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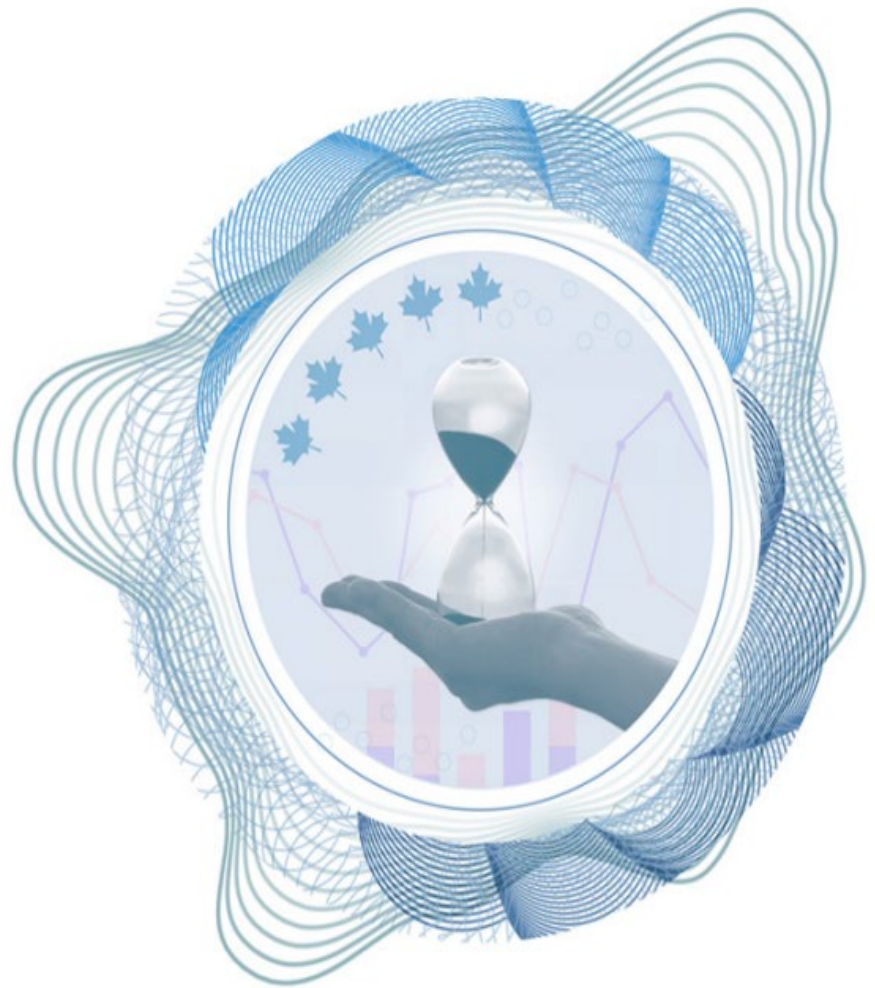
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# Retirement: Why Paycheque Portfolios?

**Daryl Diamond CFP CLU CHFC**  
Chief Retirement Income Strategist

# *Running out of time*

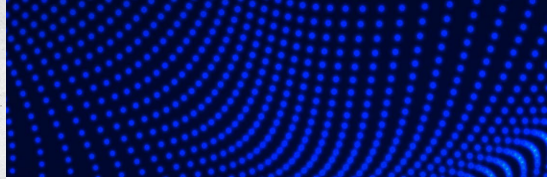
**An urgent call to fortify Canada's private retirement pillars**



# The Problem – Longevity Risk



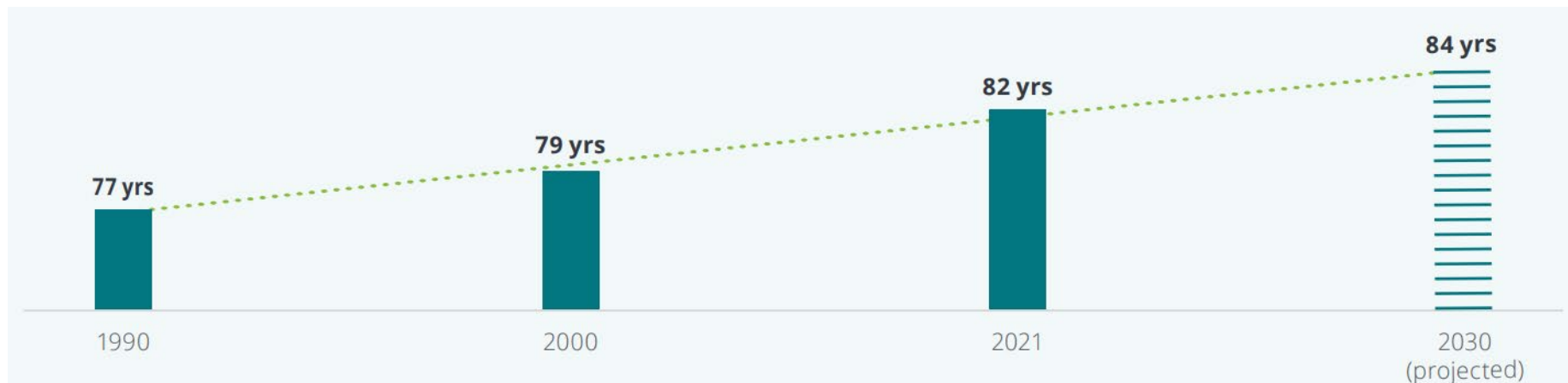
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# Life Expectancy

Average life expectancy in Canada from 1990 to 2030



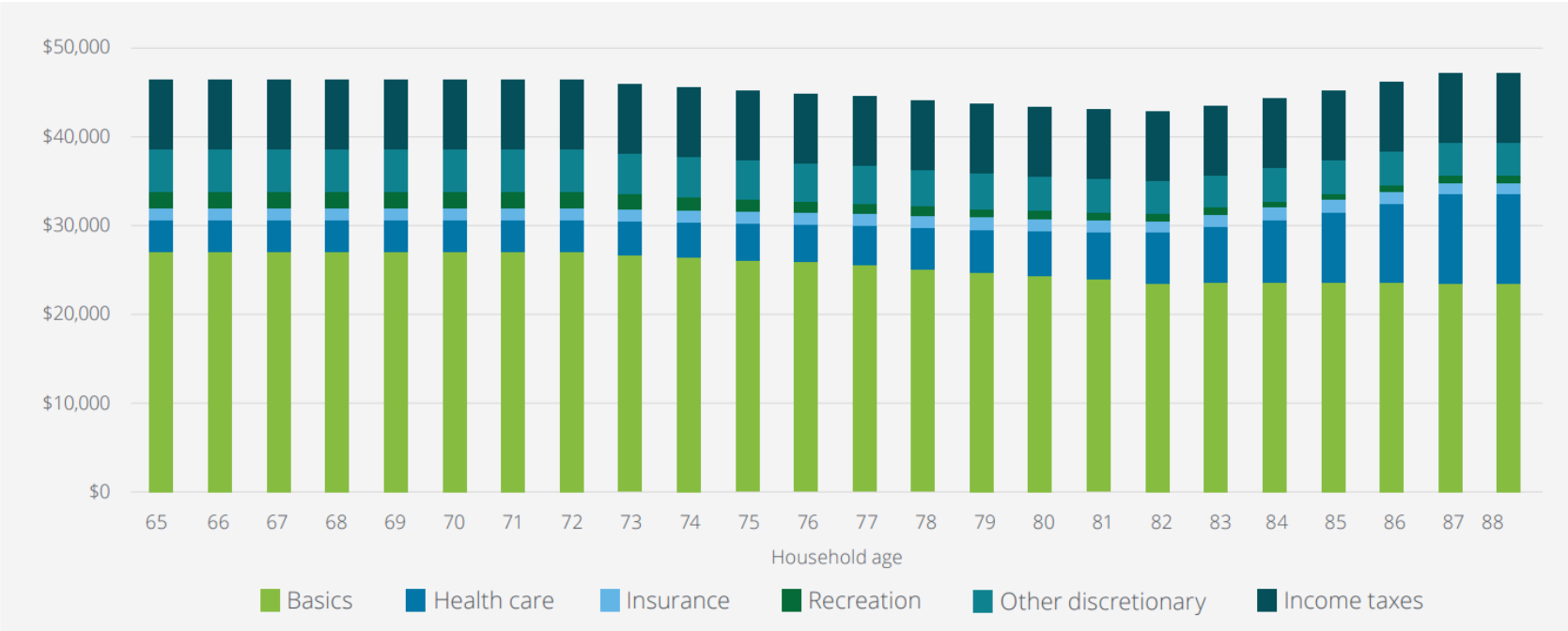
Source: Statistics Canada

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# Annual Project Household Expenses

Annual projected household expenses (including taxes) for a modest retirement lifestyle (2022 dollars)



Note: Annual expense amounts have not accounted for inflation or the impact of rising living and health care costs.

Source: Deloitte analysis



# Why Paycheque Portfolios in Managing Longevity Risk?

1. Withdrawal rate

2. Tax efficiency

3. Sustainability

4. Investor behaviour



# 1. Withdrawal Rate

## JUST EAT THE FOOD AND **LOSE THE WEIGHT.**

Featuring protein-packed Hearty Inspirations® dinners!



**Breakfasts**



**Lunches**



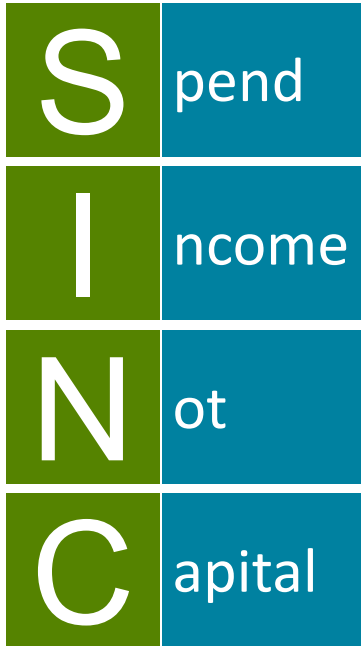
**Dinners**



**Snacks**

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# 1. Withdrawal Rate – SINC



The more cash flow  
**you can SINC,**  
the better your chances of staying afloat.

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## 2. Tax Efficiency

# Withdrawal for \$1.00 After Tax – 2024 Example

Bracket	Rate	Fully taxable*	Eligible dividends	Non-eligible dividends	Capital gains	TFSA/ROC
\$15,705	22.5%	\$1.29	\$1.00	\$1.05	\$1.15	\$1.00
\$42,000	25.9%	\$1.35	\$1.07	\$1.19	\$1.16	\$1.00
\$55,867	31.3%	\$1.46	\$1.19	\$1.34	\$1.21	\$1.00
\$72,164	36.4%	\$1.57	\$1.29	\$1.45	\$1.24	\$1.00
\$111,733	43.4%	\$1.76	\$1.39	\$1.60	\$1.28	\$1.00
\$173,205	46.4%	\$1.86	\$1.47	\$1.69	\$1.30	\$1.00
\$246,752	50.4%	\$2.01	\$1.59	\$1.84	\$1.34	\$1.00

\*Income from RRIF, LIF, Pension, CPP, OAS and Interest/Foreign Dividends from non-sheltered accounts

\*Example, for illustration purposes only. Source: Diamond Retirement Planning Ltd.

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# Dynamic Strategic Yield Fund – Distribution Breakdown

Initial investment: \$1,000,000 (March 1, 2009) at NAV \$10\*\*

Year	Total Annual Distribution \$1*	Market Value	Canadian Dividend	Canadian Interest	Foreign Interest	Return of Capital	Foreign Dividend	Capital Gain	Return (%)
2009	82,221	1,258,000	5,816	18,642	12,041	-	4,773	40,948	-
2010	80,640	1,354,000	19,097	29,812	13,662	13,349	4,720	-	16.6
2011	80,640	1,385,000	25,779	-	18,436	32,555	3,870	-	9.5
2012	80,640	1,392,000	36,494	-	-	38,602	-	5,544	7.9
2013	80,640	1,472,000	21,407	-	-	34,816	24,418	-	12.9
2014	89,169	1,486,000	30,502	-	-	-	-	58,666	8.1
2015	110,345	1,460,000	-	-	-	-	-	110,345	6.9
2016	88,068	1,421,000	16,953	-	-	71,115	-	-	4.5
2017	88,318	1,432,000	12,500	-	-	25,451	14,129	36,238	8.1
2018	88,368	1,327,000	10,327	-	-	17,701	20,074	40,267	-0.3
2019	88,368	1,403,000	10,356	-	56	45,361	21,745	10,849	13.4
2020	88,368	1,335,590	-	-	-	88,368	-	-	2.8
2021	88,368	1,427,900	9,884	-	-	20,830	23,976	33,679	15.3
2022	88,368	1,255,290	12,753	-	-	51,733	23,882	-	-6.0
2023	88,368	1,220,720	12,601	-	8,611	46,698	20,458	-	4.5
<b>Total</b>	<b>1,310,889</b>	<b>20,629,500</b>	<b>224,467</b>	<b>48,453</b>	<b>52,806</b>	<b>486,579</b>	<b>162,046</b>	<b>336,537</b>	<b>-</b>

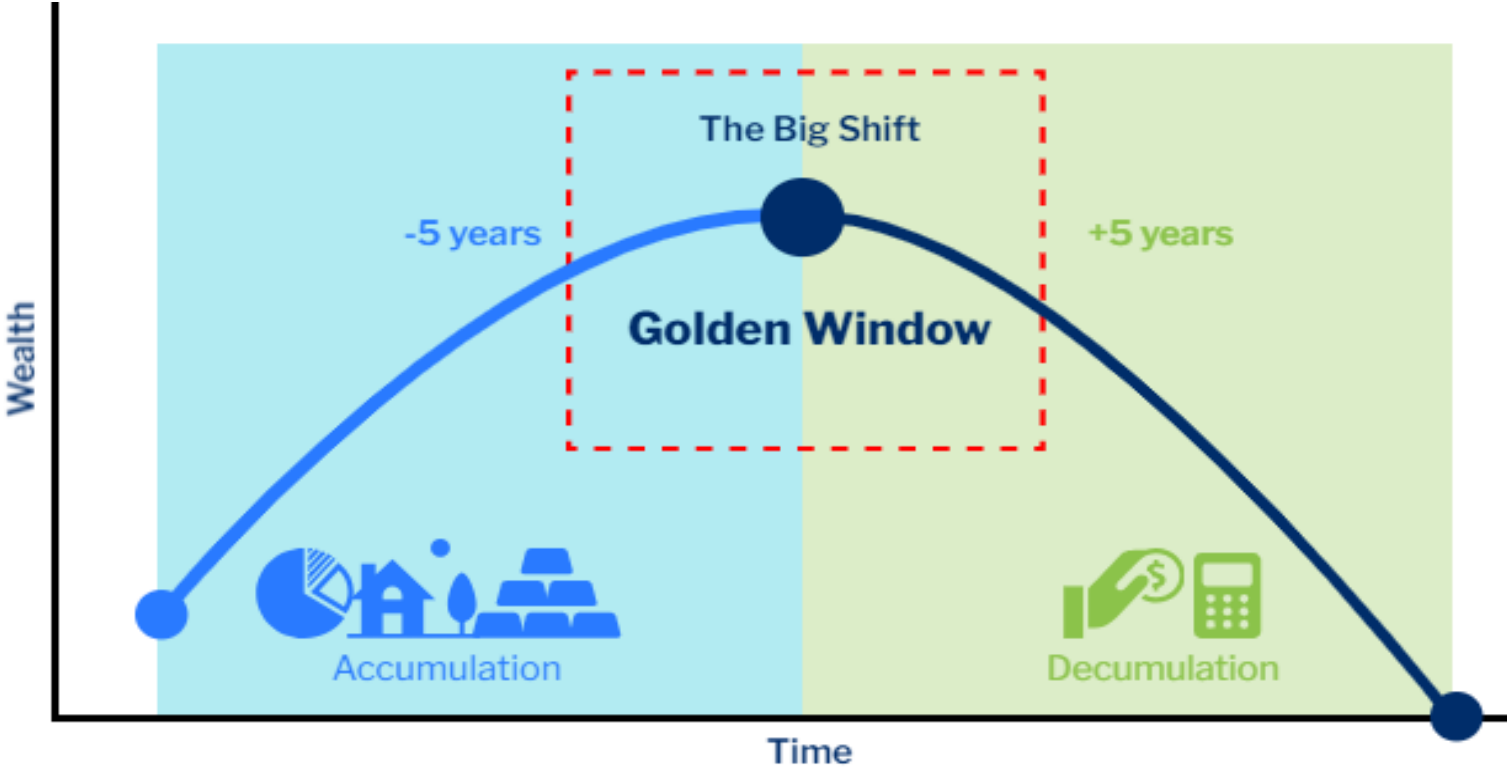
Source: Dynamic Funds, Morningstar Direct. Data for Series F, \*Series F launched March 2009.

\*\*Assuming the number of units doesn't change over time and no additional investments are made throughout the years 2009 – 2023.

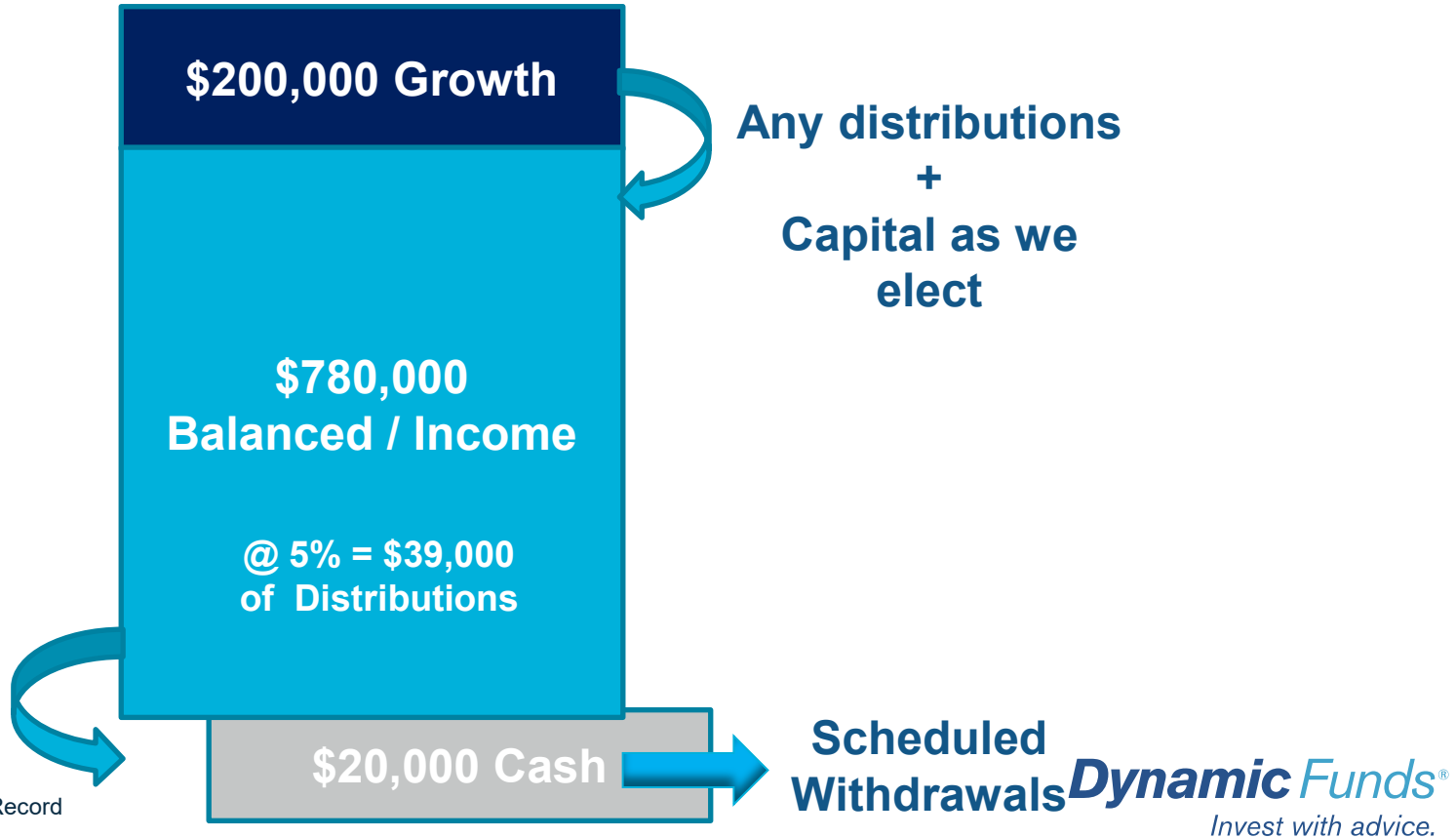
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# 3. Sustainability and 4. Investor Behaviour

# Working Years vs. Retirement Years



# Combining Strategies (example)



Source: Retirement for the Record

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# In Summary – Why Paycheque Portfolios?

- Income delivered at sustainable withdrawal rates
- Client focus shifts from account value to income being delivered
- Tax efficiency of income from non-registered accounts
- Proven and consistent management performance

# The 4 Ms



**M** aximize  
cash flow



**M** inimize  
drawdowns



**M** inimize  
taxes



**M** aintain  
purchasing power

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# A Paycheque Portfolio Approach: Proposal Builder

- Simulated monthly and annual cash flows;
- ACB projection; and
- Cumulative ROC (and estimated tax savings)



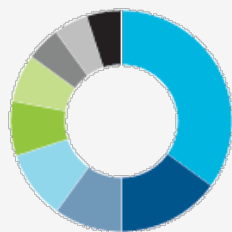
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# A Paycheque Portfolio Approach: Proposal Builder

## Joe holdings

PORTFOLIO	SERIES	ALLOCATION	VALUE
Dynamic Advantage Bond Fund	F	35.0%	\$350,000
Dynamic Global Fixed Income Fund	F	15.0%	\$150,000
Dynamic Equity Income Fund	F	10.0%	\$100,000
Dynamic Active Credit Strategies Private Pool	F	10.0%	\$100,000
Dynamic Credit Absolute Return Fund	F	8.0%	\$80,000
Dynamic Global Equity Income Fund	F	7.0%	\$70,000
Dynamic Premium Yield PLUS Fund	F	5.0%	\$50,000
Dynamic Real Estate & Infrastructure Income II Fund	F	5.0%	\$50,000
Dynamic Alternative Yield Fund	F	5.0%	\$50,000
<b>TOTAL INVESTED</b>		<b>100.0%</b>	<b>\$1,000,000</b>

## Fund allocation



- Dynamic Advantage Bond Fund Series F
- Dynamic Global Fixed Income Fund Series F
- Dynamic Equity Income Fund Series F
- Dynamic Active Credit Strategies Private Pool Series F
- Dynamic Credit Absolute Return Fund Series F
- Dynamic Global Equity Income Fund Series F
- Dynamic Premium Yield PLUS Fund Series F
- Dynamic Real Estate & Infrastructure Income II Fund Series F
- Dynamic Alternative Yield Fund Series F

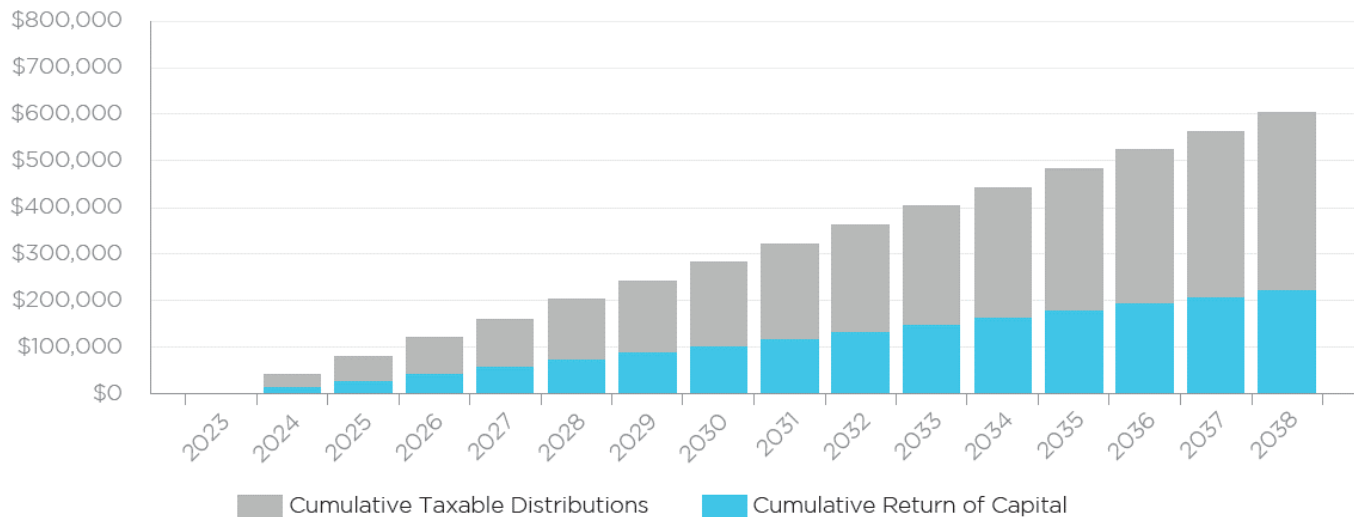
Source: Dynamic Proposal Builder, example used is for illustrative purposes only

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# A Paycheque Portfolio Approach: Proposal Builder

## CUMULATIVE CASH FLOW



Source: Dynamic Proposal Builder, example used is for illustrative purposes only

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# A Paycheque Portfolio Approach: Proposal Builder

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INVESTMENT PROPOSAL  
**JOE**

## SUMMARY

Starting Market Value*	\$1,000,000
Ending Market Value* including distributions	\$1,000,000
Starting Adjusted Cost Base	\$1,000,000
Ending Adjusted Cost Base	\$730,312
Monthly Cash Flow	\$3,350
Average Annual Cash Flow	\$40,200
Cumulative Cash Flow	\$603,000
Cumulative Return of Capital**	\$223,401
Tax Savings from Return of Capital <i>Assumed marginal provincial tax rate is 53.53 %</i>	\$119,586

Source: Dynamic Proposal Builder, example used is for illustrative purposes only

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**With our Psycheque Portfolio™ approach, retirees spend income not capital**

**Because retirement income should last a lifetime.**

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Investment sentiment

Positive sentiment since 1980

Top performers

**52%** Economic

**Retirement Income Report**

How do Canadians about their retirement?

**60%**

Funding retirement

Over the past 10 years, about being about retirement

**25%**

Dynamic Funds®

Building Psycheque portfolios: A four-step process

One of the most significant questions concerning retirement is how to generate sufficient retirement income. Dynamic Funds offers a four-step process to help you understand your own retirement goals and how to build a portfolio that meets those goals.

**The Dynamic Income map**

Understanding Dynamic's retirement income options

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**With our Psycheque Portfolio™ approach, retirees spend income not capital**

**Because retirement income should last a lifetime.**

**Retirement Income to Last a Lifetime**

Portfolio Construction With a Psycheque Portfolio™ Approach

David De Pastena  
Vice President, Retirement Solutions, Investment Services

Retirement doesn't have to be an inevitable depletion of assets. The key is having a strategy that lets advisors deliver the retirement income clients need, without having to sell the investments that are producing the cash flow – especially when markets are down.

This distribution strategy which Dynamic calls the Psycheque Portfolio™ approach, has one central focus: to deliver constant income in bull and bear markets alike.

Let's look at some key considerations when it comes to implementing a psycheque portfolio approach for retirees and their on the way.

**Three Key Criteria for Cash Flow (CST)**

While the Psycheque Portfolio™ approach has been a successful combination of cash flow and capital approaches, when using the strategy to get the most amount of income for the least amount of volatility, when building, when building, when those retiree clients are diversified.

However, not all cash flows are created equal. For this reason, investors should consider the following three keys when choosing cash flow producing assets: consistency, sustainability, and low efficiency, or CST for short.

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**With our Paycheque Portfolio™ approach,  
retirees spend income not capital**

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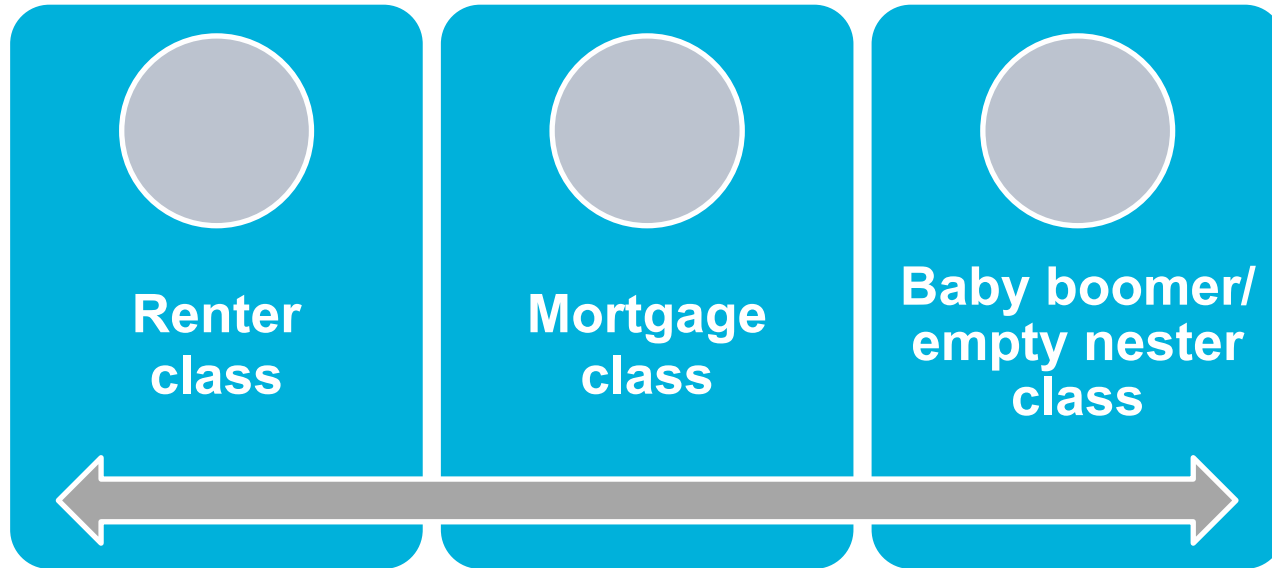
# Longevity and Retirement

**Oscar Belaiche**

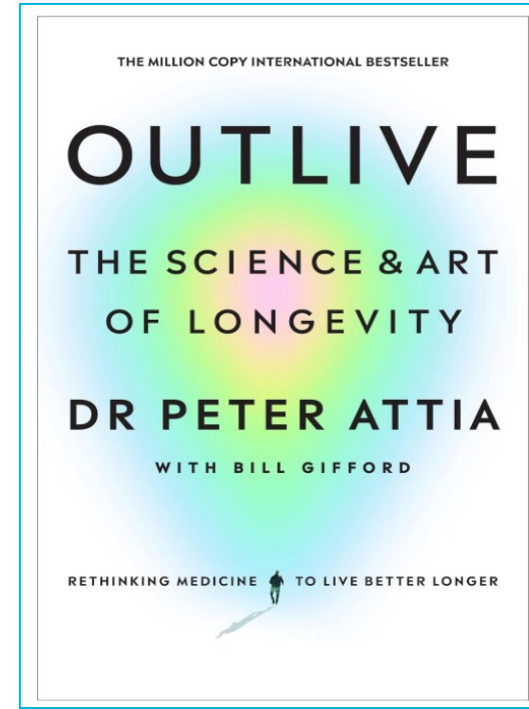
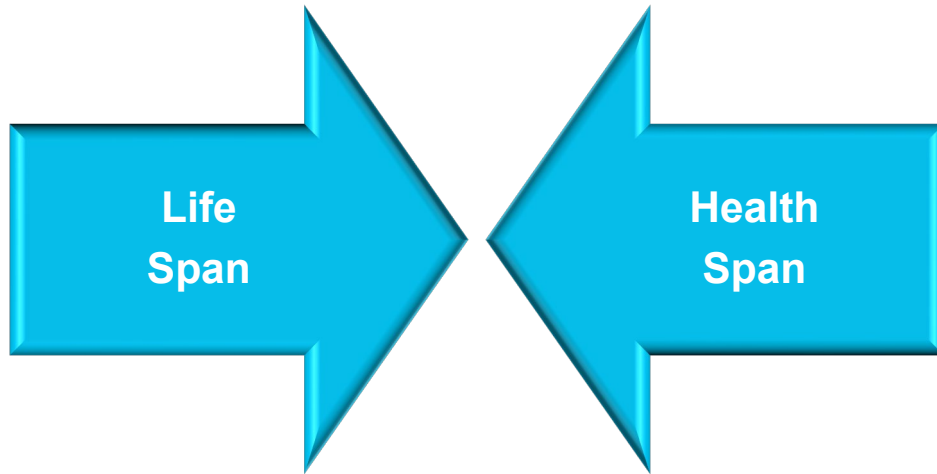
Senior Vice President & Portfolio Manager

# What's Happening?

## Demographics

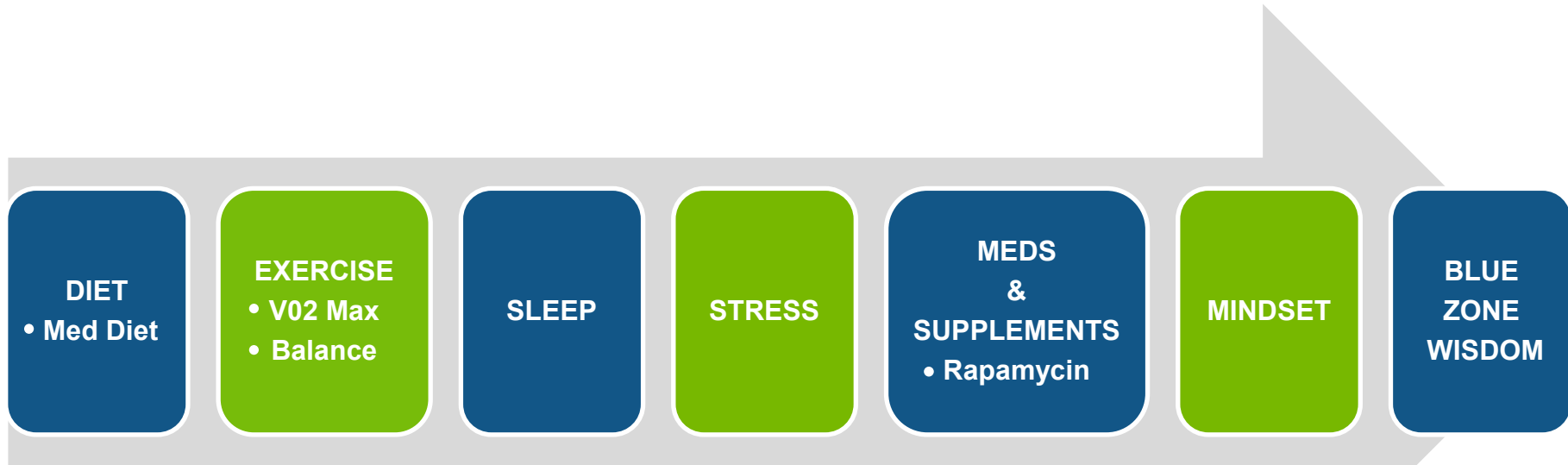


# Retirement Determinants



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# “Live Long and Prosper” - Optimizing your Health Span



Source: Peter's Longevity Practices by Peter H. Diamandis, MD, Fall 2023

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# The Business of Aging Well

Are you fit for your age? Test yourself with these exercises:

- Aerobic fitness: 12-minute run or 1-mile walk
- Upper body strength: push-up
- Core muscular endurance: side plank
- Mobility and stability: no hands get-up



**Bryan  
Johnson's  
Project  
Blueprint**

Source: <https://www.wsj.com/health/wellness/fitness-age-cardio-strength-balance-c5a7c1ad>

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# Win-Win

Healthier in retirement –  
less spending on:

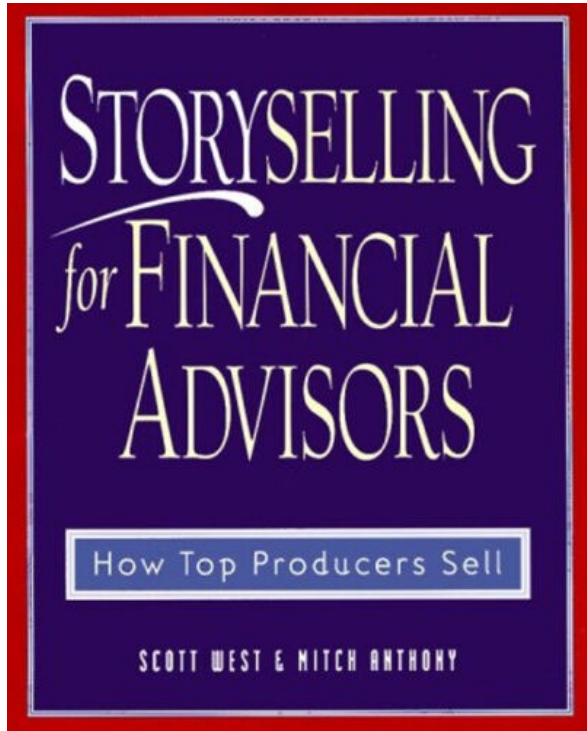
- Caregivers
- Nursing/retirement homes
- Other services



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# Left Brain vs Right Brain Approach with Clients

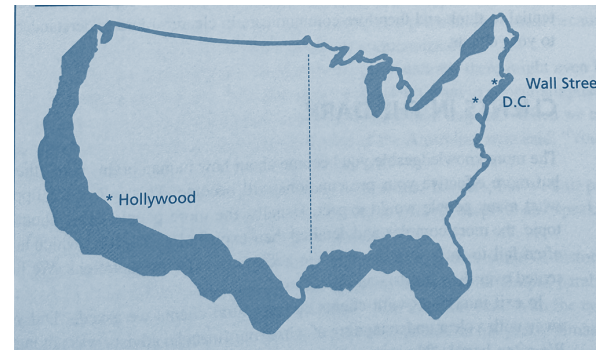


**LEFT BRAIN**  
Logic



**RIGHT BRAIN**  
Emotion

The Metaphoric Map of the Brain



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# Looking Favourable for Equity Income

We have not seen such attractive yields since the 2000 decade,

and

as rates stabilize and potentially decline in the face of an economic slowdown/recession

than

owning high quality, more predictable free cashflow generating, sustainable higher yielding securities

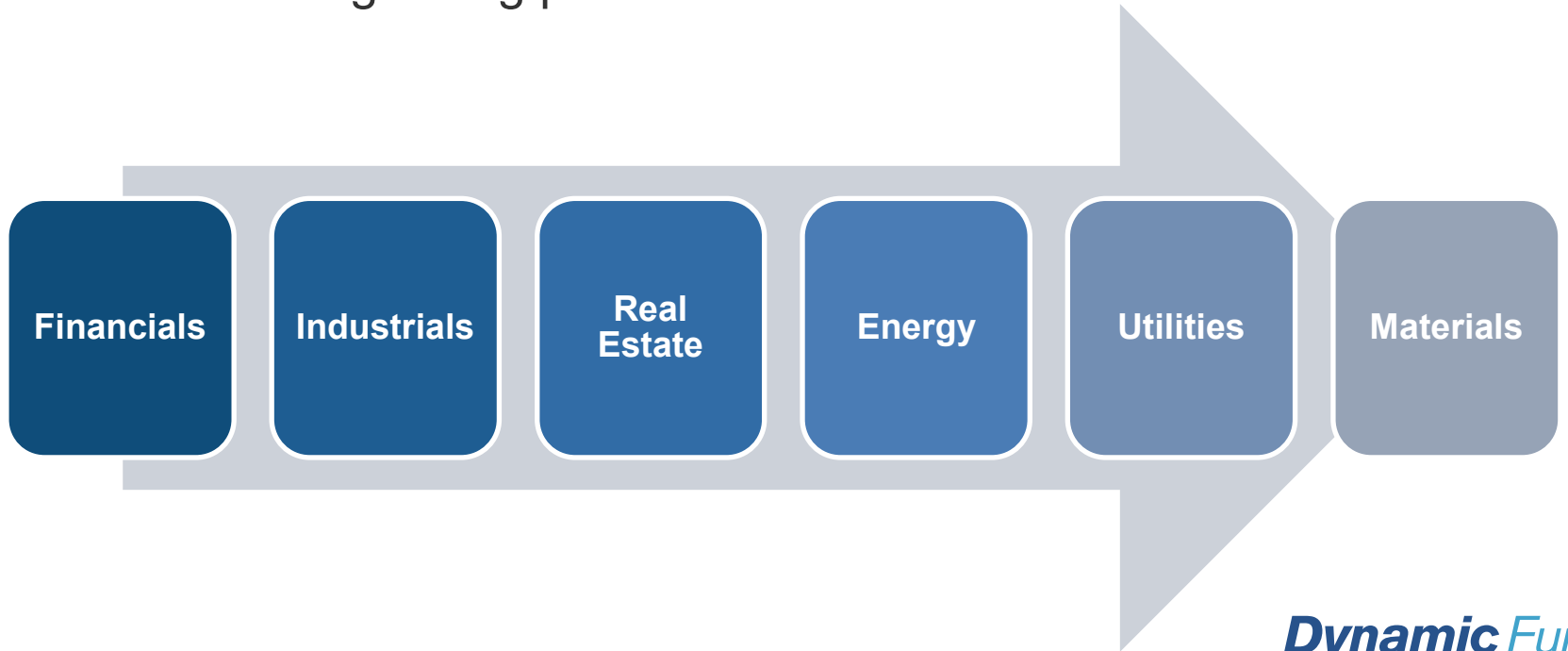
will

benefit the holdings in our funds.

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# “FIREUM” Scenario

Market broadening taking place:



# Dynamic Retirement Income Fund - 3 Year Anniversary

## VIEWS FROM THE EQUITY INCOME TEAM

### Dynamic Retirement Income Fund Marks 3 Year Anniversary

February 22, 2024

#### In the Beginning

On January 29, 2021, three years ago, we launched Dynamic Retirement Income Fund (DRIF). The timing of the launch was like coming full circle for the Equity Income team. Over the past 24 years the team has highlighted aging demographics and the need for income that will arise from this significant shift in the population. In 2021 half of the baby boomers had reached the age of 65. By 2030, less than 6 years from now, the remaining group will have attained 'retirement age'. Since the launch of the Fund, these retirees have seen the era of easy money and and interest rates reach more reasonable levels. Such changes proved beneficial to savers, but rising inflation sparked concerns as to whether retirees had saved enough. Volatility in 2022 saw a year in the markets like no other with both equities and bonds generating double digit losses. So where are we today?

#### Looking at 2023

While many asset classes rallied in 2023, high dividend-paying stocks suffered from an uncharacteristically bumpy ride last year. The NASDAQ Composite was up nearly 45% for the year while the S&P 500 Index saw returns of over 26%. Much of these gains were driven by the "Magnificent 7" mega cap U.S. technology stocks. On the other hand, there has also been record buying of cash alternatives like money market funds and GICs. The outcome was investors taking a 'barbell' approach of the "Magnificent 7" tech stocks on one end with cash on the other, while dividend stocks were left by the wayside. As a result, we now see one of the best opportunity sets for dividend investing over the last 10 years.

#### Cash Less Attractive If (or When) Rates Get Cut

As investors, it's our job to evaluate risk vs. reward for every investment opportunity we analyze. With this in mind, the appeal of investing in cash alternatives at 4-5%+ (almost) guaranteed annual returns is an attractive proposition. However, as Geoffrey Chaucer wrote in his epic 14<sup>th</sup> century poem, *Troilus and Criseyde*, "all good things must come to an end".

We don't know if Tiff Macklem is a fan of Middle English literature, yet we do suspect that the Bank of Canada (BoC) Governor will follow in the words of Mr. Chaucer by bringing this period of 5%+ interest rates to an end. In our meetings with Canadian bank CEOs, most believe the BoC will begin cutting rates before mid-year and will continue with further cuts in the latter half of the year.

As we think about maximizing risk vs. reward for our unitholders, we view cash alternatives like a 'sugar high' whose high yields appear poised to ebb by mid-year. While it's great to earn 4-5% annual yields without taking principal risk, that 4-5% could be lower if the Bank of Canada and the U.S. Federal Reserve (Fed) proceed with interest rate cuts. When sitting in cash, the real risk is that you may miss out on multiple years' worth of capital appreciation.

If the BoC and Fed do follow through with the predicted interest rate cuts, forward annual returns of ~2-4% from cash equivalent investments won't provide the income stream that many retirees need for their desired retirement lifestyles. Further, the yields of Canadian dividend paying equities is 1.305x higher on a bond equivalent yield basis versus that of most comparable cash and fixed income yields.<sup>1</sup>

#### Dividend Stocks Poised to Outperform

As investors, we are humble enough not to speculate on the path of interest rates, however we are experienced in valuing companies. From that lens, our bottom-up fundamental valuation work shows that high dividend payers represent some of the most discounted investment opportunities in the market today. Not only that, but our analysis also suggests that the earnings power of high dividend payers tends to be more stable and defensive than the overall market. DRIF owns many of these defensive dividend payers, and thus we believe the Fund's holdings will see good earnings stability even in a hard landing.

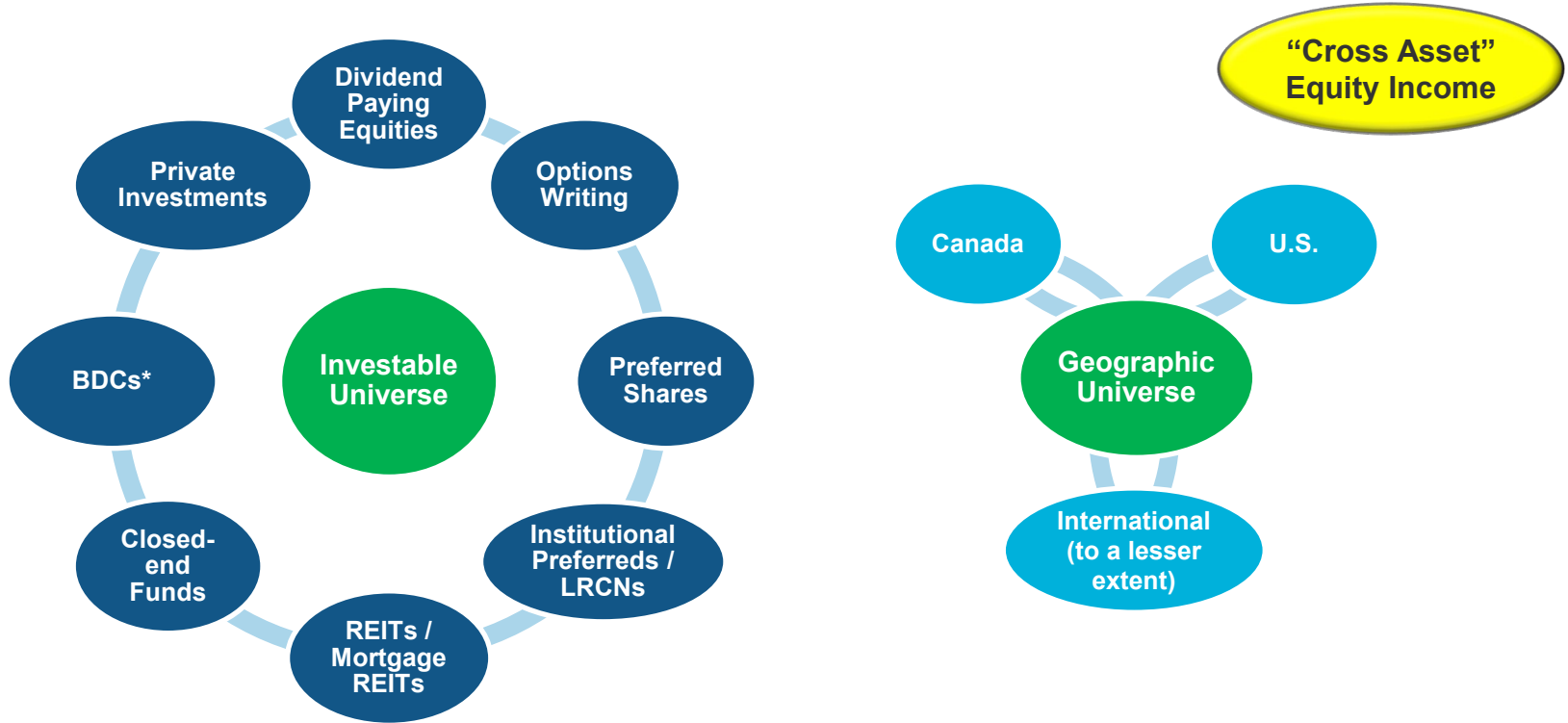
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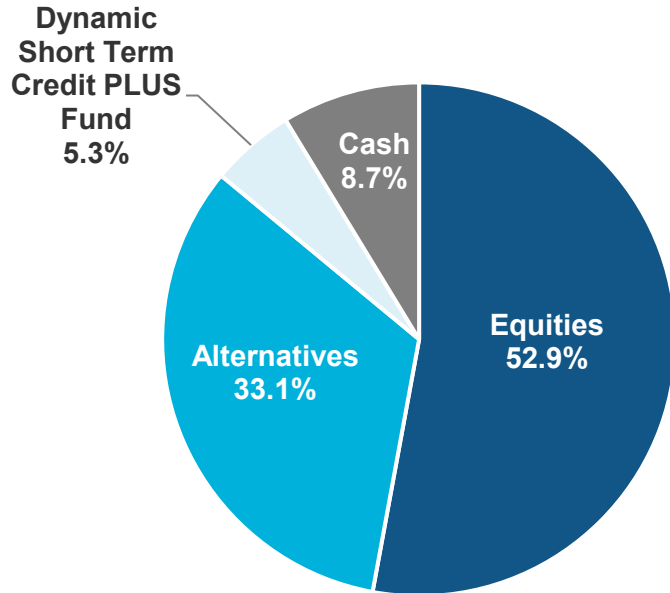
# Dynamic Retirement Income Fund - Strategy



\* Business development companies

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# Dynamic Retirement Income Fund - Positioning



<b>Alternatives</b>	<b>33.1%</b>
Institutional Preferreds/LRCNs	17.4%
Mortgage REITs	5.9%
Business Development Companies	4.8%
Closed-End Funds/ETFs	2.9%
Private Capital	1.6%
Options	0.5%
<b>Geographic Mix</b>	<b>100.0%</b>
Canada	75.2%
U.S.	23.9%
Mauritius	0.5%
Ireland	0.4%

Data as of March 31, 2024

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# Dynamic Retirement Income Fund



Dynamic Retirement Income Fund	Monthly Distribution per unit	Net Yield*	Fund Codes
<b>A</b>	<b>\$0.03651</b>	<b>3.94%</b>	<b>2514</b>
<b>F</b>	<b>\$0.04550</b>	<b>4.92%</b>	<b>2515</b>
<b>FH (USD)</b>	<b>\$0.04158</b>	4.96%	2518
<b>H (USD)</b>	<b>\$0.03217</b>	3.40%	2517
<b>I</b>	<b>\$0.05419</b>	<b>5.92%</b>	<b>2519</b>

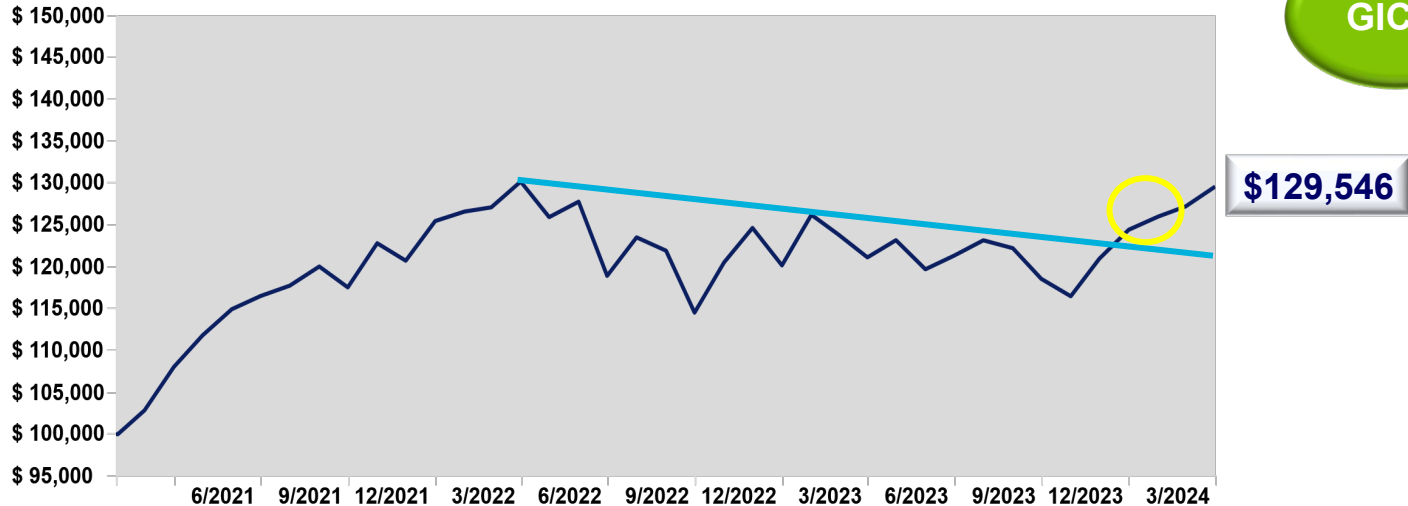
  

Dynamic Active Retirement Income Fund	Monthly Distribution per unit	Net Yield*
<b>DXR</b>	<b>\$0.0870</b>	<b>4.91%</b>

\* Based on new monthly distribution rate on March 28,2024 and NAVPU on March 31, 2024, Distributions may consist of net income, dividends, net realized capital gains, and/or return of capital. Distributions are not guaranteed and investors should not confuse a fund's distribution yield with its performance or rate of return.

# Dynamic Retirement Income Fund - Performance

January 29, 2021 to March 31, 2024



Annualized Returns (net of fees) As of March 31, 2024	YTD	1 mth	3 mth	6 mth	1 yr	3 yr	Since Inception*
Dynamic Retirement Income Fund	4.1%	1.9%	4.1%	9.3%	7.0%	6.2%	8.5%

Source: Morningstar Direct, Dynamic Funds, \* Series F launched January 29, 2021

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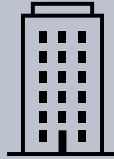
# Why Own Dynamic Retirement Income Fund?



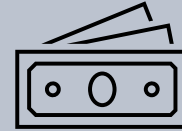
**Milk:**  
**Cash flow**  
+  
**some “g”**



**Historical**  
**return**  
**8.5%\***



**Buffett**  
**“Apartment**  
**houses”**



**Distribution**  
**increase\*\***  
**A – 4%**  
**F – 5%**  
**I – 6%**



**Lower**  
**interest**  
**rates**  
**beneficiary**

\*Since inception return as of March 31, 2024, Fund launch on January 29, 2021

\*\*Distribution increases took effect on March 28, 2024

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