



**Guaranteed  
Income**  
For Your Retirement

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Member - Canadian Investor Protection Fund

**Edward Jones**<sup>®</sup>

# Overview

## Learn ways to:

- Potential retirement risks
- Potential solutions
  - Segregated funds
  - Annuities
- Scenarios
- Comparing the options



# Potential Retirement Risks

- Longevity
- Inflation
- Market Volatility



# Longevity

## Good news

- People are living longer than ever before





## Bad news

- Living longer increases the chance of outliving your retirement savings



# Inflation

Impact of Inflation on Purchasing Power  
(assuming annual inflation of 2.5% for 25 years)

	Stamp	Bag of Groceries	Night at the Movies	New Car
<b>Year</b>				
<b>Cost 2017</b>	\$1.00	\$36.00	\$51.00	\$26,750
<b>Cost 2042</b>	\$1.85	\$66.74	\$94.55	\$49,593

Source: Edward Jones, 2017. Assuming average annual inflation rate of 2.5% for 25 years.

# Market Volatility - Real World Example

**Jan 1982 - Feb 2003**

Average Annual Return

**Stocks 14.2%**

**Bonds 10.0%**

**Cash 5.8%**

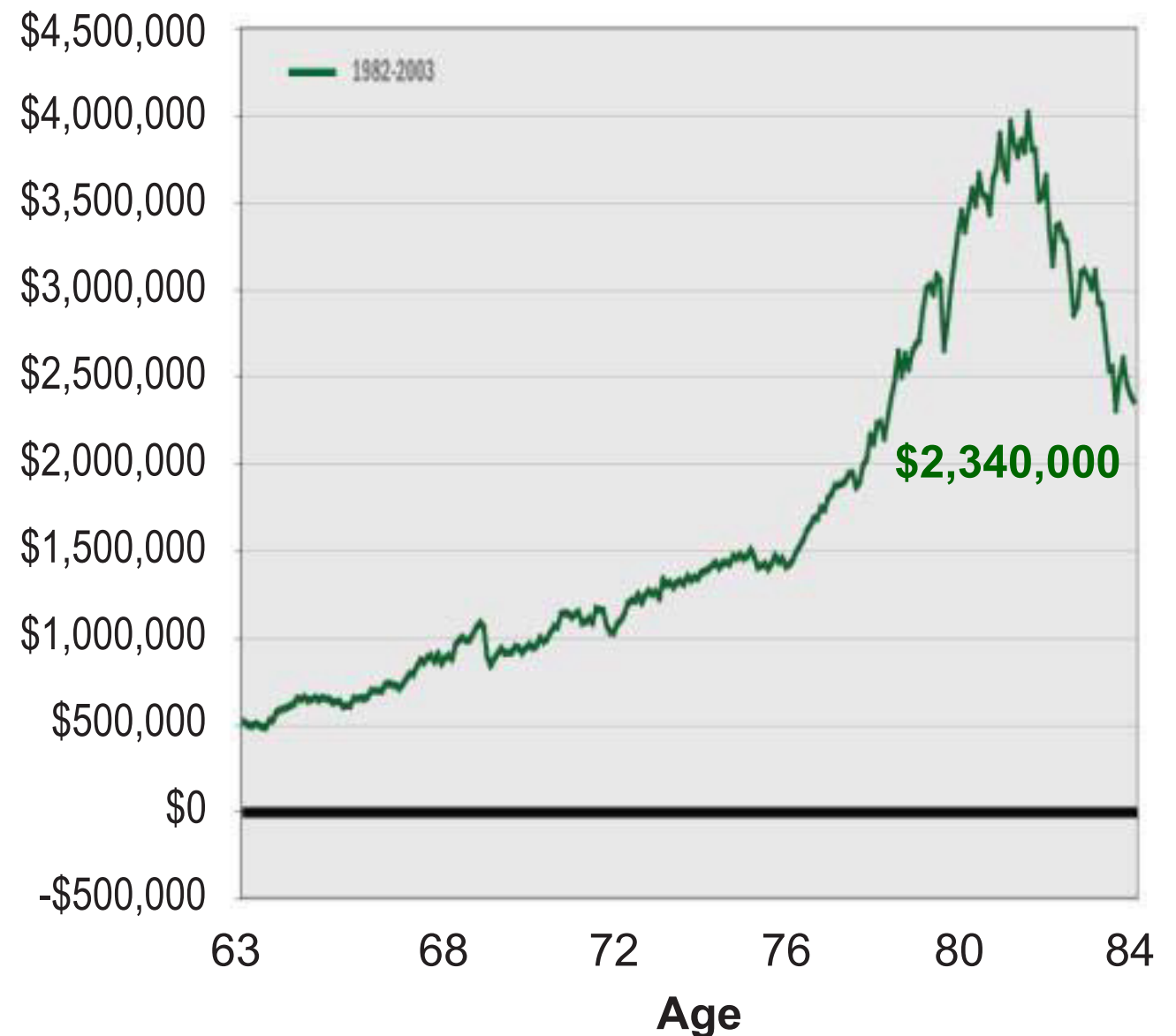
**Portfolio 12.3%**

Portfolio is weighted 65/25/10

# Market Volatility

## Actual Market Returns 1982 - 2003

- Adam, 63, retired with a \$500,000 portfolio
- Initial withdrawal of 7% with yearly 3% increase for inflation
- **Strong returns early** in retirement
- **Poor returns later** in life
- \$2,340,000 portfolio by age 84

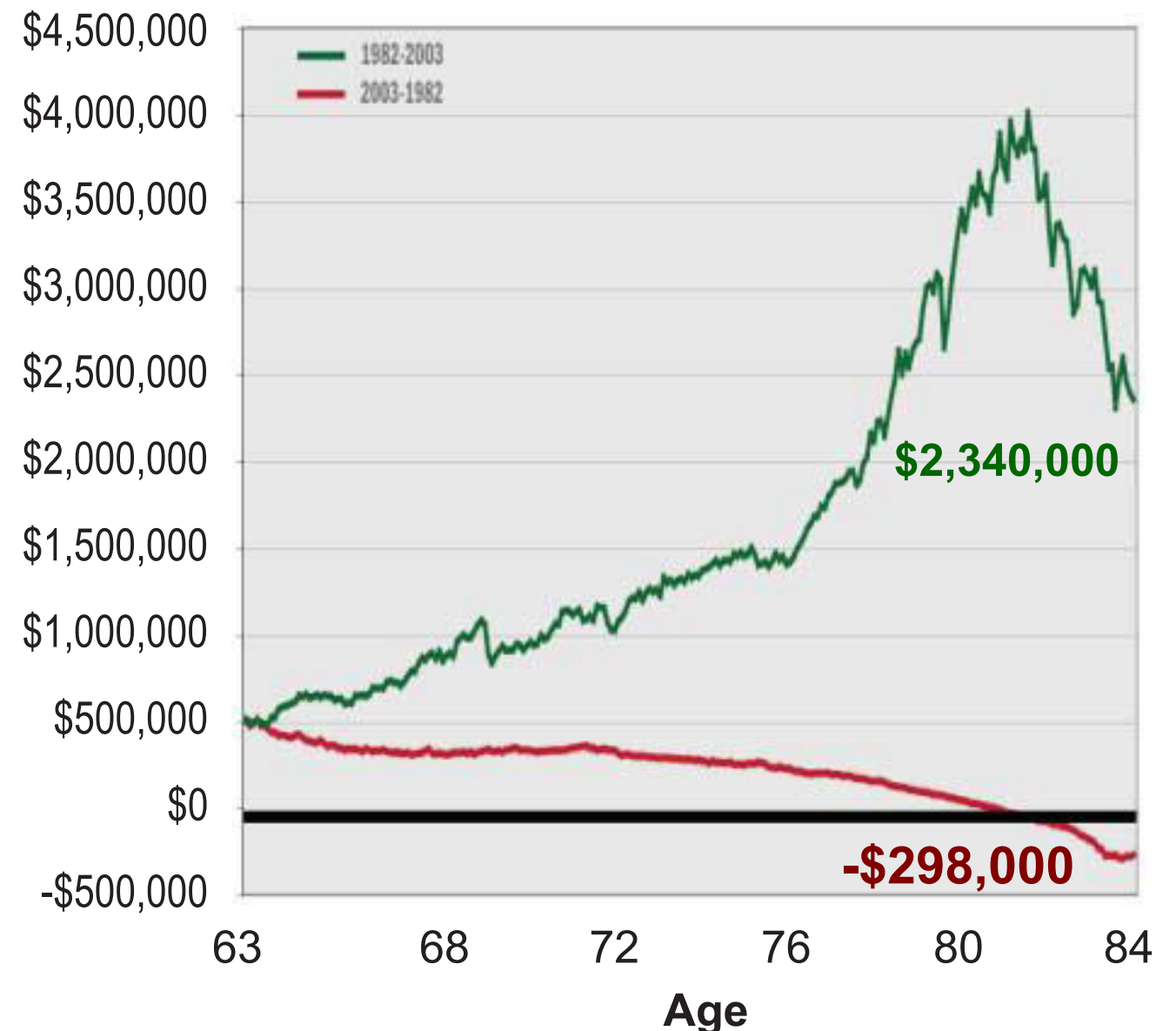


Source: Portfolio comprised of 65% stocks, 25% bonds and 10% cash. Stocks represented by the S&P 500, bonds by the Bloomberg Barclays U.S. Agg and cash by Bloomberg Barclays US Treasury Bellwethers 3 Month. An index is not managed and is unavailable for direct investment. Past performance is not a guarantee of future results. This is for illustrative purposes only. Individual results may vary.

# Market Volatility

## Order of Returns Reversed

- Same portfolio and withdrawals
- **Poor returns early** do not allow him to build his portfolio
- **Strong returns later** do little to help
- Shawn runs out of money before age 83



Source: Portfolio comprised of 65% stocks, 25% bonds and 10% cash. Stocks represented by the S&P 500, bonds by the Bloomberg Barclays U.S. Agg and cash by Bloomberg Barclays US Treasury Bellwethers 3 Month. An index is not managed and is unavailable for direct investment. Past performance is not a guarantee of future results. This is for illustrative purposes only. Individual results may vary.



# Guaranteed Income for Your Retirement

Initial Withdrawal Rate Guidance			
Age of Retirement		More Conservative	Less Conservative
	Early 60s	3.0%	4.0%
	Late 60s	3.5%	4.5%
	Early 60s	4.0%	5.5%
	Late 60s	5.0%	7.0%
	80s+	6.0%	8.0%

Withdrawal rates can include the withdrawal of principal. If preservation of principal is a high priority, you may need to use a lower withdrawal rate. In general, the higher your withdrawal rate, the greater the risk that your money may not last through your time horizon. These are based on estimates and assume 3% annual inflation, a diversified portfolio - 50% equities, 50% fixed income - and a life expectancy of at least age 90.

# Potential Solutions

- Segregated fund with a Guaranteed Minimum Withdrawal Benefit
- Annuity

Guarantees are based on the claims-paying ability of the issuing insurance company.

# What Is a Segregated Fund?

- Long-term investment contract
- Issued by an insurance company
- Can be designed for guaranteed income during retirement

Guarantees are based on the claims-paying ability of the issuing insurance company.

# What Is an Annuity?

- Issued by an insurance company
- In exchange for a lump sum, you receive a guaranteed income stream for:
  - Fixed period of time
  - Life
- No ongoing investment decisions required

Guarantees are based on the claims-paying ability of the issuing insurance company.

# Scenario 1: Joe and Mary Lou

- \$750,000 portfolio
- Need \$60,000 each year in income
  - \$54,000 for necessary living expenses (\$4,000 each month)
  - \$6,000 for any discretionary spending



For illustrative purposes only.

# Scenario 1: Joe and Mary Lou

## Predictable Income Each Month

Canada Pension Plan	\$2,000
Old Age Security	\$1,200
<b>Total</b>	<b>\$3,200</b>
Necessary Living Expenses	\$4,500
<b>Shortfall</b>	<b>\$1,300</b>

For illustrative purposes only.



# Scenario 1: Joe and Mary Lou

## Concerns

- Need guaranteed income for both spouses
- Worried about running out of money and about inflation
- Want to maximize current income

For illustrative purposes only.



# Scenario 1: Joe and Mary Lou

## Proposed Solution

- Reposition a portion of the portfolio into a segregated fund with a Guaranteed Minimum Withdrawal Benefit to cover necessary expenses
- Provides income to help cover the shortfall

For illustrative purposes only.



# Scenario 2: Sara

- Age 70 and recently widowed
- No pension plan
- \$830,000 portfolio
- Needs \$20,000 each year for necessary living expenses (\$1,667 each month)

For illustrative purposes only.

# Scenario 2: Sara

## Concerns

- Wants guaranteed income of \$20,000 each year regardless of what the market does
- Worried about running out of money
- Does not want to make ongoing investment decisions

For illustrative purposes only.



# Scenario 2: Sara

## Proposed Solution

- Reposition a portion of the portfolio into an annuity to generate the required income
- Provides guaranteed income to meet her needs
- Won't have to make any additional investment decisions on this income stream decisions

For illustrative purposes only. Guarantees are based on the claims-paying ability of the issuing insurance company.

# Is This Suitable for You?

**Annuities and segregated funds are not suitable for everyone**

- Consider:
  - Risk tolerance
  - Time horizon
  - Retirement needs

# Comparing the Options

Purpose/Need	When Income Is Required		Accumulation or Legacy
Product	Immediate Annuities	Segregated Funds with GMWBs	Segregated Funds
Income stream	Guaranteed level income stream	Guaranteed income stream (with potential to increase)	Do not provide guaranteed income stream
Duration	Lifetime or specific period of time	Lifetime income stream	Deposit money to save for retirement or to leave a legacy for others
Withdrawal options	No additional withdrawals available	Additional withdrawals available, but impact to guarantees and duration	Withdraw funds if needed
Investment decisions	No ongoing investment decisions required	Investment selection required	Investment selection required
Age-related considerations	Higher income stream based on your age	Income stream typically ranges 4% - 5% (depending on age)	Age-related considerations for some guarantees
Additional attributes	Income stream not tied to an underlying investment	Performance based on underlying investments	Estate planning

Insurance and annuities are offered by Edward Jones Insurance Agency (except in Quebec).  
 In Quebec, insurance and annuities are offered by Edward Jones Insurance Agency (Quebec) Inc.

# Your Situation

- It's important to discuss your situation with your financial advisor
- Your wants and needs determine the solutions that are appropriate for you

# Getting Started



- I want to understand what's important to you
- We'll use an established process to build personalized strategies to help you achieve your goals
- We will partner together throughout your life to help keep you on track

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# A Team Approach



Edward Jones, its employees and financial advisors are not estate planners and cannot provide tax or legal advice. Clients/prospective clients should consult their estate-planning lawyer or qualified tax advisor regarding their situation.



# Questions & Answers

# Thank You

PLEASE COMPLETE YOUR EVALUATION NOW

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