

Manage your retirement income with the Cash Wedge

Investing in mutual funds can certainly help grow your portfolio for the future, but market volatility can drastically impact your retirement savings once you start withdrawing income.

That's why managing your investments wisely is crucial if you are drawing a retirement income from them. Using a Cash Wedge investment strategy can help to minimize the effects of a short-term downturn, and still allow the rest of your portfolio to participate in the markets.

THE ORDER OF YOUR RETURNS CAN IMPACT YOUR INCOME-PRODUCING ASSETS

Accumulation math (\$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%	\$195,715
Scenario 2	9.4%	14.0%	13.0%	23.0%	-4.0%	10.0%	-1.0%	21.0%	-4.0%	-7.0%	7.0%	\$195,715
Scenario 3	-7.0%	-4.0%	21.0%	-1.0%	10.0%	-4.0%	23.0%	13.0%	14.0%	9.4%	7.0%	\$195,715

Withdrawal math (\$100,000 investment, \$7,000 withdrawn annually)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

In this hypothetical example you can see that when the markets are volatile, it makes a big difference whether you're adding assets or withdrawing assets from your portfolio. As shown in the accumulation math table, the order of the returns on your investments will not affect your portfolio's long-term average growth rate. But as the withdrawal math

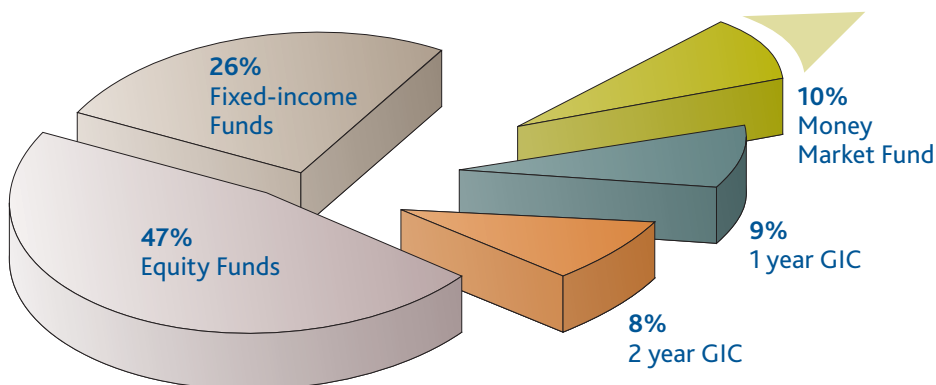
table shows, when you begin to take income from your investments, the order of the return on your investments makes a big difference. The Cash Wedge strategy can assist in minimizing the impact of withdrawing income during volatile markets.

PLAN FOR YOUR FUTURE INCOME NEEDS

Making withdrawals from investments that are volatile can significantly impact your portfolio. Instead, consider adding a Cash Wedge to your portfolio composition so that retirement income is drawn from a less volatile source.

It works like this: Working with your advisor, a portion of your retirement income – usually one year's worth – is allocated to a conservative, highly accessible investment such as a money market fund. This portion of your portfolio is called the Cash Wedge. This is where you draw your retirement income from. The second and third year's income is allocated into a short-term investment, such as a 1- and 2-year GIC, bond or an investment savings account. On maturity, any profit from these investments are used to replenish the Cash Wedge and provide guaranteed income for years two and three respectively. The rest of your savings is left to grow with time in a diversified portfolio of mutual funds that meet your personal financial needs. Eventually, any profits are moved from the invested portfolio into a cash position to create income for year four and subsequent years.

Minimize your portfolio risk – The Cash Wedge



Source: Rarestone Financial Series

Because you are drawing income from the Cash Wedge, other portions of your portfolio are given time to overcome volatility. This strategy allows you to avoid the "timing" problem caused by withdrawing income from less liquid portions of your retirement portfolio in times of short-term market volatility.

Benefits of the Cash Wedge

- Protect against short-term market volatility
- Higher potential for future capital appreciation
- Increased liquidity

MINIMIZE YOUR RETIREMENT INCOME RISK

By using the Cash Wedge strategy, you can reduce your portfolio risk. It allows you to better insulate your portfolio from the negative effects of market volatility during the most critical periods. Over the long term, you have the potential to earn more from your portfolio.

Give your financial advisor a call to find out more about how the Cash Wedge can help protect your retirement income.

HEAD OFFICE

Dundee Place
1 Adelaide St. E., Ste. 2900
Toronto, ON M5C 2V9
Toll free: 1-866-977-0477
Tel: 416-363-5621

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



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