Income Diversification

CREATING A PLAN TO SUPPORT YOUR LIFESTYLE IN RETIREMENT.

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Fidelity INVESTMENTS®

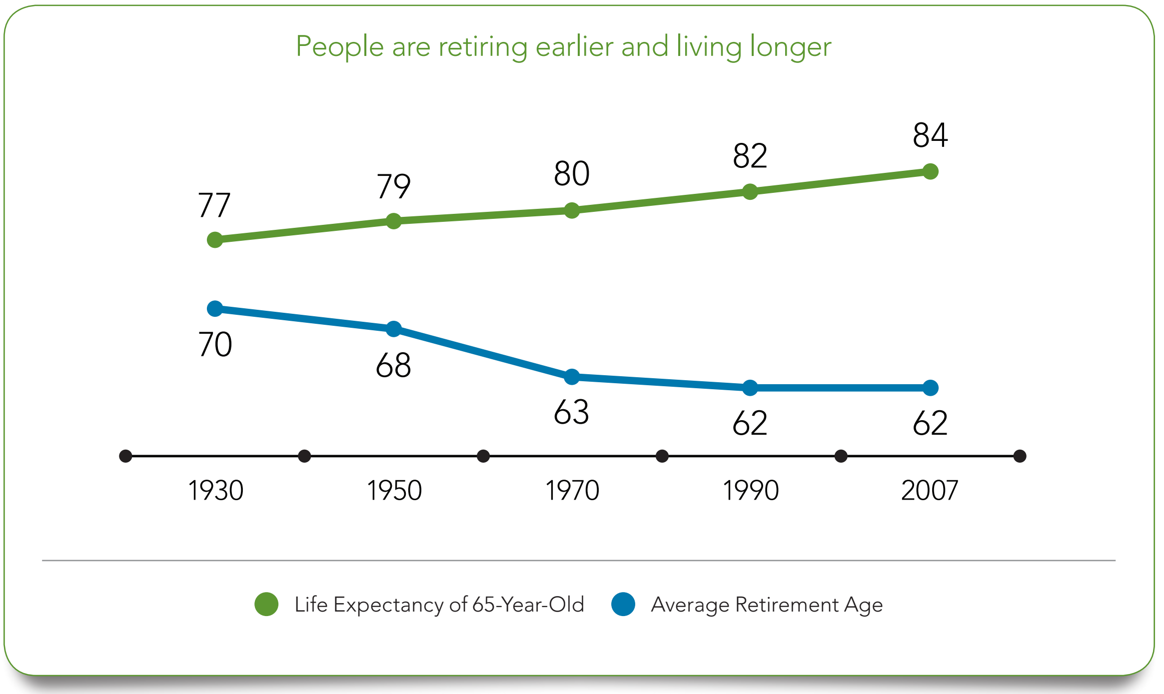
Retirement is different today

Just about everything we thought we knew about retirement has been turned upside down.

The uncertainty of retiring at a time when there are fewer guaranteed income sources, low interest rates, and increased market fluctuations has many people worried. Which is why it's more important than ever to have a plan that includes diverse[1] sources of income.

Today's retirement lifestyle is more active, more expensive, and will likely last longer.

Your life has likely been nothing like your parents', and your retirement probably won't be either. You will probably be more active, live and work longer, and need to rely more on what you've saved for income. That's why you should create an income plan now that will support your unique lifestyle in retirement.



Source: U.S. Department of Health and Human Services 2010, Bureau of Labor Statistics 2008.

Q: How do you envision your lifestyle in retirement?

Q: What are some of the things that could get in the way of that picture?

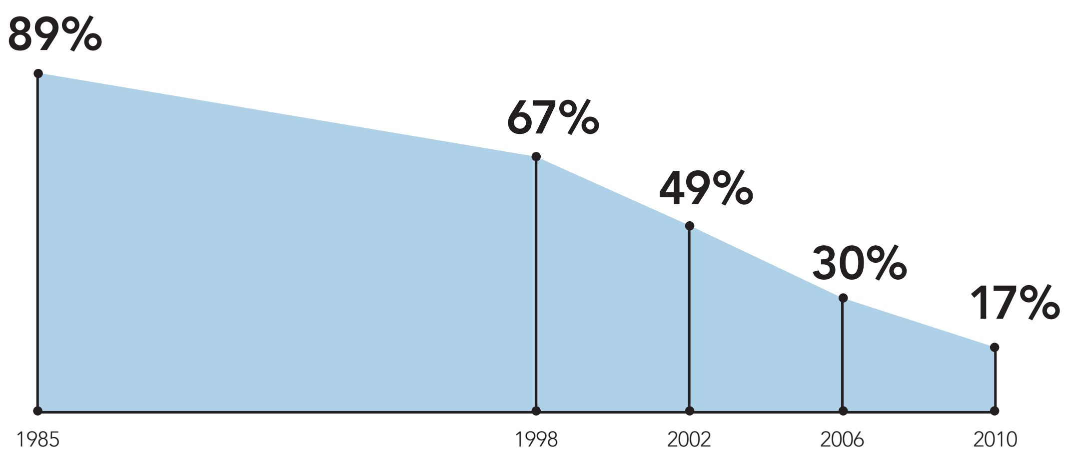
[1]**Diversification and asset allocation do not ensure a profit or guarantee against loss.**

It’s up to you now.

Today, fewer workers can count on a pension, and the future of Social Security is uncertain.

The challenge now falls to you to create income from your personal savings by having a plan that removes some of the uncertainty and allows you to move into the next phase of your life knowing you will have the income you need, for as long as you need it.

Percentage of Fortune 100 employers providing defined benefit plans



Source: Towers Watson, *Insider,* Volume 20, June 2010.

A different retirement means different retirement planning.

While you were saving, you diversified your portfolio by spreading your investments across a mix of stocks, bonds, and cash in order to help manage market fluctuation over time.

When it comes to income in retirement, diversification is just as crucial and goes beyond investing in different asset classes. Sources of income that offer flexibility, growth potential, and guarantees should all be included in your income plan.

By having various sources of retirement income, your portfolio can help you maintain confidence through economic ups and downs and better prepare you to face the uncertainties that lie ahead.

Q: How much income will it take to support your lifestyle?

Q: How much of that income will you be generating from your own assets?

Some things to think about

Creating an effective and diversified retirement income plan requires addressing some key risks.

Outliving your money.

Since we don't know when we're going to die, it's difficult to plan how long our money will have to last. The result is that some people will plan too conservatively, and some too aggressively. Additionally, many people don't realize that they may end up living in retirement as long or longer than they worked. Without some thoughtful planning, you could easily outlive your savings, a concept also referred to as longevity risk.

Lifespans can be longer than expected

	65-Year-Old Man	65-Year-Old Woman	65-Year-Old Couple*
50% Chance	85 yrs.	88 yrs.	92 yrs.
25% Chance	92 yrs.	94 yrs.	97 yrs.

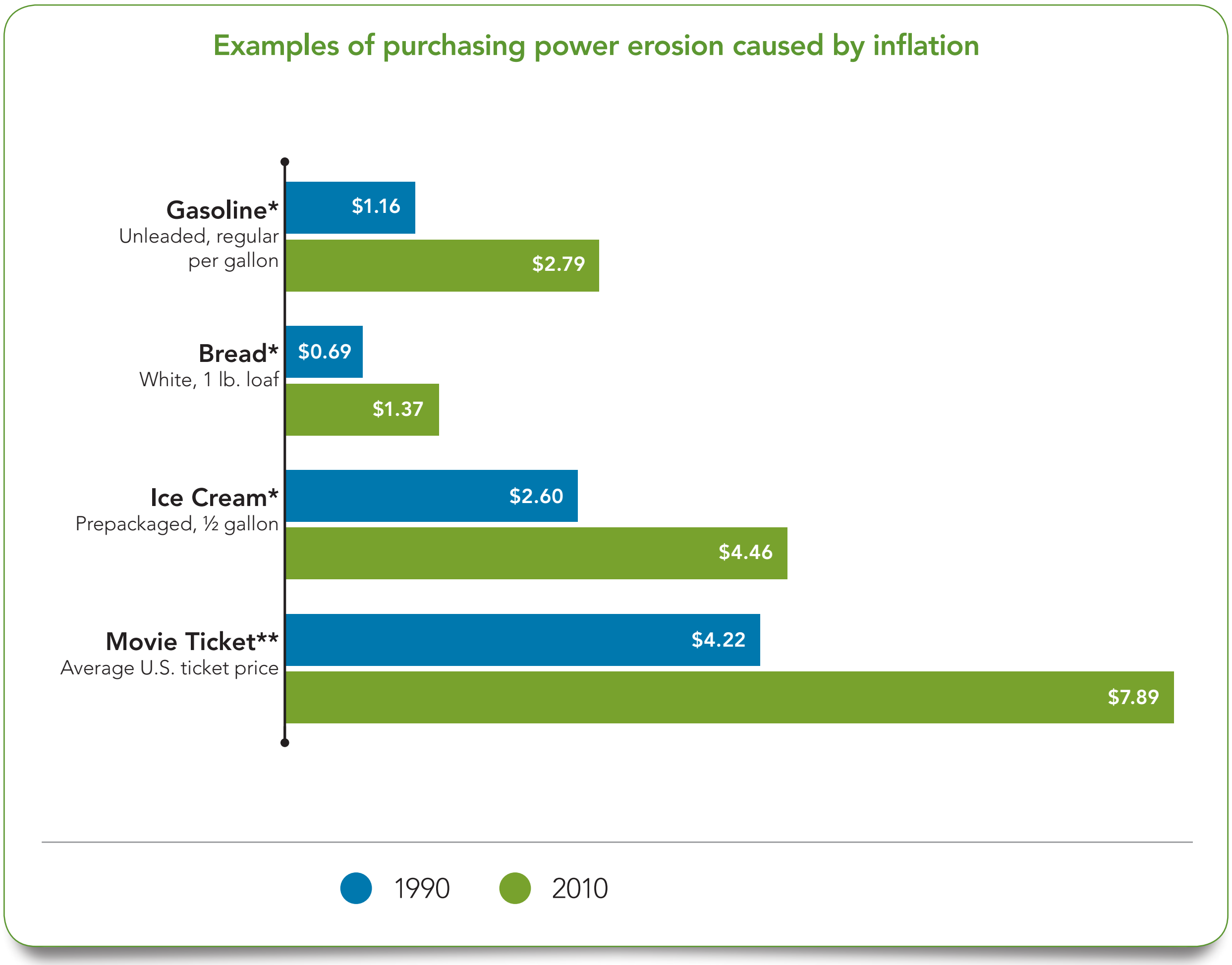
*At least one surviving individual.
Source: Annuity 2000 Mortality Table, American Society of Actuaries. Figures assume you are in good health.
For illustrative purposes only.

Q: Who is/was the longest-living person you know?

Q: What planning have you done to prepare yourself for a long retirement?

Impact of inflation.

Have you experienced sticker shock lately? Then you know firsthand the effects of inflation. And that's over the short term. Imagine how inflation might affect the buying power of your money over the long term. As you build your income plan, it's important to include some investments with income growth potential that may help keep up with inflation through the years.



*Source: U.S. Department of Labor, Bureau of Labor Statistics, www.bls.gov, May 2012. Historical prices were calculated by averaging the monthly price data for the years noted.

**Source: National Association of Theatre Owners, www.natoonline.org, May 2012.

Q: What do you think the impact of inflation will be on your lifestyle over the next 20 years?

Q: How does your current plan address inflation?

A declining market.

Market declines are one thing when you're still saving and investing during your working years. They can be devastating when you're relying on what you have saved to last the rest of your life. While many investors approaching retirement today may be more comfortable investing conservatively as a result of market volatility, they may be missing growth opportunities. A well-rounded retirement income plan balances guaranteed income sources with investments that provide growth potential.

Market volatility in the S&P 500® Index

(January 1, 1991, to December 31, 2010)

Source: Fidelity Investments, December 2010.

Past performance is no guarantee of future results.

The S&P 500® Index is a market capitalization–weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation. The S&P 500® Index is a registered service mark of The McGraw-Hill Companies, Inc., and has been licensed for use by Fidelity Distributors Corporation and its affiliates. S&P is a registered service mark of Standard & Poor's Financial Services LLC.

Q: What investment decisions have you made in reaction to market volatility?

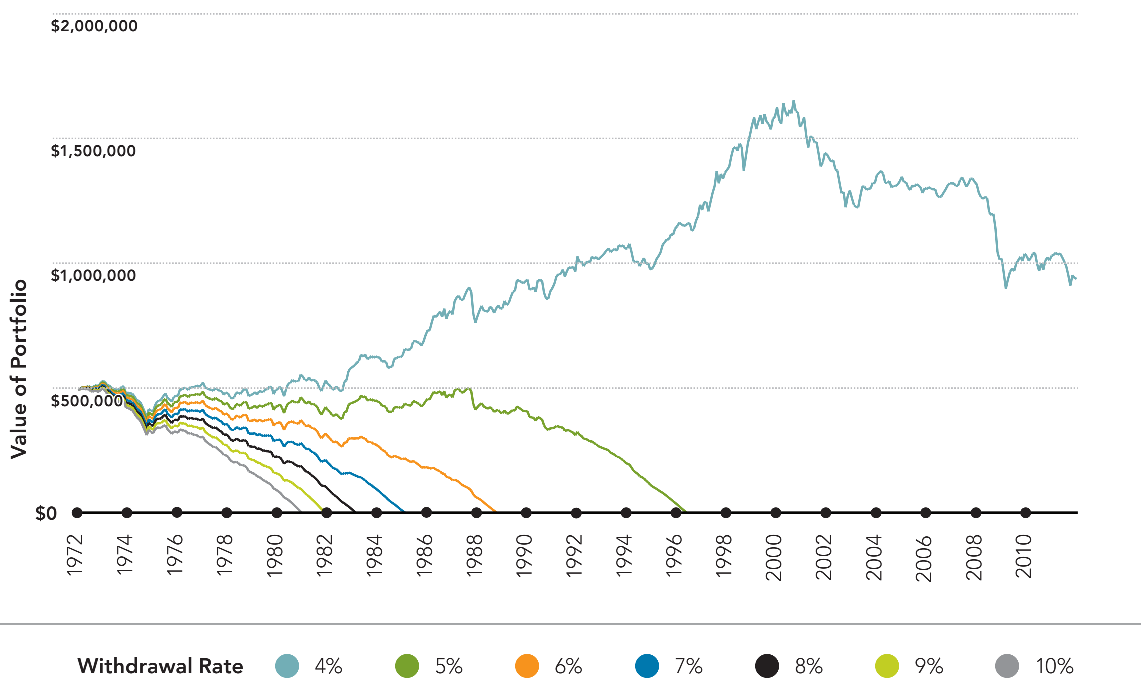
Q: How could volatile markets potentially impact your income in retirement?

Making your money last.

It's important to remember that retirement can last a long time, and that you are actually planning for different stages and needs along the way. How much you withdraw, especially early in retirement, can have a dramatic impact on how long your money may last.

Withdrawing too much too soon*

Withdrawals are inflation adjusted



*Hypothetical value of assets held in a tax-deferred account after adjusting for monthly withdrawals and performance. Initial investment of $500,000 invested in a portfolio of 50% stocks, 40% bonds, and 10% short-term investments. Hypothetical illustration uses historical monthly performance from January 1972 through December 2011 from Ibbotson Associates: stocks, bonds, and short-term investments are represented by the S&P 500® Index, U.S. intermediate-term government bond, and U.S. 30-day T-Bills, respectively. Initial withdrawal amount based on 1/12th of applicable withdrawal rate multiplied by $500,000. Subsequent withdrawal amounts based on prior month's amount adjusted by the actual monthly change in the Consumer Price Index for that month. This chart is for illustrative purposes only and is not indicative of any investment. **Past performance is no guarantee of future results.**

Q: How would the possibility of withdrawing too much income too soon impact your plan?

Negative portfolio returns in retirement.

Negative returns early in retirement can have a greater impact on your portfolio than negative returns later in retirement. That's because your portfolio's value is reduced by both the market downturn and the withdrawals you take. Together, they result in a smaller amount left to experience potential future growth.

If your account balance drops, the amount of income you can withdraw should go down as well. However, many retirees find it difficult to modify their spending after becoming accustomed to a certain lifestyle. They don't feel they should have to give up things they want to do simply because the market isn't cooperating.

Hypothetical example: The impact of retiring into a volatile market

	Portfolio A		Portfolio B	
Year	Return	Balance	Return	Balance
0		$100,000		$100,000
1	-15%	$80,750	22%	$115,900
2	-4%	$72,720	8%	$119,772
3	-10%	$60,948	30%	$149,204
4	8%	$60,424	7%	$154,298
5	12%	$62,075	18%	$176,171
6	10%	$62,782	9%	$186,577
7	-7%	$53,737	28%	$232,418
8	4%	$50,687	14%	$259,257
9	-12%	$40,204	-9%	$231,374
10	13%	$39,781	16%	$262,594
11	7%	$37,216	-6%	$242,138
12	-10%	$28,994	17%	$277,452
13	19%	$28,553	19%	$324,217
14	17%	$27,557	-10%	$287,296
15	-6%	$21,204	7%	$302,056
16	16%	$18,796	13%	$335,674
17	-9%	$12,555	-12%	$290,993
18	14%	$8,612	4%	$297,433
19	28%	$4,624	-7%	$271,962
20	9%	$0	10%	$293,658
21	18%	$0	12%	$323,297
22	7%	$0	8%	$343,761
23	30%	$0	-10%	$304,885
24	8%	$0	-4%	$287,890
25	22%	$0	-15%	$240,456
Arithmetic Mean	**6.8%**		**6.8%**	
Standard Deviation	**12.8%**		**12.8%**	
Compound Growth Rate	**6.0%**		**6.0%**	

Sequence of returns risk revolves around the timing or sequence of a series of adverse investment returns. In this example, two portfolios, A and B, each begin with $100,000. Each aims to withdraw $5,000 per year. Each experiences exactly the same returns over a 25-year period—only in inverse order—or "sequence." Portfolio A has the bad luck of having a sequence of negative returns in its early years and is completely depleted by year 20. Portfolio B, in stark contrast, scores a few positive returns in its early years and ends up two decades later with more than double the assets with which it began.

Q: What actions would you take if you experienced market declines early in retirement?

Income diversification: aligning income sources with objectives

We believe it is important to combine income from multiple sources to create a diversified income stream in retirement. This is because complementary income sources work together to help reduce the effects of some important key risks such as inflation, longevity and market volatility. For example: taking withdrawals from your investment portfolio doesn't guarantee income for life, but gives you the flexibility to change the amount you withdraw each month. The risk is your money could run out if you live a long life, or if the market unexpectedly declines. On the other hand, income annuities provide guaranteed income for life, but may not offer as much flexibility or income growth potential. As part of your overall financial plan you may wish to preserve some principal for use in an emergency or to leave a legacy for heirs. You can accomplish this separately from, or in conjunction with, a diversified income plan.

Consider how various income sources align with your objectives.

Income Sources	Potential for income growth to keep up with **inflation**	Lifetime income that will not run out due to **longevity**	Predictable income to provide protection from **market volatility**	Flexibility[1] to meet changing needs and **uncertainties**
Investment Portfolio with Distributions and Systematic Withdrawals	✔			✔
Immediate Variable Income Annuity	✓	✔		
Deferred Variable Annuity with Living Benefits	✓	✔	✔	✔
Fixed Income Annuities with Annual Increases[2]	✔	✔	✔	
Combined Income Sources	✔	✔	✔	✔

✔ **Strong Alignment**   ✓ **Moderate Alignment**

Note: The check marks above are intended to represent which product categories generally align with a desired objective. The check marks do not, however, precisely represent the features and benefits of specific products. Certain features and benefits are subject to product terms, exclusions, and limitations.

[1]Excess withdrawals and any withdrawal prior to age 59½ may significantly impact the product guarantees and may affect the viability of the overall income strategy. For certain products, a surrender fee may also apply.

[2]Optional cost-of-living adjustments

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

Personalize your income plan

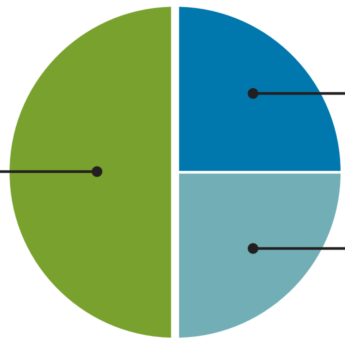
After taking into account your investing priorities and overall financial situation, the combination of income sources you choose becomes your diversified income plan.

An example of a diversified income plan

Seeks to cover essential expenses with guaranteed income sources, and use withdrawals from an investment portfolio to help cover discretionary expenses.

Investment Portfolio

- Income-generating mutual funds
- Multi-asset income funds
- Income replacement funds
- Self-managed portfolios (e.g., stocks, bonds, cash)
- Professionally managed accounts
- Treasuries and FDIC-insured CDs



Fixed Income Annuities

- Immediate
- Deferred

Variable Annuities

- Immediate Variable Income Annuity
- Deferred Variable Annuity with Living Benefits

Each component of your plan serves a purpose. Together, they can help provide income for life, some protection from inflation and market volatility, and potential for growth. Your Fidelity Representative can help you find the income mix appropriate for you.

Q: Do you have a diversified income plan?

Q: Does your plan address all the risks you might face in retirement?

Talk to your Fidelity Representative to help you find the income mix appropriate for you.

Want more information?
Go to Fidelity.com/incomeplanning or call 800.544.2442.

Before investing, consider the investment objectives, risks, charges and expenses of the annuity and its investment options. Call or write to Fidelity or visit Fidelity.com for a free prospectus and, if available, summary prospectus containing this information. Read it carefully.

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