INCREASE YOUR INCOME WITHOUT REDUCING YOUR ESTATE

Insured Annuity Strategy

Purchase a payout annuity for higher after-tax income and use life insurance to provide an estate.

Dennis, age 68, and Rosemary, age 64, both former teachers, currently receive retirement income from their teachers' and government pension plans. They also have money in guaranteed interest investments and savings bonds, and own a mortgage-free home. They know if they need additional cash in the future for a major life event, they can access these assets. Their children are grown and financially independent.

Meet Dennis and Rosemary

Their goal is to maximize their after-tax retirement income and preserve as much capital as possible for their estate.

The challenge

Low interest rates mean less income or less capital.

Dennis and Rosemary want to increase their income to allow them to do some travelling. To finance this, they are thinking of spending the interest they have been accumulating on their investments. However, it doesn't look like this retirement income strategy is going to meet their cash flow needs.

- Since Dennis and Rosemary aren't comfortable with a high degree of risk, they have placed their non-registered money in interest-bearing investments which currently earn less interest than they would like; which in turn means lower income for them
- The interest they earn is fully taxable, a concern for them in their tax bracket
- If they need to withdraw any of their savings to supplement their income or to cover unforeseen events, it will reduce the amount left for their beneficiaries

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The solution

Maximize after-tax income now and provide an estate equal to the original capital with the insured annuity strategy.

The insured annuity strategy generates retirement income from a payout annuity and a tax-free legacy from the insurance.

- Dennis and Rosemary use $500,000 (a portion of their savings) for the insured annuity strategy. Once they purchase an annuity, the features cannot be changed and withdrawals are not allowed. As a result, they choose to leave a significant amount of money in their savings to cover any unforeseen events.
- They use $614 for the first monthly payment of a $500,000 universal life policy
- They use the remaining $499,386 to buy a joint life annuity, which provides a guaranteed income they can't outlive
- They use a portion of the future annuity to make ongoing monthly insurance payments, leaving the balance available for their spending needs

Advantages

- They will receive more spendable cash from the payout annuity than they would by withdrawing the interest from their savings and investments
- Dennis and Rosemary have protected their estate for their beneficiaries with the life insurance policy
- They have the comfort of the extra annuity income, knowing they are still leaving a tax-free estate for their family that is equal to the $500,000 they invested in the strategy

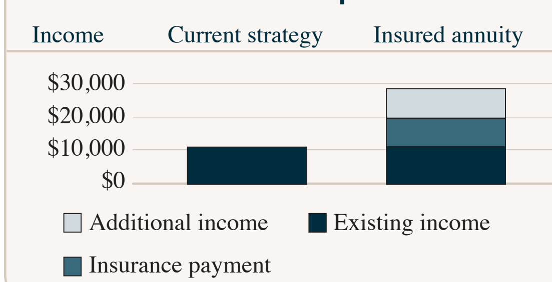
The result

The insured annuity strategy increased their income in this example by 81%, providing an equivalent pre-tax yield of 7.24%!

This example shows how the insured annuity strategy can provide you with higher income even after you make the life insurance payment. And you have the proceeds from the life insurance policy to leave behind as an estate for your family.

[1] These illustrated values are based on a Sun*Universal*Life joint last-to-die policy issued by Sun Life Assurance Company of Canada and are not guaranteed. Actual results will vary. Values are based on a joint life annuity as at March 28, 2008. Applicants must be insurable to qualify for life insurance. To ensure the annualized minimum premium is sufficient for life, the guaranteed investment account options available with universal life should be used. The current strategy assumes a 4% return on the fixed income portfolio and a 46% marginal tax rate.

After-tax income comparison[1]



Call your TD Waterhouse advisor today to see how the insured annuity strategy could work for you.

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