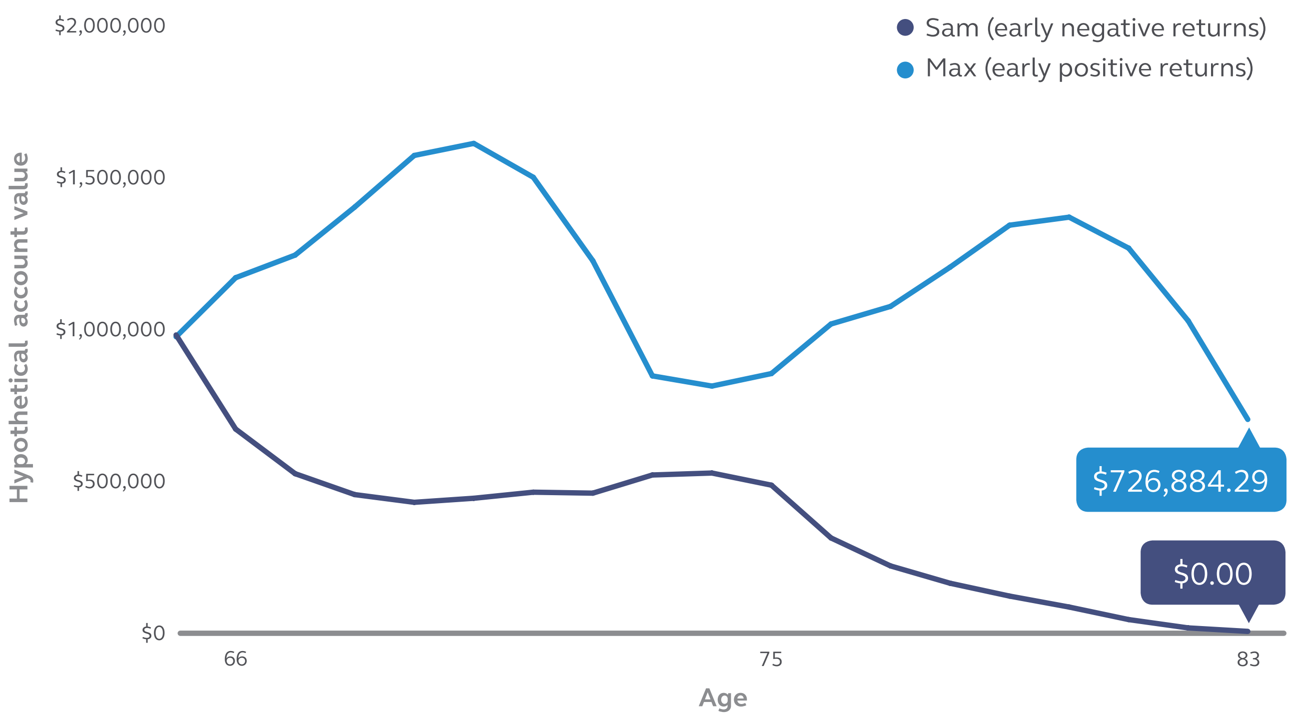
Help protect retirement income from market volatility

What happens if you retire, and the economy takes a turn for the worse?

Most likely the value of your investment accounts will go down. You'll have to take income withdrawals from that reduced amount, making it harder for your investments to earn back what was lost. Here's an example.

Sam and Max start with the same account value and both withdraw 5% annually. Sam experienced negative returns early in his retirement and is out of money by age 83. Max experienced positive returns early in his retirement and still has plenty of money when he's 83.



This chart assumes a 66-year-old investor with a starting value of $1,000,000 and a 5% flat annual withdrawal.

Withdrawals occur at the beginning of each year. These numbers do not reflect all applicable fees and charges, which would lower final results. Nor do they reflect the impact of taxes. All money withdrawn would be taxed as ordinary income.

This chart is hypothetical and for illustrative purposes only. It isn't intended to predict or project investment results, and the data doesn't represent the performance of any Principal Financial Group® product.

Let's take a different look

Here we show Sam and Max at the same starting value. They withdraw the same annual income, and over 18 years end with the same average annual returns. The only difference is their returns are flipped to occur in the opposite order. You can see how those early negative returns affect Sam's savings. Even though he enjoys strong annual returns later, he can't overcome the impact of the early negative returns on his retirement savings.

Sam | Early negative returns – 5% flat withdrawal				**Max** | Early positive returns – 5% flat withdrawal			
Age	Return	Withdrawal	Account value	Age	Return	Withdrawal	Account value
			$1,000,000.00				$1,000,000.00
66	-27.5%	$50,000.00	$688,750.00	66	25.8%	$50,000.00	$1,195,100.00
67	-15.3%	$50,000.00	$541,021.25	67	10.9%	$50,000.00	$1,269,915.90
68	-3.9%	$50,000.00	$471,871.42	68	17.1%	$50,000.00	$1,428,521.52
69	5.8%	$50,000.00	$446,339.96	69	16.0%	$50,000.00	$1,599,084.96
70	16.0%	$50,000.00	$459,754.36	70	5.8%	$50,000.00	$1,638,931.89
71	17.1%	$50,000.00	$479,822.35	71	-3.9%	$50,000.00	$1,526,963.55
72	10.9%	$50,000.00	$476,672.99	72	-15.3%	$50,000.00	$1,250,988.12
73	25.8%	$50,000.00	$536,754.62	73	-27.5%	$50,000.00	$870,716.39
74	11.6%	$50,000.00	$543,218.16	74	2.0%	$50,000.00	$837,130.72
75	2.0%	$50,000.00	$503,082.52	75	11.6%	$50,000.00	$878,437.88
76	-27.5%	$50,000.00	$328,484.83	76	25.8%	$50,000.00	$1,042,174.85
77	-15.3%	$50,000.00	$235,876.65	77	10.9%	$50,000.00	$1,100,321.91
78	-3.9%	$50,000.00	$178,627.46	78	17.1%	$50,000.00	$1,229,926.96
79	5.8%	$50,000.00	$136,087.85	79	16.0%	$50,000.00	$1,368,715.27
80	16.0%	$50,000.00	$99,861.91	80	5.8%	$50,000.00	$1,395,200.76
81	17.1%	$50,000.00	$58,388.29	81	-3.9%	$50,000.00	$1,292,737.93
82	10.9%	$50,000.00	$9,302.62	82	-15.3%	$50,000.00	$1,052,599.03
› **83**	**25.8%**	**$9,302.62**	**$0.00**	**83**	**-27.5%**	**$50,000.00**	**$726,884.29**

These are the assumptions for both charts: a 66-year-old investor with a starting value of $1,000,000, and a 5% flat annual withdrawal. Withdrawals occur at the beginning of each year. These numbers do not reflect all applicable fees and charges, which would lower final results. Nor do they reflect the impact of taxes. All money withdrawn would be taxed as ordinary income.

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The impact of annual yields early in your retirement is known as sequence of returns risk. And the sequence of positive or negative annual returns may be more critical to how long your assets last than your average annual rate of return. The question is ... what do you do about it?

Help protect yourself

You can help protect yourself against sequence of returns risk by using some of your savings to create a stream of guaranteed income. One way to do this is by purchasing a variable annuity with a guaranteed minimum withdrawal benefit (GMWB) rider.[1]

A variable annuity is a long-term investment product. There are fees and charges associated with annuities, including surrender charges, mortality and expense charges, administrative fees and annual contract fees. You make contributions into the investment options offered and earnings grow tax-deferred until they're withdrawn. **Because your contributions are invested in the market, it's possible you could lose money — and that's how the GMWB rider can help.**

Riders vary by product and typically have an additional cost, but generally they help protect your initial premium. This creates what's called a withdrawal benefit base — the source of your guaranteed income. Gains you experience within any given year are added to your initial premium and locked in, providing the potential for growth. You don't have to worry about losing the money in your withdrawal benefit base. It's guaranteed.

When you're ready to make lifetime withdrawals, you'll receive annual income based on a percentage of your withdrawal benefit base. This ensures you'll receive income regardless of your account value, no matter how long you live.

Sam | Early negative returns – 5% flat withdrawal

Age	Return	Withdrawal	Account value
81	17.1%	$50,000.00	$58,388.29
82	10.9%	$50,000.00	$9,302.31
83	25.8%	$50,000.00	$0.00
84	11.6%	$50,000.00	$0.00
85	2.0%	$50,000.00	$0.00
86	-27.5%	$50,000.00	$0.00
87	-15.3%	$50,000.00	$0.00
88	-3.9%	$50,000.00	$0.00
89	5.8%	$50,000.00	$0.00
90	16.0%	$50,000.00	$0.00
91	17.1%	$50,000.00	$0.00
92	10.9%	$50,000.00	$0.00
93	25.8%	$50,000.00	$0.00
94	11.6%	$50,000.00	$0.00
95	2.0%	$50,000.00	$0.00

This chart is a continuation of Sam's annual returns — but here we see the affect that a GMWB rider would have. We know due to early negative returns, Sam runs out of money by age 83. But with the rider on his variable annuity, his annual income payment of $50,000 is guaranteed. So even when his account is at $0, he'll still receive this guaranteed amount.

You can't predict the economy, but you can plan for the unknown. And by creating a retirement income plan that balances opportunities and risk, you can worry less about what will happen in the market and still retire when you want.

Talk to your financial professional to learn more about sequence of returns risk in retirement and how a variable annuity with a GMWB rider could create a guaranteed source of income.

[1]Guarantees based on the claims-paying ability of Principal Life Insurance Company.

[2]Annuity 2012 Mortality Table, Society of Actuaries

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Before investing in a variable annuity, investors should carefully consider the investment objective, risks, charges and expenses of the contract and the underlying investment options. This and other information is contained in the free prospectus and, if available, the summary prospectus which can be obtained from your local representative or online at principal.com. Please read the prospectus and, if available, the summary prospectus carefully before investing.

There are risks involved with investing, including possible loss of principal. There is no assurance that the goals of the strategies described will be met.

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Contract rider descriptions are not intended to cover all restrictions, conditions or limitations. Refer to riders for full details.

Tax-qualifed retirement arrangements, such as IRAs, SEPs, and SIMPLE-IRAs are tax-deferred. Consequently, an annuity should be used to fund an IRA, or other tax qualified retirement arrangement, to benefit from the annuity's features other than tax deferral. These features may include guaranteed lifetime income, death benefits without surrender changes, guaranteed caps on fees, and the ability to transfer among investment options without sales or withdrawal charges.

Withdrawals prior to 59 $^{1}/_{2}$ are subject to a 10% IRS penalty tax.

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