

Safe Withdrawal Rates



Look for *Simplicity* when
you need dependable
retirement income



As an investor who has likely worked 40 or more years saving for retirement, there comes a day when you will need to draw upon your savings to help augment your retirement income.

There will be sources of income including government benefits, and if you are fortunate enough, a company pension plan. However, for people with ambitious plans for their retirement, you will need a sound investment plan for the day when you'll be the one writing your own paycheck.

YOU'LL NEED A PLAN

Thanks to significant advances in healthcare over the years, people are living longer than ever before.

It is no longer overly optimistic to plan to spend 30 or more years in retirement. This means that inflation has the potential to take a significant toll on your retirement savings. To illustrate how corrosive the effects of inflation can be, the price of a stamp purchased for 5¢ in 1967 costs 50¢ today* – an increase of 900% in 37 years.

For a male and female, both age 65, the probability that at least one of them (or both) lives to...

- age 85 is 68%
- age 90 is 41%
- age 95 is 16%

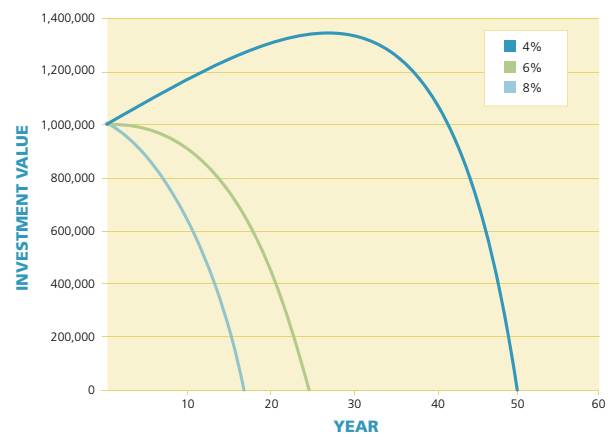
SOURCE: Data provided by Manulife Financial Individual Wealth Management Actuarial Services

DETERMINING A SAFE RATE OF WITHDRAWAL

In addition to inflation, perhaps the most important decision to make is determining a safe rate of withdrawal for your savings to ensure your money can last in accordance with your plan. This can be difficult to determine since there will be many factors you will need to consider. To help illustrate the need for careful planning when determining your rate of withdrawal, we can use a simple case study.

Case study: Meet John

Let's assume John has \$1,000,000 invested and is confident he can earn a consistent return of 6%. If John was to withdraw 4% of his money every year, or \$40,000, and compensates for an inflation rate of 3% by increasing his withdrawal rate by the same amount each year (i.e. indexing), how long could he expect his money last?



*Source: Canada Post, December 2005

We can see that a withdrawal rate of 4% (indexed) should allow his investment to last 49 years, a conservative number that will allow him to sleep well at night and even leave some money for his beneficiaries.

All things being equal, let's see what happens if John decides to increase his withdrawal rate to 6% (indexed), or \$60,000 per year indexed to an inflation rate of 3%.

In this example, he can expect the portfolio to last 25 years, or half of the 4% estimate. And if John increases his withdrawal rate to 8% (indexed)? The life span of his portfolio falls to 17 years, a dramatic drop when you consider that at 4%, the money can last almost three times longer.

Regardless of your investment value, the rate of withdrawal is integral to how long your money will last, as illustrated in the following table.

Rate of withdrawal	Years money lasts*
4%	49
5%	32
6%	25
7%	20
8%	17
9%	15
10%	13

* These numbers are based on a 6% rate of return, an inflation rate of 3% and a taxation rate of 45%. The withdrawal in the last year is not necessarily equal to the purchasing power of the other years.

PLANNING YOUR ESTATE

If you plan to draw income from your investments while living yet would like to facilitate an easy transfer of any remaining assets to your beneficiaries after death, an investment in segregated funds can help facilitate the transfer by allowing your assets to bypass probate.

In addition, death benefit guarantees are available to help safeguard your investment against market volatility for the benefits of your beneficiaries.¹

OUR SOLUTION – THE MANULIFE SIMPLICITY INCOME PORTFOLIO

A better way to write your own paycheque

To help you address these concerns about deriving steady income from your retirement savings, Manulife created the *Simplicity* Income Portfolio. Unlike traditional income vehicles, our Income Portfolio offers income-oriented investors the opportunity to take advantage of several different asset classes, which, when combined together, have the potential to provide capital appreciation and a steady flow of income.

Available in mutual fund and segregated fund versions, the *Simplicity* Income Portfolio is a complete portfolio solution.

¹ It is important to note that any withdrawals you make during your life will proportionately reduce the guarantee amount (both death benefit and maturity).



For more information, please contact
your financial advisor or visit

www.manulife.ca/investments

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund and segregated fund investments. Please read the prospectus or information folder before investing. Investment returns are not guaranteed, their values change frequently and past performance may not be repeated.

All Manulife *Simplicity* Portfolios are designed to target a specific risk/return profile for each of the risk tolerance categories. However, the performance of the mutual fund and the segregated fund portfolios is not guaranteed and may vary. The performance of the funds fluctuates according to market conditions. The targeted risk/return profile may be accomplished using different underlying funds.

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With you every step of the way®