Seven Investment Secrets for Retirement

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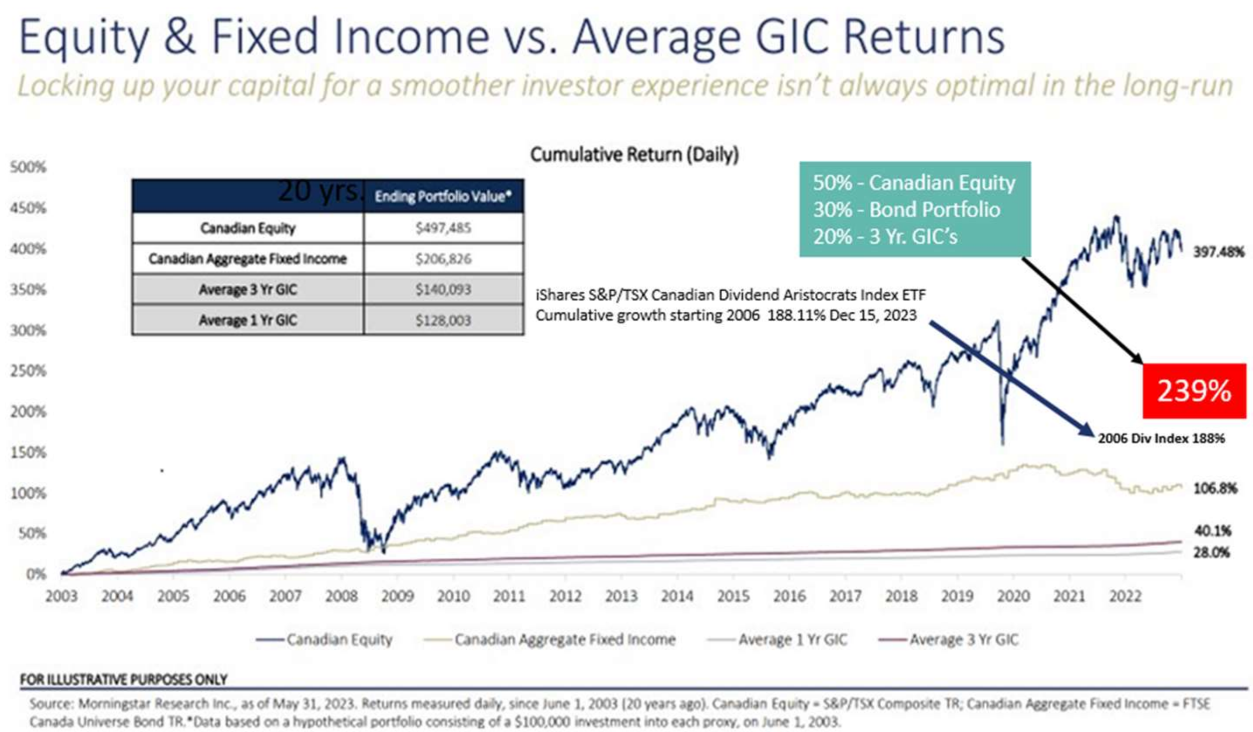
One - Risk Protects Your Wealth

Distinguish	Distinguish between short term risk and long-term risk
Understand	Understand the return required to fund your retirement income objectives
Embrace	Embrace time-line investing

One – Risk Protects Your Wealth



20 yrs.	Ending Portfolio Value*
Canadian Equity	$497,485
Canadian Aggregate Fixed Income	$206,826
Average 3 Yr GIC	$140,093
Average 1 Yr GIC	$128,003

One – Risk Protects Your Wealth

Exhibit 1: Rolling 20-Year Stock vs. Bond Returns

	When Stocks Outperformed	When Bonds Outperformed
Global stocks' average 20-year return	663%	122%
Global bonds' average 20-year return	208%	210%
Stocks' margin of outperformance	3.2x	-
Bonds' margin of outperformance	-	1.7x

Source: Global Financial Data (GFD), as of 20/10/2020. 20-year rolling returns, 31/12/1925 – 31/12/2019. Stock returns based on GFD's World Return Index and are converted to CAD. The World Return Index is based upon GFD calculations of total returns before 1970. These are estimates by GFD to calculate the values of the World Index before 1970 and are not official values. GFD used specified weightings to calculate total returns for the World Index through 1969 and official daily data from 1970 on. Bond returns based on GFD's USA 10-year Government Bond Total Return Index and are converted to CAD.

Two – Have a Cohesive Investment Strategy

Understand what it means to "not putting all your eggs in one basket."

Is it better to have multiple portfolio managers as opposed to one?

Can lead to:

- Security selection duplication
- Overlapping strategy
- Can create administrative complexity

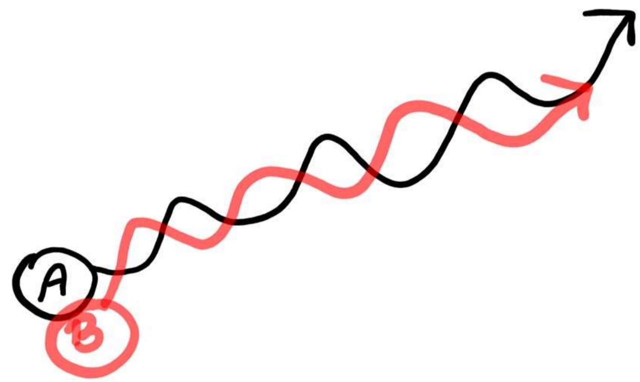
Portfolio Efficiency

The Investment Policy Statement – Your road map

> ***If you don't know where you are going, any road will do.***

The Investment Policy Statement (IPS):

- Identifies a tailored investment strategy that takes into account your goals and risk tolerances
- Sets out the asset allocation strategy
- Includes a customized portfolio
- Includes a range of portfolio returns



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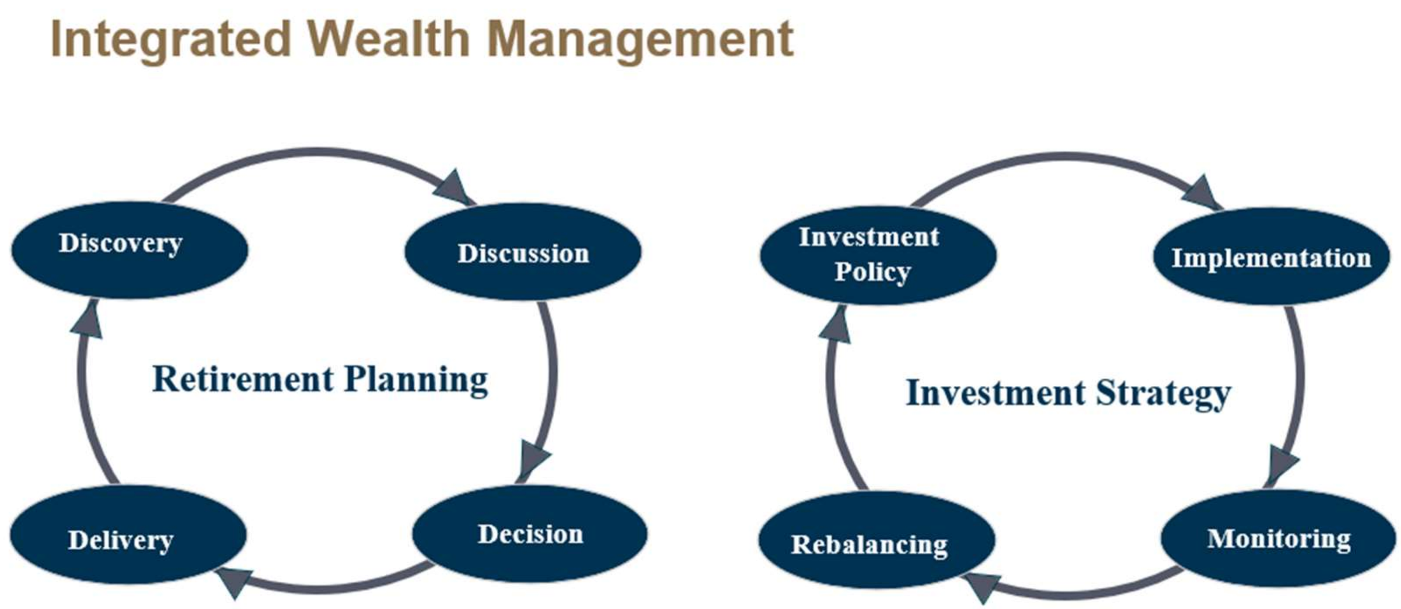


Three – Plan for Inflation & Health Care Advancements

PROTECT YOUR PORTFOLIO
ASSET PURCHASING POWER

SINCE 1914 INFLATION HAS
AVERAGED 3% ANNUALLY

Three – Plan for Inflation

Today	20 Years	30 Years
$50,000	$90,000	$120,000

Four – Update Your Investment Accounts for Retirement

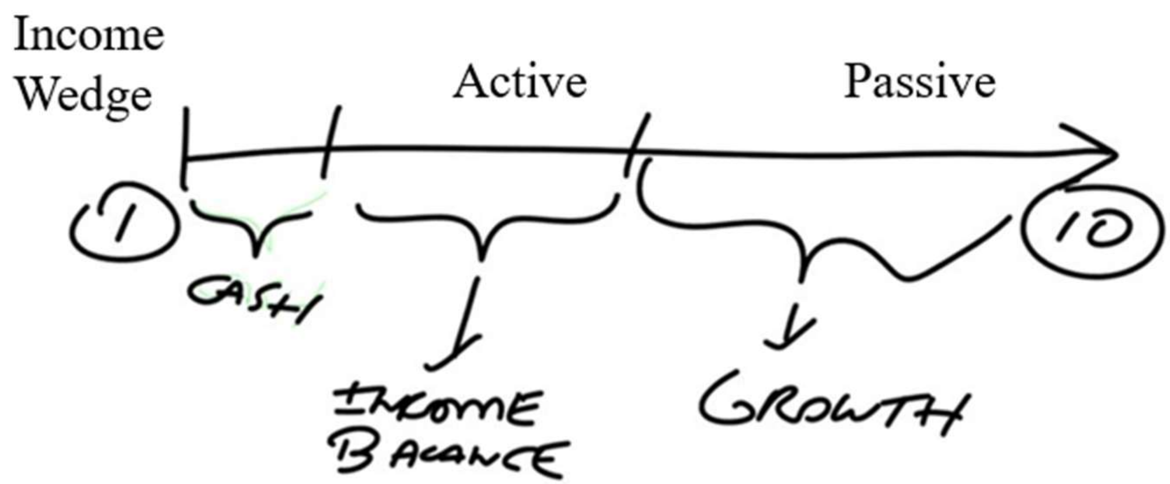
Moving from accumulation to de-accumulation

Understand your income and liquidity needs

Often, non-financial factors will influence your retirement account strategy:

- Your health, your partner's health and family health history
- Work post-retirement
- Legacy planning

Four – Update Your Investment Accounts for Retirement



Five – Be Smart About Withdrawals

01

Consider the long-term impact of withdrawals

02

Take into account market volatility

03

Take advantage of Monte Carlo Simulations and Variability Stress Testing of your Retirement Plan

Lean Into Your Budget & Expense Needs

Non-Discretionary Expenses

Discretionary Expenses

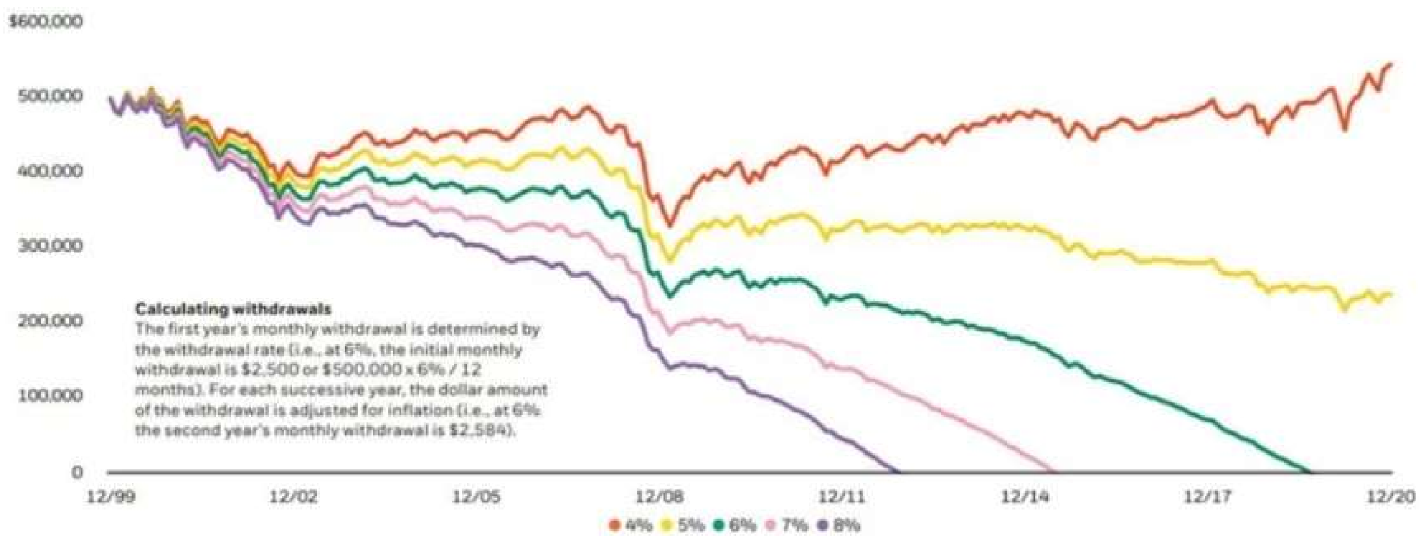
Periodic Expenses

Annual vs. Monthly

Periodic (car replacements, renovations, larger than normal lifestyle/experience costs)

Outliving your savings vs. your savings outliving you

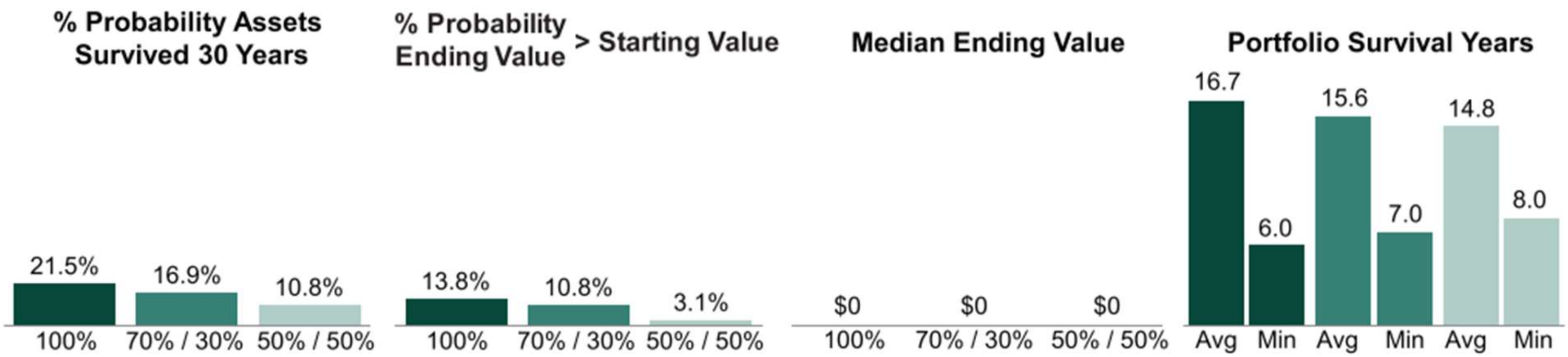
Your withdrawal rate directly affects your portfolio's longevity. The chart below shows the sustainability of a $500,000 portfolio made up of 50% stocks and 50% bonds over a 20-year period (2000 – 2020).



Source: BlackRock

Scenario #1:

In this scenario, we simulate the results of an investor taking annual withdrawals of $100,000 (10%) from a $1,000,000 portfolio (starting value) over a hypothetical 30-year investing time horizon.

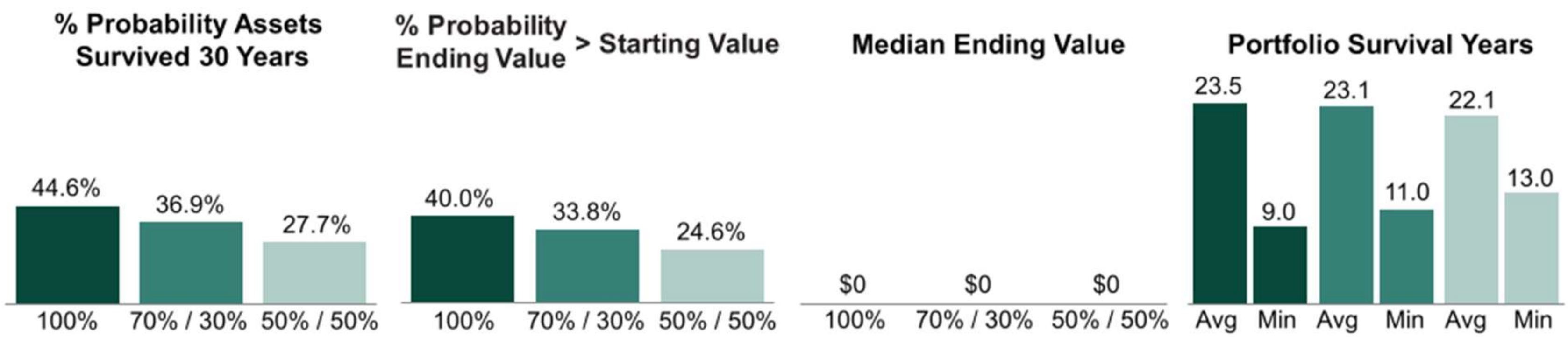


Scenario #1 shows the probability of this portfolio lasting for 30 years—let alone growing—is very low.

Unfortunately, this is true for all three asset allocations in this example (100% stocks, 70% stocks/30% bonds and 50% stocks/50% bonds). Though the portfolio comprised of 100% stocks produces the highest probability of asset survival, a 21.5% chance of not running out of money in retirement is hardly comforting.

Scenario #2:

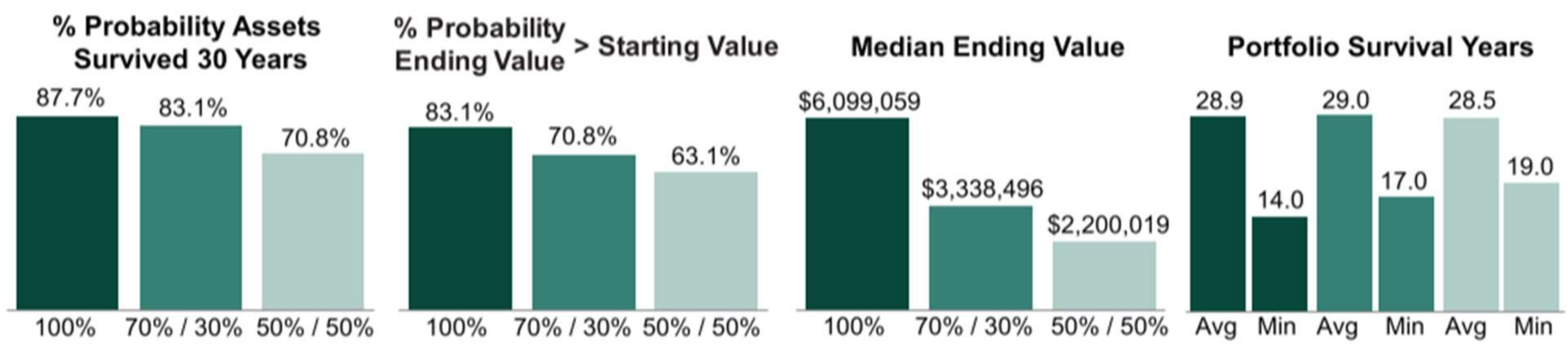
In this scenario, we simulate the results of an investor taking annual withdrawals of $70,000 (7%) from a $1,000,000 portfolio over 30 years.



Scenario #2 shows the probability of asset survival and growth improves by reducing withdrawals. But even with 100% stock allocation, the likelihood of not running out of money is only 44.6%.

Scenario #3:

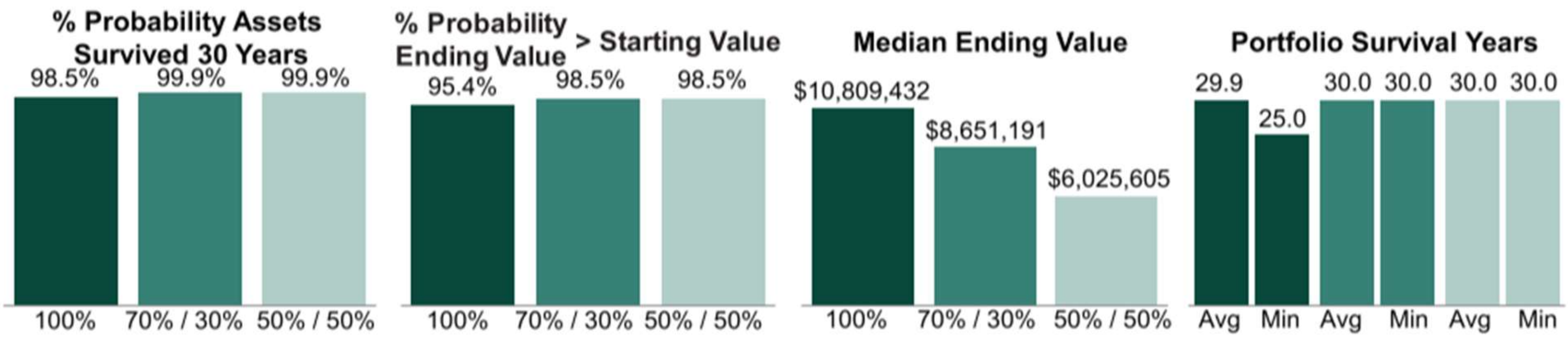
In this scenario, we simulate the results of an investor taking annual withdrawals of $50,000 (5%) from a $1,000,000 portfolio over 30 years.



Scenario #3 shows reducing withdrawals to 5% of a portfolio greatly improves the probability of both asset survival and growth across all three asset allocations.

Scenario #4:

In this scenario, we simulate the results of an investor taking annual withdrawals of $30,000 (3%) from a $1,000,000 portfolio over 30 years.



Scenario #4 shows materially better probabilities of both asset survival and growth. Using all three asset-allocation scenarios, median ending value is higher than the starting value, though 100% stocks shows the best median portfolio growth.

Six – Have an Estate Plan and Update It Regularly

- Ensure loved ones are taken care of
- Planning helps your loved ones
- Involve Your Family (Family Meeting_
- Key Documents:
  - Will
  - Power of Attorney (Enduring)
  - Health Care Directive
  - Updated document listings
- Legacy Planning
- Tax Planning

Seven – Embrace Advice & Coaching

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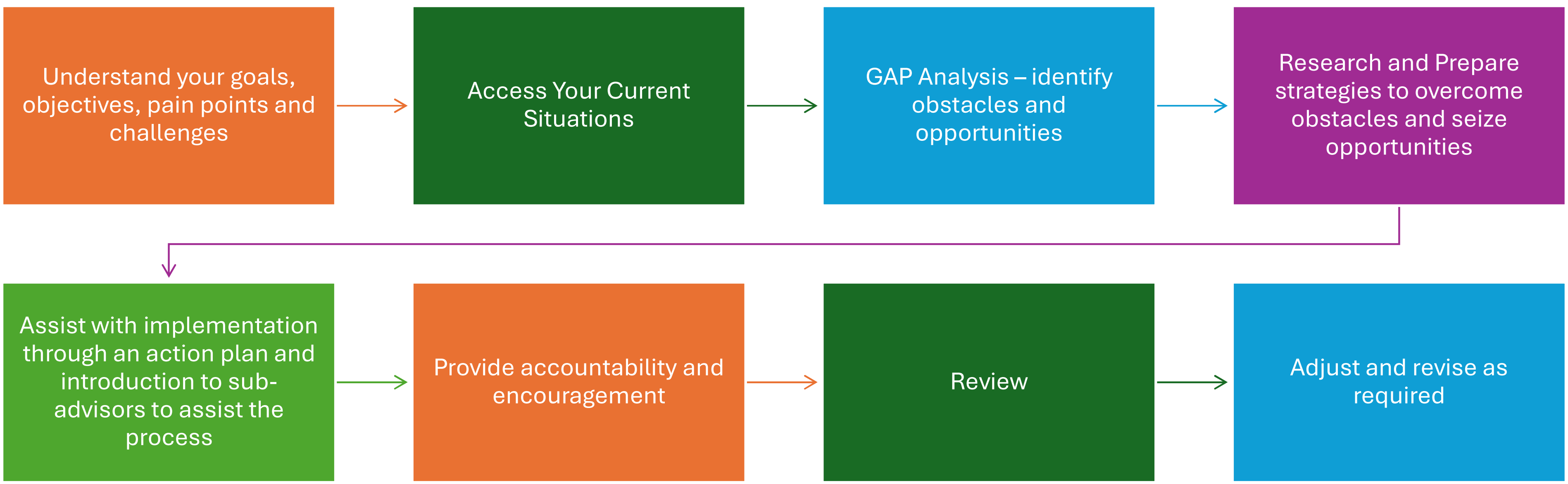


Professional Coaching & Advice Matters

Research shows that the longer you get financial advice, **the more your assets grow**.

1.58x	1.99x	2.73x
4-6 years	7-14 years	15+ years

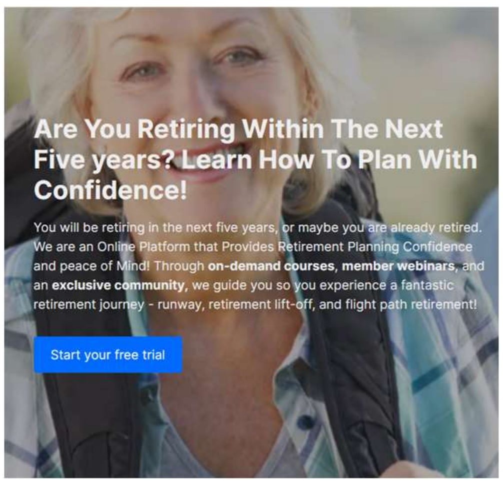
Source: An econometric analysis of the value of advice in Canada, by Claude Montmarquette, CIRANO, 2012.

Seven Investment Secrets For Retirement

- Secret One – Risk Protects Your Wealth
- Secret Two – Have a Cohesive Investment Strategy
- Secret Three – Plan for Inflation
- Secret Four – Update Your Accounts for Retirement
- Secret Five – Be Smart About Withdrawals
- Secret Six – Have an Estate Plan & Keep It Updated
- Secret Seven – Embrace Advice and Coaching

How to Act

E-learning Community



allthingsretirement.ca

One on One Planning

Humphrieswealthgroup.com