Navigating retirement risk

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Why timing matters

Individuals nearing – or just entering retirement – may worry about the impact a market downturn can have on their withdrawal strategy. Sequence of returns risk means that the timing of investment gains and losses matters, especially when someone is withdrawing money in retirement. If the market goes down early in retirement and income is still needed, withdrawals will come from a smaller account. That can make it harder for the portfolio to recover later, even if the market improves. Over time, this can cause savings to run out sooner than expected.

The example below demonstrates how a market downturn early in retirement can impact a **$1 million** portfolio when withdrawals are being taken for living expenses.

Scenario 1: Baseline

Age	Beginning of Year Value	Hypothetical S&P 500® Return	Taxable Withdrawal	End-of-Year Value
66	$1,000,000	-9.10%	$40,000	$872,640
67	$872,640	-11.89%	$41,200	$732,582
68	$732,582	-22.10%	$42,436	$537,624
69	$537,624	28.68%	$43,709	$635,569
70	$635,569	10.88%	$45,020	$654,801
71	$654,801	4.91%	$46,371	$638,303
72	$638,303	15.79%	$47,762	$683,788
73	$683,788	5.49%	$49,195	$669,432
74	$669,432	-37.00%	$50,671	$389,820
75	$389,820	26.46%	$52,191	$426,965
76	$426,965	15.06%	$53,757	$429,414
77	$429,414	2.11%	$55,369	$381,937
78	$381,937	16.00%	$57,030	$376,891
79	$376,891	32.39%	$58,741	$421,199
80	$421,199	13.69%	$60,504	$410,074
81	$410,074	1.38%	$62,319	$352,555
82	$352,555	11.96%	$64,188	$322,855
83	$322,855	21.83%	$66,114	$312,788
84	$312,788	-4.38%	$68,097	$233,973
85	**$233,973**	**31.49%**	**$70,140**	**$215,424**

By selling in market downturns early on, this retirement portfolio shrunk by **79%** in 20 years.

The above hypothetical case is for marketing and does not represent the results of an actual investment. It does not reflect any investment fees, expenses, or taxes. Returns are based on S&P 500® total returns from 2000 to 2019. Annual withdrawals begin at of 4% of the initial portfolio value and are taken at the beginning of increased each year assuming 3% inflation. Clients cannot invest directly into the S&P 500® Index. Past performance of the S&P 500® Index is no guarantee of future results.

A solution for market volatility in retirement

Having income options outside of your traditional investment portfolio, such as a life insurance policy with cash value, could help support your income needs during market downturns.

Case study

Jane, age 65, has been diligently saving and is ready to retire. She plans to withdraw **4%** of her retirement savings in the first year, then adjust that amount annually for inflation to help maintain her standard of living over time. Jane has accumulated **$1 million** in her retirement portfolio and expects to receive $20,000 per year from Social Security.

Over the years, Jane has worked closely with her financial professional to create a diversified retirement income strategy designed to address both growth potential and income stability. As part of this strategy, Jane also owns a life insurance policy, which she purchased 20 years ago to provide death benefit protection for her family. Over time, the policy has accumulated a substantial amount of cash value.

Jane understands that no single financial product is designed to meet every retirement need on its own. Instead, life insurance serves as one component of her broader financial toolkit, complementing her investment portfolio, Social Security income, and other savings.

Jane has worked with her financial professional to prepare for how she can maximize her savings and make sure she has enough income in her retirement.

Benefits of cash value life insurance

- Death benefit protection
- Opportunity for cash value growth potential
- Tax-free access
- Potential to preserve assets in retirement by supplementing income with policy cash value

Instead of withdrawing from her traditional portfolio after market downturns, Jane can use her *Transamerica Financial Foundation IUL® II* (FFIUL II) policy.

FFIUL II (non-guaranteed values)

Insured	Risk Class	Face Amount	Annual Premium	Index Account	Death Benefit Option	Tax-Free Income Withdrawals
Female, Age 45	Preferred Elite	$450,000	$22,000 (To Age 65)	Balanced Uncapped Index Account	Increasing (Switch to Level at Age 66)	$249,676

[1] For federal income tax purposes, life insurance death benefits generally pay income tax-free to beneficiaries pursuant to IRC Sec. 101(a) (1). In certain situations, however, life insurance death benefits may be partially or wholly taxable. Situations include, but are not limited to: The transfer of a life insurance policy for valuable consideration unless the transfer qualifies for an exception under IRC Sec. 101(a)(2) (the transfer-for-value rule), arrangements that lack an insurable interest based on state law, and an employer-owned policy unless the policy qualifies for an exception under IRC Sec. 101(j).

[2] The Increasing Death Benefit Option will result in higher monthly deductions over the life of the policy than the level death benefit option.

* This hypothetical example assumes a female, age 45, Preferred Elite risk class, $440,000 premium paid for 20 years, assuming 7.70% index growth rate in the Balanced Uncapped Index Account, $450,000 death benefit, increasing death benefit option from years 1 to 20, and level from years 21 to max, and annual withdrawals to basis switching to index loans in years 22–24, 30, 40. The example shown is derived from a complete hypothetical illustration which assumes non-guaranteed elements will continue for all years. This is not likely to occur, and actual results may be more or less favorable. All non-guaranteed elements are subject to change by the company. Keep in mind that the purpose of hypothetical illustrations is to show how a policy might work under different scenarios, including minimum interest rates at maximum guaranteed charges. Illustrations may not be used to predict or project future policy values. Prospective policy owners should refer to a complete, personalized hypothetical sales illustration for guaranteed elements and other important information as well as the consumer brochure for the *Transamerica Financial Foundation IUL® II*. **At a 0.75% index growth rate and guaranteed charges, this policy lapses in year 32.**

Retirement portfolio

Scenario 2: Market volatility risk

Transamerica FFIUL II
(non-guaranteed)

Age	Beginning of Year Value	Return	Taxable Withdrawal	End-of-Year Value	Tax-Free Income	Death Benefit
66	$1,000,000	-9.1%	$40,000	$872,640	–	$1,287,092
67	$872,640	-11.9%	$0	$768,883	$41,200	$1,245,892
68	$768,883	-22.1%	$0	$598,960	$42,436	$1,203,456
69	$598,960	28.7%	$0	$770,742	$43,709	$1,159,747
70	$770,742	10.9%	$45,020	$804,680	–	$1,168,768
71	$804,680	4.9%	$46,371	$795,542	–	$1,238,263
72	$795,542	15.8%	$47,762	$865,854	–	$1,300,326
73	$865,854	5.5%	$49,195	$861,494	–	$1,365,124
74	$861,494	-37.0%	$50,671	$510,818	–	$1,432,759
75	$510,818	26.5%	$0	$645,981	$52,191	$1,443,651
76	$645,981	15.1%	$53,757	$681,413	–	$1,514,397
77	$681,413	2.1%	$55,369	$639,254	–	$1,618,780
78	$639,254	16.0%	$57,030	$675,379	–	$1,730,244
79	$675,379	32.4%	$58,741	$816,366	–	$1,849,223
80	$816,366	13.7%	$60,504	$859,340	–	$1,976,170
81	$859,340	1.4%	$62,319	$808,020	–	$2,111,553
82	$808,020	12.0%	$64,188	$832,795	–	$2,255,837
83	$832,795	21.8%	$66,114	$934,047	–	$2,409,534
84	$934,047	-4.4%	$68,097	$828,021	–	$2,573,143
85	**$828,021**	**31.5%**	**$0**	**$1,088,765**	**$70,140**	**$2,668,404**

Jane takes withdrawals at the start of each year – before market performance is known. By avoiding withdrawals from her traditional investment portfolio and electing to take **tax-free** withdrawals and loans of $249,676 from her funded cash value life insurance policy in years following market losses, Jane's portfolio has grown by 9%, as compared to a 79% reduction in the baseline scenario.

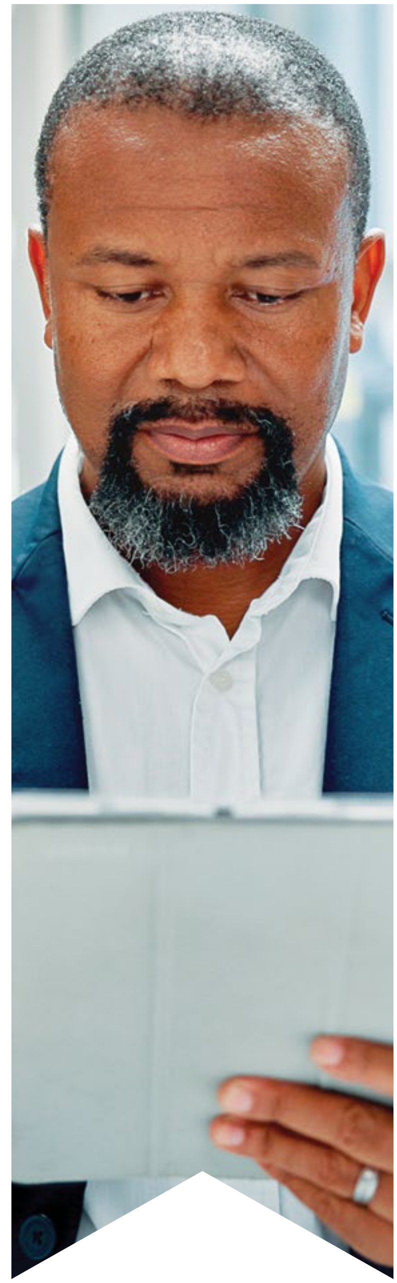
After using FFIUL to help smooth her retirement savings, Jane still has a death benefit of **$2,668,404** at attained age 85.

[1] Loans, withdrawals, and death benefit accelerations will reduce the policy value and death benefit. Availability of favorable tax treatment for loans and withdrawals assumes that the life insurance policy is not a modified endowment contract ("MEC") for federal tax purposes. Classification as a MEC does not affect the exclusion of death benefits from gross income. However, loans, distributions, or other amounts received under a MEC are taxed to the extent of accumulated income in the policy and may be subject to an additional 10% federal income tax. Contact a qualified tax adviser for additional information.

Scenario 3: Market volatility and long term care risk

During their discussions about market volatility, Jane and her financial professional also consider the possibility that she may need long-term care later in her retirement. An extended illness or need for care could create additional expenses that were not part of her original income plan and could place added strain on her retirement portfolio.

The table below shows once again the impact a market downturn early in retirement can have on a **$1 million** portfolio when withdrawals are being taken for living expenses, along with a long term care event that costs **$240,000** per year.



Hypothetical long term care scenario impact on Jane's retirement portfolio without insurance

Age	Beginning of Year Value	Return	Taxable Withdrawal	End-of-Year Value
66	$1,000,000	-9.1%	$40,000	$872,640
67	$872,640	-11.9%	$41,200	$732,582
68	$732,582	-22.1%	$42,436	$537,624
69	$537,624	28.7%	$43,709	$635,569
70	$635,569	10.9%	$45,020	$654,801
71	$654,801	4.9%	$46,371	$638,303
72	$638,303	15.8%	$47,762	$683,788
73	$683,788	5.5%	$49,195	$669,432
74	$669,432	-37.0%	$50,671	$389,820
75	$389,820	26.5%	$52,191	$426,965
76	$426,965	15.1%	$53,757	$429,414
77	$429,414	2.1%	$55,369	$381,937
78	$381,937	16.0%	$57,030	$376,891
79	$376,891	32.4%	$58,741	$421,199
80	$421,199	13.7%	$60,504	$410,074
81	$410,074	1.4%	$62,319	$352,555
82	$352,555	12.0%	**$240,000***	$126,016
83	$126,016	21.8%	**$240,000***	-$138,867
84	-$138,867	-4.4%	**$240,000***	-$362,272
85	**-$362,272**	**31.5%**	**$240,000***	**-$791,928**

Without further planning, only using her portfolio in a hypothetical qualifying LTC event would mean Jane depletes her retirement savings by age 83.

The above hypothetical case is for marketing purposes only and does not represent the results of an actual investment or a policy purchase date. It does not reflect any investment fees, expenses, or taxes. Historical S&P 500® Index total returns from 2000-2019 are used solely to demonstrate how the timing of market gains and losses may affect retirement income strategies. Annual withdrawals of 4% are taken at the beginning of each year assuming 3% inflation until Age 82. Clients cannot invest directly into the S&P 500® Index. Past performance of the S&P 500® Index is no guarantee of future results.

* The current national average cost in 2026 for a semi-private nursing home room is $124,100. Assuming a 5% annual inflation rate, the cost will more than double by Jane's future age of 82 years old. Cost of care figures for your state are available at "What Care Costs" SURVEY, 2025, whatcarecosts.com using the following passcode: Trans-Insured.

Using FFIUL II with the optional LTC Rider may also help postpone or avoid having to withdraw from other taxable assets to help pay for future LTC expenses.

Retirement portfolio

Transamerica FFIUL II (non-guaranteed)

Age	Beginning of Year Value	Return	Taxable Withdrawal	End-of-Year Value	Tax-Free Income	Annualized LTC Benefit	Death Benefit
66	$1,000,000	-9.1%	$40,000	$872,640	–	–	$1,277,014
67	$872,640	-11.9%	$0	$768,883	$41,200	–	$1,235,814
68	$768,883	-22.1%	$0	$598,960	$42,436	–	$1,193,378
69	$598,960	28.7%	$0	$770,742	$43,709	–	$1,149,669
70	$770,742	10.9%	$45,020	$804,680	–	–	$1,150,356
71	$804,680	4.9%	$46,371	$795,542	–	–	$1,218,389
72	$795,542	15.8%	$47,762	$865,854	–	–	$1,279,128
73	$865,854	5.5%	$49,195	$861,494	–	–	$1,342,532
74	$861,494	-37.0%	$50,671	$510,818	–	–	$1,408,721
75	$510,818	26.5%	$0	$645,981	$52,191	–	$1,418,140
76	$645,981	15.1%	$53,757	$681,413	–	–	$1,487,385
77	$681,413	2.1%	$55,369	$639,254	–	–	$1,589,591
78	$639,254	16.0%	$57,030	$675,379	–	–	$1,698,646
79	$675,379	32.4%	$58,741	$816,366	–	–	$1,814,949
80	$816,366	13.7%	$60,504	$859,340	–	–	$1,938,894
81	$859,340	1.4%	$62,319	$808,020	–	–	$2,070,908
82	$808,020	12.0%	$0	$904,660	–	$240,170	$2,060,119
83	$904,660	21.8%	$0	$1,102,147	–	$240,170	$1,902,771
84	$1,102,147	-4.4%	$0	$1,053,873	–	$240,170	$1,748,025
85	**$1,053,873**	**31.5%**	**$0**	**$1,385,737**	**–**	**$240,170**	**$1,595,729**

With this approach, Jane can use long term care benefits available through her FFIUL II policy to help cover qualified long term care expenses, which may allow her to limit withdrawals from her retirement portfolio. Under this scenario, Jane's portfolio would retain **$1,385,737** in her portfolio by age 85, and she would have received $960,680 in available long term care benefits from her FFIUL II policy.

Summary comparison: Jane's traditional portfolio vs. portfolio with life insurance strategy

	Strategy	Portfolio Value Age 85	Death Benefit at Age 85	LTC Benefit Received	Combined Value
Scenario 1	**Retirement Portfolio** (no life insurance)	**$215,424**	–	–	**$215,424**
Scenario 2	**Retirement Portfolio with Life Insurance** (non-guaranteed)	**$1,088,765**	**$2,668,404**	–	**$3,757,169**
Scenario 3	**Retirement Portfolio with Life Insurance including Long Term Care** (non-guaranteed)	**$1,385,737**	**$1,595,729**	**$960,860**	**$3,942,326**

Female, age 45, Preferred Elite risk class, $440,000 premium paid for 25 years, assuming 7.70% index growth rate in the Balanced Uncapped Index Account, minimum non-MEC death benefit, increasing death benefit option from years 1 to 20, and level from years 21 to max, and withdrawals to basis switching to index loans in years 22–24, 30.

The LTC Rider death benefit in this illustration has been increased year-over-year by 7.70% and reduced based on the LTC benefits paid and the annual contractual charges that the policy incurs.

Considerations

Please remember cash value life insurance does have many other considerations that you should review carefully before selecting a policy. Please keep these important points in mind:

- If you do not keep paying the premium on a life insurance policy, you will lose substantial money in early years.
- To be effective, a life insurance policy needs to be held in force until death.
- A life insurance policy generally takes years to build up a substantial cash value.
- Tax-free distributions will reduce cash value and the face amount of the policy.
- You may need to pay higher premiums in later years to keep the policy from lapsing.
- You'll have to qualify medically and financially for life insurance.
- Generally, there are many additional charges associated with a life insurance policy, including, but not limited to, a monthly administrative charge, index account monthly charge, cost of insurance charge, additional benefit rider costs, and surrender charges.

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This policy is first and foremost a life insurance policy. The main purpose is to provide a death benefit. It is not a short-term savings vehicle nor is it for short-term insurance needs. It is designed to be long term in nature and should be purchased only if you have the financial ability to keep it in force for a substantial period of time.

This brochure not intended to be a full description of the policy. Refer to the *Transamerica Financial Foundation IUL* consumer brochure, the life insurance policy, current Cap rates, Statement of Understanding, and a personalized hypothetical illustration for a complete explanation of the terms.

Transamerica and its representatives do not give investment recommendations, tax, or legal advice. These materials and the concepts presented are for informational purposes and should not be viewed as an investment recommendation, tax, or legal advice. Any investment, tax, or legal advice you require should be based on your particular circumstances and should be obtained from an independent professional advisor.

Even though the interest credited to the policy's index accounts may be affected by the index(es), this life insurance policy is not an investment in the stock market(s) or financial market index(es) and does not participate in any stock or investments.

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