

## Annuities – tax advantaged income with principal protection



Investors are increasingly aware of the need for guaranteed, lifetime income in retirement. Annuities, that can offer tax advantages with principal protection, are becoming a very popular choice.

### THE SITUATION

Ralph is 73, single, and enjoys retirement, but he's concerned about outliving his savings, commonly referred to as longevity risk. Ralph is also frustrated with market volatility, so he wants less equity exposure in his portfolio. He has GICs and bonds, but is disappointed with the after-tax returns. Ralph is also troubled that what income he does earn erodes his government benefits, such as Old Age Security.

Ralph has heard that an annuity could address his concerns and is a sound investment choice for those close to or in their retirement years. However, he has also heard that if he dies prematurely, his estate would lose the value of the annuity. Ralph decides to meet with his advisor, Jack, to find the right investment.

### THE SOLUTION

During their meeting, Jack explains to Ralph that, in fact, a Single Life Annuity is an excellent investment solution that could address all of the concerns he has. A Single Life Annuity would provide Ralph with a guaranteed, level amount of income for life with no exposure to market volatility.

To address Ralph's concern that a premature death would mean his estate would lose the value of the investment, Jack suggests the Manulife Principal Protected Annuity™. This annuity includes a principal protection (cash refund) guarantee. It ensures that the money invested will always be paid back and that his estate would receive the difference between the original investment and the income payments already received. Of course, as long as Ralph lives, he would continue to receive guaranteed income, which could accumulate to more than he originally invested.

In addition, because of Ralph's age and the tax treatment of certain kinds of annuities,\* his income payments could be considered entirely return of principal. Therefore, with no interest income to include on his tax return, the income payments would be tax-free, even if they exceed his original investment.

For example, if Ralph purchased a \$100,000 Single Life Manulife Principal Protected Annuity, he would receive tax-free monthly income of \$551.19 for life. This represents annual income of approximately \$6,614 or 6.6% of his original investment.

The following table further illustrates the value that a Single Life Manulife Principal Protected Annuity would bring to Ralph's portfolio, based on various life expectancies:

Attained age at death	Years of payments received	Value of income payments received (\$)	Death benefit (\$)	Total income benefit (\$)	Taxable income (\$)
80	7 years	50,158	49,842	100,000	0
85	12 years	83,230	16,770	100,000	0
90	17 years	116,301	0	116,301	0

For illustrative purposes only. Information based on rates at May 27, 2013.

**The Manulife Principal Protected Annuity™ appeals to Ralph. It would:**

- Provide him with guaranteed income for life, addressing his longevity concerns
- Protect his investment from market volatility
- Lower his taxable income and maximize his government benefits
- Protect the principal in his investment, ensuring it will be received as income or as a legacy

**The annuity options available from Manulife Investments can offer investors guaranteed, lifetime income. Manulife Investments is backed by one of the most financially secure insurance companies in Canada, Manulife Financial.**

\*Assumes the annuity qualifies for prescribed taxation, including that the total payments made by the annuitant's 91st birthday, are equal to or greater than the original investment amount.

**FOR MORE INFORMATION, PLEASE CONTACT YOUR ADVISOR OR VISIT [MANULIFE.CA/INVESTMENTS](http://MANULIFE.CA/INVESTMENTS)**



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