



Managing financial risks throughout your retirement

Knowing your risks. Planning your strategy.

be ready®

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If you lived through the gas lines of the '70s, the Crash of '87, the “tech bubble” of the '90s and the market meltdown of 2008, chances are you've learned how to handle your share of financial ups and downs. And you've had the time, energy and financial flexibility to adjust your strategy to make up for economic downturns and market swings.

But now, as you think about leaving the security of your employer's paycheck behind, do you have the right skills and information you need to confidently control your retirement finances?

As you get closer to retirement, you may wish to dramatically change your mindset about managing your money – from saving all you can for the future to spending down wisely for 30 years or more. You may want to better understand the financial and personal risk factors that affect how much you can spend, when you can draw from your portfolio and how long your savings will last.

Your financial advisor can help provide you with the tools, answers and experience to adjust to a whole new way of thinking about your money and the challenges that lie ahead. A financial advisor can help you build a retirement income plan to help appropriately address your risks and keep you confident and in control as you move ahead.

Knowing your risks.

Getting the facts about the risks you'll face in retirement may help you to better manage them

There are five key financial risks that many retirees face. But you may run into others as you prepare for your own retirement. Understanding these risks, as well as your investment and income strategy, will help you in discussions with your financial advisor.

Some key financial risks are:

1. **Longevity** – the chance that you'll live well beyond your "average life expectancy"
2. **Inflation** – the possibility that increases in the cost of goods and services will diminish your savings
3. **Market volatility** – the possibility that market downturns will erode your investment gains and reduce the value of your portfolio
4. **Investment style** – the risk that being too aggressive or too conservative will negatively affect your investment returns
5. **Withdrawal rate** – the possibility that you'll draw down your savings too quickly

You may also face personal financial risks during retirement

Each person and family may encounter personal risk as you move to and through retirement. It could be that your job ends before you planned. Or you may have increases in health care expenses that threaten your savings plans. Elderly parents or family members may be counting on you for support. And at some point, you may be the one who becomes "suddenly single" due to divorce or the death of your spouse or partner.

It isn't easy to think about these possibilities, but when planning for your retirement, you may wish to consider such implications for your financial resources.

Planning your strategy.

Managing longevity risk:

Retirement planning horizon and average life expectancy.

Modern medicine and healthier lifestyles make living to a very old age – into your 80s or 90s – a very real possibility. Yet, most people underestimate how long they might live. That may be a problem when you're planning for retirement.

Life expectancy is the average age where half of the people from your same birth year are still alive – and the other half are not. Longevity is the probability that you will live beyond this average. For example, as this chart shows, a 65-year old man today has a 50% probability of living into his mid-80s and a 25% chance of seeing age 92.

To effectively plan for retirement, you may need to determine your **retirement planning horizon** – the oldest age you could possibly reach—and the probability that you will reach it. This date may be well beyond your average life expectancy.

Impact on your retirement income plan: Choose a retirement planning horizon date that takes you into your mid-90s or plan for a 30-year retirement as a starting point. You'll need income as long as you live.

Managing inflation risk:

Addressing inflation on two dimensions.

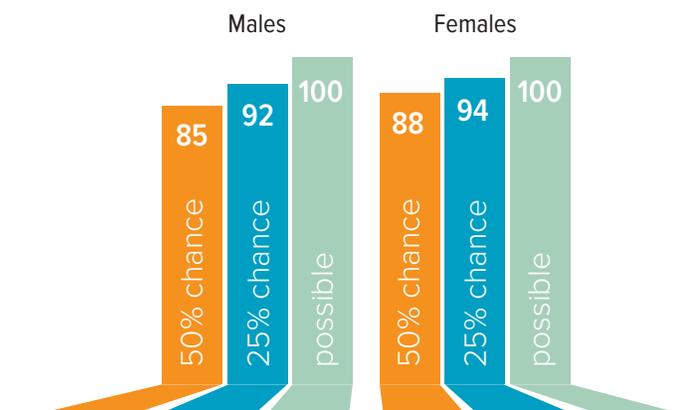
Over a 30-year retirement, the costs of food, gas, health care, property taxes, etc. may increase. Even if inflation remains low, your income may need to increase each year in retirement to cover the increased cost of these goods and services.

The other possible impact of inflation is the erosion of your portfolio. Each year that your money is invested, the effects of inflation may reduce its purchasing power. If you were not generating high enough returns to offset this reduction, the purchasing power of your portfolio would diminish over time.

Impact on your retirement income plan: Work closely with your financial advisor to plan for rising costs and to set up an investment strategy that has the potential to deliver returns that outpace inflation.

Possible impact of two percent inflation

- If you spent \$50,000 in your first year of retirement, you would need to spend about \$60,000 in 10 years. By year 25 in retirement, you would need \$80,000.
- Your portfolio would erode due to the impact of inflation. \$500,000 today would be valued at \$300,000 25 years into retirement.



Probability of a 65-year old in good health living to this age

Source: Annuity 2000 Mortality Table, Society of Actuaries

Planning your strategy.

Managing market volatility risk:

Factoring the market's ups and downs into your investing strategy.

Any time you deal with investments and the financial markets, there is inherent volatility. That's the nature of financial markets and the risk that all investors take on when they invest.

When the economy is growing, you may feel confident about your money lasting throughout your retirement, but a decline can shake your confidence and make you feel financially vulnerable. You may decide to take your money out of the market just when it's ready to move up. Your investment style – whether you are aggressive, moderate or conservative – as well as the length of time you have to invest may impact how you choose to balance your investments.

Because your reactions to the market can have long-term effects, you may wish to work with your financial advisor to factor market volatility into your retirement income plan. Past performance cannot guarantee future results. You may not want to miss out on potential upswings by being out of the market when they occur.

Impact on your retirement income plan: Review several hypothetical scenarios of your retirement income plan to see what happens when your plan experiences both severe market declines and several years of double-digit growth. Also review what happens if your assets are “under the mattress” with no investment returns. These comparisons may help you with your investment strategy.

Market corrections are part of the economic cycle

13 The number of recessions in the U.S. since the Great Depression

10% The percentage of market “corrections”, on average, that could occur every year.

Source: Capital Research and Management Company

Managing investment style risk:

Building your portfolio for both cash flow and growth.

When trying to balance investment risks, some investors think that moving to a completely conservative approach is the answer. Others think that trying to make up ground with aggressive investing is the way to go.

Keeping a well-diversified portfolio may help to generate adequate cash flow for your monthly income needs. Now might be a good time to revisit your investment objectives and make sure that they align with your new retirement goals.

Impact on your retirement income plan: You may want to work with your financial advisor on trying to build both protection and growth into your retirement income portfolio. You may want to explore some of the newer income-producing solutions that are specifically designed to produce and protect an income stream in a portfolio designed for both cash flow and growth.

A range of products and assets may be used for generating your retirement income:

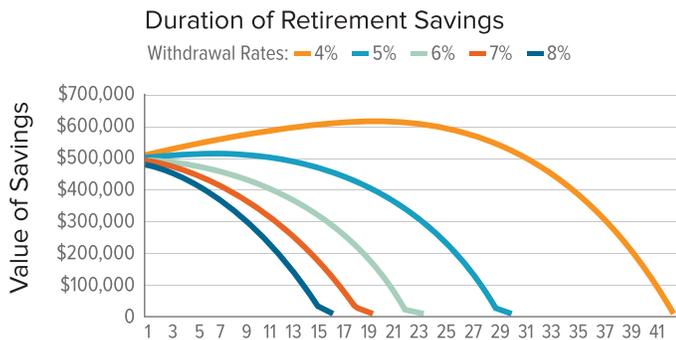
- Cash and flexibility
- Growth and income
- Products with guarantees
- Asset allocation for investments

Planning your strategy.

Managing withdrawal rate risk:

Calculating a sustainable withdrawal rate.

If your plan may include tapping into savings each month to supplement your other retirement income sources, you may wish to know how much money you can safely take out without depleting your account too quickly.



This chart shows how long your retirement savings will last at withdrawal rates of 4%, 5%, 6%, 7% and 8%. The chart assumes \$500,000 in savings at retirement, a 3% annual inflation rate and a 6% annual rate of return.

Source: ChartSource®, S&P Capital IQ Financial Communications. Example is hypothetical and not representative of any actual investment. Actual investing includes fees and other expenses that may result in lower returns than this hypothetical example. Your results will vary. Copyright © 2012, S&P Capital IQ Financial Communications. All rights reserved. Not responsible for any errors or omissions.

In general, the longer your retirement planning horizon, the smaller your withdrawal rate would be. When you have a 25- or 30-year time horizon, you may want to be sure that you won't outlive your money. That often means starting out with a small withdrawal percentage. This chart shows how long a hypothetical portfolio might last if you withdrew four, five or up to eight percent.

You may wish to build a plan that has some flexibility. For example, you may want to cover your essential expenses every month, but be able to postpone discretionary expenses.

Impact on your retirement income plan: You may wish to consider taking some time with your financial advisor to review your retirement expenses and decide where you can be flexible with your planning. You may want to make sure that your withdrawal rate is reasonable for your retirement planning horizon – usually somewhere in the 3 - 5% range if you're retiring in your 60s.

Personal life challenges may affect your future plans.

Many people don't plan for personal risks (losing a job, losing a spouse or partner, supporting elderly parents) and may not have room in their budget for them. These situations can put a huge strain on your assets and have a profound effect on the success of your retirement income plan.

Impact on your retirement income plan: You may wish to develop a retirement income "Plan B," by reviewing what might happen as you age, and estimating how you could shore up your portfolio in the event of an emergency. Your financial advisor may be able to show you how these changes could affect your overall retirement income plan.



Possible next steps

Steps you may wish to take to help manage your retirement risks.

Now that you have little more information about the financial and personal risks that may affect your retirement income, here are a few items you may wish to work on with your financial advisor to better prepare for the future.

Financial risks

- Estimating your retirement planning horizon.
- Getting a good handle on your current investment portfolio.
- Looking at your rate of return vs. the risk you are taking.
- Refining your investment objectives
- Exploring investments designed specifically to generate income in retirement.

Personal risks

- Your risk of losing your job before you want to retire.
- Discussing with other family members the financial and/or physical care needs you'll have to meet for an aging parent or relative.
- Learning more about what you need to do to be financially prepared if you become a surviving spouse or partner.

You may wish to ask your financial advisor

- For answers to any questions about retirement planning risks
- To run a few different scenarios to see how the different risks affect your retirement income plan
- To give you more information about what you need to do to be financially prepared if you become a surviving spouse or partner.
- For a list of resources where you can learn more about these topics

Your financial advisor may be able help you explore various options and possibilities in your personal plan.

You may wish to contact your financial advisor with any questions as you prepare your information for your plan.

Voya Financial Advisors, Inc. is committed to helping you take control of your personal and financial retirement life using an organized and practical approach to tailor solutions to meet your needs. **We believe that:**

- Information needed to pursue a successful retirement goes beyond traditional financial planning.
- Retirement income planning should be guided by a process for estimating sustainable retirement income and withdrawal rates.
- Financial products and investments designed to generate income may be part of your planning.

About Voya Financial Advisors

Voya Financial Advisors (VFA), a wholly owned subsidiary of Voya Financial® (NYSE: VOYA) as well as a Registered Investment Advisor (RIA) and broker dealer, is a leader in the retail wealth management business. Through its network of more than 2,000 independent financial advisors nationwide, VFA is focused on helping Americans advance their retirement readiness through education, financial planning and a broad range of personalized asset accumulation, protection and distribution solutions. VFA offers a complete and flexible advisory program designed to help advisors build growth-oriented businesses that focus on financial planning. For more information, visit www.voyafa.com.

Protecting your assets

When you work with Voya Financial Advisors, Inc. and your financial advisor, you have the confidence of knowing that all brokerage execution and technical services are performed by an industry leader — Pershing LLC, a subsidiary of The Bank of New York Mellon Corporation. Pershing provides account protection for the total net equity of assets held in custody for your account. Voya Financial Advisors is a member of SIPC, which protects securities customers of its members up to \$500,000 including \$250,000 for claims for cash. An explanatory brochure is available at www.sipc.org. In addition to SIPC protection, Pershing provides coverage in excess of SIPC limits from a commercial insurer. Account protection applies when an SIPC member firm fails financially and is unable to meet its obligations to its securities clients, but it does not protect against losses from the rise and fall in the market value of investments.

If you want more information, please contact:

Agent Name, Designation
Title
Company or Institution
Phone: (000) 000-0000 Ext. 00000
Email: johnagent@carriername.com
www.website.com



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