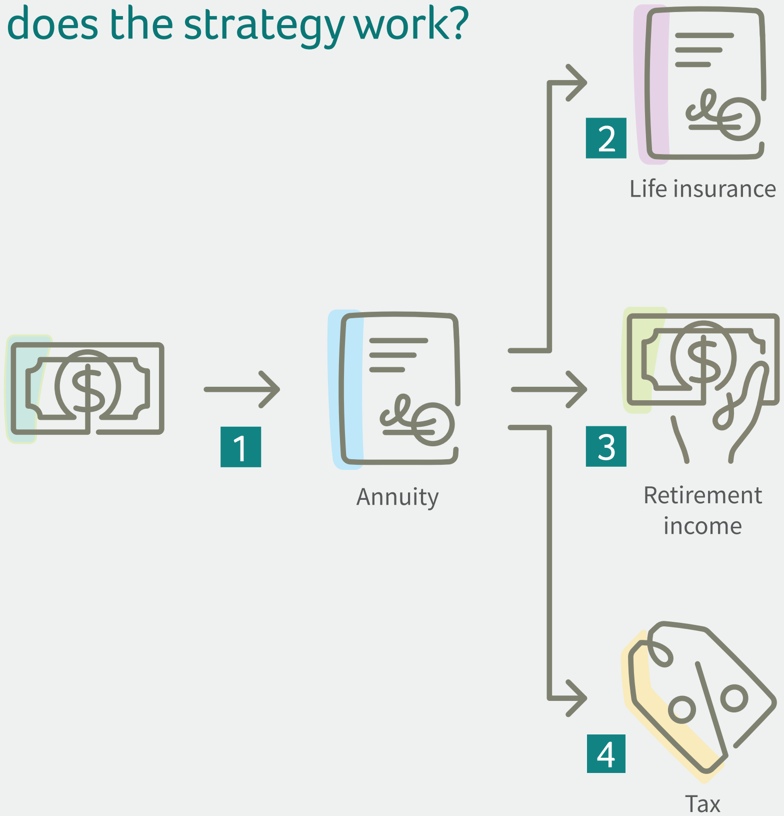
Insured annuity strategy

The insured annuity strategy gives you tax-efficient income that's guaranteed for life and preserves the value of your estate.

Cash flow from a life annuity supplements your retirement income and pays the premium on a life insurance policy, which provides a death benefit paid to your named beneficiary. The death benefit replaces the capital used to purchase the annuity.

How does the strategy work?



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1. You liquidate some or all of your investments and use the proceeds to purchase a prescribed life annuity with you as the annuitant.
2. Income from the annuity is a combination of tax-free capital and taxable interest. You pay premiums for a permanent life insurance policy on your life with part of the annuity's income stream. The policy's coverage is of an amount equal to the capital you used to purchase the annuity.
3. The remaining portion of the annuity's income stream, after tax, supplements your retirement income.
4. Because its a prescribed annuity, each annuity payment has the same level amount of tax-free capital and taxable interest over the annuity's life. The interest component of the payment is taxable to you as regular income.

Note: On your death, the death benefit from the life insurance is paid to your named beneficiary and annuity payments end.

Considerations

If you're interested in the insured annuity strategy, consult with and your financial, legal and tax advisors to consider:

- ✓ If the strategy is able to meet your current and future needs.
- ✓ If you're able to obtain life insurance coverage on your life. You must have the insurance coverage before you buy an annuity.
- ✓ The insured annuity strategy is inherently illiquid and inflexible because the annuity and life insurance policy typically don't have a cashable feature or cash value
- ✓ You must obtain life insurance without any reference or linkage to you purchasing an annuity. If you don't do this, the Canada Revenue Agency may view the life insurance and life annuity as a single non-exempt life insurance policy.
- ✓ If you actually need life insurance.
- ✓ How to purchase the annuity. If you liquidate assets to purchase an annuity, you may end up with a taxable capital gain or a foregone interest payment, or both.

The availability of insurance coverage is subject to our underwriting requirements.

The information provided is based on current laws, regulations and other rules applicable to Canadian residents. It is accurate to the best of our knowledge as of the date of publication (August 2023). Rules and their interpretation may change, affecting the accuracy of the information. The information provided is general in nature, and should not be relied upon as a substitute for advice in any specific situation. For specific situations, advice should be obtained from the appropriate legal, accounting, tax or other professional advisors.

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