



AMBROSE
WEALTH MANAGEMENT

[Partners in Managing, Protecting,
and Distributing Wealth.]

Adding Income Guarantees to your Retirement Portfolio

Ambrose Wealthinar

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When it comes to figuring out your retirement plan, do you feel like this?



What Income Can I Count On?

Times have changed...what our parents counted on for their retirement income needs, may or may not be available to us.

- **Social Security**
- **Corporate Pensions**

More and more of our retirement income will be our responsibility!

- **Defined Contribution Plans (401k, 403b, Profit Sharing)**
- **Individual Retirement Accounts**
- **Non-qualified investment accounts**

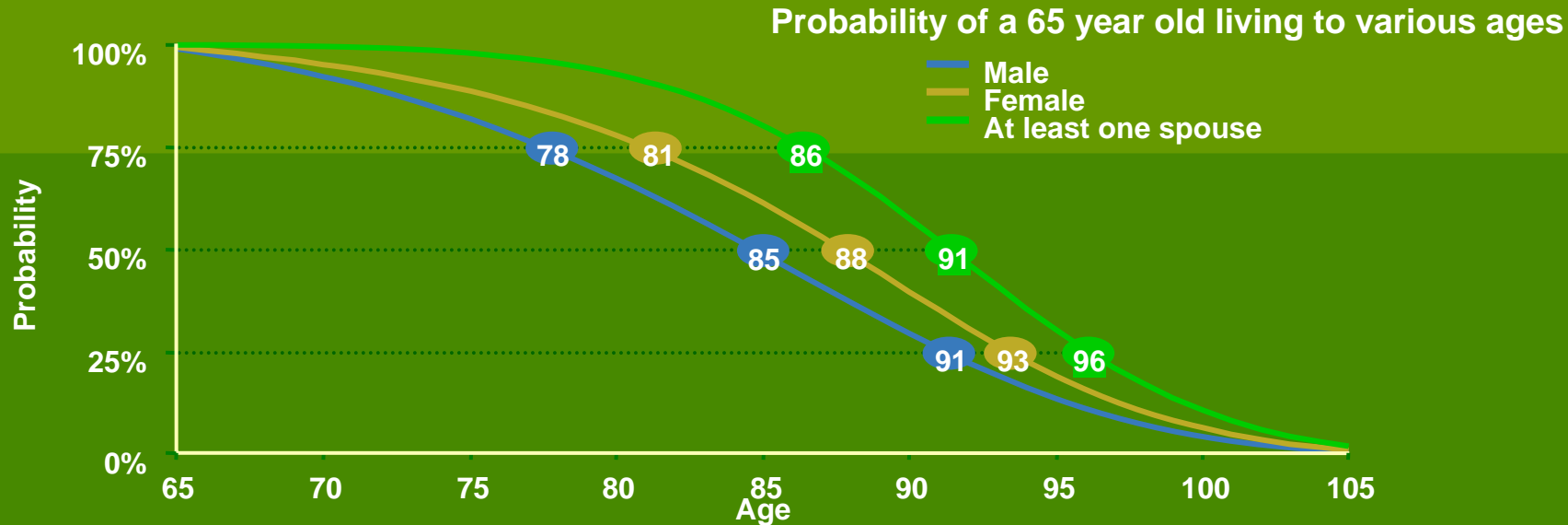
The Retirement Challenge

- The question for some is not when can they retire, but can they retire at all?
- Do I have enough savings to comfortably live through a potential 30 year retirement?
- How much of my retirement portfolio should I withdraw each year to make it last until I die?
- What if we go through a sustained bear stock market?
- Should I be more conservatively allocated?
- How can I become less dependent on the stock market so that I can sleep better at night?

...all valid concerns.

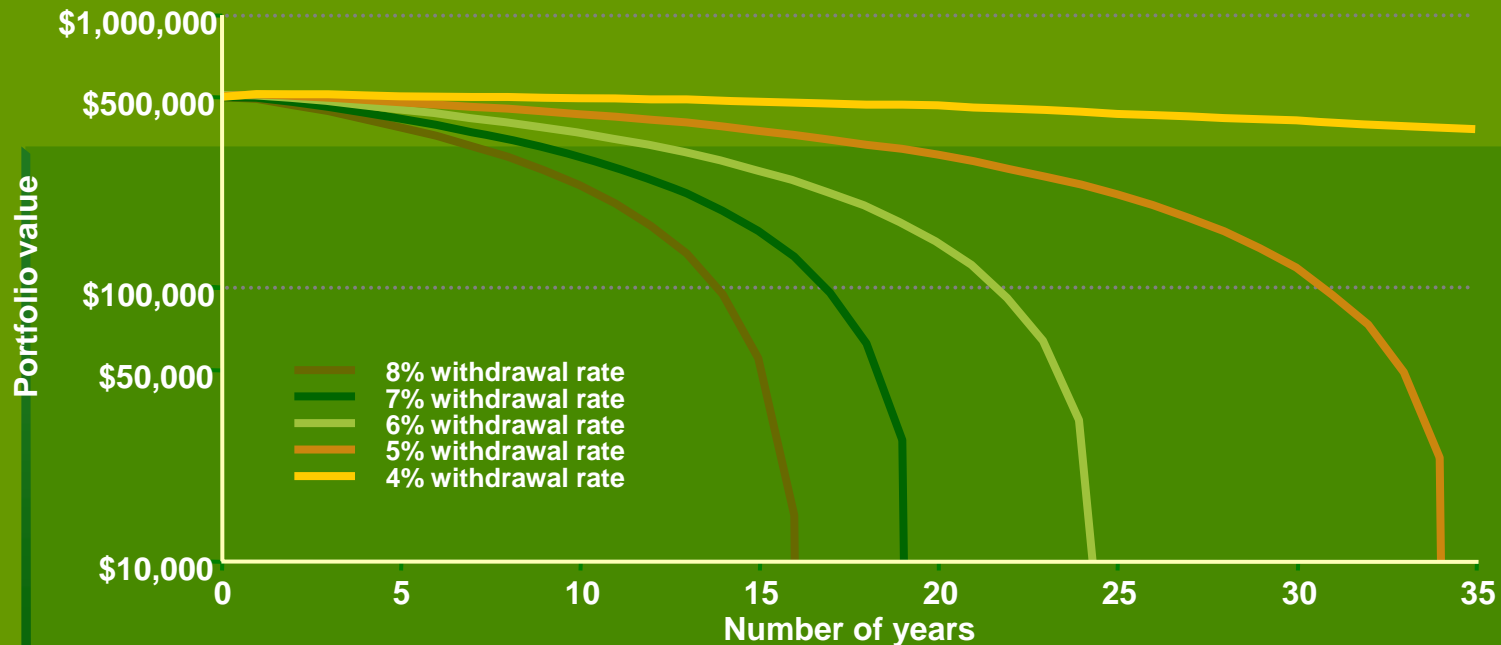
The following illustrations provide us some guidance for what we can expect in the coming years.

Living Longer



- Life expectancies have been increasing, and retirees should consider their chances for a long retirement and plan accordingly.
- The longer retirement is, the more a retirement portfolio is subject to the negative effects of inflation.
- The stress of periodic withdrawals over a long period of time can reduce the asset base of a portfolio to levels that may not be able to sustain retirement goals, and...
- Market volatility makes this more problematic.

Falling Short

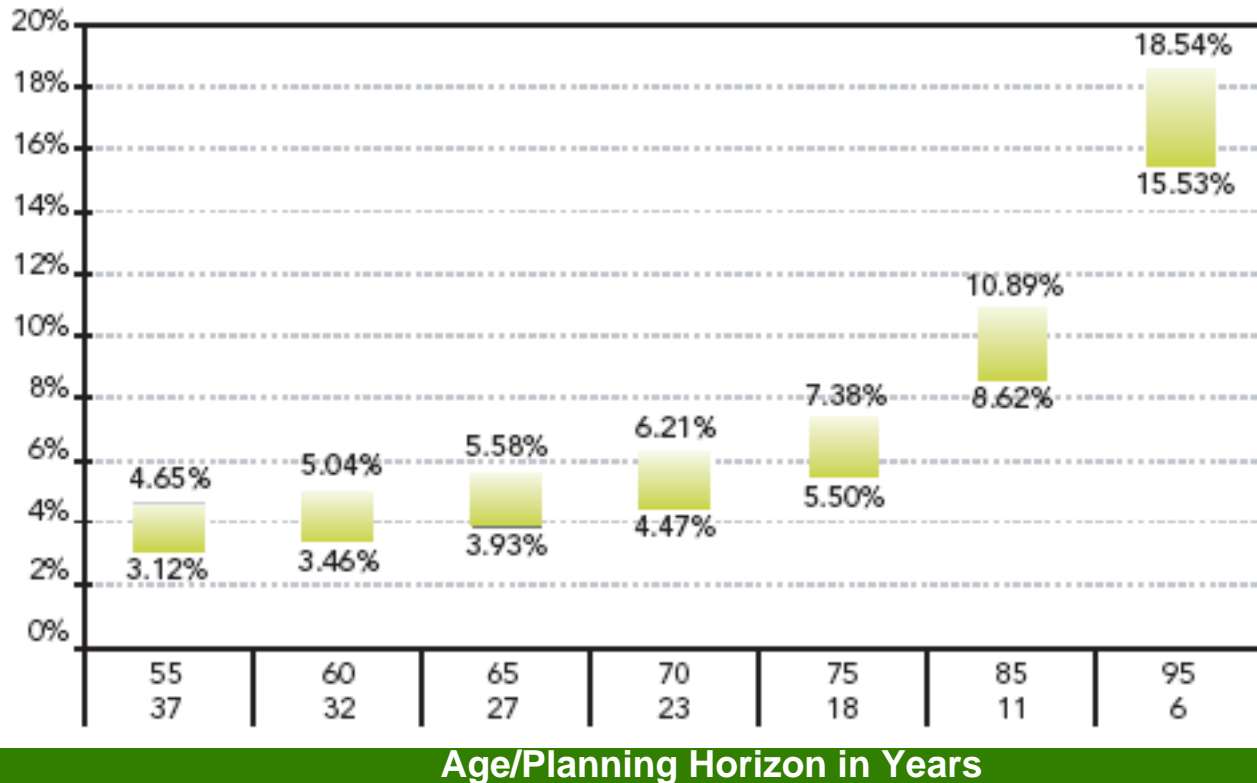


- Withdrawal rates have a dramatic impact on determining how long a portfolio can last in retirement.
- This image looks at a hypothetical 50% stock / 40% bond / 10% cash equivalent portfolio and the effect various inflation-adjusted withdrawal rates have on the end value of the portfolio over a long payout period, and...
- The higher the withdrawal rate, the greater the chance of potential shortfall.

Sustainable Withdrawal Rates

The following chart shows a range of sustainable withdrawal rates based on given life expectancies and a balanced retirement portfolio of stocks, bonds, and cash.

Inflation-Adjusted Withdrawal Rate, %



Source: Fidelity Strategic Advisors, Inc. Hypothetical value of assets held in an untaxed portfolio of 50% stocks, 40% bonds, and 10% short-term investments with inflation adjusted withdrawal rates as specified. Historical annual data from 1926 through 2005 is from Ibbotson Associates: stocks, bonds, and cash are represented by S&P 500, US Intermediate Government Bonds, and US 30-day T-bill, respectively. Constant 2.47% inflation rate assumed. Actual inflation rates may be more or less and will vary. This is for illustrative purposes only and not indicative of any investment.

“Point in Time” Retirement Risk

Although your portfolio's average annual returns during your retirement years have an affect on the sustainability of your retirement portfolio, **the order of annual returns has an even bigger effect!**

When Should I Retire?

Let's assume you have a \$1,000,000 Retirement Nest Egg and plan to withdraw 5% of your portfolio each year, with inflation at 3% per year. Using 1978-2002 as an example, over your 25 years of retirement, your growth portfolio receives the following annual returns:

Scenario A

Returns by Year:

<u>29%</u>	8%	33%	21%	10%
<u>18%</u>	27%	11%	-3%	22%
<u>25%</u>	-2%	-10%	3%	-14%
-6%	15%	5%	11%	-21%
15%	19%	17%	4%	-12%

**Looks great! But what if we aren't
so lucky?**

**After 25 years, what is your
Nest Egg worth?**
\$1,200,000

When Should I Retire?

What if we received the same retirement portfolio returns, but in the reverse order? How would we fair?

Scenario B

Returns by Year REVERSED:

<u>-12%</u>	4%	17%	19%	15%
<u>-21%</u>	11%	5%	15%	-6%
<u>-14%</u>	3%	-10%	-2%	25%
22%	-3%	11%	27%	18%
10%	21%	33%	8%	29%

After 25 years, what is your
Nest Egg worth?

\$0

You're Bankrupt
in 18 Years!

So how do you become less dependent on the market in deciding when you want to retire?

Investment Distribution Strategies offered by Ambrose Wealth Management include:



Commercial Lending



Income-Producing Real Estate



Privately Managed
Stock & Bond Portfolio



Natural Gas Drilling
Income Programs

**How would you like to guarantee a portion
of your retirement income?**

Investment Distribution Strategies offered by Ambrose Wealth Management include:



Commercial Lending



Income-Producing Real Estate



Privately Managed
Stock & Bond Portfolio



Guaranteed Principal,
Growth, and INCOME



Natural Gas Drilling
Income Programs

Variable Annuity

Adding an Income Guarantee “Option”

For a portion of your retirement savings we could replace the traditional pension plan concept with:

- A **PREDICTABLE** stream of income for the rest of your lifetime.
- **PARTICIPATION** in the stock market, giving your portfolio and income stream the best long-term chance of keeping up with inflation.
- **PROTECTION** against the risk of the market with principal and growth guaranteed by top-rated insurance companies.
- A **LEGACY** left to your family. Unlike variable annuities of the past, your portfolio will be owned and **CONTROLLED BY YOU**, even when you begin to take withdrawals.

Investment Distribution Strategies

Variable Annuities defined

- A variable annuity is a contract that requires the insurance company to provide you with tax deferred investment growth with the option of future income.
- The variable annuity contract allows you to invest in a number of variable sub accounts, similar to mutual funds.
- Variable annuities provide several benefits
 - guaranteed principal
 - tax deferred investment growth for non-qualified accounts
 - professionally managed portfolios
 - guaranteed income for life

PLUS... the option of additional performance features and guarantees that may include **minimum income or accumulation guarantees** for the owner and/or **minimum death benefits** for the owner's beneficiaries.

Investment Distribution Strategies

VA Option Terminology

The Guaranteed Minimum Income Benefit (GMIB) option on a variable annuity is the driving force behind the growth and income benefits of our clients' portfolios.

Portfolio Value – The value of your investment portfolio based on your chosen sub-accounts (funds), net all expenses, additions, and withdrawals.

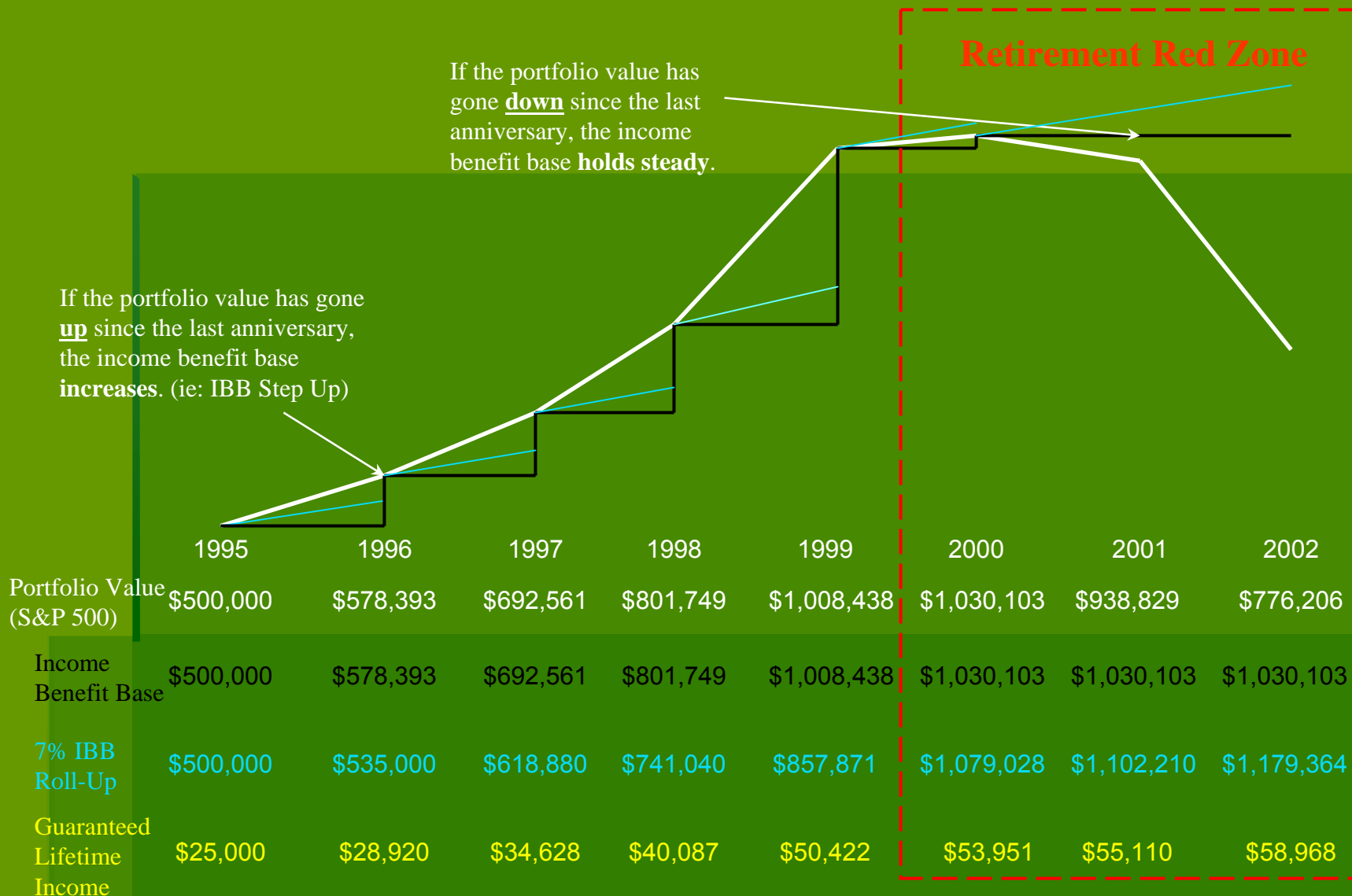
Income Benefit Base (IBB) – The value upon which your guaranteed lifetime income withdrawal is based.

IBB Step-Up – Any increase in IBB as a result of your portfolio value being worth more than a previously set IBB on the anniversary date of your investment.

IBB Roll-Up – A simple interest annual increase in your IBB used to compute your minimum lifetime income on the first date of withdrawal.

Guaranteed Lifetime Income - At the time of your first withdrawal, your Guaranteed Income is based on a percentage (depending on age) of the greatest of Portfolio Value, IBB Roll-Up, or IBB.

An Illustration of a Guaranteed Minimum Income Benefit



At the time of your first withdrawal, your Guaranteed Income is based on 5% of the greatest of Portfolio, IBB Roll-Up, or IBB. Future IBB Roll-Ups are given only in years when withdrawals are not taken, but your IBB can still automatically “step-up”, thereby increasing your lifetime income.

Studies Prove...

Combining Traditional Investment Portfolios and Variable Annuities with a “Guaranteed Minimum Income Benefit” Option Increases Income Total Return & Reduces Income Risk

- Ibbotson Study Finds Living Benefits Can Help Increase Retirement Income While Reducing Income Risk
 - January 16, 2008: 09:29 AM EST

Investment Distribution Strategies

Retiring doesn't have to be like diving off a cliff. With professionally managed retirement portfolios offered through Ambrose Wealth Management, you can regain control of this exciting new phase of your life.