



GLOBAL PACIFIC  
FINANCIAL SERVICES LTD.

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## Protect yourself, and your family: “We have a plan for that.”

### Talk to your clients about using their income tax refund to purchase critical illness insurance

#### Do your clients have an income tax refund on the way?

They certainly wouldn't be alone – in 2009, almost 1.7 million individual taxpayers received a refund of about \$1,650 per person.<sup>1</sup>

But what do they plan to do with such a windfall? They could pick up a new TV or take a luxury vacation to the Caribbean.

Or they could help protect themselves, and their family, with critical illness insurance coverage.

It's something they may not have considered – but now is the perfect time to talk to clients about protection for the ones they love.



Use your tax refund to help protect your financial health with critical illness insurance

- [Form 46-8368](#)  
- client brochure (03/12)
- [Form 46-8367](#)  
- client mailer (03/12)

#### Why protection matters

A critical illness, such as cancer, a heart attack or stroke, can touch all aspects of your client's life. There's physical, financial and emotional stress which can continue even after they've recovered.

By purchasing critical illness insurance from Canada Life, they can potentially avoid physical, financial and emotional stress. It can help them:

- Focus on recovery rather than worrying about finances.
- Reduce concerns about the impact of drawing from retirement savings.

#### What you can do:

Talk to your existing clients about LifeAdvance™ critical illness insurance with Canada Life. LifeAdvance allows them to receive a one-time, lump-sum payment to use as they wish.<sup>2</sup>

The benefit amount can be large, or small; it doesn't matter as long as they have protection for themselves and their family.

Clients can feel assured they're protecting their family, and securing their future, through critical illness insurance.

Find out more about these products on Canada Life RepNet™: [Products & tools > Living benefits > Marketing materials > Client material catalogue.](#)

For more information, contact your MGA or your Canada Life regional marketing centre.

<sup>1</sup> Source: CRA Annual Report to Parliament 2010-2011, pg. 33.

<sup>2</sup> Pays the insured a one-time, lump-sum benefit if they have a critical illness insured condition which meets one of the definitions set out in the policy and the survival period has been satisfied. The survival period is 30 days for most insured conditions.

# Financial facts 2012 available soon



Canada Life's participating life insurance *Financial facts 2012* will be available in pdf format mid-April. Here's some key financial information for 2012 you can discuss with your affluent clients and their other advisors now.

## Accountability

- Participating policyowner portion of distributed surplus is 96.93 per cent.
- In 2012, Canada Life's participating policyowner death claims totaled \$68.2 million (open and closed block of business).
- 90 per cent of participating policyowner death claims were paid out in eight days.

## Strength

- Canada Life's total participating account assets, including surplus was \$3.3 billion at Dec. 31, 2012. Open block participating account assets are \$441 million including \$63 million in surplus.

## Performance

- Dividends distributed to open block participating policyowners were \$31 million. Total participating policyowner dividends for Canada Life open and closed block were \$130 million (excludes former New York Life and former Crown Life).
- Participating account investment expenses for the Canada Life open block were 7.7 basis points.
- The 30-year (1983 – 2012) and 60-year (1953 – 2012) dividend scale interest rate historical average return was 9.0035 per cent and 8.9 per cent respectively.
- The 30-year standard deviation since 1983 is 1.8.
  - A low standard deviation means the range of performance has been narrow, indicating there's been less volatility in the dividend scale interest rate from year to year.

The dividend scale interest rate is just one of many factors that contribute to the overall performance and stability of policyowner dividends.

Performance data is provided for illustrative purposes only and represents past performance, which is not necessarily indicative of future performance.

## For 2013

- Dividends to be distributed to participating policyowners are estimated to be \$130 million in Canada Life's open and closed block (estimate excludes former New York Life and former Crown Life).

As a Canadian market leader in the participating life insurance industry, we're the leaders in providing meaningful financial information to clients. We're proud to serve the financial security needs of Canadians for over 165 years.

Dividends are not guaranteed and vary up or down from those illustrated, depending on future dividend scales.

Numbers may be rounded.



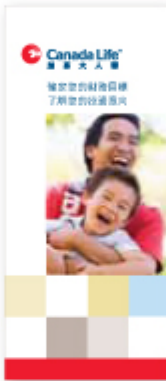
### Coming soon: improvements to online banking for living benefits and all life insurance payment options

We're making it easier to do business with Canada Life. Soon, clients will be able to make payments for their living benefits and life insurance products, including premiums and loans, using online banking. Canada Life policies can be added as an online bill payment option through Canada's banks and credit unions. Details and dates will be announced shortly.

For questions about registering bills, please contact your bank.

# New Chinese material now available

Two new marketing pieces are available in Chinese:



- *Life insurance claims with Canada Life* (form 46-6496CH) is a client brochure that gives an overview of the types of life insurance claims Canada Life has paid in a given year.
- The *Investor profile questionnaire* (form 46-5562CH) is also a client piece and helps clients and advisors determine the appropriate mix of investments for the client, based on their risk profile.

Both pieces are available to order from supply and are posted on [Canada Life RepNet™ in the Chinese marketing catalogue](#).

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## Underwriting tips for inspection orderings

Canada Life has chosen First Financial Underwriting Services as our preferred provider of *Inspection and Business Beneficiary reports* for our valued advisors and clients. Our provider was selected based on quality and completeness, service responsiveness, professionalism and overall positive customer experience.

We recognize some advisors and managing general agencies may have existing relationships with other service providers and we respect this by allowing independent inspections to be ordered.

However, if you're personally ordering inspections before submitting the application, it's imperative you prominently indicate in your transmittal form the date and company with which the inspection was ordered. If you don't provide this alert, we'll assume we need to order the report from First Financial, as is our normal practice. This results in duplicated and redundant orderings, causing unnecessary delays and expense, and is an inconvenience to the client.

If you chose to personally order inspections from an alternate provider with whom you have an established arrangement, please make sure we are made aware.



**BY WORKING TOGETHER WE OFFER YOUR CLIENTS PERMANENT LIFE INSURANCE, A UNIQUE ASSET THAT CAN PROVIDE TAX-ADVANTAGED GROWTH.**



*At Canada Life™ we recognize and value your role in enhancing your clients' lives. By joining forces, we can provide a unique combination of our innovative products and your personalized service. A perfect example is offering your clients participating life insurance that helps to:*

- Optimize their net worth
- Manage risk with more ways of providing assets
- Provide access to cash value for future opportunities

*For 165 years, Canada Life has provided solutions like yours with the products and support they deserve. Your experience, together with our strength and stability, creates an undeniable combination. For more information visit [www.canadalife.com](http://www.canadalife.com)*

**CANADA LIFE REGIONAL MARKETING CENTERS** | **BRITISH COLUMBIA** 1-800-463-0413  
 | **PRAIRIE** 1-888-578-8083

**ONTARIO EASTERN** 1-877-594-1100  
 1-800-361-0960

 **Canada Life™**  
 We'll get you covered.

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Please direct all comments and inquiries to: [maureen.steenbergen@canadalife.com](mailto:maureen.steenbergen@canadalife.com)

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**Web:** [www.canadalife.com](http://www.canadalife.com)  
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# Points to consider when structuring the funding of a buy-sell agreement

A buy-sell agreement is a legally binding agreement between co-owners of a business. It can provide for transfers of ownership interests if a co-owner dies, is disabled, decides to leave the business, or is forced to leave the business.

**A** transfer of ownership typically requires funding. Life insurance is a simple and safe method to fund a purchase at death. Life insurance policies may be owned personally, by a trustee or by the corporation. Some of the more common objectives co-owners consider in structuring their buy-sell are the following:

## > Capital dividend account

A private corporation may credit its capital dividend account for the amount the death benefit exceeds the adjusted cost basis of the policy. Dividends paid out of this account are tax free. If the deemed dividend arising on redemption of shares is designated as a capital dividend, there may not be any tax liability on redemption. If that is the objective, the corporation should be the owner of the life insurance policy and beneficiary of the death benefit.

## > Capital gains exemption

A redemption of shares results in deemed dividends, not capital gains. To take advantage of the \$750,000 lifetime capital gains exemption, a deceased's estate may prefer to sell

shares to co-owners, rather than have the corporation redeem shares. Here, the co-owners or a trustee should own the life insurance policy and receive the death benefit, instead of the corporation, in order to fund the purchase of the shares.

## > Preserve capital gains exemption

The cash value of a life insurance policy may disqualify the shares of a corporation from being qualified small business corporation shares. This may prevent shareholders from claiming the capital gains exemption on a sale of shares. In this case, a corporate-owned policy is not advisable, although shareholders may crystallize the capital gains exemption earlier, before the corporation is considered a passive business and not an active business (no more than 10 per cent of the corporation's assets may be held in passive investments at the time the shares are disposed).

## > Reduce after-tax cost of premium

The lower tax rate of the premium payer means fewer pre-tax dollars required to pay premiums. This favours a corporately owned policy, if the corporation is taxed at the lower small business rate.

*continued*

## National estate and tax consultants:

*Innovative and customized solutions for business owners, professionals and affluent clients*

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National Estate and Tax Consultant,  
1-800-663-0413 or 604-443-8209

#### Patricia Kennedy

National Estate and Tax Consultant,  
1-800-663-0413 or 604-443-8212

### Prairie regional marketing centre

#### Jos Herman

National Estate and Tax Consultant,  
1-855-311-1211 or 306-382-0572

#### Patrick Uzan

National Estate and Tax Consultant,  
1-888-578-8083 or 403-663-2509

### Ontario regional marketing centre

#### Bryan McNulty

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#### Sandra Napoletano

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1-877-594-1100 ext. 3084 or  
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### Eastern regional marketing centre

#### Chris Britton

National Estate and Tax Consultant  
1-888-346-0444 or 902-450-5564

#### Suzanne Desy

National Estate and Tax Consultant,  
1-800-361-0860 ext. 2290 or  
514-874-0868 ext. 2290

### > Increase in cost base of interest

Corporate redemption of shares increases the ownership percentage of continuing shareholders, not their cost base. A later sale of shares may result in double taxation. If surviving shareholders buy shares of a deceased/retiring shareholder, there is a bump in cost base to their revised interest in the corporation which can reduce their tax on a future sale.

### > Equalize premium cost

Different ages and health status result in different premiums for each co-owner. When policies are owned by a trustee or the business, concerns about one co-owner paying higher premiums than another are reduced. It also simplifies premium payment and centralizes control over the policies.

### > Security to family

Buy-sell agreements provide a mechanism for selling shares. However, if funds are not available to buy the shares, the agreement is meaningless. The life insurance policy finances this arrangement by ensuring funds are available when needed. This helps protect the deceased's estate or family from funding uncertainty. It also assists families of surviving shareholders who might otherwise need to liquidate personal or business assets to honour their buy-sell commitment.

### > Potential protection from creditors

When policies are personally owned and the death benefit is paid outside the operating business, greater protection of policy values (cash value and death benefit) from claims of corporate creditors can exist, unless the policy owner or beneficiary has guaranteed the business debts.

Creditor protection depends on court decisions and applicable legislation (which can be subject to change and can vary from each province) and it can never be guaranteed. Your client should talk to their lawyer to find out more about the potential for creditor protection for their specific situation.

### > Ease of administration

Generally, a life insurance policy is required on the life of each co-owner. If there are more than two co-owners, and policies are personally owned, each co-owner will have to buy a policy on the lives of the other co-owners. For example, if there are three co-owners, six policies are required, and 20 policies if there are five co-owners. If there are more than two co-owners, policies might be owned by a trustee or the corporation to ease administration and reduce the number of policies required (i.e. the same number of policies as co-owners).

### > External restriction on business

Many times a lender to the business may limit the amount of dividends that can be declared or remuneration that may be withdrawn by the owners. Restrictions may also impact the amount available for redemption of deceased shareholder's shares. However, if the death benefit proceeds are directly received by the trustee or co-owners, such restriction would not apply. In this case, corporately owned policies may be less attractive.

The chart below summarizes arrangements that address each objective and may help clients start planning their buy-sell arrangement. No one method is superior or more appropriate than the other – it depends on the client situation and their objectives. Clients will need to consult with their tax and legal advisor for assistance in structuring their buy-sell agreement.

Objectives	Business owned directly by individuals				Business owned through a holding company		
	Criss-cross personally owned	Criss-cross corporate owned	Corporate owned share purchase	Hybrid	Criss-cross holding company owned	Criss-cross corporate owned with holding company	Corporate owned share repurchase with holding company
Capital dividend		X	X	X	X	X	X
Capital gains exemption	X	X		X			
Preserve capital gains exemption	X						
Reduce after tax cost (assume lower corporate tax rate)		X	X	X	X	X	X
Increase in cost base	X	X		Partially	X	X	
Equalize premium cost		X	X	X		X	X
Security to family	X	X	X	X	X	X	X
Potential Protection from creditors	X				X		
Ease of administration		X	X			X	X
External restriction on business	X				X		

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