

**PRODUCT ALLOCATION MATRIX**

Product Category	Features & Benefits	RETIREMENT CHALLENGES					
		Retirement Risks			Retirement Preferences		
		Inflation	Sequence	Longevity	Liquidity	Behaviour	Estate
<b>ANNUITIES</b> and other sources of guaranteed lifetime income, such as Defined Benefit Pension Plans, the Canada Pension Plan (CPP), and Old Age Security (OAS)	<ul style="list-style-type: none"> <li>■ Guaranteed income, typically for life</li> <li>■ Pre-determined regular income</li> <li>■ Market volatility protection</li> <li>■ Interest rate fluctuation protection</li> <li>■ Not liquid</li> <li>■ No control over how assets are invested</li> </ul>	LOW	MED	HIGH	LOW	HIGH	LOW
<b>SYSTEMATIC WITHDRAWAL PLANS (SWPs)</b> linked to portfolios of mutual funds, stocks, bonds, GICs, cash, etc.	<ul style="list-style-type: none"> <li>■ Control over how assets are invested</li> <li>■ Flexible monthly income</li> <li>■ Growth potential to help keep up with inflation</li> <li>■ Income not guaranteed</li> </ul>	HIGH	LOW	LOW	HIGH	LOW	HIGH
<b>GUARANTEED LIFETIME INCOME BENEFITS INCLUDING GUARANTEED MINIMUM WITHDRAWAL BENEFITS (GMWBs)</b>	<ul style="list-style-type: none"> <li>■ Guaranteed income possibly for life</li> <li>■ Growth potential to help income keep up with inflation</li> <li>■ Control over how assets are invested</li> <li>■ Predictable, sustainable and potentially increasing income</li> <li>■ Incur additional fee for guarantee</li> </ul>	MED	HIGH	MED	MED	MED	MED

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.

## RETIREMENT CHALLENGES

RETIREMENT RISKS	RETIREMENT PREFERENCES
<p><b>During retirement, today's retirees will face more and different financial risks than previous generations and the products they own may help them address these risks. Some of the key risks in retirement are:</b></p> <p><b>Inflation:</b> The long-term tendency of money to lose purchasing power. The future cost of goods and services increases, thereby eroding the value of assets. This can drastically affect retirement savings if those savings are not growing at a rate higher than the rate of inflation. Between 1992 and 2004, the Consumer Price Index (CPI) rose 26.1 percent for Canadians 65 years of age and older.<sup>1</sup> One area of considerable concern is the rising cost of health care.</p> <p><b>Sequence of Returns:</b> During retirement, this is the interplay between the rate of withdrawal and the order of investment returns, which can have a dramatic impact on a portfolio's ability to last. Specifically, a market downturn just before retirement, when there's not enough time to recover losses, or just after retirement, when income is being drawn, can mean a retiree runs out of money.</p> <p><b>Longevity:</b> The lifespan of an individual. Canadians are living longer than ever before -- the likelihood of a healthy, married 65-year-old living to age 90 is now approximately 63%.<sup>2</sup> This means they may have to fund their retirement for 25 years or longer. Many people underestimate how long they could live and as a result, risk outliving their life savings.</p>	<p><b>Retirement preferences refer to personal concerns a retiree can address with the types of products they own in their investment portfolio. The degree of importance of each preference depends on the individual. These preferences include:</b></p> <p><b>Liquidity needs</b> – Is it important to maintain access to savings for lifestyle or emergency expenses such as healthcare that could impose a financial burden? Would you be willing to exchange some of the control over your investment portfolio for a guaranteed income stream?</p> <p><b>Behavioural responses</b> – Are you able to maintain composure and make rational investment decisions when there are large swings in the market or are you prone to emotional knee jerk reactions during turbulent times? An overreaction to rising or falling markets can lead to irrational behaviour, adversely affecting investment decisions and your retirement plan.</p> <p><b>Estate</b> – Is it important to you to leave an inheritance to your loved ones from your investment portfolio? Please keep in mind that the size of the inheritance may have a direct impact on the amount of money you can spend during your retirement.</p>

<sup>1</sup> Source: Statistics Canada, May 2005, Survey of Household Spending. Statistics Canada information is used with the permission of Statistics Canada. Users are forbidden to copy the data and redisseminate, in an original or modified form, for commercial purposes, without permission from Statistics Canada. Information on the availability of the wide range of data from Statistics Canada can be obtained from Statistics Canada's Regional Offices, its World Wide Web site at [www.statscan.ca](http://www.statscan.ca), and its toll-free access number: 1 800 263 1136.

<sup>2</sup> Source: Annuity 2000 Mortality Table 4, Society of Actuaries

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### FOR MORE INFORMATION, PLEASE CONTACT YOUR ADVISOR

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MK2513E TMK1036E 01/11



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