WELLS FARGO ADVISORS

The importance of the years immediately before and after retiring

Getting your retirement right

When nearing or embarking on retirement, investors often experience an increased sense of both opportunity and worry. It's important to understand just how critical this period can be in determining your retirement potential. However, with a well-thought-out and adaptable plan, more productive energy can be focused on exploring opportunities rather than worrying about retirement risks.

Together we'll go far

The years leading up to and beginning retirement can be a time of both increased excitement and anxiety.

They offer the possibility to pursue long-awaited opportunities and new experiences. However, along with this freedom, there is often concern as to what may be actually possible while also seeking to ensure your money will last.

In attempting to maintain your lifestyle by matching your near- and longer-term retirement needs and aspirations with the means to pay for them, there is no substitute for thorough planning and informed decision-making. However, given the uncertainty of life events and financial markets over such long periods, no initial plan can be counted on to carry you through retirement. For this reason, initial plans require ongoing monitoring and sufficient flexibility to respond and adapt to events as they occur. Such contingency planning can help maintain investment discipline during times of market distress or unplanned events and avoid common knee-jerk reactions that often do great harm to the potential for long-term retirement success.

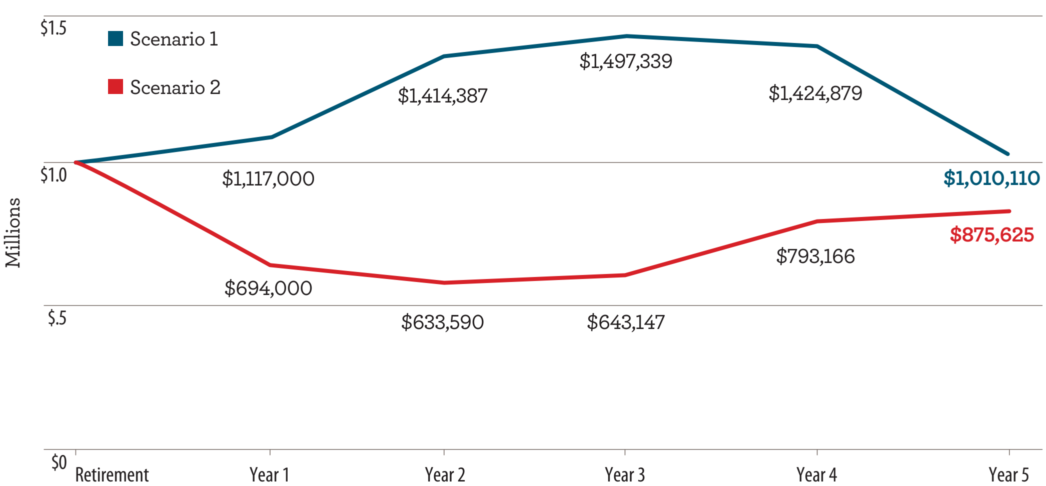
It's not only what the market does but when

The risks of adverse or unplanned events can be particularly damaging in the years immediately preceding and following your retirement date. The elevated potential risk during this period is often referred to as sequence-of-returns risk which involves the order in which investment returns occur and their impact on a portfolio's value. This indicates that it is not only what returns you achieve or the demands you place on your investment portfolio but also when they occur that can have significant long-term impact on your retirement possibilities. The chart below provides a hypothetical illustration of this timing risk by comparing two return streams that equate to the same annualized full-period return but with the order in which the returns were achieved simply reversed.

The timing of your portfolio's annual returns matters

Potential effects of sequence-of-returns risk with $50,000 annual withdrawals

	Scenario 1		Scenario 2	
	Rate of return	Year-end balance	Rate of return	Year-end balance
At retirement	N/A	$1,000,000	N/A	$1,000,000
Year 1	16.7%	$1,117,000	-25.6%	$694,000
Year 2	31.1%	$1,414,387	-1.5%	$633,590
Year 3	9.4%	$1,497,339	9.4%	$643,147
Year 4	-1.5%	$1,424,879	31.1%	$793,166
Year 5	-25.6%	**$1,010,110**	16.7%	**$875,625**
Five-year average return	6.0%		6.0%	



Source: Wells Fargo Advisors

These hypothetical examples illustrate the potential impact of market volatility on a retirement portfolio. Taking withdrawals in a down market causes the portfolio to be eroded simultaneously by withdrawals and low returns, making it difficult to rebuild wealth, even if good returns occur later.

Past performance is no guarantee of future results. *This information is hypothetical, shown for illustrative purposes only, and is not indicative of any investment.*

Sequence-of-returns risk affects investors who are actively withdrawing money from their portfolio, such as retirees, because it is the risk that the investment will produce low or negative returns soon after beginning to make withdrawals. Low returns, coupled with simultaneous withdrawals, can create a situation where there isn't enough time to rebuild the investment's value, even if positive returns occur later.

In the two hypothetical scenarios here, both investors retire with $1 million retirement portfolios and withdraw $50,000 annually. Their portfolios also produce the same annual returns, but in reverse order (i.e., in the first scenario, the portfolio returns 16.7% during the first year and -25.6% the last, while in the second scenario, the portfolio returns -25.6% the first and 16.7% the last). Although the five-year returns both average to 6%, the first portfolio's ending account value is $134,485 more than the second's. The only difference is the order, or sequence, of the annual returns.

The time when your plan matters most

The period nearing and immediately following retirement is so important because this is when your portfolio is theoretically at its greatest value and therefore at heightened risk. The chart below provides a simulated depiction of the critical importance of the years just before and after entering retirement by indicating the general importance of year-by-year investment results over an investor's full investment life cycle. The simple point is that the timing of adverse market or life events can have significantly greater impact with less potential for recovery when occurring in certain periods versus others. With this realization, it is important to consider what can be done to help manage these risks.

Based on a concept introduced by professor Wade Pfau at The American College and Wells Fargo Advisors Monte Carlo simulations, this chart illustrates the two different phases of the investment life cycle and the relative importance of individual-year results toward achieving the primary goal for each phase.

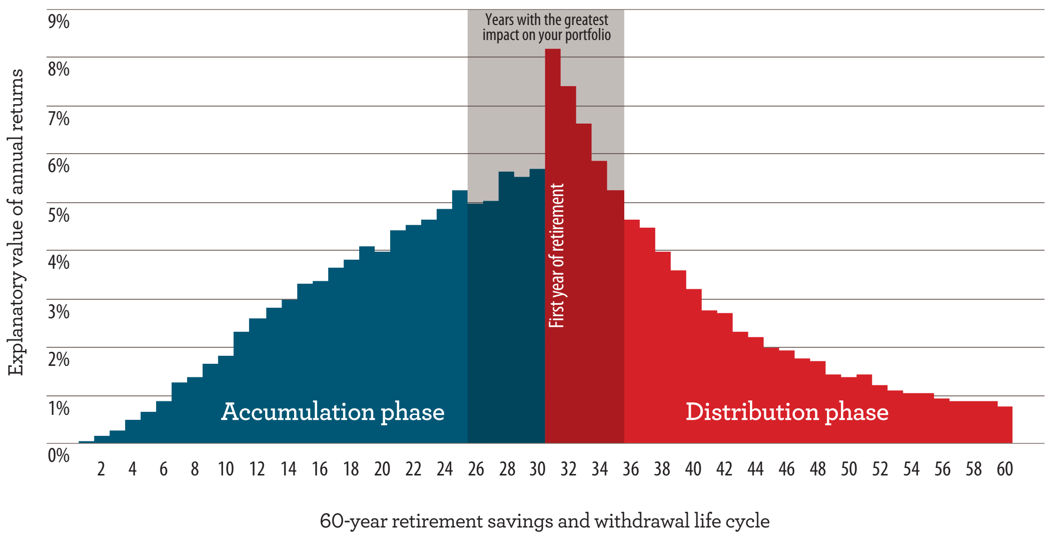
In accordance with one's risk/return profile, the goal during the accumulation phase is to maximize wealth prior to retirement. Thus, for the years prior to retirement (years 1 to 30), the chart shows the explanatory power (the extent in percentage terms that can explain the ending portfolio values for each phase) of each year's return on the total accumulated wealth at the end of this period.

For years 31 to 60, the retirement and wealth distribution phase, the goal is to fund retirement expenses while maintaining a positive portfolio value for the full length of retirement. For this period, the chart indicates the explanatory power of each year's return on the portfolio value at the assumed end of retirement.

In general, the combined results indicate that investment/market performance, whether good or bad, in years 26 to 35 – roughly the first five years before and after retirement – are statistically more important for investors attempting to realize the goals of each phase. A serious market downturn in these years can significantly reduce a portfolio's value and, without adaptation, an investor's ability to ultimately recover and achieve their stated retirement goals. In contrast, the individual early or late years of the investment life cycle have a much lower impact given the relative size of the portfolio and/or remaining time horizons.

Which years have the greatest impact on retirement success?

The markets' performance when a portfolio is at its highest value is important



Source: Wells Fargo Advisors Capital Market Assumptions and Monte Carlo simulations

Past performance is no guarantee of future results. *This information is hypothetical, shown for illustrative purposes only, and is not indicative of any investment. The data assume reinvestment of all income and do not account for taxes or transactions costs or expenses that would be incurred with an actual investment.*

Important: *The projections or other information generated by the Monte Carlo simulation depicted in the chart above regarding the likelihood of various outcomes are hypothetical in nature, do not reflect actual investment or life results and are not guarantees of future results. Results may vary with each use and over time. It's also important to remember that, despite the sophistication of the Monte Carlo methodology, this analysis makes a number of simplifying assumptions, so these results should never form the sole basis of your investment plan. In particular, the Monte Carlo methodology used here assumes no relationship between returns from one year to the next. Randomly selected years are considered in sequence. The results do not reflect expenses (i.e. commissions, advisory fees, and mutual fund expenses) associated with a particular investment. Taxes have not been taken into consideration.*

Assumptions and methodology: *The Monte Carlo simulation in this analysis generates random returns assuming a normal distribution and using parameters based on a mean return of 7.8% and a standard deviation of 10.2% for Wells Fargo Advisors Moderate Growth & Income allocation model. The returns are applied to an investment portfolio over a 60-year time frame consisting of an accumulation period (years 1-30) and a distribution period (years 31-60). During the accumulation phase, the investment portfolio is funded annually by a fixed saving rate of 10% of an inflation adjusted salary. During the phase each year's portfolio balance is calculated by inflating the previous year's salary adding the fixed percentage of this salary and that year's investment return to the investment portfolio. During the distribution phase, an inflation adjusted distribution is withdrawn from the investment portfolio to fund retirement spending. During this phase each year's portfolio balance is calculated by adding that year's investment return and then adjusting the fixed dollar amount for distribution by the inflation rate and subtracting that amount from the investment portfolio. An annual inflation rate of 3% was assumed for this analysis. The analysis consists of 100,000 scenarios which were subject to the assumptions listed above identically, but the scenarios' results will differ due to the random returns generated for each.*

This focus of this analysis is not to calculate the success of the scenarios based on these assumptions provided, but instead focuses on explanatory power of each year's return on the investment portfolio value calculated through regression analysis. For the accumulation and distribution phases the analysis is looking at two separate comparisons to calculate the explanatory power of the annual returns. During the accumulation phase, the annual returns for years 1-30 are regressed against the total accumulated value of the investment portfolio at the end of the accumulation phase, i.e. entering retirement. During the distribution phase, the annual returns for years 31-60 are regressed against the final portfolio value at the end of the distribution phase. The explanatory power of the annual returns represents the R-squared based on the regression analysis of each year's return as described above. R-squared, in this analysis, is calculated using a linear regression model and is interpreted as the percentage of the variation that can be explained by the regression, i.e. an R-squared of 1 would imply 100% of the variation can be explained by the regression and conversely an R-squared of 0 would imply that none of the variation can be attributed to the regression. Standard deviation of return measures the average deviations of a return series from its mean, and is often used as a measure of risk. A large standard deviation implies that there have been large swings in the return series of the manager.

The Wells Fargo Advisors Capital Market Assumptions are assumptions of risk and return for each asset class. Monte Carlo analysis is a statistical evaluation of mathematical relationships using random samples. Monte Carlo simulation is one approach for modeling the range of possible future investment outcomes. Because other methodologies differ in certain assumptions, they may yield different results.

The Wells Fargo Advisors Moderate Growth & Income allocation model is not intended to represent an actual investment recommendation nor is it a projection of future results. Moderate Growth & Income investors are characterized as seeking both income and capital appreciation while incurring moderate levels of risk. Investors seek to balance potential risk with their goals for current income and moderate growth of capital. Based on these combined goals and risk considerations, both diversified fixed income and equities will typically account for significant portions of the overall asset allocation.

Please see back page for important disclosures.

Putting the retirement puzzle pieces together

While individual objectives and preferences will help dictate the best-suited approaches for individual investors, there are certain key elements we believe everyone should consider when seeking to manage risk during this critical period. Foremost is understanding that the process is a balancing act between maintaining enough risk and resulting growth potential to sufficiently fund longer-term needs while also trying to limit the risk potential associated with nearer-term market volatility or other adverse events.

Further complicating matters and increasing the need for ongoing monitoring and appropriate responses is the uncertain nature of longer-term expenses given:

- Potentially extended lifespans (longevity risk)
- The need to maintain your savings' purchasing power (inflation risk)
- The possibility of outsized health care or other evolving needs/costs (event risk)

With retirement no longer a distant event, it is important for those nearing or in retirement to focus on their investment plan in greater detail based on current conditions. However, with what happens next and later also dramatically impacting your retirement, increased forethought is also important. The present can give us context and some clues about what may come next. Averages, trends, and history may provide some ideas about the future. Despite these areas of uncertainty and the often seemingly perilous balancing act in managing both potential near- and longer-term risks, there are a number of proactive steps that can be taken to bolster your plan and maintain the appropriate levels of both discipline and flexibility needed to increase your potential to reach your retirement goals.

Risks to a portfolio's ability to sustain your retirement

Potential strategies to address the challenges investors face

Risks	Challenge	Mitigation techniques
Market volatility	Loss of capital and sequence-of-returns risk	• Diversified income sources • Balanced risk management • More dynamic risk management • Adaptive spending • Assset and product allocations • Cash reserves
Longevity	Balancing risk and return so as not to run out of money	• Comprehensive initial/ongoing planning • Adaptive spending • Effective withdrawal planning and strategies • Combined asset, product, and cash allocations
Inflation	Reduced purchasing power	• Long-term expense planning • Balancing both income and growth • Inflation-adjusted income sources • Adaptive spending
Event risk	Planning for and responding to the expected and unexpected	• Continual monitoring and adaptive planning process • Adaptive spending • Cash reserves

Planning and prioritizing expenses

The primary goal of retirement planning is to establish prudent means to provide funding for current and future expenses. However, despite this foundational objective, investors nearing or in retirement often employ a relatively cursory approach when assessing both their near- and longer-term spending needs. Beyond income derived from Social Security, pensions, annuities, or other relatively stable sources, it is generally the income and principal withdrawals from investment portfolios and defined contribution plans that are relied upon to provide for remaining retirement funding needs. This reliance has continued to rise as retirees are now increasingly facing retirement without a pension.

As a result, one of the primary determinants of reaching your retirement goals is the adoption of reasonable and sustainable portfolio withdrawals, making it extremely important that retirees' spending plans sync up with this reality. More basic approaches to define expense needs will often result in less-than-optimal investment and overall income-generation plans. Thus, for those investors nearing or in retirement, we recommend a more thorough budgeting and expense planning process. This can provide not only a better sense of current and evolving needs but also the level of potential spending flexibility when needed based on the level of essential versus discretionary expenses.

Given the long-term nature of retirement, the likely evolution of your expenses is also an important consideration when seeking to make sure your portfolio's risk profile is consistent with the income growth you may need. As expenses related to mortgage payments, college tuition, travel, or other large expenses begin to decrease, the growth in expenses, even in real terms (accounting for general inflation) can often be much less than many investors plan for based on a simple inflation-adjusted extrapolation of their current expenses. Of course, apart from the averages, the wild card remains the potential for future larger-than-anticipated health care expenses, suggesting some prudence in estimating what your longer-term expenses may be. However, it is also important not to over extend your investment portfolio's risk profile, especially during the critical years surrounding your retirement date, in an attempt to fund levels of future expenses that could be materially lower than more cursory planning approaches may indicate.

Estimate your initial and ongoing retirement expenses

A budgeting worksheet can help you estimate essential and discretionary expenses

Housing	Transportation	Family member care	Gifts and donations
• Mortgage • Maintenance • Insurance • Improvements	• Car payment • Auto insurance • New car • Fuel	• Education expenses • Care for adult family member	• Gifts • Charitable contributions
Food	**Health**	**Entertainment**	**Taxes**
• Groceries • Dining out	• Insurance • Out-of-pocket cost • Long-term care	• Travel/vacations • Hobbies • Sporting events • Concerts	• Federal income tax • State income tax • Real estate tax

Please see back page for important disclosures.

Diversifying your income sources

Figuring out where your income will come from during retirement is a common source of worry for those nearing retirement. Unlike in your working years, your income will typically be derived from a number of different sources. It is important to both inventory and assess the varied attributes of these different sources (e.g., Social Security, pensions, rental income, retirement plan distributions, portfolio income, etc.) when developing your overall retirement income plan.

In addition to current income levels or yields, also of significant importance is understanding the potential stability, growth, and overall risk characteristics associated with these different income sources. While some sources are intended to provide greater stability and others more potential for growth (whether in terms of income or principal appreciation), it is how they all fit together and may be impacted by varied market events that can help you better appreciate, manage, and not overreact to the potential risks.

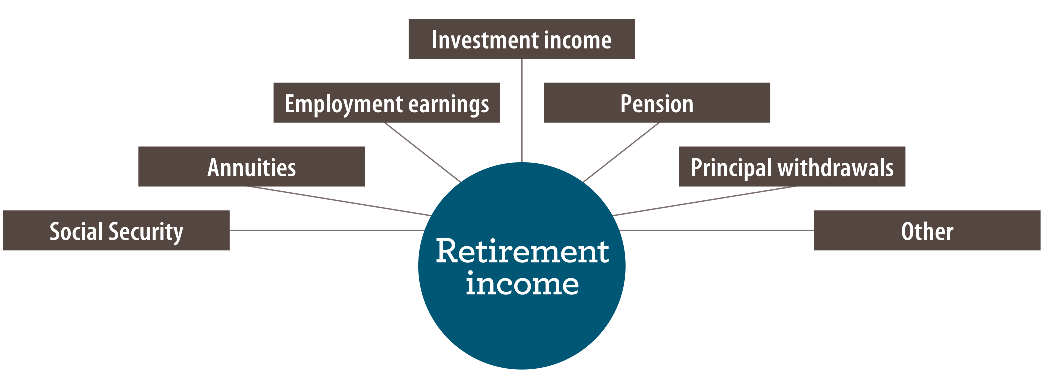
Sufficient attention should be applied to the comparative assessment and overall diversification and liquidity levels of your income sources in relation to your personal needs and preferences in seeking to achieve the right mix for both your near- and longer-term objectives. When matching your income sources to your expenses, we believe you should seek to pair more stable or liquid sources of income/funds with your more essential and nearer-term needs, while relying more on less stable, but higher growth, income sources to fund more discretionary and longer-term, inflation-adjusted expenses. Also, given the longevity and health care risks, you may also want to consider some level of insurance for potential longer-term health needs as a way to protect your income against significant expenses.

The assessment of your income needs and sources should also provide a clear understanding as to what extent your retirement expenses are generally expected to be funded by withdrawals from principal, taking into full account the assessed sustainability of such withdrawals, as well as the ability to potentially reduce this amount (through reduced spending, cash reserves, or other means) during adverse or declining market environments.

In conducting this review, the goal is to gain increased transparency into current and expected future income sources to assess both your overall level of income diversification and the desired balance of income stability and growth. This knowledge will not only allow you to better match your expenses to the appropriate income sources but also better monitor and adapt your plan as needed. It should be remembered that matching income to expenses is largely about managing cash flows. When done thoughtfully and according to a plan, the process can help to limit some of the timing risks often faced by retirees. The result can be further enhancements in overall income generation and the potential for retirement success.

How retirees replace their income in retirement

Having varied sources may help meet your income needs



It is important to have a full understanding of how your working wages will be replaced in retirement. Income for most individuals comes from a variety of sources.

Source: Wells Fargo Advisors

Matching assets and liabilities

With a better understanding of your planned essential and other future expenses/liabilities and your current/expected income sources, it is important to maintain an ongoing assessment as to how likely your assets and expected income streams will be able to fully cover your planned liabilities. The Envision® investment planning process is focused on doing just this. The *Envision* process not only helps establish an initial plan but continues to track its potential success based on your current portfolio, stated priorities, achieved investment results, and changing circumstances. Because unexpected events are bound to occur, the process can help explore various courses of responsive action. These actions may include a reassessment of your retirement goals and objectives, a reconsideration of your investment or income generation approach, and/or periodic adjustments to your spending plans.

The *Envision* process starts with your current investment mix, estimated future additions to your investments, retirement goals and estimated expenses, and other factors. It then employs sophisticated statistical modeling based on historical investment performance and Wells Fargo Advisors top strategists' forecasts for how various investments may act in the future to create a customized investment plan and a score for its probability of success. In general, the higher a plan's score, the greater is its likelihood of success. Once a plan is established, adjusting it to account for changes in market activity (a bear market, for example) or life events (such as incurring a significant unexpected expense) becomes relatively simple.

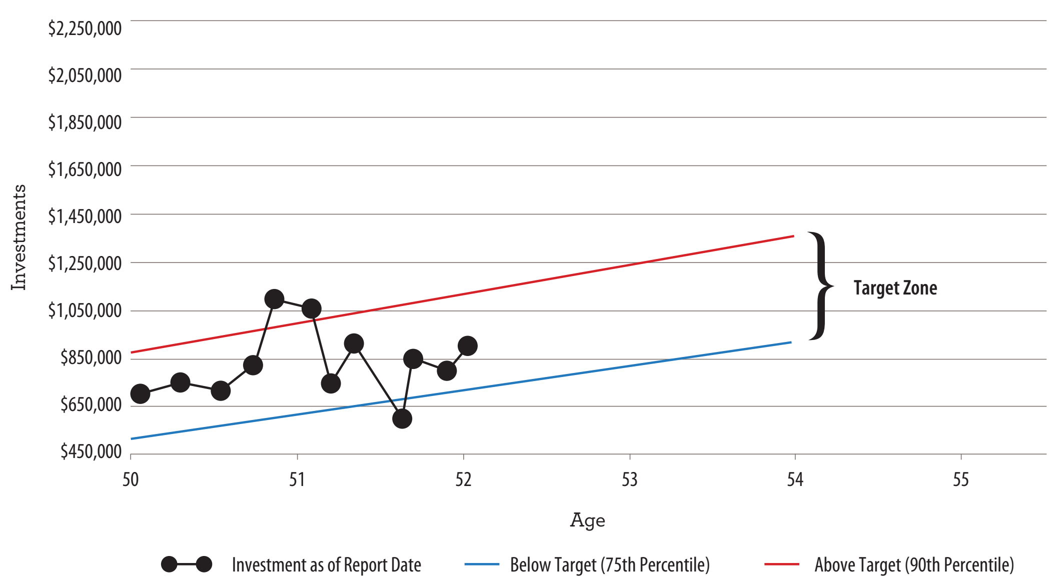
The chart below shows one of the process's most valuable outputs. It's called the "dot," and it simply tracks the value of your investments as you work toward achieving your long-term goals. With an *Envision* plan, you can keep track of your dot as often as you like — even daily. And as long as it stays within a 75% to 90% probability of success, the "Target Zone," in spite of the markets' ups and downs, you should be reasonably on track toward achieving your goals.

For more information about the *Envision* process, please contact a Financial Advisor with Wells Fargo Advisors.

Envision technology uses Monte Carlo simulations, which are based on historical and hypothetical information; there is no guarantee that investments will perform in accordance with the simulated trials.

Important: The projections or other information generated by the *Envision* process technology regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Results may vary with each use and over time.

The *Envision* process can help you stay on target toward your goals



Methodology: *Based on accepted statistical methods, the* Envision *tool uses a simulation model to test your Ideal, Acceptable and Recommended investment plans. The simulation model uses assumptions about inflation, financial market returns, and the relationships among these variables. These assumptions were derived from analysis of historical data. Using Monte Carlo simulation, the* Envision *tool simulates 1,000 different potential outcomes over a lifetime of investing varying historical risk, return, and correlation amongst the assets. Some of these scenarios will assume strong financial market returns, similar to the best periods in history for investors. Others will be similar to the worst periods in investing history. Most scenarios will fall somewhere in between. Envision® is a registered service mark of Wells Fargo & Company and used under license. Elements of the* Envision *presentations and simulation results are under license from Wealthcare Capital Management, Inc. & Wealthcare Capital Management IP, LLC ©2002-2014 Wealthcare Capital Management, Inc. & Wealthcare Capital Management IP, LLC - U.S. Patents 7,562,040, 7,650,303, 7,765,138 and 7,991,675 - Other international patents approved and pending. All rights reserved. Wealthcare Capital Management, Inc. & Wealthcare Capital Management IP, LLC are separate entities and are not directly affiliated with Wells Fargo Advisors.*

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Adaptive spending and withdrawal strategies

With the aid of more in-depth budgeting, the itemization of essential versus discretionary expenses can help determine how much spending flexibility you may have to periodically reduce or delay expenses to help manage risk and keep your plan on track for longer-term success. In other words, by breaking down your anticipated expenses, you can see which ones you cannot easily reduce (utilities, mortgage payment, etc.) versus those you can (travel, dining out, etc.).

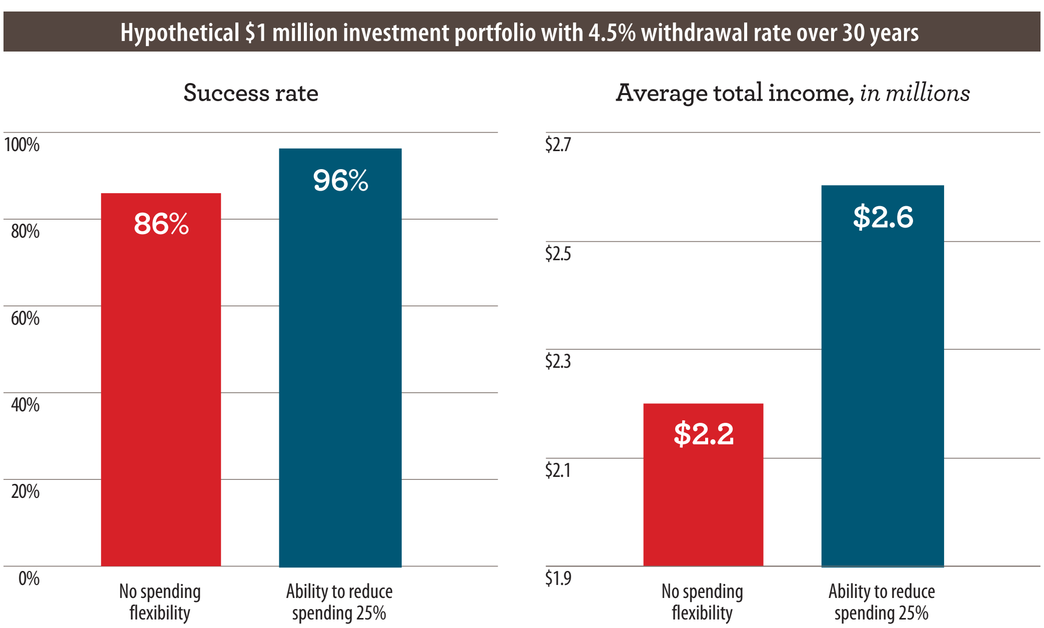
By reducing spending and required portfolio withdrawals in the midst of or following difficult market periods, more dollars can remain invested to participate in potential market rebounds. Too often retirees respond to difficult markets by pulling out of riskier assets as the market declines and fail to get back in until well after a significant rebound. As a result, they tend to buy high and sell low. By reducing spending and maintaining some level of cash reserves, retirees may be in a better position both psychologically and financially to keep more funds in the market during such periods. If the markets recover and probabilities of having sufficient retirement resources improve, they usually can then return their spending to prior levels but generally with more assets to better support future spending.

Similar in concept, retirees may want to consider increasing their portfolio withdrawals or making a particularly significant bigger-ticket discretionary purchase following prolonged substantial strength in the market (selling high). As market returns fall or normalize, they may reduce their spending amounts/rate to the prior levels. A strategic approach to prudent adaptive spending as market and investment plan results dictate cannot only help retirees manage risks and improve the potential for not running out of money but also provide the potential for more income over the full course of retirement.

Also important in helping to increase overall income potential are strategies aimed at maximizing after-tax portfolio withdrawals while continuing to maintain optimal portfolio allocations. Retirees can often benefit from professional advice when using these various strategies and maintaining the required ongoing monitoring.

A flexible spending strategy may benefit retirees

Probablity of a portfolio lasting 30 years and average total income may be increased



Source: Wells Fargo Advisors

Assumptions: *Based on Wells Fargo Advisors Moderate Growth & Income allocation and Capital Market Assumptions (7.7% mean return, 9.0% standard deviation); returns and distributions calculated on a monthly basis; 30-year investment period; 4.5% intial withdrawal rate; 3% inflation rate. Please see page 4 for information on Wells Fargo Advisors Moderate Growth & Income allocation and Capital Market Assumptions.*

This chart illustrates the potential impact of a flexible spending strategy. Results are based on Monte Carlo simulated probabilities of being able to take a given level of withdrawals from an investment portfolio over a 30-year period without running out of money.

Methodology: In the example, the hypothetical $1 million portfolio is assumed to have a 4.5% ($45,000) initial withdrawal rate, with the amount increasing 3% annually to account for inflation. The approach with no flexibility maintains this same spending pattern regardless of what happens in the market or to changes in the indicated probabilities for success. The plan with flexibility adjusts spending up or down by 25% based on market results and indicated probabilities for long-term success using *Envision* process technology and Monte Carlo simulations.

When the probability for success dropped below 75%, spending was reduced until the portfolio appreciated back to a level that would again support at least a 75% probability of success (not running out of money) based on the prior level of spending. At that time, spending was restored to prior levels. When in response to strong markets the probability for success increased to above 90%, spending was increased by 25%. When based on declining portfolio values the probability of success fell back to below 90% based on the prior spending level, spending would be reduced back to that level.

Based on a 1,000 simulations, the example indicates that the incorporation of 25% spending flexibility increased the average probability of success from 86% (assuming no flexibility) to 96% and the overall income or potential withdrawal amounts from $2.2 million to $2.6 million. Lesser reductions in spending would result in lesser amounts of improvement in success probabilities and additional income.

Important: The projections or other information generated by the Monte Carlo simulation depicted in the chart above regarding the likelihood of various outcomes are hypothetical in nature, do not reflect actual investment or life results and are not guarantees of future results. Results may vary with each use and over time.

Cash reserves and liquidity management

Also helping to maintain the appropriate balance of flexibility and discipline needed to respond to market and life events and further avoid inopportune investment liquidations is the maintenance of prudent cash reserves and liquidity levels. Cash reserves are intended to provide immediate liquidity for an extended period to reduce the need to sell depreciated or less-liquid assets at inopportune times as well as provide additional means to help fund unexpected expenses. The cash is intended to be there when needed and subsequently replenished as circumstances and market conditions allow. The cash should be in the form of bank deposits, money markets accounts, or other such instruments that provide both ready access and ongoing stability.

While the concept is simple, what level of cash reserves should be maintained is often less clear. While individual preferences and factors will dictate appropriate levels of cash to maintain, for those near or in retirement, general guidelines are to maintain anywhere from one to three years of essential expenses in cash reserves. Additional factors that can influence the level of appropriate reserves for specific individuals include:

- Psychological "sleep at night" considerations
- The level and stability of current income sources
- The level/rate of portfolio withdrawals
- The level of potential spending adaptability
- Current interest rates
- The risk profile of one's investment portfolio
- Health or other contingency considerations
- The liquidity of other holdings

In addition to cash reserves, it's important to understand the liquidity considerations associated with the individual pieces of your portfolio. In that some elements that are intended to help provide long-term growth and higher income production can be more prone to greater participation in market downturns, it's important to maintain sufficient holdings in other more stable and liquid investments (in addition to cash reserves) to help further avoid inopportune forced liquidation of riskier but important long-term investment holdings.

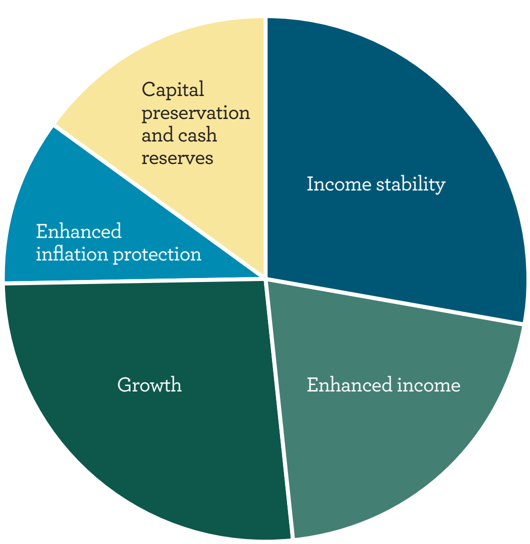
Constructing investment portfolios for retirement

Given the increased risk potential in the years immediately prior to and following your retirement date, it's important during this time to reassess your portfolio's overall risk/return profile. This assessment and any modifications should be done in conjunction with the previously indicated considerations and areas of focus. The goal is to manage risk while maintaining sufficient growth potential to maintain the purchasing power you need throughout retirement. To do so, think of your portfolio not simply as a random collection of investments but as pieces with distinct purposes. Some may be intended to help provide stability and current income (bonds) or enhanced income potential (higher-yielding fixed income or dividend-paying stocks); others may be there for added growth potential to help fight inflation (growth stocks); and some might be included to add liquidity (cash alternatives).

The mix of the pieces, often referred to as asset allocation, will vary based on individual objectives, preferences, and risk profiles. It's important to understand each individual component's primary objective to help you stay disciplined and avoid imprudently altering your allocation structure in response to market activity. Among the most critical contributors to longer-term success can be maintaining an appropriate portfolio structure and risk/return profile in the midst of market downturns by periodically rebalancing and employing prudent withdrawal strategies. This requires thinking long and hard before making any moves — especially when there's market volatility — that will result in a significant change in your allocation. For example, selling stocks when the market is down could lock in your losses and reduce your portfolio's growth potential, making it more difficult for you to reach your long-term goals. On the other hand, buying stocks when the market is up may increase your portfolio's risk profile above your desired level.

As in the accumulation phase, a focus on total return (income generation combined with principal appreciation) is recommended as the basis for constructing portfolios on a combined risk/return basis. However, a lean toward income in the distribution phase may be appropriate based on market conditions, individual preferences, and current income needs. Enhanced income approaches can potentially provide steadier income sources in both up and down markets and help ease the investor's anxiety associated with higher levels of withdrawals coming from fluctuating levels of principal. However, it's important that such approaches avoid the dangers of chasing or overreaching for yield (buying riskier investments that offer greater income) and continue to maintain both sufficient diversification and growth potential. Such approaches can also benefit from the incorporation of more dynamic risk management.

Every investment should serve a purpose



Ideally, every investment you own should address a particular need. For example, bonds to help provide stability and current income, dividend-paying stocks to potentially enhance income, growth stocks to hedge against inflation, etc. After you arrive at your desired investment mix, maintaining it can be key to long-term success. Market activity and buying and selling investments in response to it can knock your portfolio out of alignment, potentially making it more difficult for you to reach your long-term goals. As a result, an effective strategy may be to periodically review your portfolio and bring it back in line with your targeted allocations or evolving needs.

Example shown is hypothetical and intended for illustrative purposes only.

We're here to help

The years leading up to and early on in retirement can be a period of both exciting new opportunities and elevated risks. Actions that can be taken to help manage these risks include:

- More thorough and segmented expense planning
- Increased understanding and diversification of your income sources
- An ongoing focus on and prudent matching of your liabilities and funding sources
- Incorporating adaptive spending and efficient withdrawal strategies
- Prudent maintenance of cash reserves and overall liquidity levels
- Ongoing attention to your portfolio's risk/return profile, structure, and risk management techniques

Wells Fargo Advisors helps investors build investment plans that consider both the best estimate of near-term trends and the wider range of longer-term possibilities. Investors can help put the odds in their favor by developing a plan that not only considers what is happening now, but also reflects on what is likely to happen next, and just as important, what may happen later. Wells Fargo Advisors understands the complexity of planning for retirement and has many tools and resources to help clients get their retirement right.

For more information and help in developing the right retirement plan for you, talk to your Financial Advisor at Wells Fargo Advisors.

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