Insured Retirement Plan*

DURING YOUR LIFETIME

1 Planned deposits
$25,000/year
for 15 years

Estate value
$1,000,000
+
$886,000
(Account value)

Tax-deferred growth
with rate of return
at 7%**

- COI $6,600/year
- Administration fee $144/year
- Provincial deposit load
(2% while deposits are made)

2 Assign policy
to financial
institution
at year 22

Loan rate 9%** with
interest capitalized

Tax-free annual
loan advances
of $41,200/year
for 31 years

AT DEATH (AGE 95)

Estate value
$1,000,000
+
$9,000,000
(Account value)

Death benefit
$10,000,000

3 Satisfy loan of
$6,700,000 to
financial institution

4 Net estate value
$3,300,000
Tax-free!

* Example: Based on a 43-year old male using
Manulife Financial software as of June 1, 2001.
Actual amounts will vary from person to person.

** Assumption

INSURANCE

SOLUTIONS

FOR CANADIAN

INVESTORS

Insured Retirement Plan

Synopsis

- The Insured Retirement Plan (IRP) is a unique opportunity to complement your existing retirement strategy. It does this by offering you access to tax-free supplemental income created by tax-exempt life insurance.
- If you are at least 10 to 15 years away from retirement, maximizing your annual RSP contributions, and looking for additional tax-deferral strategies, this plan may provide a solution to your needs. In order to qualify for the coverage, you should have excess discretionary income, existing coverage or a need for insurance, and be in good health.
- At the very least, even without the additional income, the insurance policy becomes a key part of your estate plan, enabling you to grow funds on a tax-deferred basis.

Process—an example

1. A 43-year-old male, non-smoker, applies for and purchases a $1,000,000 Universal Life policy and makes annual deposits of $25,000 for 15 years. The annual insurance costs are $6,600, administration fees are $144, and we'll assume a 7% annual rate of return (ROR) within the policy, on which all future account values are based.
2. In the 22nd year, when the client is 65, there is $886,000 of investments in the plan. The policy is then collaterally assigned to the Bank. We'll assume a 9% loan rate (2% above our ROR) for which the interest is capitalized until death. This results in annual, tax-free loans of $41,200 for the next 31 years, until age 95.
3. In the 52nd year, the client is 95. The account value is worth $9,000,000, and assuming the client has passed on, the total death benefit is $10,000,000. The outstanding loan now stands at $6,700,000. The amount of the loan is paid to the Bank and the assignment is lifted.
4. The rest of the death benefit, which is $3,300,000 is paid to the named beneficiaries of the policy.

At a glance

- Client deposited a total of $375,000
- Client received a total of $1,280,000 of tax-free income
- Client's beneficiaries receive a total of $3,300,000 tax-free upon death

Tax-exempt life insurance has provided the means to add an additional $41,200 of annual retirement income, which is a nice complement to a registered RIF. This strategy brings an individual even closer to pre-retirement income levels. As well, the client's tax and estate planning needs are covered by the $3,300,000 tax-free benefit disbursed to his beneficiaries.

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