



Performance Annuity

ADVISOR GUIDE

As a professional who advises clients daily, you understand how the retirement income market is transforming.

The first wave of baby boomers is retiring and North America's changing demographic profile is already generating a retirement market boom. After all, different needs heading into and during retirement demand custom solutions. That's where we come in. We have the expertise and product shelf to help you build a custom solution for your clients and adapt it throughout their various stages of retirement.

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Performance Annuity: income plus performance potential

Managing risk

The client's choice of investment strategy depends on their attitude toward two risk factors:

1. Investment risk



Some people are risk averse. They prefer the safest route to investing with the most “guarantees”, while others are willing to assume a measure of risk for the potential for increased income.

2. Risk of outliving assets



A growing number of Canadians are concerned with outliving their assets – a concern shared by the Society of Actuaries and leading academics. Then again, some clients may be prepared to assume this risk, giving up the “advantage of pooling” offered by life annuities.

THE “ADVANTAGE OF POOLING”

Insurance companies can pool the mortality risk of annuitants. In other words, those who die earlier subsidize those who live longer. The insurance company can therefore boost the amount of income it pays.

People are living longer

Medical advances and healthier lifestyles are pushing life expectancy to new highs. For example, a 65 year-old man has a 33% chance of living past age 90 – and this increases to 44% for a 65 year-old woman. For a couple, the probability that one of them will live past age 90 is 63%.¹

¹ Society of Actuaries – Annuity 2000 Mortality Table.

With our Performance Annuity, your clients can combine the advantages of a guaranteed base income and a variable income.

Eliminate longevity risk:

The fixed portion gives them the security of guaranteed income for life.²

Add growth potential:

The variable portion gives them the possibility to grow their income, since this portion of the Performance Annuity is based on the performance of selected leading indexes.

² Performance Annuity is also available as a term certain annuity.

How does Performance Annuity work?

You can create a custom Performance Annuity for your clients. Or, choose from four simple pre-determined profiles: Conservative, Moderate, Growth and Aggressive. Each profile combines a fixed base income and a variable portion.

Fixed income: the guaranteed base income your client receives.

Variable income: the amount that will fluctuate according to the performance of the investment options your client chooses.

The annuity can be payable for your client's or their spouse's lifetime, depending on the type of annuity chosen.

Choosing the right Performance Annuity with your client

When talking to your clients, make sure to understand their income needs at retirement and during their retirement years.

With the help of our Strategic Asset Allocation Questionnaire (7334), you can also assess the importance of other factors, such as personality and risk tolerance. The results will help you recommend what's right for your client's specific needs – whether it's a pre-determined profile or a custom solution that you build for them.

Building a custom Performance Annuity

Many of today's clients want customized solutions that are better attuned to their individual needs, risk tolerance and other circumstances. You can help, by sitting down with them to craft a fully customized Performance Annuity.

Performance Annuity typically contains fixed and variable portions, although it can be 100% variable. However, if your client is looking for a guaranteed base income, the annuity should have a fixed portion.

For the variable portion, there are two steps:

1. Help your client choose one of four Anticipated Investment Returns (AIR)
2. Choose from five investment options

The variable portion will increase or decrease according to fluctuations in the investment options chosen.

Of course, you can later switch the investment mix to respond to market conditions or to adjust to your client's changing circumstances. There is a limit of two free switches per year.³ The fixed portion of the annuity payment can always be increased but it cannot be decreased.

³ We reserve the right to charge thereafter

A lot is riding on the AIR

The Anticipated Investment Return (AIR) is the investment return your client “anticipates” when setting up a customized Performance Annuity. They can choose one of four AIRs: 0%, 3%, 5% or 6% and this rate will determine the initial payment of the variable portion of the Performance Annuity. The higher the AIR, the higher the starting variable income.

CHOOSE ONE OF FOUR AIRS



However, a higher AIR reduces future growth potential. The variable portion of future payments depends on the returns of the investment options chosen and the selected AIR.

Here is an example of three possible outcomes for a client who chooses an AIR of 3% and annual payments:

Actual investment return is	Their variable income
same as the AIR (3%)	remains the same
higher than the AIR (7%)	goes up (by about 4%) ⁴
lower than the AIR (2%)	reduces (by about 1%) ⁵

⁴ $(1.07/1.03 - 1) \times 100 = 3.88\%$
⁵ $(1.02/1.03 - 1) \times 100 = -0.97\%$

No MERs means more money working for your clients

Your clients get the benefit of the full investment return of the selected indexes – no MERs are deducted.

Investment options

In addition to choosing their AIR, your client can choose from five leading market indexes for the variable portion of their custom Performance Annuity:

- Money Market Index – FTSE TMX Canada 91-Day Treasury Bill Index
- Canadian Bond Index – FTSE TMX Canada Universe Bond Index
- Canadian Equity Index – S&P/TSX Composite Index (Total Return)
- U.S. Equity Index – S&P 500 Total Return Index
- Global Equity Index – MSCI World Free Net Index

\$5,000 minimum premium per investment option is required for a custom Performance Annuity.

Our pre-determined profiles. Simple to understand, simple to choose.

Where your client's needs and risk tolerance fit within one of our pre-determined profiles, it's an easy process to help them choose a pre-packaged, hands-off solution.

Here's how it works:

FIXED AIR

For each of the four pre-determined Performance Annuity profiles, the AIR is set at 5%.

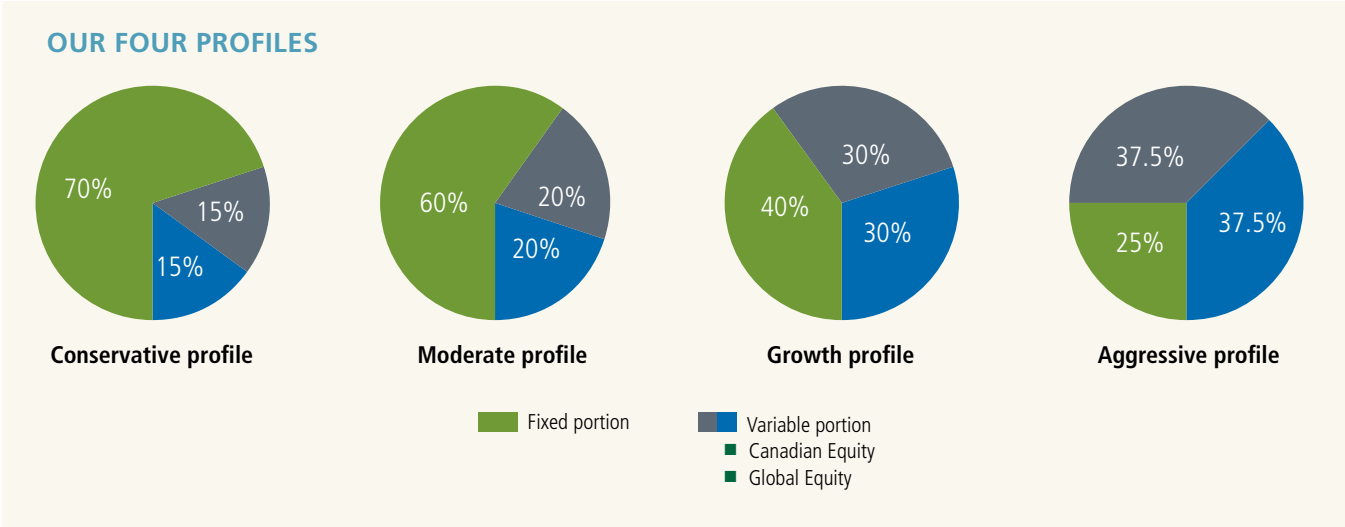
PRE-SELECTED INVESTMENT OPTIONS

The annuity income's variable portion will be based on the performance of the following two investment options:

- Canadian Equity Index – S&P/TSX Composite Index (Total Return)
- Global Equity Index – MSCI World Free Net Index

No MERs means more money working for your clients

Your clients get the benefit of the full investment return of the indexes – no MERs are deducted.



People are living longer. That's why they need solutions that will provide them with a lifetime income.

Features and benefits

Adapt Performance Annuity to your clients' changing needs

Whether your client has selected a custom Performance Annuity or a profile, you can always adjust the annuity as your client's income needs and risk tolerance evolve.

YOU CAN:



Performance Annuity features and benefits

MINIMUM SINGLE PREMIUM

- \$25,000 total for fixed and variable portions

ANNUITY TYPES

- Single or joint life annuity
 - Guaranteed period available
 - Joint life annuity: on primary or first death, the income continues in full or at a reduced amount to the surviving annuitant
- Immediate or deferred
- Enriched Annuity⁶ is offered on a single or joint life basis
 - Guaranteed period available
- Term certain annuity (to age 90 for registered annuities)

PAYMENT

Monthly, quarterly, semi-annual or annual payments deposited directly to policyholder's bank account.

- Payments can be converted to U.S. dollars and deposited directly to policyholder's U.S. bank account

- Snowbirds can receive their payments in their bank account in Canada in Canadian dollars or their bank account in the U.S. in American dollars
- The fixed portion of the payment can be level, increasing or indexed to CPI (for custom Performance Annuity only)

TAXATION

- Registered: All income payments are fully taxable
- Non-registered: Income payments are taxable on a non-prescribed basis

More benefits for even greater control

In addition to being able to adjust the investment mix and AIR so that income payments can be adapted to your client's changing needs, you can also:

- **Increase the fixed portion at any time:** This enables your clients to lock in more favourable annuity rates for a higher guaranteed base income or to further reduce risk as they get older

⁶ Our impaired annuity

Even more benefits for custom and pre-determined solutions:

- Creditor protection⁷ (available in certain circumstances with a preferred class beneficiary designation)
- Opportunities to bypass probate fees⁸ and delays upon death, if a beneficiary other than the estate is named
- Annuity payments count towards the pension tax credit (if clients are age 65 and over)
- Annuity payments provide the opportunity for income splitting between spouses
- Annuity payments help preserve OAS benefits for high income earners
- The Manufacturers Life Insurance Company is a member of Assuris. Details of Assuris' protection are available at www.assuris.ca

⁷ Since there are some circumstances where creditor protection may not apply, it is recommended that policyholders consult a legal advisor to find out if they are eligible for this kind of protection.

⁸ Not applicable in Quebec as notarial wills do not need to be probated by the court and, for holograph wills and wills made in the presence of witnesses, probate fees are minimal.

Death benefit

BEFORE THE ANNUITY COMMENCEMENT DATE

- Policyholder's fixed portion of the premium plus accumulated interest is paid to the beneficiary
- Policyholder's variable portion of the premium plus positive investment return is paid to the beneficiary
- For joint life annuities, in the event of the death of one of the annuitants, the annuity is converted to a single life annuity

AFTER THE ANNUITY COMMENCEMENT DATE (FOR PERFORMANCE ANNUITY WITH A GUARANTEED PERIOD ONLY)

- For registered single life annuities, payments continue to the spouse until the end of the guaranteed period, or a lump sum is paid to another beneficiary
- For non-registered single life annuities, payments continue until the end of the guaranteed period, or a lump sum can be paid to the beneficiary
- For joint life, if both spouses die within the guaranteed period, a lump sum is paid to the beneficiary

Conventional Annuity vs. Performance Annuity

Compare the benefits:

	Conventional Annuity	Performance Annuity
A solution to the risk of outliving assets	Yes	Yes
The "advantage of pooling"	Yes	Yes
Offers a level base income	Yes	Yes
Potential for long term growth	No	Yes
Investment control and flexibility	No	Yes

Performance Annuity: for clients who want income with performance potential.

For more information, please contact your sales team.



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The Manufacturers Life Insurance Company (Manulife Financial) is the issuer of all Manulife Annuities.

The variable portion of the Performance Annuity premium is invested at the risk of the policyholder. Payments are made for a specified period or for as long as the annuitant is alive. In addition, if the policyholder selected a guaranteed period, payments will be made at least until the end of the guaranteed period. However, the amount of the variable portion of the payments is not guaranteed and will increase or decrease according to fluctuations in the investment options chosen.

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