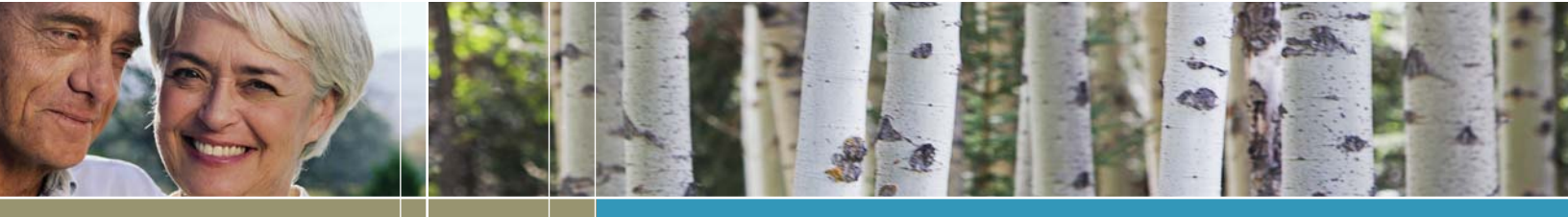


## THE LIFESTYLE FUNDING STRATEGY



### USING PRODUCT ALLOCATION TO MEET LIFESTYLE NEEDS

This strategy will help retirees:

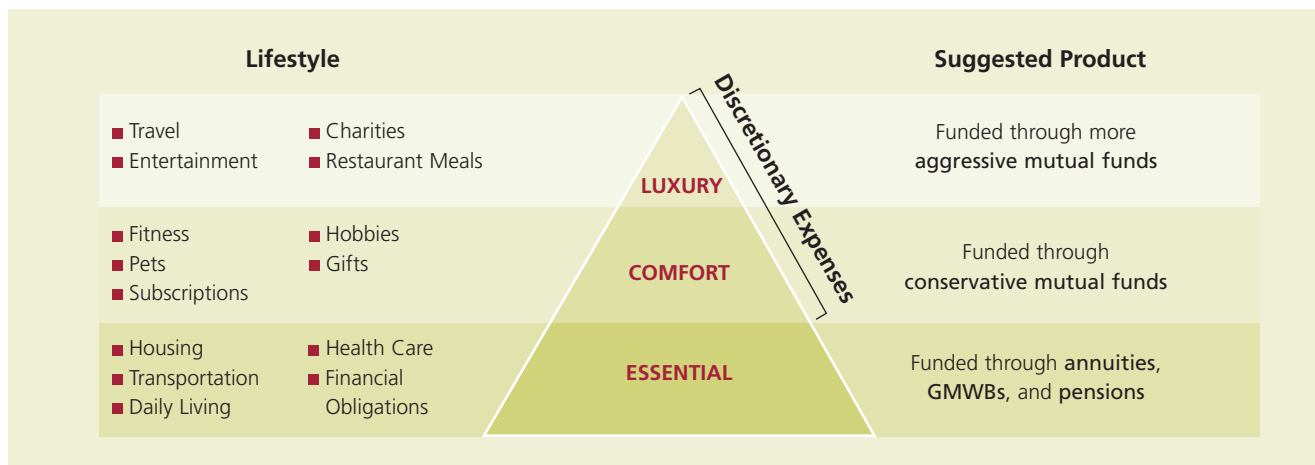
- Prioritize retirement expenses
- Plan the retirement lifestyle they want

The Lifestyle Funding Strategy is a ‘back-of-the-envelope’ approach that is simple to use, but incorporates the key principles of Asset Allocation and Product Allocation. Product Allocation maximizes the sustainability of retirement income by finding the optimal mix of guaranteed and non-guaranteed investments.

Learn more about Product Allocation at [www.productallocation.ca](http://www.productallocation.ca)

### STEP 1 IDENTIFY ESSENTIAL AND DISCRETIONARY EXPENSES

Below is a possible categorization of retirement expenses into essential, comfort and luxury expenses. These will differ by individual, depending on preferences.

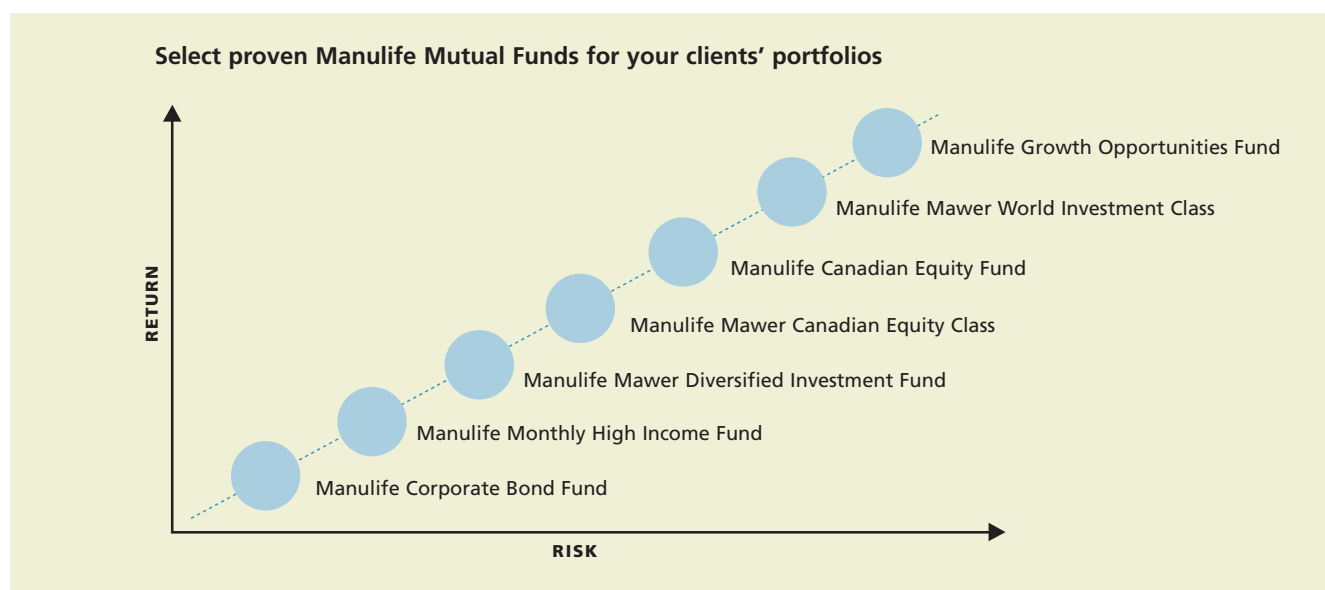


## STEP 2 USE GUARANTEED INVESTMENTS TO FUND ESSENTIAL EXPENSES

With the Lifestyle Funding Strategy, products that offer guaranteed lifetime income, such as immediate annuities and Guaranteed Minimum Withdrawal Benefits (GMWBs), are used to pay essential expenses. When calculating guaranteed income, be sure to consider all existing lifetime income sources, including private and government pensions such as Canada Pension Plan (CPP) and Old Age Security (OAS).

## STEP 3 USE MUTUAL FUNDS TO FUND COMFORT AND LUXURY EXPENSES

Placing mutual funds in a Systematic Withdrawal Plan (SWP) allows investors to draw income while maintaining exposure to market growth. Mutual funds should be selected based on the individual investor's risk tolerance and time horizon. Conservative mutual funds can be used to fund comfort expenses and more aggressive mutual funds could be used to pay for any luxury expenses.



For more ideas, strategies, tools and worksheets to help stress test your clients' retirement income sustainability using Manulife's Product Allocation approach, visit [www.productallocation.ca](http://www.productallocation.ca). Canada's first and only Product Allocation tool helps provide a measure of the sustainability of your clients' retirement income plans, as well as actionable steps to help ensure their income will last their lifetime.

For more information visit [www.productallocation.ca](http://www.productallocation.ca)

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