Security in Retirement

SERIES

in partnership with

CENTER *for* RETIREMENT RESEARCH *at* BOSTON COLLEGE

JACKSON®

RESEARCH, ANALYSIS, AND INSIGHTS ON ADDRESSING

Longevity Risk

SUMMARY OF KEY FINDINGS

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 important 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 will take a comprehensive 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 them.

Part 1 of Jackson's Security in Retirement Series conducted in partnership with the Center for Retirement Research at Boston College

We have arrived at a critical time for financial well-being in retirement, as an estimated 10,000 baby boomers turn 65 each day.[1] This will peak by the summer of 2024 when more people than ever before reach this traditional retirement age.[2] Meanwhile, rapid advances in the science of aging and related fields coupled 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 will help retirement investors and financial professionals better navigate financial challenges in this unprecedented era—one that will have long-lasting impacts on the economy, workforce, healthcare, and government.[3]

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 longevity risk, the first of our Security in Retirement Series with the Center for Retirement Research at Boston College, was conducted in partnership with Greenwald & Associates. The research approach involved:

In-depth interviews conducted in March and April 2023

- Three interviews were conducted with financial psychologists to explore how people interact with risk in general and how they process issues related to longevity in a financial context.
- Six interviews were conducted with financial professionals who had more than five years of experience, were in a client-facing role, and had demonstrated experience in retirement planning.
- Eleven interviews were conducted with investors* who each participated in household financial decision-making, had experience working with a financial professional, and had a minimum level of investable assets based on their life stage.

An online survey of 1,009 retirement savers* conducted from June 13 through June 22, 2023

- Respondents were between 55 and 84 years of age and at least shared financial decision-making responsibilities in their household.
- Of the respondents, 109 had assets of between $100,000 and $199,999, and 900 had assets of $200,000 or more.
- Data was weighted by household assets, age, education, and race.

An online survey of 400 financial professionals from June 12 through July 7, 2023

- Respondents were financial professionals who had three or more years of experience at a firm with a minimum of 75 clients and at least $30 million in assets under management.

* Throughout this document "investor" and "retirement saver" are used interchangeably to refer to current and future retirees polled.

1 Guillaume Vandenbroucke, Federal Reserve Bank of St. Louis, "How Many People Will Be Retiring in the Years to Come?" May 30, 2019.
2 Jessica Hall, Morningstar, "As baby boomers hit another milestone next summer, Social Security will feel the strain," August 7, 2023.
3 Ibid.

Summary of key findings

Managing longevity risk

Retirement investors continue to rank running out of money in retirement high on their list of financial concerns. This possibility they will outlive their assets is known as longevity risk. Concern about this financial threat has grown in recent years as developments in technology, medicine, healthcare, and other areas are leading to longer lives,[4] putting retirement finances at risk.

Jackson's joint research with the Center for Retirement Research at Boston College finds that nearly one in four investors is concerned about the possibility of outliving their savings. Financial professionals surveyed put this number even higher among their clients, believing 30% are extremely or very concerned about outliving their assets and 93% are at least somewhat concerned. Keep in mind, our research focuses on individual investors and financial professionals whose clients are better prepared financially for retirement in terms of savings than many Americans. Even so, these numbers are significant.

For comparison, recent industry research conducted among a broader base of Americans—many with Social Security as their only source of income—found that 58% cite outliving their assets as their greatest retirement fear.[5]

Longevity risk is clearly an important topic for financial professionals and their clients—and rightfully so. Life expectancy has increased significantly over the past century,[6] underscoring the need for effective retirement planning. This doesn't even consider the decline of employer-based pension plans or the potential for significant cuts to Social Security being discussed. These and similar concerns aside, a key challenge facing retirement savers is simply not knowing how long they will live and the need to account for the possibility they will live longer than expected and exhaust their assets in the process.

The analysis by Jackson that follows is based on the results of our research with the Center for Retirement Research at Boston College: Research, analysis, and insights on addressing longevity risk.

About the research

This initial phase of Jackson's research series conducted in partnership with the Center for Retirement Research at Boston College aims to support better retirement outcomes related to longevity risk.

By polling financial professionals and their clients, our goal is to provide new information and identify retirement planning gaps while exploring areas that include:

- How retirement savers estimate their life expectancy and evaluate the risk of outliving their assets and other retirement concerns
- Steps financial professionals are taking to assess and manage their clients' longevity risk
- Planning, product strategies, and resources used by financial professionals and investors to help ensure a secure retirement

Mindful of the need to provide greater insight on how to assess and manage longevity risk, we will delve into the topic in two parts informed by our research:

SECTION I
Estimating life expectancy

SECTION II
Strategies for managing longevity risk

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[4] Alejandra O'Connell-Domenech, The Hill, "More people are living to be 100: Here's why," February 7, 2023.
[5] Cerulli Associates, "The Cerulli Edge U.S. Retirement Edition," 2023.
[6] Aaron O'Neill, Statista, "Life expectancy (from birth) in the United States, 1860-2020," June 21, 2022.

SECTION I

Estimating life expectancy

Few of us enjoy contemplating our own mortality. But to effectively plan financially for retirement, it's essential to form a reasonable estimate of how many retirement years will need to be funded. After all, our research found that 72% of investors surveyed view retirement as "a great time of life that every worker should look forward to," and 11% consider it "an opportunity to make a new start."

Significant errors in calculating life expectancy can hamper the ability to make the most out of this exciting next life chapter. Yet, our research shows many investors lack longevity literacy.

The research suggests that not only are many retirement savers surveyed less concerned about longevity risk than perhaps they should be[7] but also many are relying on methods to calculate their life expectancy that aren't reliable when compared to more statistics-based models. In fact, only about 12% of investors surveyed predict their life expectancy in a way that aligns with actuarial tables provided by the Social Security Administration.

The vast majority of those surveyed are either overpredicting or underpredicting their potential longevity in terms of those tables, including 32% who are underpredicting, making themselves vulnerable to living for a period in retirement without sufficient income. Those who underpredict do so by a little more than five years on average.

For their part, most financial professionals surveyed tend to be more methodical with their mortality projections, which we will examine further in a moment.

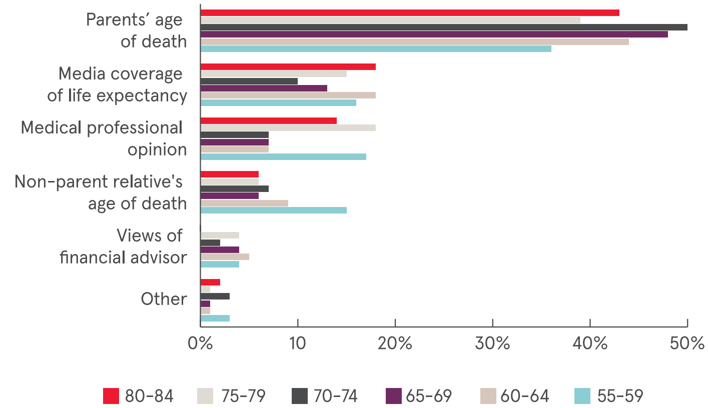
[7] Wenliang Hou, Center for Retirement Research at Boston College, "How Well Do Retirees Assess the Risks They Face in Retirement," July 2022.

Investors over-rely on parents' longevity to predict their own

OVER 40% of investors surveyed rely on the age of a parent at death to project their life expectancy.

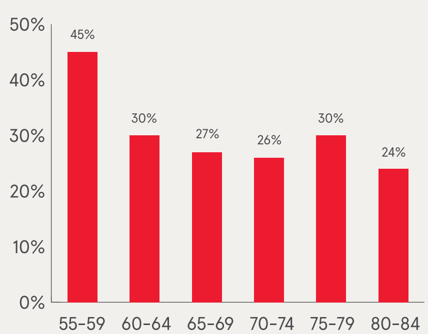
While a parent's age at death can be one useful data point, it's not considered a reliable predictor on its own of how long their offspring will live. It's true the children of parents who live long lives are more likely to remain healthy and outlive their peers,[8] but there are often several other factors involved in how long they live. For instance, many long-lived individuals are nonsmokers, do not have obesity, and cope well with stress.[9] Also, most are women.[10] In short, longevity is influenced by genetics, the environment, and lifestyle. In fact, it's estimated just 25% is determined by genetics.[11]

Method of predicting life expectancy by age group



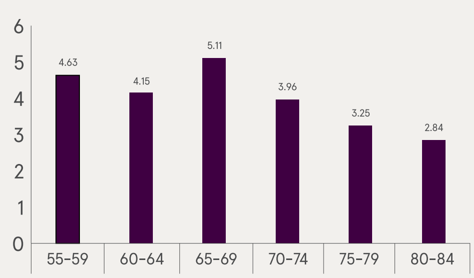
Other notable methods of life expectancy calculation—primarily favored by younger investors who are less likely to have lost a parent—include media coverage or the opinion of a medical professional. Only 4% of investors surveyed rely on the views of a financial professional.

Underprediction rates by age category



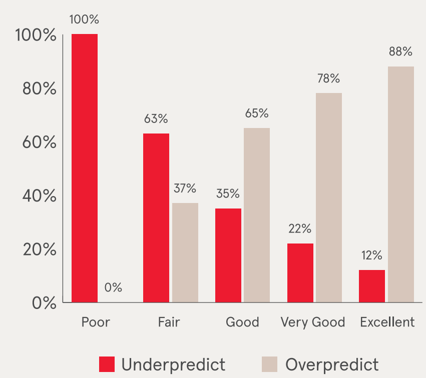
Underpredicting life expectancy was most common between the ages of 55 and 59, posing a unique challenge for early pre-retirement planning.

Underprediction averages by category (in years)



Investors in younger age groups underpredict their life expectancy by a greater number of years on average than more mature age groups, with a difference of nearly two years between the highest and lowest age groups. This compounds the fact that younger investors are more likely to underpredict their longevity.

Overprediction or underprediction of life expectancy by self-assessed health status



How investors assess their health plays a significant role in how they predict their longevity. A full 100% of those who consider themselves in poor health underpredict their life expectancy. A nearly opposite effect occurs for those who rate themselves in excellent health.

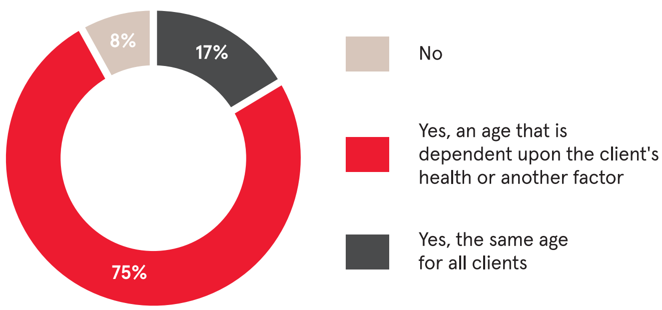
[8] National Library of Medicine, MedlinePlus, "Is longevity determined by genetics?," accessed September 6, 2023.
[9] Ibid.
[10] Ibid.
[11] Ibid.

For most financial professionals, life expectancy depends on the client

92% of financial professionals who create retirement plans select a specific age of life expectancy for clients, including three-quarters who project an age based on factors unique to each client.

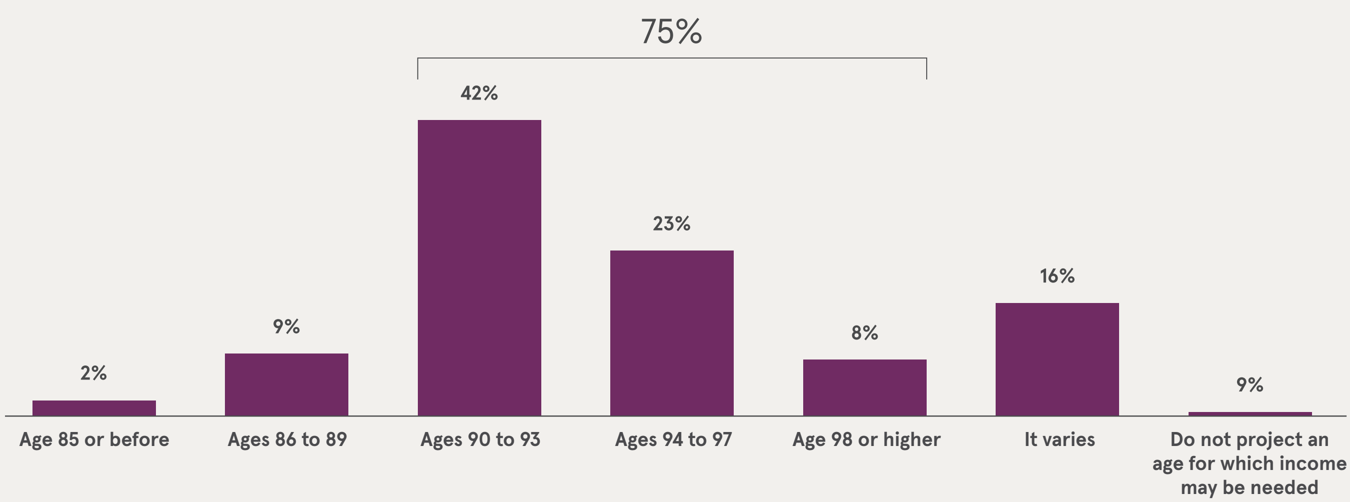
Our research also shows that among financial professionals who project a mortality age in retirement plans, 73% routinely predict clients will live beyond 90 years old. This reflects a careful approach by financial professionals intended to ensure clients don't outlive their assets. In contrast to predictions many investors make on their own that can underpredict life expectancy, it highlights one of the key ways longevity risk may potentially be avoided, by working closely with a financial professional.

What financial professionals say about selecting a specific mortality age



Typical Mortality Age Projection

(Among financial professionals who project a mortality age)



Many investors can expect to live long lives

It may seem overly conservative to plan for income to last until age 90 or more, as most of the financial professionals we surveyed do for their clients. After all, the Social Security Administration's life expectancy calculator suggests the average 65-year-old man alive today can expect to live about 19 more years to age 84.[12] A woman at the same age can expect to live until nearly 87, on average.[13] Both ages are well below 90.

It's important to remember the calculator is based on the administration's life expectancy tables, which provide an average number of additional years someone born in a certain year may expect to live when they reach a specific age. While the tables account for improvements in medical care that may support longer lives, they don't consider personal factors like current health, lifestyle, and family history that could increase or decrease life expectancy.[14]

Representative of the type of data not considered in the Social Security Administration's tables are distinctions based on wealth that include the fact wealthier people tend to live longer.[15] In fact, people with even modest levels of financial assets appear to live significantly longer than the national average.[16]

In our research, we used the tables to establish average life expectancies because evaluating unique health and environmental factors for each investor was not practical at the scale of our survey. Financial professionals, on the other hand, can account for such details when attempting to predict life expectancy for their clients. And, as shown in one of the charts above, three-fourths of financial professionals surveyed select a specific age for which income may be necessary that depends on a client's health or other factors.

One popular method for predicting longevity involves adjusting national average life expectancies based on personal data. This approach starts with a national average like one provided by the Social Security Administration and then adjusts that for the effect on mortality of certain health-related characteristics. This is the type of approach the Society of Actuaries takes with their longevity illustrator.[17]

Retirement may last longer than you think[18]

The Social Security Administration reports more people are living longer:

- The typical 65-year-old today will live to age 85.
- About one out of every three 65-year-olds will live until at least age 90.
- About one out of seven 65-year-olds will live until at least age 95.

For more information on life expectancy, visit www.ssa.gov/planners/lifeexpectancy.html.

[12] Social Security Administration, "Retirement & Survivors Benefits: Life Expectancy Calculator," accessed September 26, 2023.
[13] Ibid.
[14] Ibid.
[15] Massimo Young and Erik Pickett, Advisor Perspectives, "You Are Underestimating Longevity … and How Uncertain It Is," July 31, 2023.
[16] Ibid.
[17] Massimo Young and Erik Pickett, Advisor Perspectives, "You Are Underestimating Longevity … and How Uncertain It Is," July 31, 2023.
[18] Social Security Administration, "Retirement Information for Medicare Beneficiaries," 2023.

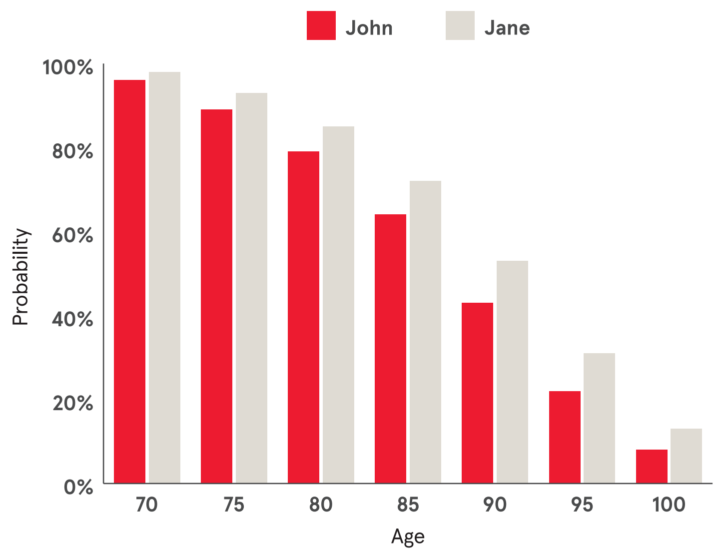
The Society of Actuaries longevity illustrator asks only for user age and gender inputs as well as status associated with smoking and health, but acknowledges longevity depends on numerous factors including access to health care, current medical conditions, physical environment, family history, geography, lifestyle, and occupation.[19]

The society notes, however, that many of these are reflected in the health status question, which includes a dropdown menu with three choices on general health: poor, average, or excellent. The society also says that while these four pieces of information have been shown to produce reasonable approximations of longevity, actual results can vary significantly from the estimates.

This potential variance raises a key point: While establishing a time-horizon is one of the early crucial decisions central to creating a sound financial plan, estimating how long a person may live is challenging. A reasonable degree of accuracy also is very important because a mistake can come at the cost of a retiree's independence or quality of life.

While there is no crystal ball to predict the future, there are many tools available to make an educated guess, including a wide range of longevity calculators, many that rely on highly detailed personal information to make a prediction.

Probability of living to a certain age



The chart above represents probabilities from the Society of Actuaries longevity illustrator that members of a hypothetical male-female couple—John and Jane—will live at least to certain ages. Both were entered into the illustrator as 65-year-old non-smokers in excellent health. Based on the probabilities provided, it's clear why many financial professionals project mortality ages in the 90s.

Source: Actuaries Longevity Illustrator

How to make a data-driven life expectancy estimate

Longevity calculators can help improve the accuracy of financial and lifestyle projections for retirement. Here are links to some popular calculators arranged from simple to more complex in terms of inputs:

Social Security Administration Life Expectancy Calculator

Actuaries Longevity Illustrator

Big Life Life Expectancy Calculator

Living to 100 Life Expectancy Calculator

Blue Zones True Vitality Test

By leveraging these tools thoughtfully and working closely with a financial professional, investors can calculate a life expectancy that helps prepare them for a successful retirement.

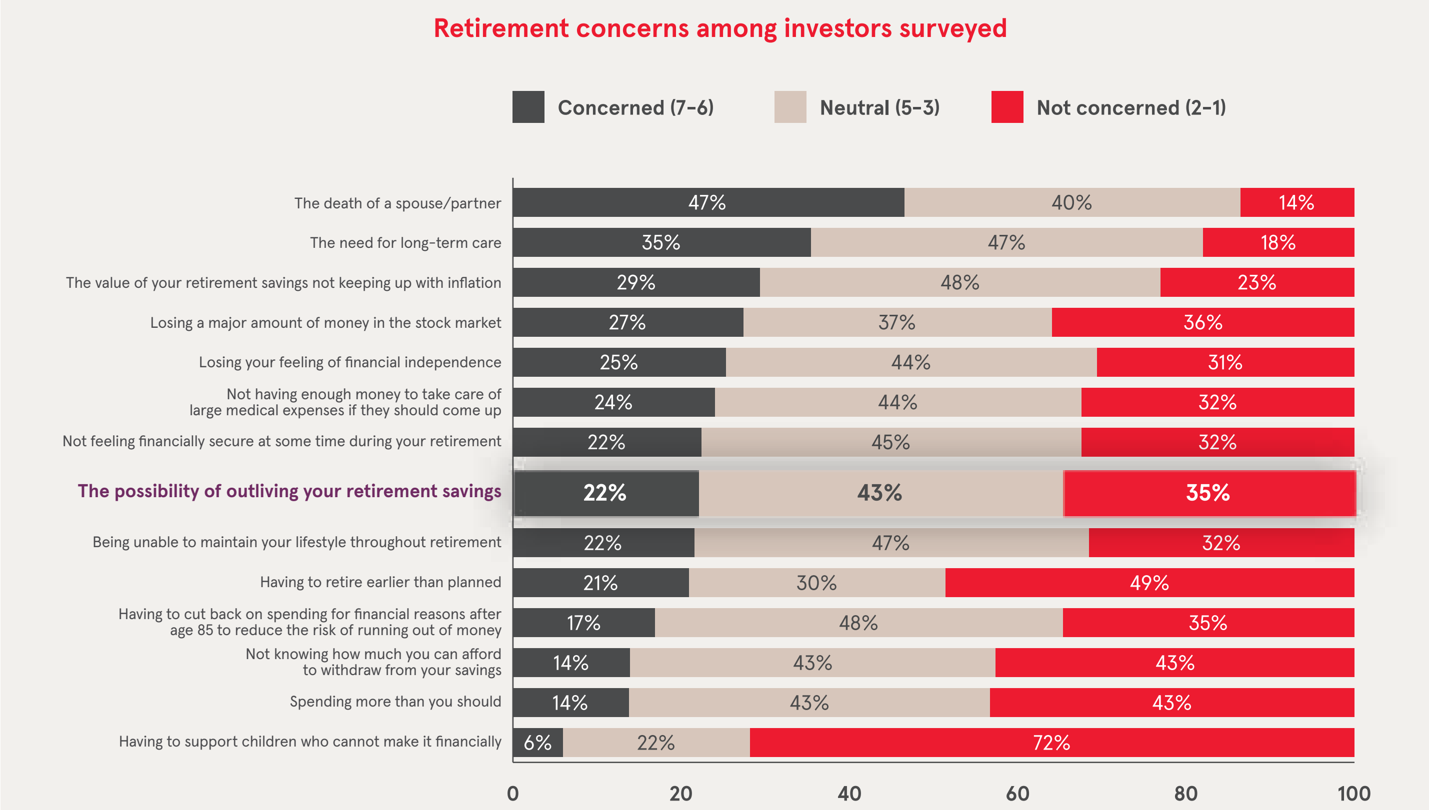
[19] Actuaries Longevity Illustrator, accessed September 27, 2023.

Longevity risk ranks as a middle-of-pack concern among investors surveyed

22% of investors are concerned about the possibility of outliving their savings although it is the most significant retirement risk they face.

Concern about the possibility of outliving their assets tied for seventh on a list of 14 potential retirement concerns among investors surveyed, outranked by such worries as the death of a spouse or partner and the need for long-term care. However, when ranked objectively—without emotion—it's been proven that longevity risk really is the most significant risk retirees face, followed by health and market risks.[20]

This underscores the need for guaranteed lifetime income either through Social Security and pension income or other sources such as private-sector annuities.[21] We'll discuss these in greater detail next in Section 2, as we share what our research showed about strategies for managing longevity risk.



[20] Wenliang Hou, Center for Retirement Research at Boston College, "How Well Do Retirees Assess the Risks They Face in Retirement," July 2022.
[21] Ibid.

SECTION I: ESTIMATING LIFE EXPECTANCY

Key takeaways

1. **About one-third of investors surveyed underpredict their life expectancy based on the Social Security Administration's actuarial life tables. This lack of longevity literacy may leave them vulnerable to longevity risk—the depletion of financial resources before their life ends.**

2. **Investors who are younger are the most likely to underpredict their life expectancy, posing a unique challenge for early pre-retirement planning. Additionally, investors who assess themselves in poor physical health are more likely to underpredict their life expectancy when compared to actuarial table data. The lower the rating for health, the greater rate of underprediction.**

3. **Most retirement savers surveyed don't appear to have a clear idea of what information to use to determine how long they may live, with most predicting life expectancy based on the age of a parent at death. For various reasons, including the fact that life expectancy has increased over time, relying on this and other unreliable measures could leave them unprepared financially for retirement.**

4. **There's a disconnect between how long retirement savers expect to live and how long financial professionals are planning for them to live. Investors surveyed predict an average age of 87, while most financial professionals predict an age from 90 to 95.**

5. **These combined factors along with other findings from our research support the fact that working with a financial professional can significantly reduce one of investors' top retirement concerns—the possibility of outliving their savings.**

SECTION II

Strategies for managing longevity risk

Reasonably projecting life expectancy is clearly a cornerstone of any effective retirement plan. While this measure is based on statistical averages and not an absolute predictor of how long someone will live, underestimating it can make any personal financial plan unsound. After all, the sole purpose of the plan is to ensure retirees don't outlast their assets and can maintain a comfortable standard of living for as long as they live.

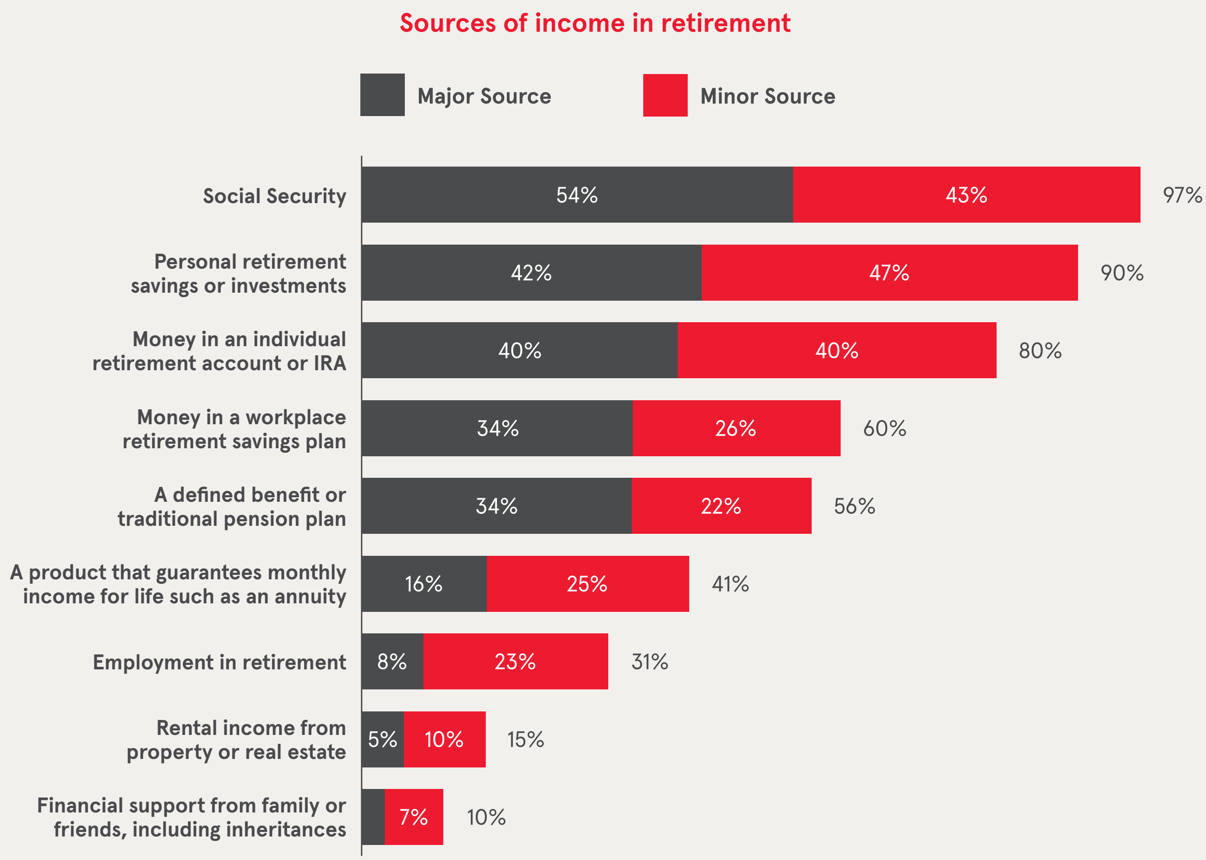
Once a time horizon is established for how long retirement might last, determining how to fund it while protecting against longevity risk is a vital next step.

Two sources of guaranteed lifetime income that support both goals are institutional. One is Social Security and the other is the defined benefit plan—or workplace pension. Social Security benefits are intended to replace only about 40% of a beneficiary's annual pre-retirement earnings, although this can vary based on personal circumstances.[22] Investors we surveyed expect to cover at least 40% of their expenses on average with Social Security, with most expecting to cover between 20% and 60% with benefits from the program.

51%

of retirement expenses is the portion retired investors surveyed expect to cover with a pension, among those who expect or have income from one. This drops to 42% for pre-retirees.

[22] SSA, Retirement Ready, Fact Sheet For Workers Age 18-48, May 2023.



More than half of investors surveyed expect a defined benefit or traditional pension to provide at least some retirement income.† This percentage will decrease among future retirement savers with the shift away from defined-benefit plans to 401(k)s and other defined contribution plans that began in the 1980s.

† Source: Kiplinger's Personal Finance, "Annuities Have an Awareness Problem: Why That Matters," September 2023.

There's a major variance in how much of a worker's income the program replaces based on earnings. Social Security actuaries calculated the income replacement rate for hypothetical retirees who claim benefits in 2023.[23] They found the rate would range from 75% for someone with "very low" average career earnings of $15,006 per year, to 26.7% for someone with "maximum" average earnings of $147,775 per year.[24] For someone with "medium" average earnings of $60,024 per year, the replacement rate is 40.7%.[25]

This shows that for many Americans, Social Security provides only a modest amount of income.

[23] AARP, "How much of my income will Social Security replace?," December 19, 2022.
[24] Ibid.
[25] Ibid.

How investors view guaranteed lifetime income products

The disappearance of private-sector pensions and uncertainty about the long-term viability of many plans in force has led to broad concern that workers approaching retirement are much less protected against longevity risk than in the past.[26] The increase in Social Security's full retirement age from 65 to 67 further aggravated this problem.[27] And looming worries about the depletion of the popular government program's retirement trust fund—projected to occur in 2033—have raised questions about the feasibility of relying too heavily on its benefits.[28]

OVER

50%

of investors are interested in an annuity that provides guaranteed lifetime income and nearly half also find guaranteed lifetime income products highly valuable.

> **Amid these and other concerns, many economists believe self-insuring against longevity risk by purchasing an annuity is an optimal but underused approach.[29]**

But debt obligations, a lack of liquidity, and difficulty understanding the products are cited as likely barriers to greater adoption by investors.[30] Because annuities are one of the main sources of guaranteed lifetime income† available, and Jackson is a leading provider, our research on longevity risk looks closely at how they are used and considered.

Our research shows that many investors may not understand that annuities could be a good fit for their financial goals, depending on their situation. While more than 80% surveyed find securing an uninterrupted lifetime income stream at least somewhat valuable and 55% are interested in owning an annuity that provides one, more than 30% of investors say they are not interested in an annuity that provides such income. It's also noteworthy that more than half of investors agree guaranteed lifetime income products provide extra protection if they should live a long time and that they offer peace of mind. In fact, most agree there are numerous benefits to these products.

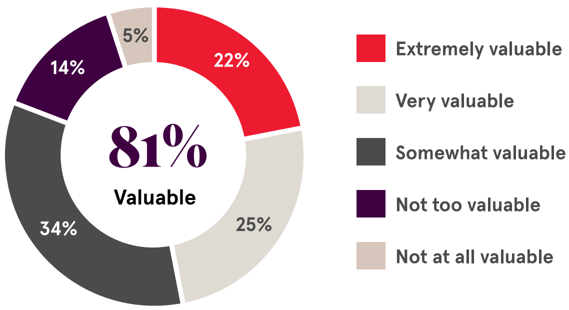
What is an annuity?

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 59½ 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 variable 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.

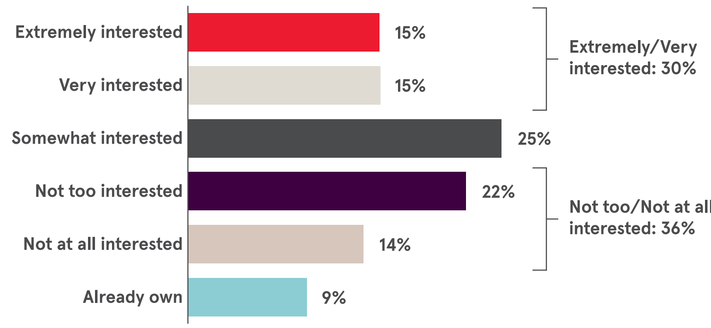
† Guarantees are subject to the claims-paying ability of the issuing insurance company.

[26] Jeanne Sahadi, CNN Business, "Traditional pension plans are pretty rate. But here's who still has them and how they work," September 7, 2023.
[27] Kathleen Romig, Center on Budget and Policy Priorities, "Raising Social Security's Retirement Age Would Cut Benefits for All New Retirees," April 25, 2023.
[28] Elizabeth O'Brien, Barron's, "Social Security Trust Now Projected to Run Dry in 2033. That's a Year Earlier Than Expected," March 31, 2023.
[29] Hallie Davis et. al., Global Financial Literacy Excellence Center, "Examining the Barriers to Annuity Ownership for Older Americans," October 6, 2021.
[30] Ibid.

Value of a guaranteed lifetime income product



Interest in owning an annuity that provides guaranteed lifetime income



Research reveals "guarantee mindset" associated with pensions and annuities

Pensions and annuities both offer guaranteed outcomes. An interesting finding from our research is that investors who seek either seem to have a "guarantee mindset" that leads them to behave differently concerning retirement issues than those who have neither.

It's possible this mindset may drive their career choices—for instance, a job with a pension—as well as decisions related to the investment products they select and other key elements of their financial plans.

Among other traits, these investors are more likely to:

- Work with a financial professional
- Seek products with guaranteed lifetime income
- Have a written plan for retirement
- Be interested in leaving an inheritance of a certain amount
- Focus on maintaining spending rather than assets
- Have a retirement philosophy of managing expenses as opposed to growing or spending down assets
- Have multiple investment types for added security
- Believe in the value of long-range planning

RESEARCH VIEW

Three popular strategies used for retirement income

We will examine more closely how financial professionals are using annuities to help protect their clients against longevity risk. But first, let's look at what our research shows about their familiarity with and use of three widely used strategies to provide income in retirement. These are time segmentation, flooring income, and total return. In lieu of the combined income from pensions and Social Security that were sometimes relied upon exclusively in the past, many financial professionals approach retirement income planning using these methods or some variation of them.[31]

Time-segmentation or bucket strategy

77%

of financial professionals surveyed are at least familiar with this strategy.

NEARLY

50%

of these professionals use the strategy with half or more of their clients.

The time-segmentation strategy, also known as the bucket approach, groups investments based on different time horizons. For instance, a near-term bucket might provide income for early retirement using sources viewed as lower risk such as cash, bonds, CDs, and regular payments from annuities. We should note that like any financial product, annuities can involve risk and greater expense than other low-risk assets.

A second bucket might include a mix of bonds, CDs, or mutual funds that offer growth potential but aren't fully invested in the market. And a third long-range bucket that won't be used for several years—possibly decades—into retirement might be entirely allocated to stocks. Since the funds won't be used until much later in retirement, a more long-term approach to returns can be taken.

Potential benefits:

- Many investors find this approach relatable, as it provides a clear picture of their investment plan.
- Having a long-term bucket may help control emotions during stock market volatility.

Possible drawbacks:

- If too much money is held in the shorter-term buckets, the long-term growth bucket won't out-earn withdrawals and inflation, leading to dwindling income as an investor ages.
- There's also no clear strategy for how to rebalance each bucket during good and bad investment years.

[31] Jamie Hopkins, Forbes, "Comparing The 3 Most Popular Retirement Income Strategies," April 16, 2019.

Flooring retirement income strategy

The flooring approach splits an investor's spending into essential and variable expenses, often defined respectively as needs and wants. The essential expenses are used to calculate an income floor that should be covered with a predictable source of income.

57%

of financial professionals surveyed are at least familiar with this strategy.

NEARLY 30%

of these professionals use this strategy with half or more of their clients.

Creating a floor of income can involve various products or strategies, and the income should come from sources that are predictable or, ideally, guaranteed. Social Security and pensions provide an obvious income floor. Bond and CD ladders, as well as certain types of annuities or optional benefits available with annuities for an additional cost, can provide reliable floor income.

Potential benefits:

- Dividing retirement expenses into two parts can help ensure basic needs are covered regardless of market fluctuations.
- This strategy may appeal to investors who want security and are somewhat risk averse. Annuities that provide guaranteed lifetime income can play an important part.

Possible drawbacks:

- Separating wants and needs is difficult, and, after the costs of taxes, housing, food, and health care, there may not be a lot of discretionary income remaining.
- Income-generating investments may not provide as much capital appreciation as more growth-focused investments like stocks.

Total return strategy

This approach—also called the systematic withdrawal strategy—aims to maximize returns in a portfolio that may consist of stocks, bonds, CDs, mutual funds, and other investments. Certain investments are liquidated each year to generate the amount of income needed. This strategy usually results in higher portfolio turnover and larger gains or losses than other strategies.

The withdrawal rate depends on the amount of the portfolio and desired income, while the investor's risk tolerance and capacity and the time horizon drive the asset allocation. The rate is often guided by the popular 4% rule that suggests retirees can safely withdraw an amount equal to 4% of their savings in the year they retire and then increase spending every year by the rate of inflation for 30 years. For example, an investor with $1 million could conceivably withdraw $40,000 per year, adjusted for inflation.

55%

of financial professionals surveyed are at least familiar with the total return strategy and nearly a quarter are very familiar.

ABOUT 40%

who are familiar with the strategy use it with at least half their clients.

Potential benefits:

- This strategy can offer the ability to capture market upsides through long-term portfolio investment, enabling investors to increase their wealth and spending over time if markets perform well.
- The ability to spread the portfolio across a broad range of asset classes can reduce investment risk.

Possible drawbacks:

- Sequence-of-returns risk, which occurs when poor investment returns coincide with ongoing withdrawals early in retirement, can deplete the portfolio and harm the overall rate of return.
- Unlike more income-focused strategies, this strategy can result in variable income, which may not be ideal for some retirees. Also, successfully executing this strategy requires active management and market expertise.

Annuities can help round out a balanced retirement income plan

60% of financial professionals who recommend annuities that provide guaranteed lifetime income say less than half of the clients they suggest them to purchase one.

Unlike most financial products designed to minimize retirement risks, annuities can help eliminate the risk of running out of money. Surprisingly, uptake of these flexible and highly customizable products remains low compared to the number of investors in or approaching retirement.[32]

Not only can annuities be integrated into any retirement income plan to provide protected lifetime income, but they are versatile products that can support various other financial retirement needs.

A variable annuity, for example, might be included in a total return strategy to offer market exposure through direct investment in sub-accounts. Adding a guaranteed lifetime income benefit available for an additional fee can help protect against longevity risk. This add-on benefit can increase the total cost, but the feature can soften the impact of market losses and provide a reliable stream of income. Variable annuities have higher growth potential than other types of annuities, but they also have higher risk, and the contract value is dependent on how the investment options perform.

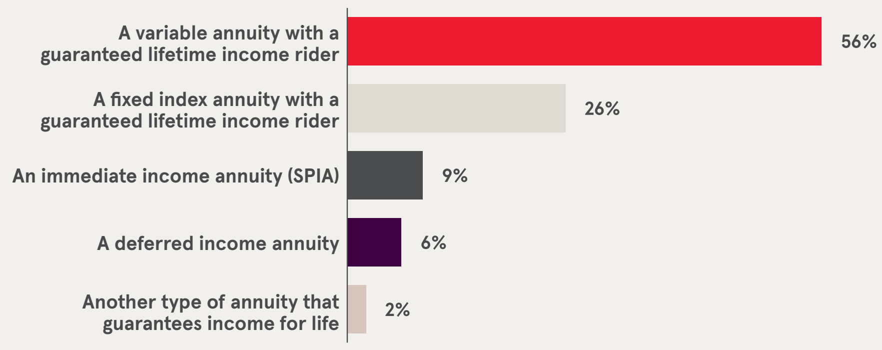
A more conservative investor using a flooring income strategy might consider a fixed index annuity (FIA) with a guaranteed lifetime income benefit—available for an additional fee—to cover part of that floor.

FIAs are designed to provide a guaranteed minimum interest with the potential for higher credited interest based on the performance of specific stock market index like the S&P 500. They can be valuable as part of an income floor because the principal is typically protected from market downturns, which helps shield the core income.

FIAs may come with fees and other charges that can limit how frequently investors can access their money. Also, indexing strategies can be complex and the earnings are usually capped, which means investors only receive a portion of their gains. These and other factors make careful communication with a financial professional essential when considering an FIA.

Types of guaranteed lifetime income annuities financial professionals recommend most

(Among financial professionals who recommend guaranteed lifetime income annuities to their clients currently retired or within five years of retirement)



Nearly three in five financial professionals surveyed who recommend annuities that provide guaranteed lifetime income suggest a variable annuity with a rider that provides this income. Among those surveyed who recommend any type of annuity that guarantees income for life, 90% do so to retired clients or those within five years of retiring.

[32] Bob Carlson, Forbes, "The Hidden Benefit In Annuities," August 21, 2023.

Longer lives reinforce the need for reliable lifetime income

60%

of investors surveyed believe it is valuable for retirees to ensure essential expenses can be paid by income that is guaranteed for life.

Annuity sales continue to break records. One main reason is equity market performance and interest rates that continue to favor the annuity market.[33] Another is likely the desire for additional protected lifetime income among baby boomers[34] as more people than ever before approach traditional retirement age.[35]

As explained in Section 1, many retirees will reach an advanced age, a topic more than 75% of the financial professionals we surveyed discuss with most—if not all—of their clients.

Moreover, one third of the financial professionals we surveyed report 25% or more of their clients would be at risk of outliving their assets if they live to age 90.

This reinforces the fact that many retirees need more than Social Security and their investment savings to pay for their essential needs in retirement. Not only may annuities provide investors with a way to accumulate wealth, defer taxes,[‡] and protect principal in retirement, but they can also provide a reliable stream of income that can't be outlived.

Longevity risk can further complicate an already challenging task: effectively planning for retirement in a way that ensures financial security for life. By working closely with a trusted financial professional, investors can bring greater clarity to retirement planning and determine if an annuity makes sense as part of a sound and effective retirement income plan.

[‡] 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.

[33] LIMRA: Record-Breaking Annuity Sales in the First Half of 2023, August 29, 2023.
[34] Bob Carlson, Forbes, "The Hidden Benefit In Annuities," August 21, 2023.
[35] Jessica Hall, Morningstar, "As baby boomers hit another milestone next summer, Social Security will feel the strain," August 7, 2023.

SECTION II: STRATEGIES FOR MANAGING LONGEVITY RISK

Key takeaways

1. **Nearly half of investors surveyed find guaranteed lifetime income products highly valuable and more than half agree these products can provide extra protection and offer peace of mind if they live long lives. Yet 36% of those surveyed are not interested in purchasing an annuity, one of few financial products available that can help protect against longevity risk.**

2. **This disconnect represents an opportunity for financial professionals to educate clients on the benefits annuities may provide as part of a comprehensive retirement plan and clarify concerns like those related to their complexity and perceived lack of liquidity. Regarding the latter, annuities do offer a degree of liquidity, but some is traded for the guarantees they provide as insurance products.**

3. **Annuities can be incorporated into any retirement income strategy to meet specific investor needs whether they are to protect or grow their income or ensure they don't run out of money—even if they live 90 years or more.**

To learn how an annuity may help protect against longevity 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.

To connect with a Jackson representative, call us at 877/552-1220 or visit the financial professionals section of jackson.com

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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