

## A WORRY-FREE SOLUTION FOR INCOME-ORIENTED INVESTORS

*Insured annuities and how they can help you*

by Diane Dupuis



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Losing sleep wondering what the market is doing? You're not alone. For many investors, preservation of capital is the top investment priority. Even more so for seniors and those soon to be retired. But with a volatile stock market, equity investing is risky. And with low interest rates, returns on GICs and other cash investments are too low after taxes and inflation are accounted for. Is there a way out of this catch-22? Is there a way to find capital security and high income in a single investment?

An insured annuity might be the answer. Chosen carefully, it can complement an existing income portfolio and provide a stable foundation of income. Here is a brief explanation of what an insured annuity is, along with an overview of some of the advantages and drawbacks of this interesting income option.

### WHAT IS AN INSURED ANNUITY?

An insured annuity has two components: (a) a prescribed annuity and (b) an insurance policy. A prescribed annuity is basically an agreement between you and a financial institution. In exchange for a large lump sum payment, the institution provides you with a set income for the rest of your life.

In most cases, prescribed annuities report level interest for the duration of the annuity, so annuitants enjoy enhanced after-tax income compared to other fixed income investments such as GICs.

And since you're not participating in market risk, you won't lose sleep over market volatility.

The income from the first component then pays for the second component of the insured annuity, the insurance policy. The insurance policy ensures your beneficiaries receive an amount equal to the original annuity investment. This dual structure ensures your annuity purchase does not erode the size of your estate—something your beneficiaries are sure to appreciate.

### ADVANTAGES OF AN INSURED ANNUITY

Insured annuities have a number of attractive advantages:

- **No volatility.** Because your capital is not invested in the stock market, you won't be exposed to market volatility. Your income will remain the same, no matter what the market does.
- **Capital protection.** Life insurance ensures you can invest in an insured annuity without worrying about the erosion of your estate. Your beneficiaries receive your original investment amount.
- **Income guarantee.** The prescribed annuity works like a lifetime term deposit. You receive a specific income for life. You don't have to worry about outliving your investments.

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- **Stable returns.** Depending on your age, you could potentially earn between 7.5% - 11% guaranteed returns for the rest of your life.

Despite these advantages, an insured annuity isn't for everyone. Because life insurance is one of the components of an insured annuity, you must qualify for life insurance to be able to purchase an insured annuity. And as with all annuities, once you purchase an insured annuity, your capital is locked in—you won't be able to take it out again. For this reason, it's a good idea to invest no more than 25%-40% of your non-registered assets into an insured annuity. That way, you'll be able to create a stable income stream yet maintain a large percentage of your capital for your present and future financial needs.

Remember, an insured annuity is merely one solution to the current retirement income crisis. Make sure to talk to your financial professional for more ideas!

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