



# ANNUITY-FUNDED LIFE INSURANCE STRATEGY

Clients may save **20% or more\*** when pre-funding life insurance premiums with an annuity.

# Annuity-Funded Life Insurance Strategy

Introducing a strategy for clients looking to pre-fund future life insurance premiums with one payment. By using an Empire Life term certain annuity to pre-pay life insurance premiums, clients can save money and time, and enjoy peace-of-mind in the process.

## How this works

For clients applying for a life insurance policy from Empire Life who want to pre-fund future premiums using an Empire Life term certain annuity, follow these easy steps:



**1. Purchase an Empire Life insurance policy.** Apply for a life insurance policy and indicate that payments will be made via a term certain annuity (no bank account information necessary).



**2. Purchase an Empire Life term certain annuity.** Once the life insurance policy is issued, apply for a term certain annuity after confirming the deposit amount required to pay the insurance premiums for desired length of time.



**3. Confirm payment details.** The client needs to indicate "Empire Life" as the payee of the annuity income and reference the insurance policy number(s) on their annuity application.

## Client Benefits

- Hassle-free payments
- May save **20% or more\*** compared to making regular monthly or annual payments
- Guaranteed annuity income pays insurance premiums for the life of the annuity
- Growth of policy values (if any) the same as traditional funding

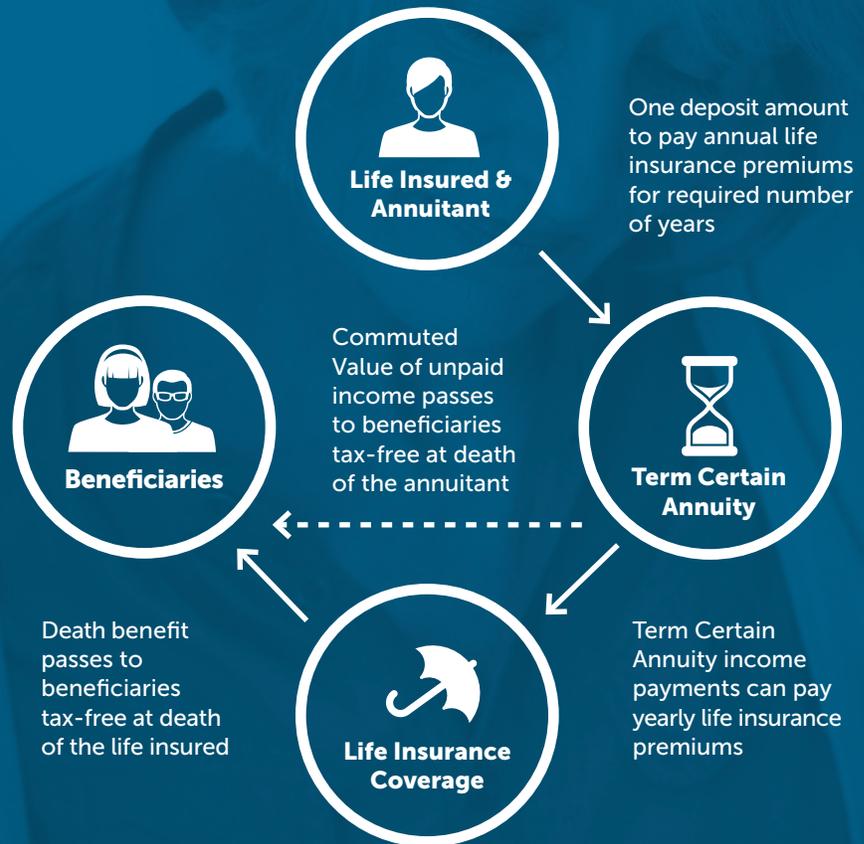
## Advisor Benefits

- Commission payable on both products
- Can avoid lapse situations due to non-payment of premiums for the guaranteed annuity period
- Great planning strategy for clients with surplus cash
- Opens market opportunities for most ages

## Pay Once and Pay Less!

Simple and easy way to pre-fund future life insurance premiums for a set period of time.

Perfect for clients who are starting their estate plan, want to provide a gift for loved ones, or fund future payments on their existing life insurance.



## When this strategy works well

While other scenarios are possible, using a term certain annuity to pre-fund the premiums for a life insurance policy should work well if:

- **The life insured is also the annuitant.** This helps ensure the annuity income is available to pay all life insurance premiums until the life insured/annuitant dies.
- **Both plans have the same pay period.** Choose a limited pay life insurance policy (eg. 20 years) where the pay period on the life insurance policy matches the guaranteed period on the term certain annuity.
- **Both plans are setup on an annual pay basis.** This makes determining the amount of the annuity deposit easier and provides additional savings on the insurance premiums.
- **There is only one annuity per life insurance policy.** This provides better control where funds are directed from the annuity to the life insurance contract should the annuitant die. *Funding multiple life insurance policies may be permitted under certain circumstances.*
- **Annuity income matches the life insurance premium exactly.** This can help avoid the need to use additional funds to pay life insurance premiums.
- **Contingent Owner of the life insurance policy and the Beneficiary of the annuity is the same person.** Recommended if the Life Insured is someone other than the Annuitant. This can help ensure future funding for life insurance premiums if the annuitant dies during the annuity guaranteed period.



See back for other important information



## Other important information

- **Annuitant age and deposit limits.** The annuitant can be any age between 18 and 70. The current annuity deposit limits are between \$7,500 and \$1,000,000.
- **First payment.** Make sure the first annuity payment occurs within 30 days from date of issue of the life insurance policy to ensure life insurance premiums are paid on time. If there are multiple life policies involved, all must be issued within 30 days of each other as only one payment per annuity will be made.
- **Taxes on income.** A portion of the income from the term certain annuity is taxable. Using a prescribed annuity can lessen how much income is taxable up front. Empire Life will provide a tax slip to the policy owner each year.
- **Continuation of funding.** If the life insured is someone other than the annuitant, it is important to remember that if the annuitant dies before all life insurance premiums are paid, alternative funding arrangements are needed to pay the remaining insurance premiums.
- **Children's policies.** If pre-funding multiple children's life insurance policies, a separate annuity should be setup for each child when possible and a contingent owner should be named for the insurance policy. However, one annuity used to fund multiple life insurance policies is possible as long as the annuitant/owner understands the risks should they die before all insurance premiums are paid.
- **Changes to life insurance policy.** If changes occur within the life insurance policy that result in an increase to the overall policy premiums, the policy owner will have to pay the difference in premium amount if the annuity income is not sufficient.
- **Annuity contract can't be changed or cancelled.** Once the Term Certain Annuity is purchased, it cannot be changed or cancelled. If annuity income is no longer required to pay the life insurance premiums (eg. client elects early coverage termination or reduced paid-up coverage), the owner decides who receives future annuity income.
- **Other payment options.** While this concept works best when used to pay all premiums on a limited pay product, the client could elect alternative payment options.

*\*Potential savings shown assumes 20 years of payments, based on current Empire Life annuity rates and insurance premiums. Actual pre-tax savings will depend on the annuity rates and insurance premiums available at time of submission and on the payment period, and may be more or less than those shown.*

The information in this document is for general information purposes only. It is not intended as financial, tax or investment advice. Advisors must determine whether this concept is suitable for any particular client based on the client's specific circumstances and needs.

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