper allocation of your retirement and investment assets. The Rule of 100 takes into consideration your age and investment time horizon to better define your risk tolerance. The results of this analysis can be used to determine how much of your retirement and investment assets should be exposed to risk and loss.

The Rule of 100 uses your age as a baseline in the calculation to appropriately allocate assets. The calculation begins with the number 100. Subtracting your age from 100 provides an immediate snapshot of what percentage of your retirement assets should be in the market (at risk) and what percentage of your retirement assets should be in safe money (no-risk) alternatives. Adjustments are then applied through a detailed risk analysis to ensure your recommendation is based on your unique tolerance to risk. This strategy will reduce your exposure to undesirable market risk and the volatile market swings that most people experienced in 2008 resulting in significant loss.

**EXAMPLE:** A 65 year old client has \$100,000 saved for retirement. To apply the Rule of 100, start with 100 and subtract 65 to leave a remaining value of 35. In this illustration, the client should have no more than 35%, or \$35,000, of his or her assets at risk in stocks or equities. This leaves 65%, or \$65,000, of his or her assets to be allocated to safe money alternatives.

Let us presume that the client within this illustration had 100% of their assets invested in the stock market. If the market declined 40%, a significant portion of their nest egg would have experienced a loss. It will take a 66.6% return on investments to regain their original principal. Applying the Rule of 100 to asset allocation could have dramatically reduced the client's portfolio losses.

Don't overlook your risk exposure within your asset allocation. Asset allocation is a critical component to your overall financial plan and can have a dramatic impact on your retirement future.



## RECOMMENDED RISK

## DESIRED RISK

