MetLife Retirement Income
Decision Survey:
The Silent Generation Speaks

The Changing Retirement Landscape
C. Robert Henrikson
President and COO

Number of Defined Contribution & Defined Benefit Plans (1977-1999)

Source: Department of Labor
Worker Participation by Plan Type 1979 vs. 1998

Source: Department of Labor; GAO report on private pensions, July 2003

The 65+ Population is Growing Rapidly

Source: U.S. Census Bureau

Personal Savings - % of Disposable Income

Source: Dept. of Commerce, Bureau of Economic Analysis, June 2003
Income Required to Keep Pace With Inflation

<table>
<thead>
<tr>
<th>Today</th>
<th>5 Years</th>
<th>10 Years</th>
<th>15 Years</th>
<th>20 Years</th>
<th>25 Years</th>
<th>30 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,000</td>
<td>$1,108</td>
<td>$1,411</td>
<td>$1,675</td>
<td>$1,990</td>
<td>$2,363</td>
<td>$2,807</td>
</tr>
</tbody>
</table>

Today 5 Years 10 Years 15 Years 20 Years 25 Years 30 Years

Based on a 3.5% rate

Source: MetLife

People Underestimate the Time Spent in Retirement

<table>
<thead>
<tr>
<th>Male (age 65)</th>
<th>50% Chance of living beyond</th>
<th>25% Chance of living beyond</th>
</tr>
</thead>
<tbody>
<tr>
<td>85</td>
<td>92</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Female (age 65)</th>
<th>50% Chance of living beyond</th>
<th>25% Chance of living beyond</th>
</tr>
</thead>
<tbody>
<tr>
<td>88</td>
<td>94</td>
<td></td>
</tr>
</tbody>
</table>

At least one person has a:

<table>
<thead>
<tr>
<th>Couple (both age 65)</th>
<th>50% Chance of living beyond</th>
<th>25% Chance of living beyond</th>
</tr>
</thead>
<tbody>
<tr>
<td>97</td>
<td></td>
<td></td>
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</tbody>
</table>

Source: MetLife Retirement Income IQ Test, 2004

Chances of Correctly Predicting Future Lifetime

<table>
<thead>
<tr>
<th>Age at Death</th>
<th>Chance of Correctly Predicting Lifetime</th>
<th>Average Age at Death</th>
<th>Chance of Living to Any Age Between 65 and 105</th>
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</thead>
<tbody>
<tr>
<td>65</td>
<td>0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>70</td>
<td>5%</td>
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<tr>
<td>75</td>
<td>10%</td>
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<tr>
<td>80</td>
<td>15%</td>
<td></td>
<td></td>
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<tr>
<td>85</td>
<td>20%</td>
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<tr>
<td>90</td>
<td>25%</td>
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<tr>
<td>95</td>
<td>30%</td>
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<tr>
<td>100</td>
<td>35%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>105</td>
<td>40%</td>
<td></td>
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</tbody>
</table>

Source: MetLife
**Distribution of Age at Death Individuals vs. Group**

(Based on Annuity 2000 Mortality Table for Males Age 65)

![Graph showing the distribution of age at death for individuals and groups.]

Presented by:

Sandra Timmermann, Ed.D.
Gerontologist and Director
MetLife Mature Market Institute

Mathew Greenwald, Ph.D.
President
Mathew Greenwald & Associates, Inc.

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**Methodology for Online Survey of Silent Generation with at Least $100K in Non-Housing Assets**

**Purpose**
- To examine pre-retirees’ and retirees’ understanding and perceptions about retirement income and spending

**Method**
- Online survey of 1,012 respondents, including 503 pre-retirees and 509 retirees
- 14-minute questionnaire, conducted January 27 to February 4, 2005

**Respondents**
- Members of the “Silent Generation” are between the ages of 59 and 71
- Primary or joint decision maker in their household for financial matters
- Household financial assets, excluding housing, of $100,000 or more (top half of Silent Generation by financial assets)

**Research Consultants**

*Source: The 2001 Survey of Consumer Finance by the Federal Reserve Board*
Silent Generation Retirees Feel Comfortable About Their Financial Future

- Most retired Silents feel they are living well in retirement
- Pre-retirees and retirees look forward to a life of comfort
- Retirees who have both a pension and an annuity are three times more likely to say retirement is much better than they expected
- Retired Silents’ financial assets and income now give them “extras”

91% of retirees report that their lifestyle in retirement is the same or better than they expected it to be

Retirees’ Lifestyle in Retirement Meets or Surpasses Their Expectations

- 49% Better than expected
- 42% Same as expected
- 9% Worse than expected

Silent Generation Expects a Comfortable Retirement

- Large majorities of both pre-retirees and retirees are confident they have enough money to live comfortably if they live to 85 years of age
- Further, few retirees worry often about their money lasting through retirement (only 10% worry at least once a month)
Eight in ten pre-retirees and retirees expect or have regular streams of income in retirement from a company pension plan and/or annuities. Most expect or have Social Security benefits also.

In 2004, which were sources of income for you (and your spouse), regardless of whether you spent it, saved it, or re-invested it? [Pre-Retirees: During your first year of retirement, which do you expect will be sources...]

- Company pension plan
- Annuities
- Social Security

Pre-Retirees (n=503) Retirees (n=509)

- Company pension plan and/or annuities
- Social Security (Not all retirees have met the age for Social Security benefits yet)

Those ages 59 to 71, with pensions or annuities, are more likely to feel confident that they will have enough money to live comfortably to age 85. These findings hold true across varying levels of income and assets.

Income from Fixed Sources Is Very Important to Retirees and Pre-Retirees

- Three-quarters of retirees and pre-retirees say their anticipated income from fixed sources is extremely/very important in deciding how much they spend.
Almost nine in ten retirees have income from savings or investments (although not all use this income)

Only 12% of retirees earn money from working

Relatively Few Retired Silents Get Income from Work, Rental Property, or Family Members

In 2004, which were sources of income for you (and your spouse), regardless of whether you spent it, saved it, or re-invested it? (Pre-Retirees: During your first year of retirement, which do you expect will be sources?)

- Savings or investments: 47%
- Money from working: 12%
- Rent from property: 14%
- Money from family members: 9%

Most Retirees Have Money for “Extras”

- 65% of retirees say less than 70% of their spending is on necessities

What percentage of your (and your spouse’s) spending in 2004 was for necessities? (Please include only basic necessities such as food, clothing, housing, utilities, and health care)

- Less than 50%: 36%
- 50% to 69%: 30%
- 70% or more: 35%

Most Retirees’ Planning/Spending Decisions Are Not Driven by a Strong Desire to Leave an Inheritance

- Fewer than half consider leaving an inheritance to be important

- Others are free to plan and spend with only their own needs/desires in mind

How important a goal is it for you personally to leave an inheritance to anyone (other than your spouse)?

- Not at all: 10%
- Not too: 15%
- Somewhat: 30%
- Very: 55%
In Spite of This Overall Good News, Many of the Silent Generation Seem Naïve About the Realities of Retirement Finances

- Many have unrealistic expectations about retirement income from investments and working
- The magnitude of retirement expenses will catch some unaware
- They lack safeguards against overspending
- Many do not grasp how much inflation will affect their income needs
- Some underestimate life expectancy

Some Pre-Retirees Have Unrealistic Expectations Regarding Earned Income in Retirement

- More than half of pre-retirees expect to generate retirement income by working (55%), while only 12% of retirees currently work for pay

Many Are Probably Overly Optimistic About Their Investment Earnings

- Of those who can estimate their investment return, roughly one-third of pre-retirees and retirees estimate that their investments will average a return of at least 9% or more per year over the next ten years (32% and 36%, respectively)
Many Pre-Retirees Are Likely to Be Surprised by the Magnitude of Their Retirement Spending

- Six in ten pre-retirees think their spending in the first year of retirement will be lower than it currently is (63%)
- Only 28% of retirees say their spending is actually lower

![Chart showing retirement spending comparison]

Too Few Pre-Retirees Anticipate a Rise in Health Care Expenses

- Half of retirees spend more now on health care than they did prior to retirement (50%)
- But only 31% of pre-retirees expect their health care spending to be higher in their first year of retirement

![Chart showing health care spending comparison]

Most Retirees Lack Safeguards Against Overspending

- 60% tap into savings and investments for day to day spending
  - They tend to be those with greater assets
- 40% use them only for emergencies, or never

![Chart showing savings and investment use]

- 6 in 10 have not set a limit on withdrawals

Base: Those who estimated health care spending in 2004
Many in the Silent Generation Do Not Understand the Power of Inflation over Time

- If inflation averages 3% per year, in nine years, costs will rise by 30%
- But half of pre-retirees and four in ten retirees say they would change their spending, saving, or earning if this happens

What changes would you make? (Multiple responses allowed)

<table>
<thead>
<tr>
<th>Pre-Retired (n=503)</th>
<th>Retired (n=509)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cut back on spending</td>
<td>96% 95%</td>
</tr>
<tr>
<td>Find a way to get more income</td>
<td>81% 58%</td>
</tr>
<tr>
<td>Save less than you do now</td>
<td>47% 51%</td>
</tr>
<tr>
<td>Withdraw more from savings and investments</td>
<td>31% 46%</td>
</tr>
<tr>
<td>Get a loan or build debt (such as credit card or home equity)</td>
<td>4% 5%</td>
</tr>
<tr>
<td>Ask for help from family and friends</td>
<td>1% 2%</td>
</tr>
</tbody>
</table>

Pre-Retirees: 54% Would make changes
Retirees: 41% Would make changes

Three in Ten Healthy 59- to 71-Year-Olds Predict Shorter than Average Life Spans

- Of those who are at least in good health, 30% of pre-retirees and 33% of retirees predict their lifespan to be shorter than actual life expectancy

Even Though This Generation Feels Fairly Comfortable with Their Retirement Security...

- There is still reason to be concerned about the financial prospects of the half who live longer than average
- This cohort requires a better sense of life expectancy, the long-term impact of inflation, the impact of market volatility, and the risks of high health care costs
- New and better approaches to risk management would be useful
- Guaranteed streams of income can be effective in helping them
The Silent Generation Speaks…
Will the Boomers Listen?

- Boomers will...
  - Live longer than Silents
  - Have less pension coverage
  - Have less Social Security coverage

- They can’t necessarily count on an inheritance from their parents

- They need to create their own personal “pension plans” to help their money last as long as they do

- Their plans must deal with life expectancy and inflation, so they must first gain an understanding of these retirement risks

- For Generations X and Y, the retirement challenge will be even greater, requiring earlier savings and more use of new risk-sharing products

The Media Reality Check:
A Content Analysis of Recent News Coverage of Annuities
January 1, 2001 Through December 31, 2004

Presented by David Michaelson, Ph.D.

Objective
- Evaluate coverage of income annuities and related retirement issues in major consumer media from January 1, 2001 through December 31, 2004 by determining:
  - Overall accuracy of coverage
    - Misstatements
    - Incomplete information
  - Inclusion of basic facts
  - Omission of basic facts
Methodology

- Content analysis of articles identified through "key word" search of Factiva database
  - Boolean search string using "annuity" OR "annuities" AND "retirement" was basis of search
  - Approximately 1,300 articles met initial search criteria; 373 articles qualified for full review yielding 219 articles specifically focusing on income annuities

- Codes cover six basic categories
  - Costs
  - Control
  - Performance
  - Customer Qualification
  - Longevity
  - Product Features

- Codes developed in consultation with leading industry experts, including experienced staff at MetLife

- Coding done in "context" of each article to ensure balanced and fair evaluation of content

Media Sources

Wire Services
- AP Online
- Associated Press Newswires
- Dow Jones Business News
- Dow Jones Newswires
- Reuters News

Magazines
- Business Week
- Consumer Reports
- Fortune
- Forbes
- Kiplinger's Personal Finance
- Kiplinger's Retirement Report
- Modern Maturity (AARP)
- Money Magazine
- Newsweek
- SmartMoney
- Time
- U.S. News & World Report
Media Sources

- Arizona Republic
- Atlanta Journal-Constitution
- Boston Globe
- Chicago Sun-Times
- Chicago Tribune
- Cleveland Plain Dealer
- Daily News (N.Y.)
- Dallas Morning News
- Detroit Free Press
- Houston Chronicle
- Los Angeles Times
- Miami Herald
- Minneapolis Star-Tribune
- Newark Star-Ledger
- Newsday (N.Y.)
- New York Post
- New York Times
- Philadelphia Inquirer
- Portland Oregonian
- San Diego Union-Tribune
- San Francisco Chronicle
- Seattle Post-Intelligencer
- St. Petersburg Times
- Wall Street Journal
- Washington Post
- USA Today

Analysis

Examples of basic facts used in the analysis include:

- Annuities are insurance products
- Annuities are insurance products that provide an income guarantee
- People are living longer and longer and compared to a generation ago, they spend more time in retirement
- Longevity insurance (i.e. annuities) carries a price just like other insurance products
- Not all income annuities are expensive
- Annuities have competitive rates of return
- Most annuities have benefit options to provide continuing payments when you die

Overall Results*

*Certain of the evaluative findings and comments involve some judgment, analysis and opinion of the author, David Michaelson, and do not necessarily reflect the opinion of MetLife or the Mature Market Institute. The complete methodology and detailed results are available from the Mature Market Institute by contacting us at MatureMarketInstitute@metlife.com
Media Sources

Number of Articles Per Year

- Trend over past 4 years shows significant changes in volume of coverage of income annuities
  - 45% increase over average from 2001 to 2003
  - 65% increase over 2003

Overall Results

Gaps In Coverage

- Cost continues as the most common category where errors and omissions occurred
- Significantly fewer errors and omissions on the performance of annuities occurred in 2004 compared with earlier periods

Most Commonly Reported Misstatements About Annuities

- Dramatic decline in proportion of articles saying annuities are bad investments

Metropolitan Life Insurance Company, New York, NY 10166
The New Generation of Retirement Income Solutions

As the American population ages, Income Annuities will be a critical solution to helping people turn savings into guaranteed income for life.

As a result, the insurance industry is focusing on providing guaranteed lifetime income through a new generation of annuities which:

- have innovative product designs such as longevity insurance and inflation protection
- target a younger audience to encourage employees to create their own “personal pension”
- focus on education and planning tools
- offer varying degrees of liquidity or access to money in an emergency

The insurance industry is revolutionizing how people prepare for the 20, 30 or even 40 years that they might live while in retirement.

To adequately reflect the needs of today’s retirees, income annuities are

- more flexible
- more affordable
- portable
MetLife Retirement Income Solutions

- Comprehensive range of products to meet varying needs
  - Pre- and post-retirement age
  - Immediate income and deferred income
  - Wide range of investment choices

- Complete Educational Programs that
  - Help determine how much to save
  - Help with income planning and how to convert savings to income
  - Create awareness around the issues/risks unique to retirement

MetLife’s Suite of Income Annuity Products - Designed for All Employees

- For those who are “At Retirement”…Retiring now or within one year
  - Likely Ages: 60 - 65

- For those who are “Near Retirement”…Retiring between one and ten years from now
  - Likely Ages: 50 - 60

- For those who are “Far from Retirement”…Retirement is at least ten years away
  - Likely Ages: Younger than 50

MetLife’s Suite Of Income Annuity Products

- Immediate Income
  - “Income Now”
- Deferred Income
  - “Income Later”

<table>
<thead>
<tr>
<th>Fixed Income</th>
<th>Variable Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>MetLife Guaran</td>
<td>Personal IncomePlus</td>
</tr>
<tr>
<td>teed Income Program</td>
<td>“At Retirement”</td>
</tr>
<tr>
<td>“At Retirement”</td>
<td></td>
</tr>
</tbody>
</table>

The annuity contracts are issued by Metropolitan Life Insurance Company (“MetLife”), New York, NY 10166. Like most annuity contracts, MetLife annuities have terms and charges to keep the contract in force. Product features and availability may vary by state.
MetLife’s Suite Of Income Annuity Products - MetLife Guaranteed Income Program and MetLife Personal IncomePlus

1. **The Products:**
   - MetLife Guaranteed Income Program: Fixed Immediate Income Annuity
   - MetLife Personal IncomePlus: Variable Immediate Income Annuity

2. **Offered as:** A distribution option in a defined benefit or defined contribution plan or as an IRA Rollover

3. **Key Benefits:**
   - Security: Income guaranteed for life*
   - Choice: Wide range of pay-out options to meet varying needs
   - Access: During the first two years, you may have access to some or all of the annuity’s withdrawal value as defined in the contract**
   - Ease: Administration and tax reporting provided by MetLife

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**MetLife Guaranteed Income Program**

- **Contribution:** $150,000
- **Payments based on current rates:** $1,000 per month*
- **Payments based on guaranteed rates:** $690 per month

- A variable version is available

*Based on unisex rates in effect on May 6, 2005 for a person age 65 electing a straight life annuity.

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**MetLife’s Suite Of Income Annuity Products - MetLife Personal Pension Builder**

- **The Product:** Fixed Deferred Income Annuity

- **Offered as:** A supplemental retirement savings plan to complement your existing 401(k)

- **Key Benefits:**
  - Security: Each dollar contributed today buys guaranteed income for tomorrow and beyond*
  - Dependability: Income immune to equity market downturns
  - Innovation: No other product like it on the market
  - Control: Individual decides the amount/frequency of contributions as well as when benefit starts
  - Choice: Wide range of pay-out options to meet varying needs
  - Access: During the 60 day period following the start of income payments, you may have access to some or all of the annuity’s withdrawal value as defined in the contract**
  - Ease: Administration and tax reporting provided by MetLife

* All guarantees are subject to the financial strength and claims paying ability of MetLife.
** There is not cash value during the accumulation period. Withdrawals of earnings are taxable as ordinary income and if you are under 59 1/2, may be subject to a 10% tax penalty. Payments may begin between ages 50-85 and the contract must be in force two years before payments start.
MetLife Personal Pension Builder

Contributions

$285 per month

Payments based on current rates: $1,000 per month*
Payments based on guaranteed rates: $500 per month

* Based on rates in effect on May 6, 2005. Assumes a person age 40, contributes $285 per month until a straight life annuity is elected at age 65.

MetLife’s Suite of Income Annuity Products -
MetLife Retirement Income Insurance

■ The Product: Fixed Deferred Income Annuity
■ Offered as: A rollover option or as a voluntary benefit to protect income in later years (e.g., age 85)
■ Key Benefits:
  - Security: Income guaranteed for life
  - Expense: Long deferral period results in the maximum benefit at minimum payment
  - Innovation: No other product like it on the market...true "longevity insurance"
  - Flexibility: Can be purchased with a single lump sum amount or with periodic contributions
  - Ease: Administration and tax reporting provided by MetLife

"All guarantees are subject to the financial strength and claims paying ability of MetLife.

MetLife Retirement Income Insurance

Contribution

$80,000

Payments based on current rates: $1,000 per month*
Payments based on guaranteed rates: $560 per month

* Based on rates in effect on May 6, 2005. Assumes a person age 65 contributes $80,000 and a straight life annuity commence at age 75

Contribution

$30,000

Payments based on current rates: $1,000 per month**
Payments based on guaranteed rates: $400 per month

* Based on rates in effect on May 6, 2005. Assumes a person age 65 contributes $30,000 and a straight life annuity commence at age 85
Each Product Targets Specific Needs of Employees Covering All Age Segments

<table>
<thead>
<tr>
<th>Product Name</th>
<th>Employee Segment</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personal Pension BuilderSM</strong> • All active employees • Employees seeking to save for retirement • Minimum contribution of $50/month</td>
<td>• Income guaranteed for life • Convenience of systematic savings • &quot;Dollar-cost averaging&quot; investment strategy that helps eliminate the risk of retiring at the wrong time</td>
<td></td>
</tr>
<tr>
<td><strong>Guaranteed Income Program</strong> • Employees near retirement or those already retired • Employees looking to convert their retirement plan balances into immediate income</td>
<td>• Converts a single sum into income stream that is guaranteed for life and will not change • Income stream immune to market uncertainty*</td>
<td></td>
</tr>
<tr>
<td><strong>Personal IncomePlus®</strong> • Employees near retirement or those already retired • Employees who have accumulated a significant amount of retirement savings • Employees looking to convert their retirement plan balances into immediate income</td>
<td>• Converts a single sum into income continuation guaranteed for life • &quot;Longevity risk&quot; transferred to MetLife • Flexibility and control of investment choices • Opportunity for income growth**</td>
<td></td>
</tr>
<tr>
<td><strong>Retirement Income Insurance</strong> • Employees near retirement or those already retired • Employees who are looking to allocate a relatively small portion of their retirement savings toward a future income guarantee</td>
<td>• Income guaranteed for life • Helps employees maintain their standard of living/lifestyle in their later years • Flexible benefits features (e.g., access to funds, death benefit, etc.)</td>
<td></td>
</tr>
</tbody>
</table>

* Available if a lifetime option is chosen. All guarantees are subject to the financial strength and claims-paying ability of MetLife.

** While the continuation of income is guaranteed under a variable annuity, the amount of each income payment will vary with investment experience.

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The Personal IncomePlus® variable annuity is sold by prospectus only. The prospectus contains information about the product’s features, investment objectives, risks, charges and expenses, and the investment objectives, risks and policies of the underlying funding options which you should consider carefully before investing. You can obtain a prospectus by calling 1-866-438-6477. Please read the prospectus carefully before investing.