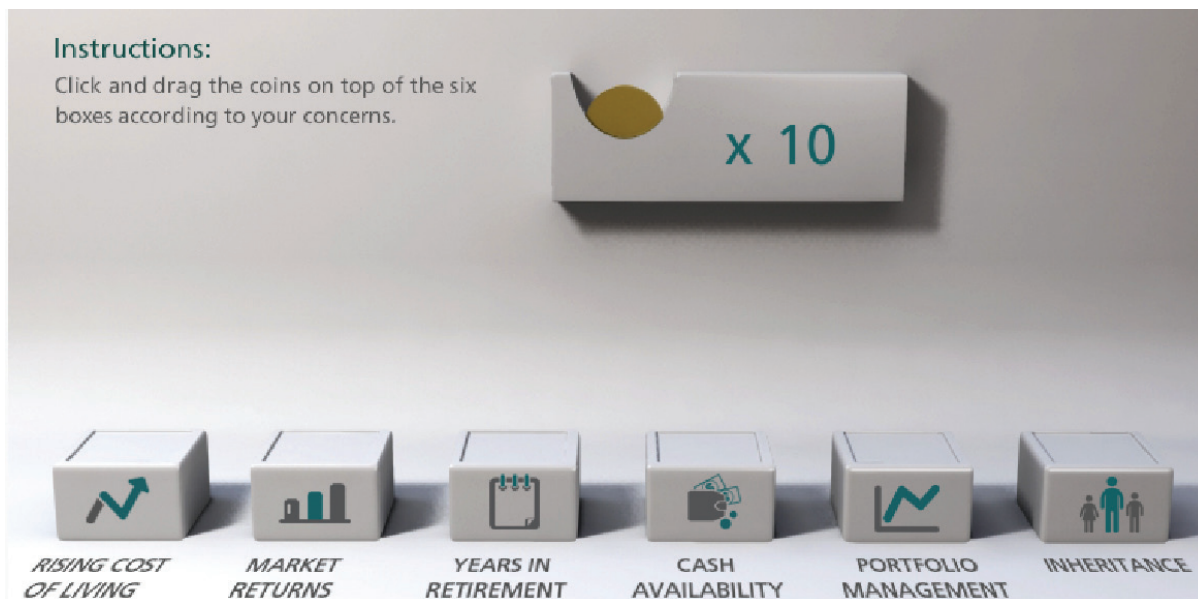


WORKING WITH THE RESULTS OF THE RETIREMENT PRIORITIES CHALLENGE



Using the Retirement Priorities Challenge as an interesting and interactive tool, your client has considered their goal and risk preferences and prioritized what matters most to them. The following considerations may help you to better understand how those priorities could influence the product mix you develop for your client using the Product Allocation Tool.

WHERE TO BEGIN

The financial services industry has long been focused on helping clients accumulate the assets they'll need for a comfortable retirement. However, "de-cumulation" – or the draw-down of retirement assets – can be considerably more complex than the accumulation process due to the unique risks that people face in retirement. With the possibility of people living 25 or more years after they stop working, the focus now shifts towards developing a retirement strategy that can help ensure Canadians reach their personal goals and don't outlive their savings.

AN EXAMPLE

Here's one example: If you have a client who has an above-average concern for longevity, he or she will have placed many coins on the **Years in Retirement** priority – possibly as a result of parents having lived longer than average lives. This type of client may have a strong concern for ensuring money will last for a long and healthy retirement, even into their 90's, and you may wish to adjust the Model Product Allocation results to increase guaranteed income sources to help address this client priority.

RETIREMENT PRIORITIES

Here are some other considerations based on the results your client may have identified from the Retirement Priorities Challenge.

INHERITANCE – It's important for your client to leave something to their family, favorite charity or church

Every investor will differ in terms of the importance they place upon leaving a legacy to their loved ones or charitable causes. Ensuring your client's potential financial legacy is sufficient or making that legacy more certain by utilizing Life insurance may be a very important consideration for this client.

CASH AVAILABILITY – Your client wants easy access to their investments to help cover unexpected expenses

If your client has indicated a strong preference for liquidity, then you may want to consider increasing the weighting in SWP. Of the three product categories, SWP has the highest degree of liquidity. GMWBs can also provide liquidity because the investor can always withdraw funds but this may not make sense in some situations: withdrawals that exceed predetermined limits can impact future income payments. You may also consider decreasing the weighting in annuities. An annuity involves depositing a lump sum with an insurance company and, in return, receiving set, scheduled income payments. Annuities are very structured, with no opportunity to change the investment, and they don't allow access to your cash.



RIISING COST OF LIVING – Your client is concerned that inflation over the long term could erode their buying power

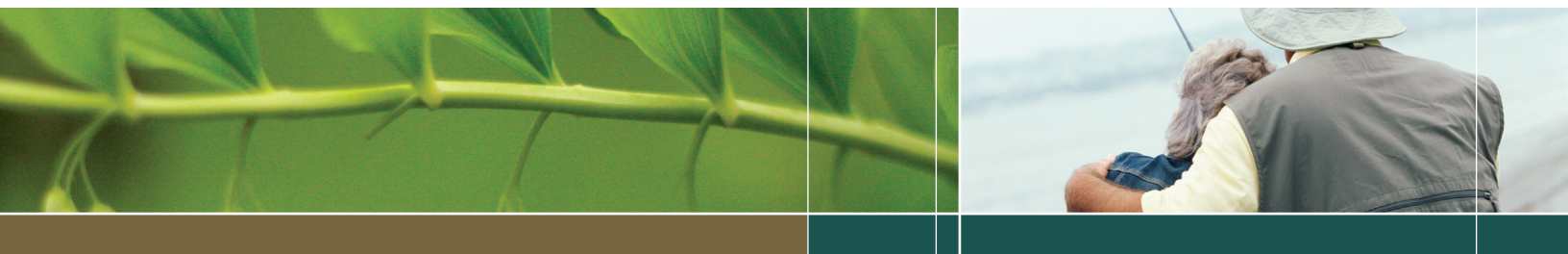
If inflation risk is a key concern for your client, then you will want to consider allocating a higher percentage of retirement savings to products that help keep up with inflation such as GMWBs (some inflation protection through resets) or SWPs (inflation protection through market investment).

PORTFOLIO MANAGEMENT – Your client wants to manage their investments now so that in retirement (when they're much older or have health complications) they won't have to adjust their habits

This is another common concern for retirees; it's called behaviour risk. As they grow older, clients may make suboptimal decisions that affect their portfolio and this is especially true as they become aged. Many clients have a preference towards a more conservative, worry-free retirement. If this sounds familiar in regards to your client, you may wish to consider a stronger weighting towards products that can provide guarantees (e.g. GMWB) or products that aren't affected by market performance (e.g. annuities).

MARKET RETURNS – Your client wants guarantees to prevent volatile market returns causing a dramatic impact on their portfolio's sustainability

During retirement, an investor's rate of withdrawal and the sequence of market returns can have a dramatic impact on their portfolio's ability to last through retirement. For example, if an investor experiences poor market returns early in retirement this may have a dramatic impact on how much income they can continue to take or how long it will last. Many retirees may have a strong preference for having guaranteed income sources for a large part of their retirement income plan. At a minimum, they want to cover essential living expenses in retirement to ensure their retirement years can be fulfilled without worrying about the essentials. For discretionary expenses such as travel or lifestyle expenses, retirees may have more tolerance for risk of market volatility.





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