Today's Choices, Tomorrow's Income

The Intentional Investor
Building your financial future

Today, your paycheck is likely your biggest source of income. But once you retire, you'll be dependent on Social Security, possibly a pension, and the investment portfolio that you built over your career.

Those first two items are largely out of your control. But your investment portfolio is completely in your hands. The choices you make today will affect the income stream your portfolio can generate in retirement.

Three things you need to know about building retirement income:

1 You may need more retirement income than you think.

2 Yesterday's solutions may not be right for today's investors.

3 Diversification is key.

Important information

Please note the following correction: On page 2, Medicare premiums may cost a healthy 65 year-old couple $266,600 over the course of their retirement.[1]

1 Source: HealthView Services: 2015 Retirement Health Care Costs Data Report

1 You may need more retirement income than you think.

Average annual inflation increased

2.3%

between 1994 and 2015[2]

Once you start crunching the numbers of your retirement, you may quickly realize that you'll need more income than you thought. Why? Because the cost of living is rising, and so is your life expectancy. Medicare premiums may cost a healthy 65-year-old couple $266,00 over the course of their retirement.[1]

Rising cost of living

- Retirement doesn't have to be extravagant to be expensive.
- The costs of basic items that all retirees need – health care, utilities, food – are rising faster than the costs of optional items like entertainment.

From 1994-2015, retirees faced rising average annual inflation costs in all basic categories, especially for health care services

Health care	3.8%
Food	2.7%
Utilities	3.0%
Housing	2.5%
Transportation	1.9%
Entertainment	1.1%

Source: Bureau of Labor Statistics

1 Source: HealthView Services: 2015 Retirement Health Care Costs Data Report©, 2015.
2 Source: Bureau of Labor Statistics

About

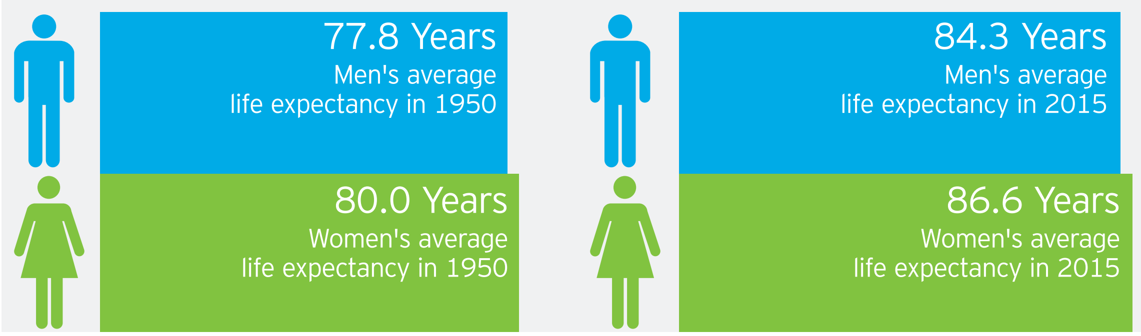
10%

of 65-year-olds today will live past 95[1]

Rising life expectancy

- The life of the average American is getting longer. That means retirements are growing longer as well.
- Once you reach 65, you have a 25% chance of living past age 90, and a 10% chance of living past 95.[2]
- With numbers like that, it's quite possible that your investment portfolio could be called upon to generate retirement income for 30 years or more.

Longer life expectancies for 65-year-olds means longer retirements



Source: ssa.gov

1 Source: Centers for Disease Control and Prevention, cdc.gov. "Life Expectancy at Birth, at 65 and 75 Years of Age by Sex, Race and Hispanic Origin.
2 Source: ssa.gov

2 Yesterday's solutions may not be right for today's investors.

After taxes and inflation, CDs have earned a negative "real" rate of return in

13

of the last 15 years.

The high cost of stability

Not long ago, certificates of deposit (CDs) were one of the tried-and-true investments for many retirees because of their inherent safety: The FDIC insures the principal and interest of CDs up to $250,000. And while it is true that CDs are very safe, the price investors may pay for that safety is years of low and even negative real returns.

The tax rate used in the example below is the highest rate as reported by the Internal Revenue Service (IRS). The tax rate is not indicative of the experience of every investor, and a lower tax rate will have a favorable effect on the real return. Of course, past performance cannot guarantee comparable future results.

Taxes and inflation erode returns (%)

In 13 of the last 15 years, CDs earned a negative "real" rate of return.

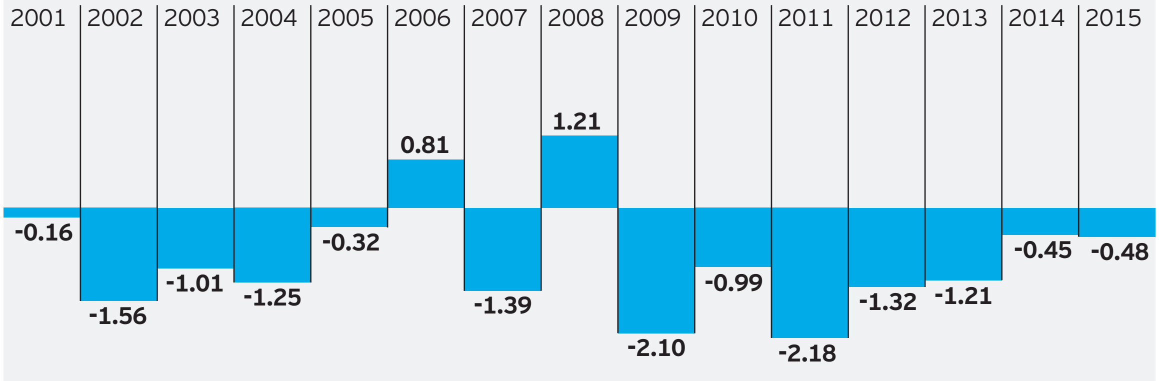


Chart reflects real return after taxes at the top federal tax rate for each year as reported by the IRS and inflation as represented by the Consumer Price Index (CPI). Chart also reflects CD rates for each year as represented by the Bloomberg CD 12-Month Index. Sources: Invesco, Bloomberg L.P., Morningstar Inc., and IRS.gov. *Past performance is no guarantee of future results.*

This means that today's investors must look past yesterday's income solutions and find strategies that are more appropriate for today's environment.

Inflation is represented by the CPI, a measure of change in consumer prices as determined by the US Bureau of Labor Statistics. The Bloomberg CD 12-Month Index is representative of banks' certificate of deposit rates over the last 12 months. An investment cannot be made directly in an index.

Approximately

10,000

baby boomers will retire each day for the next 15 years[1]

More Americans than ever need income, but where will they find it?

The demand for income is as great, if not greater, than at any point in our nation's history. Invesco calls this the Age of Income. The percentage of the population over age 65 is at a historical high, while the 10-year Treasury is yielding 2.24%, near its lowest levels in 50 years and well below its average of 7.30% over the same period.[2]

While the number of retirees is at an historic high, yields are near 50-year lows

The percentage of the population over 65:

14.10%

The 10-year US Treasury yield:

2.24%

Source: factfinder.census.gov as of July 1, 2013. Past performance does not guarantee future results.

1 Sources: FactSet Research Systems, Inc., Invesco, US Department of Labor. As of Dec. 31, 2013.
2 Source: treasury.gov as of Dec. 31, 2015.

3 Diversification is key.

Different income sources have ranked

#1

in returns from year to year

Where can investors find income in a zero interest rate environment?
Now that Treasury bills are no longer the go-to source for income, investors must consider new strategies. The good news is that there is no shortage of options to consider. The asset classes below have unique benefits that could help income investors meet their goals. They also have unique risks, as diversification does not guarantee a profit or eliminate the risk of loss, so it's important to discuss these with your financial advisor before adding them to your portfolio:

Sources of income

- Dividend-paying equities may provide a mix of income and capital growth.
- Real estate may offer an alternative to conventional fixed income investments.
- High yield bonds may have higher income potential than government bonds.
- Emerging markets debt offers exposure to potentially high-growth markets abroad.
- Convertible bonds offer bond income with equity-like upside potential.

Because different income asset classes rank higher or lower from year to year, diversification may help reduce the volatility of your income stream over the course of a long retirement.

Diversifying across income asset classes may mean reduced volatility
Asset class annual top performers by %

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Closed-end funds	-4.39	-36.32	50.01	14.02	3.23	14.81	3.59	8.65	-5.87
Convertible bonds	4.53	-35.73	49.13	16.77	-5.18	14.96	24.92	9.44	-2.99
Emerging markets debt	18.11	-5.22	21.98	15.68	-1.75	16.76	-8.98	-5.72	-14.92
High-yield bonds (corporates)	2.26	-25.88	58.76	14.94	4.96	15.78	7.44	2.46	-4.43
High-yield bonds (municipals)	-2.28	-27.01	32.74	7.79	9.25	18.14	-5.51	13.84	1.81
Mortgage-backed securities	6.90	8.34	5.89	5.37	6.23	2.59	-1.41	6.08	1.51
Municipal bonds	3.36	-2.47	12.91	2.38	10.70	6.78	-2.55	9.05	3.3
Preferred stock	-11.31	-25.24	20.07	13.66	4.11	13.60	-3.65	15.44	7.58
Senior loans	1.88	-28.75	44.86	9.97	1.82	9.43	6.15	2.06	-0.38
Short-term bonds	6.83	4.97	3.82	2.8	1.59	1.26	0.64	0.77	0.65
Taxable investment-grade bonds	5.11	-3.08	16.04	8.47	8.35	9.37	-2.01	7.53	-0.77
1-year Treasury bills	4.62	1.84	0.47	0.32	0.18	0.18	0.13	0.12	0.32
10-year Treasury notes	9.77	20.30	-9.92	8.10	16.99	4.23	-7.85	10.72	0.91

Source: StyleADVISOR, Bloomberg L.P. and Invesco, as of Dec. 31, 2015. Emerging Markets Debt is represented by JP Morgan GBI-EM Global Diversified Index; High Yield (Corporates) is represented by Barclays U.S. High Yield 2% Issuer Cap Index; High Yield (Municipals) is represented by Barclays Municipal High Yield Bond Index; Taxable Investment -Grade is represented by Barclays U.S. Credit Index; Mortgage Backed Securities is represented by Barclays U.S. Mortgage-Backed Securities Index; Short-Term Bonds is represented by Barclays U.S. Government & Credit 1-3 Year Index; Municipal Bonds is represented by Barclays Municipal Bond Index; Convertible Bonds is represented by BofA Merrill Lynch All U.S. Convertibles Index; Senior Loans is represented by Credit Suisse Leveraged Loan Index; and Preferred Stock is represented by BofA Merrill Lynch Preferred Stock Fixed Rate Index; Closed-End is represented by First Trust Composite Closed-End Fund Total Return Index (UPCEFT). 1 Year Treasury Bills are represented by T-Bill 1 Year TR IX. 10 Year Treasury Notes are represented by Citigroup 10 Year Treasury Benchmark Index. Full index description on back cover.

Factors to consider

When assessing new sources of income, it's important to remember that yield is not the only factor to consider. An investment may pay a high rate of income today, but it may be more volatile, and its yield may not be sustainable over the course of a decades-long retirement.

A quality income portfolio is built with all your needs in mind, including:

- The level and sustainability of yields.
- The potential for capital appreciation.
- The benefits of portfolio diversification.

Investors need to consider the risks versus the benefits

For illustrative purposes only. Diversification does not guarantee a profit or eliminate the risk of loss.

Talk with your financial professional

Making your money last for your retirement is a challenge. But with the help of your financial professional, you can create a strategy that seeks to produce income for as long as you need it.

Talk to your financial professional about:

- Assessing your income needs in retirement.
- Considering income-producing strategies that may outpace inflation.
- Diversifying your portfolio with a variety of income-producing strategies.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About risk

Common stocks do not assure dividend payments. Dividends are paid only when declared by an issuer's board of directors, and the amount of any dividend may vary over time.

Investments in real estate-related instruments may be affected by economic, legal, or environmental factors that affect property values, rents or occupancies of real estate. Real estate companies, including REITs or similar structures, tend to be small- and mid-cap companies, and their shares may be more volatile and less liquid.

The values of high yield bonds, also known as junk bonds, fluctuate more than those of high-quality bonds in response to company, political, regulatory or economic developments. High yield bonds are also subject to interest rate risk, which refers to the risk that bond prices generally fall as interest rates rise and vice versa.

Securities issued by foreign companies and governments located in developing or emerging countries may be affected more negatively by inflation, devaluation of their currencies, higher transaction costs, delays in settlement, adverse political developments, the introduction of capital controls, withholding taxes, nationalization of private assets, expropriation, social unrest, war or lack of timely information than those in developed countries.

Investments in convertible securities are subject to the risks associated with both fixed-income securities, including credit risk and interest rate risk, and common stocks. Convertible securities may have lower yields because they offer the opportunity to be converted into stock and if the stock is underperforming and the bond does not convert then the bond may have a lower return than a non-convertible bond.

The opinions expressed are those of the authors, are based on current market conditions and are subject to change without notice. These opinions may differ from those of other Invesco investment professionals.

This presentation is for general educational use only and should not to be construed as an offer to buy or sell any financial instruments.

This information is not intended for tax advice. Investors should consult a tax advisor.

BofA Merrill Lynch All U.S. Convertibles Index tracks the performance of US-dollar-denominated convertible securities that are not currently in bankruptcy and have total market values of more than $50 million at issuance.

First Trust Composite Closed-End Fund Index is a composite index of the municipal, taxable fixed income and equity indexes which is intended to provide a capitalization weighted representation of the entire U.S. closed-end fund universe.

JP Morgan EMBI Global Index is an unmanaged index that tracks debt securities of emerging markets.

Barclays U.S. Corporate High Yield 2% Issuer Cap Index is an unmanaged index comprising US corporate, fixed-rate, noninvestment-grade debt with at least one year to maturity and at least $150 million in par outstanding. Index weights for each issuer are capped at 2%.

Barclays High Yield Municipal Bond Index is an unmanaged index considered representative of noninvestment-grade bonds.

Barclays US Mortgage Backed Securities Index represents mortgage-backed pass-through securities of Ginnie Mae, Fannie Mae and Freddie Mac.

Barclays Municipal Bond Index is an unmanaged index considered representative of the tax-exempt bond market.

BofA Merrill Lynch Core Fixed Rate Preferred Securities Index constituents are capitalization-weighted based on their current amount outstanding.

Credit Suisse Leveraged Loan Index represents tradeable, senior-secured, US-dollar-denominated, noninvestment-grade loans.

Barclays 1-3 Year Government/Credit Index is an unmanaged index considered representative of short-term US corporate and government bonds with maturities of one to three years.

Barclays U.S. Credit Index is an unmanaged index considered representative of publicly issued, SEC-registered US corporate and specified foreign debentures and secured notes.

T-Bill 1 Year TR IX is an unmanaged index representative of one year Treasury bills.

Citigroup 10-Year Treasury Benchmark Index is a broad measure of the performance of 10-year U.S. Treasury securities.

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