MetLife | Retirewise®

Navigating life together

Creating and Managing Wealth

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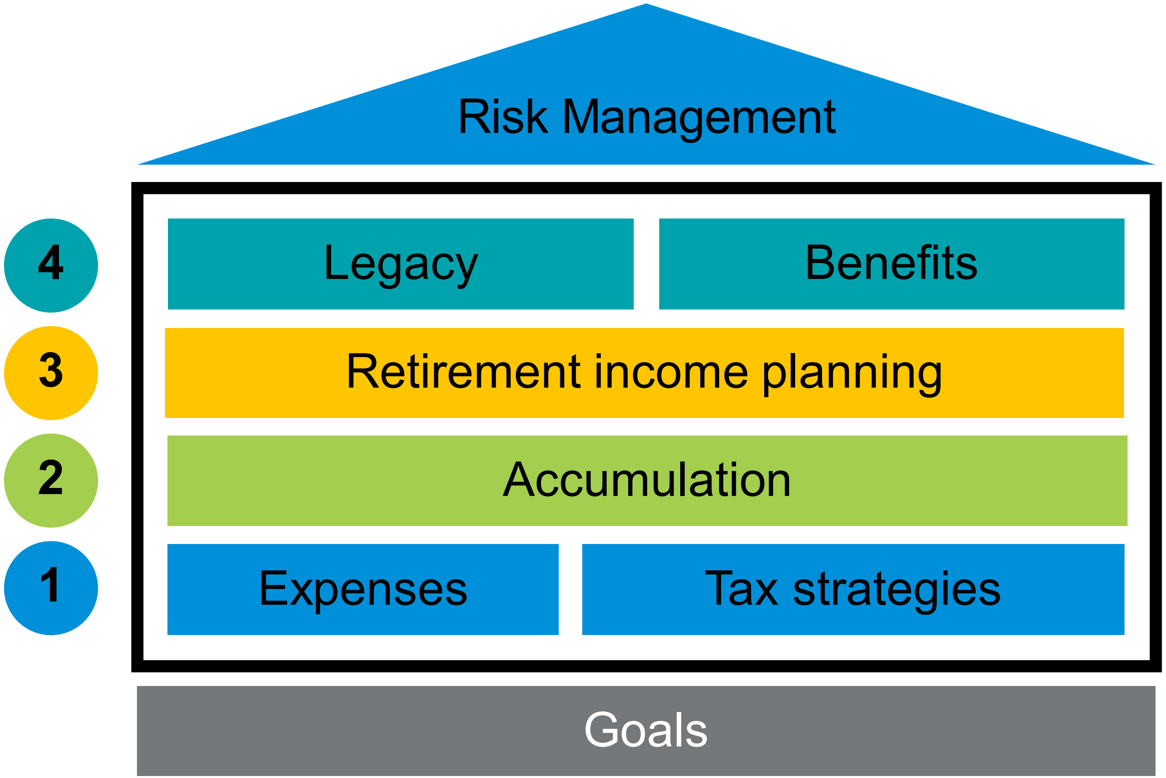
MetLife | Retirewise®

SESSION 2

What is important about retirement planning to you?

Building your "retirement house"



Looking at an important relationship

Monthly Expenses	Current		Retirement	
	Needs	Wants	Needs	Wants
Housing and Related Expenses				
Rent / mortgage				
Real estate / association fees				
Heat / AC / electric				
Phone				
Water / sewer / garbage				
Property taxes				
Home insurance				
Property care (lawn, etc.)				
Home maintenance (repairs, painting, etc.)				
Cable / internet / subscriptions				
Other:				
Other:				
Housing Totals:				
Transportation Expenses				
Car payments				
License / registration / maintenance				
Gas / parking				
Insurance				
Public transportation (bus, train, etc.)				
Other:				
Transportation Totals:				
Personal Expenses				
Childcare				
Groceries / restaurant / takeout				
Personal care, hairdresser, etc.				
Clothing / shoes				
Gym membership / hobbies				
Vacation / leisure / entertainment				
Education (you / spouse / children)				
Debts (other than car / mortgage)				
Charitable donations				
Gifts to children / grandchildren / others				
Pet care				
Savings				
Federal income tax				
State income tax				
Other:				
Personal Totals:				
Medical Expenses / Insurance Premiums				
Medical (copay, prescriptions, etc.)				
Eye care (glasses, contacts, etc.)				
In-home care services				
Health Insurance Premiums (Medicaid / Medicare)				
Long-Term Care Insurance Premiums				
Life Insurance Premiums				
Disability Income Insurance Premiums				
Other:				
Medical / Insurance Totals:				
Total Monthly Expenses:				

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Rule of 25

Annual Income x **25** = **Nest Egg** from which to draw **4%** annually

Source: TheBalance.com July 2017

Applying the Rule of 25 to calculate the total assets needed to meet retirement goals

Assume an assets drawdown of 4%, starting at retirement in 15 years

Monthly	Annual	
$5,000	$60,000	– need based on homework
$2,500	$30,000	– available via Social Security, pensions
$2,500	$30,000	– gap we need to fill
	x 25	– 100 divided by 4% drawdown
	$750,000	– of assets needed
	$500,000	– of assets available
	$250,000	– additional assets needed

Figures, calculations and illustrations are hypothetical in nature and are for illustrative purposes only and do not take into account the potential impact of fees, expenses or taxes.

Investment guiding principles

Manage Risks: Understand the risks inherent in different types of investments

Get Invested: Don't pay the cost of waiting

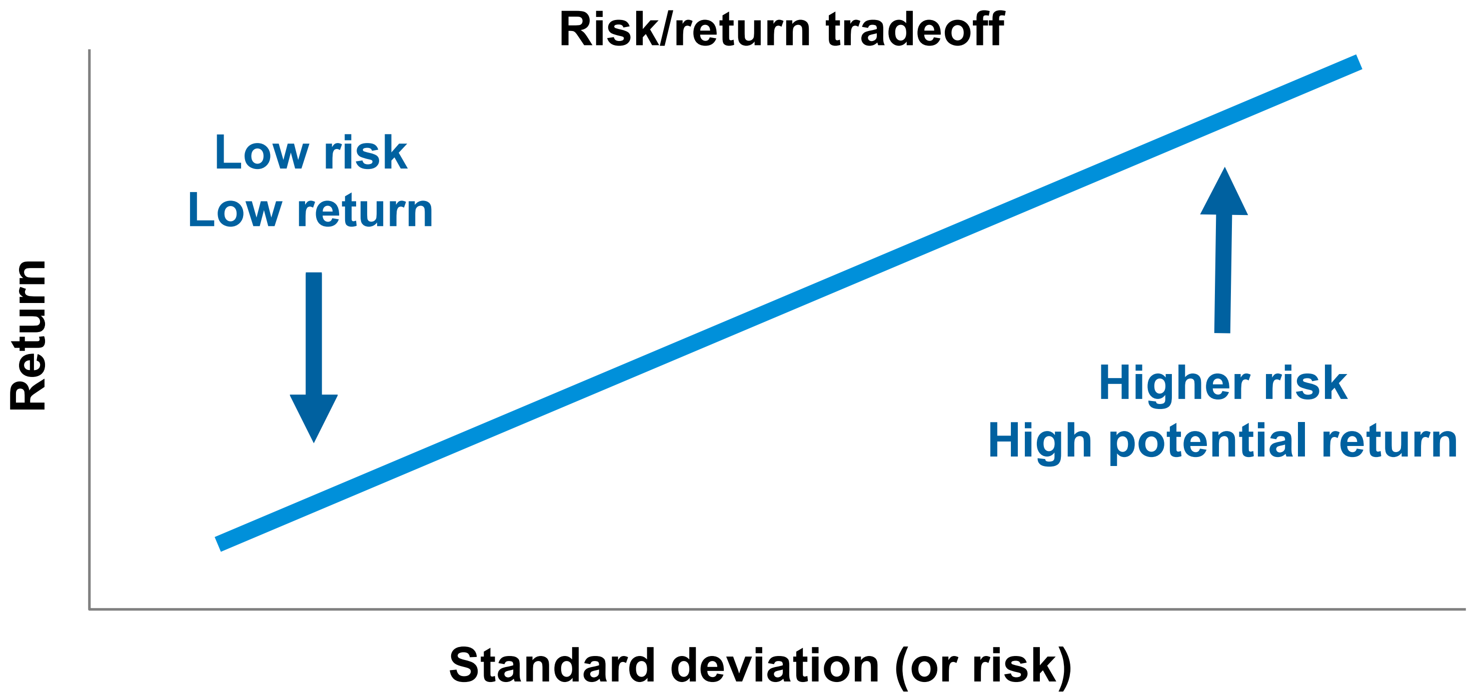
Diversify: A diversified portfolio of investments may allow for more consistent returns

Stay Invested: It's "time in" the market, not "timing" the market

Balance: Periodic adjustments are needed due to varied economic conditions

Manage risks:
Understand the risks inherent in different types of investments

Risk/return relationship



Source: www.Investopedia.com

Inflation risk: How much will things cost in the future?

Ford Mustang 1985

$6,572

Ford Mustang 2019

$39,355

Source: 2019 Ford Mustang GT Premium, Ford.com

Interest rate risk: Understanding the impact of interest rates on bond prices

Interest rate/
bond price
relationship

When interest rates rise
bond prices fall

7%

interest rate

$1,000

bond price

$875

KEY TAKEAWAY:

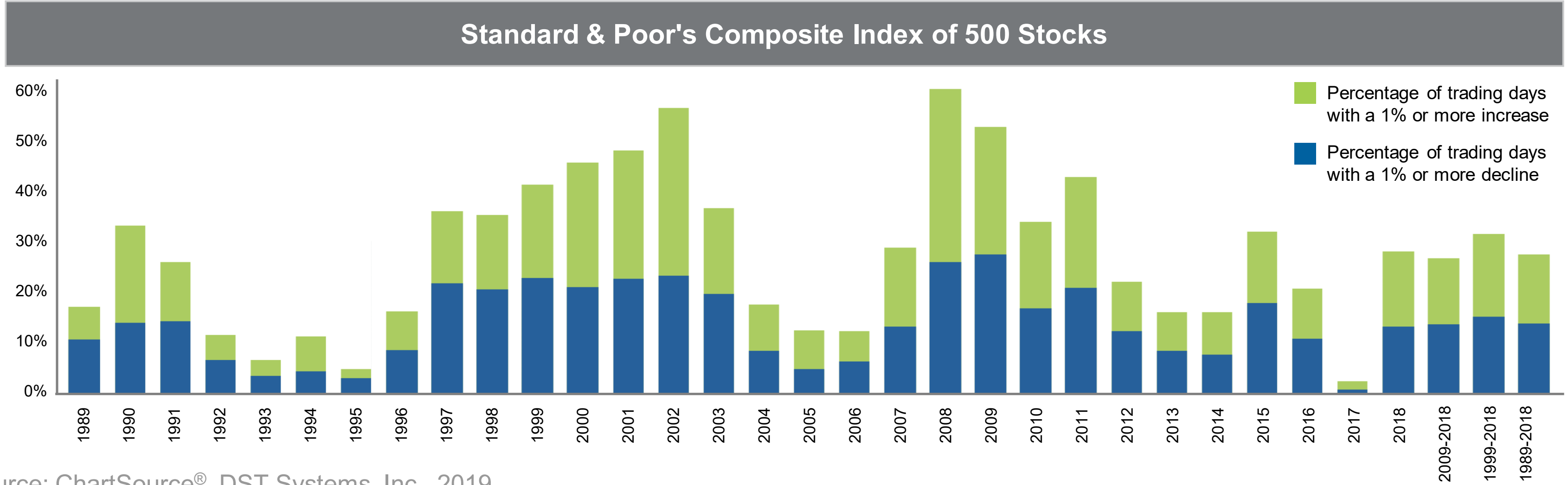
Bond prices and **interest rates** have an ***inverse*** relationship

Bonds and other fixed-income securities involve both credit risk and market risk, which includes interest rate risk. Please be sure you understand any risk relative to bonds that may affect you. This is a hypothetical example shown for illustrative purposes only. It does not reflect any specific investment.

Volatility risk

Trading days with changes of 1% or more in domestic stock prices

Stock market volatility may unnerve investors who watch it closely. This chart could help put daily volatility in perspective. It shows that while daily moves of 1% or more have been relatively common at some points, there have been significant variations from year to year. Investors should keep this in mind when evaluating daily changes in stock prices.



Source: ChartSource®, DST Systems, Inc., 2019

Get invested: Don’t pay the cost of waiting

The investment spectrum

Foundation	Conservative	Growth	Alternative
• Savings • Money Market Accounts	• Municipal Bonds • Government Bonds • Corporate Bonds	• Stocks	• Precious Metals • Art • Real Estate

The investment spectrum

Foundation	Conservative	Growth	Alternative

Certificates of Deposit (CDs)*

Savings account

Checking account

Short-term government bonds

Money Market accounts

KEY TAKEAWAY:

Cash equivalents are safe and accessible but **don't protect against inflation**

*CDs may have penalties for early withdrawals

The investment spectrum

Foundation	**Conservative**	Growth	Alternative

Bonds

- Tax-free bonds
  - Municipal: Federal tax-exempt; may be state or local, depending on your location
  - Government: Local tax-exempt
- Taxable bonds
  - Corporate

KEY TAKEAWAY:

Bonds involve more risk than cash equivalents but **offer the possibility of higher returns**

Bonds can be a **key tool** in your tax-diversification strategy

Bonds and other fixed-income securities involve both credit risk and market risk, which includes interest rate risk. Please be sure you understand any risk relative to bonds that may affect you.

The investment spectrum

Foundation | Conservative | **Growth** | Alternative

Equities

- Common stock
- Preferred stock

KEY TAKEAWAY:

While stocks offer the **greatest potential for growth,** they also offer the **greatest risk of market volatility**

The investment spectrum

Foundation	Conservative	Growth	**Alternative**

Specialty Investments

- Precious metals
- Art
- Real estate

KEY TAKEAWAY:

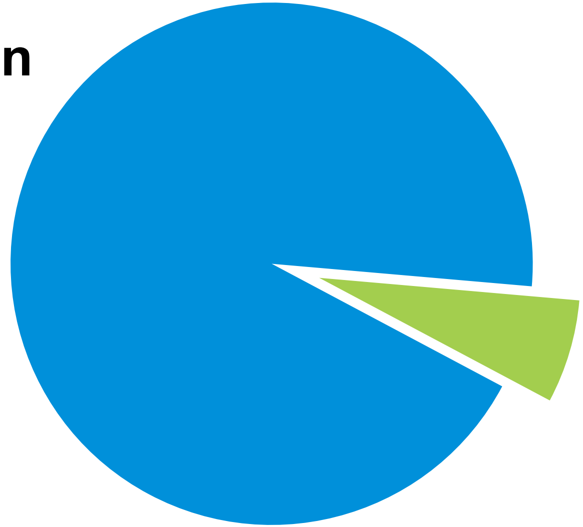
Alternative investments usually have a low correlation to stocks, making them less impacted by market volatility. They may, however, be **less liquid.**

Diversify:

A diversified portfolio of investments may allow for more consistent returns

Determinants of portfolio performance

Asset Allocation
93.6%



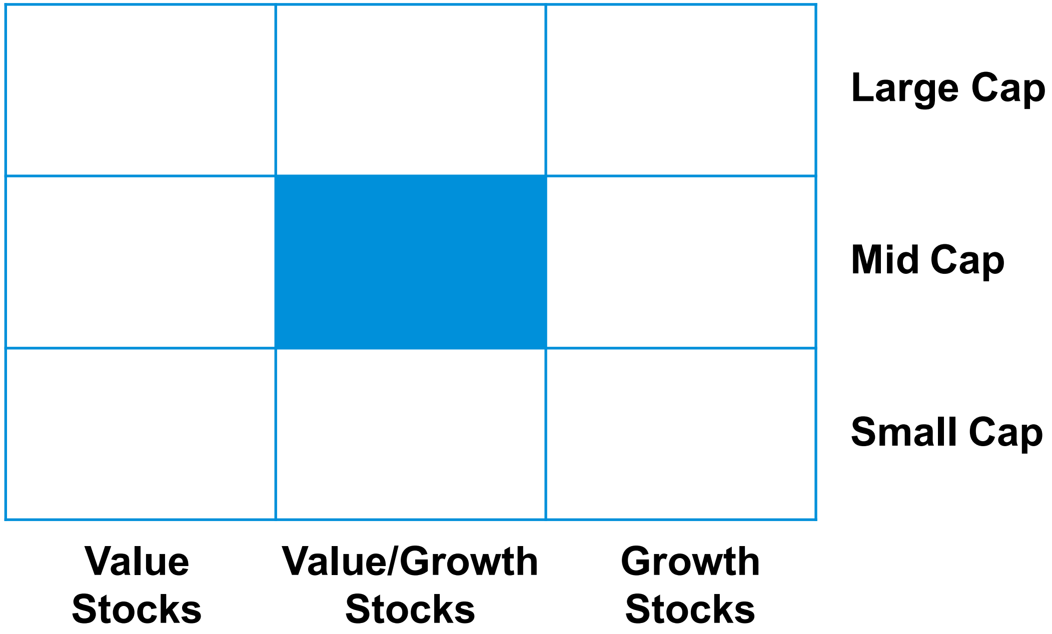
6.4%

Market Timing 1.8%
Security Selection 4.6%

Source: 1986 Brinson, Hood, and Beebower's study (also known as "Determinants of Portfolio Performance")

Consider fund investment styles

Style Box for Stock Mutual Funds



Source: Morningstar.com

The value of a diversified approach

Annual Returns for Key Indices Ranked in Order of Performance (2007–2018)

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Emerging Market Equity 39.38%	U.S. Fixed Income 5.24%	Emerging Market Equity 78.51%	Small Cap Equity 26.85%	U.S. Fixed Income 7.84%	Real Estate 27.73%	Small Cap Equity 38.82%	Real Estate 15.02%	Large Cap Equity 1.38%	Small Cap Equity 21.31%	Emerging Market Equity 37.28%	Cash Equivalent 1.87%
Non-U.S. Equity 12.44%	Non-U.S. Fixed Income 4.39%	High Yield 58.21%	Real Estate [illegible]	High Yield 4.98%	Emerging Market Equity 18.23%	Large Cap Equity 32.39%	Large Cap Equity 13.69%	U.S. Fixed Income 0.55%	High Yield [illegible]	Non-U.S. Equity 24.21%	U.S. Fixed Income 0.01%
Non-U.S. Fixed Income 11.03%	Cash Equivalent 2.06%	Real Estate 37.13%	Emerging Market Equity 18.88%	Non-U.S. Fixed Income 4.36%	Non-U.S. Equity [illegible]	Non-U.S. Equity 21.02%	U.S. Fixed Income [illegible]	Cash Equivalent 0.05%	Large Cap Equity 11.96%	Large Cap Equity [illegible]	High Yield -2.08%
U.S. Fixed Income 6.97%	High Yield [illegible]	Non-U.S. Equity [illegible]	High Yield 15.12%	Large Cap Equity 2.11%	Small Cap Equity 16.35%	High Yield 7.44%	Small Cap Equity 4.89%	Real Estate -0.79%	Emerging Market Equity 11.19%	Small Cap Equity 14.65%	Non-U.S. Fixed Income -2.15%
Large Cap Equity 5.49%	Small Cap Equity -33.79%	Small Cap Equity 27.17%	Large Cap Equity 15.06%	Cash Equivalent [illegible]	Large Cap Equity 16.00%	Real Estate 3.67%	High Yield 2.45%	Non-U.S. Equity [illegible]	Real Estate 4.06%	Non-U.S. Fixed Income 10.51%	Large Cap Equity -4.38%
Cash Equivalent 5.00%	Large Cap Equity -37.00%	Large Cap Equity 26.47%	Non-U.S. Equity 8.95%	Small Cap Equity -4.18%	High Yield 15.81%	Cash Equivalent 0.07%	Cash Equivalent 0.03%	Small Cap Equity -4.41%	Non-U.S. Equity 2.75%	Real Estate 10.36%	Real Estate [illegible]
High Yield [illegible]	Non-U.S. Equity -43.56%	Non-U.S. Fixed Income 7.53%	U.S. Fixed Income 6.54%	Real Estate -6.46%	U.S. Fixed Income 4.21%	U.S. Fixed Income -2.02%	Emerging Market Equity -2.19%	High Yield -4.47%	U.S. Fixed Income 2.65%	High Yield 7.50%	Small Cap Equity -11.01%
Small Cap Equity -1.57%	Real Estate -48.21%	U.S. Fixed Income 5.93%	Non-U.S. Fixed Income 4.95%	Non-U.S. Equity -12.21%	Non-U.S. Fixed Income 4.09%	Emerging Market Equity -2.60%	Non-U.S. Fixed Income -3.09%	Non-U.S. Fixed Income -6.02%	Non-U.S. Fixed Income 1.49%	U.S. Fixed Income 3.54%	Non-U.S. Equity -14.09%
Real Estate -7.39%	Emerging Market Equity -53.33%	Cash Equivalent 0.21%	Cash Equivalent 0.13%	Emerging Market Equity -18.42%	Cash Equivalent 0.11%	Non-U.S. Fixed Income -3.08%	Non-U.S. Equity -4.32%	Emerging Market Equity -14.92%	Cash Equivalent 0.33%	Cash Equivalent 0.86%	Emerging Market Equity -14.58%

Source: Callan Associate Inc., 2019. The Table highlights the uncertainty inherent in all capital markets. Rankings change every year.

Market index descriptions for annual percentage returns chart
(slide 23-24)

Large Cap Equity (S&P 500) measures the performance of large capitalization U.S. stocks. The S&P 500 is a market-value-weighted index of 500 stocks. The weightings make each company's influence on the Index performance directly proportional to that company's market value.

Small Cap Equity (Russell 2000) measures the performance of small capitalization U.S. stocks. The Russell 2000 is a market-value weighted index of the 2,000 smallest stocks in the broad-market Russell 3000 Index.

Non-U.S. Equity (MSCI World ex USA) is an international index that is designed to measure the performance of large and mid cap equities in developed markets in Europe, the Middle East, the Pacific region, and Canada.

Emerging Market Equity (MSCI Emerging Markets) is an international index that is designed to measure the performance of equity markets in 24 emerging countries around the world.

U.S. Fixed Income (Bloomberg Barclays US Aggregate Bond Index) includes U.S. government, corporate, and mortgage-backed securities with maturities of at least one year.

High Yield (Bloomberg Barclays High Yield Bond Index) measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt.

Non-U.S. Fixed Income (Bloomberg Barclays Global Aggregate ex US Bond Index) is an unmanaged index that is comprised of several other Bloomberg Barclays indices that measure the fixed income performance of regions around the world, excluding the U.S.

Real Estate (FTSE EPRA/NAREIT Developed REIT Index) is designed to measure the stock performance of companies engaged in specific real estate activities in the North American, European, and Asian real estate markets.

Cash Equivalent (3-month Treasury Bill) is a short-term debt obligation backed by the Treasury Department of the U.S. government with a maturity of less than one year.

Diversifying with mutual funds

Investors pool their money to purchase shares in a professionally managed portfolio of stocks, bonds, or other investments

This provides an affordable way to access professional money managers

The money managers buy and sell securities based on the stated objective of the mutual fund which often includes diversification

Sample Investment Objectives

Growth	**Balanced**
Income	**Sector**
Socially Responsible	**Tax-Free**

While diversification is a useful technique that can help to manage overall portfolio risk and volatility, there is no certainty or assurance that a diversified portfolio will enhance overall return or outperform one that is not diversified.

Diversifying with mutual funds

Index Funds: A portfolio constructed to match or track the components of a market **index,** such as the Standard & Poor's **500 Index** (S&P 500)

Index Funds seek to generate returns that equal the return of the respective index minus fees

An index fund generally provides broad market exposure, low operating expenses and low portfolio turnover

Source: Jordan Wathen (TMFValueMagnet), August, 2016

Evaluating mutual funds

Sales Charges

Commissions and Loads

Expense Ratios

All **annual fees** charged by all funds, including the management fee, the administrative costs, 12b-1 distribution fees and other operating expenses

Turnover

Measures how long the holdings are held, which can **impact capital gains taxes**

Investment Policy

Cash reserves on hand

KEY TAKEAWAY:

These four factors **impact earnings**

Mutual funds are sold by prospectus, which is available from your registered representative. Please carefully consider investment objectives, risks, charges, and expenses before investing. For this and other information about any mutual fund investment please obtain a prospectus and read it carefully before you invest. Investment return and principal value will fluctuate with changes in market conditions such that shares may be worth more or less than original cost when redeemed. Diversification cannot eliminate the risk of investment losses, and past mutual fund performance is not a guarantee of future results.

Determining your risk tolerance

Risk Tolerance Assessment

To measure your risk tolerance, **circle a number for each item, then add up the numbers*** to determine a risk tolerance score.

Circle one number for each question:

I have a short investment time horizon, few years until I'll need most of my money.	< 1 2 3 4 >	I have a long investment time horizon, many years until I'll need most of my money.
I try to minimize the risk of investment losses, both long term and short term.	< 1 2 3 4 >	I'm willing to tolerate short-term losses to earn higher long-term returns.
I would feel great if a very conservative fund allocation kept me from losing money when the stock market declined.	< 1 2 3 4 >	I would feel great if an aggressive fund allocation allowed me to make large investment gains when the stock market increased dramatically.
In choosing between funds, my primary goal is to not lose any principal contributed to my account.	< 1 2 3 4 >	In choosing between funds, my primary goal is to earn as high a rate of return as possible.
I'm willing to contribute a greater percent of salary, so I can invest conservatively and avoid risk.	< 1 2 3 4 >	I'm willing to risk losing my principal for the chances of earning higher returns over time, so I can reduce my monthlycontributions.
I would be very upset if my quarterly or annual return was negative.	< 1 2 3 4 >	I could accept a quarterly or annual negative return, if my aggressive allocation gave the chance for higher longterm returns.
If the stock market dropped 10% over a few days, I'd probably move my savingsout of stocks to keep from losing more money.	< 1 2 3 4 >	If the stock market dropped 10% over a few days, I'd probably move more of my savings into stocks to get in on the next market increase.
The time horizon and cost of my goals are not flexible, so unexpected investment losses would be a difficult setback for me.	< 1 2 3 4 >	The time horizon and cost of my goals are flexible, so unexpected investment losses would only mean delaying the goal or spending less on it.

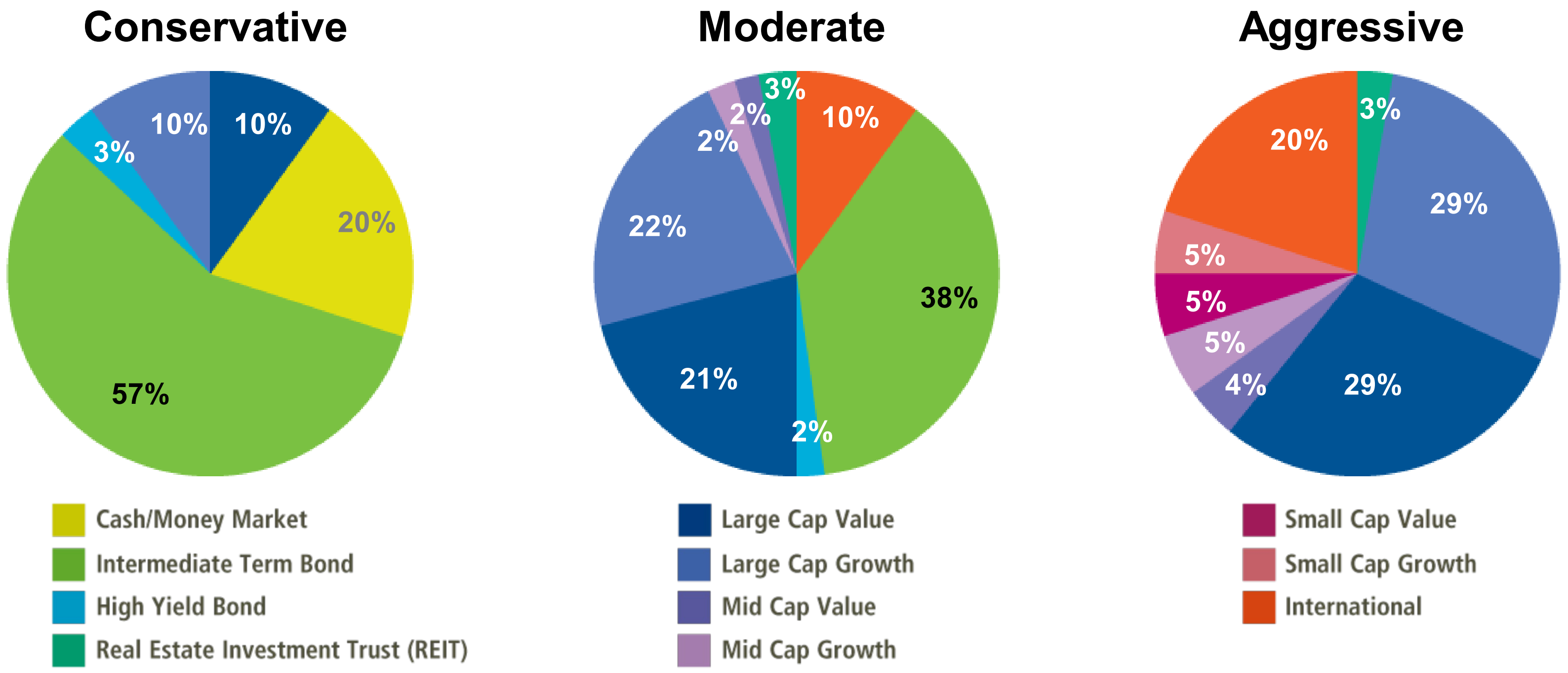
*If you don't answer all of the questions, divide your score by the number of items answered and multiply by 8.

Add Up Your Risk Tolerance Score ____________

8 20 32

Risk Tolerance scores range from 8 to 32; a moderate score is 20. A low risk tolerance score may suggest putting more money in conservative investments that have lower volatility and risk. A high score may suggest a tolerance for putting more money in aggressive investments that have higher volatility and risk.

Determining your asset allocation



While diversification through an asset allocation strategy is a useful technique that can help to manage overall portfolio risk and volatility, there is no certainty or assurance that a diversified portfolio will enhance overall return or outperform one that is not diversified.

Risk allocation: traditional asset allocation and risk allocation

One Way

U.S. Equities + Int'l Equities + U.S. Fixed Income + Int'l Fixed Income + Cash Equivalent

Another Way

U.S. Equities + Int'l Equities + U.S. Fixed Income + Int'l Fixed Income + Cash Equivalent

Market Risk + Inflation Risk + Interest Rate Risk + Volatility Risk + Liquidity Risk

Managing risk with the bucket approach

Allocating money based on when you need it

Now Money	**Later** Money	**Much Later** Money
Conservative Investment Mix to ensure **"now income"**	**Moderate Investment mix**	**Aggressive Investment mix** to allow for **growth over long haul**

KEY TAKEAWAY:

Different allocations may make sense for **different time frames**

While diversification through an asset allocation strategy is a useful technique that can help to manage overall portfolio risk and volatility, there is no certainty or assurance that a diversified portfolio will enhance overall return or outperform one that is not diversified.

How do they fit?

Tax-free Investments

Principal grows tax-free *and* is tax-free at withdrawal

3

important concepts in retirement planning

Taxable Investments

Tax-deferred Investments

Principal is subject to taxes on dividends and capital gains *as it grows*

Tax on earnings and gains is paid at withdrawal, *leaving the investment to grow unhindered*

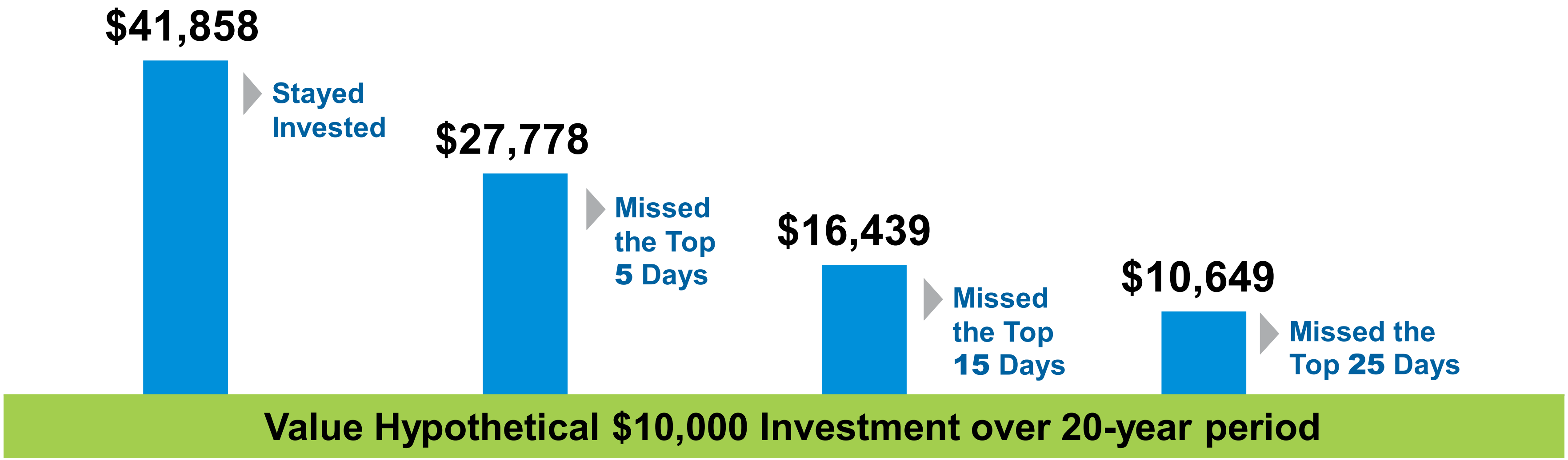
Now Money

Later Money

Much Later Money

Stay invested:
It's "time in" the market, not "timing" the market

Time IN — not timing



S&P 500® Composite Index. 10/1/1998 - 9/30/2018

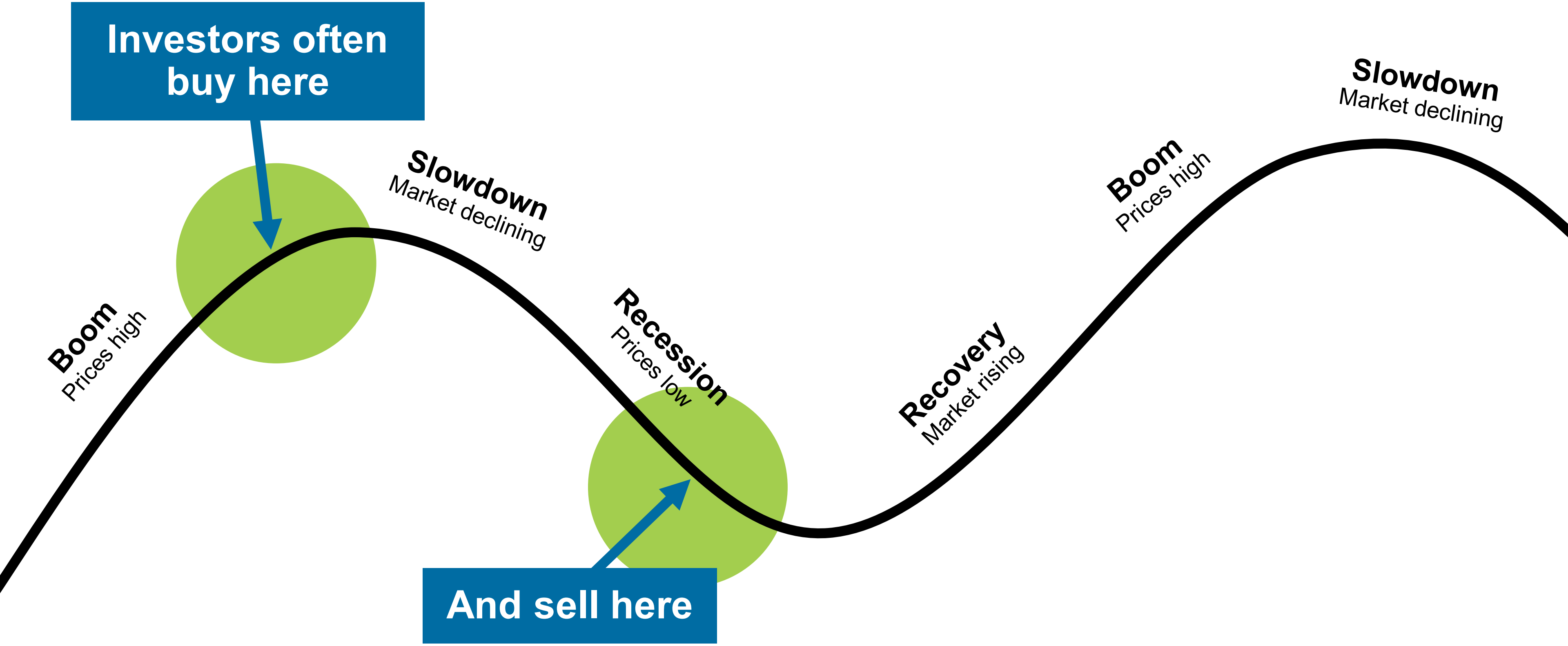
KEY TAKEAWAY:

Worth repeating: **It's time IN, not timing**

This example is hypothetical and for illustrative purposes only. It does not represent the past, present or future performance of any actual investment nor is it a guarantee of any kind.

Source: ChartSource®, DST Systems, Inc. For the period from October 1, 1998 to September 30, 2018 . Based on total returns of Standard & Poor's Composite Index of 500 Stocks, an unmanaged index that is generally considered representative of the U.S. stock market. It is not possible to invest directly in an index. Past performance is not a guarantee of future results.

Don’t let your emotions get the best of you



Let dollar cost averaging work for you

Month	Monthly Investment	Share Price	Shares Purchased
January	$500	$10.00	50.0
February	$500	$9.00	55.6
March	$500	$8.00	62.5
April	$500	$9.00	55.6
May	$500	$10.00	50.0

Average Cost/Share: $9.13 ($2,500/273.7)

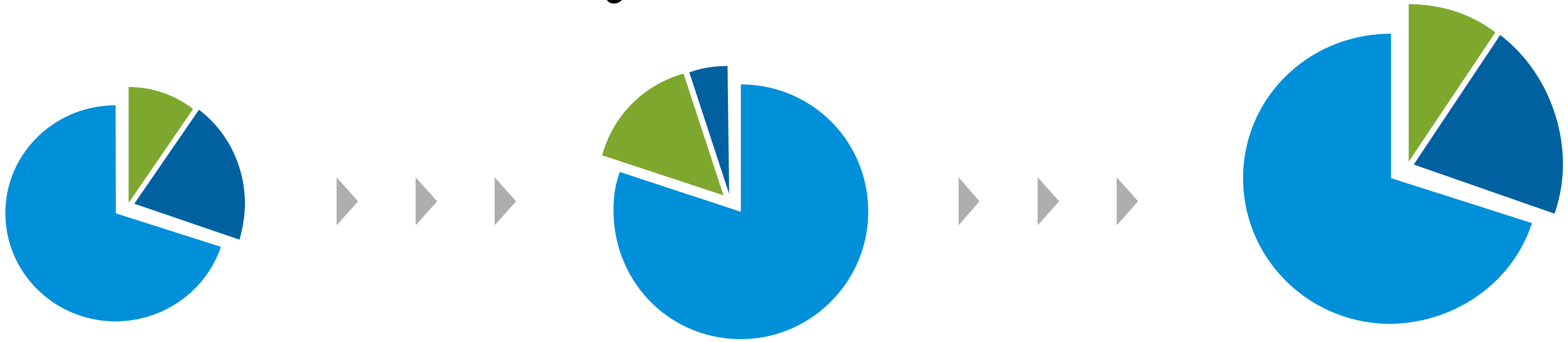
KEY TAKEAWAY:

When the share price declines, the same monthly investment buys **more shares**

Dollar Cost Averaging does not ensure a profit nor does it protect against a loss in declining markets. It involves continuous investment in securities regardless of fluctuating price levels. An investor should consider his or her ability to continue purchases in periods of low or fluctuating price levels.

Balance:
Periodic adjustments are needed due to varied economic conditions

Portfolio rebalancing . . . don’t become the investor that you’re not



Original allocation

Portfolio grows and allocation shifts with time

Reallocation back to original

KEY TAKEAWAY:

Rebalance your portfolio periodically to **stay in line with your goals**

*Rebalancing involves selling some investments in order to buy others. Investors should keep in mind that selling investments can result in a tax liability.

Homework:
Your retirement budget

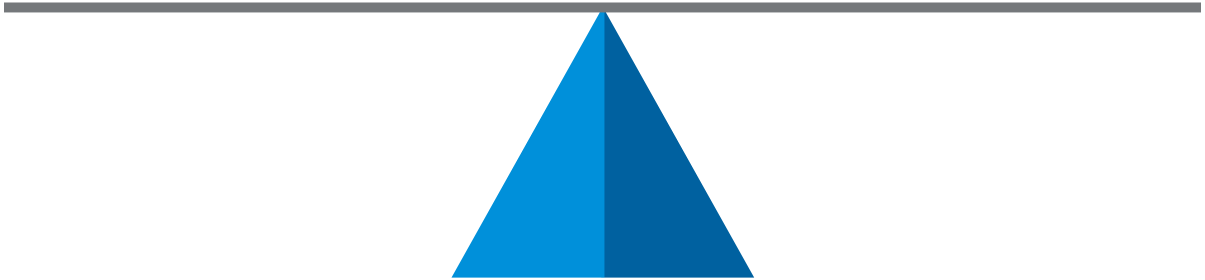
Today's key learning:

Risk and reward go hand-in-hand

Diversification attempts to minimize the effect of volatility while being invested in the markets

Recognizing risks and finding ways to manage them . . .

can be just as important as choosing the right investments.



MetLife administers the Retirewise program, but has arranged for Massachusetts Mutual Life Insurance Company (MassMutual) to have specially-trained financial professionals offer financial education and, upon request, provide personal guidance to employees and former employees of companies providing Retirewise through MetLife.

Any discussion of taxes is for general informational purposes only, does not purport to be complete or cover every situation, and should not be construed as legal, tax or accounting advice. Clients should confer with their qualified legal, tax and accounting advisors as appropriate.

Past performance is no guarantee of future results. Diversification does not ensure a profit or guarantee against a loss.

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Establishing Your Retirement Income Stream

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SESSION 3