

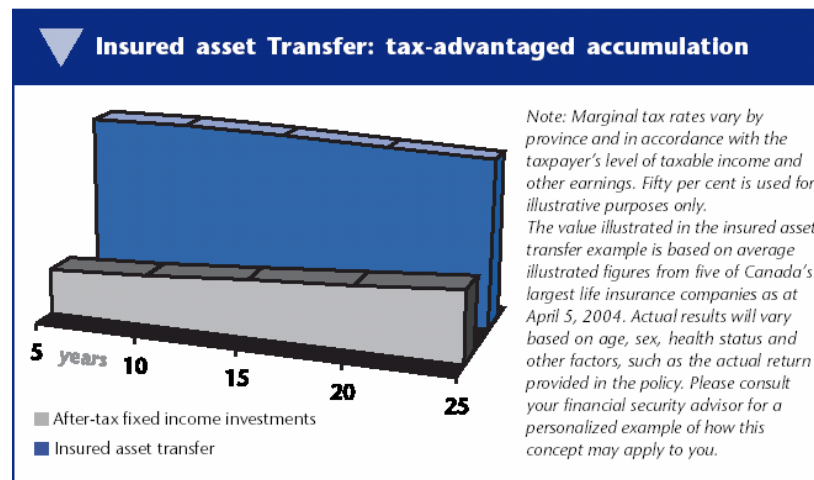
Insured asset transfer concept:

Preserve your estate and provide a larger legacy

Many people believe as they get older and become more financially independent, their need for life insurance decreases. You may not realize that life insurance can provide more than financial protection for a family to maintain its standard of living should a parent die prematurely. It can also be used to help pay taxes that may arise upon death on a growing estate, ensuring as much of the estate as possible is passed on to beneficiaries.

Quite possibly, the largest burden on your estate could be the taxes owing on the assets you've worked hard to accumulate. You may not use all of your assets during your lifetime and might hope to pass the nest egg on to your heirs upon death. You may wonder about the safety of your investments and worry about the taxes owing on death and how it could seriously reduce the value of your estate. If you are already in a high-marginal tax bracket, paying the highest tax rate on your investment income, this can drastically reduce your actual return on investment.

Imagine yourself 25 years into the future. The following graph compares \$100,000 in fixed income investments (yielding 4.5 per cent before tax, with a 50 per cent marginal tax rate), and \$100,000 used to fund a permanent life insurance program (with total death benefit payable on the last death of two lives insured), husband age 67 and wife age 65.



What your financial security advisor can offer

You can look to your financial security advisor's expertise in financial security planning. Among the solutions tailored to meet your specific needs that may be presented to you, a permanent life insurance policy may substantially increase the value of the capital that is ultimately transferred to your beneficiaries (on the death of the second insured). And, unlike other investments resulting in taxable growth, life insurance provides tax-advantaged accumulation that passes tax-free to your named beneficiaries upon death.

The insured asset transfer concept also allows you to retain control of your capital in a tax-advantaged insurance policy. It provides immediate estate enhancement, allows for tax-advantaged growth of your savings, and offers permanent life insurance protection. You can also change the policy beneficiary and may adjust the coverage amount. There are no probate fees (not applicable in Quebec) on the death benefit as long as you have named a beneficiary other than your estate.

While you are alive, permanent insurance can also provide you with a source of income. These policies have cash values that accumulate on a tax-advantaged basis and can be used for retirement purposes or to provide liquid savings or to fund long-term care needs for adult dependants. The cash value that may be available depends on how the policy is funded and on tax laws in effect at the time funds are withdrawn from the policy. For more information about cash values, ask your financial security advisor for a copy of *Options for gaining access to your policy cash values*.

You need to take the time to determine a solution that is right for you. It is important to choose a plan that can change over time as your needs change. The cost will depend on your health and lifestyle, your age, gender and which policy you choose. Your financial security advisor can help you to analyze your own situation – together you can determine a solution that is right for you.

IMPORTANT CONSIDERATIONS: An exempt life insurance policy is defined in regulations 306 and 307 of the Income Tax Act (ITA). The ITA provides that the cash value accumulation is exempt from annual accrual taxation, provided certain conditions, as set out in the regulations, are met. These regulations specify a maximum premium, which is the largest amount permitted each year. For income tax purposes, the interest earned on the amount above the maximum premium will be reported to the policyowner at the end of each calendar year.

All comments related to taxation are general in nature and are based on current Canadian tax legislation for Canadian residents, which is subject to change. For individual circumstances, consult with a tax professional. This information is current as of April 5, 2004.

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