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# RBC Payout Annuities:

For your clients who want secure retirement income for life

RBC Insurance



## RBC Payout Annuities

In today's uncertain market environment, many clients who are in or approaching retirement are looking for income security. RBC® Payout Annuities offer clients a guaranteed income stream for life, along with estate planning and tax benefits (in certain instances).

Whether on their own or as part of a diversified retirement portfolio, RBC Payout Annuities are an option well worth exploring for your clients' retirement portfolio — they offer various types of immediate annuities that your clients can customize to meet their specific needs.

### When is an annuity an appropriate choice?

An RBC Payout Annuity may be an appropriate solution for your clients who:

- Are approaching or in retirement
- Are seeking conversion options for their RRSP
- Don't want to actively manage their investments
- Are concerned about outliving their income
- Need income for a specified period of time
- Are concerned about the potential effect of market volatility and fluctuating interest rates on their retirement income
- Are early retirees wanting to bridge an income gap and receive more income until their Old Age Security begins
- Are planning their estate and looking to reduce or minimize taxes
- Are looking for a regular income stream to cover fixed expenses

#### Types of annuities

There are three types of RBC Payout Annuities available:

- **Single life** annuities are based on the life of one person. They provide

a guaranteed income stream for the life of your client regardless of market conditions or interest rate fluctuations.

- **Joint life** annuities are based on the lives of two people, usually a married or common-law couple. When one spouse dies, payments continue to the surviving spouse for life. The guaranteed income stream may continue at the same amount or at a reduced percentage.
- **Term certain** annuities provide guaranteed payments for a specified number of years or until the client reaches a certain age.

All three annuity types can be purchased with registered or non-registered funds and all RBC Payout Annuities are immediate annuities, so their annuity payments must start within one year of the annuity purchase date.

#### Minimum payment guarantee period

For added income protection, a minimum payment guarantee period can be chosen. This guarantee ensures that, in the case where a life annuity is purchased, payments will be made for a minimum period of time. If your client (and your client's spouse in the case of a joint life annuity) passes away before the end of the minimum period, payments are guaranteed to continue to a named beneficiary(ies)

until the end of the period, or until the remainder is paid out in a lump sum.

#### Protection against risks in retirement

As your clients approach and enter retirement, their priorities typically change. Rather than focusing on capital accumulation, maintaining a secure income stream is likely to be their focus. RBC Payout Annuities provide the security they need and effectively address three key areas of concern:

- **Life expectancy**<sup>1</sup>. Single life and joint life annuities guarantee payments for your clients' entire lives. They never have to worry about outliving their savings.
- **Market volatility**. Market fluctuations can have a serious effect on the value of your clients' portfolio. With an annuity, payments are locked in from the moment of purchase and will continue no matter what happens in the markets.
- **Taxation**. When non-registered funds are used to purchase an annuity, the interest portion of payments are spread out evenly over the life of the annuity (these are called "prescribed annuities"). Prescribed annuities level out your clients' tax payments thereby minimizing the amount of tax paid. **All RBC Payout Annuities are "Prescribed."**

<sup>1</sup> Life expectancy is determined by actual industry experience and not by the life insurance company.

## Benefits for your clients

When discussing RBC Payout Annuities with your clients, be sure they have a clear understanding of the potential benefits:

- Regular guaranteed income stream for life or for a pre-determined period of time
- Guaranteed income for a surviving spouse (when set up as a Joint Life Annuity)
- Income security — payments are

not subject to market volatility or fluctuating interest rates

- Estate planning benefits — payments to beneficiaries are not subject to probate and may be protected from creditors
- Simplicity — no active management required

### Potential tax benefits:

- Non-registered — prescribed annuities spread the tax liability

evenly over the life of the contract

- Registered — payments from a registered annuity may qualify for the pension income tax credit; your client may be able to claim up to \$2,000 on their tax return if they report annuity payments. For more information visit Canada Revenue Agency at [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca).

## Helping clients make an informed decision about RBC Payout Annuities

Your clients may be unfamiliar with annuities and are likely to have questions. You can help them make an informed decision by explaining how an RBC Payout Annuity can be an important part of a successful retirement plan.

Following are some client concerns you may encounter, along with an appropriate response and recommendations.

Client concern	Response	Recommendations
“I don’t want to give up control of all my assets when I convert my RRSP.”	An annuity is just one part of a complete financial plan, providing security. There’s no need to convert all your retirement assets into a single annuity at the same time.	Convert some RRSP assets into an RBC Payout Annuity and roll the rest into a RRIF for ongoing tax deferral.
“What if I pass away sooner than I expect? My spouse and other beneficiaries will be left with nothing.”	An annuity can be set up with a guaranteed payment period; if the annuitant dies, the beneficiaries receive the balance of payment.	Consider a joint life annuity with a guaranteed payment period up to age 90. When one spouse dies, payments will continue to the survivor for life, or to a named beneficiary if the survivor passes away before age 90.

## Why choose an RBC Payout Annuity?

RBC Payout Annuities are backed by the strength and stability of RBC Insurance®.

**For more information regarding RBC Payout Annuities, please:**

- Contact your **RBC Insurance Sales Consultant** at **1-866-235-4332**
- Or visit **[www.rbcinsurance.com/rbcpayoutannuity](http://www.rbcinsurance.com/rbcpayoutannuity)**



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