The Great-West Life Assurance Company

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with universal life insurance

Case study: Universal life insurance

Permanent insurance opportunities with older clients

Meet Mary and Elliott

Mary and Elliott are an active couple in their early 70s. They retired from successful careers five years ago, still live in their family home and are busy volunteers. Along with having good health, family and friends, they're fortunate to be in a comfortable financial position.

Their son, Simon, is raising two children as a single parent. Simon has good life insurance coverage himself and contributes to RESPs for each child as often as he can. But with one household income, money is tight. Mary and Elliott want to help by contributing to their grandchildren's financial security and future.

Based on discussions with their financial security advisor, they think Great-West Life universal life insurance could be a good way to meet their priorities to:

- Ensure their grandchildren have permanent life insurance protection.
- Use life insurance's tax advantages to build assets their grandchildren can use at major financial milestones.

Elliott and Mary want to pay for the policies quickly, so they can rest assured knowing that the policies are paid up before they die.

Financial situation

Mary and Elliott have predictable cash flow from pension, investment and government sources. They estimate they can contribute up to $2,000 per year to each child's policy. As they consider options to help their grandchildren, they're looking for consistency, predictability and guarantees.

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Which solution works best?

Based on their age, cash flow and financial situation, their advisor recommends 10-year limited-pay universal life insurance with coverage plus payout. This combination meets Mary and Elliott's goals to provide permanent life insurance protection for their grandchildren and create a legacy.

Here's how the policies work:

- **10-year limited pay –** Mary and Elliott have consistent, predictable payments for a guaranteed period, allowing them to fully pay up the policies in a short time. The policies have guaranteed cash value, starting at the end of year five.
- **Coverage plus payout –** Over time, the payout can grow, if the policy's account value grows (growth is not guaranteed). Conversely, if the policy's account value decreases, due to poor investment returns or a cash withdrawal, the total payout also decreases. The basic coverage amount is guaranteed, as long as required payments are made.

Using a cascading strategy allows Mary and Elliott to transfer their wealth to the next generation in a tax-efficient manner. Mary and Elliott purchase two 10-year, limited-pay policies for their grandchildren. Mary and Elliott are the policy owners. Their son Simon is the contingent owner.

If both Mary and Elliott die while the grandchildren are minors, Simon becomes the owner of the policies. The policies' value includes the paid-up guaranteed coverage amount – plus the policies' account value.

When Simon or the grandchildren eventually become policy owners, they have options. They can make additional deposits and build cash value inside the policy, tax-free, subject to government limits. Or they can withdraw cash to fund post-secondary education, make a down payment on a house or buy a car, for example.

When life changes, universal life insurance is flexible

When the 10-year payments are complete, the policies are guaranteed to be paid up. At the same time, Mary and Elliott have options to build more wealth tax free inside the policies, subject to government limits, if they choose.

At any point during the life of the policy, they can increase payments, up to a specified maximum. They can also continue to fund the policies, even after they're paid for. Great-West Life is one of the few companies to offer this option. Long term, these options can create a larger legacy for the grandchildren.

If life changes unexpectedly, limited-pay policies do not have surrender charges. Mary and Elliott can access the policies' cash value without penalty – either by taking a loan or reducing the coverage amount.