TAX CHANGE FOR PRESCRIBED **LIFE ANNUITIES** COMING IN 2017

Take advantage of existing tax rules before the end of the year!

Are you retired or close to retirement? Are you looking for a tax-efficient retirement income solution?

If you have money in a non-registered account, you could enjoy significant tax savings if you purchase a prescribed life annuity before 2017.

A prescribed life annuity will provide you with **predictable** and **guaranteed** income for the rest of your life.

The way prescribed life annuities are taxed will change on January 1, 2017. If you purchase this type of annuity before then, you can benefit from the **favourable tax treatment** offered under current legislation.

Why are the tax rules being changed in 2017?

The formula used to calculate the taxable portion of a prescribed life annuity payment will change on January 1, 2017. The formula set out in the *Income Tax Act* currently uses a life expectancy table issued in 1971 that will be replaced on January 1 by a new table with longer life expectancies.[1]

What does the change mean?

An annuity payment is made up of a taxable portion (interest) and a non-taxable portion (return of capital). With a prescribed annuity, the ratio of these two portions remains the same over time, which amounts to a tax deferral. That's what makes prescribed annuities so advantageous from a tax perspective.

The use of a longer life expectancy table will modify how the capital and interest portions are weighted in each annuity payment. Thus, if the annuity is purchased in 2017, the interest portion, **which is taxed**, will be higher. Conversely, the capital portion, which is not taxed, will be lower.

Because the taxable portion remains constant and predictable, prescribed life annuities will continue to be an attractive investment—just a little less so than before. The pre-tax amount of annuity income will remain unchanged.

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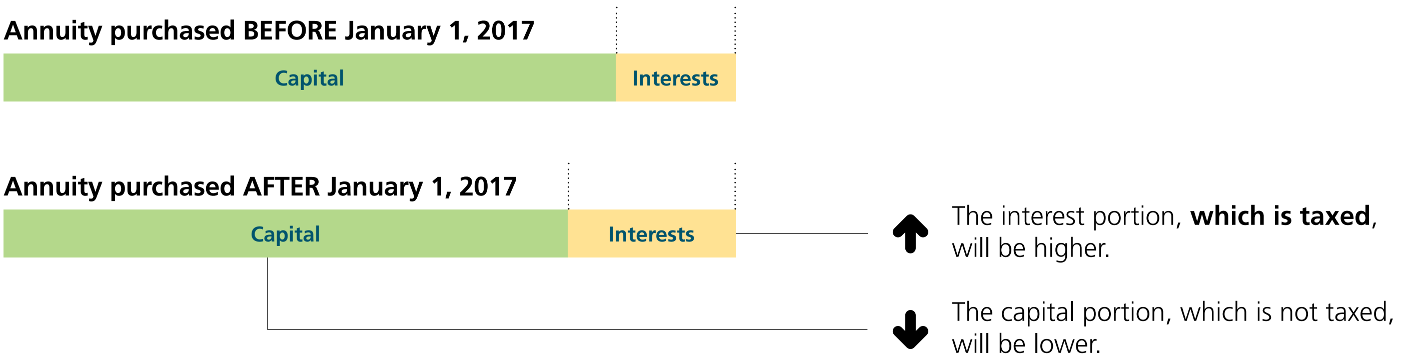
[1] All insurers offering prescribed life annuities in Canada will need to apply this change.

Breakdown of a sample prescribed life annuity payment[2]



Comparison of the taxable portions of a prescribed life annuity[3]

MEN

Age of annuitant at time of purchase	Annual annuity payment	Purchased BEFORE January 1, 2017 – Annual taxable portion	Purchased AFTER January 1, 2017 – Annual taxable portion
65	$5,641	$151	$710
70	$6,489	$0	$593
75	$7,273	$0	$271
80	$8,274	$0	$161

WOMEN

Age of annuitant at time of purchase	Annual annuity payment	Purchased BEFORE January 1, 2017 – Annual taxable portion	Purchased AFTER January 1, 2017 – Annual taxable portion
65	$5,080	$245	$660
70	$5,863	$0	$538
75	$6,663	$0	$191
80	$7,800	$0	$50

The taxable portion will **increase considerably** beginning January 1, 2017.

Take advantage now!

Your advisor is the best person to help you plan your financial future. Contact your advisor **today** to see how much tax you could save every year if you purchase a prescribed life annuity **before January 1, 2017**.

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[2] For illustration purposes only. The interest portion may vary depending on the type of annuity and your age and gender.

[3] Data used in the simulation: $100,000 single premium; 10-year guarantee period; purchase date of July 15, 2016; annuity payment starting on August 15, 2016. All figures are for illustration purposes only. Actual results may differ depending on the rates and prices in effect on the purchase date.

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