

Immediates annuities



FACT SHEET



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1. Term Certain Annuity

Term certain annuities are annuities payable over a specified period stipulated by the annuitant at the time the annuity is purchased. Once this period has elapsed, the contract will terminate, even if the annuitant is still alive.

1.1. Minimum age

To apply for an annuity contract, the minimum age at issue is 18 years.

1.2. Maximum age

The maximum age at issue is 88 years.

1.3. Options

Indexation

- > The indexation option is only available to annuitants on registered products. The annuitant must select the rate of indexation.
- > The maximum indexation percentage is 4%. (Source: Canada Income Tax Act, subparagraphs 146(3) (iv) (a) and (b))
- > The rate selected by the annuitant at the time of issue remains in force for the entire annuity payment period.

Details

- > Indexation is calculated on an annual basis starting the 2nd year of annuity payment period based on the rate in effect.
- > Indexation is also applied when the benefit is paid to a contingent annuitant or beneficiary.
- > The indexation option cannot be added during the annuity payment period.

1.4. Contract products eligible for term certain annuities

- > Non-registered plans
- > RRSPs
- > RRIFs

1.5. Duration of coverage

The guaranteed period is expressed in years, or years and months, with the number of months corresponding to the payment frequency. Corresponds to the contract product used to determine the annuity :

For an annuity with **non-registered** funds

Minimum term

- > 2 years

Maximum term

> The guaranteed period must not exceed 90 years, less the contractholder's age.

For an annuity with funds originating from an **RRSP or RRIF**

Minimum and maximum term

- > Only term certain annuities payable for a number of years equal to 90 years, less the age of the contractholder or his or her spouse (if the guaranteed period is based on the spouse's age).

1.6. Advantages

Guaranteed return

2. Life Annuity

Life annuities are annuities payable to annuitants during their whole life.

2.1. Minimum age

To apply for an annuity contract, the minimum age at issue is 18 years.

2.2. Maximum age

No maximum age limit applies to the Life Annuity.

2.3. Options

Guaranteed Period

- > Annuitants are free to select the guaranteed period of their choice, although a minimum 5-year term applies.
- > The guaranteed period may only be selected at the time the annuity is purchased.
- > Once the annuity has been established, the guaranteed period may not be extended or reduced.
- > The annuity may also be established based on the spouse's age.

Indexation

- > The indexation option is available to annuitants on registered products. The annuitant must select an indexation rate.
- > The maximum indexation percentage is 4%. (Source: Canada Income Tax Act, subparagraphs 146(3) (iv) (a) and (b)).
- > The rate selected by the annuitant at the time of issue remains in force for the entire annuity payment period.

Details

- > Indexation is calculated on an annual basis starting the 2nd year of annuity payments based on the rate in effect
- > Indexation is also applied when the benefit is paid to a contingent annuitant or beneficiary
- > The indexation option cannot be added during the annuity payment period

2.4. Contract products eligible for life annuities

- > Non-registered plans
- > RRSPs and LIRAs
- > RRIFs and LIFs

2.5. Coverage period

The guaranteed period for Life Annuities and Joint and Survivor Life Annuities is expressed in whole years only.

Minimum term

5 years

Maximum term

Corresponds to the contract product used to determine the annuity.

- > **For an annuity with non-registered funds**, the guaranteed period must not exceed 90 years, less the age of the annuitant.
- > **For an annuity with funds originating in an RRSP/LIRA or an RRF/LIF**, the guaranteed period must not exceed 90 years, less the age of the annuitant or his or her spouse (if the guaranteed period is based on the spouse's age).

2.6. Advantages

- > Ensures life-long income as the annuitant receives a fixed and stable income until his or her death
- > The interest rate is completely guaranteed as the single premium is locked in at the current rate
- > Provides greater security
- > No investment administration is required by the annuitant
- > Annuitants who are in good health may receive more than they paid for their annuity
- > If the annuitant opts for the guaranteed period, his or her estate will be protected

3. Joint and Survivor Life Annuity

The Joint and Survivor Life Annuity boasts the same features as Life Annuity, with the added bonus of being transferable. The entire annuity amount is payable to the annuitant during his or her whole life. If the annuitant dies during the guaranteed period and the annuity is paid up, full payments will continue until the end of the guaranteed period, regardless of whether the contingent annuitant is still alive. At the end of the guaranteed period, if the contingent annuitant is still living he or she will continue to receive the annuity as long as he or she is alive, based on the reversibility percentage established at the time the annuity was issued.

3.1. Minimum age

To apply for an annuity contract, the minimum age at issue is 18 years.

3.2. Maximum age

No maximum age limit applies to the Joint and Survivor Life Annuity.

3.3. Options

Guaranteed period

- > Annuitants are free to select the guaranteed period of their choice, although a minimum 5-year term applies.
- > The guaranteed period may only be selected at the time the annuity is purchased.
- > Once the annuity has been established, the guaranteed period may not be extended or reduced.
- > The annuity may also be established based on the spouse's age.

Indexation

- > The indexation option is only available to annuitants on registered products. The annuitant must select the rate of indexation.
- > The maximum indexation percentage is 4% (Source: Canada Income Tax Act, subparagraphs 146(3) (iv) (a) and (b)).
- > The rate selected by the annuitant at the time of issue remains in force for the entire annuity payment period.

Details

- > Indexation is calculated on an annual basis starting the 2nd year of annuity payments based on the rate in effect
- > Indexation is also applied when the benefit is paid to a contingent annuitant or beneficiary
- > The indexation option cannot be added during the annuity payment period

3.4. Contract products eligible for joint and survivor life annuities

- > Non-registered plans
- > RRSPs and LIRAs (available in Quebec only)
- > RRIFs and LIFs (available in Quebec only)

Reversibility

If the annuity is joint and survivor to the contractholder's spouse, the quotation takes into account the life expectancy of the two individuals in question, i.e. the main annuitant and his or her spouse.

- > The reversibility percentage is chosen at the time the annuity is issued
- > There is no minimal age for contingent annuitants

Contingent annuitant

The contingent annuitant acquires the rights of the main annuitant upon the main annuitant's death. As this time, the contingent annuitant may request a change of beneficiary for the contract, if desired. In addition, once the guaranteed period is reached, the Joint and Survivor Life Annuity becomes a life annuity without guarantee, or, if the guaranteed period is not reached, a life annuity with a guaranteed period corresponding to the residual term of the initial guarantee.

The contingent annuitant receives the entire initial annuity amount during the balance of the guaranteed period, if applicable, and then according to the reversibility percentage for as long as they are alive.

Contingent annuitant according to accumulation contract products.

- > The contingent annuitant must be the spouse, as defined by law
- > See the section entitled "Definition of the term 'spouse'"

Percentage

- > Reversibility percentages can range from 0 to 100%
- > The reversibility percentage applies if the main annuitant is deceased and the guaranteed period has expired

Exception

An exception exists in cases where the funds used to constitute the annuity originate from LIRAs or LIFs. In such situations, the reversibility percentage must be at least 60%, but a lower percentage can be applied, or even none at all (commonly referred to as a life annuity on the head of the main annuitant) by obtaining a spousal waiver.

3.5. Coverage period

The guaranteed period for Joint and Survivor Life Annuities is expressed in whole years only.

Minimum term

5 years

Maximum term

- > The guaranteed period may not exceed 90 years, less the age of the main annuitant or the contingent annuitant, if younger

3.6. Advantages

- > Ensures a spouse or other individual an income for the rest of his or her life
- > The interest rate is completely guaranteed as the single premium is locked in at the current rate
- > Provides greater security
- > No investment administration is required by the annuitant
- > Healthy annuitants can receive more than they paid for their annuity
- > Payments continue as long as one of the two annuitants is alive
- > If the annuitant opts for the guaranteed period, his or her estate will be protected

4. Specified Annuity

The specified annuity is only available for non-registered funds. The annuity can be certain or life and is eligible for special tax treatment. Each annuity payment is comprised of two elements: interest income and capital reimbursement. For the specified annuity, the interest income of each payment remains the same throughout the entire annuity period. Because specified annuities are purchased using non-registered funds, only interest income is taxable. Interest income on these annuities is taxed in a consistent manner throughout the entire duration of the contract, providing attractive after-tax returns (tax deferral). Certain conditions apply to specified annuity contracts.

5. Definition of spouse

The definition provided under the Income Tax Act applies.

Spouse

A spouse is a person to whom you are legally married.

Common-law spouse

A common-law partner applies to a person who is not your spouse (see above), with whom you are living in a conjugal relationship, and to whom at least one of the following situations applies. He or she:

- > has been living with you in a conjugal relationship for at least 12 continuous months
- > is the parent of your child by birth or adoption or
- > has custody and control of your child (or had custody and control immediately before the child turned 19 years of age) and your child is wholly dependent on that person for support

Important Notice

In the event of any discrepancy between this fact sheet and the provisions of the contract, the latter shall prevail.