		TIPS Ladder Amounts Required to Hedge a $10,000 Fixed Payment			
Table 1:					
Age	**Annuity Payment**	**Cost of a $10,000 Basket @ 3%**	**Shortfall (Nominal $)**	**Divisor of 1.05 to Calibrate TIPS Purchase**	**TIPS to Be Purchased at T_0**
75	$10,000	$10,300	$300	1.05	$286
76	$10,000	$10,609	$609	1.103	$552
77	$10,000	$10,927	$927	1.158	$801
78	$10,000	$11,255	$1,255	1.216	$1,033
79	$10,000	$11,593	$1,593	1.276	$1,248
80	$10,000	$11,941	$1,941	1.34	$1,448
81	$10,000	$12,299	$2,299	1.407	$1,634
82	$10,000	$12,668	$2,668	1.477	$1,806
83	$10,000	$13,048	$3,048	1.551	$1,965
84	$10,000	$13,439	$3,439	1.629	$2,111
85	$10,000	$13,842	$3,842	1.71	$2,247
86	$10,000	$14,258	$4,258	1.796	$2,371
87	$10,000	$14,685	$4,685	1.886	$2,485
88	$10,000	$15,126	$5,126	1.98	$2,589
89	$10,000	$15,580	$5,580	2.079	$2,684
90	$10,000	$16,047	$6,047	2.183	$2,770
91	$10,000	$16,528	$6,528	2.292	$2,848
92	$10,000	$17,024	$7,024	2.407	$2,919
93	$10,000	$17,535	$7,535	2.527	$2,982
94	$10,000	$18,061	$8,061	2.653	$3,038
95	$10,000	$18,603	$8,603	2.786	$3,088
96	$10,000	$19,161	$9,161	2.925	$3,132
97	$10,000	$19,736	$9,736	3.072	$3,170
98	$10,000	$20,328	$10,328	3.225	$3,202
99	$10,000	$20,938	$10,938	3.386	$3,230
100	$10,000	$21,566	$11,566	3.556	$3,253
Total					$58,890

Note: Table illustrates the base case. The right column shows the amount of TIPS maturing that year that have to be purchased, along with coupon income, to meet the annual shortfall. The divisor of 1.05 reflects assumed inflation of 3% plus a 2% real yield. For simplicity and precision, these divisor amounts assume a zero-coupon TIPS available in any dollar amount. In fact, zero-coupon TIPS are not offered, and smaller annuity amounts may require bunching TIPS purchases, e.g., at maturities spaced five years apart, to meet the unit cost of TIPS purchased on the secondary market. Shaded ages exceed life expectancy.