



Corporate Insured Annuity

Insured Annuity ... A Client Profile

The Corporate Insured Annuity is a financial planning strategy designed to increase cash flow to your clients when they're alive, while making sure they have the funds to leave a legacy when they die.

Who is it for?

- Shareholder of a private Canadian corporation
- Affluent, with capital that exceeds lifestyle requirements
- Age 65 and older
- In good health
- Company's investment portfolio includes conservative investments, such as GICs, bonds and bank accounts
- Interest income from investments is currently used to enhance shareholder's lifestyle
- Shareholder's priority is to leave a legacy at death
- Shareholder is not adverse to long-term planning strategies

How does it work?

Your client's conservative investments are liquidated by the company and used to purchase a non-prescribed life annuity contract and an exempt life insurance policy. The shareholder is the life insured and the corporation is named as the beneficiary. The annuity payments are used to pay the life insurance premium and the tax on the annuity. The amount remaining is used to enhance the shareholder's lifestyle. When the shareholder dies, the life insurance proceeds pay for a gift to his or her heirs or favourite charity.

Why does it work ?

- The non-prescribed annuity generates a higher return than traditional fixed-rate investments.
- The corporate tax paid on annuity income generates Refundable Dividend Tax on Hand (RDTOH) balances that are available to enhance the shareholder's income.
- The taxable portion of the annuity is less than the interest earned on the investments, which reduces the amount of corporate tax paid annually.
- The payment from the annuity includes a combination of interest and principal, while the fixed rate investment returns interest only.
- The insurance proceeds replace the capital used to purchase the annuity.
- When the shareholder dies, the life insurance proceeds are paid to the company and generate a credit to its Capital Dividend Account (CDA). The insurance proceeds can then be paid tax free to the shareholder's estate (via a tax free capital dividend) and distributed to heirs or charity, as directed in the Will.

An example

Your client is the owner-manager of a private Canadian company. He is a male, 71, non-smoker. The company has \$500,000 of interest-bearing investments earning 4%. The interest income is being paid as a taxable dividend to the shareholder annually. The shareholder's personal dividend tax rate is 32%. The corporate tax rate on interest income is 47%. (see the next page for comparative values).

An example

	Insured Annuity		Alternative Investment	
Total funds available	\$500,000		\$500,000	
Annual income	\$43,401		\$20,000	
InnoVision premium	\$22,438		\$0	
Summary of benefits	After-Tax Cash	Net Estate Value	After-Tax Cash	Net Estate Value
Year 5	\$13,384	\$496,370	\$10,812	\$351,463
Year 10	\$12,528	\$500,000	\$10,812	\$352,926
Year 20	\$13,279	\$500,000	\$10,812	\$355,852
Year 25	\$13,516	\$500,000	\$10,812	\$357,315

Why choose Manulife?

Because it makes good business sense ... for you and your clients.

Leading edge products

Manulife offers the most attractive portfolio of life and living benefits policies in the marketplace today.

- Leading-edge universal life products with an impressive range of investment choices and state-of-the-art performance reporting
- A critical illness product that provides the best value for your clients if they become critically ill and, thanks to our market-leading return of premium option, even if they don't
- Term products targeted to families and businesses, with highly competitive rates
- A choice of whole life products with different levels of guarantees
- A proven track record of upgrading existing policies by adding new features to them

Tax and estate planning expertise

The Tax & Estate Planning Group, Manulife's highly respected team of legal, life insurance and accounting experts, provides individualized support on complex tax and estate planning issues.

A Canada-wide team of experienced actuaries

The goal of Manulife's Actuarial Consultant team is to help you and other high-end advisors understand all the aspects and implications of the product your client is considering.

Facilitators in the underwriting process

Manulife's Underwriting Consultants act as a bridge between your clients and the underwriting process, with the goal of getting your clients' large cases through underwriting as quickly and as smoothly as possible.

Marketing support across the country

Manulife's regional support offices across Canada are staffed with marketing teams ready to give you customized support to help you make the sale.

Company strength and stability

With every Manulife product, your clients get the benefit of Manulife's stability and strength as a leading Canadian-based financial services group operating in 15 countries and territories worldwide.

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