

## Understanding the Manulife Principal Protected Annuity™



A Life Annuity is an important investment component in a retirement plan because it provides a guaranteed stream of income for life, regardless of market or interest rate fluctuations. It takes the guesswork out of investing for income.

### HOW DOES A LIFE ANNUITY WORK?

In exchange for a lump sum investment, an insurer makes guaranteed regular income payments to an investor comprised of interest and a return of capital. The income payments continue for the lifetime of one person, called a Single Life Annuity, or two people, called a Joint and Survivor Life Annuity.

Some investors may feel they're putting their investment at risk with an annuity. Should they die earlier than expected, the estate could lose the

unpaid principal (capital). The Manulife Principal Protected Annuity is a lifetime guaranteed income solution for your retirement plan that gives you additional peace of mind: should you pass away prematurely, any remaining unpaid principal<sup>1</sup> is passed to beneficiaries as a lump sum. Or, in the case of a principal protected Joint and Survivor Life Annuity, beneficiaries will receive the unpaid principal after both annuitants pass away.

<sup>1</sup>Original investment, less payments received to date.

## TAXATION AND TAX-EFFICIENCY

A Manulife Principal Protected Annuity is available as a registered or non-registered contract. Annuities purchased with RRSP, Locked-in RRSP, LIRA, RRIIF, LIF, LRIIF, RLIF, PRIIF, RPP, or other pension funds are registered annuities. With these annuities, all income in a calendar year is taxable to the owner in the year the payments are received. In addition, any benefit paid at death is taxable.

If non-registered, the Manulife Principal Protected Annuity can be issued on a prescribed<sup>2</sup> or non-prescribed basis. If prescribed, the income can be tax efficient at older ages, even tax-free. This is available because, for tax purposes, the income payments may be considered entirely a return of capital. In addition, if the annuitant dies prematurely and a death benefit is payable, the benefit is tax-free.

### Sample Manulife Principal Protected Annuity pre-tax incomes with a \$100,000 deposit

Age at purchase	Male income*		Female income*	
	%	\$	%	\$
65	5.6	465.39	5.3	442.42
70	6.2	520.11	5.9	490.72
75	7.0	581.91	6.6	546.06

\* Annuity incomes as of May 27, 2013 based on a single life, non-registered contract with monthly payments beginning one month after purchase. Incomes shown are for illustrative purposes only.

Issue age for the Manulife Principal Protected Annuity

- Registered/Pension Funds: 16 (18 in Quebec) to 90
- Non-registered: 16 (18 in Quebec) to 97

<sup>2</sup>Assumes the annuity qualifies for prescribed taxation, including that the total payments made by the annuitant's 91st birthday, are equal to or greater than the original lump sum investment.

## INCOME DEFERRAL AND PAYMENT FREQUENCY

With the Manulife Principal Protected Annuity, income can be deferred until it is needed. You may lock-in a guaranteed income amount upon purchase that can start up to 15 years in the future (some restrictions may apply). Income payments can be received monthly, quarterly, semi-annually, or annually, and are subject to minimum payment amounts.

The Manulife Principal Protected Annuity:

- Provides lifetime, guaranteed income, ensuring an investor won't outlive his or her savings
- Helps to minimize tax on investment income
- Offers optional protection for a spouse
- Protects the principal investment, ensuring it's received as income or a legacy

### ADDITIONAL REFERENCE MATERIALS

If you would like to learn more about the Manulife Principal Protected Annuity, ask your advisor for these additional materials:

#### Annuities – Tax advantaged income with principal protection (MK2124)

This is a case study demonstrating a Manulife Principal Protected Annuity in a retirement plan.

#### Prescribed Annuities – Tax efficient, guaranteed retirement income (MK2077)

This is a case study showing how prescribed taxation works and the advantages for investors.

FOR MORE INFORMATION, PLEASE CONTACT YOUR ADVISOR OR VISIT [MANULIFE.CA/INVESTMENTS](http://MANULIFE.CA/INVESTMENTS)



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