Ownership Options for Juvenile Life Insurance Policies

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Important Considerations

- This material is for information purposes only and should not be construed as legal or tax advice. Every effort has been made to ensure its accuracy, but errors and omissions are possible.
- All comments related to taxation are general in nature and are based on current Canadian and U.S. tax legislation for Canadian residents, which is subject to change.
- For individual circumstances, consult with legal or tax professionals.

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Agenda

- Why buy life insurance for children?
- Underwriting considerations & tax rules
- Personal ownership
- Trust ownership
- Corporate ownership
- New “Cascading” illustration tool & marketing pieces

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Why Buy Life Insurance on a Child?

- Premiums are cheaper than for adults
- Locks in insurability
- Savings plan for child's future benefit
- Avoid probate fees (DB bypasses estate)
- Tax efficient transfer of wealth from one generation to the next
  - Tax-advantaged financial product
  - Intergenerational tax rollover rules

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Limitations of the Strategy

- Exempt test policy limits amount of accumulated cash value
- Strategy should be considered for long term outlook of a child of a high net worth family

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Tax Rules – Intergeneration Tax-Free Transfers

Tax rules allow a tax-free transfer of an interest in a policy to a child under certain conditions:

- Life insured must be a child/grandchild of the policy owner
- Transfer is made to a child of the policyholder (does not have to be the child whose life is insured)
- Interest in the policy must be transferred for <u>no</u> consideration
- Transfer can not be made under the terms of a will of the parent/grandparent (will give rise to a taxable disposition)
- Transfer must be inter-vivos or by successor owner designation
- Proceeds of disposition is ACB to transferor
- Cost is ACB to transferee

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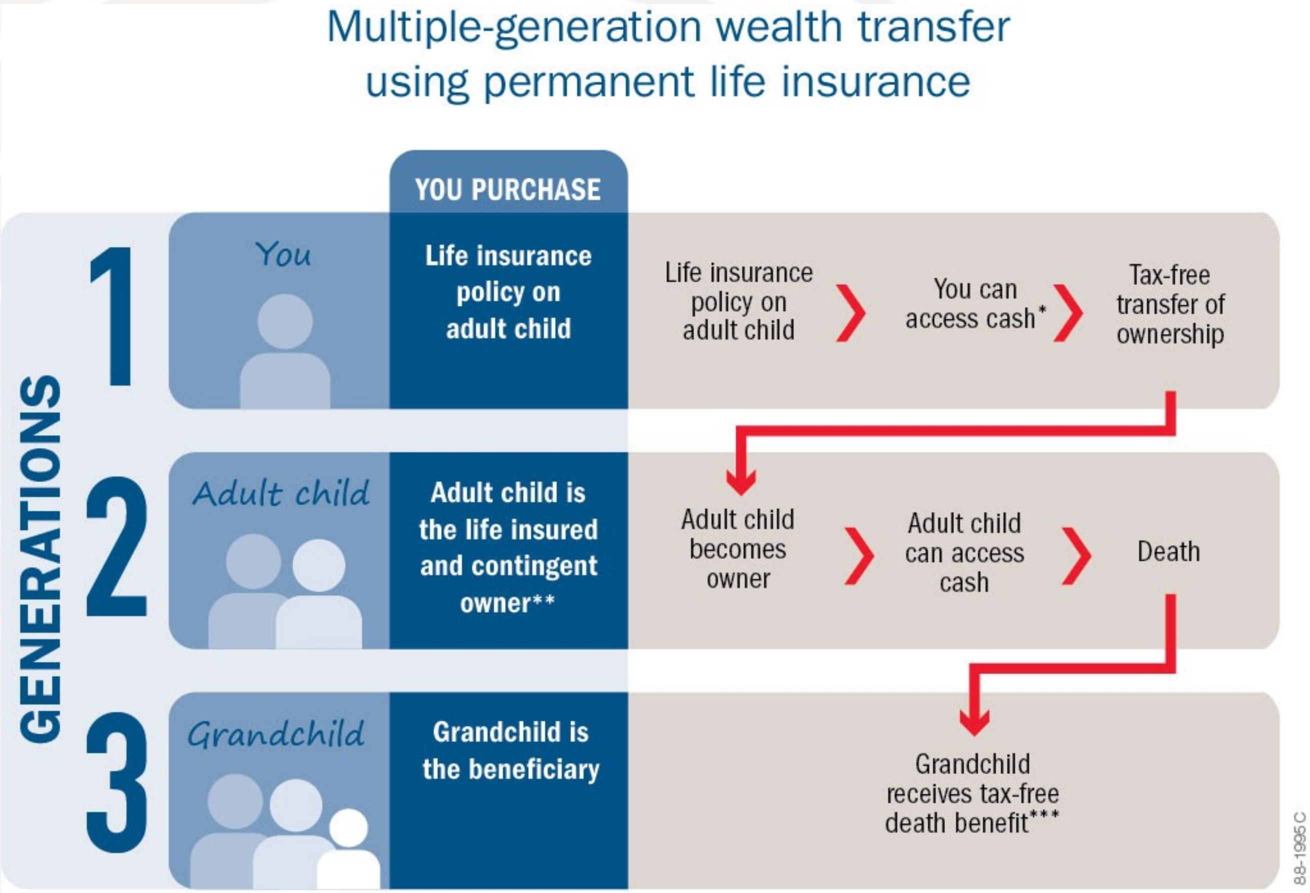
How It Works



* Accessing cash may result in taxable income and may reduce the death benefit.

** It is important that a client name his or her adult child as the contingent owner of the policy because if the client dies without doing so and the insured child is still alive, the policy will become a part of the client's estate and it will be subject to tax and, where applicable, probate fees.

*** It is assumed the client has named his or her grandchild as the beneficiary, and the designation remains unchanged at the time of the life insured's death (on becoming owner, the insured child could change any revocable designation).

Statements regarding tax are based on current Canadian tax law, for Canadian residents, and that both the law and its interpretation are subject to change.

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Our Product Selection

- Permanent life insurance policies only available
  - UL: AI, 10 pay, 15 pay, 20 pay COI
  - Participating whole life (most popular) with ADO

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Underwriting Considerations

- Applicants/future owners must be parents, grandparents or legal guardians
- All siblings should be insured for similar amounts of coverage or premiums – cultural particularities are recognized
- Face amount ≤**$250,000**, NO need to review parents' insurance coverage
- Face amount >**$250,000,** generally one parent should have at least twice the amount of insurance in force as applied for on the child; **OR**
- It is acceptable if the parents have the same amount of coverage as the child and the premium amount is substantially higher on the parent's policy
- Coverage up to $1.5M as long as at least one parent has at least 2x as much coverage as the child.

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Personal Ownership

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Personal Ownership

- Simple
- Personal after-tax dollars pay premiums
- Creditor protection is available
  - An irrevocable beneficiary designation is made; or
  - A specified family member of the life insured is named as beneficiary (spouse, child, grandchild or parent)
- Life insurance intergeneration tax rollover available (unique to life insurance!!!)
- After transfer control may be maintained through an irrevocable beneficiary designation of portion of death benefit

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Personal Ownership

Intergenerational tax rollover (cascading strategy):

1. Policy transferred to transferor's "child"

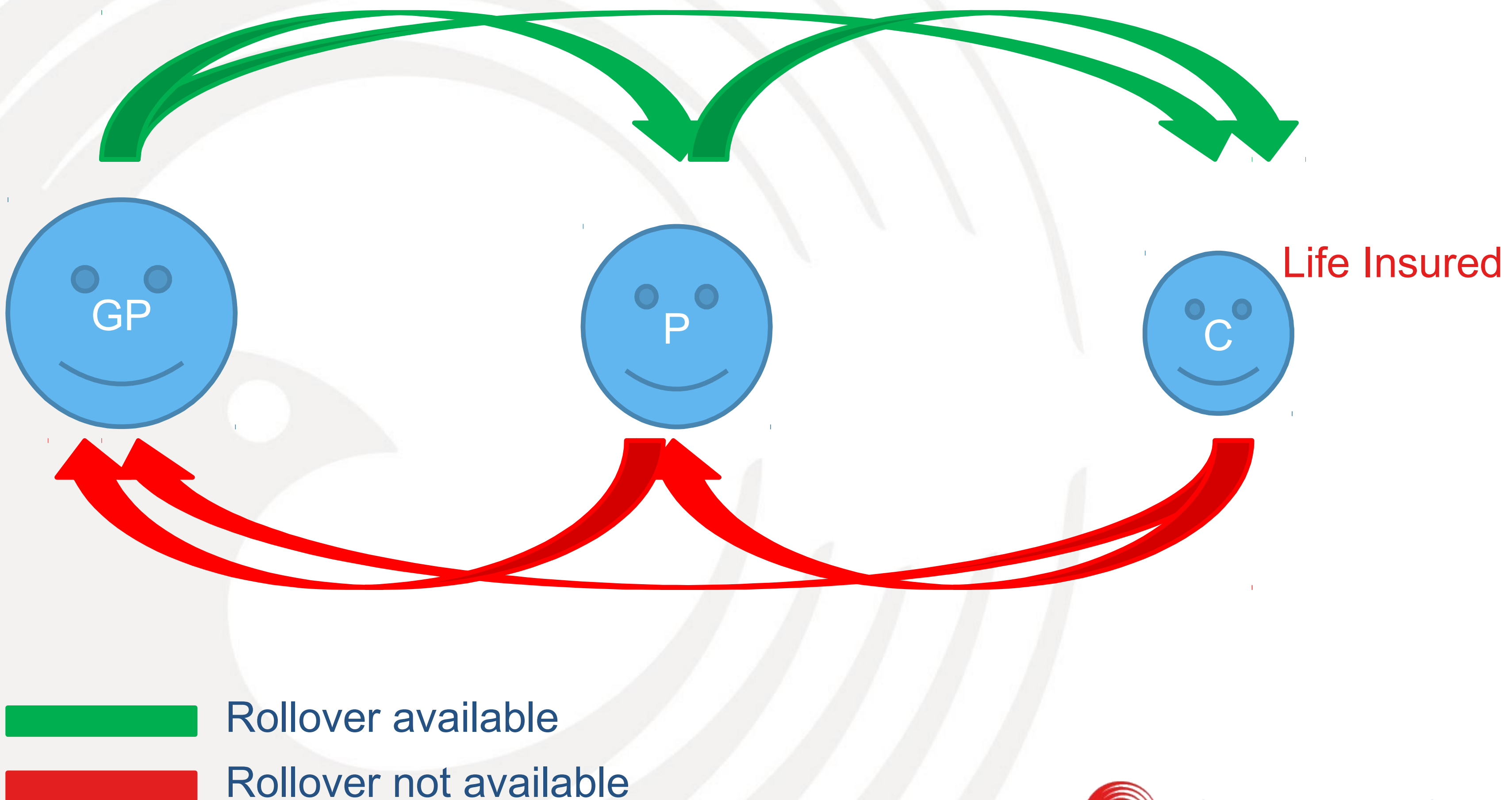
   and

2. Child of either transferor or transferee is the life insured

"Child" includes grandchild

Personal Ownership

Cascading



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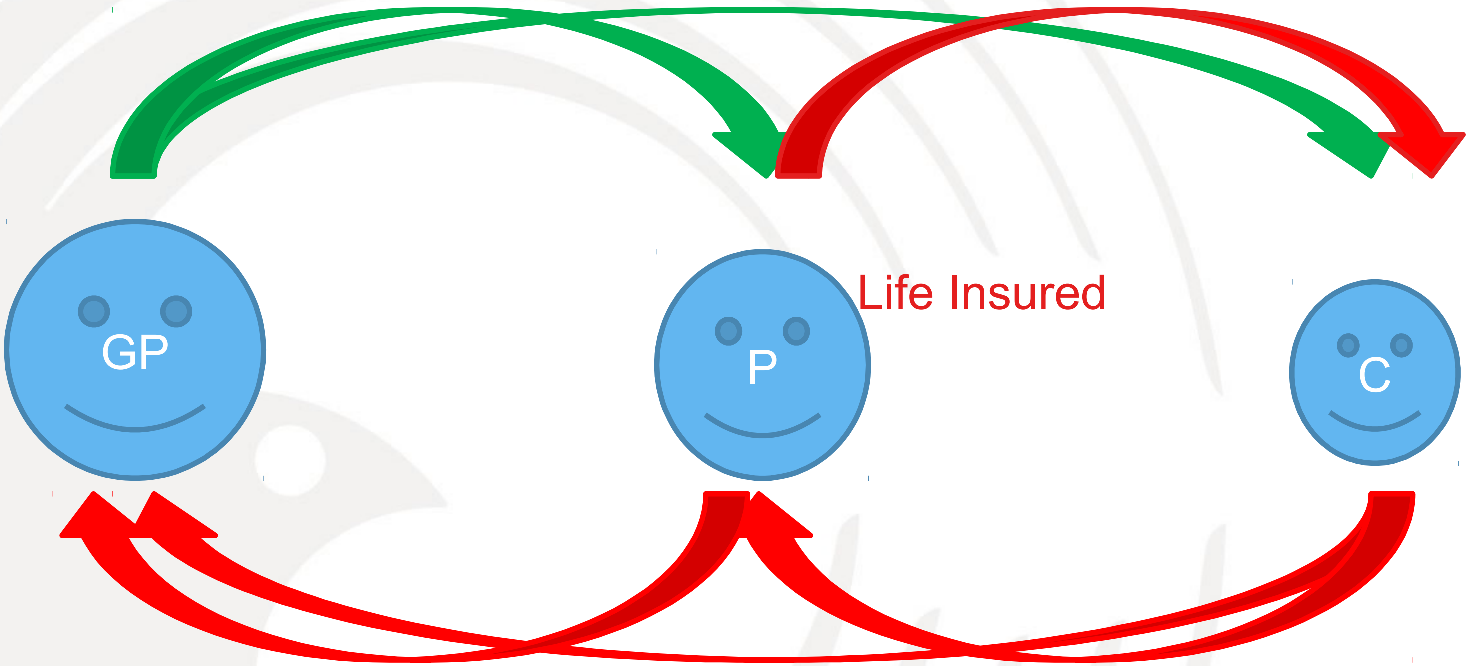
Personal Ownership

Cascading



Rollover available

Rollover not available

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Personal Ownership

Considerations with Cascading Strategy

- Child must be only life insured under policy or last surviving
- No rollover if parent/policyowner dies and policy is transferred via will (MUST NAME CONTINGENT OWNER)
- Consider making "child" contingent owner
  - no rollover if the contingent owner was a trust for the benefit of the child

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Trust Ownership

Trust Ownership

- Parent funds a trust and the trust buys life insurance on a child
- Child is beneficiary of the trust
- Parent/grandparent is trustee
- Trust is owner, pays premium and is beneficiary of the policy

Trust Ownership

- More complicated & costly
- Separates control and beneficial interest
- As trustee, parent retains control of the policy
- Generally, high rate after-tax dollars pay premiums
- Creditor protection generally not available
- Rollover of policy to beneficiary available at 21 years deemed disposition

Trust Ownership

Trusts work well for owning life insurance policies:

- 21 year deemed disposition of capital property tax rule does not apply to a life insurance policy
- Allows to keep control of the policy for a long time
  - Great for legacies to grandchildren by purchasing life insurance on parents (i.e. the client's children)
  - If policy is purchased on child or grandchild the trust can generally "roll out" policy to a trust beneficiary
- Disabled child beneficiary (limits control)

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Corporate Ownership

Corporate Ownership

- Allure is having corporate dollars pay the insurance premium
- Issue of eventually getting the policy in the child’s hands
- Perhaps policy should remain corporately owned
- Underwriting ; insurable interest - policies on immediate family members are underwritten as if personally owned
- Creditor protection available if policy in Holdco

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Corporate Ownership

Tax Implications

- Premiums not deductible for tax purposes
- Capital dividend account available
  - Death benefit – ACB = CDA credit
- No shareholder benefit provided corporation is owner, premium payor and beneficiary
- Policy can be distributed to a shareholder as a dividend-in-kind

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Corporate Ownership

When a policy is transferred from the corporation to shareholder:

- Consider tax consequences to corporation & shareholder

Corporate Ownership

Consequences to the corporation:

- Transfer is a deemed disposition
- Proceeds = Cash Surrender Value
- Policy gain = Cash Surrender Value in excess of ACB
- Taxed as passive income at 46.17%

Corporate Ownership

Consequences to the shareholder:

- FMV of policy taxable as either
  1. *Regular income*
     - Employment income (corporation gets deduction); or
     - Shareholder benefit (no deduction)
     - New policy ACB equals policy FMV
  2. *Dividend income* (preferable)
     - Policy distributed as a dividend in kind
     - Policy's new ACB equals policy CSV
- FMV is not determined by Canada Life – recommended that the shareholder obtain an independent valuation of the policy from a third party (business valuator).

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Corporate Ownership

What is the FMV of a life insurance policy?

- paragraph 40 of CRA doc IC 89-3: factors be considered when valuing a life insurance policy include:
  - CSV
  - policy loan value
  - face value of the policy
  - state of health of the life insured and their life expectancy
  - conversion privileges
  - other policy terms and replacement value.

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Corporate Ownership

Two main methods of calculating FMV

1. The actuarial present value method
   - FMV = PV of future benefits – PV of future premiums
2. The replacement cost method
   - FMV = PV of premiums payable for a hypothetical new policy with the same features as the existing policy – PV of premiums payable for the existing policy

- See *Fair Market Value of Life Insurance Policies*, Canadian Institute of Actuaries, September 2013

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Corporate Ownership

<u>Policy details post-transfer</u>
CSV: $70,000
ACB: $70,000 CSV +30,000
FMV: $100,000

Consequences to shareholder:
$100,000 income inclusion

Shareholder

Consequences to corporation:
$NIL policy gain

<u>Policy details pre-transfer</u>
CSV: $70,000
ACB: $90,000
FMV: $100,000

Corporation

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Case Study

- William is 44 and an incorporated surgeon
- Kate is 44 and an ER physician, not incorporated
- They have 4 children:
  - M13
  - M11
  - M 8
  - F 5
- William established a trust for the children to own the non-voting shares of his PC

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Case Study

- Kate and William each have their own participating whole life insurance policies
- They would like each of their children to have his/her own par policy as well
- Willing to pay $10,000 for each child for 10 years

Case Study

- Estate Achiever Max 20, PUAs
- $10,000 annual premium x 10 years
- Maximum ADO

	Basic Coverage	ADO
M13	$471,603	$3,612
M11	$505,324	$3,487
M8	$552,383	$3,358
F5	$587,557	$3,525

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Case Study

Personally owned or corporately owned?

- Personally owned / Trust owned
  - Paid with after tax dollars
  - Tax free rollover to child
- Corporately owned
  - Paid with cheaper after-tax dollars
  - Dividend-in-kind of policy to child

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Case Study

The Plan

1. The PC is owner, premium payor and beneficiary of each policy for at least 10 years

2. Transfer policy to child as dividend-in-kind at year 10 or age 18 whichever is later

Case Study

Why incorporate? Tax efficient dollars used

- Income required to pay one $10,000 premium

	Tax Rate	Pre-Tax Income Required
PC	15.5%	$11,835
Individual	49.53%	$19,813
	Difference	$7,979
	x10	$79,790
	x4	$319,160

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Case Study

What’s the cost of transferring the policy to the children?

Depends on FMV at time of transfer

- Let’s assume:

  Policy’s FMV at year 10 = Policy CSV

Case Study: Policy FMV = CSV

	M13	M11	M8	F5
Age at Transfer	23	21	18	18
Cumulative Tax Savings	$79,790	$79,790	$79,790	$79,790
Tax Cost to PC on Transfer	$0	$0	$0	$0
Income Inclusion to Child on Transfer*	$70,090	$69,401	$68,672	$82,544
Tax Cost to Child on Transfer*	$7,079	$6,917	$6,746	$10,948
Net Cost Savings	$72,711	$72,873	$73,044	$68,842
Total Cost Savings				**$287,490**

* See "Considerations" slide

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Tax Strategy at Age 18 and Onwards

- Child can make partial surrenders to fund TFSA
- $5,500 is surrendered each year from age 19 – 23
- No policy gain, ACB > CSV
- $27,500 extracted tax-free over 5 years
- Growth in TFSA is tax-free
- Withdrawal from TFSA tax-free

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Case Study

Considerations:

- Child is new owner of policy (make parent a small % irrevocable beneficiary)
- Child has other income at the time of transfer
- Health of child at time of transfer; FMV calculation
- Changing tax rules
- Parent dies in the 10 yr funding period (name successor owner or appoint guardian of property)

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Summary

- Juvenile policies are a great way to transfer wealth over multiple generations of family
- Corporate owned juvenile policy can be a compelling option in the right circumstances
  - Lower cost premiums
  - Tax efficient transfer of wealth accumulation in a policy

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Cascading Illustration Tool

- Available on RepNet
- Helps position your case
- Customize child policy illustration vs. alternative investment
- Illustrates how much wealth you are keeping in the family
- Illustrate access to CSV for future use by parent or child
- Client brochure
- Advisor sales guide

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Questions?

Thank you!

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Cascading insurance

Transferring your wealth to multiple generations

Prepared for:	Dad
Insured:	Son
Prepared by:	Sandra Napoletano
Date:	January 12, 2015

This presentation is not complete without the accompanying illustration including the cover page, reduced example and product features pages, all having the same date.

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Cascading insurance

Assumptions

Individual information

Insured person:	Son
Age:	13
Sex:	Male
Smoking status:	Smoker
Risk class:	Standard
Owner:	Dad
Contigent owner (must be child of owner):	Son
Beneficiary:	0

Coverage information

Initial death benefit:	$474,072
Initial annual premium:	$10,000
Illustration basis:	Primary example
Year when policy is transferred to contigent owner:	18
Plan name:	Estate Achiever, max 20

Taxation

Owner's province of residence:	Ontario
Owner's marginal tax rate:	46.40%
Contigent owner's marginal tax rate:	46.40%

Investments

Annual excess cash flow:	$10,000
Year to compare with life insurance:	72

Asset class	*Investment mix*	*Growth rate*	*Owner's tax rate*	*Contingent owner's tax rate*
Interest	100.00%	3.00%	46.40%	46.40%
Taxable dividends	0.00%	3.00%	32.26%	32.26%
Realized capital gains	0.00%	6.00%	23.20%	23.20%
Unrealized capital gains	0.00%	6.00%	23.20%	23.20%

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Cascading insurance

Planning today can help your family tomorrow

Leave a lasting legacy

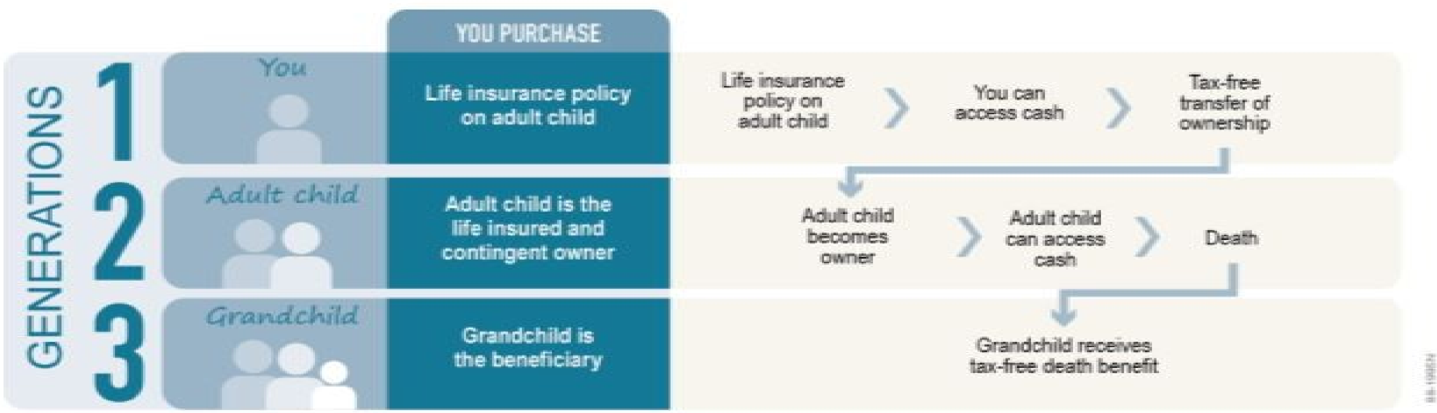
You care about your family and want to help it financially for many years to come. Using a portion of your non-registered assets to purchase a permanent life insurance policy can increase the amount of money that goes to your loved ones, and you can set your policy up in a way that can cascade your legacy to two successive generations – it could be the ideal solution.

A permanent life insurance policy makes your money go further because it offers:

- Tax-advantaged growth within the policy[1]
- Access to cash value in the policy[2]
- Ability to transfer ownership, including its cash value, to your child, on a tax-free basis[3]

The advantages of life insurance might surprise you – especially when you're thinking about transferring wealth from one generation to the next.

Multiple-generation wealth transfer using permanent life insurance



[1] Cash value growth within a tax-exempt life insurance policy is not subject to annual accrual taxation while the growth remains inside the policy.
[2] Accessing cash may result in taxable income and may reduce the death benefit.
[3] It is important you name your adult child as the contingent owner of the policy because if you die without doing so and the insured child is still alive, the policy will become a part of your estate and it will be subject to tax and, where applicable, probate fees.

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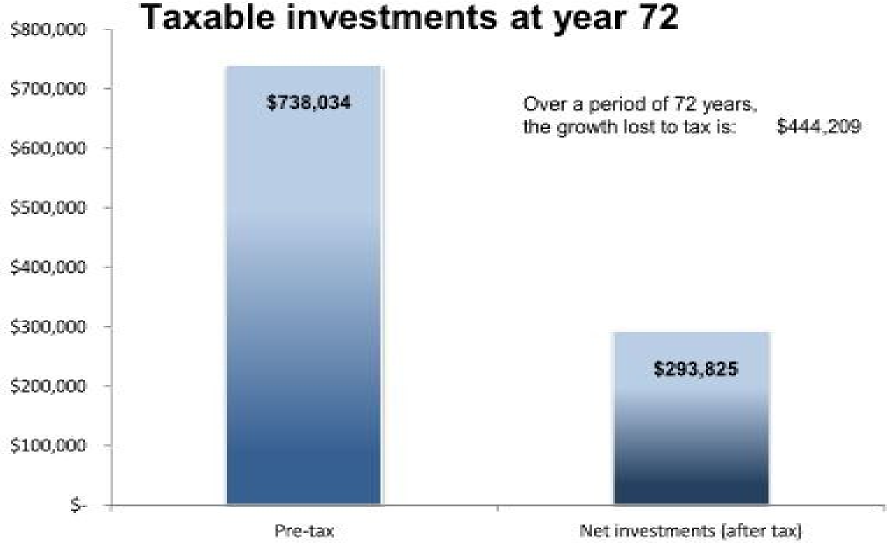
Keeping more for your family

Planning for the future using permanent life insurance can help reduce the impact of taxes – allowing you to transfer more of your wealth to multiple generations.

Unlike the growth in non-registered investments that is subject to tax annually, the cash value growth in an exempt permanent life insurance policy is not taxed while the funds remain inside the policy. Also, the death benefit is payable tax-free to the named beneficiary.

Taxable investments at year 72



Investment assumptions
Premium is invested in a fixed-income, interest-bearing portfolio based on the rate of return and the marginal tax rate assumptions.

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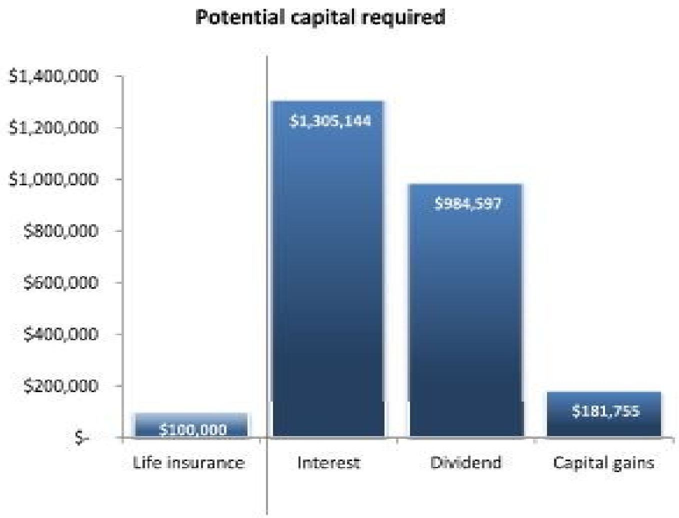
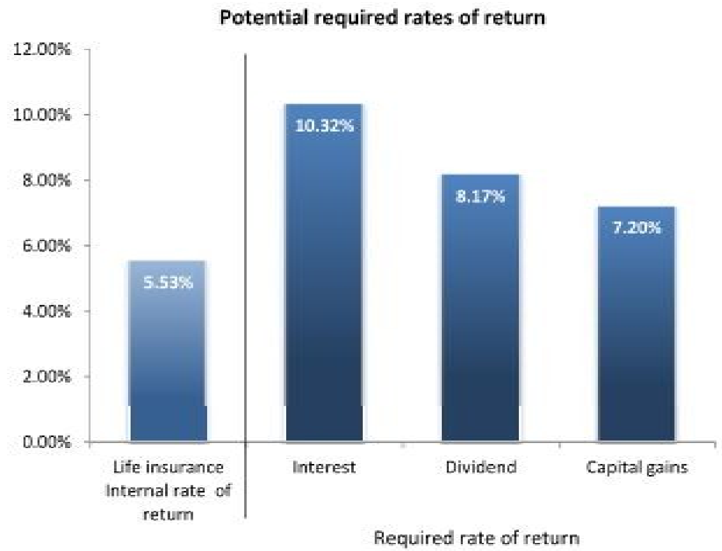
How life insurance stacks up

To produce the same intended wealth transfer that life insurance can provide, other asset classes may require more capital or higher rates of return.





Comparison year: 72

These figures are not adjusted for the time value of money. The required rate of return on investments illustrates the pre-tax rate of return required to achieve the same after-tax internal rate of return as life insurance.

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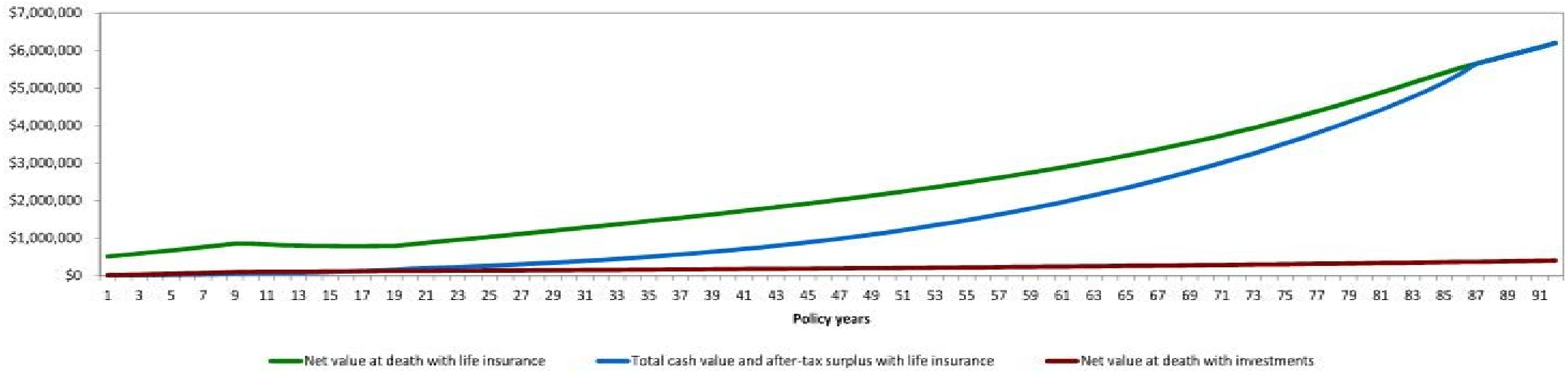
Tax-advantaged growth

These charts compare transferring wealth using life insurance with transferring wealth using investments.



	Investments			Tax-advantaged life insurance					Enhancement in net value at death	
Year	Initial capital	Annual cash flow invested	Net value at death	Initial capital	Annual cash flow used	Policy premium	Total cash value	Net value at death	$	%
1	$ -	$ 10,000	$ 10,161	$ -	$ 10,000	$ 10,000	$ 3,743	$ 513,058	$ 502,898	4949%
2		10,000	20,485		10,000	10,000	7,925	553,324	532,839	2601%
3		10,000	30,975		10,000	10,000	12,311	593,597	562,622	1816%
4		10,000	41,634		10,000	10,000	17,200	634,816	593,182	1425%
5		10,000	52,464		10,000	10,000	22,507	676,836	624,371	1190%
6		10,000	63,469		10,000	10,000	29,689	719,866	656,397	1034%
7		10,000	74,650		10,000	10,000	37,570	764,336	689,686	924%
8		10,000	86,011		10,000	10,000	47,012	810,036	724,025	842%
9		10,000	97,555		10,000	10,000	57,122	856,659	759,104	778%
10		10,000	109,285		10,000	10,000	68,846	856,509	747,224	684%
20		-	128,185		-	-	187,453	834,494	706,308	551%
30		-	150,355		-	-	370,612	1,243,573	1,093,218	727%
40		-	176,358		-	-	674,525	1,681,855	1,505,497	854%
50		-	206,859		-	-	1,156,909	2,188,724	1,981,865	958%
60		-	242,635		-	-	1,875,200	2,816,493	2,573,858	1061%
70		-	284,599		-	-	2,889,217	3,638,845	3,354,246	1179%

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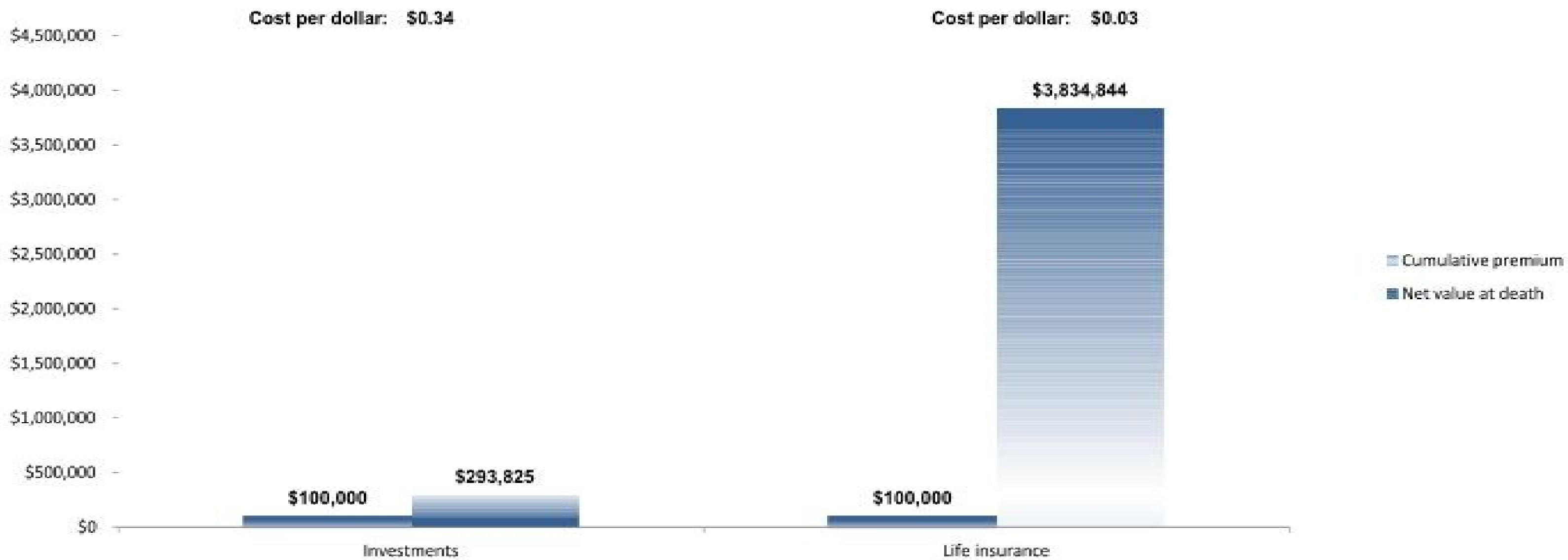
Summary of results

Based on the assumptions stated earlier, this table compares the projected results of transferring wealth using investments to transferring wealth using tax-advantaged life insurance.

Comparison year: 72



Cumulative amounts are not adjusted for the time value of money.

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Comparing the proceeds of tax-advantaged life insurance versus investments

			Investments		Tax-advantaged life insurance	
Year	Initial capital	Cash invested/ premium paid	End-of-year value of investments	Internal rate of return	Net value at death	Internal rate of return
1	$ -	$ 10,000	$ 10,161	1.61%	$ 513,058	5030.59%
2		10,000	20,485	1.61%	553,324	595.54%
3		10,000	30,975	1.61%	593,597	251.64%
4		10,000	41,634	1.61%	634,816	150.05%
5		10,000	52,464	1.61%	676,836	104.25%
6		10,000	63,469	1.61%	719,866	78.86%
7		10,000	74,650	1.61%	764,336	62.97%
8		10,000	86,011	1.61%	810,036	52.19%
9		10,000	97,555	1.61%	856,659	44.43%
10		10,000	109,285	1.61%	856,509	37.65%
11		-	111,042	1.61%	834,312	32.27%
12		-	112,827	1.61%	816,614	28.12%
13		-	114,642	1.61%	803,623	24.88%
14		-	116,485	1.61%	795,125	22.29%
15		-	118,358	1.61%	790,229	20.19%
16		-	120,261	1.61%	788,151	18.47%
17		-	122,195	1.61%	788,190	17.02%
18		-	124,160	1.61%	790,301	15.80%
19		-	126,157	1.61%	794,592	14.76%
20		-	128,185	1.61%	834,494	14.14%
21		-	130,246	1.61%	874,996	13.59%
22		-	132,341	1.61%	915,595	13.09%
23		-	134,469	1.61%	956,222	12.63%
24		-	136,631	1.61%	996,939	12.20%
25		-	138,828	1.61%	1,037,667	11.81%
26		-	141,060	1.61%	1,078,475	11.45%
27		-	143,329	1.61%	1,119,361	11.11%
28		-	145,633	1.61%	1,160,565	10.79%
29		-	147,975	1.61%	1,201,999	10.50%
30		-	150,355	1.61%	1,243,573	10.22%
31		-	152,772	1.61%	1,285,518	9.96%
32		-	155,229	1.61%	1,327,764	9.72%
33		-	157,725	1.61%	1,370,366	9.49%
34		-	160,261	1.61%	1,413,303	9.27%
35		-	162,838	1.61%	1,456,781	9.07%

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Cascading insurance

Comparing the proceeds of tax-advantaged life insurance versus investments

Year	Initial capital	Cash invested/ premium paid	Investments: End-of-year value of investments	Investments: Internal rate of return	Tax-advantaged life insurance: Net value at death	Tax-advantaged life insurance: Internal rate of return
36	$ -	$ -	$ 165,457	1.61%	$ 1,500,742	8.88%
37		-	168,117	1.61%	1,545,103	8.69%
38		-	170,821	1.61%	1,590,084	8.52%
39		-	173,567	1.61%	1,635,648	8.35%
40		-	176,358	1.61%	1,681,855	8.20%
41		-	179,194	1.61%	1,728,781	8.05%
42		-	182,076	1.61%	1,776,392	7.91%
43		-	185,003	1.61%	1,824,749	7.77%
44		-	187,978	1.61%	1,873,908	7.64%
45		-	191,001	1.61%	1,923,970	7.52%
46		-	194,072	1.61%	1,974,865	7.40%
47		-	197,193	1.61%	2,026,706	7.29%
48		-	200,364	1.61%	2,079,645	7.18%
49		-	203,586	1.61%	2,133,677	7.07%
50		-	206,859	1.61%	2,188,724	6.97%
51		-	210,186	1.61%	2,245,010	6.88%
52		-	213,565	1.61%	2,302,608	6.79%
53		-	216,999	1.61%	2,361,481	6.70%
54		-	220,489	1.61%	2,421,786	6.61%
55		-	224,034	1.61%	2,483,520	6.53%
56		-	227,637	1.61%	2,546,722	6.45%
57		-	231,297	1.61%	2,611,586	6.38%
58		-	235,016	1.61%	2,678,114	6.31%
59		-	238,795	1.61%	2,746,352	6.24%
60		-	242,635	1.61%	2,816,493	6.17%
61		-	246,537	1.61%	2,888,588	6.11%
62		-	250,501	1.61%	2,962,616	6.04%
63		-	254,529	1.61%	3,038,731	5.98%
64		-	258,622	1.61%	3,117,033	5.93%
65		-	262,781	1.61%	3,197,724	5.87%
66		-	267,006	1.61%	3,280,752	5.82%
67		-	271,300	1.61%	3,366,300	5.77%
68		-	275,662	1.61%	3,454,430	5.72%
69		-	280,095	1.61%	3,545,218	5.67%
70		-	284,599	1.61%	3,638,845	5.62%

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Cascading insurance

Comparing the proceeds of tax-advantaged life insurance versus investments

			Investments		Tax-advantaged life insurance	
Year	Initial capital	Cash invested/ premium paid	End-of-year value of investments	Internal rate of return	Net value at death	Internal rate of return
71	$ -	$ -	$ 289,175	1.61%	$ 3,735,361	5.58%
72		-	293,825	1.61%	3,834,844	5.53%
73		-	298,550	1.61%	3,937,455	5.49%
74		-	303,350	1.61%	4,043,242	5.45%
75		-	308,228	1.61%	4,152,251	5.41%
76		-	313,185	1.61%	4,264,656	5.37%
77		-	318,221	1.61%	4,380,427	5.34%
78		-	323,338	1.61%	4,499,507	5.30%
79		-	328,537	1.61%	4,621,839	5.26%
80		-	333,820	1.61%	4,747,400	5.23%
81		-	339,188	1.61%	4,875,831	5.20%
82		-	344,642	1.61%	5,006,704	5.16%
83		-	350,184	1.61%	5,139,923	5.13%
84		-	355,814	1.61%	5,274,634	5.10%
85		-	361,536	1.61%	5,408,745	5.07%
86		-	367,349	1.61%	5,536,066	5.04%
87		-	373,256	1.61%	5,651,792	5.00%
88		-	379,258	1.61%	5,760,906	4.96%
89		-	385,357	1.61%	5,868,106	4.93%
90		-	391,553	1.61%	5,977,148	4.89%
91		-	397,850	1.61%	6,088,064	4.85%
92		-	404,247	1.61%	6,200,885	4.82%

January 12, 2015

Canada Life™

Cascading insurance

Detailed review of tax-advantaged life insurance

		Life insurance			
Year	Initial capital	Policy premium	Cash surrender value	Net value at death	Internal rate of return on death
1	$ -	$ 10,000	$ 3,743	$ 513,058	5030.59%
2		10,000	7,925	553,324	595.54%
3		10,000	12,311	593,597	251.64%
4		10,000	17,200	634,816	150.05%
5		10,000	22,507	676,836	104.25%
6		10,000	29,689	719,866	78.86%
7		10,000	37,570	764,336	62.97%
8		10,000	47,012	810,036	52.19%
9		10,000	57,122	856,659	44.43%
10		10,000	68,846	856,509	37.65%
11		-	72,006	834,312	32.27%
12		-	76,052	816,614	28.12%
13		-	81,557	803,623	24.88%
14		-	88,085	795,125	22.29%
15		-	96,511	790,229	20.19%
16		-	110,398	788,151	18.47%
17		-	126,197	788,190	17.02%
18		-	144,091	790,301	15.80%
19		-	164,618	794,592	14.76%
20		-	187,453	834,494	14.14%
21		-	201,585	874,996	13.59%
22		-	216,778	915,595	13.09%
23		-	232,545	956,222	12.63%
24		-	248,900	996,939	12.20%
25		-	266,866	1,037,667	11.81%
26		-	285,027	1,078,475	11.45%
27		-	304,979	1,119,361	11.11%
28		-	325,533	1,160,565	10.79%
29		-	347,060	1,201,999	10.50%
30		-	370,612	1,243,573	10.22%
31		-	394,288	1,285,518	9.96%
32		-	419,657	1,327,764	9.72%
33		-	446,450	1,370,366	9.49%
34		-	474,663	1,413,303	9.27%
35		-	503,483	1,456,781	9.07%

January 12, 2015

Detailed review of tax-advantaged life insurance

		Life insurance			
Year	Initial capital	Policy premium	Cash surrender value	Net value at death	Internal rate of return on death
36		$ -	$ 534,357	$ 1,500,742	8.88%
37		-	567,879	1,545,103	8.69%
38		-	601,092	1,590,084	8.52%
39		-	637,141	1,635,648	8.35%
40		-	674,525	1,681,855	8.20%
41		-	713,295	1,728,781	8.05%
42		-	754,765	1,776,392	7.91%
43		-	797,782	1,824,749	7.77%
44		-	842,396	1,873,908	7.64%
45		-	889,158	1,923,970	7.52%
46		-	938,624	1,974,865	7.40%
47		-	989,956	2,026,706	7.29%
48		-	1,042,135	2,079,645	7.18%
49		-	1,097,414	2,133,677	7.07%
50		-	1,156,909	2,188,724	6.97%
51		-	1,216,458	2,245,010	6.88%
52		-	1,278,287	2,302,608	6.79%
53		-	1,344,791	2,361,481	6.70%
54		-	1,411,450	2,421,786	6.61%
55		-	1,482,634	2,483,520	6.53%
56		-	1,556,070	2,546,722	6.45%
57		-	1,630,752	2,611,586	6.38%
58		-	1,710,017	2,678,114	6.31%
59		-	1,791,897	2,746,352	6.24%
60		-	1,875,200	2,816,493	6.17%
61		-	1,961,770	2,888,588	6.11%
62		-	2,053,689	2,962,616	6.04%
63		-	2,146,720	3,038,731	5.98%
64		-	2,243,434	3,117,033	5.93%
65		-	2,341,347	3,197,724	5.87%
66		-	2,445,885	3,280,752	5.82%
67		-	2,551,273	3,366,300	5.77%
68		-	2,660,856	3,454,430	5.72%
69		-	2,774,319	3,545,218	5.67%
70		-	2,889,217	3,638,845	5.62%

January 12, 2015

Canada Life™

Cascading insurance

Detailed review of tax-advantaged life insurance

		Life insurance			
Year	Initial capital	Policy premium	Cash surrender value	Net value at death	Internal rate of return on death
71		$ -	$ 3,008,674	$ 3,735,361	5.58%
72		-	3,132,382	3,834,844	5.53%
73		-	3,257,592	3,937,455	5.49%
74		-	3,387,708	4,043,242	5.45%
75		-	3,522,874	4,152,251	5.41%
76		-	3,659,555	4,264,656	5.37%
77		-	3,801,395	4,380,427	5.34%
78		-	3,947,972	4,499,507	5.30%
79		-	4,100,283	4,621,839	5.26%
80		-	4,254,131	4,747,400	5.23%
81		-	4,417,233	4,875,831	5.20%
82		-	4,585,135	5,006,704	5.16%
83		-	4,762,962	5,139,923	5.13%
84		-	4,950,865	5,274,634	5.10%
85		-	5,151,776	5,408,745	5.07%
86		-	5,375,199	5,536,066	5.04%
87		-	5,651,792	5,651,792	5.00%
88		-	5,760,906	5,760,906	4.96%
89		-	5,868,106	5,868,106	4.93%
90		-	5,977,148	5,977,148	4.89%
91		-	6,088,064	6,088,064	4.85%
92		-	6,200,885	6,200,885	4.82%

January 12, 2015

Detailed review of investments

Policy year	Initial capital	Investments				Net value at death	Internal rate of return at death
		Cash invested	Annual growth	Tax due on growth	End-of-year value of investments		
1	$ -	$ 10,000	$ 300	$ 139	$ 10,161	$ 10,161	1.61%
2		10,000	605	281	20,485	20,485	1.61%
3		10,000	915	424	30,975	30,975	1.61%
4		10,000	1,229	570	41,634	41,634	1.61%
5		10,000	1,549	719	52,464	52,464	1.61%
6		10,000	1,874	870	63,469	63,469	1.61%
7		10,000	2,204	1,023	74,650	74,650	1.61%
8		10,000	2,540	1,178	86,011	86,011	1.61%
9		10,000	2,880	1,336	97,555	97,555	1.61%
10		10,000	3,227	1,497	109,285	109,285	1.61%
11		-	3,279	1,521	111,042	111,042	1.61%
12		-	3,331	1,546	112,827	112,827	1.61%
13		-	3,385	1,571	114,642	114,642	1.61%
14		-	3,439	1,596	116,485	116,485	1.61%
15		-	3,495	1,621	118,358	118,358	1.61%
16		-	3,551	1,648	120,261	120,261	1.61%
17		-	3,608	1,674	122,195	122,195	1.61%
18		-	3,666	1,701	124,160	124,160	1.61%
19		-	3,725	1,728	126,157	126,157	1.61%
20		-	3,785	1,756	128,185	128,185	1.61%
21		-	3,846	1,784	130,246	130,246	1.61%
22		-	3,907	1,813	132,341	132,341	1.61%
23		-	3,970	1,842	134,469	134,469	1.61%
24		-	4,034	1,872	136,631	136,631	1.61%
25		-	4,099	1,902	138,828	138,828	1.61%
26		-	4,165	1,932	141,060	141,060	1.61%
27		-	4,232	1,964	143,329	143,329	1.61%
28		-	4,300	1,995	145,633	145,633	1.61%
29		-	4,369	2,027	147,975	147,975	1.61%
30		-	4,439	2,060	150,355	150,355	1.61%
31		-	4,511	2,093	152,772	152,772	1.61%
32		-	4,583	2,127	155,229	155,229	1.61%
33		-	4,657	2,161	157,725	157,725	1.61%
34		-	4,732	2,196	160,261	160,261	1.61%
35		-	4,808	2,231	162,838	162,838	1.61%

January 12, 2015

Detailed review of investments

Policy year	Initial capital	Cash invested	Annual growth	Tax due on growth	End-of-year value of investments	Net value at death	Internal rate of return at death
		Investments					
36		$ -	$ 4,885	$ 2,267	$ 165,457	$ 165,457	1.61%
37		-	4,964	2,303	168,117	168,117	1.61%
38		-	5,044	2,340	170,821	170,821	1.61%
39		-	5,125	2,378	173,567	173,567	1.61%
40		-	5,207	2,416	176,358	176,358	1.61%
41		-	5,291	2,455	179,194	179,194	1.61%
42		-	5,376	2,494	182,076	182,076	1.61%
43		-	5,462	2,534	185,003	185,003	1.61%
44		-	5,550	2,575	187,978	187,978	1.61%
45		-	5,639	2,617	191,001	191,001	1.61%
46		-	5,730	2,659	194,072	194,072	1.61%
47		-	5,822	2,701	197,193	197,193	1.61%
48		-	5,916	2,745	200,364	200,364	1.61%
49		-	6,011	2,789	203,586	203,586	1.61%
50		-	6,108	2,834	206,859	206,859	1.61%
51		-	6,206	2,879	210,186	210,186	1.61%
52		-	6,306	2,926	213,565	213,565	1.61%
53		-	6,407	2,973	216,999	216,999	1.61%
54		-	6,510	3,021	220,489	220,489	1.61%
55		-	6,615	3,069	224,034	224,034	1.61%
56		-	6,721	3,119	227,637	227,637	1.61%
57		-	6,829	3,169	231,297	231,297	1.61%
58		-	6,939	3,220	235,016	235,016	1.61%
59		-	7,050	3,271	238,795	238,795	1.61%
60		-	7,164	3,324	242,635	242,635	1.61%
61		-	7,279	3,377	246,537	246,537	1.61%
62		-	7,396	3,432	250,501	250,501	1.61%
63		-	7,515	3,487	254,529	254,529	1.61%
64		-	7,636	3,543	258,622	258,622	1.61%
65		-	7,759	3,600	262,781	262,781	1.61%
66		-	7,883	3,658	267,006	267,006	1.61%
67		-	8,010	3,717	271,300	271,300	1.61%
68		-	8,139	3,776	275,662	275,662	1.61%
69		-	8,270	3,837	280,095	280,095	1.61%
70		-	8,403	3,899	284,599	284,599	1.61%

January 12, 2015

Detailed review of investments

Policy year	Initial capital	Cash invested	Annual growth	Tax due on growth	End-of-year value of investments	Net value at death	Internal rate of return at death
		Investments					
71		$ -	$ 8,538	$ 3,962	$ 289,175	$ 289,175	1.61%
72		-	8,675	4,025	293,825	293,825	1.61%
73		-	8,815	4,090	298,550	298,550	1.61%
74		-	8,956	4,156	303,350	303,350	1.61%
75		-	9,101	4,223	308,228	308,228	1.61%
76		-	9,247	4,291	313,185	313,185	1.61%
77		-	9,396	4,360	318,221	318,221	1.61%
78		-	9,547	4,430	323,338	323,338	1.61%
79		-	9,700	4,501	328,537	328,537	1.61%
80		-	9,856	4,573	333,820	333,820	1.61%
81		-	10,015	4,647	339,188	339,188	1.61%
82		-	10,176	4,721	344,642	344,642	1.61%
83		-	10,339	4,797	350,184	350,184	1.61%
84		-	10,506	4,875	355,814	355,814	1.61%
85		-	10,674	4,953	361,536	361,536	1.61%
86		-	10,846	5,033	367,349	367,349	1.61%
87		-	11,020	5,114	373,256	373,256	1.61%
88		-	11,198	5,196	379,258	379,258	1.61%
89		-	11,378	5,279	385,357	385,357	1.61%
90		-	11,561	5,364	391,553	391,553	1.61%
91		-	11,747	5,450	397,850	397,850	1.61%
92		-	11,935	5,538	404,247	404,247	1.61%

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Important considerations

This presentation introduces concepts related to permanent life insurance and is provided for informational purposes only. All values in this presentation are based on the assumptions made and in the accompanying illustration. Assumptions and values are not guaranteed. To understand fully how some of the values in this presentation may vary, it is necessary to read the presentation together with the illustration(s). This presentation is not complete without the accompanying illustration including the cover page, reduced example and product features pages, all having the same date.

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