

RBC Payout Annuities

Successful Selling by Overcoming Objections

For advisor use only



Annuities offer unique advantages over other types of investment vehicles.

They can be used in a number of ways to accomplish a variety of financial goals — this means there are many types of clients who can benefit from an annuity purchase. These include clients who:

- Are concerned about outliving their savings in retirement and want to convert their nest egg into guaranteed income payments
- Are concerned about the potential effect of market volatility and fluctuating interest rates on their retirement income
- Have opted for early retirement and need a guaranteed income stream to bridge the gap while they are waiting for Old Age Security and Canada/Quebec Pension Plan payments to begin
- Are in the process of estate planning and considering ways to reduce their estate taxes

- Want an income stream to cover specific ongoing fixed expenses
- Are managing, or advising on, the financial affairs of an elderly parent and want a secure, no-hassle income solution
- Want to ensure the financial security of their spouse in the event of their death

Annuities offer a number of optional features, such as guaranteed income periods and survivor benefits, through which you can tailor an income plan to meet the needs of individual clients.

On the following pages are some common objections to payout annuities and detailed information that demonstrates the benefits of the product.

RBC Insurance

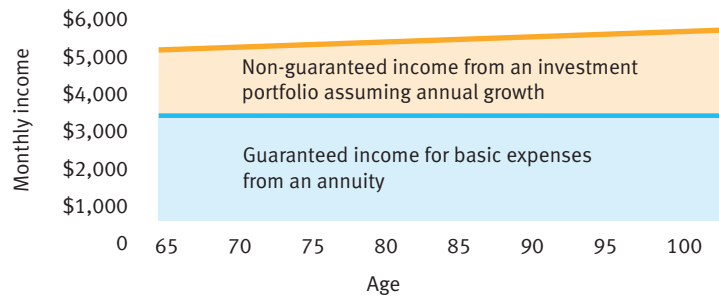


Objection 1: I want market growth

Advisor Response:

To give your clients a sense of security, your portfolio recommendations should always include growth and fixed components. Annuities can be an ideal fixed component. Clients can hedge their risk by guaranteeing that their basic expenses are covered by life annuities and still enjoy growth by participating in the market for extra income.

Retirement Income from a Diversified Portfolio



Objection 2: Annuities lack liquidity

Advisor Response:

For most people, retirement investing is primarily about generating a reliable flow of income. So, in actuality, that lack of liquidity is a core strength of annuities. Not only are they protected from volatile stock markets, but they also don't require active investment management, so they are immune to emotion-driven decisions such as selling after a market pullback. Other portions of your client's portfolio can be held in liquid investment vehicles to provide emergency access to funds — but remember those too can be subject to market value adjustments and surrender fees.

Objection 3: Interest rates are too low

Advisor Response:

Generally, the interest rates that influence annuity payouts are long-term rates. This means that they are typically higher than the one- to five-year rates that clients may be focused on (for example, GIC rates).

Your clients can also divide their money into separate annuities purchased over a span of time to minimize the risk of locking in during a low interest rate environment, and benefit from the fact that an annuity pays more to an older buyer.

Moreover, to lock in an interest rate at a particular time, your client can initiate a transfer of funds from their RRIF to an annuity. There are no tax considerations because the money is considered to be moving from one registered investment to another.

Objection 4: I will lose my deposit if I die too early

Advisor Response:

Your client can easily offset this risk with a guaranteed term on an annuity, where the annuity income will be paid to your client or their beneficiary for a set period of time. There are also joint survivor annuities that will continue payments for life to your spouse if you die.

Clients have the flexibility to select multiple beneficiaries and contingent beneficiaries. Payments may continue to be made to the beneficiary or taken as a lump sum equal to the commuted value, which is the present-value equivalent of the future income stream.

- **Registered annuities.** For registered policies with a guarantee period, if the beneficiary is the spouse, the spouse must continue to receive payments until the guarantee period has expired. If the beneficiary is not the spouse, the payments must be commuted.
- **Non-registered annuities.** For non-registered policies with a guarantee period, the beneficiary can elect to commute the payments or continue payments. However, if the Annuitant chooses in advance to make any remaining payments non-commutable, the named beneficiary must continue receiving the remaining income payments. If there are more than two beneficiaries, then the remaining guaranteed payments will be commuted.

If a primary or contingent beneficiary is not named and the annuity has a guarantee period, the amount will go to the Annuitant's estate.

Also, keep in mind that if your client dies before the first annuity payment is made, a return of premium guarantee will apply.



Objection 5: I won't live long enough to receive my initial deposit back

Advisor Response:

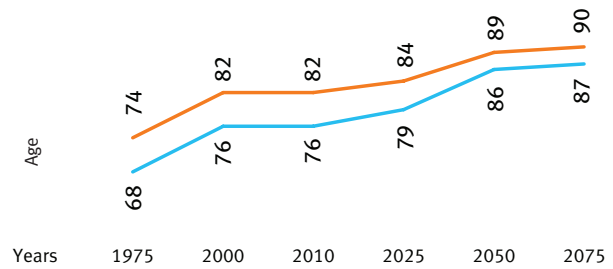
Clients can expect to receive their full deposit back sooner than they think. Below is an illustration of a male who deposits \$100,000 into a single life annuity and the corresponding age they can expect to receive their full deposit back.

Age of Full Deposit Return

Purchase Age	Guaranteed Period		
	0 Years	10 Years	15 Years
65	81	81	82
70	83	84	86
75	86	87	89

\$100,000 deposit; Male; Registered funds with a monthly payment frequency; Rates as at February 26, 2015

Life Expectancy



■ Females
■ Males

Recent studies show that a 65-year-old male has a 39% chance of living to age 90, while females have a 49% chance.

Statistics Canada, Health Statistics Division

Because life expectancy is expected to continue to rise, it is important to protect against outliving personal savings in retirement with an annuity.

Life Insurance Mortality Table published by Canadian Institute of Actuaries

For more information regarding RBC Payout Annuities, please contact your RBC Insurance Sales Consultant at 1-866-235-4332.

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