

Retirement Priorities Challenge



Your client visited **helpmysavingslast.com** and completed the Retirement Priorities Challenge. This challenge is an interactive tool that helps investors consider their goals and risk preferences in retirement. By using 10 coins, your clients place each of the coins in one of the six categories – Rising Cost of Living, Market Returns, Years in Retirement, Cash Availability, Portfolio Management and Inheritance - according to what will matter most to them in retirement.

When your client has completed the challenge, a report is generated that outlines their retirement priorities based on where they distributed their coins. They are prompted to contact you to see how their specific goals and concerns can be addressed using a Product Allocation approach to their retirement income planning.



Instructions:
 Click and drag the coins on top of the six boxes according to your concerns.

x 10

RISING COST OF LIVING

MARKET RETURNS

YEARS IN RETIREMENT

CASH AVAILABILITY

PORTFOLIO MANAGEMENT

INHERITANCE

Instructions > Determine your priorities Complete the exercise

Product Allocation is a retirement income solution that can help you work with your clients to address their concerns and preferences. In the past, investors used to believe in working with multiple advisors so all their retirement savings weren't in one basket. But now investors want to work with advisors that know their complete financial situation and can create one plan that maximizes their retirement income potential and helps ensure that it will last for life.

WHERE TO START?

Product Allocation creates an optimal mix of products based on individual financial situations that tap into the guarantees and features of each of the following three product categories: Systematic Withdrawal Plan (SWPs), Guaranteed Minimum Withdrawal Benefits (GMWBs) and Annuities. A Product Allocation strategy not only taps into the guarantees of the product categories but it can also be adjusted to address investors' risk and retirement preferences.

To start implementing this strategy, use the innovative Product Allocation Tool to calculate whether an Optimal Product Allocation mix exists for your clients. This mix determines the highest likelihood of sustainability for your client's retirement income. You can adjust the Product Allocation mix to help meet your clients' individual needs and retirement goals, such as the ability to access their investments or help ensure that their money won't be affected by rising inflation rates.

HOW YOU CAN HELP IMPLEMENT YOUR CLIENTS' PREFERENCES?

The following examples may help you better understand how your clients' priorities could influence the product mix you develop for them using a Product Allocation approach.

RETIREMENT PRIORITIES

YEARS IN RETIREMENT – concerned about outliving retirement savings

With Canadians living longer compared to previous generations, your client could spend as much time in retirement as they did working. Product Allocation can help ensure your clients have a retirement income plan that can last throughout retirement. To help address this concern you may be able to adjust the Optimal Product Allocation results to increase income from guaranteed sources like annuities. Annuities can provide a stable stream of income for life in exchange for a single lump sum deposit.

INHERITANCE – important to leave a financial legacy

For many of your clients an important aspect of retirement planning will be the ability to leave a financial legacy. Recent market downturns have demonstrated how volatility can deplete a planned inheritance as investors realize they'll need to use their savings to fund their retirement. With a Product Allocation strategy you can help ensure your client's



potential financial legacy is sufficient and to provide increased certainty, you can select to add life insurance to your client's portfolio. If your client has a very high likelihood that their retirement income will be sustainable, the Product Allocation Tool makes it easy to determine if your client can take additional retirement income to fund the premiums of a life insurance policy. When your client passes, the insurance's death benefit proceeds help contribute to their financial legacy.

CASH AVAILABILITY – easy access to investments

Within the categories of Product Allocation, products offering Systematic Withdrawal Plans (SWPs) tend to have the highest degree of liquidity. If your client has expressed a strong preference to have the ability to access their money, you can increase the percentage of assets in the SWP category in the Optimal Product Allocation section. Guaranteed Minimum Withdrawal Benefits (GMWBs) can also accommodate for liquidity because they provide access to withdraw funds but it could impact future income payments if the withdrawals exceed the predetermined limits and fees may apply. In order to be able to increase the percentage of funds within the SWP category you may consider decreasing the weighting in the annuities category. Annuities can provide a stable stream of income for life but they do not allow for flexibility to change the investment or access the funds.

RISING COST OF LIVING – concerned that inflation over the long term could erode buying power

If inflation risk is a key concern for your client, then you may want to consider allocating a higher percentage of retirement savings to products that help keep up with inflation. GMWBs can offer some inflation protection through resets – when the markets rise, the reset feature can increase the amount of guaranteed payments. SWPs also have growth potential to help keep up with inflation as long as the investment is performing at a rate higher than the rate of withdrawal.

PORTFOLIO MANAGEMENT – desire to manage investments now in order to be prepared for any changes in the markets

Behavioural risk is another common concern for investors either in or approaching retirement. As the markets fluctuate and as investors grow older, the ability to maintain composure and make rational decisions during times of uncertainty can sometimes diminish. This behaviour can have a negative impact on a retirement income plan. With these types of clients, you may wish to consider a stronger weighting of investments towards products that can provide guarantees like GMWBs or products that aren't affected by market performance like annuities.



MARKET RETURNS – a want for guarantees to protect against the impact of volatile market returns causing a dramatic impact on portfolio’s sustainability

During retirement, your client’s rate of withdrawal and the sequence of market returns can have a dramatic impact on their portfolio’s ability to last through retirement. If your client experiences poor market returns early in retirement this may impact how much income they can continue to take or how long it will last. Product Allocation can help address your client’s concern of not being able to cover their essential expenses in retirement by allocating more of their retirement savings in products offering sources of guaranteed income. For discretionary expenses such as travel or lifestyle expenses, investors may have more tolerance for risk of market volatility and you can look to select products with increased growth potential.

YOUR OPPORTUNITY WITH PRODUCT ALLOCATION?

By implementing a Product Allocation approach with your clients, you are demonstrating that you have the ability to help ensure their retirement preferences can be met and that you have a solution to help address their retirement concerns. Product Allocation is a retirement income strategy that can help ensure your clients’ income lasts throughout retirement and one that can help build and sustain your business.

Product Allocation can help you retain clients throughout the retirement phase of their lives and increase the value of your book of business by expanding your range of products to gather additional assets while being viewed as the advisor of choice.



**FOR MORE INFORMATION ON PRODUCT ALLOCATION, VISIT [PRODUCTALLOCATION.CA](https://productallocation.ca),
OR FOR QUESTIONS REGARDING THE PRODUCT ALLOCATION TOOL, EMAIL RSQ@MANULIFE.COM**

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TMK1165E 06/11

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