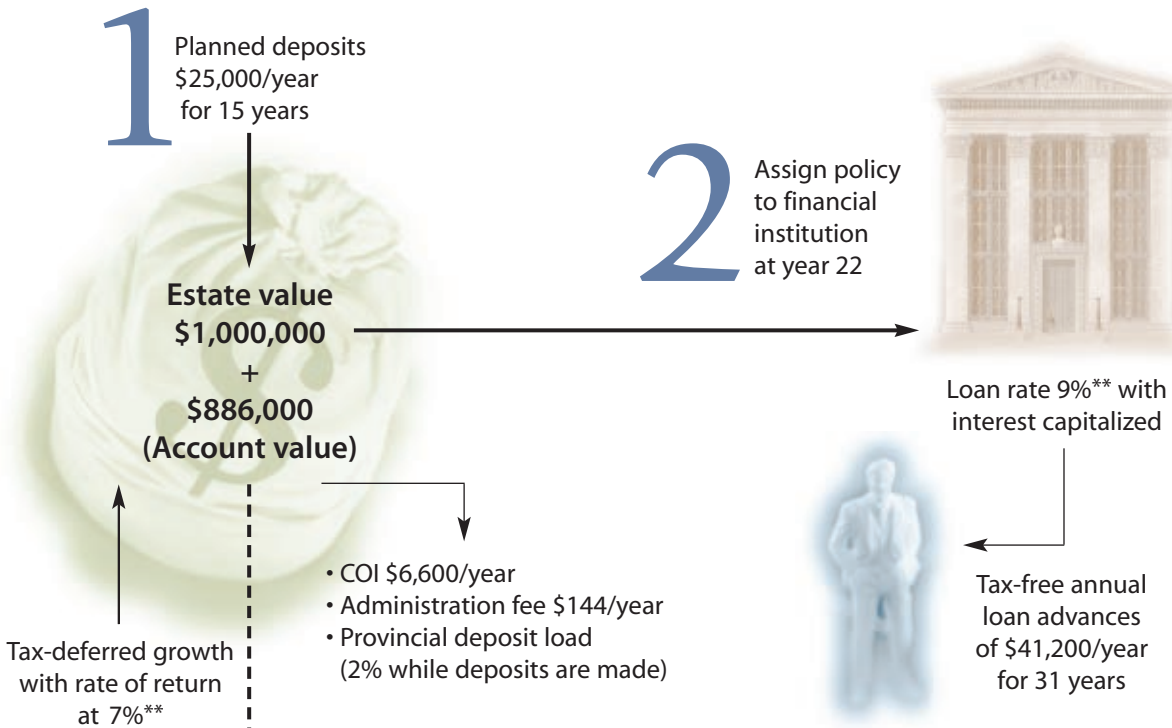
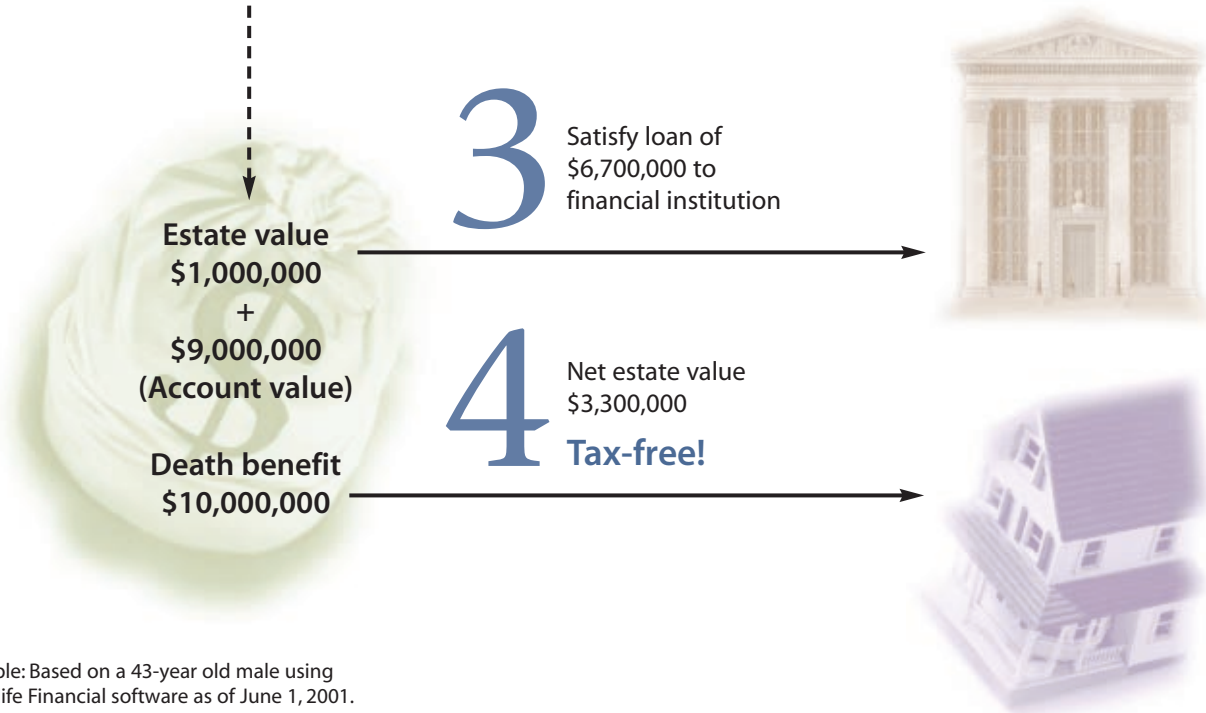


# Insured Retirement Plan\*

## DURING YOUR LIFETIME



## AT DEATH (AGE 95)



\* 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

# Insured Retirement Plan

INSURANCE

SOLUTIONS

FOR CANADIAN

INVESTORS

## 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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