Ameriprise Financial

Planning for a more confident retirement

***Confident Retirement*® approach**

For those in or within five years of retirement, this is an exciting new chapter in life. A time to pursue new or dormant passions and activities or to just rest and relax. At the same time, the task of making your accumulated savings last a lifetime can also feel somewhat challenging. Even after decades of saving and prudently investing for retirement, many people find themselves asking how to make their income last. This insecurity is not surprising, as people today face unique challenges, including longer lives, rising health care costs and the variability of markets.

The Ameriprise Financial *Confident Retirement* approach provides retirees a straightforward framework to create a sound retirement plan to provide income that can last a lifetime. This exclusive approach is designed to help plan an income stream that covers both essential and lifestyle expenses, reduce vulnerability to unexpected events, and leave a legacy to family or charitable organizations.

The key needs addressed by the *Confident Retirement* approach

The Ameriprise *Confident Retirement* approach addresses four key needs of retirees. This paper will examine an approach to creating a retirement income strategy to meet those needs.

Need	Principle
Leaving a legacy	Plan now to maximize your giving and make your wishes known.
Preparing for the unexpected	Protect yourself from the certainty of uncertainty by covering the unexpected.
Ensuring lifestyle	Build a flexible investment and withdrawal plan to help ensure your lifestyle.
Covering essentials	Cover these expenses with guaranteed or stable income sources.

Need #1 — Covering essentials

The foundation of any retirement strategy is to cover all essential expenses that are considered predictable and recurring. These are the ongoing necessities in life, such as housing, food, utilities, taxes and medical expenses. Because financial markets are uncertain, we believe essential expenses should be covered by solutions that offer guaranteed or stable income. Most retirees already have one or multiple forms of guaranteed or stable income in place, most notably Social Security. Some may have access to a defined benefit plan — sometimes called a pension — as well. Solutions to cover essential expenses may include:

- **Social Security retirement benefits** — Social Security benefits are a major source of retirement income for most Americans. Since your age when you begin taking Social Security greatly affects the size of the benefit, you may wonder whether it is better to begin receiving benefits early with a smaller monthly amount or wait for a larger monthly payment later that you may not receive as long. The reduction in benefits, by filing prior to full retirement age, can be as much as 30%. On the other hand, waiting until full retirement age results in 100% of the benefit entitled. People who wait to receive benefits until after their full retirement age will receive 100% of their benefit plus a certain percentage based on their actual retirement age. The benefit increase will not continue to increase after age 70, even by delaying taking benefits. Factors to consider when making this decision include:
  - current cash needs
  - health and family longevity
  - plans to work in retirement
  - other retirement income sources
  - future financial needs and obligations
  - the amount of the future Social Security benefit

  What about the stability of the Social Security system? Should that figure into your decision? According to the 2019 Annual Trustees Report, the Social Security current trust fund reserves, along with future taxes, are expected to be sufficient for the full and timely payment of retirement benefits until 2037. So while it's likely that some changes will be made to Social Security such as increases to payroll taxes or benefits reduction, most experts say that it's probable that retirees will still receive some of their expected benefits. Go to SSA.gov for more information.

- **Certificates of deposit (CDs)** — Issued by banks and backed by the Federal Deposit Insurance Corporation (FDIC), CDs have long provided a stable source of income.

- **Face-amount certificates** — Certificates can also provide stable income and are backed by the issuing company.

  Ameriprise® certificates are backed by reserves of cash and qualified assets on deposit of Ameriprise Certificate Company and are not federally or FDIC insured, and include risk, including possible loss of principal. The assets backing the certificates have varying ratings and generally increase in market value as interest rates fall and decrease in value as interest rates rise. These assets have risks, including credit risk, interest rate risk, prepayment and extension risk.

- **Annuities** — Either fixed or variable annuities can generate a reliable stream of income throughout retirement. Annuities can provide stable income for a desired period of time, or for life through annuitization. As an alternative, lifetime income can also be generated through living benefit riders (available for an additional cost). Variable annuities offer opportunities for income for life, the ability to invest in the market and death benefits. In return for the benefits they provide, variable annuities carry a mortality and expense fee and subaccount management fees. Other fees may include optional rider fees, surrender charges and an annual contract charge.

Guarantee, as used in this material, depends upon the ability of the issuing entity to honor and pay the amount you may be entitled to. U.S. Government bonds are backed by the full faith and credit of the U.S. Government. Certificates of deposit are FDIC-insured up to $250,000 per depositor. Insurance and annuity products are backed only by the continued claims-paying ability of the issuing company and on variable insurance and variable annuities do not apply to the performance of the variable subaccounts, which will vary with market conditions. Certificate products are backed by the issuing company. It is possible that an issuing entity may not be financially able to meet income guarantee obligations.

- **Government securities** — Securities such as U.S. Treasury bills, bonds and notes, and Treasury Inflation-Protected Securities pay a stated interest rate over a period of years. Investors can choose to lock in payments for up to 30 years in a long-term government bond, or they can consider a laddering strategy that spreads money out in bills, notes and bonds with different maturities.[1]

These instruments provide a stream of reliable income payments that occur monthly, quarterly or annually depending on the investment to fund essential expenses. And they are backed by the government (U.S. Treasuries) or financial institutions with back-up from the government (FDIC) or the claims-paying ability of the issuing company (certificates and annuities). Guarantees do not apply to the performance of the variable annuity's subaccounts, which will vary with market conditions. The principal in some of these investments may be subject to fluctuation if sold before maturity (in the case of bonds) and some will not (such as certificates or non-negotiable CDs).

Seventy-six percent of retirees prioritize income stability over preserving principal.[2]

Health care in retirement

Only twenty-two percent of consumers are very confident they will have enough money to take care of medical expenses in retirement.[2] A 65-year-old couple, both with median drug expenses, would need $325,000 in 2020 to have a 90 percent chance of having enough money to cover health care expenses (excluding long-term care) in retirement.[3]

Contrary to what many people think, Medicare does not cover all health care expenses. Medicare does not, for instance, cover the cost of care for dental, vision, or hearing conditions. It does not cover long-term nursing home care or personal care for beneficiaries who choose to stay in their home and need help with daily activities. Individuals can expect to pay a greater share of their costs out of pocket in the future because of the combination of the financial condition of the Medicare program and cutbacks to employment-based retiree health programs.

Medicare currently consists of Part A (hospital insurance), Part B (medical insurance), Part C (which allows private insurance companies to offer Medicare benefits), and Part D (which covers the costs of prescription drugs), with each part having its own eligibility requirements.

Any individual who receives Social Security benefits before age 65 or who applies for Social Security benefits at age 65 will be automatically enrolled in Medicare. However, if retiring after age 65, remember to enroll in Medicare at age 65 anyway, because enrollment won't be automatic. Individuals who will be automatically enrolled in Medicare will receive notification by mail from the Social Security Administration, usually three months before their 65th birthday.

[1] The **U.S. Government** may be unable or unwilling to honor its financial obligations. Securities issued or guaranteed by federal agencies and U.S. government-sponsored instrumentalities may or may not be backed by the full faith and credit of the U.S. government.

[2] Retirement Confidence Survey, EBRI 2020.

[3] 2020 Employee Benefit Research Institute Fast Facts #356, June 25, 2020.

Need #2 — Ensuring lifestyle

While covering essential expenses is a foundational first step, most people who are planning for retirement have additional goals they wish to pursue. These can include travel, hobbies that may have associated expenses, purchasing a second home, and so on. In the most basic sense, these are considered “discretionary” expenses. As such, retirees could tap other assets in their portfolio, outside of guaranteed or stable sources like those used to pay essential expenses.

One strategy to consider to help support lifestyle expenses is to arrange investments into three categories:

- **Strategic cash** — This includes keeping sufficient assets in cash or liquid alternatives to cover up to three years of lifestyle expenses. This can help prevent the need to sell investment assets at inopportune times. *Examples include savings and checking accounts, certificates of deposit (CDs), face-amount certificates and money market mutual funds.*
- **Income investments** — Meeting at least some of the lifestyle needs through income-generating investments helps reduce susceptibility to steep withdrawals and allows for greater confidence in meeting long-term objectives. Investors could set aside a portion of assets into a diversified portfolio of securities with income-generating potential to provide at least some of the lifestyle need. This can balance the need to grow the lifestyle income stream with inflation, and help manage against downside risk. This can also help reduce the possibility of excessive asset sales to produce needed income, especially in down markets. *Examples include bonds and bond funds, managed accounts with an income focus and fixed annuities.*
- **Growth investments** — For those concerned with maintaining purchasing power and long-term growth, a portion of the assets can be allocated to a diversified portfolio of securities that have the potential to grow over time. *Examples include stocks, equity-based mutual funds, managed accounts with a growth focus, alternative investments, variable annuities and cash value life insurance.*

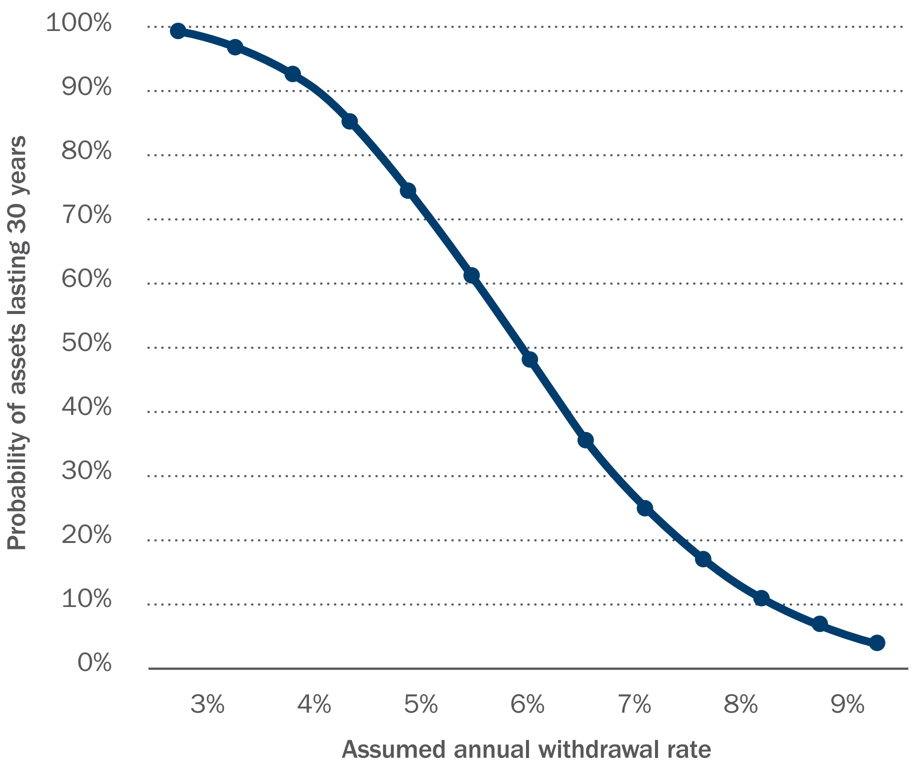
Although diversification does not assure a profit or protect against loss, it is a key way to handle market volatility. Because asset classes often perform differently under different market conditions, spreading assets across a variety of different investments, such as stocks, bonds, cash and alternatives, has the potential to mitigate overall risk.

The question of withdrawal rates

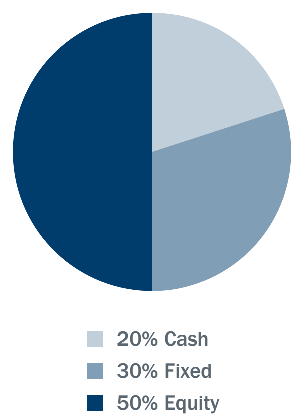
Most people should assume they will spend 25 to 30 years in retirement given that the average 65-year-old lives to 85.[4] Therefore, depending on lifestyle choices, you need to have an appropriate base of assets and withdraw from that base prudently.

For many years the general rule of thumb has been that a properly diversified portfolio can last 30 years given withdrawals of 4% or less (adjusted annually for 3% inflation).

Though individual circumstances will vary, in our opinion, planning for a 3% to 4% withdrawal rate is a reasonable approach over the long term. Of course investors must recognize that changes in market conditions and performance of specific investments chosen could alter this calculation. Because both the markets and a retiree's expenses can be unpredictable, it is vital to conduct a review at least annually. If expenses exceed the sustainable withdrawal rate, spending adjustments should be considered. Major expenses such as an expensive vacation can be delayed or reduced. Alternatively, supplemental income sources can be identified to overcome a shortfall.



Moderate allocation assumption



A withdrawal rate below 4% shows a high likelihood that your money will last at least 30 years. As you increase your rate of withdrawal you increase the risk of depleting your assets during your lifetime. To dampen this risk, consider increasing your equity exposure and introducing guarantees into your lifestyle portfolio.

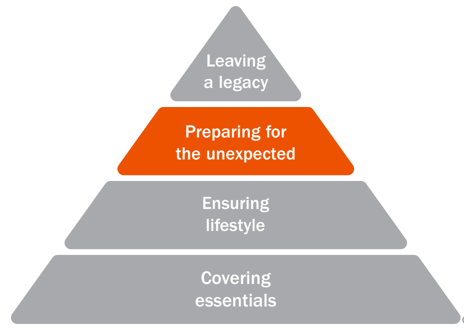
The indices used in this sampling are based on assumed asset classes and calculated using returns from 1960 to 2011. They include: U.S. 30 Day T-bill for cash, U.S. Intermediate Government Debt for fixed, CRSP (Center for Research in Securities Pricing) Stock market index for equities and the Consumer Price Index for Inflation. The investment indices are unmanaged indicators of market performance, and not funds available for direct investment. The investment outcomes are hypothetical in nature. **Past performance is not indicative of future results.**

The above chart is for illustrative purposes only and does not consider the impact of any investment fees or expenses. It assumes the portfolio is rebalanced annually and any dividends are reinvested.

[4] *NCHS Data Brief*, Number 395, December 2020

Need #3 — Preparing for the unexpected

Unexpected events can have a devastating impact on retirement plans. At this stage of life, retirees typically lack the financial flexibility to make up for consequences to their retirement if an unplanned event results in significant expense. The *Confident Retirement* approach leverages specific solutions to mitigate events that can have a big impact on your retirement plan.



Most significant concerns

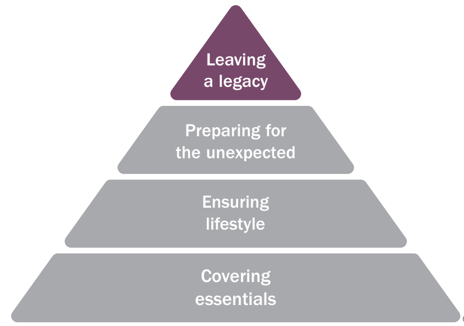
Concerns	Solutions
Plan for protection against expenses associated with long-term care needs that can drain lifetime savings. The average annual cost of nursing home care (semi-private room) is $88,348.[5] One in 10 people age 65 and older has Alzheimer's dementia.[6] And more than 15 million Americans provide unpaid care for people with Alzheimer's or other dementias, approximately two-thirds of caregivers are women. In 2018, caregivers of people with Alzheimer's or other dementias provided an estimated 18.3 billion hours of unpaid assistance.[6]	Three ways of addressing long-term care risk should be considered: · Stand-alone long-term care insurance. · A life insurance policy that can provide benefits to address long-term care expenses through an acceleration of the policy's death benefit as well as an option to extend benefits beyond the death benefit amount. Acceleration of the death benefit for long-term care will reduce the death benefit payable to beneficiaries but if the entire death benefit is not used for long-term care expenses the remaining amount is paid to beneficiaries. · A rider (available at additional cost) on an individual life insurance policy that allows an advance payment of a large percentage of the death benefit if it is used for long-term care expenses. Acceleration of the death benefit for long-term care will reduce the death benefit payable to beneficiaries but any remaining amount is paid to beneficiaries.
As individuals enter retirement, they most often have the lifetime maximum amount of financial assets they will ever have. These assets need to be protected in our litigious society.	Consider a full review of property/casualty coverage and a personal-liability umbrella policy. An uncovered claim due to a lawsuit at this stage in life could devastate the best-laid plans.
Those still a few years from retirement rely on their income to build up their retirement nest egg. The probability of becoming disabled between age 20 and retirement for both men and women is 25%.[7]	Disability income insurance is a key way to mitigate this risk and should be considered if it's not already in place.
Providing adequately for a surviving spouse or dependents in the event of an untimely death is critical. Remember, cash flows will change at the death of a spouse. Survivor Social Security benefits, survivor options (if any) on a pension, and annuity payouts may all be affected. Some expenses, such as real estate taxes, won't change when one member of a couple dies, but others, such as many lifestyle expenses, probably will.	There are numerous life insurance options for meeting the income needs of survivors, meeting unexpected costs and funding legacy wishes.

Consider earmarking additional cash reserves to cover unexpected expenses during disability or long-term care elimination periods or to cover insurance deductibles to avoid affecting income and growth investments.

[5] 2021 Association for Long Term Care Planning.
[6] Alzheimer's Association, Alzheimer's Disease Facts and Figures, Alzheimer's and Dementia, 2020. [7]
SOCIAL SECURITY ADMINISTRATION, ACTUARIAL NOTE Number 2020.6, June 2020.

Need #4 — Leaving a legacy

Ensuring that your accumulated wealth is used to provide for the individuals or causes that are most important to you is a key part of planning for a confident retirement. After accounting for essential, lifestyle and unexpected expenses, the next step is to create a legacy plan for any remaining assets. Effective legacy plans address two critical features — control and leverage.



Control during retirement

As we age, the potential for some types of impairment rise, resulting in less ability to exercise prudent control of assets. Three documents — limited financial power of attorney, a health care directive, and a living will — can help ensure that assets are utilized according to one's wishes, even if some impairment has occurred.

It's also important to review how assets are titled. Up-to-date beneficiary designations for financial accounts, a will and the use of trusts, if appropriate, can help reposition assets to minimize taxes due upon death.

Control beyond retirement

Wills, trusts and estate planning can be used to control the use of assets beyond retirement. Planning for tax positioning of assets upon death can both control where the assets go as well as maximize the amount that passes to heirs or charities. The wrong positioning can reduce the amount of funds that actually go to legacy causes by up to 50% due to income, state and federal estate taxes.

Leverage

Leverage is about ensuring that the maximum amount of assets actually go to funding legacy goals, and minimizing the drain on those assets from income and estate taxes. Life insurance is a unique solution for providing leverage in any legacy plan, as it not only provides a death benefit in excess of the premium, but the death benefit generally passes income tax-free to the beneficiaries.

Several common uses of life insurance in legacy planning include:

- **Addressing the tax burden of tax-deferred qualified assets** — Assets remaining in tax-deferred qualified plans (e.g., IRAs, annuities, 401(k)s) at death are subject to income tax on the beneficiary. If the beneficiary is a taxable individual, as most family members typically are, they will owe tax as they withdraw those assets. On the other hand, if a legacy plan calls for both individual and charitable giving, it is often most tax efficient to leave the remainder of the qualified plan to the charity, which does not pay income tax, and fund the individual legacy with life insurance — which will be received tax free by the individual. This solution can provide significant leverage by not only providing for a charity but for an heir as well.

- **Maximizing wealth transfer** — For those fortunate to have excess assets now that they can reposition, life insurance can provide leverage for legacy planning. Repositioning assets from taxable accounts (e.g., brokerage, wrap accounts) to a permanent life insurance policy can provide a death benefit that can be several times the amount of the assets repositioned. Plus they will pass to the beneficiary free of income and possibly estate tax, further maximizing the benefit to the legacy plan.

Consider goals when evaluating the features of individual life insurance plans.

For example:
- Cash value solutions can provide ongoing access to assets during retirement
- Death benefit-only products can often maximize the death benefit amount but limit access to the cash value during retirement
- Adding a long-term care rider on a life insurance policy (at an additional cost) can provide a tax-free benefit to fund long-term care needs in retirement

Meet the future with more confidence

For more than 125 years, Ameriprise has been helping people build wealth for the future and manage their investments in retirement. For those approaching or in retirement, the *Confident Retirement* approach is a process of actionable steps that helps you make smart choices to generate income from and safeguard your accumulated wealth. For family members and those still accumulating savings, the *Confident Retirement* approach can help them prepare for tomorrow while enjoying life today. Talk to an Ameriprise financial advisor today.

Pursue financial confidence in the years leading up to retirement	Plan for retirement confidence in the five years before and during retirement
• Make informed tradeoffs to prioritize saving • Build wealth • Protect against unexpected events • Plan to make an impact on people and causes	• Manage retirement savings to generate income • Safeguard wealth • Protect assets • Secure one's impact on people and causes

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The *Confident Retirement* approach is not a guarantee of future financial results.

Diversification and asset allocation do not guarantee overall portfolio profit or protect against loss in declining markets. Product diversification can help protect against certain financial risks, but it does not protect against market losses.

Before you purchase a life insurance policy or annuity contract, be sure to ask your financial advisor to explain the features, benefits, risks and fees, and whether the product is appropriate for you based upon your financial situation and objectives. Variable annuities and variable life insurance are complex investment vehicles that are subject to market risk, including the potential loss of principal invested. Annuities are long-term insurance products.

You should consider the investment objectives, risks, charges and expenses of the variable annuity and variable life insurance and their underlying investment options carefully before investing. Before investing, you should review a free copy of the annuity and life insurance prospectuses and the underlying investment prospectus, which contains this and other information about the variable annuity and variable life insurance. The prospectuses should be read carefully before investing.

You should consider the investment objectives, risks, charges and expenses of certificates carefully before investing. For a free prospectus, which contains this and other important information about our certificates, please visit ameriprise.com. Read the prospectus carefully before you invest.

Investment products are not federally or FDIC-insured, are not deposits or obligations of, or guaranteed by any financial institution and involve investment risks including possible loss of principal and fluctuation in value. Bank CDs are FDIC insured.

There are risks associated with fixed income investments, including credit risk, interest rate risk, and prepayment and extension risk. In general, bond prices rise when interest rates fall and vice versa. This effect is usually more pronounced for longer-term securities.

Alternative investments involve substantial risks and are more volatile than traditional investments, making them more suitable for investors with an above average tolerance for risk.

Ameriprise Financial, Inc. and its affiliates do not offer tax or legal advice. Consumers should consult with their tax advisor or attorney regarding their specific situation.

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