Good for you now, better for you later

Just as a nutritious diet and exercise could help you live a longer and more fulfilling life, so too could a healthy investment portfolio — one that protects you against volatile markets while still offering growth potential to meet your needs throughout your retirement.

BMO Mutual Funds

Solutions designed for the retirement **you want**

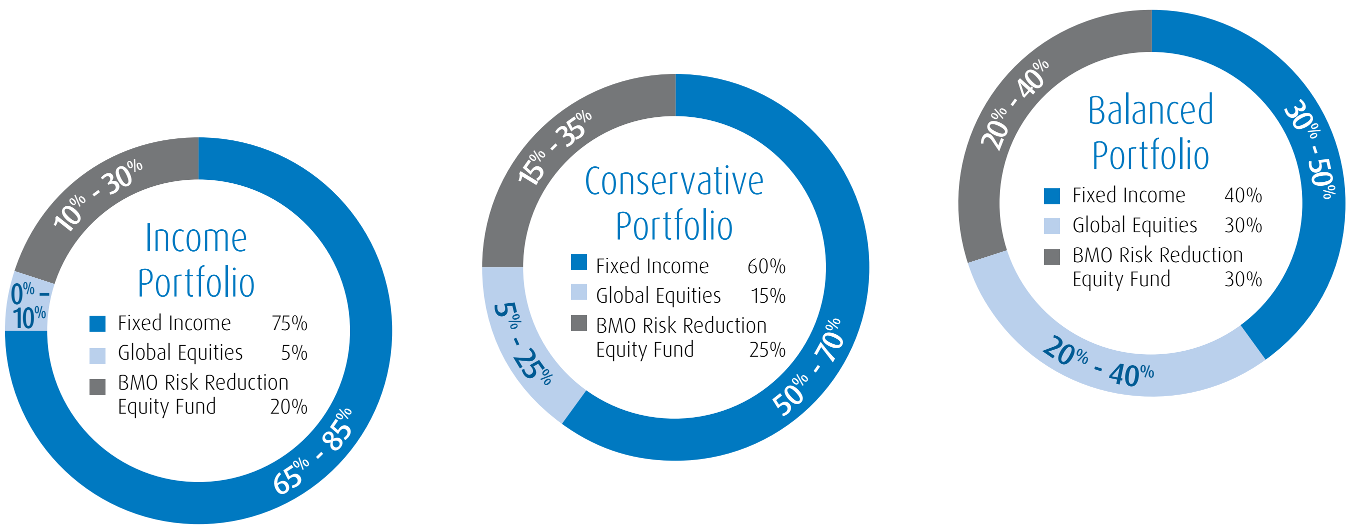
Canadians are living longer than ever before, which is leading to longer retirements than people had expected. Canadians are also receiving less pension support from their employers and retirement costs are increasing. These facts raise a challenge: making sure your investments can support you throughout your retirement.

We created BMO Retirement Portfolios to do just that.

It's good to have choices

Everyone is unique, as is their path to a healthy retirement. The same goes for their investment strategy. Investors have different goals, time horizons and tolerances for risk. We designed BMO Retirement Portfolios to work alone or as a group to help meet the unique needs of investors in or near retirement.

BMO Retirement Portfolios



These are target allocations and may change based on active management of the fund.

Income Portfolio

Designed for investors seeking the most conservative asset allocation with capital protection and some potential for growth.

Conservative Portfolio

Designed for investors seeking a conservative asset allocation with capital protection and an increasing focus on growth.

Balanced Portfolio

Designed for investors seeking a balanced asset allocation with capital protection and a focus on growth.

Good for you now

Help protect your investments today to grow tomorrow.

Equity markets are more volatile than they used to be. While shifting market conditions are essential for investing (e.g., markets tend to post strong gains after steep declines), heightened market volatility can lead investors to make emotional decisions that go against solid investment plans.

As you begin drawing down on assets during retirement and create an income stream – known as the 'de-accumulation phase' of investing – market volatility takes on greater significance, especially if your portfolio is subject to this volatility at the beginning of retirement. More specifically, market fluctuations and the order in which positive and negative investment returns occur, or 'the sequence of returns,' can have a detrimental effect on your retirement savings.

Timing of retirement can have an impact

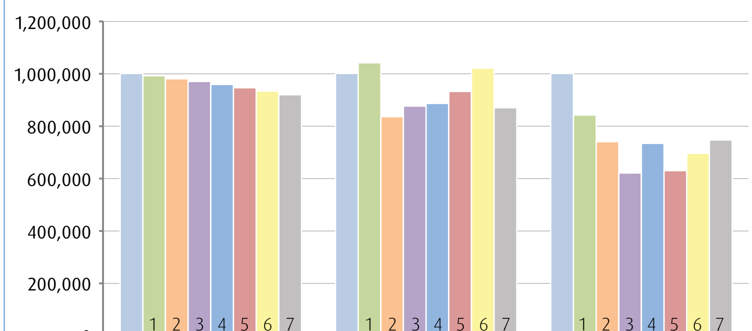
Looking more closely at sequence of returns risk and the timing of retirement, if negative returns happen near the beginning of retirement, overall capital will decrease more quickly compared to a portfolio with positive returns at the beginning of the retirement withdrawal period. This is why the first years of retirement are so important; what happens during that period may determine whether or not you'll outlive your savings or if you'll have to lower your desired standard of living later in retirement to extend these savings.

As seen in Figure 1, three similar retirement portfolios can end up having very different outcomes, depending on the market conditions they're under and the sequence of returns. In each scenario, the portfolio earns an average annual 5% per year return over the seven years and assumes a $60,000 withdrawal per year from an initial capital investment of $1 million. We can see that Portfolio 3, with a negative variable rate of return at the beginning, faces a greater depletion of capital and is left with a considerably lower balance compared to Portfolio 1 and Portfolio 2, at the end of year seven.

Figure 1

Capital accumulation and depletion over a 7-year period

Each scenario has an average annual 5% per year return and assumes a $60,000 withdrawal at the end of every year. Initial capital investment is $1,000,000.



	Portfolio 1		Portfolio 2		Portfolio 3	
Year	Retirement Capital Constant Return	Constant Return Rate	Retirement Capital Variable High Start	Variable Return Rate (High Start)	Retirement Capital Vari-able Return Low start	Variable Return (Low Start)
	$1,000,000		**$1,000,000**		**$1,000,000**	
1	$990,000	5%	$1,040,000	10%	$840,000	-10%
2	$979,500	5%	$834,400	-14%	$738,000	-5%
3	$968,475	5%	$874,528	12%	$618,960	-8%
4	$956,899	5%	$884,490	8%	$732,269	28%
5	$944,744	5%	$930,629	12%	$628,333	-6%
6	$931,981	5%	$1,019,530	16%	$693,999	20%
7	$918,580	5%	$867,772	-9%	$745,039	16%

Table is for illustrative purposes only. Source: BMO Financial Group

Better for you later

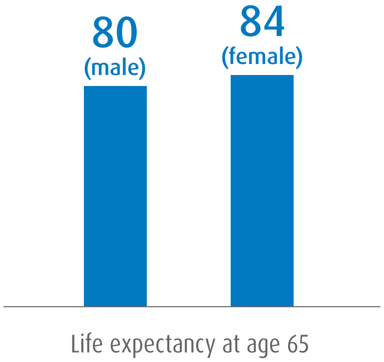
Help grow your investments to secure the retirement lifestyle you want.

Canadians are living longer and doing more, which raises the possibility that they could outlive their investments. This is called longevity risk, and it's something we all need to take seriously.

According to Statistics Canada[1], at age 65, the average life expectancy for men and women is 80 and 84, respectively. That means your retirement may last 20 years or longer. How are you going to live the life that you want throughout those years?

You need cash flow, and switching your entire portfolio into investments that have limited potential for growth, such as guaranteed investment certificates (GICs) and other fixed income securities, before you retire may limit your future income. Investment growth during your pre-retirement and early retirement years can help you generate future income.

Retirement may last 20 years or longer



[1] Source: StatsCan, June 2018.

A complete investment diet

Investment portfolios – like our diets – are changing. Portfolios can consist of more than stocks and bonds these days. In order to diversify and manage risk, investors are adding exchange-traded funds, option strategies and other fixed income securities to the mix.

Integrate the BMO Global Asset Management investment approach with your retirement

Our approach focuses on seeking consistent returns, while providing capital protection and growth potential, to ensure your retirement portfolio is as healthy and active as you are in your retirement.

- Moving beyond traditional asset classes to reduce volatility and provide capital protection
- Multi-asset strategy that is flexible, diversified and hedged against significant market declines
- Realize more consistent growth potential to fund your retirement lifestyle

Leaders in the ETF market

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BMO is an industry leader in exchange-traded funds ("ETFs")[2], offering a comprehensive suite of fixed income and equity ETFs that cover all major asset classes.

[2] BMO is #1 in net new assets 10 years in a row. Source: BMO Global Asset Management, Dec 2020.

GROWTH POTENTIAL

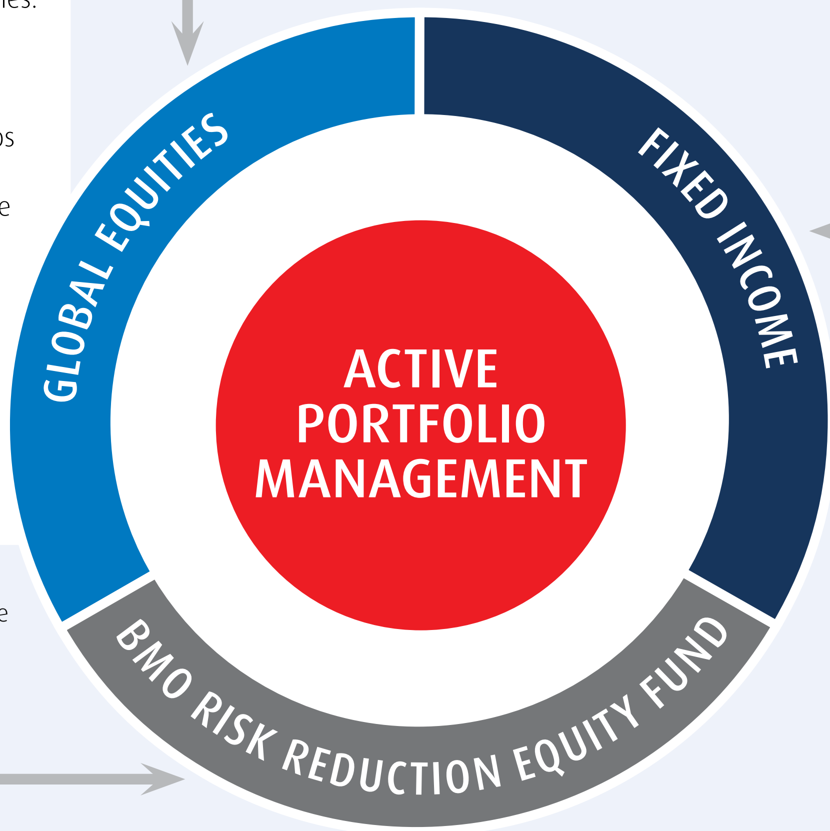
Global Equities

BMO Retirement Portfolios use equity factor-based ETFs to target the risk-adjusted returns of securities. This sleeve focuses on global equities and low volatility ETFs, while including high quality and full market ETFs under stronger growth market conditions. This allows BMO Retirement Portfolios to target a lower risk tolerance* – and shift geographic exposures – while capturing available returns.

These ETFs seek to provide BMO Retirement Portfolios with more consistent growth potential.

- Continued growth potential to alleviate longevity risks
- Opportunity to target specific geographic exposures

*Risk tolerance measures the degree of uncertainty that an investor can handle regarding fluctuations in the value of their portfolio.



SMOOTHER RETURNS

BMO Risk Reduction Equity Fund

BMO Risk Reduction Equity Fund uses dynamic options strategies that help protect BMO Retirement Portfolios during market downturns and maintain growth potential.

- Provides equity exposure with significantly reduced volatility
- Dynamic option strategy, such as using a "collar," to help protect on the downside
- Proprietary process based on fundamental research and the market environment

CAPITAL PROTECTION

Fixed Income

BMO Risk Reduction Fixed Income Fund and BMO Core Plus Bond ETF help protect BMO Retirement Portfolios from the possibility of rising interest rates with a focus on capital protection.

- Manage duration to help protect against potential rising rates
- Globally diversified fixed income with tactical allocations to provide opportunistic growth
- Designed to reduce currency risks through a dynamic hedging strategy

Understanding a collar strategy

BMO Global Asset Management uses a dynamic options strategy. This is a strategy that will always be adjusted to current market conditions. The level of protection that is provided to investors, the amount of income generated and the amount of call coverage on the upside are dependent on the level of expected volatility in the market as well as perceived upside versus downside potential. One core component of this strategy is a "collar," which is a protective strategy that includes giving up some of your upside return in exchange for downside protection.

Are you in or nearing retirement?

If so, BMO Retirement Portfolios help provide lower volatility and growth potential that you're looking for.

Contact your Investment Professional or visit bmo.com/mutualfunds to find out why BMO Retirement Portfolios are good for you now and better for you later.

BMO Mutual Funds