

# Going against the **GRAIN**

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## Annuity

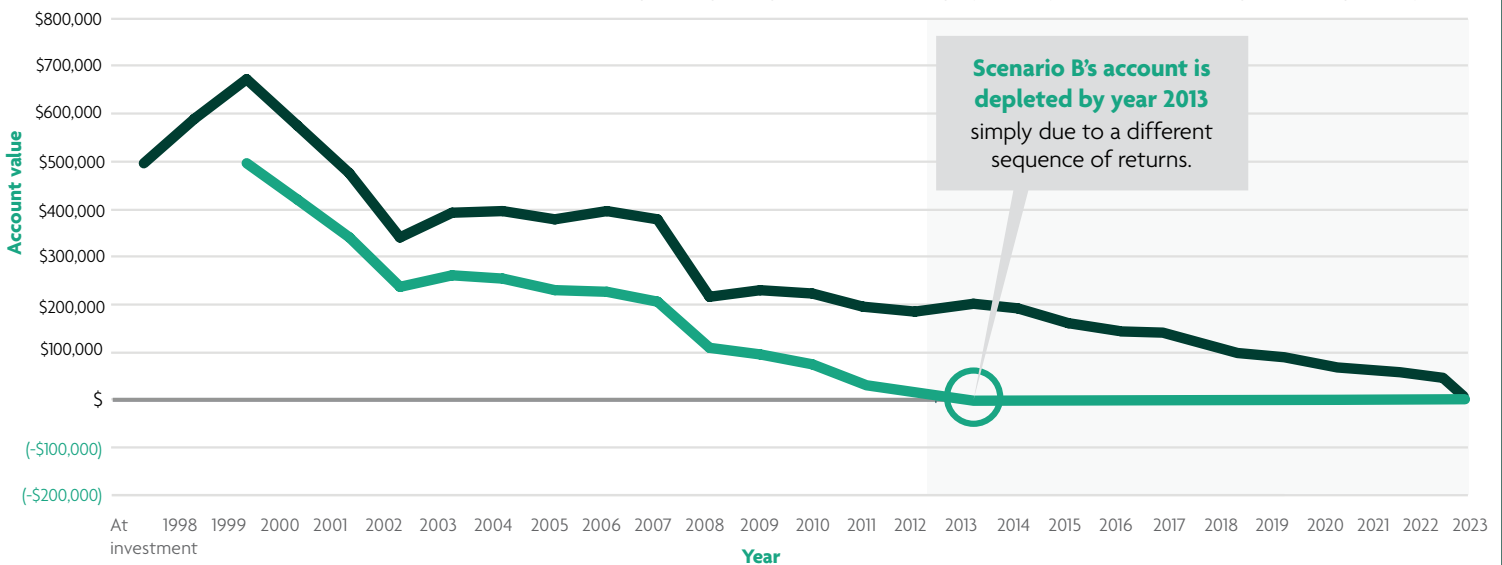
### Drawdown drawbacks

Could a sequence of returns deplete your savings?

When it comes to generating sustainable retirement income, many people only think of an average rate of return needed on their assets. However, what might be more important is not the “average” return but the order of the returns. In the two hypothetical examples provided, scenario A begins taking withdrawals in 1998 and scenario B begins taking withdrawals just two years later in 2000. Both have \$500,000 at the time withdrawals begin. 21 years later, with just a difference of two years from when withdrawals started, scenario A still has over \$100,000 while scenario B's account is depleted by year 15.

| Year     | Scenario A<br>Withdrawals begin in 1998 |                 | Scenario B<br>Withdrawals begin in 2000 |               |
|----------|---|-----------------|---|---------------|
|          | Gain/Loss                               | Account value   | Gain/Loss                               | Account value |
| At issue | -                                       | \$500,000       | -                                       | -             |
| 1998     | 26.67%                                  | \$595,342       | -                                       | -             |
| 1999     | 19.53%                                  | \$675,731       | -                                       | \$500,000     |
| 2000     | -10.14%                                 | \$580,259       | -10.14%                                 | \$422,346     |
| 2001     | -13.04%                                 | \$478,491       | -13.04%                                 | \$341,173     |
| 2002     | -23.37%                                 | \$343,697       | -23.37%                                 | \$238,465     |
| 2003     | 26.38%                                  | \$396,451       | 26.38%                                  | \$263,459     |
| 2004     | 8.99%                                   | \$399,408       | 8.99%                                   | \$254,455     |
| 2005     | 3.00%                                   | \$380,494       | 3.00%                                   | \$231,190     |
| 2006     | 13.62%                                  | \$398,229       | 13.62%                                  | \$228,591     |
| 2007     | 3.53%                                   | \$381,226       | 3.53%                                   | \$205,601     |
| 2008     | -38.49%                                 | \$216,054       | -38.49%                                 | \$108,019     |
| 2009     | 23.45%                                  | \$229,691       | 23.45%                                  | \$96,318      |
| 2010     | 12.78%                                  | \$225,217       | 12.78%                                  | \$74,796      |
| 2011     | 0.00%                                   | \$195,211       | 0.00%                                   | \$44,794      |
| 2012     | 13.41%                                  | \$187,359       | 13.41%                                  | \$16,777      |
| 2013     | 29.60%                                  | \$203,939       | 29.60%                                  | <b>\$0</b>    |
| 2014     | 11.39%                                  | \$193,751       | 11.39%                                  | <b>\$0</b>    |
| 2015     | -0.73%                                  | \$162,562       | -0.73%                                  | <b>\$0</b>    |
| 2016     | 9.54%                                   | \$145,201       | 9.54%                                   | <b>\$0</b>    |
| 2017     | 19.42%                                  | \$137,573       | 19.42%                                  | <b>\$0</b>    |
| 2018     | -6.24%                                  | \$100,864       | -6.24%                                  | <b>\$0</b>    |
| 2019     | 28.88%                                  | \$91,328        | 28.88%                                  | <b>\$0</b>    |
| 2020     | 16.26%                                  | \$71,299        | 16.26%                                  | <b>\$0</b>    |
| 2021     | 26.89%                                  | \$52,406        | 26.89%                                  | <b>\$0</b>    |
| 2022     | -19.44%                                 | <b>\$18,049</b> | -19.44%                                 | <b>\$0</b>    |
| 2023     | 24.23%                                  | <b>\$0</b>      | 24.23%                                  | <b>\$0</b>    |

**Assumptions:** Initial account value \$500,000, annual withdrawal \$30,000, S&P 500 index. The gain/loss column is the annual percentage change of the S&P 500 index. The performance is calculated as the percentage change from the last trading day of each year from the last trading date of the previous year.



The sequence of returns



Talk to your financial professional about how a fixed index annuity could fit within your overall portfolio.

Source for charts: <https://www.macrotrends.net/2526/sp-500-historical-annual-returns>

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**Talk to your financial professional about how a fixed index annuity could fit within your overall portfolio.**