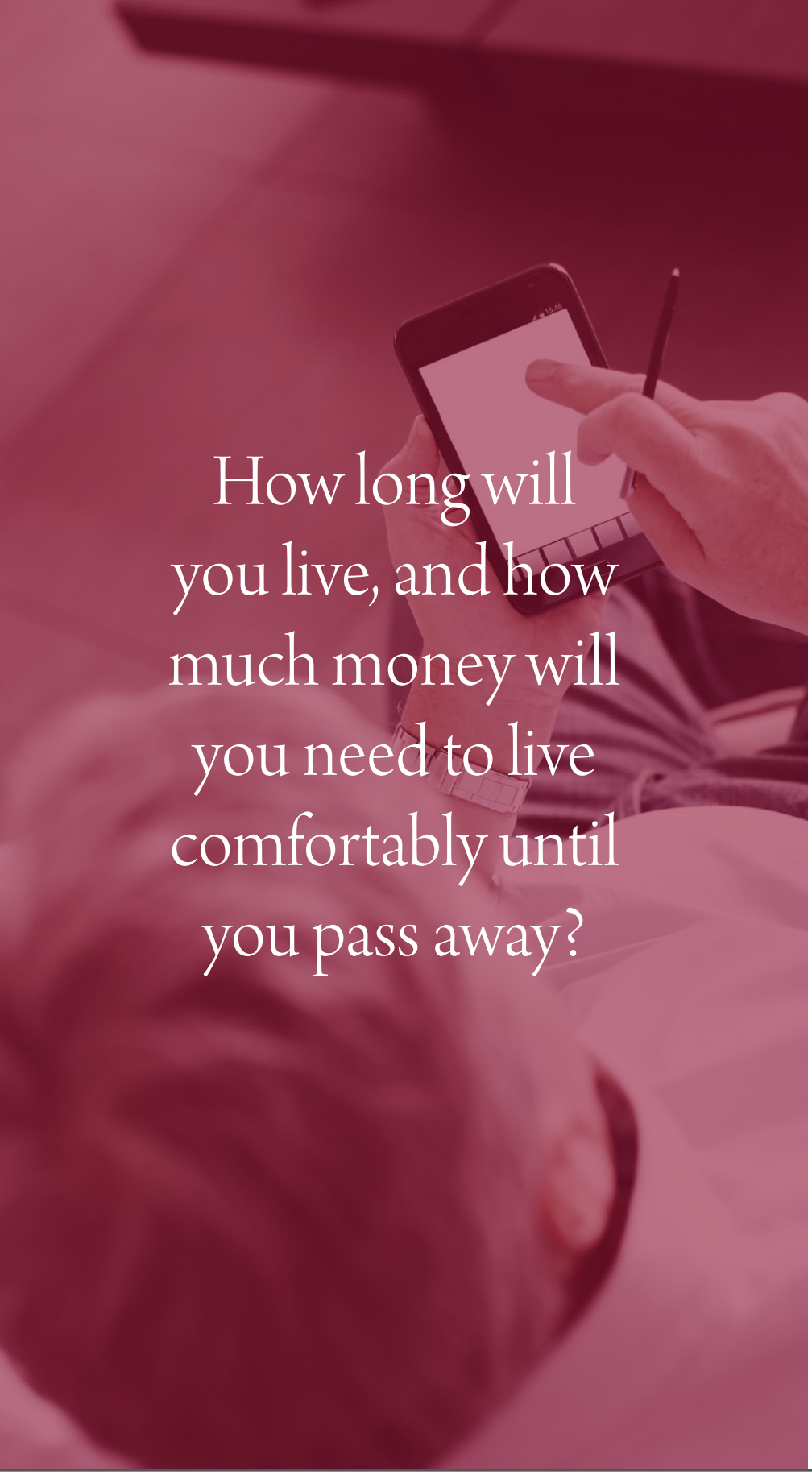


THE VALUE OF AN

OBJECTIVE OPINION

Why objective financial advice is important



How long will you live, and how much money will you need to live comfortably until you pass away?

These are two primary questions to address when planning for retirement income. If we each had the answer, we'd have a better chance of meeting the goal of not outliving our money. However, these also are two of the most difficult questions to answer accurately.

The Importance of Timing

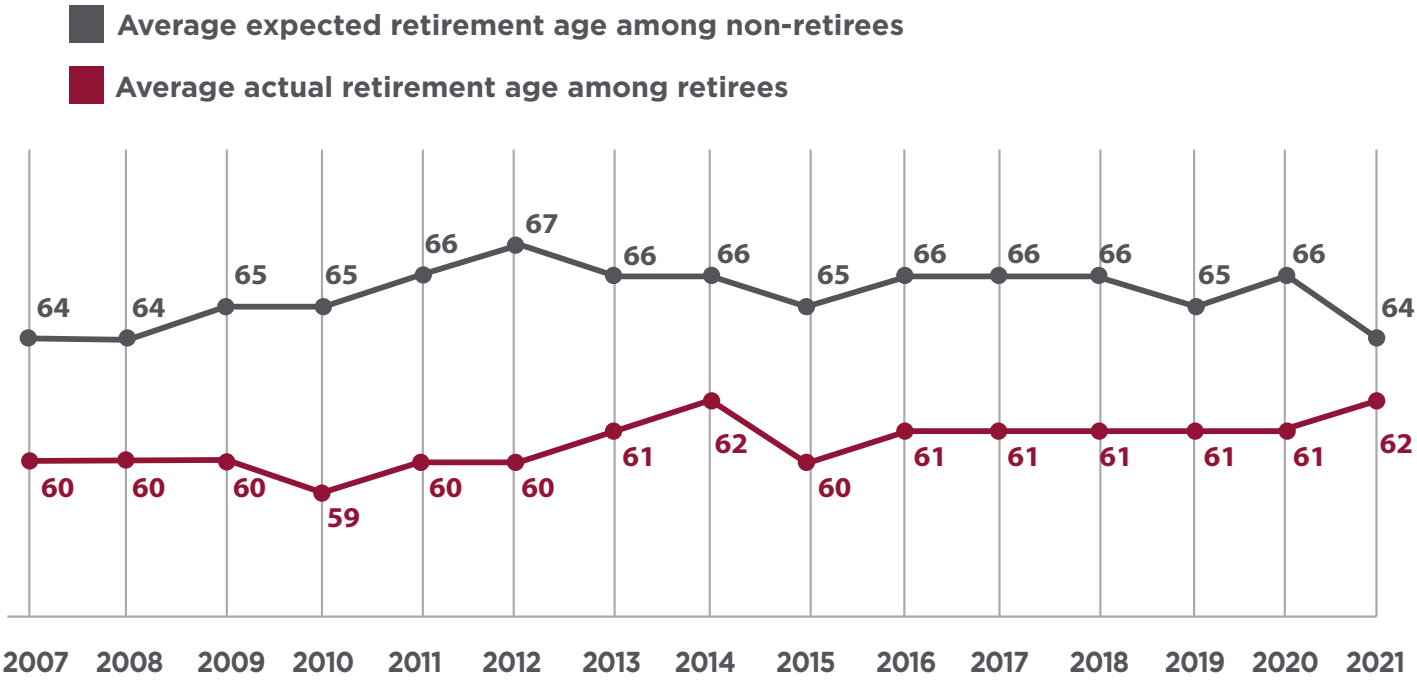
While none of us can predict how long we will live, factors from genetics to lifestyle and even where one lives can play a part in one's longevity. According to the Social Security Administration, a man reaching age 65 today can expect to live, on average, to age 84.1, and a woman turning 65 today can expect to live, on average, until age 86.7.[1] Remember, those are averages.

Another challenge to planning your retirement income is estimating when you'll retire. Plan as you may, this can be a variable you can't control — largely due to employer changes, like closures or downsizing, or potential health issues you or your loved ones may experience.

In fact, the age people expect to retire is often higher than the actual age at which most retire. Of respondents to a Society of Actuaries survey, 50% of pre-retirees indicated they expected to retire at age 65 or later. However, the responses of current retirees showed a different picture. Only 20% retired at age 65 or after; 78% retired before reaching 65.[2]

[1] Social Security. "Retirement & Survivors Benefits: Life Expectancy Calculator. https://www.ssa.gov/OACT/population/longevity.html. Accessed May 10, 2022.
[2] Greenwald Research. Society of Actuaries Research Institute. February 2022. Page 77. "2021 Retirement Risk Survey. "https://www.soa.org/48fd8a/globalassets/assets/files/resources/research-report/2021/risks-retirement-findings.pdf. Accessed May 10, 2022.

Americans' Actual vs. Expected Age of Retirement[3]



The Importance of Income Planning

Statistics about savings folks have accumulated for retirement could be considered worrisome. A 2021 Global Retirement Index survey from Natixis Investment Managers that polled 8,550 investors in 24 countries found 40% of investors say "it will take a miracle" to retire securely. Almost half (48%) say it will be difficult to make ends meet without income from public retirement benefits. Overall, 59% of Americans said they accept that they will have to keep working longer, while 36% now believe that they will never have enough money to be able to retire.[4]

Most financial professionals implore Americans to begin saving for retirement as early as possible and continually add to those accounts throughout their working careers. Any reluctance to opt in to a company's plan can cost pre-retirees a sizable amount of savings.

To see how substantial the potential loss in savings could be, consider three investors. A 28-year-old who contributes $6,000 per year will save an estimated 890,000 by age 65. Meanwhile, a person who begins to contribute $6,000 a year at age 35 will save $565,000 by age 65. However, if an individual waits until age 50 to start contributing $6,000 a year (plus the $1,000 "catch-up" contribution allowed for ages 50 and up), they will save $189,100 by age 65. That person who waited 22 years lost an estimated $700,000 in retirement savings.

The example is hypothetical and provided for illustrative purposes only. It is not intended to represent a specific investment product. Assumes annual contribution of $6,000 until age 50, and $7,000 from age 50 to age 65; also assumes 6% average annual portfolio growth.

[3] Megan Brenan. Gallup. May 18, 2021. "U.S. Retirees' Experience Differs From Nonretirees' Outlook." https://news.gallup.com/poll/350048/retirees-experience-differs-nonretirees-outlook.aspx. Accessed May 10, 2022.
[4] Natixis Investment Managers. April 2021. "2021 Global Retirement Index: It'll take a miracle — The search for retirement security in an insecure world." https://www.im.natixis.com/us/resources/2021-global-retirement-index-full-report. Accessed May 11, 2022.
[5] Charles Schwab. Sept. 3, 2021. "Waiting to Save for Retirement Could Cost You." https://www.schwab.com/resource-center/insights/content/waiting-to-save-retirement-could-cost-you. Accessed May 11, 2022.

Today's Retirees

Retirement Statistics	Data
Average cost of retirement[6]	$1,120,408
Workers' median household retirement savings[7]	$93,000
Median annual cost of moving to an assisted living facility[8]	$54,000
Percentage of pre-retirees "very concerned" they might not have enough money to pay for a long period of nursing care.[9]	26%
Percentage of pre-retirees "very concerned" they might deplete all of their savings[10]	24%
Percentage of private industry workers who expect to receive income from a defined benefit pension[11]	15%
Percentage of people in their 50s that plan to work in retirement (full time or part time) after receiving Social Security[12]	59%

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[6] Samuel Stebbins. 24/7 Wall Street and USA Today. Feb. 11, 2021. "Retirement costs: Estimating what it costs to retire comfortably in every state." https://www.usatoday.com/story/money/2021/02/11/retirement-costs-comfortable-in-every-state-life-expectancy/115432956/. Accessed May 11, 2022.

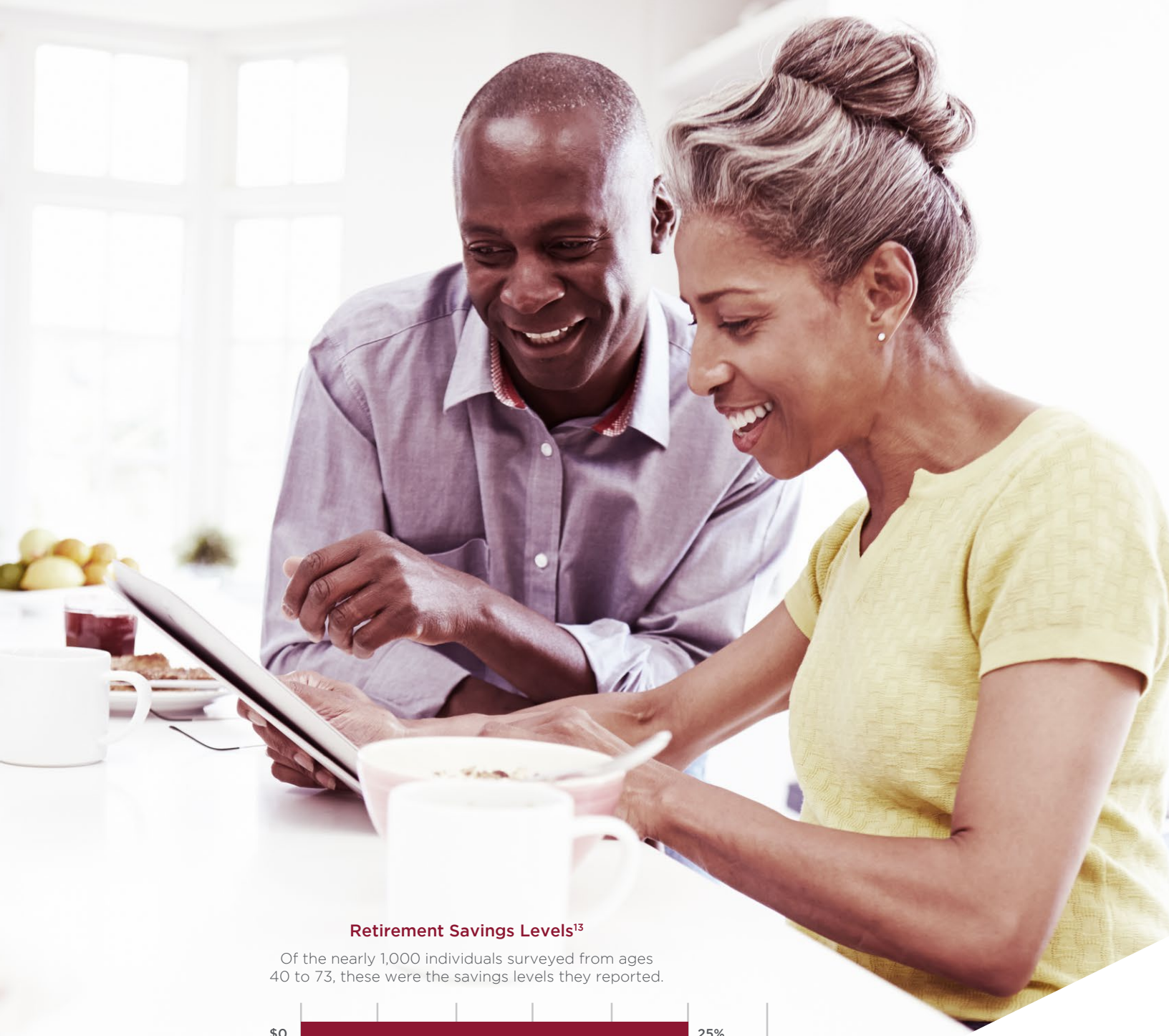
[7] Transamerica Center for Retirement Studies. November 2021. Page 16. "A Compendium of Findings About the Retirement Outlook of U.S. Workers: 21st Annual Transamerica Retirement Survey of Workers." https://transamericainstitute.org/docs/default-source/research/2021-retirement-outlook-compendium-report.pdf. Accessed May 11, 2022.

[8] Genworth. Jan. 31, 2022. "Cost of Care Survey." https://www.genworth.com/aging-and-you/finances/cost-of-care.html. Accessed May 11, 2022.

[9, 10] Greenwald Research. Society of Actuaries Research Institute. February 2022. Pages 78, 79. "2021 Retirement Risk Survey. "https://www.soa.org/48fd8a/globalassets/assets/files/resources/research-report/2021/risks-retirement-findings.pdf. Accessed May 10, 2022.

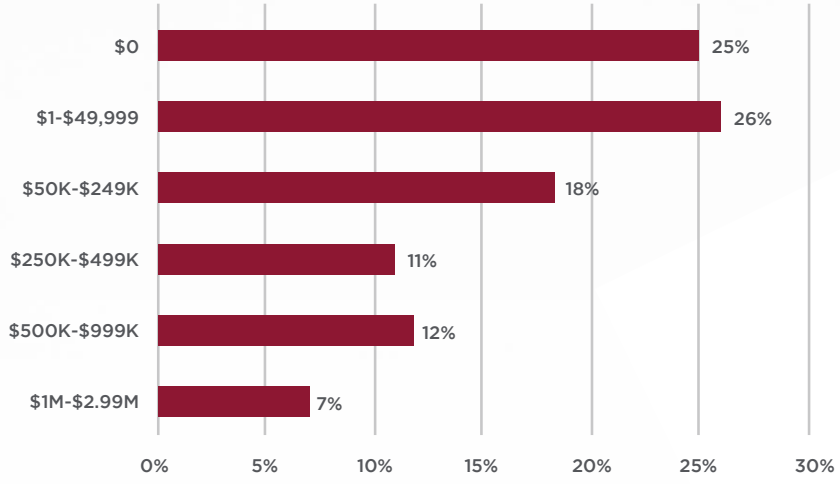
[11] Insured Retirement Institute. Aug. 31, 2021. Page 13. "Retirement Readiness Among Older Workers 2021." https://www.irionline.org/wp-content/uploads/legacy/default-document-library/iri-retirement-readiness-2021_fullreport.pdf. Accessed May 11, 2022.

[12] SimplyWise. Jan. 18, 2021. "Retirement Confidence Index." https://www.simplywise.com/blog/retirement-confidence-index/. May 11, 2022.



Retirement Savings Levels[13]

Of the nearly 1,000 individuals surveyed from ages 40 to 73, these were the savings levels they reported.



[13] Insured Retirement Institute. Aug. 31, 2021. Page 8. "Retirement Readiness Among Older Workers 2021." https://www.irionline.org/wp-content/uploads/legacy/default-document-library/iri-retirement-readiness-2021_fullreport.pdf. Accessed May 11, 2022.



The Value of an Objective Opinion

In a longer lifespan, you're more likely to encounter periods of both good and bad market performance. For that reason, when planning for retirement, it's increasingly important to seek guidance from a financial advisor who can help you structure an income strategy that reflects your financial situation, risk tolerance and investment objectives. You don't want just any financial advice, but objective financial advice.

With so much at stake, it's important that you feel you can trust a financial advisor to consider a wide variety of possible solutions, including both investment and insurance products, before making any recommendations. You also want to have confidence that the recommendations being provided to you by your financial advisor are appropriate for you.

Within the financial services industry, there are independent financial professionals who operate as self-employed business owners and sell the products of multiple financial institutions.

This contrasts with financial professionals who represent a financial institution and are employees of that institution. These employees are generally referred to as "captive" financial professionals.

While captive financial professionals are typically required to sell only the proprietary products of the financial institution that employs them, independent financial professionals are able to work with many financial institutions, providing their clients with a wider array of products from which to choose, potentially increasing the likelihood of being able to provide the right product or products for their clients' particular situations. Many independent financial advisors can help individuals create retirement strategies using a variety of investment and insurance products.

As small-business owners, independent financial advisors are likely to have fewer clients than larger companies. If "the personal touch" is important to you, you may have more luck finding it with an independent financial advisor. There's also something to be said for working directly with the business owner, who understands and has a greater appreciation for the impact each client has on his or her business.

The Benefits of Independence

As the demand for objective advice grows, it stands to reason more people may choose to work with independent professionals. Independent financial advisors are not forced to sell only the proprietary products of a single financial institution; rather, they generally have access to a larger selection of possible solutions from a wide range of financial institutions to help clients work toward their financial goals.

Planning for retirement income today can be challenging. For this reason, you may want to consider securing objective financial advice to help you meet this challenge, and take steps to help keep you on the path toward your desired financial future.

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