

Morningstar Investment Services Retirement Income Portfolios

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By identifying investment management solutions that aim to provide appropriate retirement distribution programs, financial advisors can help investors prepare for their retirement and long-term income goals.

From Accumulation to Distribution

To meet these objectives, Morningstar Investment Services offers our retirement income portfolios. This suite of model mutual fund portfolios addresses the specific needs of retirees as they shift from the accumulation of assets to distribution. Our retirement income portfolios deliver a comprehensive strategy designed to generate a cash flow stream that aims to last over an expected time horizon in retirement and protect against the risk of outliving accumulated assets. These portfolios also strive to deliver a high probability of some capital preservation and inflation protection, particularly in the longer-term strategies.

The Shift Into Retirement

While the dollar value of future goals can be hard to quantify before retirement, these aspirations—and their associated costs—become more tangible as individuals shift from saving for them to paying for them. As alternate income sources such as Social Security or company pension plans will likely be insufficient to fund a comfortable retirement, the importance of personal savings will continue to grow. Naturally, retirees are concerned with preserving accumulated wealth, while still maintaining the growth needed to sustain periodic withdrawals throughout retirement.

The Morningstar Investment Services Retirement Income portfolios are designed to meet payout needs over a specified period of time. Matching retirement time horizons and income needs, we offer investment solutions for the early, middle, and late stages of retirement. These strategies aim to support annual cash flows of 4%, 5%, 6%, and 7% of initial assets over the recommended time horizon in retirement while also striving to deliver capital preservation. In any given year, the portfolio's returns could be more or less than the target due to market fluctuations. Average payouts over a long time horizon, however, are more likely to achieve these objectives.

How We Differ From Other Retirement Income Options

Several “managed payout” funds have been launched in the marketplace, but the structure of these managed payout funds can be very different. In managing the payout, some of the funds may dip into principal to achieve a consistent payout ratio, while others will not tap into principal but will adjust the payout ratio. These managed payout funds may also differ in terms of the target yields, risk/return profile, and asset allocation.

Our retirement income portfolios follow an endowment-like approach as they are diversified across various alternative asset classes, including global fixed income, high-yield, commodities, and absolute return. This approach helps us create efficient portfolios through diversification, maximizing potential return for a given level of risk. We have also designed the portfolios to court lower volatility and offer various levels of downside protection. The portfolios seek to earn total returns that are sufficient to support the target payouts over time while protecting against significant drawdowns that may result from stock market downturns.

Retirement Income Portfolios

	Ultra Short-Range	Short-Range	Mid-Range	Long-Range
Horizon	1–5 Years	2–10 Years	10–20 Years	20+ Years
Targeted Payout	7.0%	6.0%	5.0%	4.0%

The information displayed is for illustrative purposes only. No guarantees can be given about future targeted payouts.

A Solution for Every Retirement Stage

Our retirement income model portfolios are specifically designed to generate regular cash flows over an expected time horizon without courting undue risk. As we offer investment solutions for the early, middle and late stages of retirement, an investment solution can be altered to help meet a retiree's changing needs.

Targeted Payout

The main objectives of these strategies are to reduce the risk of depleting retirement savings too quickly and preserve or compound capital as much as possible. Based on the strategy that is most appropriate for an individual's circumstances, annual cash flows ranging from 4%–7% will be targeted. Beyond these targeted payout amounts, an investor has the flexibility to set the actual distribution amount independently based on individual needs.

A Unique Solution

To deliver against specific retirement goals, Morningstar Investment Services employs proprietary tools and methodologies. Our portfolios leverage our proven investment process including objective and independent research, strategic asset allocation, access to an extensive universe of mutual funds, and proactive portfolio management that responds to market trends and changing risk.

For those just entering retirement or already retired, our portfolios deliver a comprehensive strategy to help retirees meet their retirement goals.

Neither diversification nor asset allocation ensure a profit or guarantee against a loss.

It is important to note that investments in securities (e.g., mutual funds) involve risk and will not always be profitable. Investing in mutual funds involves risk, including possible loss of principal.

Please note that portfolio availability may vary by business relationship. Contact your financial advisor for details.