

SAFEGUARD YOUR RETIREMENT

HOW STOCK MARKETS,
DEBT AND DEMOGRAPHICS
CAN AFFECT RETIREMENT



MARKET VOLATILITY

There have been seven major market declines since 1973, or about one every six years. On average, each market drop has seen a decline of 35% that has lasted for 37 months.

CANADIAN STOCK MARKET DECLINES IN THE PAST 50 YEARS

OCT 1973 - SEPT 1974

Total decline: 34.9%

Time to recover: 54 months

JUL 1987 - NOV 1987

Total decline: 25%

Time to recover: 20 months

APR 1998 - AUG 1998

Total decline: 27%

Time to recover: 15 months

MAY 2008 - NOV 2008

Total decline: 43%

Time to recover: 73 months

JUN 1981 - JUN 1982

Total decline: 39%

Time to recover: 22 months

DEC 1989 - OCT 1990

Total decline: 20%

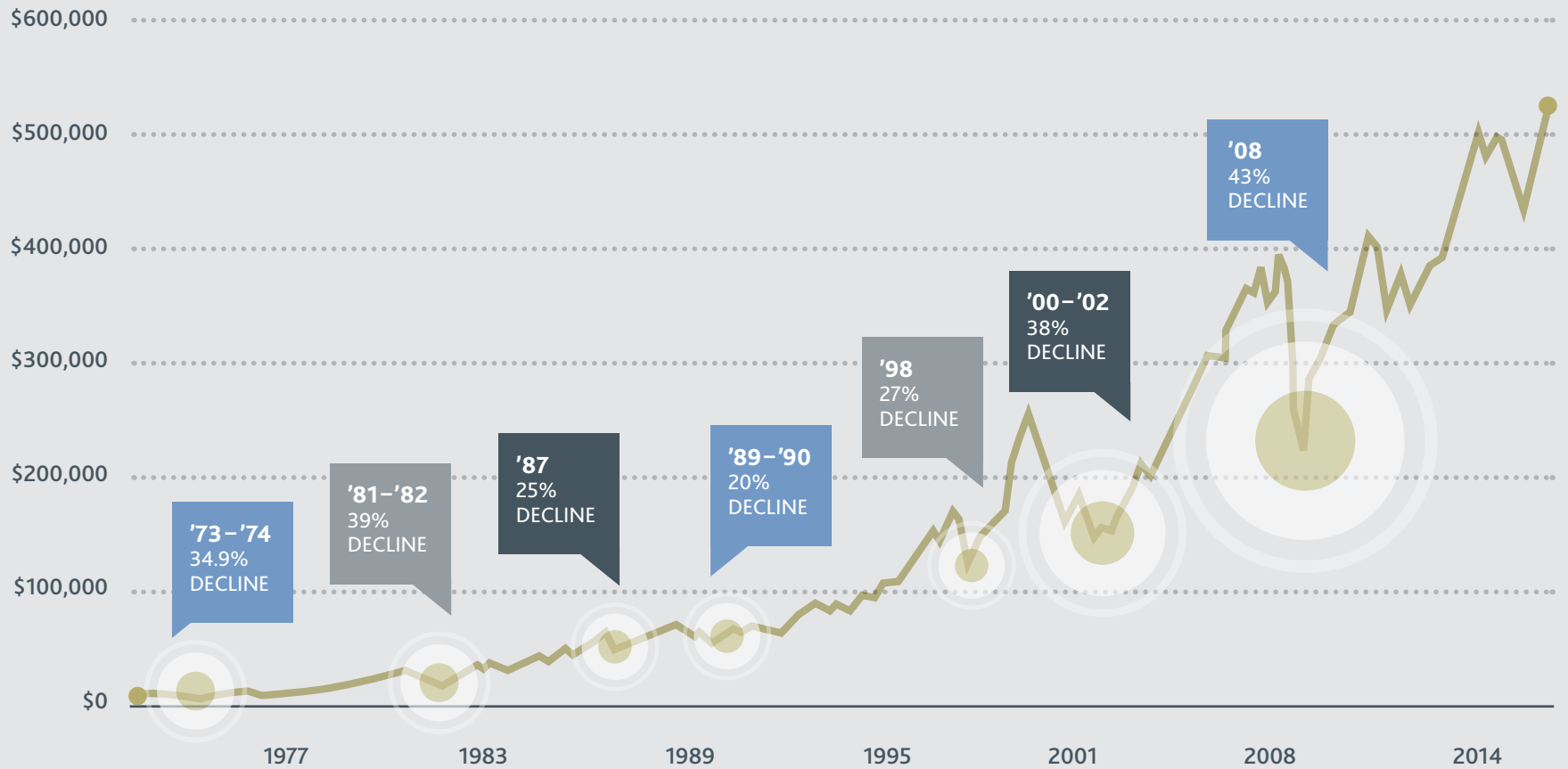
Time to recover: 29 months

AUG 2000 - SEPT 2002

Total decline: 38%

Time to recover: 59 months

Many things can impact your retirement plan. This booklet outlines some of the critical, but often misunderstood economic factors that should be considered in the retirement planning process.

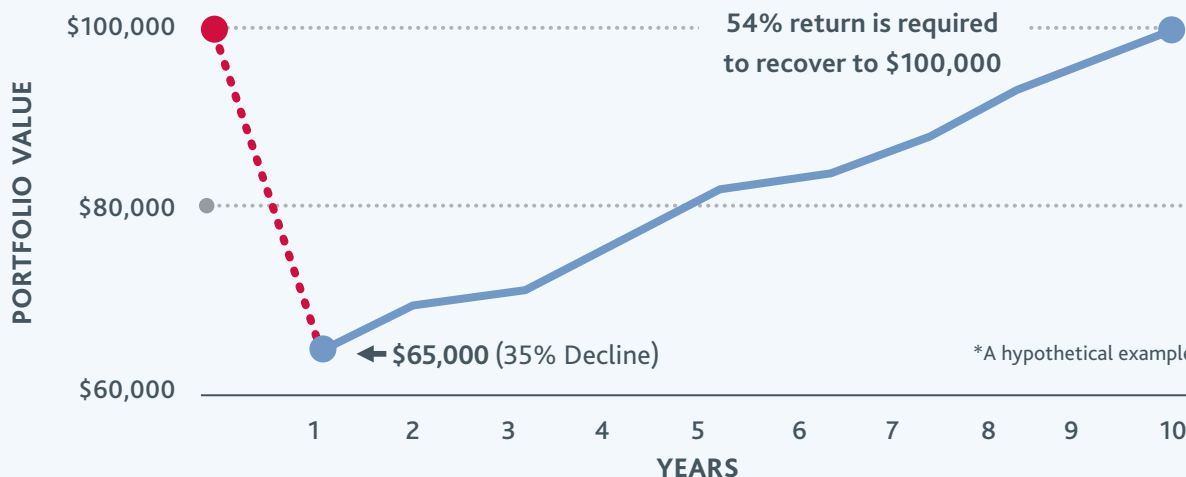


S&P/TSX Total Return

HOW LONG DOES IT TAKE TO RECOVER FROM LOSSES?

ASSUMING	10% LOSS	20% LOSS	30% LOSS	40% LOSS
3% yearly return	4 years	8 years	13 years	18 years
5% yearly return	3 years	5 years	8 years	11 years

RECOVERING FROM A 35% LOSS*

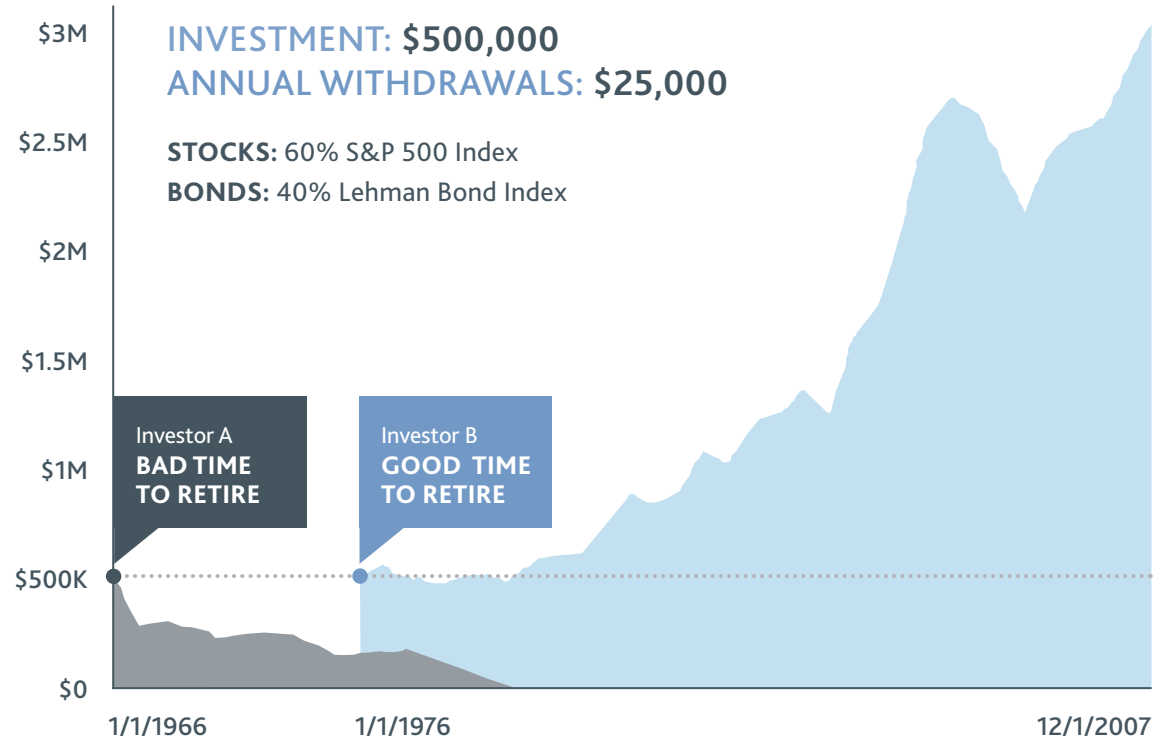


A \$100,000 investment portfolio that declines by 35% requires a return of 54% in order to fully recover. This occurs because the investor is now earning a return from a much smaller amount. Since 35% of \$65,000 is only \$22,750, (providing a recovery to \$87,750) it would actually take a 54% return to recover from the initial \$35,000 drop in this scenario.

The period from 1966 - 2007 illustrates the effects of both good and bad timing on retirement income.

If you are withdrawing an income (such as in retirement) from your investments when the market drops, your money can be depleted very quickly.

In this chart Investor A and B both started with \$500,000 and made withdrawals of \$25,000 per year. Investor A retired at the beginning of a down market and ran out of money in 13 years. Investor B was fortunate to retire at the beginning of an up market, and after 30 years still had over three million dollars.



Source: John Hancock, 2007

CANADA'S SENIORS AS A PERCENT OF POPULATION

Those between the ages of 50 and 69 now make up 28.6% of the population, compared to 18% two decades ago. — Statistics Canada, 2016

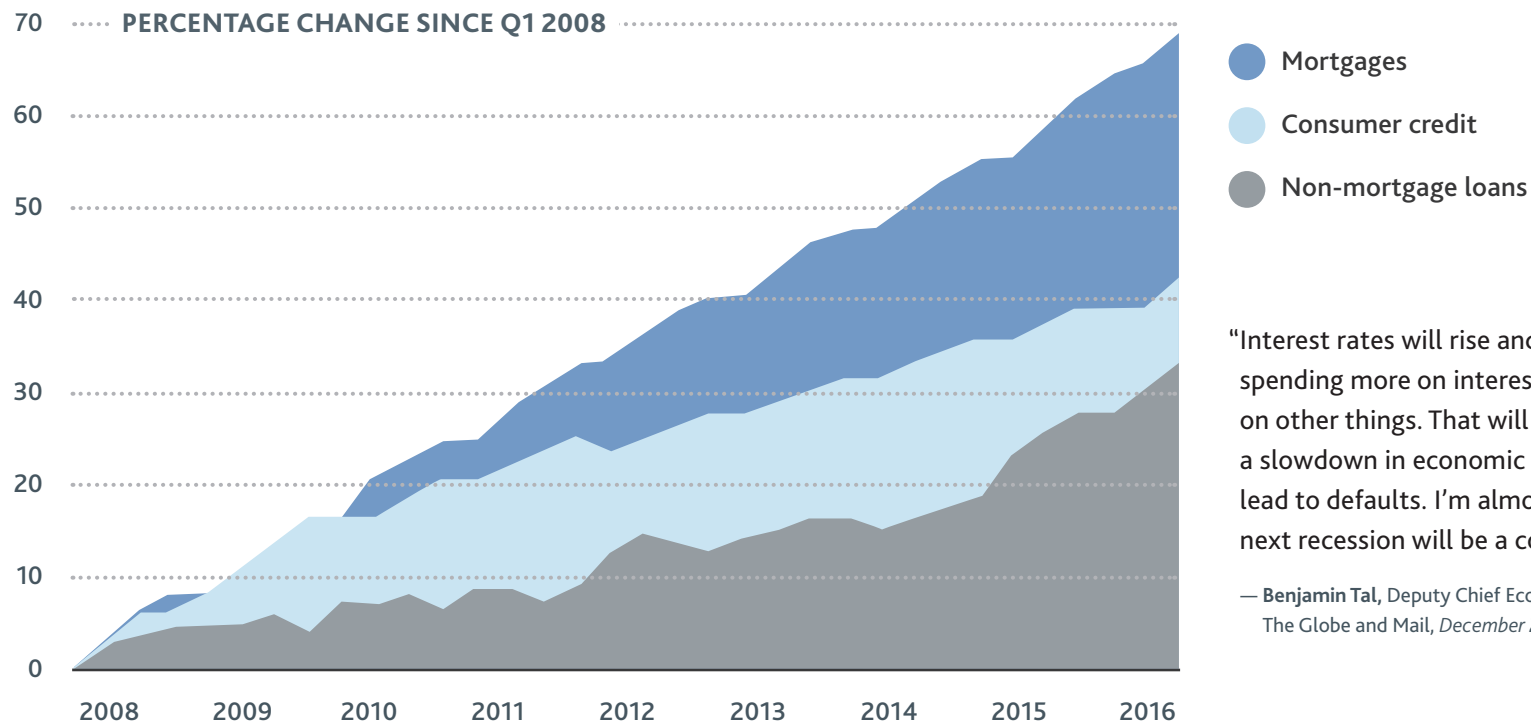
GENERATION	POPULATION	SHARE OF TOTAL
1918 and before	91,195	0.3%
Parents of baby boomers (1919 to 1940)	3,074,045	9.2%
World War II generation (1941 to 1945)	1,444,035	4.3%
Baby boomers (1946 to 1965)	9,564,210	28.6%
Baby busters (1966 to 1971)	2,823,840	8.4%
Children of baby boomers (1972 to 1992)	9,142,005	27.3%
Generation Z (1993 to 2011)	7,337,350	21.9%

Source: Statistics Canada, 2016

“The baby boomers have begun the transition to old age. The result will be a dramatic greying of Canada’s demography — one that has serious implications for the national economy, government policy and the wellbeing of its citizens. Without significant adjustments, we could be headed for decades of anemic economic growth, shrinking per capita incomes and eroding wealth.”

— The Globe and Mail, November, 2015

CHANGE IN HOUSEHOLD DEBT



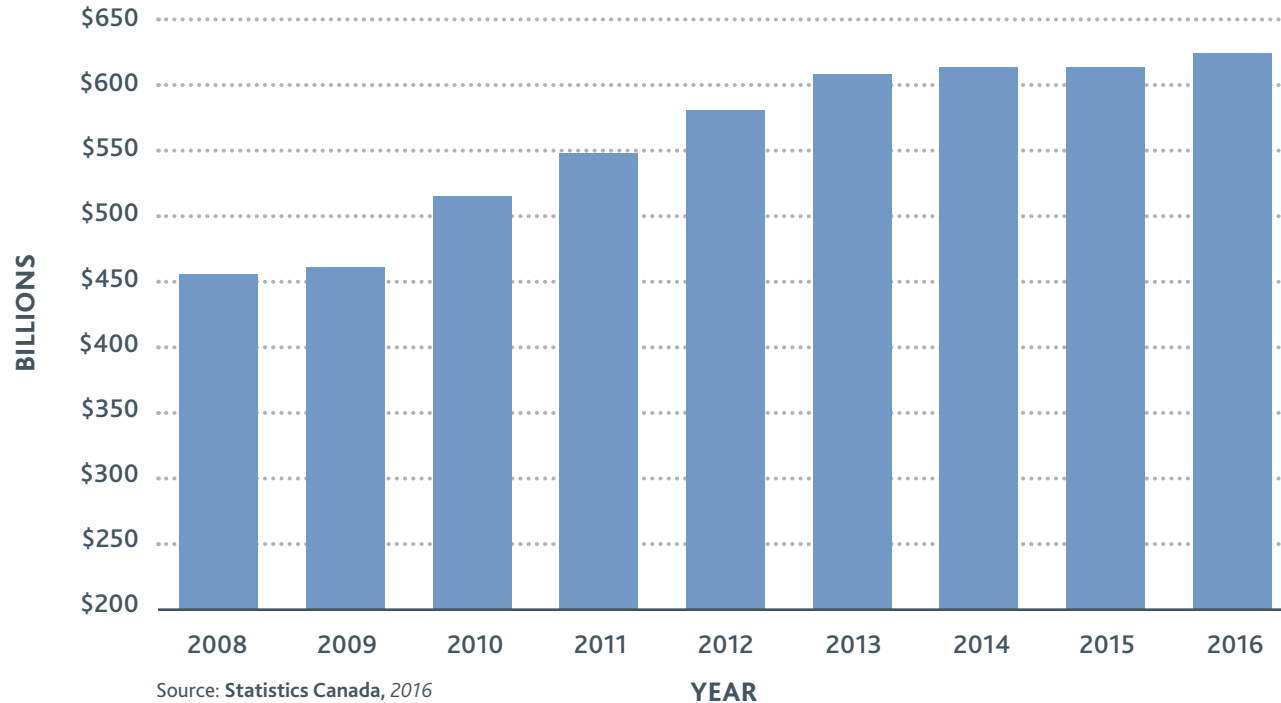
“Interest rates will rise and people will be spending more on interest payments and less on other things. That will lead to a recession or a slowdown in economic activity, and that will lead to defaults. I’m almost positive that the next recession will be a consumer-led recession.”

— Benjamin Tal, Deputy Chief Economist, CIBC World Markets
The Globe and Mail, December 2016

▶ 1 million Canadian borrowers would struggle if interest rates rose 1% — Transunion, The Globe and Mail, December 2016

FEDERAL DEBT

Canada's debt has risen by 40% since 2008



“Canadians will have to choose between paying higher taxes, cuts in services, rising deficits, or a combination of all three.”

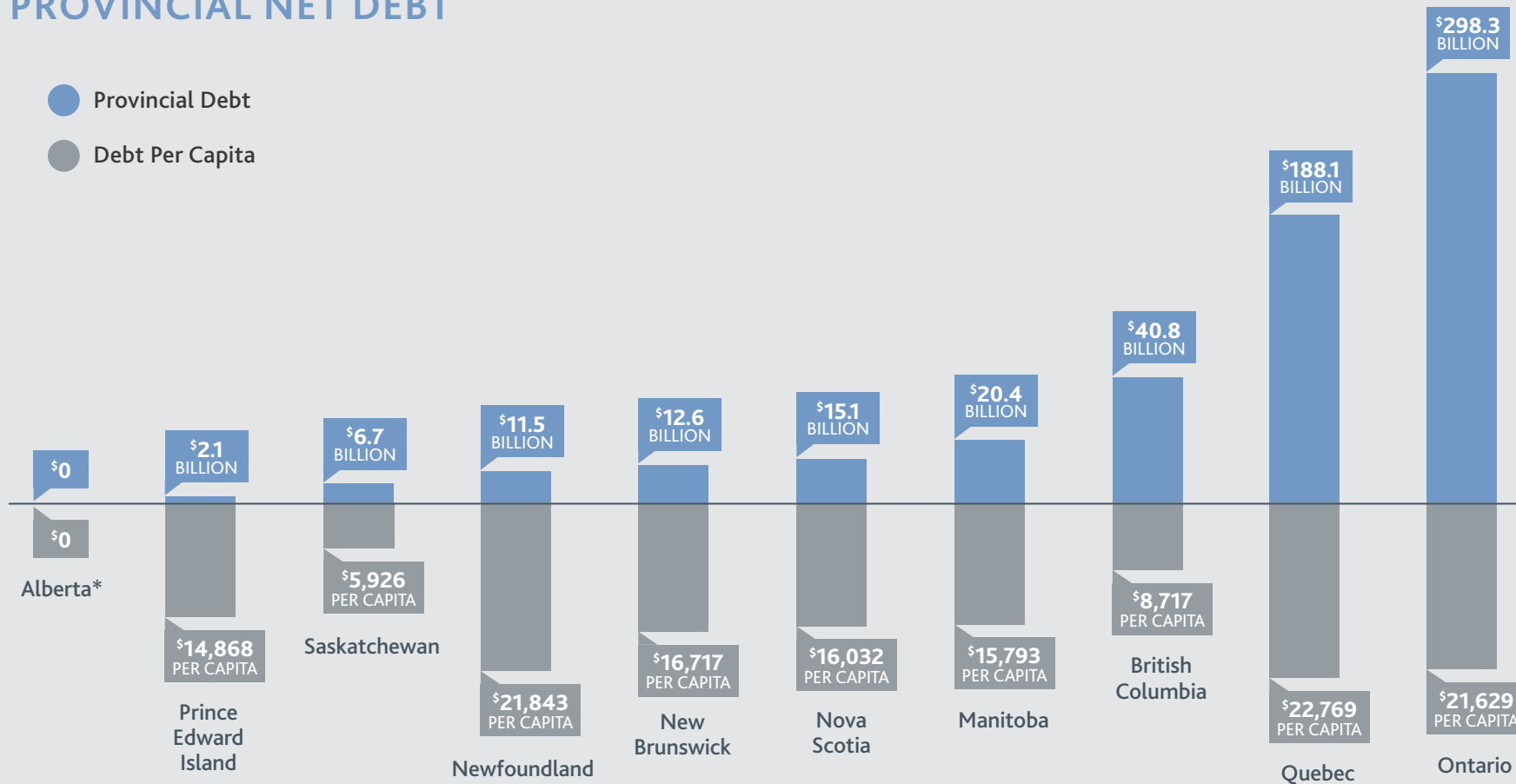
— The Globe and Mail, December 2016

“Boomers are putting intense and growing pressure on government budgets. The provinces in particular generally aren't prepared for what's coming.”

— Don Drummond, former Senior Federal Finance Official and Toronto-Dominion Bank Chief Economist
The Globe and Mail, November 2015

PROVINCIAL NET DEBT

- Provincial Debt
- Debt Per Capita

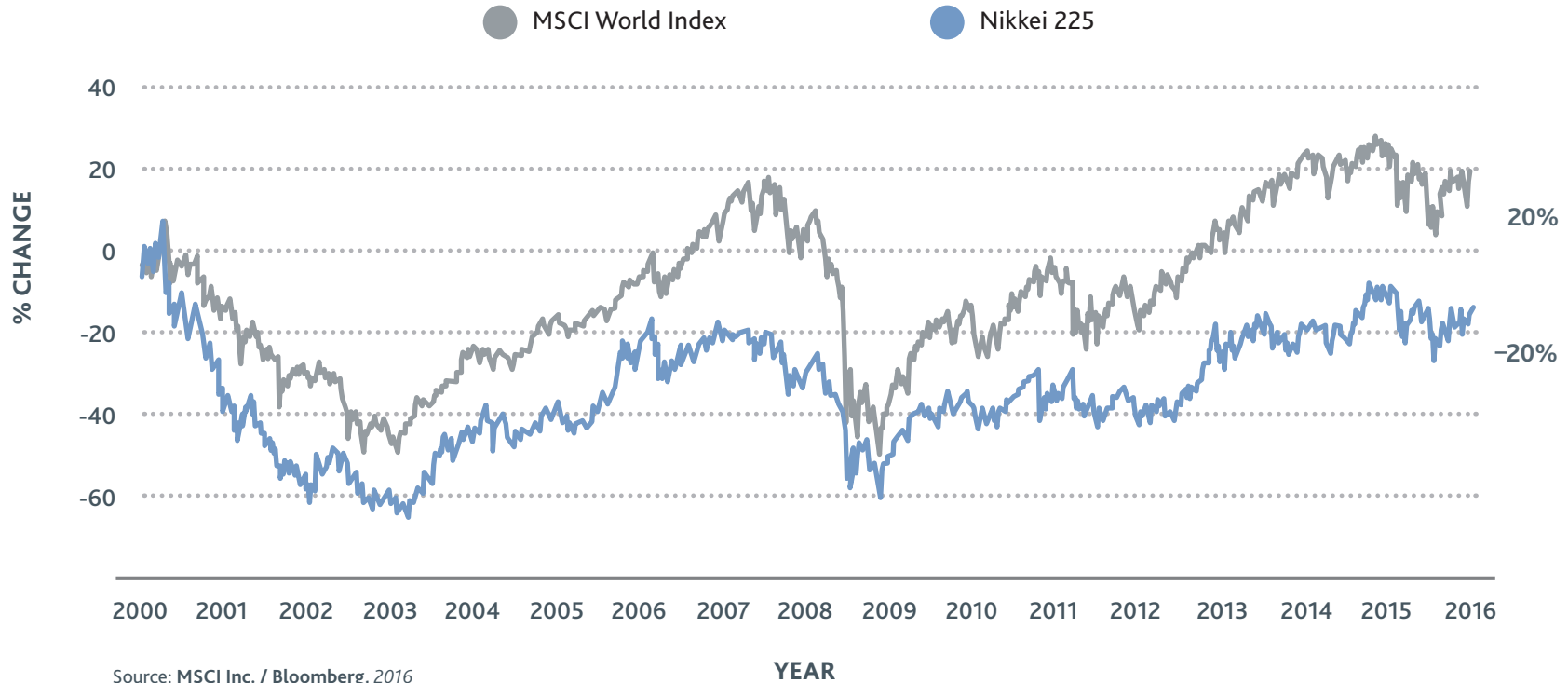


Source: Fraser Institute, January 2016

*After several years of deficits, in 2017 Alberta is projecting a net debt position, its first since 2000/2001. Source: Fraser Institute, March 2017

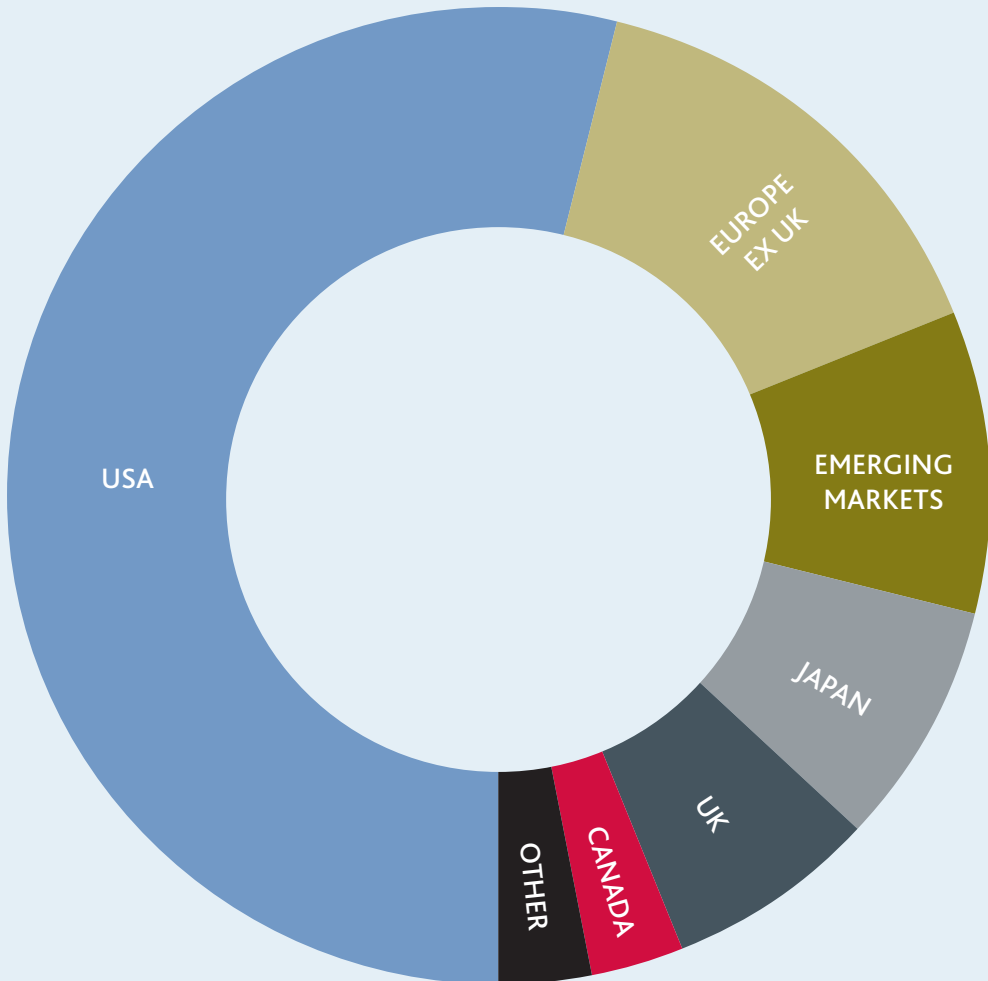
For a glimpse at the future, look at Japan, the greyest of the developed countries (33% of the population is over the age of 60). It has experienced two decades of little or no real economic growth.

— The Globe and Mail, November 2015



SHARE OF GLOBAL MARKETS BY MARKET CAPITALIZATION

- USA – 54%
- Europe EX UK – 15%
- Emerging Markets – 10%
- Japan – 8%
- UK – 7%
- Canada - 3%
- Other - 3%



This presentation is for general information purposes. The information contained in this presentation must not be taken or relied upon by the reader as legal, accounting, taxation or actuarial advice.

Figures were developed using data from the following sources:

- Bank of Canada
- Bloomberg
- Globe & Mail:
 - It's Not Working, *October 2016*
 - Mortgage Overload: The Dark Side of the Boom, *December 2016*
 - Slower growth new economic reality, Bank of Canada says, *November 2015*
 - The Boomer Shift: As the baby boomers retire, the threat of intergenerational inequality looms, *November 2015*
 - The Boomer Shift: Boom, Bust and Economic Headaches, *November 2015*
- Ibbotson
- John Hancock
- MSCI Inc.
- Statistics Canada