

IS **retirement** IN YOUR
retirement plan?



FIND OUT HOW TO RETIRE WITH CONFIDENCE

For many, “the big day” seems as if it’s a long way off. For others, it’s just around the corner. We’re talking about retirement and the fact that many Canadians plan to work after age 65.

A recent survey conducted by Harris/Decima polled more than 1,000 Canadians about their retirement plans and expectations.¹ According to the report, 69 per cent of Canadians plan to keep working after they formally retire. The reasons reveal something interesting about tomorrow’s retirees:

- 57 per cent plan to continue to work to stay socially active
- 72 per cent want to remain mentally active
- 38 per cent need to keep working because they cannot afford not to

The last statistic is of obvious concern. It would appear that the economic downturn has had a significant impact on the expectations of Canadians, especially those with lower than average annual incomes.

Whether by choice or necessity, it seems that many want to remain economically active. And, after

all, the extended life expectancy of today’s retirees has created the equivalent of an entire second adulthood for this generation.

Yet for many, the prospect of retirement is filled with uncertainty. Many questions need to be answered. Can I afford to retire? At what age can I retire? What can I afford to do in retirement? These questions are understandably weighing on many Canadians.

CHOOSING THE RIGHT TIME IS NEVER EASY

Figuring out the best time to retire is never easy. Another recent survey conducted by a major bank provides an important insight into why so many Canadians are uncertain about their retirement: approximately 65 per cent do not have a financial plan.² In other words, the majority of respondents

WHAT ARE YOU PLANNING TO DO AFTER YOU RETIRE?

Other than working, what’s on the minds of many Canadians as they approach their retirement years? According to the Harris/Decima survey¹:

- 86 per cent plan to travel
- 72 per cent want to spend time with family and friends
- 61 per cent plan to spend more time reading
- 60 per cent plan to exercise
- 50 per cent will take up a hobby
- 24 per cent plan to go back to school

¹A total of 1,011 completed surveys were collected across Canada; 731 respondents expected to retire. The study was conducted from October 14, 2010 to October 25, 2010, on behalf of Scotiabank by Harris/Decima.

²Reproduced with permission from “The future of retirement: the power of planning,” published in 2011 by HSBC Insurance Holdings Limited, London.



are cruising into their retirement without the aid of a financial map.

Especially since they enjoy the possibility of living a lot longer, tomorrow's retirees could use some help. What many are looking for is a retirement income strategy that can help spell out when they can afford to retire and what they can afford to do in retirement to ensure they don't outlive their life savings. Sound like you?

The good news is that advisors across Canada are now adopting Product Allocation strategies to provide their clients with a lot more certainty when it comes to making plans.

WHAT IS PRODUCT ALLOCATION?

Product Allocation from Manulife is a methodology that involves placing your assets in specific proportions within three distinct product categories to help ensure sustainable retirement income. This enables your advisor to

better optimize your retirement income potential, while at the same time minimizing the financial risks that could derail your financial plan. You can tap into the guarantees or features that each product category provides to address the various financial challenges you may face during your retirement years.

Although myriad product choices are available, they can be classified into the following product categories:

- **Systematic Withdrawal Plans (SWPs)** – linked to portfolios of mutual funds, segregated funds, stocks, bonds, GICs, cash, etc.
- **Guaranteed Minimum Withdrawal Benefits (GMWBs)** – designed to provide predictable, sustainable and potentially increasing levels of income
- **Immediate Annuities (IAs)** – established to deliver predetermined and guaranteed income, typically for life

WHAT MANY ARE LOOKING FOR IS A RETIREMENT INCOME STRATEGY THAT CAN HELP SPELL OUT WHEN THEY CAN AFFORD TO RETIRE AND WHAT THEY CAN AFFORD TO DO IN RETIREMENT.

THE PRODUCT ALLOCATION STRATEGY IS NOT BIASED IN FAVOUR OF ANY SINGLE PRODUCT CATEGORY. INSTEAD, IT CREATES A RECOMMENDED MIX OF PRODUCTS BASED ON YOUR CURRENT FINANCIAL SITUATION.

The Product Allocation strategy is not biased in favour of any single product category. Instead, it creates a recommended mix of products based on your current financial situation. This mix can then be adjusted to meet your retirement goals, concerns and preferences. The overall objective is to maximize the potential sustainability of your retirement income.

GIVE YOUR RETIREMENT PLAN A NUMBER

The Product Allocation Tool calculates a Retirement Sustainability Quotient, or RSQ, which is a percentage measure of how likely it is that a mix of investment products will provide desired lifetime retirement income. The RSQ can range from zero per cent, which represents no potential for sustainability – to 100 per cent where the income stream is guaranteed for a lifetime. The higher your score, the better the chance that your income will be sustainable.

Using the Product Allocation Tool, your advisor can assess the likelihood that your investment portfolio will provide an income stream that will last the rest of your life. It's an important way for your advisor to provide you with a clear idea of where you stand. And if you



know where you stand, it makes it a lot easier to answer important questions, such as whether you'll need to work longer or spend more time at home to maintain the lifestyle you want, travel, go back to school or leave a legacy for your children.

WILL RETIREMENT BE IN YOUR RETIREMENT PLAN?

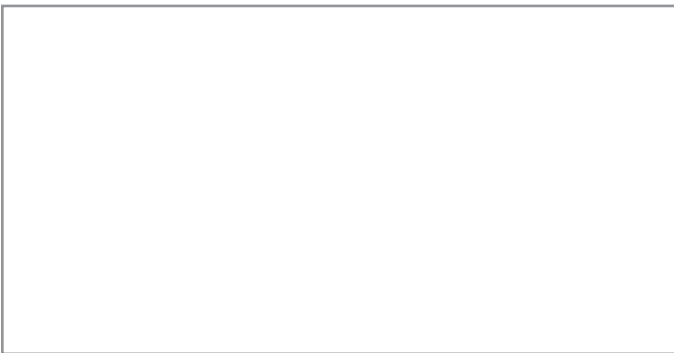
It's a question you need to answer as the big day approaches. If surveys prove accurate, many Canadians will continue to work because they want to. Others will continue to work because they feel they need to. Some may even manage to find a combination of work and leisure that fulfills their aspirations for a more balanced life. Whether by choice or necessity, every Canadian could benefit from more certainty when it comes to their retirement plan.

If you find yourself wondering what kind of retirement is in your retirement plan, consider seeking the help of your advisor. He or she can review your current financial situation and explain how Product Allocation can help you prepare for your future, whatever shape it takes. •

WHY NOT TRY PRODUCT ALLOCATION FOR YOURSELF?

To learn more about Product Allocation, visit helpmysavingslast.ca. You can try the easy-to-use RSQ Calculator and learn how Product Allocation can help you secure retirement income for life. Contact your advisor for more information on how Product Allocation can help you prepare for retirement.

Solutions



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