A fresh look at market risk analysis

Security in Retirement SERIES

in partnership with CENTER for RETIREMENT RESEARCH at BOSTON COLLEGE

Identify clients who may be more susceptible to market risk and develop strategies to address it.

New research reinforces the importance of taking a holistic approach to retirement planning and managing market risk. See how market losses can jeopardize the long-term goals of pre-retirees and retirees. Our latest white paper reveals:

- How the Jackson Market Risk Vulnerability Index applies five key financial benchmarks to assess investor vulnerability
- Risk characteristics and planning mindsets common to three distinct investor segments
- Considerations to help improve financial readiness across those segments
- Planning strategies to help manage market risk—including the use of annuities

Market risk refers to the threat of losing money on investments due to broad financial market factors—particularly fluctuations in market prices and interest rates.

Key takeaways

Investors who describe themselves as risk-averse appear to be the most vulnerable to a different form of market risk—the risk of low long-term returns from overly conservative investing behaviors.

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 were also factors.

Diversification is a critical long-term strategy but may offer limited protection in periods of widespread market disruption. It can help reduce some risks, but can't eliminate the impact of broad market downturns.

Working with a financial professional was more common among least-vulnerable investors. This collaboration was often linked to more confident planning behaviors.

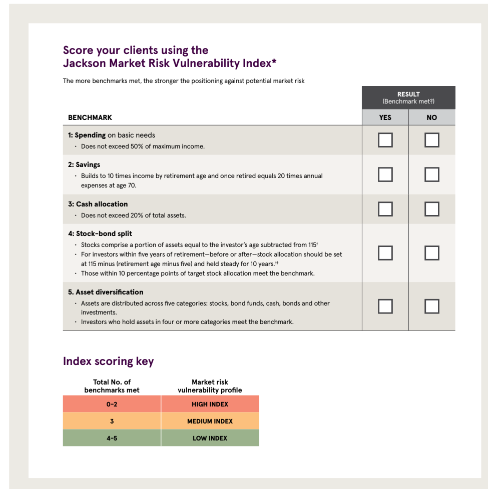
Sixty-one percent of financial professionals use annuities with guaranteed* income to manage investment risk for clients approaching or in retirement. Annuities tailored to a client's vulnerability profile can potentially be an effective strategy when planning for market risk.

Annuities are long-term, tax-deferred vehicles designed for retirement. Variable 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 59½ unless an exception to the tax is met.

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

Market risk can't be eliminated—but it can be planned for.
For a deeper dive into this topic, download our white paper.

Wondering about your own market vulnerability?
Check out our worksheet on p. 17 of the paper.



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

Before investing, investors should carefully consider the investment objectives, risks, charges, and expenses of the variable annuity and its underlying investment options. The current contract prospectus and underlying fund prospectuses provide this and other important information. Please contact your financial professional or the Company to obtain the prospectuses. Please read the prospectuses carefully before investing or sending money.

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