

4 T H A N N U A L

Financial Advisor **RETIREMENT SYMPOSIUM**

Retirement Income: Confronting the Challenges

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Prudential
Bring Your Challenges™

THE QUEST FOR INCOME

CAPITALIZING ON THE NEED FOR GUARANTEED RETIREMENT INCOME

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Orlando, FL
March 12, 2013



Think Different

Market Research Update

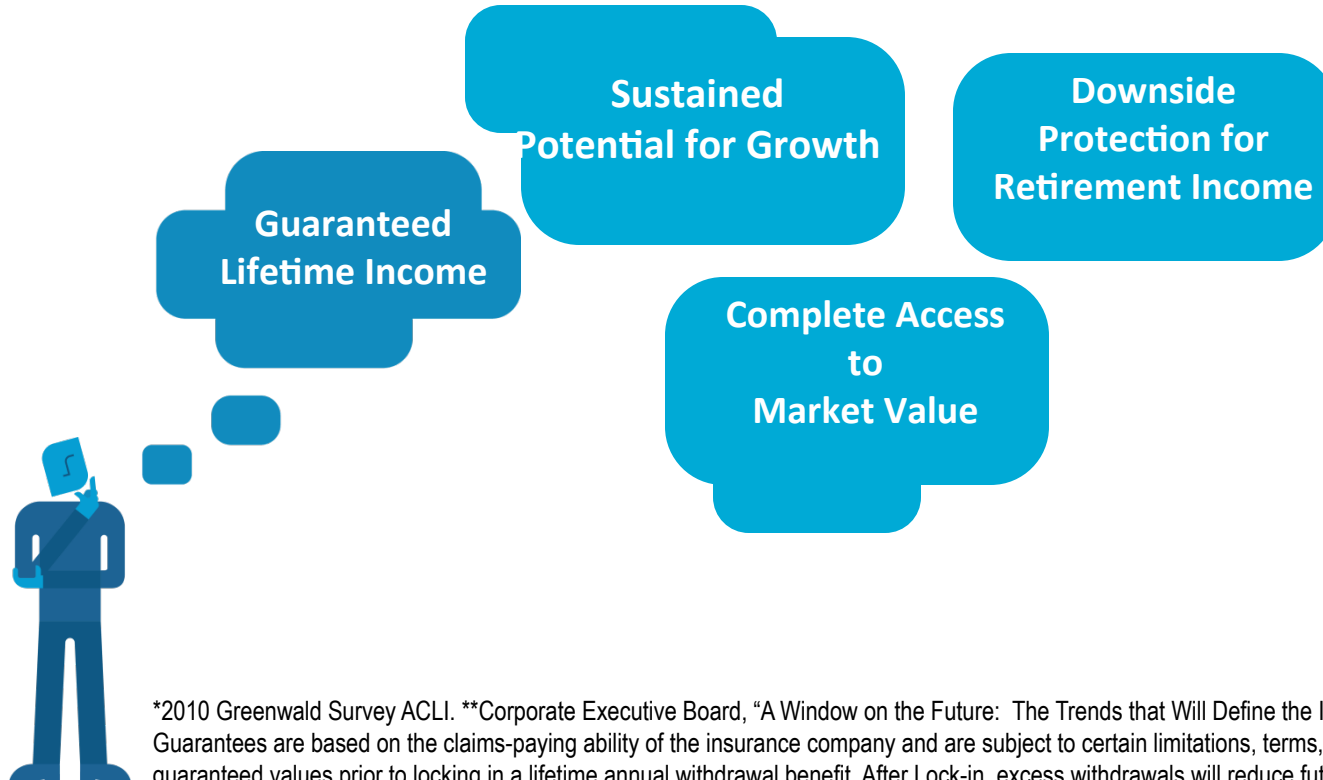
Multiple focus groups conducted nationally with financial professionals to determine investment selection trade-off as well what would cause 'switching' behavior:

- Risk Mitigation  More loss averse than gain seeking
- Expenses important, but not as important as “downside protection”



What do plan participants want most?

Nine out of ten participants in defined contribution plans seek guaranteed income that they cannot outlive.* Taking a targeted look at those close to retirement reveals that they value guaranteed retirement income more than investment gains.**



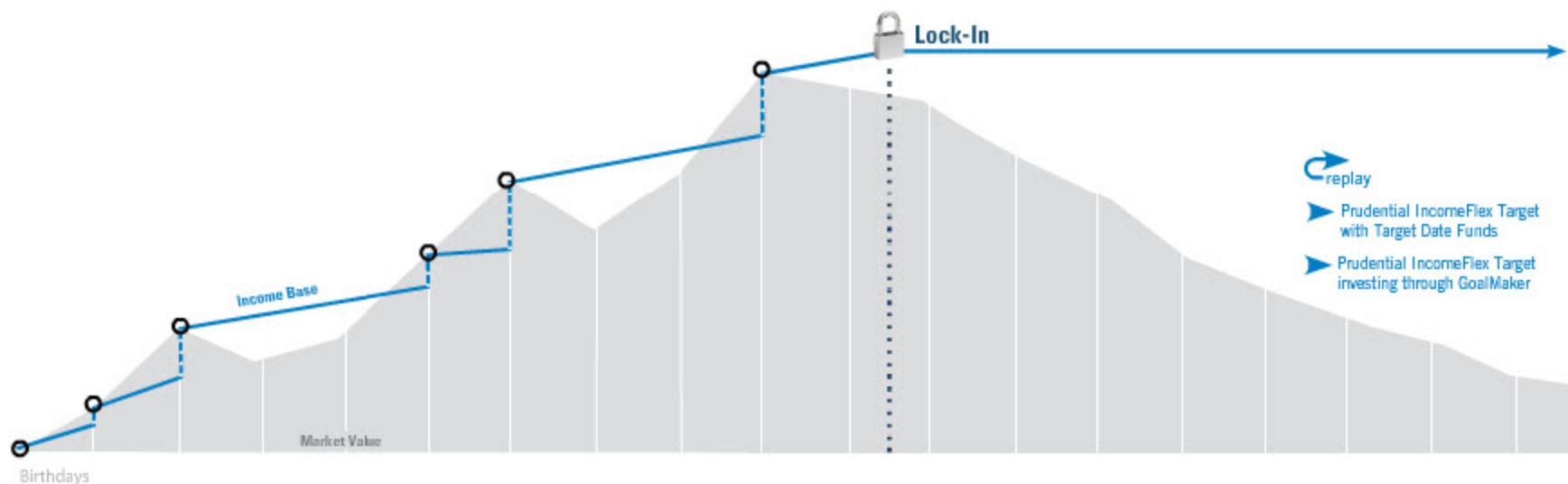
*2010 Greenwald Survey ACLI. **Corporate Executive Board, "A Window on the Future: The Trends that Will Define the Industry in 2010."

Guarantees are based on the claims-paying ability of the insurance company and are subject to certain limitations, terms, and conditions. Withdrawals may reduce guaranteed values prior to locking in a lifetime annual withdrawal benefit. After Lock-in, excess withdrawals will reduce future guaranteed withdrawals proportionately and may even eliminate them.

The Basics of In-Plan Guaranteed Income



Once a participant “Locks-In,” his or her lifetime annual withdrawal amount is guaranteed for as long as they live, even if either declining market performance or his or her annual withdrawals reduce his or her **Market Value** to zero.*



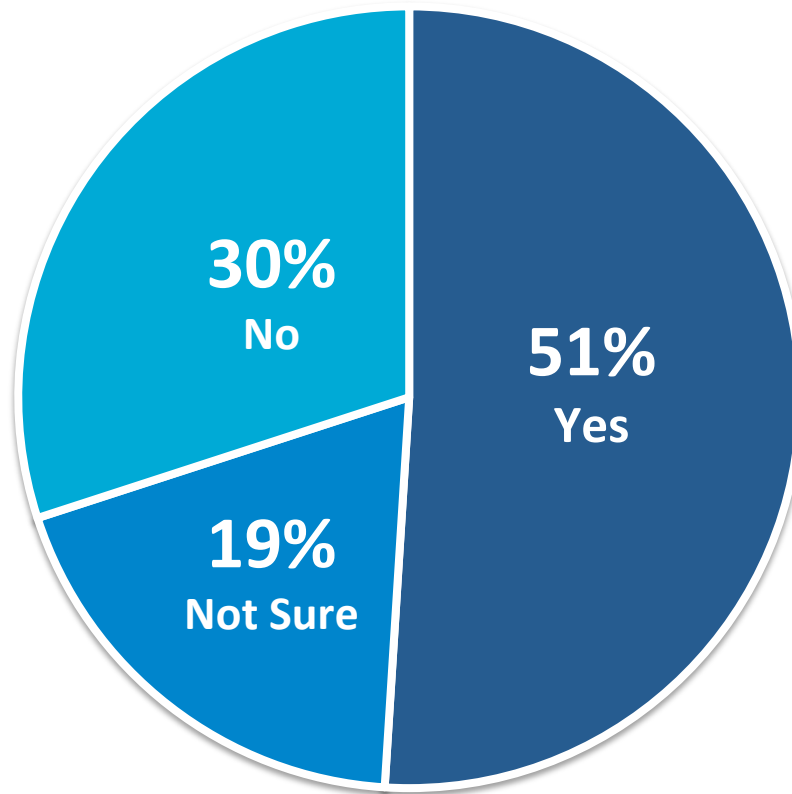
The hypothetical example above is for illustration purposes only. It does not reflect an actual experience or the performance of any investment. In this example, a participant continues to make regular plan contributions and does not take any withdrawals during the 10 year period prior to Lock-In.

*Withdrawals in excess of the lifetime annual withdrawal amount will reduce further guaranteed withdrawals proportionately.

Investors already think differently (incorrectly)

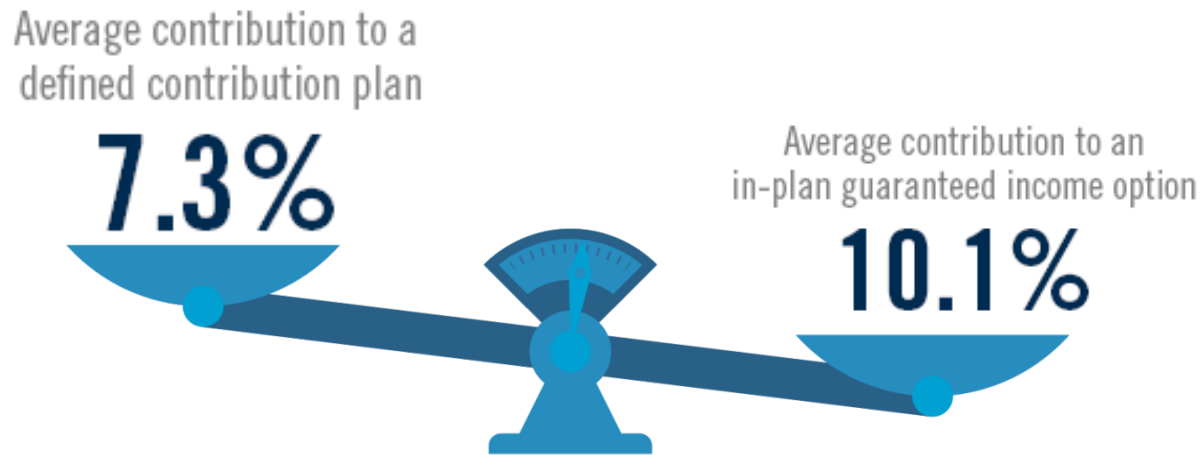
Do target-date funds provide guaranteed retirement income?

Source: "What Workers Get—And Don't Get—About Target-Date Funds," AllianceBernstein, 2011.



Potential to Have More Assets

Participants invested in in-plan guaranteed retirement income contribute, on average, **38% more** than the average 401(k) participant.¹



¹Aon Hewitt, 2010; Prudential Retirement, 2011. Study of nearly 20,000 Prudential Retirement full-service Defined Contribution participants, age 50 and older, researched during the time period of December 2007 through April 2011.

Potential to Stay the Course During Volatile Times

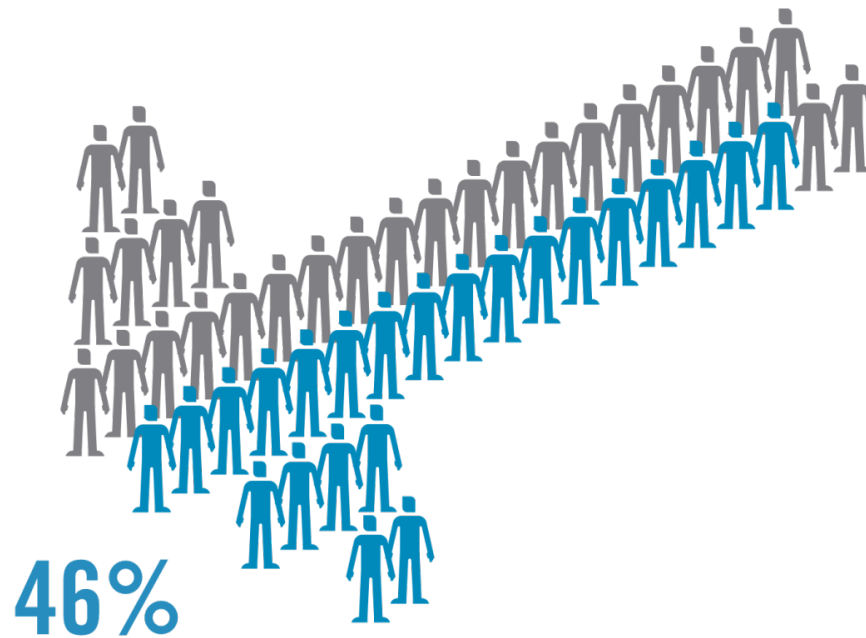
Plan participants invested in in-plan guaranteed retirement income solutions during the down market from 1Q/08–2Q/09 were **2.5 times more likely to stay invested** in equities than those who were not invested.²



²Prudential Retirement, 2011, Study of nearly 20,000 Prudential Retirement full-service Defined Contribution participants, age 50 and older, researched during the period of Q1/2008 through Q2/2009, Prudential Retirement, Stat is inclusive of IncomeFlex Select due to the start date of the research. IncomeFlex Select is no longer available for new clients.

Income that Lasts a Lifetime

Participants not invested in in-plan guaranteed retirement income, **withdraw an average of 7% to 15%** of their market value each year.³



Even with a “safe withdrawal rate,” nearly half of participants will either run out of money or need to reduce their spending in retirement.⁷

³ Prudential Retirement, 2011, Study of nearly 20,000 Prudential Retirement full-service Defined Contribution participants, age 50 and older, from December 2007 through April 2011. Stat is inclusive of IncomeFlex Select due to the start date of the research. IncomeFlex Select is no longer available for new clients.

Disclosures

Guarantees are backed by the claims paying ability of the issuing insurance company.

Prudential IncomeFlex Target Funds are separate accounts under group variable annuity contracts issued by Prudential Retirement Insurance and Annuity Company (PRIAC), Hartford, CT. Retirement products and services are provided by PRIAC. Prudential Financial and Prudential Retirement Insurance and Annuity Company are each solely responsible for their contractual obligations and financial conditions.

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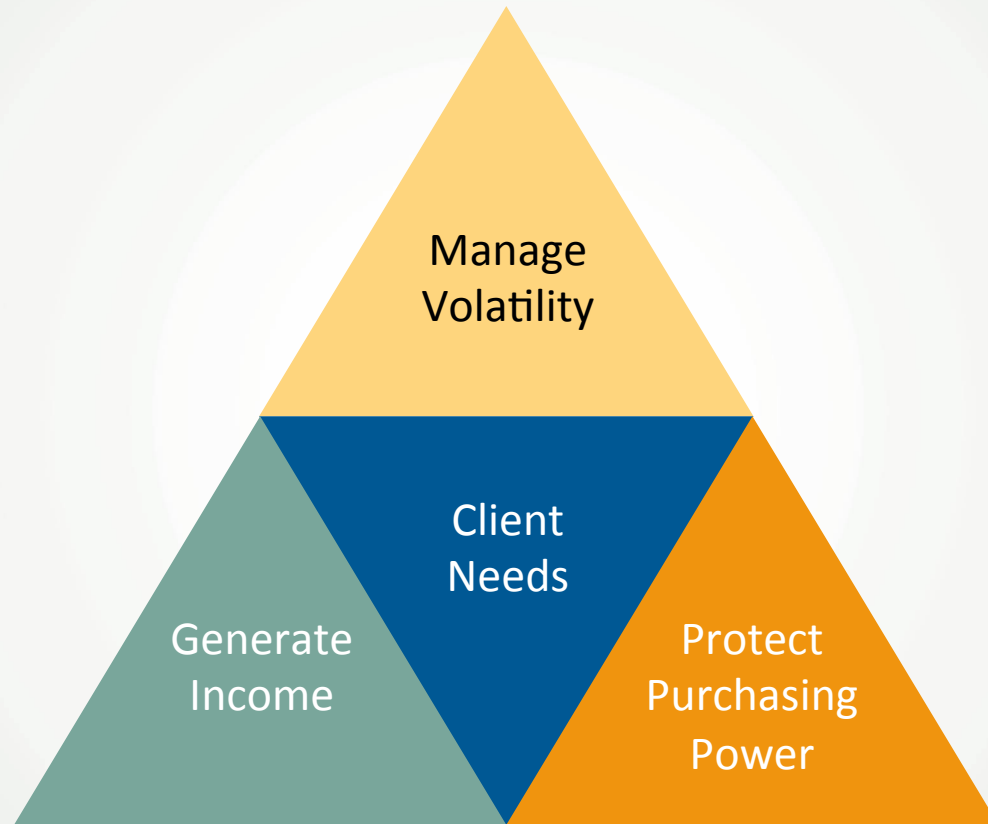


“The essence of investment management is the management of risks, not the management of returns.” – Benjamin Graham

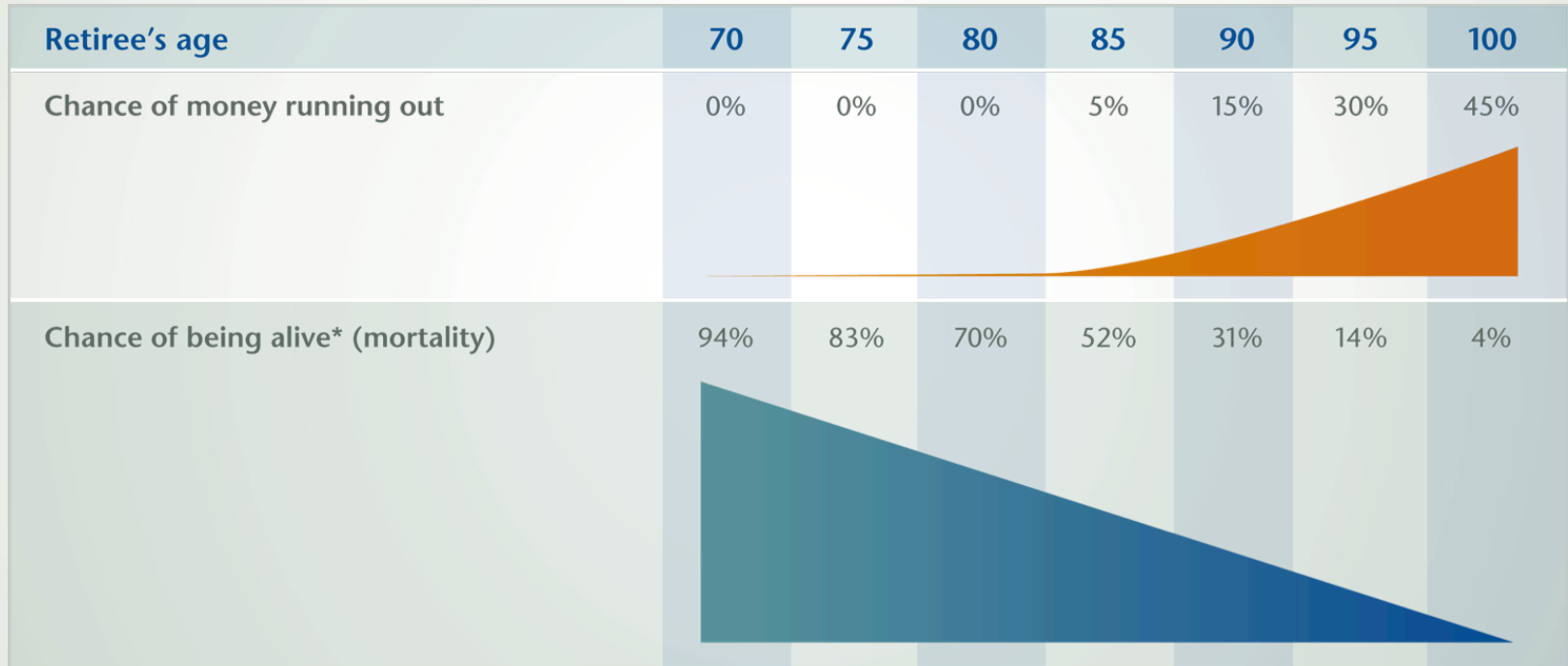
Our goal is to manage risks, leading to better outcomes by addressing:

- Longevity
- Inflation
- Market/Sequential Return
- Abandonment

Combining Solutions to Get Better Outcomes



Longevity Adds More Risk

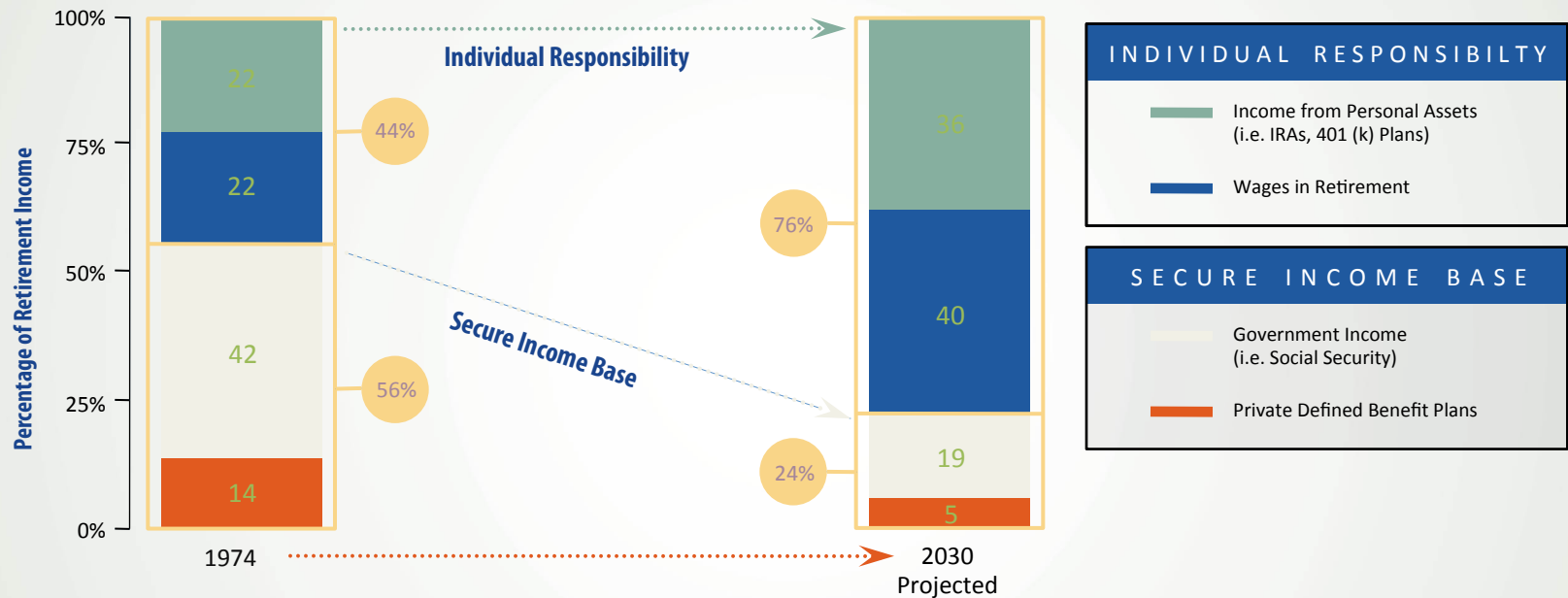


Longevity rates calculated from A2000 mortality table.

Assuming the hypothetical investor had saved \$500,000 in a qualified 401(k) account, invests in a lifecycle mix of assets, experiences an inflation rate of 3%, and withdraws at a rate of 5%. Does not take into consideration fees, expenses, and taxes. Investors cannot invest directly in an index.

Past performance is no guarantee of future results.

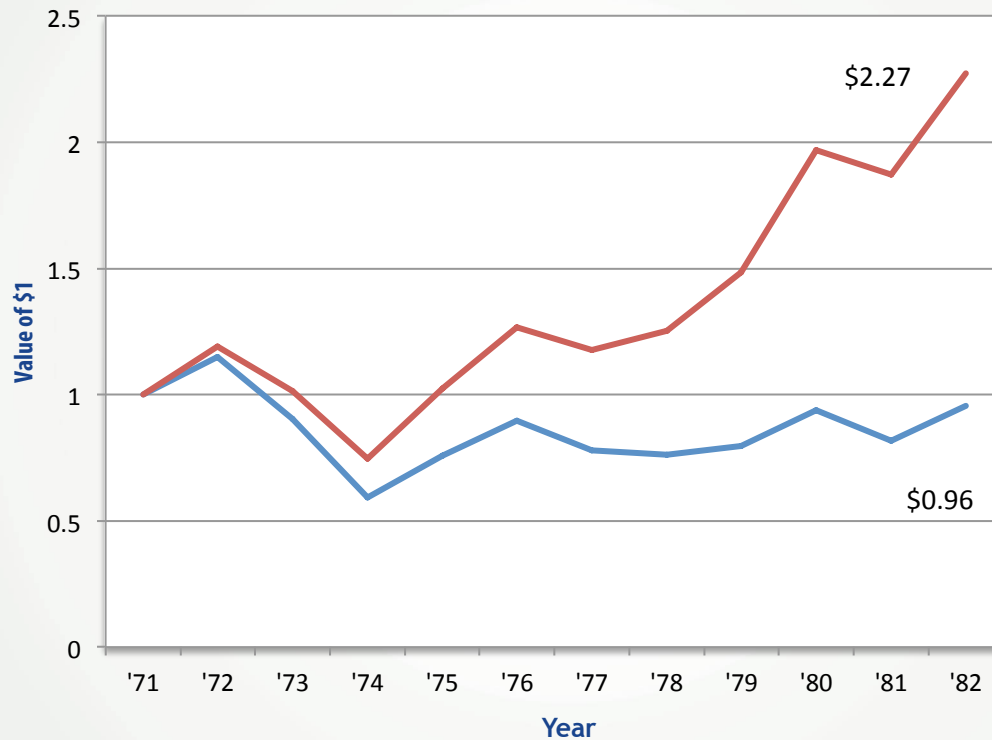
The Need for Self-Reliance



Source: Employee Benefit Research Institute & Cerulli Associates, 2003

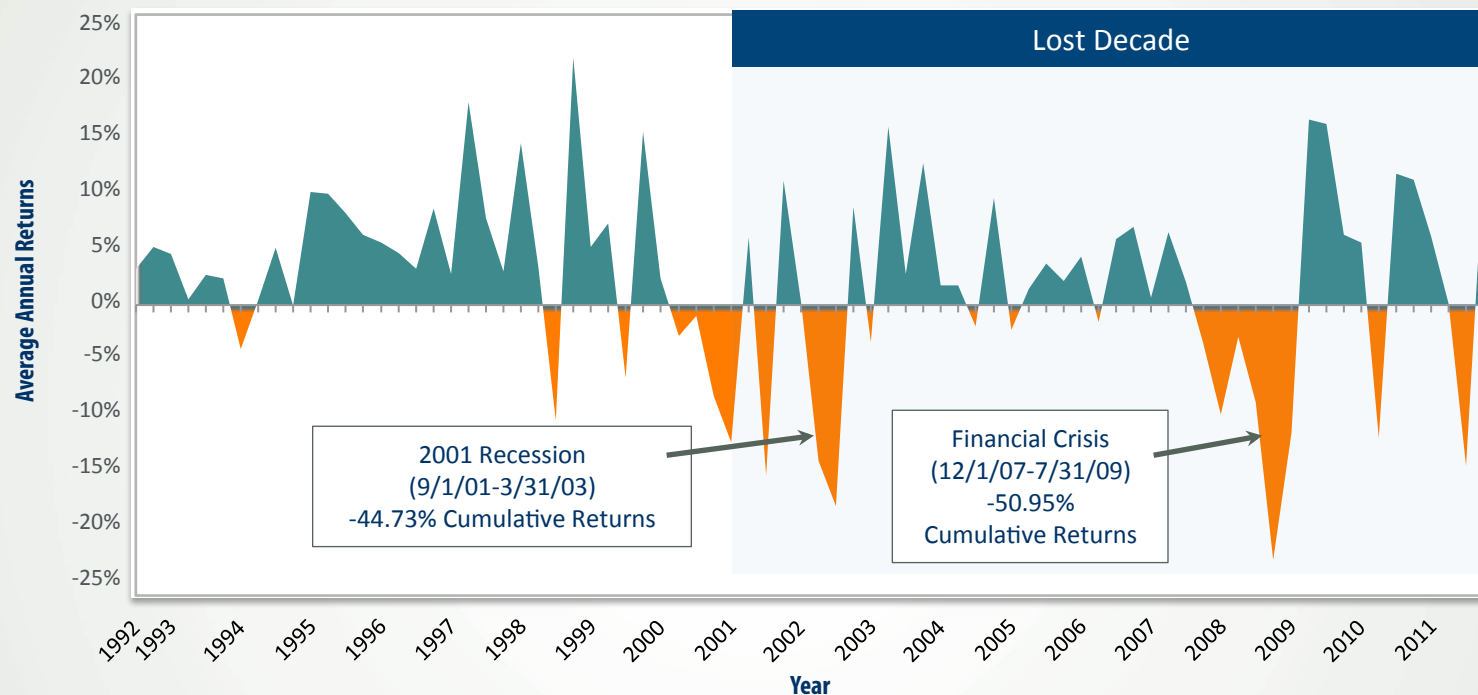
The Erosion Effect of Inflation

(S&P 500 Total Return vs. Inflation-Adj Total Return)



Source: Ibbotson Associates

Volatility and the Lost Decade

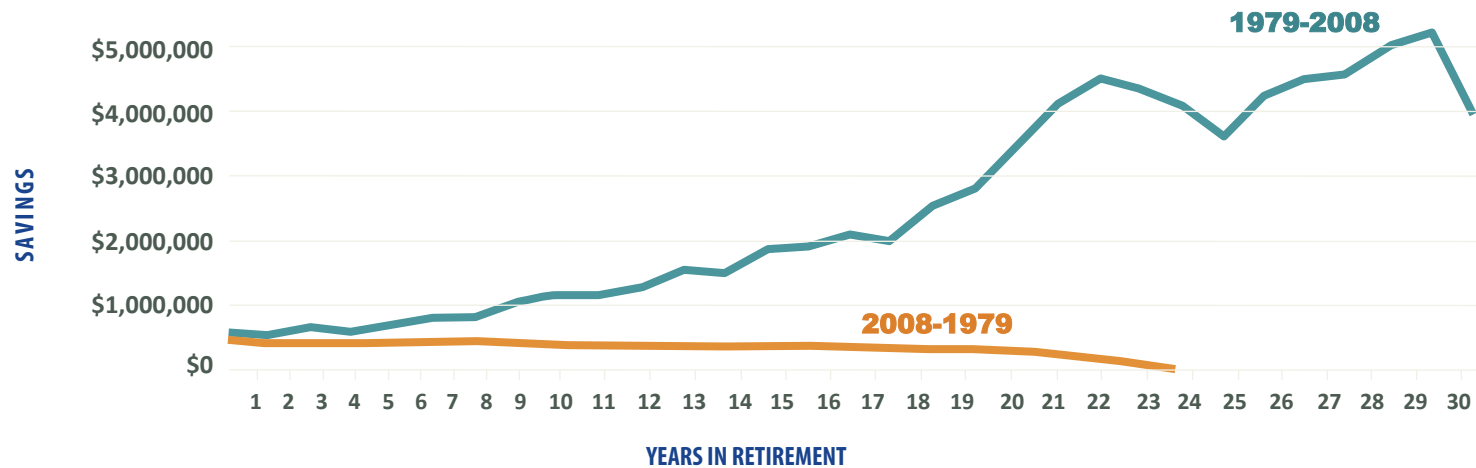


Source: Zephyr StyleADVISOR. The S&P 500 is a market-capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. An investor cannot invest directly into an index.

Calculations are based on historical index performance and are shown for illustration purposes only. Past performance does not guarantee future results.

Will They Retire at the Wrong Time?

Savings Left After 5% Inflation-Adjusted Withdrawals



Assumptions: \$500,000 beginning balance; Portfolio return: 50% S&P 500 and 50% Barclays Aggregate Bond Index rebalanced monthly. Both return sequences have the same average annual return of 2.5%. Does not take into consideration fees, expenses, and taxes. Investors cannot invest directly into an index. Past performance is no guarantee of future results.

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A mutual fund's share price and investment return will vary with market conditions, and the principal value of an investment when you sell your shares may be more or less than the original cost. Past performance is not a guarantee of future results.

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