

Conventional annuities

AT A GLANCE

Annuity Types

Single Life Annuity

- Provides annuity payments for as long as the policyholder lives
- Options available:
 - Guaranteed Period
 - Life Cash Refund
 - Installment Refund

Joint Life Annuity

- Provides annuity payments for the lifetime of the two annuitants
- Income continues in full or at a reduced amount to the surviving annuitant
- Income can reduce by a fixed amount or by a percentage; it can reduce on the prime or first death
- Options available:
 - Guaranteed Period
 - Installment Refund

Term Certain Annuity

- Provides guaranteed income payments for a specified period

Temporary Annuity

- Provides annuity payments for a specified period as long as the policyholder is alive
- Options available:
 - Single or Joint Life
 - Guaranteed Period

Lump Sum (non-registered policies only)

- Policyholder customizes his/her annuity (i.e., a series of lump sum payments)
- Option available:
 - Guaranteed or Life Contingent payments

Enriched Annuity

- For policyholders with an illness or disability that could reduce their life expectancy
- Special rates are used in pricing the annuity which could generate a higher income than a regular annuity
- Options available:
 - Single or Joint Life, Temporary or Lump Sum Annuity
 - Guaranteed Period
 - Life Cash Refund and Installment Refund on Single Life Annuity
 - Installment Refund on Joint Life Annuity

Child Inheritance Annuity

- Tax saving strategy available on the death of an RRSP owner who has a dependent child or grandchild
- RRSP funds can be used to purchase a Term Certain Annuity to the child's/grandchild's age 18
- Annuity payments are fully taxable to the child/grandchild

Payment Types

Level Income

- Income payments are the same for the duration of the annuity

Increasing Income

- Income payments increase each year by a fixed percentage selected by the client at outset
- Maximum increase per year:
 - 4% for registered annuities
 - 6% for non-registered annuities

Indexed Income

- Income payments increase each year according to the level of the Consumer Price Index (CPI)
- Payments can be fully or partially indexed to the CPI
- Payments will never decrease or be subject to clawbacks
- Payments can be indexed during the deferral period or once payments have begun (maximum deferral of 10 years)

U.S. Dollar Payment Feature

- Payments can be converted to U.S. dollars and deposited in the policyholder's bank account in the U.S.
- Snowbirds have the ability to receive their payments in their bank account in Canada in Canadian dollars or the U.S. in American dollars

Minimum Single Premium

- Registered \$ 1,500
- Non-registered \$10,000

Frequency of Income

- Monthly, quarterly, semi-annual or annual
- Direct deposit to policyholder's bank account

Death Benefit before Annuity Commencement Date

- Policyholder's premium, plus accumulated interest is paid to his/her beneficiary
 - For Life Cash Refund, the premium is paid without interest
- For Joint Life Annuities, in the event of the death of only one of the annuitants, the annuity is converted to a Single Life Annuity

Death Benefit after Annuity Commencement Date

Guaranteed Period

- Payments continue to the end of Guaranteed Period:
 - to the policyholder's spouse or a lump sum is paid to another beneficiary (registered)
 - to the beneficiary (non-registered)
- For Joint Life Annuities, if both spouses die within the Guaranteed Period:
 - a lump sum is paid to another beneficiary (registered)
 - the payments continue to the beneficiary until the end of the Guaranteed Period (non-registered)

Life Cash Refund (Single Life only)

- Policyholder's premium, less annuity payments already made, is paid to his/her beneficiary

Installment Refund (Single Life and Joint Life)

- Annuity payments continue until the sum of these payments equals the premium paid

Taxation on Annuities

Registered

- The annuity payment is fully taxable

Non-registered

- Only the interest portion is taxable
- The taxable portion can be reported on a prescribed or non-prescribed basis:
 - Prescribed: level taxable portion each year. This taxation basis is attractive to taxpayers as it allows for the deferral of taxes. It is regulated and can only be used with specific types of annuities. All other annuities must be on a non-prescribed taxation basis.
 - Non-prescribed: taxable portion changes each year.

Rate Basis Guarantee (RBG)

- 45 day RBG to lock-in current interest rates
- No security premium for registered funds
- 3% security premium required for non-registered funds

Joint Ownership

- Available on non-registered policies only
- One tax slip is issued in both owners' names

Security Benefits

- Conventional Annuities are offered by The Manufacturers Life Insurance Company and Standard Life Assurance Limited. Both The Manufacturers Life Insurance Company and Standard Life Assurance Limited are members of Assuris. Details about the extent of Assuris' protection are available at www.assuris.ca or in its brochure, which can be obtained from your Manulife regional office or from Assuris by email at info@assuris.ca or by calling 1 866 878-1225.
- Potential for creditor protection¹ provided a preferred class beneficiary is named.
- Opportunities to bypass probate fees² and delays upon death, if a beneficiary other than the estate is named.

¹ 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.

² In Québec, notarial wills don't need to be probated. Probate fees are minimal for both holograph wills and wills made in the presence of witnesses.

For more information, please contact your sales team.



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