

Canadian Retirement in Today's World

Presentation
for

THE
Great-West Life
ASSURANCE  COMPANY

January 27, 2015
Montreal



Global Outlook... Improving With Soft Spots



US economy stronger

Europe still in recession

Sanctions on Russia

Fiscal Austerity

Unemployment high in S. Europe

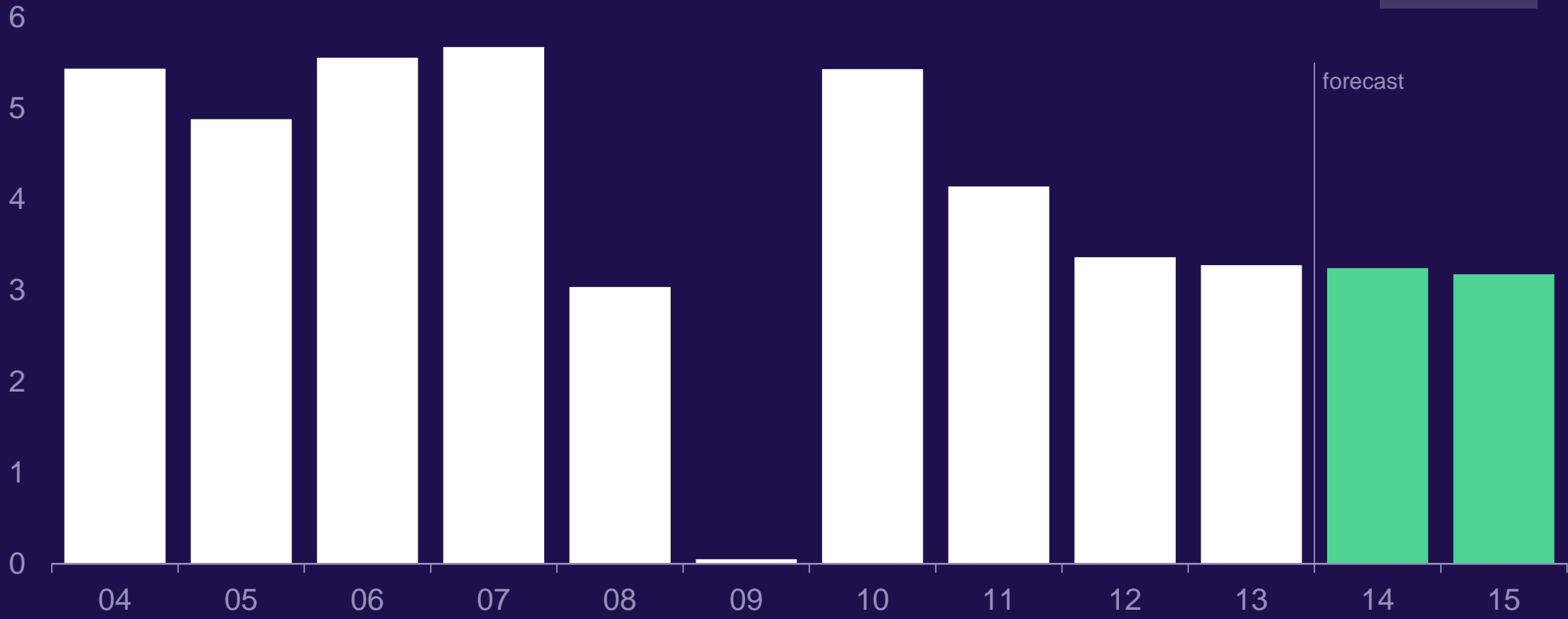
China hits soft landing

Canada weakens with oil

Global Growth Edges Upward in 2015

Global: Real GDP
(year/year % change)

	13	14	15
World	3.3	3.2	3.2



forecast = BMO Capital Markets forecasts

Emerging Economies' Activity Has Cooled

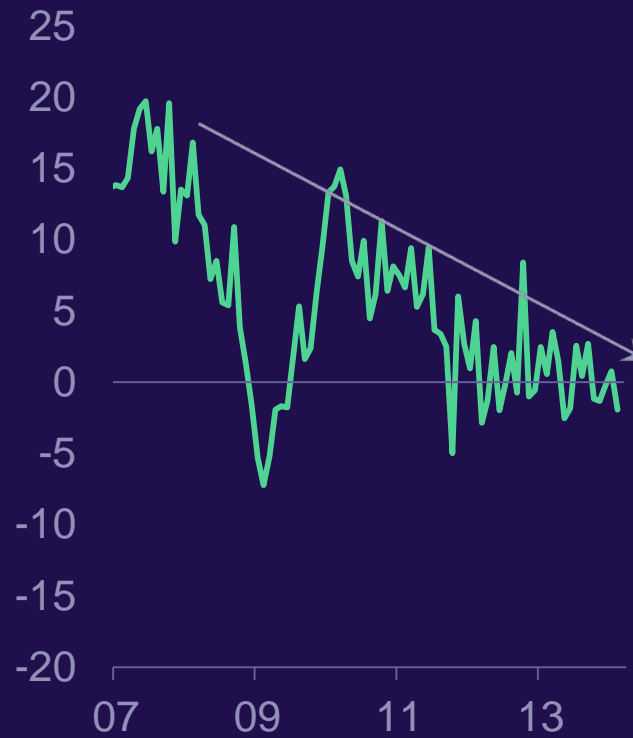
Industrial Production
(year/year % change)

Real GDP	2012	2013	2014	2015
China	7.7	7.7	7.2	7.3
India	4.8	4.6	4.7	5.3
Brazil	1.0	2.3	1.8	2.2

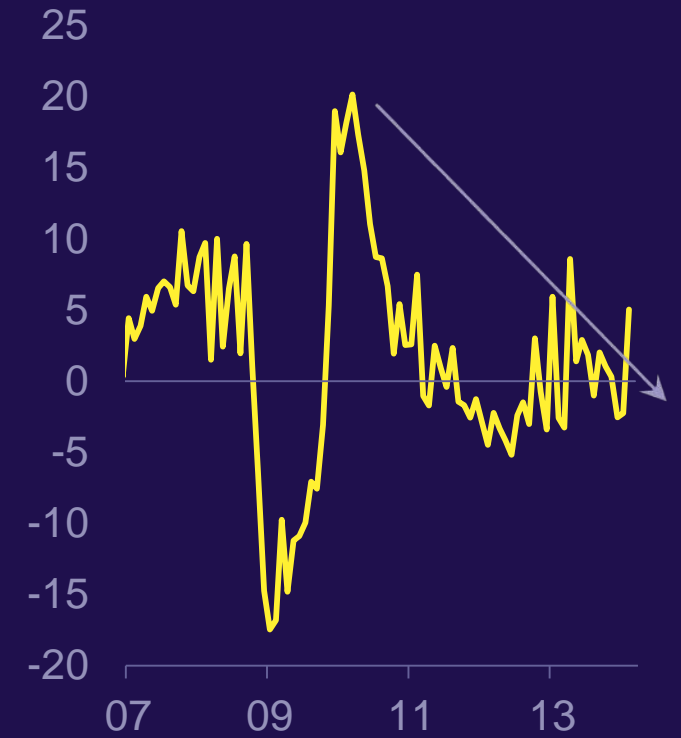
China



India



Brazil



2014-15 = forecast: BMO Capital Markets for China, using Bloomberg forecast for India and Brazil

US Economy Has Strengthened



Job creation

Consumer confidence

Boom in shale energy

Auto sales strong

Housing recovery

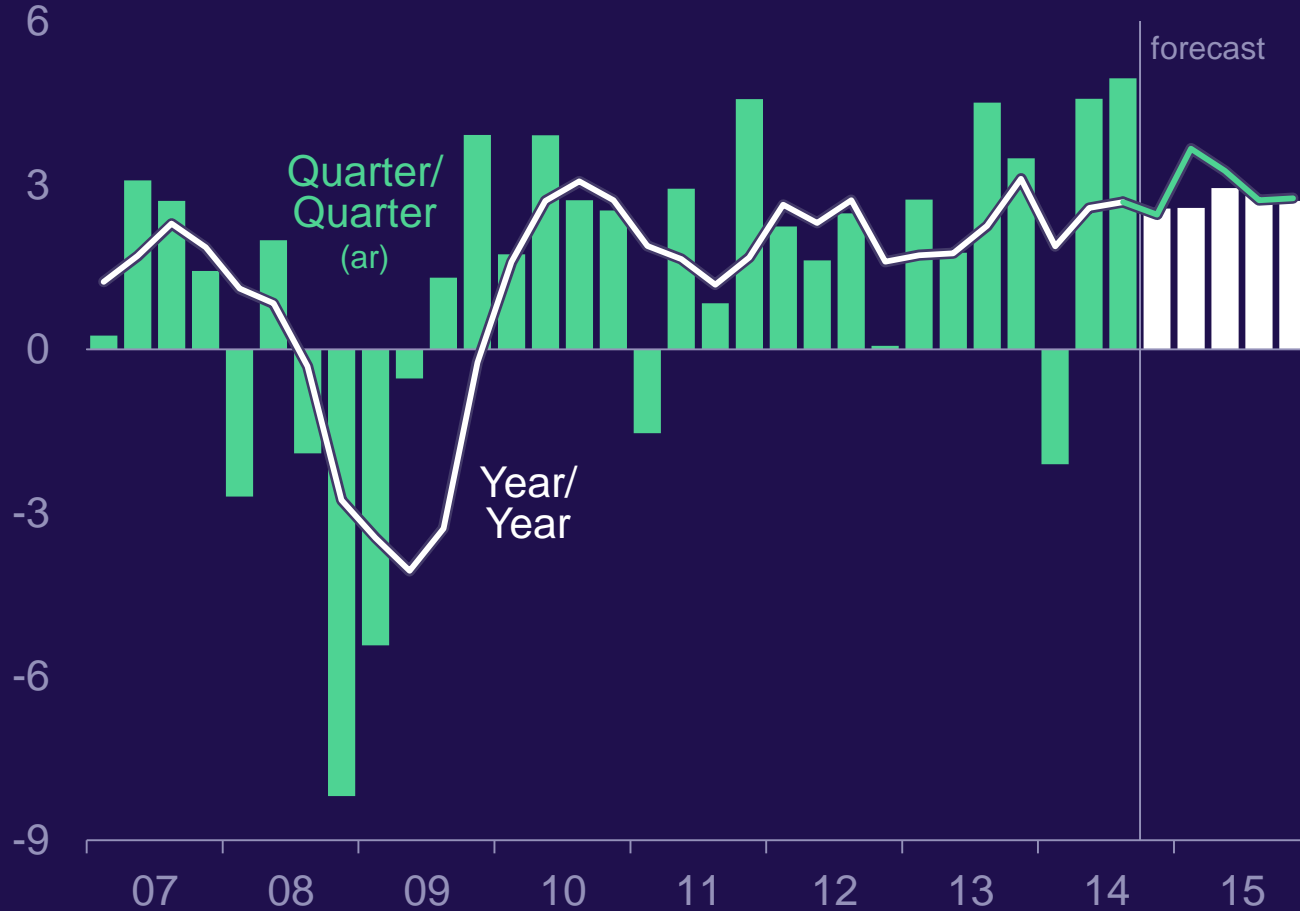
Export growth

Wealth effects

US Growth Exceeds 3% Range

United States: Real GDP
(% change)

12	13	14	15
2.3	2.2	2.4	3.1



forecast = BMO Capital Markets forecasts

Energy production

Wealth Rising

Consumer spending

Monetary ease

Jobless Rates Fall in US

Unemployment Rate
(percent)



Greece	25.8
Spain	23.9
Portugal	13.9
Italy	13.4
Ireland	10.7
France	10.3
Canada	6.6
Australia	6.3
UK	5.9
US	5.6
Germany	5.0
Japan	3.5

Canada-US Crossover

forecast = BMO Capital Markets forecasts

Long-Term Unemployment For Some United States

Broader Unemployment Rate¹ (%)



Labour Force Participation Rate of Men (%)



Average Duration of Unemployment (weeks)



Skills Obsolescence A Problem

¹ Comprehensive measure

Canadian Economy Will Be Boosted By US



Oil prices plummet

Threatens oil sector

Consumers cautious

Manufacturing improving

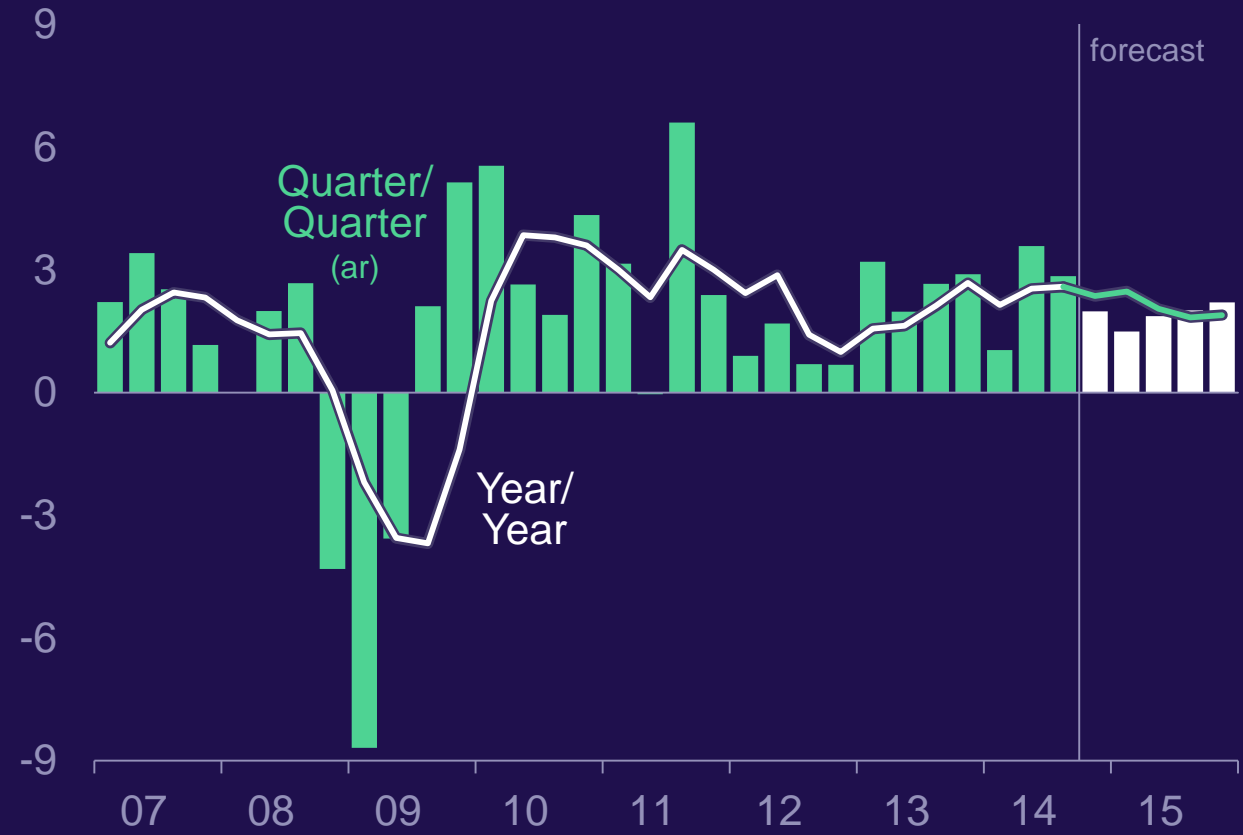
Trade improves with weak loonie

Business investment the weak link

Canadian Growth Modest

Canada: Real GDP
(% change)

12	13	14	15
1.9	2.0	2.4	2.1



Slowing

- Consumer spending
- Government spending

Hope for Future

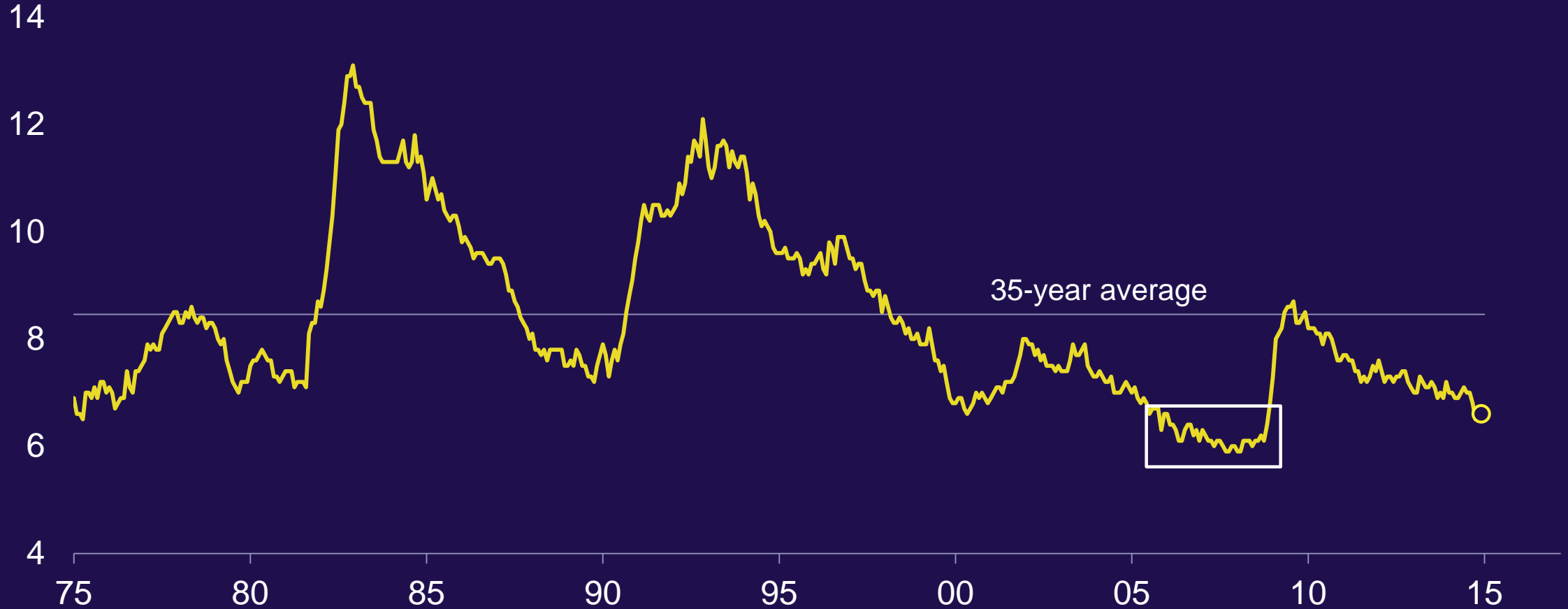
- Business investment
- Exports

US Pick-Up Helps

forecast = BMO Capital Markets forecasts

Canada's Jobless Rate: Historically Low

Canada: Unemployment Rate
(percent)

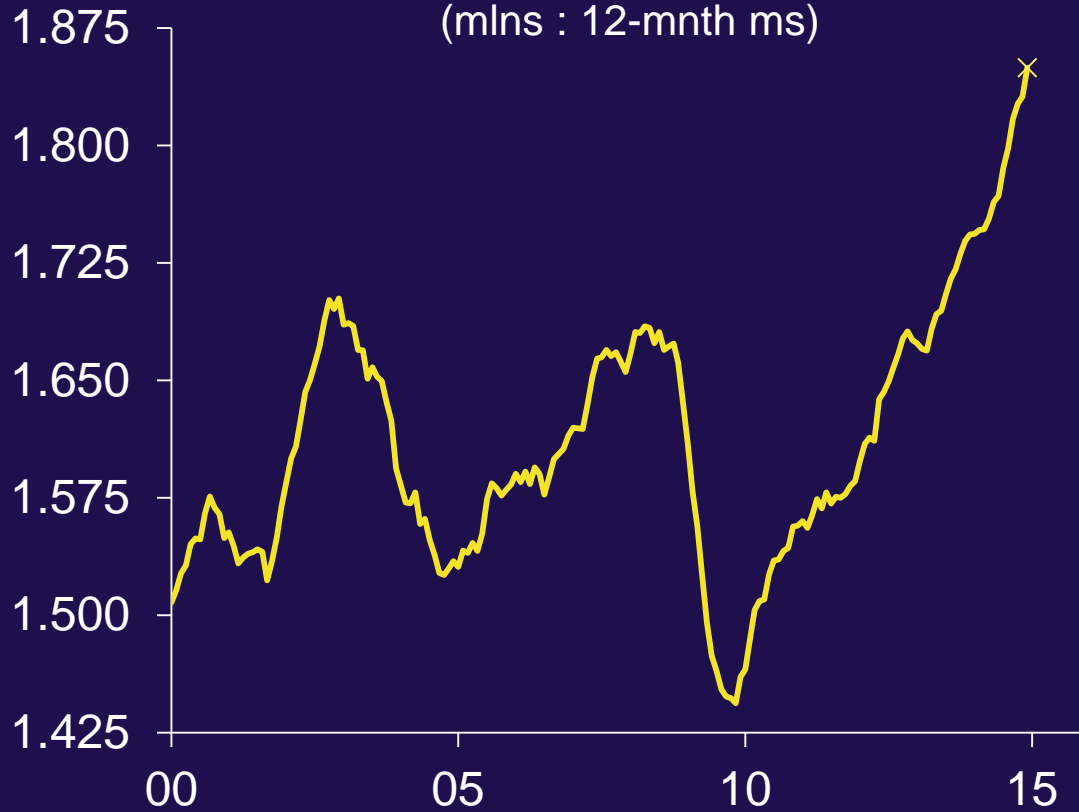


Records For Autos and Homes

Canada

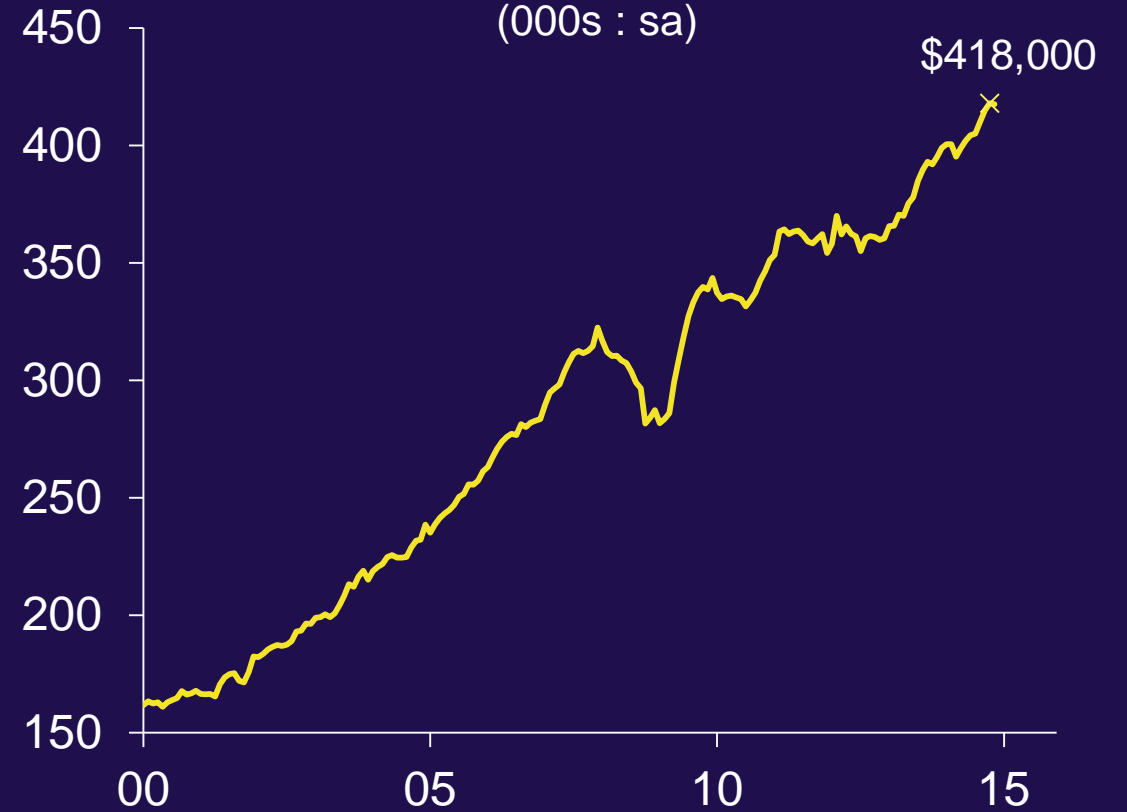
Auto Sales

(mlns : 12-mnth ms)



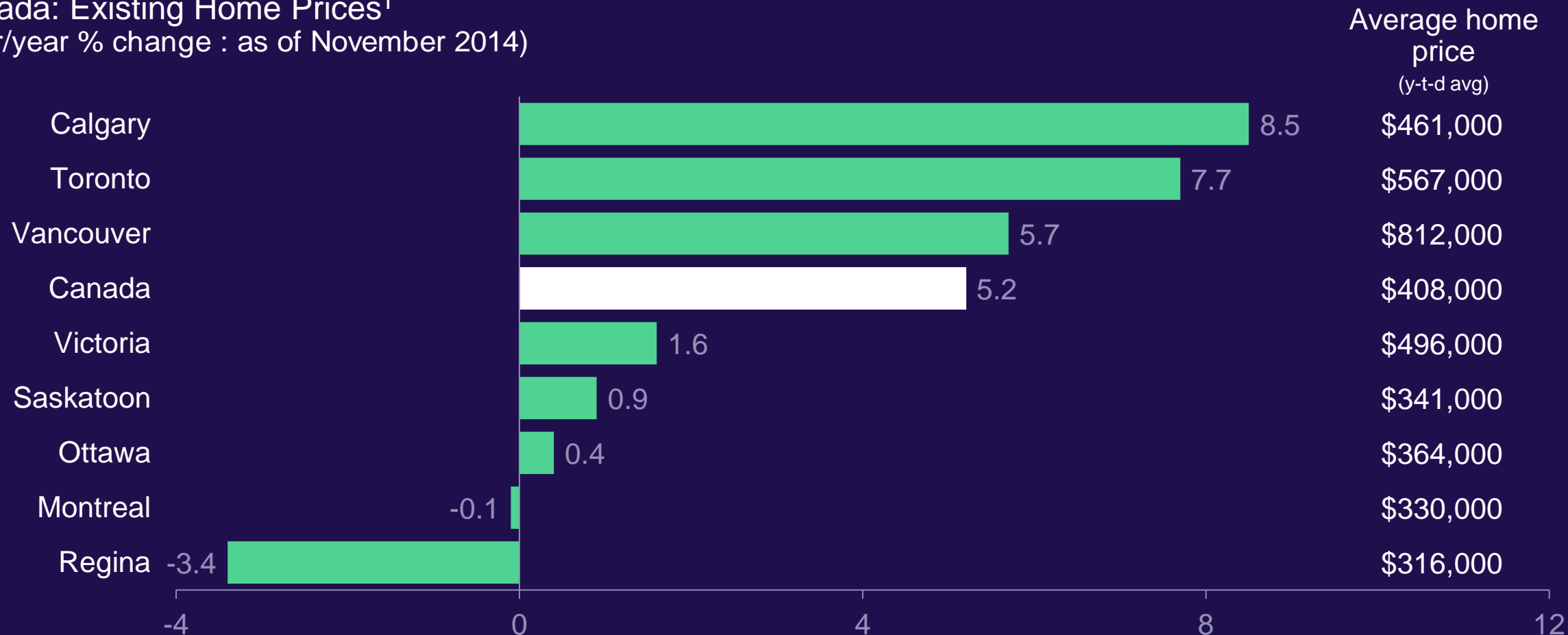
Average Home Price

(000s : sa)



Canadian House Prices Still Strong in Big Three

Canada: Existing Home Prices¹
(year/year % change : as of November 2014)

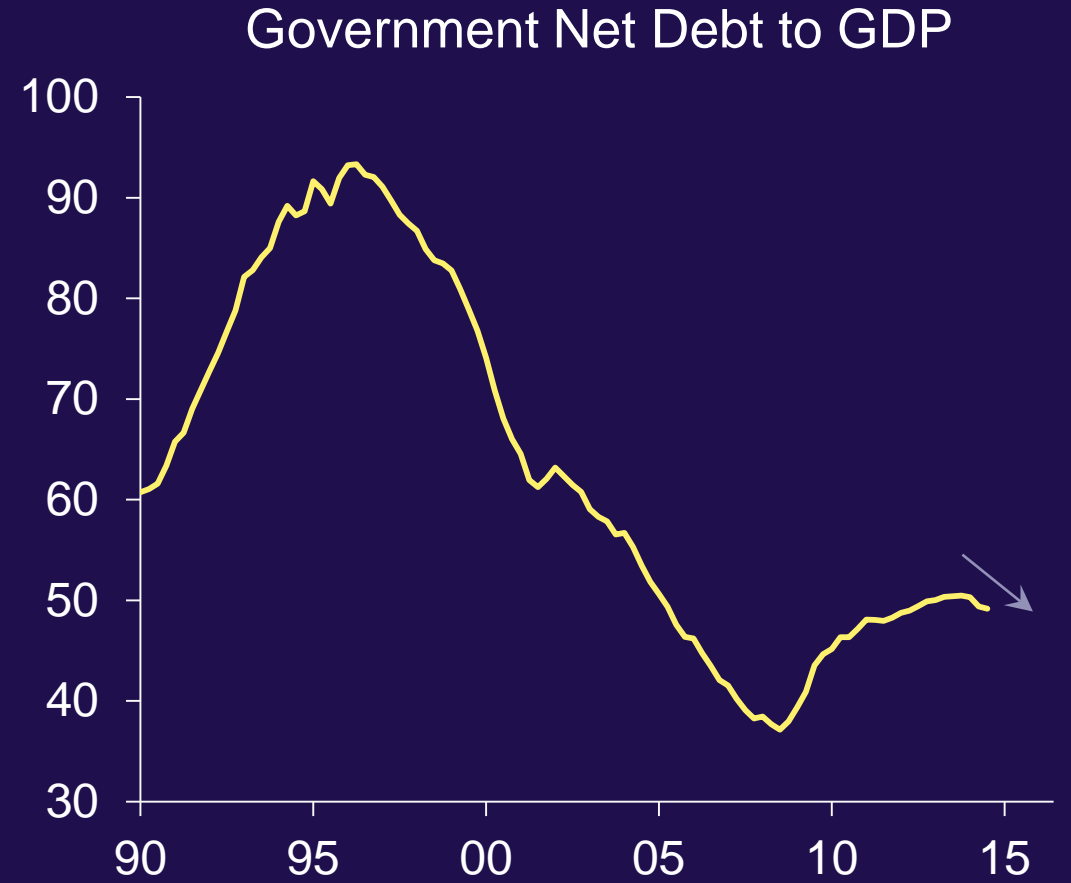
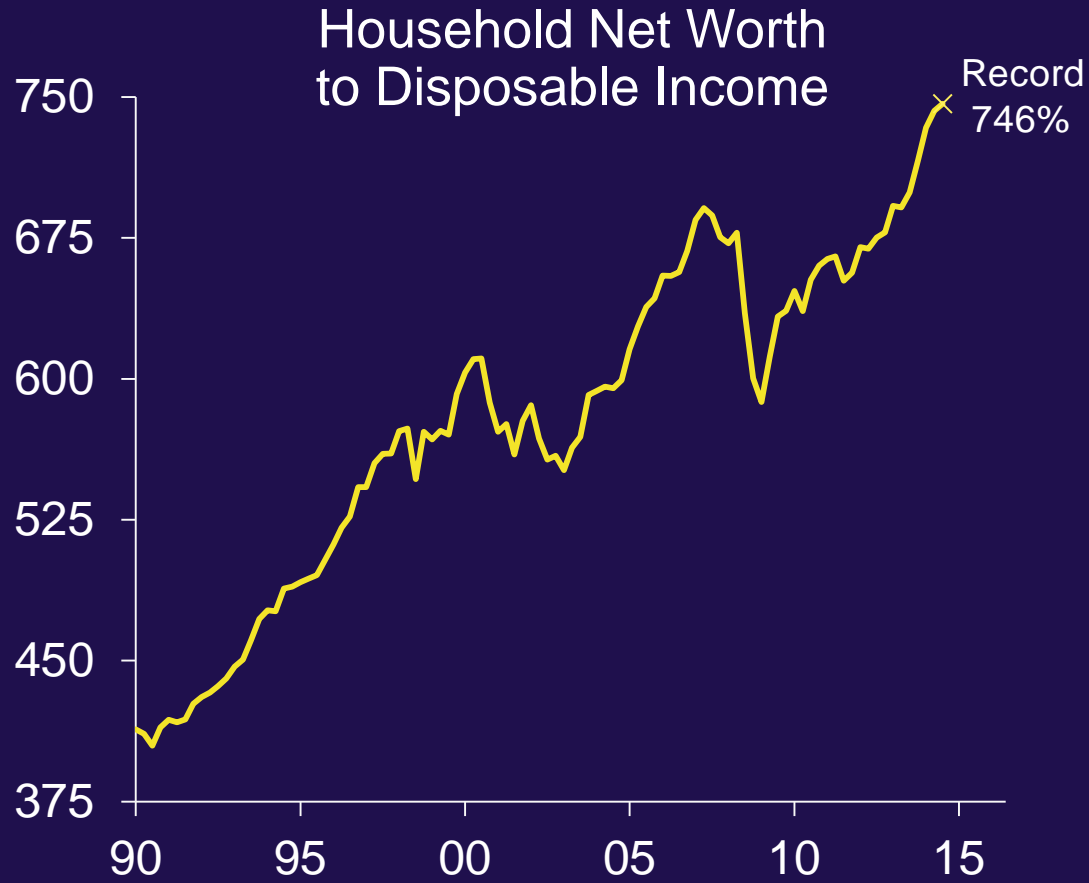


Alberta Housing Market Vulnerable

¹ Housing Price Index, composite benchmark

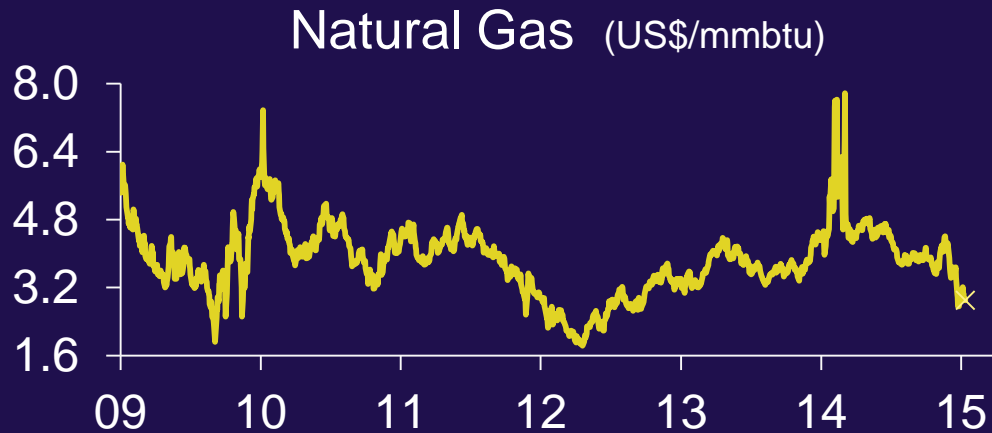
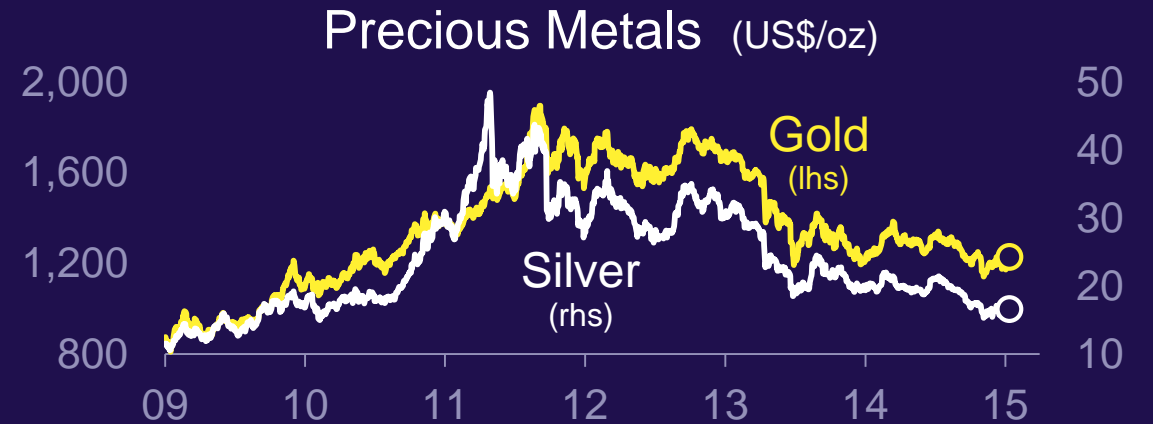
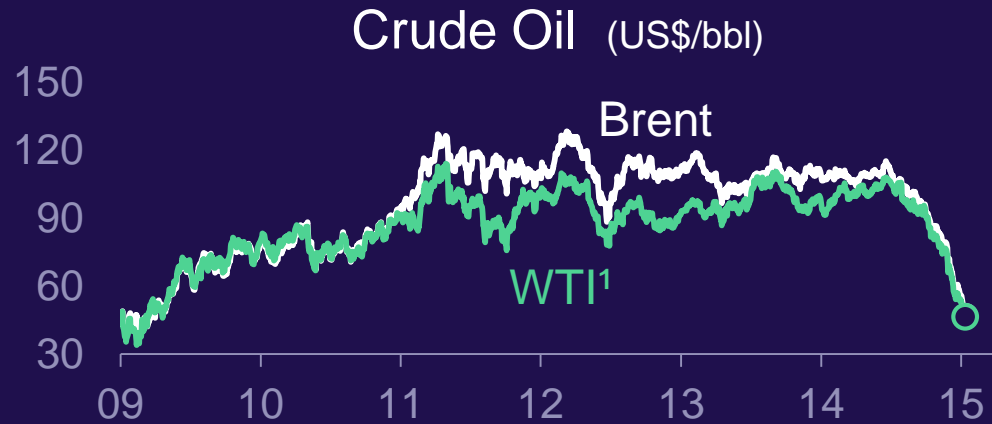
Balance Sheets Improve

Canada
(percent)



Commodity Markets Down As Oil Plunges

(as of January 12, 2015)



¹ West Texas Intermediate

Loonie Losses Accelerate



Canadian oil sector uncertainty
Other commodity prices down
Dovish Bank of Canada

One of Weakest Currencies Among World's Majors

Oil Price Decline Hits The Loonie

(as of January 12, 2015)



forecast = BMO Capital Markets forecasts

¹ (US\$/bbl) ² (US¢/C\$)

Financial Markets



Fed hikes rates next spring

Bank of Canada on hold

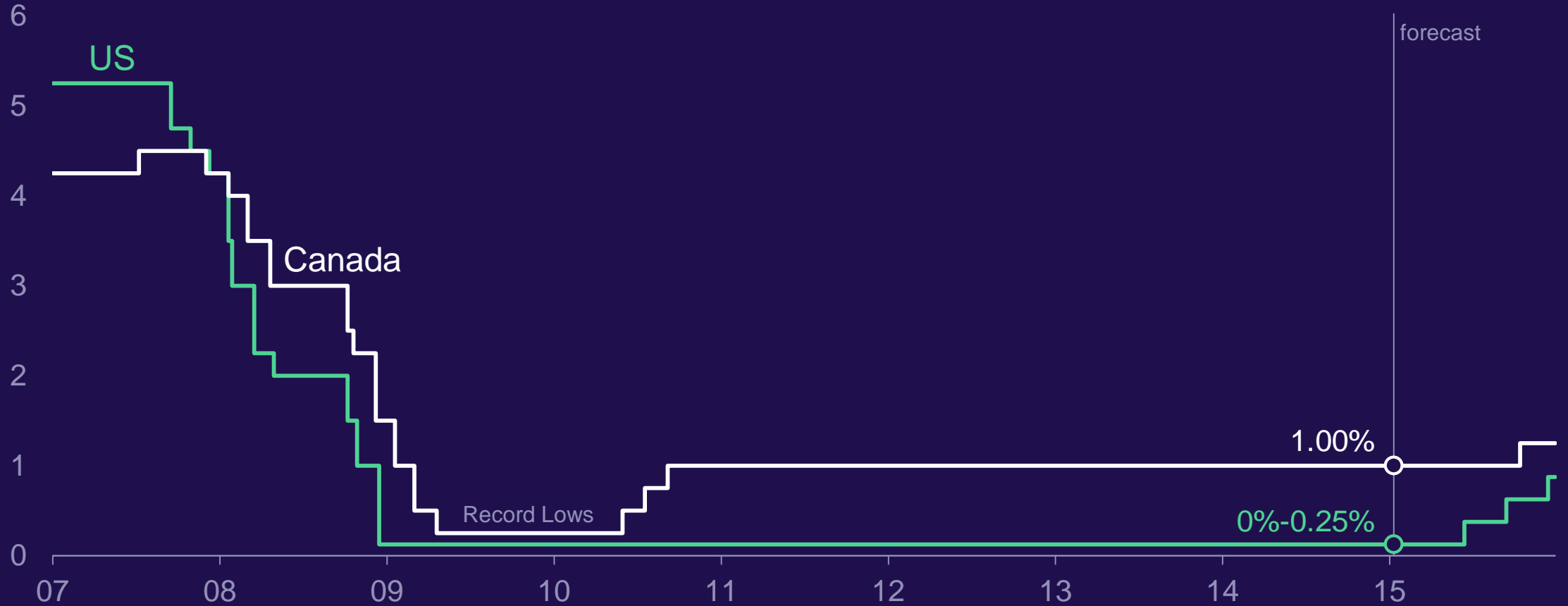
Interest rates only edging higher

Stocks performed well until oil
plunge

BoC On Hold... Fed Tapers

Overnight Rate

(% : as of January 12, 2015)



forecast = BMO Capital Markets forecasts

Long Yields Still Low As Oil Falls

10-year Bonds

(% : as of January 12, 2015)



Deflationary forces

Stronger US growth

Fed tapers, end QE

Stocks Hit By Oil Slide

Financial Market Returns – Local Currency
(% change : as of January 12, 2015)



Stocks	Year-to-date		
	2015	2014	2013
DJIA	-1.0	8	26
Nasdaq	-1.4	13	38
S&P 500	-1.4	11	30
TSX	-2.8	7	10
Bonds			
GoCs	1.0	9	-3
US Treasuries	1.7	8	-5
Commodities			
CRB Index	-3.7	-18	-5
Gold	1.7	0	-27
Oil [Brent crude]	-15.9	-49	-1
Dividend Yield (%)			
	Current	End-2014	End-2013
TSX	3.0	2.9	3.2
S&P 500	2.0	1.9	2.3

Retirement Finances



Pension funds underfunded

DB plan cuts

RRSPs shift risk to employee

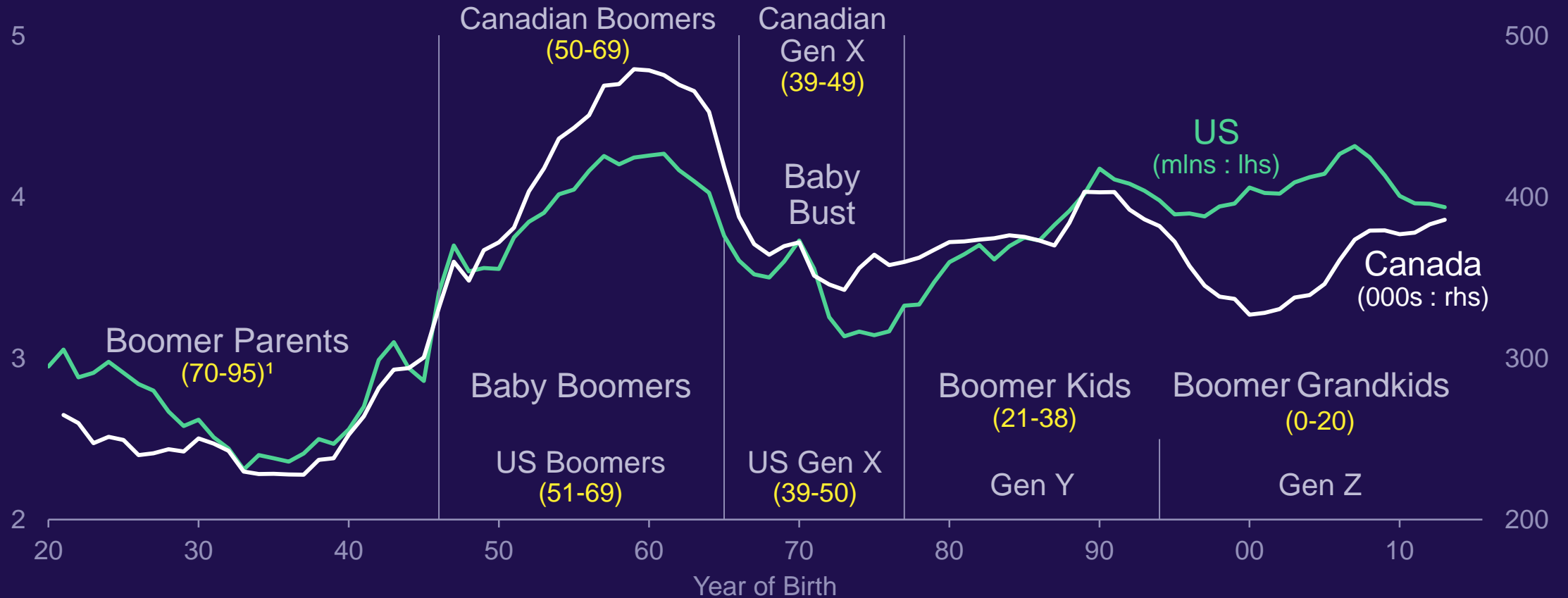
Some businesses cut matches

Boomers want some guaranteed income

Aging Population Strains Government Coffers

Median Age of Boomers Now 58

Births (persons)



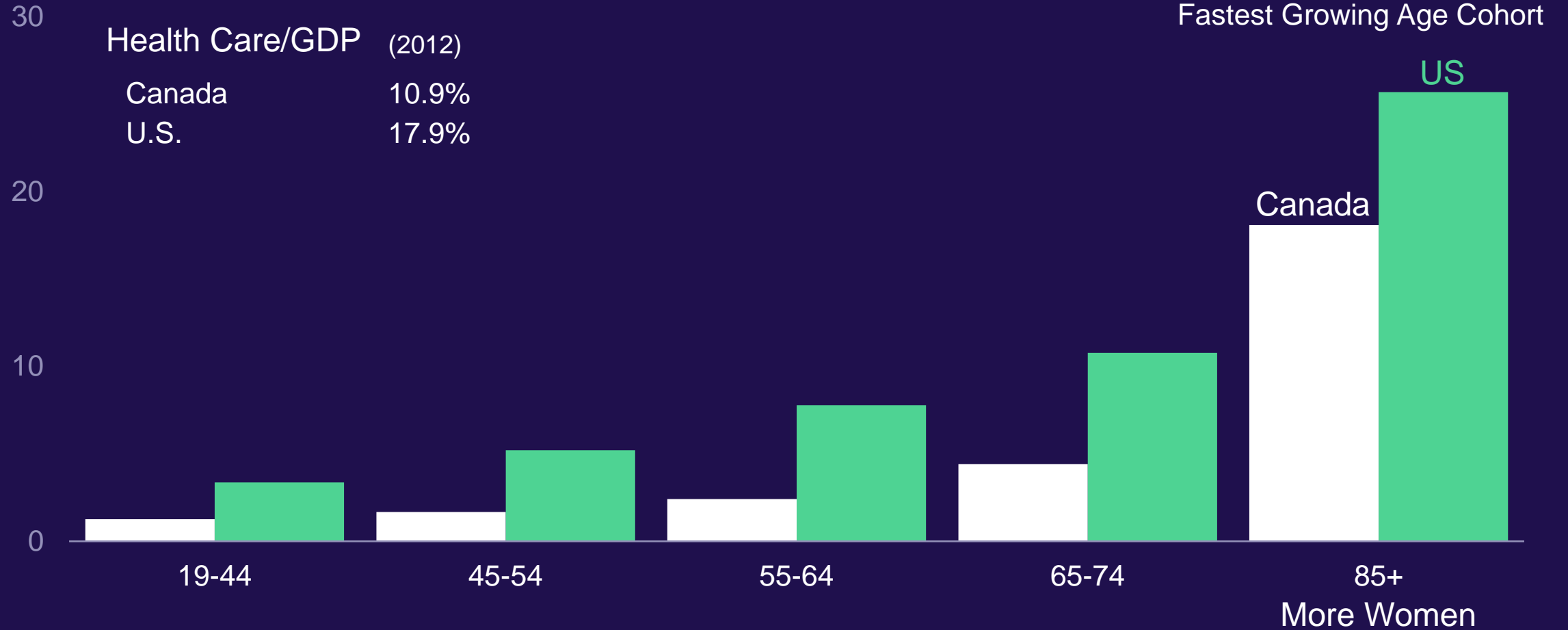
Demand for Health Care, Pension Obligations

¹ youngest/oldest age in 2015

Sources: [Canada] Historical Statistics of Canada; [US] National Center for Health Statistics

Health Care Costs Will Explode

Annual Health Care Spending by Age
(US\$ 000s per capita)



Sources: World Bank, [US] US Department of Health, 2004; [Canada] Health Canada, 2000-01 (1.5 C\$/US\$)

Longevity



“There are more people alive today over age 85 than have ever lived to that age in the history of humankind.”

Healthful Aging

Mandatory Government Pensions Not Enough for Affluent 2014

	Canada	US
Maximum Benefits (annual)		
CPP/Social Security	\$12,460 ¹	\$31,704
Old Age Security	+\$6,765	
Guaranteed Income Supplement	+\$9,168	
	Total	
	\$28,393	
Premiums (annual)		
CPP/Social Security (combined)	9.9%	12.4% ²
Maximum Earnings	\$49,000	\$117,000
Maximum Contribution	\$4,851	\$14,508

¹ This benefit is supplemented by Old Age Security (\$6,765), which starts getting “clawed back” for total incomes over **\$70,954**, and eliminated for incomes over **\$112,772**. For lower income Canadians, there are additional supplementary benefit programs (e.g., Guaranteed Income Supplement), for incomes **below \$17,088**. All of these supplementary programs are paid out of general revenue.

² The Medicare Contribution (HI) is an additional **1.45% on all earnings**. Also, as of January 2013, individuals with earned income of more than \$200,000 (\$250,000 for married couples filing jointly) pay an **additional 0.9%** in Medicare taxes.

Government Pensions Cover Median to Low Income Earners

OECD Net Pension Replacement Rates – 2011 (percent)

Country	Low	Mid	High
	0.5x	1.0x	2.0x
Canada	88.7	57.3	39.7
Italy	78.2	75.3	76.7
France	69.4	60.4	53.1
U.K.	67.5	41.5	30.5
U.S.	63.8	50.0	46.6
Mexico	58.2	32.2	33.3
Germany	55.6	57.9	57.2
Japan	52.7	39.7	34.9

Median Income (per household)

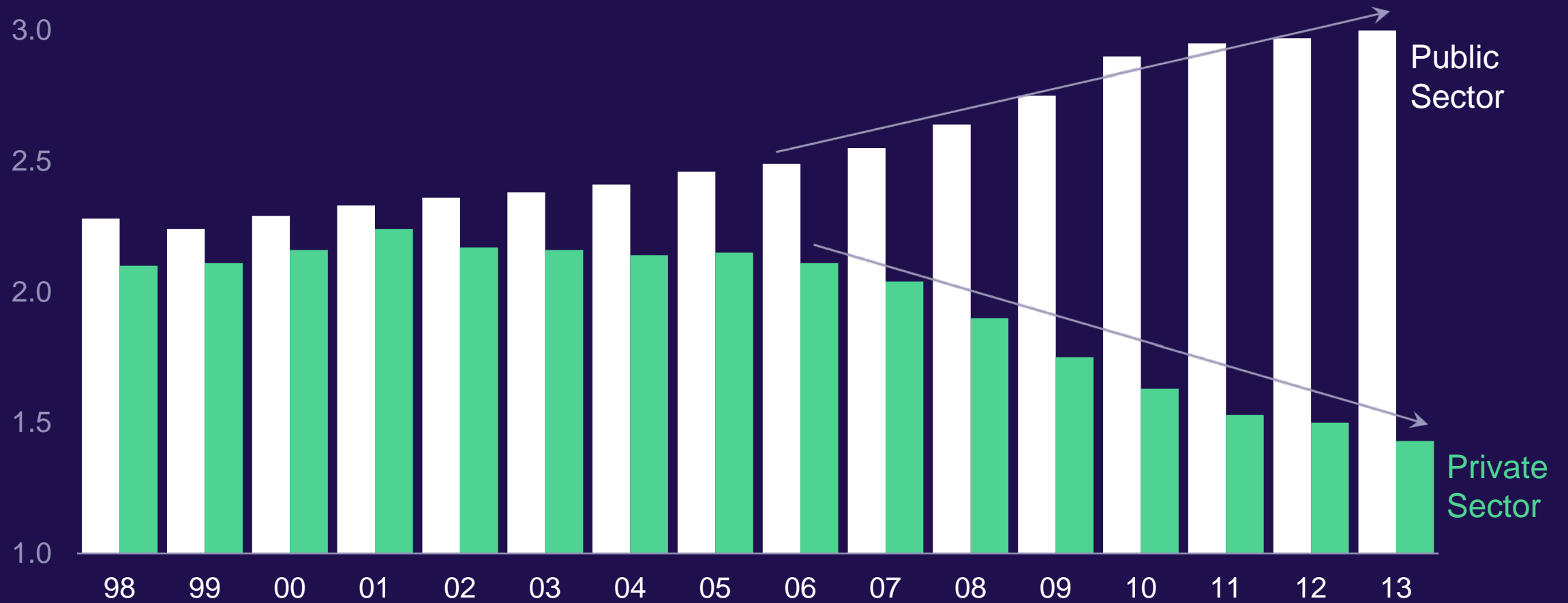
Canada **C\$74,540** (2012)

U.S. **US\$51,939** (2013)

Affluent Need to Save

Majority of Defined Benefit Plan Members Employed in Public Sector

Canada: Defined Benefit Plan Members
(millions of members)



Ideal Nest Egg... How Big?



Need \$20 in saving for \$1 of pre-tax income¹

Assume 4%-5% real annual withdrawal rate

Example:

For \$50,000 before tax income,
need at least \$1 million

¹ Desired income over and above government and corporate pensions

Don't Try To Time Markets



Up moves can be quick and sharp

Invest regularly

Diversify portfolio

Asset allocation

Dividends matter

Keep at Least Half in Stocks

Productive Aging: The Boomer Act III



Boomers Won't Settle for:

Personal diminishment

Dependency

Social isolation

Stagnation

Predictors of Late-life Happiness



Before Age 50:

- No substance abuse
- Stable primary relationship
- Active life
- Continuous education
- Mature coping skills

Things to Do Now to Age Well

Steady Saving is the Key to Wealth



Spend *less than you earn*

Get Professional Advice

Boomers Redefine Retirement



Work longer

Widen social radius

Have purpose and fun

Give back

Optimal Brain Development Requires Almost a Lifetime

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