

# GUARANTEED RETIREMENT INCOME FOR LIFE

Class Plus 3.0  
Client Guide



**Sim Gakhar**  
**Phone: 647-889-7290**  
**Email: [sim@simgakhar.com](mailto:sim@simgakhar.com)**  
**[www.simgakhar.com](http://www.simgakhar.com)**



**1 in 4 pre-retirees do not believe they will have a financially comfortable retirement – and 1 in 2 expect lower standards of living in retirement than what they have today.<sup>1</sup>**

## GET GUARANTEED RETIREMENT INCOME FOR LIFE

You have worked hard to build your nest egg, and when you are ready to take your retirement income, you may face financial challenges such as outliving your savings, inflation risk, and market volatility. All of which can erode your nest egg and negatively impact your retirement lifestyle. That's why Empire Life has designed Class Plus 3.0 – to address these challenges and help you enjoy retirement.

When you invest in Class Plus 3.0, you are guaranteed to receive a predictable monthly income that is guaranteed for as long as you live. It is always protected from market downturns and it will continue even if the value of your investment goes to zero.

This guide will help you to understand the importance of Class Plus 3.0 as part of your retirement solution.

## CLASS PLUS 3.0 HIGHLIGHTS

- Predictable monthly income that is guaranteed for life<sup>2</sup>
- Start receiving an income as early as age 55
- Annual 4% Income Base Bonus<sup>3</sup> builds your retirement income potential
- With annual Automatic Income Resets<sup>4</sup> your income may be bumped up
- Competitive management fees and insurance fees

## THE RETIREMENT LANDSCAPE

Shifting demographics and the economic realities of today mean more Canadians than ever before are looking for a secure source of retirement income. In fact, 6 of 10 pre-retirees want guaranteed income for life.<sup>1</sup> Here's a snapshot of the situation:



### Aging population

For the first time in Canada's history, there are more seniors than children.<sup>5</sup> And as more Baby Boomers and Generation X grow older and move into retirement, the size of this group is expected to increase. This means that retirement income is top of mind for an ever-growing number of Canadians.



### An increasingly female aging population

As women age, they make up a larger share of seniors. This is due to their longer lifespans compared to men. For example, there are 20% more women aged 65 and older.<sup>5</sup> This means that longevity, combined with a lifestyle of being single or widowed, are unique issues that women need to plan for.



### Less income support from traditional sources

Government sources such as Canada/Quebec Pension Plans and Old Age Security are under increasing pressure. And as workplace pension plans decrease – only 24% of private sector workers are covered by a plan<sup>6</sup> – more people will have to fund their own retirement. Given that 6 in 10 pre-retirees want guaranteed income for life – it's the number one feature they want in a financial product – retirees will have to find alternate sources of income to get this security.

## RETIREMENT PLANNING RISKS

Longer life spans, the increasing cost of living, and market volatility present challenges when planning for retirement.



### Longevity Risk

Canadians are living longer and are concerned about outliving their retirement savings. Consider that the average Canadian can expect to live for nearly 20 more years in retirement.<sup>7</sup> Centenarians – those 100 and older – are the fastest-growing age group in Canada.<sup>5</sup> The possibility of running out of money is real. This situation is more pronounced for women.



### Inflation Risk

Inflation erodes the value of your retirement savings, leaving you vulnerable to increases in basic living expenses. For example, assuming an inflation rate of 2.0%, the purchasing power of \$1 is reduced to 67 cents over a 20-year period, and over 30 years, it is 55 cents.<sup>8</sup>



### Market Risk

Studies indicate that the five years before and after retirement are a critical juncture called the retirement risk zone. During this 10-year period, short-term losses can have negative long-term consequences on retirement income because there is no time for investments to rebound.



## CLASS PLUS 3.0 ADDRESSES RETIREMENT PLANNING RISKS

- Class Plus 3.0 offers enhanced wealth accumulation before retirement and provides predictable, guaranteed retirement income for life.
- Guaranteed retirement income for life – starting as early as the year you turn age 55 – means you will not outlive your savings regardless of market performance.
- The annual 4% Income Base Bonus in the first 20 years of the contract can mitigate market risk during the critical years before retirement while building income potential for retirement, which can also counteract inflation.
- With the unique Annual Automatic Income Reset, Class Plus 3.0 does not limit you to the same payout rate for the rest of your life but increases every year from ages 55 to 80.
- Automatic resets every three years of your Income Base and Death Benefit Guarantee<sup>9</sup> may take advantage of higher market values and protect against inflation.

## RETIREMENT IS ABOUT LIVING!

The days when everyone started full retirement at 65 are gone. Between Canadians that are phasing down work hours, spending more time with family and friends, starting new careers or study, volunteering, and travel, there is no standard definition of retirement anymore. And there is no standard age to start retirement.

### The flexibility you need

When it comes to the timing of their retirement, 56% of workers retired earlier than planned.<sup>10</sup> Class Plus 3.0 can help you live retirement on your terms. You can start receiving income as early as age 55, or you can defer income until you are older.

### Automatic Income Reset

Unlike other guaranteed income products, Class Plus 3.0 does not limit you to the same payout rate for the rest of your life. The rate used to calculate your income increases every year from ages 55 to 80. You will always receive the greater of your current Lifetime Withdrawal Amount (LWA) or the new LWA based on your age, if it is higher.

Plus there is no paperwork or phone call to make to enjoy the benefits of our Automatic Income Reset — it's all done automatically for you. Your LWA will be automatically recalculated every December 31st for the following calendar year. That means peace of mind and worry-free income for life.

### Retirement Income Privileges

With our unique Retirement Income Privileges, you can stop your income at any time, continue to be eligible for the Income Base Bonus, and then resume your income.

# HOW CLASS PLUS 3.0 WORKS

## Lifetime Withdrawal Amount (LWA)

- The LWA is the maximum amount available for withdrawal from Class Plus 3.0 each year, starting as early as the year you reach age 55. The LWA may increase through Income Base Bonuses and resets, but it will never decrease as long as no Excess Withdrawals are made.
- Any withdrawals over and above the annual LWA (an Excess Withdrawal) will reduce the Income Base.

## Income Base

- The Income Base is a notional amount that is used to calculate the guaranteed retirement income for life, or the LWA, and is the total of all deposits, less any withdrawals, plus any Income Base Bonuses. It is initially set to equal the amount of the initial deposit to Class Plus 3.0. It may increase through additional deposits or the triennial Income Base Reset.
- It has no cash value and is not available for withdrawal from Class Plus 3.0.

## Bonus Base

- The Bonus Base is a notional amount used to calculate the Income Base Bonus at the end of the calendar year. It is equal to the initial deposit and may increase through additional deposits. The Bonus Base may decrease with Excess Withdrawals.

## Income Base Bonus

- The 4% Income Base Bonus builds retirement income potential.
- Applied the first 20 calendar years of the contract, for each year you don't make withdrawals from your contract.
- The Income Base Bonus, applied annually, is not pro-rated.

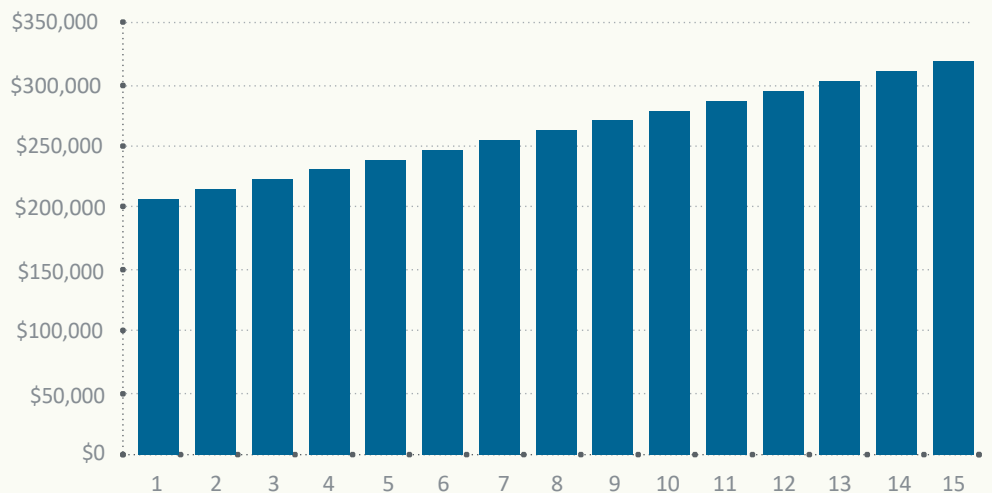
## Income Base Reset

- On every third anniversary of the initial deposit, if the market value of Class Plus 3.0 is greater than the current Income Base, the Income Base will be reset to equal the market value of Class Plus 3.0.

## HOW THE INCOME BASE BONUS CAN INCREASE YOUR GUARANTEED ANNUAL INCOME:

For pre-retirees, the years spent building their nest egg in Class Plus 3.0 can be very valuable.

In this example,<sup>11</sup> the Income Base Bonus increases the Income Base by 60% in 15 years – the Income Base of \$200,000 grew to \$320,000.



## SCENARIO

# SAVING FOR RETIREMENT TAKING INCOME LATER

Sarah is 51 years old and is looking to retire at age 65. She has \$250,000 in a non-registered account to invest. She is looking for an investment that has the potential to grow, will generate income when she retires, and offers a death benefit to her beneficiaries.

Empire Life Class Plus 3.0 has the features Sarah is looking for.

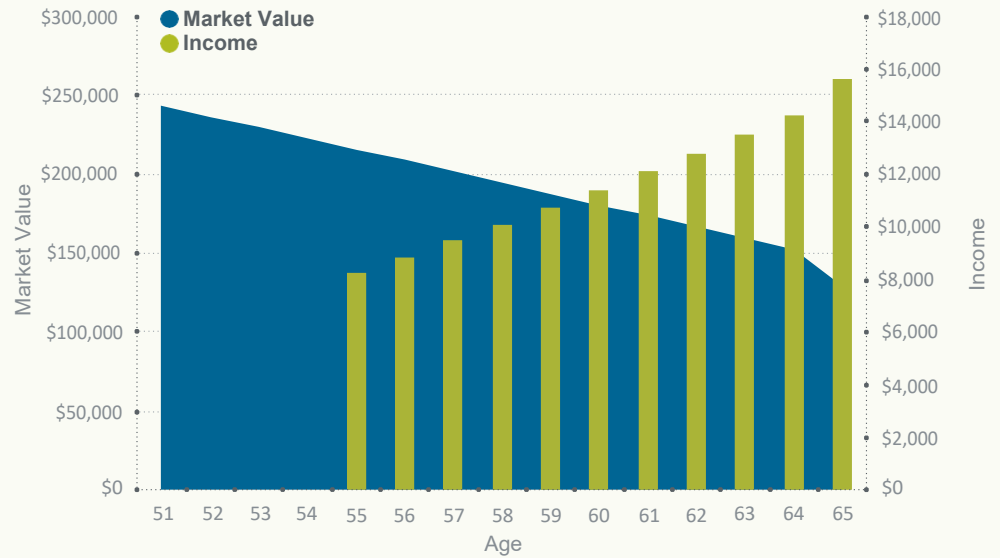
The Income Base Bonus can help build her nest egg by increasing her income base by 4% each year. Sarah has long-term growth potential with investment options including equity funds, and triennial resets of her Income Base and Death Benefit Guarantee can lock in her growth. When she is ready to retire, she will receive guaranteed retirement income for as long as she lives – no matter how the markets perform.

And in the event of Sarah's death, the proceeds of her contract may bypass probate provided she names a beneficiary.



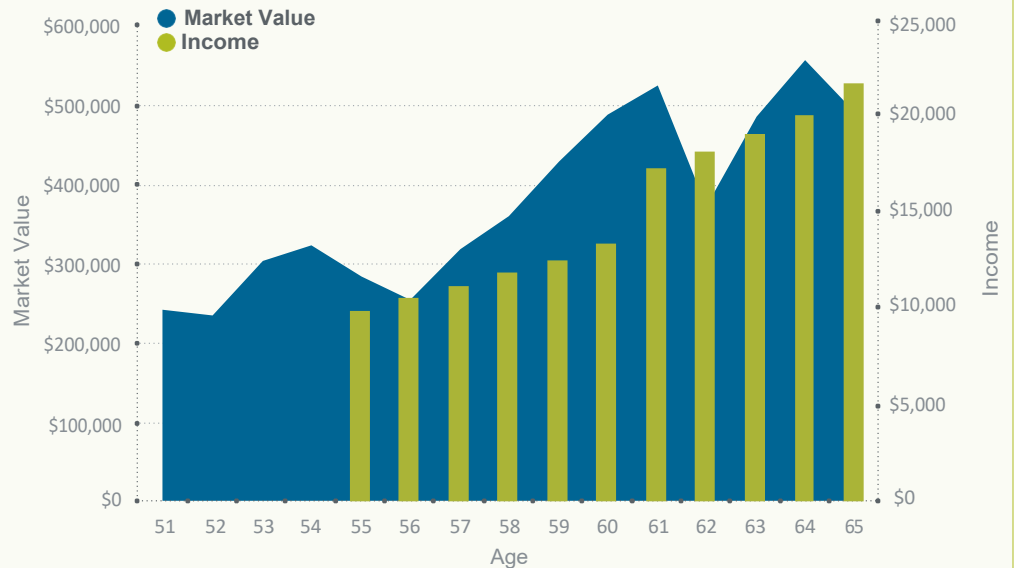
## HOW CLASS PLUS 3.0 CAN INCREASE SARAH'S GUARANTEED RETIREMENT INCOME IN DOWN MARKETS

The Income Base Bonus contributes to Sarah's potential future income and protects her against downside market risk. In this scenario,<sup>12</sup> Sarah's income base would grow from \$250,000 to \$390,000. When Sarah is ready to retire at age 65, she would receive guaranteed income for life of \$15,600 a year (\$390,000 Income Base x 4.00% LWA at age 65).



## HOW CLASS PLUS 3.0 CAN INCREASE SARAH'S GUARANTEED RETIREMENT INCOME IN UP MARKETS

The 4% annual Income Base Bonus contributes to Sarah's potential future income. And in a strong market, Sarah would also benefit from the Income Base Reset. In this scenario,<sup>13</sup> the Bonus and Reset combine to grow her Income Base from \$250,000 to \$537,415. When Sarah is ready to retire at age 65, her annual income would be \$21,497 (\$537,415 Income Base x 4.00% LWA at age 65).



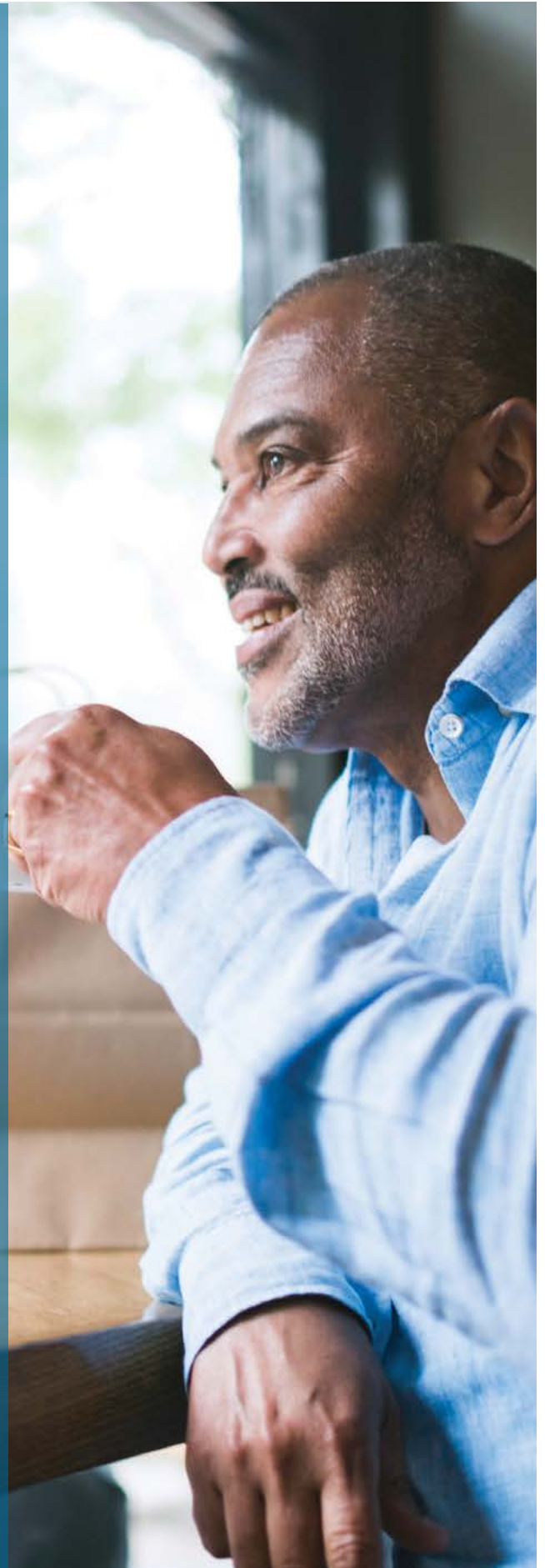
## SCENARIO

# RETIRED & TAKING INCOME NOW

Richard is retired. He has \$400,000 in a non-registered account to invest and wants an investment that will provide him with predictable, stable income in retirement. He is concerned that he may outlive his savings and that poor market performance may erode his investments. Richard needs to start drawing income immediately.

Empire Life Class Plus 3.0 can give Richard the peace of mind he needs.

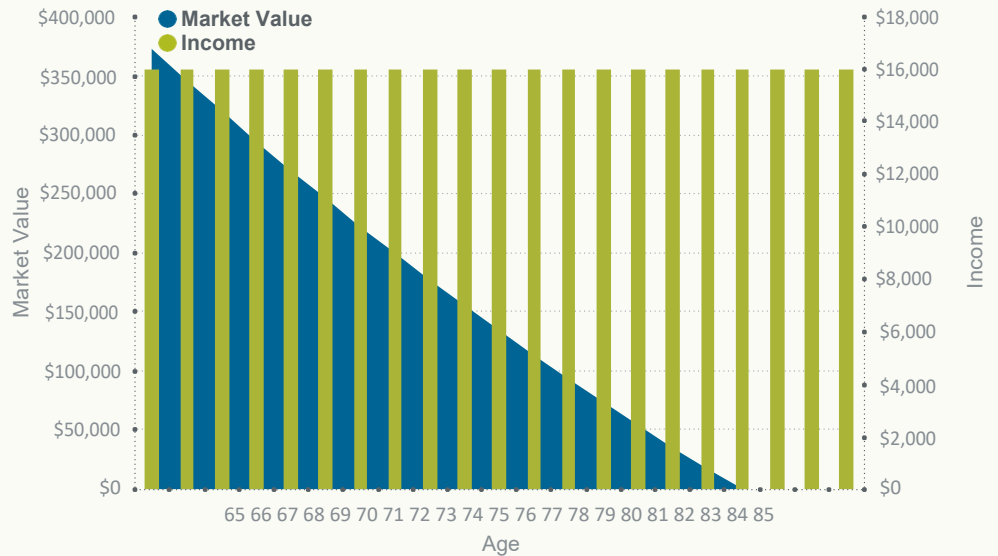
With Class Plus 3.0 Richard will receive guaranteed retirement income for as long as he lives no matter how the markets perform. He can take advantage of investment growth through triennial Income Base Resets when the markets are strong.



## HOW CLASS PLUS 3.0 PROTECTS RICHARD'S GUARANTEED INCOME IN DOWN MARKETS

Richard's initial annual income is \$16,000 (\$400,000 Income Base x 4.00% LWA at age 65). Richard's contract could be depleted in 18 years if he withdrew \$16,000 every year. But with Class Plus 3.0, Richard is guaranteed an income of \$16,000 for his lifetime, regardless of market conditions.

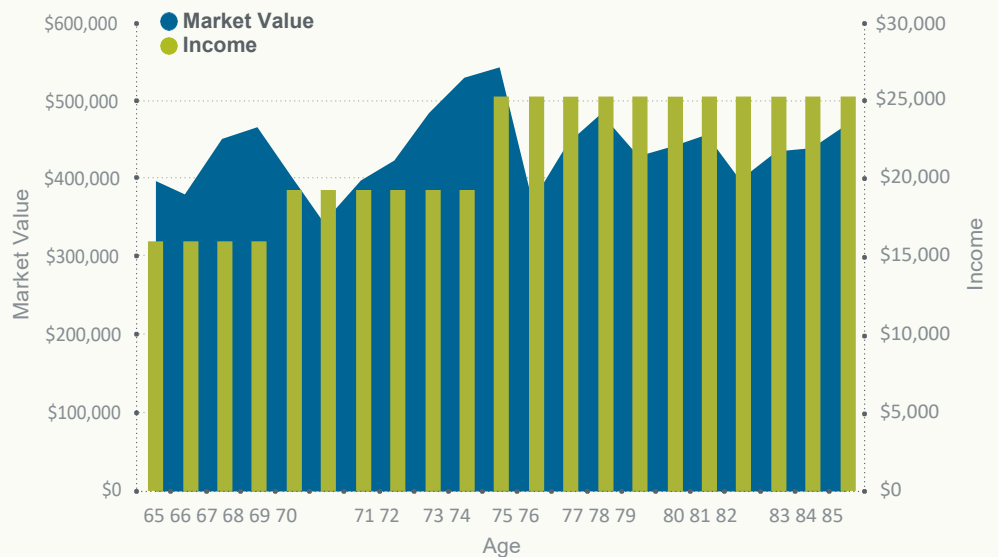
In this scenario,<sup>12</sup> Richard's Income Base would not receive any Income Base Resets, nor would his LWA increase from any Automatic Income Resets. He will continue to receive his guaranteed income for life of \$16,000 a year, even after his contract becomes fully depleted.



## HOW CLASS PLUS 3.0 POTENTIALLY INCREASES RICHARD'S GUARANTEED INCOME IN UP MARKETS

In this scenario,<sup>13</sup> Richard will be entitled to increases to his LWA from two factors:

- 1) Income Base Resets every three years where the income base is set to equal the market value of the fund class units at the credit of his contract, if the market value is greater than the income base at that time.
- 2) His Annual Automatic Income Reset which results in an increase to the LWA percentage for his age every year.





## IMPORTANT DETAILS

### Costs

- Class Plus 3.0 provides you with valuable benefits including professional portfolio management and insurance guarantees. The costs associated with these benefits are the Class Plus Fee and the Management Expense Ratio.

#### a) Class Plus Fee

- The Class Plus Fee is calculated and paid on the last valuation date of each month. It is collected by the withdrawal of units from your contract.
- The Fee does not reduce your Income Base, Death Benefit Guarantee, or Maturity Benefit Guarantee.
- It is not charged during the Guaranteed Payment Phase.

#### b) Management Expense Ratio (MER)

- The MER is the cost of managing and operating each fund and varies depending on the fund you choose. It consists of two components:
  - The management fee covers professional investment management and the administration of a fund.
  - Operating expenses are the fees and charges necessary for a fund to operate and include legal, audit, custodial and compliance fees.
- The MER is deducted from the fund before the unit value is calculated every day. The MER for each fund is expressed as a percentage of the fund's average daily net asset value.

### Death Benefit Guarantee

- The greater of either your market value or 75% of your deposits reduced proportionately for withdrawals
- Reset every third anniversary date of the contract until age 80 – reset to the higher of the current Death Benefit Guarantee or 75% of market value.

### Estate Planning Benefits

- When you name a beneficiary, the Death Benefit is paid directly to your beneficiary, bypassing the costly and lengthy probate and estate settlement process.
- Class Plus 3.0 may offer potential protection from creditors.

### Excess Withdrawals

- The market value of your contract can be accessed at any time. However, withdrawing more than the Lifetime Withdrawal Amount could have a negative impact on your income.

### Excess Withdrawal Alert Service

- Our Excess Withdrawal Alert service safeguards your guaranteed income. If a withdrawal will negatively impact your future income, we will suspend the withdrawal and request your authorization before proceeding.

### Guaranteed Payment Phase

- Even if the market value of your contract goes to zero, your income will continue for as long as you live. This is called the Guaranteed Payment Phase.

## CLASS PLUS 3.0 SUMMARY

<b>Lifetime Withdrawal Amount (LWA)</b>	<ul style="list-style-type: none"> <li>The LWA payable is based on your current age and the applicable percentage of the Income Base shown below:           <table border="0" style="margin-left: 20px;"> <tr> <td>age 55: 2.85%</td> <td>age 62: 3.55%</td> <td>age 69: 4.20%</td> <td>age 76: 5.00%</td> </tr> <tr> <td>age 56: 2.95%</td> <td>age 63: 3.65%</td> <td>age 70: 4.30%</td> <td>age 77: 5.05%</td> </tr> <tr> <td>age 57: 3.05%</td> <td>age 64: 3.75%</td> <td>age 71: 4.35%</td> <td>age 78: 5.10%</td> </tr> <tr> <td>age 58: 3.15%</td> <td>age 65: 4.00%</td> <td>age 72: 4.40%</td> <td>age 79: 5.20%</td> </tr> <tr> <td>age 59: 3.25%</td> <td>age 66: 4.05%</td> <td>age 73: 4.50%</td> <td>age 80+: 5.25%</td> </tr> <tr> <td>age 60: 3.35%</td> <td>age 67: 4.10%</td> <td>age 74: 4.65%</td> <td></td> </tr> <tr> <td>age 61: 3.45%</td> <td>age 68: 4.15%</td> <td>age 75: 4.90%</td> <td></td> </tr> </table> </li> </ul>	age 55: 2.85%	age 62: 3.55%	age 69: 4.20%	age 76: 5.00%	age 56: 2.95%	age 63: 3.65%	age 70: 4.30%	age 77: 5.05%	age 57: 3.05%	age 64: 3.75%	age 71: 4.35%	age 78: 5.10%	age 58: 3.15%	age 65: 4.00%	age 72: 4.40%	age 79: 5.20%	age 59: 3.25%	age 66: 4.05%	age 73: 4.50%	age 80+: 5.25%	age 60: 3.35%	age 67: 4.10%	age 74: 4.65%		age 61: 3.45%	age 68: 4.15%	age 75: 4.90%	
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<b>Annual Automatic Income Resets</b>	<ul style="list-style-type: none"> <li>Percentage of Income Base payable automatically increases every year from ages 55 to 80</li> <li>You will always receive the greater of a) current LWA and b) LWA for that year which is calculated based on the current Income Base and LWA % for your age</li> </ul>																												
<b>Retirement Income Privileges</b>	<ul style="list-style-type: none"> <li>You can stop your income at any time – resume your Income Base Bonuses – and restart your income without penalty</li> <li>Provided you are not in a RRIF or LIF plan where you must take at least the minimum amount as prescribed by the Income Tax Act</li> </ul>																												
<b>Income Base Bonus</b>	<ul style="list-style-type: none"> <li>4% annually</li> <li>Applied first 20 calendar years of the contract, for each year you don't make withdrawals from your contract</li> </ul>																												
<b>Death Benefit Guarantee</b>	<ul style="list-style-type: none"> <li>Greater of market value or 75% of deposits, reduced for withdrawals</li> </ul>																												
<b>Maturity Benefit Guarantee</b>	<ul style="list-style-type: none"> <li>Greater of market value or 75% of deposits, reduced for withdrawals</li> </ul>																												
<b>Triennial Resets</b>	<ul style="list-style-type: none"> <li>Your Death Benefit Guarantee and Income Base automatically reset every three years to lock-in any market gains</li> </ul>																												
<b>Class Plus Fee</b>	<ul style="list-style-type: none"> <li>An insurance fee in addition to the underlying fund MERs</li> <li>Collected monthly from your contract</li> </ul>																												
<b>Minimum initial deposit</b>	<ul style="list-style-type: none"> <li>\$10,000</li> </ul>																												
<b>Contract types</b>	<ul style="list-style-type: none"> <li>RRSP, LIRA, TFSA, RRIF, LIF, LRIF, non-registered and other account types</li> </ul>																												
<b>Withdrawal</b>	<ul style="list-style-type: none"> <li>You can withdraw money from your contract</li> <li>This will affect your benefit guarantees and you may also have to pay a fee and taxes</li> </ul>																												
<b>Investment Management</b>	<ul style="list-style-type: none"> <li>Empire Life Investments Inc.</li> </ul>																												
<b>Investment options</b>	<ul style="list-style-type: none"> <li>18 funds including Emblem GIF Portfolios – a tactically managed packaged program:           <ul style="list-style-type: none"> <li>Money Market GIF, Bond GIF, Income GIF, Balanced GIF, Asset Allocation GIF, Dividend Balanced GIF, Elite Balanced GIF, Global Balanced GIF, Monthly Income GIF, Global Asset Allocation GIF</li> <li>Emblem GIF Portfolios: Diversified Income, Conservative, Balanced, Moderate Growth, Growth, Global Conservative, Global Balanced and Global Moderate Growth</li> </ul> </li> </ul>																												
<b>Other benefits</b>	<ul style="list-style-type: none"> <li>Class Plus 3.0 is an insurance contract and comes with valuable benefits:           <ul style="list-style-type: none"> <li>Your net deposits are protected with maturity and death benefit guarantees</li> <li>It may offer potential protection from creditors</li> <li>In the event of your death, the value of your investments can bypass probate, provided you named a beneficiary</li> </ul> </li> </ul>																												

## Consumer Protection

The Empire Life Insurance Company is a member of Assuris. Assuris is the not for profit organization that protects Canadian policyholders in the event their life insurance company fails. Details about Assuris' protection are available at [www.assuris.ca](http://www.assuris.ca) or by calling the Assuris Information Centre at 1-866-878-1225.

### For more information:

The Empire Life Insurance Company (Empire Life) is a proud Canadian company that has been in business since 1923. We offer individual and group life and health insurance, investment and retirement products, including mutual funds through our wholly-owned subsidiary Empire Life Investments Inc.

Empire Life is among the top 10 life insurance companies in Canada<sup>1</sup> and is rated A (Excellent) by A.M. Best Company<sup>2</sup>. Our mission is to make it simple, fast and easy for Canadians to get the investment, insurance and group benefits coverage they need to build wealth, generate income, and achieve financial security.

Follow Empire Life on Twitter @EmpireLife or visit our website, [www.empire.ca](http://www.empire.ca) for more information.

<sup>1</sup> *Globe and Mail* Report on Business, June 2018, based on revenue

<sup>2</sup> As at June 7, 2018. For the latest rating, access [www.ambest.com](http://www.ambest.com).

<sup>1</sup> LIMRA Secure Retirement Institute Ready, Set, Retire? Not So Fast! ... Revisited 2014. <sup>2</sup> Provided there are no Excess Withdrawals.

<sup>3</sup> The Income Base Bonus is credited in years that there are no withdrawals from Class Plus 3.0. for the first 20 calendar years you own Class Plus 3.0. It is a notional amount and has no cash value. <sup>4</sup> Available from ages 55 to 80. Calculated based on the current Income Base and the applicable LWA percentage that corresponds to the Annuitant's age as of December 31st of the following calendar year.

<sup>5</sup> Age and sex, and type of dwelling data: Key results from the 2016 Census. Statistics Canada. 2017. <sup>6</sup> The Boomer Shift: Boom Bust and Echo. *The Globe & Mail*. January 5, 2017. <sup>7</sup> Mortality Projections for Social Security Programs in Canada. OSFI. 2014. <sup>8</sup> Bank of Canada Investment Calculator 2017. <sup>9</sup> Up to and including Annuitant's 80th birthday. <sup>10</sup> LIMRA. Retirement Income: The Future of Distribution, Trends, Opportunities, and Challenges. 2012. <sup>11</sup> Chart is for illustrative purposes only. Year 1 represents the calendar year in which the initial deposit was made. Assumes no contract withdrawals made, and an Income Base Bonus of 4% each year. <sup>12</sup> For illustrative purposes the fund accumulates at a rate of return of -2.0%. A Class Plus Fee of 1.25% annually of the Income Base was charged. <sup>13</sup> The following scenario's market value is based on historical rates of return using a blend of 80% S&P/TSX and 20% DEX Universe Bond Index, from December 31, 1997 to December 31, 2017, with an average rate of return of 8.17%. A Class Plus Fee of 1.25% annually of the Income Base was charged.

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A description of the key features of the individual variable insurance contract is contained in the Information Folder for the product being considered. **Any amount that is allocated to a Segregated Fund is invested at the risk of the contract owner and may increase or decrease in value.**

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**Sim Gakhar**  
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**Email: [sim@simgakhar.com](mailto:sim@simgakhar.com)**  
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