

Term Certain Annuities: guaranteed income for a specified period of time



Annuities are a popular choice for individuals who want guaranteed income from their investments. After an initial investment, Manulife makes regular income payments back to you that contain both interest and principal. Term Certain Annuities provide guaranteed income for a specified period of time and can help meet a particular need, such as funding a child's ongoing educational costs.

THE SITUATION

Tony and Fran have been enjoying their retirement for the past three years. They've purchased a new home closer to their children and grandchildren and are starting to enjoy the "fruits of their labor". They've researched solariums so Frances can enjoy her garden year round while Tony's calculating the costs of finishing the walk-out basement.

The only thing worrying them is Tim, their youngest son. Tim, at age 30, is still struggling to manage his personal finances and settle into a career. He recently decided to

quit his job with the municipality and go back to school to become a plumber despite a mortgage on his new condo and payments on his new car.

While Tony and Fran are sad to see Tim give up a secure and well-paying job, they want to see him happy and are willing to support him emotionally and financially while he gets established in his new career. Their only concern is whether they can afford to help him. They'd planned carefully for retirement and had been confident they had enough money to carry them through and leave some money to their three children, but now they aren't so certain.

THE SOLUTION

Tony and Fran call John, their advisor, for advice. John has been helping them with their financial planning for over a decade. They explain the situation and ask John for a solution that will allow them to help Tim financially without jeopardizing their retirement income or their plan to split their estate evenly among their three children.

To help Tim with his training, John suggests Tony and Fran use a portion of their investments to purchase a non-registered Term Certain Annuity. Using a single, lump-sum to purchase the annuity, Tony and Fran can:

- Secure a low-risk, management-free investment
- Generate guaranteed income for Tim
- Ensure Tim continues to receive payments if they die before the end of the term, provided they make him the beneficiary
- Create a tax-efficient investment
- Qualify for the Pension Income Tax Credit

Tony and Fran decide to use \$195,000 to purchase a non-registered five-year Term Certain Annuity that will generate \$3,280 a month* to support Tim during the four to five years of his training and apprenticeship.

A GRADUAL INHERITANCE TRANSFER

Tony and Fran had also planned to leave each one of their children \$300,000, but they decide the annuity will be part of Tim's inheritance. This means Tim will receive a legacy of \$105,000. However, Tony and Fran are worried about Tim's ability to manage such a large lump-sum. John suggests they select an Annuity Settlement Option for one of their segregated fund investments. This will automatically transfer the investment to an annuity that will pay Tim his inheritance in regular payments. Tony and Fran agree that this is an excellent idea and choose a 10-year term for the annuity.

The annuity options available from Manulife Investments – backed by one of the most financially secure insurance companies in Canada – can offer investors predictable and sustainable income.

*For illustration purposes only. Five-year Term Certain Annuity as of May 31, 2012 representing monthly payments beginning one month after purchase.

FOR MORE INFORMATION, PLEASE CONTACT YOUR ADVISOR OR VISIT MANULIFE.CA/INVESTMENTS



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