



TD Wealth®

Your Future,
Thoughtfully
Planned Out

TD Wealth



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Objective

TD's Client-Centric approach to Wealth Management emphasizes the goal of helping you understand how you can generate adequate income, grow capital, and set expectations for your wealth before, during and beyond your retirement years.

Investors and retirees must understand and define what financial success looks like to them. Each client's financial journey may look different so understanding and weighing diverse factors such as long-term care, risk tolerance, market volatility, and goals/needs in retirement is crucial in planning for the future.

We will define our approach to setting goals, guide you in organizing your assets into three distinct buckets (Liquid, Growth, Legacy), and explain how to manage your spending needs prior to and into retirement.

TD Client-Centric Approach

Our personal approach begins with getting to know you, your lifestyle, and important people and activities in your life. Working in partnership, your advisor will deliver disciplined, analytical recommendations related to investing, borrowing, earning, and spending. Your advisor will help you develop, prioritize, and track your financial progress and probability of meeting your goals.

At TD, we offer goals-based wealth planning that is a customized, more personal, and interactive approach to plan for long-term financial goals. As your financial needs become more sophisticated, our goals-based wealth plan will adjust to provide a strategy based on your updated goals, objectives, and personal circumstances.

Whether you are creating a budget to save for a specific goal or developing a complex legacy plan, our advisors have the tools and expertise to support you.

	"Traditional" Industry Approach	TD: "Client" Centric Approach
Approach	Treat investors as institutions , investing according to statistical industry models .	Incorporate emotions, beliefs, goals, and objectives when discussing investment risk and a client's financial future.
Risk	Risk measure via risk profiling and volatility of a portfolio.	Risk assessed holistically via detailed conversation to uncover biases and address protection from loss .
Performance	Industry measures performance primarily around beating benchmarks .	Express performance relative to achieving a client's financial goals and objectives .
Time Horizon	Industry attempts to optimize asset allocation for end-state.	Investment approach, portfolio & planning for Liquid assets, Growth assets, and Legacy assets .
Emphasis	Industry places stronger emphasis on portfolio and risk analytics .	Shift focus to an improved dialogue between client and advisor on how to meet goals and objectives.

Our approach allocates a client's wealth into **three buckets**:

1. **Liquid Assets:** Liquid Assets serve an important role. They offer safety and liquidity, making them best suited for short-term spending needs, emergency funds, or those approaching retirement who seek stability. Assets in the Liquidity bucket are allocated to align with expenditures looking out over 12 months which may include an emergency fund, income taxes, and school payments.
2. **Growth Assets:** Growth assets look at assets that will be with you for the remainder of your life. These assets are managed with your long-term goals in mind and help determine future spending obligations. A portfolio with a focus on diversification, downside protection, and lower volatility while growing your assets allows you to meet your long-term goals. Your portfolio should have a balance between capital appreciation and capital preservation.
3. **Legacy Assets:** Legacy assets exceed what you need to meet your life goals with. As an investor slowly spends their money in retirement, they may plan to leave assets behind to pass along to future generations or philanthropic endeavors.

Our approach sets up a blueprint for clients looking to understand how they can utilize their assets and liabilities in an effort to meet their life goals. The overall strategy will change over your lifetime as life events, both planned and unplanned take place.

Prior to Retirement:

Prior to retirement, the plan will focus on the clients' savings and expenses. Your Liquid assets will fund current expenses while excess savings can fund the Growth bucket.

Liquid Assets: Focuses on your current income such as your salary to pay for your current living expenses. Your Liquid assets will also include assets held for emergencies. In your Liquid asset bucket, we recommend holding up to 12 months' worth of cash for emergencies and upcoming expenses.

Growth Assets: Designed to hold a portfolio containing assets you will use for lifetime living expenses. Excess savings can contribute to your Growth portfolio. The goal is to grow your assets over the long-term utilizing a portfolio allocation that aligns with your loss tolerance. A conservative client may need to allocate more assets to fund their lifetime goals since a conservative portfolio has a lower risk/return profile whereas an aggressive client is more likely to experience higher returns and volatility given the increase in portfolio risk. A well-diversified portfolio can balance growth and risk. If invested and maintained properly, Growth assets can have the power to keep up with, or out-pace inflation especially over long-term investing.

Prior to retirement, you may have most of your investment assets in the Growth bucket. Closer to retirement and at the start of retirement, the combination of Liquid assets and Growth assets should represent a portfolio fully funded to meet your post-retirement expenses.

Legacy Assets: Any excess Growth assets could be used to start funding your Legacy assets.

In Retirement:

Your Liquid and Growth Assets will be used to fund living expense and any goals you may want to achieve in retirement. Your Growth assets will begin to decrease as they become the primary source of funding your retirement goals and living expenses.

Liquid Assets: Assets in this bucket may include retirement income as well as assets transitioning from the Growth bucket to the Liquid bucket and can be used to fund living expenses. The funding in your Liquid assets is dependent on the risk taken in your Growth Assets. If you are an aggressive investor, you may need more in your Liquid asset bucket as your portfolio may be prone to greater risk. A conservative client may experience less volatility and may not need to hold as much cash in reserve. As mentioned previously, ensuring that you have enough Liquid assets, roughly 12 months' worth, could be sufficient in covering your needs for the short term. We suggest you talk to your advisor to make sure you have sufficient liquidity based on your individual situation.

Growth Assets: Assets in this bucket will begin to fund your Liquid bucket. Remaining Growth assets can continue to increase in value during your retirement and will be used to fund your lifetime living expenses and goals. Early in retirement your portfolio should be positioned to mitigate against sequence risk (more info on page 11). Your portfolio positioning may change to a lower volatility profile which may include using investment vehicles built to dampen volatility or with downside protection.

Legacy Assets: Excess Growth assets will move to the Legacy assets bucket. Since these assets are being left to family, friends, or charity, they typically will have an investment time frame that exceeds your Growth assets. With a longer timeframe, clients will often increase their risk tolerance when it comes to these assets.

How Your Asset Mix May Change Over Time

Early to Mid Career	Mid to Late Career	Retired
Liquid Assets		
Current Income	Current Income	Retirement Income
Emergency Savings	Emergency Savings	Growth Assets for Spending
Cash & Cash Equivalents	Cash & Cash Equivalents	Cash & Cash Equivalents
	Borrowing Facilities	Borrowing Facilities
	Fixed Income	Fixed Income
	Annuity Income	Annuity Income
Growth Assets		
Investment Assets	Investment & Retirement Assets	Investment & Retirement Assets
Business Interests	Business Interests	Primary Residence
Primary Residence	Primary Residence	Property & Casualty Insurance
Earning Potential	Earning Potential	
Disability Insurance	Property & Casualty Insurance	
	Disability Insurance	
Legacy Assets		
Life Insurance	Life Insurance	Life Insurance
Childs Education Savings	Investment Assets	Investment Assets
	Business Interest	Business Interest
	Second Home	Second Home
	Trusts	Trusts

Where expenses are paid from		
Time Period	Pre-Retirement	Retirement
Expense Paid by	Liquid Assets	Liquid + Growth Assets

Why Wealth Planning

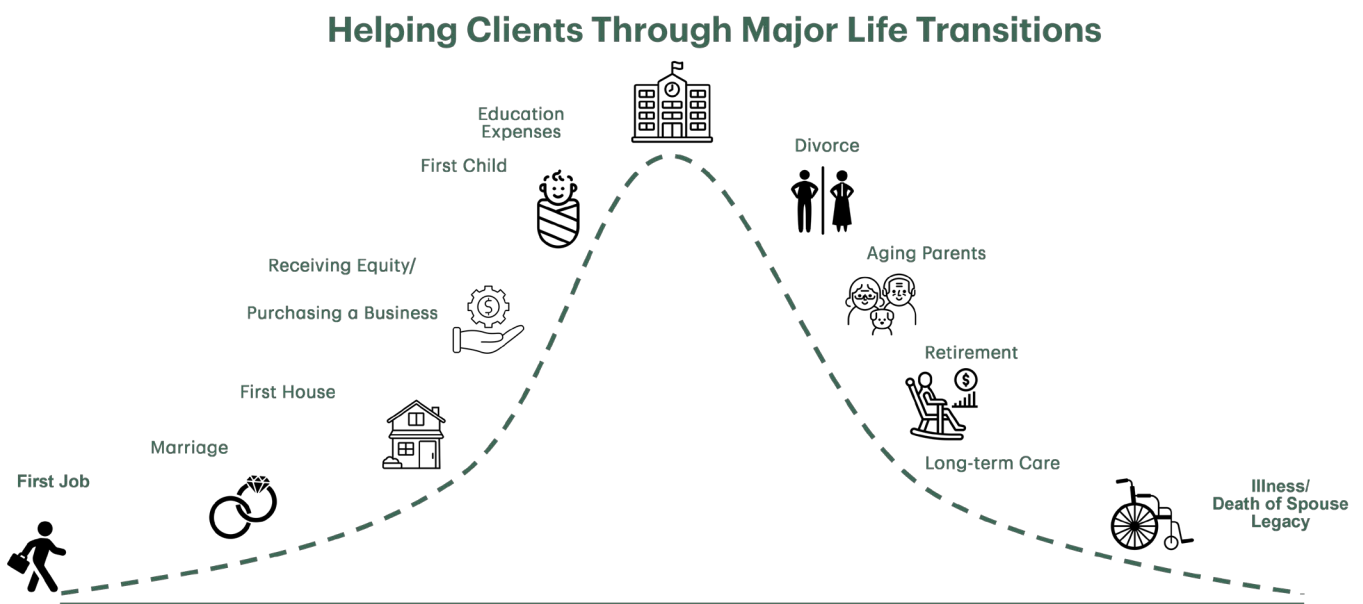
Who needs a plan?

It is often thought that people with "Wealth" need a financial plan when in actuality, people on all levels of the wealth scale can benefit from a plan. One can argue that planning is more important when you have fewer assets since there is less room for error. The focal point of planning will change over time depending where you are on the wealth spectrum, however, a well-thought-out financial plan is invaluable for individuals across all income brackets and expense levels. For example, someone early in their career may focus on creating good financial habits, creating a budget, begin funding their Growth bucket, or set up a 401K which can put them on a path to financial success. A wealthy client in retirement may need advice that focuses on the best path to leave their wealth to others. For others, the focus may be on planning for major retirement expenses or putting their children through college. No matter where you are in your career or how much wealth you've accumulated, the frameworks highlighted above can help with your long-term financial success.

Why do you need a plan?

Regardless of one's financial position, a financial plan provides structure and guidance for achieving short and long-term financial success and discipline. A financial plan can help mitigate emotional response to market volatility by managing difficult financial decisions or situations that may be in or out of your control. It is meant not only to create a foundation for your finances, but also to create financial opportunities for you whether that is saving, investing, or planning to leave assets and transfer wealth to your family members. Ultimately, a financial plan is an important resource for providing stability and a greater opportunity to achieve financial success.

Figure 1



Source: Capital Sigma: The Sources of Advisor-Created Value

Why People Do What They Do:

Behavioral Finance

Behavioral finance is the art of understanding how psychology and emotions impact investment decisions. An important part of the planning process is understanding what you're afraid of or how you may react to certain market situations. The more you and your advisor know about your investment bias, the easier it is to understand how much market loss you can truly tolerate.

Modern Portfolio Theory (MPT) is a method for selecting investments to maximize overall returns within an acceptable level of risk. This theory was made popular by American economist Harry Markowitz in his paper "Portfolio Selection", which was published in the *Journal of Finance* in 1952. One of the key assumptions of MPT is investors are rational and avoid unnecessary risk, investors have the same information, and investors are risk-averse; for a given level of expected return, investors will always prefer the less risky portfolio.

Unfortunately, we don't live in a perfect world as markets and human behavior are not always predictable or rational. Market performance can produce strong emotional reactions that may cloud decision making. The good news is a goals-based plan can help mitigate these emotions and keep you on track.

For example, an investor's emotions can sometimes lead them to buy at market peaks and sell market bottoms (**Figure 2**).

Understanding behavioral finance can help produce better performance, but how?

Investors often try to time the market (unsuccessfully) vs. staying invested through market cycles, taking advantage of down markets. We believe that investors should invest for the long-term. To that end, time in the market is more critical rather than timing the market in successfully achieving an investor's financial goals. Given the short-term volatility of stock prices and uncertainty in forecasting the future, it is extremely challenging to time the market and accurately predict when an investment is expected to reach its high or low. The best days in the markets often follow the worst. The **Figure 3** chart shows how missing out on down markets can have a negative impact on the long-term growth of your portfolio. Down markets can be tough on your emotions but can prove to be very important to long term growth of assets.

If investors maintain a long-term, goals-based approach, even during periods of substantial market volatility, those that remain in the market tend to come out ahead in the long-term, compared to those seeking to capture short-term gains. History clearly indicates that staying invested has been the right decision over the past 40 years. In the 40-year period ending December 31, 2019, an all-fixed income portfolio generated nearly 7.5% per year on average while a 100% U.S. equity portfolio would have generated nearly 12% per year on average, as illustrated in the **Figure 4** below. If an investor attempted to time the market and was unlucky, they may have experienced substantial losses. However, someone with a longer-term investment approach would have significantly increased their probability of realizing a far better return, over the same period.

Source: <https://www.investopedia.com/terms/m/modernportfoliotheory.asp>

At TD, we understand that human nature and emotions can lead investors to be unpredictable and often make decisions that are not optimal. The psychological pain of investment loss is twice as strong as the pleasure received by gains. It is natural in times of stress and fear to make short term survival decisions, which often results in selling at poor times.

Through our approach we can help to create a goals-based plan that may ease your emotions and allows you to work towards making optimal long-term decisions, even during market volatility. Your Liquidity bucket should ensure that you have cash on hand to handle day to day expenses, allowing your Growth assets to grow uninterrupted.

Figure 2: Investor emotions during market volatility.

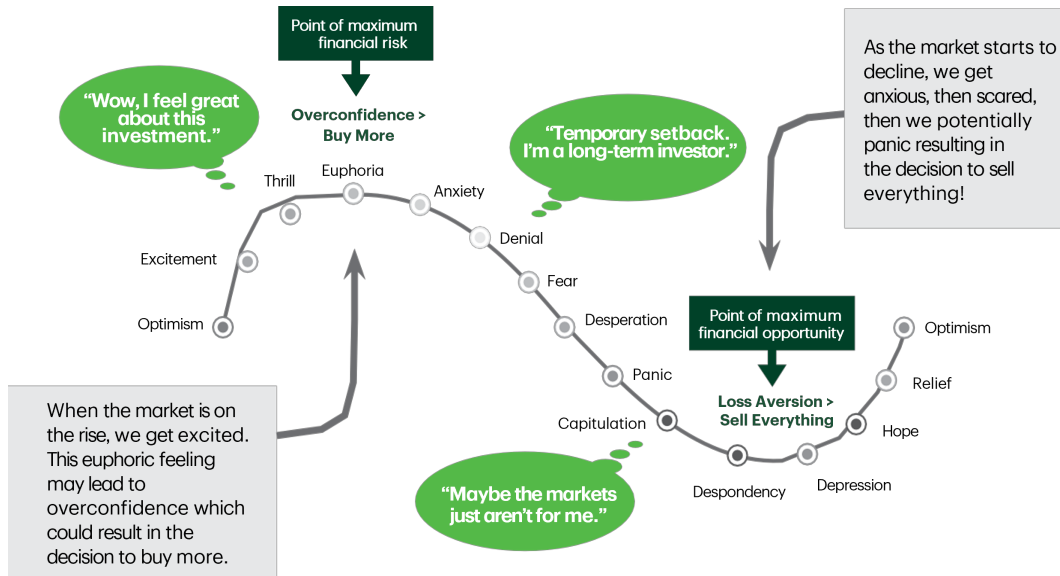
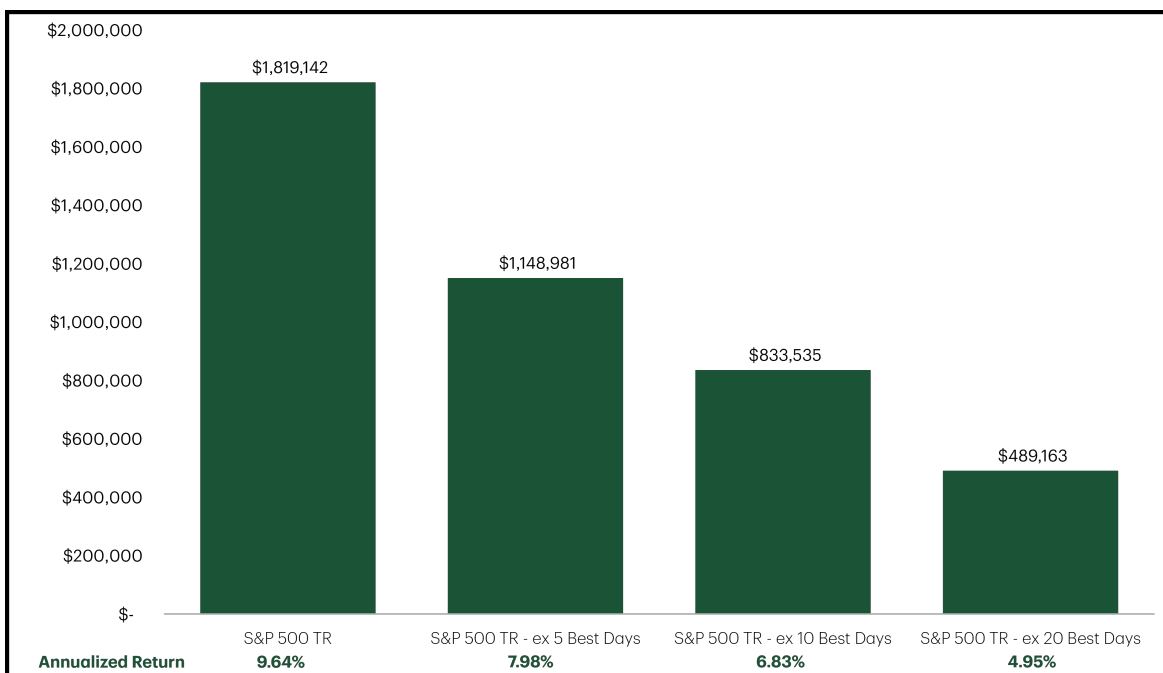


Figure 3: Time In Market, Not Timing The Market: Historically, investors who have focused on a long-term plan have achieved greater outcomes.



Source: FactSet. TD Wealth Chief Investment Office as of December 31, 2023. Past performance is not indicative of future results. The indices are a tool to compare the performance of one or more indices. The volatility and performance of the indices may be greater than or less than the volatility and performance of actual investments. Indices reflect the reinvestment of dividends and income. Indices do not have fees, expenses or taxes, which would lower performance. **Indices are unmanaged and not available for direct investment.**

Bear Market

A bear market can be daunting for many investors as they try to navigate through a downturn in market performance. A bear market is classified when the market declines 20% or more over at least 2 months' time period.¹

Since market performance directly impacts the value of a portfolio, it's common to see investors panic sell or adopt a more conservative investment approach during and after a bear market. This may help in the short-term but could have a negative impact on the long-term growth of your assets. While some fear the bear market, others will use this as an opportunity to get in at a lower point, offering a potential for positive returns when the market gains momentum again.

Bear markets are normal as there have been 27 bear markets in the S&P 500 index between 1928-2020. On average during a bear market, stocks lose 35% in returns.² From November 2007 through February 2009, investors experienced one of the worst bear markets for stocks since the Great Depression, experiencing nearly a negative 50% return for equities during this time.³

How your Advisor can help: Although this may be an emotional time for an investor, it is important to remember the investor's long-term investing strategy. Long-term investors, who stick to their goals-based plan may be best positioned to stay invested as there is a likely chance to not only recover from bear markets but take advantage of the down market which can help in building long-term wealth. Looking at **Figure 4** below, in the 40-year period ending December 31, 2019, portfolios may recover from a downturn within a few years.

Our approach takes proactive steps towards mitigating the risks the investor may endure during a low point in the market. Through diversification, tailored asset allocation, and understanding what is important to you, we are here to help you navigate an emotional period that may come with experiencing a bear market.

Figure 4: 40-year performance staying invested during market downturns.

Average Hypothetical Performance During Recent Severe Downturns (1981-82, 1987, 1990, 2000-02, and 2007-09)					
Equity/Fixed Income Allocation					
	0%/100%	25%/75%	50%/50%	75%/25%	100%/0%
Average Maximum Drawdown	-1.2%	-5.6%	-14%	-22.7%	-31.0%
Average Months to Recover	2	7	22	30	37
Annualized Return 1980-2019	7.5%	8.8%	9.9%	11.0%	11.8%

Source: Neuberger Berman Insights 'Four Things to remember in a Market Downturn', March 2020.

¹ Source: Seeking Alpha

² Source: Hartford Funds

³ Source: MoneyGuide

Portfolio Construction

Asset Allocation

Through the planning process, your advisor will help you better understand your tolerance for investment loss. Understanding this will play a key role in determining a recommended asset allocation as this can be one of the most important decisions that you make as it is essential in managing risk and optimizing portfolio returns. There are specific approaches you can use for your portfolio depending on your situation. Your time horizon should impact your asset allocation. An investor looking to buy a house in the near term may invest conservatively, or have more assets in the Liquid bucket, while a younger client may invest more aggressively and take on more risk as they have more time in the market to make up for investments that may have lost value.

Diversification

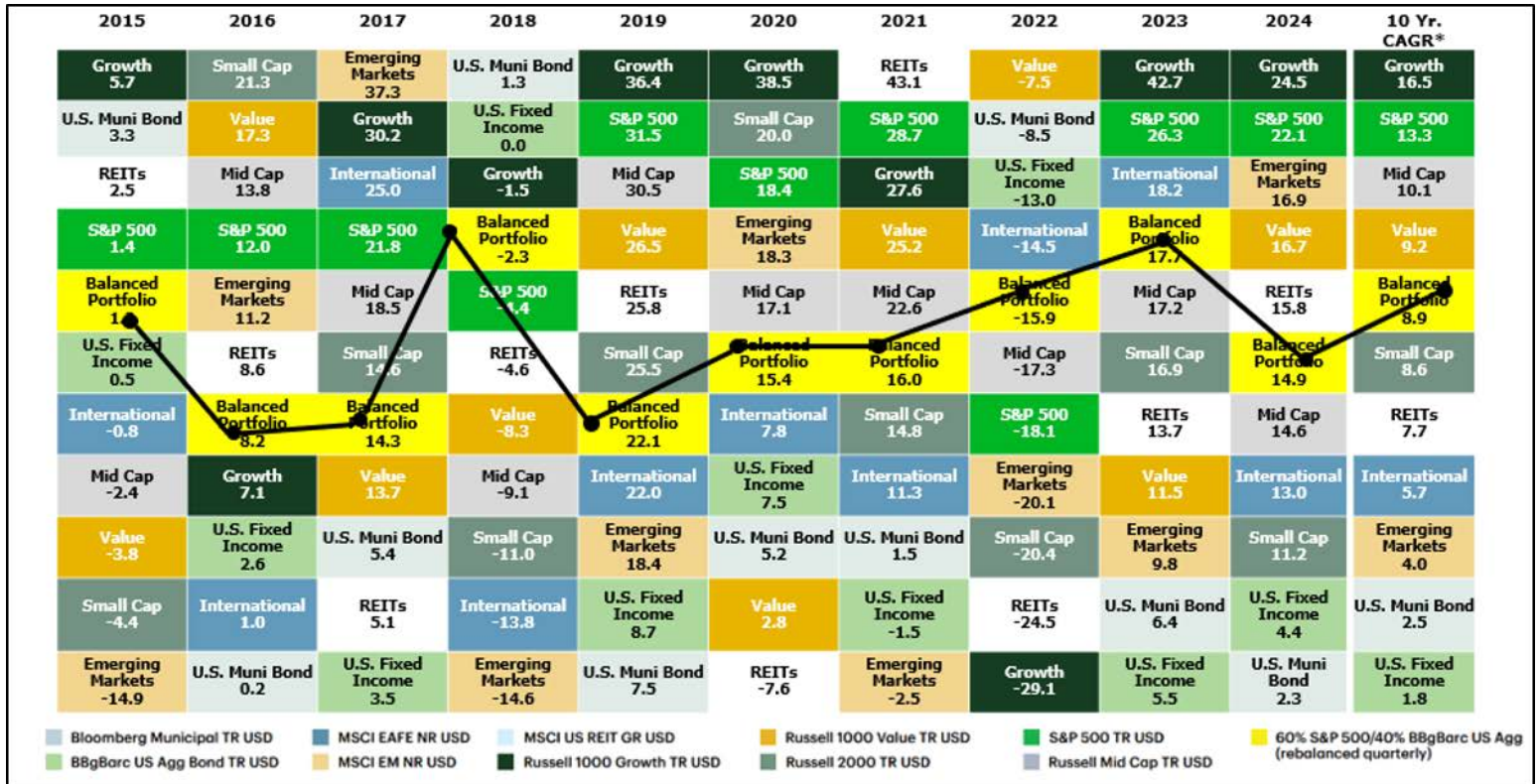
TD Wealth's view is that investors should focus on building a properly diversified portfolio. We believe a well-balanced portfolio, paired with a long-term view, helps soften the impact of short-term volatility, without letting emotions get in the way (**Figure 5**). Year-over-year reversals in market leadership highlight the need for and benefits of creating diversified portfolios. As has been shown historically:

- Diversification may help to mitigate losses during severe market downturns. Limiting losses will typically lead to shorter recovery times.
- Diversification provides exposure to a much wider opportunity set of investments.
- Diversification can improve risk-adjusted returns as investing in assets with less than perfect correlation reduces portfolio volatility.
- Diversification can help by providing a smoother ride thereby avoiding some of the emotional and behavioral biases that can lead to making poor investment decisions.

Although winners can continue to win for some time, leadership among asset class, sector, style, capitalization, and geography will inevitably shift, and predicting which factor will come out on top will be impossible.

Figure 5: Asset Class Periodic Table: Market leadership changes over time - a balanced approach provides exposure to multiple drivers of return.

Asset Class Periodic Table



Source: Morningstar, TD Wealth Chief Investment Office as of December 31, 2024. All returns presented in U.S. dollars and in percentage terms.

Past performance is not indicative of future results. The indices are a tool to compare the performance of one or more indices. The volatility and performance of the indices may be greater than the volatility and performance of actual investments. Indices reflect the reinvestment of dividends and income. Indices do not have fees, expenses or taxes, which would lower performance. **Indices are unmanaged and not available for direct investment.**

*Compound Annual Growth Rate.

Sequence Risk: Protect Your Retirement Nest Egg

What is sequence risk? Sequence risk is the risk of a down market environment at or around the time of your retirement.

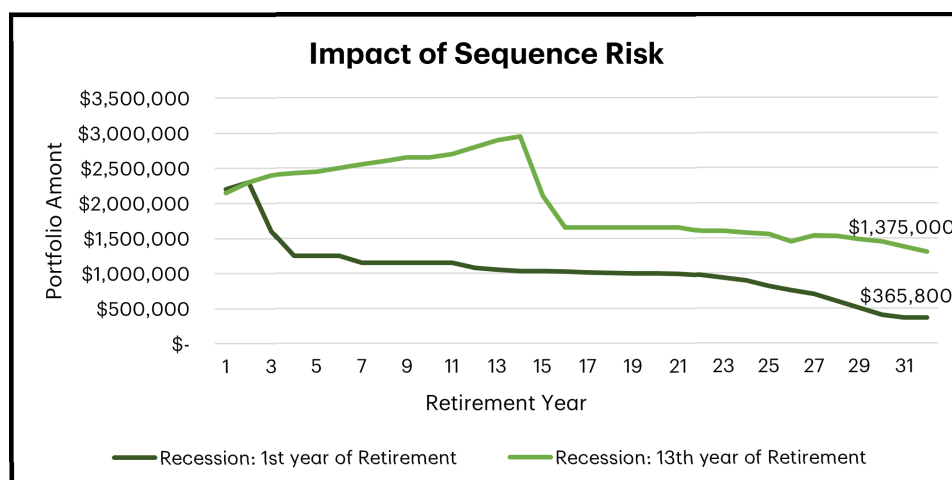
Why this matters: When you are set to retire, your Growth assets may be arranged to fund your living expenses in retirement. Major losses in the market at retirement can jeopardize the long-term sustainability of your portfolio potentially resulting in your portfolio not lasting as long as originally planned.

Potential Impact: This could impact your lifestyle in retirement as you'll need to make adjustment due to the losses. In a down market as the value of your assets decrease, you may need to liquidate more assets to fund your living expenses. This results in less assets that can grow in retirement during a bull market thus replacing what you've spent. Economic shocks near or at retirement can significantly deteriorate your growth potential in the long-term, as it may lead to fewer investments to capture future growth when a market rebounds whereas economic shocks later in retirement may not affect your growth potential as significantly.

How your advisor can help: Although you may not be able to predict when a market downturn will occur, you can proactively prepare for these events as you get closer to retirement. Your advisor can work with you to review your goals-based plan and making needed adjustments to better prepare your portfolio as you move into retirement. This may include fully funding your Liquidity bucket, investing in less volatile assets, diversifying your portfolio, or using investments with a level of downside protection as you approach retirement.

Figure 6 is an example that illustrates how the timing of a recession or economic shock (at or near retirement) can significantly affect an investor's returns. In our example, the investor has \$2.3 million at the start of retirement and the unexpected recession lasts 2 years. **Dark Green** line shows the recession occurring during the first year of the investor's retirement while **Light Green** line shows the recession occurring 13 years into retirement. It is important to remember that sequencing risk can have negative impacts on your plan. Although we cannot predict when these events happen, strategies can be implemented to prepare your plan for various situations you may be faced with.

Figure 6:

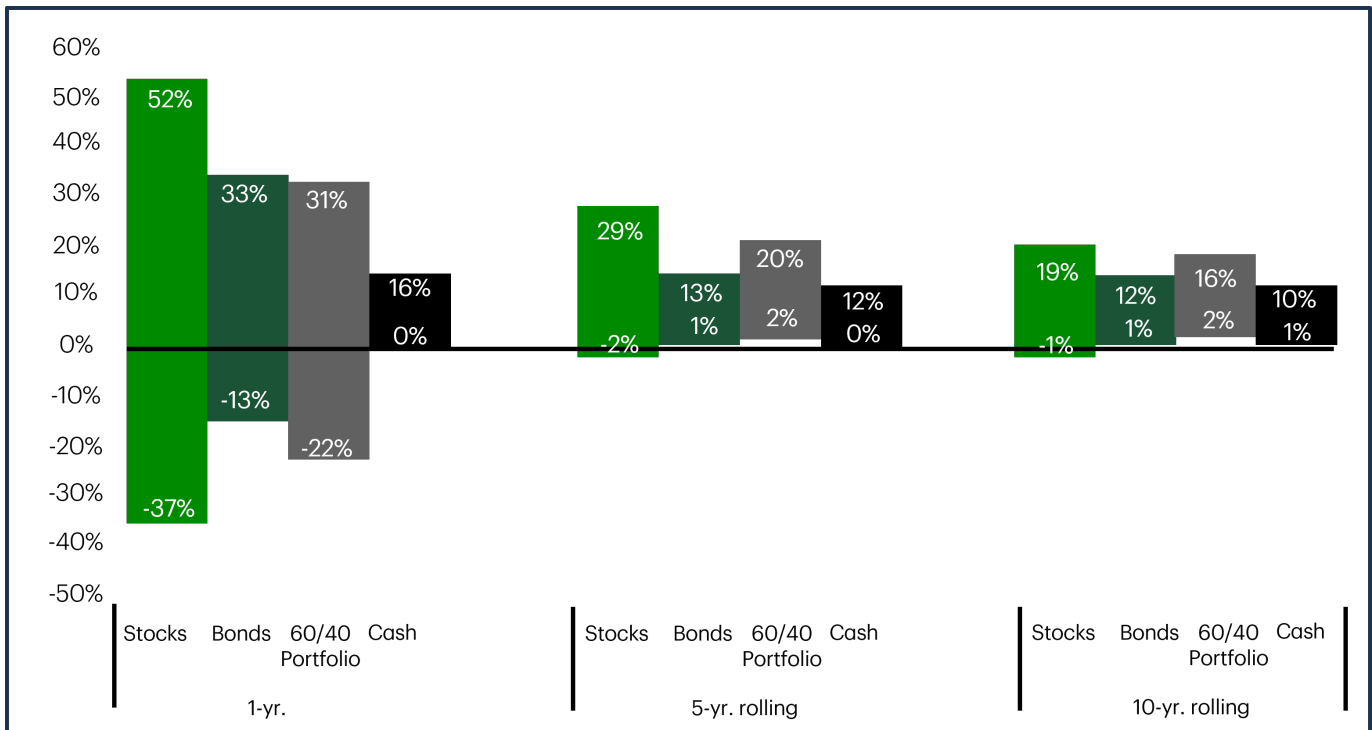


How To Think About Cash:

In goals-based financial planning, cash serves an important role. It offers safety and liquidity, making it best suited for short-term needs, emergency funds, or those approaching retirement who seek stability. However, its safety (low volatility) comes with a price: low returns. The key to using cash effectively lies in balancing liquidity needs with growth potential. Cash is a part of our overall strategy 'three buckets' approach – Liquid, Growth, and Legacy (presented earlier), but with specific purpose that depends on personal circumstances.

While cash may act as a buffer during periods of market volatility, it comes with the opportunity cost of lower returns compared other assets (**Figure 7**). Although cash may not lose value in nominal terms, it struggles to keep pace with inflation, making it less effective for long-term growth or wealth accumulation. Over time, inflation erodes the real purchasing power of cash, meaning that its value in terms of what it can buy decreases, even though the nominal amount remains the same. For these reasons, cash is ideal for short-term use, but holding too much can hinder long-term financial growth. By maintaining enough cash for immediate needs while investing for the future, individuals can optimize their portfolio to achieve both short-term security and long-term growth.

Figure 7: Time, Diversification and Volatility of Returns: Range of Stock, Bond and Blended Total Returns Annual Total Returns, 1950-2023



Source: Morningstar, TD Wealth Chief Investment Office as of December 31, 2024. Returns shown are based on calendar year returns from 1950 to 2024. Stocks represent the S&P 500. Bonds represent IA SBBI US IT Govt for periods prior to 1976 and the Bloomberg Aggregate thereafter. 60/40 portfolio represents a blend of 60% S&P 500 and 40% IA SBBI US IT Govt for periods prior to 1976 and the blend of 60% S&P500 and 40% Bloomberg Aggregate thereafter. Cash represents USTREAS T-Bill Auction Ave 3 Month. Growth of \$100,000 is based on annual average total returns from 1950 to 2023.

Managing TD's Client-Centric Approach

Understanding our approach can be substantial for meeting your objectives for retirement and beyond. Keeping up with and monitoring your goals and objectives over time is key to your long-term financial success. As we navigate through life, our financial goals and objectives may change, and that's okay, however, the best way to prepare for those changes is to work with your advisor who will be with you every step of the way. We use our approach to manage your assets effectively and appropriately throughout your financial journey. At TD, we recommend reviewing your goals-based financial plan at least one time a year, during extreme market movements, or when major life events take place to make sure your plan is up to date and aligned with your goals, objectives, and vision for your future.

Conclusion

Planning is not one size fits all and can seem time consuming and overwhelming at times. Your TD advisor will help simplify and guide you through the process, making it easy for you to develop and maintain your plan.

Whether your goal is to take care of your family or support a cause, our approach is built to drive the conversations that ultimately sets goals, develops a plan of action, and identifies solutions to help accomplish those goals and manage your long-term wealth.

Our approach is built to change with you as your individual circumstances change, keeping you on track during good times or bad.

TD's Client-Centric Approach changes the conversation, redefining success by focusing on what matters most to you.



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