

Wealth Select/Estate Select

# How participating life insurance works for you

canada  life <sup>TM</sup>



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# What's participating life insurance?



Participating life insurance has a number of key features:

## First and foremost, it's life insurance.

When you die, your family, business, estate<sup>1</sup> or charity receives the insurance payout (death benefit).

## It's yours for life.

Whatever amount of base life insurance you buy is guaranteed to stay in effect for your lifetime<sup>2</sup>. And your premium payments won't go up, no matter your age.

## It helps you grow your wealth.

Over time, your life insurance policy builds cash value. You have guaranteed access to these funds, which you can use in many ways during your lifetime.<sup>3</sup>

## It has tax advantages.

Your policy's cash value grows tax-free while inside the policy, subject to government limits. When you die, the people and organizations you've named<sup>1</sup> receive the payout tax-free.

## It can give you potential dividends unique to participating life insurance.

You can choose how to use these dividends.<sup>4</sup> You can buy additional insurance coverage, which may increase your cash value. You can reduce (or even stop) out-of-pocket premium payments. Or, you can take your dividends as cash.

## It offers flexibility.

We know everyone's situation is different. That's why with participating life insurance you get many options you can customize based on your needs.

## It can be used for a policy loan.

You can borrow, with interest, backed by your policy's cash value.<sup>3</sup>

## It helps you protect your loved ones.

You can buy participating life insurance on yourself or on others.<sup>5</sup>

# How can participating life insurance work for you?

Participating life insurance helps you protect your family or business, among others, with a coverage amount that's guaranteed from day one.

With Canada Life™, you can be confident your insurance company is strong and committed to participating life insurance. And our investment managers have the expertise to remain focused on long-term performance and stability.



## Create or protect your legacy

### Create an instant legacy, guaranteed from the very first day.

This is the foundation of your financial security. It helps protect those you love and those who depend on you. The person, people or organization you choose receive tax-free money when you die.<sup>1</sup>

### Show you care for the people and organizations that are special to you.

The payout can go directly to the people and organizations you name, rather than going through what can be a long, public probate process. Depending on the rules in your province, you can avoid delays and estate fees and keep it private.

### Help your estate pay taxes.

If the payout is going to your estate, it can help cover taxes so more remains in your estate (for example, a cottage may not have to be sold to pay taxes).



## Build your wealth and lower your taxes

### Build an asset that's different from investments and isn't taxed like one.

With some types of investments, growth can be lost along the way because of income tax. With participating life insurance, you don't pay tax as your cash value grows in your policy (within tax limits). But if you withdraw or borrow against your cash value, or transfer ownership, you may have to pay tax.

### Create an asset you can access at any time, for any reason.

You never know what the future will bring, or when. With participating life insurance, you create a dependable asset that gives you the flexibility you need, whether it's for:

- An unexpected expense or loss
- A family or business emergency
- A sudden opportunity

### Create a source of income during your lifetime.

Life insurance is useful for your estate and retirement planning. You can use your policy's cash value to supplement your retirement income or help cover unexpected expenses.

### Build value you can depend on in up and down markets.

If you're looking to grow your wealth, participating life insurance is a great option because it's a stable, low-risk asset for your portfolio. Your policy's cash value is guaranteed to grow.<sup>2</sup> This cash value isn't affected by future market changes. Market changes can affect your dividends. If you use your dividends to buy additional coverage, that coverage may have cash value, which is guaranteed.





## Protect your company and achieve your business goals

### Protect your business if a key person dies or leaves.

If you lose a key person, participating life insurance can provide money to help you manage the loss and disruption.

### Buy the shares of a partner who leaves or dies.

The policy can provide money to the remaining shareholders so they can buy your shares when you leave or die.

### Add more coverage later, as your business grows.

The policy can include a guarantee that lets you add coverage as your business grows, regardless of health.

### Seize unexpected business opportunities.

The policy's cash value is available to help you in unplanned situations.

### Reduce your company's yearly taxes.

If your business has money in taxable investments, you can move some of it into a participating life insurance policy. The cash value grows tax-free while inside the policy (within tax limits).

### Create a tax-efficient business plan for the next generation.

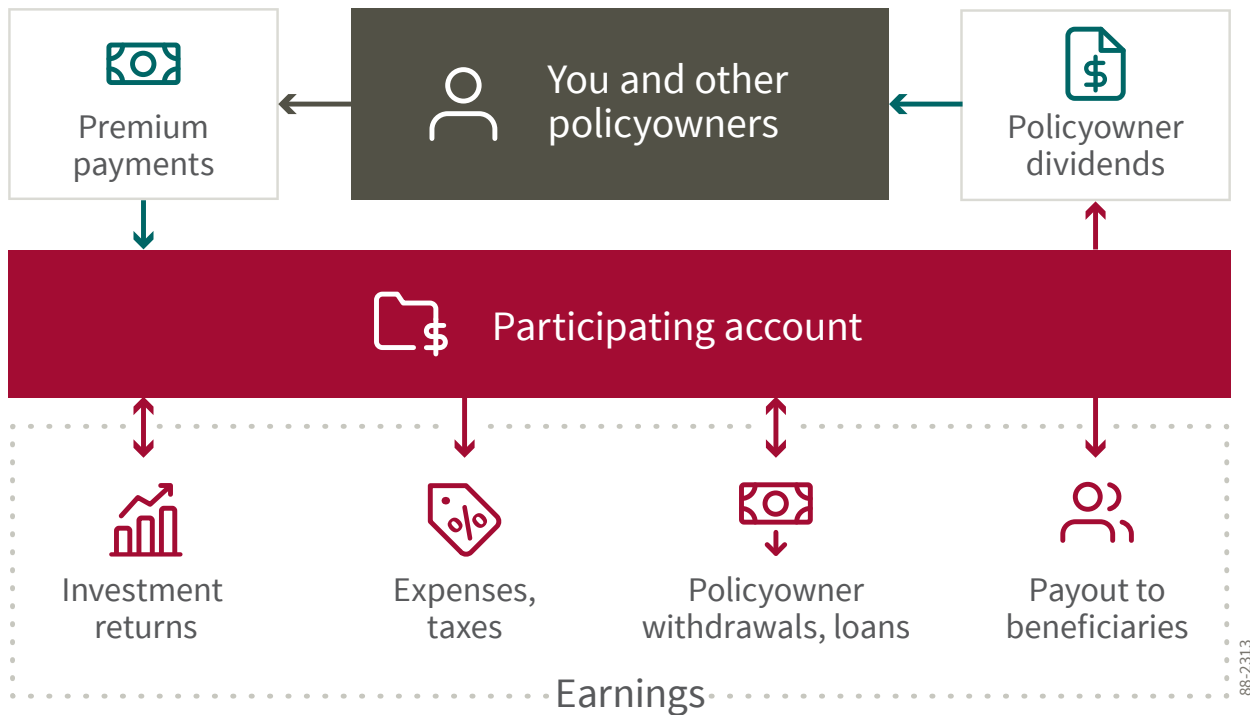
The insurance payout is tax-free to the businesses and people you name. What's more, if your business owns the policy, shareholders might receive the money tax-free as capital dividends.

Participating life insurance is a great option, whatever your goals may be. Based on these goals, your advisor can recommend a policy with higher cash value growth in the early years (early value) - or a policy with higher coverage and cash value in the later years (delayed value). Depending on the payment options, you have flexibility to choose your premium payments to match your needs – whether you finish paying for your policy in 10 years, 20 years or spread it out over your lifetime.

The following pages will help you explore the different options available, helping you create a participating life insurance policy that's right for you.

# How Canada Life participating life insurance works for you

## The participating account



The participating account is the engine of participating life insurance. Participation in the account is what makes it unique and valuable.

## How it works

1. Your premium payments, together with payments from all other Canada Life participating policyowners, go into the participating account. We manage this account to meet the guarantees and commitments to all our participating life insurance policyowners, now and in the future.
2. If actual performance is better than our assumptions at the time of pricing – which may include but aren't limited to investments, expenses and taxes, policyowner withdrawals and loans and insurance payouts – earnings are generated for the participating account.
3. When earnings exceed the amount needed to meet guarantees and commitments, policyowners might be able to share, or “participate,” in these earnings. We might distribute some of these earnings as policyowner dividends, although this isn't guaranteed. The distributed amount is influenced by the need to retain earnings as surplus and to reduce short-term volatility in dividends.

For more details, see Detailed guide to features and options, page 10.

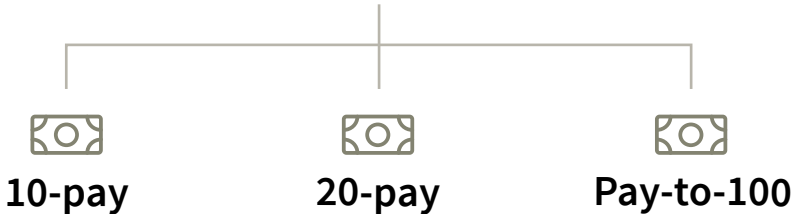
# A range of solutions

One size doesn't fit all. That's why we offer you a range of solutions. Each provides a different combination of costs and benefits, to support different goals and timelines.

## Two par products on the Canada Life product shelf



### For each product there are three ways to pay



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## What's the difference between early and delayed value?

	How it works	Why it's beneficial	Examples
<b>Early value</b>	This gives you strong growth of your policy's cash value in the early years.	You have the flexibility to access that cash value early on, if needed.	<p><b>Personal:</b> Having cash value available to cover unexpected expenses that may arise in an emergency.</p> <p><b>Business:</b> Business owners who need insurance but might require funds in the near future to support business growth opportunities.</p>
<b>Delayed value</b>	This gives you higher coverage and policy cash value in the later years.	This helps support estate planning needs and gives you higher cash value in later years that you can access if required.	<p><b>Personal:</b> Parents whose main goal is to leave a legacy for their loved ones.</p> <p><b>Business:</b> The owners can insure the lives of their partners. The payout provides money to buy out their partners' shares if they die. By using your dividends to buy paid-up additional insurance, your coverage grows over time, like the value of the partners' shares.<sup>4</sup></p>



# How do you want to pay for your coverage?

Canada Life™ participating life insurance policies offer a variety of payment options. This flexibility helps you choose the premium payments that best match your needs, whether you want to pay off your policy quickly or over a longer period of time. Payment lengths include:

- 10 years (Max 10)
- 20 years (Max 20)
- Pay to age 100

Premium payments are guaranteed to stay the same and no more will be required after the payment period ends.

	10-pay	20-pay	Pay to age 100
Early value	Wealth Select Max 10	Wealth Select Max 20	Wealth Select
Delayed value	Estate Select Max 10	Estate Select Max 20	Estate Select

Your advisor can help you select the solution with the values and premium payments that best fit your goals and timelines. The next few pages give you an overview of each solution.



# Detailed guide to features and options

Our participating life insurance offers many options to meet many goals and timelines. Your advisor can highlight the ones most important to you.

## Who you insure

With one policy, you can insure the lives of one or two people and have the option to insure children. Here are your options:

**Single-life coverage:** Insure one person.

**Joint first-to-die:** Insure two people and receive the payout when the first person dies.

The surviving person is covered for an extra 60 days, during which a new policy can be bought on their life, regardless of health.

**Joint last-to-die:** Insure two people and receive the payout when the second person dies.

You have two options for premium payments:

**Joint last-to-die, premiums payable to first death:** Stop paying when the first person dies.

Premium payments are higher with this option.

**Joint last-to-die, premiums payable to last death:** Continue paying until the second person dies.

Premium payments are lower with this option.

**Children's term life insurance rider:** Insure your children.

You can include term life insurance on your children, including adopted and stepchildren. Future children are added with no extra cost until you turn 60. When a child reaches 25 or marries, their insurance can be converted to a stand-alone term or permanent policy, regardless of health.



# Your cost

When choosing the length of your premium payments, remember the cost is fixed and stays the same the entire time. This period can be either 10 years, 20 years or to age 100.

## How to reduce or stop your out-of-pocket premium payments

### **Premium offset:** Let your policy pay for itself.

You might be able to use your dividends to cover some or all your premium payments.

### **Reduced paid-up:** Downsizing your policy to stop making premium payments.

You can reduce your coverage to the amount supported by the cash value already built up in your policy. Your policy is paid up and can't receive more premium payments.

### **Automatic policy loan:** Borrow the premium payments from your policy's cash value.

We can automatically deduct overdue premium payments from your policy's cash value and treat it as a policy loan with interest, if the cash value is large enough to cover the loan.

### **Total disability insurance benefit:** Premium payments not required if the insured person becomes disabled.

Your policy can include an option where Canada Life will cover required premium payments if the insured person later experiences certain disabilities. Note: the insured person must be at least 18 years old when the policy is issued.

### **Premium waiver insurance benefits:** Premium payments not required if the person making premium payments becomes disabled or dies.

Your policy can include an option where Canada Life will cover required premium payments, if the person insured under this benefit later experiences certain disabilities or dies.





# Your policy's cash value

Your policy has value that you can access for cash during your lifetime. It's guaranteed to grow over time unless you withdraw that value.

As your policy's cash value grows, the increased total is guaranteed. If markets fall, it's protected. It can't be reduced or used unless you authorize it, or it's stated in the policy – for example, to make premium payments.

## How you can access your policy's cash value

### **Borrow against your policy.**

You can borrow from us against your policy's cash value and pay the loan back over time with interest. This doesn't affect your coverage, cash value growth or any dividends you may receive. If the loan isn't repaid, we deduct the loan balance, including interest, from the payout or any cash value we pay you. However, if the loan exceeds the cash value of the policy, the policy will terminate. Some of the borrowed amount might be taxable, and some of the interest might be deductible.

### **Cashing out your policy's cash value.**

You might cancel some or all of your coverage in exchange for any cash value associated with the cancelled coverage, adjusted for any amount owed on your policy. Any cash received in place of your cancelled coverage might be taxed.<sup>3</sup>

### **Use your policy as collateral for a third-party loan or line of credit.**

Banks and other third-party lenders might lend against the policy's cash value. Interest charges may apply to any loan taken. This isn't a contractual option and is subject to third-party approval. If the loan isn't repaid, your payout may be impacted or you may lose your policy.



# Your dividends

## What are dividends?

Policyowner dividends are one of the key differences between participating life insurance and other types of life insurance.

When you buy participating life insurance, you share in the experience of the participating account with everyone else who owns a Canada Life™ participating life insurance policy. That includes risks and potential rewards. Each year, you may receive what's called a policyowner dividend. Dividends aren't guaranteed, but once they're paid, they're yours.

If actual performance is better than our assumptions when we developed our participating life insurance product, earnings arise in the participating account. Assumptions may include investments, expenses and taxes, policyowner withdrawals and loans and payouts.

When earnings exceed what we need to meet guarantees and commitments, policyowners may share (or participate) in these earnings. We may distribute some of these earnings as policyowner dividends, although this isn't guaranteed.

### Your dividend options

You choose how to use your dividends. You can:

1. Increase your coverage, which may increase your policy's cash value
2. Use them to reduce or stop your out-of-pocket premium payments
3. Take them as cash





# Keep your coverage growing

Increase your coverage, through paid-up additional coverage.

## This includes:

### Grow your coverage.

When you choose this dividend option, the coverage you buy:

- Is paid up
- May contribute to future dividends
- Is guaranteed for life
- Has cash value

### Get more coverage without paying more.

The additional coverage is fully paid for— you don't need to increase your payment amounts or make any future premium payments for this additional coverage.

### Possibly stop out-of-pocket premium payments even sooner.

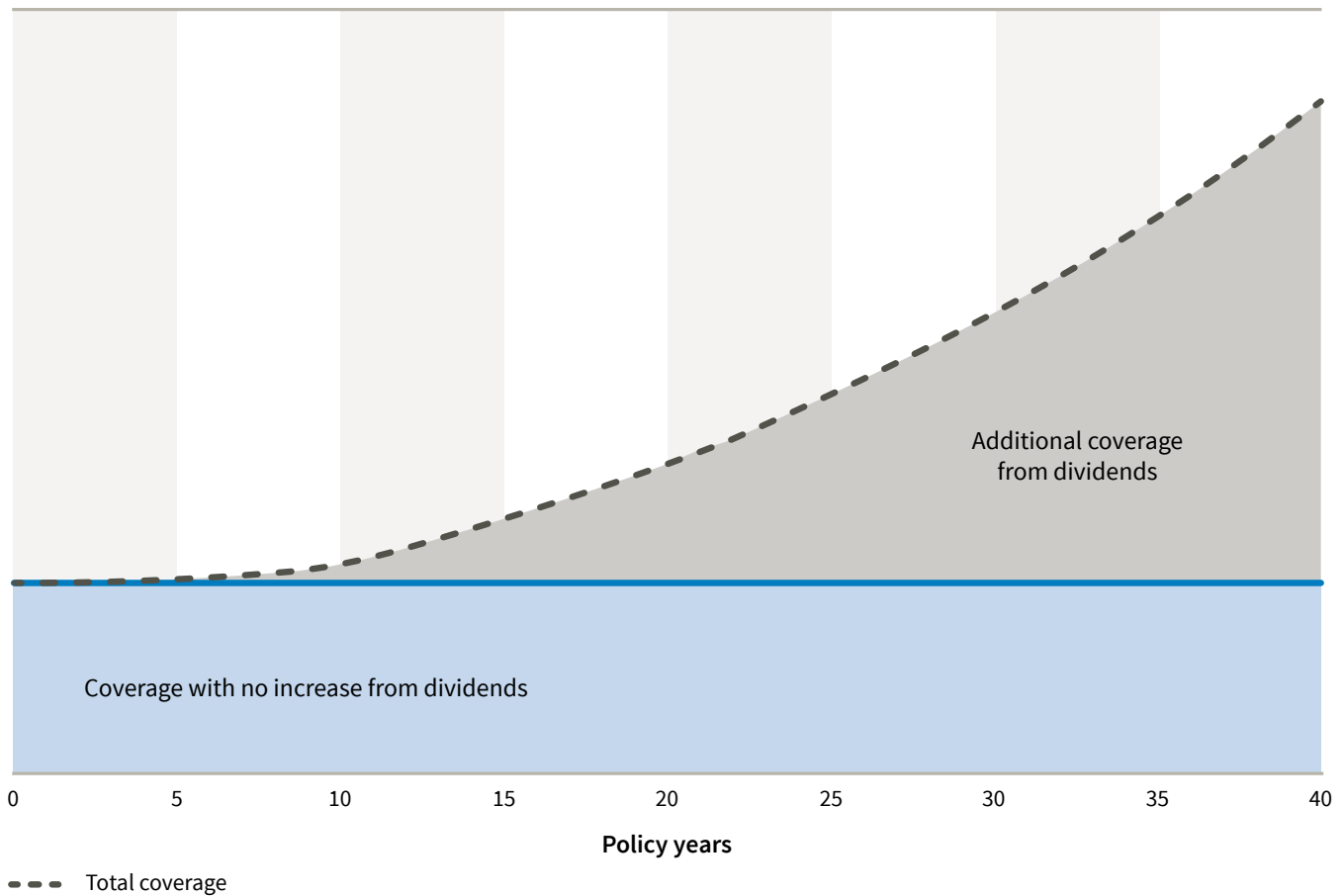
When you use dividends to buy paid-up additional coverage, your policy's cash value increases. This can speed up the time it takes for your policy to pay for itself, by using its cash value to cover your premium payments. Any dividends you don't need for premium payments can continue to buy more coverage. If the policy's cash value is used to cover your premium payments, your coverage might be reduced.

See Let your policy pay for itself, page 17.



## Grow your coverage

Use dividends to buy additional coverage



## Get more protection from the start

Instead of maximizing your long-term coverage, you might want a higher level of coverage right at the start. How can you do this? With enhanced coverage.

### What's enhanced coverage?

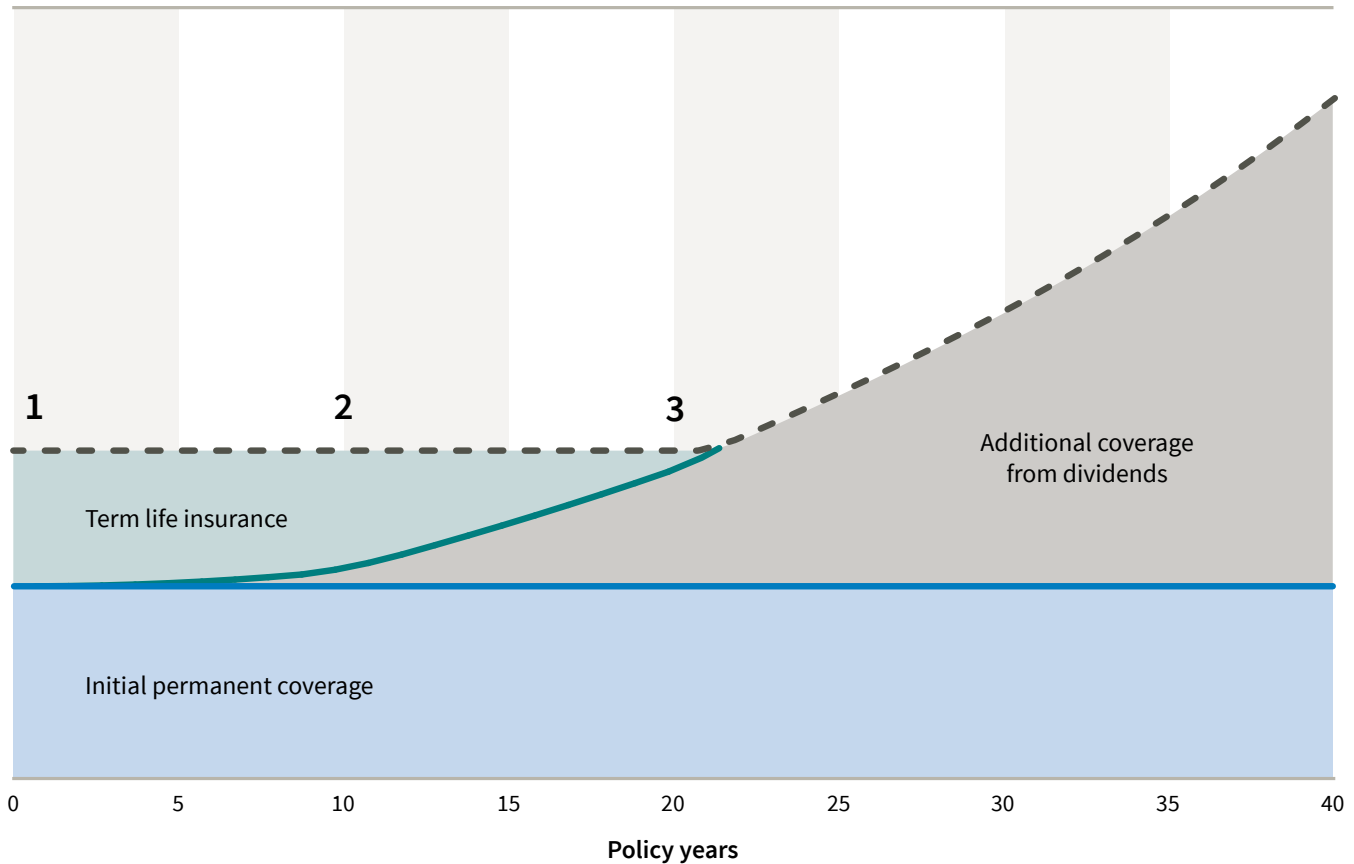
You can use your dividends to buy a combination of paid-up additional coverage and term life insurance. This immediately enhances your coverage and your potential future dividends pay for this. This can fine-tune the balance between cost and growth.

The trade-off is your long-term coverage and cash value don't grow as much. This option gives you a choice of a 10-year or lifetime guarantee on your enhanced coverage amount.

If your dividend can't buy the full amount of term coverage needed during the guaranteed period, we'll provide enough additional term insurance, at no cost to you, so that your policy provides the full enhanced coverage amount.

# Boost your initial coverage

Use dividends to enhance your coverage



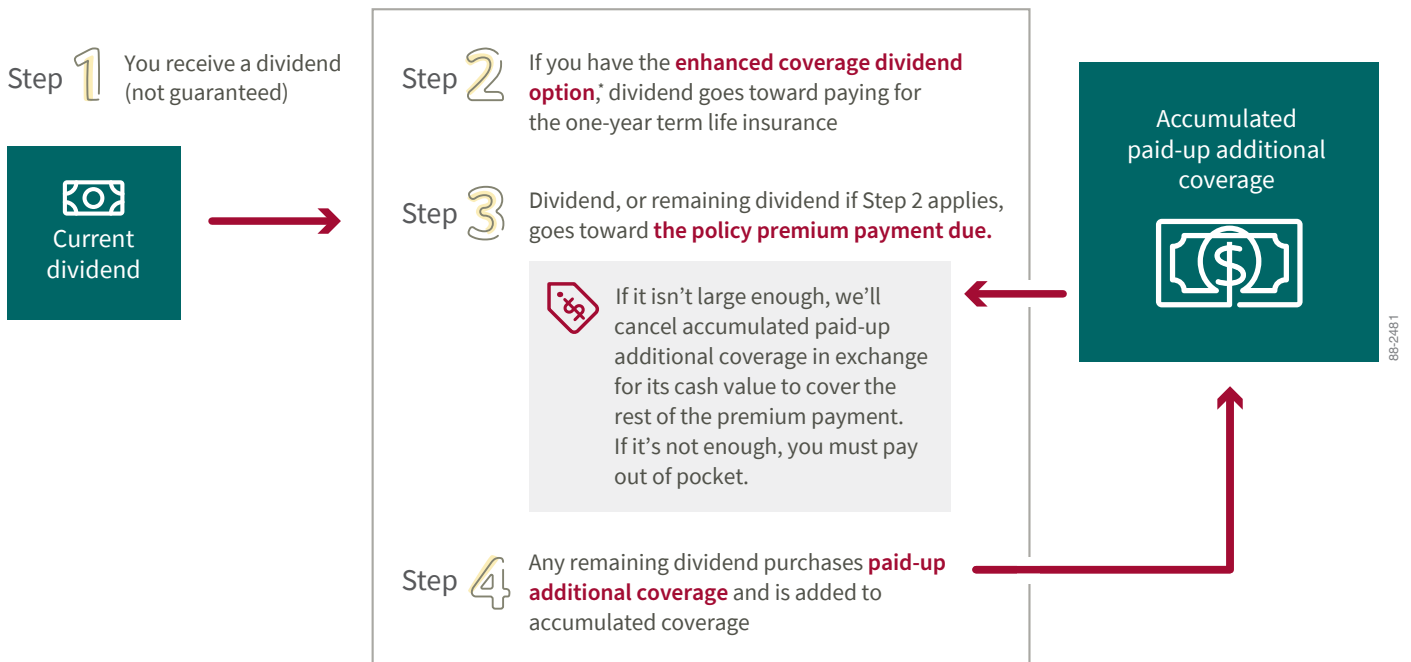
--- Total coverage

1. You start with a combination of permanent coverage and term life insurance. Term life insurance is very economical, so for the same cost this combination gives you more initial coverage.
2. Your dividends pay for the term life insurance. Any dividends that aren't needed for the term life insurance are used to buy additional coverage. This additional coverage is fully paid for. It replaces the equivalent amount of term coverage. Your total coverage stays the same. This means you need to purchase less term life insurance, which benefits you since term life insurance costs increase with age.
3. Eventually the additional coverage can completely replace the term life insurance. From this point on, your total coverage starts to grow. See [Keep your coverage growing](#), page 14.

# Let your policy pay for itself

Your dividends can grow large enough to cover some or all of your premium payments. Then, you can decide to reduce or stop your out-of-pocket premium payments. This option is known as premium offset.

## How premium offset works



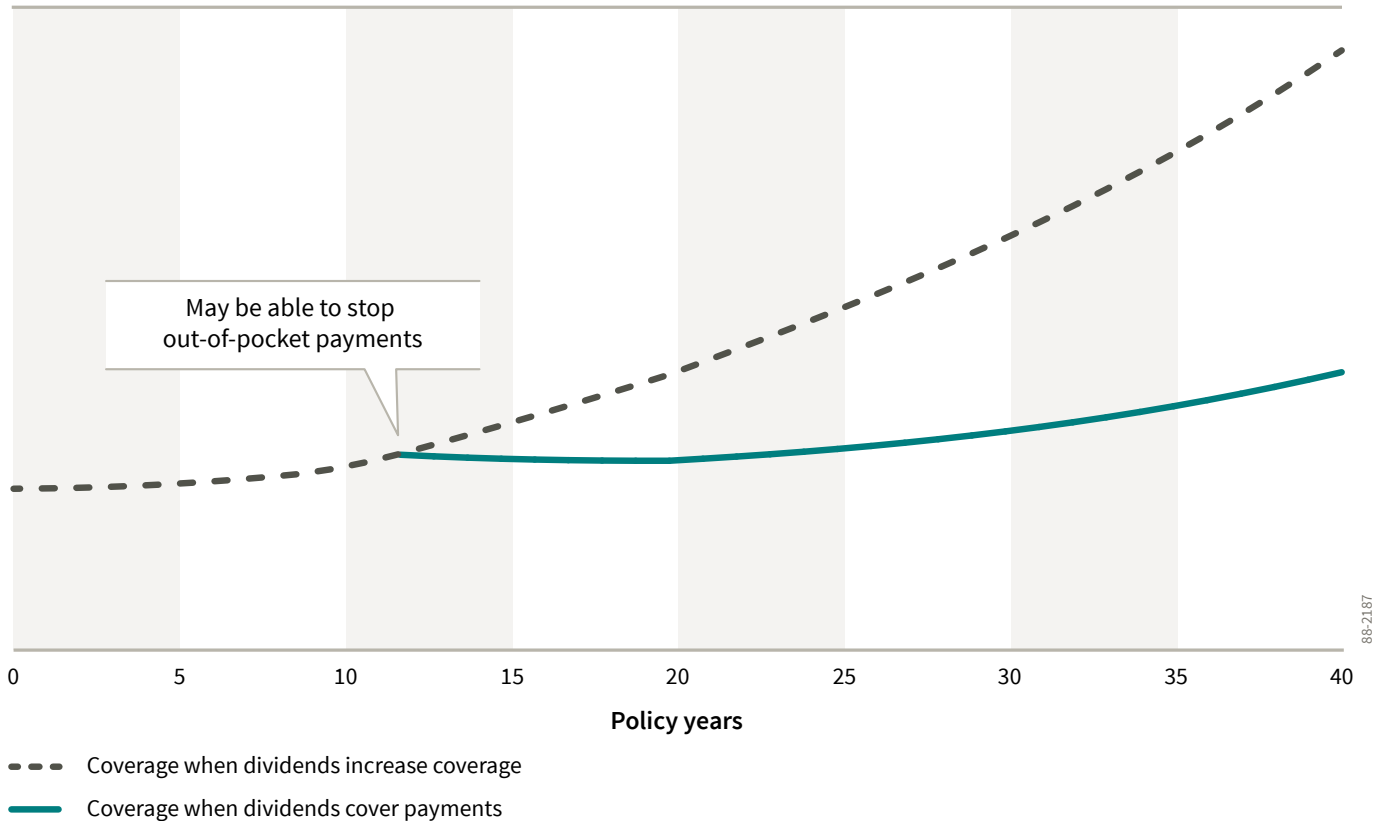
\*Enhanced coverage may also be known as the enhancement dividend option, Econolife dividend option, enhanced coverage option (ECO) or Economatic dividend option.

### Flexibility with premium offset

You decide how much of your premium payments you want to cover with dividends<sup>5</sup> and for how long. Dividends can cover all of your payment, a fixed dollar amount or a certain percentage. It can be for a few years, a short-term need or a longer time, like retirement. This option might reduce your cash value and coverage.

Premium offset is possible when your current and future dividend values are large enough to cover some or all of the premium payments. If your dividends aren't enough, you may have to resume out-of-pocket payments.

## Use dividends to cover your payments



Any dividends not used to cover premium payments can be used to buy additional coverage. See [Keep your coverage growing](#), page 14.

Visit [canadalife.com/premiumoffset](https://canadalife.com/premiumoffset) for more information.

## Take cash

You can simply take your dividends as cash. They may result in taxable income reported to you. This is known as the cash payment option.



# Additional coverage options

Your payout is the policy's coverage amount that's paid out when the insured person dies. When looking at what your coverage amount might be, there are options to increase or tailor your coverage.

## Additional deposit option

This option allows you to increase your premium payment by the dollar amount you choose to:

### **Grow your coverage and your policy's cash value even more.**

Additional deposits increase your coverage, which boosts your policy's cash value. You get a larger asset you can access faster.

### **Reduce income taxes even more.**

Instead of keeping money in taxable investments, you can move more money into your policy. This way, you don't pay tax as your cash value grows in your policy (within limits).

### **Offers flexibility to stop out-of-pocket premium payments even sooner.**

Additional deposits can increase the cash value in your policy. This can speed up the time it takes for your policy to pay for itself. See [Let your policy pay for itself](#), page 17.

### **Have flexibility in your premium payments.**

You can reduce stop, or start additional deposits at any time.

There are minimum and maximum amounts you can deposit in your policy. Government rules set the maximum cash value allowed, based on the policy's coverage amount.

If you have a loan on your policy, you won't be able to make ADO payments. Once the loan and loan interest are paid, you can resume ADO payments.

If your policy is on premium offset, you won't be able to make ADO payments. If premium offset is terminated, you can resume your ADO payments.

## Additional benefits

### **Guaranteed insurability rider: Increase your coverage in the future, regardless of health.**

This benefit gives you the option to obtain new, permanent policies on the insured person.

**Example:** Add coverage if your family grows or there's an increase in your income, assets or estate.

### **Business growth protection rider: Increase your coverage when your business grows, regardless of health.**

This benefit gives you the option to obtain new, permanent policies on the insured person, over a 10- or 15-year period.

Additional benefits continued...

## Additional benefits

**Example:** When your business grows, you might want to increase the amount of coverage.

### **Term life insurance rider: Increase your coverage at a lower cost to meet a temporary need.**

You can increase your coverage by adding a term life insurance benefit to your basic policy, meaning your policy apart from any riders or added benefits. Your basic policy must insure only one person – you or someone else. Later, you can convert the term insurance to a new permanent policy, if needed.

**Example:** You might want higher coverage in the early years of a new family or business.

### **Accidental death insurance benefit: Increase the payout in case of accidental death.**

Your policy can include a provision for a higher payout if death is caused by certain types of accidents. It can double the payout, up to an additional \$400,000.

**Example:** A larger payout could help your beneficiaries cover additional unexpected expenses that may arise if you die because of a covered accident.

## Talk with your advisor about how you can make participating life insurance work for you.

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<sup>1</sup> Probate fees (estate administration tax) may apply on money paid to an estate.

<sup>2</sup> Assuming you make required premium payments.

<sup>3</sup> You may have to pay taxes on funds withdrawn or borrowed from your policy. In addition, any withdrawals will decrease the size of your payout.

<sup>4</sup> Dividends aren't guaranteed.

<sup>5</sup> Provided you have an insurable interest on the life you are insuring.

<sup>6</sup> If current dividends are insufficient, premium offset will access accumulated paid-up additional coverage.



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