The Insured Annuity Strategy

Perhaps the biggest retirement question we face is, "Will I have enough?" Most of us want to know that we'll have a steady base level of retirement income that won't run out too soon. The Insured Annuity strategy can preserve the value of your estate, minimize income taxes and most importantly, guarantee an income stream for the rest of your life.

Enhance Your Retirement Income

The Insured Annuity strategy involves the purchase of two contracts: a permanent life insurance policy and a prescribed Life Annuity. You designate a portion of your non-registered capital to be used to generate a guaranteed income with which you purchase a Life Annuity. This usually produces a higher income than typical fixed income investments and ensures a guaranteed income that you and/or your spouse cannot outlive. With a Life Annuity, each payment is actually a blend of interest and your original capital, where only the interest portion is taxable. As a result, there is no residual value for your estate when you die.

Leave a Legacy

To solve this, part of the annuity cash flow is used to pay the premiums for the life insurance policy. Upon death, the annuity payments cease and the death benefit is paid out to your designated beneficiaries, in effect replacing the originally invested capital, without the usual estate-related costs and hassles.

This strategy is suitable for those who are between the ages of 60 and 85, risk-adverse, dissatisfied with currently low interest rates, and are in good health (to qualify for life insurance). Note, however, that once the annuity is purchased you cannot cancel the contract and that although interest rate levels may go up the annuity income remains the same.

Summary

The Insured Annuity strategy can generate a guaranteed, lifetime net income that is typically much higher than what you can achieve with other fixed income vehicles. As well, by directing the capital to named beneficiaries, you can avoid unnecessary estate costs and delays.

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