



Protect your legacy:

Consider an Annuity Settlement Option when you don't want to leave a lump sum

Richard and Joan are enjoying their retirement. Richard finally has the garden the way he wants it and Joan's golf game is better than it's ever been.

They are also taking great pleasure in the time they spend with their daughter Rachel, her husband Michael and their two children. Rachel and Michael live nearby and Richard and Joan see them at least once a week.

Unfortunately, Richard and Joan don't see much of Mark, their youngest child. Mark's a bit of a free spirit. He's 39 and has trouble holding down a job. He has an apartment in town, but he doesn't see his family much. His time is consumed with skiing or trying to launch his latest "get rich quick" scheme. He visits occasionally, but it's usually when he needs money for groceries or rent. He no longer asks his parents or sister to get involved in his risky money-making projects.

Richard and Joan have been giving some thought to what will happen to their estate after they die and they have been discussing their concerns with their advisor, Michele. They have \$400,000 invested in segregated funds and they want to split this amount equally between their two children. However, they are concerned about Mark's ability to manage a large lump sum. They would prefer to have the proceeds, plus future interest, paid out to him over a period of time.

Michele suggests that Richard and Joan consider adding an Annuity Settlement Option to their segregated fund contract. Michele explains that when they die an Annuity Settlement Option will automatically transfer half the proceeds of their segregated fund investment into an annuity. This annuity will then make gradual income payments to their son. The balance of their segregated fund investment could, as they choose, be paid as a lump sum or as an annuity to their daughter.

Michele explains that the Annuity Settlement Option won't incur the costs associated with setting up a formal trust and its payout will avoid costly probate and estate fees. They can choose how long they'd like Rachel and Mark to receive payments and if Richard and Joan want to change the beneficiaries or settlement options, they can do so quickly and without fees.

After some thought, Richard and Joan decide they'd like both Rachel and Mark to receive guaranteed income payments for 10 years, so they add a 10-Year Term Certain Annuity Settlement Option to their segregated fund contract. Now they have the comfort of knowing their estate will pass gradually to their children over a 10-year period.

¹ In Saskatchewan, jointly held property and insurance policies with a named beneficiary are included on the application for probate despite the fact that these assets do not flow through the estate and are not subject to probate fees.

Any amount that is allocated to a segregated fund is invested at the risk of the contractholder and may increase or decrease in value.

Benefits of an Annuity Settlement Option

- Allows you to control the manner in which your assets are allocated to your beneficiaries
- Eliminates the cost associated with setting up a formal trust
- Provides an increased level of privacy while avoiding costly probate and estate fees (probate not applicable in Quebec¹)
- Ensures that beneficiaries receive a controlled income stream, rather than a large lump sum amount
- Allows you to make changes to beneficiaries and settlement options quickly and without fees

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