



# Class Plus Retirement Income Program

Enhanced wealth accumulation and  
guaranteed retirement income for life



Empire Life™

™ Trademark and marketing identity of **The Empire Life Insurance Company**.  
Policies are issued by The Empire Life Insurance Company.



# One product, two solutions

- An investment and income product
  - You receive added security while building your retirement nest egg, compared to traditional investments
  - During retirement, you receive guaranteed income for life, plus income growth potential



# It all begins with Segregated Funds

Like mutual funds, segregated funds

- Pool together the assets of many investors with similar objectives to
  - diversify investments and reduce risk
  - lower investment costs
- Are professionally managed
- Permit regular deposit plans that provide positive dollar-cost averaging benefits



# Benefits of Segregated Funds

- Guarantees on Death and Maturity
- Resets of Guarantees to capture market gains
- Estate and Probate bypass
- Potential for Creditor Protection on Non-Registered policies
- Deposit Protection through Assuris
- Taxation flows through Capital Gains/Losses each year



# Enhanced wealth accumulation: Your investments

- Use non-registered investments or RRSPs
- Invest in Empire Life Segregated Funds
  - Choose from a manageable number of segregated funds: 11 funds including five Portfolio Funds
  - Conservative, value-oriented investment style



# Build your retirement nest egg with peace of mind

- Annual 5% Income Base Bonus
- Income Base resets lock in market gains
- Income is insulated from market declines



# Class Plus Income Base

- Income Base is used to determine the Guaranteed Minimum Withdrawal Benefit
- Originally equal to your first deposit
- Income Base is the total of all deposits:
  - minus any withdrawals
  - plus any increases (from Income Base Bonuses and Income Base Resets)



# Annual Income Base Bonus: 5% each year

- Available each year for the first 15 years
- Provided no withdrawals are made during that year
- The Income Base Bonus\* is a credit to the Income Base – the value used to determine your guaranteed retirement income

\*The Income Base Bonus is not a guaranteed rate of return, has no cash value and is not available for withdrawal



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# Class Plus Income Base Reset:

## Lock in your investment growth

- Market gains are automatically locked in every three years
- Potentially increases the Income Base
- The new Income Base value will not decrease,\* but it may increase again with another reset
- An Income Base Reset may increase your guaranteed retirement income

\*Provided no withdrawals are made



# Enhanced wealth accumulation

You win no matter how markets perform

- When markets rise, your market gains are locked in by a reset to your Income Base
- If markets fall, you still receive the annual 5% Income Base Bonus for the first 15 years your Plan is in place provided there are no withdrawals



# Enhanced wealth accumulation

Let's take a look at John and Sarah



# Retirement:

## More than your lifestyle **changes**

- Financial planning changes in retirement as you switch from only pursuing growth to largely pursuing income
- With retirement you face a new set of financial issues ...



# An investor's concerns

- What if markets plummet and reduce my retirement savings?
- Will I have enough income to support my retirement lifestyle?
- Will I outlive my money?



# Guaranteed income for life:

## An overview

- Invest non-registered investments, RRSP, RRIF or other registered income plan
- You receive guaranteed income for life, starting after age 65
- Income Base Resets lock in your market gains



# The GMWB change

- The Maximum Withdrawal Allowance is available for withdrawals in a calendar year at age 65 or younger
- Equal to 5% of the current Income Base
- The Maximum Withdrawal Allowance may increase\* if the Income Base increases

\*Provided withdrawals do not exceed the allowable annual limit



# The GMWB change

- The Lifetime Withdrawal Amount (LWA) is the guaranteed amount available for withdrawals in a calendar year after reaching age 65
- Equal to 5% of the current Income Base
- LWA may increase if the Income Base increases
- LWA will not decrease\*
- Guaranteed for life
  
- \*Provided withdrawals do not exceed the allowable annual limit



## What if markets plummet and reduce my retirement savings?

- The Income Base\*, used to determine the LWA is not affected
- LWA is available for withdrawals in a calendar year after reaching age 65

\*Provided withdrawals do not exceed the allowable annual limit



## Will I have enough income to support my retirement lifestyle?

You can still choose investments with growth potential, just as in pre-retirement years

- No need to settle for low interest vehicles such as GICs
- Guaranteed retirement income is your safety net
- Market gains are locked in every three years by a reset to your Income Base
- Potentially increases your guaranteed retirement income



# Will I outlive my money?

Female aged 65

50% chance of living to 86

25% chance of living to 92

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Male aged 65

50% chance of living to 83

25% chance of living to 89

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Couple aged 65

50% chance of at least one spouse  
living to 90

*Source: Canadian Institute of Actuaries, 2007*



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# Will I outlive my money?

- Guaranteed retirement income for life regardless of market performance
- Enjoy your retirement instead of worrying about your investments and income



# Enhanced retirement income

- You win no matter how markets perform
  - When markets rise, market gains are locked in by a reset to your Income Base and income increases
  - If markets fall, your guaranteed level of income is unaffected
- And you receive retirement income for life



# Enhanced wealth accumulation

Let's take a look at Richard



## Class Plus offers you additional retirement planning benefits

- Income advantages of using a RRIF
  - Each year you receive the greater of the Lifetime Withdrawal Amount or RRIF minimum annual payment
- Estate planning benefits
  - Named beneficiary receives death benefit directly, avoiding long delays and costly probate and estate fees



## Class Plus offers you additional retirement planning benefits

- Investment flexibility
  - Can change investments to other eligible Empire Life Segregated Funds
  - Access funds in time of need (excess withdrawals may affect GMWB)
- Potential creditor protection
  - Assets in Class Plus may be protected from creditors in the event of bankruptcy



## Class Plus: A summary

### **Enhanced wealth accumulation and guaranteed retirement income for life**

- Use non-registered investments, RRSPs, RRIF or other registered income plan
- Income Base Bonuses and resets can boost your retirement income
- Gain insulation from market downturns
- Maximum Withdrawal Allowance is available in a calendar year at age 65 or younger
- Guaranteed retirement income for life



# Guaranteed Income Alternatives

- **GICs**
  - Fixed “interest” income for the term of the investment
- **Immediate Life Annuity**
  - Guaranteed income for life
  - No investment flexibility or control
  - No estate values beyond the guaranteed period
- **Insured Annuity**
  - Combines a life annuity to provide guaranteed income for life, with a life insurance policy to provide estate values



# Sarah is 55 with \$100,000 to invest

	<u>GIC</u>	<u>Insured Annuity</u>
<b>Estate Preservation Amount</b>	<b>\$100,000</b>	
<b>Accumulation Rate</b>	<b>3%</b>	
<b>Annuity Purchase Amount</b>	<b>N/A</b>	
<b>Gross Annual Income</b>	<b>\$3,000</b>	
<b>Annual Taxable Portion</b>	<b>\$3,000</b>	
<b>Tax Payable at 46.41%</b>	<b>\$1,392</b>	
<b>Sub-Total:</b>	<b><u>\$1,608</u></b>	
<b>Annual Insurance Premium</b>	<b>N/A</b>	
<b>Net Annual Income:</b>	<b>\$1,608</b>	



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<b>Accumulation Rate</b>	<b>3%</b>	<b>N/A</b>
<b>Annuity Purchase Amount</b>	<b>N/A</b>	<b>\$100,000</b>
<b>Gross Annual Income</b>	<b>\$3,000</b>	<b>\$5,961</b>
<b>Annual Taxable Portion</b>	<b>\$3,000</b>	<b>\$2,464</b>
<b>Tax Payable at 46.41%</b>	<b>\$1,392</b>	<b>\$1,144</b>
<b>Sub-Total:</b>	<b><u>\$1,608</u></b>	<b><u>\$4,817</u></b>
<b>Annual Insurance Premium</b>	<b>N/A</b>	<b>\$1,296</b>
<b>Net Annual Income:</b>	<b>\$1,608</b>	<b>\$3,521</b>

\*Solution 100 Term





# Empire Life:

## An organization you can trust

- Meeting Canadians' needs for 85 years
- Ranked among the top 10 life insurance companies in Canada<sup>1</sup>
- Total assets of \$8.4 billion
- Rated A (Excellent) by A.M. Best Company<sup>2</sup> for an excellent ability to meet ongoing obligations to policyholders

<sup>1</sup> As at June 2, 2008

<sup>2</sup> June 2008, based on revenue



## Important notes

- Withdrawals exceeding the allowable annual limit may reduce the amount of future guaranteed income payments.
- Past performance is no guarantee of future performance. Empire Life Portfolio Funds currently invest in Class A units of the underlying Empire Life Segregated Funds.
- The information in this document is for general information purposes only and is not to be construed as providing legal, tax, financial or professional advice. The Empire Life Insurance Company assumes no responsibility for any reliance made or misuse or omissions of the information contained in this presentation. Please seek professional advice before making any decision.
- A description of the key features of the individual variable insurance contract, including fees and charges, is contained in the Information Folder for the product being considered. **Subject to any applicable Death, Maturity Benefit and Guaranteed Minimum Withdrawal Benefit Guarantee, any part of the premium/deposit or other amount that is allocated to a segregated fund is invested at the risk of the Plan/Contract Owner and may increase or decrease in value according to the fluctuations in the market value of the assets of the Segregated Fund.**
- There is an annual fee payable for Class Plus as described in the Information Folder.

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