Manulife

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Frequently Asked Questions Market Fluctuations

The responses provided are for informational purposes. Each person's situation is different. **If you are unsure what to do and are looking for specific advice about your situation, speak to a licensed advisor**.

General investment questions

I am losing money. Should I move my investments to cash or bonds from stocks?
Most investors are seeing declines in their investments due to the current coronavirus crisis.

It's important to note that you haven't lost money until you sell your investments. Investments should match your goals, profile and time horizon. If these have changed, consider adjusting your investments. If they haven't changed, reacting to current market activity could hurt your returns over the long run. Think about it in a different way. Would you sell your house today if it lost value? Probably not. The same should apply to your savings.

If you have a diversified portfolio and are investing for the long-term, history shows us that the markets will recover those losses and move, once again, into positive territory.

If you are unsure what to do and are looking for specific advice about your situation, speak to a licensed advisor.

For the time being, would you recommend investing in lower volatility investments like money market funds?
You could invest future contributions in a money market fund. Keep in mind that, by placing new money in a money market fund, you are missing the opportunity to buy at a lower price. You may also miss out on the benefit of any future market recovery. With an approach known as dollar-cost averaging, making regular contributions to your plan, regardless of the market's direction, lets you buy funds at various price levels, paying an average price neither at the top nor the bottom of the market.

Moving existing savings to lower volatility investments like money market funds will lock in your losses and you will miss out on any future market recovery.

If your investment allocation is aligned with your investor profile and time horizon, you probably don't need to make the change unless your goals, risk profile or time horizon have changed.

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I'm invested in a moderate risk portfolio, and my investments have declined 26% since January 1. Should I change it to low risk now?
Not necessarily. Moderate risk portfolios still have exposure to the equity markets and fixed income. If your investor profile and time horizon hasn't changed, there may not be a need to change your investment selection.

Moving to lower volatility investments like money market funds will lock in your losses and you will miss out on any future market recovery.

If you have more than two years to go to retirement, you may be better off to hold on rather than locking-in any losses right now.

If you are unsure what to do and are looking for specific advice about your situation, speak to a licensed advisor.

How do target date funds work? What are their benefits to investors in group retirement plans?
Target Date or Retirement Date funds are diversified investment portfolios based on when you plan to take out money. When you invest in one of these funds, you choose the fund with a maturity date closest to your planned retirement date. The fund manager adjusts the investments to be less risky as the fund's maturity date gets closer.

If you're investing in the 2050 fund, you're in higher risk investments. This means the equity percentage in the fund is higher. With 30 years until retirement, you have lots of time to wait until the market recovers.

Someone with 5 years to go until retirement who is invested in the 2025 fund doesn't have as much time to recover. The investments in that fund will be lower risk, so a smaller exposure to equities.

I am transitioning between jobs and my next company also has a Group RRSP with Manulife. What should I do during the 3 week period when I am on an individual plan?
To avoid locking-in any losses you have seen recently in your investments, try to maintain your portfolio within the same asset class categories.

Even if your new group plan does not have the exact same funds, you can keep a similar asset mix by moving to a similar fund. For example, moving from a Canadian bond fund to another Canadian bond fund, or from a Canadian equity fund to another Canadian equity fund. If you are unsure what to do and are looking for specific advice about your situation, speak to a licensed advisor.

How often can I change my portfolio in a group retirement plan?
You can make changes to your investments on our member secure site at any time. If you make too many transactions in and out of the same fund in a short period of time, we may charge a frequent trading fee. We will inform you if this is the case.

Is now a good time to invest more money to my portfolio, given shares are at a low?

The saying goes: buy low, sell high. Some individuals will see opportunities in the current market conditions. It may be a good time to invest more but keep in mind that the markets could still go down further.

Also, it's important to always check the contribution room you have in your different investment plans like RRSP and TFSA.

If you are unsure what to do and are looking for specific advice about your situation, speak to a licensed advisor.

Should I decrease the amount I am contributing, then use the rest for emergencies?

Each person's situation is different. It's important to seek personal financial advice. If your employer's group retirement program offers matching contributions, you should, as much as possible, continue to take full advantage of the company match so you are not leaving money on the table.

If you have extra savings ability right now, you can use it to build up your emergency savings.

Good financial planning suggests we try and keep three to six months of basic expenses in an emergency savings account. A high interest savings account or a conservatively invested TFSA are appropriate vehicles for emergency savings.

If you are unsure what to do and are looking for specific advice about your situation, speak to a licensed advisor.

How often should I monitor and change my investments?

Investments should match your objectives, time horizon and investor profile.

It's a good idea to look at your portfolio once a year. Revisit your investor profile when your family situation changes due to marriage, divorce or the birth of a child.

Remember, if you're invested in a target date fund, the fund manager will look after rebalancing the investments to take on less risk over time. Also, another important responsibility of the fund manager is to monitor the markets daily and make decisions on the fund allocation and investment strategy. During times of extreme market fluctuations like we are currently experiencing with coronavirus, it's a good time to speak to a licensed advisor regarding your personal situation.

I'm looking at my RRSPs and I am about 15 years from retirement. I am worried that I will potentially lose all my RRSP money. What happens if companies go bankrupt and they are in the fund?

Although it's unlikely you will lose all your RRSP money, there's never a guarantee. If you have 15 years until retirement, there is likely time for your portfolio to recover from the current downturn.

Most equity funds hold stocks of hundreds of different companies. The fund managers closely monitor the different companies within the fund. If they feel that a company is not sound, they will be able to sell and buy another.

If you are unsure of what to do and are looking for specific advice about your situation, speak to a licensed advisor.

Can you explain what makes real estate a specialty investment?
Real estate can be an important part of a diversified portfolio. A real estate fund invests in real property. Real estate is a less liquid investment than stocks and bonds. This can reduce volatility but can also create liquidity issues since it can take more time to sell real estate holdings than stocks or bonds. Since there is the potential for liquidity issues, real estate funds are classified as specialty funds.

If you are unsure what to do and are looking for specific advice about your situation, speak to a licensed advisor.

When you talk about taking a long-term perspective with investing, how many years is that?
Long-term usually means ten years or more before you need access to your money.

Are my investments covered from a complete loss from a stock market crash?
Money invested in a market-based fund is not guaranteed. The value will fluctuate based on current market conditions.

For guaranteed interest investments, the value does not fluctuate based on market conditions.

Where can I find the risk profile questionnaire?
You can find the investor risk profile questionnaire on our group retirement plan member secure site.

Investing closer to, or in, retirement

I'm near retirement and my investments are medium to low risk. Should I move all investments to money market and bond market?
Low and medium risk portfolios are usually more heavily invested in fixed income investments like bonds. They do still have some exposure to the equity markets and will have experienced declines during the recent market turmoil.

If you have more than two years until retirement, you may be better off to leave your money where it is rather than locking-in any losses right now.

If you are unsure what to do and are looking for specific advice about your situation, speak to a licensed advisor.

I'm 8 years away from retirement. Should I continue to hold investments or sell now?
It really depends on how you're investing. Investments should match your objective, time horizon and risk profile.

You can find information on your investments on our plan member secure site.

If you have 5 to 10 years until retirement, you still have time for the markets to recover.

If you are unsure what to do and are looking for specific advice about your situation, speak to a licensed advisor.

I'm 2-5 years away from retirement. Should I sell now or hold?
It really depends on how you're investing. Investments should match your objective, time horizon and risk profile.

You can find information on your investments on our plan member secure site.

Based on time horizon alone, someone less than 5 years from retirement should be in more conservative investments. Moving your money now will lock in your losses and you will lose the opportunity to benefit from a market recovery.

Keep in mind that your investment time horizon does not end at retirement. You may continue to invest during retirement.

If you are unsure what to do and are looking for specific advice about your situation, speak to a licensed advisor.

If I'm retired and have lost more than 1/2 of my funds, what should I do?
If you have money in lower risk investments, like fixed income, consider making your income withdrawals from those investments for the time being.

This may be a good time to review your budget to see if you can reduce the amount of your regular withdrawals. This will leave more money in your portfolio to take advantage of a future market recovery.

If you are unsure what to do and are looking for specific advice about your situation, speak to a licensed advisor.

I recently retired. What should I do?
It really depends on how you're investing. A licensed advisor can review your entire financial situation and provide guidance.

Market movement and conditions

How long will it take the market to return to normal? i.e. In 2008 how long did it take?
What we are seeing now is a bear market - defined as a decline in the stock market of more than 20% from its peak.

In the past, bear markets have recovered in 18 months to three years from the lowest point.

Although this recovery time frame has been consistent in the past, we can't guarantee what will happen in the future.

How does this market compare to 2008 at its lowest level?
On March 20, 2020, the S&P/TSX composite index, Canada's largest stock index was 11,851.

At the end of 2008, the S&P/TSX composite index was at 8,987.

In the past, markets have trended higher over time. We can't predict or guarantee what will happen in the future.

Wouldn't any financial advisor say to stay in the market because that's how they make their money?
Not necessarily. A professional licensed advisor can provide you with guidance and support during good and bad times like we're experiencing today. One of their responsibilities is to take the emotional aspect out of investing and help you stay on course with your financial goals.

Do you anticipate companies may reduce their dividend payments due to potential reduced company income?
It is too early to speculate on whether companies will reduce their current dividend payments.

Finding an advisor

Where can I find a licensed advisor?
Your employer may offer advice services through your group retirement plan or your Employee Assistance Plan.

Does Manulife have a list of advisors for individuals to contact about their specific investment strategies?
You can use the Find an Advisor tool on our website:
https://www.manulife.ca/personal/support/find-an-advisor.html

How do I select an investment advisor? How can I tell if they have fiduciary responsibility? It seems many investment advisors are just trying to sell me their products.
Finding an advisor you can trust can be challenging. A good place to start is referrals from friends or family. You may need to interview a few advisors to see if you feel comfortable with them.

Some questions to ask:

Does the advisor have experience in different market conditions?

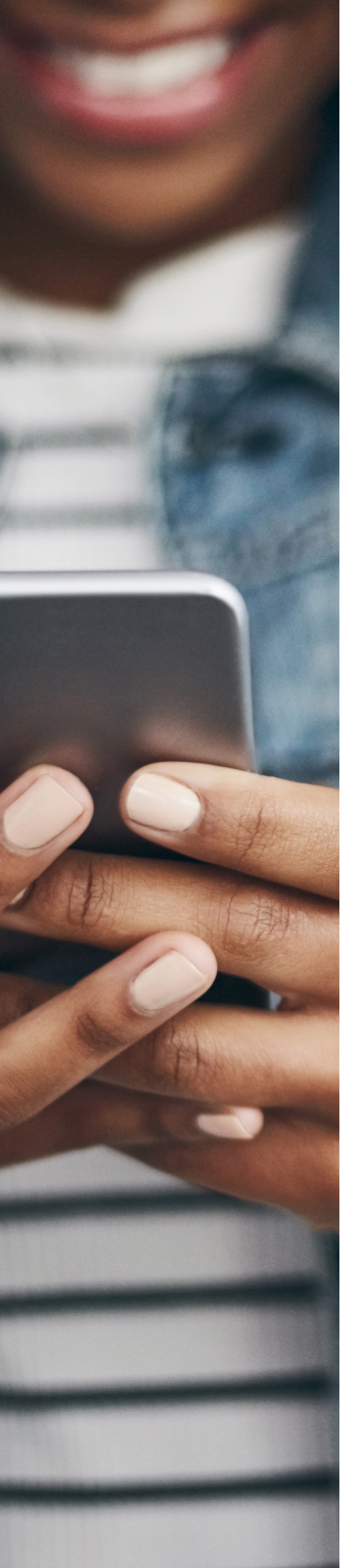
What kind of services will they offer?

Can they refer you to other professionals? (accountants, lawyers)

What are their credentials? Do they have a designation related to the financial industry? (CFP, RFP, CLU, CFA, etc.)

How are they compensated for their work?

Is there a cost associated with engaging a Manulife financial advisor if you are part of a group plan?
Independent financial advisors or those contracted with Manulife may or may not charge a fee.



Non-retirement questions

I am maximizing RESP contributions to catch up with government grants. Should I continue?

It's always a good idea to take advantage of a matching contribution from the government or your employer.

When investing, consider when your kids will need the money for their education. If your children are younger, you can take on more risk. As they get closer to needing the money, less risky investments are better.

A licensed advisor can guide you on the different types of RESPs and which one makes sense for your family.

Interest rates went down. I have investments maturing this month. I'm planning to buy a home in 1-2 years. What should I do?

If you plan to use this money in the next year or two, you may want to leave the money in stable investments that don't fluctuate in value by any large degree.

If you are unsure what to do and are looking for specific advice about your situation, speak to a licensed advisor.

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