



RETIREMENT INCOME PLANNING

RESOURCE GUIDE



**Why a Holistic
View of Clients'
Financial Picture
May Open Doors**

**bank
investment
consultant**

ADVERTORIAL PREPARED BY
SOURCEMEDIA CUSTOM SOLUTIONS





MEETING CLIENTS' GOALS FOR A **STEADY** RETIREMENT INCOME STREAM

By Stephen Crowe



HELPING CLIENTS CONVERT their life savings into a steady stream of retirement income requires looking at their financial needs and resources from several different angles. Bank investment consultants often have a broad range of tools to draw upon, including bonds and bond mutual funds, dividend-paying equities and annuities. While the solutions consultants employ may vary widely depending on an individual client's needs, many bank investment professionals agree that it's important to look at a client's total financial picture when planning retirement distributions.





Low Interest Rates Create Challenges

“Even for seasoned professionals, planning an income portfolio for a client is one of the hardest tasks there is, especially in today’s environment,” notes Bruce Sanborn, an LPL financial advisor with F&M Bank in North Carolina. “Facing some of the lowest interest rates in history, it’s hard to find value in the bond market right now,” he says. “I’m often considering several different fixed-income solutions to help clients generate income, which may include individual bonds, bond mutual funds, exchange-traded funds (ETFs) and structured products,” says Sanborn.

While challenges exist for today’s bond investors and many wonder how changing interest rates will affect pricing long term, Sanborn believes that bonds still play a key role in helping clients create an income stream in retirement. “While bond prices fluctuate in response

Equities Play Dual Role

Even in retirement, many investors still need growth in their portfolio. Dividend-paying stocks can provide the potential for both growth and income. Historically, industry sectors that have paid a high level of dividends have included utilities, energy companies and financials, although many financial companies have stopped paying dividends over the past two years in response to the financial crisis. “If you’re considering dividend-paying stocks, it’s a good idea to be diversified by sector so that problems in any one sector don’t derail your entire strategy,” notes John Nixon, a PrimeVest advisor located at Michigan Commerce Bank. “To help overcome the diversification issue, ETFs or unit investment trusts (UITs) that invest in dividend-paying stocks can be a useful alternative to investing in individual stocks,” he adds.

EXPECTED AGE OF RETIREMENT

	ALL WORKERS		AGES 25–34		AGES 35–44		AGES 45–54		AGES 55+	
	2000	2010	2000	2010	2000	2010	2000	2010	2000	2010
Less than 60	22%	9%	30%	17%	18%	9%	24%	6%	12%	2%
Ages 60–64	22	19	21	21	20	16	21	19	28	17
Age 65	28	24	29	26	32	22	28	29	20	19
Age 66 or older	19	33	12	29	24	31	18	33	20	42
Never retire	4	9	1	4	2	14	5	7	8	10
Don’t know/ Refused	5	6	6	3	4	7	3	5	13	9

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2000–2010 Retirement Confidence Surveys

to interest rate changes, the coupon is generally set in stone, creating a reliable stream of income for investors,” he notes. “Bond coupon payments tend to be more predictable than stock dividends because a dividend can be reduced or eliminated over time based on the decisions of a corporation’s board of directors,” he adds. “Variable annuities with a guaranteed income rider also can provide attractive income, but the costs can be significant, so it’s important to weigh the cost of any income strategy against the expected benefits,” he concludes.

While dividend-paying stocks, such as utilities, might be considered a little boring or old-fashioned by some investors, they may offer some distinct advantages—especially for investors who are distrustful of Wall Street in general. “When you look at dividend-paying stocks, those companies are typically held accountable to their shareholders every 90 days,” says Nixon. “If they fail to make an expected dividend payment to shareholders, the market notices.” Because dividend-paying companies have to make quarterly payments to their shareholders, it may be harder for them to use





derivatives or deceitful accounting practices, Nixon observes. "Companies need to have enough cash on hand to make dividend payments on a regular basis," he says. "I think this accountability could be very appealing to some investors," he concludes.

Annuities Offer Guaranteed Income

Annuities often appeal to clients who are looking for a greater degree of protection than can be achieved by investing in stocks or bonds alone, notes Peter Stahl, national sales director for Hartford Life Distributors, who oversees The Hartford's bank channel sales division. "Clients more comfortable with the market risk associated with stocks and bonds might have a lower allocation to annuities, while those looking for more protection might be interested in a higher allocation to annuities," he says. Among the most popular variable annuity products for the past 10 years have been those

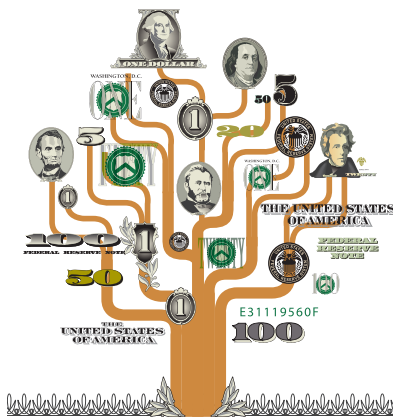
offering systematic withdrawal benefits with a guaranteed income rider, notes Stahl. However, the costs of these policy riders have become more expensive in our current market environment, reflecting lower interest rates and higher volatility in the equity markets. As a result, Stahl encourages advisors to look at all possible annuity solutions before making recommendations to clients.

"When doing an income plan for clients, I think it can be a good idea for financial advisors to carve out a certain portion of assets and designate them as income assets," says Stahl. "That's the way to get the maximum income at the lowest cost." For example, depending on a client's needs, Stahl notes that advisors may want to consider an immediate annuity or one of The Hartford's new Personal Retirement Manager accounts, which are a type of hybrid between immediate and variable annuities. "Many advisors are most familiar with the variable annuity with a

SUPPLEMENTAL RETIREMENT INCOME FROM LIFE INSURANCE

For high-income earners who have maxed out their 401(k) and IRA contributions, a life insurance policy can provide an additional tax-advantaged way to save for the future. "Life insurance is often underutilized as a supplemental retirement income planning vehicle," says Ray Trueblood, vice president of life insurance marketing strategy for Jackson National Life Distributors. "Not only can you take tax-free loans from your policy while you're living, but any remaining value in your policy will also be passed tax free to your beneficiaries when you die."

When buying life insurance for the purpose of retirement income, policyholders will typically overfund their policy



in order to build excess cash value, Trueblood explains. Policyholders then have the option to take loans from their policy in retirement and will owe no income tax on the distributions. When policyholders die, the loans are repaid from the value of the insurance policy.

Trueblood cautions that if you plan to use life insurance for retirement income, the policy needs to be designed with that purpose in mind. In addition, policyholders need to be careful to pay all premiums on time and to avoid letting their policies lapse. Otherwise, they may forfeit the value of the policy. On the upside, life insurance policies offer an additional tax-advantaged way to save for retirement with highly flexible distribution options. "If you need to take a lump-sum distribution for a special trip or a grandchild's education, a loan from a life insurance policy can be an ideal way to fund onetime events and supplement other forms of retirement income," Trueblood adds.





How do we define value at The Hartford Mutual Funds?

THE HARTFORD DIVIDEND AND GROWTH FUND^{1,2}: "QUALITY VALUE"

Seeks value in up and down markets; attempts to offer participation in up markets and protection in down markets.



Morningstar Rating (load-waived as of 3/31/2010) Category: Large Value 3 Yr: ★★★★★ 5 Yr: ★★★★★ 10 Yr: ★★★★★
Fund Rank / # of Funds in Category 1 Yr: 872/1,316 3Yr: 93/1,225 5Yr: 88/1,142 10 Yr: 290/800 Percentile rankings based entirely on total return; does not reflect sales charge.

THE HARTFORD VALUE FUND^{1,2}: "CORE VALUE"

Value always; a core value fund that focuses on high-quality companies that are temporarily out of favor.



Morningstar Rating (load-waived as of 3/31/2010) Category: Large Value 3 Yr: ★★★★★ 5 Yr: ★★★★★ 10 Yr: NA
Fund Rank / # of Funds in Category 1 Yr: 736/1,316 3Yr: 185/1,225 5Yr: 81/1,142 10 Yr: NA. Percentile rankings based entirely on total return; does not reflect sales charge.

THE HARTFORD EQUITY INCOME FUND^{1,2}: "VALUE DIVIDENDS"

Looks for value in dividend-paying stocks; 100% of the Fund's companies paid dividends last year, 100% for the past five years, 93.75% for the past 10 years.



Morningstar Rating (load-waived as of 3/31/2010) Category: Large Value 3 Yr: ★★★★★ 5 Yr: ★★★★★ 10 Yr: NA
Fund Rank / # of Funds in Category 1 Yr: 969/1,316 3Yr: 175/1,225 5Yr: 127/1,142 10 Yr: NA. Percentile rankings based entirely on total return; does not reflect sales charge.

With The Hartford's track record of proven success and sub-advisor Wellington Management Company, LLP, The Hartford Mutual Funds Value Suite is what your clients are looking for. Brokers and registered representatives can put our funds to the test by running a Morningstar® Portfolio Toolbox at hartfordmutualfunds.com.

With The Hartford behind you, achieve what's ahead of you.SM



PAST PERFORMANCE DOES NOT GUARANTEE FUTURE RESULTS.

¹The Fund may invest in foreign securities, which can be riskier than investments in U.S. securities. (Risks may include currency risk, illiquidity risks, and risks from substantially lower trading volume on foreign markets.)

²The sub-advisor's investment strategy will influence performance significantly and the Fund could underperform its peers or lose money if that strategy does not perform as expected.

Wellington Management Company, LLP is an independent and unaffiliated sub-advisor to The Hartford. "The Hartford" is The Hartford Financial Services Group, Inc. and its subsidiaries. The Hartford Mutual Funds are underwritten and distributed by Hartford Investment Financial Services, LLC. © May 2010 The Hartford Financial Services Group, Inc., Hartford, CT 06155 All Rights Reserved.

Morningstar © 2010. For each fund with at least a 3-year history, Morningstar calculates a risk-adjusted return measure that accounts for variation in a fund's monthly performance (including the effects of all sales charges), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receives a Morningstar Rating of 5 stars, the next 22.5% receives 4 stars, the next 35% receives 3 stars, the next 22.5% receives 2 stars, and the bottom 10% receives 1 star. (Each share class is counted as a fraction of one fund and rated separately.) A fund's overall rating is derived from a weighted average of the 3-, 5- and 10-year (if applicable) rating metrics.

For investors eligible to invest using load-waived shares, please see the prospectus for additional information about eligibility. Load-waived Morningstar ratings should only be considered by investors who are eligible to purchase shares on a load-waived basis. Load-waived shares refers to a class of shares that does not include any front-end or contingent deferred sales charges, but may include other fees and expenses such as 12b-1 fees or administration fees.

Over the time period rated, the Fund has experienced negative performance. Please visit www.hartfordinvestor.com for the most current mutual fund performance, and consult with your investment professional before investing.

You should carefully consider investment objectives, risks, charges, and expenses of The Hartford Mutual Funds before investing. This and other information can be found in the Fund's prospectus, which can be obtained from your investment representative or by calling 888-843-7824. Please read it carefully before you invest or send money.

NOT INSURED BY FDIC OR ANY FEDERAL GOVERNMENT AGENCY	MAY LOSE VALUE	NOT A DEPOSIT OF OR GUARANTEED BY ANY BANK OR BANK AFFILIATE	∅ FDIC ∅ BANK
--	----------------	--	---------------





HERE ARE THE REASONS WHY WORKERS SAID THEY HAVE DELAYED RETIREMENT



- 29 Poor economy
- 22 Change in employment situation
- 16 Finances, can't afford to retire
- 12 Need to make up for losses in the stock market
- 7 Lack of faith in Social Security/government
- 7 Cost of living in retirement will be higher than expected
- 6 Need to pay current expenses first
- 6 Want to be sure they have enough money to retire comfortably
- 5 Aren't sure how the stock market will perform
- 4 Healthcare costs
- 4 Law changed minimum retirement age

Source: © 2010 Employee Benefit Research Institute

guaranteed income rider, but there are a number of other attractive choices on the menu today," he says. "Naturally, with any type of annuity product, it's important to discuss and disclose the true costs to your clients," Stahl cautions. "You also want to fully understand your client's liquidity needs and time horizon before making recommendations."

The Importance of Planning

"Before taking distributions from client accounts, it's important to create a comprehensive financial plan for clients," says Charles Prather, CFP, CFA and senior financial advisor for CUSO Financial Services, working at Bellco Credit Union. "As part of the planning process, we really want to look at where customers are now, what sources of income they have coming in, including pensions or Social Security and how much they may need to withdraw each year to generate enough income to cover their living expenses,"

explains Prather. Additional factors to consider include expected inflation, clients' tax brackets and clients' estate planning goals. "Typically, the earlier clients start retirement, the lower their annual withdrawal rate should be," he adds, noting that he often suggests 4% to 5% as a ceiling for annual withdrawals.

While observing that every client situation is different, Prather says as a general rule of thumb he typically encourages clients to take distributions from their personal accounts in the following order:

- First, from taxable accounts, including regular brokerage accounts;
- Second, from tax-deferred accounts, including 401(k)s and IRAs; and
- Third, from tax-free accounts, including Roth accounts.

"The longer we can keep the money compounding and growing in a tax-advantaged way, the more money customers are going to have down the road," explains Prather, "so we tend to tap those accounts later." He adds that sometimes it makes sense for clients to take withdrawals from both taxable and tax-advantaged accounts if they have significant losses in their taxable portfolio. "Your client can potentially harvest some of





those losses from their taxable accounts to help offset some of the taxes associated with the income from their IRA or 401(k) account," he offers.

The Role of Social Security

Over the last decade many corporations have terminated their defined benefit plans, making Social Security an increasingly important source of income in retirement, notes Bruce Scharf, a Citi Personal Wealth Management regional specialist. At the same time, Social Security may only cover a small portion of clients' total retirement income needs. "Social Security distributions need to be coordinated with other retirement assets," says Scharf. "It's important for investors to do an annual review with their advisors to project their income needs in retirement as well as how much income they can expect to receive from Social Security and their personal portfolios."

Delaying Social Security distributions can result in higher monthly payments down the road, but may also result in a missed opportunity for some individuals, notes Scharf. "If you die at age 68 and you were waiting until age 72 to begin taking distributions, you would have missed out on some money that you could have potentially added to your estate for your heirs," Scharf observes. "I typically encourage clients to take Social Security distributions as soon as they

"It's important for investors to do an annual review with their advisors to project their income needs in retirement as well as how much income they can expect to receive from Social Security and their personal portfolios."



Bruce Scharf
CITI PERSONAL WEALTH MANAGEMENT REGIONAL SPECIALIST

are eligible," he says. "Even if they don't need the money right now, they can invest it or gift it to family members." For example, he notes that Social Security distributions can be used to fund a 529 college savings account for grandchildren if the money isn't needed for current living expenses. "What's more, once you've started taking distributions, the Social Security Administration has a provision that allows you to pay back your current distributions later in life in order to get higher future payouts," he concludes. ●

TOTAL SAVINGS AND INVESTMENTS REPORTED BY WORKERS, AMONG THOSE PROVIDING A RESPONSE (not including value of primary residence or defined benefit plans)

	2002	2005	2006	2007	2008	2009	2010
Less than \$1,000	} 50%	} 52%	} 39%	} 35%	} 36%	20%	27%
\$1,000-\$9,999						19	16
\$10,000-\$24,999			14	13	13	13	11
\$25,000-\$49,999	13	13	12	10	12	11	12
\$50,000-\$99,999	15	11	12	13	12	12	11
\$100,000-\$249,999	15	12	11	15	15	12	11
\$250,000 or more	7	11	12	14	12	12	11

Source: Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., 2002-2010 Retirement Confidence Surveys





NUMBER ONE TWO RECOVERIES IN A ROW.

In 2002, the year after the tech bubble burst, our Perspective II® variable annuity was the #1 selling contract in the Independent Channel. But what about 2009, after what's been called the worst financial crisis in modern times?

Perspective II was #1 in the Independent Channel again—making it seven years straight—and it became the #1 selling contract in the Bank Channel.*

With one of the largest investment lineups available, and the flexibility to add many of our guarantees without limiting the ability to invest, Perspective II may be the right choice for your clients' personal recovery plans.

www.jackson.com / 800-406-5653

* Morningstar® Annuity Research Center (MARC), 2003, 2004, 2005, 2006, 2007, 2008 and 2009 year-end results. Ranked number one out of 528 investment contracts in 2009, one out of 547 in 2008, one out of 537 in 2007, one out of 495 in 2006; one out of 395 in 2005; one out of 374 in 2004; and one out of 365 in 2003. MARC, Variable Annuity Sales Report, 2009 year-end results. Ranked number one out of 336 investment contracts. **National rankings for Perspective II do not include Perspective II New York.**

Before investing, investors should carefully consider the investment objectives, risks, charges and expenses of the variable annuity and its underlying investment options. The current contract prospectus and underlying fund prospectuses, which are contained in the same document, provide this and other important information. Please contact the Company to obtain the prospectuses. Please read the prospectuses carefully before investing or sending money.

Guarantees are backed by the claims-paying ability of Jackson National Life Insurance Company® (Home Office: Lansing, Michigan) or Jackson National Life Insurance Company of New York® (Home Office: Purchase, New York) and do not apply to the principal amount or investment performance of the separate account or its underlying investments.

Variable annuities are long-term, tax-deferred investment vehicles designed for retirement. Earnings are taxable as ordinary income when distributed and, if withdrawn before age 59½, may be subject to a 10% federal tax penalty. Variable annuities involve investment risks and may lose value.

Perspective II Fixed and Variable AnnuitySM (VA220, VA220OR) is issued by Jackson National Life Insurance Company and in New York (VA350NY) by Jackson National Life Insurance Company of New York. Variable annuities are distributed by Jackson National Life Distributors LLC, member FINRA. May not be available in all states and state variations may apply. Please contact your Wholesaler or the Company for more information.

Jackson® is the marketing name for Jackson National Life Insurance Company and Jackson National Life Insurance Company of New York.

Not FDIC/NCUA insured • May lose value • Not bank/CU guaranteed
Not a deposit • Not insured by any federal agency

CMC5344 06/10

JACKSON®

LONG-TERM SMART®

