How to Retire in Style
Jack Sharry, LifeYield
Tom Johnson, New York Life
Phil Eckman, Transamerica
How We Got “Here”

• 1970’s
  – Stock & Bonds
  – Standardized Commissions
  – A simple business
How We Got “Here”

• 1980’s
  – “Packaged products,” IRAs
    • CMAs, mutual funds, UITs, annuities, tax shelters
    • “Professional management, diversification, cost effective”
  – Discounting/discount brokers
    • Product, price and advice become dis-aggregated
    • Negotiated relationships emerge
  – Savers become investors
    • March, 1987
    • October, 1987
  – Performance did not match expectations
How We Got “Here”

• 1990’s
  – Information overload leads to confusion
    • “Load vs. No-Load” argument rages
    • A spectrum of “advice” becomes available
  – Advisory Programs emerge
    • “Wrap” Programs: Mutual Fund Wrap, SMAs
  – Investments & Guarantees converge
    • VAs with guarantees launch
  – Product selection and Asset allocation – by accident
    • Investors buy: Different products, at different times, from different advisors/firms, for different reasons
How We Got “Here”

• 2000’s
  – Irrational exuberance”
    • Until May, 2002
  – Boomers reach 60
  – September, 2008 – 500 year flood
    • Changed retirement mindset
      – More conservative
      – Saving more
      – Spending less
      – Working longer
      – Not sure who or what to trust
Where We Go From “Here”

What Now?


Platforms

Programs

UMA

UMH
Where We Go From “Here”

Planning
- Inventory
- Objectives
- Risk tolerance
- Income plan

Investments
- Product selection
- Asset allocation
- Rebalancing

Tax-Smart Household Management
- Location
- Capital Gains
- Household Asset Allocation
Where We Go From “Here”

- CRM
- Data Aggregation
- Financial Plan
- Product Selection
- Asset Allocation
- Tax Overlay
Tom Johnson
SVP, New York Life
Agenda

• Longevity Risk
• Money Comes to Rest/Participant Behavior
• Social Security Plays a Significant Role
• Modern Portfolio Theory Adapted for Retirement Income
• Adapting Accumulation Products to Manage Risks in Retirement
Longevity Risk

“Advisors are typically using a life expectancy of 90 for planning purposes.”
-- GDC and Practical Perspectives, 2009

Probability of a Healthy 65-year-old Living to Various Ages

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
<th>At least one spouse</th>
</tr>
</thead>
<tbody>
<tr>
<td>85</td>
<td>50%</td>
<td>75%</td>
<td>92</td>
</tr>
<tr>
<td>88</td>
<td>25%</td>
<td>92%</td>
<td>94</td>
</tr>
<tr>
<td>92</td>
<td>75%</td>
<td>97%</td>
<td>97</td>
</tr>
</tbody>
</table>

Source: Annuity 2000 Mortality Tables.

For Institutional Use Only
Better Defined Market

In contrast to the DC/DB markets, the IRA market promises tremendous growth (more than $350 billion in potential new funds per year).

Projected balances that will become available in 2010 to new retirees or job-changers ($ billions)

- **$350** 2010 Est
- **$100**
- **$120**
- **$130**

Key Market Group

- Individuals Age >55 with Balance >$75K Proxy for Retirees
- Smaller balances and job changers
- Balances that remain "in-Plan"

Source: Employee Benefit Research Institute (EBRI), 2010

For Institutional Use Only
IRA Flows Dominate

Net Cash Flows (1999 – 2016 est)

IRA Rollover vs Private Sector DC/DB ($ billions)

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Social Security Plays a Significant Role

Social Security Plays a Vital Role in Replacing Income in Retirement

First-year replacement rate; percent, median

<table>
<thead>
<tr>
<th>Quintile</th>
<th>Replacement Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowest</td>
<td>74%</td>
</tr>
<tr>
<td>Second</td>
<td>50%</td>
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<tr>
<td>Middle</td>
<td>43%</td>
</tr>
<tr>
<td>Fourth</td>
<td>39%</td>
</tr>
<tr>
<td>Highest</td>
<td>31%</td>
</tr>
</tbody>
</table>

Household Lifetime Earnings Quintile

Note: Percentage reported is scheduled benefits as a percentage of average career earnings for retired workers in the 1940-1949 birth cohort (individuals aged 60 to 69 in 2009).

Modern Portfolio Theory Adapted for Retirement

Incorporating income annuities into portfolios takes the pressure off withdrawals, leading to greater certainty that retirees won’t outlast their portfolios, and potentially higher legacies!

Scenario: Male age 65, 4.5% withdrawal rate, adjusted annually for 2.5% inflation

Model Portfolio

Probability assets >$0 at age 92

Median ending asset value ($000s)

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Income Annuities Generate a Unique Form of Alpha

Lifetime income annuities can deliver higher payouts because, in addition to distributing interest and premium, they subsidize those who live longer with the capital of those who die early.

Source: New York Life actuarial data and methodology. Graphical representation based on an example introduced by Dr. David Blake.
Lifetime Income Annuity & U.S. Treasury Notes

- Payout rates for Lifetime Income Annuity have remained fairly constant over time.
- Lifetime Income Annuity payout rates* fluctuated less than 5-Year U.S. Treasury notes** over the past 5 years.

Historical 5-Year U.S. Treasury Note & Lifetime Income Annuity Payout Rates 2005-2010 by Quarter

**Treasury notes are negotiable debt obligations issued and backed by the full faith and credit of the U.S. Government. They are usually available with maturities ranging between 2 and 10 years. They pay interest twice a year and mature at par value.

*Lifetime Income Annuity Payout rates include interest and return of principal. They represent the annualized payouts as a percent of total premium. 1. LIA rates are based on rates in effect on the first calendar day of each quarter, using a Life with Cash Refund payout for a male age 75. Note that LIA payout rates are lower than shown if annuitant is younger. 2. Source: U.S. Department of Treasury, rates as published for the first calendar day of each quarter.

***TED spread, the difference between the 3-month T-bill interest rate and 3-month London Interbank Offered Rate (LIBOR), jumped towards the end of 2008 to a record high of 4.6% from a historical average range of 0.3%-0.5%, allowing an exception in the high level of payout rates offered by Lifetime Income Annuity.

For Institutional Use Only
The New Realities of Retirement

Transitioning responsibility from employer to employee

Employees are facing more choice with greater personal financial responsibility and risk

... and only 39% are confident in their ability to make the right financial decisions

Responsibility + Complexity = Growing Need for Help!

SIZING UP THE FUTURE | 29th Annual Conference & Expo | 2011

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1 MetLife Study of Employee Benefits Trends, 2009
Summary

• Longevity presents a financial risk (among others)
• Participant behavior is to “take the money and run” (rollovers)
• Employer provides a pension (Social Security)
  Segmentation is key
• Adapting Modern Portfolio Theory principles for retirement
Phil Eckman
CEO, Transamerica Retirement
The New Realities and Responsibilities of Retirement

Employees (individuals) are facing more decisions with greater personal financial responsibility and risk … and only 39% of are confident in their ability to make the right financial decisions¹

(Responsibility + Complexity) More People = Growing Need for Help!

¹ MetLife Study of Employee Benefits Trends, 2009
A Process Solution: The Retirement Transition Service

3 Simple Questions

1. Can I afford to retire?
2. If now, how?
3. If not now, when?

5 Core Subject Areas

- Investments
- Health Care
- Protection
- Income
- Lifestyle

Delivered Through a Centralized Noncommissioned Advisor Team

- Fully licensed and credentialed phone advisors and service reps
- Results in consistent delivery of education and advice
- Open architecture
- Depending on client need and organizational strategy, can operate in an advisory or brokerage capacity
- Industry leading retirement income planning tool
- Strong web presence complements advisor team
Simple, Actionable Documents: The Retirement Checklist and Income Strategy Report

Retirement Checklist

Congratulations, Jake!
You have set a retirement date and the countdown is on! The following checklist has been customized to fit your personal timeline to help ensure you are ready to retire on 1/31/2012.

Lifestyle

<table>
<thead>
<tr>
<th>Target Date</th>
<th>Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>N/A</td>
<td>✔</td>
</tr>
<tr>
<td>N/A</td>
<td></td>
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</tbody>
</table>

*Recommendation - Complete within the next 30 days.

If you have questions about any of your action items, feel free to call Steve Tragner at 866-306-6343 or email advisor@transamerica.com

February 01, 2011

Health Care

<table>
<thead>
<tr>
<th>Target Date</th>
<th>Completed</th>
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<tbody>
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</table>

Protection

<table>
<thead>
<tr>
<th>Target Date</th>
<th>Completed</th>
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</table>

Investments

<table>
<thead>
<tr>
<th>Target Date</th>
<th>Completed</th>
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<tbody>
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<td></td>
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</tbody>
</table>

Income

<table>
<thead>
<tr>
<th>Target Date</th>
<th>Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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<td></td>
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</table>

*Recommendation - Complete within the next 30 days.
When can Becky afford to retire?

Simple, Actionable Documents: The Retirement Checklist and Income Strategy Report

Finding an Income Strategy that’s Right for You

Carl, based on the information you provided, we have projected your current retirement scenario. For your comparison, we propose an optimized strategy that may better suit the retirement goals you have shared.

Projected Spending

<table>
<thead>
<tr>
<th>Age (years)</th>
<th>Current Scenario</th>
<th>Optimized Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>66</td>
<td>$81K</td>
<td>$69K</td>
</tr>
<tr>
<td>70</td>
<td>$68K</td>
<td>$54K</td>
</tr>
<tr>
<td>75</td>
<td>$56K</td>
<td>$43K</td>
</tr>
</tbody>
</table>

Projected Retirement Savings

<table>
<thead>
<tr>
<th>Age (years)</th>
<th>Current Scenario</th>
<th>Optimized Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>66</td>
<td>$123K</td>
<td>$109K</td>
</tr>
<tr>
<td>70</td>
<td>$100K</td>
<td>$85K</td>
</tr>
<tr>
<td>75</td>
<td>$78K</td>
<td>$64K</td>
</tr>
</tbody>
</table>

Your Current Scenario projects your income will drop to $44,395 per year and your savings will be depleted at age 80. It is estimated you have a 90% chance of living longer.

Recommendations

We propose an after-tax annual retirement income of $60,000 based on a retirement age of 66, estimated savings at retirement of $496,274, conservative risk tolerance for investing, and a desire to bequest $50,000. We propose a $173,650 investment in an income annuity which will produce a first-year after-tax annual income of $9,064. This Optimized Strategy projects a longer lasting steady stream of income throughout retirement.

<table>
<thead>
<tr>
<th>Retirement Savings Allocation</th>
<th>Current Scenario</th>
<th>Optimized Strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>65% Large Cap</td>
<td>100% Systematic Withdrawal</td>
<td></td>
</tr>
<tr>
<td>41% Bonds</td>
<td>30% Income Annuity</td>
<td></td>
</tr>
<tr>
<td>5% Cash</td>
<td>9% International</td>
<td></td>
</tr>
</tbody>
</table>

Factors We Discussed

- Your desired spending level
- Risk tolerance
- Asset allocation
- Your retirement age
- Social Security start age
- Legacy planning
- Longevity expectations

Next Steps

We will help you make the transition from relying on work for income to relying on your savings. Together, we’ll allocate your savings across a broader product mix to provide a more stable level of income. We will also work to ensure you have properly diversified your investments based on your risk tolerance to help offset the effects of inflation and weather market volatility.

We recognize that these factors will change over time and we are here to work with you to help manage your retirement plan today and in the future.

All spending figures are in after-tax dollars and are adjusted for inflation. To calculate this projection we ran 350 simulations. Of those simulations 70% did as well as or better than this projection. Document ID: 4512, Client ID: TEST5540.

December 05, 2010

NICS A
How We Connect with the Pre-retirees and Get Them to Take Action with TRM?

- Referrals from Call Centers/IVR’s
- Website and Tool Integration
- Referrals from Onsite Reps
- Traditional & Digital Direct Mail
- Workplace Seminars

- AEGON/Transamerica Affiliates
- Direct to Employers
- Record Keepers
- Benefit Brokers and Consultants
- Associations
- Institutional Partnerships
- Private Labeling / Revenue Sharing Options Available

Options Available
The information provided here is general in nature and should not be considered as investment advice. Each individual’s situation is unique and you should consider your risk to tolerance, personal circumstance, and complete financial situation.

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Securities and investment advisory services offered through Transamerica Financial Advisors, Inc. (TFA), member FINRA, SIPC and Registered Investment Advisor. TFA products and services are not part of your employer's retirement savings plan.
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