Manulife Investments | John Hancock

Who is *affected* by the sequence of returns?

It's important to understand how returns and withdrawals may affect your portfolio.

The sequence of returns may have less of an impact on the portfolio of someone who is still working and accumulating assets for retirement; however, during retirement, the relationship between an individual's rate of withdrawal and the sequence of returns can have a dramatic impact on a portfolio's overall ability to last. It is, therefore, very important to understand how it may affect your future lifestyle, and plan accordingly.

Accumulation phase

- Average annualized returns
- Asset allocation
- Staying in the market

Age 65

Distribution phase

- Sequence of returns
- Product allocation
- Portfolio protection

Annual income: **None**
Starting value for Portfolio A and Portfolio B = **$100,000**

Age	Annual return	Portfolio A year-end return	Annual return	Portfolio B year-end return
41	-12%	$87,695	29%	$129,491
42	-15%	$74,541	18%	$152,281
43	-14%	$64,106	25%	$189,590
44	22%	$78,361	-6%	$178,404
45	10%	$86,040	15%	$204,272
46	4%	$89,754	8%	$221,183
47	11%	$99,537	27%	$281,124
48	3%	$102,224	-2%	$274,939
49	-3%	$98,944	15%	$315,355
50	21%	$119,722	19%	$375,274
51	17%	$139,716	33%	$498,739
52	5%	$147,121	11%	$554,098
53	-10%	$132,703	-10%	$499,794
54	11%	$147,432	5%	$526,284
55	33%	$195,938	17%	$614,175
56	19%	$233,166	21%	$743,148
57	15%	$267,442	-3%	$719,303
58	-2%	$261,558	3%	$738,723
59	27%	$332,440	11%	$819,245
60	8%	$359,961	4%	$854,607
61	15%	$412,156	10%	$938,354
62	-6%	$387,838	22%	$1,147,015
63	25%	$482,859	-14%	$986,443
64	18%	$567,841	-15%	$838,477
65	29%	$735,302	-12%	$735,302
	8%	**$735,302**	**8%**	**$735,302**

NO DIFFERENCE

Total income generated by portfolio during retirement = **$839,547**

Annual income: **5% of first-year value adjusted thereafter for inflation**
Starting value for Portfolio A and Portfolio B = **$735,302**

Age	Annual return	Portfolio A year-end return	Annual return	Portfolio B year-end return
66	-12%	$608,058	29%	$915,383
67	-15%	$478,981	18%	$1,038,620
68	-14%	$372,924	25%	$1,254,080
69	22%	$415,677	-6%	$1,139,914
70	10%	$415,031	15%	$1,263,822
71	4%	$390,325	8%	$1,325,828
72	11%	$388,972	27%	$1,641,225
73	3%	$354,257	-2%	$1,559,902
74	-3%	$296,317	15%	$1,742,637
75	21%	$310,572	19%	$2,025,772
76	17%	$313,029	33%	$2,642,842
77	5%	$278,728	11%	$2,885,300
78	-10%	$198,994	-10%	$2,550,113
79	11%	$167,091	5%	$2,631,281
80	33%	$166,453	17%	$3,015,102
81	19%	$140,801	21%	$3,590,977
82	15%	$102,502	-3%	$3,416,756
83	-2%	$39,480	3%	$3,448,238
84	27%	$0	11%	$3,761,512
85	8%	$0	4%	$3,859,407
86	15%	$0	10%	$4,171,204
87	-6%	$0	22%	$5,030,357
88	25%	$0	-14%	$4,255,708
89	18%	$0	-15%	$3,544,793
90	29%	$0	-12%	$3,033,870
	8%	**$0**	**8%**	**$3,033,870**

BIG DIFFERENCE

Total income generated by portfolio during retirement = **$1,340,429**

Source: Standard & Poor's. The sequence of returns has an average compounded annualized return of 8% over 25 years and year-to-year volatility that is consistent with a portfolio predominantly comprising stocks. Annual returns have been rounded to the nearest whole number. The accumulation portfolios assume a starting value of $100,000 at age 40 and no annual withdrawals. The distribution portfolios assume a starting value of either $100,000 or $735,302 at age 65 as well as a 5% first-year withdrawal thereafter adjusted for 3% inflation annually. Except where noted, the average annualized return for the 25-year period is 8%.

All charts are hypothetical and for illustrative purposes only and are not intended to predict or project portfolio results. Charges may apply to amounts taken in excess of the withdrawal amount available without a withdrawal charge during the surrender charge period. All withdrawals reduce the death benefit, optional benefits, and contract value. Withdrawals will come first from any gain in the contract. In addition, withdrawals of taxable amounts will be subject to ordinary income tax and, if made prior to age 59½, a 10% IRS penalty tax may apply.

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