Canada Life™

LIVING
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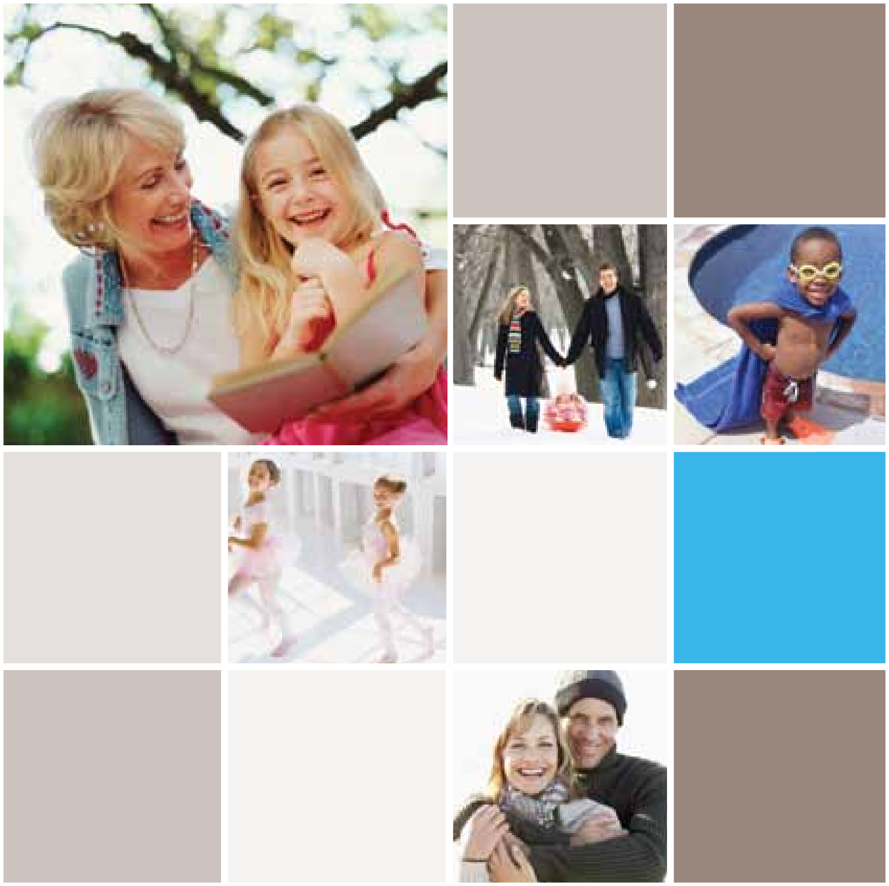
Protect families, protect lives



RETIREMENT PLANNING IS MORE THAN RRSPS

Help protect retirement plans

Saving now so you can spend later is prudent planning, but what would happen if your ability to earn an income and fuel your savings plan changed? Many Canadians may consider registered retirement saving plan (RRSP) savings as both their key to retirement and an emergency fund to deal with unexpected events such as a critical illness.

Is planning to use RRSPs to cover critical illness expenses the right option?

- How much of your RRSP or tax-free savings account (TFSA) are you prepared to cash out if you become critically ill?
- How much later are you prepared to retire than planned?
- How much are you prepared to reduce your retirement lifestyle?

Ten years of retirement savings could easily disappear in one year if a critical illness occurs. A full recovery of health may not mean a full recovery of wealth. Help protect retirement dreams with critical illness insurance.

Consider how critical illness insurance can make a difference

Unexpected events not only affect a family's current financial situation, but can negatively change future planning needs.

Mixing RRSP, TFSA and LifeAdvance™ critical illness insurance policies from Canada Life™ can help ensure you're covered now and in the future.

How much is an RRSP worth if it's withdrawn unexpectedly?

	Total RRSP withdrawal						
	$50,000	**$75,000**	**$100,000**	**$150,000**	**$200,000**	**$250,000**	**$300,000**
Marginal tax rate	**After-tax value of your withdrawal**						
30%	$35,000	$52,500	$70,000	$105,000	$140,000	$175,000	$210,000
35%	$32,500	$48,750	$65,000	$97,500	$130,000	$162,500	$195,000
40%	$30,000	$45,000	$60,000	$90,000	$120,000	$150,000	$180,000
45%	$27,500	$41,250	$55,000	$82,500	$110,000	$137,500	$165,000
50%	$25,000	$37,500	$50,000	$75,000	$100,000	$125,000	$150,000

The above example is for illustrative purposes only. Situations may vary according to specific circumstances.

Meet Mark

- 38-year-old non-smoker
- Annual earnings: $150,000
- Current RRSP savings: $50,000
- Planning for retirement, he meets with advisor to discuss his retirement saving options
- Plans to contribute $1,000 monthly toward his RRSP (his retirement savings plan)

A closer look

Mark meets with his advisor to discuss options to protect his family and lifestyle in retirement if he were to become critically ill.

What if Mark only invests in RRSPs for retirement?

Mark contributes $1,000 monthly* and doesn't purchase critical illness insurance.

Mark remains healthy until age 65	**Mark suffers life-threatening cancer at age 52**
• He retires as planned with $860,337* in his RRSP.	• He withdraws $250,000 of the $340,502* he's saved in his RRSP to net $150,000 after tax (at a 40 per cent average tax rate) to cover living expenses and treatment costs over a year of recovery. • Assuming he makes no RRSP contributions between age 52 and 53 but then returns to work after one year, to achieve his retirement goal of $860,337 at age 65, he'll need to: · Increase his monthly RRSP contributions to $3,516 · Delay retirement to age 77 or · Retire at age 65 with only $366,796

*Assumed five per cent annual growth.

What if Mark purchases a combination of investments and critical illness insurance?

Instead of focusing only on savings, Mark's advisor suggests contributing to an RRSP and purchasing critical illness insurance in order to:

- Accumulate wealth for future expenses (RRSPs)
- Help protect wealth from shrinking due to unforeseen health issue (critical illness insurance)

See how he uses critical illness insurance from Canada Life to help cover unforeseen events

Mark contributes $825 monthly to his RRSP and pays $175 monthly premium on $150,000 of critical illness insurance with a return of premium rider and second event rider**.

Mark remains healthy until age 65	Mark suffers a life-threatening cancer at age 52
• Retires with $742,722* in his RRSP, plus he may be eligible for a return of premium benefit of $56,567** from his critical illness insurance policy for a total of $799,289.	• On diagnosis and satisfaction of the survival period, Mark receives a $150,000 lump sum payment to help with expenses. • His RRSP is left intact and he has the means to continue making RRSP contributions of $1,000 per month from age 52 to 65. • He returns to work after one year (at age 53) and no longer has to pay critical illness premiums. • At age 65, he has $776,966 in his RRSP.

*Assumed five per cent annual interest on investment. Tax payable on withdrawal.

**Critical illness insurance is *LifeAdvance* T100, $150,000 benefit, return of premium at withdrawal (age 65) rider and second event rider, 38 year old male, non-smoker, standard rates. *Zoom* 12.1.

The Canada Revenue Agency and Revenu Quebec have not provided a formal ruling confirming that policies which include return of premium benefits are accident and sickness insurance for income tax purposes. The tax treatment of optional return of premium benefits is subject to interpretation.

Mark realizes:

- Using his RRSP as a way to fund unexpected emergencies may pose too great a risk to his retirement savings.
- Since RRSP withdrawals are fully taxable, using them as an emergency fund can be expensive.
- Purchasing critical illness insurance coverage with the return-of-premium rider won't greatly reduce his potential retirement savings if he remains healthy.
- If he does suffer a covered critical illness, critical illness insurance may go a long way toward protecting Mark's retirement savings.

Putting it all together

At age 65 (when Mark decides to retire)	Calculating the net cost of protection
Option 1: Contributes $1,000 per month to an RRSP – no critical illness insurance	$860,337
Option 2: Contribute $825 to an RRSP + $175 critical illness premiums per month	$742,722
Difference: Loss of compound growth in RRSP balance over 27 years	$117,615
Return of premium benefit that may be available at age 65	$56,567
Net cost of insurance over 27 years	$61,048
On average monthly opportunity cost if Mark remains healthy	$188

Canada Life's understanding of current taxation legislation as it applies to critical illness insurance is that benefits received by the owner for a critical illness are not taxable to the owner. As the tax treatment of critical illness insurance and, in particular, certain benefits available under this form of insurance (such as the return of premium benefit) remains subject to interpretation, the owner should discuss the tax implications of a critical illness insurance policy with their accountant or tax advisor.

Ignoring the implications of tax and the value of money over time.

With his critical illness insurance policy, at age 65 (when Mark decides to retire), Mark will have $742,722 in his RRSP. If Mark doesn't have critical illness insurance and becomes critically ill at age 52, for example, and withdraws $250,000 from his RRSP, he will only be left with $366,796 at age 65. The monthly opportunity cost of $188 ($61,048 over 27 years) will protect $375,926 in retirement savings.

Are you willing to give up $61,000 in retirement savings if you remain healthy, to protect $375,000 in retirement savings if you become critically ill?

A serious, life-altering illness strikes one in three Canadians in their lifetime.* Cancer, heart attack and stroke account for 85 per cent of critical illness claims paid out in 2009 in Canada.*

*Source: Munich Re's 2010 Individual Insurance Survey

Support retirement planning with RRSP options and *LifeAdvance* critical illness insurance from Canada Life

By purchasing *LifeAdvance* critical illness insurance from Canada Life, you can help protect your retirement plan. With *LifeAdvance*, you can receive a one-time, lump-sum payment if you suffer a critical illness as defined in the policy and satisfy the survival period (usually 30 days).

Did you know the average out-of-pocket unexpected costs for a critical illness* is $213 a month, with additional travel costs of $372**? Most people don't consider this in their planning.

A long-term critical illness can affect an individual's family life, ability to work, and their future, well beyond recovery. However, most people don't include critical illness insurance in their financial plans. Purchasing critical illness insurance from Canada Life can help cover financial expenses that often arise when an unforeseen illness occurs.

*Combined patient population (breast, colon, lung and prostrate cancers)

**Longo CJ, Fitch M, Deber R, Williams AP. Financial and family burden associated with cancer treatment in Ontario, Canada. Support Care Cancer 2006;14:1077–85.

The Canada Life Assurance Company, a subsidiary of The Great-West Life Assurance Company and a member of the Power Financial Corporation group of companies, provides insurance and wealth management products and services. Founded in 1847, Canada Life is the country's first domestic life insurance company. Visit our website at www.canadalife.com.

The information provided is based on current tax legislation and interpretations for Canadian residents and is accurate to the best of our knowledge as of the date of publication. Future changes to tax legislation and interpretations may affect the information. The information is general in nature, and is not intended to be legal or tax advice. For specific situations, you should consult the appropriate legal, accounting or tax advisor.

In Quebec, advisor refers to a financial security advisor for individual insurance and segregated fund policies; and to an advisor in group insurance/annuity plans for group products.

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