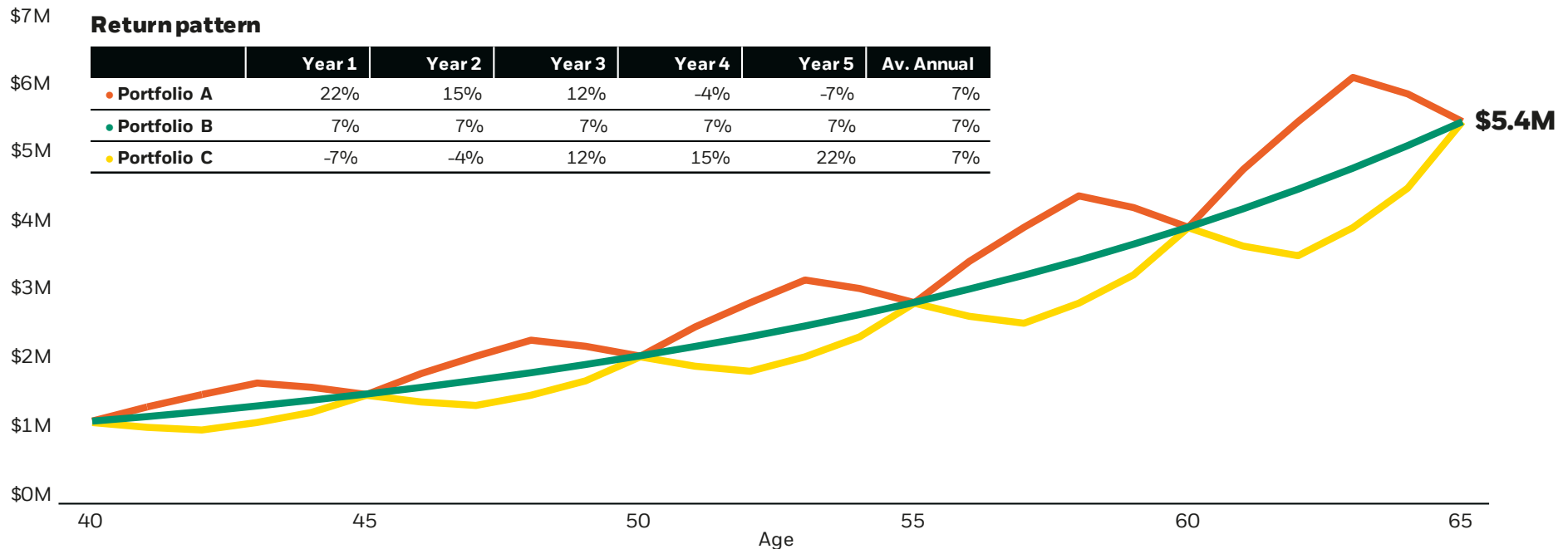


# Sequence of returns



When we start investing, we tend to second-guess our timing. We're worried that we may take losses if buying into a down market or pay too much if buying into an up market. However, the order of your gains and losses does not actually impact your portfolio during accumulation, assuming there are no additions or withdrawals. In the end, the average return will still be the same. The examples below illustrate the portfolio value over time of three different hypothetical investments which all had an average annual rate of return of 7%. All three investments ended with the same value, although they experienced different paths to get there.

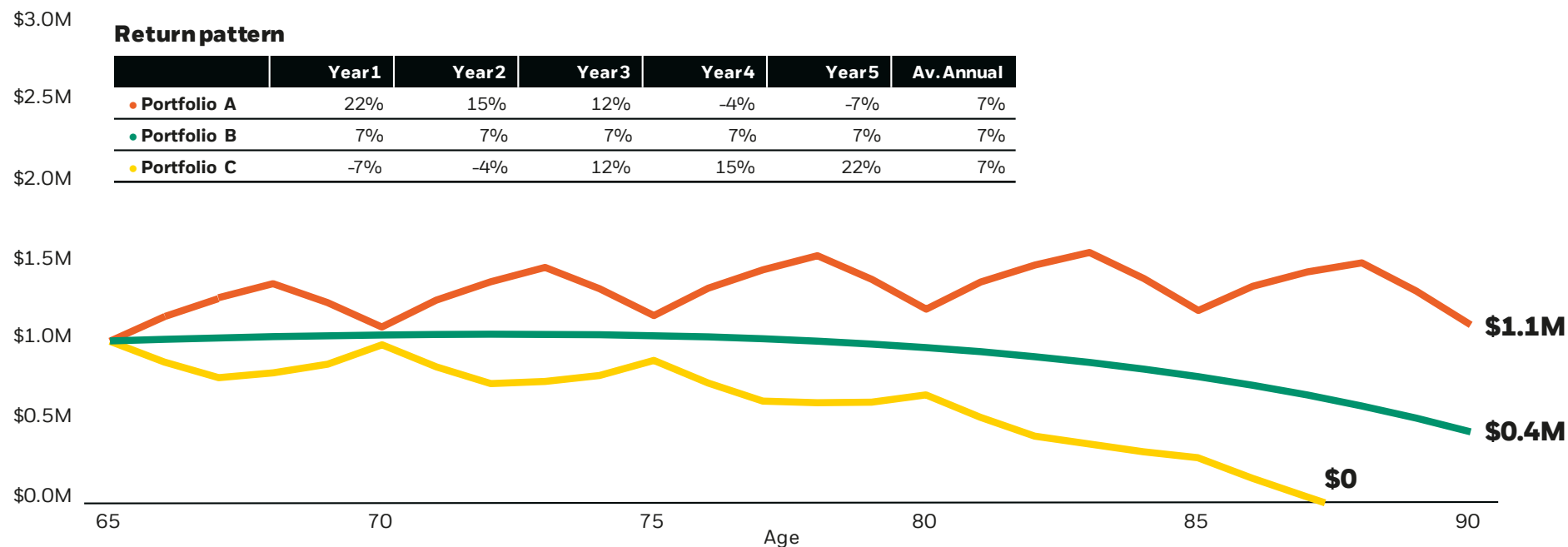
## Before retirement, average return matters more than sequence



Source: BlackRock This graphic looks at the effect the sequence of returns can have on your portfolio value over a long period of time. Other factors that may affect the longevity of assets include the investment mix, taxes and expenses related to investing. This is a hypothetical illustration. This illustration assumes a hypothetical initial portfolio balance of \$1,000,000 with no additions or withdrawals and the hypothetical sequence of returns noted in the table. These figures are for illustrative purposes only and do not represent any particular investment, nor do they reflect any investment fees, expenses or taxes.

This story changes as soon as you begin retirement. Portfolio withdrawals compound losses, making it harder and taking longer to recover from a portfolio decline, especially one that comes early in the sequence. The examples below illustrate the portfolio value over time of the same three portfolios from page one, but we've now added \$60,000 inflation-adjusted annual withdrawals. Once withdrawals are added to the mix, even similar portfolios can have wildly different results.

## Sequence can matter more than average return when withdrawing



Source: BlackRock. This graphic looks at the effect thesequence of returns can have on your portfolio value over a long period of time. Other factors that may affect the longevity of assets include the investment mix, taxes, expenses related to investing and the number of years of retirement funding (life expectancy). This is a hypothetical illustration. This illustration assumes a hypothetical initial portfolio balance of \$1,000,000, annual withdrawals of \$60,000 adjusted annually by 3% for inflation and the hypothetical sequence of returns noted in the table. These figures are for illustrative purposes only and do not represent any particular investment, nor do they reflect any investment fees, expenses or taxes. When you are withdrawing money from a portfolio, your results can be affected by thesequence of returns even when average return remains the same, due to the compounding effect on the annual account balances and annual withdrawals.

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