Manulife Financial

For your future™

Maximize retirement income to help ensure it lasts

COMPLIMENTS OF:

Ray Bukovy CFP CPCA

Bukovy Financial Services Ltd.

400-905 Tungsten St.

info@bfinancial.com

807-684-1820

PRODUCT ALLOCATION FROM MANULIFE

Now that you have your retirement nest egg, how can you maximize the income to help ensure it will take care of you for life?

If you've begun to think seriously about retirement, no doubt you've dreamed of a number of scenarios: travel, more time with family, taking up a new hobby…

But there are also questions you need to consider: Do you have retirement savings and if so, will they last as long as you live? Will they keep up with the increasing cost of living? Can your investments endure poor market conditions? In short, will your savings take care of you for life and meet your goals?

In the face of these challenges, the investment strategy you've used to accumulate your savings may need to change when you're looking to draw income for retirement. To better meet retirement's income challenges, Manulife's Product Allocation strategy can help maximize your retirement income and help ensure it will last.

HOW DOES YOUR RETIREMENT PLAN COMPARE TO THAT OF OTHER CANADIANS?

Check out Manulife's Guidebook on Facebook and the Retirement page to find out how prepared Canadians are for retirement by visiting **facebook.com/ManulifeFinancial**.

RETIREMENT INCOME CHALLENGES

THE DECLINE OF THE DEFINED BENEFIT PENSION PLAN

Years ago, Canadians could turn to guaranteed income from "Defined Benefit" pension plans for their retirement income. With this type of plan, the employee was guaranteed income based on their earnings and the number of years worked, with no personal investment risk. However, the cost of running these plans can place an enormous strain on company resources.

As a result, many companies have phased out Defined Benefit plans, shifting the onus – and the risk – for retirement savings onto the employee, in what are known as "defined contribution" plans, which do not guarantee income in retirement. Instead, the retirement income depends on the performance of the investments the employee chooses.

If you have a Defined Contribution plan or no pension plan at all, you will need to find another way to help ensure you'll have sustainable retirement income for life.

CANADIANS ARE LIVING LONGER

Canadians are living longer than previous generations, so investments have to last longer. The probability of at least one member of a healthy couple living until age 90 is 63%*. When you live longer, the timeframe of your retirement is extended, so the risk of outliving your savings is greater. You need to help ensure your retirement income will last for life.

The probability of an average healthy 65-year old living until the ages of 70, 80, 90 and 95 years old*:

Age	Single Female (%)	Single Male (%)	At least one member of a couple (%)
70	96	93	99
80	81	71	94
90	44	33	63
95	23	16	36

For illustration purposes only. *Annuity 2000 Mortality Table, Society of Actuaries.

INCREASING COST OF LIVING

The cost of living is another factor to consider. A 25 cent cup of coffee in 1976 now costs $1.57. Not only has the cost of coffee increased but you could expect higher gasoline prices and increasing costs for food, household products and recreation. For example, the price of a bag of groceries that costs $100 today could approach $180 in 20 years. Your investments will need to keep pace with inflation in retirement. If they don't, your buying power will erode over time.

WHAT WILL $1,000 TODAY BUY IN 20 YEARS?

Effects of inflation on $1,000

Number of years	Rate of inflation				
	0%	1%	2%	3%	4%
1	$1,000	$990	$980	$970	$962
10	$1,000	$905	$820	$739	$676
20	$1,000	$820	$673	$545	$456
30	$1,000	$742	$552	$402	$308

For illustration purposes only.

IMPACT OF UNEXPECTED COSTS IN RETIREMENT

Large medical bills caused by unexpected illness could dramatically impact retirement plans. It is important to consider how a lump sum withdrawal from your investment portfolio would affect your ability to sustain your retirement income.

VOLATILE MARKETS EARLY IN RETIREMENT

You may have the misfortune of retiring just as the markets are experiencing a significant decline. A portfolio experiencing poor market returns early in retirement – when income is also being withdrawn – can more quickly run out of money. A portfolio with strong early returns may provide sustainable income much longer. When close to or in retirement, your investments need to be resilient to volatile markets and poor early returns because there is less or no time to recover the losses.

ACCOUNTING FOR YOUR GOALS

In addition to traveling or taking up a new hobby in retirement, most people have specific goals or preferences, beyond lifestyle aspirations, that could affect the ability of their investments to provide sustainable income. For you, this could be the emphasis you place on being able to access cash from your investments or the importance of leaving a legacy to your heirs or a charity. And for some, there's the risk of jumping in and out of the market, or "timing" the market. This can negatively affect finances long term if you are out of the market when it begins to experience positive returns. Your retirement income plan will also need to take into account your goals and personal investment patterns.

TRADITIONAL INVESTMENT STRATEGIES MAY NO LONGER BE ENOUGH

Traditional investment strategies may no longer be enough to protect you from the risks and challenges your retirement plan will face as you begin taking income from your investments. An example of a traditional strategy is asset allocation, where you invest in a number of asset classes, such as stocks and bonds, according to your tolerance for the risk involved with these types of investments. This strategy helps you build wealth during working years and it still plays a role in a retirement income strategy, but alone, it may not be enough to protect you from the challenges that retirees uniquely face.

These challenges are important to consider and Manulife's Product Allocation approach can help you take action, to maximize your retirement income and help ensure it will last.

THE SOLUTION STARTS WITH PRODUCT ALLOCATION

To better meet retirement's income challenges, Manulife has brought a new perspective to Canadians: Product Allocation. Advisors are turning to Product Allocation strategies to help you maximize your retirement income potential, while helping to minimize the impact of financial risks you will face.

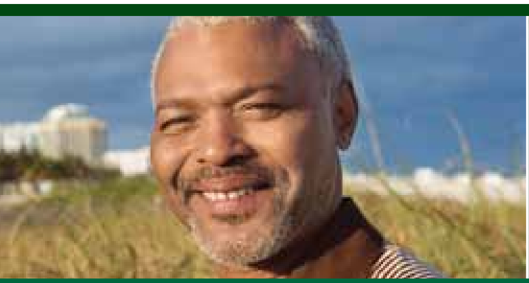
Investors face risks that can be mitigated by the features and guarantees offered by a variety of income generating investment products. Combining these products in the optimal mix can help create a sound retirement income plan. This mix of investments is known as Product Allocation.

Product Allocation involves placing retirement savings into a number of product categories, in specific proportions that tap into unique guarantees and features, to help achieve sustainable retirement income no matter what risks you face or preferences you have.

THE RETIREMENT SUSTAINABILITY QUOTIENT (RSQ)

Using Manulife's industry-first Product Allocation Tool, your advisor can actually measure your current retirement plan's chance of success. We call this measure the RSQ. The RSQ can range from zero per cent, where there's no chance of success, to 100 per cent, where the income stream can be sustainable for life.

Your advisor can then work with you to determine if your RSQ can be improved by moving your savings into certain products in the optimal proportions that address the risks and preferences that are of most concern to you.



FEATURES FOR A SUCCESSFUL STRATEGY

There isn't one product category that can address all of the risks and goals that you will face in retirement. Each product category, SWPs, GMWBs and annuities, has its own set of unique features and benefits. Based on your specific needs and preferences, your advisor can help you determine how much of your income should come from each of these categories, taking into account the costs and the benefits of these products and how they interact with each other.

Product Category	Features & Benefits	RETIREMENT CHALLENGES					
		Retirement Risks			Retirement Preferences		
		Inflation	Sequence	Longevity	Liquidity	Behaviour	Estate
ANNUITIES and other sources of guaranteed lifetime income, such as Defined Benefit Pension Plans, the Canada Pension Plan (CPP), and Old Age Security (OAS)	■ Guaranteed income, typically for life ■ Pre-determined regular income ■ Market volatility protection ■ Interest rate fluctuation protection ■ Not liquid ■ No control over how assets are invested	LOW	MED	HIGH	LOW	HIGH	LOW
SYSTEMATIC WITHDRAWAL PLANS (SWPs)* linked to portfolios of mutual funds, stocks, bonds, GICs, cash, etc.	■ Control over how assets are invested ■ Flexible monthly income ■ Growth potential to help keep up with inflation ■ Income not guaranteed	HIGH	LOW	LOW	HIGH	LOW	HIGH
GUARANTEED LIFETIME INCOME BENEFITS INCLUDING GUARANTEED MINIMUM WITHDRAWAL BENEFITS (GMWBs)	■ Guaranteed income possibly for life ■ Growth potential to help income keep up with inflation ■ Control over how assets are invested ■ Predictable, sustainable and potentially increasing income ■ Incur additional fee for guarantee	MED	HIGH	MED	MED	MED	MED

* The SWP product category represents regularly scheduled withdrawals from non-guaranteed sources of income such as mutual funds, segregated fund contracts, stocks, bonds and bank or insurance company GICs.

Source: QWeMA Group Inc., August 2007.

Note: The low, medium and high score is a qualitative ranking of the ability of each category of investment or product to meet a specific need, compared to the other two categories.

PRODUCT ALLOCATION IN ACTION: A CASE STUDY

Wealth alone can't ensure retirement income is protected from risks and that you'll meet your retirement goals. It's true that years of saving are important in preparing for retirement, but wealth, or a high net worth, doesn't necessarily ensure your retirement income is safe from retirement risks or that you can address your goals.

CHLOE'S SITUATION

Chloe is single and almost 65 years of age. She earns $90,000 a year before taxes. Her home is mortgage free. She doesn't have a formal pension plan at work, but contributes the maximum each year to her Registered Retirement Savings Plan (RRSP). Chloe has a tendency to shift some of her RRSP contributions in and out of different mutual funds in response to market conditions. However, she's been fortunate and it has grown to an impressive $750,000. She is debt free and financially ahead of most Canadians in her income bracket.

Chloe is confident that her RRSP will leave her in good standing for retirement, but she decides to meet with an advisor, Janet, for a financial check-up to see if she is on track.

CHLOE	
Salary	$90,000
Home	$500,000
RRSP	$750,000
Debt	No
BD Pension Plan	No

For illustration purposes only.

Janet reviews Chloe's current retirement plan and commends her for contributing the maximum to her RRSP and for being debt free. However, Janet explains that Chloe's investment portfolio, an RRSP primarily comprised of bonds and a few mutual funds, is not protected from certain risks, like inflation or market volatility. She expresses concern that Chloe doesn't have a pension plan that could provide guaranteed retirement income and supplement her government entitlements. Janet further explains that Chloe's tendency to move money in and out of mutual funds could result in a poor investment decision. If she's out of the market, she can't benefit when it begins to experience positive returns.

After reviewing Chloe's risk tolerance and goals for retirement, Janet enters Chloe's financial information into Manulife's Product Allocation Tool, which shows that her RRSP savings only provide an RSQ of 71%. This means there is a 29% chance that her current plan will not provide sustainable income for life. Janet explains that, despite her wealth, Chloe has a low RSQ because her RRSP savings, although substantial, are not invested in products offering the features and guarantees that would help protect it from retirement's income challenges.

Chloe asks what she could do to help improve her situation. Janet says that she could improve her RSQ – and her likelihood for a successful retirement income plan – by broadening her current strategy to include Product Allocation. Using the Product Allocation Tool, Janet places $637,500 of Chloe's current RRSP savings into products that can offer guaranteed lifetime income, protection from market downturns and a portion of her savings into a product that provides a higher degree of liquidity if she requires additional access to her investments. By implementing an optimal Product Allocation approach to her retirement income plan, Chloe achieves a much higher RSQ of 92%.

The bottom line for Chloe is that more income from guaranteed sources can mean a higher likelihood that her retirement income plan may be sustainable for life.

A proper Product Allocation strategy – and not necessarily wealth – is the key to maximizing retirement income and helping to ensure it will last.

ARE YOU PREPARED FOR A LONG RETIREMENT?

Find out where your retirement income plan stands by trying out Manulife's new RSQ calculator! This calculator is the first of its kind in Canada and it was designed to reinforce our commitment to developing products and services that help you prepare for your future.

This innovative calculator will analyze your current financial situation and will provide a Retirement Sustainability Quotient (RSQ) range. The higher the RSQ range is, the higher the likelihood that your retirement income will be sustainable for life.

Go to willmysavingslast.ca to find out where you stand by using the RSQ calculator.

What do these RSQ Ranges indicate?

RSQ Range (%)	What it means
51-65	You have a low likelihood of attaining your retirement income goal. The desired retirement income is not likely sustainable for life
66-79	The desired retirement income may only be sustainable for the early part of your retirement but will not be sustainable for life
80-89	You're on your way and it is likely that your desired retirement income may be sustainable for the rest of your life
90 and above	You have a high likelihood that your desired retirement income will be sustainable for life

Once you know where your retirement income plan stands, you are encouraged to contact your advisor who can help you better optimize your plan's likelihood of success for sustainability through implementing a Product Allocation strategy. If you aren't already working with an advisor, you can utilize the "Find An Advisor" resource after you have completed the calculator.

WORKSHEETS

The following pages include two removable worksheets: **Your Retirement Expenses** and **Your Retirement Income**. These worksheets will help give you a better idea on what you can expect your expenses to be in retirement and the amount of income you expect to receive from both guaranteed and non-guaranteed sources respectively. Once you have completed the worksheets, you can take them to your advisor to have them work with you on creating your optimal retirement income plan.

YOUR RETIREMENT EXPENSES WORKSHEET

	FIRST NAME	LAST NAME
Client 1		
Client 2		

ESSENTIAL EXPENSES

DESCRIPTION	DETAIL AMOUNT
HOUSING	
Mortgage / rent	
Utilities (heat, hydro, etc)	
Phone / cell / internet / cable	
Insurance (home)	
Property tax	
Condominium fees	
Maintenance	
Other:	
Total Housing	
TRANSPORTATION	
Gas / fuel	
Insurance (car)	
Lease or lease payments	
Public transit	
Maintenance and repairs	
Parking	
Other:	
Total Transportation	
DAILY LIVING	
Groceries	
Clothing	
Other:	
Total Daily Living	

DESCRIPTION	DETAIL AMOUNT

HEALTHCARE EXPENSES	
Eye / dental	
Assisted living care and nursing	
Prescription	
Other:	
Total Healthcare	

FINANCIAL OBLIGATIONS	
Registered contributions	
Non-registered contributions	
Pension contributions	
Loan payments	
Credit card payments	
Health insurance	
Life insurance	
Disability insurance	
Other:	
Total Financial Obligations	

DISCRETIONARY EXPENSES

RECREATION AND LEISURE	
Fitness	
Travel / vacation	
Hobbies	
Pets	
Entertainment	
Restaurant / meals	
Subscriptions	
Other:	
Total Recreation and Leisure	

MISCELLANEOUS	
Gifts	
Charities	
Other:	
Total Miscellaneous	

TOTAL EXPENSES	

YOUR RETIREMENT INCOME WORKSHEET

	FIRST NAME	LAST NAME
Client 1		
Client 2		

INCOME FROM GUARANTEED SOURCES

DESCRIPTION	DETAIL AMOUNT
GOVERNMENT BENEFITS	
CPP	
OAS	
Total Government Benefits	
ANNUITIES	
Total Annuities	
EMPLOYMENT PENSION	
Total Employment Pension	
TOTAL INCOME FROM GUARANTEED SOURCES	

INCOME FROM OTHER SOURCES

DESCRIPTION	DETAIL AMOUNT
NET EMPLOYMENT INCOME	
Total Net Employment Income	
INVESTMENT INCOME	
Total Investment Income	
RENTAL INCOME	
Total Rental Income	
TOTAL INCOME FROM OTHER SOURCES	

TOTAL INCOME FROM ALL SOURCES	

WHY MANULIFE

FINANCIAL STRENGTH AND STABILITY

Strong – Funds under management by Manulife Financial and its subsidiaries are Cdn$481 billion.[1]

Reliable – More than one in five Canadians are served by Manulife's leading businesses that provide individual life and health insurance, wealth management, banking, group benefits, group savings plans, plus services to alumni and professional associations across the country.

[1]At June 30th, 2011

Trustworthy – Manulife has stood solidly behind our promises for over 120 years.

Forward-thinking – Manulife Financial is a market leader in both financial protection and wealth management businesses. We provide a full suite of products and services to meet the current and future needs of individual and group customers.

HIGHLY REGARDED

- Track record of growth, leading corporate governance practices and strong management teams
- Manulife has strong claims paying ability and financial strength ratings from all of its credit rating agencies
- Is the largest insurance company in Canada and one of the top five in the world
- Manulife was first incorporated in 1887 with Sir John A. Macdonald, Canada's first Prime Minister, as President

FOR MORE INFORMATION, CONTACT YOUR ADVISOR OR VISIT HELPMYSAVINGSLAST.CA

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