READY TO RETIRE?

When planning for income, consider how the sequence of returns could impact a portfolio's value over time

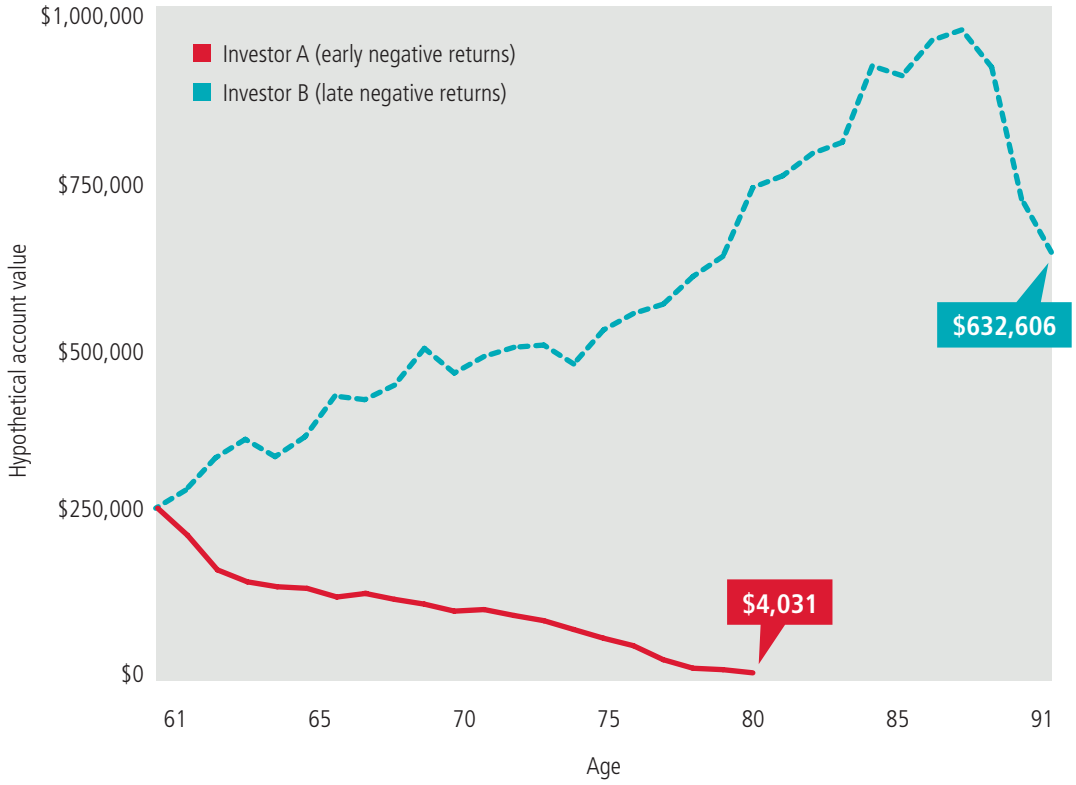
The sequence of returns matters

When an investor starts taking withdrawals, the sequence of positive and negative annual returns may be more critical to how long the assets last than the average annual rate of return over the life of an investment.

The chart below shows two 30-year income scenarios. The solid line shows a withdrawal plan that started off with three years of negative returns in a row. The dotted line represents a withdrawal plan with the negative years at the end. Both plans started with $250,000 and both took out $12,500 per year inflated by 3% for inflation. No other actions were taken to manage income withdrawals. Both plans had a 6.6% average annual rate of return on the underlying investment for the 30-year period.

Built to last?

Compare early negative versus late negative returns on a hypothetical retirement portfolio.



The impact of negative return years early in retirement can result in funds exhausting at a much earlier age than expected.

Chart source: MFS research

This hypothetical example is for illustrative purposes only and is not intended to represent the future performance of any MFS® product or actual market performance. Also note that this example does not take into account other potential sources of retirement income, such as Social Security, corporate pensions, etc.

Keep in mind that all investments, including mutual funds, carry a certain amount of risk including the possible loss of the principal amount invested.

NOT FDIC INSURED • MAY LOSE VALUE • NO BANK GUARANTEE

See the reverse side for other important information.

Clearly different results

It is important to note that Investors A and B had the same annual returns over 30 years, with each portfolio earning an average annual return of 6.6%, except that Investor A's annual returns were inverted to represent Investor B's annual returns. This hypothetical example is for illustrative purposes only and is not intended to represent the future performance of any MFS product or actual market performance.

Comparing gains versus losses in the early years of retirement on a hypothetical portfolio

Investor A

Age	Hypothetical **negative** early returns	Hypothetical account value	Annual withdrawal adjusted 3% for inflation
61		$250,000.00	
62	**-11.2%**	$209,500.00	$12,500.00
63	**-18.5%**	$157,867.50	$12,875.00
64	**-2.9%**	$140,028.09	$13,261.25
65	4.5%	$132,670.27	$13,659.09
66	8.8%	$130,276.39	$14,068.86
67	1.2%	$117,348.78	$14,490.93
68	17.4%	$122,841.82	$14,925.65
69	5.2%	$113,856.17	$15,373.42
70	7.6%	$106,674.61	$15,834.63
71	5.5%	$96,232.05	$16,309.66
72	19.9%	$98,583.27	$16,798.95
73	8.6%	$89,758.51	$17,302.92
74	11.2%	$81,989.46	$17,822.01
75	6.3%	$68,798.12	$18,356.67
76	8.5%	$55,738.59	$18,907.37
77	15.0%	$44,624.78	$19,474.59
78	-2.0%	$23,673.46	$20,058.83
79	4.3%	$4,030.82	$20,660.60
80	6.5%		
81	9.2%		
82	-4.2%		
83	16.3%		
84	9.0%		
85	2.3%		
86	21.1%		
87	13.4%		
88	-3.5%		
89	12.6%		
90	22.1%		
91	15.8%		

Investor B

Age	Hypothetical **positive** early returns	Hypothetical account value	Annual withdrawal adjusted 3% for inflation
61		$250,000.00	
62	15.8%	$277,000.00	$12,500.00
63	22.1%	$325,342.00	$12,875.00
64	12.6%	$353,073.84	$13,261.25
65	-3.5%	$327,057.17	$13,659.09
66	13.4%	$356,813.97	$14,068.86
67	21.1%	$417,610.79	$14,490.93
68	2.3%	$412,290.19	$14,925.65
69	9.0%	$434,022.88	$15,373.42
70	16.3%	$488,933.98	$15,834.63
71	-4.2%	$452,089.09	$16,309.66
72	9.2%	$476,882.33	$16,798.95
73	6.5%	$490,576.76	$17,302.92
74	4.3%	$493,849.55	$17,822.01
75	-2.0%	$465,615.89	$18,356.67
76	15.0%	$516,550.90	$18,907.37
77	8.5%	$540,983.13	$19,474.59
78	6.3%	$555,006.24	$20,058.83
79	11.2%	$596,506.35	$20,660.60
80	8.6%	$626,525.48	$21,280.41
81	19.9%	$729,285.22	$21,918.83
82	5.5%	$746,819.52	$22,576.39
83	7.6%	$780,324.12	$23,253.68
84	5.2%	$796,949.68	$23,951.29
85	17.4%	$910,949.10	$24,669.83
86	1.2%	$896,470.56	$25,409.93
87	8.8%	$949,187.74	$26,172.22
88	4.5%	$964,943.80	$26,957.39
89	**-2.9%**	$909,194.32	$27,766.11
90	**-18.5%**	$712,394.27	$28,599.10
91	**-11.2%**	$632,606.11	

Source: MFS research

In this hypothetical example, Investor A exhausted his portfolio in only about 18 years, while Investor B maintained a healthy balance for over 30 years. Please speak with your financial advisor about adjusting annual withdrawals if needed.

Talk with your financial advisor today about planning for, and pursuing, your future retirement income and about your asset preservation needs.

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