Balancing to reduce risk

canada life™

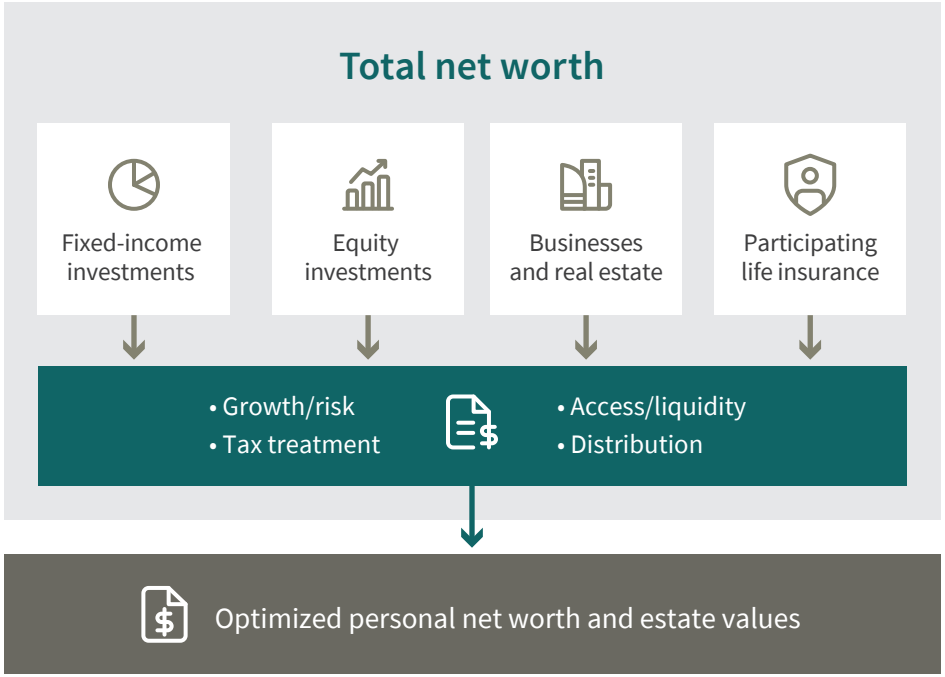
Your life insurance policy's cash value can contribute to your net worth while mitigating risk

Life insurance is an important part of a financial plan. It's also one of the best ways to provide funds for family members or your business, or to pay taxes when you die. It also builds up money you can use during your lifetime (your policy's cash value), and those who depend on you get a guaranteed insurance payout when you die.

Your participating life insurance policy may also get policyowner dividends – depending on how the participating account performs and your policy's contribution to those earnings. And, once paid, those dividends are yours and can't be taken back.

Permanent life insurance in general – and participating life insurance specifically – is a unique part of your financial portfolio. It can provide stable growth, risk management and tax advantages.

To see whether participating life insurance may be right for you, let's look at a variety of asset classes and how they can be used to your advantage when creating your financial plan.



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Dividends aren't guaranteed and vary up or down depending on future dividend scales.

Fixed-income assets

These assets are ideal if you're looking for stability and safety rather than higher risk and volatility. Bonds are an example of a fixed-income asset.

Equity investments

These assets have the potential for increased growth, but may come with higher risk and volatility. Publicly traded stocks are an example of an equity investment.

Businesses and real estate

These assets provide opportunities for long-term growth, with potential for higher returns. However, they come with risks, including a lack of liquidity since they're not easily converted into cash.

Participating life insurance

Participating life insurance is valuable because of its immediate estate enhancement, which may increase over time. The participating life insurance policy builds cash value and helps you grow your wealth, tax-free (within government limits), while inside the policy. This combination of benefits is a mix offered with participating life insurance and can help you meet your financial goals.

It also has guaranteed cash values that won't go down. Unlike assets that may be exposed to market volatility, if your policy receives policyowner dividends, their cash value is also guaranteed as long as you keep them in the policy, unless they're used for some other purpose. This cash value isn't negatively affected by future market changes.

	Fixed-income assets	Equity investments	Businesses and real estate	Participating life insurance
Growth opportunities and risks	• Low risk • Typically low returns	• Higher risk and volatility • Opportunity for greater returns	• Highest risk (concentration, liquidity, etc.) • Potential for greater long-term returns	• Low risk • Payments for base insurance coverage through your premiums are guaranteed not to increase, whether the market performs well or not • Stable long-term growth in cash value • When a policy's cash value grows, the new increased total is automatically guaranteed (if markets fall, it's protected from declines)
Tax treatment on growth	• Usually taxed as interest income, which is taxed at your marginal tax rate	• Dividend income has preferred tax rates • Growth may be subject to capital gains tax	• Business income taxed at your marginal tax rate • Real estate could have rental income, which is taxed at your marginal tax rate • Real estate could have capital gains	• Cash value growth is tax-free* while inside the policy
Access	• Cash access dependent on asset liquidity and may trigger capital gain/loss • Capital gains are taxed at your marginal tax rate	• Cash access available but may trigger capital gain/loss • Capital gains are taxed at your marginal tax rate	• Access to cash may be more difficult and time-consuming as assets aren't liquid • Business and rental income is uncertain and can vary based on market conditions	• If enough cash value builds up, it may be accessed through a partial surrender or policy loan (may be taxable)
Distribution at death	• Generally paid through the estate, subject to probate	• Generally paid through the estate, subject to probate	• Generally paid through the estate, subject to probate • Influenced by market changes, which may force a future sale	• Insurance payout goes to named beneficiary tax-free

*Subject to government limits

Does participating life insurance with its historically strong, stable performance have a place in your portfolio?

Talk to your advisor to learn more.

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