



With you in
providing a sure
thing in retirement



**Manulife
Annuities**

As your mature clients prepare to retire, their investment strategy will need to shift from the accumulation phase to the retirement phase – a critical change. In the retirement phase, **product allocation** plays a critical role. Every retiree will need a well-balanced retirement plan to transform their savings into sustainable income, and annuities can be a key component.

OVERCOMING RETIREMENT RISKS

Retirees face three key risks:

- Outliving their retirement savings
- Market downturns may irreparably reduce their wealth
- Inflation may reduce the buying power of their income

WHAT IS AN ANNUITY?

In exchange for a single lump sum deposit, a financial institution makes guaranteed regular income payments to a client that contain both interest and a return of principal. Annuity payments can continue for a chosen period of time or for the lifetime(s) of one or two people.

HOW CAN AN ANNUITY HELP YOUR CLIENT?

An annuity can give your client the assurance of a predictable and sustainable income – when they need it, for as long as they need it.

“Income annuities may also have a place in your client’s portfolio especially if there is no defined-benefit pension plan. Moshe Milevsky, associate professor of finance at York University in Toronto, says it’s important to have some form of “longevity insurance” as financial risk cannot be alleviated by balanced asset allocation on its own.”

Investment Executive, August 2006.

THE TOP 4 REASONS TO RECOMMEND ANNUITIES

1. Longevity insurance and market risk

An annuity can guarantee a stable and predictable income for life regardless of market conditions or interest rate fluctuations.

2. Inflation protection

An annuity can be indexed so the income increases by a set amount each year to help a client’s income keep up with inflation. The downside to this, however, is that the annuity will not qualify for prescribed taxation.

3. Guaranteeing income for a spouse

A Joint and Survivor annuity is designed to cover the lives of two individuals – a primary annuitant and secondary annuitant (usually spouses). Income is generally paid to the primary annuitant and, upon his or her death; the secondary annuitant continues to receive the income for the rest of their lifetime.

4. Tax reduction

- For those age 65 and over, taxable income from an annuity generally qualifies for the annual \$2,000 Pension Income Tax Credit





- For non-registered annuities, the payments are comprised of interest and a return of capital, but only the interest income is taxable.

- Interest income from a Prescribed Annuity* is spread evenly over the life of the contract (unlike a Non-prescribed Annuity where the interest income is higher in the early years and decreases over the life of the contract)

*Note: Not all annuities qualify for prescribed taxation.

COMMON ANNUITY CONCERNS

Client loses control of their assets

- Client exchanges control of their assets for a predictable and sustainable retirement income
- An annuity is one part of a balanced financial plan, not the entire plan

The client is locked-in for life

- A client can ladder their annuity purchases as they age and need to guarantee more of their income

When the client dies, their beneficiaries receive nothing

- An annuity can be set up so if the annuitant dies before a pre-set date the beneficiary can receive income payments until that date
- Refund options allow a beneficiary to receive the difference between the original premium and the payments already received either as a lump sum or as a continuation of the annuity payments

Low interest rates won't generate a lot of income

- An annuity can generate an attractive return and the older a client is when they purchase an annuity, the more attractive the income

For example, a 65 year-old man who purchases a \$100,000 Single Life annuity would receive \$618.32 a month, while a 71 year-old would receive \$702.93*

*Calculations as of March 30, 2007 for a non-registered, single life annuity with a 10-year guarantee period.

HOW MUCH INCOME TO EXPECT

A 65 year-old man who purchases a \$100,000 Single Life annuity will receive approximately \$600 a month for the rest of his life. His annual pre-tax income will be \$7,420 and his after-tax income (assuming a 45% Marginal Tax Rate) will be \$6,533. His estimated annual return will be approximately 7.6%, an attractive return for a fixed income investment that may never be exhausted.

	Age	Estimated Total Payments*
By 80 he'll have received payments equalling his initial investment, plus an additional \$16,892.	80	\$116,862
By 85 he'll have received payments equalling his initial investment plus, an additional \$53,962.	85	\$153,962
By 90 he'll have received total payments that are almost double his initial investment.	90	\$191,061

*Calculations as of March 30, 2007 for a non-registered, single life annuity with a 10-year guarantee period. For illustration purposes only.

HOW DOES CHOOSING AN ANNUITY FOR YOUR CLIENT HELP YOU?

An annuity is an investment that once purchased, 'takes care of itself', allowing you to focus on actively managing the other assets in your client's portfolio and continuing to build your business.



CHOOSING AN ANNUITY

CLIENT SITUATION	SOLUTION	SUPPORT PIECE
Client doesn't want to outlive their retirement savings	Single Life Annuity	MK2076
Client wants to be sure, that in the event of their death, their spouse has income after they are gone	Joint and Survivor Life Annuity	MK2073
Client wants income for a certain period of time i.e. to cover an income gap	Term Certain Annuity	MK2075
Client is worried their retirement income won't keep up with inflation	Index a Life or Term Certain Annuity	MK2075 MK2073
Client wants lifetime income but is worried if they purchase an annuity, when they die they won't be able to pass any of the annuity to a beneficiary	<ul style="list-style-type: none"> ■ Any annuity type with a payment guarantee period ■ Non-registered Single Life Annuity with an installment refund or cash refund option 	MK2076 MK2075 MK2073
Client has a serious illness and is worried about meeting expenses and maintaining income	Accelerated Annuity	MK2074
Client wants to reduce or defer tax	Prescribed Annuity	MK2077
Client is worried about leaving a large lump sum to an heir	Annuity Settlement Option	MK1670

WHY CHOOSE MANULIFE ANNUITIES?

RATE GUARANTEES: Lock-in annuity rates up to 45 days in advance of the deposit arriving at Manulife head office

PAYMENT FREQUENCY: Choose from monthly, quarterly, semi-annual, or annual payments on any annuity type (minimums apply)

FINANCIAL STRENGTH: Manulife Financial is one of the largest life insurance companies in Canada and a leading financial services company in North America. We consistently earn superior ratings from acknowledged industry experts including Standard and Poor's and A.M. Best

Manulife Investments is the brand name identifying the personal wealth management lines of business offered by Manulife Financial (The Manufacturers Life Insurance Company) and its subsidiaries in Canada. The Manufacturers Life Insurance Company (Manulife Financial) is the issuer of all Manulife Annuities. Manulife and the block design are registered service marks and trademarks of The Manufacturers Life Insurance Company and are used by it and its affiliates including Manulife Financial Corporation.

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