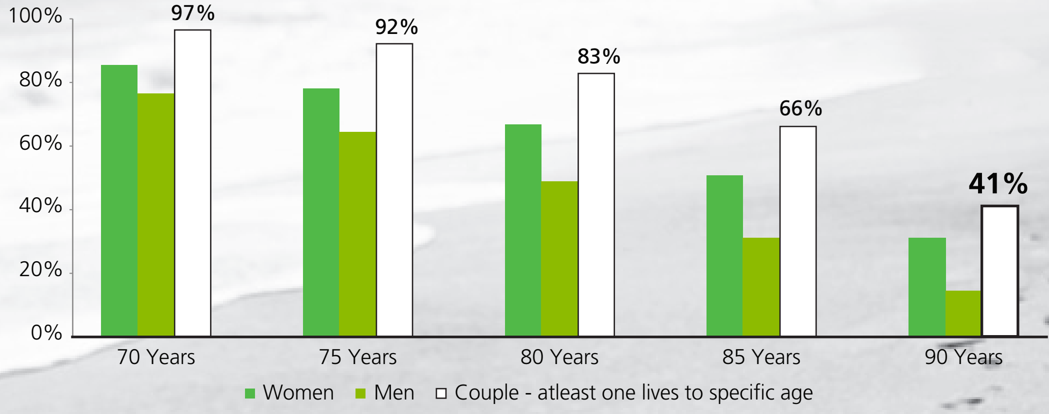
TD Asset Management

Retirement Realities – Investing for a longer retirement

Your retirement time horizon may be longer than you think

- Life spans continue to increase: A typical Canadian retiree may need their assets to last for 30 years on average or longer!
- The joint probability of a Canadian couple living past 90 is 41%

The probability of living to a certain age or beyond, if you are 65 years old today

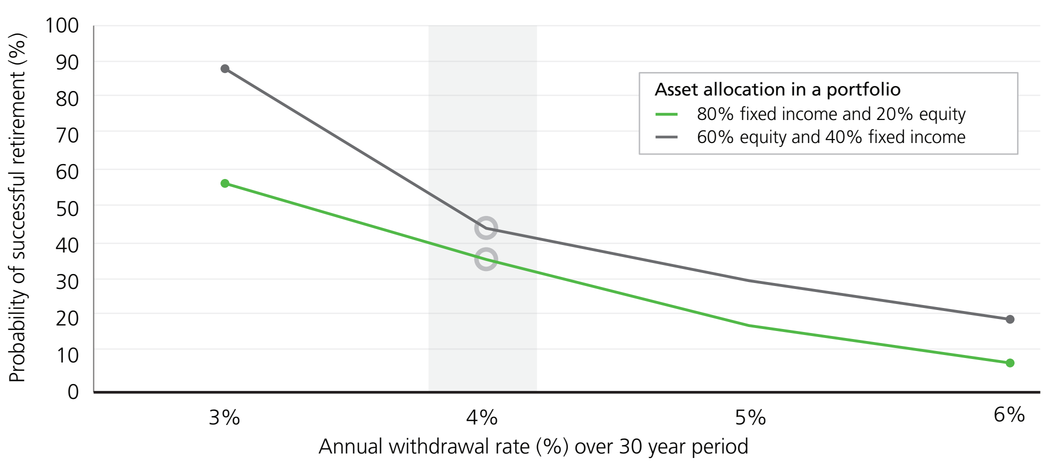


Source: TD Asset Management Inc. calculation, Statistics Canada, CANSIM Table 109-5202, 2011. As at December 31, 2011.

Retirement strategies that worked in the past may not work in the future

- Future returns, especially for fixed income, may be lower than historic returns on Canadian investment portfolios
- Anticipated low bond yields may result in a decreased probability that a portfolio with a high fixed income allocation can generate the income needed to fund your retirement.
- A higher equity allocation in a portfolio may not have a meaningful impact on improving outcomes over the longer term.

Probability of Retirement Assets Lasting 30 years



- The chart (left) analyzes a traditional portfolio with an 80% fixed income and 20% equity asset allocation in a portfolio, and a 60% equity and 40% fixed income portfolio.
- The probability of a traditional retiree's portfolio lasting for a full retirement (30 years) is less than 50%.

For illustrative purposes only
Sources: TD Asset Management Inc. calculation, Bloomberg Finance L.P. Data as of December 31, 2017.
Assumptions: Calculations used historic S&P500 Index and 10-Year US Treasuries 30 year rolling returns adjusted for 2% inflation and 2% management fees and adjusted to reflect lower future expected returns.

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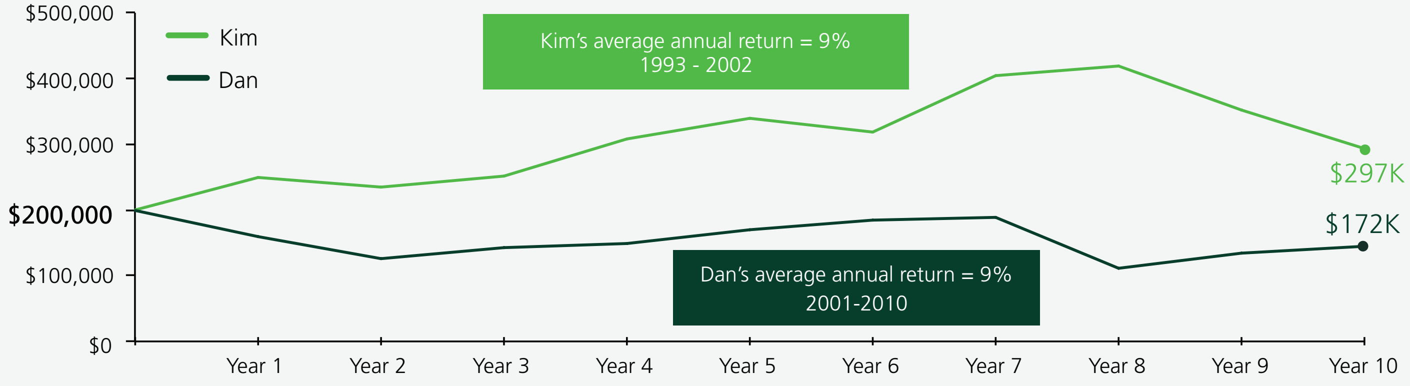
The sequence of returns may significantly impact the longevity of retirement assets

- It's not just the returns that matter; it's also when a retiree experiences higher or lower returns during retirement drawdowns.
- Poor early returns in retirement, or volatile returns, can result in income withdrawals occurring when portfolio assets are lower; this can have a negative impact on retirement asset longevity.
- Higher early returns mean that early income withdrawals will not erode assets as quickly, as more of the portfolio assets remain to grow for the duration of retirement.

Scenario: Sequence of returns

Take the examples of two investors, Kim and Dan. Both retired at 65 with $200,000 in retirement savings. Over the next 10 years they both achieved a 9% average annual return and each withdrew $15,000 per year in retirement income. However, at the end of 10 years Kim had $297,000 while Dan only had $172,000.

Same returns – different retirement outcomes depending on when funds are withdrawn



Kim: Kim captured strong returns early in retirement, followed by negative returns. These higher early returns allowed her to withdraw a lower percentage of her assets, leaving more to grow throughout retirement.

Dan: Experienced the same average returns as Kim, but in reverse order. Since the negative returns were experienced at the beginning of his retirement, he withdrew a higher percentage of his assets, leaving less to grow during the remainder of his retirement.

For illustrative purposes only. Sources: TD Asset Management Inc. calculation. Kim and Dan have an annual withdrawal of $15,000 per year. Initial Portfolio value of $200,000.

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Investment solutions which may help minimize sequence of return risk and make your assets last longer

- Ideal investment solutions strive to capture market upside exposure while protecting assets when markets decline – this can help minimize sequence of return risk.
- TD Asset Management Inc. (TDAM) offers access to a broad range of risk managed strategies that can help generate growth and protect your assets in down markets.

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Canada's largest

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TDAM's retirement focused solutions:

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Risk managed equity solutions
Low volatility solutions

Dividend solutions
Fixed income solutions
Monthly income paying solutions

Cash flow series options

For more information on how TDAM's retirement focused solutions can help you achieve a comfortable retirement, contact your Advisor today.

[1]"Banking 500 2017: The most valuable banking brands of 2017" Brand Finance.[2]"The Top 40 Money Managers (as of June 30, 2017)" Benefits Canada, November 2017. [3]TD Asset Management Inc. TD Low Volatility Strategies Smart Beta Report January, 2016. The information contained herein has been provided by TD Asset Management Inc. and is for information purposes only. The information has been drawn from sources believed to be reliable. Graphs and charts are used for illustrative purposes only and do not reflect future values or future performance of any investment. The information does not provide financial, legal, tax or investment advice. Particular investment, tax, or trading strategies should be evaluated relative to each individual's objectives and risk tolerance. Certain statements in this document may contain forward-looking statements ("FLS") that are predictive in nature and may include words such as "expects", "anticipates", "intends", "believes", "estimates" and similar forward-looking expressions or negative versions thereof. FLS are based on current expectations and projections about future general economic, political and relevant market factors, such as interest and foreign exchange rates, equity and capital markets, the general business environment, assuming no changes to tax or other laws or government regulation or catastrophic events. Expectations and projections about future events are inherently subject to risks and uncertainties, which may be unforeseeable. Such expectations and projections may be incorrect in the future. FLS are not guarantees of future performance. Actual events could differ materially from those expressed or implied in any FLS. A number of important factors including those factors set out above can contribute to these digressions. You should avoid placing any reliance on FLS. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the fund facts and prospectus, which contain detailed investment information, before investing. Mutual funds are not guaranteed or insured, their values change frequently and past performance may not be repeated. Bloomberg and Bloomberg.com are trademarks and service marks of Bloomberg Finance L.P., a Delaware limited partnership, or its subsidiaries.

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