KEEP THE COTTAGE IN THE FAMILY STRATEGY

Are you aware that keeping the cottage in the family may result in a capital gains tax liability?

The Keep the Cottage in the Family strategy provides you the opportunity to redistribute some of your taxable investments, particularly your bond or GIC portfolios, into a participating whole life insurance policy to enjoy tax-deferred savings and a tax-free death benefit that can be used to preserve and enhance your estate by covering the capital gains taxes owing on the family cottage when you pass away.

Benefits of this strategy

- Tax-free death benefit[1] to fund capital gains tax liability from a vacation property
- Build a large, immediate estate value
- Reduced time and costs for estate settlement (with a named beneficiary)
- Maintenance free management for owner and people who may need to step in if owner is incapacitated
- Tax-deferred growth within the policy
- Possible creditor protection
- Access to the policy cash value[2]

When should you consider the Keep the Cottage in the Family strategy?

- You own a second property or cottage
- You have investments that are taxable
- You are in a high tax bracket
- You want to preserve your estate from taxes
- You are looking to equalize an inheritance between children
- You are looking for a stable maintenance free investment option with tax-deferred growth

[1] Total death benefit is not guaranteed. [2] Taxation may apply and a tax slip will be issued as appropriate.

How to implement the Keep the Cottage in the Family strategy

1. Policy purchased on cottage owners
2. Pay the premium each year
3. Policy grows in value, all cash value growth in the policy is tax deferred
4. Upon death, tax-free death benefit is available to be applied against the capital gains tax liability

STRATEGY IN ACTION

Meet James and Ang

Both are 50 years old, healthy non-smokers and have a marginal tax rate (MTR) of 50%. They own a cottage that's worth approximately $1.5 million today.

They are worried about the potential capital gains tax liability on their cottage of approximately $504,260 at age 85 (their potential life expectancy) which may erode their estate for their children.

They have $850 per month available for the next 20 years to put towards the future capital gains liability now that some other larger expenses have ceased.

Comparing the options

Keep the Cottage in the Family strategy

$370,152 EstateMax 20-Pay Participating Whole Life insurance policy structured the following way:

- Pay a monthly premium of $850 for 20 years
- Paid-up Additions dividend option selected
- James and Ang are both insured under the Joint Last to Die death benefit option

Non-registered Investment

Growth Breakdown: 100% interest earning investment

- Deposit $850 per month for 20 years
- Pre-tax interest rate is 5%
- After-tax interest rate is 2.5%

EstateMax meets the needs of James and Ang

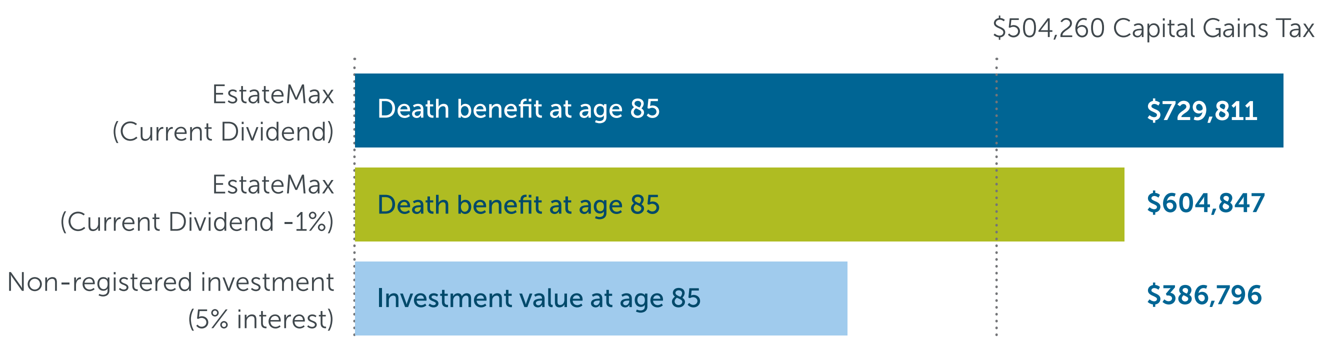

Illustration is based on an interpretation of current tax law; and does not constitute legal or tax advice for a specific individual. The differences in an individual's circumstances may have an impact on the effect of the tax treatment being shown.

Using the Keep the Cottage in the Family strategy, the EstateMax participating whole life insurance policy helps James and Ang outperform the non-registered investment option and meet their objectives by:

- Having a sufficient amount to cover the projected capital gains tax owing
- Growing the value of their estate and increase the inheritance for their children

Contact your advisor to learn more about our participating permanent life insurance and how the Keep the Cottage in the Family strategy can work for you.

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