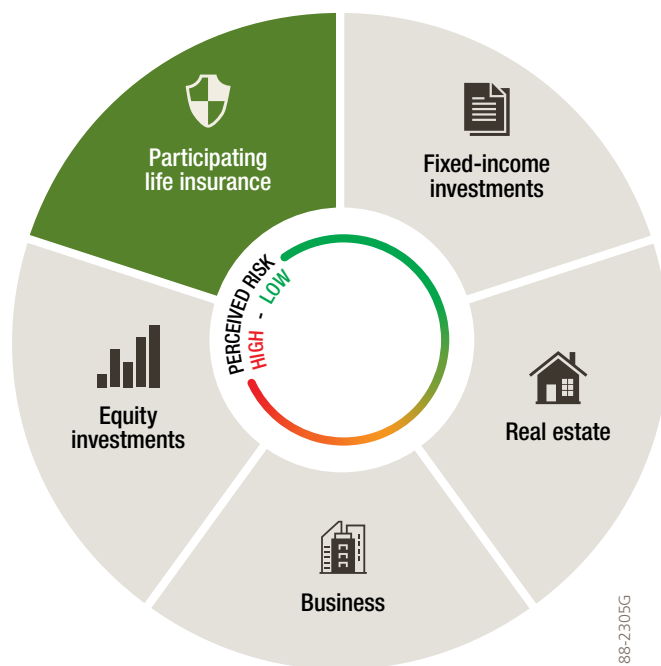


How participating life insurance complements your financial plan



Participating life insurance is an important part of a financial plan. Not only does it add insurance protection for you and whomever you choose, it may add stable growth, risk management and tax advantages to your portfolio.

However, there are several options to choose from when it comes to leaving a legacy. Let's look at their characteristics.



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Highlights

Participating life insurance

- Tax-free growth (as long as it remains inside the policy, within government limits)
- When you die, a tax-free insurance payout goes to whomever you choose¹

Fixed-income investments





- Generally low volatility, steady cash flow
- Generally taxed at a high rate

Real estate, your own business and equity investments:

- Opportunity for high returns, potential losses
- May trigger a capital gain/loss

The information provided above is for general information only. It is not to be relied upon as legal or tax advice. Consult with your professional tax and/or legal advisor about your particular circumstances.

¹ As long as you don't choose your estate. If you do, your estate will have to pay taxes.

	 Fixed-income assets (eg. Bonds)	 Equity investments (eg. Stocks)	 Businesses and real estate investments	 Participating life insurance
Growth opportunities and risks	<ul style="list-style-type: none"> • Generally low risk • Typically low returns 	<ul style="list-style-type: none"> • Moderate to high risk and volatility • Opportunity for high returns and potential for losses 	<ul style="list-style-type: none"> • Contains high concentration and liquidity risks • Potential for high long-term returns or losses 	<ul style="list-style-type: none"> • Generally low risk • Whether or not markets perform well, insurance payments for coverage won't increase • Stable long-term growth in cash value • Once credited, your policy's cash value is protected from market downturns
How is growth taxed?	<ul style="list-style-type: none"> • Interest income, which is taxed at your marginal tax rate 	<ul style="list-style-type: none"> • Dividend income is taxed at a lower rate than interest income • Growth is generally taxed as a capital gain, 50% of the capital gain is taxed at your marginal tax rate 	<ul style="list-style-type: none"> • You may have to pay taxes on any income from a business or real estate, generally taxed at your marginal rate 	<ul style="list-style-type: none"> • Cash value growth within your policy is tax-free, as long as it remains inside the policy (subject to government limits)¹
Cash access and tax implications	<ul style="list-style-type: none"> • Easy to access cash • There could be fees and taxes involved, depending on the asset 	<ul style="list-style-type: none"> • Can access cash, but may trigger a capital gain/loss 	<ul style="list-style-type: none"> • Access to cash may be more difficult and time-consuming as assets aren't liquid • Business and rental income is uncertain and can vary based on market conditions 	<ul style="list-style-type: none"> • If enough cash value builds up, you may access it through a loan. You may have to pay taxes if you do so • Any withdrawal, or outstanding loan that's not repaid, will reduce your insurance payout
Distribution at death	<ul style="list-style-type: none"> • Generally paid through the estate, with possible probate fees and/or estate tax • Any growth, up to the day you die, is generally taxable 	<ul style="list-style-type: none"> • Generally paid through the estate, with possible probate fees and/or estate tax • Any growth, up to the day you die, is generally taxable 	<ul style="list-style-type: none"> • Generally, paid through the estate, with possible probate fees and/or estate tax • Influenced by market changes which may force a future sale • Any growth, up to the day you die, is generally taxable 	<ul style="list-style-type: none"> • Generally, insurance payout goes to whomever you choose, tax-free²

¹ Transfers of ownership may result in taxable income to the policyholder.

² As long as you don't choose your estate. If you do, your estate will have to pay probate fees or estate taxes.



Strong, stable performance achieved with lower risk

Great-West Life's participating account performance has been relatively stable

Investment returns associated with the participating account are reflected in the dividend scale interest rate, which is used to determine the investment component of policyowner dividends.



Participating account asset mix

Most of Great-West Life's participating account assets are invested in fixed income assets (bonds and mortgages). This is so we can support long-term stable growth and make sure we can deliver on guarantees, such as insurance payouts and cash value.

Asset class	Total assets on Dec. 31, 2017 (\$ millions)	% of total invested assets
Short term	\$195.0	4.1%
Fixed income	\$3,661.7	77.2%
Equities	\$886.3	18.7%
Total invested assets	\$4,742.9	100.0%
Total participating assets*	\$4,949.6	

*Total participating assets include policy loans and other assets, primarily composed of investment income due and accrued, outstanding premiums (receivables) and future income tax assets and reinsurance assets.

NOTES:

- Asset values are based on International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), effective Jan. 1, 2011.
- Great-West Life has guidelines in place to manage the level of invested assets by asset class. These ranges don't include policy loans or other assets.
- Any change to the investment guidelines must be approved by the board of directors.



Smooth and stable

Great-West Life uses what's called smoothing to bring investment gains and losses into the dividend scale interest rate over time. This also adds stability to our participating life insurance. It's one reason why our dividend scale interest rate has historically been stable compared to returns on many assets.

The Great-West Life participating account 30-year average dividend scale interest rate was 8.7% from 1988 to 2017.

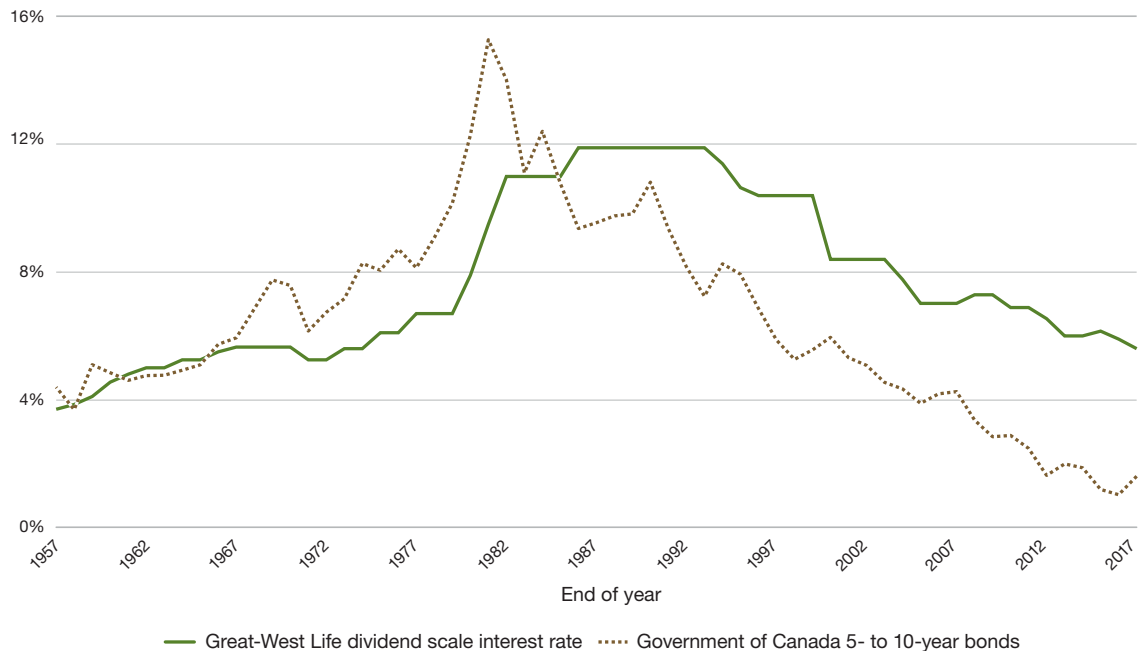


What is the dividend scale interest rate?

The dividend scale interest rate is the rate used to determine the amount of dividends that come from investments. It's an important factor, but not the only one, that helps determine the dividend scale and the dividends a policy may receive. The dividend scale interest rate incorporates smoothed investment experience of assets backing par account liabilities (not including surplus).

Great-West Life participating account dividend scale interest rate since 1957

This chart compares the stability of Great-West Life's dividend scale interest rate with Government of Canada bonds, a well-recognized stable benchmark.





Performance highlights

- Great-West Life has distributed participating policyowner dividends every year since 1899.³
- In 2017, Great-West Life distributed \$160 million in participating policyowner dividends.
- The 10-, 20- and 30-year average annual dividend scale interest rates to the end of 2017 were 6.5%, 7.4% and 8.7%, respectively.
- Since 1988, the 30-year standard deviation for the Great-West Life dividend scale interest rate was 2.3%.
- Effective July 1, 2018, the dividend scale interest rate is 5.6%.
- Great-West Life continues to have strong credit ratings relative to its North American peer group due to its conservative risk profile and stable earnings track record.⁴

³ Distributed dividends are divided among groupings of policies that share common attributes. The amount attributed to each grouping varies depending on the earnings that each grouping contributed to participating account earnings. In some years, a policy may not receive a dividend. However, our participating life insurance products provide value by offering historic stability, security and growth.

⁴ Based on credit ratings given by A.M. Best Company, DBRS Limited, Fitch Ratings, Moody's Investors Service and Standard & Poor's Ratings Services as of March 31, 2018. The credit rating associated with DBRS Limited changed in 2015 as a result of a methodology adjustment to include the replacement of the claims-paying-ability category within the financial strength category. For current information on Great-West Life's ratings and financial strength, see the corporate information section at greatwestlife.com.



Does participating life insurance, with its historically strong, stable performance, have a place in your portfolio?

Talk to your financial security advisor for more specific examples.

Performance data is provided for illustrative purposes only and represents past performance which is not necessarily indicative of future performance.

Throughout this document, numbers may have been rounded to one decimal place.

This material is for information purposes only and should not be construed as providing legal or tax advice. Reasonable efforts have been made to ensure its accuracy, but errors and omissions are possible. All comments related to taxation are general in nature and are based on current Canadian tax legislation and interpretations for Canadian residents, which is subject to change. For individual circumstances, consult with your legal or tax professional.

This document is for information purposes only; it's accurate to the best of our knowledge as of July 24, 2018.

THE
Great-West Life
ASSURANCE  COMPANY