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Before investing, consider the investment objectives, risks, charges, and expenses of the fund or annuity and its investment options. Call or write to Fidelity or visit Fidelity.com for a prospectus or, if available, a summary prospectus containing this information. Read it carefully.

[1] Monthly Statistical Snapshot, December 2015, Social Security Administration.

[2] DOL, Private-Sectors Workers Participating in an Employment-Based Retirement Plan, 1979–2011.

[3] Guarantees are subject to the claims-paying ability of the issuing insurance company.

[4] Investing in a variable annuity involves risk of loss—investment returns, contract value, and, for variable income annuities, payment amount are not guaranteed and will fluctuate.

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RETIREMENT

Smart retirement income strategies

Creating retirement income that will weather inflation, market volatility, and unexpected expenses.

You worked hard and saved diligently for retirement. Now comes the fun part: getting to enjoy the retirement you've been envisioning along the way. But before you do that, you need to know where you stand and have a strategy to generate income that can last your entire lifetime—income that can weather inflation, market ups and downs, unexpected expenses, and, yes, longevity.

Sound daunting? It doesn't need to be. Here are the four key factors to consider before you start constructing your income strategy, the three building blocks you'll need to lay a sturdy foundation, plus six simple steps that may help you put and keep a plan in place.

Four key things to keep in mind

To ensure that you won't run out of money, your retirement plan should take into consideration:

- A long retirement
- Inflation
- Market volatility
- Calculated withdrawals from savings

Key takeaways

- Plan for a long retirement, inflation, market volatility, and calculated withdrawals from savings so you won't run out of money.
- A retirement income plan should include guaranteed income, growth potential, and flexibility.

1. A long retirement

It's quite likely that today's healthy 65-year-olds will live well into their 80s or even 90s. And recent data suggests that longevity expectations may continue to increase.

This means there's a real possibility that you may need 30 or more years of retirement income. Without some thoughtful planning, you could easily outlive your savings and have to rely solely on Social Security for your income. And with the average Social Security benefit being just over $1,296 a month, it likely won't cover all your needs.[1]

2. Inflation

While inflation has been low in recent years, it can have a powerful impact over the course of 20 or 30 years. That's especially true in retirement, when you can't count on raises like you might have had when you were working.

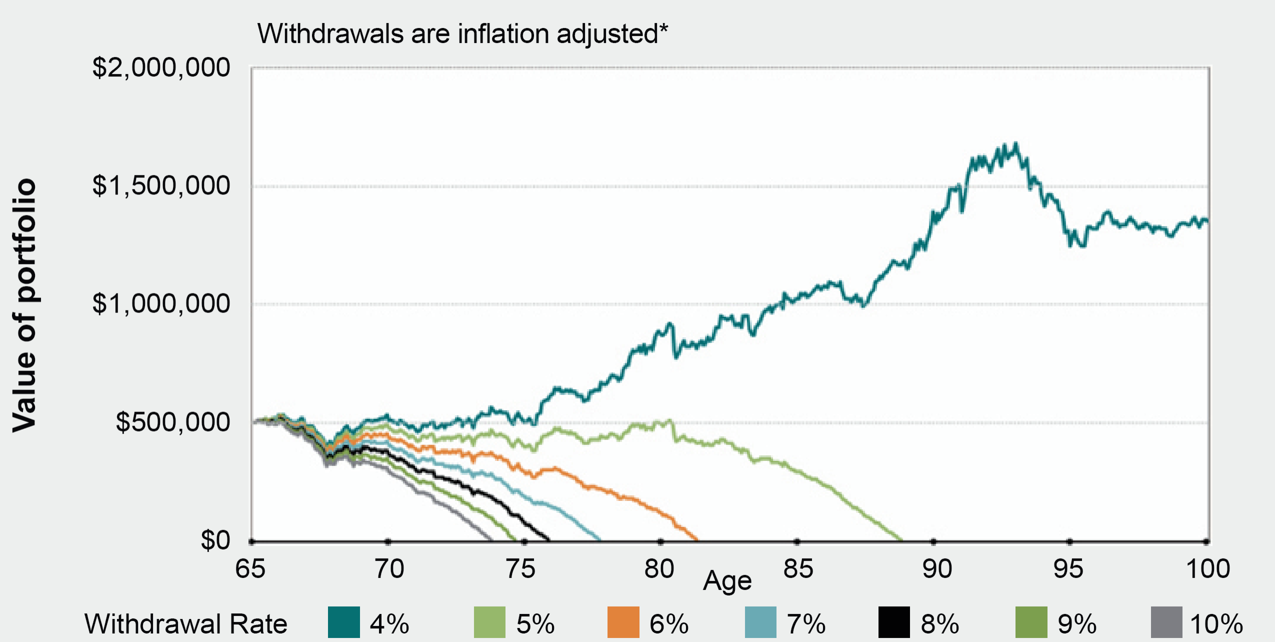
Even a relatively low inflation rate can have a significant effect on a retiree's purchasing power. For example, using a 2% inflation rate, $50,000 today would be worth only $30,477 in 25 years. Or, if you flip this example, in 25 years, you would need $82,030 to purchase something that costs $50,000 today. That's why it's so important to start planning early to protect your future lifestyle.

3. Market volatility

Market declines can be unsettling when you're relying on what you have saved to last the rest of your life. But you still need stocks for growth potential, which is as critical in your retirement as it is when you are saving for it. You may need those assets to last 30 years or more. History does suggest that the market is able to recover from declines that happen during a year and provide investors the potential for positive long-term returns. In fact, over the past 35 years, the market has had a positive annual return more than 80% of the time, even with an average intra-year decline of 14%.

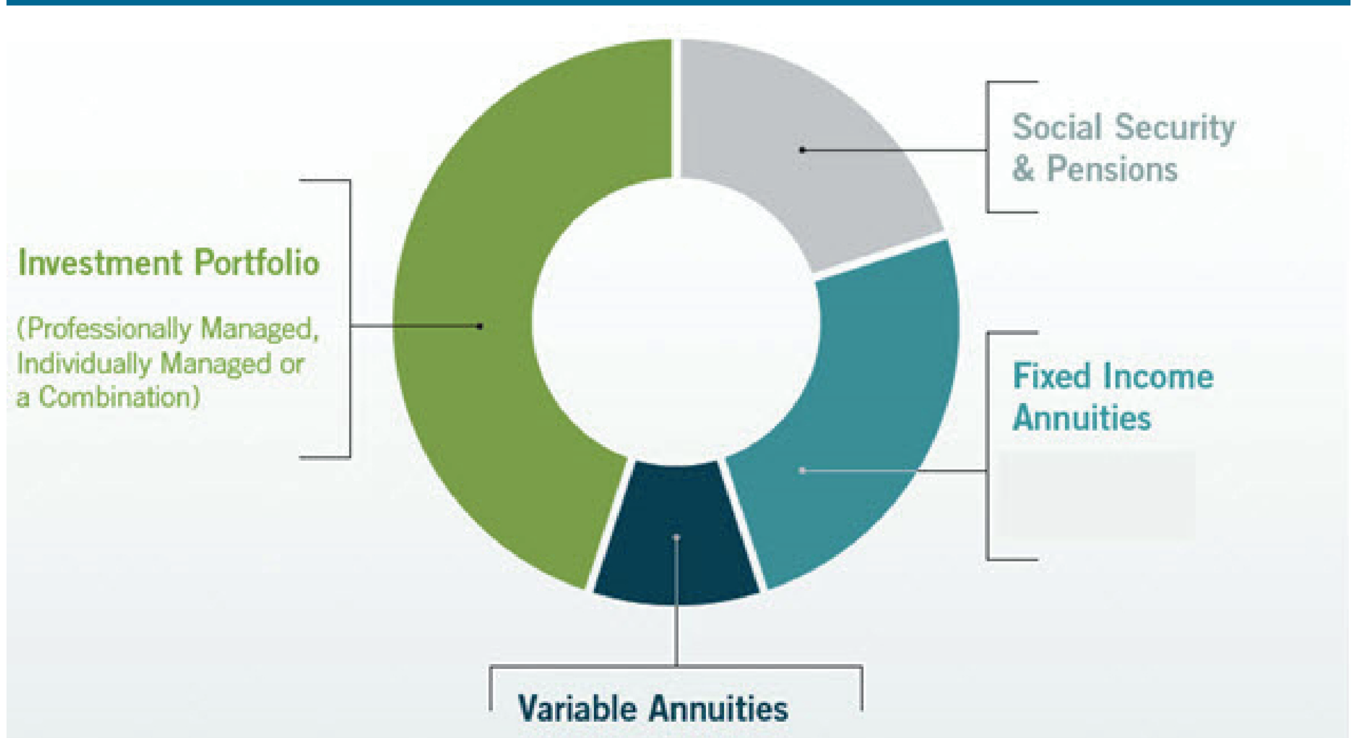
Market conditions can impact how long your retirement investment portfolio lasts.

How fast a portfolio would have been depleted for an investor who retired in 1972, at the beginning of a prolonged down market with rising inflation.



*Hypothetical value of assets held in a tax-deferred account after adjusting for monthly withdrawals and performance. Initial investment of $500,000 invested in a portfolio of 50% stocks, 40% bonds, and 10% short-term investments. Hypothetical illustration uses historical monthly performance, from Ibbotson Associates, for the 35-year period beginning January 1972: stocks, bonds, and short-term investments are presented by the S&P 500® Index, U.S. intermediate-term government bond, and U.S. 30-day T-bills, respectively. Initial withdrawal amount based on one-twelfth of applicable withdrawal rate multiplied by $500,000. Subsequent withdrawal amounts based on prior month's amount adjusted by the actual monthly change in the Consumer Price Index for that month. This chart is for illustrative purposes only and is not indicative of any investment. **Past performance is no guarantee of future results.**

Components of a diversified retirement income strategy



Six steps to consider

So, how do you get started? Here are the six steps to take to help create a diversified income plan:

1. Identify your personal and financial goals.
2. Complete a retirement income plan to determine the probability that you will have enough money to last throughout retirement.
3. Determine:
   - When to take Social Security
   - How much of your investment portfolio you want to allocate to an emergency fund, protection, and growth potential
   - Who will manage your investment portfolio
4. Implement your plan with the right mix of income-producing investments to balance your financial needs and investment priorities in retirement.
5. Set up regular reviews with an investment professional to refine your portfolio to help meet your lifestyle and income needs.
6. Enjoy your retirement!

4. Calculated withdrawals from savings

How much can you comfortably withdraw from your savings, especially early in retirement, and still have confidence that your money won't run out? Your decision can have a dramatic effect on the longevity of your assets, as the graph on the previous page illustrates.

As you can see, based on investment performance for the 35-year period beginning in 1972, a hypothetical balanced portfolio of 50% stocks, 40% bonds, and 10% short-term investments would have done quite well for a retiree who limited withdrawals to 4% annually.

On the other hand, someone who retired at 65 and withdrew 8% adjusted for inflation would have been out of money shortly after age 75.

You don't know what the future will hold for you, and the financial past is no guarantee of what will come next. Nevertheless, our historical research suggests that limiting withdrawals to 4% to 5% is a good place to start, provided that an investor with a balanced portfolio is planning for roughly 30 years of retirement. To maintain this rate throughout retirement, though, the investor should stick to a balanced portfolio for the duration of his or her retirement, and review the portfolio at least annually to monitor and rebalance as needed.

The sequence of good and bad market performance years may also have a major effect on your portfolio's ability to sustain your income. For example, a portfolio that starts out strong in retirement and has losses later will likely be in much better shape than one that has down years early, even if strong performance in later years brings its average return back in line with historical averages.

For this reason, it's important take into account the potential effects of fluctuating financial markets when you're deciding how much to withdraw early in retirement, your ability to stay invested during these periods of volatility, and how to divide your retirement portfolio among asset types and diverse investments.

OK, so now you know what to keep in mind as you prepare a retirement income plan. Now let's turn to the elements of a sound plan.

Three key building blocks

Your retirement income plan should provide three things:

- Guaranteed income for day-to-day expenses to help a retirement plan succeed
- Growth potential to meet long-term needs
- Flexibility to refine a plan over time

1. Guaranteed income for day-to-day expenses to help a retirement plan succeed

When you create your plan, first and foremost, you'll want to make sure your day-to-day expenses—nonnegotiable costs, such as housing, food, utilities, and health care—are covered by guaranteed sources. This income should last for what could be a 30-year or longer retirement period.

There are essentially three sources of guaranteed income.

Social Security: This is a foundational source of income for most people. When you decide to take it may have a big impact on your retirement. It can be tempting to take the money as soon as you're eligible for Social Security—typically at age 62. But that can be a costly move. If you start taking Social Security at 62, rather than waiting until your full retirement age (FRA), you will receive reduced monthly benefits. (FRA ranges from 65 to 67, depending on the year in which you were born.) Find out your full retirement age , and work with your trusted financial consultant to explore your options.

Pensions: Although pensions used to be commonplace, they aren't so much anymore. Indeed, only 14% of workers have a defined benefit pension plan, according to the U.S. Department of Labor.[2] If you're one of those people, you'll want to weigh the pros and cons of how you withdraw the money—as a lump sum or stream of income. If you're one of those people without one, there are other ways to create a pension-like stream of income.

Annuities: A **fixed-income annuity** is a contract with an insurance company that, in return for an up-front investment, guarantees[3] to pay you (or you and your spouse) a set amount of income either for the rest of your life or a set period of time. There are different types of income annuities you may consider: an immediate income annuity, a deferred income annuity, or a fixed deferred annuity with a guaranteed lifetime withdrawal benefit (GLWB). Each allows you to buy an annuity now that would provide payments for the rest of your life to supplement retirement income and/or to manage longevity risk. Fixed payments continue and don't change regardless of what happens in the financial markets.

There are a few things to keep in mind, though. You may give up access to the savings you use to purchase an immediate or deferred income, so you'll need to have other money available for unexpected expenses. If you purchased these annuities, you also forgo any growth potential for this money; however, you can pay extra for annual increases in payments to help offset inflation. In addition, you can select to provide protection for your beneficiaries if that is important to you.

A fixed deferred annuity with a GLWB allows access to your investment. When you purchase this type of annuity, your future income amount is guaranteed to increase on each contract anniversary for a set period of time or until your first lifetime withdrawal, whichever comes first. You will know how much income you (or you and your spouse for joint contracts) will receive each year at any age you decide to take withdrawals. While each annuity offers an attractive blend of features, determining which annuity or a combination of annuities is appropriate for you is part of building a diversified income plan.

A **variable income annuity** guarantees payments for as long as you live, but unlike fixed-income annuities, it offers potential for growth.[4] That's because variable annuity contract owners can choose from among underlying investments, and your income payments may go up or down based on the performance of those investments. Why would you purchase a variable annuity rather than investing the money directly in the stock market? A variable annuity with a lifetime income payment option may help protect you against the risk of outliving your assets.

2. Growth potential to meet long-term needs

As you build your income plan, it's important to include some investments with growth potential that may help keep up with inflation through the years.

You'll want to consider how you can pay for those fun things you've always dreamed about doing when you finally have the time—discretionary expenses like vacations, hobbies, and other nice-to-haves. It's a smart strategy to pay for these discretionary expenses from your investment portfolio. That's because if the market were to perform poorly, you could always cut back on some of these expenses.

It's important to consider a mix of stocks, bonds, and cash that takes into account your time horizon, financial situation, and tolerance for market shifts. An overly conservative strategy can result in missing out on the long-term growth potential of stocks, while an overly aggressive strategy can mean taking on undue risk during volatile markets. Creating and managing an investment portfolio in retirement requires some work, however, and the discipline to stay on plan even during volatile markets. You need to carefully research investment options and choose ones that match your goals. You also need to monitor your investments and portfolio, and rebalance when needed. And it's important to manage taxes on your investments too. If you don't have the skill, will, or time to do that, a professionally managed account might be a better option.

3. Flexibility to refine a plan over time

You want to have a plan that can adapt to life's inevitable curveballs. Five years into your retirement, you might receive an inheritance, have your parents move in, or experience another significant life event. When these things happen, you need a plan that gives you the ability to make adjustments along the way.

That's why it's important to combine income from multiple sources to create a diversified income stream in retirement. Complementary income sources can work together to help reduce the effects of some important key risks, such as inflation, longevity, and market volatility. For example, taking withdrawals from your investment portfolio doesn't guarantee income for life, but gives you the flexibility to change the amount you withdraw each month. The risk is that your money could run out if you live a long life, or if the market unexpectedly declines.

On the other hand, income annuities provide guaranteed income for life, but may not offer as much flexibility or income growth potential. As part of your overall financial plan, you may wish to preserve some principal for use in an emergency or to leave a legacy for heirs. You can accomplish this separately from, or in conjunction with, a diversified income plan.

Making a decision

Everyone's situation is unique, so there's no one income strategy that will work for all investors. You'll need to determine the relative importance of growth potential, guarantees, or flexibility to help you pinpoint the strategy that is right for you in retirement.

Of course, there are trade-offs. For instance, more growth potential can mean settling for less guaranteed income. With more guarantees, you get less growth potential and less flexibility. Consider, too, your family's history regarding longevity and whether you plan to leave a legacy to your heirs.