



Hybrid Life Insurance with Insured Annuities

A Case Study

Andrew is preparing to see his client Bill, a 66 years old, non-smoker who is concerned about having a base retirement income that is guaranteed and will cover some of his fixed income needs. He worries the interest income earned on his \$250,000 of term deposits won't be enough to do the job. He wants to reduce the tax he pays and leave a legacy for his family. He is interested in a maintenance-free way of generating income and preserve his capital as an estate legacy.

★ Andrew's Dilemma

With interest rates at an all-time low, Andrew knows that annuities are also producing low income and guaranteed permanent life insurance have become increasingly more expensive. Bill is fairly conservative, and placing his money in an interest-bearing investment will not provide adequate income. However, the concept that Andrew is considering hinges on a balance of low permanent insurance and a good annuity payout with little or no payment guarantees. The concept is also traditionally very inflexible to change.

★ Andrew's Solution

Andrew introducing Bill to the insured annuity concept. Using a whole life insurance coverage will preserve Bill's capital for his estate. The annuity provides a guaranteed income stream using the capital he has now using preferred taxation for the rest of Bill's life.

★ Andrew's Recommendation

Purchase a \$250,000 single life prescribed annuity with no guarantees and simultaneously purchase a \$250,000 Hybrid Solution 100 rider on an existing Empire Life policy Bill bought a couple of years ago. The annuity will provide an annual payment one year after purchase.

Always Current Pricing*

Interest Rate Range	Premium		% Change
	Annual	Monthly	
less than 1.00%	\$11,160	\$1,004.40	15%
1.00% to 1.99%	\$10,602	\$954.23	9%
2.00% to 2.99%	\$10,155	\$913.95	5%
3.00% to 3.99%	\$9,710	\$873.90	-
4.00% to 4.99%	\$9,485	\$853.65	-2%
5.00% to 5.99%	\$9,040	\$813.60	-7%
6.00% to 6.99%	\$8,705	\$783.45	-10%
7.00% to 7.99%	\$8,370	\$753.30	-14%
8.00% or more	\$8,035	\$723.15	-17%

Each Hybrid Solution 100 coverage provides a set of premiums, all of them based on original age at issue and each one linked to a specific interest rate range. Every year, Empire Life will determine an annual interest rate by calculating the average for the last six months of the previous calendar year of a monthly benchmark interest rate. This annual rate determines the interest rate range that is used to establish the premium for the year.

Having premium changes linked to a benchmark interest rate makes this product more responsive to market conditions.

The Numbers*

Male, 66, Non-smoker \$250,000 Prescribed Life Annuity	Alternative Investment @ 3.5%	Interest Rate Range			
		2% -2.99%	3% -3.99%	4% -4.99%	8% -8.99%
Gross Annuity Income	\$8,750	\$18,352	\$18,352	\$18,352	\$18,352
Less Taxation (45%)	\$3,938	\$1,440	\$1,440	\$1,440	\$1,440
Less Insurance	\$0	\$10,155	\$9,710	\$9,485	\$8,035
Total Net Income	\$4,812	\$6,757	\$7,202	\$7,427	\$8,877
Rate of Return Increase	-	40%	50%	54%	84%

Illustration Only. Alternate investment assumes income is interest only to preserve capital. Prescribed annuity and life insurance figures were based on current rates available as of November 21, 2013.

Hybrid life insurance provides the opportunity for increased cash flow when interest rates rise, since less money would be needed from the annuity to fund life insurance coverage. The original capital is passed to the beneficiary tax-free.

With interest rates at all-time lows, alternative investments and annuity purchases are also at all-time lows. By introducing Hybrid Life Insurance, the potential to improve a traditionally inflexible concept can provide better returns should long-term interest rate rise.

Hybrid Life Insurance

Downside protection, upside potential

*For illustrative purposes only. Any amounts shown in this document are based on the hypothetical scenario and circumstance(s) described and are not guaranteed. Actual results will vary depending on individual circumstances.

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 on or misuse or omissions of the information contained in this document. Please seek professional advice before making any decision.

® Registered trademark of The Empire Life Insurance Company. Policies are issued by The Empire Life Insurance Company.