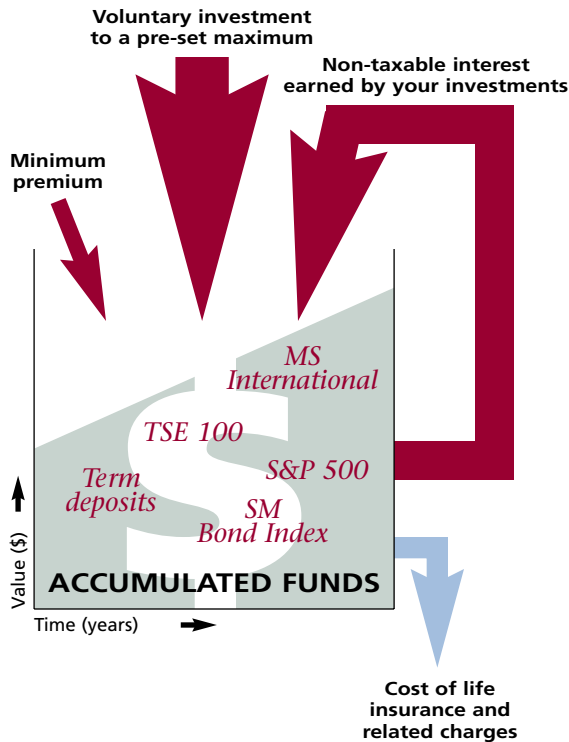


Universal life at a glance

Universal life combines life insurance and investing, allowing you to build tax-sheltered capital for your retirement, or for your heirs.



Universal life: Universally recognized

"The life insurance industry has developed attractive products that can help you meet two planning objectives at once: having insurance coverage, and providing retirement income from tax-sheltered growth."

– KPMG,
Tax Planning for You and Your Family, 1999, p. 115

"An exempt life insurance policy provides an opportunity to accommodate investment on a favourable tax basis. As with other investments, tax consequences should not be the primary concern in evaluating the opportunity and rates of return should be carefully considered. However, the low rate of tax applicable to exempt policy earnings and the possibility of receiving the benefit of the policy free of tax (during life as well as on death) may make this a worthwhile option in some circumstances."

– Price Waterhouse,
The Price Waterhouse Personal Tax Strategy for Canadians, 1998, p. 241

"Life insurance plays an important role in estate planning. It can be used for a variety of purposes:

- to provide a base for generating investment income to replace earnings;
- as a tax-sheltered investment vehicle,

if properly structured, for the accumulation of funds during your lifetime, with a tax-free payout on your death to your beneficiaries."

– Deloitte & Touche,
How to Reduce the Tax You Pay, 1998, 11th edition, p. 46

Through NBF Financial Services, a financial services firm exclusive to National Bank Financial, your Investment Advisor can give you access to the best universal life products on the market, and provide the solid expertise you need.

Call soon for more information!

NBF Financial Services

A financial services firm exclusive to



Universal life: combining risk protection and investment!



NBF Financial Services

A financial services firm exclusive to



What is universal life?

A universal life contract is a financial instrument that allows you to combine the benefits of life insurance and investment, once your insurance needs have been clearly established.

Each policy is unique: you determine how you will use the insurance and investment options, depending on your own personal needs.

Minimum premium: the minimum amount required to cover the cost of the life insurance and related charges; the premium and administrative charges are guaranteed for life.

Maximum premium: the maximum you may invest in your policy. This limit is determined by your age, gender and health and the amount of life insurance coverage you opt for.

Choose from many investment options: your returns can be based on ordinary term deposits or on various indexes, including the SM (Canadian bonds), TSE 100 (Canadian stocks), S&P 500 (US stocks) or MS (international stocks).

Funds deposited in a universal life account enjoy **tax-sheltered growth** and a measure of **protection** against potential creditors.

A dual tax advantage

What happens...

During your lifetime?

At the moment you choose, you may borrow money from a financial institution, leaving your universal life policy as collateral. There will be no capital or interest payments to make, or income taxes to pay. Upon your death, the institution will repay itself from your policy, leaving the balance to your heirs.

When you die?

Your heirs receive, **absolutely tax free:**

- the death benefit provided by your life insurance contract

plus

- the funds accumulated under the investment component of the contract.

Who can benefit from such a product?

- Anyone who makes the maximum contribution to an RSP and is looking for an additional tax-sheltered vehicle where investments can grow.
- Anyone who has fixed-income securities in a taxable account and wants to shelter the earnings on these investments from taxes.
- Anyone who has taxable assets and wishes to minimize taxes payable by his or her estate.
- Anyone whose investments are held by his or her own company.
- Anyone who wants to build retirement capital other than in an RSP.
- Anyone who does not expect to spend all of his or her savings, and wishes to maximize their value when they are passed on.
- Anyone whose estate is likely to be heavily taxed.

How it works: two examples

EXAMPLE 1

Husband: 45
Wife: 40
20 years to retirement
Estimated number of years until death of second spouse: 44

Their objectives:

- Basic coverage in case of death
- Accumulation of tax-sheltered capital
- Non-RSP retirement plan

The solution:

- Joint \$1,000,000 universal life policy payable upon death of second spouse
- Annual premium: Minimum: \$2,772 Maximum: \$26,314

Clients choose **\$15,000/year** for 10 years

SITUATION AT RETIREMENT

Husband is 65, wife is 60

- Bank loan of **\$23,111/year** (not taxable) for 24 years
- Universal life contract left as loan collateral
- No capital or interest payments while the spouses are alive; the loan is repayable only upon the death of the second spouse
- Total premiums paid: **\$15,000/year x 10 years = \$150,000**
- Total amount borrowed (the equivalent of tax-free income): **\$23,111/year x 24 years = \$554,664**

SITUATION AT DEATH

+	Life insurance \$1,000,000
=	Accumulated funds* \$2,079,871
-	Capital at death \$3,079,871
=	Balance of loan** \$1,860,094
	Tax-free estate \$1,219,777

After-tax return on the estate: **7.94%**

EXAMPLE 2

Husband: 75
Wife: 70
Estimated number of years until death of second spouse: 16

Their objectives:

- Pay taxes upon death
- Use the product's tax advantage to create a larger estate

The solution:

- Joint \$250,000 universal life policy payable upon death of second spouse
- Annual premium: Minimum: \$6,495 Maximum: \$32,009

Clients choose a one-time deposit of **\$125,000**

SITUATION AT DEATH

+	Life insurance \$250,000
=	Accumulated funds* \$191,026
	Tax-free estate \$441,026

After-tax return on the estate: **8.20%**

* Based on an average annual return of 7%

** Based on interest of 9%

The examples in this document are for illustration purposes and have no contractual value. The amounts and rates of return are projections only; they do not guarantee or forecast performance.

