



# Insured Annuity

For you and for them to provide a guaranteed series of payments for your retired years, while ensuring tax-free capital for your heirs.

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An insured annuity strategy is intended to generate additional retirement income on a tax favoured basis, providing an attractive alternative to long-term low, fixed-income investments, where preservation of capital is a key concern. It provides a tax-efficient, lifetime income and preserves the original capital for the estate. A specially designed, prescribed annuity provides the income and a life insurance policy preserves the capital, providing a tax-free payout when the individual dies, hence the term "insured annuity."



## How does it work?

Two approaches to the strategy are available. In a traditional insured annuity, capital is used to buy an annuity; part of the annuity income is used to pay for life insurance. The balance provides spendable income. Alternatively, the insurance can be pre-paid with some of the available capital, leaving the balance to fund a lifetime income. A further option exists where cash value life insurance is used which can be paid up for a smaller sum insured down the road. This frees up the entire income stream to supplement cash flow in later years.

**An insured annuity is a strategy that generates additional retirement income on a tax favoured basis, providing an attractive alternative to low yielding, long-term, fixed-income investments.**

With conventional interest-bearing investments, all income is taxable. The prescribed annuity provides payments where part of the income is interest and part of it is a return of the capital invested. Only the interest portion of payments is reportable for income tax purposes and it is the same amount each year, hence the term, prescribed.

The strategy can be customized to address the particular needs of the investor.



## What are the benefits?

**The result can be a larger, guaranteed, lifetime flow of income while preserving the original capital for estate transfer.**

This strategy is virtually maintenance-free, making this very attractive to those unable or uninterested in actively managing their entire asset portfolio. People acting under a Power of Attorney for Property or Protection Mandate may also appreciate the hands-free maintenance of this strategy.

The strategy provides a personalized pension using non-registered assets.

The income stream is guaranteed for the life of the individual and can be continued at the same level for the life of the spouse.

Income payments can be guaranteed for a minimum period no matter when death occurs.

The entire program may be creditor-protected; to preserve personal lifestyle needs from business problems or unforeseen personal ones.

The capital is preserved for heirs and favourite causes.

**With a named beneficiary, the capital passes directly to heirs or charities without probate or transfer costs.**

The strategy may provide more income and generates less tax than conventional interest-income investments.

Income is automatically eligible for the pension income amount tax credit for individuals age 65+, making this an attractive program for them.



## Limitations

The guaranteed income flow cannot be changed or cancelled. This may be an advantage or disadvantage, depending upon market conditions and individual circumstances.



## Who is it for?

This strategy is generally considered more appropriate for the mature market in higher tax brackets where people are concerned about fluctuating interest rates, ongoing management and investment decisions. These individuals wish to increase their guaranteed income without increasing their investment risk, while preserving their capital for their estate.

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