

# STEPUP

Sales Tax Estate Planning Underwriting & Product Newsletter

## 7th in a series

What else should investors consider with guaranteed withdrawal benefit plans? Where can someone get additional information related to retirement income planning?

## Many Protective Features, Benefits & Advantages

What a guaranteed minimum withdrawal benefit plan tries to achieve is to create a guaranteed lifetime income stream that is protected from poor market performance early-on in retirement. In other words, it is one tool that may help deal with sequence of return risk. A guaranteed minimum withdrawal benefit can be viewed as an umbrella that is placed on top of a portfolio of securities or funds offered by the insurance company. It also provides protection against longevity risk as the income is guaranteed for the lifetime of the contract, regardless of how markets perform over the investor's lifetime, as long as they do not withdraw more than a specified amount from this underlying portfolio in any given year.

In the past, we have seen many different variations of this product. Some promise to increase payments over time if the market performs well enough. Others add a bonus or extra return to the underlying investments if investors do not withdraw any funds from their portfolios for a period of time. Please see the Empire Life website for information on Empire Life's most current version, Class Plus 3.0

A guaranteed minimum withdrawal benefit plan has many protective features that work jointly to help secure a customer's retirement nest egg from the risks of inflation, volatile markets and outliving savings. The Income Base Bonus and automatic triennial resets may protect against a rising cost of living. The Lifetime Withdrawal Amount may reduce the risk of someone outliving their savings. Guaranteed Minimum Withdrawal Benefit plans are not mutually exclusive of other retirement income solutions such as systematic withdrawal plans from a mutual funds and/or traditional segregated funds or combination solutions like insured annuities or annuities coupled with growth investments. Once you recognize that retirement is a series of phases with fixed and variable income needs, you can better package an overall solution that uses a number of products, each with specific purposes.



**Peter A. Wouters,**  
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Peter works with independent advisors and other professionals raising awareness on issues and concerns faced by affluent individuals, professionals and business owners. He supports efforts in researching and developing optimal solutions for clients aimed at improving their financial well-being and supporting their personal wishes and lifestyles. He has provided 1000s of workshops, seminars and technical support throughout the country on tax, retirement income and estate planning issues, concepts and strategies to both advisors and consumers. As an accredited Registered Financial Gerontologist, a good deal of his time is spent on building awareness and educating people of all professions who work with or specialize in the needs, expectations and issues of elders. Comprehensive lifestyle planning is an important element of these processes.

The Sales, Tax, Estate Planning, Underwriting & Product (STEPUP) team provides internal and broker support, including seminars, education, advanced concept illustrations & Client case technical consultations.

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## In summary

The value proposition of this product is that it provides downside protection to investors in the retirement risk zone through a number of contractual guarantees. It's well suited for those who don't want the responsibility of manufacturing the same packages themselves and so leave it to an insurance company.

As noted in the 2006 paper, *Asset Allocation and the Transition to Income: The Importance of Product Allocation in the Retirement Risk Zone*

(By: Moshe A. Milevsky<sup>1</sup> and Thomas S. Salisbury - September 27, 2006)

"We believe that product allocation - namely buying instruments that can protect a portfolio against negative adverse returns early in retirement - will become as important as asset allocation within the financial services industry over the next few years." The past decade or more has demonstrated that to be the case.

Investors remove certain risks and receive downside protection by repositioning part of their money in products like guaranteed minimum withdrawal benefit plans. A severe market downturn takes on added significance around retirement. Losing value in investments near retirement can be devastating and income could suffer throughout the retirement years. Guaranteed Minimum Withdrawal Benefit Plans are one way of safeguarding investors against market declines, sequence of return risks and outliving your money. Please reach out and learn more about Empire Life's most recent version, Class Plus 3.0.

**Peter Wouters**

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### **Related articles and resources**

[GWB Order to Disorder series 1 of 7: The Risk of Longevity](#)

[GWB Order to Disorder series 2 of 7: Rate of Return and Impact on Accumulation vs. Withdrawal periods](#)

[GWB Order to Disorder series 3 of 7: When did you get on the rate of return cycle](#)

[GWB Order to Disorder series 4 of 7: What is a Guaranteed Withdrawal Minimum Benefit \(GMWB\)?](#)

[GWB Order to Disorder series 5 of 7: Investor behaviour](#)

[GWB Order to Disorder series 6 of 7: Calculating guaranteed retirement income](#)

### **Other relevant articles**

[Why invest in segregated funds during a down market](#)

[Advantages of non-registered insurance based investments](#)

[Prescribed annuities](#)

[RRIF balance to "spouse" on death of owner](#)

[Owners, annuitants and beneficiaries](#)

[Seniors making the most of your government benefits](#)

[The push and pull\(back\) of guaranteed lifetime income](#)

[Starting Canada/Quebec Pension Plan income](#)

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A description of the key features of the individual variable insurance contract is contained in the Information Folder for the product being considered.

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