

Your guide to income annuities

**Stable, predictable  
retirement income.  
For life.**



# What's an income annuity?

You've worked hard and saved for your retirement, and you want to protect your income. An income annuity is a way to do just that. When you buy an annuity, we'll pay you, the annuitant, a regular income for a fixed term or for the rest of your life, no matter how long you live – so you can expect regular, predictable and stable income, no matter what happens with your other sources of income or the economy.

An income annuity can be a great piece of your retirement plan. You can use part of your retirement savings to purchase an annuity to cover your basic living expenses. This can complement your other sources of retirement income, and with regular income payments from your annuity, you won't have to worry about covering those basic expenses.

**Don't forget! You can apply a cashable feature to your annuity, which lets you cash out some or all of the income payments from your annuity. If you don't choose this feature, the amount you put into your annuity is locked in permanently. Read on for more information.**



## How can it help me in retirement?

An annuity gives you regular income payments for life or for a fixed term. It acts similar to a pension plan, if you don't have one at work or are looking to supplement it. You can use your annuity to supplement any sources of retirement income, such as old age security (OAS), Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) pensions.

What's great about an annuity is that it isn't affected by financial market changes – the income payments from your annuity stay the same regardless of market performance or if interest rates change.

Annuities can also give you access to cash, if you apply the cashable feature. This can help you cover unexpected expenses. With this flexibility, you can be confident that your annuity can help supplement your income, in all stages of your retirement.

## How do I know if it's right for me?

Annuities might be the right retirement income option for you if you're:

- ✓ Near or in retirement
- ✓ Concerned about outliving your money
- ✓ Worried that poor financial markets may reduce your retirement savings
- ✓ Seeking a steady income stream to cover your basic expenses
- ✓ In need of income until your Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) and old age security (OAS) payments begin
- ✓ Looking to convert your registered retirement savings plan (RRSP) funds into a regular income stream



# How does it work?

Think of an annuity like a pension plan, which pools money from thousands of Canadians. You deposit the amount of money you'd like, and we handle the details in a way that ensures you have stable, predictable income that's guaranteed for a fixed term or for life, based on the annuity you choose.

- 1** You buy an annuity with a lump sum of money. Your regular, predictable income for a fixed term or life is guaranteed immediately.
  - a.** You can buy an annuity with registered sources of money, such as an RRSP. This is known as a **registered annuity**.
  - b.** You can also buy an annuity with non-registered sources of money. This is known as a **non-registered annuity**.
- 2** We invest the money conservatively.
- 3** We use our expertise and data to estimate how many people in the group of Canadians are likely to live beyond the average life expectancy, and how many may not.
- 4** We guarantee your income for a fixed term or for life, based on our conservative investments and variability in life spans. People whose lives are shorter than average will receive less money overall, while people who live longer will get more money overall.

# How do I choose an annuity?

There are different types of annuities available. When you purchase your annuity, you have some options to customize it, based on your needs.

## Single-life annuity

- Similar to a pension plan for one person
- A lifetime annuity. Gives you stable and regular income payments for life.

## Joint annuity

- Similar to a pension plan for a couple
- A lifetime annuity. Gives you stable regular income payments for as long as you or your spouse lives. When one spouse dies, the survivor continues to receive income payments.

## Term annuity

- Gives you stable and regular income payments for a fixed term, instead of for life.

## What options are available?

There are lots of options you can get with your annuity, based on your needs and the type of annuity you choose. Some options don't apply to every type of annuity and are based on the details of your contract.

### Protect your loved ones

If you want to leave a legacy, you can choose one or more of the following annuity options:

#### Guaranteed income payment option (guaranteed period)

- Income payments will be made from your annuity for a specific period (e.g. 5 years), even if you or you and your joint annuitant die.
- If you die before the guaranteed period ends, your beneficiary can either:
  - Receive a lump-sum payment equal to the present value of all remaining guaranteed payments
  - or
  - Continue to receive regular income payments until the end of the guaranteed period

For registered annuities, the beneficiary can only choose to continue to receive regular income payments if they are your spouse and your only beneficiary at the time of death.

#### Return of premium options

- Your beneficiary receives the initial purchase amount if you pass away.
- If the last annuitant dies **before** any income payments were made from the annuity, your beneficiary will receive:
  - A lump-sum death benefit equal to the initial purchase amount of the annuity. You can choose to have this benefit paid to your beneficiary with or without interest.
- If the last annuitant dies **after** income payments began, depending on the feature that was selected, the beneficiary will receive either:
  - A **one-time payment** that's equal to the initial purchase amount minus the income payments already received – this is known as a cash refund.
  - **Continuing income payments** until the total initial purchase amount is returned—this is known as an instalment refund.



## Customize your income

To help protect your income, you can choose one or more of the following annuity options:

### Protect your retirement income from the effects of inflation

With the **annual payment increase (indexing)** option, you can choose to have your income payments increase at a fixed annual rate. This option may help you counter the effects of inflation and keep up with the rising cost of living.

### Ensure the tax on the income from your non-registered annuity doesn't increase over time

When you choose the **prescribed taxation** option, the taxable amount of each income payment from your annuity will stay the same. This is also known as **level taxation**, and this leveling out of taxable income payments means you will receive more after-tax income within your early income payments. This option is only available if your non-registered annuity qualifies and is subject to legislative restrictions.

### Get a larger taxable income in the early years of your retirement

The opposite of prescribed taxation is **accrual taxation**. Accrual taxation means that there's a larger taxable income in the initial years of your payments that declines over time. This type of taxation is the default if you don't qualify for prescribed taxation.

### Plan ahead with income that starts in the future

With the **deferred annuity** option, you can delay the start of your income payments for up to 10 years after the issue date of the annuity policy. There are some restrictions related to registered sources of money, so talk to your advisor for details.

### Health-based annuity

If you have health issues, you may qualify for a **health-based adjustment**, which means higher income payments for life, subject to certain conditions.

### Access to your money

If you have an unexpected expense and suddenly need cash, the **cashable** feature lets you cash out some (or all) of your guaranteed income payments. This feature is only available with a non-registered annuity with accrual taxation.

You can cash out up to the end of your guaranteed period. This will stop or reduce your income payments until the end of the guaranteed period, then payments will start or return to the original payment amount again.

# Are there any other options I can add to my annuity?



At Canada Life, we can provide you with some great options for your annuities.

## For protecting your loved ones

### Extended death benefit option

This option provides a lump sum that's paid out to your beneficiary when the last annuitant dies close to the end of or after the guaranteed period. The lump-sum amount is 6 months' worth of income payments or one annual income payment, based on the frequency of your income payments. This benefit is payable until the youngest annuitant reaches age 90.

### Income transition period (joint life) option

If you have a joint-life annuity where income payments get reduced when you or your joint annuitant dies close to the end of or after the guaranteed period, this option will delay that reduction in income. This option can delay the reduction in income by either 6 months or one annual payment, based on the frequency of your income payments.

## For greater flexibility in choosing your income payment start date

### Flexible income start date option

With this option, you can change the date your income payments begin before you receive your first income payment. Starting your income payments later than your original date will increase the amount of those payments.

## For greater income if rates increase

### Short-term rate protection option

With this option, if, on the 6- or 12-month anniversary of your annuity policy, the increase in the Government of Canada's 10-year bond rate is higher than a specified percentage, you'll receive larger income payments.

Planning your income in retirement is one of the most important financial decisions you can make.



Talk to your advisor today –  
they can help you choose  
the income annuity options  
that are best for you.



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