



Prudential

SUREPATHSM INCOME
FIXED INDEXED ANNUITY

IS YOUR CLIENT'S
BOND INCOME AT RISK?



THE FIXED INCOME DILEMMA

Like many advisors today, you probably have clients, age 60 or older, who are currently taking income (or soon will be) from their bonds or bond funds. Chances are they are struggling with how to generate enough income in the current interest rate environment, as well as the uncertainty about where rates will be in the future. But whether rates remain flat, rise, or fall, your clients' ability to generate the income they need could be in jeopardy.

Do you have a strategy to provide your clients with protected monthly income?

Here are three interest rate scenarios that can affect your clients' fixed income investments:

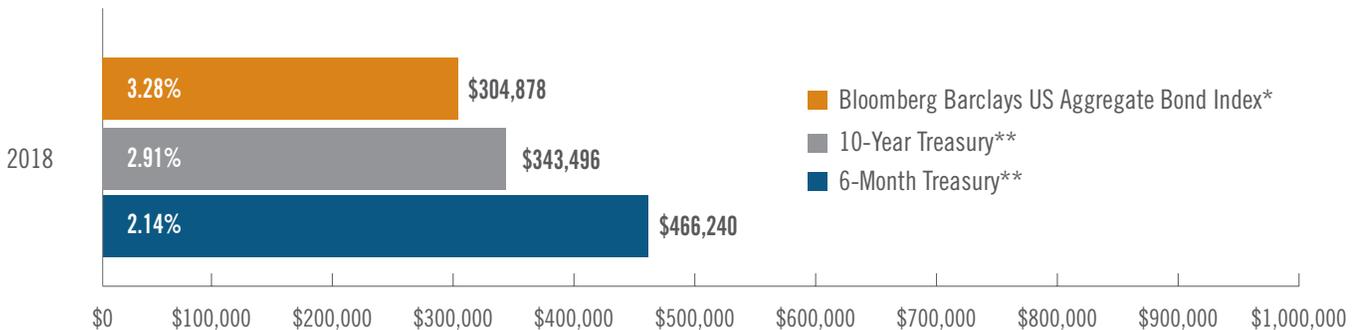
- Rates remain at today's low levels
- Rates go up
- Rates fall back to historical lows

Let's take a look to see how these scenarios could impact your clients' income for retirement.

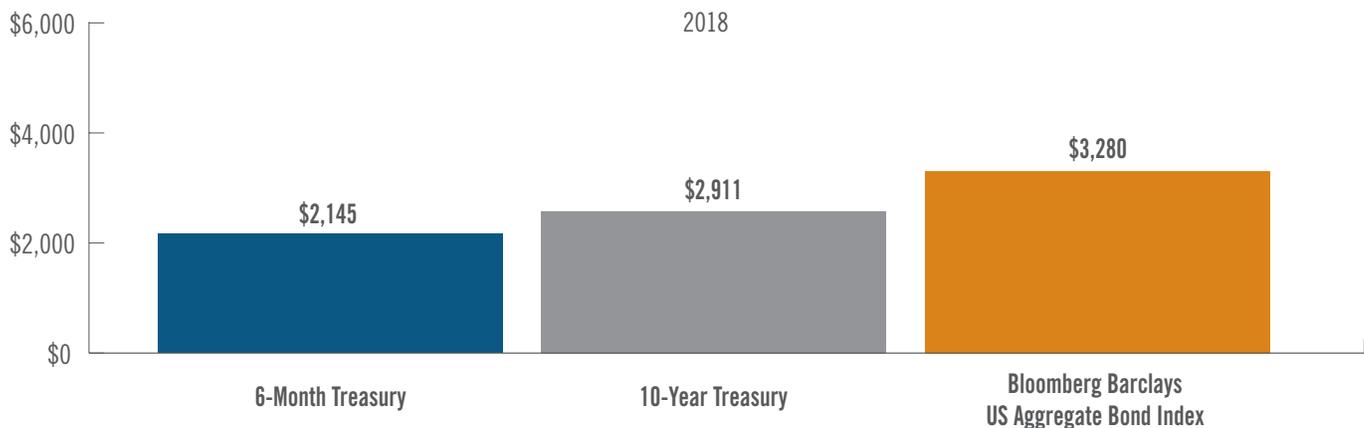


SCENARIO 1: Interest rates remain at today's low levels

Low interest rates have left investors starved for yield, forcing many of them to either take on more risk, or lower their expectations for retirement. The chart below illustrates the amount of money required to generate \$10,000 in annual income.



Or if we flip the calculation, here is what your clients could expect to receive in annual income per \$100,000 invested.***



Using the US Aggregate Bond Index value from the chart above, an investor with \$500,000 would only generate \$16,400/year in income. Is that enough for them to live on?

* Bloomberg Barclays US Aggregate Bond Index data provided by PGIM Fixed Income. Note it is not possible to invest directly in an index.

** Federal Reserve: data yields represent average market yield for securities at constant maturity at investment basis for the 12-month periods ending December 31, 2018.

*** Interest income examples assume a \$100,000 investment in the 6-month & 10-year Treasury Bond.

The charts in this document are for illustrative purposes only. Interest rates may change over time. The charts are hypothetical and are an example of a set of interest rates during a given period, and are not intended to depict past or future performance of any specific investment or subaccount within a variable annuity.

SCENARIO 2: Rates go up

While rising rates can provide your clients with more income in the future, it will be at the expense of their asset values, which will fall. The examples below show this dynamic. First let's look back to September 7th, 2017 through May 21st, 2018. During that period of rising rates, **the Bloomberg Barclays US Aggregate Bond Index had an aggregate return of -3.09%, with a change in yield of 1.02%.**

Next, let's look at the effects of a 1% interest rate increase (from 3% to 4%) on a 10-year Treasury Bond. As you can see, the price goes from \$1,000 to \$925.

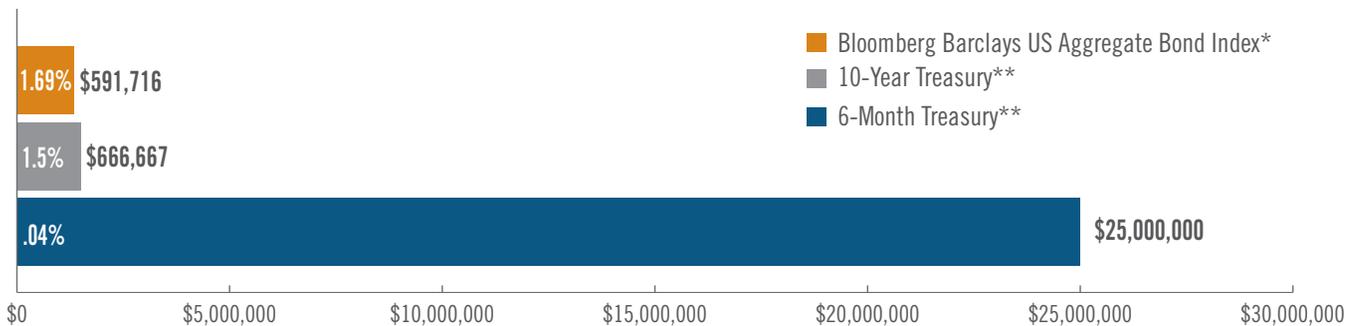
FINANCIAL TERM	TODAY	ONE YEAR LATER
Market Interest Rate	3%	4%
Coupon Rate (semi-annual payments)	3%	3%
Face Value	\$1,000	\$1,000
Maturity	10 years	9 years remaining
Price (asset value)	\$1,000	\$925
Yield to Maturity	3%	4%

Source: SEC.gov, Publication No. 151, June 2013, accessed September 2019

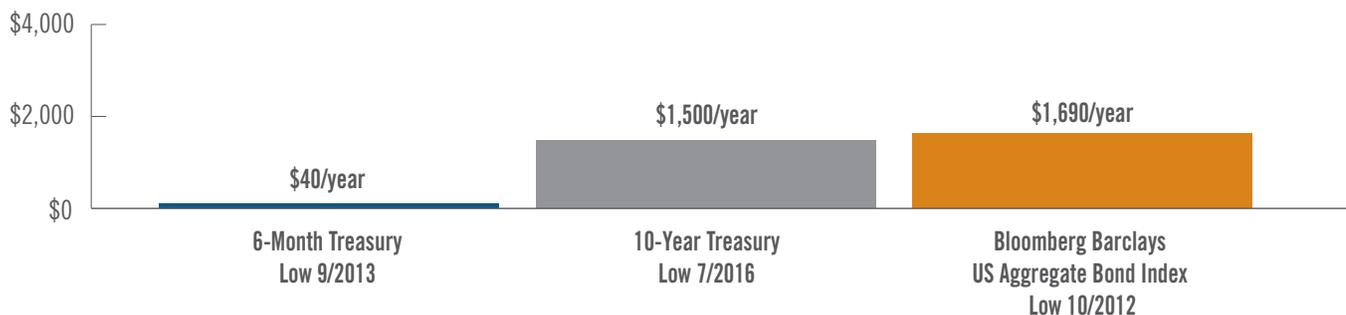
Using the example above, an investor with a \$500,000 bond portfolio would experience higher income in the future, but their bond asset value would drop to \$462,500.

SCENARIO 3: Rates fall back to historical lows

What would happen if rates were to recede back to the historical low levels? Investors would need significantly more capital to generate the same amount of income – \$10,000/year – than the amount needed at the current rates in Scenario 1.



Again if we flip the calculation, here is what your clients could expect to receive in annual income per \$100,000 invested.***



Using the US Aggregate Bond Index value from the chart above, an investor with \$500,000 would only generate \$8,450/year. Is that enough money for them to live on?

* Bloomberg Barclays US Aggregate Bond Index data provided by PGIM Fixed Income. Note it is not possible to invest directly in an index.

** Federal Reserve: data yields represent average market yield for securities at constant maturity.

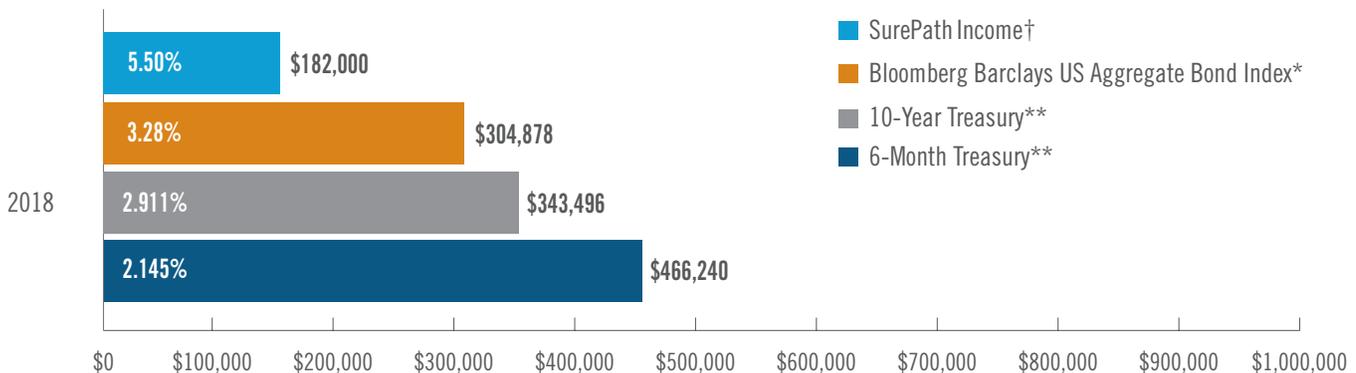
*** Interest income examples assume a \$100,000 investment in the 6-month & 10-year Treasury Bond.

Fixed income that's guaranteed for life.

Prudential SurePath Income Fixed Indexed Annuity

If you have clients in their 60s or older taking income now, or soon, consider **SurePath Income** for a portion of their fixed income. **SurePath Income** provides guaranteed lifetime income that grows every day until Lifetime Withdrawals begin. The built-in income benefit is available in a single or spousal version to clients as young as age 45, for a fee of 1.00%. And to help give them the peace of mind they need, **SurePath Income** provides 100% principal protection from market declines.

Amount needed to generate \$10,000 in annual income



† Prudential SurePath Income examples assume 5.5% withdrawal rate. Note that rates vary by age and may fluctuate. Please refer to a current rate sheet for most current rates. Lifetime income guarantees assume that any withdrawals taken do not exceed the maximum allowable income.

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- Prudential Financial maintains its strength by spreading risk across a diversified mix of businesses including life insurance, annuities, retirement-related services, mutual funds, investment management and commercial property services

HELP PROTECT YOUR CLIENTS WITH GUARANTEED LIFETIME INCOME.

Let us help you educate your clients on how **Prudential SurePath Income** may help them get the protected monthly income they are seeking. Call our National Sales Desk today at **800-513-0805; option 1, then Option 4.**

¹June 30, 2019

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