FUTURE
Helping Millennials plan for a brighter tomorrow
 Agenda

1 What’s in a name?
2 Millennials
3 Savings attitude
4 Investment approach
5 Retirement outlook
6 Preparing for the unexpected
7 Where to go from here?
1

What’s in a name?
What’s in a name?

**Defining generations**

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>G.I. Generation</td>
<td>before 1936</td>
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</tr>
<tr>
<td>Silent Generation</td>
<td>1937 – 1945</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Boomers</td>
<td>1946 – 1964</td>
<td></td>
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</tr>
<tr>
<td>Gen X</td>
<td>1965 – 1981</td>
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</tr>
<tr>
<td>Gen Y/Millennials</td>
<td>1982 - 1997</td>
<td></td>
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</tr>
</tbody>
</table>
**What’s in a name?**

### Defining generations

<table>
<thead>
<tr>
<th>Generation</th>
<th>Born</th>
</tr>
</thead>
<tbody>
<tr>
<td>G.I. Generation</td>
<td>before 1936</td>
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</tr>
<tr>
<td>Gen Y/Millennials</td>
<td>1982 - 1997</td>
</tr>
</tbody>
</table>

**The Great Recession**

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The image includes various historical events and symbols associated with each generation.
2 Millennials
Millennials

Other names for Gen Y / Millennials

(((((Echo Boomers)))))

Net Generation

Boomerang Generation

Peter Pan Generation

“The New Lost Generation”
Misperceptions about the Millennial generation

- Millennials have too much debt to save for retirement
- Millennials are lazy and self-indulgent
- Millennials may never retire

Lazy
Entitled
Narcissist
Millennials

Some stats

Diversity
Most diverse
- 43% are non-white

Beliefs
Non-traditionalists
- 50% are political independents
- 29% are unaffiliated with any religion

Education
Best educated
- 33% have a four-year college degree

Information
Avid researchers
- 94% use at least one outside source for guidance
- 50% use mobile devices for reviews and research

Marriage
Want commitment
- While only 26% are married, 69% hope to marry

Attitude
Most optimistic
- 49% think America’s best years are ahead

Are you prepared?

Millennials are being told that high unemployment and increasing debt have created substantial barriers that will hinder their opportunities to save and invest for retirement.

But ... is it true?
3 Savings attitude
Savings attitude

What’s your attitude toward saving?

80% of Millennials say the Great Recession taught them that they need to save now to weather future economic uncertainty.

52% of Millennials have put money into a savings account.

What are you most concerned about saving for?

- Secure retirement: 66%
- Debt reduction: 66%
- Emergency fund: 65%
- Large purchase: 42%
- Child’s education: 37%

Savings attitude

Set savings goals

**Short-term**
- Emergency fund
- Tuition payment
- Travel

**Mid-term**
- Buying a car
- Buying a house
- Starting a business

**Long-term**
- Child’s college education
- Retirement
- Legacy
Savings attitude

Conquer your debt

Student loans

$27,000 is the average student loan debt for Millennials¹

> Contact your lender for qualification requirements.
> Visit the U.S. Consumer Financial Protection Bureau for more information: www.consumerfinance.gov/paying-for-college/repay-student-debt.

Savings attitude

Conquer your debt

Credit cards

$4,113 is the average credit card debt for Millennials\textsuperscript{1}

63\% of Millennials don’t own a credit card\textsuperscript{2}

> Build credit with a credit card
  - Pay more than the minimum
  - Pay off the credit card with the highest interest first
  - Negotiate a lower interest rate
  - Transfer balance to a lower interest card
  - Use savings to pay off credit card debt\textsuperscript{3}

> Build credit without a credit card
  - Make installment loan payments on time
  - Put at least one household or utility bill in your name
  - Get a secured credit card

## Savings attitude

### Create a budget

<table>
<thead>
<tr>
<th></th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salary</td>
<td>$2,800</td>
<td>$2,800</td>
<td>$2,800</td>
</tr>
<tr>
<td>Investment gains</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Bonus</td>
<td>$175</td>
<td>$225</td>
<td>$95</td>
</tr>
<tr>
<td>Tips</td>
<td>$350</td>
<td>$500</td>
<td>$275</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$3,325</strong></td>
<td><strong>$3,525</strong></td>
<td><strong>$3,170</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent/mortgage</td>
<td>$1,200</td>
<td>$1,200</td>
<td>$1,200</td>
</tr>
<tr>
<td>Car payment</td>
<td>$375</td>
<td>$375</td>
<td>$375</td>
</tr>
<tr>
<td>Insurance</td>
<td>$150</td>
<td>$150</td>
<td>$150</td>
</tr>
<tr>
<td>Student loan</td>
<td>$200</td>
<td>$200</td>
<td>$200</td>
</tr>
<tr>
<td>Credit card</td>
<td>$125</td>
<td>$125</td>
<td>$125</td>
</tr>
<tr>
<td>Savings</td>
<td>$?</td>
<td>$?</td>
<td>$?</td>
</tr>
<tr>
<td>Groceries</td>
<td>$150</td>
<td>$225</td>
<td>$175</td>
</tr>
<tr>
<td>Utilities</td>
<td>$325</td>
<td>$250</td>
<td>$275</td>
</tr>
<tr>
<td>Entertainment</td>
<td>$100</td>
<td>$275</td>
<td>$150</td>
</tr>
<tr>
<td>Personal/misc.</td>
<td>$150</td>
<td>$210</td>
<td>$175</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$2,775</strong></td>
<td><strong>$3,010</strong></td>
<td><strong>$2,825</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BALANCE (INCOME – EXPENSES)</strong></td>
<td><strong>$550</strong></td>
<td><strong>$515</strong></td>
<td><strong>$345</strong></td>
</tr>
</tbody>
</table>
Savings attitude

Make saving easier

> Set up systematic savings
  - Increase savings with salary increases
  - Set up direct deposit

> Save bonuses and tax refunds

> Use money-savings apps
  - Digit
  - RetailMeNot
  - GasBuddy
  - Groupon
Savings attitude

Utilize financial calculators
4 Investment approach
Did you know?

- 83% of Millennials are not trying to outperform the market.
- 24% of Millennials place more importance on how they’re doing compared to their goals, rather than compared to the market.
- 72% of Millennials believe that hard work, rather than long-term investing, is the key to achieving success.
- Only 12% of Millennials are likely to invest new money in the market.

Source: Think You Know the Next Gen Investor? Think Again. UBS Investor Watch. 1Q 2014.
Asset classes and indexes from which their historical returns are derived are not managed funds, have no identifiable objectives and cannot be purchased. They do not provide an indicator of how individual investments performed in the past or how they will perform in the future. Performance of indexes does not reflect the deduction of any fees and charges and past performance of asset classes does not guarantee the future performance of any investment.
Millennials’ investment profile

47% of Millennials have little or no tolerance for investment risk

> Very conservative
> Wary of market volatility
> Risk averse, despite long-term investment time horizon

Investment approach

**Staying the course**

**Weathering market volatility**

> The market tendency is to rebound

> Considerations

  - Risk tolerance
  - Time horizon
Investment approach

Investing in stocks

Historical returns from stocks as measured by the S&P 500 Index 1-, 5-, 10- and 20-year rolling periods January 1, 1927 – December 31, 2015.

Total return of the unmanaged S&P 500 assumes reinvestment of dividends. This chart is for illustrative purposes only. One cannot invest directly in an index. Past performance does not guarantee future results.

Higher potential returns generally involve greater risk and short-term volatility is not uncommon when investing in various types of funds, including but not limited to sector funds, emerging market funds and small- and mid-cap funds. Risks for emerging markets include, for instance, risks relating to the relatively smaller size and reduced liquidity of these markets, high inflation rates and adverse political developments. Risks for smaller companies include business risks, significant stock price fluctuations and reduced liquidity. Investing in higher yielding, lower rated bonds has a greater risk of price fluctuation and loss of principal and income than U.S. government securities such as U.S. Treasury bonds and bills. Treasuries are guaranteed by the government for repayment of principal and interest if held to maturity. Investors should carefully assess the risks associated with an investment in the fund. Government securities are guaranteed by the timely payment of principal and interest if held to maturity. Fund shares are not insured and are not backed by the U.S. government and their value and yield will vary with market conditions.
## Investment approach

### What is your time horizon?

<table>
<thead>
<tr>
<th>Time horizon</th>
<th>Short- to mid-term</th>
<th>Long-term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goals</td>
<td>Debt repayment</td>
<td>Retirement planning</td>
</tr>
<tr>
<td></td>
<td>Down payment</td>
<td>College education</td>
</tr>
<tr>
<td>Seeking</td>
<td>Capital preservation</td>
<td>Capital appreciation</td>
</tr>
<tr>
<td>Investment approach</td>
<td>Conservative</td>
<td>Aggressive</td>
</tr>
<tr>
<td>Investment vehicles/ Plan types</td>
<td>Interest-bearing savings accounts</td>
<td>Stocks</td>
</tr>
<tr>
<td></td>
<td>Certificates of deposit (CDs)</td>
<td>Mutual funds</td>
</tr>
<tr>
<td></td>
<td>U.S. savings bonds</td>
<td>Life insurance</td>
</tr>
<tr>
<td></td>
<td>Money market accounts</td>
<td>Annuities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>529 college plan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Retirement plans</td>
</tr>
</tbody>
</table>

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Investment approach

**Diversification**

Don’t put all your eggs in one basket

- Spread investments among securities
- Reduce risk
- Diversify among and within assets
Investment approach

Mutual funds

Allow for diversification and asset allocation

- Growth funds
- Income funds
- Index funds
- Sector funds
- Stock funds (equity funds)
- Bond funds (fixed funds)
- Money market funds
- Corporate funds
- High-yield (junk bond) funds
- International / global funds
- Treasury funds
- U.S. treasury bills
- Certificates of deposit (CDs)

Retirement outlook
Plan for a secure retirement

72%¹ of Millennials are confident they can save enough to afford their desired lifestyle

69%² of Millennials believe that a 401(k) plan is a good way to save for retirement

42%³ of Millennials aged 25-34 are currently saving for retirement

34%³ of Millennials aged 25-34 have calculated how much money they should save for retirement

Retirement outlook

Expectation vs. reality

How do you envision your transition into retirement?

- Current worker - expectation
- Current retiree - reality

Retirement outlook

You may live to be 100 or older …

Will you be financially prepared?

Jeanne Calment
Lived to be 122 years old
Retirement outlook

Sources of retirement income

- 34% Social Security
- 33% Post-retirement wage
- 15% Savings/other
- 18% Retirement/pension plan

Please note that this is just one scenario and the sources of retirement income will vary depending on your individual situation.

Is Social Security in your future?

53% NO
Unlikely to exist at time of retirement

45% YES
However, most lack confidence in benefit payout levels

Pay yourself first
Participate in your employer’s retirement plan

<table>
<thead>
<tr>
<th>Tax-deferred</th>
<th>Taxable</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>403(b)</strong></td>
<td><strong>Roth 403(b)</strong></td>
</tr>
<tr>
<td>Public schools and nonprofit</td>
<td>Public schools and nonprofit</td>
</tr>
<tr>
<td><strong>457(b)</strong></td>
<td><strong>Roth 457(b)</strong></td>
</tr>
<tr>
<td>Government and Tax-exempt</td>
<td>Government and Tax-exempt</td>
</tr>
<tr>
<td><strong>401(k)</strong></td>
<td><strong>Roth 401(k)</strong></td>
</tr>
<tr>
<td>Non-government employers</td>
<td>Non-government employers</td>
</tr>
</tbody>
</table>

Income taxes are payable upon withdrawal; federal restrictions and a 10% federal early withdrawal penalty might apply to withdrawals prior to age 59½.
Retirement outlook

Paycheck comparison

<table>
<thead>
<tr>
<th>Paycheck items</th>
<th>Taxable account</th>
<th>Pretax savings plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monthly salary</td>
<td>$3,000.00</td>
<td>$3,000.00</td>
</tr>
<tr>
<td>Pretax contribution</td>
<td>$0.00</td>
<td>$200.00</td>
</tr>
<tr>
<td>Taxable income</td>
<td>$3,000.00</td>
<td>$2,800.00</td>
</tr>
<tr>
<td>Federal marginal income taxes*</td>
<td>$750.00</td>
<td>$700.00</td>
</tr>
<tr>
<td>Total take-home pay</td>
<td>$2,250.00</td>
<td>$2,100.00</td>
</tr>
<tr>
<td>After-tax savings</td>
<td>$200.00</td>
<td>$0.00</td>
</tr>
<tr>
<td><strong>Net take-home pay</strong></td>
<td><strong>$2,050.00</strong></td>
<td><strong>$2,100.00</strong></td>
</tr>
</tbody>
</table>

This table is hypothetical and only an example. It does not reflect any specific investment and is not a guarantee of future income.

*25% marginal tax rate and single filer.

Keep in mind that for pretax plans, taxes are payable upon withdrawal and a 10% federal early withdrawal penalty can apply to early withdrawals.
Traditional and Roth IRAs: Which might benefit you?

<table>
<thead>
<tr>
<th>Features</th>
<th>Traditional IRA</th>
<th>Roth IRA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deductibility</td>
<td>Yes, subject to a deduction phase-out based on coverage by a retirement plan at work and adjusted gross income.</td>
<td>No</td>
</tr>
<tr>
<td>Tax advantages</td>
<td>Earnings grow tax deferred.</td>
<td>Qualified distributions are excludable from gross income.</td>
</tr>
<tr>
<td>Age limit</td>
<td>Contributions are not allowed after the taxpayer attains age 70½.</td>
<td>None</td>
</tr>
<tr>
<td>Distributions</td>
<td>May be taken at any time. May be subject to penalty for early withdrawal while taxpayer is under the age of 59½.</td>
<td>May be taken at any time. If qualified, distributions are excludable from gross income. Earnings may be subject to penalties on taxable withdrawals while taxpayer is under the age of 59½.</td>
</tr>
<tr>
<td>Required Minimum Distribution (RMD)</td>
<td>Yes. Must begin by April 1 of year following the year taxpayer turns 70½. Beneficiaries also subject to Required Minimum Distribution rules.</td>
<td>Owners not subject to Required Minimum Distribution rules, however, beneficiaries are.</td>
</tr>
</tbody>
</table>

Chart information applies to Roth contributions only, not Roth conversions.
Retirement outlook

Time is money; start saving early

Cost of $12,000 over a five-year period

25-year-old $200 monthly for five years 6% annual rate of return More than $100,000 by age 65

This hypothetical example illustrates the cost to accumulate more than $100,000 by age 65 with the assumptions indicated. Pretax tax-qualified plan accumulations are taxed as ordinary income when withdrawn. Federal restrictions and early withdrawal penalties may apply. This information is hypothetical and only an example. It does not reflect the return of any investment and is not a guarantee of future income. Remember that investing involves risk, including the possible loss of principal.
Who wants to be a millionaire?

The power of compounding

How Much Savings to Get to $1M

<table>
<thead>
<tr>
<th>Age When You Begin Saving</th>
<th>How Much You Need to Save Each Month to Get to $1M at Retirement Age 65 (6% Return Rate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>$361.04</td>
</tr>
<tr>
<td>25</td>
<td>$499.64</td>
</tr>
<tr>
<td>30</td>
<td>$698.41</td>
</tr>
<tr>
<td>35</td>
<td>$990.55</td>
</tr>
<tr>
<td>40</td>
<td>$1,435.83</td>
</tr>
<tr>
<td>45</td>
<td>$2,153.54</td>
</tr>
<tr>
<td>50</td>
<td>$3,421.46</td>
</tr>
<tr>
<td>55</td>
<td>$6,071.69</td>
</tr>
<tr>
<td>60</td>
<td>$14,261.49</td>
</tr>
</tbody>
</table>

This hypothetical example illustrates how much you would have to save each month at a 6% annual return, starting at different ages. This information is hypothetical and only an example. It does not reflect the return of any investment and is not a guarantee of future income.

It’s never too early to start preparing

- Consider retirement benefits as part of total employer compensation
- Participate in available employer-sponsored retirement plans
- Calculate retirement savings needs
- Get educated about retirement investing
- Learn about Social Security and government benefits
- Seek assistance from a professional financial advisor
- Stay competitive in the ever-changing job market
6 Preparing for the unexpected
Preparing for the unexpected

Did you know?

- **60%** are confident they’re prepared for a financial disaster
- **24%** don’t have enough health insurance
- **36%** don’t have auto insurance
- **64%** don’t have life insurance

Preparing for the unexpected

Transferring risk you can’t afford
Preparing for the unexpected

**Healthcare liability**

The cost of being uninsured

- **Outlay for the year = $ 5,290**
  - **Medical expenses** $ 4,890
  - **Uninsured penalty** + $ 400
  - **Annual salary** $ 50,000

**31%** of Millennials have unpaid medical debt

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*Average among 50 states and the District of Columbia, during October 2013 – March 2014 enrollment period. This is just a hypothetical example. The annual uninsured penalty is calculated from 1% of annual salary that exceeds $10,000. Penalty percentage may vary per state.*

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*Average monthly insurance premium $ 271*
Preparing for the unexpected

**Life insurance**

*You don’t have to be older to need it*

- Protect those who depend on you financially
- Avoid transferring debt to others
- Safeguard your business
- Enjoy lower rates while you’re younger
Preparing for the unexpected

What type do you need?

<table>
<thead>
<tr>
<th></th>
<th>Term Insurance</th>
<th>Permanent Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose</td>
<td>Suitable for temporary needs such as mortgage insurance or final expenses</td>
<td>Cash value can assist with educational expenses, business opportunities, or serve as a supplement to retirement income</td>
</tr>
<tr>
<td>Length of coverage</td>
<td>Specific term in years, typically 10, 20, 30, etc.</td>
<td>Long-term, as long as the premiums are paid</td>
</tr>
<tr>
<td>Premiums</td>
<td>Based on age and health, usually much cheaper when first purchased</td>
<td>Based on age and health, generally much higher due to cash value buildup</td>
</tr>
<tr>
<td>Death benefit</td>
<td>Temporary</td>
<td>Guaranteed permanent</td>
</tr>
<tr>
<td>Cash value</td>
<td>None</td>
<td>Accumulates over time with tax-deferred payments</td>
</tr>
<tr>
<td>Advantages</td>
<td>Lowest premium</td>
<td>Permanent death benefit; guaranteed cash value</td>
</tr>
<tr>
<td>Disadvantages</td>
<td>Death benefit and premium guarantees are temporary</td>
<td>Higher premiums than term</td>
</tr>
</tbody>
</table>
Where to go from here?
Where to go from here?

- Set financial goals
- Create a written budget
- Start a personal and retirement savings program
- Consider investment options
- Consider insurance for the unexpected
- Consult a financial advisor
Where to go from here?

Who do you trust for financial advice?

Percent of Millennials working with a financial advisor: 25%

Percent of pre-retirees that consult with a financial planner: 53%

Percent of consumers using an advisor and are confident in their retirement prospects: 71%

Percent of consumers using an advisor and are contributing to a retirement plan: 78%

* Versus 43% of consumers without an advisor.

Where to go from here?

**Consider working with a VALIC financial advisor**

A financial advisor can help you:

> Prioritize your investment and retirement goals
> Determine the time horizon needed to achieve your goals
> Develop a comprehensive financial strategy to meet your goals
Where to go from here?

**Financial planning**

> Provides a big picture view of current financial situation

> Helps identify your financial goals and objectives

> Allows you to understand the impact of your decisions

> Will assist you in managing your cash flow to meet financial goals

> Helps ensure your goals stay on track, if reviewed regularly
Where to go from here?

**Access anywhere**

**VALIC mobile**

> Track your account
> Research and news
> Contact your financial advisor

Tablet app

*iPad®*

Smartphone apps

*iPhone® and Android™*

Mobile browsing

*VALIC Mobility*

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