

Sequence of Returns ... Does it Really Matter?

AGF SOUND CHOICES

The sequence of returns *can* impact cash flow.

Markets rise and fall. When investing for the long term, short-term returns are less important because your portfolio has a chance to recover. But, when you start withdrawing, experiencing a downturn in the early years can have a critical impact.

A tale of two investors:

Scenario 1: Accumulation Phase

- Each invested \$100,000 into two different portfolios
- No withdrawals
- At the end of 15 years, have the same amount of money

Investor A			Investor B	
Year	Annual Return	Year-end Balance	Annual Return	Year-end Balance
1	20%	\$120,000	-7%	\$ 93,000
2	12%	\$134,400	-11%	\$ 82,770
3	14%	\$153,216	-12%	\$ 72,838
4	17%	\$179,263	-8%	\$ 67,011
5	10%	\$197,189	-5%	\$ 63,660
6	8%	\$212,964	6%	\$ 67,480
7	5%	\$223,612	5%	\$ 70,854
8	6%	\$237,029	6%	\$ 75,105
9	5%	\$248,881	5%	\$78,860
10	6%	\$263,813	8%	\$ 85,169
11	-5%	\$250,623	10%	\$ 93,686
12	-8%	\$230,573	17%	\$109,612
13	-12%	\$202,904	14%	\$124,958
14	-11%	\$180,585	12%	\$139,953
15	-7%	\$167,944	20%	\$167,944
4.53% Average Annual Return			4.53% Average Annual Return	

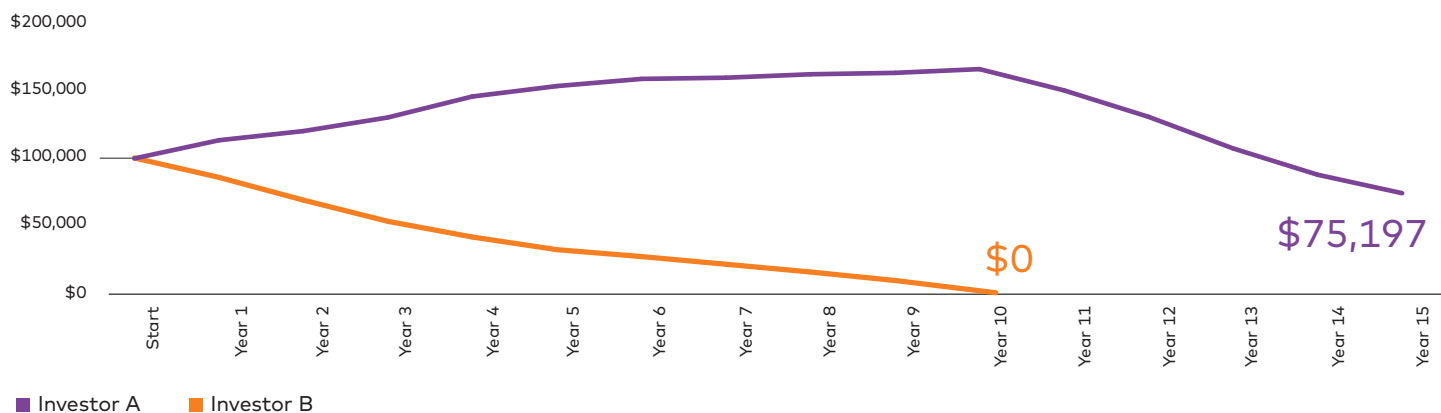
Source: AGF Investments Inc. Performance returns presented are hypothetical and for illustrative purposes only. It does not represent actual performance nor does it guarantee future performance. Assumptions were made in the calculation of these returns including \$100,000 invested at the beginning of year 1 in hypothetical investments with the stated rates of return. Any taxes due, trading costs and other fees associated with the portfolios are not included and trading prices and frequency implicit in the hypothetical performance may differ from what may have actually been realized at the time given prevailing market conditions.

How does this affect your withdrawals in retirement?

In the withdrawal phase, the portfolios' values looked very different.

Scenario 2: Withdrawal Phase

- Same portfolios as before
- \$7,000 annual withdrawal at the end of the year
- Investor B runs out of money in year 11 – never recovered from the early negative returns



Investor A				Investor B		
Year	Annual Return	Withdrawal	Year-end Balance	Annual Return	Withdrawal	Year-end Balance
1	20%	\$7,000	\$113,000	-7%	\$7,000	\$86,000
2	12%	\$7,000	\$119,560	-11%	\$7,000	\$69,540
3	14%	\$7,000	\$129,298	-12%	\$7,000	\$54,195
4	17%	\$7,000	\$144,279	-8%	\$7,000	\$42,860
5	10%	\$7,000	\$151,707	-5%	\$7,000	\$33,717
6	8%	\$7,000	\$156,844	6%	\$7,000	\$28,740
7	5%	\$7,000	\$157,686	5%	\$7,000	\$23,177
8	6%	\$7,000	\$160,147	6%	\$7,000	\$17,567
9	5%	\$7,000	\$161,154	5%	\$7,000	\$11,446
10	6%	\$7,000	\$163,824	8%	\$7,000	\$ 5,361
11	-5%	\$7,000	\$148,632	10%	\$5,897	\$ 0
12	-8%	\$7,000	\$129,742	17%	–	\$ 0
13	-12%	\$7,000	\$107,173	14%	–	\$ 0
14	-11%	\$7,000	\$ 88,384	12%	–	\$ 0
15	-7%	\$7,000	\$ 75,197	20%	–	\$ 0
\$105,000 Total Withdrawal				\$75,897 Total Withdrawal		

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A financial advisor can help you develop and manage your retirement income plan, and provide a line of defence during times of market turbulence.

Commissions, trailing commissions, management fees and expenses all may be associated with investment fund investments. Please read the prospectus before investing. Investment funds are not guaranteed, their values change frequently and past performance may not be repeated.

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