

Insured Retirement Plan

SYNOPSIS

- The Insured Retirement Plan (IRP) complements your existing retirement strategy with tax-exempt life insurance that offers you tax-free supplemental income.
- If you are at least 10 to 15 years away from retirement, you are maximizing your annual RSP contributions and you are looking for additional tax-deferral strategies, this plan may provide a solution to your needs. You should have excess discretionary income, existing coverage or a need for insurance, and you should be in good health.
- At the very least, even without the additional income, the insurance policy will become a key part of your estate plan, enabling you to grow funds on a tax-deferred basis.

AT A GLANCE

- Client deposited a total of \$375,000

- Client received a total of \$734,800 of tax-free income

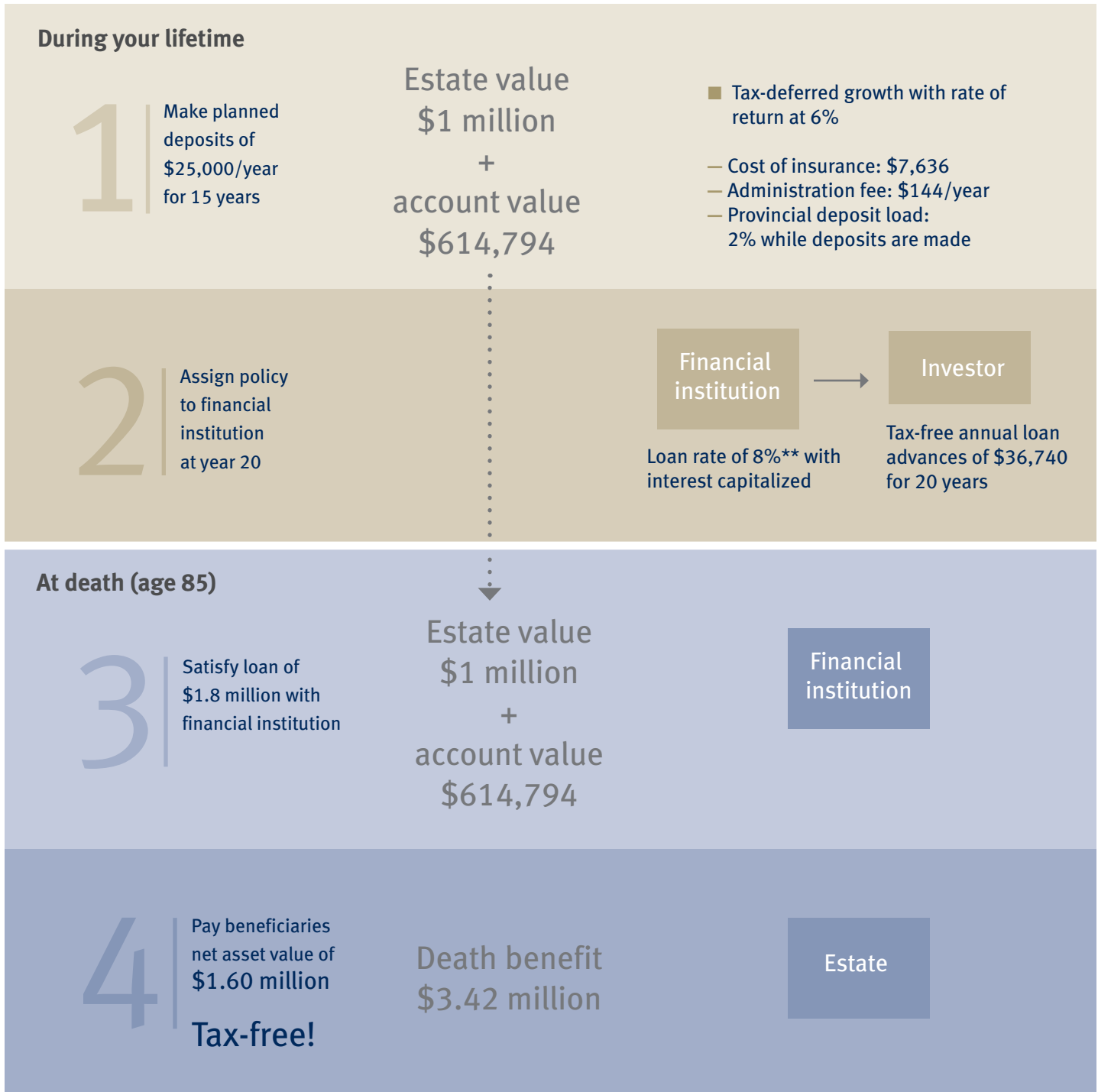
- Client's beneficiaries receive a total of \$1.60 million tax-free upon death

- As the example shows, tax-exempt life insurance has provided the means for the client to earn an additional \$36,740 of annual retirement income, which is a nice complement to a registered retirement income fund. This strategy brings the client even closer to a pre-retirement income level. As well, the client's tax and estate planning needs are covered by the \$1.60 million tax-free benefit, disbursed to his beneficiaries.

PROCESS – AN EXAMPLE

1. A 45 year old male, non-smoker, applies for and purchases a \$1 million Universal Life policy and makes annual deposits of \$25,000 for 15 years. The annual insurance costs are \$7,636; administration fees are \$144; and we'll assume a 6% annual rate of return (ROR) within the policy, on which all future account values are based
2. In the 20th year, when the client is 65, there is \$614,794 of investments in the plan. The policy is then collaterally assigned to the bank. We'll assume an 8% loan rate (2% above our ROR) at which the interest is capitalized until death. This results in annual, tax-free loans of \$36,740 for the next 20 years (age 85).
3. In the fortieth year, the client is 85. The account value is worth \$2.42 million, and, assuming the client has passed on, the total death benefit is \$3.42 million. The outstanding loan now stands at \$1.8 million. The amount of the loan is paid to the bank and the assignment is lifted.
4. The rest of the death benefit, which is \$1.60 million, is paid to the named beneficiaries of the policy.

INSURED RETIREMENT PLAN*



* This example is based on a 45-year-old male, using Manulife Financial software, as of May 4, 2007
The actual amounts will vary from person to person.

** Rate is based on assumption.



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