Manulife Investments

For your future™

After all, a promise is a promise

Just looking at him, you wouldn't take John for the sentimental type. But each year when he and his wife, Marlene, celebrate their anniversary, he looks into her eyes and says, "I promise to take care of you and our family." Over 35 years, he's done just that. John and Marlene have worked hard to build the lifestyle they always dreamed of: three great children, a nice house and, now that they're retired, enough money to travel and enjoy themselves.

That enjoyment includes spending time with their five grandchildren. With two of them in Ontario, two in Alberta and the other in Chicago, John and Marlene don't get to see all of them as much as they'd like – but when they do, they dote on them.

In fact, John was talking to a friend about how much he loves his grandchildren when he started thinking seriously about how he could make sure his family would be well taken care of after he and Marlene pass away. The more he thought about it, the more he realized he had to do something to keep his promise to take care of the family. So John booked an appointment with his advisor, Grant, to talk about strategies that would enable him to maximize the amount of money he could leave to his family.

When they met, Grant explained that while it's great that John has put savings away to take care of his family, the amount he leaves will be based on his investment rate of return – and the higher the return, the more tax his estate will have to pay. This means John's bequests to his children may end up being smaller than he anticipated.

Grant then introduces John to a possible solution. He can move some of his savings into an exempt life insurance policy and name his children as beneficiaries.

Grant recommends a whole life product that provides permanent insurance with guaranteed cash values. When John dies, his heirs will receive the proceeds tax-free. The advantages of this estate enhancement strategy are two-fold: John will increase the size of his estate and he'll reduce the amount of tax the estate has to pay.

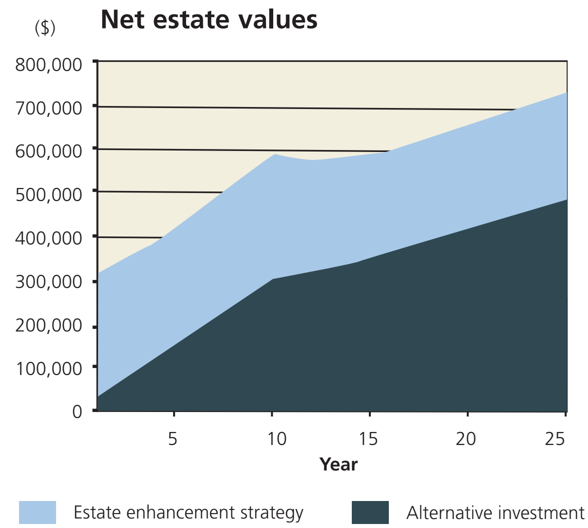
John is interested, but asks for more details about why this is a viable alternative to a taxable investment. Grant gives him a list of reasons.

A life insurance policy provides:

- A large, immediate estate value
- Tax-sheltered growth of cash values
- A tax-free maturity value at death
- Reduced estate settlement costs (if you've named a beneficiary)
- Potential for creditor protection
- Liquidity, if you need it

John nods, but asks Grant to show him exactly how the numbers will play out.

So Grant compares an estate enhancement strategy including an insurance solution to an alternative investment, based on John's age (60) and the fact that he doesn't smoke.



Grant explains that the life insurance he's chosen is a whole life product that is non-participating, which means it doesn't receive dividends. It does, however, receive something called a performance credit that helps to build the value in the policy.

Grant also generates the table above to show John how the life insurance policy grows at a faster rate than the investment.

John likes what Grant has shown him. He appreciates that he can take a portion of his estate and keep it for his children without having to worry about high taxes. And, most importantly, he values that he can keep his promise to his family.

John thanks Grant and heads for home, stopping on the way to pick up the dry cleaning like his wife asked. After all, a promise is a promise.

COMPARING LIFE INSURANCE TO AN ALTERNATIVE INVESTMENT	
Performance credit rate:	Current credit rate less 1.0%
Initial death benefit:	$300,000
Payments:	$25,000 annually for 10 years
Personal tax rate:	45.0%
Before-tax investment rate for alternative investment:	5.0%
After-tax investment rate for alternative investment:	3.3%

Year	Estate Enhancement Strategy: Before-tax redemption value ($)*	Estate Enhancement Strategy: Net estate value ($)**	Alternative Investment: Annual interest ($)	Alternative Investment: Tax payable ($)	Alternative Investment: Net estate value ($)
1	8,772	321,737	1,250	563	25,688
5	58,781	424,881	6,603	2,972	135,699
10	186,908	575,740	14,166	6,375	291,110
15	251,572	544,282	16,224	7,502	342,570
20	365,860	563,014	18,581	8,361	381,835
25	434,589	591,449	21,280	9,576	437,306

Values are for illustrative purposes only. Please see your advisor for limitations on values and guarantees.
* Before-tax redemption value = Policy's cash surrender value
** Net estate value = Policy's death benefit

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Carsten Sorensen
CBS Financial Directions
223 Bear St 2Nd Floor
Banff, AB, T1L 1B9
403-762-8518
info@cbsfinancial.net