SEQUENCE OF RETURNS

When liquidating assets periodically, it is not just the rate of return that is important, it is the *sequence of returns*.

Taking withdrawals during market declines may send you spiraling into a personal bear market.

Mr. Smith
$500,000
Stocks 60% Bonds 40%
Annual Withdrawals: $25,000
Retired 1/1/1966

Mr. Smith ran out of money in less than 17 years

	Mr. Smith			Ms. Jones		
Age	Year	ROR*	Year-end Value	Year	ROR*	Year-end Value
65	1966	-5.3%	$447,786	1976	20.9%	$ 578,059
66	1967	12.8%	$478,594	1977	-5.5%	$ 518,106
67	1968	7.3%	$485,913	1978	2.1%	$ 498,689
68	1969	-8.0%	$417,913	1979	9.4%	$ 511,830
69	1970	9.4%	$426,403	1980	15.2%	$ 551,338
70	1971	12.7%	$448,413	1981	-1.5%	$ 500,828
71	1972	13.6%	$476,223	1982	29.3%	$ 602,729
72	1973	-9.8%	$394,315	1983	13.5%	$ 637,815
73	1974	-15.2%	$295,252	1984	9.5%	$ 650,127
74	1975	23.3%	$321,347	1985	30.7%	$ 799,715
75	1976	20.9%	$343,350	1986	24.1%	$ 941,517
76	1977	-5.5%	$276,371	1987	0.4%	$ 892,495
77	1978	2.1%	$230,428	1988	13.5%	$ 958,010
78	1979	9.4%	$194,470	1989	27.8%	$1,166,716
79	1980	15.2%	$158,632	1990	0.3%	$1,109,482
80	1981	-1.5%	$ 84,110	1991	25.1%	$1,324,672
81	1982	29.3%	$ 32,167	1992	8.9%	$1,377,373
	1983	13.5%	Exhausted	1993	14.0%	$1,503,058
83	1984	9.5%	Exhausted	1994	-3.7%	$1,378,579
84	1985	30.7%	Exhausted	1995	35.3%	$1,794,399
85	1986	24.1%	Exhausted	1996	14.0%	$1,972,706
86	1987	0.4%	Exhausted	1997	25.6%	$2,403,137
87	1988	13.5%	Exhausted	1998	23.5%	$2,892,131
88	1989	27.8%	Exhausted	1999	8.9%	$3,072,114
89	1990	0.3%	Exhausted	2000	1.3%	$3,032,033
90	1991	25.1%	Exhausted	2001	-5.6%	$2,779,944
91	1992	8.9%	Exhausted	2002	-7.7%	$2,482,296
92	1993	14.0%	Exhausted	2003	17.3%	$2,826,226
93	1994	-3.7%	Exhausted	2004	8.3%	$2,973,024
94	1995	35.3%	Exhausted	2005	5.6%	$3,048,761
95	1996	14.0%	Exhausted	2006	9.9%	$3,256,908
	1998	23.5%	Exhausted	2008	-23.3%	$2,454,999
		Average ROR 10.56%			Average ROR 9.97%	

Ms. Jones
$500,000
Stocks 60% Bonds 40%
Annual Withdrawals: $25,000
Retired 1/1/1976

Source: John Hancock Annuities, 2009. Data based on two 32-year periods ended on periods on December 31, 1998, and 2008, respectively. Each portfolio assumes a first-year 5% withdrawal that was subsequently adjusted for actual inflation. Each portfolio also assumes a 60% stock/40% bond allocation, rebalanced annually. Stocks are represented by the S&P 500. The Standard & Poor's 500 Index (S&P 500) is an unmanaged group of large company stocks. It is not possible to invest directly in an index. Bonds are represented by the annualized yields of long-term Treasuries (10+ years maturity). Inflation is represented by changes to the historical CPI. Past performance does not guarantee future results. This illustration does not account for any taxes or fees.