



## PlanHorizon Frequently Asked Questions

### **Q: What is PlanHorizon?**

PlanHorizon is an enhanced platform solution that supports a time-segmented distribution model – a retirement income strategy designed to seek consistent income throughout retirement.

### **Q: What does a time-segmented distribution model mean?**

It means that an investor's accumulated retirement assets are divided into segments and tagged to provide income over a specific period of time in retirement.

### **Q: What demographic is best suited for the PlanHorizon solution?**

Individuals that are in retirement looking to take income from their accumulated retirement assets.

### **Q: How does a time-segmented distribution model compare to other retirement investment strategies?**

There are many retirement options available in the industry. There are 3 strategies that might be most recognized: a systematic withdrawal model, a variable annuity with a guaranteed minimum withdrawal benefit rider (GMWB), and a time-segmented distribution model.

With a systematic withdrawal model, clients can take pre-determined periodic withdrawals from a portfolio of stocks, bonds or mutual funds. However, one concern with the strategy is the portfolio's performance in the event of a sequence of negative returns and its capacity to provide inflation-adjusted income for long-term periods.

A variable annuity with a GWMB is a systematic withdrawal model that takes withdrawals from an annuity – which can offer the strongest emotional benefits to clients. However, although the annuity owner may be guaranteed a base income stream for life, any inflation adjustment or death benefit can affect the portfolio's actual account balance. Also, it is dually susceptible to a sequence of negative returns.

With a time-segmented distribution model, the retirement assets are spread across multiple segments, each with its own time horizon, target market value, and risk tolerance. Creating multiple segments may be more time consuming but the benefits of the model are a disciplined structure that can offer the flexibility to make adjustments along the way.

**Q: How does PlanHorizon differ from other programs that develop a time-segmented distribution model?**

PlanHorizon not only allows the advisor to develop the strategy online, but also to implement the models by choosing from various investment choices on the Envestnet platform. The advisor is then able to monitor those assets and the progress for each segment through robust reporting. The reporting not only tracks the segments progress to the target amount, but also compares that progress to where the client should be at a point in time that is provided in the report.

**Q: How many segments are needed in a PlanHorizon proposal?**

A standard PlanHorizon proposal will contain six segments, each lasting five years, with the last segment designated as the client's "Legacy" segment. However, the number of segments used is customizable in PlanHorizon and should be determined by the client's expected life time horizon and retirement needs.

**Q: Can I adjust the time horizon per segment in a PlanHorizon proposal?**

Yes. The number of segments and the desired time horizon per segment is customizable according to the client's retirement needs.

**Q: Can I determine the frequency and amount of income needed per segment?**

Yes. During the process of creating a PlanHorizon proposal, you are able to input the frequency and amount of income needed per segment.

**Q: What types of investment solutions are available for a PlanHorizon proposal?**

Advisors have the option of selecting from a range of investment solutions for the growth segments, just as they would for the accumulation period. For the guaranteed income products, advisors can choose from variable annuities with a GMWB option or, PMC Select Portfolios and PMC SIGMA Mutual Fund Solutions with an insurance wrapper.

**Q: Are there any restrictions or requirements needed in creating a PlanHorizon proposal?**

**Yes. The advisor who chooses to offer guaranteed income products like variable annuities to their clients must be dually licensed.** That is, the advisor must be licensed by his state to sell life insurance **and** he must be licensed as a registered representative of a member of the Financial Industry Regulatory Authority (FINRA). FINRA registration requires passing either the *Series 6* limited registration exam or the *Series 7* general securities exam (some states also require an additional state variable contracts or variable annuities license). Currently, there is a minimum guaranteed income amount assigned for the investor that is paid throughout the plan. Because these guaranteed income options are annuity products, *these licenses are required.*

**Q: How do I create a PlanHorizon proposal?**

Once given access, advisors can create a PlanHorizon proposal through the platform's online proposal generator. Each segment would be constructed individually and similar to how a traditional investment proposal would be created on the platform.

**Q: Can I make adjustments to each individual portfolio within one PlanHorizon segment without having to adjust the other segments?**

Yes. Since each segment is constructed as an individual portfolio, it can be adjusted when appropriate throughout the lifecycle of the solution.

**Q: What happens if one segment is underperforming?**

Even though each segment is constructed as an individual portfolio, the PlanHorizon solution is built so that each segment can work in concert together. So, when the performance of one segment lags, assets from another segment can be leveraged to compensate, or be left alone and adjusted to the income that will be dispersed for that time period.

**Q: What happens if one segment has reached its target value before expected?**

Once a segment has reached its target value, the assets in that segment can be harvested and reallocated to a lower risk investment product in order to lock in future income needs without the continued exposure to market volatility. This is entirely at the advisor's discretion.

**Q: What if my client lives longer than his/her life expectancy?**

The final segment, also known as the Legacy segment, of the PlanHorizon solution takes into account the future income that might be needed pass life expectancy. This segment has the potential to grow to the size of the original accumulated retirement assets and can also be left to beneficiaries.

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