Security in Retirement

SERIES

in partnership with

CENTER *for* RETIREMENT RESEARCH *at* BOSTON COLLEGE

JACKSON®

RESEARCH, ANALYSIS AND INSIGHTS ON ADDRESSING

Market Risk

SUMMARY OF KEY FINDINGS

Part four of Jackson's Security in Retirement Series conducted in partnership with the Center for Retirement Research at Boston College

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*As there is a margin of error with any research-based model, results should not be considered definitive and are for discussion purposes only.

About our Security in Retirement Series

Jackson® is committed to ensuring more Americans in or nearing retirement can benefit from greater clarity and confidence in their financial futures. To better support this critical goal, we have partnered with leading academic experts at the Center for Retirement Research at Boston College to launch the Jackson Security in Retirement Series. This multiphase research effort takes a look at a range of potential threats to financial security with the goal of helping financial professionals and retirement investors more effectively identify and manage these risks.

We have arrived at a crucial time for financial well-being in retirement with an estimated 4.1 million baby boomers turning 65 each year through 2027, which is more than 11,200 per day.[1] Meanwhile, rapid advances in healthcare and the science of aging—along with evolving attitudes on what retirement can look like—are redefining what it means to live well longer.

Providing useful, actionable, research-based insights during this confluence of events is essential. Our work with the Center for Retirement Research can help retirement investors and financial professionals better navigate financial challenges in this unprecedented era—one that will have lasting impacts on the economy, workforce, healthcare and government.[2]

To access details and up-to-date findings relative to this research series, as well as other proprietary research materials developed by Jackson on topics that affect the saving and spending habits of Americans, please visit jackson.com/researchcenter.

Research methodology

Research, analysis and insights on addressing market risk—the fourth installment of our Security in Retirement Series with the Center for Retirement Research at Boston College—was conducted in partnership with Greenwald Research. The research approach involved:

An online survey of 1,016 investors conducted October 15 through October 29, 2024

- Respondents were between the ages of 48 and 78 with investable assets of at least $100,000 but no more than $2.5 million.
- Based on research quotas:
  - 307 had investable assets of $100,000 to $299,999.
  - 714 had investable assets of $300,000 to $2.5 million.
  - 199 were receiving—or expected to receive—income from a defined benefit plan, while 900 were not or did not expect to.
- The survey explored how investors perceive, plan for and manage market risks—including their comfort level with financial risk and their ability to identify it—and how these relate to financial vulnerability and retirement concerns. It also examined their investment preferences and confidence in market performance as it relates to financial outcomes.

An online survey of 400 financial professionals conducted November 4 through November 18, 2024

- Respondents were client-facing financial professionals with at least 75 clients. Additional criteria included:
  - A minimum of three years of experience at a firm with at least $30 million in assets under management.
  - At least 40% of clients aged 50 or older.
  - At least half of total income derived from retail customers.
  - Seventy-five respondents were with Registered Investment Advisor firms (RIAs) with no broker-dealer affiliation.
- This portion of the study examined financial professionals' views on market risk, how they assess client risk tolerance, and how these assessments influence client communications, asset allocation decisions and investment strategies.

Note: Percentages shown in tables and charts in this report may not total 100% due to rounding or incomplete responses.

[1] Jason J. Fichtner, Retirement Income Institute, Alliance for Lifetime Income, "The Peak 65 Zone Is Here – Creating a New Framework for America's Retirement Security," January 2024.
[2] Jessica Hall, Morningstar, "As baby boomers hit another milestone next summer, Social Security will feel the strain," August 7, 2023.

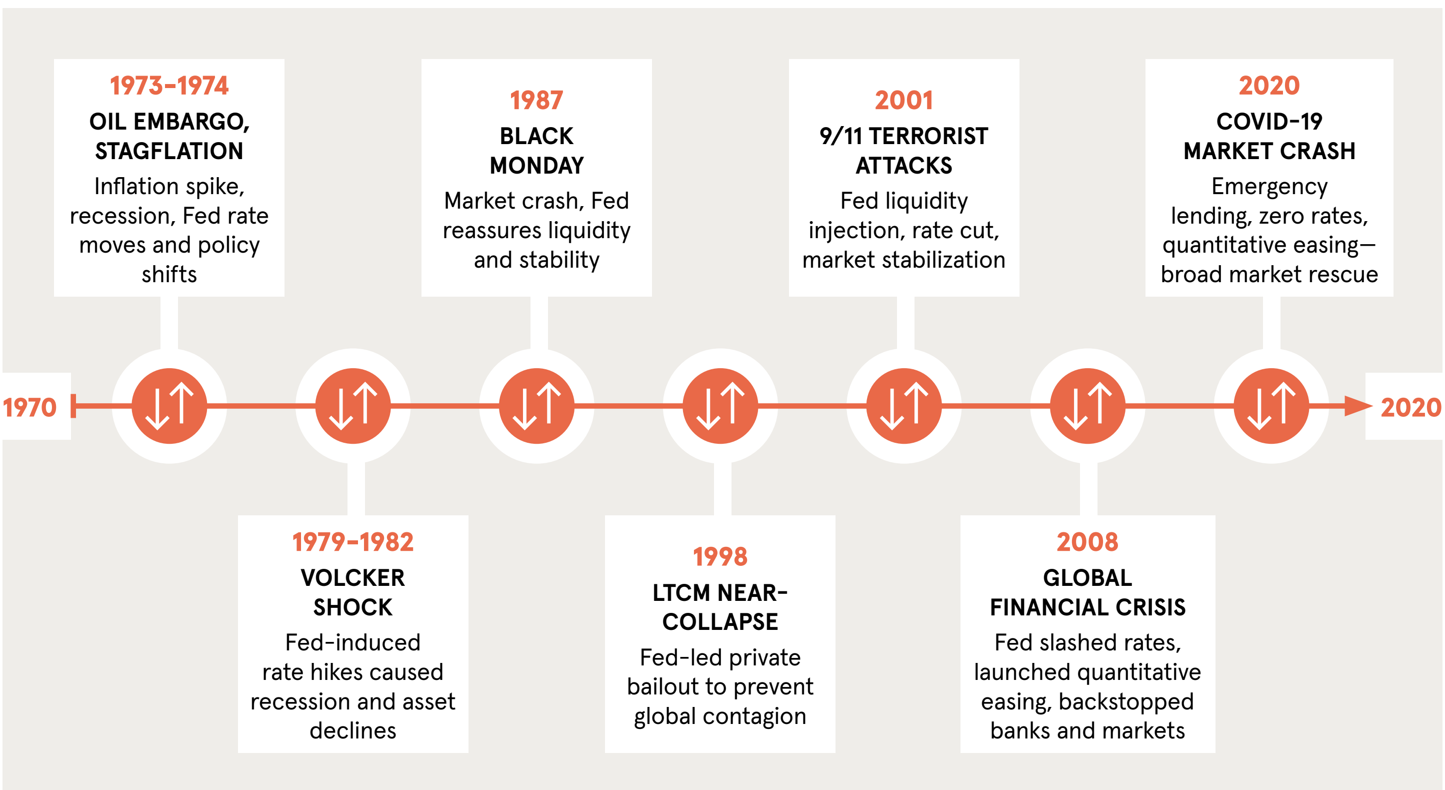
Why market risk demands a new lens

Market risk is a constant, often underestimated presence in retirement planning. It refers to the potential for investment losses due to broad financial market factors—particularly fluctuations in market prices and interest rates.[3] Put simply, it's the risk of losing money on investments,[4] whether in stocks, bonds, mutual funds, commodities, real estate or other asset classes.

Unlike risks tied to a specific company or sector, market risk is widespread.[5] It cannot be eliminated through diversification because it affects entire financial markets at once. Recessions, political instability and natural disasters are common triggers.[6]

When systematic market risk strikes—like in the 2008 financial crisis or the COVID-19 market crash in 2020—nearly all asset classes decline together, often rendering traditional diversification ineffective. By contrast, isolated events such as the Enron scandal in 2001[7] or the 2023 collapse of Silicon Valley Bank[8] are examples of unsystematic risk, where losses can often be absorbed through diversification.

50 years of market risk and Fed response



Note: The 2022 inflation surge, which triggered rapid Fed rate hikes, market repricing and volatility, is not included as it was largely driven by COVID-era effects. The 2023 collapse of Silicon Valley Bank also is excluded—while it caused market instability and required intervention, the financial effects were rapidly contained and isolated.
Sources: Federal Reserve History and official Federal Reserve Board communications (1973-2024).

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[3] Adam Hayes, Investopedia, "Market Risk Definition: How to Deal with Systematic Risk," July 31, 2024.
[4] Ibid.
[5] Ibid.
[6] Ibid.
[7] Troy Segal, Investopedia, "Enron Scandal and Accounting Fraud: What Happened," December 3, 2024.
[8] Michael Evans, Investopedia, "What Happened to Silicon Valley Bank?" March 31, 2025.

The implications of market risk differ depending on where an investor is on their financial journey. A sharp portfolio drop can derail long-term goals for those nearing or entering retirement. For retirees, market losses may directly affect income streams and their ability to maintain a desired lifestyle.

A common assumption is that those who take the most risk are the most exposed to market downturns. But one of the most important—and surprising—findings from our research highlights a different risk: Investors who describe themselves as unwilling to take risks may be vulnerable to a different form of market risk—**the risk of low long-term returns**. This can occur when overly conservative investing behaviors quietly increase the potential for a savings shortfall over time.

To help capture this distinction, our analysis examines both traditional volatility-driven market risk and the long-term implications of investing too conservatively.

This counterintuitive insight reflects a critical planning challenge: **Risk aversion doesn't necessarily lead to risk protection.** In fact, certain behaviors—such as excessive cash holdings or underinvestment in diversified growth assets—can quietly increase exposure. But identifying affected investors through traditional risk profiling is often difficult, which is where Jackson's proprietary tool comes in.

Introducing the Jackson Market Risk Vulnerability Index

The **Jackson Market Risk Vulnerability Index** (Index) was developed as a centerpiece of our research to help identify clients who may be more susceptible to market risk based on their actual financial positioning—not their attitudes toward risk alone. It does this by assessing how many of five key financial benchmarks an investor meets, offering a clearer view of their practical ability to weather market volatility.

The Index helps fill an important gap in financial planning, enabling professionals to:

- **Launch more focused conversations** about risk exposure
- **Match strategies to client behaviors**—not just preferences
- **Instill financial confidence** and **promote retirement readiness**

This paper explores the Index in detail, supported by insights from our national investor survey and companion study of financial professionals.

Through our proprietary research, Jackson continuously strives to provide useful insights and tools that can benefit our customers and support better retirement outcomes. This report—along with other sections of our Security in Retirement Series—supports these important goals.

PART I:

Market risk vulnerability explained—the framework behind our Index

Market risk is the possibility of investment losses caused by fluctuations in prices, interest rates or other macroeconomic forces.[9] It cuts across asset classes,[10] making it difficult to avoid, and often challenges traditional planning assumptions about protection and preparedness.

While all investors face market risk, some are more susceptible than others. To help identify those investors, Jackson developed the **Market Risk Vulnerability Index**—a research-based tool that provides a practical way to gauge how vulnerable investors may be, based on their financial positioning.

A new layer of risk assessment

Financial professionals routinely assess risk through three primary lenses:

- **Risk tolerance** is the emotional and psychological ability to accept and remain comfortable with risk and volatility.[11]
- **Risk capacity** reflects the level of risk an investor can take without jeopardizing financial stability, based on income, assets, debts and other financial factors.[12]
- **Risk propensity** is a behavioral measure that captures a person's natural tendency to take or avoid risk. Risk-averse individuals have low risk propensity, while risk-takers have high propensity.[13]

These measures are all important, but they don't always align neatly. For example, someone might have a high risk propensity—willing to take big bets—but low risk tolerance, feeling anxious when markets fluctuate. Understanding the full interplay between these three measures can help professionals design more effective, personalized financial strategies.

But even this broader risk profile may not reveal how exposed an investor truly is to **market risk specifically**—which is where financial positioning comes into play.

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[9] Adam Hayes, Investopedia, "Market Risk Definition: How to Deal with Systematic Risk," July 31, 2024.
[10] Ibid.
[11] Adam Hayes, Investopedia, "What Is the Difference Between Risk Tolerance and Risk Capacity," August 29, 2024.
[12] Ibid.
[13] IGI Global Scientific Publishing, InfoScipedia,"What is Risk Propensity," accessed April 29, 2025.

Why benchmarks matter

Professionals often use standard benchmarks to assess a client's overall financial picture and guide the planning process. These guideposts help frame conversations around budgeting, savings, asset allocation and diversification*—all factors that influence how well an investor may be positioned to withstand market shocks.

To develop the Index, we used five financial benchmarks that reflect common indicators of household financial behavior and investment strategy. The **first two focus on spending and saving habits,** while the **remaining three evaluate investing and allocation practices.** These are the benchmarks Jackson's research team selected to form the foundation of our Index:

1. HOUSEHOLD SPENDING

Based on the 50-30-20 rule, which allocates 50% of after-tax income to needs, 30% to wants, and 20% to savings.[14]

2. RETIREMENT SAVINGS

Benchmarked against guidelines suggesting savings should reach 10 times annual income by retirement age[15] and once retired equal 20 times annual expenses at age 70.[16]

3. CASH ALLOCATION

Evaluated using the principle that cash holdings should not exceed 20% of total assets.[17]

4. STOCK-BOND SPLIT

Derived from a variation of the "Rule of 100," which subtracts age from 100 to determine stock allocation, with the inverse for bonds.[18]

- To reflect increasing lifespans, we modified the rule to subtract age from 115.
- For investors within five years of retirement, stock allocation was set at 115 minus (retirement age minus five) to recognize sequence-of-returns risk-market losses early in retirement.
- **Example:** A 60-year-old five years from retirement would have a benchmark stock allocation of **55%: 115-(65-5) = 55.** The remaining 45% is generally assumed to be allocated to bonds, cash and cash equivalents.[19]

5. ASSET DIVERSIFICATION

Measured by whether assets were spread across at least four of five categories: stocks, bond funds, cash, bonds and other investments.

* Diversification does not assure a profit or protect against loss in a declining market.

[14] Eric Whiteside, Investopedia, "The 50/30/20 Budget Rule Explained With Examples," August 22, 2024.

[15] Gabrielle Olya, Yahoo Finance, "You Need 10X Your Salary To Retire Comfortably: Here's Where Gen X & Boomers Stand," November 18, 2024.

[16] Financial Samurai, "How Much Savings Should I have By Age 70?" accessed April 29, 2025.

[17] Eric Whiteside, Investopedia, "The 50/30/20 Budget Rule Explained With Examples," August 22, 2024.

[18] Brian O'Connell, U.S. News & World Report, "Should Retirees Follow the 100-Minus-Your-Age Rule for Stock Allocation?" March 4, 2025.

[19] Rebecca Lake, Smart Asset, "70/30 vs. 80/20 Asset Allocation: Which Is Better?" March 13, 2025.

Scoring investors with the Index

Survey respondents were scored based on how many of the five benchmarks they met. **Investors who met more benchmarks showed lower vulnerability to market risk.**

- **LOW-INDEX investors:** Met four or five benchmarks—least vulnerable to market risk.
- **MEDIUM-INDEX investors:** Met three benchmarks—moderately vulnerable.
- **HIGH-INDEX investors:** Met zero to two benchmarks—most vulnerable to be positioned to withstand market risk.

BENCHMARK	LOW INDEX (216 respondents)	MEDIUM INDEX (579 respondents)	HIGH INDEX (222 respondents)
1: Spending on basic needs • Does not exceed 50% of maximum income in range reported.	**95%**	**82%**	**43%**
2: Savings • Builds to 10 times income by retirement age and once retired equals 20 times expenses at age 70.	**82%**	**35%**	**7%**
3: Cash allocation • Does not exceed 20% of total assets.	**96%**	**66%**	**11%**
4: Stock-bond split • Stocks comprise a portion of assets equal to the investor's age subtracted from 115 • For investors within five years of retirement—before or after—stock allocation is set using the formula 115 minus (retirement age minus five). • Those within 10 percentage points of target stock allocation meet the benchmark.	**57%**	**15%**	**4%**
5. Asset diversification • Assets are distributed across five categories: stocks, bond funds, cash, bonds and other investments. • Investors who hold assets in four or more categories meet the benchmark.	**91%**	**55%**	**14%**

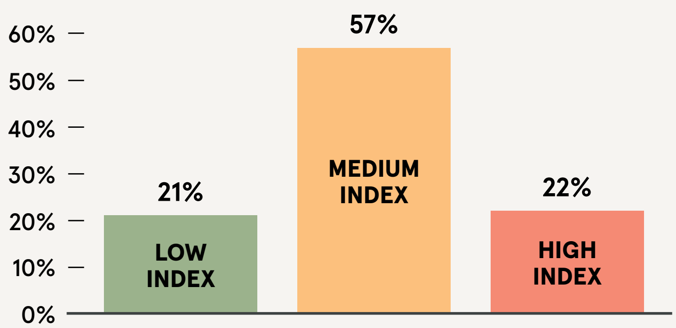
Understanding the Index

The **Jackson Market Risk Vulnerability Index** segments investors based on how many of five key benchmarks they meet—spanning spending, saving and investing behaviors.

Wondering how to read the Index results above? These **two examples** show what they reveal:

- **95% of low-index investors spend under 50% of their income on basic needs, compared to 43% of high-index investors.**
- **High-index investors are more likely to exceed recommended thresholds for cash allocation and fall short on asset diversification.**

Investor distribution by Index score



Investor segmentation by Index score followed a **near perfect bell curve,** suggesting a balanced range of financial positioning and underscoring the strength of the Index as a tool for identifying varying levels of market risk vulnerability.

Key insights from our research

One of the most notable findings of the study was that **investors who identify as risk-averse were among the most vulnerable to market risk.** Members of this segment tend to shy away from equities, hold large cash positions and often lack diversification—all behaviors that, while cautious on the surface, may increase exposure during economy-wide downturns.

Additional observations include:

- **Income matters—but doesn't explain everything.** Investors with lower income were more likely to be highly vulnerable, but spending behaviors, housing costs and investment choices played equally important roles.
- **Comfort with risk and financial literacy were key differentiators** between high- and low-index segments.
- **Those who appear most successful at investing tend to entertain a moderate approach to investment risk.**
- **Collaborating with a financial professional was more common among low-index investors—**and was often tied to more confident planning behaviors.

These findings help lay the groundwork for the next section, where we explore each segment in more detail.

PART II:

Assessing vulnerability—exploring high, medium and low index segments

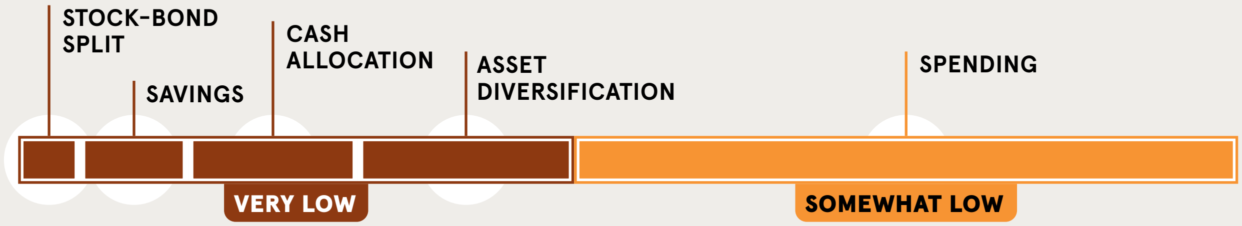
Market risk affects investors differently based on their financial positioning, asset allocation and overall preparedness. The Jackson Market Risk Vulnerability Index segments investors by how many of five key financial benchmarks they meet. Each group—high, medium and low index—reveals meaningful differences in financial behavior, confidence and exposure to market shocks.

High-index segment—most vulnerable

Met 0-2 benchmarks

SEGMENT SNAPSHOT

Benchmark alignment



Mortgage balance **78%** higher than low-index investors

49% Average ideal cash holdings

56% worry about running out of money in retirement

Sentiment: "I don't like taking risks and have some financial hurdles to overcome."

High-index segment—most vulnerable

Met 0-2 benchmarks

Research-driven profile

- Most likely to **describe themselves as uncomfortable taking risks,** yet their investing behaviors—such as high cash allocations and lack of diversification—leave them **more exposed to market volatility.** While these assets may appear less volatile in the short term, the real concern is their limited potential to keep pace with inflation and grow over time.
- **Budgeting and money management challenges** appear to be a key driver of vulnerability. These investors **earn less,** have investable assets nearly 70% lower than low-index investors and face **higher expenses**—having **less available for savings and investment.**
- **Many are "house poor,"** with an average remaining mortgage **78% higher than that of low-index investors,** and longer repayment terms—restricting their ability to direct funds toward other priorities.
- Ideal cash holdings reported by this group average **49% of total assets—**more than double the commonly recommended 20% threshold.
- Only **42% consider rebalancing their investments at least once a year to be effective—**this percentage is lower than among medium-index investors and noticeably lower than among low-index investors.
- Far less likely to have received—or expect to receive—an inheritance, limiting access to outside financial support or emergency liquidity.
- More than **twice as likely to cite longevity risk** as a major concern compared to low-index investors. For more on longevity risk, download Part 1 of our Security in Retirement Series.
- Just **43% currently work with a financial professional.** Among those who do, many say the relationship has **reduced** their comfort with risk and spending—possibly reflecting a mismatch between advisor messaging and client mindset.

Key financial planning considerations

- Explore opportunities to reduce housing cost burdens—through refinancing, downsizing or payoff strategies—to free up income for savings and diversification.
- Evaluate the tradeoffs of holding large cash positions, particularly related to inflation and opportunity cost. For more on inflation risk, download Part 2 of our Security in Retirement Series.
- Consider basic diversification strategies and approaches that provide principal protection or income guarantees,* such as annuities with living benefits.
- Financial professionals can help build trust through values-based planning and financial literacy education that focuses on protection and lifestyle goals rather than performance alone.

What is an annuity?

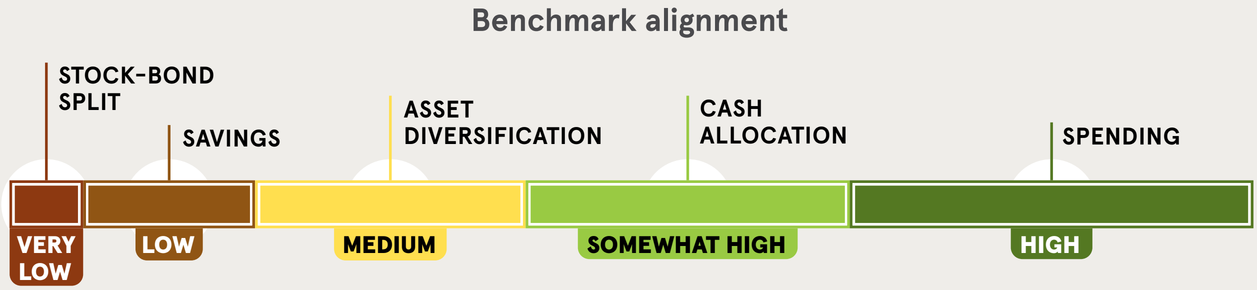
Annuities are long-term, tax-deferred vehicles designed for retirement and are insurance contracts. Variable annuities and registered index-linked annuities involve investment risks and may lose value. Earnings are taxable as ordinary income when distributed. Individuals may be subject to a 10% additional tax for withdrawals before age 59 ½ unless an exception to the tax is met. Add-on benefits are available for an extra charge in addition to the ongoing fees and expenses of the annuity and are subject to conditions and limitations. There is no guarantee that a variable annuity with an add-on living benefit will provide sufficient supplemental retirement income.

* Guarantees are backed by the claims-paying ability of the issuing insurance company.

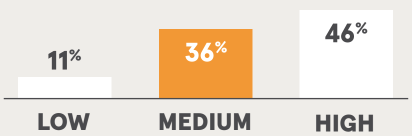
Medium-index segment—moderately vulnerable

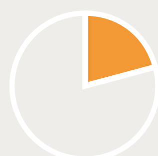
Met 3 benchmarks

SEGMENT SNAPSHOT



Use of index mutual funds and ETFs*





21% Average ideal cash holdings

Rebalancing gap likely

Sentiment: "I've taken some steps to prepare for my financial future but could use more help with planning."

Research-driven profile

- **Often show mixed behaviors—**may meet some key benchmarks such as household spending or cash holdings but fall short on retirement savings or portfolio allocation.
- **Ideal cash allocation** averages 21%, **just above the 20% benchmark,** but still significantly higher than the 12% allocation favored by low-index investors.
- **Less likely than low-index investors to use index-based strategies—**such as mutual funds and exchange-traded funds (ETFs)—which could limit long-term growth potential.
- Only **46% believe rebalancing their investments annually is effective—**10 percentage points lower than low-index investors.
- **56% work with a financial professional,** most often increasing their desire to invest in stock mutual funds and purchase annuities for guaranteed income.
- **May display a lack of knowledge about financial matters or market expectations** that affects willingness to invest and overall planning engagement.

Key financial planning considerations

- It may be helpful to reassess stock-bond allocations to ensure they align with time horizon and risk preferences.
- Exploring diversification beyond employer-sponsored plans could increase flexibility and tax efficiency.
- **Structured products** that offer partial protection—such as **registered index-linked annuities (RILAs)—**may appeal to those concerned about volatility.
- Financial professionals may find success by initiating simple check-ins or goal-based conversations to build momentum.

* Based on investors who report trying to invest most of their assets, including employer-based retirement plan money, in index mutual funds and ETFs.

Low-index segment—least vulnerable

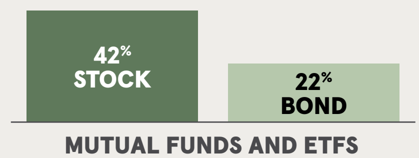
Met 4-5 benchmarks

SEGMENT SNAPSHOT

Benchmark alignment

Nearly twice as comfortable taking moderate financial risks as high-index investors

Average ideal allocations



Potential planning gaps

- → Tax optimization
- → Legacy planning
- → Long-term care

Sentiment: "I feel prepared for what's ahead because I've taken the time to plan."

Research-driven profile

- Consistently **demonstrate strong financial behaviors,** including robust retirement savings, appropriate cash allocation and broad diversification.
- **Ideal cash allocation of 12%** is comfortably below the 20% benchmark and well-aligned with widely accepted best practices.
- **56% recognize the value of rebalancing their portfolios at least once a year,** which can help keep their long-term investment goals on track.
- Most likely to use **index funds and ETFs,** which tend to offer cost efficiency and diversification benefits.
- **72% report working with a financial professional,** most often increasing their desire to invest in both stock and bond mutual funds and ETFs, and more frequently than other segments boosting interest in annuity purchases for guaranteed income.
- Professional guidance may help reinforce this group's high level of financial knowledge.
- Gaps may still exist in areas like long-term care planning or advanced tax strategies—for example, incorporating Roth conversions or withdrawal sequencing.

Key financial planning considerations

- Periodically reassessing risk tolerance relative to current market exposure may help maintain alignment and confidence.
- Consider exploring advanced tax planning strategies—such as Roth conversions, asset location optimization or withdrawal sequencing—to support multigenerational wealth goals.
- Evaluating long-term care needs and estate plans may help close gaps and support legacy planning. Download Part 3 of Jackson's Security in Retirement Series to learn more about managing long-term care needs and other healthcare risks in retirement.
- Continued collaboration with a financial professional may add value in areas like scenario modeling or philanthropic planning.

PART III:

Strategies for managing market risk

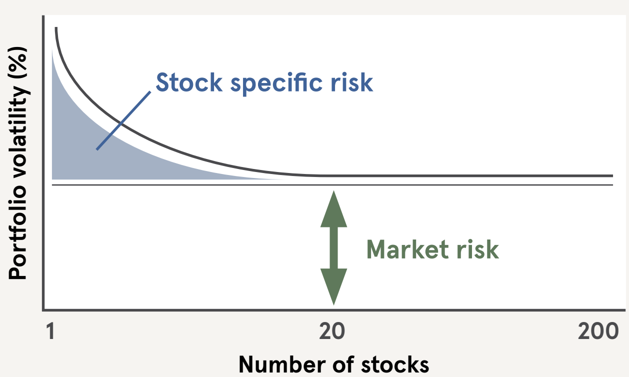
Market risk can't be eliminated—but it can be planned for. While diversification remains a foundational approach, the limitations of the strategy during broad downturns point to the need for complementary tools. This section explores several options that may help financial professionals and their clients address market risk more effectively—especially when guided by insights from the Jackson Market Risk Vulnerability Index.

The limits of diversification

Diversification is one of the most widely used investment principles, typically achieved by spreading investments across asset classes, sectors and regions. In many cases, this can reduce the impact of losses in any one area of the market.

But diversification has its limits—particularly during system-level market events—and it does not assure a profit or protect against loss in a declining market. In periods like the 2008 financial crisis or the 2020 COVID-19 market crash, correlations across asset classes increased sharply, causing nearly all investments to decline at the same time.[20]

When markets move together



Diversification across different investments helps reduce some risks—but it **can't eliminate the impact of broad market downturns.**

Modern Portfolio Theory shows that holding around 20 stocks can help minimize exposure to individual stock swings, but not protect against full market declines.

When markets move together, it's a reminder that **additional strategies may be needed** to help support long-term financial goals.

Source for chart and callout text: Brian Beers, Investopedia, "The Dangers of Over-Diversifying Your Portfolio," September 29, 2022.

Key takeaway: Diversification is a critical long-term strategy, but it may offer limited protection in periods of widespread market disruption.

[20] Andrew Osterland, CNBC, "Here are key ways the coronavirus crisis differs from the Great Recession," May 27, 2020.

Annuities: Structuring for protection, growth and income opportunities

Annuities can play a unique role in helping manage market risk, particularly for those approaching or entering retirement. Depending on the product and selected benefits, they can provide structured protection against losses, opportunities for growth and, in many cases, guaranteed* lifetime income.

Variable annuities (VAs)

- May include **guaranteed living benefit riders** available for an additional fee that help provide income stability even if the account's market value declines.
- Allow for continued **exposure to growth-oriented investments** with add-on **protection features.**
- Can help manage **sequence-of-returns risk,** particularly for investors withdrawing income early in retirement.

Fixed and fixed index annuities

- Provide **principal protection** and **predictable income.**
- May be appropriate for highly risk-averse investors—such as those in the **high-index** segment—who are less comfortable with market fluctuations.

Registered index-linked annuities (RILAs)

- Offer a balance of market participation and levels of **protection opportunities.**†
- May appeal to investors in the **medium- or high-index** categories who seek growth potential without full exposure to volatility.
- Provide **flexibility in risk and return trade-offs** based on contract features and index choices.

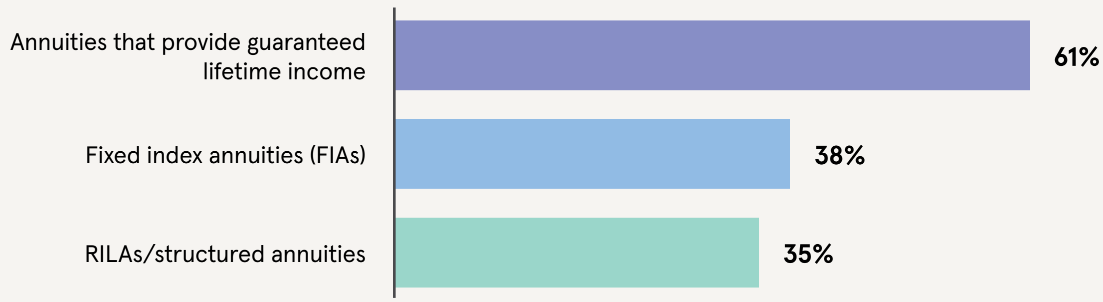
Tax advantages across all types

- Earnings grow **tax-deferred,**‡ allowing more money to stay invested and potentially compound faster over time.
- For **low-index investors,** annuities may provide added value by supporting **asset location strategies,** helping to preserve tax efficiency across multiple accounts.

Our survey of financial professionals finds that **61% use annuities with guaranteed income to manage investment risk** for clients approaching or in retirement.

Financial professionals' use of annuities to manage investment risk

(among those surveyed)



KEY TAKEAWAY: Annuities may complement traditional strategies by offering protection, income stability and tax advantages—especially when tailored to a client's vulnerability profile.

* Guarantees are subject to the claims-paying ability of the issuing insurance company.

† Owners could see a substantial loss during an index period if the index declines more than the level of downside protection. If an owner does see a substantial loss during an index period, the owner may not be able to participate fully in a subsequent market recovery due to the capped upside potential in subsequent index periods.

‡ Tax deferral offers no additional value if an IRA or a qualified plan, such as a 401(k), is used to fund an annuity and may be found at a lower cost in other investment products. It also may not be available if the annuity is owned by a legal entity such as a corporation or certain types of trusts.

Other tools to consider

While annuities and diversification are two common strategies, other tools may also support market risk planning.

Derivatives–options, futures, swaps

- Derivatives are financial contracts—traded on exchanges or over the counter through direct transactions between parties—with a value based on an underlying asset, group of assets or benchmark.[21]
- While they can be used to **hedge against losses** or **lock in returns,** derivatives are complex and often unsuitable for individual investors.[22]
- Experienced fund managers often use derivatives inside annuity products to create built-in risk protection, so investors and financial professionals don't have to manage these complex tools themselves.

Tactical or dynamic asset allocation

- Shifting portfolio allocations in response to market trends may help manage risk—but this approach requires expertise and can introduce timing challenges.[23]

Cash reserves

- Maintaining cash for near-term needs can reduce the risk of selling investments at a loss.
- However, excessive cash holdings can underperform over time and may increase vulnerability to inflation.

> **KEY TAKEAWAY:** Additional tools may play a supporting role—but should be integrated into a well-structured, personalized plan.

Reinforcing the value of the Index

Our research reveals that the **investors most vulnerable to market risk aren't always the ones taking the biggest chances.** Often, they're those who appear most cautious—yet fail to take protective steps that align with **long-term resilience.**

The **Jackson Market Risk Vulnerability Index** shines a light on those hidden exposures. By scoring investors based on how many key benchmarks they meet, it offers financial professionals a practical tool to:

- Start more productive conversations about risk and financial readiness
- Identify clients who may benefit from additional protection, education or reallocation
- Support personalized strategies that align with each client's behavior, mindset and goals

> **CONCLUSION:** The Index doesn't just identify market risk vulnerability—it creates a gateway to deeper planning, stronger engagement and greater financial confidence.

[21] Jason Fernando, Investopedia, "Understanding Derivatives: A Comprehensive Guide to Their Uses and Benefits," January 23, 2025.
[22] Ibid.
[23] Cornerstone Portfolio Research, "An RIA's Definitive Guide For Tactical Asset Allocation," accessed April 29, 2025.

Score your clients using the Jackson Market Risk Vulnerability Index*

The more benchmarks met, the stronger the positioning against potential market risk

BENCHMARK	RESULT (Benchmark met?) YES	NO
1: Spending on basic needs • Does not exceed 50% of maximum income.	☐	☐
2: Savings • Builds to 10 times income by retirement age and once retired equals 20 times annual expenses at age 70.	☐	☐
3: Cash allocation • Does not exceed 20% of total assets.	☐	☐
4: Stock-bond split • Stocks comprise a portion of assets equal to the investor's age subtracted from 115† • For investors within five years of retirement—before or after—stock allocation should be set at 115 minus (retirement age minus five) and held steady for 10 years.†† • Those within 10 percentage points of target stock allocation meet the benchmark.	☐	☐
5. Asset diversification • Assets are distributed across five categories: stocks, bond funds, cash, bonds and other investments. • Investors who hold assets in four or more categories meet the benchmark.	☐	☐

Index scoring key

Total No. of benchmarks met	Market risk vulnerability profile
0-2	HIGH INDEX
3	MEDIUM INDEX
4-5	LOW INDEX

* As there is a margin of error with any research-based model, results should not be considered definitive and are for discussion purposes only.

† This variation of the "Rule of 100" adjusts for longer life expectancies.

†† The calculation accommodates sequence-of-returns risk, recognizing that market losses early in retirement can have a greater impact on long-term financial security. Applying the calculation, a 67-year-old who retired at 65 would have a stock allocation of **55%: 115 - (65 – 5) = 55**. This allocation would remain steady until age 70.

To learn how an annuity may help protect against market risk and deliver greater confidence and clarity in retirement planning, investors should work with a financial professional.

Financial professionals should contact their Jackson representative to learn more about the potential benefits of incorporating annuities into effective client income strategies.

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