



## Costs of privacy and protection

Protect your estate and wealth  
with segregated fund policies

Your business.  
*+ Your life.*

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SMART SOLUTIONS  
FOR PROFESSIONALS.



*You've* worked hard to build your savings. Selecting the right investment to preserve the wealth you've built, transfer to your heirs or pursue philanthropic giving needs to be straightforward and affordable.

Many investors look for simple, lower-cost and flexible options to meet their needs.

Whether you have \$500,000 or \$10 million to invest, you're likely looking to:

- Maintain elements of privacy with your wealth
- Have a portfolio with growth potential and opportunity to reduce market downside risk
- Enjoy low fees
- Bypass any probate
- Obtain some potential for creditor protection\*
- Efficient transfer of assets at death
- Create principal protection on maturity and/or death – help protect against market risk

Trusts are used for many different and often complex purposes. If you're primarily looking for certain elements that can be easily done through a segregated fund, then consider the segregated funds policy as a lower-cost alternative.

Some investors consider professionally managed investment portfolios with trust arrangements a way to achieve these benefits.

However, costs of these arrangements are often relatively high for clients with several million dollars in financial assets. In addition, protection against market risk is difficult if not impossible to obtain in most portfolios that use market-based investments.

\*Creditor protection depends on court decisions and applicable legislation, which can be subject to change and can vary from each province; it can never be guaranteed. Talk to your lawyer to find out more about the potential for creditor protection for your specific situation.

# Meet Mike

Here's an example of how segregated funds policies with preferred series pricing help protect your estate and wealth into the future.

## Mike's personal and financial information

- > Has owned a professional corporation for 15 years
- > Married to Jen, they have two children
- > Family assets = \$750,000
- > Corporate assets (in holding company) = \$1.75 million

## Mike's investing goals

- Manage estate assets and protect them from creditors
- Provide tax reduction
- Minimize fees associated with investing
- Provide fund allowances and endowments for family members

## The situation

Mike asks his advisor, and legal and tax professionals for recommendations on how to create privacy and protection for his assets.

As a professional, Mike knows his mandatory professional liability coverage may help protect him and his company in the event of a lawsuit. He wants similar protection for his family's personal assets. Mike is also concerned about efficiently transferring his wealth.

## The solution – use a segregated funds policy with preferred pricing – a lower-cost means to privacy and protection

A common wealth-transfer vehicle for clients in Mike's situation is a security portfolio held by a trust. However, costs of these arrangements are often relatively high for clients with several million dollars in financial assets. There are added costs for ongoing maintenance and may be complex to manage. These costs include initial trust set-up costs and continuing costs such as annual trustee fees, accounting and tax-filing fees.

Mike and Jenn's advisor suggests they invest both their corporate and personal assets into Canada Life segregated funds policies. This investment is appealing because it combines the growth potential of investment funds with the wealth protection feature of an insurance contract.

Through Canada Life segregated funds policies, Mike and Jenn get lower-cost access to:

- Privacy and protection estate-planning benefits
- Potential creditor protection
- Death and maturity guarantees

Plus, unlike trusts, a Canada Life segregated funds policy can be structured with no set-up costs or ongoing legal management requirements.

## Segregated funds policies or trust arrangements – Mike’s situation

	Trust arrangement – family trust	Canada Life segregated funds policy
<b>Privacy</b>	Privacy: assets can go directly to named beneficiaries, without being included in estate	
<b>Estate administration costs, if any</b>	On death, assets held by the trust bypass estate administration (commonly referred to as probate)	Bypasses estate administration (commonly referred to as probate) on death (must name a beneficiary on the contract)
<b>Flexibility for changes</b>	All changes to trust details made require a modification of trust documentation and have fees associated in doing so	Changes to settlement options, beneficiary, can be made quickly and without cost through change forms
<b>Creditor protection</b>	Yes	Potential for creditor protection*
<b>Set-up costs</b>	Initial set-up costs also include legal fees to create trust documentation	Can be structured with no set-up fees**
<b>Deemed disposition</b>	Capital assets are deemed to be disposed of at fair market value every 21 years, at which point taxes will have to be paid	No deemed disposition rule
<b>Capital gains at death</b>	At death of the settlor, there are no tax implications to the trust	The death of the annuitant results in a disposition, therefore, capital gains would be taxed at the individual’s marginal tax rate on their final income tax return. The contract is terminated and the death benefit is paid to the beneficiary(s).
<b>Trust maintenance costs</b>	Ongoing costs	Not applicable
<b>Principal protection</b>	None	Principal guarantees on death and maturity
<b>Trust termination</b>	Costs to terminate a trust include a final income tax return and legal fees	Not applicable

Trusts can be structured for a variety of purposes outside the bypass of estate administration. The cost associated with the set-up and maintenance of a trust will vary. Speak to your legal or tax professional when determining if this strategy is best for your situation.

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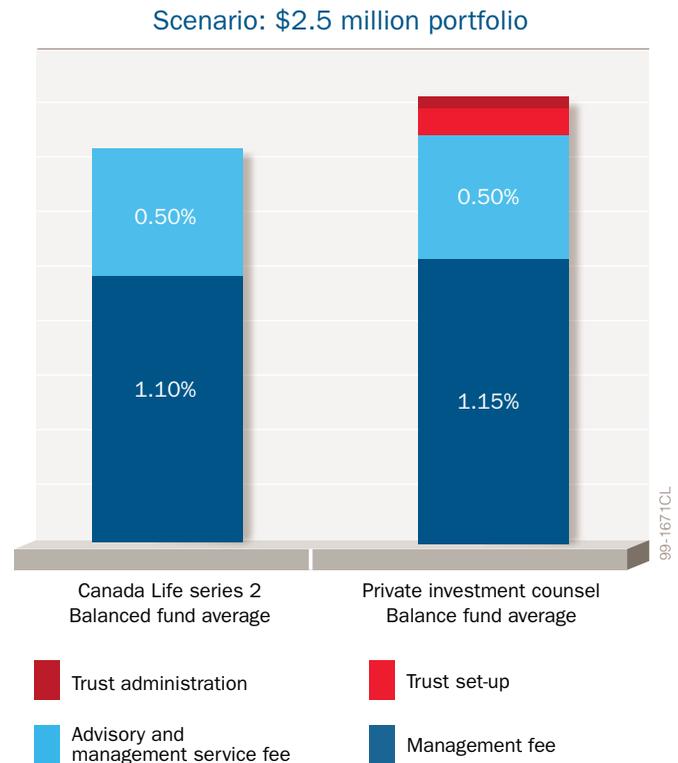
\*\*Depending on the options chosen, an initial sales charge or a deferred sales charge may apply.

## Costs of privacy and protection

The following chart illustrates a comparison of a Canada Life segregated funds policy with Canada Life segregated funds, preferred series 2 pricing option, beside a similar portfolio held with a private investment counsel. Each represents a balanced investment. The comparison of fees is based on overall balanced fund averages.

### Assumptions

- Balanced investment of \$2.25 million based on overall balanced fund averages
- Use of preferred series 2 pricing
- \$10,000 trust set-up expense
- \$5,000 trust maintenance fees per year



## Individual securities with a trust arrangement – trust fees incur added cost and complexity

Managed portfolios of individual securities may offer lower pricing opportunities. However, they can be complex to manage and don't offer the protection features included in a segregated funds policy. Estate planning and privacy can be obtained to some degree by setting up and managing a formal trust arrangement.

## Canada Life segregated funds, preferred series 2 pricing option – some privacy and protection features included

With preferred series pricing, Canada Life segregated fund policies offer competitive pricing opportunities. Plus, privacy and estate planning features come with no additional cost over and above the segregated fund policy. Additionally, segregated fund policies provide opportunities to establish some market protection with optional death benefit and maturity guarantee reset options.

## Preferred pricing with Canada Life segregated funds policies

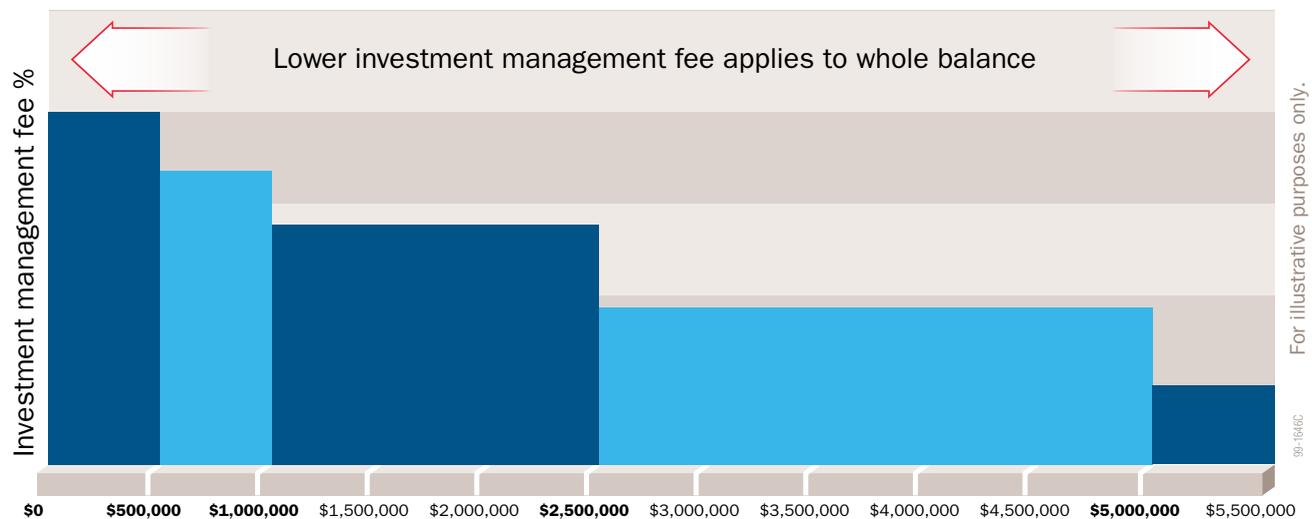
Mike's advisor suggests the Canada Life segregated funds, preferred series 2 pricing option. With the preferred series 2 pricing option, Mike can receive preferred pricing that reflects the size of all his eligible investments, including his business and family assets with Canada Life.

### Mike's fees

Mike qualifies for pricing based on \$2.5 million dollars of assets. All of the money invested in segregated funds policies with the preferred series 2 pricing option receives the \$2.5 million dollar pricing band investment management fee. This applies to his policy, Jenn's policy, and their children's policies if they choose.

### How Mike qualifies

Qualifying assets	Assets
Segregated fund policy • Policyowner: Mike	\$ 450,000
Segregated fund policy • Policyowner: Jennifer	\$ 250,000
Segregated fund policies for two dependent children	\$ 50,000
Corporate assets: conservative portfolio of guaranteed income certificates	\$1,750,000
<b>Total qualifying assets</b>	<b>\$ 2,500,000</b>



Preferred series 2 pricing bands, based on total eligible assets

## Let Canada Life segregated funds policies help protect your family

For a straightforward approach to help protect your family assets, look to Canada Life segregated funds, preferred series pricing options. Lower fees, estate bypass and potential creditor protection\* are just a few of the advantages Canada Life can offer you.

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Founded in 1847, Canada Life was Canada's first domestic life insurance company. In Canada, Canada Life offers a broad range of insurance and wealth management products and services for individuals, families and business owners from coast to coast. Canada Life is a subsidiary of The Great-West Life Assurance Company and a member of the Power Financial Corporation group of companies. Visit our website at [www.canadalife.com](http://www.canadalife.com).

### **Policy guarantees**

Features and guarantees vary by policy and age of annuitant and some limitations apply. Reset options must be chosen at time of initial premium to the segregated funds and cannot be removed once added. All guarantees are reduced proportionately by any withdrawals.

This material is for information purposes only and should not be construed as providing legal or tax advice. Every effort has 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 tax professional.

A description of the key features of the segregated fund policy is contained in the information folder. **Any amount that is allocated to a segregated fund is invested at the risk of the policyowner and may increase or decrease in value.**

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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