KEY CONVERSATION WORKSHEET

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Topic:	Audience
Annuities At Their Best – Guaranteed Lifetime Income	Potential Client

Definition(s) Of Success:

1. To reach an agreement with a client to conduct a retirement income analysis, identify any retirement income risks and present a potential solution(s) to address the issue.
2. Schedule the appointment to create and review client income gap report.

Opening Questions:

1. **Does it ever concern you that** you may run out of money in retirement?
2. **Are you ever worried that** after you've retired a major market collapse could force you to go back to work?
3. **If I were in your shoes, I might be wondering** how much money I can reasonably withdrawal from my retirement saving to make sure it is sustainable.
4. **Does it bother you that** taking 4% withdrawals off of your financial portfolio only has a 48.2% chance of successfully lasting through a 30-year retirement?
5. **Have you ever thought about** what might happen to you financially if you were to live to age 100?
6. **Are you wondering** how much money you will need in order to retire and maintain your current standard of living?
7. **How would you feel if** on your 90th birthday you only had enough income to replace 40% of your pre-retirement income?

Positioning Statements:

1. **Today I'd like to** provide some clarity for your retirement concerns **By** defining the risks to your retirement savings and how to best protect yourself against those risks **So that** you can comfortably and confidently retire.
2. **Today I'd like to** help ease your anxiety when it comes to retirement **By** walking you through a simple 3 step process to creating a personalized income strategy **So that** you will know exactly what is required to retire when you're ready.
3. **Today I'd like to** . . . **By** . . . **So that** (create your own)

Positioning Questions:

1. **Question** (closed-ended, fact-based): How old are you and at what age would you like to retire?
   Probe (open-ended, emotional): If you were to paint a picture of what you would like to see happen at retirement, what would that look like?

Probe (open-ended, emotional): What issues do you think could hinder you from realizing the picture that you just painted?

2. **Question** (closed-ended, fact-based): Have you ever created a formalized retirement income plan before?
   Probe (open-ended, emotional): (If YES) Tell me about how that experience went.
   (If NO) What's stop you previously?

   Probe(open-ended, emotional): (If YES) How do you feel about the information that was provided to you in the end?
   (If NO) How do you feel about your current plans ability meet your needs?

3. **Question** (closed-ended, fact-based): Who are you financially responsible for?
   Probe (open-ended, emotional): Tell me more about them.
   Probe (open-ended, emotional): What kind of a legacy are you interested in leaving behind to them?

4. **Question** (closed-ended, fact-based): What is more important to you guarantees or a higher return on your money at the risk of a potential loss?
   Probe (open-ended, emotional): Tell me your thoughts about the relative difference between the two.
   Probe (open-ended, emotional): How do you feel about having your current standard of living locked in on a guaranteed basis, allowing you to take more risk on your investment choice?

Annuities at Their Best – Conversation:

What Do You Have Now? What we have found is that commonly people in your shoes have their retirement saving invested in a manner that is great for the accumulation phase of their life. This is the period of time when a person is contributing to their retirement plan, such as a 401k, and have their funds allocated in a manner that structured to grow, hence the accumulation phase. However, once we reach the pre-retirement stage, about 10 years or less from actual retirement, you need to start to reposition your asset allocation to prepare for the Distribution Phase of your life.

What's Wrong With It? Often time's people think that they can just leave their retirement savings exactly the same way that it has been for the past 20 or 30 years of accumulation and simply take withdrawals from those accounts and that plan will work. So here's the problem, there are a number of risks that people are facing in retirement that will affect their savings very differently when taking withdrawals out versus when they are making contributions in. Let's talk about those risks:

- **Market Volatility Risk:** Since the year 2000 we have seen the S&P 500 Index cut in half twice! For a person in a position where they are ready to buy, this is an opportunity to buy stock at a discount. However, for someone who has just recently retired or is about to retire, this drop can heavily affect the longevity of a person's savings because we are now selling the stock at a low and essentially locking in the loss.
- **Interest Rate Risk:** Bonds are generally considered to be conservative in that if you hold your bond to maturity, you will receive back the initial premium. However, many people enjoy the interest income that they receive from bond funds, which will buy and sell bonds as the fund dictates. This means that bond funds are subject to interest rate risk. In other words, when interest rates rise, the value of a bond fund will decline causing its investors to lose money. We are currently sitting in a historically low interest rate environment, which means that bonds are facing a future of interest rate risk.
- **Inflation Risk:** In 2004, what would have costs $7.77 now cost $10. The cost of goods is getting more and more expensive. Additionally, the latest US annual inflation rate posted at 2.1% and this is at a time when the interest you can earn at the bank is less than 1.00%. For someone who will be on fixed income in retirement, inflation is a major risk!
- **Longevity Risk:** People are living longer today than ever before. Right now 50% of people will live beyond

average life expectancy. In fact, 1 out of every 4, 65-year-old today will past the age of 90 and 1 out every 10 will live past the age of 95. We're talking about 25, 30, 35+ yearlong retirements.

- **The 4% Rule:** Since 1994 the rule has been that you can take a 4% withdrawal from your financial portfolio and that is supposed to lasts for 30 years of before you will run out of money. However, times have changed and are different today than they were in 1994. So a company called Morning Star revisited the sustainability of this rule in 2013 and found that at a 4% withdrawal, your financial portfolio only has a 48.2% chance of successfully lasting through a 30-year retirement. In fact, they found that the new safe withdrawal rate was 2.80% and at that rate you have a 90% chance of success. In either scenario there is a risk that following this traditional method to generating income in retirement can fail to last as long as your retirement does.

What's Your Solution?

Understanding that your retirement is at risk. What do we use to protect ourselves against financial risks in just about any other area of our life? We use "Insurance!" If I am worried about premature death and want to make sure that my family will be financially supported if this were to happen, then I buy Life Insurance. If I drive a car I buy Car Insurance. If I own a Home I purchase Home Owners Insurance. This being the case wouldn't it make sense that if my retirement income is at risk I should protect it with "Income Insurance?" What is income insurance? It is called an annuity.

Together we will develop a strategy to help protect your retirement by following 3 Simple Steps:

Step One: Is where we will identify how much income you'll need to retire and determine if you have a retirement income gap.

Step Two: Assess the income options that are available to help you generate more income and close a potential income gap.

Step Three: Protect your retirement income for life by repositioning the appropriate portion of your portfolio into financial products that offer guaranteed retirement income, such as an annuity.

As we following this process we will begin to prioritize your retirement needs into three categories:

1st Priority: Essential Needs include expenses such as mortgage or rent, property taxes, insurance, utilities, food, clothing, basic transportation and healthcare expenses. We recommend covering these expenses with guaranteed sources of income such as Social Security, pensions and annuities.

2nd Priority: Lifestyle Expenses include travel, entertainment and hobbies. You have more flexibility surrounding you spending here and so these expenses can be cover on either a guaranteed basis or with investment income.

3rd Priority: Legacy Plan addresses potential tax burdens and the financial security of your loved ones, along with donations to charities. Legacy planning may involve the use of life insurance, trusts and/or other wealth transfer strategies.

(Client Name) Does this process make sense to you? [Yes]

That's great! Here's what we are going to do next. First, let's schedule a day and time for us to get together again to begin this 3 Simple Step process. [Schedule Appointment NOW]

Next, I am going to send you home with a little assignment. I would like for you to please complete this Retirement Income Worksheet and bring it with you to our next appoint on (Insert Date Here).