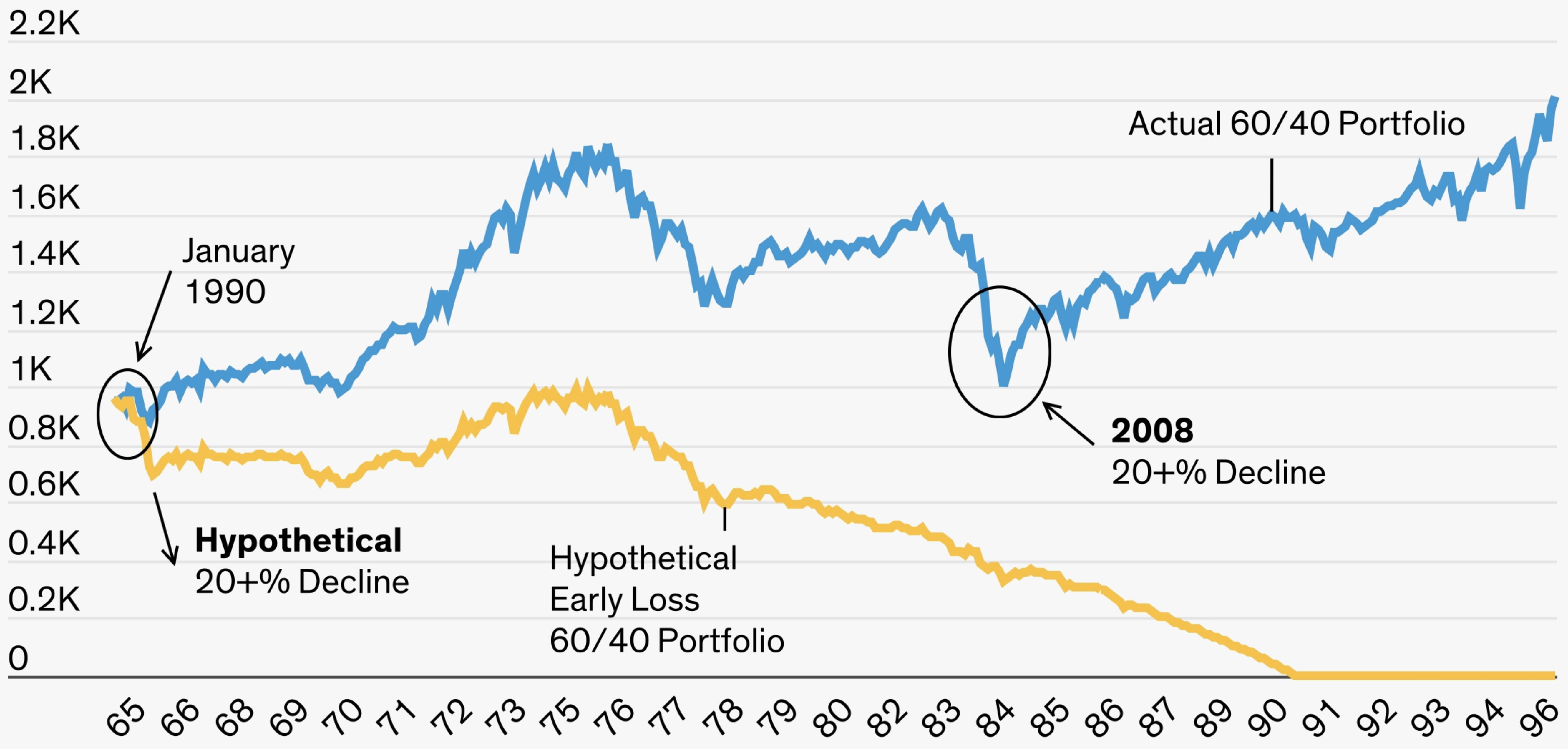
The Risk/Return Trade-Off Is More Important Than Ever

Experiencing a major drawdown earlier in retirement may have a greater impact on portfolio sustainability than the same drawdown occurring later.

Sequence of Return Risk

Experiencing "2008 returns" in first year of retirement



Past performance does not guarantee future results. This is a hypothetical illustration only.

"Actual 60/40 Portfolio" represented by 60% S&P 500/40%Bloomberg Barclays US Aggregate. "Hypothetical Early Loss" portfolio swaps 1990 and 2008 monthly returns to simulate experiencing sharp drawdown early in retirement.

Both portfolios incur monthly withdrawals of US$7,000.

Source: Morningstar Direct and AB