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AAII Retirement INVESTING

Retirement Reimagined
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Saving for, preparing for and living in retirement is complex.

Going from being a worker and a saver to being retired is one of the most complex transitions.

Evidenced by:

Less than 1 in 5 American workers feel very confident about their ability to afford a comfortable retirement and

- 64% also feel stressed about retirement planning.

Source: 2023 Retirement Confidence Survey by Employee Benefit Research Institute/Greenwald Research.

Why are we launching this new product?

1. Retirement is a large and nebulous goal
2. Very difficult challenges face today’s retirees and savers
3. Member needs and interest
4. Need for objective information
5. Bridge informational gap with more in-depth information

Content Curated by Life Phase

Saving for Retirement

Preparing for Retirement

Living in Retirement

Three life phases:

- Content will be labeled accordingly on the website.
- Content may appeal to multiple phases or be of most interest to a particular phase.
- Focus on timely problem solving

Poll Question

What life phase are you currently in regarding retirement?

A. Saving for Retirement
B. Preparing for Retirement
C. Living in Retirement

Select one answer.

AAII Retirement Investing Content Examples

- **Withdrawal Strategies**
  - AAII Level3 Withdrawal Strategy
  - William Bengen's 4% Rule
  - Bucket Strategy
  - Inherited IRAs
  - Roth IRAs

- **Asset Allocation**
  - Modifications Needed to Strategy
  - Buffer Assets

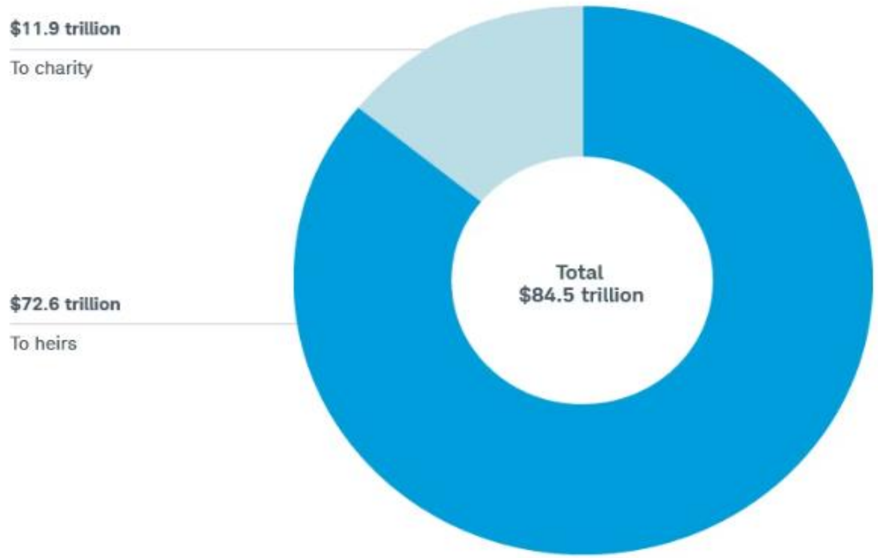
- **Sequencing Risk** — Risk of a bear market occurring during the early phase of retirement
  - AAII Level3 Strategy

- **Claiming Social Security**

AAII Retirement Investing Content Examples

- **Tax Planning Strategies, including for required minimum distributions (RMDs)**

A staggering $84.5 trillion is expected to reach new hands over the next two decades.



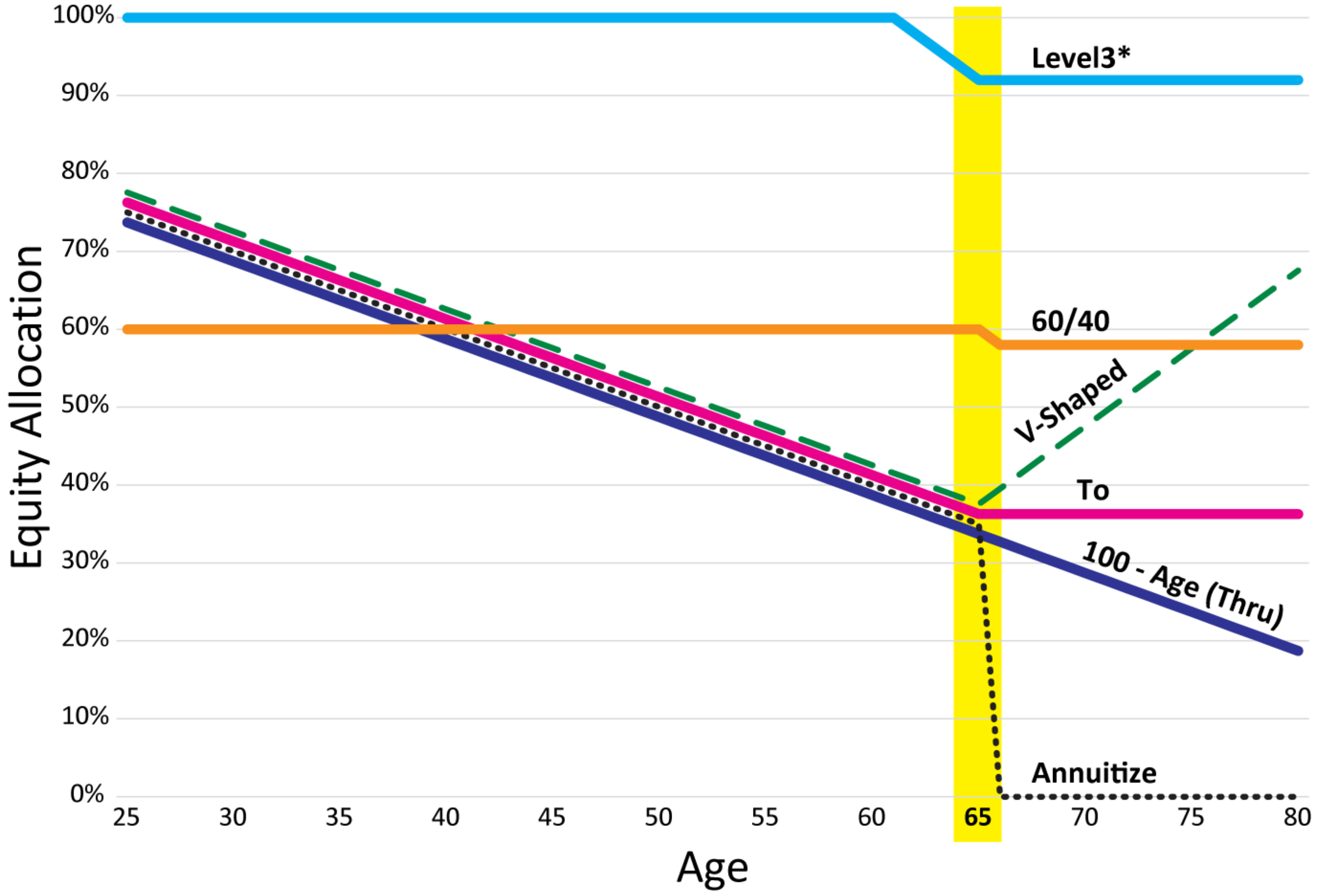
Source: Cerulli Associates, as of 01/20/2022.

- **Inflation**
- **Estate Planning**
- **Lifestyle Issues**
  - Practicing Retirement
  - Pros and cons of considering work
  - Tips for crucial money conversations

Withdrawal Strategies

- Opinions and Ideas Differ
- AAII Level3 Withdrawal Strategy
  - Created by AAII founder James Cloonan to help retirees stay invested in assets that offer the greatest potential for long-term wealth growth while being able to satisfy their current funding needs and minimize risk.
  - Strategy incorporates growth and defensive assets with the defensive allocation built during the four-year period before retirement.
- Bucket Strategy
- William Bengen's 4% Rule

Allocation Glide Paths



*The Level3 approach holds the equivalent of four years of cash at retirement.

AAII Asset Allocation Models

Aggressive Investor 90% Diversified Stock	Moderate Investor 60% Diversified Stock	Conservative Investor 40% Diversified Stock
Time Horizon	**Time Horizon**	**Time Horizon**
20+ Years: Long Investment Horizon	**15+ Years:** Mid-Term Investment Horizon	**10+ Years:** Short-Term Investment Horizon
For investors who are very risk tolerant	***For investors who can tolerate some risk***	***For investors who are not risk tolerant***
Characteristics	**Characteristics**	**Characteristics**
Growth: Substantial	**Growth:** Moderate	**Growth:** Low
Income: Very Low	**Income:** Low	**Income:** Moderate
Risk: Substantial Year-to-Year Volatility of Portfolio Value	**Risk:** Moderate Year-to-Year Volatility of Portfolio Value	**Risk:** Low Year-to-Year Volatility of Portfolio Value
8% Average Annual Growth in Value	**7%** Average Annual Growth in Value	**6%** Average Annual Growth in Value
-37% Bad Year	**-21%** Bad Year	**-12%** Bad Year

www.aaii.com/asset-allocation

Level3 Retirement Withdrawal Approach

Date	Market Condition	Amount	Location of Withdrawal/Transfer	Safe Portion
Retirement Date: January 1, 2023				
Pre-Retirement Stage				
1/1/2019	Down	$0	wait to transfer Equity to Defensive	$0
1/1/2020	OK	$75,000	transfer From Equity to Defensive	$75,000
1/1/2021	OK	$75,000	transfer From Equity to Defensive	$150,000
1/1/2022	OK	$50,000	transfer From Equity to Defensive	$200,000
Retirement Date: 2021 or Earlier*				
Start of Retirement				
1/1/2021	OK	$50,000	withdraw From Equity for expenses	$200,000
1/1/2022	OK	$50,000	withdraw From Equity for expenses	$200,000
1/1/2023	Down**	$50,000	withdraw From Defensive for expenses	$150,000
1/1/2024	OK	$50,000	withdraw From Equity for expenses	$150,000
		$25,000	transfer From Equity to Defensive	$175,000
1/1/2025	OK	$50,000	withdraw From Equity for expenses	$175,000
		$25,000	transfer From Equity to Defensive	$200,000

**Those who retired during 2022 or in 2023 would switch from pre-retired to retired for the appropriate years.*
***As of press time in mid-December 2022, the S&P 500 index was more than 5% below its record high.*

Consider a Bucket Strategy

TIME PERIOD:
One to three years
ASSETS:
Cash and cash-equivalents
GOAL:
To fund shorter-term living expenses

TIME PERIOD:
Three to 10 years
ASSETS:
Bonds and balanced funds
GOAL:
Produce a stream of income; provide a combination of stability, inflation protection and modest levels of growth

TIME PERIOD:
11 years and beyond
ASSETS:
Stocks and high-yielding bonds
GOAL:
Long-term portfolio growth

Source: "For Bucket Portfolios, the Devil Is in the Details," by Christine Benz, AAII Journal, *July 2018.*

Bengen 4% Rule

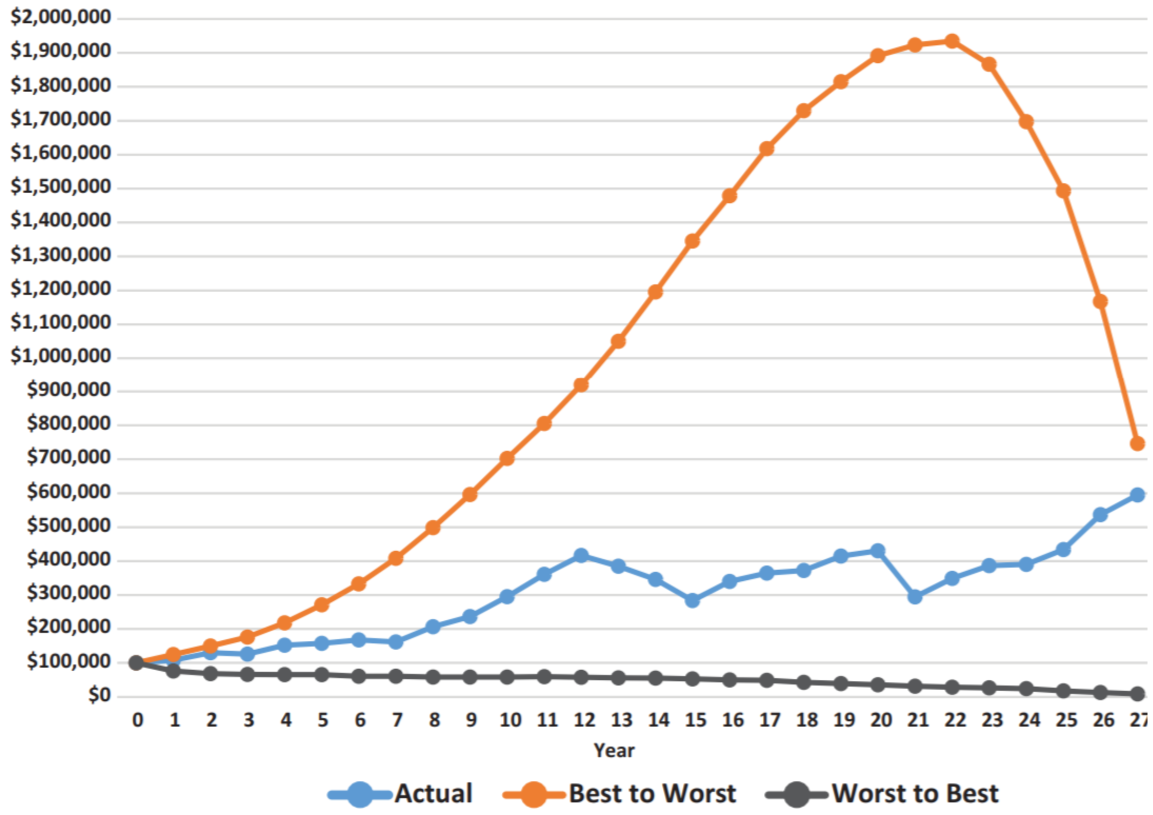
- At retirement, withdraw amount equal to 4% of the portfolio value
- Each year increase that amount by the rate of inflation
- An allocation of 50% stocks and 50% intermediate-term bonds lasted over all 35-year periods tested
- Can have an equity allocation up to 75%

Source: "Determining Withdrawal Rates Using Historical Data" by William Bengen, Journal of Financial Planning, October 1994.

Bengen 4% Rule Follow-Up and Observations

- Bengen’s later research found a 4.5% safe withdrawal rate could be supported with a diversified portfolio of equities.
- He now suggests an allocation of 45%–55% to stocks, 35%–45% in bonds and 10% in cash.
- Portfolios often, but not always, ran out of money if returns early in retirement were bad.
- Having less at year 9 in retirement than at the start was often a warning sign.
- During many of the successful periods, ending balances were significantly large.
- Periodic adjustments can help.

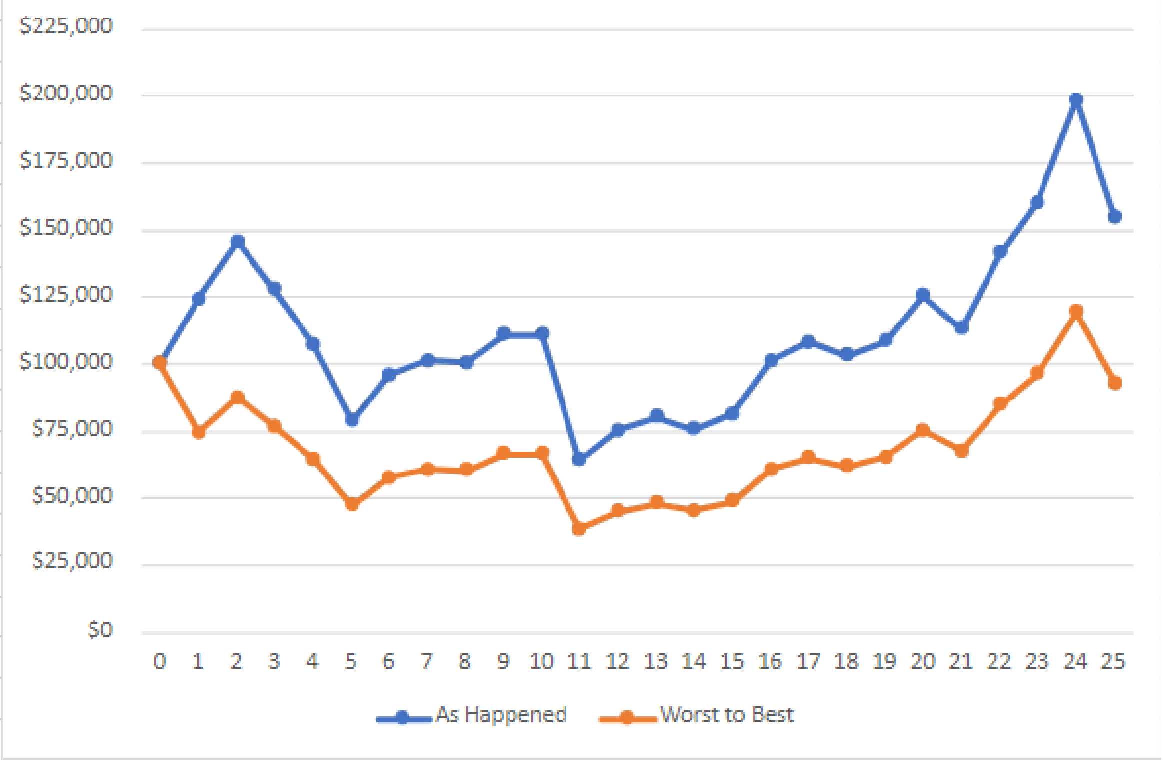
The Order in Which Returns Occur Matters



60/40 Portfolio with 4% withdrawals. Source: "The Sequence in Which Returns Occur Affects Your Wealth," by Charles Rotblut, AAII Journal, *May 2015.*

Sequence Risk Example

S&P 500 Returns (VFIAX), 1998–2022 with 4.5% inflation-adjusted withdrawals



Poll Question

What retirement content topics do you find most helpful?

A. Asset Allocation
B. Tax Planning
C. Withdrawal Strategies
D. Sequence Risk
E. Legacy/Estate Planning

Select as many as applicable.

Introducing AAII's Retirement Investing

- Standalone subscription
- Content on the website
  - Monthly Newsletter
  - Weekly Insights Summary
  - Monthly Member Survey on Retirement Topics
- Curated Content
- Actionable Insights
- Breaking Retirement Industry News
- Retirement Resources
- Complements *AAII Journal*, existing newsletters and A+ Investor
- Also included with AAII Platinum Subscription

Timing and Upcoming Topics

- Content Cadence
  - Weekly Insights on Tuesdays with the Monthly Newsletter on second Tuesday of each month
  - Archives available

- Upcoming Content
  - In-depth feature article on the bucket approach
  - Tips for keeping your 401(k) on track
  - Allocating for your retirement goals
  - Planning for covering expenses first
  - Fireside Chat Videos

- Summary Update Included in Weekly Platinum Digest

Coming This Fall:
AAII Retirement Investing

Be the first to know when our newest product goes live and get early access to it.

Follow this link to learn more.

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Gain certainty in retirement planning with articles and information that help you plan for and achieve the retirement of your dreams.

Financial security through retirement

Learn how to build your savings and draw them down accordingly.

Asset allocation

Figure out the best asset allocation to sustain your lifestyle and portfolio.

Combat inflation

Don't let inflation drain your portfolio and quality of life. Learn how to combat it.

Actionable information

Everything you need to know in one place with complex topics distilled for you.

Questions?

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