MassMutual
Strategic Distributors

SUCCESS STRATEGIES
Advanced Sales

Taming a Bear Market in Retirement

Adding flexibility in retirement with whole life insurance

When accumulating savings, the order of returns does not much matter. But at retirement, when withdrawals are taken, the **sequence of returns** does matter.

Consider a hypothetical $1,000,000 invested for 25 years, in **Chart A** to the right. The only difference between the two scenarios in **Chart A** is that the order of returns are reversed[1]. However, the average rate of return (ROR) is the same.

Chart A: Accumulation Phase Before Retirement — No Income Taken

SCENARIO 1				SCENARIO 2	
Year	Age	ROR 1	Balance	ROR 2	Balance
1	45	10%	$1,100,000	-7%	$930,000
2	46	9%	$1,199,000	-12%	$818,400
3	47	-6%	$1,127,060	5%	$859,320
4	48	12%	$1,262,307	-2%	$842,134
5	49	25%	$1,577,884	5%	$884,240
6	50	7%	$1,688,336	12%	$990,349
7	51	-3%	$1,637,686	9%	$1,079,481
8	52	9%	$1,785,078	17%	$1,262,992
9	53	10%	$1,963,585	12%	$1,414,551
10	54	-7%	$1,826,134	9%	$1,541,861
11	55	6%	$1,935,702	-5%	$1,464,768
12	56	23%	$2,380,914	7%	$1,567,302
13	57	12%	$2,666,624	12%	$1,755,378
14	58	7%	$2,853,287	23%	$2,159,115
15	59	-5%	$2,710,623	6%	$2,288,662
16	60	9%	$2,954,579	-7%	$2,128,455
17	61	12%	$3,309,128	10%	$2,341,301
18	62	17%	$3,871,680	9%	$2,552,018
19	63	9%	$4,220,131	-3%	$2,475,457
20	64	12%	$4,726,547	7%	$2,648,739
21	65	5%	$4,962,875	25%	$3,310,924
22	66	-2%	$4,863,617	12%	$3,708,235
23	67	5%	$5,106,798	-6%	$3,485,741
24	68	-12%	$4,493,982	9%	$3,799,458
25	69	-7%	$4,179,403	10%	$4,179,403
Average ROR		6.85%		6.85%	

CHART A – TAKEAWAY #1

The returns in the two scenarios in Chart A are the same except that they go in the reverse direction. **Funds have time to recover when income is not withdrawn.**

Taming a Bear Market

Now take a look at how withdrawals impact the balance in **Chart B** based on both hypothetical sequence of returns.

Chart B: Decumulation Phase At Retirement — Income Taken

	SCENARIO 1			SCENARIO 2		
Age	**ROR 1**	**Income**	**Balance**	**ROR 2**	**Income**	**Balance**
66	10%	$65,000	$1,028,500	-7%	$65,000	$869,550
67	9%	$65,000	$1,050,215	-12%	$65,000	$708,004
68	-6%	$65,000	$926,102	5%	$65,000	$675,154
69	12%	$65,000	$964,434	-2%	$65,000	$597,951
70	25%	$65,000	$1,124,293	5%	$65,000	$559,599
71	7%	$65,000	$1,133,443	12%	$65,000	$553,951
72	-3%	$65,000	$1,036,390	9%	$65,000	$532,956
73	9%	$65,000	$1,058,815	17%	$65,000	$547,509
74	10%	$65,000	$1,093,197	12%	$65,000	$540,410
75	-7%	$65,000	$956,223	9%	$65,000	$518,196
76	6%	$65,000	$944,696	-5%	$65,000	$430,537
77	23%	$65,000	$1,082,027	7%	$65,000	$391,124
78	12%	$65,000	$1,139,070	12%	$65,000	$365,259
79	7%	$65,000	$1,149,255	23%	$65,000	$369,319
80	-5%	$65,000	$1,030,042	6%	$65,000	$322,578
81	9%	$65,000	$1,051,896	-7%	$65,000	$239,547
82	12%	$65,000	$1,105,323	10%	$65,000	$192,002
83	17%	$65,000	$1,217,178	9%	$65,000	$138,432
84	9%	$65,000	$1,255,874	-3%	$65,000	$71,229
85	12%	$65,000	$1,333,779	7%	$65,000	$6,665
86	5%	$65,000	$1,332,218	25%	$0	$0
87	-2%	$65,000	$1,241,874	12%	$0	$0
88	5%	$65,000	$1,235,717	-6%	$0	$0
89	-12%	$65,000	$1,030,231	9%	$0	$0
90	-7%	$65,000	$897,665	10%	$0	$0

CHART B – TAKEAWAY #2

Chart B illustrates that based on the assumed returns and annual income withdrawn of $65,000 beginning at age 66, funds run out in Scenario 2 at age 85 because **the sequence of returns matters when withdrawals are taken**. Although the average return over 25 years is the same in both scenarios, withdrawals impact the account balance based on the order of those returns.

Life Insurance

Chart C below illustrates how a whole life insurance policy's cash values can be accessed in retirement during market dips to help the portfolio recover.

Chart C

Hypothetical Retirement Portfolio: No Income Taken During Market Dips				Existing Whole Life Insurance: Flexibility to Take Distributions During Market Dips		
Age	**ROR[1]**	**Income Withdrawn**	**Balance**	**Income from Policy**	**Net Cash Surrender Value**	**Net Death Benefit**
66	-7%	$0	$930,000	$65,000	$1,222,965	$1,791,051
67	-12%	$0	$818,400	$65,000	$1,220,319	$1,759,526
68	5%	$65,000	$791,070	-	$ 1,285,874	$1,825,773
69	-2%	$0	$775,249	$65,000	$1,286,356	$1,799,074
70	5%	$65,000	$745,761	-	$1,355,128	$1,867,313
71	12%	$65,000	$762,452	-	$1,427,341	$1,938,322
72	9%	$65,000	$760,223	-	$1,503,116	$2,012,150
73	17%	$65,000	$813,411	-	$1,582,624	$2,088,914
74	12%	$65,000	$838,220	-	$1,665,958	$2,168,651
75	9%	$65,000	$842,810	-	$1,753,254	$2,251,485
76	-5%	$0	$800,670	$65,000	$1,776,334	$2,250,946
77	7%	$65,000	$787,166	-	$1,868,454	$2,337,029
78	12%	$65,000	$808,826	-	$1,964,756	$2,426,404
79	23%	$65,000	$914,907	-	$2,065,330	$2,519,125
80	6%	$65,000	$900,901	-	$2,170,187	$2,615,219
81	-7%	$0	$837,838	$65,000	$2,211,200	$2,633,541
82	10%	$65,000	$850,122	-	$2,321,444	$2,733,652
83	9%	$65,000	$855,783	-	$2,436,130	$2,837,559
84	-3%	$0	$830,109	$65,000	$2,487,309	$2,866,950
85	7%	$65,000	$818,667	-	$2,607,880	$2,975,978
86	25%	$65,000	$942,083	-	$2,732,220	$3,088,301
87	12%	$65,000	$982,334	-	$2,860,808	$3,204,705
88	-6%	$0	$923,394	$65,000	$2,993,735	$3,325,190
89	9%	$65,000	$935,649	-	$3,130,964	$3,449,718
90	10%	$65,000	$957,714	-	$3,272,623	$3,578,475

Chart C is a supplemental illustration that is not valid unless accompanied by the **basic illustration**. Refer to it for assumptions, explanations, guaranteed elements and additional information. The example assumes a Whole Life 10 Pay life insurance policy, with an annual premium of $67,330 for 10 years, which buys $1M of life insurance protection on a Female age 45, Ultra-Preferred Non-Tobacco risk class.

CHART C – TAKEAWAY #3

During a market downturn, instead of taking distributions from a retirement account that has been affected by a dip in the market, tax-preferred distributions can be made from an existing whole life insurance policy, **giving the portfolio time to recover**.

The illustrated amounts are not guaranteed. They include dividends, which are neither estimates nor guarantees, that have been applied to purchase paid-up additions based on the 2023 dividend schedule. The dividend schedule is reviewed annually, and it is likely that dividends in the future years will be lower or higher depending on the Company's actual experience. For this reason, we strongly recommend that you look at a lower dividend schedule illustration. Refer to the basic illustration for guaranteed elements, assumptions, explanations and other important information.

Life Insurance

BENEFITS OF WHOLE LIFE INSURANCE IN RETIREMENT

The whole life policy offers the life insurance coverage needed during the working years, while providing a cushion in a down market during retirement.

Unlike some other permanent life insurance policies, a whole life policy is not tied to the financial markets. In this way, whole life can help tame the effects of a bear market on retirement income.

The distributions from the whole life policy can be structured so that tax-advantaged withdrawals are taken, up to total premiums paid, after which tax-favored policy loans can be taken.[2]

Contact Advanced Sales at **1-800-601-9983 Option #2**
or email **MMSDAdvancedSales@MassMutual.com**

FOR FINANCIAL PROFESSIONALS. NOT FOR USE WITH THE PUBLIC.

[1] Chart C references S&P 500 Index returns that include dividends and are based on calendar year changes in the Index. Other beginning and end dates could produce significantly different outcomes. Chart C is intended to be a hypothetical illustration of what fluctuations may look like based on the Index's performance over a period of time. Past performance is no indication of future results. Actual portfolio performance will be different than illustrated.

[2] Loans and withdrawals will reduce the death benefit and cash surrender value, and may cause the policy to lapse. Lapse or surrender of a policy with a loan may cause the recognition of taxable income. Policies classified as Modified Endowment Contracts (MEC) may be subject to tax when a loan or withdrawal is taken. A federal tax penalty of 10% may also apply if the loan or withdrawal is taken prior to age 59½.

AS9008LI 223 CRN202306-283583