Whole life vs. universal life

WHOLE LIFE (WL)

- WL generates its long-term growth by crediting policy dividends, which are largely created by the performance of the PAR fund, a diversified investment portfolio that is managed by the insurer's professional money managers.
- It focuses on slow, steady growth to create as large an estate benefit as possible.
- Investments within the PAR fund are regulated by OSFI (Office of the Superintendent of Financial Institutions Canada).

WL is designed for individuals who:

- are more risk averse
- don't necessarily require control of their investments
- are more comfortable with guaranteed products
- have predictable long-term needs
- have a stable cash flow
- prefer stable, balanced returns

Note: The chart on the reverse only shows the Paid-Up Additions (PUA) dividend option. PUAs are additional amounts of tax-exempt coverage that have their own cash values and which can earn dividends themselves. They are the dividend option most likely to create a significant accumulated benefit.

UNIVERSAL LIFE (UL)

- UL combines basic insurance coverage with a tax-sheltered investment component that is managed by the policyholder to achieve long-term estate growth.
- UL focuses on investment capabilities within the product and the opportunities they bring to the policyholder.

UL is designed for individuals who:

- are comfortable managing their own investments
- understand the inherent risks of investing in the markets
- require flexibility to meet changing needs
- have a need to see how their product operates and grows

SUMMARY

Selecting the insurance solution that is right for your clients will depend on their objectives and investment styles:

- WL offers minimal contractual guarantees with little flexibility and no decision-making on the part of the individual.
- UL is a highly flexible product with the freedom to choose the various product features.

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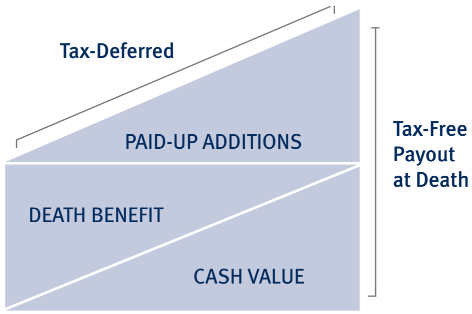
RBC Wealth Management

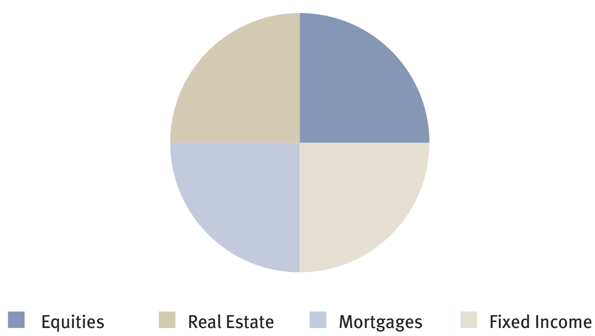
INVESTMENT STYLE

WHOLE LIFE
Passive Approach

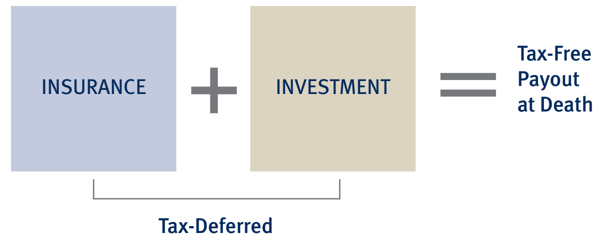


- Participating insurance coverage (PAR)
- Cost of coverage is not disclosed; death benefit can increase through credit of dividends
- Paid-up additions is the most popular dividend option for tax-deferred accumulation
- Annual costs are not disclosed but embedded in the dividend
- Guaranteed minimums – cash value and death benefit (contractual)
- No transparency

Allocation of "Par" Fund

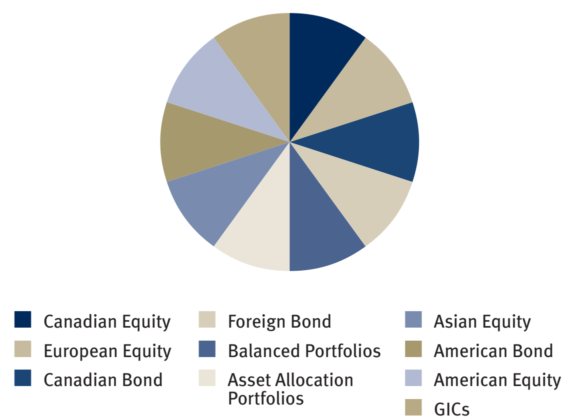


UNIVERSAL LIFE
Active Approach



- Non-participating insurance coverage
- Yearly renewable or level cost of insurance
- Increasing, level, or minimized death benefit
- Annual costs are fully disclosed and include:
  - › MER that is between 1% and 4%
  - › Provincial Premium Tax (PPT) that varies between 2% and 4% depending on province
- Flexible product – consumer can determine both insurance and investment components
- Relatively transparent

Possible "UL" Investment Options



There are several differences in the mechanics of these two products, but in the end, they both offer:

Tax-deferred accumulation of wealth and a tax-free benefit payable to your heirs.

› **To learn more, contact us today.**

RBC Wealth Management