The Cash Wedge

A Retirement Income Strategy for Volatile Markets

Dynamic Funds®
Invest with advice.

Market volatility can significantly impact your retirement income.

The Cash Wedge can help minimize the effects of volatility by meeting your near-term income needs – while allowing the rest of your portfolio to participate in possible market recovery.

Use the Cash Wedge strategy to:

- Help protect against short-term market volatility
- Increase liquidity in your portfolio
- Increase the potential for future capital appreciation

How the sequence of investment returns can impact your portfolio

The two hypothetical examples below illustrate how the sequence of investment returns can impact your portfolio during the accumulation phase leading up to retirement, and during the withdrawal phase once you enter retirement.

Accumulation math: a $100,000 investment

Returns	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Average return	Value
Scenario 1	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	**$196,715**
Scenario 2	9.4%	14.0%	13.0%	23.0%	-4.0%	10.0%	-1.0%	21.0%	-4.0%	-7.0%	7.0%	**$196,715**
Scenario 3	-7.0%	-4.0%	21.0%	-1.0%	10.0%	-4.0%	23.0%	13.0%	14.0%	9.4%	7.0%	**$196,715**

As the table above shows, all three scenarios have an average ten-year return of 7%. However, the sequence of the calendar year returns is different in each scenario. During the accumulation phase, the sequence of investment returns does not affect the end portfolio value.

Withdrawal math: a $100,000 investment, $7,000 withdrawn annually

Returns	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Average return	Value
Scenario 1	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	**$100,000**
Scenario 2	9.4%	14.0%	13.0%	23.0%	-4.0%	10.0%	-1.0%	21.0%	-4.0%	-7.0%	7.0%	**$117,986**
Scenario 3	-7.0%	-4.0%	21.0%	-1.0%	10.0%	-4.0%	23.0%	13.0%	14.0%	9.4%	7.0%	**$83,150**

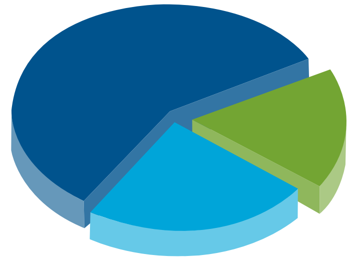
Source: Rarestone Financial Series

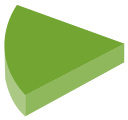
Unlike the accumulation stage, the sequence of returns during the withdrawal phase significantly impacts the end value of the portfolio – and consequently the portfolio's ability to provide you with long-term income.

The Cash Wedge strategy can help insulate your portfolio to minimize the impact of withdrawing income during volatile markets.

How the Cash Wedge strategy works

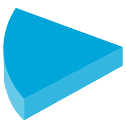
Working with your Financial Advisor, your portfolio is categorized into three main parts:





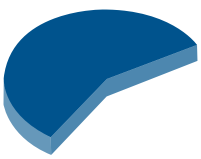
The cash wedge

A portion of your projected retirement income – usually one year's worth – is allocated to a conservative, highly accessible investment such as a money market fund. This portion of the portfolio creates a secure platform from which you begin drawing your retirement income.



Short-term, conservative investments

The second and third years' projected retirement income is allocated into a low volatility short-term investment, such as a 1- and 2-year GIC, investment savings account, or bond fund. This creates a relatively stable part of the portfolio that may grow without taking on too much risk. In years two and three, these investments are used to replenish the Cash Wedge.



Diversified asset mix

The remainder of the portfolio remains invested in the asset mix that suits your individual investment profile. This allows you to stay invested and participate in the market. Eventually any profits are moved from this part of the portfolio into the less volatile short-term investments and into the Cash Wedge position to create income for year four, and subsequent years.

Use the Cash Wedge strategy to minimize your retirement income risk

Because you are drawing income from the stability of the Cash Wedge, the rest of your portfolio is given time to overcome market swings. Over the long term, you have the potential to earn more from your portfolio and get the most out of your retirement income.

Source: Rarestone Financial Series

Contact your Financial Advisor to find out more about how the Cash Wedge can help protect your retirement income.

Customer Relations Centre
Toll free: 1-800-268-8186
Tel: 514-908-3212 (English)
514-908-3217 (French)
Fax: 416-363-4179 or 1-800-361-4768
Email: service@dynamic.ca

dynamic.ca

Dynamic Funds®
Invest with advice.

11DWD336_DF_CashWedge_Inv_EN_V7_DOP0420 MOE9179