



GAIN



PROTECT



SPEND

# REAL SPEND

A RETIREMENT INCOME STRATEGY

# REAL SPEND

RETIREMENT  
INCOME STRATEGY

FINANCIAL PROFESSIONAL USE ONLY

horizoninvestments.com 2

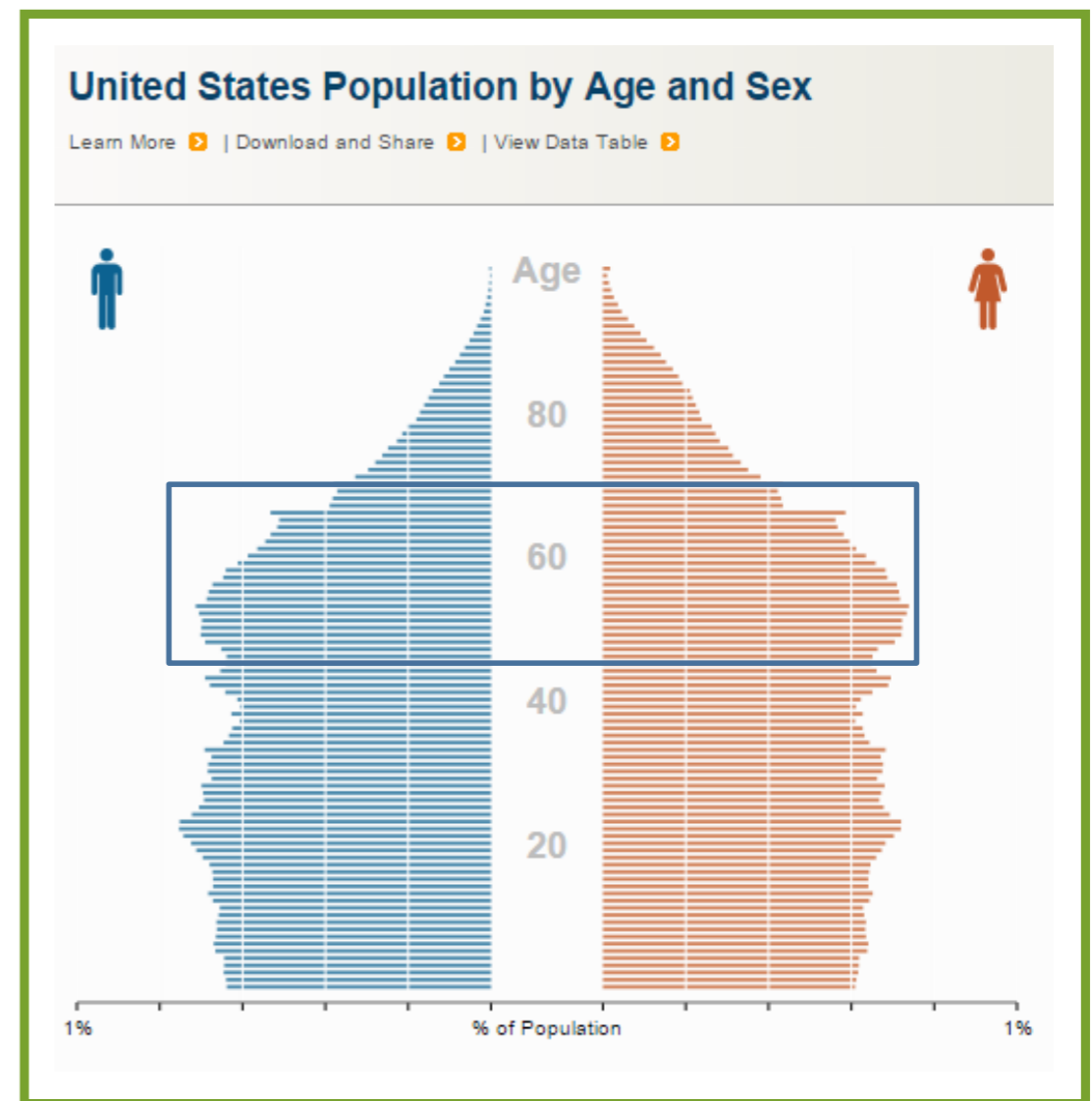
# Challenge + Opportunity

## Challenge + Opportunity

# Demographic Shift

Over the next 15 years it is estimated that approximately 8,000 baby boomers will retire daily.

source: AARP + Census Bureau

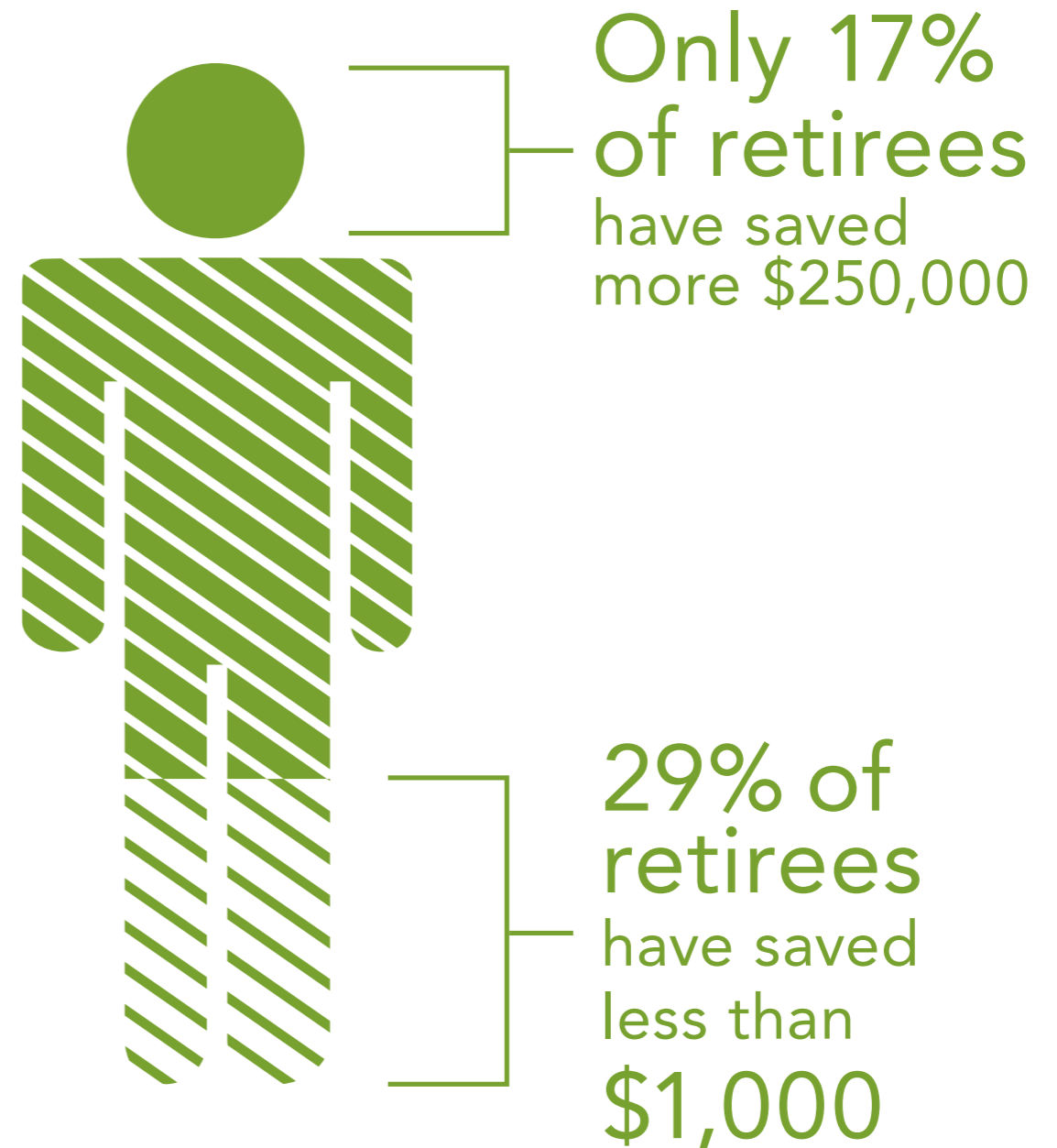


## Challenge + Opportunity

### Light on Savings

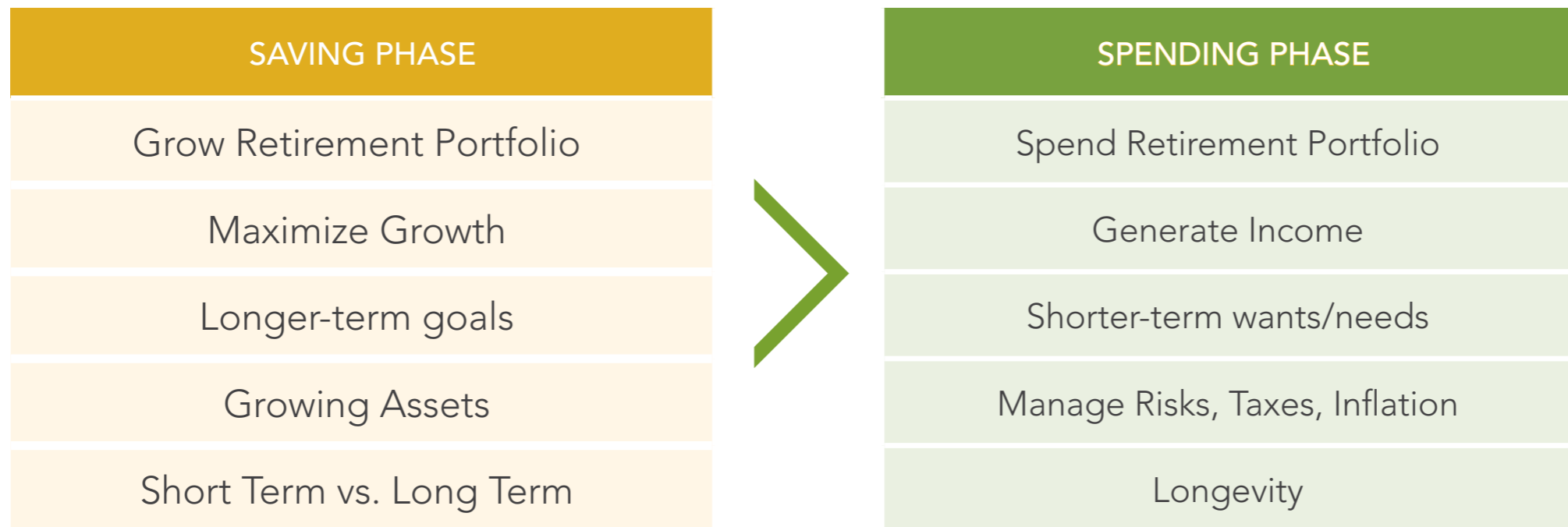
Total savings and investments reported by retirees, not including value of primary residence or defined benefit plans such as traditional pensions.

source: Employee Benefit Research Institute



## Challenge + Opportunity

# Priorities Change



## Challenge + Opportunity

# Challenges for boomers in retirement:

- **Longevity**  
Living longer than expected
- **Inflation**  
Loss of spending power

# REAL SPEND

RETIREMENT  
INCOME STRATEGY

FINANCIAL PROFESSIONAL USE ONLY

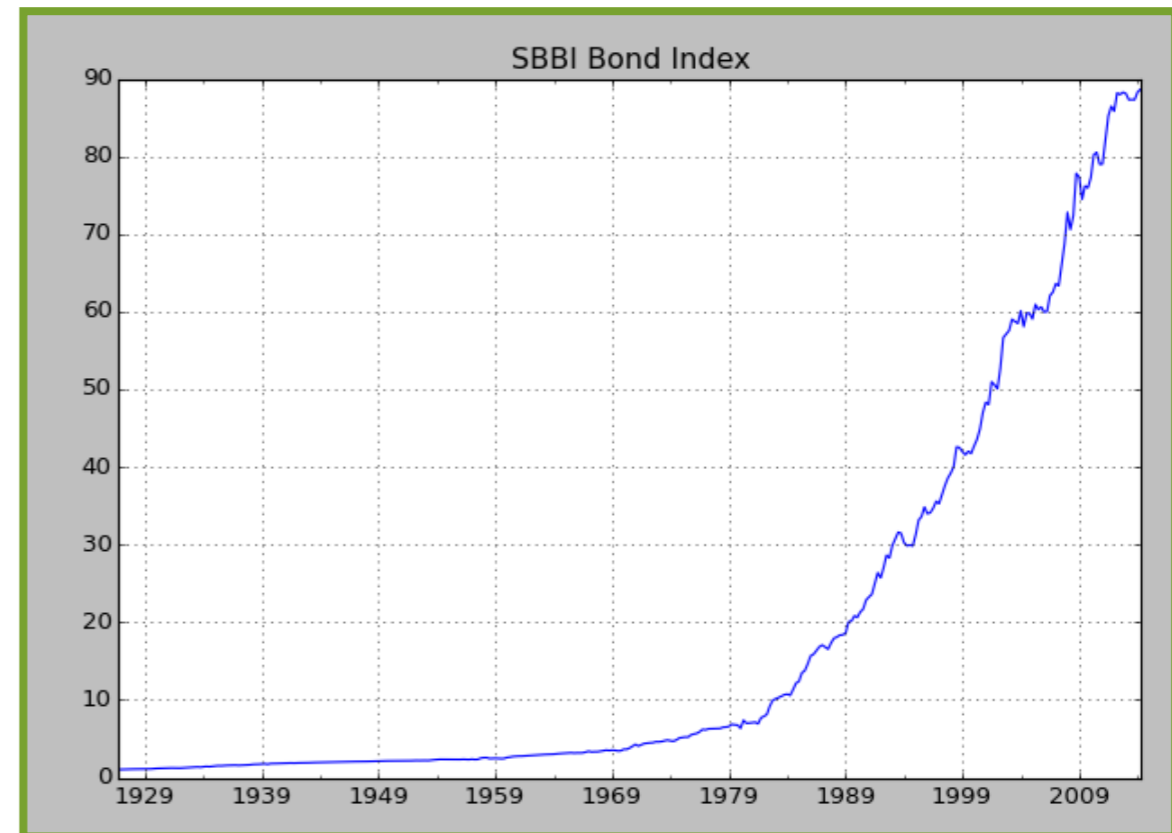
horizoninvestments.com 7

# Current Strategies

## Current Strategies

### More Bonds

Bonds have been the answer. In the past, advice would suggest that the older you get, the more fixed income you need.



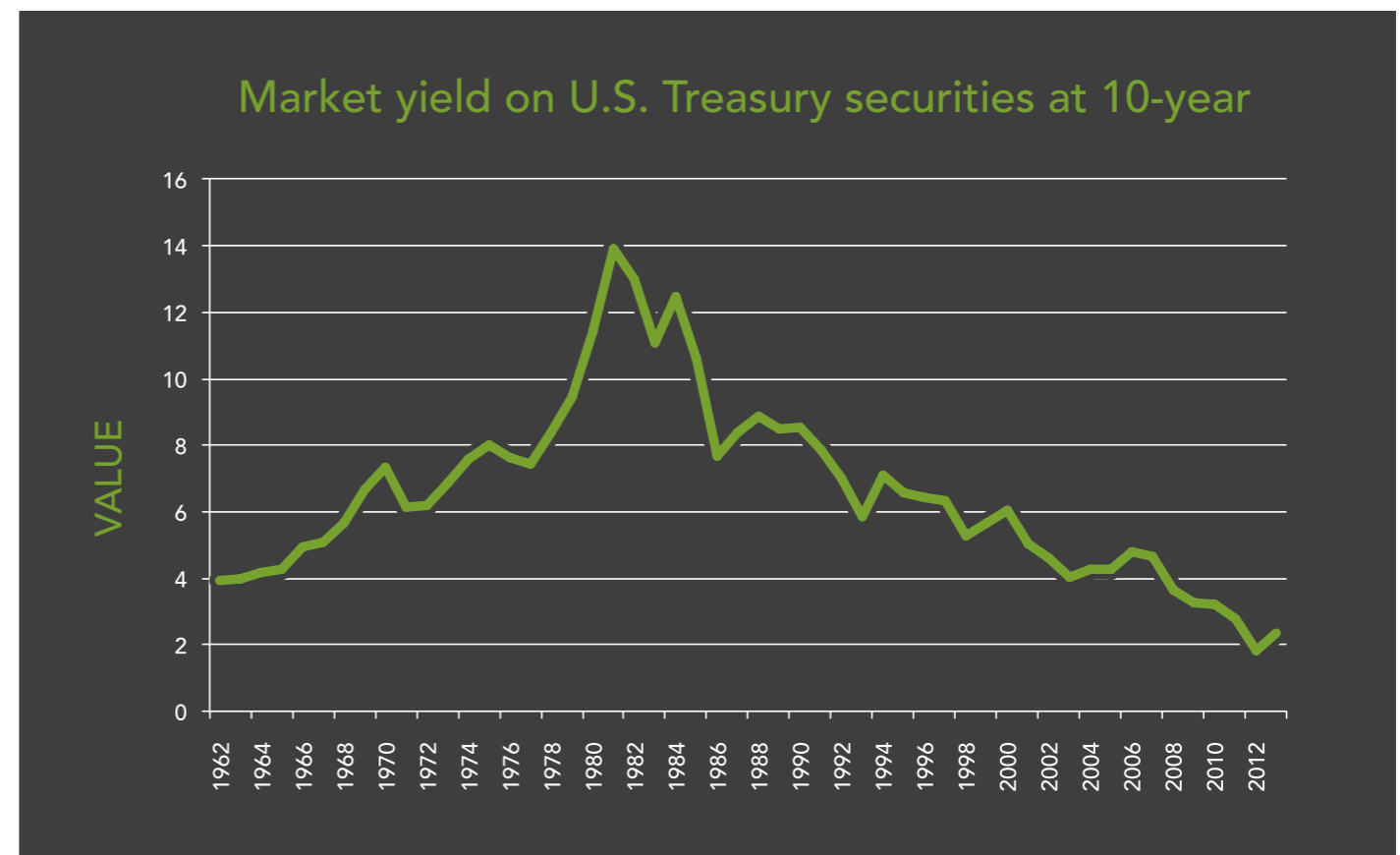


## Current Strategies

### Rates at Low Levels

However, what happens if rates rise? Rates rise, bond values will suffer.

source: federalreserve.gov



## Current Strategies

# Popular bond strategies:

- Linear Glidepath
- Age in Bonds
- Constant Proportion

**REAL  
SPEND**

RETIREMENT  
INCOME STRATEGY

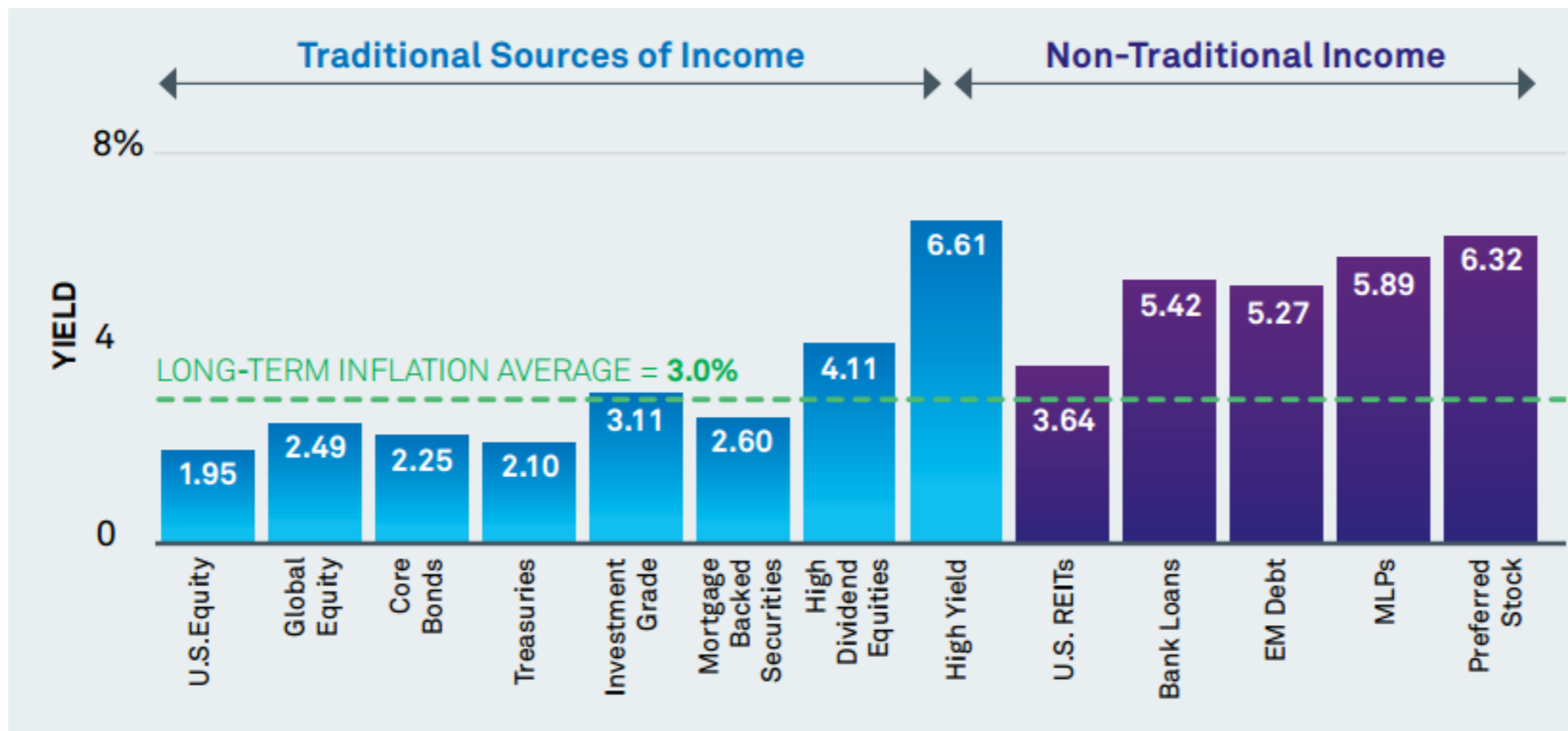
FINANCIAL PROFESSIONAL USE ONLY

horizoninvestments.com 11

# Multi Asset Income Solutions

## Multi Asset Income Solutions

### Other Sources of Yield

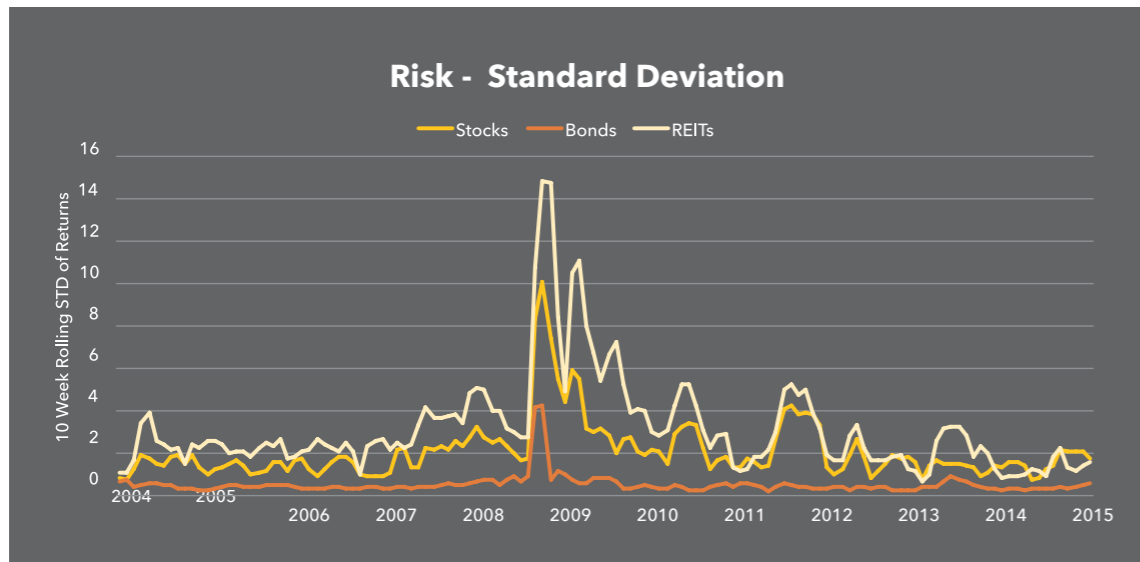


source: MSCI or BlackRock

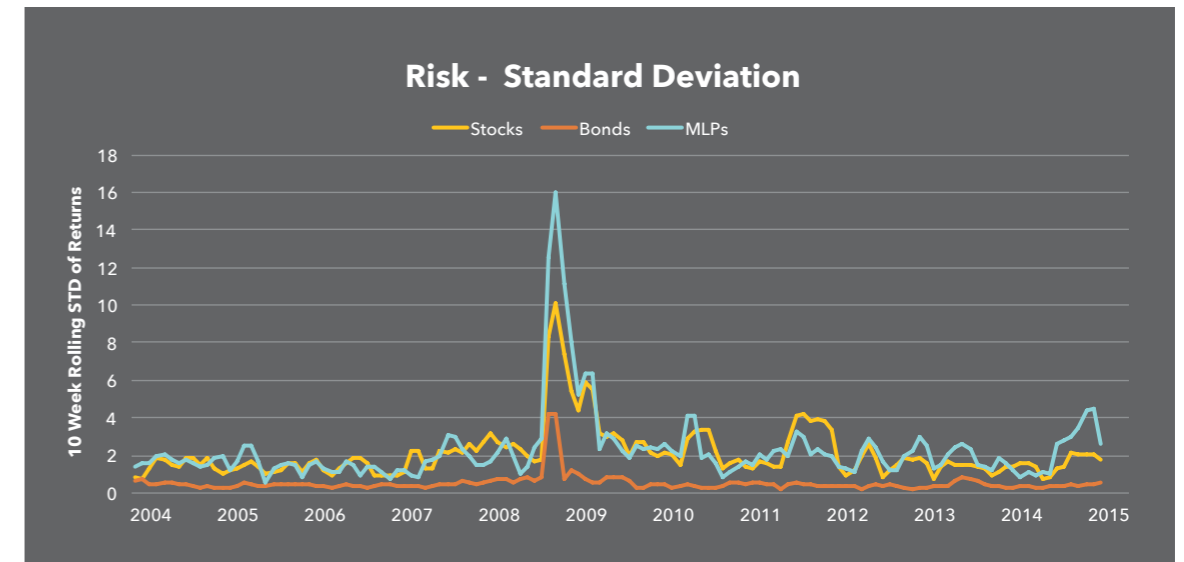
## Multi Asset Income Solutions

# Risk of Popular High Yield Asset Classes

### REITs vs Stocks and Bonds



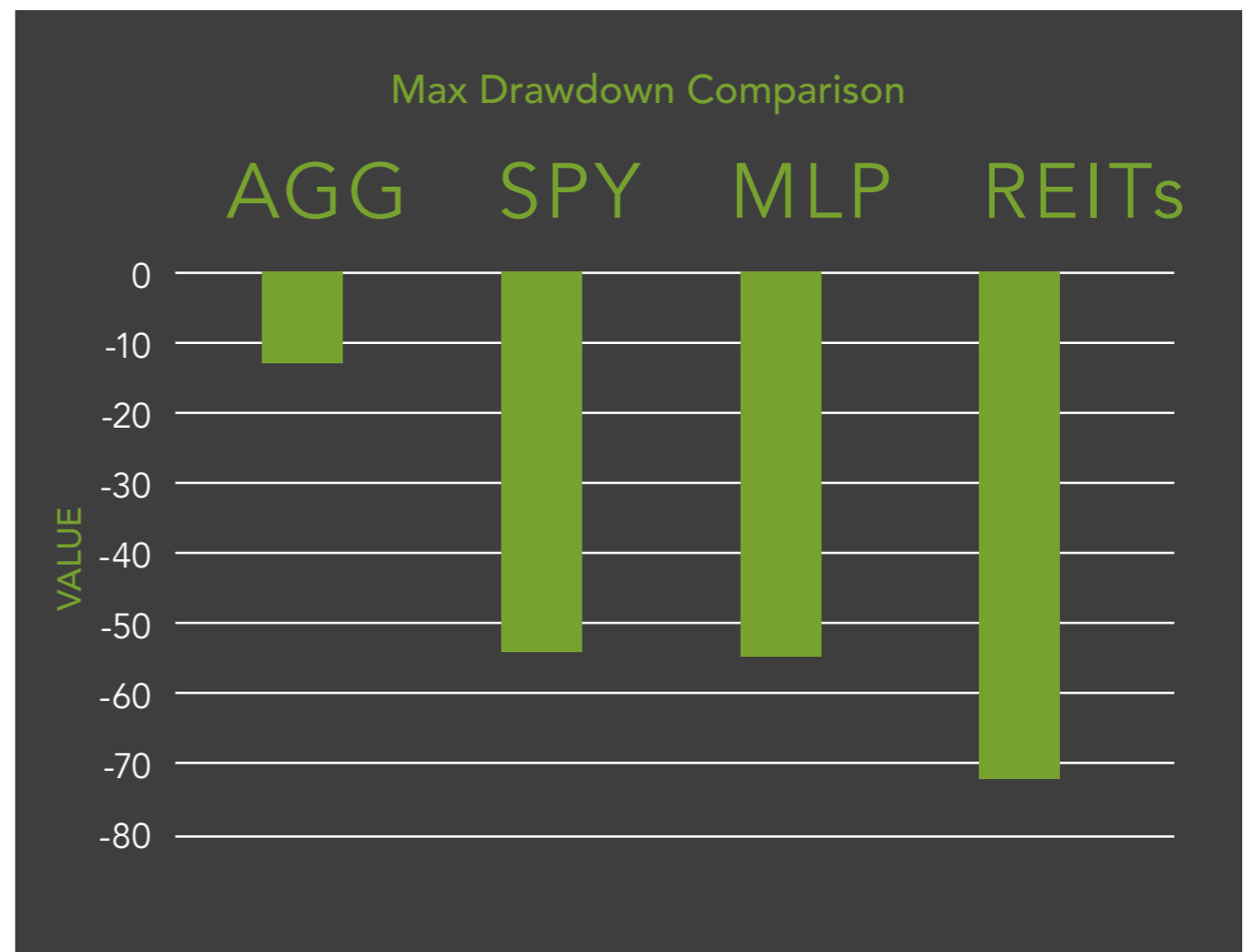
### MLPs vs Stocks and Bonds



## Multi Asset Income Solutions

### Risk of Popular High Yield Asset Classes

There are significant risks in MLPs and REITs – more than the broad stock market.



## Multi Asset Income Solutions

### RECAP:

- There is no free lunch
- Higher Yields come with Bigger Risks
- MLPs, REITs and other non-traditional Income sources should be used as diversifiers in a more balanced Income portfolio

# REAL SPEND

RETIREMENT  
INCOME STRATEGY

FINANCIAL PROFESSIONAL USE ONLY

horizoninvestments.com 16

# Equity-Based Strategy



## Equity-Based Strategy

# The Search for Income

Strategy must address risks faced by investors deriving retirement cashflow from their investments:

- Shortfall Risk (longevity, volatility, sequence of return)
- Interest Rate
- Inflation
- Liquidity

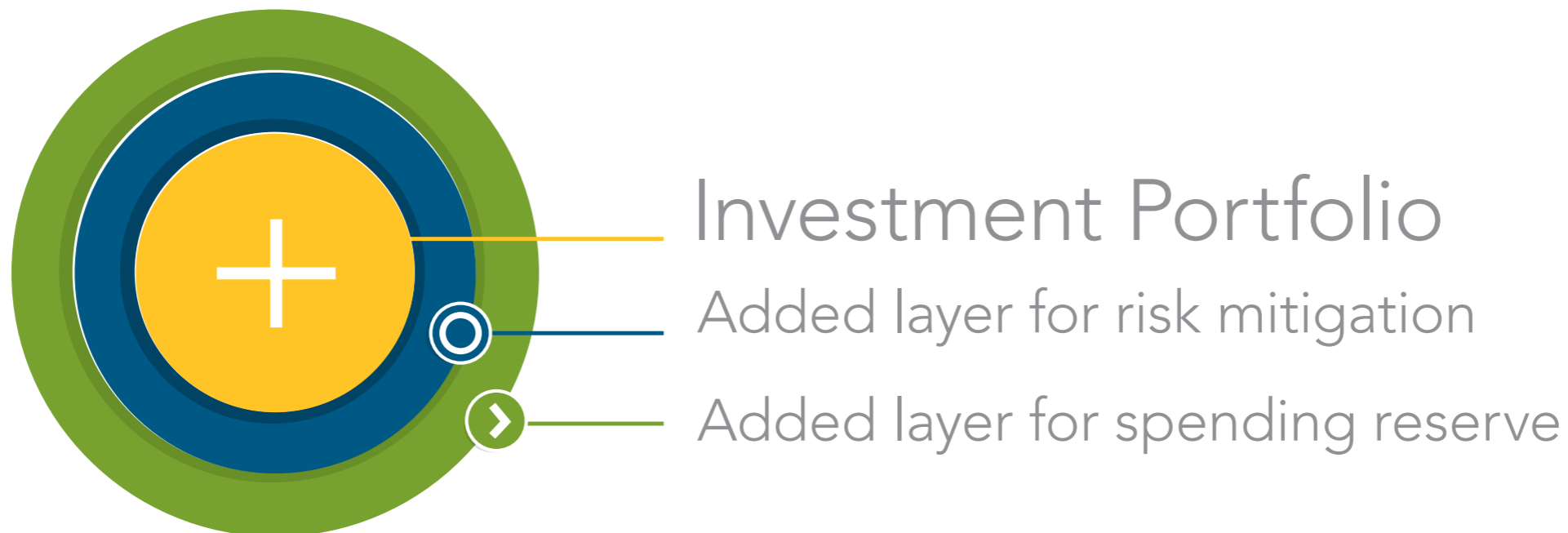
## Equity-Based Strategy

# Can equity-based investments offer a solution?

Historically, equities have provided increased return over bonds (9.31% vs 5.11%, geometric return 1928-2012, FRED)

## Equity-Based Strategy

# A Solution for Complete Portfolio Management

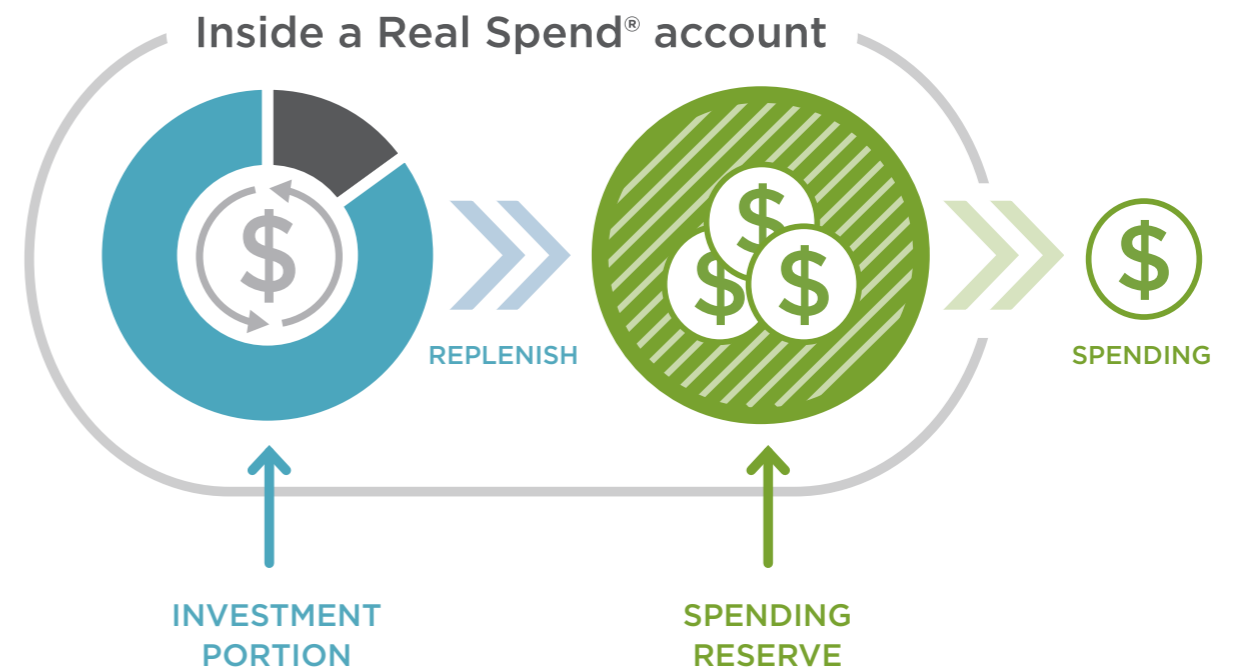


Horizon Investments, LLC offers this risk management strategy as an overlay to individual investors who are participating in the Real Spend Retirement Income Strategy and Horizon's Enhanced Portfolios. Risk Assist is NOT A GUARANTEE against all losses or all declines in the value of your portfolio. See additional disclosures at the end of this document. changes in market conditions or excessive withdrawals will directly affect the Real Spend outputs.

## Equity-Based Strategy

### Strategy Components

Sets aside money for current spending (spending reserve), investing capital to fund future spending (investment portion) and adjusting yearly spending to overcome inflation (real spending).



# REAL SPEND

RETIREMENT  
INCOME STRATEGY

FINANCIAL PROFESSIONAL USE ONLY

horizoninvestments.com 21

# Testing the Strategies

## Testing the Strategies

Two metrics to answer a retiree's concern for running out of money and having money left for their children:

**Probability of Success:** Percentage of investment simulations with positive ending value.

**Legacy:** The ratio of remaining portfolio value to the beginning portfolio value.

## Testing the Strategies

Parameters and elements in our comparison include:

**Inflation Adjustment:** Withdrawal amounts are adjusted for inflation once a year.

**Data:** Utilizing data from SBBI database from Ibbotson beginning in Q4 1926 and ending in Q4 2013.

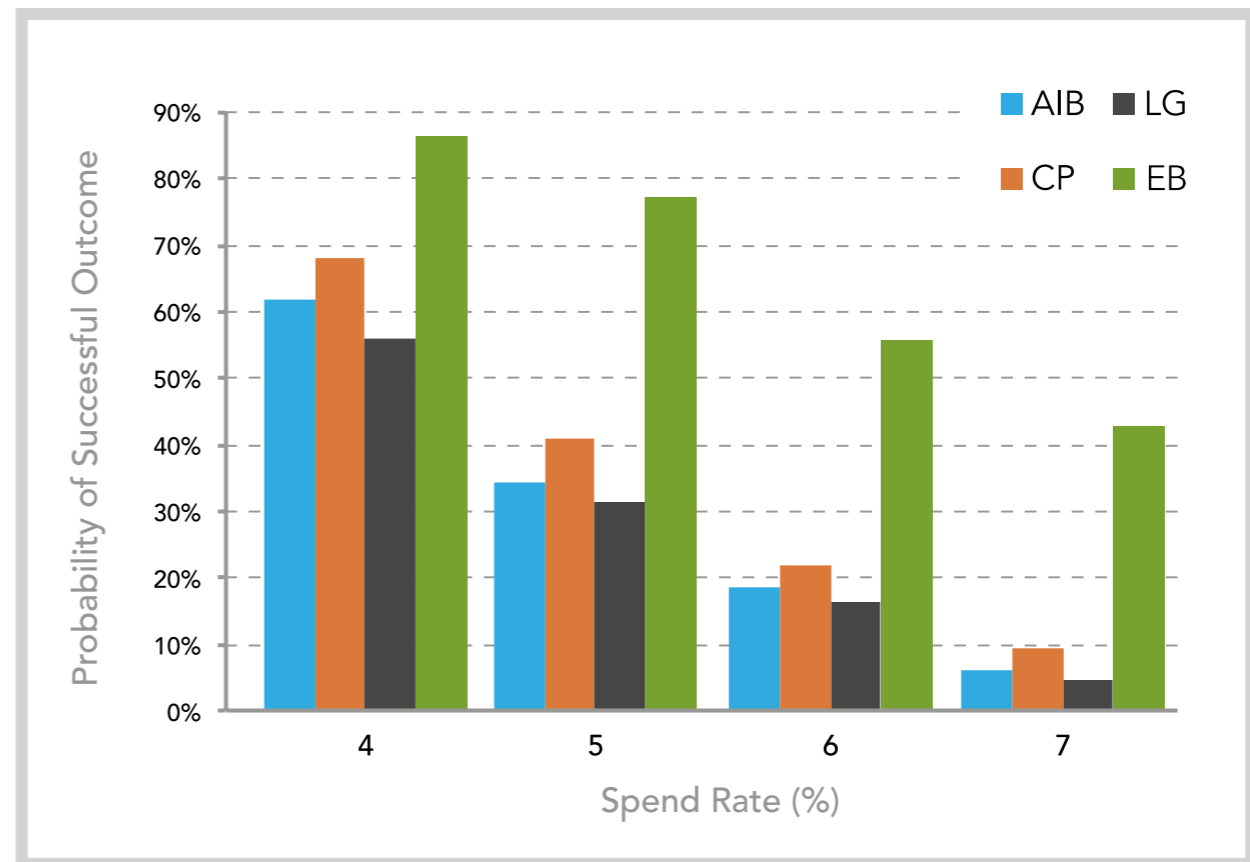
**Spending Horizons:** 20, 25, and 30 years

**Spend Rates:** 4%, 5%, 6%, 7%

## Testing the Strategies

### Success Rate by Spend Rate

As spending increases, the Equity-Based strategy clearly improves the probability of success.

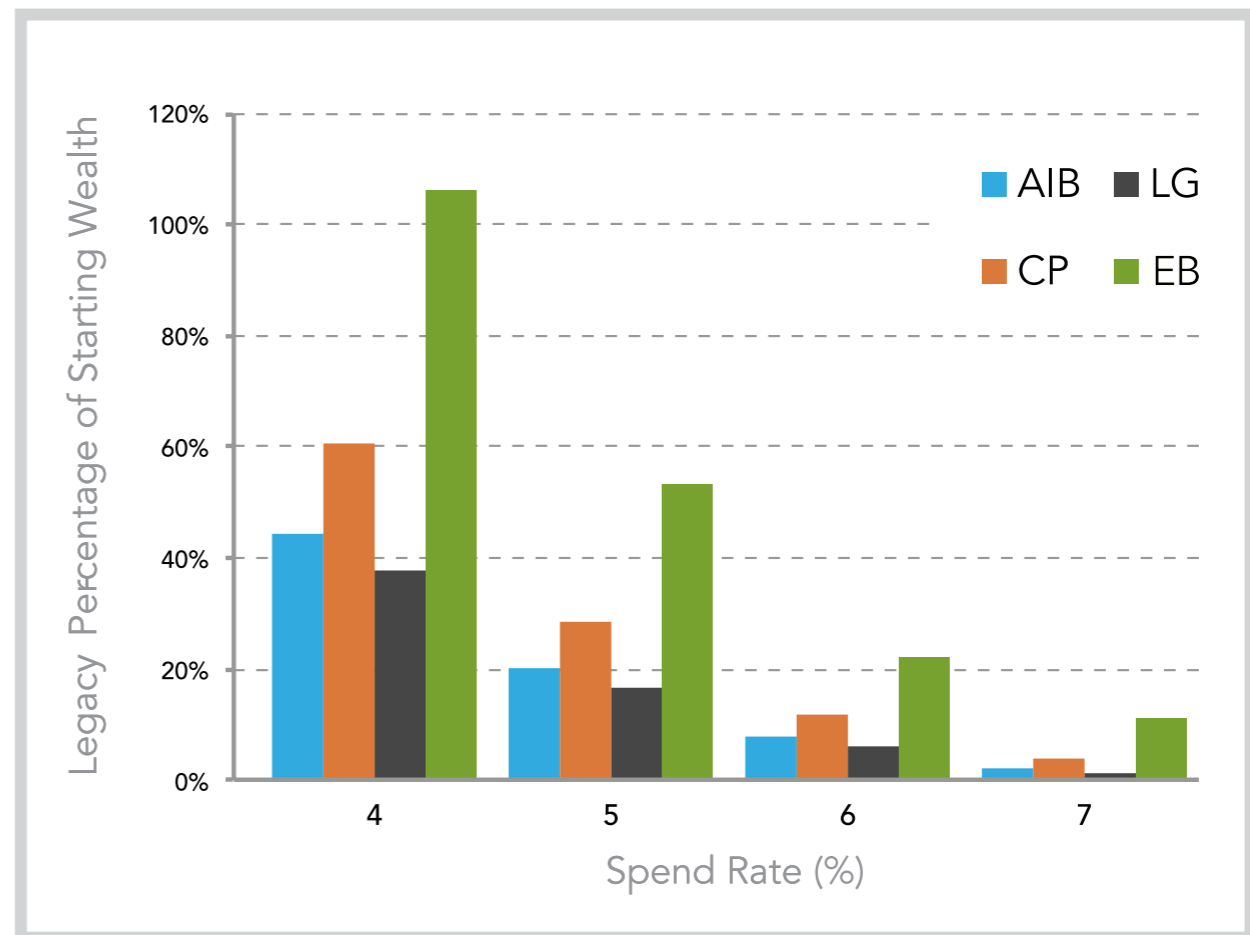




## Testing the Strategies

### Average Legacy by Spend Rate

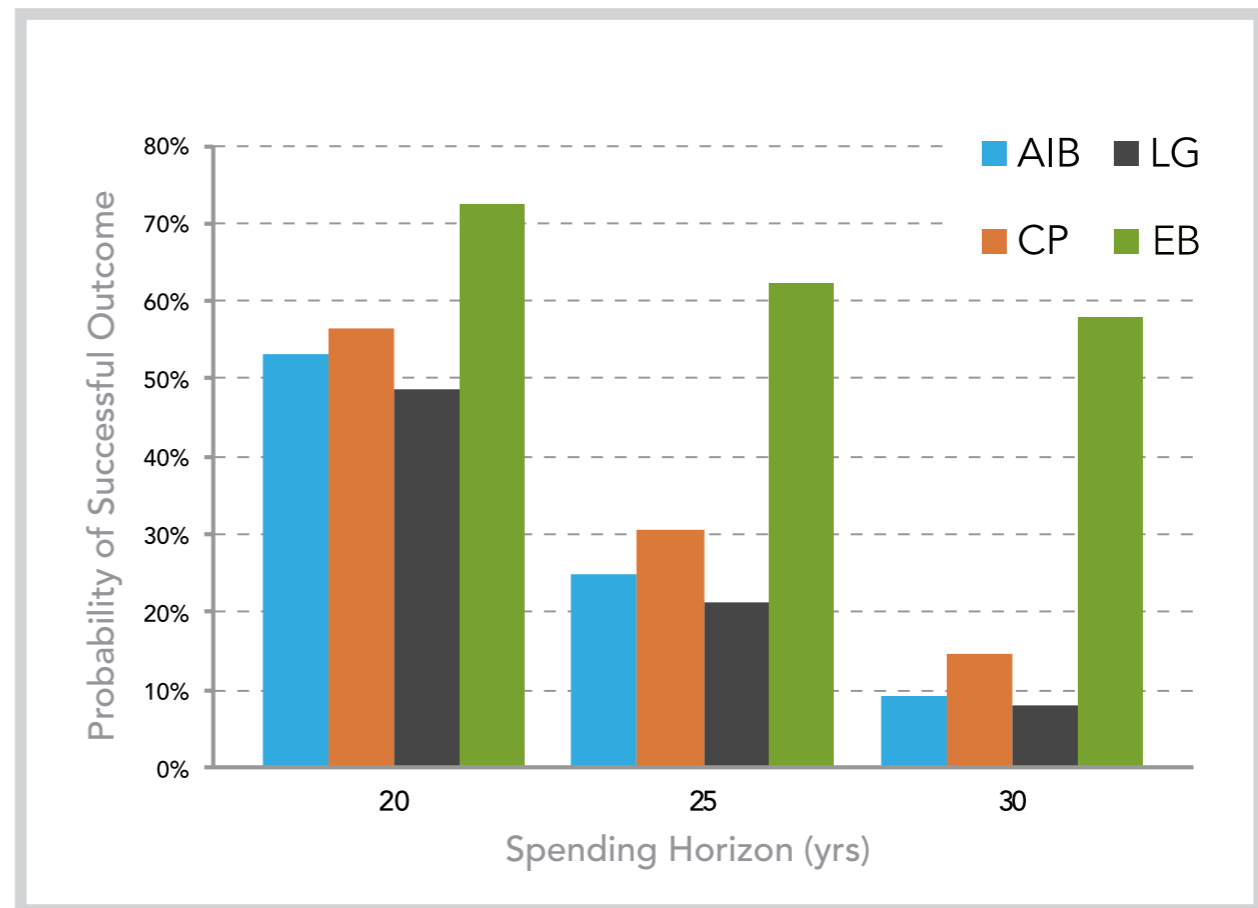
At a 4% spend rate the average legacy when using the Equity-Based strategy is larger than the starting wealth value. As spending increases, legacy percentages decline with the Equity-Based strategy maintaining wealth better than competing strategies.



## Testing the Strategies

### Success Rate by Spending Horizon

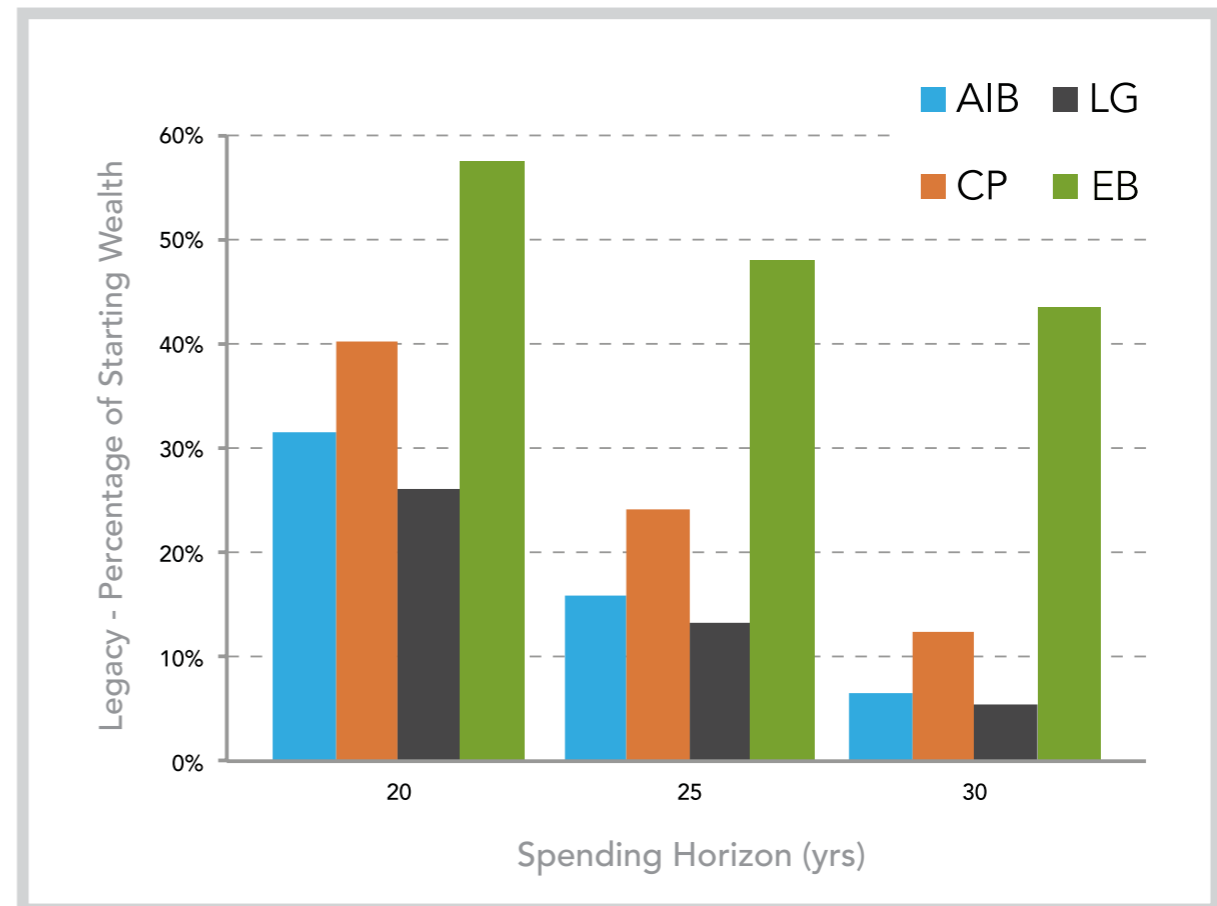
The Equity-Based strategy does not drop below the 50% probability of success.



## Testing the Strategies

### Average Legacy by Spending Horizon

Across all spending horizons, the Real Spend strategy preserves wealth better than the competing strategies.



## We think equities are the answer.

- Allocation model includes active equity allocation and risk mitigation, along with a reserve allocation from which withdrawals are made.
- Designed to support the investor's desired spending, while seeking to minimize the risk of shortfall and provide a cost of living adjustment.
- Asset Allocation - Seek capital appreciation required to fund retirement needs (**shortfall, inflation & interest rate risk**), while Risk Assist<sup>®</sup> seeks to protect portfolio against **sequence of return risk**.
- Dynamic withdrawal strategy - annual spending adjustment based on market performance and realized **inflation**.
- Withdrawal Sourcing - Reserve Allocation creates withdrawal buffer, providing liquidity without invading equity allocation.
- Portfolio is a fully **liquid** ETF allocation.
- Provides scalability across many clients while customized to meet their needs.

## RECAP:

- Current Income Solutions rely heavily on bonds
- If interest rates rise, bonds will suffer
- Inflation and Longevity risks are real
- Spending Less for Shorter Horizons Increases odds of Success (the 4%, 20 Year Rule)
- A balanced portfolio is better than a bond heavy portfolio for mitigating Inflation and Longevity risks

## Benefits of Our Strategy

- **Investment Portion**  
Invest in market to replenish future spending
- **Spending Reserve**  
To ease investor's fear of market risk
- **Inflation Adjustment**  
To maintain spending power

# REAL SPEND

RETIREMENT  
INCOME STRATEGY

FINANCIAL PROFESSIONAL USE ONLY

horizoninvestments.com 31

Call **866.371.2399**  
to learn more about Horizon's  
retirement income strategy.

[www.horizoninvestments.com](http://www.horizoninvestments.com)

## Disclosures

For financial professional use only.

We are not soliciting any action based on this document. This document does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any analysis, advice or recommendation in this document, you should consider whether the model, strategy or any security in question is suitable for their particular circumstances.

Spending calculators calculate probabilities of success based on expected returns, which are an average of probable outcomes based on historical market returns and cannot be relied upon to predict future outcomes.

The price and value of investments referred to in this presentation, if any, and the income from them may go down as well as up, and investors may realize losses on any investments. There is no guarantee the results portrayed in this presentation can be achieved. The illustration is based upon purely historical data. Past performance is never a guarantee of future results.

For more information please contact Horizon Investments at 13024 Ballantyne Corporate Place, Suite 225, Charlotte, NC 28277.



# REAL SPEND

RETIREMENT  
INCOME STRATEGY

FINANCIAL PROFESSIONAL USE ONLY

horizoninvestments.com 33

Horizon Investments, LLC products are subject to risk including, general market risk, currency fluctuations, and economic conditions. The Portfolios' underlying investments fluctuate in price and may be sold at a price lower than the purchase price resulting in a loss of principal. The underlying investments are neither FDIC insured nor guaranteed by the U.S. Government. There may be economic times where all investments are unfavorable and depreciate in value. The results portrayed herein reflect the reinvestment of dividends, the reinvestment of capital gains, stock splits and other earnings when appropriate and applicable. Please evaluate your clients' circumstances and risk tolerance to understand if these investments are right for them. Horizon does not forecast future economic environments and cannot comment on how it might do in any future economic scenario. The hypothetical returns shown in this presentation assumed both an advancing general market environment with low interest rates and above average market volatility. Tax considerations were not taken into account.

The indices are shown for comparison purposes only and cannot be invested in directly. The S&P 500 Index is an unmanaged index that is generally considered representative of the U.S. stock market. The S&P Total Return is the appreciation of the index as well as the reinvestment of all dividends. The performance of an unmanaged index is not indicative of the performance of any particular investment. Benchmarks are rebalanced monthly. Individuals cannot invest directly in any index. Investments offering the potential for higher rates of return also involve a higher degree of risk. Actual results will vary.

Backtested performance does not represent actual performance and should not be interpreted as an indication of such performance. Actual performance for client accounts may be materially lower than represented. Backtested performance results have certain inherent limitations. For example, backtested results do not represent the impact that material economic and market factors might have on an investment adviser's decision-making process if the adviser were actually managing client money. Backtested performance also differs from actual performance because it is achieved through the retroactive application of a model investment methodology designed with the benefit of hindsight. Horizon believes the data used in the testing to be from credible, reliable sources; however, Horizon makes no representation or warranties of any kind as to the accuracy of such data. All available data representing the full platform of investment options is used for testing purposes.

We are not soliciting any action based on this document. This document does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any analysis, advice or recommendation in this document, clients should consider whether the model, strategy or any security in question is suitable for their particular circumstances and, if necessary, seek professional advice.

Horizon, its officers, directors, partners and/or other associated persons may own, hold options, rights or warrants to purchase some of the securities or assets mentioned in this presentation, or close equivalents. Even if Horizon does not currently hold the asset, it may in the future. Horizon may elect to buy or sell these assets or change its opinion without regard to this presentation, and without prior notice. The price and value of investments referred to in this presentation, if any, and the income from them may go down as well as up, and investors may realize losses on any investments.

Horizon has determined to present this backtested data to attempt to illustrate performance over a longer time period, which allows for taking into account market forces over a longer period of time. Past performance does not predict future performance, however, analyzing more years of simulated risk and return data is a more reliable source of information. Horizon has attempted to backtest mutual funds that correlate to the ETFs so that the performance calculations may, as best as possible, approximate a greater chance that the data is demonstrative of the performance over time, however, there is no guarantee that this can be achieved. Unless otherwise indicated, the results also reflect the reinvestment of dividends and capital gains.

This performance report represents purely historical data. Horizon Investments, LLC makes no predictions, representations, or warranties herein as to the future performance of these portfolios. Past performance is never a guarantee of future results. There may be economic times where all investments are unfavorable and depreciate in value.

The performance calculation includes the reinvestment of all dividends, income, and capital gains, as available and applicable. Performance is shown gross of Horizon's management fee and gross of advisory and program fees and other operating expenses that may apply to individual client accounts, but net of fees and expenses paid through the underlying funds. This assumes your investment amount remained constant and you were invested in the entire period stated. Actual performance net of fees will result in returns lower than those shown.

\*Returns calculated beginning January 1, 2003 and ending December 31, 2013.