

INCOME SAVVY®

INVESTOR INSIGHTS 2018

New Research to Help You Better Plan and Prepare for Retirement

To find out what investors are thinking and feeling today with respect to investing for retirement and generating retirement income, we recently partnered with retirement income experts Dr. Michael Finke and Dr. Wade D. Pfau, both of The American College of Financial Services. Here's what we discovered:

Investors are worried about a market decline



- **79% of investors surveyed are concerned about the possibility of a significant future market decline.** Older investors, who may be nearing retirement (age 56-74), have an even greater concern about a potential market decline compared to those who are age 55 or younger.
- **49% of investors surveyed identified a market decline as their greatest fear** when they think about their retirement investments.

Investors may be looking to “lock in” investment gains for guaranteed retirement income—Now!



- **55% of investors surveyed indicated that recent gains make it more likely they will “lock in” a portion of their gains** for guaranteed retirement income.
- **Nearly half (49%) of those surveyed would prefer to trade a portion of their retirement savings NOW** for future guaranteed retirement income vs. waiting until LATER to make the trade.

About the Income Savvy Study

The AIG Income Savvy Survey was conducted online within the United States by Dr. Michael Finke and Dr. Wade D. Pfau in November 2017 among 1,009 U.S. adults age 40-74 who are currently employed and have at least \$50,000 in retirement savings or non-qualified investments. Please see inside back cover and the back cover for a summary of survey questions and responses.



Additional guaranteed income may help investors feel more comfortable investing in stocks



- **80% of investors surveyed believe recent retirees should hold less than 50% in stocks**, which would be lower than the 50/50 and 60/40 stock and bond allocations often used in retirement income planning simulations.
- **58% of investors surveyed would feel more comfortable investing in stocks** if they had more guaranteed income.
- **56% of investors surveyed would feel more comfortable spending money on vacations** or other lifestyle expenses if they had more guaranteed income.

An Income Floor approach may help address investors' retirement concerns



- **61% of those surveyed indicated that their greatest concern** when it comes to transitioning from full-time employment into retirement **is outliving retirement savings.**
- **51% of those surveyed have no formal withdrawal strategy for retirement** when it comes to generating income from their retirement savings.
- **39% of those surveyed indicated that their greatest source of dissatisfaction** with their retirement investment options **was that they don't know how much they will be able to spend in retirement.**
- **89% of those surveyed think that today's retirees may need to be more careful about their spending** because they may need to plan for retirement income using IRA, 401(k) and 403(b) types of retirement accounts versus having the advantage of a traditional pension.

Guaranteed income may enhance an investor's sense of security around retirement



- **60% of those surveyed indicated that knowing that they will have income to cover their basic expenses appeals to them the most** with respect to the idea of converting a portion of their retirement savings into guaranteed income for retirement.

Income Floor approach: A minimum level of income (the "Income Floor") is established to cover essential lifestyle expenses. The Income Floor may be funded with income from guaranteed sources, such as Social Security, pensions and annuities. See back cover for additional information about annuities.

Closing thoughts

—Dr. Wade D. Pfau and Dr. Michael Finke

These latest survey findings underscore the important role that annuities can play in helping investors enhance their retirement security with guaranteed lifetime income.

Annuities can be a powerful tool for addressing investor concerns around market volatility, longevity and retirement spending.

You can help give yourself a better quality of life if you have a higher level of confidence that you're not going to run out of money in retirement. That's the danger of an investment only approach—you're keeping that longevity risk and market risk on yourself.

To learn more about designing a guaranteed lifetime income strategy for your retirement with annuities from AIG, please contact your financial professional today.

See back cover for additional information about annuities.

Summary of Survey Questions and Responses

- How concerned are you about the possibility of a significant stock market decline in the near future? 10-point scale (Not concerned to extremely concerned). Summary of responses: 79% concerned; 21% not concerned.
- How concerned are you about the possibility of a significant stock market decline in the near future? 10-point scale (Not concerned to extremely concerned). Age 40-44: 6.04; Age 45-55: 6.07; Age 56-74: 6.2.
- My greatest fear when I think about my retirement investments is that: (Responses: My investments will not keep pace with inflation (30%); My investments will not perform as well as the market average (17%); My investments will suffer a loss from a market decline (49%); I do not own stocks (4%).)
- Imagine your retirement savings has been responding well to the market and your account values have grown. Would these investment gains affect the likelihood that you would want to convert or "lock in" a portion of your gains into guaranteed retirement income? (Responses: Yes, recent gains make it more likely that I will "lock in" guaranteed income for retirement (55%); No, recent gains will not make it more likely that I will "lock in" guaranteed income for retirement (38%); Yes, recent gains make it less likely that I will "lock in" guaranteed income for retirement (7%).)
- Let's say you had the option to trade a portion of your retirement savings for a higher amount of guaranteed income after you retire. You could either trade a portion of your retirement savings now and know exactly how much income you'll get in the future, or you could wait and make the trade later. If you wait, the amount of income will depend on the performance of your investments. Would you prefer to make that trade now or wait until later? (Responses: Make the trade now (49%); Make the trade later (33%); I would not make this trade (18%).)
- In your opinion, what would be an appropriate percentage for a recent retiree to hold in stocks/equities? (Responses: 0% in stocks (1%); 1%-19% (12%); 20%-29% (32%); 30%-39% (24%); 40%-49% (11%); 50%-59% (11%); 60%-69% (5%); 70%-79% (3%); 80-89% (1%); 90%-100% (1%).) Note: Response totals exceed 100% due to rounding.
- If you were able to take a portion of your IRA/401(k)/403(b) assets and purchase a "pension" that provided guaranteed monthly income for the rest of your life, how would this affect your investment strategy with the remaining balance of your retirement savings? (Responses: I would feel much more comfortable investing in stocks (16%); I would feel somewhat more comfortable investing in stocks (42%); I would keep the same percentage invested in stocks (36%); I would feel somewhat less comfortable investing in stocks (5%); I would feel much less comfortable investing in stocks (1%).)
- If you have more guaranteed monthly income, how much more comfortable would you feel about spending money on vacations or other lifestyle expenses using money from the balance of your retirement savings? (Responses: I would feel more comfortable (56%); I would spend the same amount (42%); I would feel less comfortable (3%).) Note: Response totals exceed 100% due to rounding.
- What is your greatest concern when it comes to transitioning from full-time employment into retirement? (Responses: I don't know how much I can safely spend each month (17%); I could outlive my retirement savings (61%); Interest rates are lower today than in the past (7%); I could lose money if the stock market falls in value (16%).) Note: Response totals exceed 100% due to rounding.

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- What best describes your withdrawal strategy for generating income from your retirement savings? (Responses: Live off Social Security and pensions (14%); Withdraw money from retirement savings when needed (51%); Withdraw the same amount each year from retirement savings (20%); Withdraw a different amount each year based on investment performance (15%.))
- Which of the following is the greatest source of dissatisfaction with your retirement investment options? (Responses: I don't trust them (7%); They are too risky (14%); I don't know how much I will be able to spend in retirement (39%); They don't provide a minimum level of investment returns (20%); I am fully satisfied with my investment options (21%.)) Note: Response totals exceed 100% due to rounding.
- Yesterday's retirees were often able to retire with a defined benefit type pension. Today's retirees need to plan for retirement income using IRA, 401(k) and 403(b) types of retirement accounts. Because of this change, today's retirees: (Responses: Need to be much more careful about their spending (55%); Need to be somewhat more careful about their spending (34%); Should spend about the same (8%); Can be somewhat less careful about their spending (3%); Can be much less careful about their spending (1%.)) Note: Response totals exceed 100% due to rounding.
- What appeals to you the most about converting a portion of your retirement savings into guaranteed income for retirement? (Responses: Knowing how much I can safely spend each year (18%); Knowing that I will always have income to help cover my basic expenses (60%); I don't have to worry about how investment performance affects my lifestyle (11%); Nothing - I would prefer keeping my investments as they are rather than buying income with a portion (11%.))

Additional Information about Annuities

Annuities are long-term financial products designed for retirement purposes. In the Accumulation phase, they can help you build assets on a tax-deferred basis. In the Income phase, they can provide you with guaranteed income through standard or optional features. A contract can be annuitized in order to receive lifetime income payments for no additional cost if a lifetime annuity option is chosen. Income protection features may be optional or standard. Additional fees, age restrictions, withdrawal parameters, and other limitations apply. With variable annuities, certain investment requirements also apply.

Early withdrawals may be subject to withdrawal charges and a Market Value Adjustment (MVA) may also apply to certain fixed annuities and index annuities. Partial withdrawals may reduce benefits available under the contract, as well as the amount available upon a full surrender. Withdrawals of taxable amounts are subject to ordinary income tax and, if taken prior to age 59½, an additional 10% federal tax may apply. Keep in mind, for retirement plans and accounts (such as IRAs and 401(k)s), an annuity provides no additional tax-deferred benefit beyond that provided by the retirement plan or account itself. An investment in a variable annuity involves investment risk, including the possible loss of principal. The contract, when redeemed, may be worth more or less than the total amount invested.

Variable annuities are sold by prospectus only. The prospectus contains the investment objectives, risks, fees, charges, expenses and other information regarding the contract and underlying funds, which should be considered carefully before investing. Please contact your insurance-licensed financial professional or call 1-800-445-7862 to obtain a prospectus. Please read the prospectus carefully before investing.

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