A new way to look at income annuities:

# Annuities versus balanced funds

***"Should I buy a lifetime income annuity today? Can I grow my investment further by putting it into the market before I purchase an annuity?"***

When it comes to your retirement nest egg, you may want to ensure your funds are as protected as possible. This can help ensure your money lasts longer and your income remains consistent.

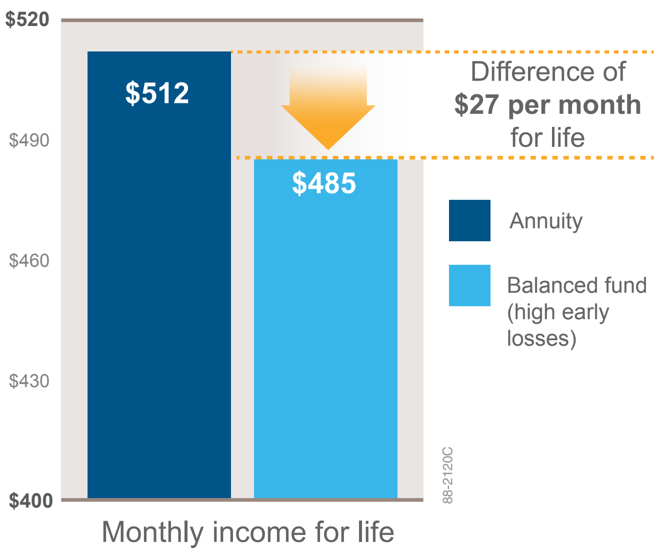
An income annuity will protect your money from market ups and downs, while potentially offering you a higher income amount than you would see if you invested in balanced funds for a short period.

Let's look at a comparison between investing in balanced funds or buying an income annuity.

## Income annuity vs. balanced fund with early losses: the annuity advantage

Tom, who is 65 years old, is exploring two options for investing $100,000 to provide guaranteed income (a 10-year guarantee period). He needs an income of at least $500 a month, regardless of the product he chooses.

### After 5 years: Annuity income




*Rates as of Aug. 11, 2015. Guarantee period reduced by five years and age increased by five years in option B. This example is for illustrative purposes only. Situations will vary according to specific circumstances.

**A balanced fund will expose your money to the ups and downs of the market. With an income annuity, your money will be protected from these fluctuations.**

### The options:

| Option A: | Option B: |
| --- | --- |
| • Tom puts the $100,000 into a non-registered lifetime income annuity guaranteed for 10 years.<br>• He will then receive an income of $512 a month for life. | • Tom, invests $100,000 in a balanced fund, which sees early losses.<br>• From this he takes the same income as he would have received with an income annuity: $512 per month.<br>• The losses were minus 10 per cent in year one, minus five per cent in year two and then three years of positive returns at 11.7 per cent – averaging out at four per cent after five years.<br>• If Tom purchases a lifetime income annuity at age 70 (which is guaranteed for five years), he would receive a monthly income of $485. |

**The annuity advantage**

By choosing to put his money in an annuity right away, Tom will see an **additional income of $27 per month for life.**

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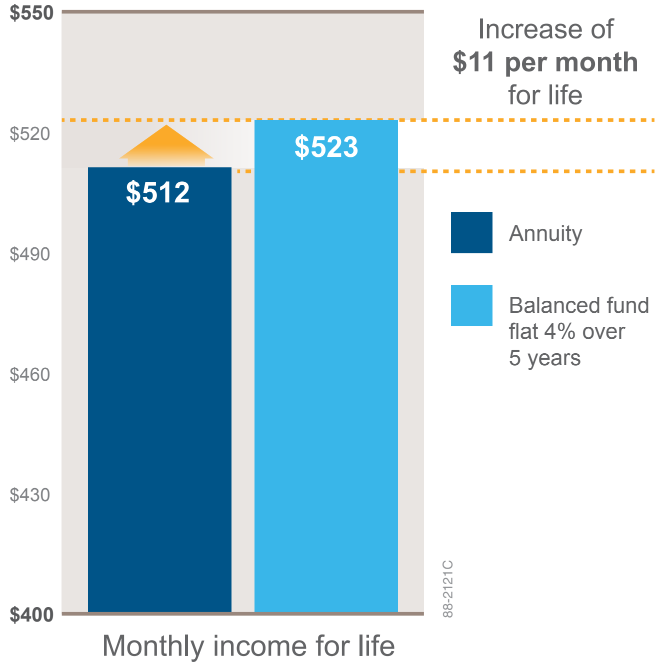
## Income annuity vs. balanced fund with four per cent return

Since rates of return can change, it's also possible that the balanced fund you invest in may see growth. In order to present the whole picture, let's look at a scenario where the balanced fund sees a rate of return of four per cent every year.

Again, Tom is 65 years old and is exploring options for $100,000 to provide a guaranteed income (a 10-year guarantee period). He will need an income of at least $500 a month, regardless of the product he chooses to invest in.

### After 5 years: Annuity income




*Rates as of Aug. 11, 2015. Guarantee period reduced by five years and age increased by five years in option B. This example is for illustrative purposes only. Situations will vary according to specific circumstances.

**Placing your money in an annuity will protect your retirement income from the ups and downs of the market, and will give you a guaranteed income – regardless of what the markets do.**

### The options:

| Option A: | Option B: |
|---|---|
| • Tom puts $100,000 into a non-registered lifetime income annuity guaranteed for 10 years.<br>• He will then take an income of $512 a month for the rest of his life. | • Tom decides to invest $100,000 in a balanced fund, which earns a four per cent flat rate of return over the next five years.<br>• From this he takes the same income as he would have received with an annuity: $512 per month.<br>• At age 70, the market value of the balanced fund, which is now $87,790, is used to purchase a lifetime income annuity (guaranteed for five years).<br>• The annuity income would now be $11 a month higher five years later, for a total of $523 per month. |

### The annuity advantage

**All that risk for $11 a month?** In this example, the balanced fund provides marginally higher income. But that depends on the rate of return being a constant four per cent over five straight years. By investing in a balanced fund, you may be hoping for higher returns such as the example above. But because the markets are so unpredictable this is unlikely to happen. With an annuity, Tom would receive slightly less income per month, but that income would be guaranteed for life.

For more information on annuities, and the options available, please refer to ***Income annuities – Retirement income guaranteed*** (46-9479).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