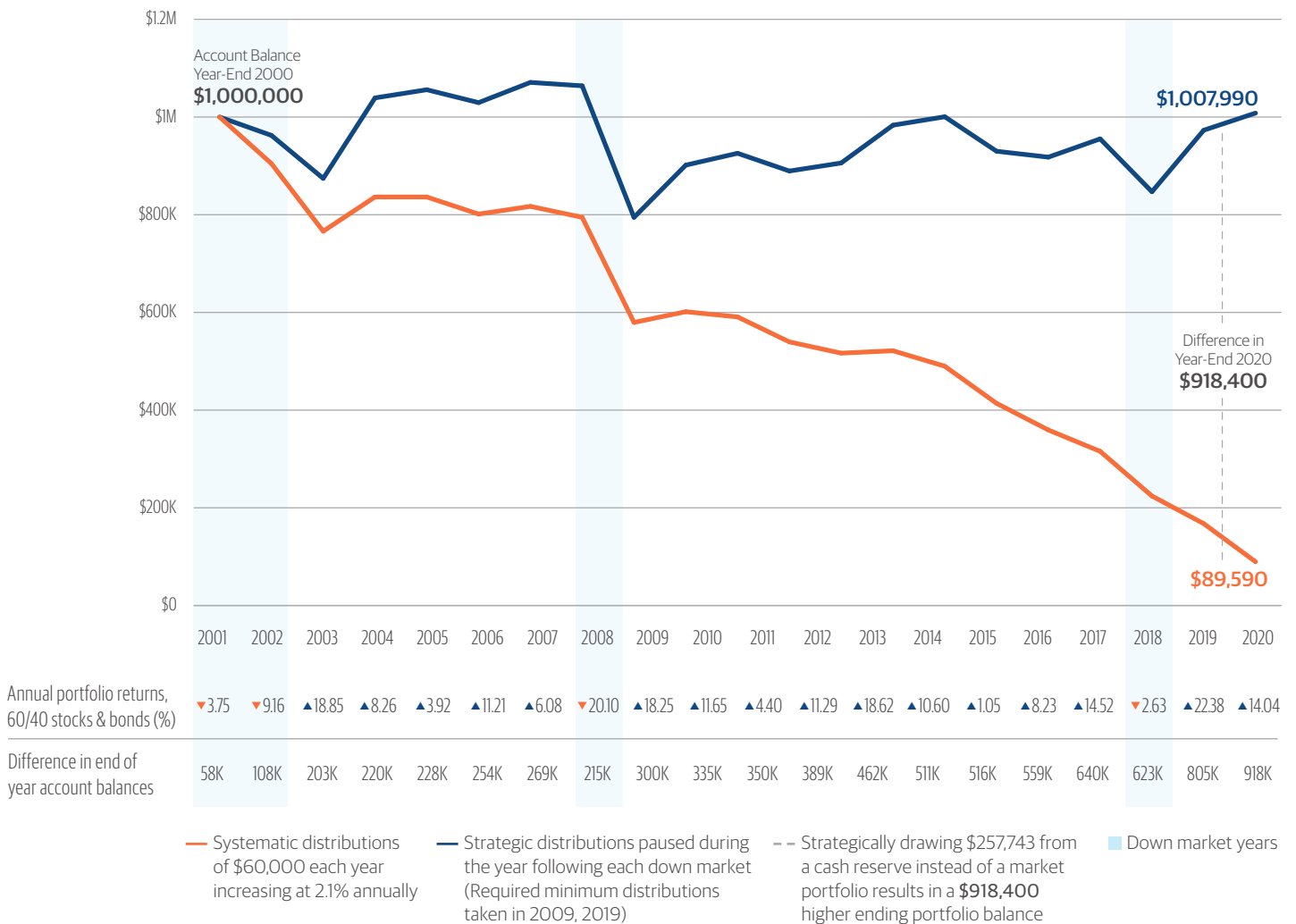


# The impact of down markets

## Minimizing IRA withdrawals in down markets makes a big difference

Taking systematic withdrawals from a qualified retirement account, such as a traditional IRA or a 401(k), without considering the market's performance can have a negative long-term effect on the value of the account. For example, when taking systematic withdrawals beginning at age 65, a traditional IRA account that had a value of \$1 million in 2001 would have had a balance of \$89,590 after 20 years. In contrast, by skipping withdrawals from a traditional IRA in the years following down markets and withdrawing funds from a cash reserve instead, the traditional IRA balance would have been preserved in excess of \$1,000,000.

### Minimizing Withdrawals During Down Markets - 2001-2020



Hypothetical analysis for educational purposes only. Not a recommendation of any specific investment or investment strategy. No investment strategy can guarantee a profit or protect against loss. Past performance is not a guarantee of future results. IRA distributions may be subject to ordinary income tax and may be subject to a 10% IRS early withdrawal penalty if taken before age 59½. Stocks are represented by the S&P 500 Index, which is an unmanaged group of securities considered to be representative of the U.S. stock market in general. Bonds are represented by the Barclays U.S. Aggregate Bond index, which is an unmanaged, broad-based flagship benchmark that measures the investment-grade, U.S.-denominated, fixed-rate taxable bond market. An investment cannot be made directly in an index. Systematic distributions increased at 2.1% per year based on annualized calculation of inflation rates provided by the Bureau of Labor Statistics. These numbers do not reflect fees and charges associated with an actual investment. Assumes the account owner has readily available source of cash to draw on in years following a down market in both scenarios. Analysis does not account for potential opportunity cost of holding uninvested cash. Difference net of cash used after down-market years is \$660,657. These scenarios are also illustrated in detail in tables on following pages, "Down Market Systematic Distribution Details" and "Down Market Strategic Distribution Details," using the same data and assumptions.

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# The effect on the value of an IRA when minimizing IRA withdrawals during down market years

## Down Market Systematic Distribution

A systematic approach has the disadvantage of consistent withdrawals during down market years. Having a cash reserve to withdraw in those years allows the investments to recover before making withdrawals again.

20-year performance of a traditional IRA taking annual, systematic withdrawals from 2001-2020 results in **\$89,590** ending balance. Annual distributions of \$60,000, increased 2.1% annually to account for inflation, are drawn from the account each year. The account **balance goes to \$0** in 2021 since there are not enough funds to withdraw the full target income amount of \$90,920.

SYSTEMATIC DISTRIBUTIONS*					
YEAR, AGE	60/40 RETURN	BEGINNING BALANCE	60/40 PORTFOLIO DISTRIBUTION	CASH RESERVE DISTRIBUTION	BALANCE AT END OF YEAR
2001, 65	▼ -3.75%	\$1,000,000	\$60,000	—	\$904,750
2002, 66	▼ -9.16%	\$904,750	\$61,260	—	\$766,226
2003, 67	▲ 18.85%	\$766,226	\$62,546	—	\$836,324
2004, 68	▲ 8.26%	\$836,324	\$63,859	—	\$836,271
2005, 69	▲ 3.92%	\$836,271	\$65,200	—	\$801,297
2006, 70	▲ 11.21%	\$801,297	\$66,569	—	\$817,091
2007, 71	▲ 6.08%	\$817,091	\$67,967	—	\$794,671
2008, 72	▼ -20.10%	\$794,671	\$69,394	—	\$579,496
2009, 73	▲ 18.25%	\$579,496	\$70,851	—	\$601,473
2010, 74	▲ 11.65%	\$601,473	\$72,339	—	\$590,778
2011, 75	▲ 4.40%	\$590,778	\$73,858	—	\$539,664
2012, 76	▲ 11.29%	\$539,664	\$75,409	—	\$516,669
2013, 77	▲ 18.62%	\$516,669	\$76,993	—	\$521,544
2014, 78	▲ 10.60%	\$521,544	\$78,610	—	\$489,885
2015, 79	▲ 1.05%	\$489,885	\$80,261	—	\$413,925
2016, 80	▲ 8.23%	\$413,925	\$81,946	—	\$359,301
2017, 81	▲ 14.52%	\$359,301	\$83,667	—	\$315,656
2018, 82	▼ -2.63%	\$315,656	\$85,424	—	\$224,177
2019, 83	▲ 22.38%	\$224,177	\$87,218	—	\$167,610
2020, 84	▲ 14.04%	\$167,610	\$89,050	—	\$89,590
Cumulative Withdrawals			\$1,472,421	—	\$89,590

## Down Market Strategic Distribution

Integrated approach helps to preserve account balance by strategically withdrawing **\$257,743** from a cash reserve, allowing the IRA account to have an ending balance of **\$1,007,990**.

The strategic distribution method leads to a **\$918,400** higher ending balance compared to the \$89,590 ending balance of taking systematic withdrawals over the same time period.

STRATEGIC DISTRIBUTIONS*					
YEAR, AGE	60/40 RETURN	BEGINNING BALANCE	60/40 PORTFOLIO DISTRIBUTION	CASH RESERVE DISTRIBUTION	BALANCE AT END OF YEAR
2001, 65	▼ -3.75%	\$1,000,000	—	\$60,000	\$962,500
2002, 66	▼ -9.16%	\$962,500	—	\$61,260	\$874,335
2003, 67	▲ 18.85%	\$874,335	—	\$62,546	\$1,039,147
2004, 68	▲ 8.26%	\$1,039,147	\$63,859	—	\$1,055,847
2005, 69	▲ 3.92%	\$1,055,847	\$65,200	—	\$1,029,480
2006, 70	▲ 11.21%	\$1,029,480	\$66,569	—	\$1,070,853
2007, 71	▲ 6.08%	\$1,070,853	\$67,967	—	\$1,063,861
2008, 72	▼ -20.10%	\$1,063,861	\$69,394	—	\$794,579
2009, 73	▲ 18.25%	\$794,579	RMD \$32,170	\$38,681	\$901,549
2010, 74	▲ 11.65%	\$901,549	\$72,339	—	\$925,813
2011, 75	▲ 4.40%	\$925,813	\$73,858	—	\$889,441
2012, 76	▲ 11.29%	\$889,441	\$75,409	—	\$905,936
2013, 77	▲ 18.62%	\$905,936	\$76,993	—	\$983,292
2014, 78	▲ 10.60%	\$983,292	\$78,610	—	\$1,000,578
2015, 79	▲ 1.05%	\$1,000,578	\$80,261	—	\$929,980
2016, 80	▲ 8.23%	\$929,980	\$81,946	—	\$917,827
2017, 81	▲ 14.52%	\$917,827	\$83,667	—	\$955,280
2018, 82	▼ -2.63%	\$955,280	\$85,424	—	\$846,979
2019, 83	▲ 22.38%	\$846,979	RMD \$51,962	\$35,256	\$972,942
2020, 84	▲ 14.04%	\$972,942	\$89,050	—	\$1,007,990
Cumulative Withdrawals			\$1,214,678	\$257,743	\$1,007,990

\*Distributions occur first of year.

The illustrated portfolio would have had a -0.81% return in 2000.

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