CUNA MUTUAL GROUP

Annuity Strategy:

Income Bucketing

OPPORTUNITY CONCEPT

- Pre-retirees within a few years of leaving employment or in their early years of retirement are at higher risk of substantial market loss. The combination of planned withdrawals at the time of significant market loss may leave a nest egg depleted to the point that ongoing withdrawals do not leave enough assets remaining to recover enough to fund the future value needed for later years.
- Many advisors will plan for future income and insulate client portfolios from market overexposure by following some version of a bucketing strategy. Segmenting a portion of assets to be available for short-term income needs, or at least invested more conservatively can help to limit loss due to an untimely market contraction.

IDEAL CUSTOMER

- Clients who are nearing retirement or within the first few years of retirement.
- Clients who must invest part of their portfolio anticipating higher gains than can be expected from safer, more assured return investments.
- Clients who are dependent on funding an expected longer retirement.

DESCRIPTION

- In foundational form, this strategy could be implemented with as few as two buckets; an income bucket and an investment bucket. Within client preferences, an income bucket is usually funded with 3-5 years' worth of planned income in a low risk, conservative fixed income investment or cash.
- The investment bucket is available to be allocated in an appropriate portfolio for the client with a time horizon as long as the income bucket term.
- Investments are regularly harvested to replenish the income bucket to the level protected from loss but can be left invested to ride out short-term market declines.
- Bucketing strategies can be more sophisticated by segmenting the investment allocation into multiple buckets based on time horizon. Some common strategies are to break a portfolio into multiple 10-year or 5-year buckets and invest accordingly.

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DESCRIPTION (continued)

- Considering a plan of 5-year buckets to span a 30-year retirement, an Advisor calculates the present value of the next five years of income, then funds buckets to provide the following 5 years income, then years 11-15, 16-20, and so on.
- The present value of each is calculated for expected inflation, and the investment return needed to achieve the future value.

IMPLEMENTATION PLAN

- Advisors can recommend investments appropriate for the time frame each bucket represents, taking on more risk for buckets not needed for 15, 20, or 25 years or more.
- Following a 5-year bucketing strategy, annuities can be used towards the objectives of many or all the buckets.
- Current or near-term buckets are funded with conservative or guaranteed income annuities, longer term buckets are usually funded with deferred annuities or managed accounts invested in the market.

HOW CUNA MUTUAL GROUP CAN ASSIST

CUNA Mutual Group immediate annuities can be utilized for current income buckets.

Once a bucket has been fully funded or gained enough for the desired goal, CUNA Mutual Group's Registered Index-Linked Annuities (Members ZONE or ZONE Income) are appropriate to invest for further market growth while capping the risk of loss.

CUNA Mutual Group's Variable and Index-Linked Annuities (Members Horizon) can be used for longer term buckets that anticipate the need for greater market returns and have the time horizon to withstand and recover from market contractions.

Call our annuity sales team for assistance with structuring an appropriate bucketing strategy suitable for your client.

CUNA Mutual Group Annuity Sales Team:

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