



Can life insurance be equivalent to a pre-tax return of 8%¹ on a non-registered investment?

Have you considered life insurance as an asset class?

Take a look at the case of a healthy retired couple, both aged 65

Maurice and Lan, both healthy 65-year old non-smokers, are looking for lower risk investment opportunities for \$500,000 in non-registered savings. They foresee no need for the cash during their lifetimes and want to enhance their legacies for their children and grandchildren using funds currently held in GICs and bond portfolios.

Instead of investing \$50,000 per year for 10 years in a low risk fixed-income investment for the purpose of leaving a legacy for their loved ones, they could use the funds as annual premiums for a Joint Last to Die Optimax Wealth[®] with 10-Pay and Enhanced Coverage dividend option.

An alternative strategy using life insurance



For the case of Maurice and Lan

- Empire Life Optimax Wealth[®] permanent participating life insurance
- 10-Pay option
- Enhanced Coverage (with Lifetime Guaranteed) dividend option
- Joint Last-to-Die (with legacy going to named children/grandchildren as beneficiaries)

Annual premium: **\$50,000 (guaranteed and payable for 10 years)**

Total coverage amount: **\$997,956 (\$744,744 base coverage + \$ 253,212 Enhanced coverage)**

Competitive IRR for the life insurance death benefit

For Maurice and Lan's Optimax Wealth policy

Assuming conditions for lifetime guarantee are met				
Last Life Insured Dies at end of:	Death Benefit current dividend scale for all years ²	IRR of Death Benefit	Death Benefit current dividend scale minus 1% for all years ²	IRR of Death Benefit
Policy year 10	\$997,956	12.27%	\$997,956	12.27%
Policy year 20	\$1,002,608	4.54%	\$997,956	4.51%
Policy year 30	\$1,316,010	3.84%	\$997,956	2.74%

Tax-equivalent IRR ('Tax Eq IRR')



Don't forget, life insurance death benefits are not subject to income taxes.

It is important to compare the life insurance death benefit IRR values to alternate investment opportunities on a tax-equivalent basis.

Assuming Maurice and Lan's marginal tax rate on income realized with the fixed income investment opportunity would be 45%.

Assuming conditions for lifetime guarantee are met						
Last Life Insured Dies at end of:	Guaranteed Death Benefit	IRR of Death Benefit	Tax Eq IRR ¹ on Death Benefit	Death Benefit ² - Current dividend scale	IRR of Death Benefit	Tax Eq IRR ¹ on Death Benefit
Policy Year 10	\$997,956	12.27%	22.31%	\$997,956	12.27%	22.31%
Policy Year 20	\$997,956	4.51%	8.20%	\$1,002,608	4.54%	8.25%
Policy year 30	\$997,956	2.74%	4.98%	\$1,316,010	3.84%	6.98%

Can the tax-equivalent IRR of 8% be achieved with life insurance?



For Maurice and Lan

If the last life insured dies in year 20, after having paid the 10 annual premiums of \$50,000 as required and meeting all conditions for the Lifetime Guarantee*, their beneficiaries would receive the guaranteed death benefit of \$997,956.

If they make the same deposits over 10 years into a low risk fixed-income investment, and the investment is left as a legacy when the last life insured dies in year 20, their investment would have had to generate an **8.2%** rate of return on a pre-tax basis to achieve the same amount as the life insurance provides!

* The conditions for the Lifetime Guarantee are: 1) the coverage remains in force; 2) the dividend option does not change; 3) the owner has not taken any policy loans or surrendered any or all of the Paid-Up Additions for cash or to pay premiums; 4) the PAR coverage amount has not changed; 5) the conversion option for the Enhanced coverage amount has not been exercised; and 6) the dividend option of the policy has not been changed to the paid-up addition option.

Comparing participating life insurance to other low risk fixed-income investments

For Maurice and Lan who purchase a Joint Last to Die Optimax Wealth policy as indicated in the use case:

TaxEq IRR¹ on Guaranteed Death Benefit*	VS	10-year Guaranteed Investment Certificate (GIC) Term Rate ³ – Company A is:	10-year Guaranteed Investment Certificate (GIC) Term Rate ³ – Company B is:
8.20%		4.00%	3.75%

*Assumes last life insured dies at end of year 20 and conditions for lifetime guarantee are met.

Empire Life participating life insurance with great Guaranteed Cash Values

Our permanent participating life insurance policies also offer competitive guaranteed cash values in case funds are needed urgently. For Maurice and Lan's Joint Last to Die Optimax Wealth plan with Enhanced Coverage dividend option:

End of Policy Year	Total Cash Surrender Values – Current Dividend Scale	Total Cash Surrender Values – Current Dividend Scale minus 1%	Guaranteed Cash Value
Year 1	\$20,101	\$19,907	\$19,624
Year 10	\$445,168	\$422,975	\$404,776 Guaranteed cash value equals 81% of premiums paid in 10 years
Year 19	\$685,844	\$585,852	\$509,450 Clients will "breakeven" in 19 years , i.e. Guaranteed cash value equals total premiums paid
Year 20	\$718,940	\$605,188	\$520,241
Year 30	\$1,116,498	\$824,298	\$614,235



An alternative to fixed-income investments

Do you have clients who have non-registered funds and:

- are uncertain or uneasy about investing in a volatile stock market
- want to enhance the legacies they plan to leave to their loved ones using their non-registered funds which otherwise would be invested in a low risk fixed-income investment
- want an easy-to-manage asset that can avoid probate

Consider introducing life insurance as an alternative financial strategy.

> Want to talk through this and other strategies using permanent participating whole life insurance solutions? Contact your Account Executive or call our sales center at 1 866 894-6182.

¹ Based on tax equivalent Internal Rate of Return of the Death Benefit at end of policy years indicated for Empire Life Optimax Wealth 10-Pay Joint Last to Die policy with Enhanced Coverage dividend option for total coverage amount of \$997,956 (base amount + Enhanced Coverage amount) issued on March 1, 2023, for healthy, non-smoking male and female life insureds, both aged 65 at issue, who both pass away by end of policy year indicated. The tax equivalent Internal Rate of Return of the Death Benefit is calculated assuming the fixed income investment amount at the end of the year indicated would be taxed at a marginal tax rate of 45%.

² Death benefits and total cash surrender values shown are as of as of March 1, 2023 based on the life insured and product indicated for the use case. They assume premiums are paid in full when due, no changes are made to the policy and, for all years, annual dividends are calculated using the current dividend scale or a reduction of 1% applied to the interest rate factor used in determining current dividend scale. Annual dividends are not guaranteed. The two scenarios are used to demonstrate how fluctuations in dividend performance can impact the overall performance of the life insurance coverage and values in the plan. Actual results may be more or less favourable than those shown.

³ The 2 top (highest) 10-year non-redeemable GIC rates published on <https://www.ratehub.ca/gics/gic-rates/non-registered/10-year?forceClassic=true&city=4190> @February 16, 2023. Company A is Bank of Montreal - rate is for non-registered funds with minimum investment of \$1,000. Company B is Equitable Bank - rate is for non-registered funds with minimum investment of \$100.

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