



# KEEP THE COTTAGE IN THE FAMILY STRATEGY

Empire Life Participating Whole Life Insurance +  
Additional Deposit Option

Insurance & Investments  
Simple. Fast. Easy.®





The **Keep the Cottage in the Family** strategy provides your clients the opportunity to redistribute some of their taxable investments into another asset class. By purchasing a participating whole life insurance policy, your clients can enjoy tax-deferred savings and a tax-free death benefit that can be used to preserve and enhance their estate by covering the capital gains taxes owing on the family cottage when they pass away.

## Are your clients aware that the family cottage may result in a capital gains tax liability?



### Benefits of this strategy

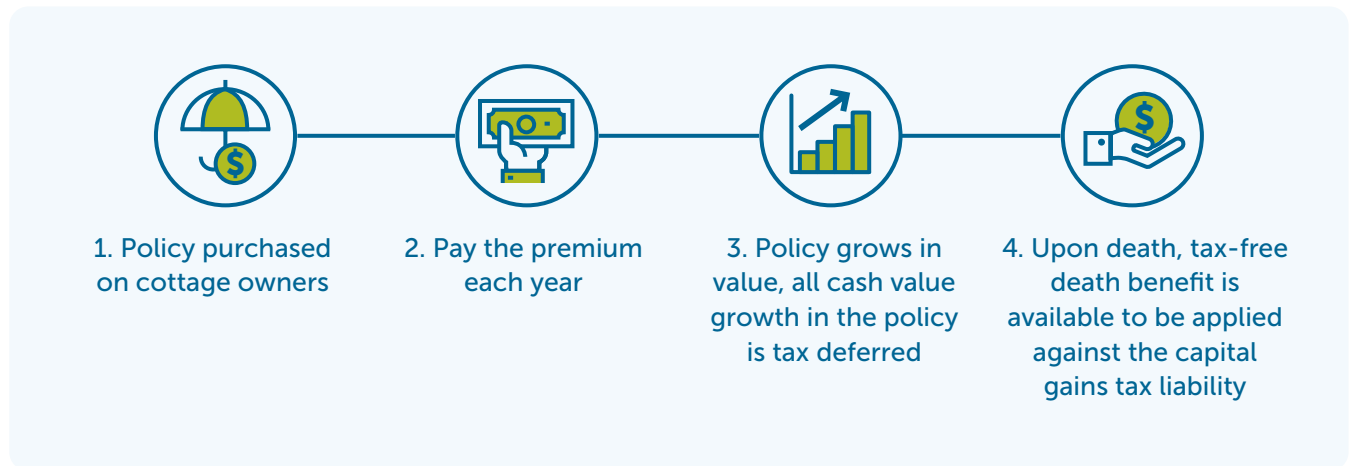
- Tax-free death benefit to fund capital gains tax liability from a vacation property
- Build a large, immediate estate value
- Reduced time and costs for estate settlement (with a named beneficiary)
- Maintenance free management for owner and people who may need to step in if owner is incapacitated
- Tax-deferred growth within the policy
- Possible creditor protection
- Access to the policy cash value three ways<sup>1</sup>:
  - Policy Loan
  - Policy Withdrawal
  - Collateral Assignment

### When should you consider this for your clients?

- They own a second property or cottage
- They are in a high tax bracket
- They are looking to equalize an inheritance between children
- They have investments that are taxable
- They want to preserve the value of their estate from the effect of taxes
- They are looking for a stable investment option with tax-deferred growth

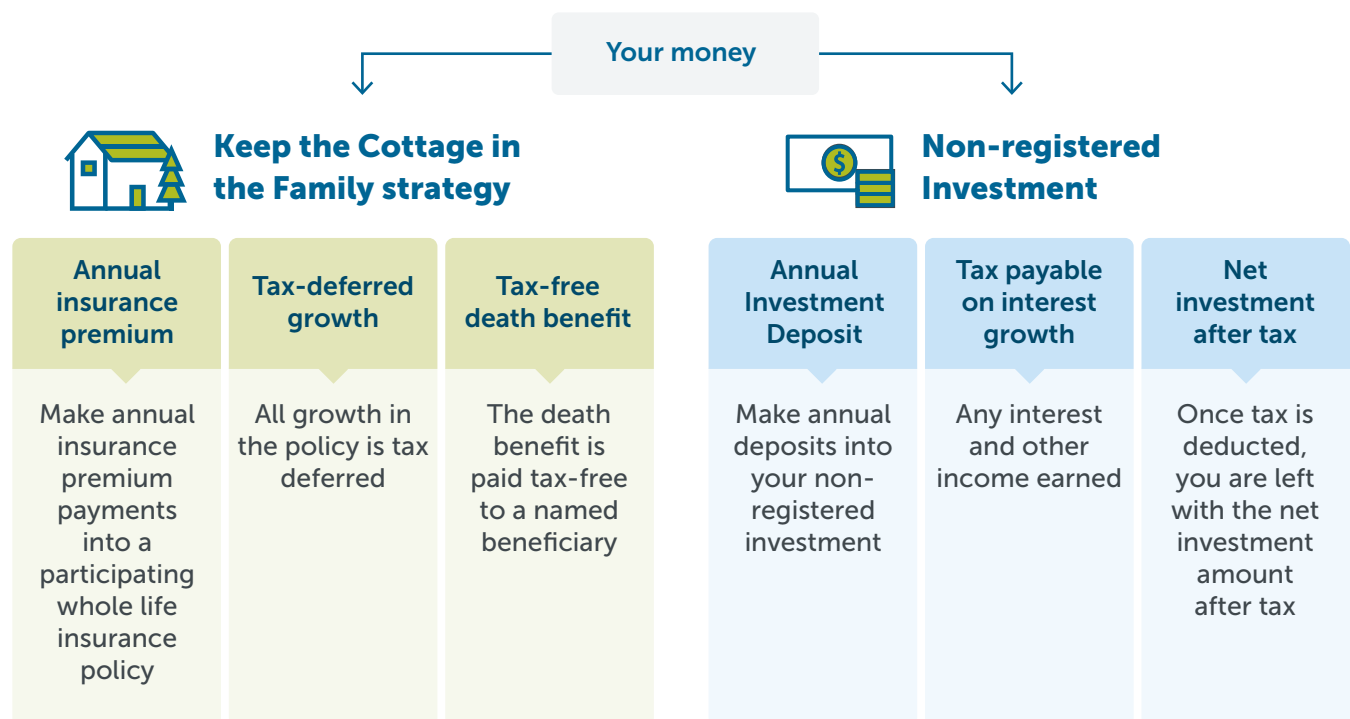
<sup>1</sup> Taxation may apply and a tax slip will be issued as appropriate

# How to implement the Keep the Cottage in the Family strategy



## Comparing the options

Empire Life participating whole life insurance can offer many benefits over a traditional non-registered investment. Let's compare a non-registered investment to the Keep the Cottage in the Family strategy using an Empire Life participating whole life insurance policy:



## CASE STUDY

# Meet James and Ang

James and Ang are both 50 years old, healthy and don't smoke. They recently purchased a family cottage, and their goal is to ensure that the cottage will stay in their family when they pass away. They have two children and want sufficient funds available to cover the capital gains tax owing on the cottage, so it does not erode their children's inheritance. They are also looking for a strategy that provides them with increased flexibility in case their needs change in the future. Unsure what to do, they reach out to their advisor for assistance.



### Meeting with their advisor, they uncover the following:

- Having maximized their RRSP and TFSA contributions, they are on track to retire at age 60
- The potential capital gains tax bill on the cottage has been calculated by their accountant as approximately \$504,260 at age 85 (potential life expectancy)
- They currently are in a 50% Marginal Tax Rate (MTR) and are paying an annual tax bill on the investment growth within their non-registered investments, losing almost half of the earnings in their fixed income or bond portfolios
- Having recently paid off their mortgage, they have an additional \$850 per month to put towards covering the future capital gains tax bill, but only want to spend this \$850 for the next 20 years, after which they want to spend money enjoying their lifestyle instead

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.

# Determining the right solution

Exploring the options available to help cover capital gains liability on the family cottage



## Option 1

**\$370,152 EstateMax  
Participating Whole Life**

- 20-Pay Premium Schedule
- Base Premium: \$850/month
- ADO Premium: \$0/month
- Joint Last to Die death benefit option
- Paid-up Additions Dividend option



## Option 2

**\$201,069 EstateMax  
Participating Whole Life +  
Additional Deposit Option (ADO)**

- 20-Pay Premium Schedule
- Base Premium: \$464/month
- ADO Premium: \$386/month
- Joint Last to Die death benefit option
- Paid-up Additions Dividend option

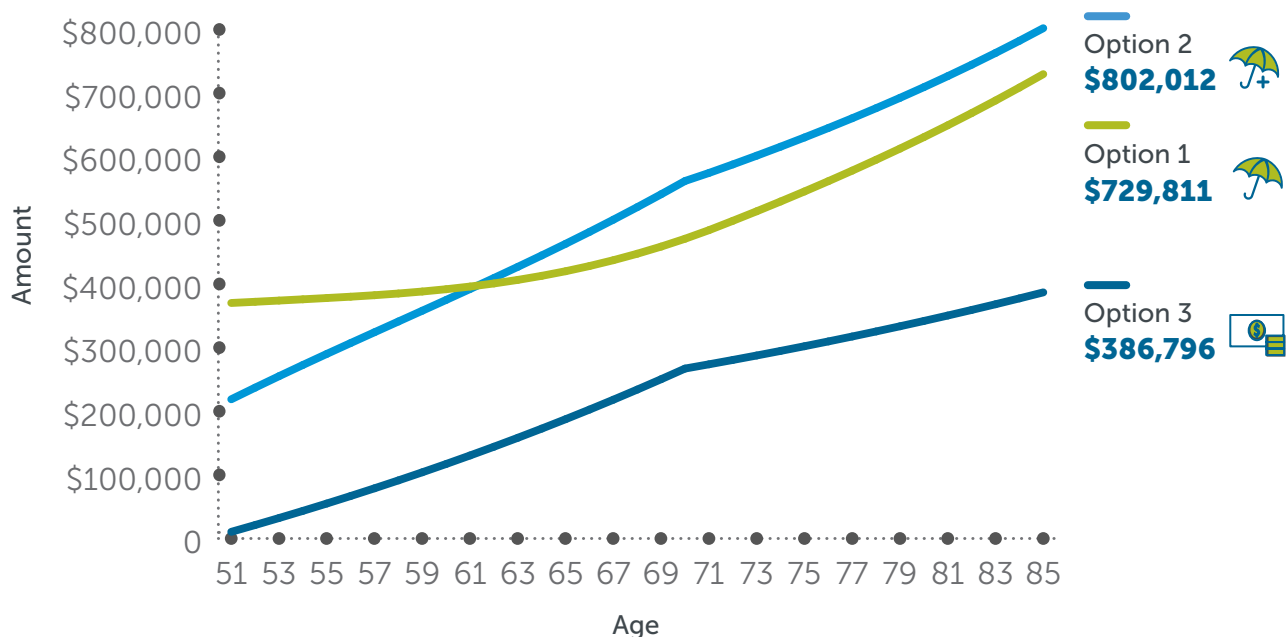


## Option 3

**Non-registered Investment  
Growth Breakdown:  
100% Interest**






- 20 Years of Deposits
- Deposit: \$850/month
- 50% Marginal Tax Rate (MTR)
- Pre-tax Interest Rate: 5%
- After-tax Interest Rate: 2.5%

## Total death benefit<sup>1</sup> — current dividend<sup>2</sup> scenario



<sup>1</sup>Total death benefit is not guaranteed. <sup>2</sup>Dividends are not guaranteed and will vary upward or downward based on investment rate of return, mortality and lapses, and other elements.

## Comparing the death benefit between the three options

Age	Current Dividend			Current Dividend -2%	
	 Option 1	 Option 2		 Option 1	 Option 2
60	\$391,779	\$374,984	\$117,131	\$387,419	\$362,388
70	\$471,093	\$561,874	\$267,069	\$418,906	\$486,755
85	\$729,811	\$802,012	\$386,796	\$505,130	\$534,135



### Option 2

\$201,069 EstateMax  
Participating Whole  
Life + Additional  
Deposit Option (ADO)

## Why option 2 may be the better choice for James and Ang

### Higher long-term death benefit<sup>1</sup>

- Year 20: 19% higher
- Year 30: 12% higher
- Age 85: 10% higher

**Ability to stop payments  
9 years sooner using Premium  
Offset<sup>1</sup> (year 9 vs. year 18)**

### Higher short-term and long-term total cash value<sup>1</sup>

- Year 10: 108% higher
- Year 20: 19% higher
- Age 85: 9% higher

**Ability to continue ADO past the  
20-year premium schedule if  
they want to enhance the death  
benefit even more**

<sup>1</sup> Comparing Option 1 vs. Option 2 using the Current Dividend scenario

## Why choose participating whole life with additional deposit option:

- An option that outperforms the non-registered investment
- Tax deferred cash values growth
- Long-term tax-free death benefit that meets their objectives
- Premium flexibility
- Guaranteed limited payments



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**The Empire Life Insurance Company**

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Our mission is to make it simple, fast and easy for Canadians to get the products and services they need to build wealth, generate income, and achieve financial security.

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 **To learn more about our participating life insurance or the Keep the Cottage in the Family strategy, contact your regional sales representative or our sales centre at 1 866 894-6182**

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