PROTECTION, GROWTH AND INCOME

Helping Consumers Reach Retirement Goals

Based on a research survey conducted on behalf of the Insured Retirement Institute and AXA Financial

PROVIDING STABILITY AND RELIABILITY TO OUR CLIENTS

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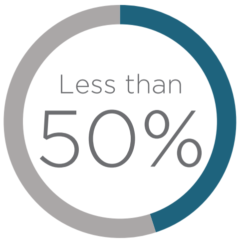
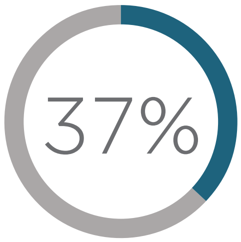
ABOUT AXA: "AXA" is the brand name of AXA Equitable Financial Services, LLC and its family of companies. AXA companies offer financial protection and wealth management and are premier providers of advice, retirement strategies, employee benefits, and life insurance. AXA has been providing stability and reliability to our clients since 1859 to help them live their lives with confidence, and enable them to realize dreams for their loved ones and their legacy. AXA's primary life insurance company, AXA Equitable Life Insurance Company, is among the largest life insurance and retirement savings companies in the United States, with nearly 2.5 million client households nationwide. More than 4,722 AXA Advisors financial professionals assist individuals, families and business owners in creating strategies that help them move forward on the road to financial security.

ABOUT THE INSURED RETIREMENT INSTITUTE: The Insured Retirement Institute (IRI) is the leading association for the retirement income industry. IRI proudly leads a national consumer coalition of more than 30 organizations, and is the only association that represents the entire supply chain of insured retirement strategies. IRI members are the major insurers, asset managers, broker-dealers/distributors, and 150,000 financial professionals. As a not-for-profit organization, IRI provides an objective forum for communication and education, and advocates for the sustainable retirement solutions Americans need to help achieve a secure and dignified retirement. Learn more at www.irionline.org.

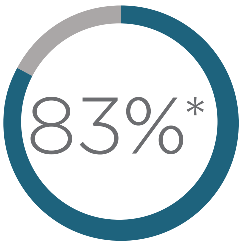
INTRODUCTION



assets held in stocks, stock mutual funds, and ETFs



allocation to stocks by investors with low tolerance for risk



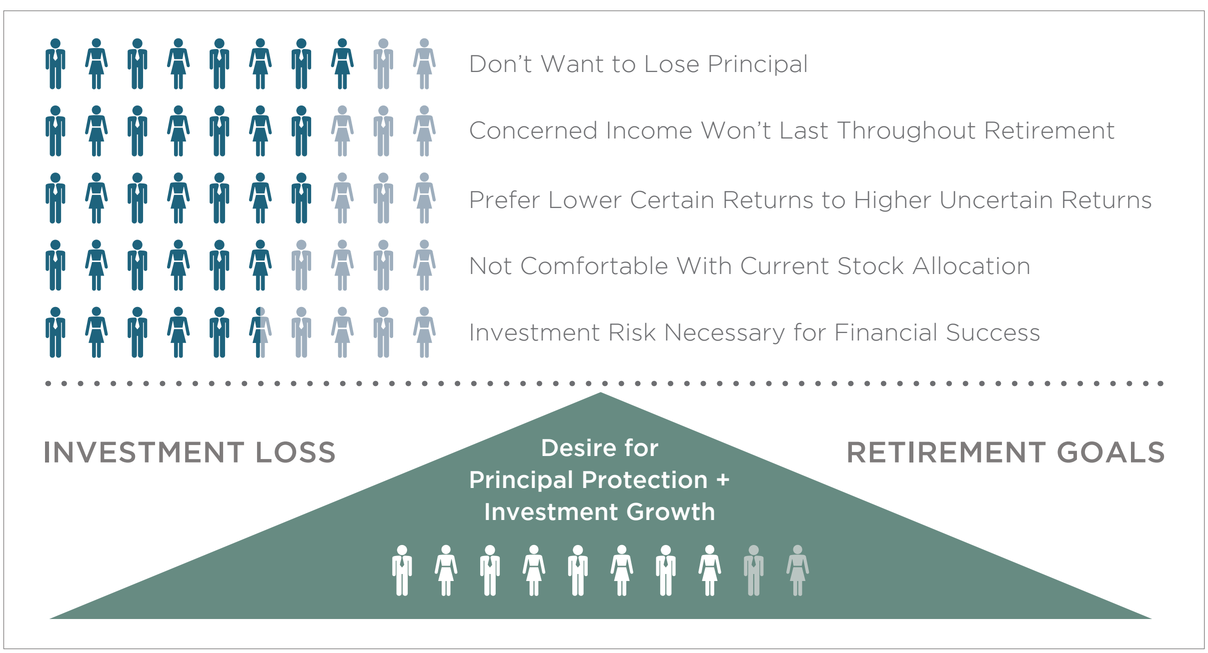
of truly conservative consumers (low exposure to equities and low risk tolerance) say not losing principal is very/extremely important

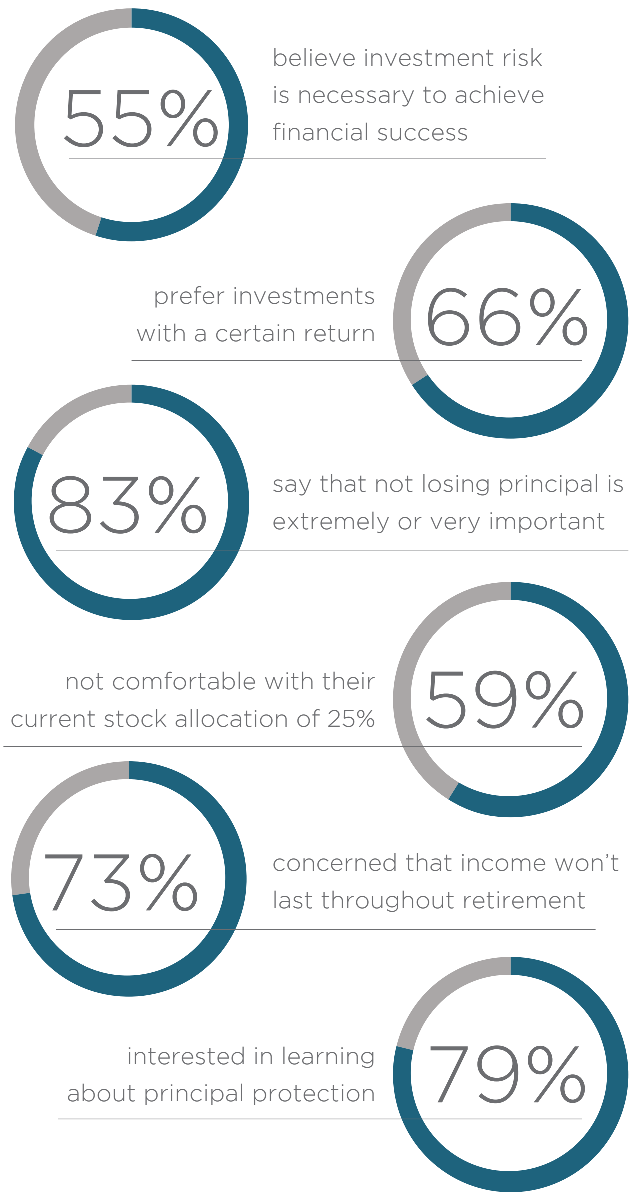
79% of consumers interested in protected growth

On average, consumers hold less than one-half of their assets in stocks, stock mutual funds, and exchange traded funds (ETFs). Those who have a low tolerance for investment risk have an average of 37 percent allocated to stocks. For true conservative investors (those with low risk tolerance and 25% or less of their investable assets allocated to stocks), the fear of losing money in the stock market and lack of trust in the stock market for money they are counting on in retirement are the most often cited reasons for allocating less of their portfolios to stocks.* Unfortunately, under-allocating to stocks can hamper progress toward financial and retirement goals, resulting in lower retirement income and financial resources that are inadequate for managing financial risks, such as health care shocks and inflation, during retirement. The fear of investment loss and the risk of being under-saved for retirement can be partially addressed, however, using financial products that provide growth and/or income, while protecting against a level of investment loss.

FEAR OF LOSS, RISK OF FALLING SHORT

Figure 1 – Fear of Investment Loss versus Fear of Unsuccessful Retirement





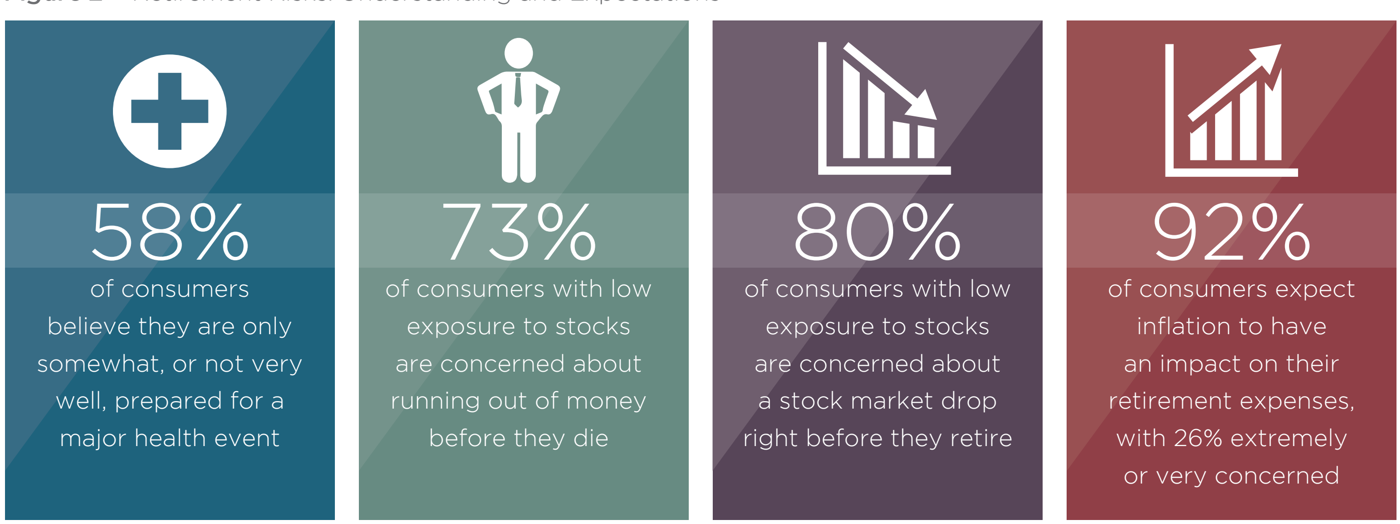
THE FEAR OF INVESTMENT LOSS AND VOLATILITY

(the tendency of the stock market to fluctuate) may cause many American savers to hold more of their retirement savings in cash and bonds than in stocks, even though 55 percent of retirement savers with low exposure to stocks and low risk tolerance (i.e. conservative investors) believe that it is necessary to take investment risk to achieve financial success in retirement. Among conservative investors, 66 percent prefer investments with a certain return as compared to the possibility of achieving a higher return that is uncertain, and **83 percent say that not losing principal is extremely or very important.** Further, 59 percent of conservative investors are not comfortable with their current stock allocation of 25% or less of their portfolios, despite 73 percent being concerned that they will not have enough income to last throughout retirement.

Fortunately for retirement savers, products are available that provide stock-market-based returns while also protecting against loss of principal. The consumer and financial professional studies conducted for this report show that many consumers are open to strategies that use such products to help address their fear of investment loss with their retirement savings and income goals – in fact **79 percent are interested in learning about a product that offers principal protection and the potential for growth.**

RETIREMENT RISKS

Figure 2 – Retirement Risks: Understanding and Expectations



About 50% extremely concerned about stock market correction

7 in 10 conservative investors fear they will run out of money

92% recognize that inflation will have an impact on their expenses

26% extremely/very concerned about inflation

49% reduction in purchasing power of a dollar in 20 years at 2% annual inflation

6 in 10 believe they are not well prepared to deal financially with a major health event

Consumers are generally concerned about the ability of their savings to withstand retirement and pre-retirement risks. About one-half of those with low risk tolerance and low allocation to stocks are very or extremely concerned that the stock market will endure a significant correction just as they are ready to retire. Despite the lower likelihood that these conservative investors will be significantly impacted by such a drop due to their limited allocation to stocks, this fear is a significant factor contributing to that limited exposure. At the same time, **seven in 10 conservative investors are at least somewhat concerned they will run out of money before they die.** More than half of these investors are very or extremely concerned of this possibility. Ironically, very low allocation to growth assets like stocks can increase the probability of this occurring, particularly in inflationary environments when more conservative investments, such as cash and short-term bonds, fail to keep up with increasing income needs. And consumers are worried about inflation, with 92 percent recognizing that inflation is likely to have an impact on their expenses during retirement. But with only 26 percent stating they are extremely or very concerned about inflation, there may not be a clear understanding of how devastating the effects of inflation can be, particularly among the risk averse – at just 2 percent annual inflation, the purchasing power of a dollar is cut by 49 percent over 20 years. Finally, six in 10 consumers believe they are only somewhat prepared, or not well prepared, to deal financially with a major health event. A common thread running through these risks and fears is ultimately the fear of not having saved enough to create sustainable, lifetime income, and to weather financial storms. Annuities can help consumers manage these risks. Structured annuities[1], where returns are based on the growth of investments linked to major market indexes such as the S&P 500 and market losses are limited through buffered protection up to a certain level, can allay fears about the impact of market downturns on savings, while variable annuities with guaranteed lifetime income and withdrawal benefits[2] can provide rising income to help offset the effects of inflation on purchasing power.

Only 41% of consumers believe they are well prepared for a major health event

Figure 3 – Saving and Investing Strategies: Understanding and Acceptance

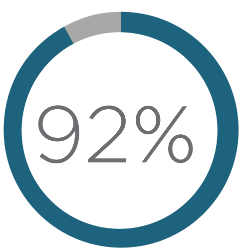
EASY TO UNDERSTAND
Structured: 81%
Lifetime Income: 80%

APPEALING
Structured: 73%
Lifetime Income: 67%

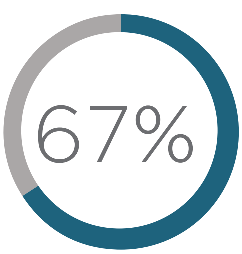
MINIMIZE RISK OF LOSING PRINCIPAL
Structured: 92%
Lifetime Income: 92 %

73% of consumers find a structured annuity appealing

8 in 10 find structured and lifetime income annuities easy to understand



of those very/extremely interested in a structured annuity say it is important to minimize the risk of losing principal



of consumers find a variable annuity with a lifetime income benefit appealing

Maintaining a sufficient allocation to stocks is important to achieving retirement goals and ensuring financial security throughout retirement. An often overlooked, but critical, aspect of William P. Bengen's "4% rule" (a rule of thumb for withdrawal rates from retirement savings) is the requirement to allocate a significant percentage of the retirement income portfolio to stocks. Bengen maintains, that "holding too few stocks does more harm than holding too many stocks…I think it is appropriate to advise the client to accept a stock allocation as close to 75 percent as possible and in no cases less than 50 percent. Stock allocations lower than 50 percent are counterproductive."[3] The need to maintain a sufficient allocation to stocks can be reconciled with the reticence to do so of the risk averse investor by moving a portion of the retirement portfolio into structured annuities and/or annuities with guaranteed lifetime income or withdrawal features. This increases the growth potential of retirement assets and income, while providing a measure of protection against the downside risk and volatility of stock-based investments. Risk averse investors who are not invested in stocks to the extent needed to achieve their financial goals should be introduced to these products during the planning process: **eight in 10 consumers find annuities relatively easy to understand, and a similar number find them to be appealing.** The appeal is understandable, as more than nine in 10 of these consumers believe it is important to minimize the risk of losing principal.

OPPORTUNITIES FOR FINANCIAL ADVISORS*

Figure 4 – Consumer Experience with Financial Advisors

59% of consumers work with a financial advisor

Of those who don't, **53%** are open to working with a financial advisor

78% say their advisor discusses risk tolerance...

...while only **50%** say they discuss guaranteed lifetime income with their advisor, and only 18% have worked with their advisors to estimate retirement health care costs.

> "My advisor is doing a good job helping me prepare for retirement."

56% of consumers are extremely or very confident in their advisors if guaranteed lifetime income is discussed

34% of consumers are extremely or very confident in their advisors if guaranteed lifetime income has not been discussed

FINANCIAL PROFESSIONALS CAN GREATLY ENHANCE THE VALUE

they provide to retirees and retirement savers by helping them figure out how they will turn their savings into income they cannot outlive, and by helping them quantify the potential financial impact of the risks they will face in retirement, such as health care costs and the erosion of purchasing power due to inflation. Health care is especially important to include in overall planning for retirement and retirement income, as the costs may be significant. In 2017, Fidelity estimated that average health care expenses during retirement for a 65-year-old couple rose to $275,000 (in today's dollars), up $15,000 from 2016.[4] Helping clients grow retirement savings, properly insure against the risk of incurring large, unexpected health care expenses, and ensuring sufficient income that lasts throughout retirement are key areas where financial professionals can provide value to their clients, and their clients will recognize that.

> 65% more consumers rate advisors highly when lifetime income is discussed

* *The use of the term of "financial advisor" or "advisor" for purposes of the survey questions and responses by both the consumers and the financial advisors queried does not necessarily imply that the individual is a registered investment adviser (RIA). The use of these two terms is meant in a general sense of the word or phrase to describe working with an investment advisor, a licensed insurance agent or other financial professionals which may sell annuity products.*

CONCLUSION

Some consumers, particularly the risk averse, are not allocating enough of their retirement savings to stocks to reach their financial and retirement goals. Importantly, many recognize that some level of investment risk is inherently necessary to achieve their goals, but they are uncomfortable taking on that risk with their own financial assets. Structured annuities, and annuities with guaranteed lifetime income and withdrawal benefits, can provide avenues for the risk averse to potentially achieve higher returns over their savings and retirement time horizons. This can help them keep pace with inflation, better weather financial shocks such as large expenditures for health care, and ensure they have an income source in addition to Social Security that they cannot outlive. Consumers understand and are interested in these financial products, paving the way for financial professionals to introduce them into the retirement planning process as they help clients understand and plan for the realities of their retirement years.

METHODOLOGY

CONSUMER SURVEY

The consumer survey consisted of 15-minute online interviews with 1,005 consumers ages 50 to 75, using the Research Now online panel. Fielding of the survey took place from December 5th to December 11th 2017. Beyond meeting the age requirement, consumers had to be either working full-time or be retired and working part-time, have household investable assets of at least $250,000, and take the lead or share in financial decisions for their household.

The final data were weighted by nested categories of age and investable assets to reflect the distribution of consumers in the population, according to the Survey of Consumer Finance.

FINANCIAL PROFESSIONAL SURVEY

The survey consisted of 15-minute online interviews with 300 financial professionals with at least $10 million of AUM and five years of experience, who have sold at least five variable annuities with either a Guaranteed Lifetime Withdrawal Benefit and/or Guaranteed Minimum Income Benefit rider in the past year.

Fielding of the survey took place from December 20th to December 26th 2017. Sample was drawn from a list of financial professionals provided by Financial Media Group, a leading compiler of lists of licensed financial professionals. Financial professionals received a $25 honorarium for completing the survey.

Greenwald & Associates contributed to the research design and analysis and fielded the research.

ENDNOTES

1. Unlike an index fund, Structured Annuity provides a return at maturity designed to provide a combination of protection against certain decreases in the index and a limitation on participation in certain increases in the index. Structured Annuity does not involve an investment in any underlying portfolio. Instead, it is an obligation of the firm.

2. The Guaranteed Minimum Income Benefit (GMIB) lets you capture market gains through annual "resets" in up markets. In certain products, if your Protected Benefit Account Value is higher than your benefit base on any contract anniversary, you can reset your benefit base to equal your Protected Benefit Account Value. Annual increases to your benefit base will continue compounding from this new, higher value. The GMIB fee may increase as a result of a reset. A reset may initiate a new waiting period for up to 10 years to exercise the GMIB. A "benefit base" is issued to generate a minimum income amount or withdrawal amount and is not a cash value. It is equal to the total amount of contributions and transfers into the Protected Benefit Account investment options and increases annually at a specified rate, called a Roll-Up Rate. The Roll-Up Rate for the GMIB is tied to the 10-year Treasury rates.

3. William P. Bengen, Determining Withdrawal Rates Using Historical Data, Journal of Financial Planning, October 1994

4. Estimate based on a hypothetical couple retiring in 2017, 65 years old, with life expectancies that align with Society of Actuaries' RP-2014 Healthy Annuitant rates with Mortality Improvements Scale MP-2016. Estimates are calculated for "average" retirees, but may be more or less depending on actual health status, area of residence, and longevity. Estimate is net of taxes. The Fidelity Retiree Health Care Costs Estimate assumes individuals do not have employer-provided retiree health care coverage, but do qualify for the federal government's insurance program, Original Medicare. The calculation takes into account cost-sharing provisions (such as deductibles and coinsurance) associated with Medicare Part A and Part B (inpatient and outpatient medical insurance). It also considers Medicare Part D (prescription drug coverage) premiums and out-of-pocket costs, as well as certain services excluded by Original Medicare. The estimate does not include other health-related expenses, such as over-the-counter medications, most dental services, and long-term care. Life expectancies based on research and analysis by Fidelity Investments Benefits Consulting group and data from the Society of Actuaries, 2014.

DISCLOSURES

IMPORTANT NOTE

AXA believes that education is a key step toward addressing your financial goals, and we've designed this material to serve simply as an informational and educational resource. Accordingly, this brochure does not offer or constitute investment advice and makes no direct or indirect recommendation of any particular product or of the appropriateness of any particular investment-related option. Your needs, goals and circumstances are unique, and they require the individualized attention of your financial professional.

The information and opinions in this report were prepared by IRI and AXA Equitable. This report is not investment advice and should not be relied on for such advice or as a substitute for consultation with professional accountants, tax, legal or financial advisors. IRI and AXA Equitable have made every effort to use reliable, up-to-date and comprehensive information and analysis, but all information is provided without warranty of any kind, express or implied. IRI and AXA Equitable accept no liability for any loss arising from any action taken or refrained from as a result of information contained in this report or any reports for sources of information referred to herein, or for any consequential, special or similar damages even if advised of the possibility of such damages. The report is not an offer to buy or sell securities or a solicitation of an offer to buy or sell securities.

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Before investing, investors should carefully consider the investment objectives, risks, charges and expenses of a variable annuity and its underlying investment options. The current contract prospectus and underlying fund prospectuses, which are contained in the same document, provide this and other important information. Please contact the issuing company to obtain the prospectuses. Please read the prospectuses carefully before investing or sending money.

Variable annuities are long-term, tax-deferred investments designed for retirement, involve investment risks and may lose value. Earnings are taxable as ordinary income when distributed and may be subject to a 10% additional tax if withdrawn before age 59½.

Optional benefits are available for an extra charge in addition to the ongoing fees and expenses of the variable annuity.

Tax deferral offers no additional value if an annuity is used to fund a qualified plan, such as a 401(k) or IRA. It also may not be available if the annuity is owned by a "non-natural person" such as a corporation or certain types of trusts.

The investor should take other considerations when purchasing variable annuities. There are fees and penalties associated with variable annuities that may not be suitable for the investor depending on their needs.

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

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