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Strategies to keep clients invested in all markets.

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Speakers

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Agenda

- 1** Give Clients Clarity – Market Volatility: Put it into perspective
- 2** Give Clients Confidence – Variable Annuity: Invest without looking back
- 3** Case study



“Ships don’t sink because of the water around them. Ships sink because of the water that gets in them.”

Unknown



Give Clients **Clarity**

Market Volatility: Put it into Perspective.

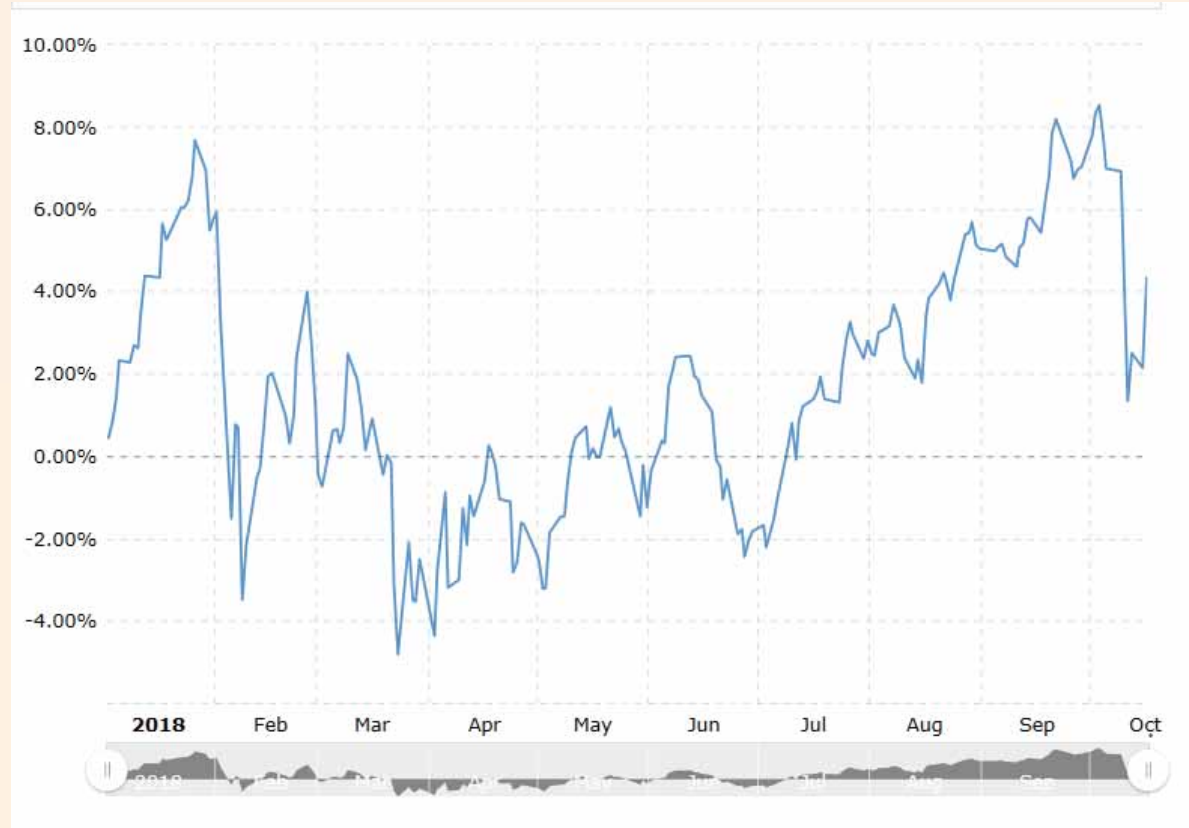


Does it feel like there's a lot more action in the stock market this year compared with 2017?

(It should.)



Volatility abounds in 2018 – YTD Dow Jones Industrial Average Index (DJIA)



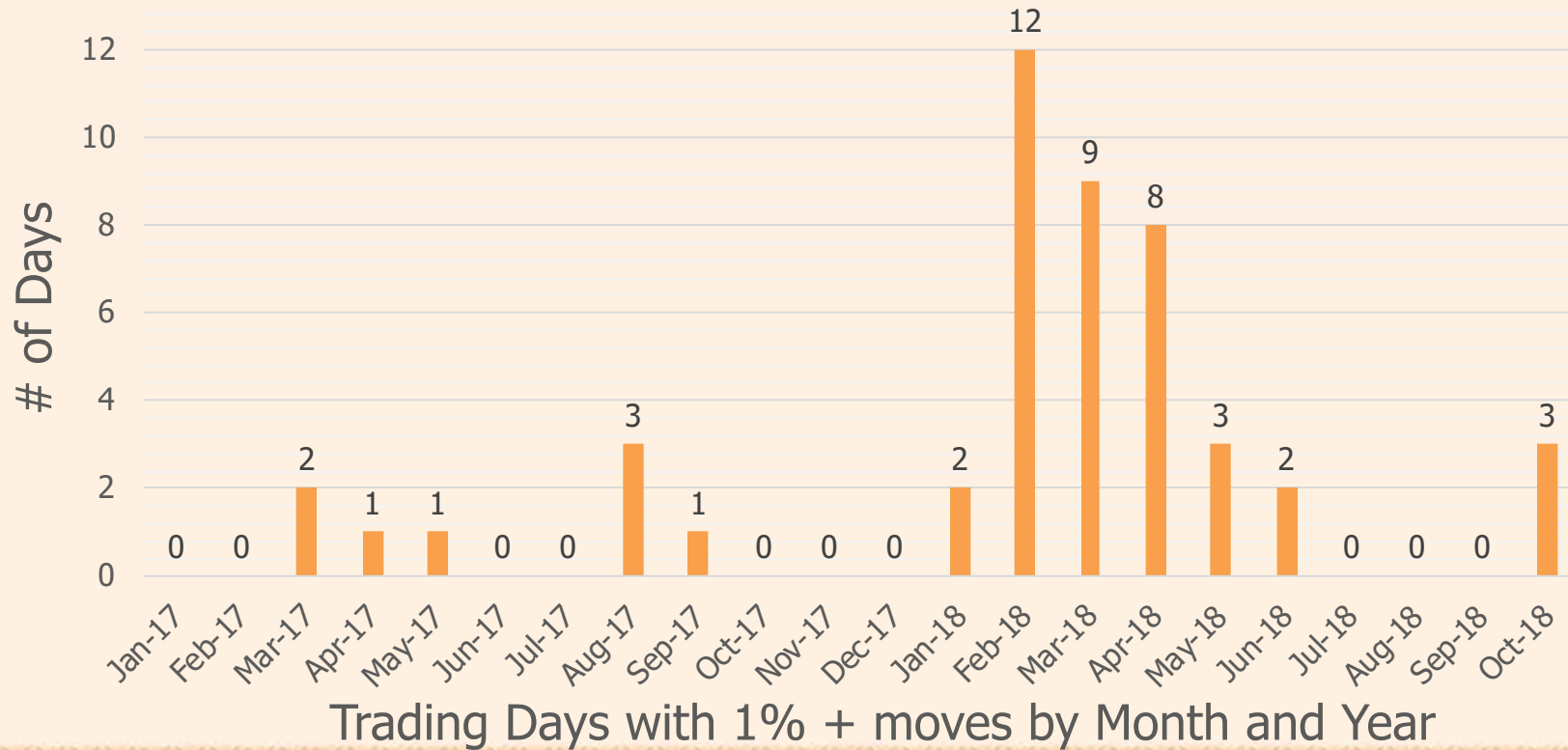
Source: WSJ.com.

Past performance is not a guarantee of future results. Individuals cannot invest directly in an index.

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2018 has already seen nearly five times as many sharp gyrations – in both directions – as was seen in 2017.

Trading Days with S&P 500 moves of 1%+



Source: Nasdaq.com, "Market Review of the First Half of 2018," July 2018: <https://www.nasdaq.com/article/market-review-of-the-first-half-of-2018-cm986920>. 2018 data through October 12, 2018, Bloomberg.

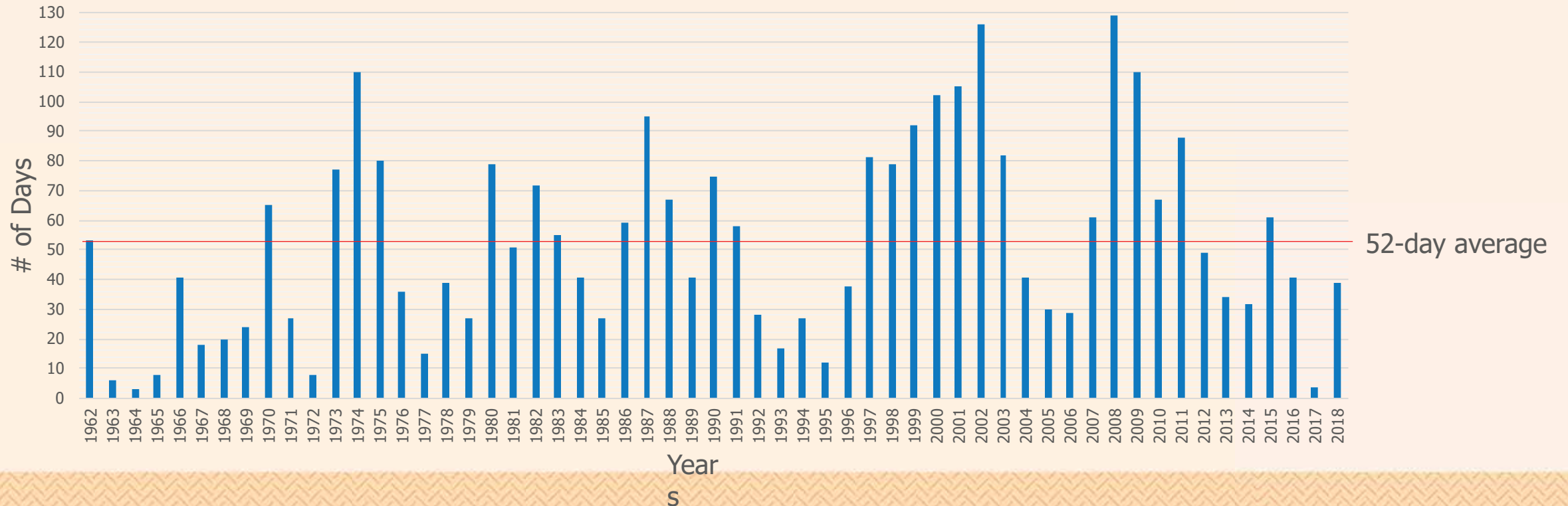
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Some observers think that the S&P has been moving in a manner atypical to Bull markets.

There have already been 39 trading days where the S&P 500 has seen moves of 1% or more, compared to the average of 52 days, since 1962.

S&P 500: # of Daily +/- 1% Moves (1962 - October 12, 2018)



Source: Yahoo Finance, October 2018.

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The proverbial calm before the storm?

If the current pace of 1% swings persist through year-end, it could put the large company stock index on track for its most volatile year since the financial crisis.

Cboe Volatility Index (VIX)



Time

The “fear index,” which calculates expectations for volatility over the next 30 days, has seen multiple sessions with sharp moves.



*Source: Market Watch “The Stock Market is Headed into Lots More Stormy Weather,” June 5, 2018. Updated chart as of October 12, 2018.

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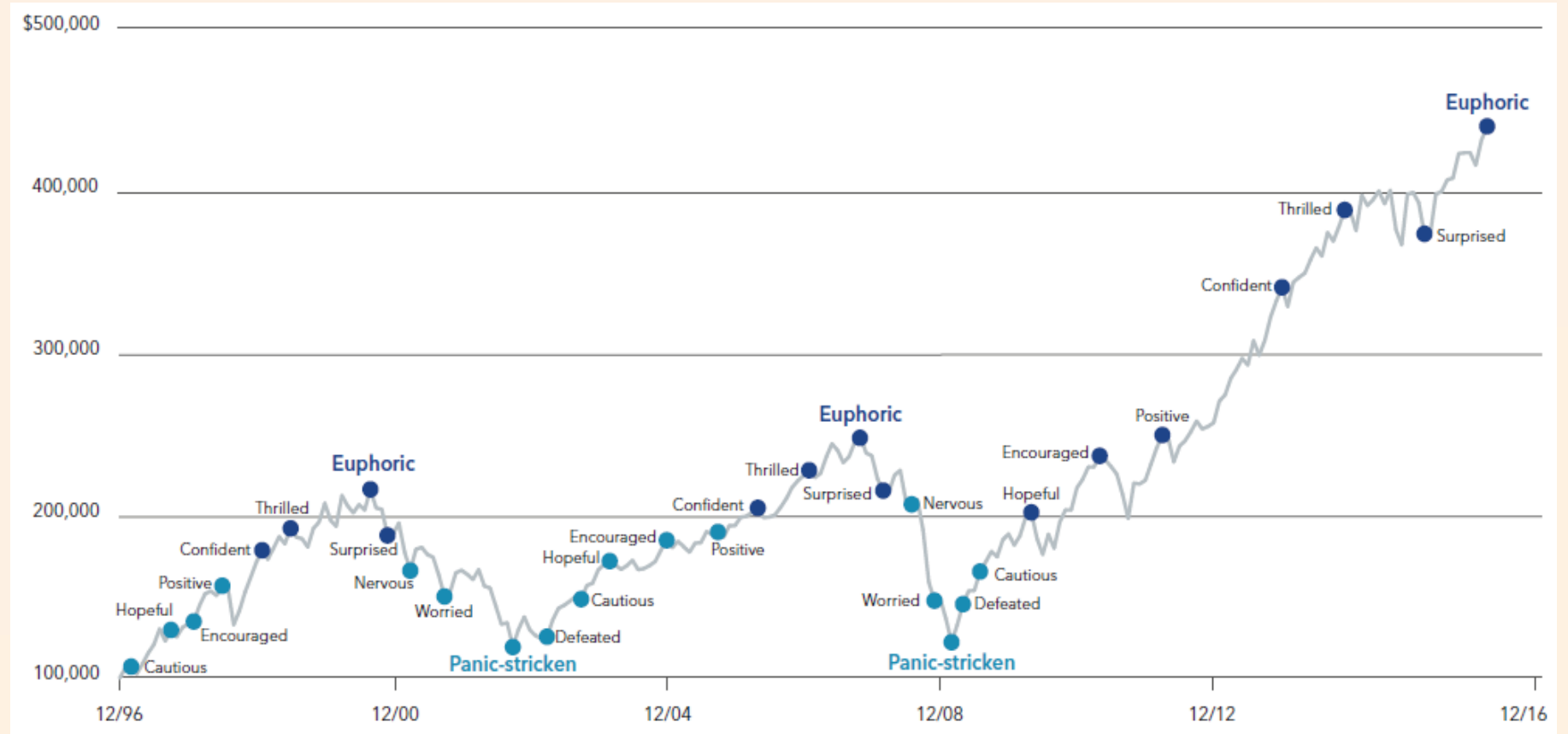
Sometimes, investors behave badly.



Volatility can trigger an investor's fight or flight instinct.

Emotions may lead clients astray

Growth of a Hypothetical \$100,000 investment in the S&P 500 Index from 1997-2016

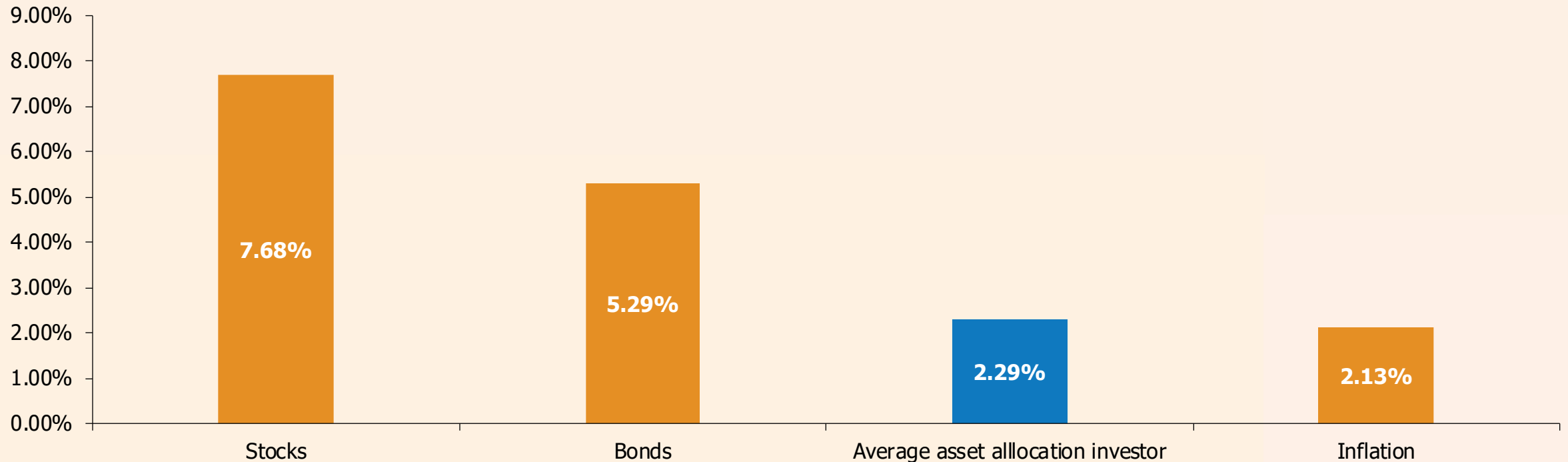


Sources: BlackRock; Informa Investment Solutions. Emotions are hypothetical and for illustrative purposes only. The S&P 500 Index is an unmanaged index that consists of the common stock of 500 large-capitalization companies, within various industrial sectors, most of which are listed on the New York Stock Exchange. Returns assume reinvestment of dividends. It is not possible to invest directly in an index. Past performance is no guarantee of future results. The information provided is for illustrative purposes only.

The average asset allocation investor barely kept pace with inflation.

Volatility can drive poor decision making.

20- Year Annualized Returns by Asset Class (1996-2016)



Past performance is no guarantee of future results, which will vary. It is not possible to invest directly in an index.

Source: Dalbar's Quantitative Analysis of Investor Behavior, 20-year period ending 12/31/16. Past performance is no guarantee of future results. It is not possible to directly invest in an index. Stocks are represented by the S&P 500 Index, an unmanaged index that consists of the common stocks of 500 large-capitalization companies, within various industrial sectors, most of which are listed on the New York Stock Exchange. Bonds are represented by the Bloomberg Barclays US Aggregate Bond Index, an unmanaged market-weighted index that consists of investment-grade corporate bonds (rated BBB or better), mortgages and US Treasury and government agency issues with at least 1 year to maturity. Inflation is represented by the Consumer Price Index. Average Investor is represented by Dalbar's average asset allocation investor return, which is calculated using data supplied by the Investment Company Institute. Investor returns are represented by the change in total mutual fund assets after excluding sales, redemptions and exchanges. This method of calculation captures realized and unrealized capital gains, dividends, interest, trading costs, sales charges, fees, expenses and any other costs. After calculating investor returns in dollar terms, two percentages are calculated for the period examined: Total investor return rate and annualized investor return rate. Total return rate is determined by calculating the investor return dollars as a percentage of the net of the sales, redemptions and exchanges for each period.

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Cash on the sidelines is near historic levels.

High assets in money market accounts evidence classic elements of behavioral finance biases: Loss aversion, Endowment effect, and Hindsight.

Assets in money market accounts

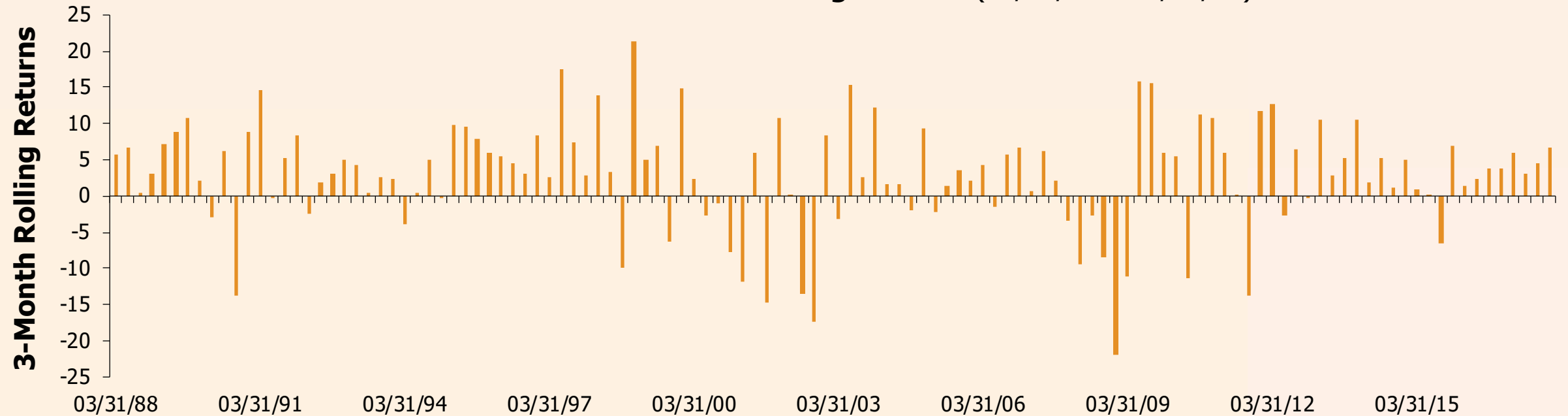


Source: Morningstar as of 12/31/17. Past performance does not guarantee or indicate future results.

Short-term volatility does not have to be feared.

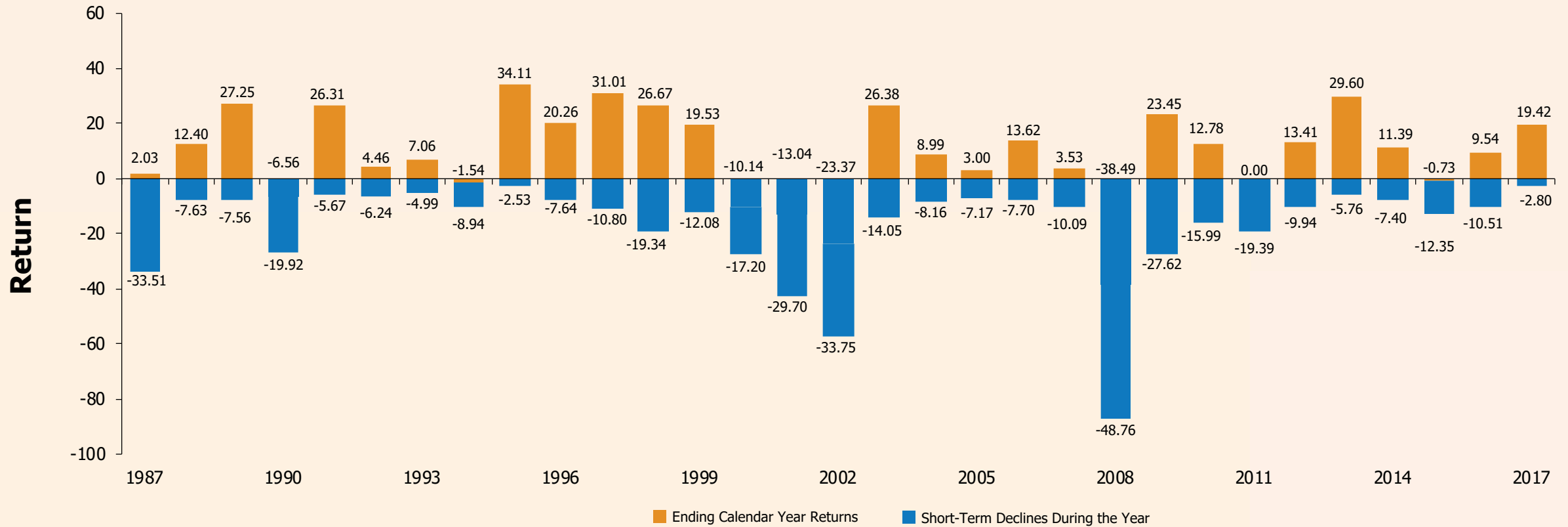
Help clients to remain calm and realize that exiting the market may negatively impact their long-term financial strategy

S&P 500 Index 3-Month Rolling Returns (12/31/87 – 12/31/17)



Source: Morningstar, 12/31/17. The S&P 500 Index is widely regarded as the standard for measuring large-cap U.S. stock-market performance. This information is for illustrative purposes only and is not indicative of any investment. Past performance is no guarantee of future results. An investor cannot invest directly in an index.

In 24 out of the last 31 years, the market realized positive year-end returns, even with intra-year declines.



Past performance is not a guarantee of future results.



Source: Morningstar, 12/31/17. The benchmark used for the above chart is the S&P 500 Index. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. stock market performance. Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. Returns are based on price only and do not include dividends. This chart is for illustrative purposes only and not indicative of any actual investment. These returns were the result of certain market factors and events which may not be repeated in the future. Past performance is no guarantee of future results.

Give Clients Confidence Invest without Looking Back.



Please see the final slide of the presentation for additional important information about New York Life variable annuities.



Balancing greed and fear in investing emotions

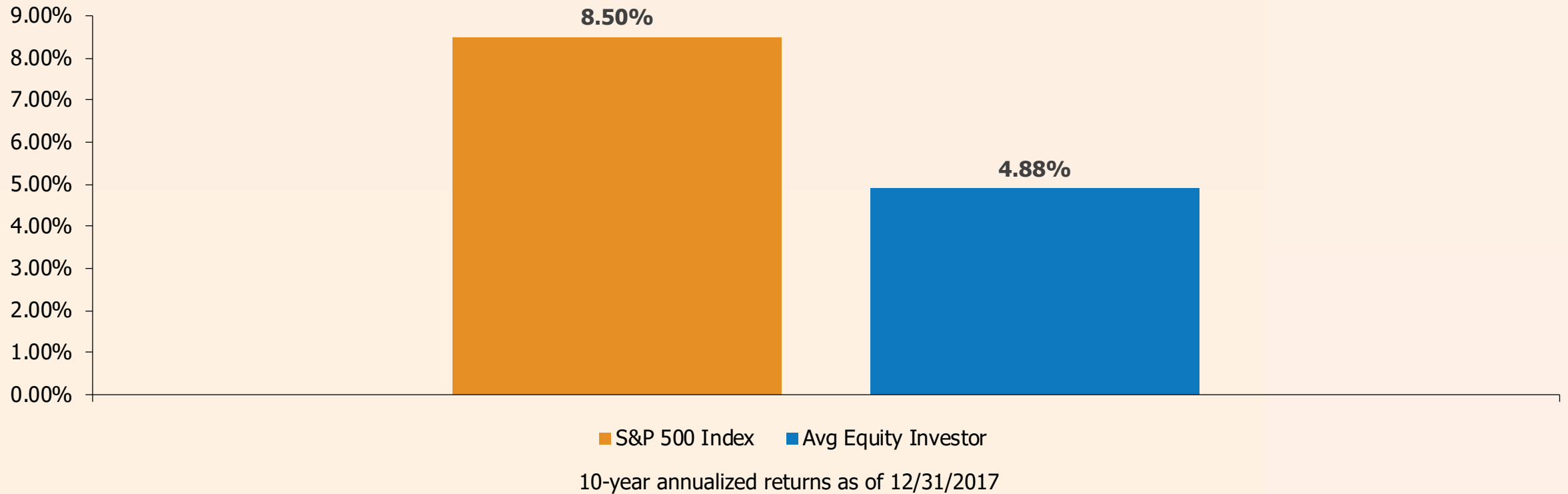
Source: CartoonStock.com.

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Clients' "bad behavior" contributes to lost returns.

Broad market performance vs typical investor behavior



Past performance is no guarantee of future results, which will vary. It is not possible to invest directly in an index.

Source: Dalbar's Quantitative Analysis of Investor Behavior, 10-year period ending 12/31/17. Past performance is no guarantee of future results. It is not possible to directly invest in an index. Stocks are represented by the S&P 500 Index, an unmanaged index that consists of the common stocks of 500 large-capitalization companies, within various industrial sectors, most of which are listed on the New York Stock Exchange. Average Investor is represented by Dalbar's average asset allocation investor return, which is calculated using data supplied by the Investment Company Institute. Investor returns are represented by the change in total mutual fund assets after excluding sales, redemptions and exchanges. This method of calculation captures realized and unrealized capital gains, dividends, interest, trading costs, sales charges, fees, expenses and any other costs. After calculating investor returns in dollar terms, two percentages are calculated for the period examined: Total investor return rate and annualized investor return rate. Total return rate is determined by calculating the investor return dollars as a percentage of the net of the sales, redemptions and exchanges for each period.

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Many investors lack the confidence they need in order to invest appropriately.



More than **3 in 10** people are **underinvested** in equities¹

% of individuals who are underinvested in equities:¹

31% • Overall

23% • Baby Boomers



¹Fidelity Investments, 2016 Retirement Savings Assessment Executive Summary, "America's retirement score: In fair shape-but fixable." This is based on what Fidelity considers to be an appropriate mix, based on data reported in the Retirement Savings Assessment about an individual's equity allocation distribution that is placed into categories based on that person's age. "Conservative" represents an equity percentage lower than 25% below the age-appropriate equity target.

And, survey results show that investors want protection!

What investors said about the appeal and likelihood of purchasing principal protection with uncapped upside

88%

of investors would be likely to purchase principal protection if recommended by their advisor³

92%

of investors say the no-loss guarantee product is appealing¹

96%

of investors say the no-loss guarantee product is easy to understand²

74%

of investors said IPR was a good or fair deal⁴

1 Greenwald & Associates and New York Life 2017 Consumer Research: "Extremely appealing" 20%; "Very appealing" 41%;

2 Greenwald & Associates/New York Life 2017 Consumer Research: "Extremely easy" 26%; "Very easy" 40%; "Somewhat easy" 30%

3 Greenwald & Associates/New York Life 2017 Consumer Research: "Very likely" 32%; "Somewhat likely" 56%

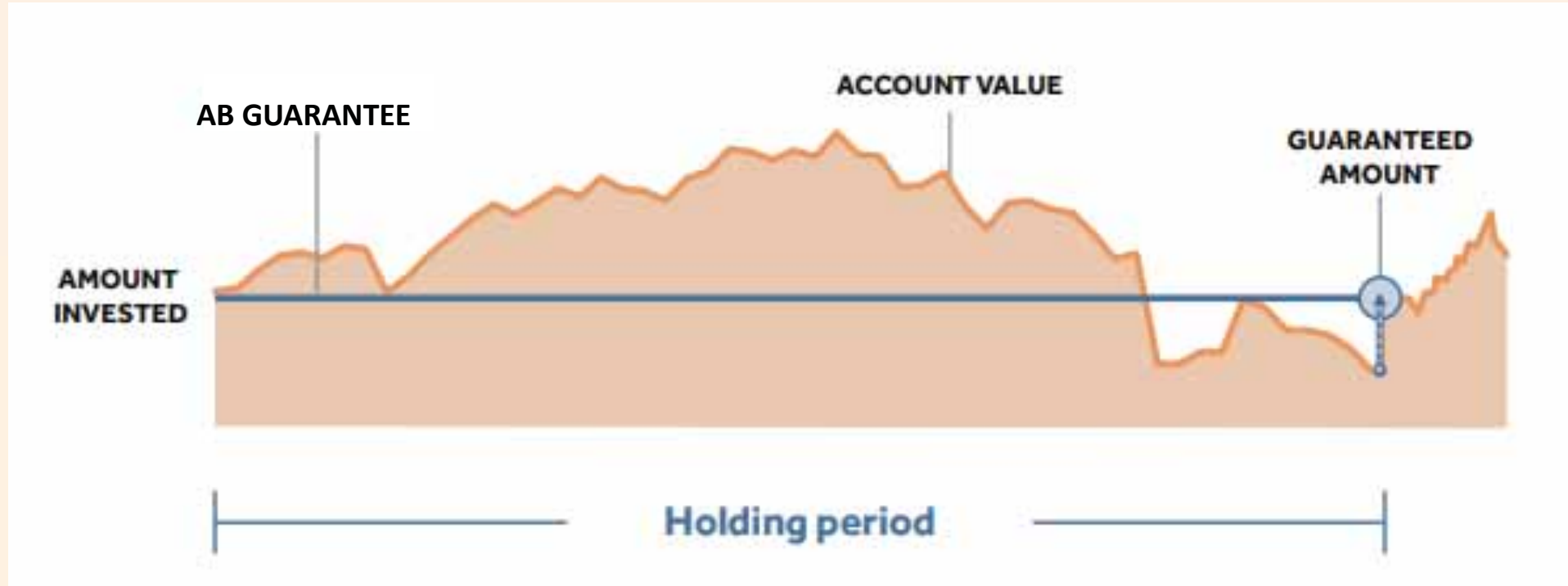
4 Greenwald & Associates/New York Life 2017 Consumer Research: "Good" 28%; "Fair" 46%



Respondents are ages 45-65; The no-loss guarantee investment product was described with the features and benefits (including restrictions) of a variable annuity and optional rider similar to the New York Life Premier Variable Annuity - FP Series and the Investment Preservation Rider - FP Series, including the following: At least a 10 year investment period; Up to 70% allocation to equity; Additional charge of 2% over and above a typical mutual fund charge; Investor retains access to the account value, but withdrawals affect the guaranteed amount; in the event of death the beneficiary may receive a death benefit; earnings are not taxable until withdrawal. The responses may have differed if the respondents had been presented with a specific product such as a variable annuity and an optional rider including specific fees, surrender charges, guidelines, and any applicable tax penalty for early withdrawal. This material is being provided for informational purposes only, and was not prepared, and is not intended, to address the needs, circumstances and objectives of any of individual or groups of individuals. New York Life and its affiliates are not making a recommendation that any of your particular clients purchase any specific products.

Calm client fears and showcase your value

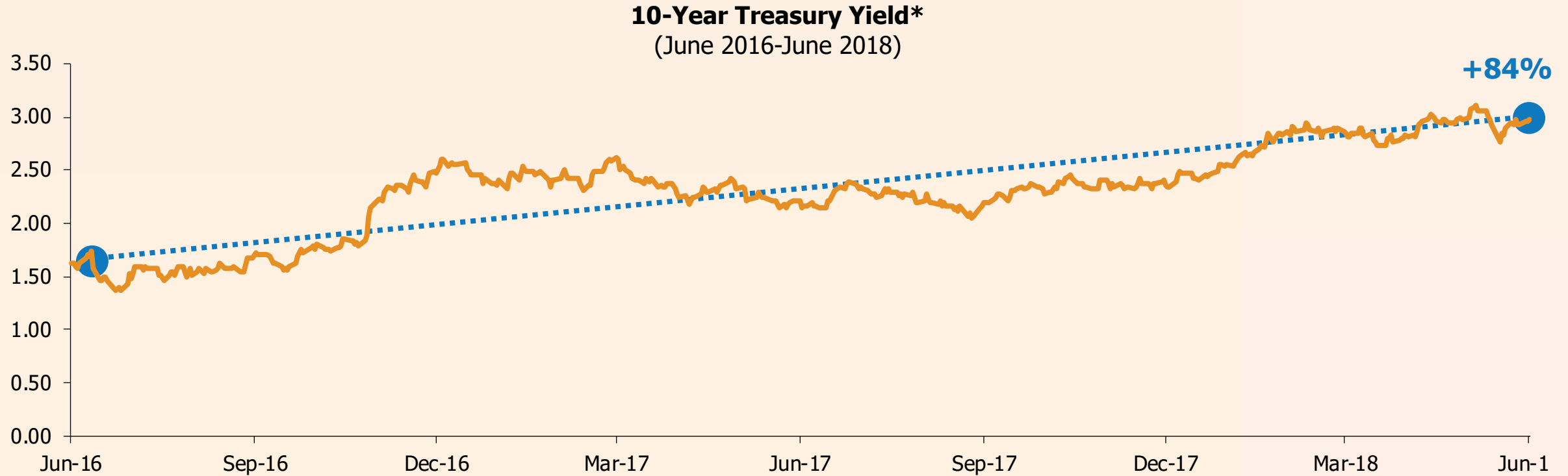
How it works:
Variable Annuity with
Accumulation benefit rider with a 10-year holding period



Hypothetical example. For illustrative purposes only.



Market conditions may cause clients to flee equities for the perceived stability of bonds. Is that a wise strategy for a long-term retirement portfolio?



*US Federal Reserve, for the time period between June 2016-June 2018.

Business Building Strategies that are most important to Advisors

Top 3 topics listed as Very or Somewhat Important to Advisors

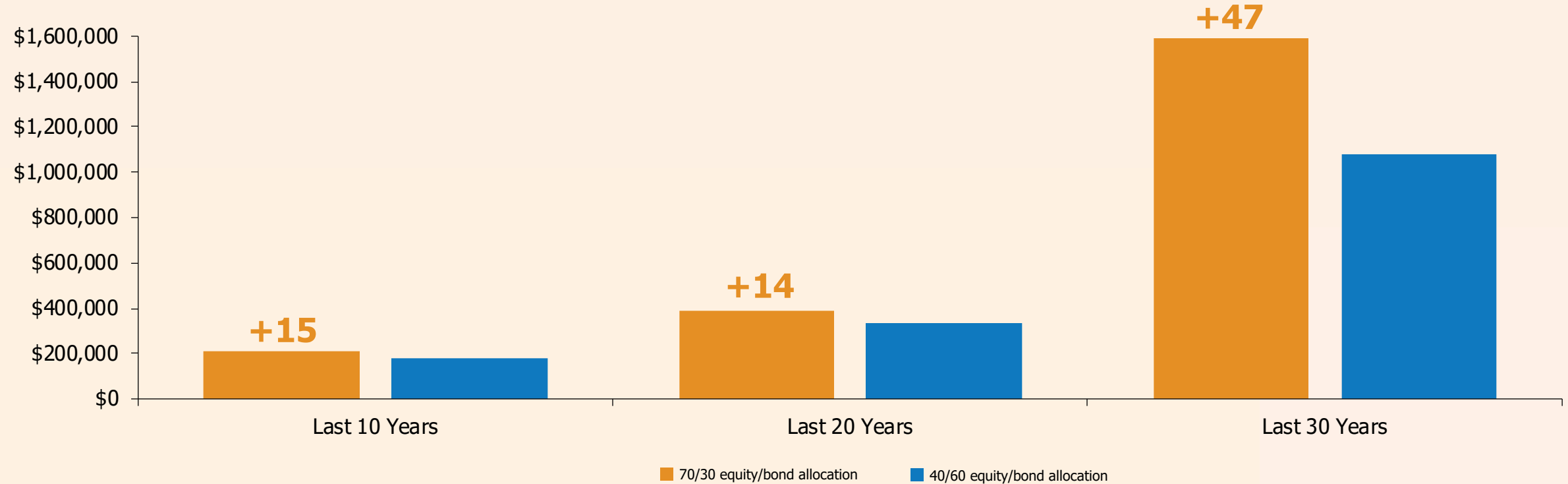
1. Tactics for dealing with a rising interest rate environment – **75%**
2. Strategies for dealing with **clients who are anxious about investing in equities/risk-averse clients** – **67%**
3. Effectively managing portfolios amid **volatile equity markets** and rising interest rates – **66%**

Source: Insured Retirement Institute (IRI)/New York Life study of advisors 2018



Help your clients “de-risk”

Consider how a \$100,000 investment would have fared on two types of allocations: **70/30 equity/bond** vs. **40/60 equity/bond**



*This chart is index performance only. The equity allocation and the fixed income allocation is represented by historical S&P 500 index and Barclays Global Aggregate data, respectively. Past performance is no guarantee of future results. Individuals cannot invest directly in an index.

The story of Panic Patty and Unfazed Ulysses



The story of Panic Patty and Unfazed Ulysses



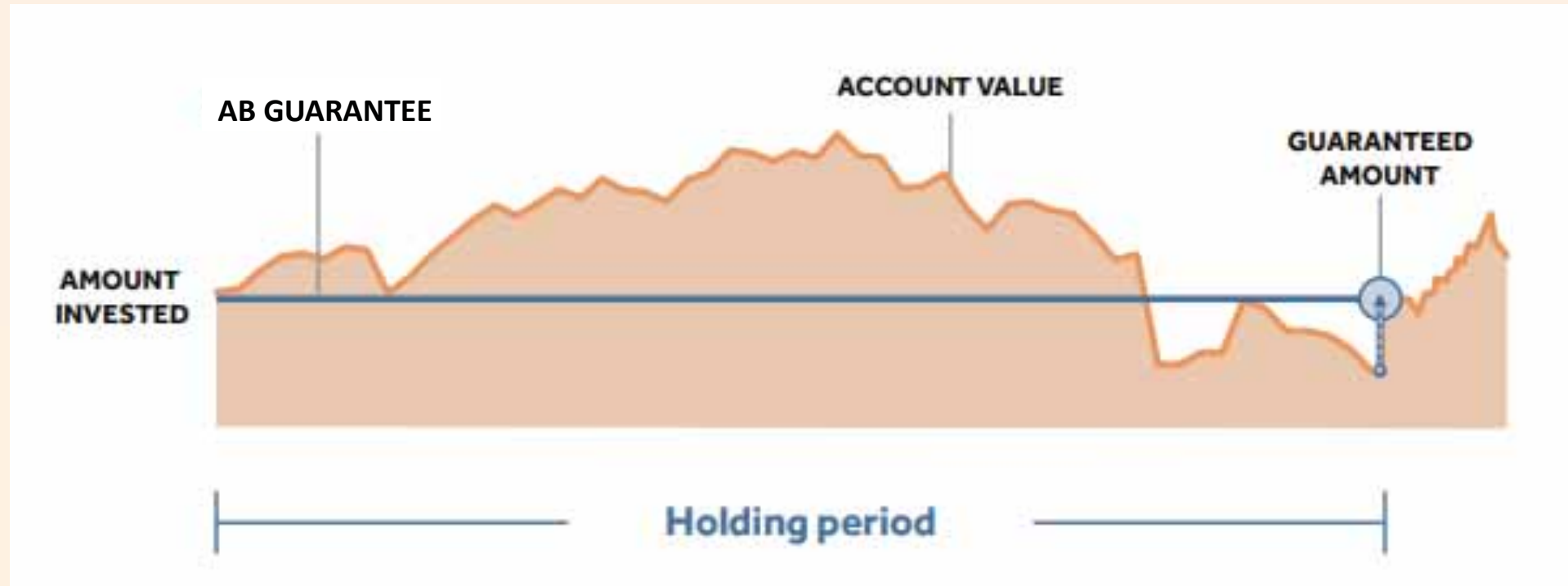
- 50/50 stocks/bonds allocation
- No protection against loss



The story of Panic Patty and Unfazed Ulysses



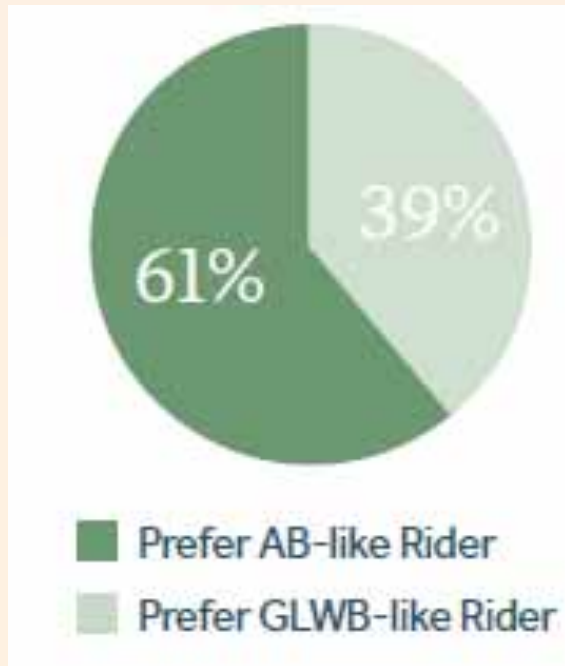
- 70/30 equity/fixed allocation in VA investment options
- Guaranteed protection against loss for holding period



VA with AB riders may provide the no-loss guarantee that investors prefer.

A common solution for retirement is a VA with Guaranteed Lifetime Withdrawal Benefit (GLWB) rider, but investors saving for retirement may prefer the benefits of a VA with AB rider.

Pre-retirees may prefer Account Value protection with flexibility over Guaranteed Income later¹



- LIMRA research showing low GLWB utilization rates suggests that investors are paying for an income benefit **they often do not want or need.**²
- **Less than 50%** of GLWB owners age 85 and over who used nonqualified money to buy their contracts had withdrawal activity in 2015.²
- Only **27%** of all GLWB contracts had some withdrawal activity in 2015.²

¹ Greenwald & Associates July 2017, 1,032 respondents age 45-65.

² LIMRA and Society of Actuaries, 2018, "Variable Annuity Guaranteed Living Benefits Utilization, p. 61

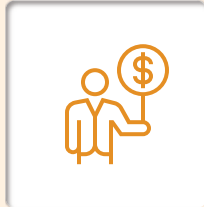
It should be noted that AB riders and GLWB riders serve different retirement needs. Please note that features and benefits of the annuity and its rider should be explored before the client makes a purchase decision. Financial professionals must ensure the suitability of every annuity transaction, based on the client's financial situation and needs, investment objectives, experience, and risk tolerance.



Our AB rider clients are “staying the course,” 20% more invested



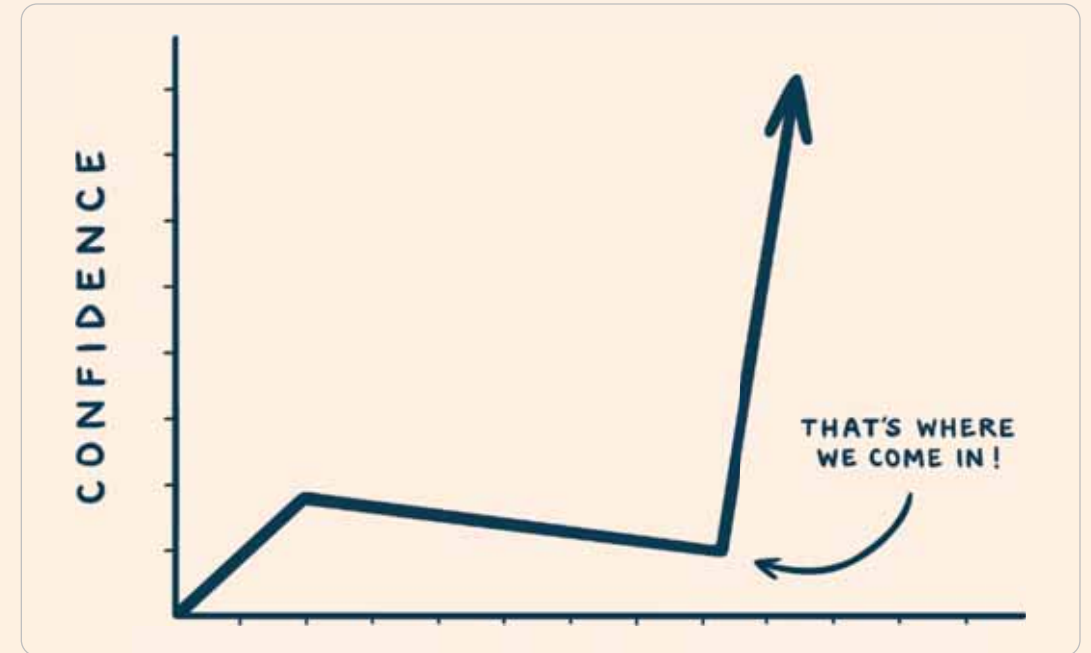
Analysis of 300k NYL variable annuity policyholders over a 10 year period, 2007-17, controlling for issue year, age, and fund amount



VA with AB owners at New York Life have 20% more equity (on average) than similar variable annuity policy owners without the AB rider.



A VA with AB may allow investors to more comfortably stomach volatile periods, by providing the insurance benefit of a guaranteed floor



Source: LIMRA sales report, 2001 through 2017

New York Life analysis of 300k NYL variable annuity policyholders over a 10 year period, 2007 - 2017; when controlling for issue year, age, and fund amount, IPR owners hold nearly 20% more equity (on average) than similar variable annuity policyowners without the IPR rider.



VA with AB rider summary

For clients who need a long-term retirement product, a VA with AB rider:

- Provides a no-loss floor to their retirement savings to help mitigate investment risk.
- May imbue confidence about staying the course.
- Allocate a percentage of their investment to equities to pursue growth potential.



Important Information

Variable annuities are long-term financial products designed for retirement purposes. There are fees, guidelines and risks to consider. Guarantees are backed by the claims-paying ability of the issuing insurance company. Variable annuities are subject to market risk and fluctuate in value. Withdrawals or surrenders may be subject to ordinary income taxes and, if made prior to age 59½, may be subject to a 10% IRS penalty.

Investors are asked to consider the investment objectives, risks, charges, and expenses of the investment carefully before investing. The prospectuses contain this and other information about the product and underlying investment options. Please remind your clients to read the prospectuses carefully before investing.

New York Life Variable Annuities are issued by New York Life Insurance and Annuity Corporation ("NYLIAC"), a Delaware Corporation. NYLIFE Distributors LLC, Member FINRA/SIPC, is the wholesale distributor and underwriter for these products. Both NYLIAC and NYLIFE Distributors LLC are wholly-owned subsidiaries of New York Life Insurance Company, 51 Madison Avenue, New York, NY 10010. Variable annuities offered through properly licensed registered representatives of a third party registered broker dealer.



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