

RATES GOT YOU DOWN? YOUR LIFESTYLE DOESN'T HAVE TO DROP LIKE THE RATES!

Are you resolved to lowering your standard of living just because, through no fault of your own, guaranteed rates of return on Canadian Savings Bonds and GIC's have come down during the last year? Instead of changing your lifestyle why not consider changing your strategy? In this article we will present an alternate strategy, which significantly increased after tax income on a guaranteed basis.

INCOME MAXIMIZATION

Income Maximization is the essence of the strategy and the illustration below shows the magnitude of the after tax increase that can be achieved. This illustration highlights a male 65 who invests in a single life annuity instead of renewing the principal in CSB's or GIC's. Assuming a 44% marginal rate of tax, this comparison reveals an after tax income of \$20,233.10 from the prescribed life annuity instead of the \$5,425.00 which results from the CSB/GIC approach – an increase in after-tax income of \$14,808.10 or an outstanding 273% more after tax income.

INCOME MAXIMIZATION
MALE 65

| | |
|--------------------------|------------------------------|
| \$250,000 | |
| CSB's, GIC's @ 3.875% | SINGLE LIFE ANNUITY 0 GTE |

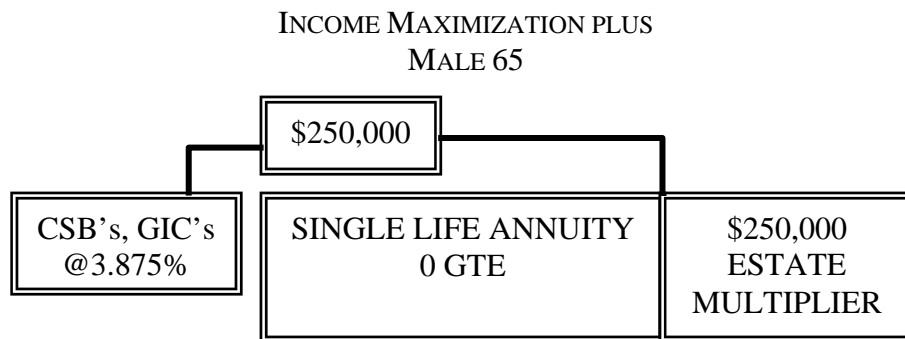
| | | |
|---------------|------------------|----------------|
| \$9,687.50... | INCOME | ...\$24,203.56 |
| \$9,687.50... | TAXABLE | ...\$9,023.77 |
| \$4,262.50... | TAX @44% | ...\$3,970.46 |
| \$5,425.00... | AFTER TAX INCOME | ...\$20,233.10 |
| | DIFFERENCE | ...\$14,808.10 |

273% MORE AFTER TAX INCOME

The single life annuity income is guaranteed for the life of the investor and the taxable portion of the income is established at the outset and does not change in the future. The contract terminates upon the death of the individual without benefit to the estate and, therefore, where this is not the desired outcome, the INCOME MAXIMIZATION PLUS concept should be considered.

INCOME MAXIMIZATION PLUS

Income maximization plus not only results in a significant increase in after tax income but also guarantees a return of the original capital to the heirs or estate on a tax free basis upon death. As illustrated below with the Estate Multiplier added, and assuming the same parameters as previously, we are still able to achieve a 138% increase in after tax income – a \$7,465.60 increase. This is after having deducted the cost of the Estate Multiplier. Upon death, the annuity stops but the Estate Multiplier will pay \$250,000 to the heirs.



| | | |
|----------------|-------------------|-----------------|
| \$9,687.50.... | INCOME | ...\$24,203.56 |
| \$9,687.50.... | TAXABLE |\$9,023.77 |
| \$4,262.50.... | TAX @44% |\$3,970.46 |
| N/A | ESTATE MULTIPLIER |\$7,342.50 |
| \$5,425.00.... | AFTER TAX INCOME | ...\$12,890.60 |
| | DIFFERENCE |\$7,465.60 |

138% MORE AFTER TAX INCOME

The Estate Multiplier is an insurance product and, accordingly medical evidence is required. While some people will therefore not qualify, many more will be able to implement this plan and enjoy the significantly higher after tax income as well as guaranteed return of capital upon death.

In conclusion, lower interest rates do not have to mean a lower standard of living. A change in strategy from the traditional deposit approach of CSB's/GIC's to Income Maximization or Income Maximization Plus results in a very significant increase in after tax income and an improvement of lifestyle when the opposite was feared. And it's all guaranteed!

E. & E. O. (Based on rates & premiums as of October 17, 2002)