

ANNUITY-FUNDED LIFE INSURANCE STRATEGY



Case Study



Marsha

Marsha is a 68 year old female with 3 grandchildren, a boy and two girls ages 5, 3 and 1 respectively.



Insurance Needs

Working with her advisor, Marsha will purchase an Optimax Wealth 10-Pay participating plan with the Paid-up Additions dividend option to maximize cash value growth. The total life insurance coverage will be \$50,000 on each grandchild. Marsha will be the policy owner and name her son as contingent owner for each plan.



Traditional Payment Method

Marsha could pay a total of \$2,104.00 each year for all three plans over the next 10 years. Based on this amount, she would pay a total of **\$21,040** over that time period and all three policies would be fully paid-up.



Annuity-Funded Life Insurance Strategy



Since Marsha can pay one lump sum deposit now using non-registered funds, she instead chooses to purchase an Empire Life 10-year term certain annuity for **\$20,177** with guaranteed income payments of \$2,104 per year, which will match and fund the annual life insurance premiums on all three policies. If she uses this strategy for 10 years, all three policies would be fully paid-up. A portion of each annual annuity income payment is taxable. For Marsha, only \$86.25 of the annual income payment is taxable each year. As Marsha is the annuitant, should she die before all annuity payments are made, her son will need to make alternative funding arrangements to pay the remaining life insurance premiums.



Optimax Wealth 10-pay using the Paid-up Additions dividend option for a total coverage of \$50,000 on each life

Pay Once & Pay Less

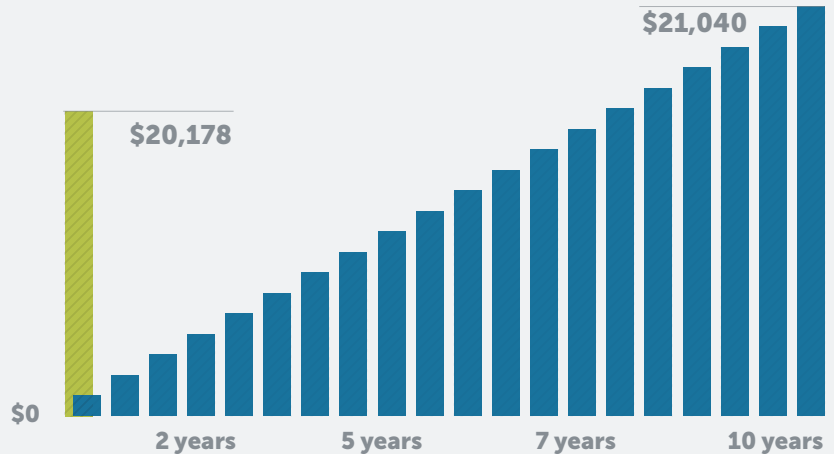
Assuming Marsha lives at least 10 years, the pre-tax savings shown is the difference between the sum of all monthly premium payments for Marsha's three Optimax Wealth plans over 10 years versus the cost of purchasing an Empire Life term certain annuity that guarantees 10 years of income payments, which Marsha can use to pay the annual premium payments for her grandchildren's policies.

-  **One-time annuity deposit**
-  **Total accumulated insurance premiums**





Total Potential Pre-Tax Savings

\$862



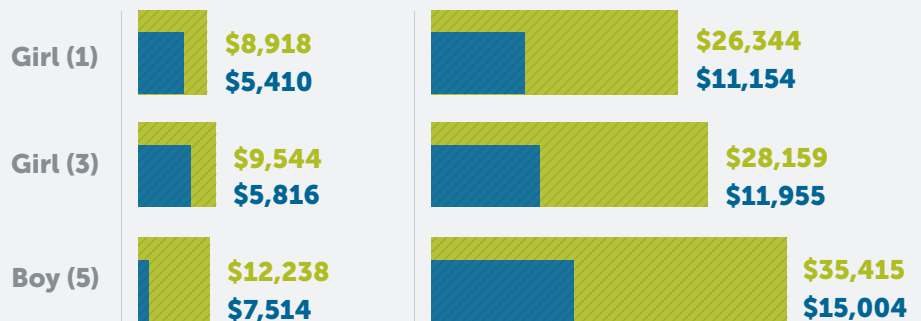
Exit or Borrowing Options

Marsha can eventually transfer ownership of the policies to her grandchildren. Each policy includes cash surrender values starting after the 1st year, which each grandchild could surrender or use as collateral to borrow against in the future.

-  **Projected cash surrender values¹**
-  **Guaranteed cash surrender values**

After 20 Years

After 40 Years



This case study is for illustration purposes only and is designed to show how pre-funding three Empire Life Optimax Wealth 10-Pay policies using an Empire Life 10-year term certain annuity can work under certain situations. Results will vary depending on the life insured, annuitant, plan type, coverage amount, pay period, and life insurance premiums and annuity rates available at time of request. Advisors should determine whether this concept is suitable for any particular client based on the client's specific circumstances and needs.

All figures and pre-tax savings shown in this case study are based on premiums available for the three Optimax Wealth products indicated insuring a male (age 5) and two females (ages 3 & 1), rated standard, and on annuity rates for a 10 year term certain for a 68 year old female as of August 23rd, 2019. Actual pre-tax savings will depend on the payment period, annuity rates and insurance premiums available at time of submission, and may be more or less than those shown. The taxable portion of each annuity payment has to be reported as income for the annuitant for each year an annuity payment is received. ¹ Projected cash surrender values assumes the current dividend scale does not change, which is not guaranteed.

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INS-2584-EN-09/19

