



All in the family  
keep your estate intact



PLAN FOR YOUR SPECIAL GIFT

While you and your spouse are alive, a tax burden is growing on your assets. At death, assets generally pass on to the surviving spouse tax-deferred. However, many of your tax-deferred assets become fully taxable when passed on to the next generation.

It's a tax bill your heirs may not expect.

RRSP, RRIF, accumulated assets, taxable capital gains, etc.



Income taxes



Net estate



**Beneficiaries**

## Current and future tax on assets

Without a plan, Canada Revenue Agency may be your primary beneficiary. Given a choice, you'd rather pass your estate on to your heirs, not hand over a large portion to the government.

In fact, the largest burden on your estate can be taxes on accumulated assets like:

- Family cottage
- Small business shares
- Stocks or bonds
- Registered retirement savings plans

All of these assets are subject to tax. Ultimately, close to half your intended legacy could be lost to tax.

Don't assume life insurance needs decrease as you become more financially successful. As the value of your assets increase, so does your tax liability.

## Options to cover the tax liability

Beneficiaries of your estate have some options:

- If they want to keep the assets intact, they can start saving now. But will it be enough?
- They could borrow from a lending institution, but that means interest charges.
- They could sell your assets – perhaps at a reduced cost – to pay the tax owing.

Are these options what you intended?

## Small dollars for big dollars

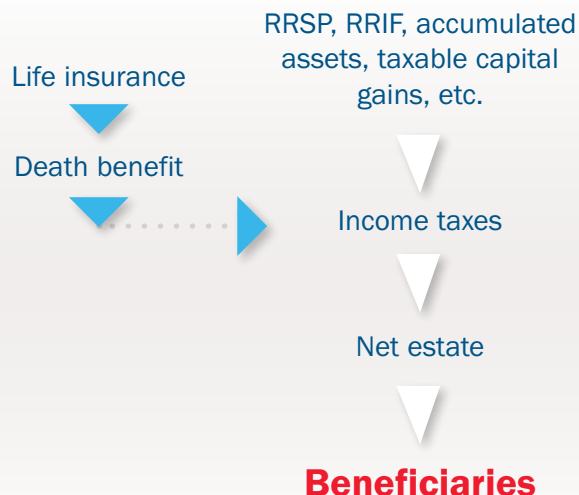
There's a more efficient way to handle tax owing on your estate: permanent life insurance through Canada Life™.

Permanent life insurance leverages the relatively small premium you pay for big estate benefits. By purchasing life insurance to cover the tax liability at death, you can use small dollars to buy big dollars.

You also:

- Gain permanent life insurance protection, often with guaranteed level premiums
- Have potential for tax-advantaged accumulation
- Have flexibility to change the policy beneficiary
- Can increase the coverage amount (subject to any underwriting requirements)

This means when taxes are due, money will be readily available.

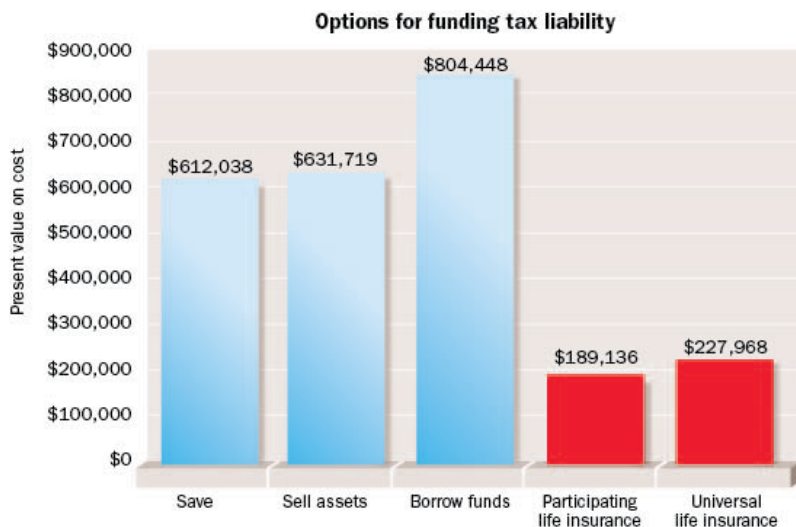


## Compare the options

### Life insurance coverage costs significantly less.

The participating life insurance initial death benefit is \$469,130 – enough to cover initial tax liability – and grows to \$1 million in 30 years.

The universal life insurance coverage initial death benefit is \$1 million, and remains at this amount up to year 30 and beyond.



**Graph/chart assumptions:** future comparison at year 30 assuming tax liability arises at age 85.

**For participating life insurance policy:** male, 55 years old, non-smoker, standard risk, and female, age 55, non-smoker, standard risk, *Estate Achiever* – max 20, joint last-to-die, paid-up additions, annual premium \$14,104, offset at year 15, initial death benefit \$469,130, total death benefit at year 30: \$1 million (assuming no changes to the current Canada Life dividend scale).

**For universal life insurance policy:** male, 55 years old, non-smoker, standard risk, and female, age 55, non-smoker, standard risk, *Millennium* universal life insurance, joint last-to-die, limited 15-pay, annual premium \$17,000 for 15 years, initial death benefit \$1 million, total death benefit at year 30: \$1 million based on a zero per cent return.

**For investment vehicles:** four per cent annual return (non-registered assets).

**For assets to be sold:** four per cent selling costs and a discount rate for present value calculations of three per cent before tax.

**All assets:** pass to the spouse on a tax-deferred basis.

**Tax:** personal marginal tax rate 45 per cent, capital gains inclusion rate 50 per cent (applied when the future tax liability is due, on the death of the surviving spouse, assuming death 30 years from now).

**Bank loan rate (annual):** 6.5 per cent, 10-year term loan.

**Note:** values illustrated will change over time, depending on interest rates and how assets are used. This document was prepared in April 2012 according to then-current laws in Canada and their interpretation, as they apply to Canadian life insurance policies and tax residents of Canada. Any insurance policy used as an example in this document is assumed to be validly in force, and its cash values within prescribed limits so as not to attract accrual tax. Life insurance examples are not complete without the Canada Life illustration, including the cover page, reduced example and product features pages all having the same date. The information presented is general in nature only. For particular circumstances, professional advice – e.g., whether of an insurance, tax, legal or accounting nature – should be obtained.



Flexibility to adapt coverage to suit your lifestyle.

### Choose the right coverage for you

Canada Life offers a broad range of products to meet your individual financial needs and desires. Products can be tailored according to your financial goals and budget by selecting different optional riders and benefits.

You have the flexibility to adapt coverage to suit your particular situation.

In this example, both participating life insurance and universal life insurance are suitable options to cover the future tax liability.

Canada Life participating life insurance	Canada Life universal life insurance
<b>Growth opportunities</b>	
<ul style="list-style-type: none"> <li>• Provides tax-advantaged growth within the policy</li> <li>• Accumulated values not exposed to downside market risk</li> <li>• Guaranteed cash value that increases over time</li> <li>• Assets in participating account are:               <ul style="list-style-type: none"> <li>◦ Professionally managed</li> <li>◦ Broadly diversified</li> <li>◦ Generally managed as a fixed-income account</li> <li>◦ Managed to reduce volatility</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Opportunity for tax-advantaged growth within the policy</li> <li>• Option for guaranteed cash value that won't decrease</li> <li>• You manage investment options and can choose to increase exposure to equities for upside capture</li> <li>• You select from wide variety of options</li> </ul>
<b>Cost and coverage</b>	
<ul style="list-style-type: none"> <li>• Life insurance benefit passes tax free to your named beneficiaries</li> <li>• Fixed premiums</li> <li>• Flexible payment options</li> </ul>	<ul style="list-style-type: none"> <li>• Life insurance benefit passes tax free to your named beneficiaries</li> <li>• Adjustable premiums</li> </ul>
<b>Lifetime protection</b>	
<ul style="list-style-type: none"> <li>• Guaranteed basic death benefit that may grow over time to keep pace with your tax liability</li> <li>• Guaranteed cost of insurance</li> </ul>	

Pre-planning helps protect your legacy so you can leave more of your estate intact for your heirs. Speak with your advisor to determine which coverage best suits your needs and particular situation.



When planning for final expenses, a will is likely top-of-mind. That's a great place to start. However, your will takes care of questions about who gets what – it doesn't consider what expenses may arise when you leave your estate to loved ones.





Founded in 1847, Canada Life was Canada's first domestic life insurance company. In Canada, Canada Life offers a broad range of insurance and wealth management products and services for individuals, families and business owners from coast to coast. Canada Life is a subsidiary of The Great-West Life Assurance Company and a member of the Power Financial Corporation group of companies. Visit our website at [www.canadalife.com](http://www.canadalife.com).

In Quebec, advisor refers to a financial security advisor for individual insurance and segregated fund policies; and to an advisor in group insurance/annuity plans for group products.

A decorative graphic consisting of a grid of colored squares. The top-left square is grey. The middle row has a white square on the left, a blue square in the middle, and a grey square on the right. The bottom-left square is grey. The rest of the grid is white.

Helping people achieve more™