

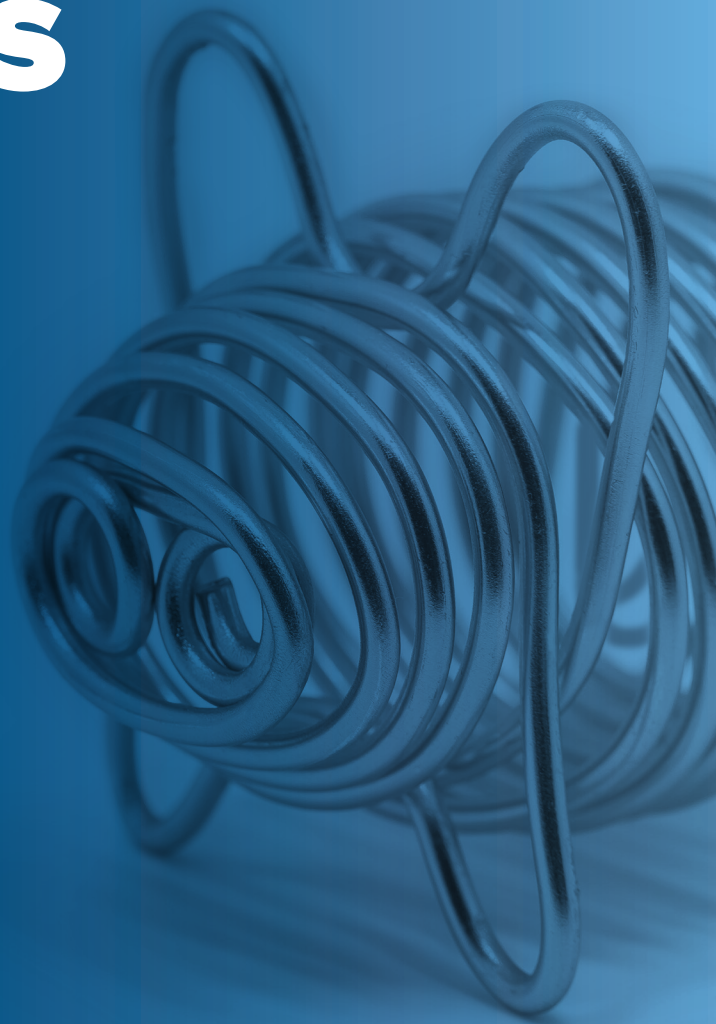
# Mackenzie Monthly Income Portfolios

Retirement rewired,  
with your retirement partner.

That's better together



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Investments

# The best retirement life is yet to come.

**Live long? Yes.  
Prosper? Yes, if you prepare.**

Otto von Bismarck was first to introduce the government pension. In the 150 years since that modest beginning, the once-novel idea of a retirement income has blossomed into the massive success it is today.

Mister Bismarck lived to the ripe old age of 83, and the good news is that most Canadians stand a good chance of living as long or longer. Canada's retired population is growing by leaps and bounds now the Baby Boomers have begun to retire, and the desire for a secure income in retirement is as strong as ever.

## **There are no raises in retirement**

As hundreds of thousands of people transition from banking a steady income to living off their banked wealth, they realize that their retirement savings will have to last a long time. Living on savings, rather than employment income, presents several challenges: rising living costs, declining purchasing power, an unknown time horizon, a scarcity of viable income sources, and a volatile and uncertain investment landscape.

## **There are options: Mackenzie Monthly Income Portfolios**

Whether planning for retirement or already enjoying that new phase, it's always prudent to understand the challenges that come with generating and maintaining income from an investment portfolio. A financial advisor has solutions to help you plan, prepare, and provide for your unique needs in retirement, and Mackenzie can help.

<sup>1</sup> Source: Canadian Institute of Actuaries

<sup>2</sup> <https://www.ratehub.ca/additional-monthly-costs>

<sup>3</sup> <https://affordanything.com/mortgage-insurance-taxes-water-trash/>

<sup>4</sup> National average: <https://loanscanada.ca/money/infographic-how-much-does-the-average-canadian-spend-on-groceries/>

<sup>5</sup> Mackenzie estimates

# New retirement reality

## 1 60+ demographic is booming

The Baby Boom generation, born between 1940 and 1960, have already entered retirement. Every year, hundreds of thousands more Canadians are entering this life stage.

## 2 Canadians are living longer

Average life expectancy is now 88 for someone 65 years of age today. An average retirement age of 63 means retirement could last 25 years or more.

## 3 Investors are increasingly responsible for their own retirement income needs

Over two-thirds of Canadians don't have a defined benefit pension plan<sup>1</sup> according to Statscan, and that percentage grows every year.

Many of us — nearly three quarters of Canadians — are concerned we haven't saved enough and that we may outlast our savings.

## Retirement Costs

Average carrying cost of a house ON <sup>2</sup> (taxes, utilities, insurance, repairs & maintenance <sup>3</sup> )	\$2,000
Groceries <sup>4</sup>	\$490
Insurance <sup>5</sup>	\$300
Transportation <sup>5</sup>	\$200
Entertainment <sup>5</sup>	\$300
Miscellaneous <sup>5</sup>	\$200
<b>Basic average monthly expenses (estimated):</b>	<b>\$3,490 or \$41,880/year</b>
Canada Pension Plan + Old Age Security	\$1,589/month
Basic monthly expenses	\$3,490/month
<b>Monthly income gap of:</b>	<b>\$1,900</b> for basic living expenses only

### Fact:

Government pensions fall short by almost \$22,800 per year.



# Retirement has changed. Shouldn't the investment plan change, too?

## Current investment landscape:

Investments in medicine over the last few decades have led to the unprecedented longevity Canadians enjoy today. And while financial markets have the capacity to create a great deal of wealth over time, the rules of investment have changed.

The investment strategy that provided a steady, liveable income for retirees 25 years ago – “buy bonds” – no longer applies. Without employment income to fall back on and a potentially long investment time horizon, the current market reality leaves retirees vastly more sensitive to market uncertainty than they have ever been.

### 1 Low interest rate environment

In the past, investors used to shift their allocation towards investment-grade bonds as they aged. However, government bond yields have declined to very low levels, making risk-free income generation more difficult. Yields on GICs and government bonds in many cases aren't even sufficient to offset inflation – creating an automatic loss of purchasing power that grows with each passing year. The price of safety has become very high, creating a widening income gap for many retirees.

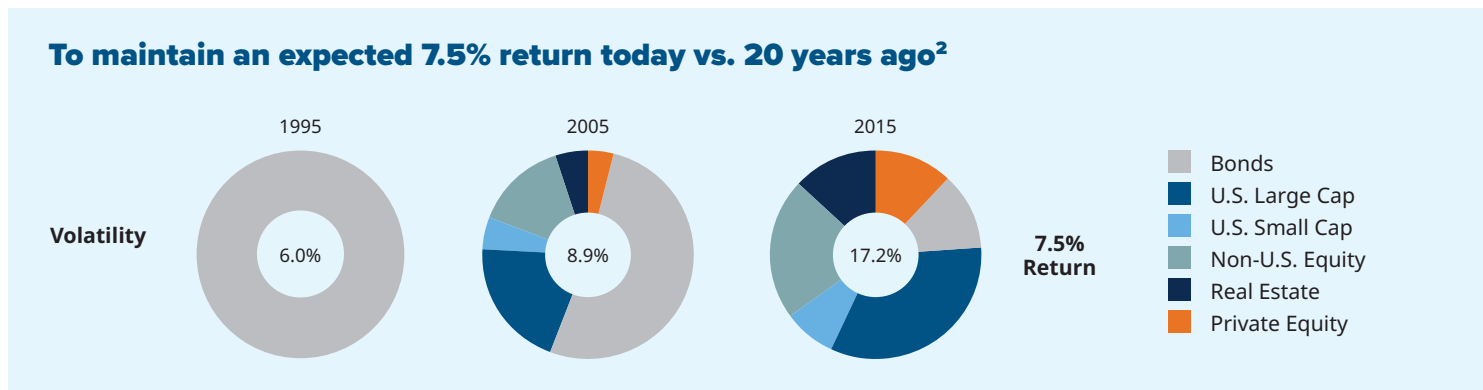
#### Yields near 25-year low<sup>1</sup>



<sup>1</sup>Source: Bloomberg, Cdn. 10-year Government of Canada Bond yield as of February 28, 2020

## 2 Volatility has increased dramatically

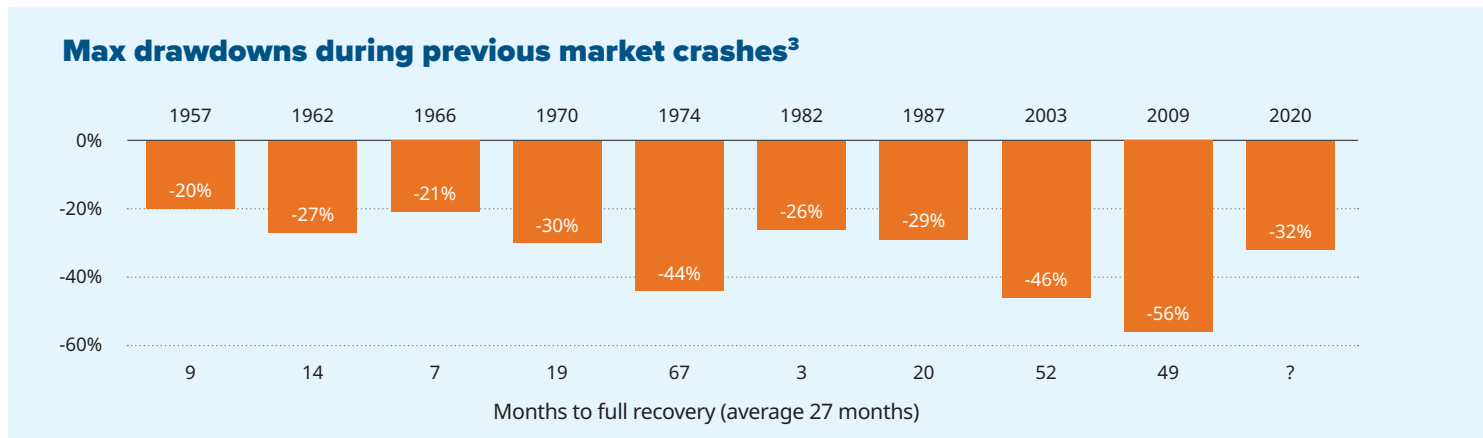
20 years ago, a portfolio of bonds could be relied on to generate 7.5% return with relatively low volatility. Today, more asset classes are required to generate that same 7.5% return. Meanwhile, the volatility, or risk, investors must assume to earn that same return has nearly tripled.



## 3 Market crashes happen regularly

The timing of a market crash can greatly magnify the negative impact on people's accumulated savings. Since 1950:

- 10 market crashes in the US (drop of 20% or more)
- Crashes happened every 6 years on average
- The most recent market crash followed the longest bull market on record



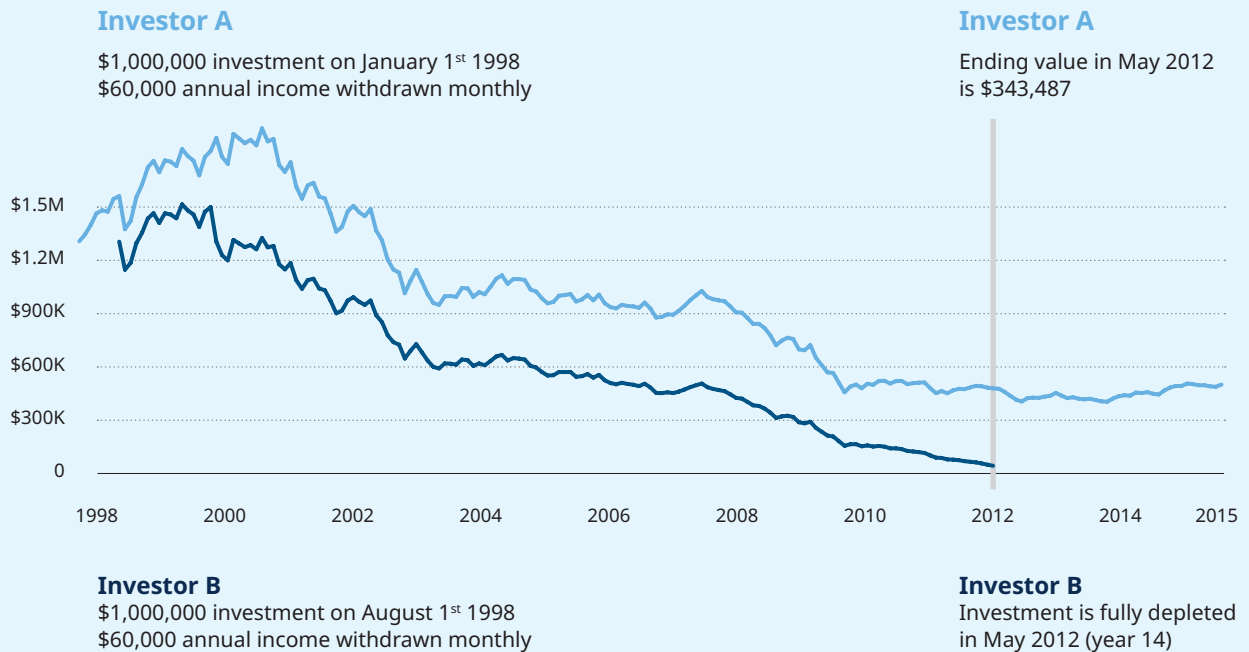
<sup>2</sup> For illustrative purposes only. Source: Callan Associates and Wall Street Journal.

<sup>3</sup> Source: Bloomberg. Drawdown calculation based on weekly returns.



## 4 Market downturns can have a damaging impact on capital preservation<sup>4</sup>

When an investor is withdrawing an income from a portfolio, they must be aware that a large downturn can have serious consequences. If the total portfolio shrinks sharply, the withdrawals may become too large for the portfolio to bear, and it may never recover. This is called “sequence of returns risk”, and is one of the most critical risks faced by retirees.



This chart illustrates the significance of sequence of returns risk using actual market data. Investor A entered the market on January 1, 1998. Investor B entered seven months later on August 1, 1998 and got hit right off the bat by the Russian financial crisis.

Both investors then suffered the 2001-2003 equity bear market. Although the initial investments were made only seven months apart, the outcomes were entirely different.

Due to the steady pace of withdrawals, Investor B's portfolio was exhausted in just 14 years.

<sup>4</sup>Source: hypothetical illustration. Returns from Bloomberg, MSCI World CAD with modifications.

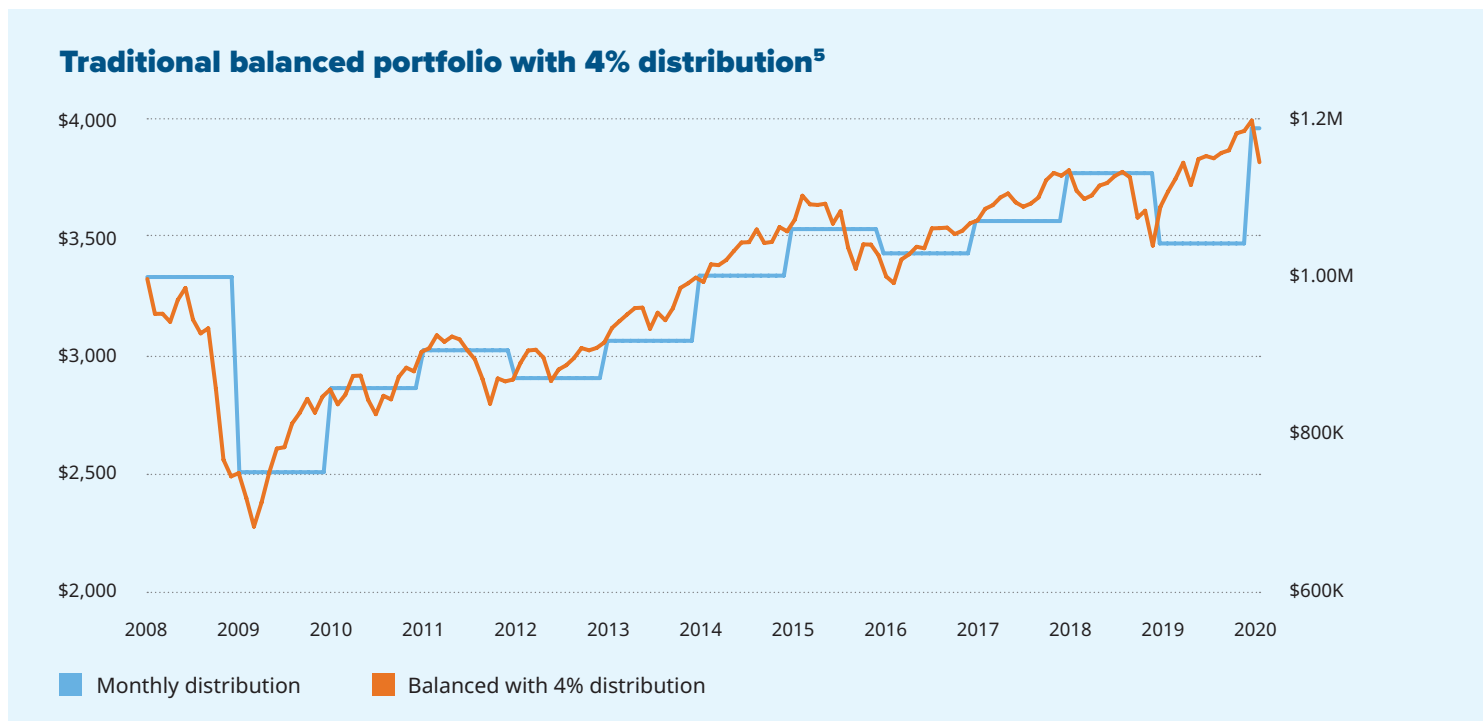
## 5 Volatility impacts income stability

To bring this concept alive, let's look at a one-million-dollar portfolio, invested in a 60/40 balanced allocation. An investor drawing 4% of this portfolio for living expenses would have \$40,000 to spend per year, or \$3,300 per month. Using the most recent bear market as an illustration, let's imagine this investor began drawing living expenses in January 2008. Soon after retirement, equity markets crashed, and the traditional balanced portfolio's value declined sharply.

**With a smaller total portfolio value, the investor could have:**

- Maintained the \$3,300 monthly distribution, and risked depleting the portfolio, or
- Maintained the 4% withdrawal rate and reduced monthly distribution to \$2,500 in 2009, cutting their standard of living by 24% while waiting for the markets to recover to pre-crisis levels – which took about seven years.

This is not a conversation any of us wants to have with our financial advisor.



<sup>5</sup>For illustrative purposes only.

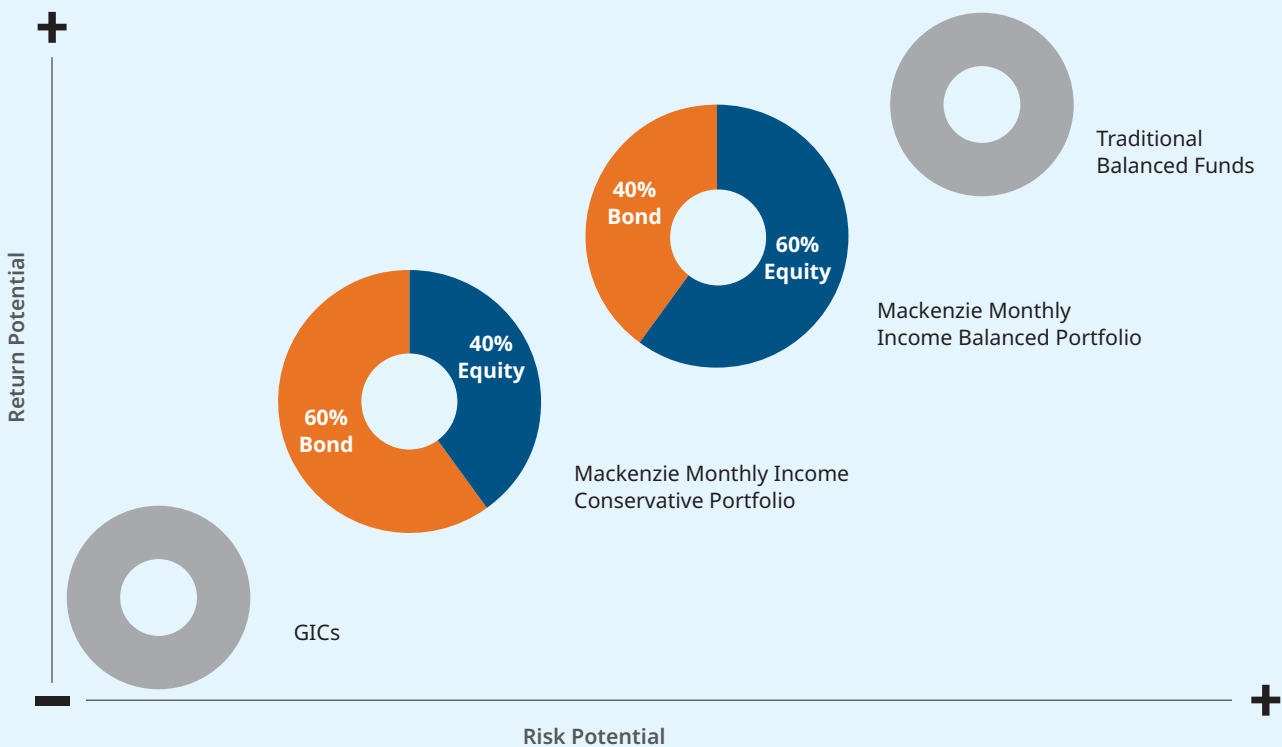
# Mackenzie Monthly Income Portfolios at a glance

## Monthly income within a multi-asset structure

The chart below illustrates how the Mackenzie Monthly Income Conservative Portfolio and Mackenzie Monthly Income Balanced Portfolio have been positioned on the risk/return spectrum, compared to no-risk GICs and traditional balanced funds that offer no explicit downside protection.

The two funds are positioned in a sweet spot that can offer higher growth and income potential than GICs and better downside protection than Traditional Balanced Funds.

### Favourable risk-return profile<sup>6</sup>



<sup>6</sup> Unlike mutual funds, the returns and principal of GICs are guaranteed.



## Predictable income stream for retirement

Low yields and market volatility combined with increasing longevity and a longer investment horizon may appear to be the perfect storm for older investors. The reality is, retirees need their portfolios to deliver both growth and security and they require a predictable income stream throughout their retirement.

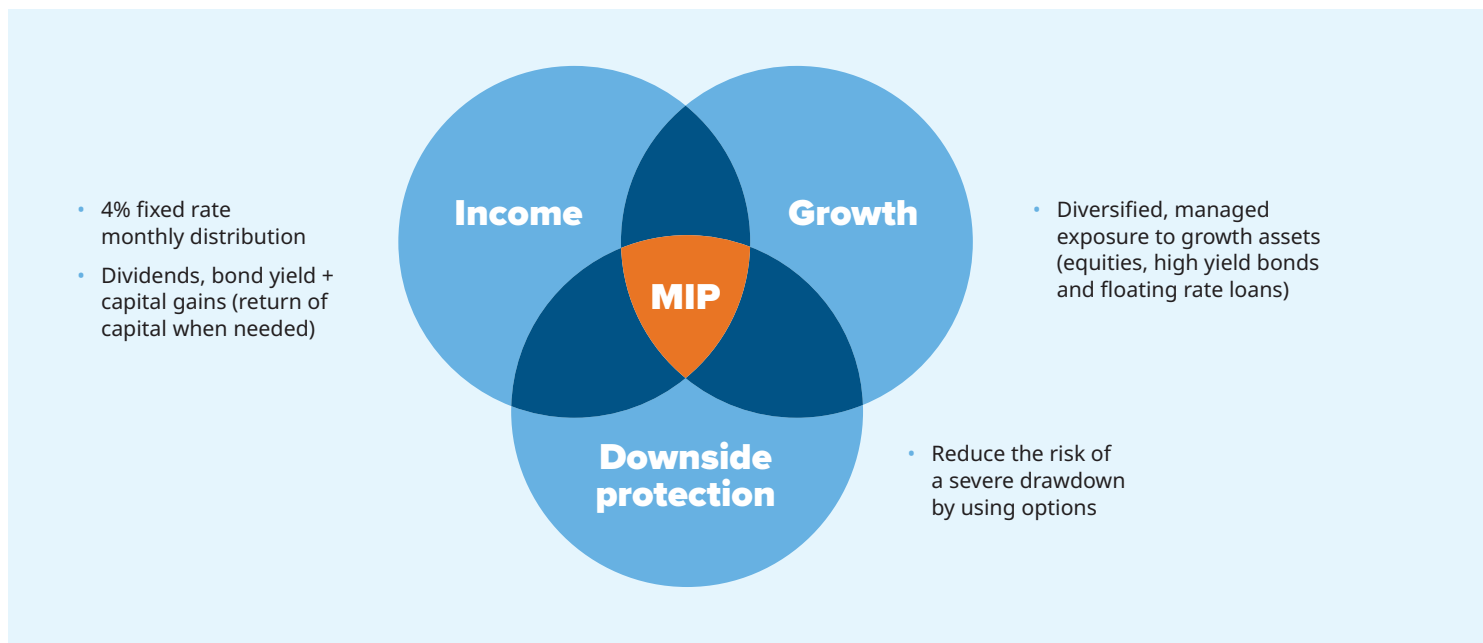
### Mackenzie Monthly Income Portfolios are built for investors who:

- Are concerned about investing at the “wrong time” and suffering sharp portfolio losses;
- Want the option of drawing income from their portfolio;
- Need potential growth but delivered in a way that acknowledges market risks.

These Portfolios are globally diversified, multi-asset solutions that pay a predictable monthly distribution and incorporate explicit downside protection.

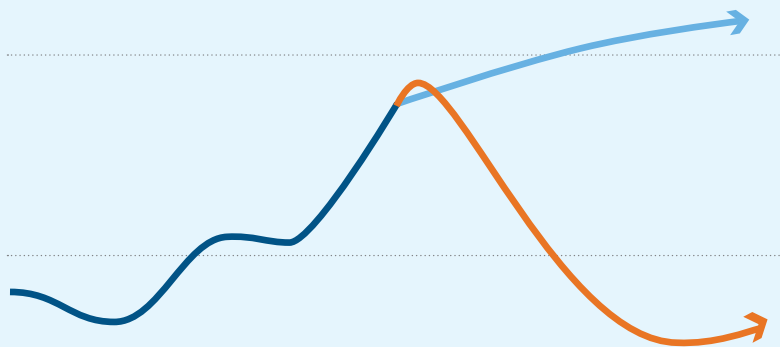
### Designed to consistently deliver on specific goals

The Mackenzie Multi-Asset Strategies Team has constructed a carefully balanced allocation to multiple asset classes and strategies aim to achieve income, growth, and reduce downside risk.





## Downside risk mitigation<sup>7</sup>



### Put Options

Helps to limit the downside.

### Call Options

Sell some of the upside to compensate for the downside.

### How it works

The hedging strategies employed by the Mackenzie Monthly Income Portfolios are what truly set these funds apart from traditional balanced funds. For many investors who are living off their accumulated savings, it is essential to mitigate volatility and reduce the risk of a severe drawdown.

A 'put' strategy limits the downside of an investment relative to the market's performance by locking in a selling price.

To fund the cost of the 'put' strategy, 'calls' are sold, which sell some of the upside performance to another investor.

The use of puts and calls together in this way is called a "collar", illustrated by the dotted lines in the graphic to the left.

# Income and growth with downside risk mitigation

## Mackenzie Monthly Income Portfolios key benefits:

### Steady income for the future

- Monthly predictable cash flow
- 4% fixed rate monthly distribution\*

### Built-in downside protection

- Unlike traditional income funds, these Funds use sophisticated options strategies to mitigate downside risk
- Strategy aims to protect assets against the damaging impact of sequence of returns risk during large market downturns

### Growth while managing risk

- Multi-asset exposure to growth assets provides some growth potential
- Investment sweet spot on the risk/return spectrum

### Experienced management team

- Mackenzie Multi-Asset Strategies Team has extensive asset allocation and risk management experience honed at Canada's largest and most sophisticated pension plans
- They bring decades of experience growing portfolios in a risk-managed way and protecting wealth using a wide variety of assets and strategies

<sup>7</sup>Hypothetical market performance.

## Why invest with Mackenzie

As a Canadian-owned global asset management provider, we've been helping advisors deliver the best possible advice and investment solutions for more than 50 years. With over \$138 billion in assets under management and a comprehensive line of investment solutions, we are one of Canada's leading asset management companies. Our journey began with one client and one advisor working together, and though we've grown, we remain committed to the same belief, advice matters. When we work together with advisors and investors, we can achieve better financial outcomes.

**Talk to an advisor about how you can enjoy consistent income and growth with less risk with Mackenzie Monthly Income Portfolios.**

\*The payment of distributions is not guaranteed and may fluctuate. The payment of distributions should not be confused with a fund's performance, rate of return or yield. If distributions paid by the fund are greater than the performance of the fund, your original investment will shrink. Distributions paid as a result of capital gains realized by a fund, and income and dividends earned by a fund are taxable in your hands in the year they are paid. Your adjusted cost base will be reduced by the amount of any returns of capital. If your adjusted cost base goes below zero, you will have to pay capital gains tax on the amount below zero. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. The content of this brochure (including facts, views, opinions, recommendations, descriptions of or references to, products or securities) is not to be used or construed as investment advice, as an offer to sell or the solicitation of an offer to buy, or an endorsement, recommendation or sponsorship of any entity or security cited. Although we endeavour to ensure its accuracy and completeness, we assume no responsibility for any reliance upon it. The Mackenzie Unconstrained Fixed Income Fund is used to fulfill the Absolute Return Strategy component of the Fund. Although the Mackenzie Unconstrained Fixed Income Fund's objective is to seek a positive total return over a market cycle, you may lose money on your investment. There is no assurance or guarantee the fund will realize a positive return in any given year or over any time period.

# Retirement



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