



Freedom 55
Financial

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Your Financial Security

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NEW IDEAS FOR YOUR STRONGER FINANCIAL FUTURE

Accelerate your long-term investment success

Many clients reach a point where they begin to think seriously about their retirement. Many discover a gap between what they're setting aside and what they estimate they'll need to maintain their desired retirement lifestyle. This often means rethinking how they want to spend their retirement years.



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Others find, while they've saved diligently to make retirement a priority, they now want to set higher goals – an additional holiday or two each year, or perhaps a vacation property. Whatever the motivation, if you're looking to step up your retirement plans or catch up for lost time, borrowing to invest (also known as leveraging) might be right for you.

How leveraging works

Leveraging uses borrowed funds to acquire a larger investment than would be possible using your own money. You use future cash flow to make payments on a loan instead of smaller, periodic investments. Using money now you would have saved over a longer period, you magnify your returns and losses. With this strategy you can choose to pay only the loan interest or make payments to reduce principal as well. The goal is to accelerate growth.

While leveraging isn't for everyone, if you believe equity investments are a wise choice and have 10 or more years until you need the funds, you may want to consider the strategy.

Many higher-income investors use leveraging outside their registered retirement savings plans (RRSPs) to potentially make interest costs tax-deductible. As always, it's important to consult a tax expert when you engage in any tax-centered strategy. Not all investments qualify.

Putting the strategy to work for you

The first step in leveraging is revisiting your retirement goals with your financial security and investment representative. He/she can analyze your current situation, investment profile and income, and help you understand leveraging's benefits . . . and risks.

Your financial security and investment representative also has the tools to help you understand and implement a borrowing-to-invest strategy and can create a conceptual analysis to illustrate future outcomes.



The information provided is based on current tax legislation and interpretations for Canadian residents and is accurate to the best of our knowledge as of the date of publication. Future changes to tax legislation and interpretations may affect this information. This information is general in nature, and is not intended to be legal or tax advice. For specific situations, you should consult the appropriate legal, accounting or tax expert.

What you should consider when planning for your retirement

With concern about the availability of funds from government-assisted retirement programs, many Canadians are taking retirement planning into their own hands. While conventional RRSP programs and pension plans are popular planning options, most individuals don't realize that life insurance can also help them achieve their retirement goals.

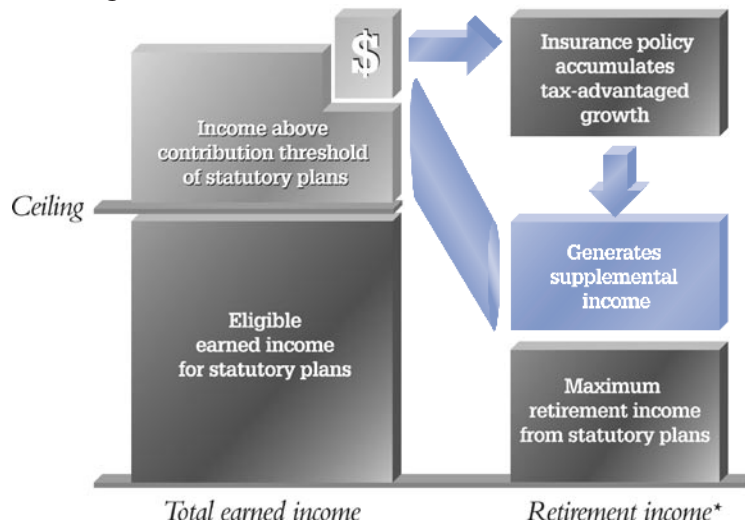
You can enhance your retirement income with permanent life insurance where the growth is tax-advantaged

You may be constrained by RRSP limits

RRSP limits allow you to defer taxation on up to 18 per cent of eligible earned income, but only up to the maximum prescribed in the Income Tax Act. If your income is in excess of the maximum prescribed threshold, or if membership in a pension plan has restricted RRSP contribution room, you may be looking for additional retirement saving options.

The opportunity

Besides providing your loved ones with a safety net in the event of your premature death, some types of life insurance can also be used to enhance your retirement income. By purchasing a permanent life insurance policy with cash value, you can benefit from the tax-advantaged growth within the policy. The policy's cash value can later be accessed to provide you with additional funds at retirement. Furthermore, your loved ones can receive a tax-free payment at death from the remaining death benefit.



*Under current Canadian income tax legislation, a permanent life insurance policy is exempt from annual income taxation on the growth of policy values, provided certain conditions are met. Regulations 306 and 307 of the Income Tax Act (ITA) state the conditions that must be met for a life insurance policy to be exempt.

There are three methods for accessing the policy's cash value at the time cash is needed. These methods are:

- Collateral loan
- Partial surrender of cash value
- Policy loan

Tax implications may result from each of these methods based on the rates and laws in effect at the time value is accessed.

Find out how you can take control of your retirement dreams with permanent life insurance. Your financial security advisor can provide more information on how to optimize your retirement income.

This article is for information purposes only and shouldn't be construed as legal or tax advice. Every effort has been made to ensure its accuracy, but laws and interpretations may change, therefore errors and omissions are possible. 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 implications as they relate to individual circumstances, consult with legal or tax professionals.

Information is provided by London Life Insurance Company and is current as of March 2007.

Can you afford to wait?

When you are young and healthy you may not feel there's a need to consider purchasing disability insurance. In reality, however, this is exactly the time you should consider protecting your most valuable asset – your ability to earn an income.

Consider Mark, 25, a professional engineer. If Mark purchased a PROFESSIONAL plan, occupational class 4A, with a \$2,500 tax-free monthly income benefit, 91 day start, to age 65 benefit period his monthly income premium would be guaranteed at approximately \$42.46 to age 65. If he became disabled tomorrow, he could, potentially receive a total of \$1,192,500 in total benefits (paid out from now until age 65).

If you wait to purchase disability insurance when you think you need it the most, you may no longer be eligible. Waiting increases the risk of becoming uninsurable, or requiring an extra rating or an exclusion rider due to medical history. As an example, we know the risk of developing back problems, heart disease or diabetes increases with age. By purchasing coverage early, you are protecting yourself against all these risks.

Waiting also means you'll likely pay a higher premium for the same coverage. If Mark waited until age 50, he would pay a monthly premium of approximately \$125.55 for the same benefits. In the absence of a disability, Mark would pay a total of \$22,599 in premium by age 65. By purchasing coverage at age 25, he would pay a total of \$20,381 in premium by age 65. The bottom line is it's less expensive and more beneficial to buy a disability insurance plan early in life. You are covering yourself for many more years, for fewer total dollars with a greater possible benefit. So you no longer need to worry who will pay your student loan, your car loan, your rent or mortgage in the event of a disability.



Think of it this way . . .

Which job do you think Mark would rather have?

Job A	Job B
■ \$45,000 gross income while you are working.	■ \$44,500 gross income while you are working.
■ \$0 if you are unable to work.	■ \$30,000 Net (tax-free) if you are disabled.
Which job would you choose?	

What if you are lucky enough to not suffer a disability? If you purchased a Return of Premium Rider (ROP) you have the opportunity to receive a portion of the premiums you've paid.

This provides you with the protection you may need with the possibility of a lump-sum return of premium at a later date.

Ask your lender about high-ratio mortgage affinity programs

If you're in the market for a high-ratio mortgage, it can pay to ask potential lenders who they will use to insure your mortgage.

High ratio mortgages are used to finance a higher percentage – 80 to 95 per cent – of the appraised value or purchase price of a property, whichever is less. By law, a high-ratio mortgage must be insured against non-payment.

Some lenders work with mortgage insurers that have developed special affinity programs designed to save clients money on residential and/or lifestyle products and services.

Typically, the programs offer discounts on popular renovation items like windows and doors, home appliances and security systems. They might also include special savings from movers, communication and satellite services, and computer manufacturers.

And if you're thinking of taking a trip in the future, at least one program has special deals from a hotel chain and a vacation operator.

Whether you are in the market for a new home or looking to enhance you current residence and/or lifestyle, you pay a fee to insure a high-ratio mortgage. These affinity programs are one way to recover some of that expense cost through savings on other goods and services.

Check with your financial security advisor. He or she can put you in touch with a mortgage planning specialist who knows mortgage insurers who offer these types of affinity programs.



Make your investment decisions wisely. Important information about London Life's segregated funds can be found in the Information Folder, available from your Freedom 55 Financial security and investment representative and important information about the Quadrus Group of Funds can be found in the funds' simplified prospectus. Please read these documents carefully before investing.

Mutual funds are not guaranteed. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund and segregated fund investments. Their values change frequently and past performance may not be repeated.

SUBJECT TO ANY APPLICABLE DEATH BENEFIT GUARANTEE OR MATURITY VALUE GUARANTEE, ANY PART OF THE PREMIUM OR OTHER AMOUNT THAT IS ALLOCATED TO A SEGREGATED FUND, UNDER THE FREEDOM FUNDS AND MARKETWATCH INVESTMENT OPTION, IS INVESTED AT THE RISK OF THE POLICYOWNER AND MAY INCREASE OR DECREASE IN VALUE ACCORDING TO THE FLUCTUATIONS IN THE MARKET VALUE OF THE ASSETS OF THE SEGREGATED FUND.



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