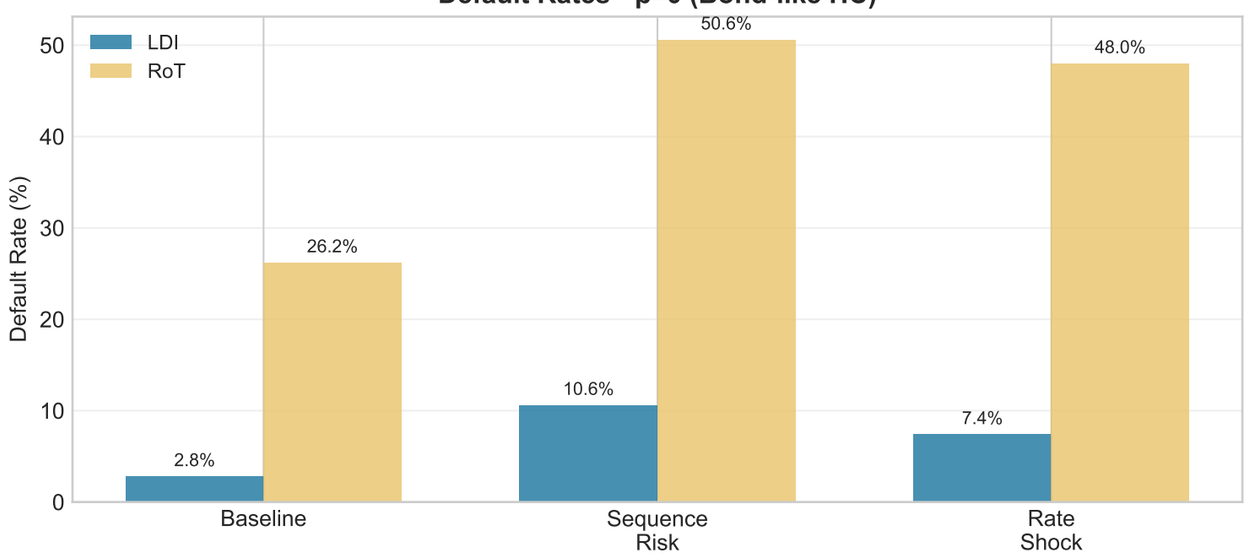
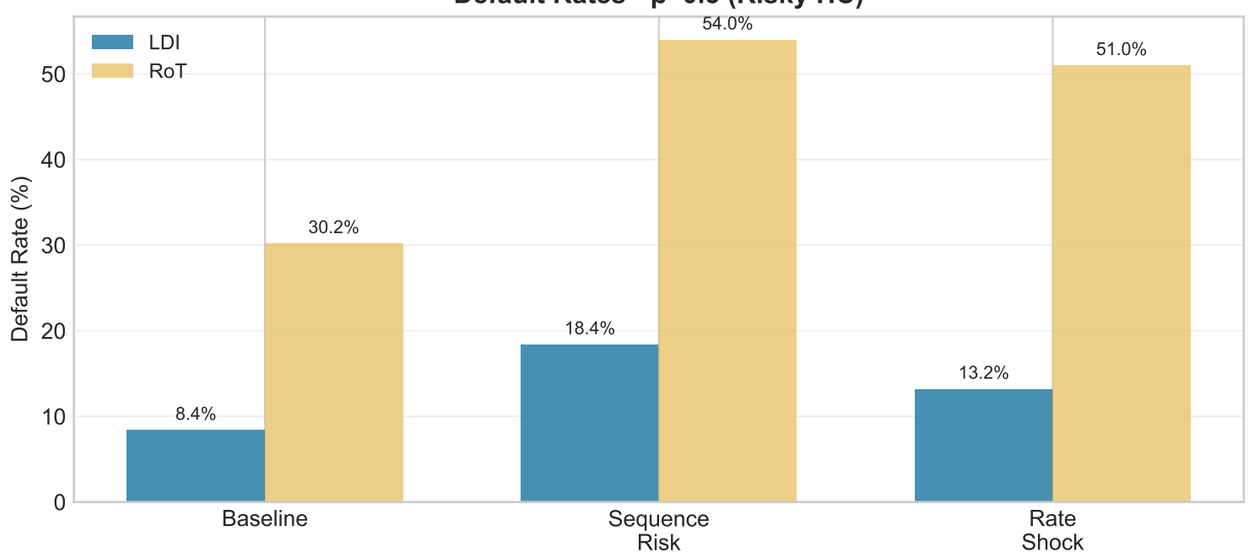
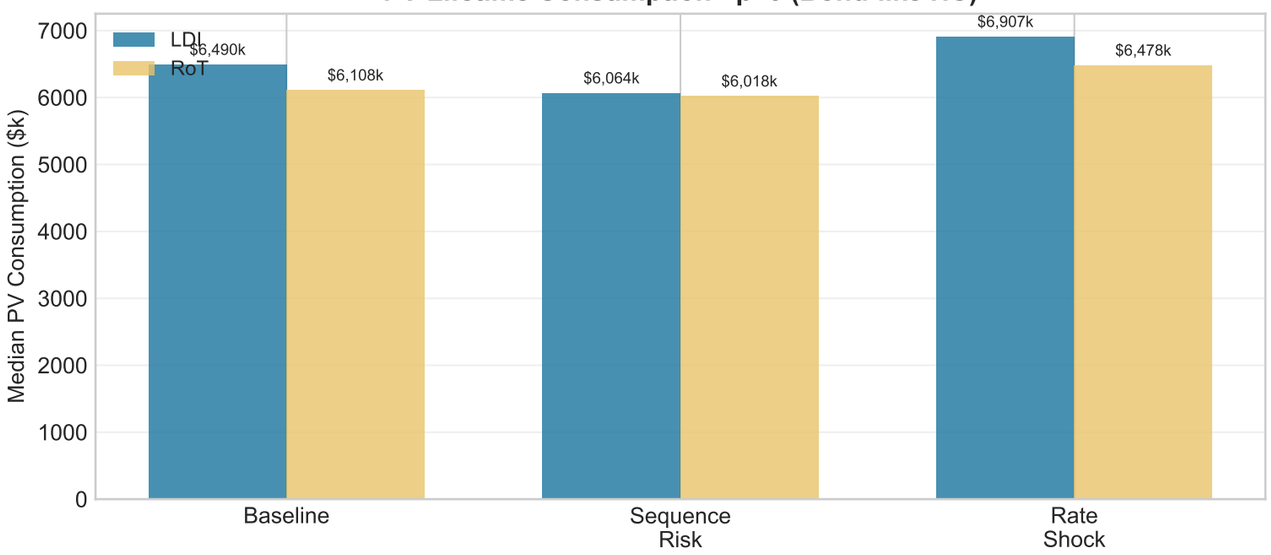
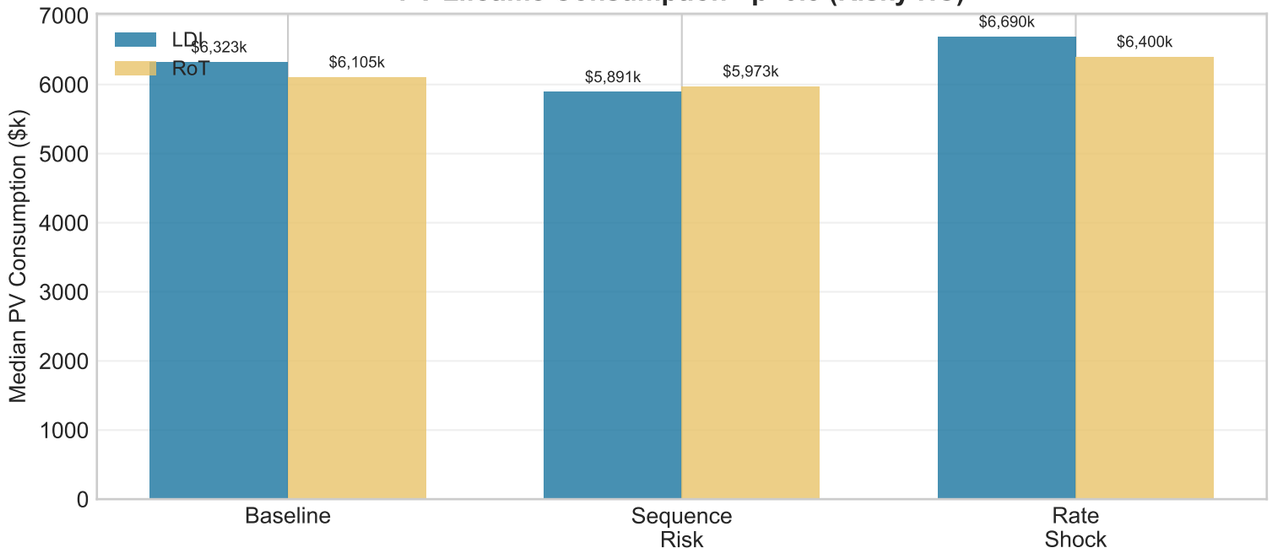
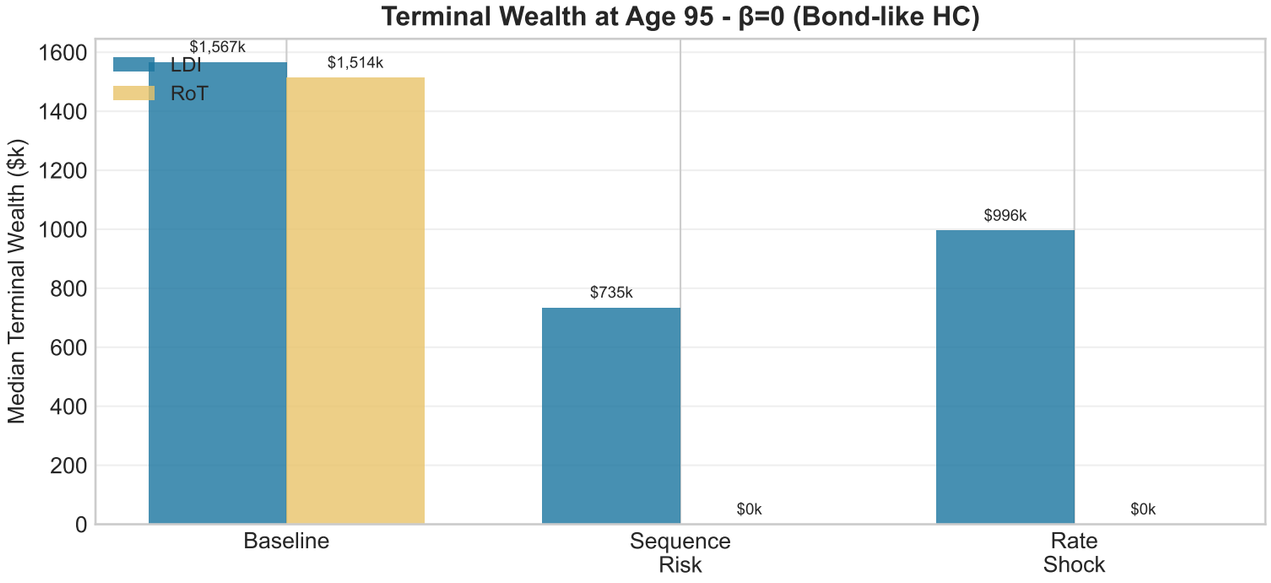
LDI vs Rule-of-Thumb: Strategy Comparison Across Scenarios



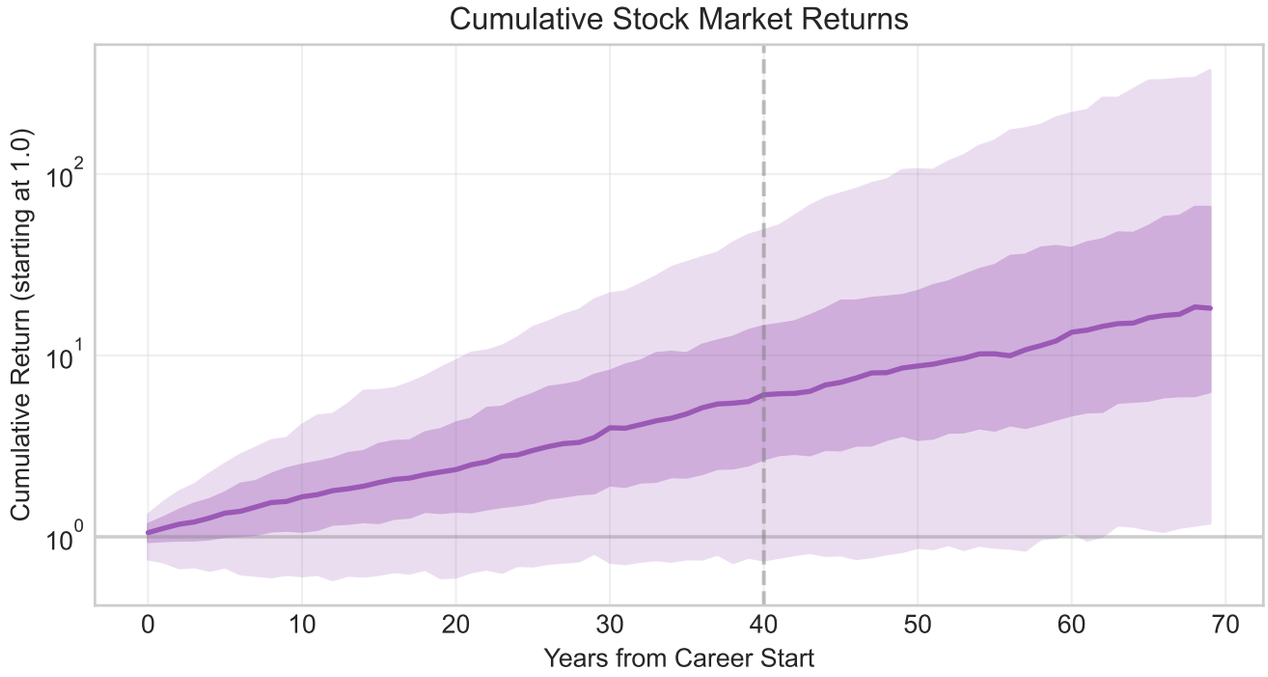


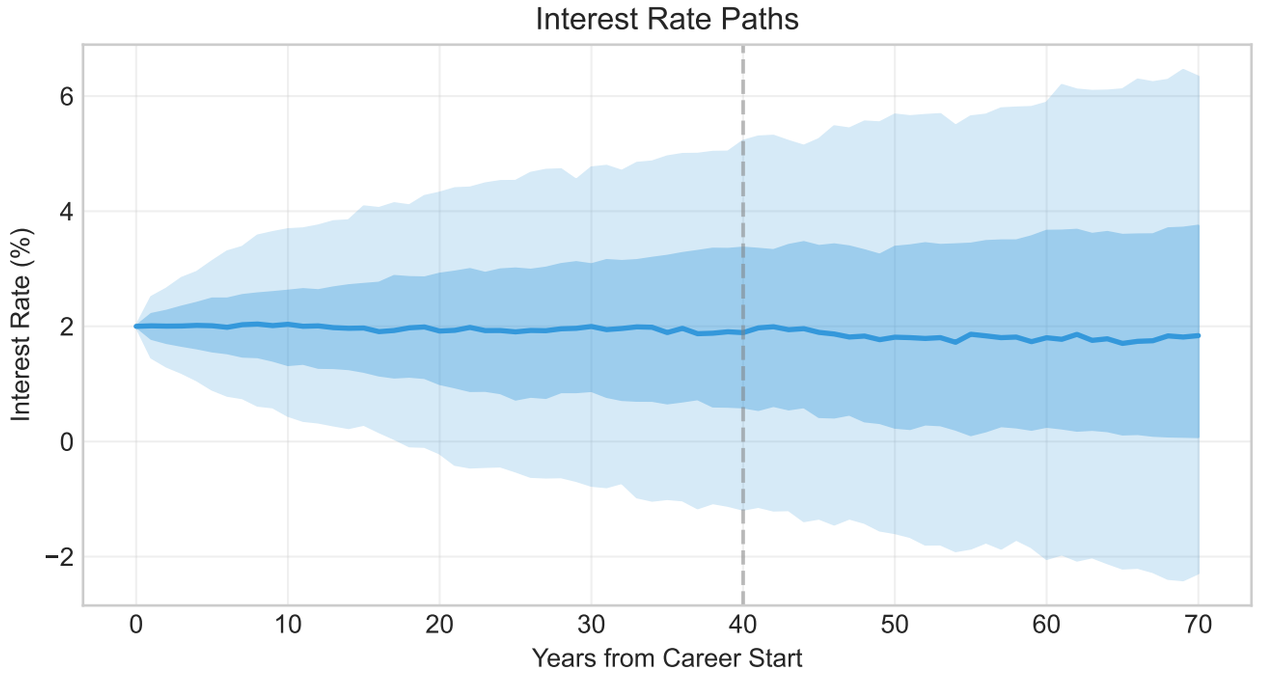


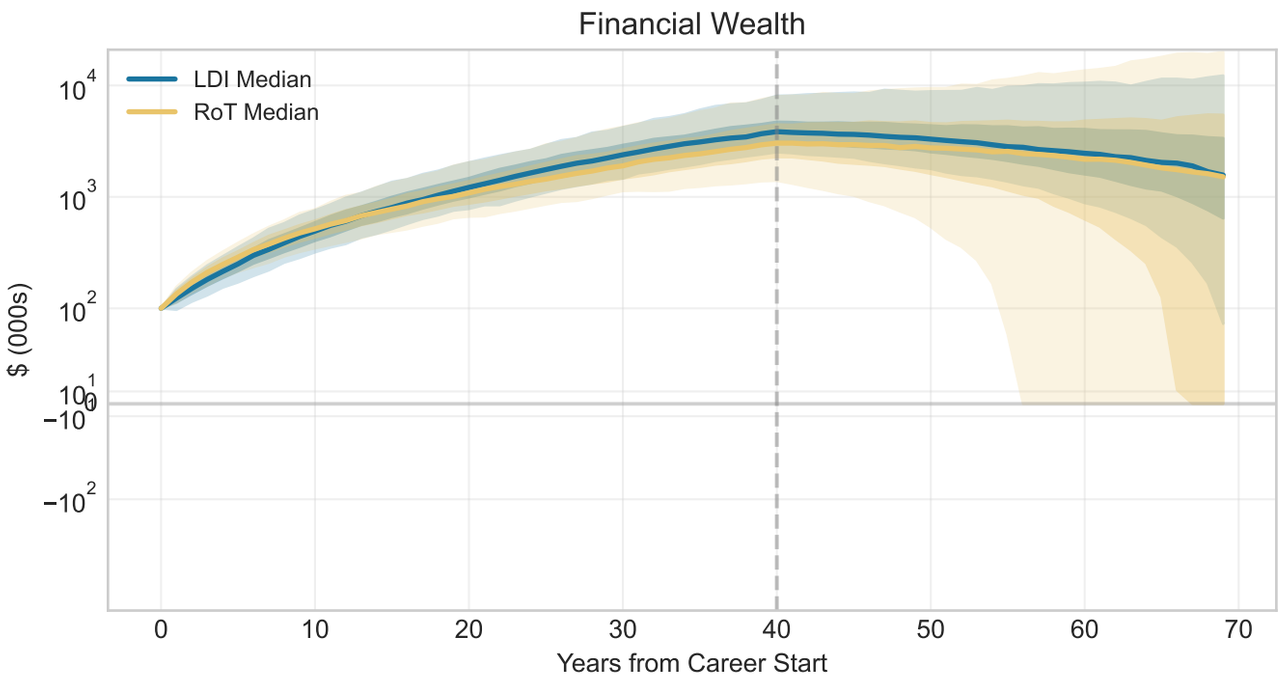


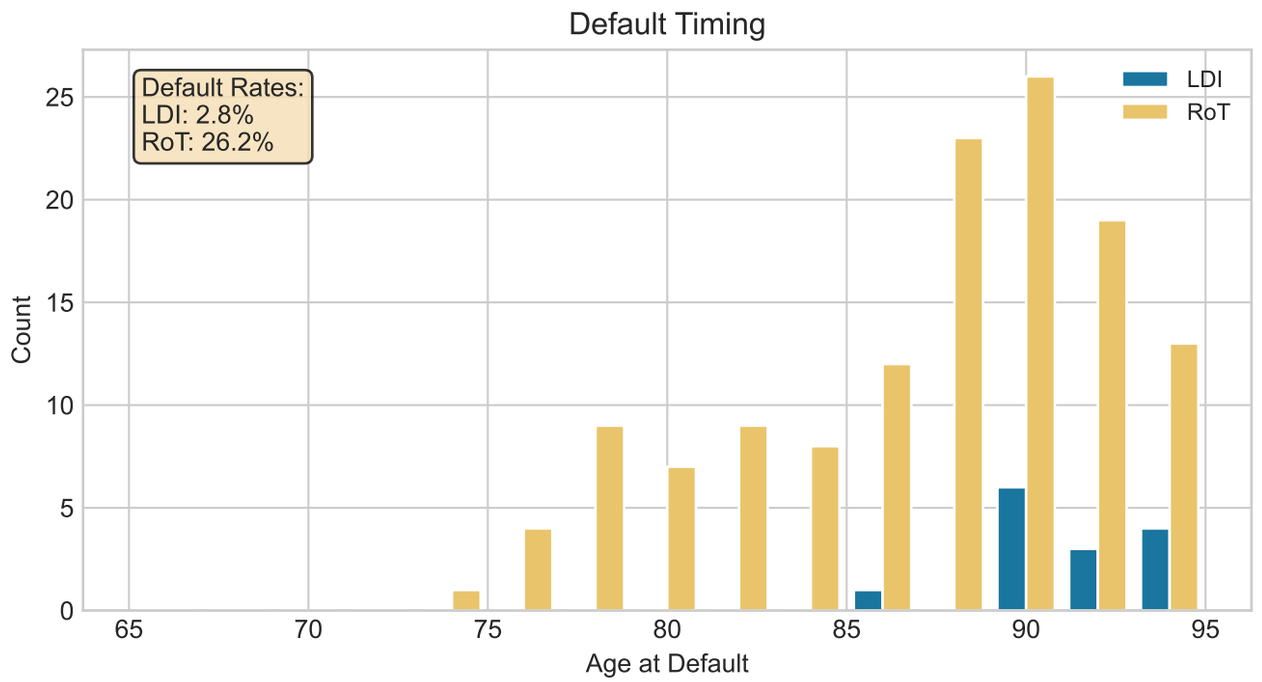


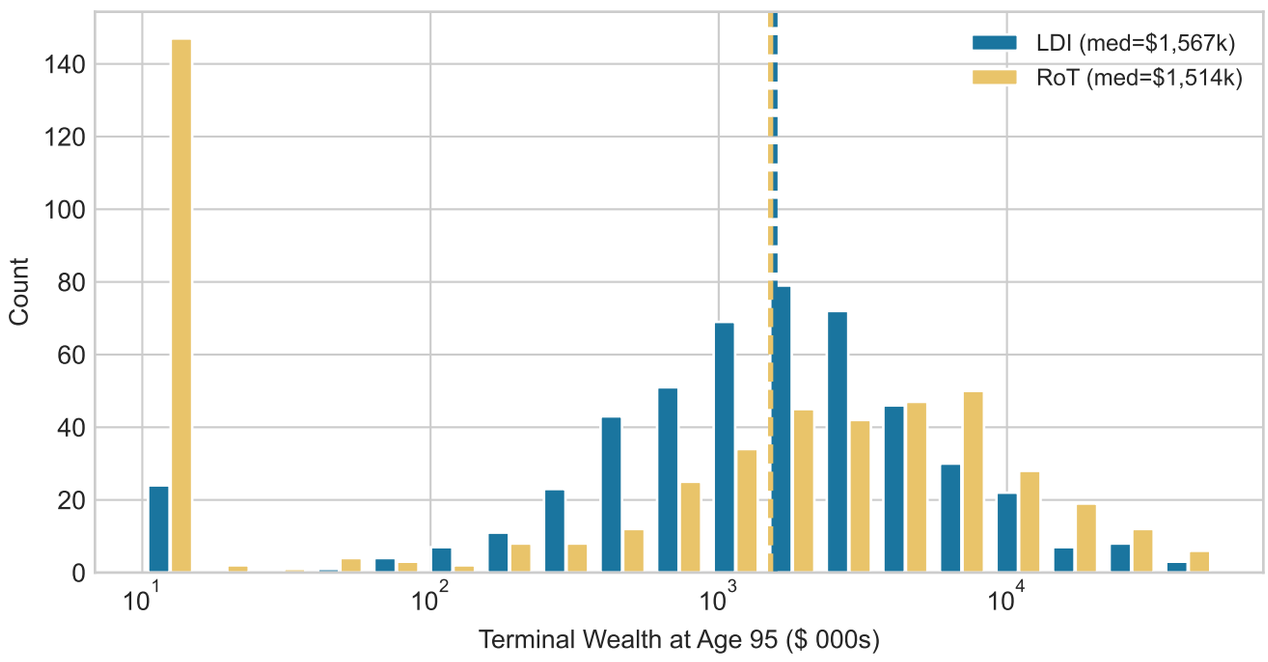
Baseline: Normal Monte Carlo (β=0, Bond-like HC)
Standard random shocks - no scenario manipulation

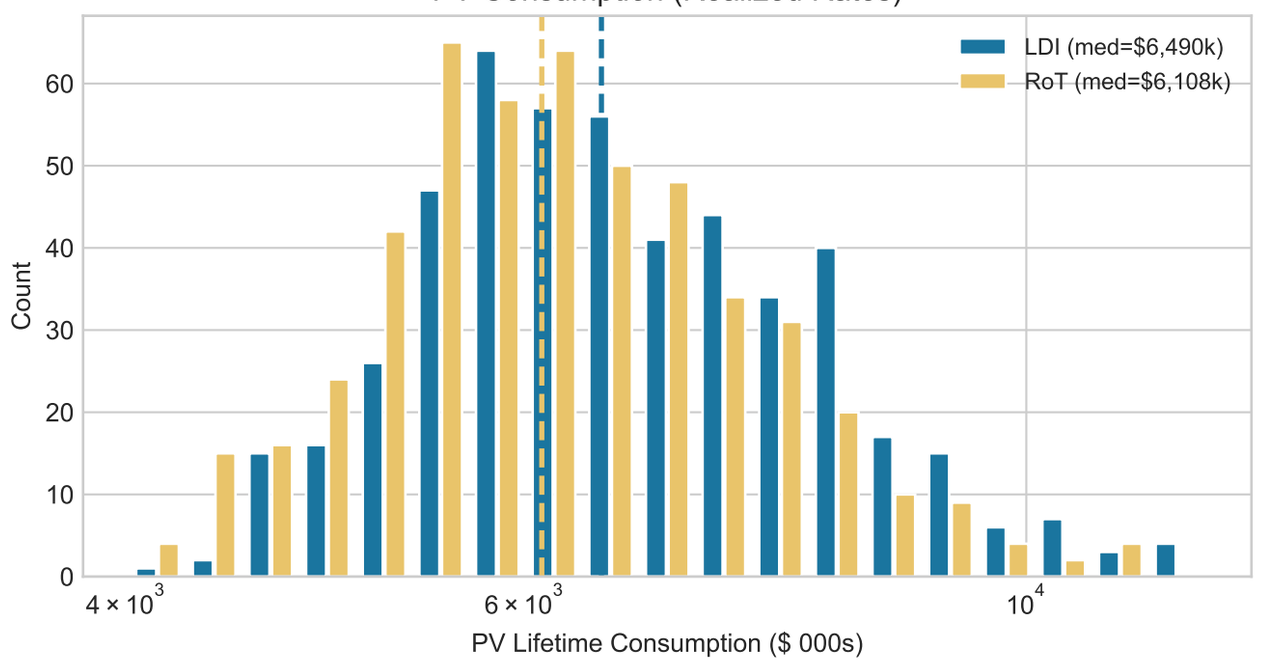






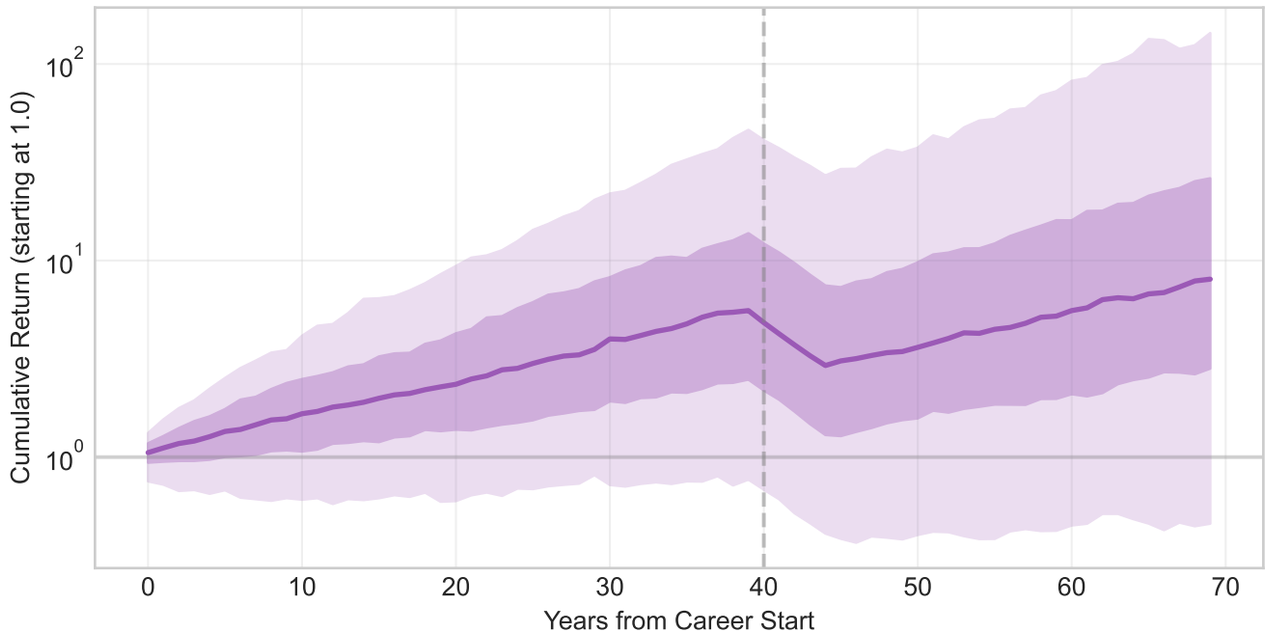




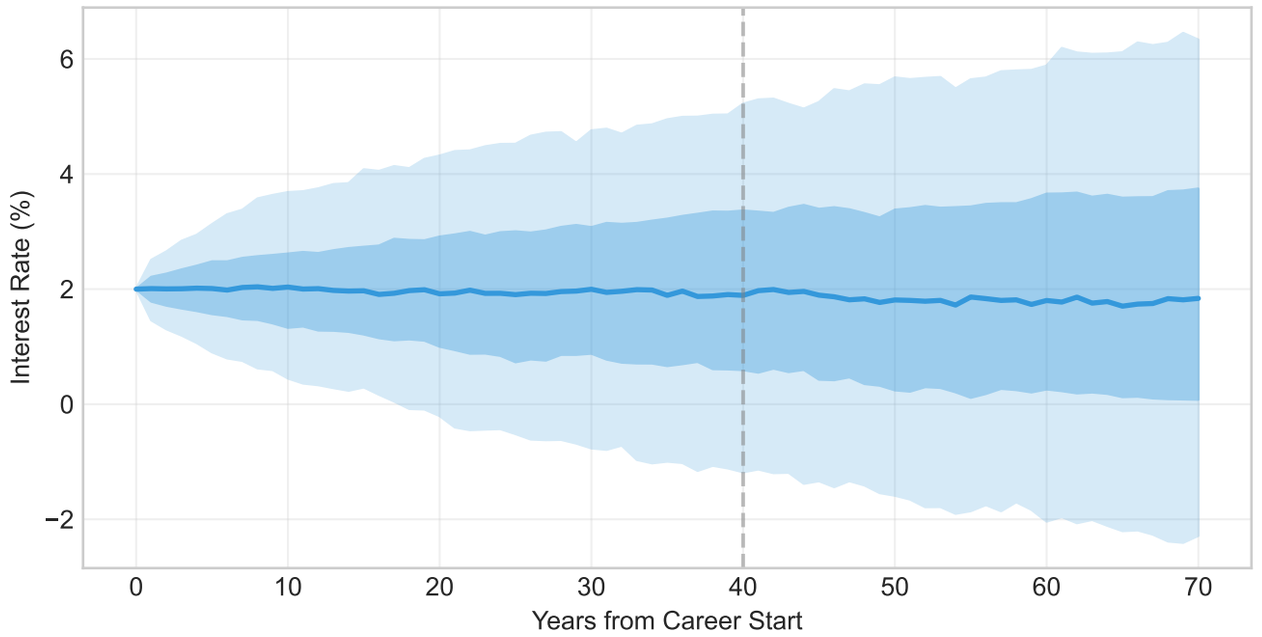


Sequence-of-Returns Risk (β=0, Bond-like HC)
Bad stock returns (~-12%/yr) in first 5 years of retirement

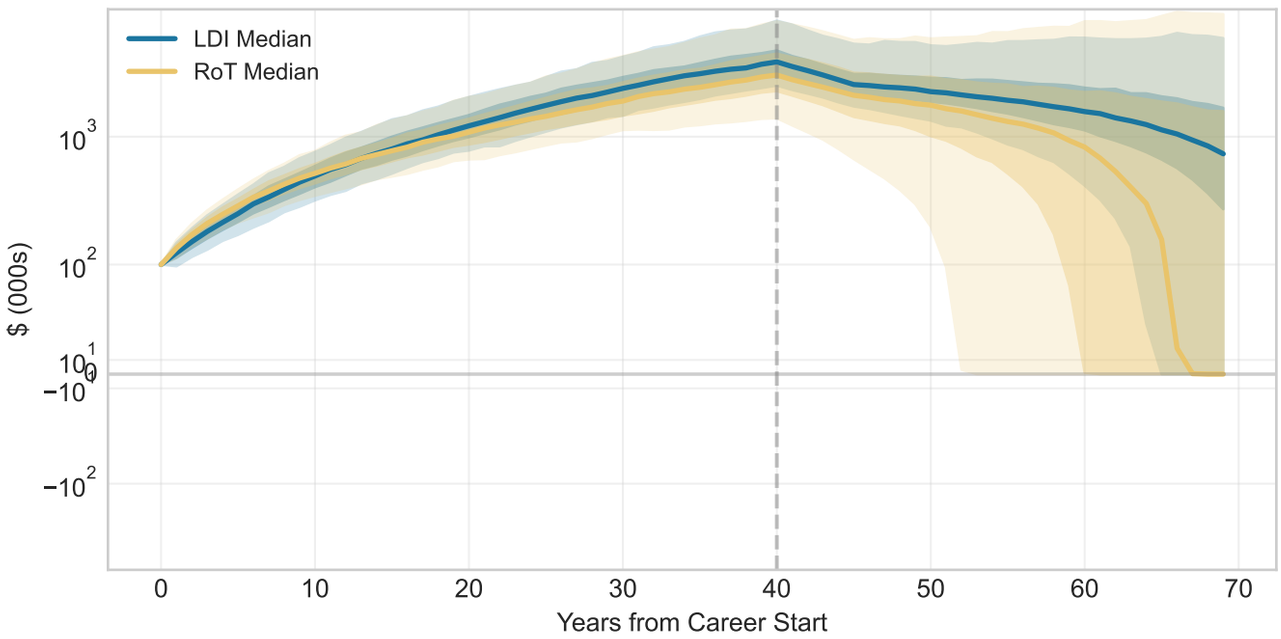
Cumulative Stock Market Returns



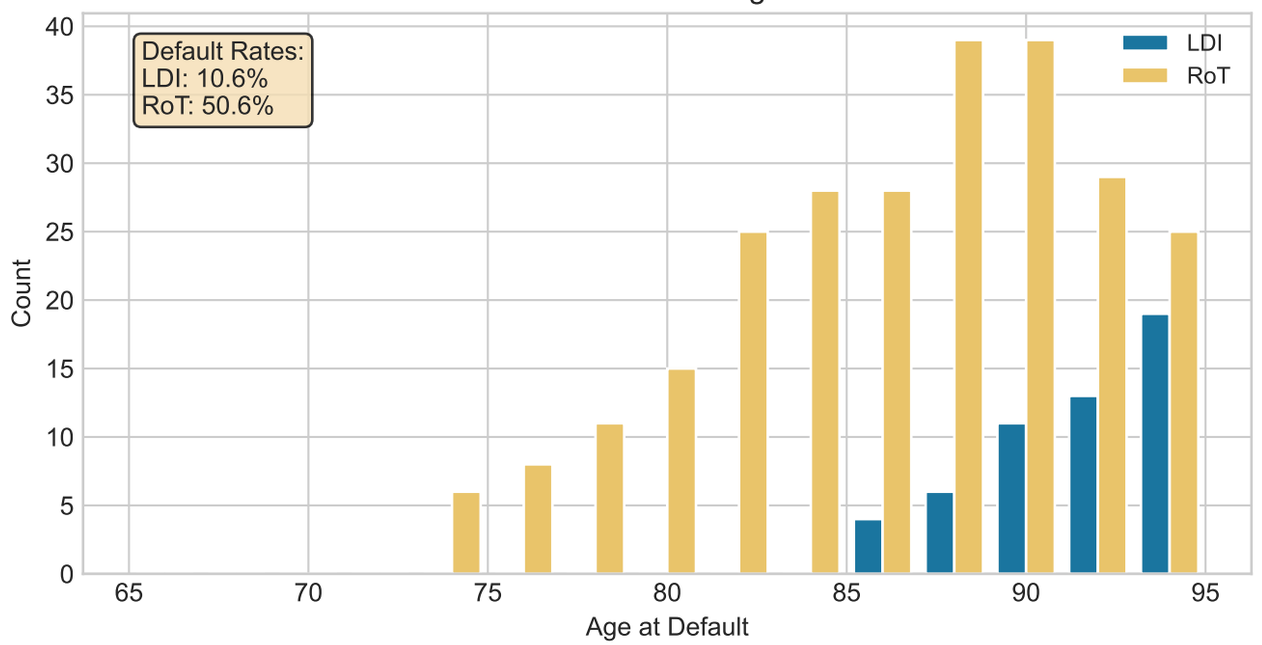
Interest Rate Paths



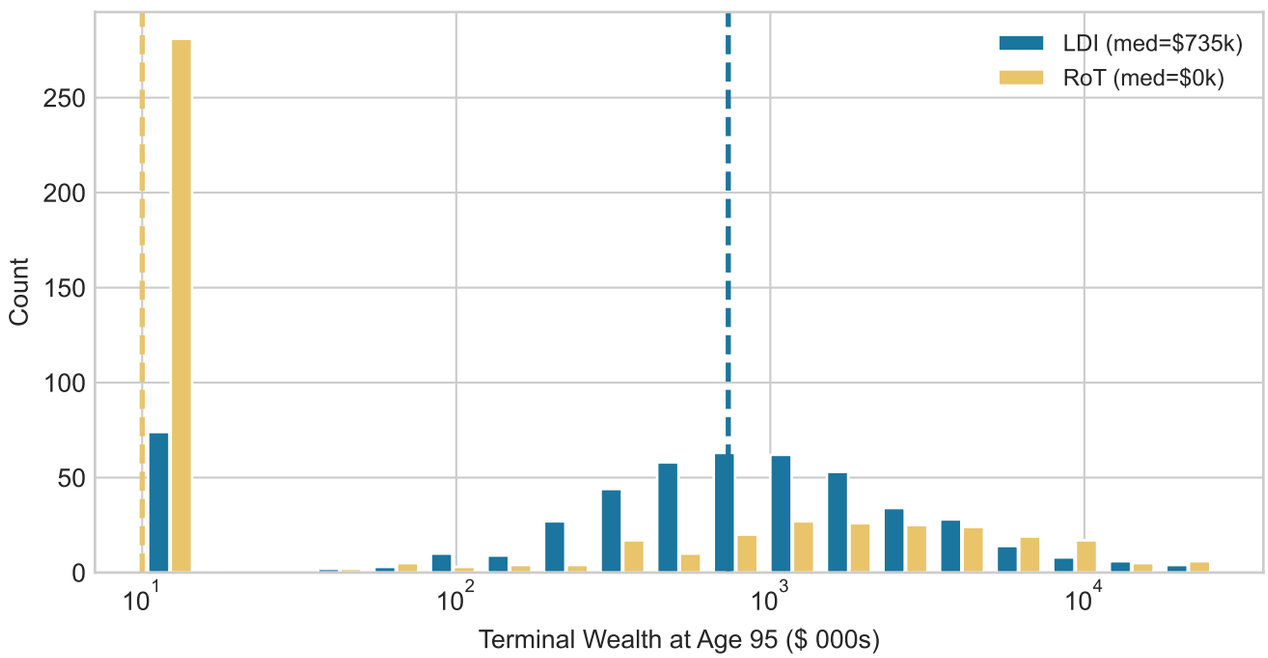
Financial Wealth



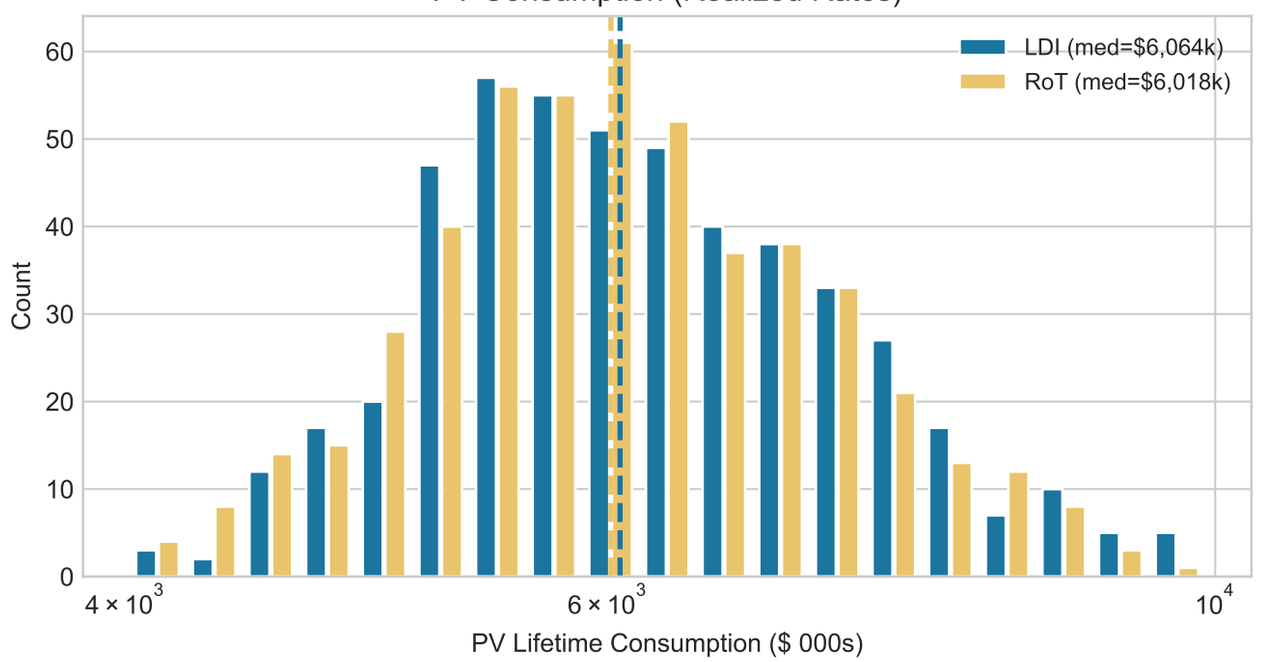
Default Timing



Terminal Wealth Distribution

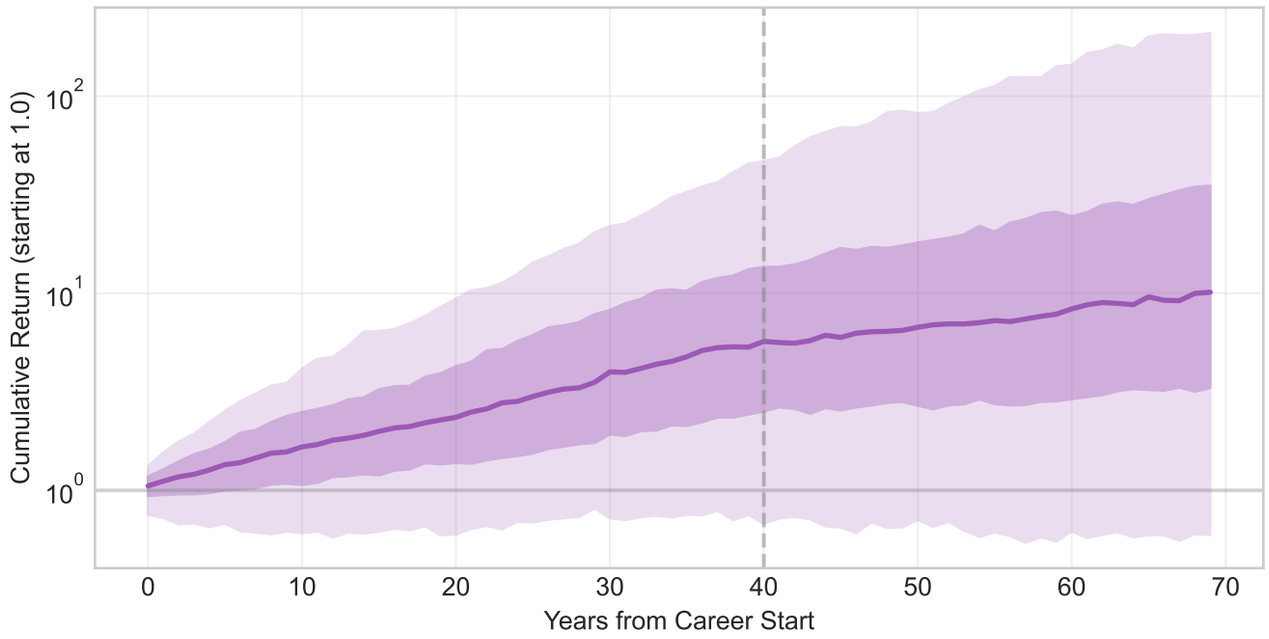


PV Consumption (Realized Rates)

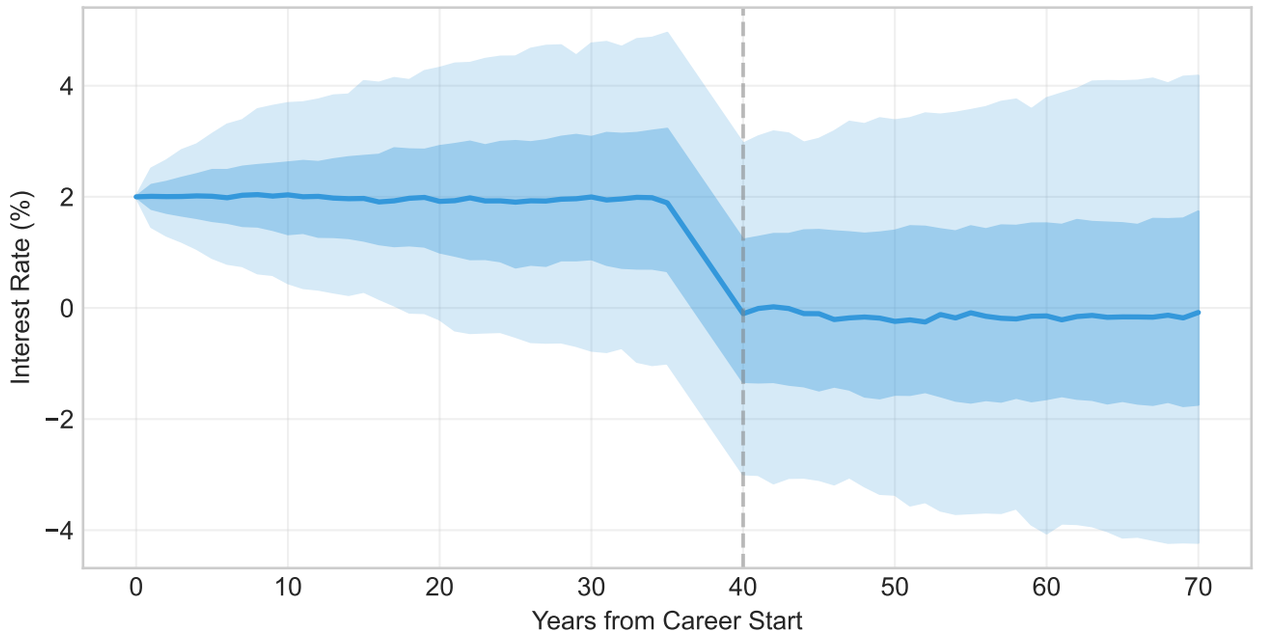


Pre-Retirement Rate Shock (β=0, Bond-like HC)
Interest rate drop (~4% cumulative) in 5 years before retirement

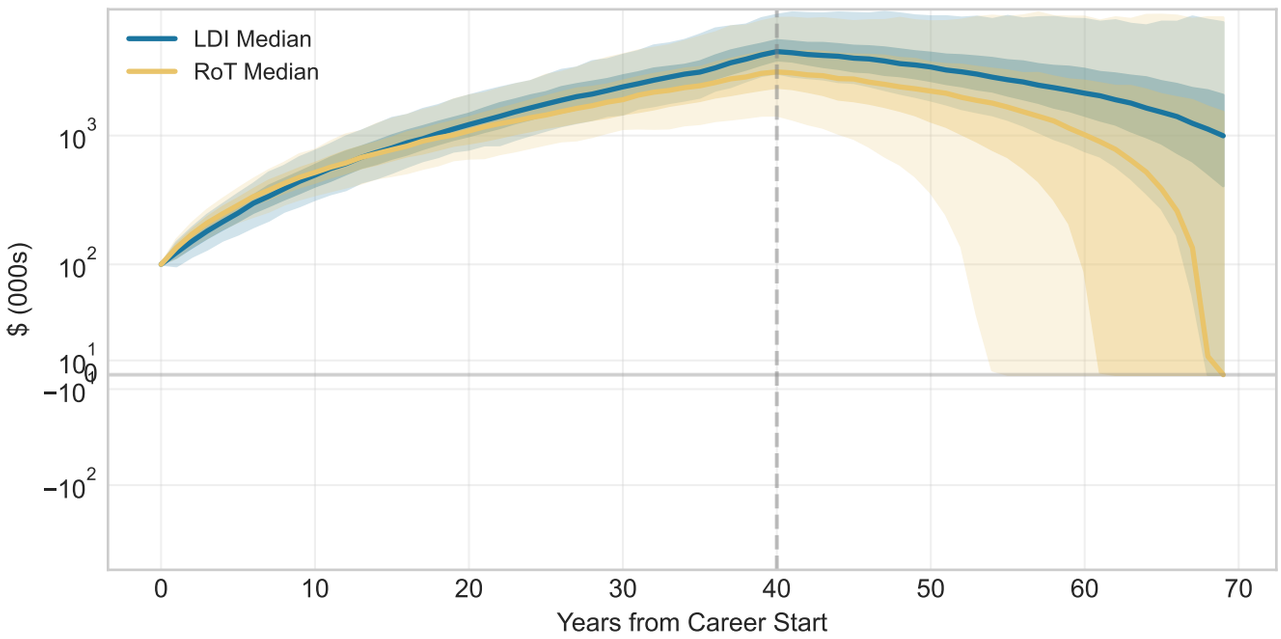
Cumulative Stock Market Returns



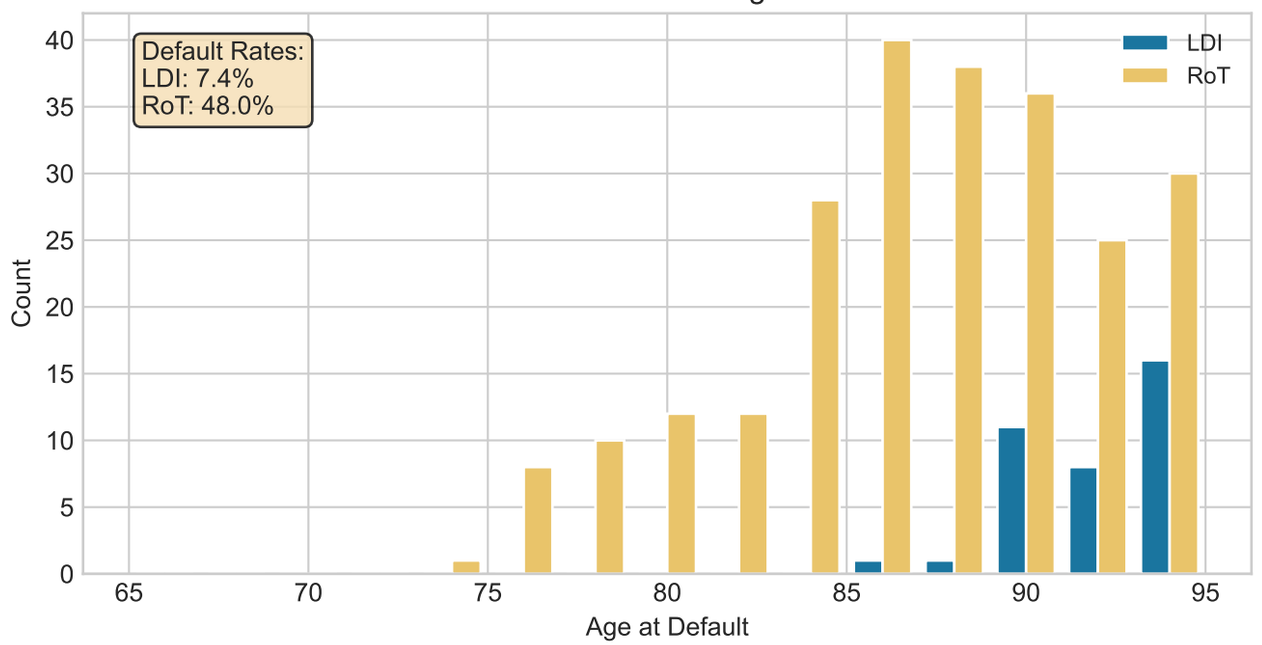
Interest Rate Paths



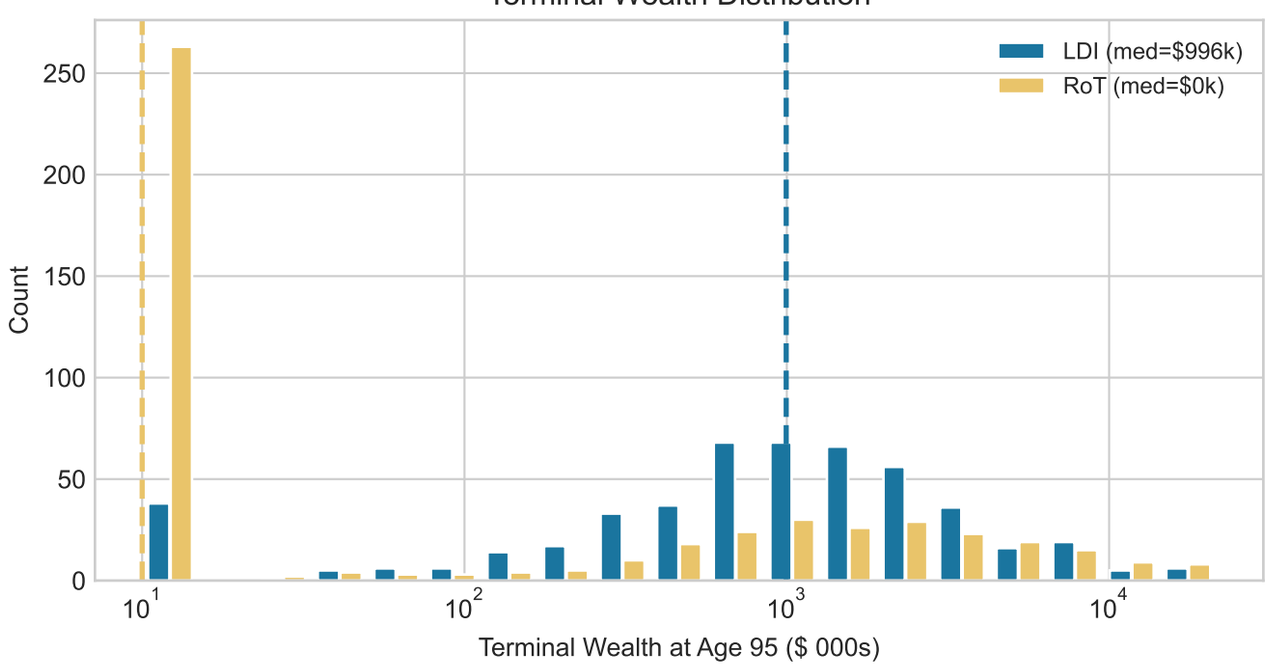
Financial Wealth



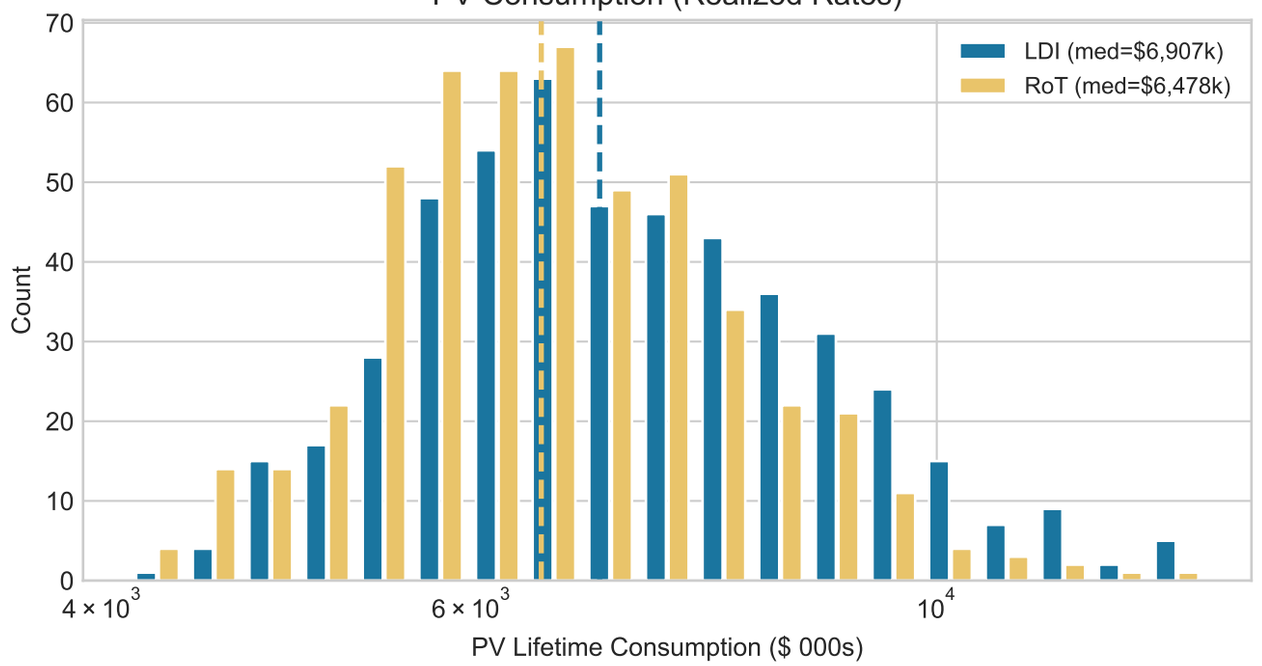
Default Timing



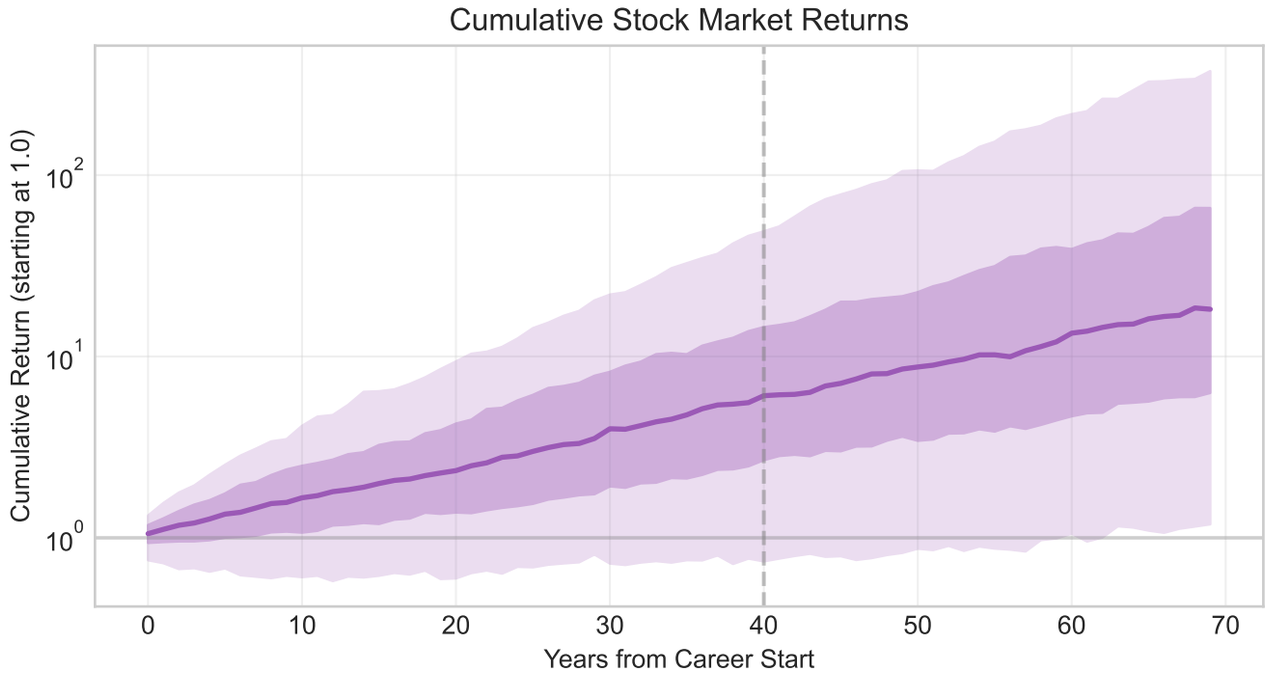
Terminal Wealth Distribution

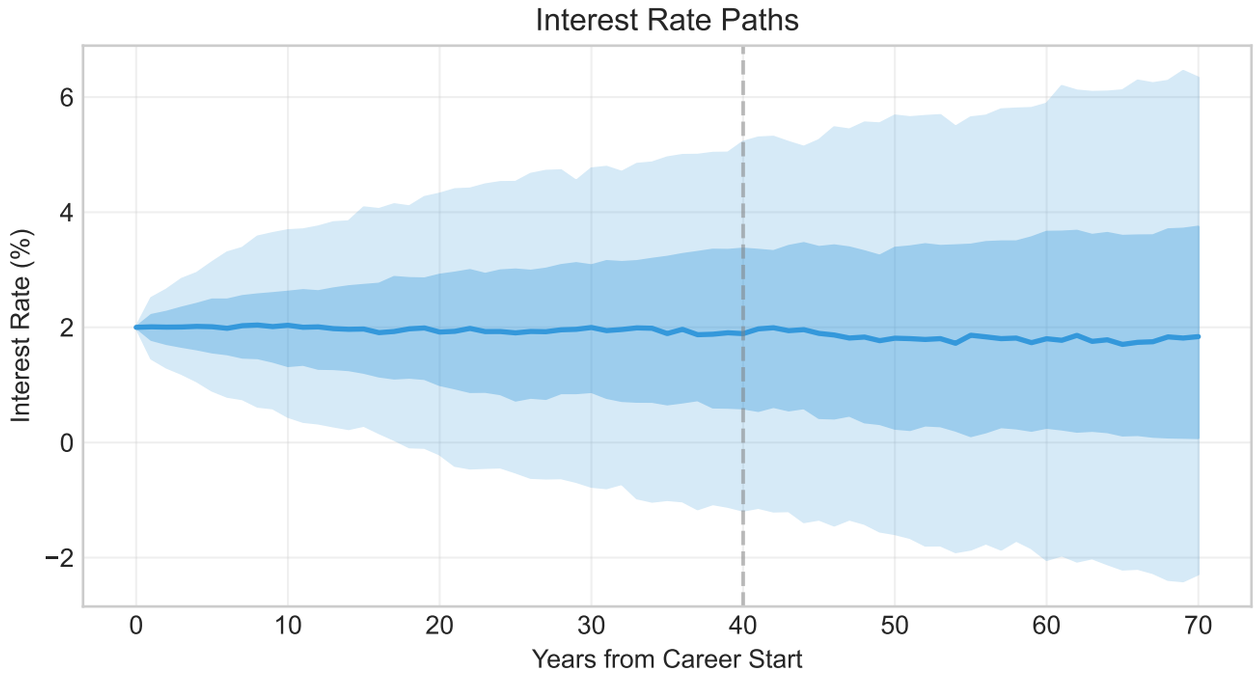


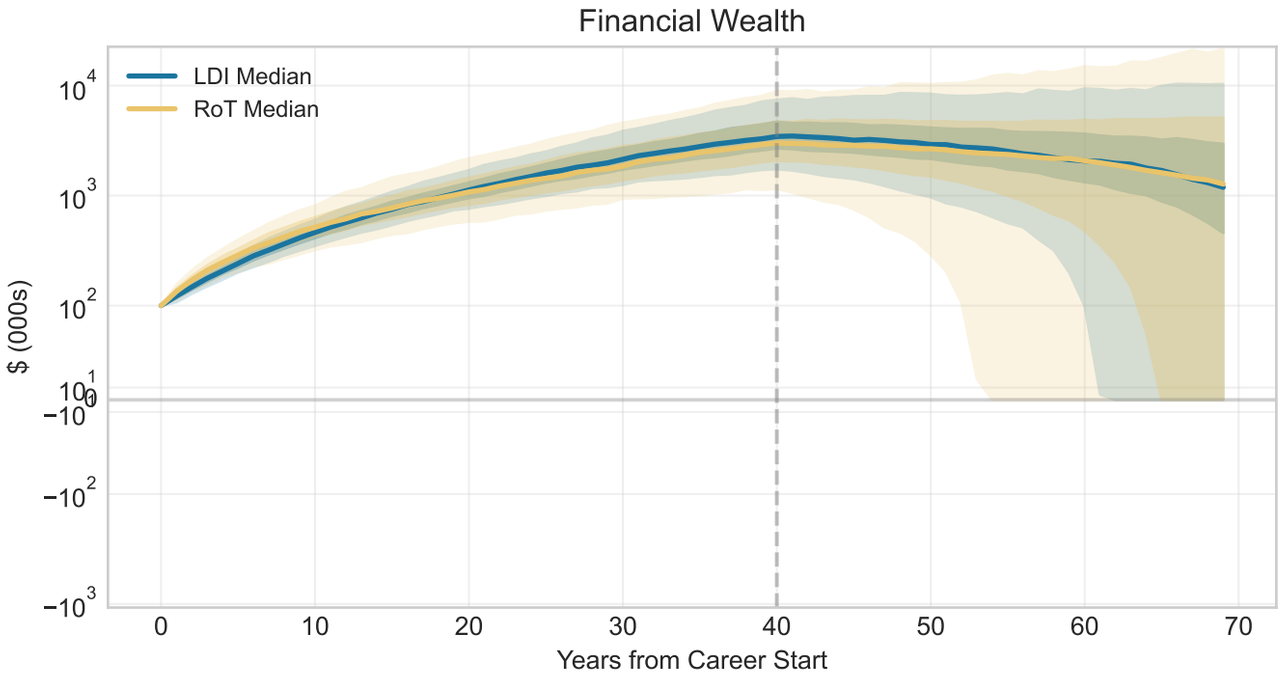
PV Consumption (Realized Rates)

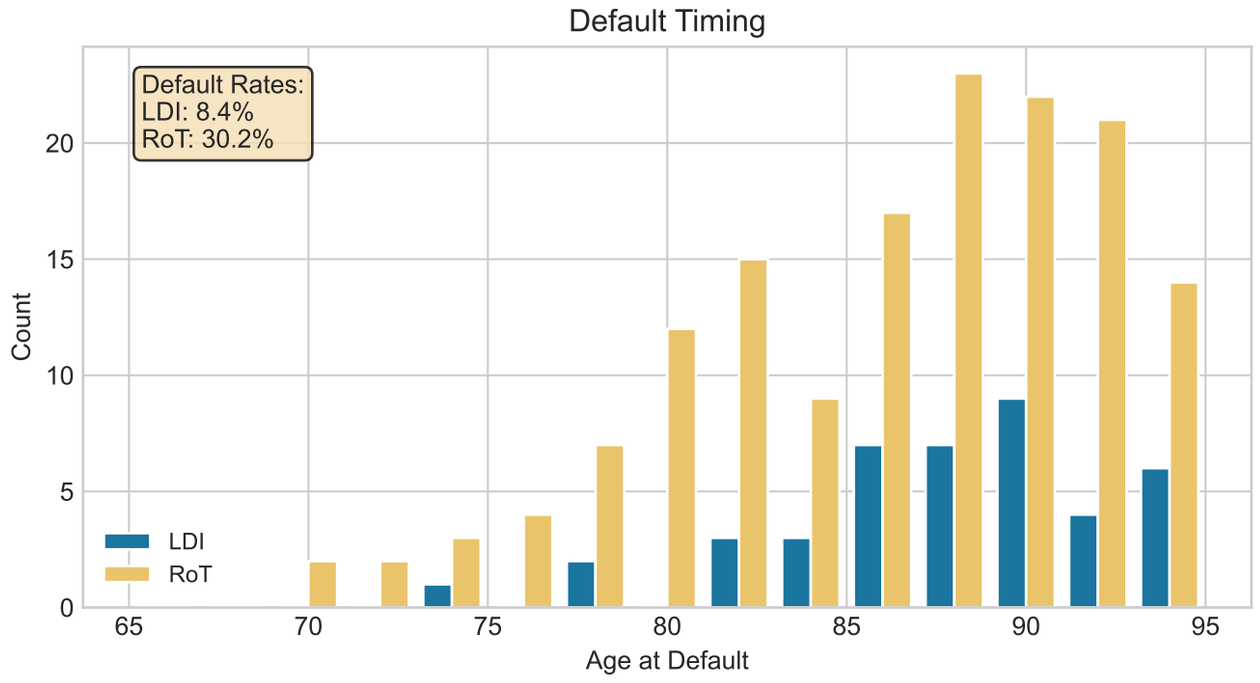


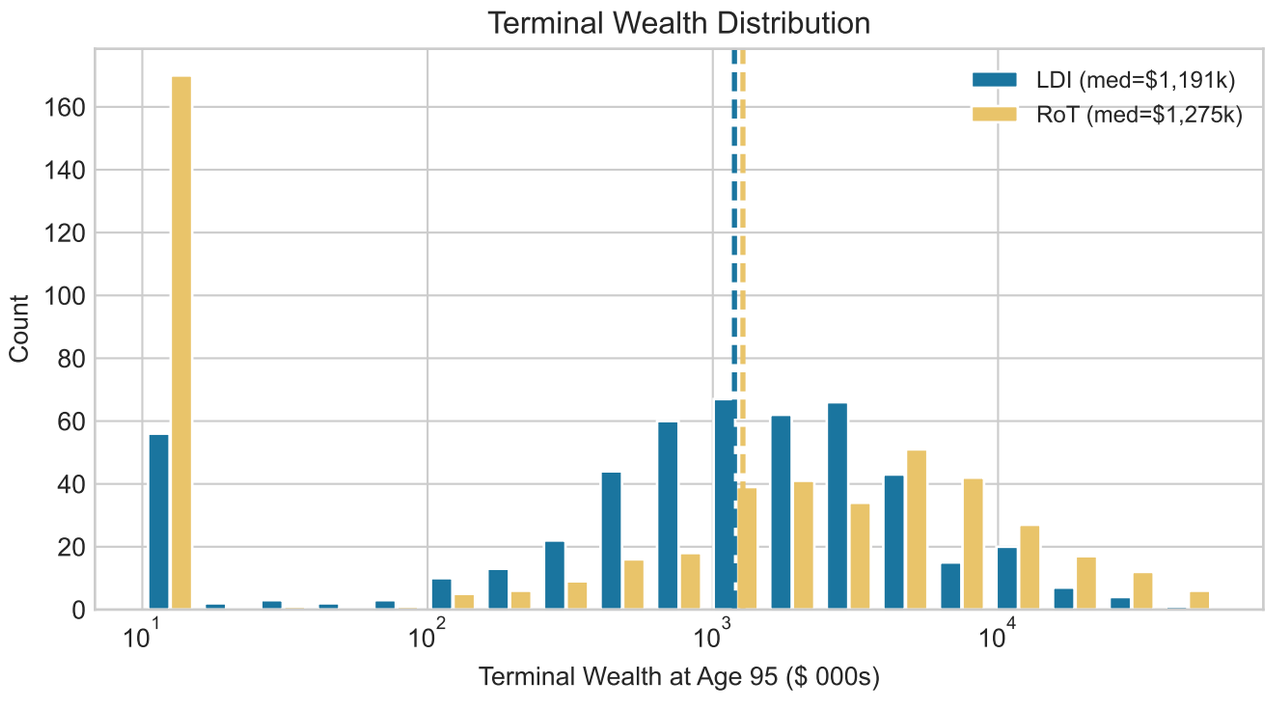
Baseline: Normal Monte Carlo (β=0.3)
Standard random shocks - no scenario manipulation

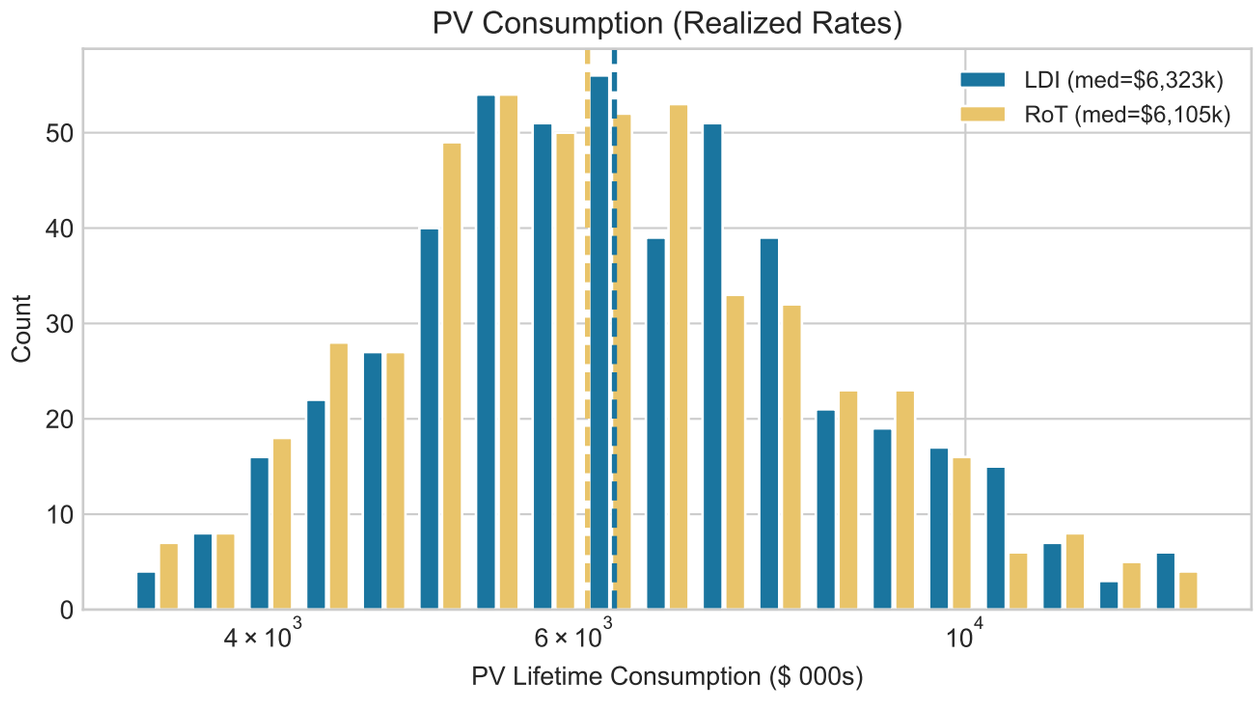




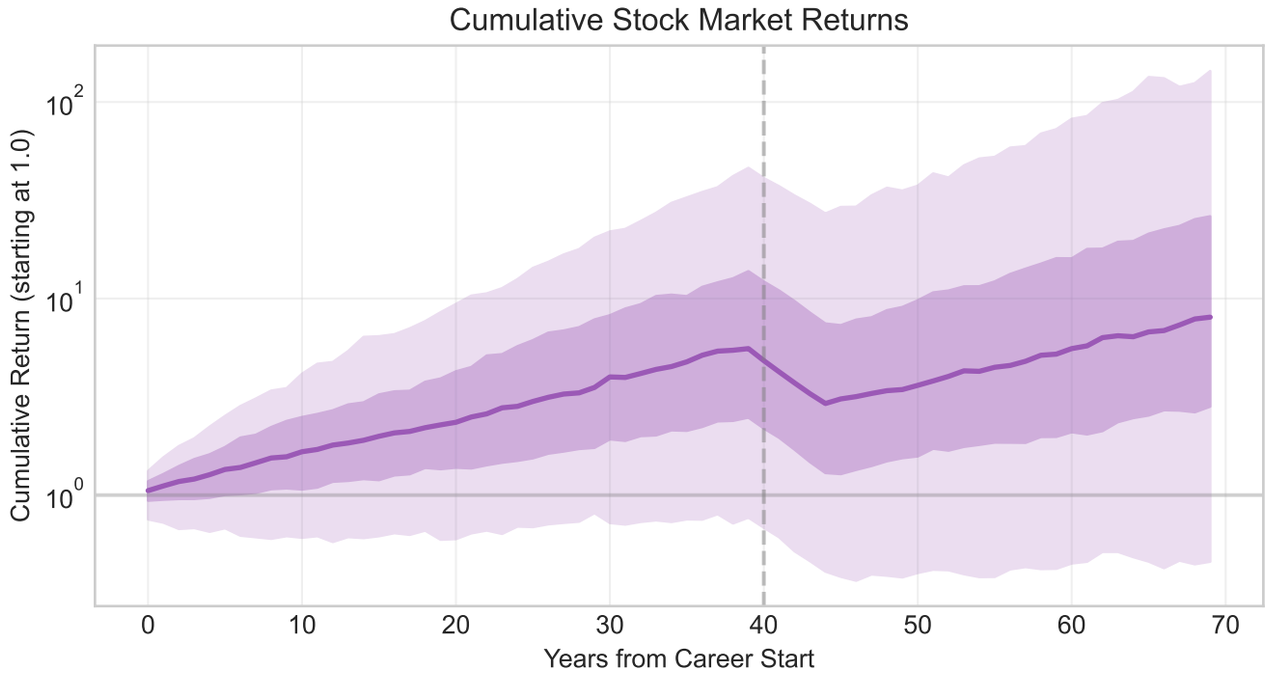


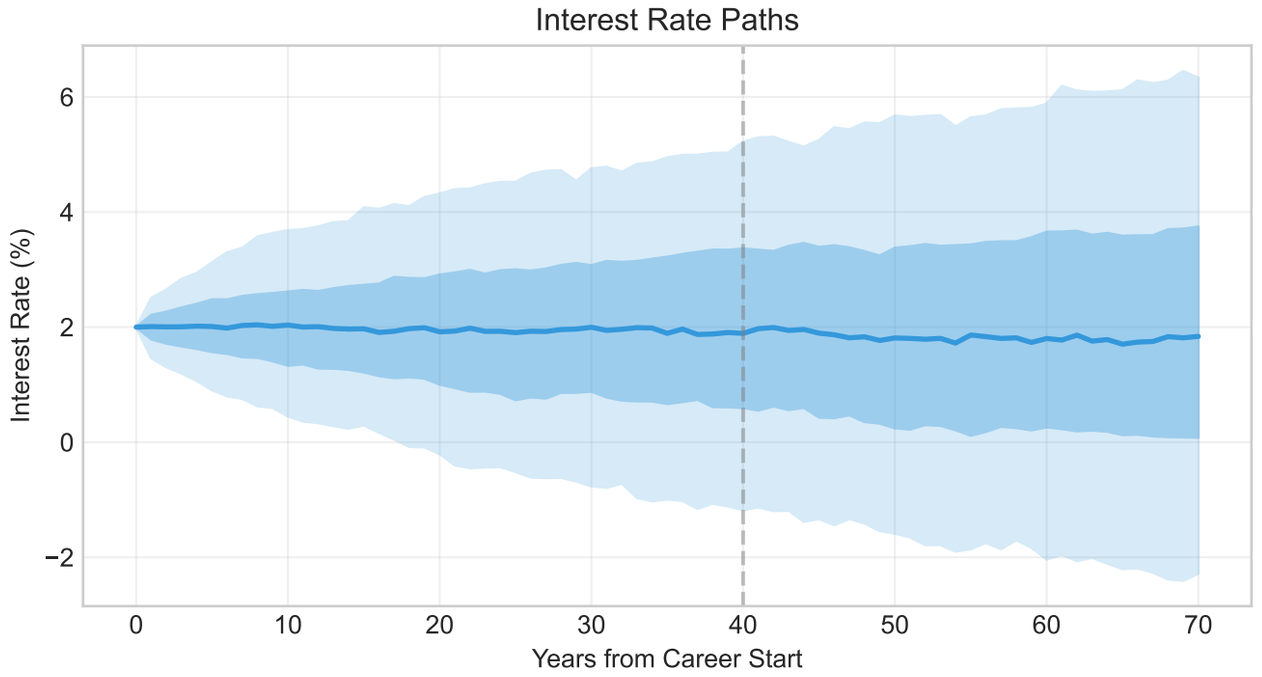


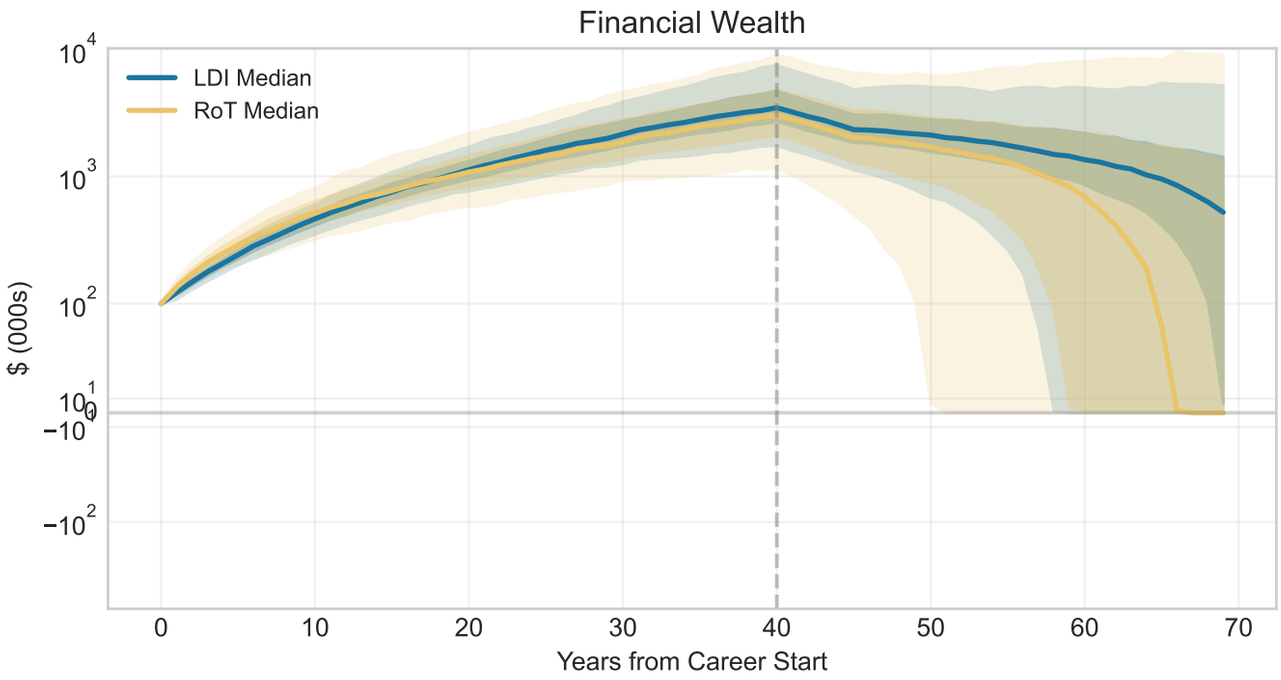


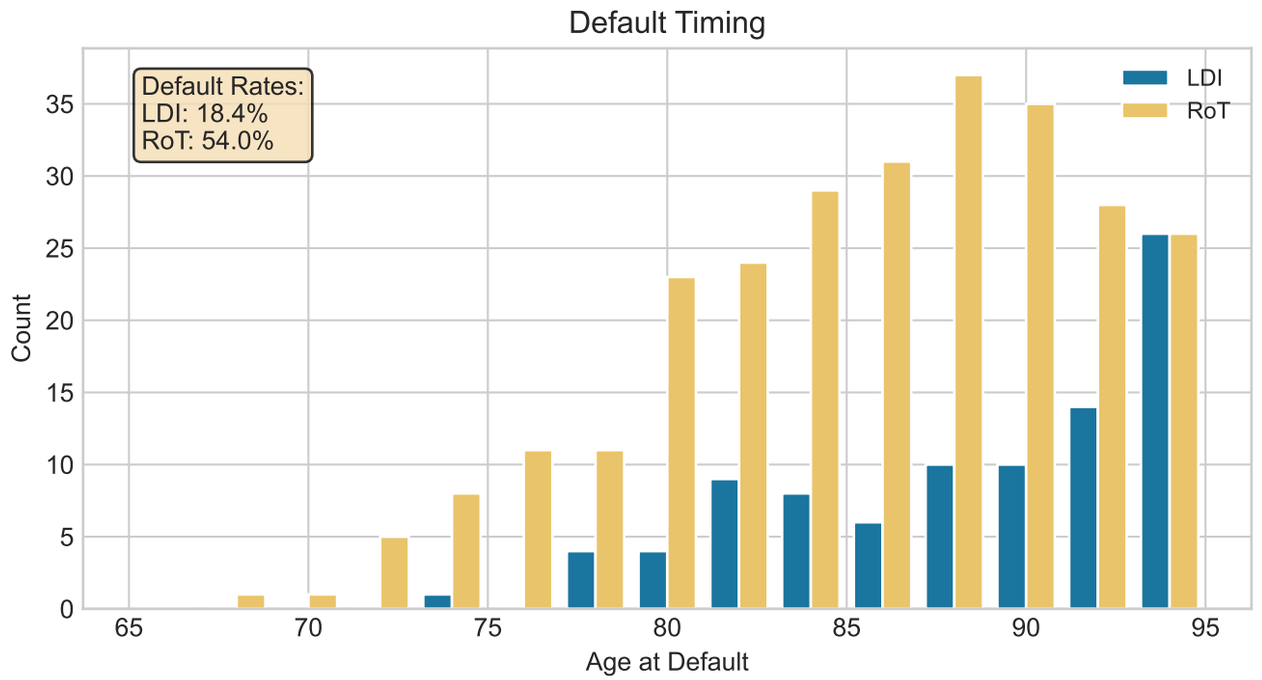


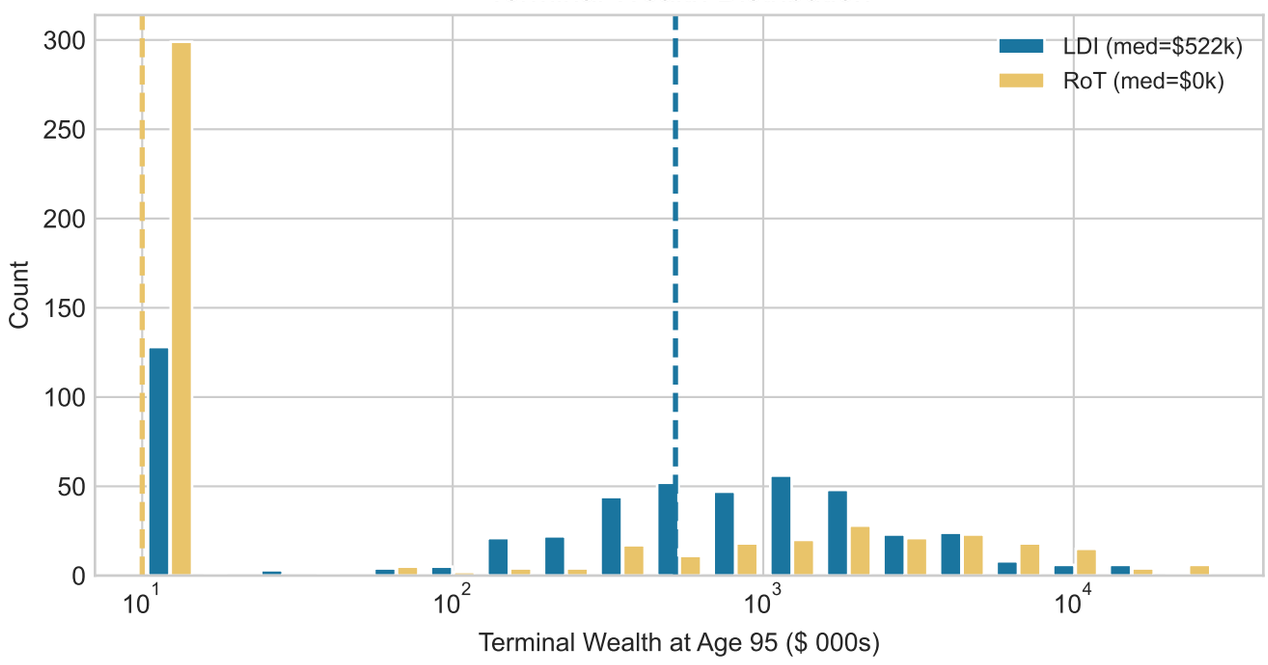
Sequence-of-Returns Risk (β=0.3)
Bad stock returns (~-12%/yr) in first 5 years of retirement

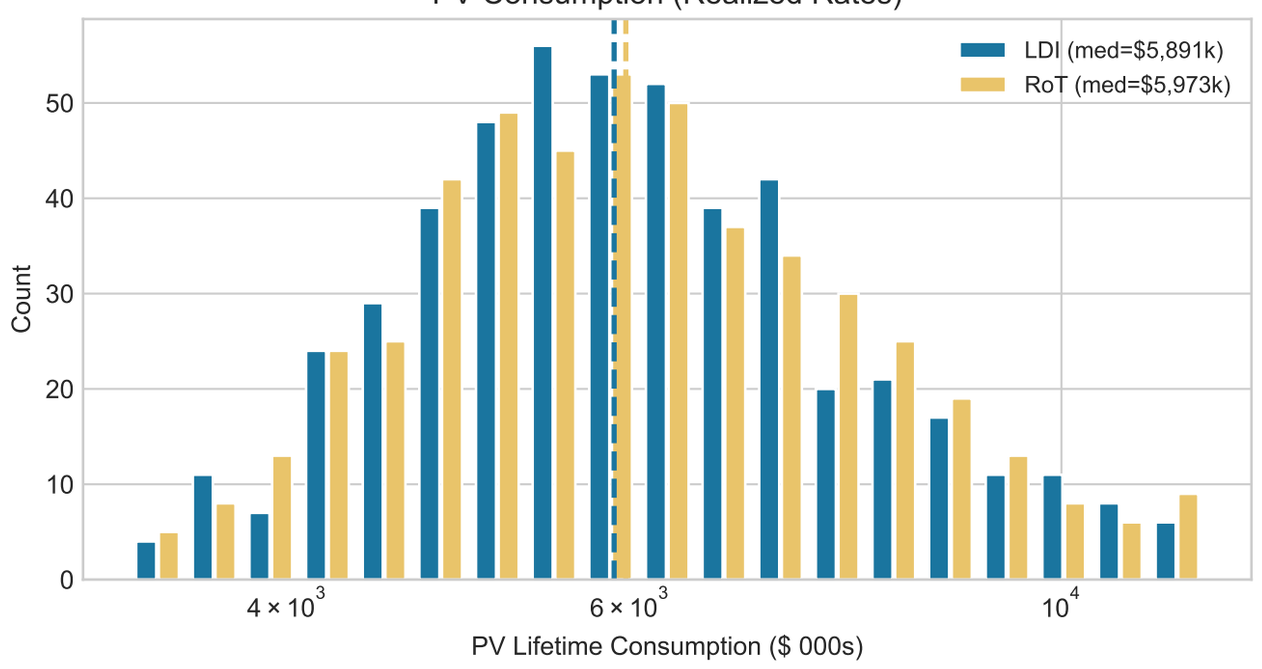












Pre-Retirement Rate Shock (β=0.3)
Interest rate drop (~4% cumulative) in 5 years before retirement