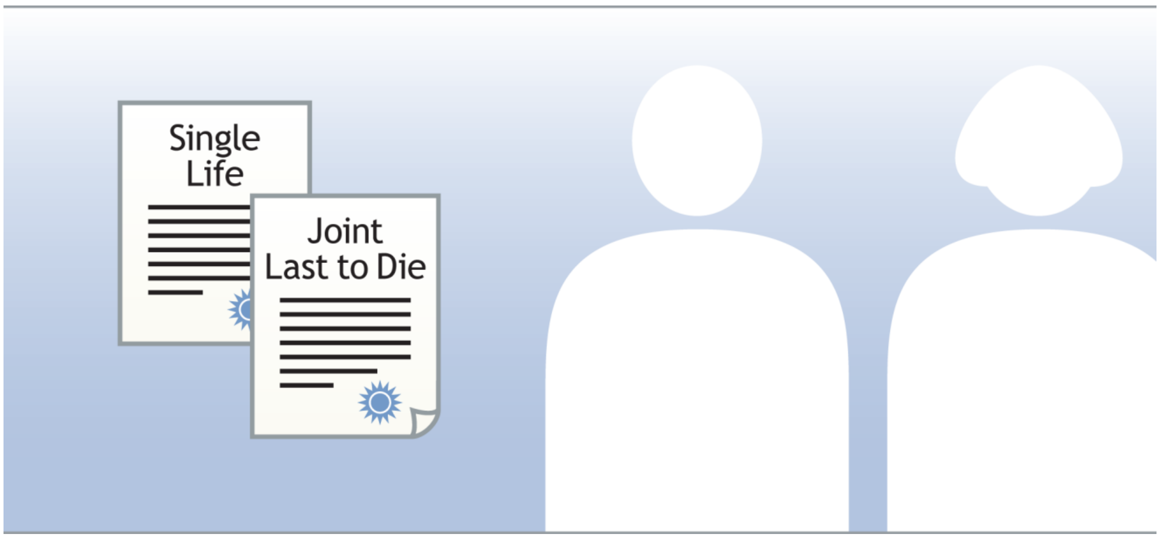
Benefits of Joint Last-to-Die



Designed for: **John and Mary Sample**

Male, 40, Non Smoker

Female, 40, Non Smoker

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Newfoundland and Labrador

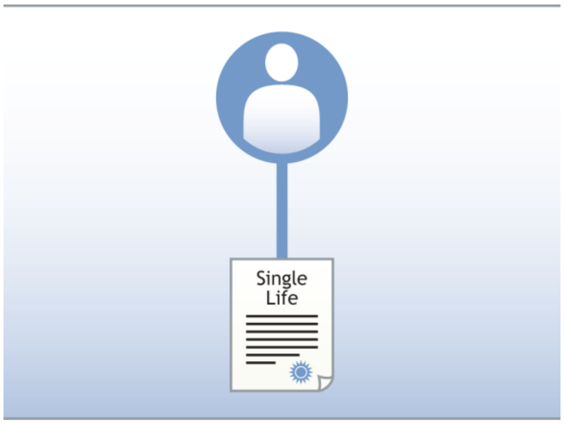
Introduction

Whether you are starting a family, buying a home or ensuring continuity in business and estate planning, the purchase of life insurance will play an integral role.

There are two main types of life insurance coverage's:

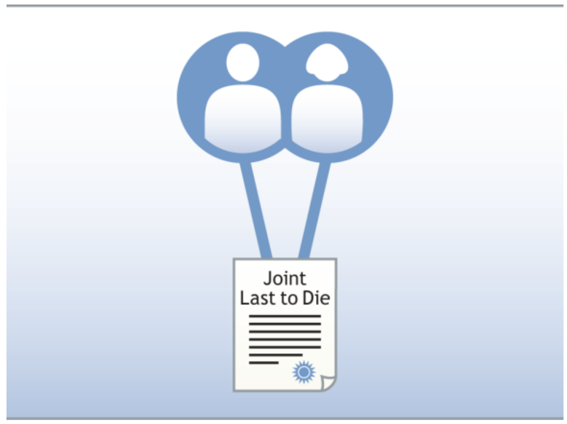
Single Life

As the name suggests, single life coverage is based on the life of a single individual. This coverage pays a tax-free death benefit in the event of that individuals death. At which time the policy is considered matured.



Joint Life

Joint Life Insurance is a single contract based on the lives of two or more individuals. The Cost of Insurance used at the time of issue is lower than the single life cost currently charged and is fully guaranteed based on a Joint Life Expectancy.



What Coverage is Right for You?

Joint last-to-die coverage is an essential part of estate planning. Typically, when the purchase of insurance is made it is to cover a single need; cash available upon the death of the insured individual. Many times this is an appropriate form of insurance coverage. However there has become an increasing need for that cash available on the death of a second individual, typically a spouse.

Despite positive outlooks on inheritance, a significant number of Boomers may not be properly prepared to manage this cash flow, nor have they explored strategies to ensure a legacy will be passed to their heirs. Joint Last-to-Die insurance can address the growing concerns relating to:

- Intergenerational Transfer of Wealth
- Charitable Gifts and Legacy Planning

With uncertainty in the markets, aging generations who traditionally invest in fixed-income products are forced to balance a low rate of return with higher tax rates, inevitably forcing the sale of assets. These events will increase today's tax burden and ultimately erode the estate you intended to leave.

Putting a Joint Last-to-Die product in place can help mitigate these risks with such strategies as:

- Funding Capital Gains Tax
- Joint Insured Annuity
- Estate Equalization

See **Some Important Notes** at the end of this presentation.

How is JLTD Insurance Priced?

This type of insurance is different from other types of permanent insurance as it insures two people under the same policy, and the death benefit is paid only when the second life insured dies. Such coverage is desirable in situations where the individuals insured share a common liability that will only arise upon the death of the survivor.

Many estate-planning strategies defer the payment of tax for as long as possible. For example, upon death, a taxpayer is deemed to dispose of all capital property at fair market value. If the property has increased in value from when it was subject to taxation, the Income Tax Act allows for a rollover of capital property at cost between spouses or common-law partners when one of them dies. This means that the increase in value is not taxed at the first death. As a result, the payment of income tax on the capital gain is deferred until the death of surviving spouse or common-law partner (or until the property is disposed of). Joint last-to-die (JLTD) insurance is the perfect solution for funding this tax liability because the funds become available exactly when they are needed, upon the second death.

Other situations where JLTD coverage makes sense include things such as Charitable Gifting strategies, wanting to maximize Estate Values, or Insured Annuity planning. The inherent pricing efficiencies with JLTD insurance make utilizing this type of policy often an impossible strategy to beat.

Premiums based on $500,000 of coverage:

• Male, 40, Non Smoker	$6,295	
• Female, 40, Non Smoker	$5,382	
• JLTD	$4,004	26 % Less

With this type of policy paying out only after the death of the last individual, logic would dictate that the pricing would be based on the person who will live the longest. In most instances that individual would be the female. However as you can see in the above example, due to current pricing practices the costs involved with JLTD insurance are substantially discounted.

Cash Flow Analysis

Assumptions

- Male, 40, Non Smoker
- Female, 40, Non Smoker
- Insurance Amount: $500,000
- Tax Rate assumed to be 49.80 %

Year	Total Premiums Paid	After Tax Return on Last Death*	Pre Tax Return on Last Death*
1	$4,004	12402.80 %	24706.77 %
5	$20,020	136.45 %	271.82 %
10	$40,040	44.88 %	89.41 %
15	$60,060	24.48 %	48.77 %
20	$80,080	15.99 %	31.85 %
25	$100,100	11.48 %	22.87 %
30	$100,100	8.81 %	17.56 %

At your joint life expectancy, age 92 of the youngest life, the After Tax Rate of Return on premiums paid would be 3.99 %.

Utilizing an Alternative Investment Strategy would require a Pre Tax Rate of Return of 7.94 % in order to match the efficiency of the JLTD Insurance.

See **Some Important Notes** at the end of this presentation.

Some Important Notes

*Internal Rate of Return

The IRR assumes a return based on a series of cash flows represented by the premiums paid. The illustrated values are calculated to determine what could be expected (before tax) if the same cash flow were to be invested outside the policy. Based on these calculations, this presentation assumes that the premiums are paid at the beginning of each year. Beginning of year values have been used for both the Cash Value and the Life Benefit. These figures are projected values, based on inputted criteria and should only be used for illustrative purposes.

Notice

The scenarios described in the preceding presentation provide general outlines of some financial strategies. Readers should seek independent legal, tax and accounting advice with regard to the views expressed in this document. The figures used to illustrate the examples are meant to provide example scenarios using figures created for the financial products on the day the quotes were created.