

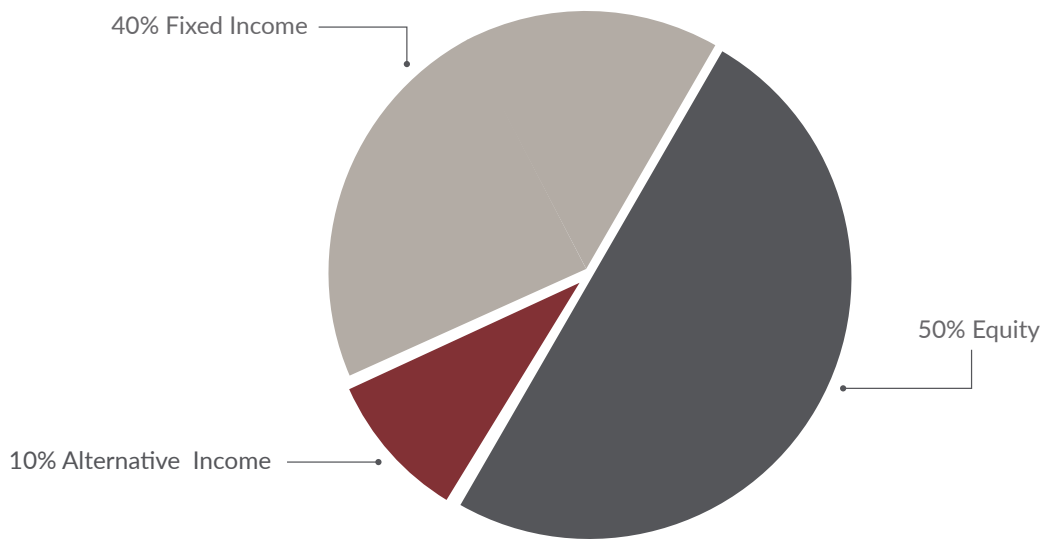


The 4% Rule

Sustainability of 4%

Studies have found that historically, a retiree could withdraw 4% of their initial retirement assets, and increase that amount every year to account for inflation, assuming a 50% to 75% portfolio allocation to stocks. Based on research back-testing to 1926, 70% of the time the portfolio was cash flowing for 50+ years, and at the worst-case scenario, the portfolio cash flowed for 29 years. For this reason, many advisors typically use 4% as a guideline when planning withdrawals from portfolios.

Income Investment Allocation Sample



We have provided a simple ten-year hypothetical illustration for a retirement portfolio using CIA's baseline income asset allocation and the 4% withdrawal "rule of thumb" predicated on William Bengen's research.¹ **(Please note that the asset allocation portfolio is not an actual account, but a hypothetical illustration provided solely for educational purposes.)** Using the asset-weighted historical returns of the S&P 500 Index (50% Equity), Barclays Aggregate Bond Index (40% Fixed Income) and Blended Index (10% Alternative Income), we calculated annual returns for the baseline asset allocation for 2013 through 2022. The portfolio was rebalanced back to the original allocation percentages at the end of each year. We further assumed an initial \$1 million investment in the baseline asset allocation in a retirement account. In the initial year of retirement, 4% of the initial balance was withdrawn from the portfolio on a pro rata basis at the end of each month. Thereafter, the amount of the withdrawal was increased by the inflation rate and withdrawn from the portfolio on a pro rata basis at the end of each month. Please see the disclosures on Page 3 for more details on how the returns were calculated and other important information.

2022 HYPOTHETICAL ACCOUNT SUMMARY - 4% RULE OF THUMB ILLUSTRATION

<i>Beginning Value</i>	<i>Total Income Withdrawn</i>	<i>Ending Value</i>
\$1,000,000	\$430,333	\$1,290,951

The performance data for the hypothetical asset allocation portfolio represents weighted past performance of the indices used to represent each asset class; however, it is not the performance of an actual managed portfolio. You cannot invest directly in an index. Past performance (hypothetical or actual) is not predictive of future performance. All portfolios are subject to risks and there is no guarantee that any income or performance goals will be met. Please note that, among other things, if other relevant indices had been utilized, or different time periods were utilized, the performance results of the sample allocation would be different, and potentially worse or better. Beginning value as of January 1, 2013 and ending value as of December 31, 2022.

¹<https://www.financialplanningassociation.org/sites/default/files/2021-04/MAR04%20Determining%20Withdrawal%20Rates%20Using%20Historical%20Data.pdf>

Income Investing Hypothetical Illustration

2013	Total Income Withdrawn ¹	Adj. Net Acct Value ²	Net Return ³	Rate of Return		
				Equities (50%)	Fixed Income (40%)	Alt Income (10%)
	\$40,000	\$1,106,368	14.9%	31.2%	(3.1%)	5.4%
2014	Total Income Withdrawn ¹	Adj. Net Acct Value ²	Net Return ³	Rate of Return		
				Equities (50%)	Fixed Income (40%)	Alt Income (10%)
	\$40,600	\$1,165,228	9.1%	12.6%	4.9%	9.0%
2015	Total Income Withdrawn ¹	Adj. Net Acct Value ²	Net Return ³	Rate of Return		
				Equities (50%)	Fixed Income (40%)	Alt Income (10%)
	\$40,925	\$1,116,886	(0.7%)	0.4%	(0.4%)	(6.7%)
2016	Total Income Withdrawn ¹	Adj. Net Acct Value ²	Net Return ³	Rate of Return		
				Equities (50%)	Fixed Income (40%)	Alt Income (10%)
	\$41,211	\$1,153,379	7.1%	10.8%	1.6%	10.1%
2017	Total Income Withdrawn ¹	Adj. Net Acct Value ²	Net Return ³	Rate of Return		
				Equities (50%)	Fixed Income (40%)	Alt Income (10%)
	\$42,077	\$1,247,178	12.0%	20.7%	2.5%	6.5%
2018	Total Income Withdrawn ¹	Adj. Net Acct Value	Net Return ³	Rate of Return		
				Equities (50%)	Fixed Income (40%)	Alt Income (10%)
	\$42,960	\$1,155,902	(4.0%)	(5.3%)	(1.0%)	(9.6%)
2019	Total Income Withdrawn ¹	Adj. Net Acct Value ²	Net Return ³	Rate of Return		
				Equities (50%)	Fixed Income (40%)	Alt Income (10%)
	\$43,777	\$1,340,092	20.0%	30.2%	7.6%	18.3%
2020	Total Income Withdrawn ¹	Adj. Net Acct Value ²	Net Return ³	Rate of Return		
				Equities (50%)	Fixed Income (40%)	Alt Income (10%)
	\$44,783	\$1,434,378	10.7%	17.2%	6.5%	(4.6%)
2021	Total Income Withdrawn ¹	Adj. Net Acct Value ²	Net Return ³	Rate of Return		
				Equities (50%)	Fixed Income (40%)	Alt Income (10%)
	\$45,410	\$1,597,752	14.9%	27.7%	(2.5%)	20.9%
2022	Total Income Withdrawn ¹	Adj. Net Acct Value ²	Net Return ³	Rate of Return		
				Equities (50%)	Fixed Income (40%)	Alt Income (10%)
	\$48,589	\$1,290,951	(16.3%)	(19.0%)	(13.8%)	(12.8%)

¹Total Income Withdrawn reflects a 4% withdrawal of the initial investment (\$1 million X 4% = \$40,000 in year one) withdrawn from the portfolio on a pro rata basis at the end of each month. Thereafter, the amount of the withdrawal was increased by the inflation rate for that given year and a lump sum withdrawn from the portfolio on a pro rata basis at the end of each month.

²Net Returns represent the asset-weighted historical returns of the S&P 500 Index (50% Equity), Barclays Aggregate Bond Index (40% Fixed Income) and Blended Index (10% Alternative Income). Results include reinvestment of income and were adjusted to account for a 1.0% management fee, assessed quarterly. Results do not include the effect of transaction fees or other expenses, which would serve to reduce the returns.

³Adjusted Net Account Value reflects the year end value of the portfolio based on that year's returns, minus the total income withdrawn for that year.

Past performance does not indicate future results. All portfolios are subject to risks and there is no guarantee that any income or performance goals will be met. Please see the disclosure on Page 3 for more details on how the returns were calculated and other important information.

IMPORTANT INFORMATION AND DISCLOSURES

Analyzing historical financial data dating from 1926, William Bengen (a renowned financial planner) showed that a retiree with an investment portfolio split between equities and fixed income could have “safely” withdrawn 4% from that portfolio during the first year of retirement and followed up with inflation-adjusted withdrawals in subsequent years and still have money left over after 30 years. To help investors visualize how the 4% withdrawal “rule of thumb” works, we have provided a simple ten-year illustration for a retirement account using a baseline asset allocation predicated on Bengen’s research. **(Please note that the baseline asset allocation “portfolio” is not an actual account, but a hypothetical illustration provided solely for educational purposes.)** The baseline asset allocation is comprised of 50% Equity, 40% Fixed Income and 10% Other Income Assets. Using the asset-weighted historical returns of the S&P 500 Index (Equity), Barclays Aggregate Bond Index (Fixed Income) and a Blended Index (Alternative Income), we calculated annual returns for the baseline asset allocation for 2013 through 2022. The portfolio was rebalanced back to the original allocation percentages at the end of each year. The annual returns include reinvestment of income and were adjusted to account for a 1.0% management fee, assessed quarterly. Results do not include the effects of transaction fees or other expenses incurred when managing an actual portfolio of securities, which would serve to reduce the returns. We further assumed an initial \$1 million investment in the baseline asset allocation in a retirement account. In the initial year of retirement, 4% of the initial balance (\$40,000) was withdrawn from the portfolio on a pro rata basis at the end of each month. Thereafter, the amount of the withdrawal was increased by the inflation rate and withdrawn from the portfolio on a pro rata basis at the end of each month. Taxes are not taken into consideration and all withdrawals will be subject to federal income tax (except those from a Roth IRA).

The performance data for the illustrated portfolio represents weighted past performance of the indices used to represent each asset class; however, it is not the performance of an actual managed portfolio. Further, past performance is not predictive of future performance. Stocks may not perform as well as they have in the past and bond yields are at a historic low. The timing of withdrawals (e.g., monthly, quarterly, year-end) will positively or negatively impact the ending portfolio value depending on market conditions. Therefore, we emphasize how important the *dynamic part* of financial planning and adjusting spending is in actual practice. The 4% rule is meant to be a guide. One of the most useful takeaways from studies on this topic is to use the rule as a guidepost rather than a static construct etched in granite. In practice, the rule tells you that if your retirement timing was fortunate and you began drawing from your funds at the beginning of a 10-year bull market, there may be significant leeway in your spending. However, if you started withdrawing funds in March of 2000 (the S&P 500’s peak before two bear markets within one decade) your spending plan should adjust to a more conservative posture until your assets have had significant time to recover. **It is important to note that following the 4% rule of thumb does not guarantee an income flow for any specific period and requires a higher allocation to equities, which can be more susceptible to market fluctuations.**

The baseline asset allocation results should not be construed as indicative of the performance of an actual client portfolio, even if allocated in the same or similar manner. Managed portfolios are invested in securities, which among other things, can cause a managed portfolio to differ significantly in risk and composition from the indices used in the illustration. Unlike actual portfolios, index returns do not reflect any management fees or transaction costs. You cannot invest directly in an index. The asset allocations of actual managed portfolios are customized based on clients’ unique financial circumstances and risk tolerances. Performance of actual portfolios will differ due to market conditions and other factors, including amount and timing of investments cash flows, security selection, frequency and precision of rebalancing, tax-management strategies, cash balances, advisory fees, varying custodian fees, and/or the timing of fee deductions. As the result of these and potentially other variances, actual performance for client accounts, even those with the baseline allocation, can differ materially from (and may be lower than) that of the hypothetical illustration and other, similar client portfolios.

All portfolios are subject to risks and there is no guarantee that any income or performance goals will be met. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. For stocks paying dividends, dividends are not guaranteed, and can increase, decrease or be totally eliminated without notice. Fixed-income securities involve interest rate, credit, inflation, and reinvestment risks; and possible loss of principal. As interest rates rise, the value of fixed-income securities falls.

This illustration is provided for informational purposes only and should not be construed as investment advice or a recommendation to engage in any financial strategy. This information is being presented without consideration of the investment objectives, risk tolerance, or financial circumstances of any specific investor and is not suitable for all investors. This information is not intended to, and should not, form a primary basis for any investment decision you may make. Always consult with your own legal, tax or investment advisor before making any investment/tax/estate/financial planning considerations or decisions.

Index Definitions: The *Bloomberg Barclays US Aggregate Bond Index* is a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States. The *S&P 500 Index* is a stock market index that measures the performance of 500 large companies listed on stock exchanges in the United States. The *Blended Index* is a weighted combination of: The *MSCI US REIT Index* (16.7%) is a free float-adjusted market capitalization weighted index that is comprised of equity Real Estate Investment Trusts (REITs) which often own and operate income producing real estate assets. The *Alerian MLP Index* (16.7%) is the leading gauge of energy Master Limited Partnerships (MLPs). The *S&P U.S. Preferred Stock Index* (16.7%) represents the U.S. preferred stock market. The *S-Network Composite Closed-End Fund Index* (50%) tracks the overall performance of a global universe of approximately 350 U.S.-listed closed-end funds. The blended index is rebalanced annually. *For Internal Fidelity Use Only – Not for Client Distribution.* CR UC202301 CC202004