

EMPIRE LIFE CLASS PLUS 2

Guaranteed retirement
income for life™

AN OVERVIEW OF THE TAX TREATMENT OF THE INCOME STREAM RECEIVED FROM CLASS PLUS 2

Empire Life Class Plus 2 gives clients the peace of mind that comes with knowing they have guaranteed retirement income for life.* The following overview provides an example of the tax treatment of the income received from Empire Life Class Plus 2.



* Making an excess withdrawal may decrease the guaranteed retirement income for life amount. Guaranteed retirement income for life can start as early as the year the Annuitant turns 55.

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Taxation of Class Plus 2 Income

The following is a hypothetical example of how the income stream from Empire Life Class Plus 2 may be taxed. From a tax perspective it functions like a Systematic Withdrawal Plan (SWP) which allows clients to receive an income stream on a regular basis.

The income stream received from Class Plus 2 is achieved by selling units of the Fund, which triggers a capital gain or loss. The amount of the capital gain or loss will be determined by the Adjusted Cost Base (ACB) less the Market Value of the Fund Class Units. In the example[†] below, we assume an ACB of \$300,000 with a growth rate of 5% and a \$12,000 guaranteed income from Class Plus 2.

Investment (ACB):	\$300,000
Growth:	5%
Market Value:	\$315,000
Class Plus 2 Income:	\$12,000
Capital Gain: (15,000/315,000)[†]\$12,000	\$571
Return of Capital:	\$11,429

Taxable Capital Gain (50%):	\$286
Tax Payable at 40% tax rate:	\$114
Effective Tax rate:	0.76%

Of the \$12,000 withdrawal, \$571 or 4.76% is capital gain, of which 50% is taxable; and \$11,429 or 95.24% is return of capital.

The example above is for illustrative purposes only; it should not be construed to be tax advice as each client's situation is different. Applies to non-registered Funds only. Assumes no year-end allocations. Any year-end allocations would be subject to tax in addition to the above amount.

Note: In years of down markets, SWPs from Class Plus 2 will generally erode capital.

Taxation of Year End Allocations

Deposits into Class Plus 2 can be invested in a selection of Segregated Funds including money market, fixed income and equity. Investments held are subject to taxation on year end allocations. Depending on the Fund selected, the Fund may have a higher percentage of taxable interest income compared to an equity fund where much of the growth is in the form of capital gains.

Guaranteed Payment Phase

The Guaranteed Payment Phase occurs when the market value of the Fund Class Units is \$0 and the Income Base for the Lifetime Withdrawal Amount (LWA) is positive. The taxation of the benefits associated with a guaranteed minimum withdrawal benefit plan remains uncertain at this time. Empire Life reports any payments during the Guaranteed Payment Phase based on our understanding of the legislation and CRA assessing practices at the time of payment. **The policyholder is responsible for any tax liabilities arising from any change in law, interpretation, or CRA assessing practice.**

[†] Assumes a 65-year-old, Single Tiered Lifetime Withdrawal Amount (LWA) option of 4%.

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A description of the key features of the individual variable insurance contract is contained in the Information Folder for the product being considered. **Any amount that is allocated to a Segregated Fund is invested at the risk of the contract owner and may increase or decrease in value.**

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