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INCOME NOW
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Retire confidently

With a guaranteed stream of predictable income

Today's seminar

What we'll cover

- What does retirement mean to you?
- Sources of retirement income
- Underestimating retirement income risks
- The importance of guaranteed income
- Planning for income you can't outlive

What does retirement mean to you?

Being the master of your own time?

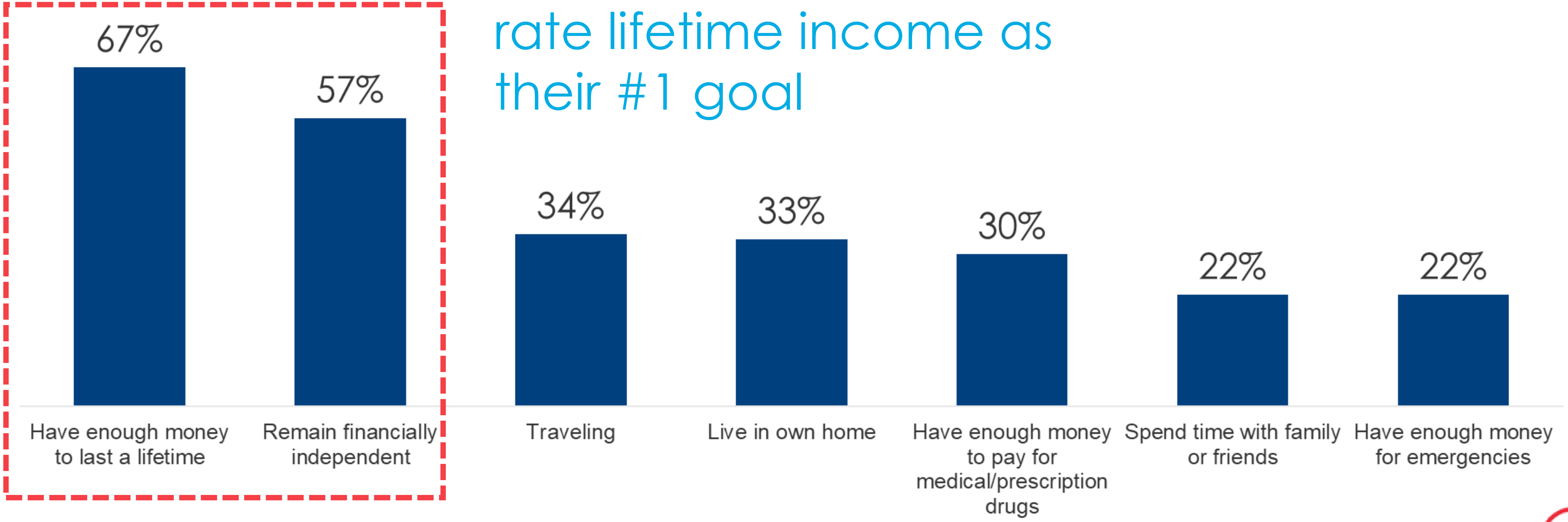
Travel that you put off because you were always working?

Doing the things you want to do, rather than the things you have to do?

(Hint … There is no "right" answer!)

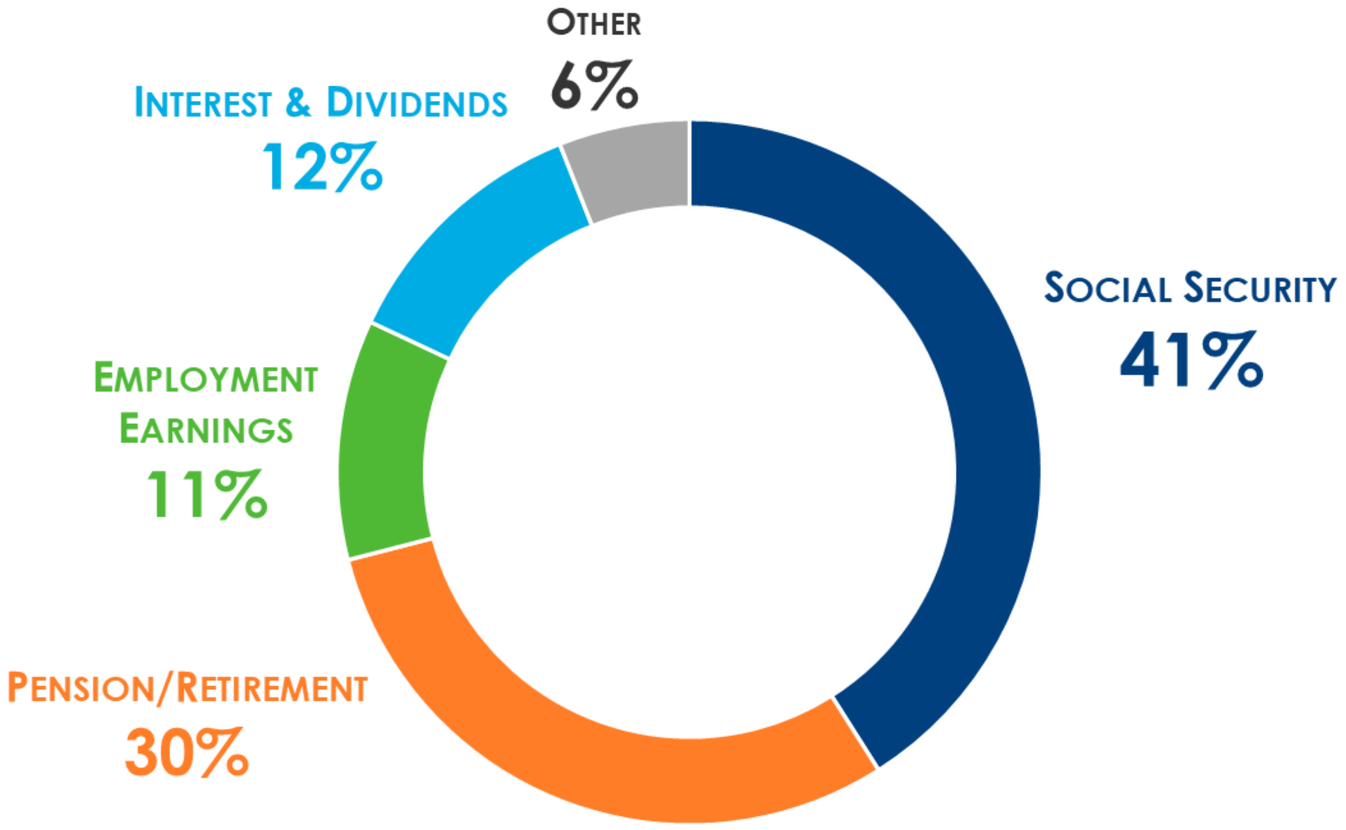
The importance of guaranteed income

Many retirees and pre-retirees rate lifetime income as their #1 goal



2017 Consumer Survey, LIMRA Secure Retirement Institute, 2017. Based on 1,107 consumers between the ages of 50 and 75, and with household investable assets of $100,000 or more.

Sources of retirement income



Overall, about 70% of current retirees' total income comes from two sources: Social Security and traditional pension plan benefits.

LIMRA analysis of U.S. Census Bureau's *Current Population Survey*, March 2017 Supplement. Analysis based on individual's retirement status; As cited in the LIMRA Secure Retirement Institute 2018 Retirement Income Reference Book..

The role of predictable, guaranteed income

The foundation of retirement income planning

Three sources of guaranteed, lifetime income

Social Security Retirement Benefits

1

Defined Benefit Pension Plan Benefits

2

Annuities with Lifetime Income Options*

3

* Guarantees are based on the claims-paying ability of the insurance company.

Underestimating retirement income risks

1. Inflation
2. Health care costs
3. Housing costs
4. Market factors
5. Excessive withdrawals
6. Longevity

Risk #1: Underestimating Inflation

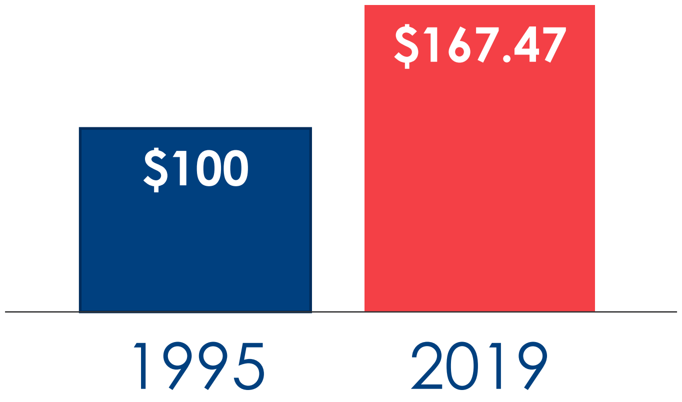
Inflation erodes purchasing power over time

Even a low annual inflation rate can add up

64.47%

The cumulative inflation rate over the period between January 1995 and January 2019.

Something that cost $100 in 1995, costs $167.47 in 2019.



https://inflationdata.com/Inflation/Inflation_Calculators/Cumulative_Inflation_Calculator.aspx

Your dollar buys less

In 1995 …

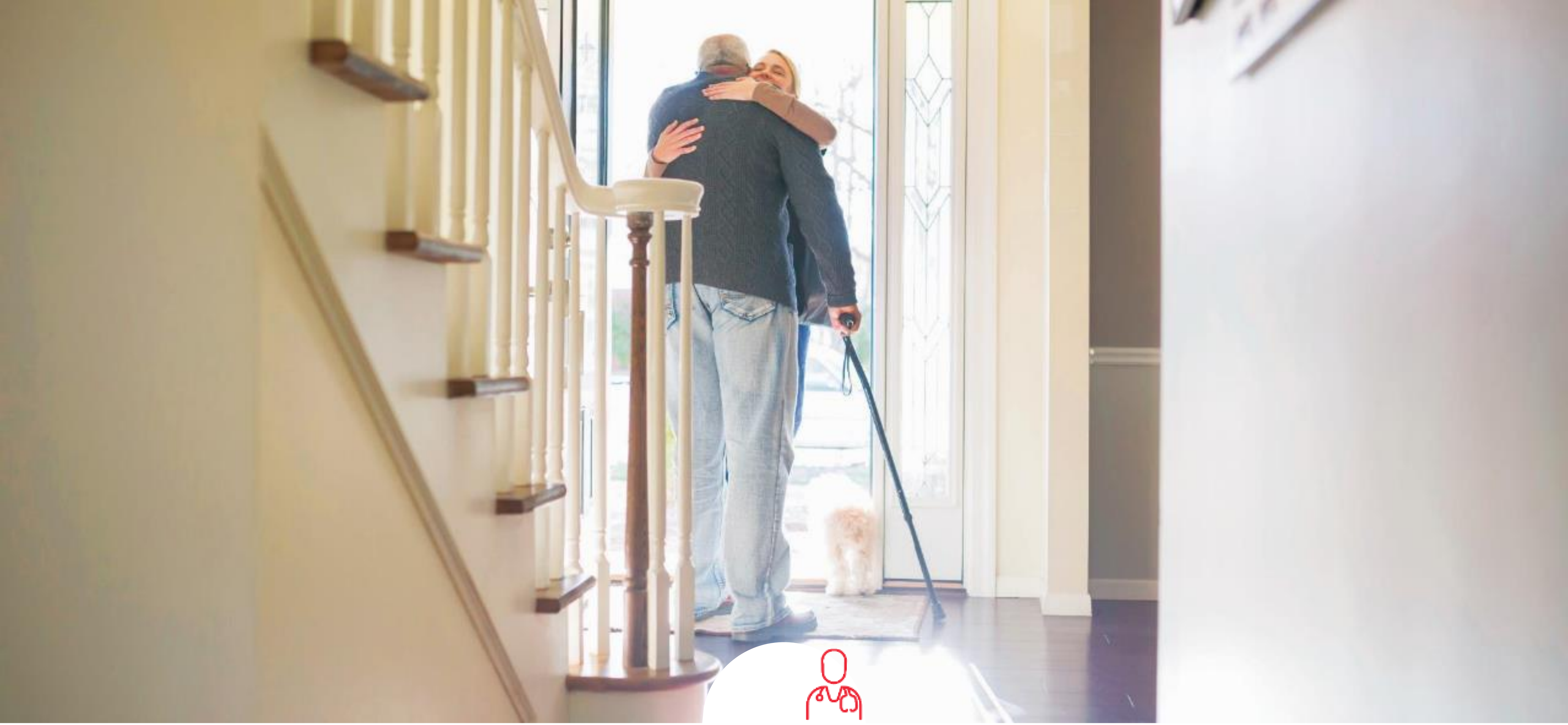
If you wanted to see a box-office hit like Toy Story, Batman Forever, or Apollo 13 – the national average price of a ticket was $4.35

In 2018 …

If you wanted to see The Avengers, The Lion King, or Toy Story 4, the national average price of admission was $9.11 (and that doesn't include the price of popcorn!)

Increase: More than 109%

Annual Average Ticket Price, NATO, The National Association of Theatre Owners
https://www.natoonline.org/data/ticket-price/

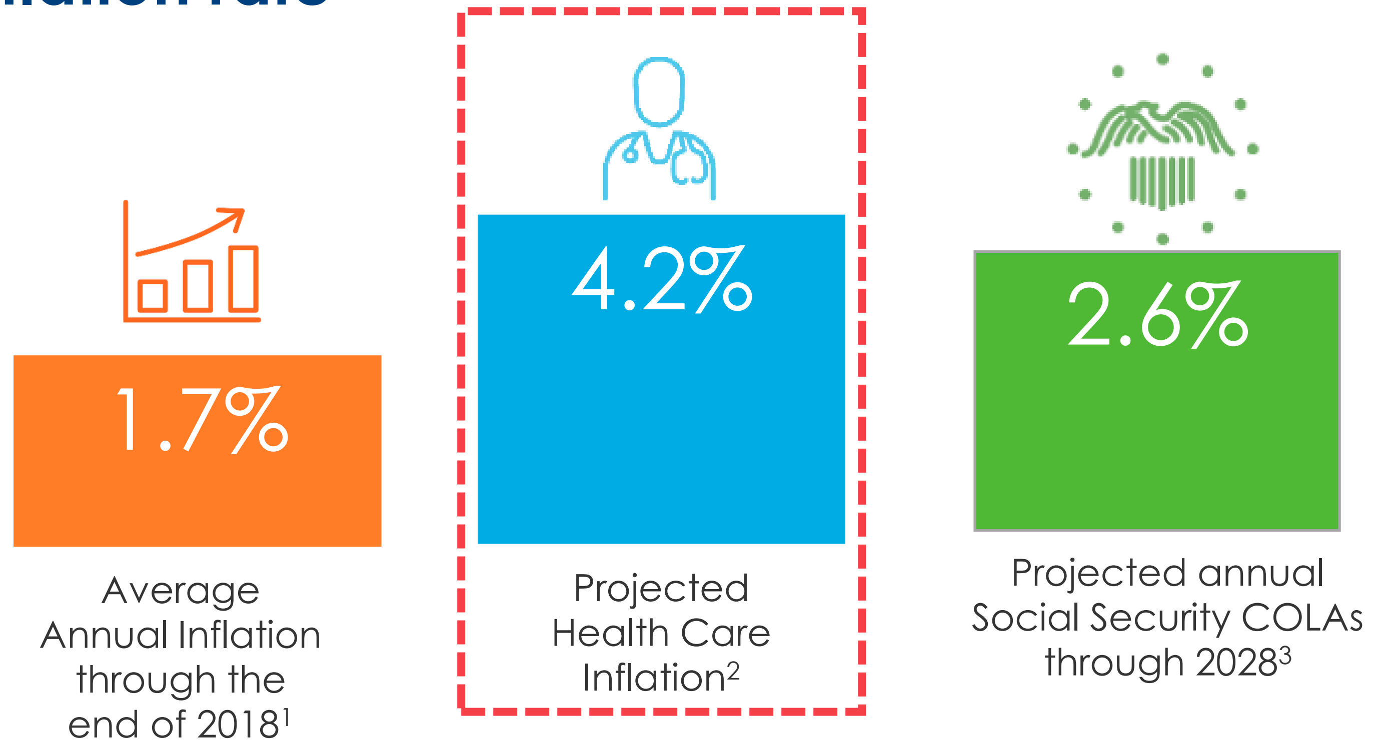


Risk #2: Underestimating Health Care Costs

Health care cost inflation

Higher than the overall inflation rate

Health care cost inflation was almost triple the U.S. inflation rate

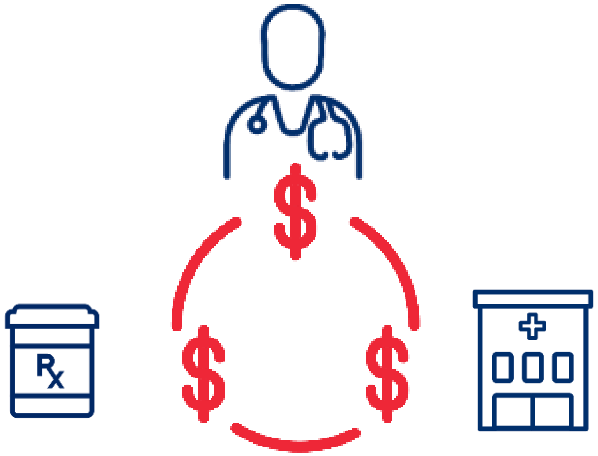


[1] Bureau of Labor Statistics. https://data.bls.gov/timeseries/CUUR0000SA0L1E?output_view=pct_12mths
[2] Healthview Services, *"2018 Retirement Health Care Costs Data Report©"*
[3] The 2019 Annual Report of The Board of Trustees of The Federal Old-age and Survivors Insurance and Federal Disability Insurance Trust Funds, page 115

Medicare doesn't cover everything!

Some potential budget busters

- Outpatient prescription drugs
- **Long-term care** (also called custodial care)
- Deductibles, coinsurance, and copays
- Part B (medical) and Part D (prescription drug) premiums, and the cost of any supplemental insurance (Medigap)
- Most dental care, including dentures
- Eye exams related to prescribing glasses
- Care received outside the U.S.
- Cosmetic surgery
- Hearing aids and exams for filling them
- Routine foot care



Risk #3: Underestimating Housing Costs

Where the money goes

For households aged 65 years and older[1]

HOUSING takes the biggest budget bite!

[1] *Shown as a percentage of average annual expenditures of $50,860 for the surveyed age group*

HOUSING
33.3%

TRANSPORTATION
14.3%

FOOD
13.0%

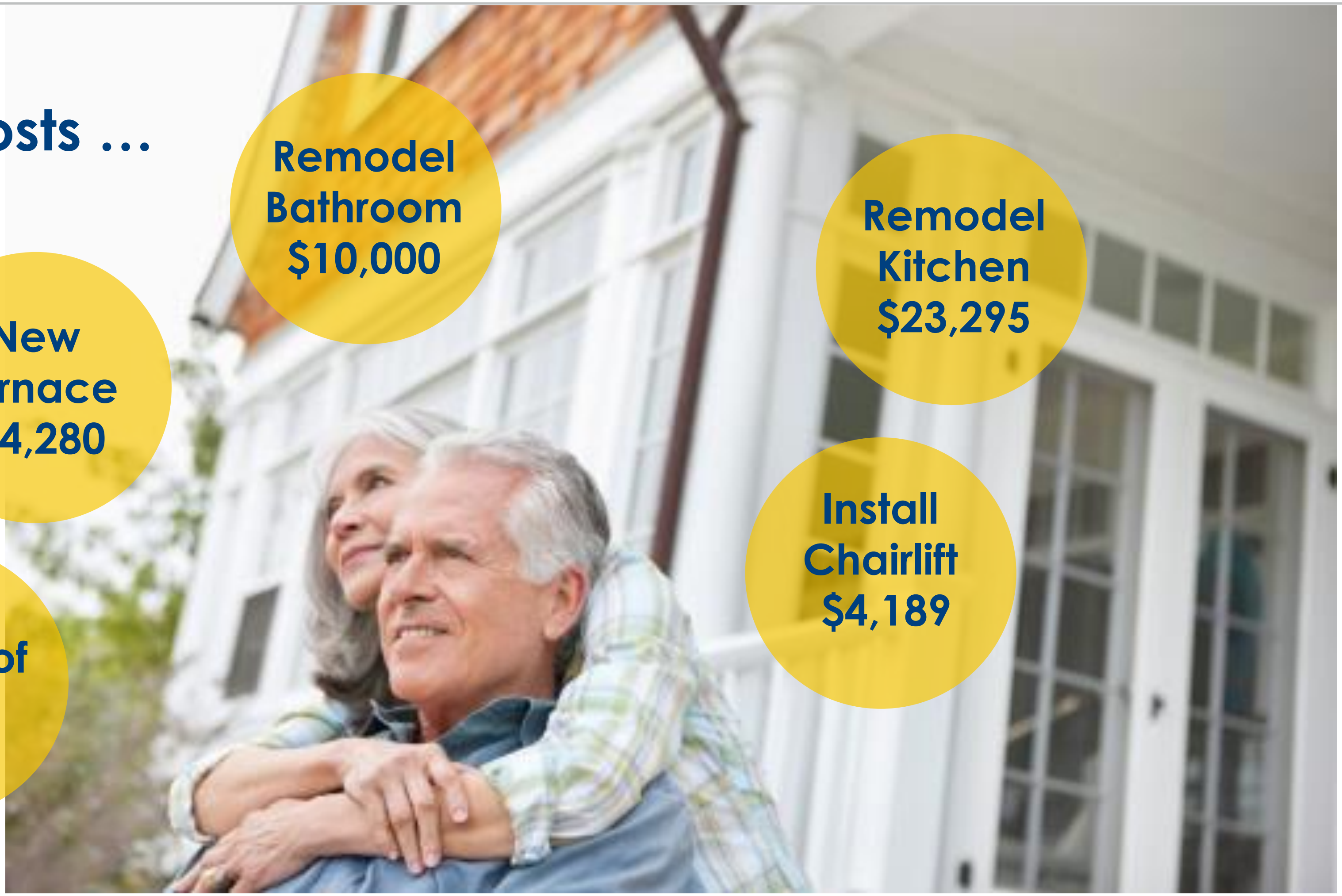
HEALTHCARE
13.4%

ENTERTAINMENT
5.8%

[1] Bureau of Labor Statistics, 2018 Consumer Expenditures Survey, published September 10, 2019

Aging in place

The potential costs …



Remodel Bathroom $10,000

Remodel Kitchen $23,295

New Furnace $4,280

Install Chairlift $4,189

New Roof $8,033

Home Advisor, True Cost Guide, National Averages, 2019, https://www.homeadvisor.com/cost/

Risk #4: Underestimating Market Factors

Three key factors

INTEREST RATE RISK

1

EMOTIONAL INVESTING

2

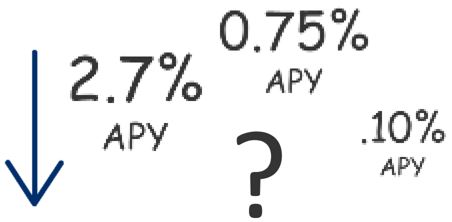
SEQUENCE OF RETURNS

3

In the past, a typical retiree on a fixed income could rely on interest earnings of 5% or more from a very safe investment.

LIMRA Secure Retirement Institute (SRI), The Retirement Income Reference Book 2018, Fourth Edition

What happens when interest rates change?



Low interest rates

- Withdraw more from retirement savings to make up the shortfall?
- Invest more aggressively in search of greater yields?

Rising interest rates

- As interest rates go up, the value of a fixed income portfolio goes down.
- Hold to maturity?

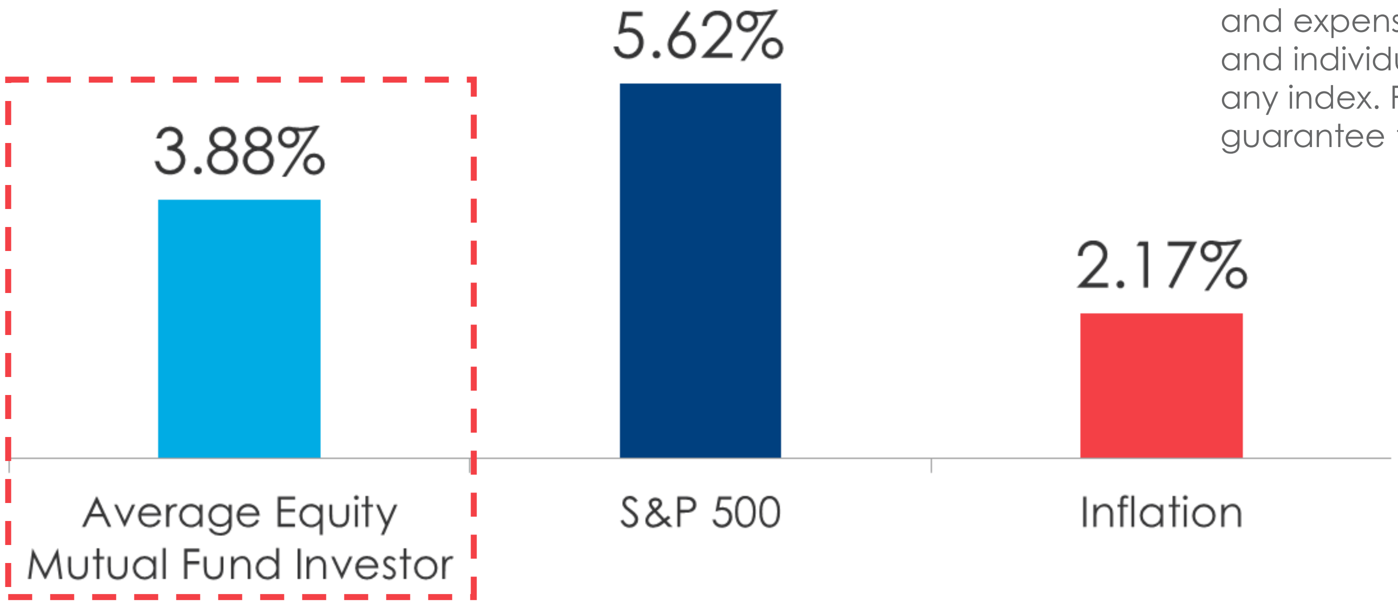
LIMRA Secure Retirement Institute (SRI), The Retirement Income Reference Book 2018, Fourth Edition

Emotional investment decisions: equities

The average equity mutual fund investor consistently underperformed the S&P 500 benchmark during this 20-year period.

Equity Mutual Fund Investors

20-Year Average Annual Returns for the Period Ending December 31, 2018

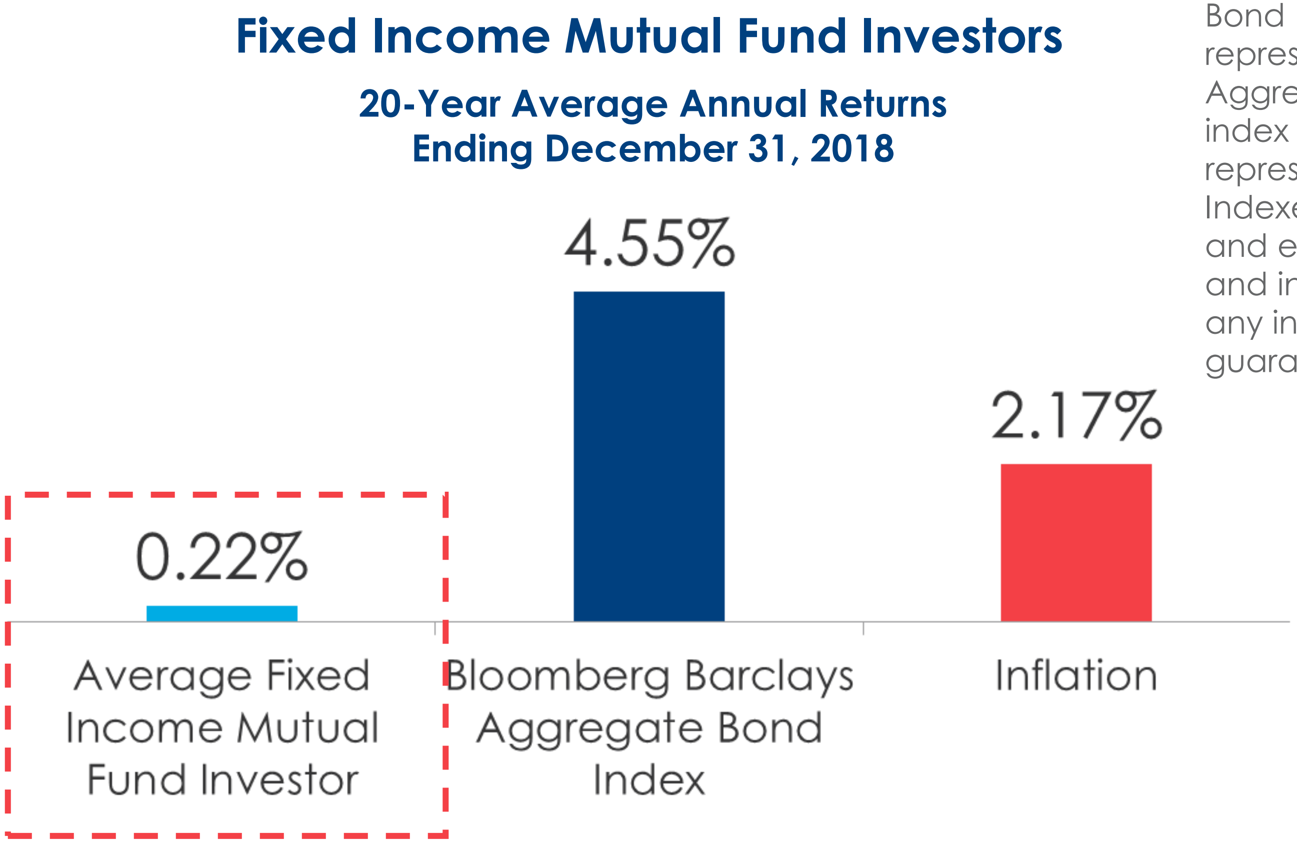


Equity benchmark performance is represented by the Standard & Poor's 500 Composite Index, an unmanaged index of 500 common stocks generally considered representative of the U.S. stock market. Indexes do not take into account the fees and expenses associated with investing, and individuals cannot invest directly in any index. Past performance cannot guarantee future results.

"Quantitative Analysis of Investor Behavior, 2019," DALBAR, Inc. www.dalbar.com.

Emotional investment decisions: fixed income

The average fixed income mutual fund investor consistently underperformed the Bloomberg Barclays Aggregate Bond Index benchmark during this 20-year period.



Bond benchmark performance is represented by the Bloomberg Barclays Aggregate Bond Index, an unmanaged index of bonds generally considered representative of the bond market. Indexes do not take into account the fees and expenses associated with investing, and individuals cannot invest directly in any index. Past performance cannot guarantee future results.

"Quantitative Analysis of Investor Behavior, 2019," DALBAR, Inc. www.dalbar.com

Sequence of returns

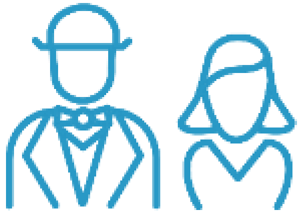
Meet the Hatfield's and McCoy's

Both couples:

- ✓ Retire at age 65
- ✓ Have $500,000 in the stock market
- ✓ Maintain a 4% withdrawal rate
- ✓ Assume 3% annual inflation
- ✓ Experience 9% annual rate of return over a 30-year period, with performance based on S&P 500® returns from 1979-2009

BUT …

The McCoy's experience performance in **chronological order**



The Hatfield's experience the same returns — in **reverse chronological order.**

The Hatfields

Significant market setbacks in the first year of retirement

Receive $664,319 over 24 years

$0 Ran out of retirement income at 89

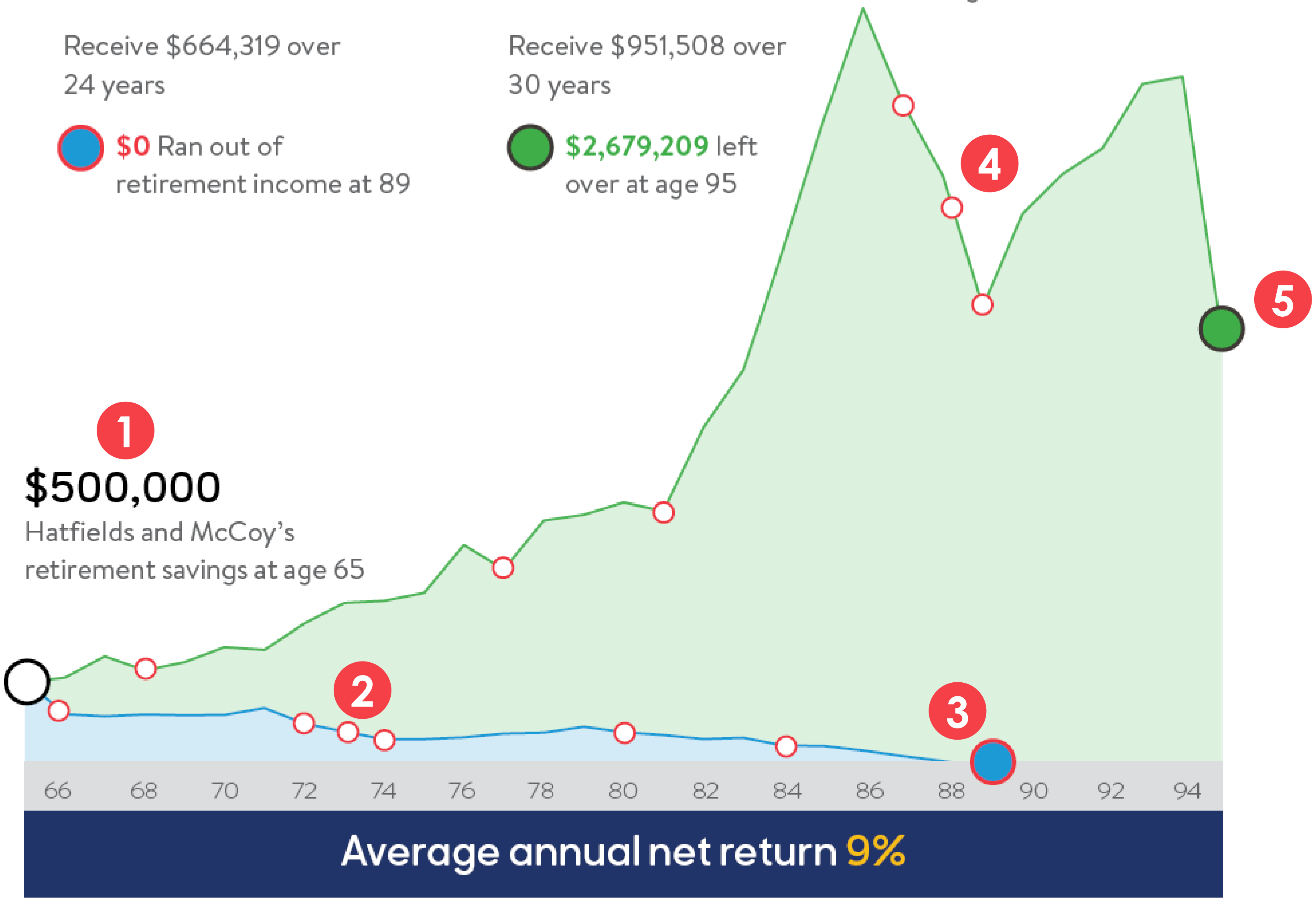
The McCoys

No significant market setback until 21 years into retirement

Receive $951,508 over 30 years

$2,679,209 left over at age 95

(Circled) years in this table indicate years of negative returns.



This example assumes initial retirement savings of $500,000, a 4% withdrawal beginning in year 1, with a 3% annual increase of the net withdrawal amount to account for inflation. It does not consider the impact of taxes, which would reduce all values. Returns are based upon the Standard & Poor's® 500 Index (S&P 500® Index) historical data from 1979–2009. S&P 500® Index returns for the Hatfield's are in reverse chronological order The S&P 500® Index is an unmanaged group of large company stocks. It is not possible to invest directly in an index. Past performance does not guarantee future results.

The lesson?

The order in which a portfolio experiences losses and gains can be more important than the losses and gains themselves.

With the S&P 500 at historic highs, the sequence of returns may be more important than ever!

Risk #5: Underestimating Withdrawals

Excessive withdrawals

How much income
will my savings provide?

. . . and for how long?

30-YEAR RETIREMENT

Stock/Bond Allocation

Annual Withdrawal Rate (%)	100/0	80/20	60/40	40/60	20/80
3	94%	96%	98%	99%	99%
4	84%	88%	89%	89%	82%
5	73%	74%	73%	65%	45%
6	60%	58%	51%	37%	15%
7	47%	42%	30%	15%	3%
8	35%	27%	16%	5%	0%

Probability of meeting income needs
The following table demonstrates the historical probability of a retirement account supporting income at various asset allocations and initial withdrawal rates. For example, imagine you plan on a 30-year retirement, use a 60/40 stock/bond allocation, and withdraw 5% of the starting balance in the first year, increasing that initial amount by the rate of inflation each year. Historically, your withdrawal strategy would have succeeded 73% of the time.

Data & Methodology: The tables demonstrate how the initial rate of withdrawal and various portfolio allocations can affect the chance of meeting income needs over a 30-year retirement. Tables assume that stock/bond allocation remains the same over the entire retirement period and that the portfolio is rebalanced at the end of each year. It is assumed that a person withdraws an inflation-adjusted percentage of the initial portfolio balance each year, beginning in year one. Index returns are simulated based on historical results and rebalanced annually. Stocks are represented by the Duff & Phelps SSBI Large Company Stock Index, and bonds are represented by a 50/50 blend of the Duff & Phelps SBBI Long Term Corporate Bond Index and the Duff & Phelps SBBI Intermediate-Term Government Bond Index. Inflation is based on the Consumer Price Index, and hypothetical investment expenses of 1% are deducted from simulated returns to reflect what an investor may pay as a fund expense ratio or account management fee. Probabilities in the tables represent the outcome of randomized 10,000 simulations based on historical means and standard deviations of the indices.

IMPORTANT: The information regarding the likelihood of various investment outcomes is hypothetical in nature, does not reflect actual investment results, and is not a guarantee of future results. These charts present only a range of potential outcomes. Actual results may vary, and over time such results may be better or worse than the simulated scenarios.

An example

4%
7%

Withdrawal rate

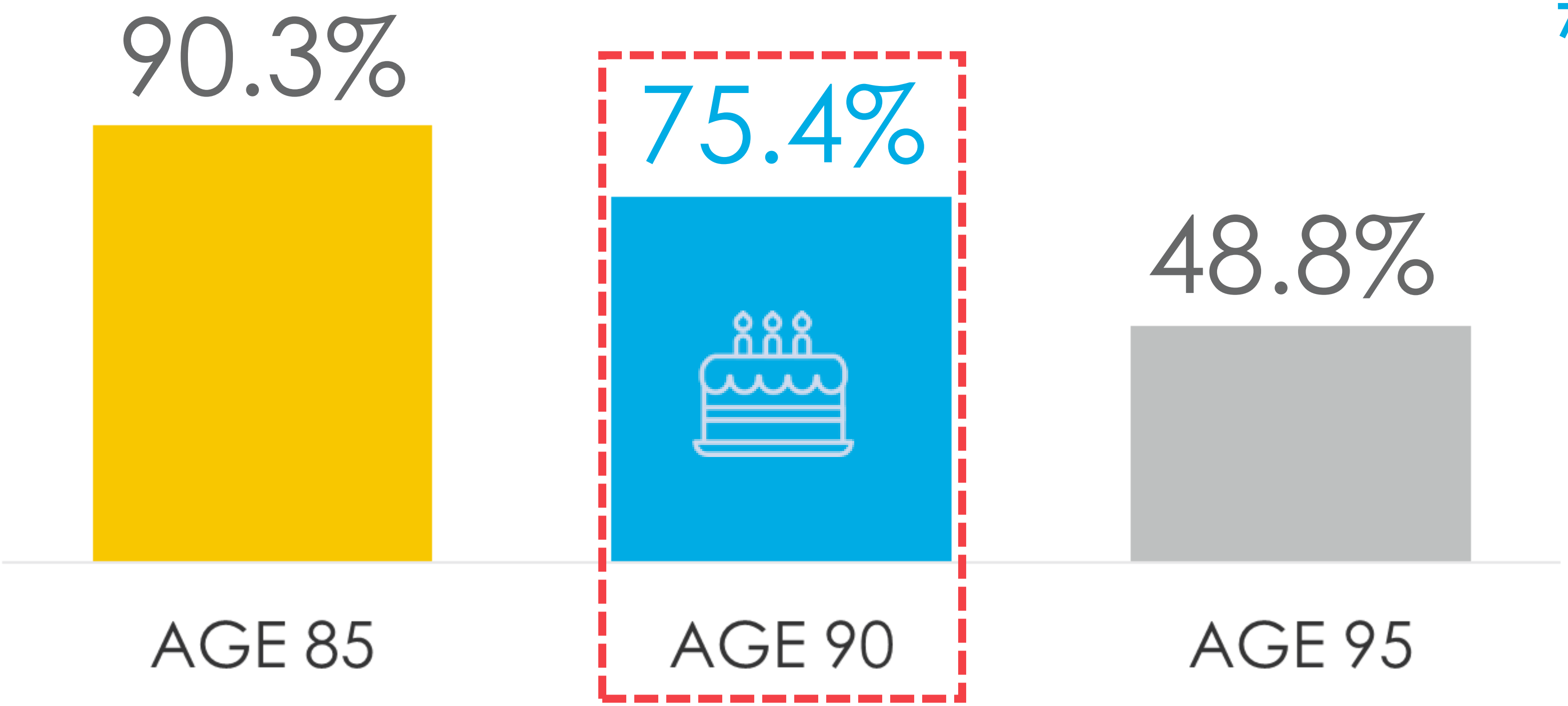
83%
32%

Sustainability rate

Risk #6: Underestimating Longevity

Retirement may last longer

What are the odds you'll live into your 90's?



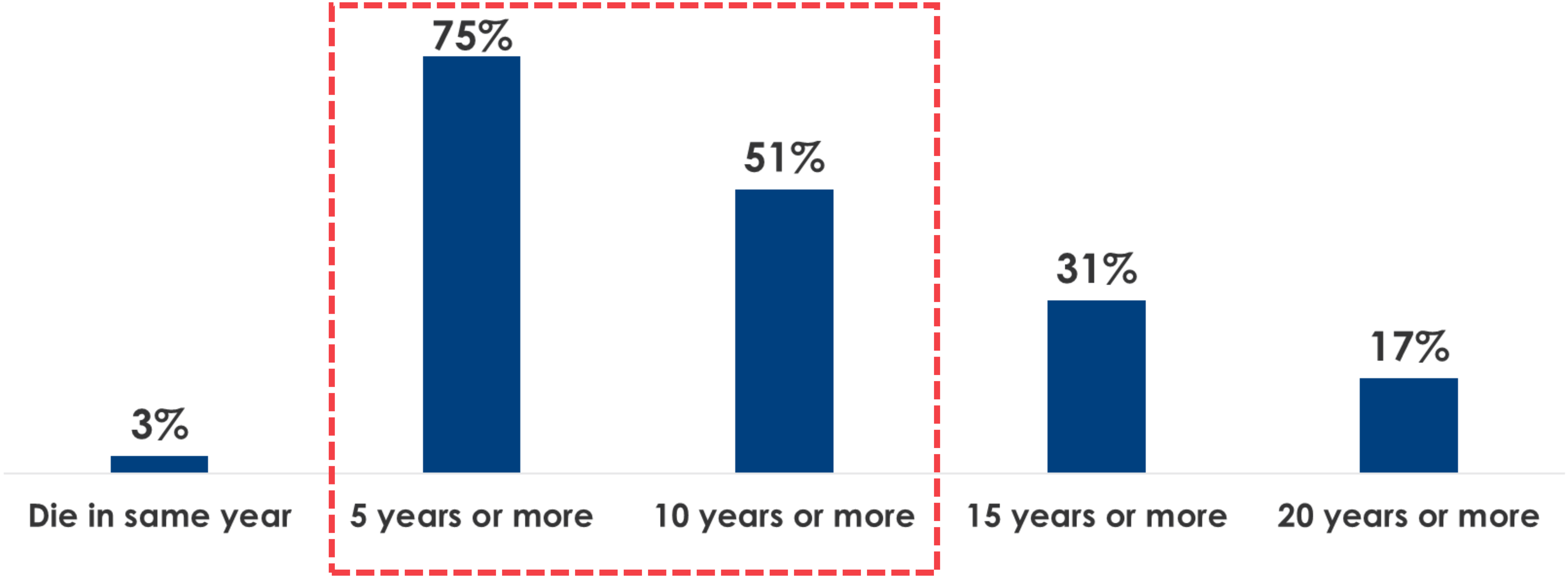
For couples, there is a **75.4%** chance that one or both spouses who are currently age 65 **will live to age 90**.

THAT MAY ADD UP TO 25 YEARS OR MORE IN RETIREMENT.

Society of Actuaries 2012 IAM Period Mortality Table; Mortality Improvement Scale MP-2018
Massachusetts Mutual Life Insurance Company (MassMutual®)

What about income for a surviving spouse?

Odds that one spouse will outlive the other



LIMRA Secure Retirement Institute Analysis of the Human Mortality Database, University California, Berkeley,(USA) and Max Planck Institute for Demographic Research (Germany) and 2015 U.S. population mortality. Available at www.mortality.org or www.humanmortality.de.

Longevity compounds risk!

inflation

health care costs

housing costs

market factors

excessive withdrawals

Managing Risk with Guaranteed Income

The 4 box strategy of income planning

1 Lifestyle		2 Income Sources	
Necessary Expenses These are the costs of things you need or would rather not live without.	• Housing • Food • Health Care • Other	**Predictable Income** This kind of income is not exposed to market risk.	• Social Security • Pensions • Annuities
3 Discretionary Expenses These costs are associated with things that may not be essential, but that are really nice to have.	• Travel • Hobbies • Other	**4 Income from Assets** This kind of income is not predictable or guaranteed and may not be sustainable.	• Stocks • Bonds • Cash • Mutual Funds • Other

Meet Jim and Pat

Our assumptions

Jim and Pat's household guaranteed income and investable assets

Social Security		Pensions		Monthly				Annually
$5,400	+	$1,800	=	$7,200	X	12	=	$86,400

Investable Assets

$1.5 million

Household expenses

	NECESSARY EXPENSES	DISCRETIONARY EXPENSES
HOUSING (Mortgage on vacation home, taxes, routine upkeep, utilities)	$4,500	N/A
HEALTH CARE (insurance premiums, copays, coinsurance, routine medical care, prescription drugs)	$2,000	N/A
FOOD (groceries, dining out)	$1,200	N/A
TRANSPORTATION (fuel, routine maintenance)	$ 800	N/A
PROPERTY INSURANCE AND TAXES (home/car)	$1,500	N/A
RECREATION (traveling, golf, theater, etc.)	N/A	$1,500
MISCELLANEOUS (personal care, clothing, etc.)	N/A	$1,000
MONTHLY TOTAL	$10,000	$2,500
ANNUAL TOTAL	$120,000	$30,000

The income-now workbook

Ask your financial professional to create a customized workbook report for you!

Is there an income gap?

The couple must cover their necessary expenses first …

annual necessary expenses
$120,000

–

annual predictable income
$86,400

=

annual income gap
$33,600

necessary expenses vs. predictable income

Two ways to close the income gap

1

MANAGED WITHDRAWALS from their retirement account

- 4 percent withdrawal rate
- Income is not guaranteed
- Liquidity is preserved

2

GUARANTEED LIFETIME INCOME[1] from a MassMutual RetireEase single premium immediate fixed annuity (SPIA) with a Joint Life with 10-year Period Certain annuity option[2]

- A contract between an individual and an insurance company
- A single purchase payment provides immediate income[3]
- Income can be guaranteed for life, depending on the annuity option chosen
- Limited liquidity

[1] Guarantees are based on the claims-paying ability of the issuing company.

[2] For qualified contracts, including custodial IRAs and Roth IRAs, any period certain guarantee cannot exceed ten years, and a Joint and Survivor Life Annuity cannot be elected if the Joint Annuitant is more than ten years younger than the primary Annuitant

[3] Income payments must start within 12 months of the date the contract is issued.

Solving for necessary expenses

Results shown are for a MassMutual RetireEase Joint & Survivor Life with 10-year Period Certain annuity option. Rates effective as of 9/16/2019 and are subject to change.

Option 1:

MANAGED WITHDRAWALS

BEGINNING ASSETS
$1,500,000

ASSETS REQUIRED TO GENERATE NECESSARY INCOME GAP[2]
$840,000

REMAINING ASSETS
$660,000

Option 2:

SPIA-FUNDED LIFETIME INCOME[1]

BEGINNING ASSETS
$1,500,000

ASSETS REQUIRED TO CLOSE THE NECESSARY INCOME GAP[2]
$672,150

REMAINING ASSETS
$827,850

The SPIA takes less money to close the income gap and leaves more money for discretionary spending.

A $167,850 difference!

[1] Guarantees are based on the claims-paying ability of the issuing company.

[2] Assets required to create or purchase necessary income are based on the identified income gap. Option 1 uses Managed Withdrawals to fill that gap, based on a 4% withdrawal rate. Option 2 uses a MassMutual RetireEase single premium Immediate annuity (SPIA).

A lower withdrawal rate for discretionary spending

Knowing that you have enough predictable income to cover your necessary expenses throughout your retirement may give you the freedom to spend more on discretionary expenses like investing for growth, traveling, or treating the grandkids.

Results shown are for a MassMutual RetireEase Joint & Survivor Life with 10-Year Period Certain annuity option. Rates are effective as of 9/16/2019 and are subject to change.

Option 1: MANAGED WITHDRAWALS	**Option 2:** SPIA-FUNDED LIFETIME INCOME*
DISCRETIONARY SPENDING **$30,000** ANNUALLY	DISCRETIONARY SPENDING **$30,000** ANNUALLY
AVAILABLE ASSETS **$660,000**	AVAILABLE ASSETS **$827,850**
WITHDRAWAL RATE **4.5%**	WITHDRAWAL RATE **3.6%**

SPIA reduces the withdrawal rate

* Guarantees are based on the claims-paying ability of the issuing company

RetireEase closes the income gap

Jim and Pat

Age 67

Results shown are for a MassMutual RetireEase SPIA Joint & Survivor Life with 10-year period certain annuity option. Rates are effective as of 9/16/2019 and are subject to change.

necessary expenses
$120,000

–

predictable income
$21,600 (Pension)
$64,800 (Social Security)
$86,400 Total

=

annual income gap
$33,600

investable assets

Beginning value:	$1,500,000
SPIA purchase payment:	– $ 672,150
Remaining discretionary assets:	**$ 827,850**

SPIA closes the income gap and leaves more for discretionary expenses!

RetireEase single premium immediate annuity

Guaranteed cash flow

	Life with 10-year Period Certain		
Contract Issue Age	**Male**	**Female**	**Joint**
65	5.9%	5.6%	5.1%
70	6.7%	6.3%	5.7%
75	7.9%	7.4%	6.7%

Assumptions:

- Single Life with 10-year Period Certain annuity option (male and female)
- Joint & Survivor Life with 10-year Period Certain annuity option (spouses)
- $100,000 purchase payment
- Rates are effective as of 9/16/2019 and can change at any time.
- Actual results will depend on rates in effect at the time a RetireEase SPIA contract is purchased.

In summary

What we talked about today …

- Why guaranteed income is so important
- Key risks that can sabotage a retirement income plan
- The affect of longevity on retirement risks
- The importance of working with a financial professional to identify income and spending needs and determine whether there is an income gap
- The 4 Box Strategy of income planning
- How a single premium immediate annuity may help you manage retirement income risks and provide more income for less

Next steps

- Set up an appointment today
- Together we can develop a strategy that can help you manage risks and address your retirement income needs

Questions?

Thank you for your time today!

Disclosures

- **This material does not constitute a recommendation to engage in or refrain from a particular course of action. The information within has not been tailored for any individual.**
- MassMutual RetireEase is not a Medicaid-friendly income annuity. Use of RetireEase in conjunction with Medicaid planning is prohibited.
- The information provided is not written or intended as specific tax or legal advice. MassMutual and its subsidiaries, employees, and representatives are not authorized to give tax or legal advice. Individuals are encouraged to seek advice from their own tax or legal counsel.
- The product and/or certain features may not be available in all states.
- MassMutual RetireEase℠ [SPIA05, SPIA05(NC) in North Carolina] is a single premium immediate annuity contract issued by Massachusetts Mutual Life Insurance Company, Springfield, MA 01111-0001.