

Protect your savings *and* put them to work: How a Tax Deferred Annuity can generate tax-efficient income from your non-registered assets

Anne, 50 years old, uses a **Tax Deferred Annuity** Concept to generate predictable income from her non-registered assets, while minimizing her exposure to market downturns.

What Anne has:

- \$200,000 invested in a GIC at her bank
- A financial plan which uses the interest from her GIC to contribute to her RRSP
- A paid-off mortgage

What Anne wants:

- To retire in 10 years, at age 60 and to contribute to her RRSP until retirement
- To preserve her capital
- Growth potential

Anne is receiving predictable income from her \$200,000 GIC and she would like to maintain the same net income. Nervous because of recent market downturns, Anne is also determined to minimize her exposure to market risk. She asks her advisor for advice.

The Strategy – Match the GIC net income

By splitting her \$200,000 investment between a prescribed 10-year term certain annuity and investment funds, Anne only needs \$40,740 from her non-registered investment to generate the same net income she is receiving from her GIC – \$4,560. The remaining \$159,260 can be allocated to an investment fund or portfolio to generate growth over 10 years. At the end of the 10 years, Anne will still have her \$200,000 investment if the return is at least 2.3% on her investment fund.

	GIC at 3.8%	Tax Deferred Annuity	
		Term Certain Annuity	Investment Fund
Amount Invested	\$200,000.00	\$40,740.00	\$159,260.00
Annual Income	\$7,600.00	\$4,884.00	
Taxable Income	\$7,600.00	\$810.00	
Tax Free Income	\$0.00	\$4,074.00	
Tax Payable	\$3,040.00	\$324.00	
Total Net Income	\$4,560.00	\$4,560.00	
Tax Paid Capital in 10 year(s)	\$200,000.00		\$235,743.70
After Tax Fund Break Even Rate		2.3%	\$200,000.00

- Assumptions:**
- 50-year-old female investing \$200,000.
 - Tax rate is 40%.
 - GIC rate is 3.8% (2.28% after taxes).
 - Investment fund rate of return (after taxes) is 4%.

Both the Term Certain Annuity and GIC give a net income of \$4,560. By splitting her investment between a Term Certain Annuity and an investment fund, Anne receives income, has less tax to pay, and also has the potential to see her investment fund grow.

As you can see, with the Tax Deferred Annuity Concept, Anne has matched the net income she would have received from a GIC. Anne can therefore continue contributing to her RRSP, or spend the money in whichever manner she decides.

The Standard Life Solution

Standard Life's Tax Deferred Annuity Concept combines the income guarantees of annuities with the growth potential and built-in guarantees of our Ideal Segregated Funds – Signature Series.

Ideal Segregated Funds – 75/100 Signature Series

- 75% Maturity Benefit Guarantee
- 100% Death Benefit Guarantee
- Resets to lock-in market gains
- Sigma Assisetel Service to provide non-financial resources
- Growth potential
- Wide range of investment choices
- Potential to bypass probate fees and delays¹

Term Certain Annuity

- Guaranteed steady source of income for a fixed term
- Variety of guarantees available
- Various payment types available

¹ Not applicable in Québec as notarial wills do not need to be probated and, for holograph wills and wills made in the presence of witnesses, probate fees are minimal.

Ask your advisor to help you decide if a
Tax Deferred Annuity is right for you.

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Commissions, trailing commissions, management fees and expenses may all be associated with mutual fund investments. Please read the simplified prospectus before investing. Mutual Funds are not guaranteed, their values change frequently and past performance may not be repeated.

Subject to any applicable death and maturity guarantee, any part of the premium or other amount allocated to an Ideal Segregated Fund – Signature Series is invested at the risk of the client and may increase or decrease in value according to fluctuations in the market value of the assets of the Ideal Segregated Fund – Signature Series.

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