Wealth Management

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
- Prefer the insurer to manage their policy
- 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 with and want to manage their own investments
- Understand the inherent risks of investing in the markets
- Require flexibility to meet changing needs

Summary

Selecting the insurance solution that is right for you will depend on your objectives and investment style:

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

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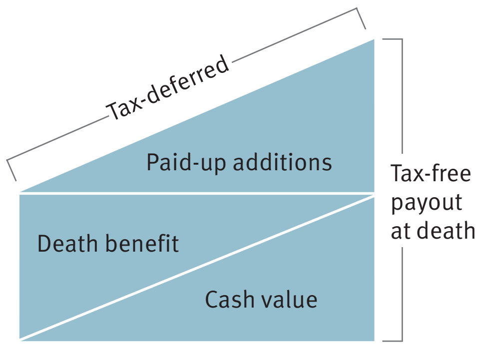
RBC Wealth Management Financial Services Inc.

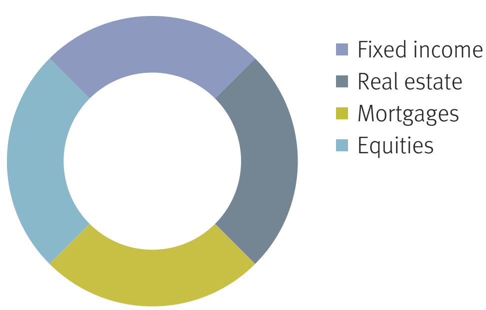
Investment style

Whole Life: Passive approach

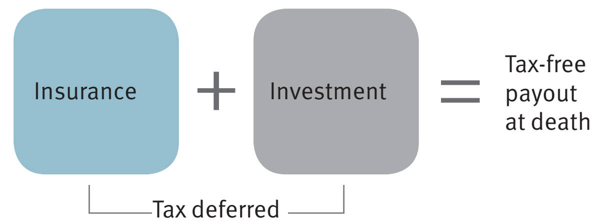


- Participating insurance coverage (PAR)
- Cost of coverage is not disclosed; death benefit can increase through credit of dividends
- Paid-up additions is the most popular dividend option for tax-deferred accumulation
- Annual costs are not disclosed but embedded in the dividend
- Guaranteed minimums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

Allocation of "PAR" Fund (sample)

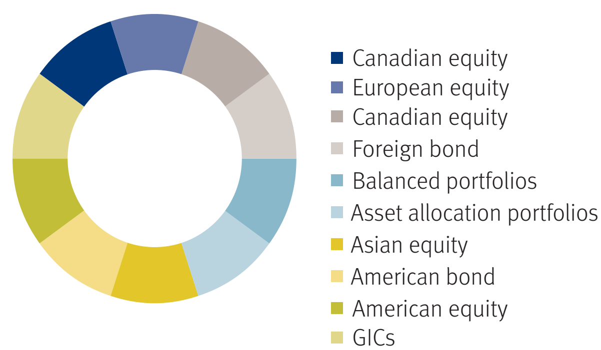


Universal Life Active approach



- 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 the tax-deferred accumulation of wealth and a tax-free benefit payable to your heirs. To learn more, please contact us today.

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