

Insurance-based solutions

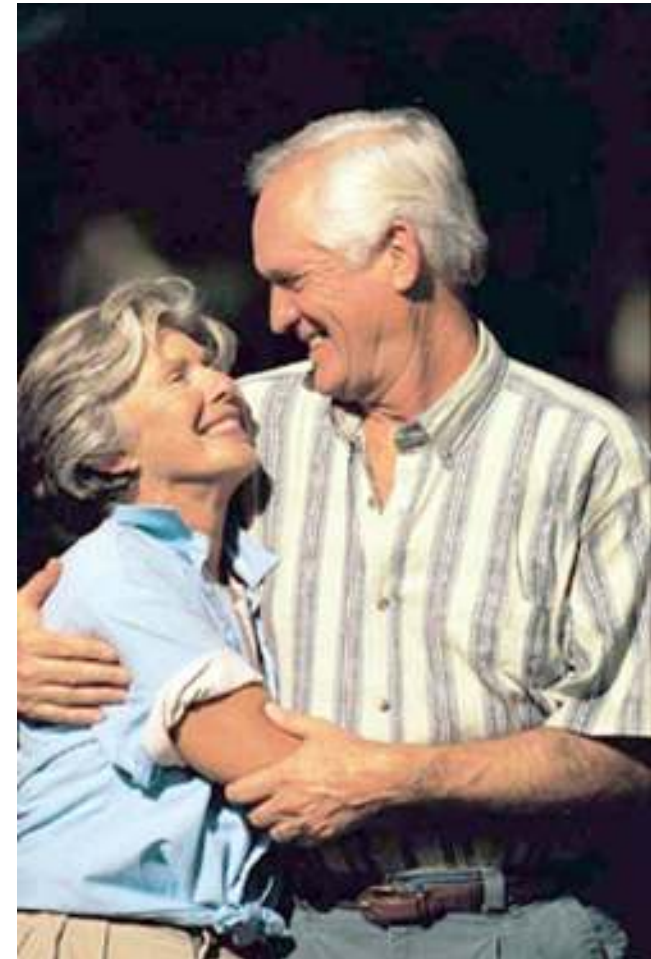
Protecting and enhancing your wealth



- When most people think of insurance, they think about life, home and auto insurance.
- But insurance-based strategies can also help you:
 - Protect your wealth
 - Enhance your income
 - Transfer your wealth in a tax-efficient manner to the next generation
- Insurance services are available through our wholly owned subsidiary, RBC DS Financial Services Inc.
- Our Regional Insurance Specialists will work together with your Investment Advisor to help you identify any opportunities to enhance or protect your wealth with insurance-based strategies.
- Products and services are available from Canada's leading insurance companies, including RBC Insurance, Manulife Financial, Sun Life Financial, Canada Life Assurance, Standard Life, AIG Life, Industrial Alliance and Transamerica Life Canada.
- Products include individual and group life, health, living benefits, annuities, segregated funds and deposit products.

Wealth protection: Long-term care insurance

- Government facilities are in poor shape, but private care can be over \$5,000/month and full-time home care can cost up to \$100,000/year.
- Long-term care insurance can help reduce the financial burden on your family and ensure you do not deplete your retirement savings to support your health-care needs.
- Covers the cost of care, either at home or in a facility to a daily maximum.
- Benefit is payable when you cannot perform certain activities of daily living (ADLs)



Wealth protection: Critical illness insurance



- More Canadians are surviving illnesses than ever before due to scientific and medical advances:
 - 86% of heart attack patients admitted to hospital survive
 - 75% of stroke victims survive
 - 73% of males and 77% of females who develop cancer will survive
- However, an illness and the subsequent recovery period can put a severe strain on your finances.
- Critical illness insurance supplements the current publicly funded health-care system to help reduce this financial strain.
- It pays a lump sum when you are diagnosed with one of a number of prescribed illnesses and conditions.
- Maximum coverage is typically \$2 million.

Wealth protection: Disability insurance

- Before age 65, the risk of being disabled for at least 90 days is much greater than the risk of dying.
- Group insurance coverage is often inadequate to meet the financial burden caused by disability.
- In the event of sickness or disability, disability insurance replaces your income and ensures you continue to earn an income even if you are unable to work.
- Ensures that your family's standard of living and lifestyle are not severely interrupted.
- Maximum coverage is a percentage of pre-disability wages based largely on your current and prior years' income.
- Benefit is payable if you meet the definition of disability in your contract.



Wealth protection: Creditor protection

- While no one can guarantee creditor protection for any particular type of investment, investing in a life insurance contract can provide the optimal vehicle for potential creditor protection.
- There are two main ways to do this:
 - Make an irrevocable beneficiary designation on an insurance contract
 - Designate a beneficiary in the preferred family class such as parent, child, spouse, or grandchild
- RBC DS Financial Services Inc. offers a variety of products that may provide shelter in the event that a creditor moves to claim your personal assets to satisfy repayment requirements:
 - Segregated funds
 - Guaranteed Interest Annuities (GIAs)
 - Payout annuities
 - Cash value life insurance
 - Proceeds from a life insurance policy

Wealth protection: Segregated funds

- Like mutual funds, segregated funds are professionally managed funds that invest in a portfolio of securities.
- Unlike mutual funds, segregated funds offer additional benefits such as principal investment guarantees.
- Segregated funds guarantee 75-100% of your principal investment at maturity (usually 10 years).
- At maturity, the greater of the current market value or the guaranteed amount will be paid to you.
- In the event of your death before maturity, the greater of the current market value or the guaranteed amount will be paid to your beneficiaries.
- Proceeds of a segregated fund policy can pass directly to your named beneficiaries without passing through your estate, thereby bypassing probate fees.
- Segregated funds also offer potential creditor protection.

Enhancing income: Insured Retirement Plan (IRP)

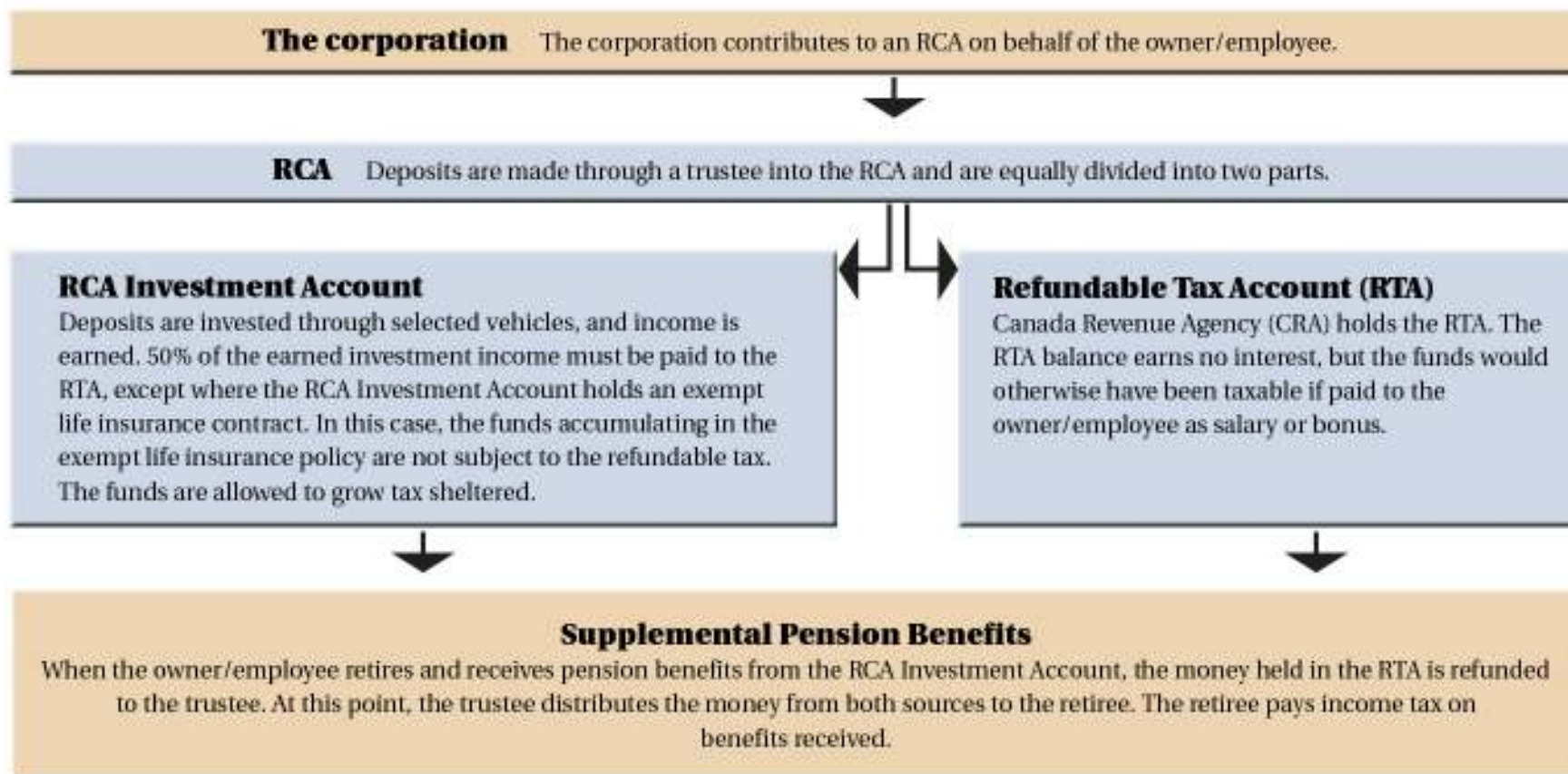
- An IRP strategy can provide you with tax-free retirement income, plus a tax-free death benefit for your estate.
- Here's an illustration of how an IRP works:
 1. You purchase a \$1-million life insurance policy at age 45. Over 15 years, you make annual deposits of \$25,000, totaling \$375,000. Annually, you pay \$7,434 for insurance costs and \$144 for administration fees.
 2. After 20 years, your deposits grow to a value of \$602,000, assuming a 6% annual rate of return. At that point, you assign the policy to a bank as collateral for tax-free loans – \$35,660 annually for the next 20 years.
 3. After 40 years, the policy grows to \$2.35 million. Assuming you have passed on, the total death benefit is \$3.35 million. The outstanding loan – \$1.7 million – is paid back to the bank from the policy, while the remaining \$1.65 million goes to the beneficiaries of the policy – tax free while bypassing probate.



*Example based upon a 45-year old male using Manulife Financial software as of May 19, 2005. Actual amounts will vary from person to person.

Enhancing income: Retirement Compensation Arrangement (RCA)

- RCAs are intended to provide supplemental pension benefits to business owners, professionals and executives.



Enhancing income: Insured Annuities

- An Insured Annuity strategy can enhance your after-tax retirement income while also enhancing the value of your estate.
- An annuity is a contract that binds an issuer to provide you with a steady stream of income payments in return for a lump-sum deposit.
- Each payment you receive is a combination of a return of your original capital and interest income. Since only the interest portion is taxable, it effectively enhances your after-tax income compared to a traditional GIC, which only pays interest.
- With an *Insured Annuity strategy*, a portion of each annuity payment covers the premiums on an insurance policy, which ensures that an amount equal to your original capital is provided to your beneficiaries when your estate is settled.



Transferring wealth: tax-exempt insurance

- Assets accumulate within a tax-exempt life insurance contract free of annual accrual taxation. When you pass away, any proceeds of the policy are distributed to your beneficiaries on a tax-free basis while bypassing probate.
- With traditional insurance products, you pay an annual expense – the cost of protecting yourself. With tax-exempt life insurance, you can deposit additional amounts, which can grow on a tax-deferred basis.
- How those additional amounts are managed depends on whether you select Participating Whole Life (PAR) or Universal Life (UL).
- UL gives you more control and flexibility over how your investments are managed. With PAR, you delegate that responsibility to the insurer.
- Generally, PAR is best suited for risk-averse investors, while UL is better for investors willing to assume some risk in exchange for higher return potential.

Transferring wealth: Tax Protector

- The Tax Protector strategy is designed to help protect the value of your estate for your beneficiaries.
- Nearly half of your registered assets, such as your Retirement Savings Plan (RSP) or Retirement Income Fund (RIF), may be payable in taxes on death.
- 50% of all capital gains on your assets must be claimed as income in your (or your surviving spouse's) final tax return. This applies even if these assets haven't actually been sold.
- As much as 50% of the value of U.S. assets may be payable in taxes when you pass away.
- The Tax Protector strategy provides a life insurance benefit that can cover these tax obligations on your estate's assets.



Transferring wealth: Charitable giving

- To donate an insurance policy on your life, you name the charity as beneficiary and owner.
- If an existing policy is donated, you will receive a contribution receipt for the cash surrender value and any accumulated dividends or interest, less any outstanding policy loans.
- The life insurance proceeds are paid on death directly to the charity, bypassing probate.
- You can also make a deferred gift of a life insurance policy, where you name the charity as beneficiary of your life insurance policy, but retain ownership and continue to pay the premiums yourself.
- While you do not receive an immediate contribution receipt, your estate can claim a charitable donation tax credit on the proceeds distributed to the charity on your final income tax return.
- A charitable gift annuity enables you to give a lump sum to a charity and receive guaranteed periodic income in return, usually monthly.

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