Do You Have the Income You Need to Retire?

NUVEEN Investments

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Meeting income objectives in retirement is a primary goal for a growing number of investors. Yet many popular ways of building portfolios primarily address the growth phase of an investor's life cycle, rather than focusing on income. We believe that designing a portfolio to meet retirement income needs requires focusing on five key characteristics.

Constructing a Portfolio That Works for You

Investors who are beginning their careers often focus on growing assets and compounding wealth over many years. Risk tolerance and time horizon drive portfolio construction for accumulation investors. The shift into retirement, however, requires a corresponding shift to a focus on income.

Designing a portfolio to produce income is not the same as building one for growth. Growth may be a secondary objective for many income-seekers, but a retirement income portfolio will be less focused on total return metrics — alpha, standard deviation — and more concerned with the income stream.

As investors approach or enter retirement, "guaranteed" sources of retirement income are not as prevalent or reliable as they once were. Corporate defined benefit pension payments may not be a primary source of retirement income, public employee pensions are chronically underfunded, and Social Security appears less secure as the ratio of retirees to workers continues to rise. As a result, savers' nest eggs will be increasingly called upon to deliver a significant portion of their income in retirement.

This is why we believe that a distinctive, well-reasoned portfolio approach that considers retirement income goals, sources and factors is essential. In the next few pages, we've outlined an approach to retirement income that focuses on identifying the right balance of income characteristics to pinpoint appropriate investment solutions.

Five Key Retirement Income Characteristics

Yield	Are your investments generating enough income?
Income Stability	Is your cash flow steady and reliable?
Manage Downside Risk	How will your portfolio respond to down markets?
Purchasing Power	Will your investments grow faster than inflation?
Tax Efficiency	How will taxes affect the income you keep?

Learn more about retirement income investing inside.

You're Retiring: What's Next?

As retirement approaches, investment income plays a greater role in balancing expenses and lifestyle. A first step in developing a retirement income portfolio is understanding the gap between retirement income needs and income sources (e.g., Social Security, pension, annuity). This gap becomes a target income level required from the investment portfolio.

Pre-Retirement

Paycheck = Employer

NEEDS

Expenses (living, spending)

Savings (home, college, retirement)

GOALS

Highest return for a given level of risk

Wealth building for the future

Legacy planning

Retirement

Paycheck = Investor

NEEDS

Expenses (living, spending)

Other considerations (health care, travel, wealth transfer)

GOALS

Maintaining principal

Leaving a legacy

Income through a combination of:

- Social Security
- Pension
- Annuity
- **Investment Income**
  401(k), IRA, non-qualified investments

Nuveen Investments believes investors must shift the focus from saving for retirement to **RETIREMENT INCOME INVESTING**.

How Do You Determine the Income You Need?

One way to look at this is to consider regular monthly expenses in order to calculate a minimum income requirement. Once the spending needs and types of "guaranteed" income are known, this information can be used to identify a target yield level needed from the investment portfolio to reach overall income needs.

Monthly Retirement Budget

What's your budget shortfall each month?

Income	
Social Security	$1,500
Pension	$1,500
Investment Income	???
Expenses	$6,000
Total Monthly Budget Shortfall	**–$3,000**

Making Up the Difference:

- Assuming an investment portfolio of $750,000
- To create an additional $3,000 of income per month, or $36,000 per year, $36,000/$750,000 = **4.8% yield**

Required yield level from investment portfolio to provide needed income

This is a simplified, hypothetical illustration and is not intended to depict an actual investment or portfolio.

What Is Important in a Retirement Income Portfolio?

To help achieve income goals, Nuveen Investments has identified five key retirement income characteristics: yield, income stability, managing downside risk, purchasing power and tax efficiency.

Yield

Non-Traditional Income May Provide Additional Yield

Low yields on U.S. Treasuries and high quality fixed income assets mean less-traditional solutions may be required to generate higher yield. Credit market sectors may offer higher yields in exchange for taking on additional credit risk, and multi-asset/multi-sector strategies have broader investment universes than traditional market benchmarks.

A Diverse Set of Income Opportunities May Deliver the Income You Need

Yields as of December 31, 2015

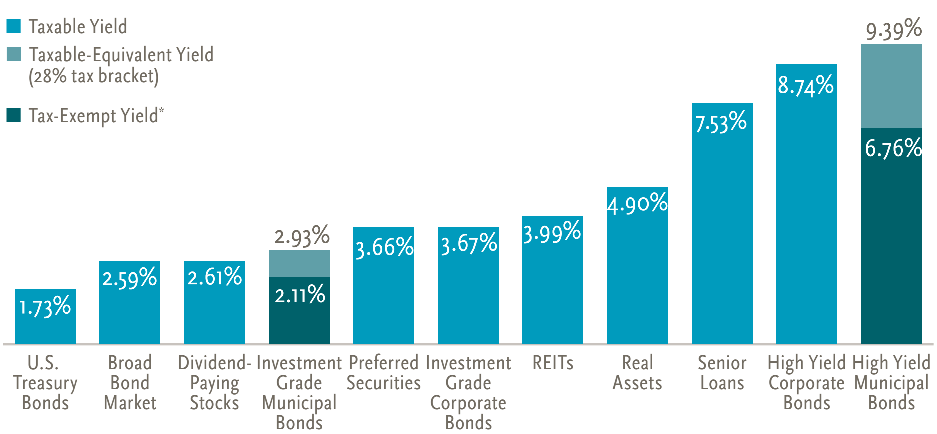


Chart does not represent the yield or past performance of any fund. For fund performance visit nuveen.com.

* Some income may be subject to state and local taxes and the federal alternative minimum tax. Capital gains, if any, are subject to tax.

Data source: Barclays Capital, Bloomberg, BofA Merrill Lynch as of 12/31/15. **Past performance is no guarantee of future results. Diversification does not assure a profit or protect against a loss.** Yields for bonds are yield-to-worst. **Yield-to-worst** is the lowest potential yield that can be received on a bond without the issuer defaulting. Senior Loans yield is the 3-Year Discount Margin yield. The **3-Year Discount Margin** is the yield-to-refunding of a loan facility less the current 3-month LIBOR rate, assuming a 3-year average life for the loan. Dividend-Paying Stocks and International Stocks are dividend yields. **Dividend yield** for a company's stock is the ratio of the dividends paid out by the company each year per share to the share's current market price. **Taxable-equivalent yield** is the yield a taxable investment needs to possess (before taxes) for its yield to be equal to that of a tax-exempt investment. The rate shown is based on a federal rate of 28%. **U.S. Treasury Bonds**: Barclays U.S. Treasury Index; **Broad Bond Market:** Barclays U.S. Aggregate Bond Index; **Dividend-Paying Stocks**: S&P 500® Dividend Aristocrats Index; **Investment Grade Municipal Bonds**: Barclays Municipal Index; **Investment Grade Corporate Bonds**: Barclays U.S. Corporate Index; **Real Estate Investment Trusts (REITs)**: FTSE NAREIT All Equity REITS Index; **Preferred Securities**: BofA Merrill Lynch Preferred Stock Fixed Rate Index; **Real Assets**: Real Asset Income Blend; **Senior Loans**: Credit Suisse Leveraged Loan Index; **High Yield Corporate Bonds**: Barclays Corporate High Yield 2% Issuer Capped Index; **High Yield Municipal Bonds**: Barclays High Yield Municipal Bond Index. Different benchmarks, economic periods, methodologies and market conditions will produce different results. There is no assurance that any asset class or index will provide positive performance over time. **See Endnotes for important disclosures regarding asset class related risks and definitions of each representative asset class.** It is not possible to invest directly in an index.

A RANGE OF ASSET CLASSES that produce income may help address the need for income during retirement

Income Stability

Stable and Reliable Income Can Make a Difference

In retirement, a key need is replacing a regular paycheck with a reliable source of income. Utilities, mortgages and other bills are typically paid monthly, so having steady, reliable inflows aligns income with spending patterns.

The psychological and practical benefits of developing a consistent income stream make this a key priority for retirement income portfolios. Selling securities or rebalancing a portfolio monthly in order to pay bills is not efficient and may result in capital gains, unanticipated losses and an unwanted shift in portfolio construction. Holding large amounts of cash ultimately costs an investor yield potential and purchasing power as inflation erodes its value.

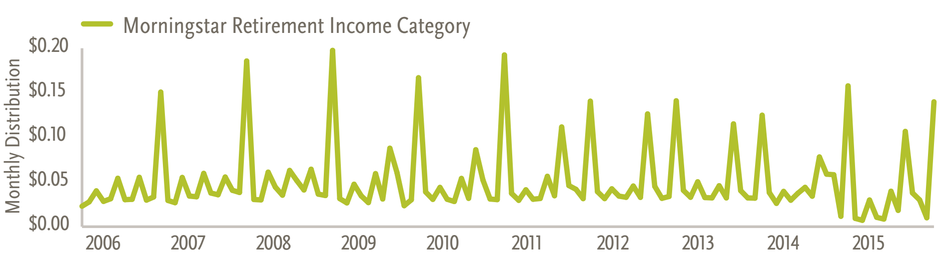
Different investment vehicles have different distribution policies. Whereas stocks pay dividends (generally paid quarterly) and bonds pay coupons (generally paid semi-annually), mutual funds, closed-end funds and exchange-traded funds can have distribution policies that vary widely.

For investors generating retirement income using mutual funds, choosing the right fund requires analysis beyond philosophy, process, people, price and performance. It may be important for investors with fixed monthly liabilities or high expenses to seek funds paying monthly distributions. Even funds designed specifically for retirement income may not provide income stability, as shown below. Investors should consider the volatility of a fund's distribution if they intend to use investment income to pay ongoing expenses.

HISTORY OF INCOME MANAGEMENT
More than 50 years ago, Nuveen pioneered investments that provided monthly tax-free income — an approach we remain committed to today.

Retirement Income Investors Should Consider the Volatility of Distributions

January 1, 2006 – December 31, 2015

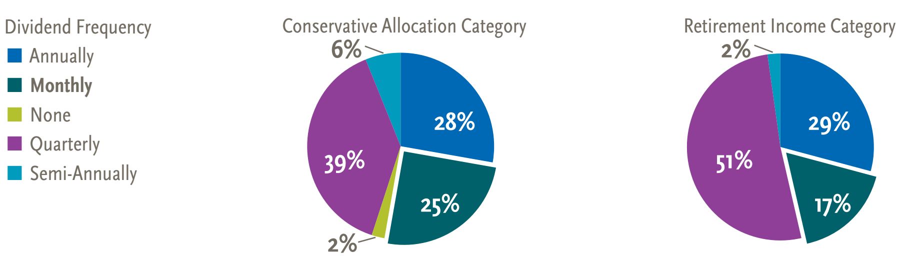


Data source: Morningstar Direct from 1/1/06 – 12/31/15. **Past performance is no guarantee of future results. There is no guarantee as to the income provided by the funds.**

A look at the distribution frequencies of select income-oriented mutual fund categories shows that only 25% of Morningstar's Conservative Allocation funds and 17% of Retirement Income funds offer monthly distribution policies.

Few Conservative Allocation and Retirement Income Funds Pay Monthly Dividends

Distribution Policies of Select Morningstar Income-Oriented Categories as of December 31, 2015



Data source: Morningstar Direct as of 12/31/15. Funds may pay distributions monthly, quarterly, semi-annually or annually. Totals may not equal 100% due to rounding. **There is no guarantee as to the income provided by the funds.**

THE LOW NUMBER of funds that pay monthly distributions may reflect an industry geared toward total return-oriented, growth investors

In contrast, Nuveen Investments' heritage and philosophy uniquely aligns with the goal of income stability. Over fifty years ago, Nuveen designed municipal unit investment trusts to provide reliable monthly tax-exempt income to investors. This approach to income continues to be a guiding philosophy today.

Manage Downside Risk

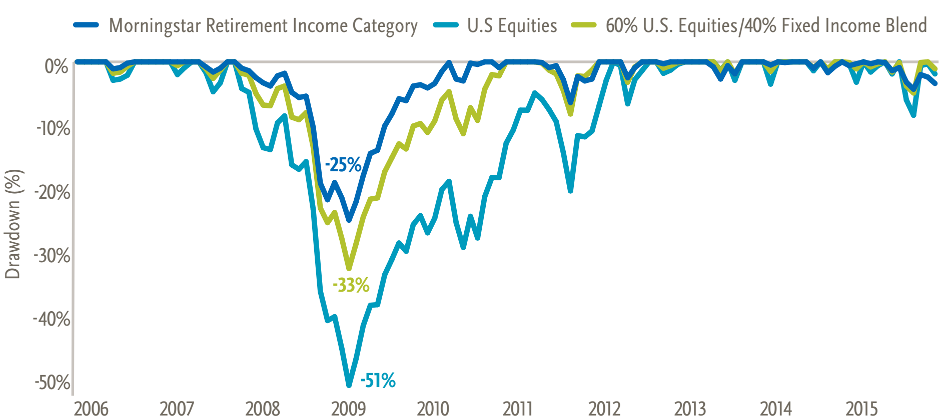
Stay Invested by Planning for Market Downturns

Some risk is necessary to achieve any investment objective. Yet it can be scary to see a portfolio's value rise and fall when it's providing needed monthly income and long-term security. The biggest risk to a retirement portfolio may be selling in a market downturn, which prevents the portfolio from participating in any subsequent recovery and may also reduce income. For investors to stay the course during bouts of market volatility or a deep sell-off, it is important to understand the potential downside risk (and recovery rates) of retirement income options.

One of the biggest lessons from 2008 – 2009 is that a decline of investment value on paper is not the same as realizing an actual loss due to selling at a lower market price. An investor who stayed in the markets benefited from the recovery, even if the initial experience was unpleasant and the recovery was long. It might be worth considering how deep of a loss (drawdown) it would take to give up on a portfolio, and attempt to build a retirement income portfolio designed to exceed that threshold. Would an investor who overreacted to paper losses of 50% behave the same as one who experienced a 25% decline?

The Retirement Income Category Has Experienced Shallower Drawdowns than Equities

Drawdown Periods (January 1, 2006 – December 31, 2015)



Data source: Morningstar Direct as of 12/31/15. **Past performance is no guarantee of future results.** Chart illustrates drawdown periods over the last ten years, based on monthly data. A **drawdown** is the peak to trough decline during a specific record period of an investment. Positive performance is not assured over time. Performance assumes the reinvestments of dividends and capital gains. Index returns do not reflect transaction costs. The **60% U.S. Equities/40% Fixed Income Blend** is represented by: **U.S. Equities:** S&P 500 Index, **Fixed Income:** Barclays U.S. Aggregate Bond Index, rebalanced monthly. It is not possible to invest directly in an index.

AT THE DEPTH OF THE FINANCIAL CRISIS, the Morningstar Retirement Income Category declined less than the S&P 500 and a 60/40 blend — and recovered more quickly.

Purchasing Power

Effects of Inflation Increase During a Longer Retirement

As life expectancies increase, investors must maintain their purchasing power over longer retirement horizons or face diminished lifestyle choices as they age. Purchasing power can erode even without a meaningful increase in inflation.

This means more money is needed today to buy the same amount of goods in the future. For example, if a newly retired 65-year-old in a 2% inflation environment wanted $100,000 worth of today's goods in 10 years, he or she would need $121,899 in cash today, assuming it remains uninvested over the decade.

Retirements of 20 to 30 years can significantly increase this gap. In the example, an investor would require cash levels of $148,595 (for 20 years) and $181,136 (for 30 years). The gap widens meaningfully if the inflation assumption increases modestly from 2% to 3%.

The "Cost" of Capital Preservation

To have $100k of purchasing power in the future, investors require $___ of assets today

This is a hypothetical illustration and is not intended to depict an actual investment or portfolio. Assumes cash is not invested, does not accrue interest and is held for the entirety of the time periods indicated.

IN A 2% INFLATION environment, $121,899 of uninvested cash is needed today to equal $100,000 of purchasing power in 10 years.

Potential solutions include income-producing assets with coupons explicitly linked to inflation and portfolios with inflation-hedging overlays that include assets likely to appreciate as inflation rises. This may allow investors to reinvest more money into income-producing assets at a later date. Investors might also consider an overall portfolio construction strategy to include growth assets. Ongoing rebalancing from growth assets to income assets may help maintain or increase portfolio income over time.

Tax Efficiency

Tax-Aware Strategies Can Enhance Available Income

When investing for income, the character and location of investments is essential. In taxable accounts, allocating to municipal bonds and select equities that pay qualified dividends can have a meaningful impact on the income available to spend, as it reduces the tax liability. The yields on many municipal bonds can also be competitive, particularly when accounting for the exemption from federal taxes.[1]

Municipal Bonds Have Provided Attractive Tax-Equivalent Yields

As of December 31, 2015

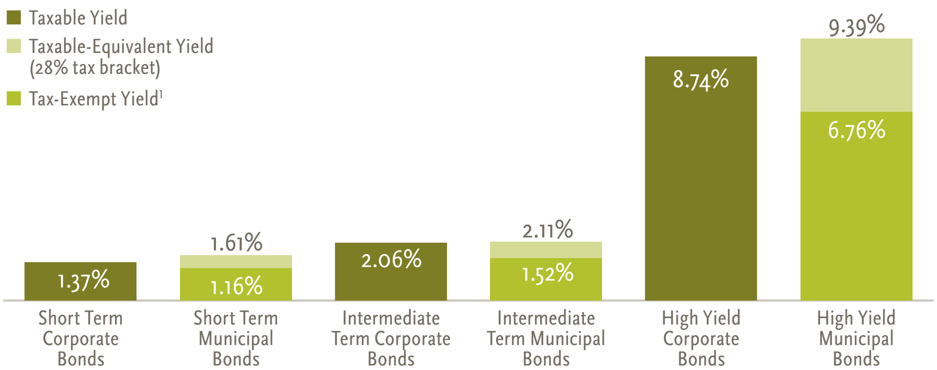


Chart does not represent the past performance of any fund. For fund performance visit nuveen.com.

1 Some income may be subject to state and local taxes and the federal alternative minimum tax. Capital gains, if any, are subject to tax.

Data source: Barclays Capital as of 12/31/15. Past performance is no guarantee of future results. Yields are yield-to-worst. **Yield-to-worst** is the lowest potential yield that can be received on a bond without the issuer defaulting. **Taxable-equivalent yield** is the yield a taxable investment needs to possess (before taxes) for its yield to be equal to that of a tax-exempt investment. The yields shown are based on a federal rate of 28%. They do not take into account the effects of the federal alternative minimum tax (AMT) or capital gains taxes. The asset class yields are represented by the performance of representative indices: **Short Term Corporate Bonds:** Barclays U.S. Government/Credit 1-3 Year Index; **Short Term Municipal Bonds:** Barclays Municipal Short Index; Intermediate Term Corporate Bonds: Barclays U.S. Government/Credit Intermediate Index; **Intermediate Term Municipal Bonds:** Barclays Municipal Intermediate Index; **High Yield Corporate Bonds:** Barclays Corporate High Yield 2% Issuer Capped Index; **High Yield Municipal Bonds:** Barclays High Yield Municipal Bond Index. Different benchmarks, economic periods, methodologies and market conditions will produce different results. **See Endnotes for important disclosures regarding asset class related risks and definitions of each representative asset class.** It is not possible to invest directly in an index.

TAXABLE EQUIVALENT YIELD is the taxable yield that would be needed (before taxes) to equal the tax-exempt municipal yield

$$\text{Taxable Equivalent Yield} = \frac{\text{Tax-Exempt Yield}}{(100\% - \text{Marginal Tax Rate})}$$

In addition to deciding which assets to include in an investment portfolio, the location of these assets presents a planning opportunity. Investors can work with their financial advisors to strategically place assets in taxable, tax-deferred and/or tax-exempt accounts to help manage the after-tax result.

Asset Location May Help Manage Tax Efficiency

Taxable Accounts	Tax-Advantaged Accounts (Tax-Deferred and Tax-Exempt)
Passively managed ■ Low turnover ■ Index funds	**Actively managed** ■ High turnover ■ Small cap ■ International
High dividend (qualified) stocks	**Low dividend equities**
Long-term capital gains equities	**Short-term capital gain equities**
Tax-exempt income ■ Municipal bonds	**Taxable income** ■ Corporate/government bonds ■ REITs

Looking Ahead to Retirement Based on Income Needs

As the baby boom generation retires, more investment portfolios will likely move away from compounding wealth toward producing income. This transition prompts complex financial planning decisions for many investors, creating an opportunity to work with a financial advisor to discuss a holistic picture of taxable and tax-advantaged accounts and build customized portfolios that may provide ongoing and sustainable income. Consideration could also be given to whether accounts can be consolidated for efficiency. Focusing on the right balance of five retirement income characteristics may help identify investment solutions to meet investor needs. ■

For more information, contact your financial advisor and visit nuveen.com.

ENDNOTES

ASSET CLASS RELATED RISK

Different types of asset investments have different types of risks, which may provide higher returns but also greater volatility. In general, equity securities tend to be more volatile than fixed income or hybrid securities. The value of, and income generated by, debt securities will decrease or increase based on changes in market interest rates. As interest rates rise, bond prices fall. Government bonds are guaranteed as to the timely payment of principal and interest. However, there are other factors that can contribute to how securities react in various interest rate environments. Preferred securities combine the features of bonds and stocks, and have credit risk based on the issuer's ability to make interest and dividend payments when due. The value of a REIT can be hurt by economic downturns or by changes in real estate values, rents, property taxes, interest rates, tax treatment, regulations or the legal structure of the REIT. Except in certain circumstances, income is generally subject to both federal and state taxes. Income is only one component of performance and an investor should consider all of the risk factors for each asset class before investing.

REPRESENTATIVE ASSET CLASS DEFINITIONS

Broad Bond Market: The Barclays U.S. Aggregate Bond Index represents securities that are SEC-registered, taxable and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities. These major sectors are subdivided into more specific indices that are calculated and reported on a regular basis.

Dividend-Paying Stocks: The S&P 500® Dividend Aristocrats Index measures the performance of large cap, blue chip companies within the S&P 500 that have followed a policy of increasing dividends every year for at least 25 consecutive years.

High Yield Corporate Bonds: The Barclays Corporate High Yield 2% Issuer Capped Index tracks the performance of U.S. non-investment-grade bonds and limits each issuer to 2% of the index.

High Yield Municipal Bonds: The Barclays High Yield Municipal Bond Index is an unmanaged index consisting of non-investment-grade, unrated or below Ba1 bonds.

Intermediate Term Corporate Bonds: The Barclays U.S. Government/Credit Intermediate Index is an unmanaged index that consists of dollar-denominated, investment-grade, publicly-issued securities with a maturity between one and ten years that are issued by both corporate issuers and non-corporate issuers.

Intermediate Term Municipal Bonds: The Barclays Municipal Intermediate Index is a subset of the Barclays Capital Municipal Bond Index including maturities of five to ten years.

Investment Grade Corporate Bonds: The Barclays U.S. Corporate Index is a broad based benchmark that measures the investment grade, fixed-rate, taxable, corporate bond market.

Investment Grade Municipal Bonds: The Barclays Municipal Index covers the USD denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

Preferred Securities: The BofA Merrill Lynch Preferred Stock Fixed Rate Index is designed to replicate the total return of a diversified group of investment-grade preferred securities.

Real Assets: The Real Asset Income Blend comprises a weighting of 28% S&P Global Infrastructure Index, 21% FTSE EPRA/NAREIT Developed Index, 18% Wells Fargo Hybrid & Preferred Securities REIT Index, 15% Barclay's Global Capital Securities Index and 18% Barclays U.S. Corporate HY Index.

Real Estate Investment Trusts (REITs): The FTSE NAREIT All Equity REITs Index is a free float-adjusted market capitalization weighted index that includes all tax qualified REITs listed in the NYSE, AMEX and NASDAQ National Market.

Senior Loans: The Credit Suisse Leveraged Loan Index is designed to mirror the investable universe of the U.S. dollar-denominated leveraged loan market. Loans are added to the index if they qualify according to the following criteria: The highest Moody's/S&P ratings are Ba1/BBB+, only funded term loans are included, and the tenor must be at least one year.

Short Term Corporate Bonds: The Barclays U.S. Government/Credit 1-3 Year Index is an unmanaged index considered representative of performance of short-term U.S. corporate bonds and U.S. government bonds with maturities from one to three years.

Short Term Municipal Bonds: The Barclays Municipal Short Index is a subset of the Barclays Capital Municipal Bond Index that measures the performance of investment-grade issues with maturities of one to five years.

U.S. Equities: The S&P 500® Index measures the performance of large capitalization U.S. stocks. The S&P 500® is a market weighted index of 500 stocks that are traded on the NYSE, AMEX and NASDAQ.

U.S. Treasury Bonds: The Barclays U.S. Treasury Index includes public obligations of the U.S. Treasury. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index. In addition, certain special issues, such as state and local government series bonds (SLGs), as well as U.S. Treasury TIPS, are excluded. STRIPS are excluded from the index because their inclusion would result in double counting.

RISKS AND OTHER IMPORTANT CONSIDERATIONS

The views and opinions expressed are for informational and educational purposes only as of the date of writing and may change at any time based on market or other conditions and may not come to pass. Goal classifications represent common investor concerns when evaluating portfolio needs and are not intended to be relied upon as investment advice or recommendations, do not constitute a solicitation to buy or sell securities and should not be considered specific legal, investment or tax advice. The information provided does not take into account the specific objectives, financial situation, or particular needs of any specific person. All investments carry a certain degree of risk and there is no assurance that any investment strategy will be successful.

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