Why the Sequence of Returns Matters

BUSTER CAPITAL

The sequence of returns may have less of an impact on the portfolio of a long-term individual who is accumulating assets for retirement. However, during retirement, the interplay between an individual's rate of withdrawal and the sequence of returns can have a dramatic impact on a portfolio's overall ability to last.

Factors Affecting Portfolio Results Before and After Retirement

AGE 65

Accumulation Phase

- Average Annualized Returns
- Asset Allocation
- Staying in the Market

Distribution Phase

- Sequence of Returns
- Product Allocation
- Portfolio Protection

Annual Income = **None**
Starting Value for Portfolio A and Portfolio B = **$100,000**

Age	Annual Return	Portfolio A Year-End Value	Annual Return	Portfolio B Year-End Value
41	-12%	$87,695	29%	$129,491
42	-15%	$74,541	18%	$152,281
43	-14%	$64,106	25%	$189,590
44	22%	$78,361	-6%	$178,404
45	10%	$86,040	15%	$204,272
46	4%	$89,754	8%	$221,183
47	11%	$99,537	27%	$281,124
48	3%	$102,224	-2%	$274,939
49	-3%	$98,944	15%	$315,355
50	21%	$119,722	19%	$375,274
51	17%	$139,716	33%	$498,739
52	5%	$147,121	11%	$554,098
53	-10%	$132,703	-10%	$499,794
54	11%	$147,432	5%	$526,284
55	33%	$195,938	17%	$614,175
56	19%	$233,166	21%	$743,148
57	15%	$267,442	-3%	$719,303
58	-2%	$261,558	3%	$738,723
59	27%	$332,440	11%	$819,245
60	8%	$359,961	4%	$854,607
61	15%	$412,156	10%	$938,354
62	-6%	$387,838	22%	$1,147,015
63	25%	$482,859	-14%	$986,443
64	18%	$567,841	-15%	$838,477
65	29%	$735,302	-12%	$735,302
	8%	**$735,302**	**8%**	**$735,302**

NO DIFFERENCE

Annual Income = **5% of first-year value adjusted thereafter for inflation**
Starting Value for Portfolio A and Portfolio B = **$735,302**

Age	Annual Return	Portfolio A Year-End Value	Annual Return	Portfolio B Year-End Value
66	-12%	$608,058	29%	$915,383
67	-15%	$478,981	18%	$1,038,620
68	-14%	$372,924	25%	$1,254,080
69	22%	$415,677	-6%	$1,139,914
70	10%	$415,031	15%	$1,263,822
71	4%	$390,325	8%	$1,325,828
72	11%	$388,972	27%	$1,641,225
73	3%	$354,257	-2%	$1,559,902
74	-3%	$296,317	15%	$1,742,637
75	21%	$310,572	19%	$2,025,772
76	17%	$313,029	33%	$2,642,842
77	5%	$278,728	11%	$2,885,300
78	-10%	$198,994	-10%	$2,550,113
79	11%	$167,091	5%	$2,631,281
80	33%	$166,453	17%	$3,015,102
81	19%	$140,801	21%	$3,590,977
82	15%	$102,502	-3%	$3,416,756
83	-2%	$39,480	3%	$3,448,238
84	27%	$0	11%	$3,761,512
85	8%	$0	4%	$3,859,407
86	15%	$0	10%	$4,171,204
87	-6%	$0	22%	$5,030,357
88	25%	$0	-14%	$4,255,708
89	18%	$0	-15%	$3,544,793
90	29%	$0	-12%	$3,033,870
	8%	$0	8%	$3,033,870

BIG DIFFERENCE

▶ Total income generated by portfolio during retirement = **$839,547** **$1,340,429**

Source: Standard & Poor's. The sequence of returns has an average compounded annualized return of 8% over 25 years and year-to-year volatility that is consistent with a portfolio predominantly comprised of stocks. Annual returns have been rounded to the nearest whole number. The accumulation portfolios assume a starting value of $100,000 at age 40 and no annual withdrawals. The distribution portfolios assume a starting value of either $100,000 or $735,302 at age 65 as well as a 5% first-year withdrawal thereafter adjusted for 3% inflation annually. Except where noted, the average annualized return for the 25-year period is 8%.

All charts are hypothetical and for illustrative purposes only and are not intended to predict or project portfolio results.