

TRIIPSS: Investment Strategies for a Successful 2021

a brief overview

Webinar starts Thursday, February 4 at 2:00 p.m. EDT

Your line will be muted

Turn on your computer speakers

- To qualify for CE credits, each attendee must access this session from their own computer.
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Investment Strategies for a Successful 2021

a brief overview

Peter A. Wouters
Director, Tax, Retirement & Estate Planning Services

Insurance & Investments
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3

Directional Focus

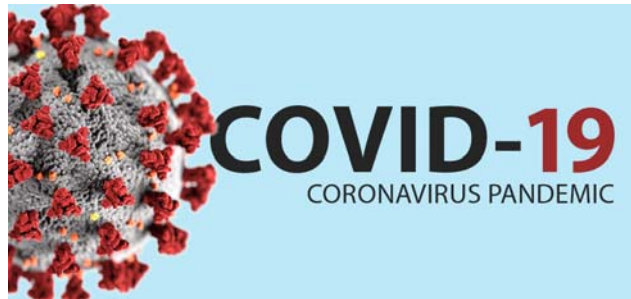
- move and adjust to the client experience business
- Clients' best experiences becoming expectations
- Build broader support
- Doing it alone is a way – generally not the better way



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And then the future came,... all of a sudden

- No in-person face to face contact
- Physical distancing
- Work from home
- Rely on digital solutions
 - Video meetings, screen sharing
 - Electronic applications, processing and delivery



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Challenges

- Pandemic magnifying and worsening financial security issues
- Experiencing effects of lack of liquidity, guaranteed income for selves and family
- Near retirees receiving incomplete advice
 - Focus on income vs expenses
 - Not integrated with tax & estate planning
- Adult children have growing interest reaching out for professional help with executor/estate administrator responsibilities
- Increased interest in CEA designation



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Growing appreciation for financial advice

Majority of Canadians said obtaining advice from advisor more important than ever

- **62%** of those with financial plan intend to update/revisit it due to Covid-19
- **1/2** reassessing goals and priorities and paused financial plans
- **15%** of those who shifted significantly have a plan
- **25%+** feel they only understand very basics about finances



Source: Canadians prize financial advice even more amid pandemic, Sept. 2020

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Consumers' Financial Report Card

C+

Subject	Grade
Create a budget	B
Know how to pay off or reduce credit card debt	B
Know how to pay off or reduce loans	B-
Save for a major expense (e.g., a wedding, car, or home)	B-
Ensure that my dependents won't be burdened if I die prematurely	B-
Save enough money for a child's education	C+
Select and purchase insurance products	C+
Plan to pay for possible medical expenses	C+
Create a plan to ensure that I am not burdening others with my funeral expenses	C+
Save enough money to have a comfortable retirement	C
Plan to support myself if disabled and unable to work	C
Leave an inheritance for my heirs	C
Select and purchase investment products	C-
Plan to pay for possible long-term care services	C-

Source: The State of Financial Literacy in Canada: How Much Do We Know? 2019

- Improving Financial Literacy both:
 - A key need
 - A differentiator for advisors and companies
- Improving Financial Literacy:
 - Positively viewed by consumers and clients
 - Growing expectation by consumers/clients for relevant, actionable information

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Financial Resilience

household's ability to get through financial hardship, stressors and shocks as a result of unplanned life events

- financial vulnerability and stress a mainstream issue in Canada - well before pandemic began ¹
- **72%** (18 million) adults not 'Financially Resilient' ²
 - despite significant temporary 'cushioning' from Gov't COVID-19 relief programs
- Consumer financial behavioural changes since pandemic ³
- **30%** (~ 8 million) adults building financial resilience in absence of financial shocks ⁴

1. Seymour Financial Health Index Studies 2017

2. Seymour Financial Resilience Index 2020 3., 4. Ibid

Consumer financial behavioural changes since pandemic

Changing behaviours or setbacks

- >6/10** significantly reducing non-essential spending
- >4/10** have drawn down on savings
- ~2/10** set up or built emergency fund
- 36%** saving about the same
- 15%** saving more
- 14%** not able to save



Investment value in 35 years



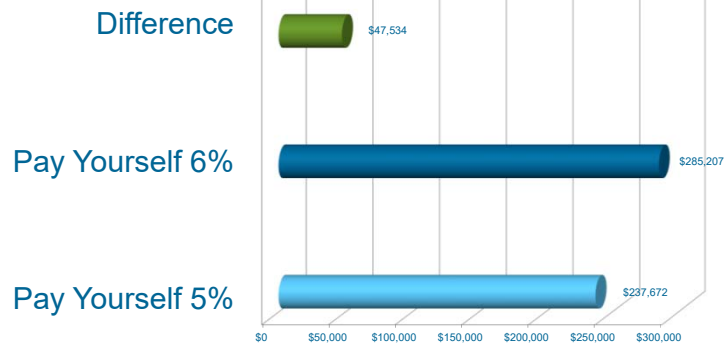
Invest monthly at beginning of the month

Invest in tax deferred account

5% annual rate of return compounded monthly

\$208/mo. vs. \$250/mo.

~ extra \$1.40 a day



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Pay Yourself Percentage	Pay Yourself First Year	Projected Lifetime Earnings	Value of Savings Nest Egg	Possible Annual Income
4%	\$2,000	\$2,499,724	\$246,129	\$12,306
5%	\$2,500	\$2,499,724	\$307,661	\$15,383
6%	\$3,000	\$2,499,724	\$369,193	\$18,460
7.5%	\$3,750	\$2,499,724	\$461,493	\$23,075
10%	\$5,000	\$2,499,724	\$615,322	\$30,766

For illustration purposes only; not intended to project future performance of any particular investment; no guarantees of future performance

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Case in Point

Stan has always maximized his Registered Retirement Savings Plan contributions. He could consider an over contribution to his own plan. He can make excess contributions to his Registered Retirement Savings Plan before he matures his plan by the end of the year in which he turns age 71. Stan has earned income this year of \$90,000. That means he will have $\$80,000 \times 18\% = \$14,400$ of contribution room next year. Stan can contribute next year's contribution room in December of this year, just prior to maturing his Registered Retirement Savings Plan.

This strategy will result in a penalty for the month of December to the extent that his excess contribution is over \$2,000. Taxpayers are allowed a \$2,000 over contribution without penalty. The penalty is 1% per month. Specifically, Stan will be charged an over contribution penalty of $\$14,400 - \$2,000 \times 1\% = \$124$.

Stan's over contribution scenario vanishes on Jan 1st of next year because he will be entitled to \$14,400 of contribution room based on his prior year's earned income. The deduction more than offsets the comparatively small penalty. The Registered Retirement Savings Plan deposit can either boost his annuity income on his Registered Retirement Income Fund (RRIF) balance, with most of that extra money enjoying some ongoing tax sheltering.

What else does Stan need to do? Form T3, CVP which will report the Canada Revenue Agency form and pay the penalty 90% current year.

Stan is turning 71 this year. He is enjoying a life filled with travel, relaxation and time with his family. Like more and more people, work is very much a part of his life. Stan expects to work at least some time for the foreseeable future. To Stan, this leaves his mind active and helps define who he is. He would like the opportunity to claim Registered Retirement Savings Plan (RRSP) deductions after age 71 even though he knows he must mature his RRSP at that time. What are his options?

One thing that Stan can do is contribute to a (spousal) RRSP until his spousal year's earned income. Those deductions are similar to 36% of his previous year's earned income. Those deductions to Jerry's plan do not affect Jerry's ability to contribute to her own plan provided she has earned income on her own. Contributions help Stan to take advantage of tax deductibility by contributing in her Registered Retirement Savings Plan. The couple can benefit from income splitting later since Nelly will be enjoying the income during her of her matured Registered Retirement Savings Plan. The couple can also enjoy an RRSP for a Registered Retirement Savings Plan.

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Empire Life Investments

CASE IN POINT
Sally & Stan's Planning Understanding & Product Newsletter
RRSP Contributions for Working Seniors

2014, Spring 21

Peter A. Woodard
Investment Advisor
Senior Planning Services, Wealth

Peter works with independent advisors and other professionals to help them understand the various options and products available to them. He supports them in understanding and selecting the best options for their clients and supporting their financial goals. Peter provides a variety of services, including tax, estate, and retirement planning. He is a member of the Canadian Society of Financial Planners (CSFP) and the Canadian Institute of Chartered Financial Planners (CIFP). He is also a member of the Canadian Society of Actuaries (CSA) and the Canadian Society of Investment Advisors (CSIA). He is a frequent speaker at seminars and conferences. He is also a member of the Canadian Society of Financial Planners (CSFP) and the Canadian Institute of Chartered Financial Planners (CIFP). He is also a member of the Canadian Society of Actuaries (CSA) and the Canadian Society of Investment Advisors (CSIA). He is a frequent speaker at seminars and conferences.

The Sales Tax, Estate Planning, and Retirement Planning are all important aspects of financial planning. Peter provides a variety of services, including tax, estate, and retirement planning. He is a member of the Canadian Society of Financial Planners (CSFP) and the Canadian Institute of Chartered Financial Planners (CIFP). He is also a member of the Canadian Society of Actuaries (CSA) and the Canadian Society of Investment Advisors (CSIA). He is a frequent speaker at seminars and conferences. He is also a member of the Canadian Society of Financial Planners (CSFP) and the Canadian Institute of Chartered Financial Planners (CIFP). He is also a member of the Canadian Society of Actuaries (CSA) and the Canadian Society of Investment Advisors (CSIA). He is a frequent speaker at seminars and conferences.

Peter can be reached at peter@woodard.com

Empire Life Investments stay alive

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Advisor relationships and Satisfaction



Investors with \$100K-\$1M total financial assets

- **78%** investors use professional advisor
- **77%** believe their advisor is worth the cost
- **74%** would recommend their advisor
- **38%** believe they will need more advice in the future

• SIFMA-Cerilli Individual Investor Project, June 2020

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Are you part of
the 71%?

Source: College for Financial Planning Survey, Oct. 15, 2020

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**ESG demand &
investment options
on the rise**

**Interest in Asset Allocation Funds
Increases** Investment Executive Nov. 2020

**Growing Retirement Worries and How
Software Can Help** ThinkAdvisor, Oct. 1, 2020

**Many advisors
need to retool their
portfolio models**

Investment Executive, Nov. 2020

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Growth vs. Value Investment Approach

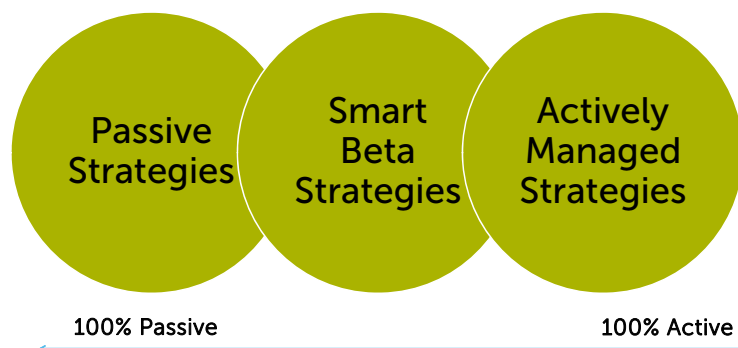


- Timing the market applies to investment moves, styles and strategies
- Preferences and performance for growth vs. value based investing are cyclical
- Investment companies like Empire recognize need to evolve and respond to client and advisor demand
- Downside protection remains an important focus and benefit

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What is Multi-Strategy investing?

- Provides exposure to several different investment strategies
- Different investment strategies and asset classes provide different returns at different points in the market and economic cycle
- Key strategies used in the funds include:

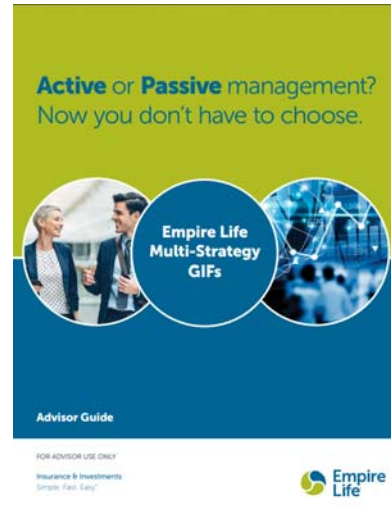


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Benefits of Multi-Strategy Guaranteed Investment Funds

- Diversification
- Tactical management
- Focus on risk management
 - Low to moderate to moderate risk
- Expert oversight
- Complementary
- Choice

- Offered by Empire Life



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NEW
**Empire Life
Multi-Strategy
GIFs**

Unlock your growth potential

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NEW Empire Life Multi-Strategy Guaranteed Investment Funds (GIFs): A Complementary Offer

CORE

Multi-Strategy Equity GIFs

- Empire Life Multi-Strategy Canadian Equity GIF
- Empire Life Multi-Strategy U.S. Equity GIF
- Empire Life Multi-Strategy Global Equity GIF

Multi-Strategy Global Portfolio GIFs

- Empire Life Multi-Strategy Global Conservative Portfolio GIF
- Empire Life Multi-Strategy Global Balanced Portfolio GIF
- Empire Life Multi-Strategy Global Moderate Growth Portfolio GIF

GROWTH

New!

Multi-Strategy Equity GIFs

- Empire Life Multi-Strategy Global Growth Equity GIF

Multi-Strategy Global Portfolio GIFs

- Empire Life Multi-Strategy Global Growth Balanced Portfolio GIF

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Rising Client Expectations and Standards

Comprehensive
Holistic Advice

Digital
Experience

Access on their
terms and
timelines

Credentials
beyond
experience and
success

Rising Regulatory and Association Expectations and
Standards

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Is this the new normal?

Peter A. Wouters
Director, Tax, Retirement & Estate Planning Services

Insurance & Investments
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ESG investing is wildly popular
But is it actually changing business?

Baird and Financial Times 2020

3.7 x increase 2005-2018

Source: Forum for Sustainable and Responsible Investment

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Why Now?

Pandemic accelerates ESG, investment and tech trends

The time has come to think about risk "like never before"

By: Katie Keir | December 15, 2020 | 13:23



Asset managers placing more emphasis on ESG analysis: report

Governance remains the top factor impacting investment decisions

By: Katie Keir | October 23, 2020 | 12:27



Canadian institutional investors have high hopes for ESG portfolios

U.S. investors, meanwhile, are increasingly skeptical

By: James Langton | October 14, 2020 | 13:58



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Sustainable Investing Made Simple Empire Life Global Sustainable Equity GIF

- Stock universe identified by companies exhibiting superior environment, social and governance (ESG) factors.
- Seeking to achieve a sustainable rating greater than other Empire Life global equity funds
- Sustainable and global investing in one solution.

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Still calling this RRSP Season?



Change the focus!

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Mistake # 5: (from 13 Biggest Mistakes Retirees Make)

Not Optimizing Tax Free Savings Accounts



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“Build your book with your clients’ children”

Advisor's Edge, November 29, 2019

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Millennials and saving money



25	average age they started to save for retirement in Canada
38%	haven't started saving yet
71%	are concerned about running out of money during retirement
75%	view saving as necessary but difficult
Reproduced with permission from The Future of Retirement Shifting sands, published in 2017 by HSBC Holdings plc.	

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RRSP or TFSA, aside from tax considerations?



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Feature or Consideration	Registered Retirement Savings Plan (RRSP)	Tax Free Savings Account (TFSA)
Minimum age for contributions	none	18
Maturity age limit to contribute to your own plan	End of year in which you turn 71	none
Need earned income to contribute	yes	no
Tax deductible contributions	yes	no
Carry forward of unused contribution room	yes	yes
Penalty for over-contribution	1% per month	1% per month
Spousal contributions	Yes: income attribution rules on withdrawals with some exceptions	Yes; no income attribution rules
Contribution room restored after withdrawals	no	Yes in the following year of withdrawal or later
Tax free growth	yes	yes
Investment choices subject to qualified investment rules	Broad range comparable to TFSA	Broad range comparable to RRSP
Tax on withdrawals	Fully taxable	Tax free
Withdrawals or income impact net income tested government benefits or tax credits	yes	no
Ability to name beneficiary(s) outside of Quebec	yes	yes
Use as collateral/security for loan	no	yes
Primary purpose	Retirement/financial independence	Any purpose, short, medium or long-term

Registered Retirement Savings Plan

vs.

Tax Free Savings Account

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Product matching – Class Plus 3.0 Guaranteed Withdrawal Benefit Plan



Class Plus 3.0 – Key Features

- 4% Annual Income Base Bonus for first 20 calendar years of contract
- Automatic income base resets
 - beginning on third Class Plus anniversary date and on every third anniversary date thereafter
 - Final automatic reset of death benefit guarantee on annuitant's 80th birthday
- Potential for higher growth with up to 80% equity exposure
- **Lifetime withdrawal amount** based on annuitant's age and applicable percentage

How could we make this even better?

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Product matching – Class Plus 3.0 and TFSA



- Client's TFSA contribution limit for 2021 is \$75,500
 - If the whole \$75,500 is available in a client's TFSA (e.g. client had never contributed to his/her TFSA in the past)
 - Used to purchase Class Plus 3.0 in 2021 (client 50 years old)
- What does it mean when client retires at age 65?
 - At age 65, Lifetime Withdrawal Amount is 4% of Income Base
 - Income Base: \$120,800 → Lifetime Withdrawal Amount: \$4,832
 - Income of \$4,832 is:
 - Guaranteed
 - For life
 - **Tax-free**



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Same dream; ...different price tag



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Friend	Monthly Savings @ 6%	Savings period	Total savings needed	Increase in Savings Needed	Financial Goal in 30 Years
one	\$103	30 years	\$37,080		\$100,000
two	\$148	25 years	\$44,400	19.85%	\$100,000
three	\$221	20 years	\$53,040	43.04%	\$100,000
four	\$349	15 years	\$62,820	69.42%	\$100,000

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Increased attention on financial planning

70% of financial advisors predict increased financial planning activities *

Broadening offering beyond top clients
Needs to happen if only from client's perspective (whole family concept)
If a client, pressure to offer more

- Enter digital

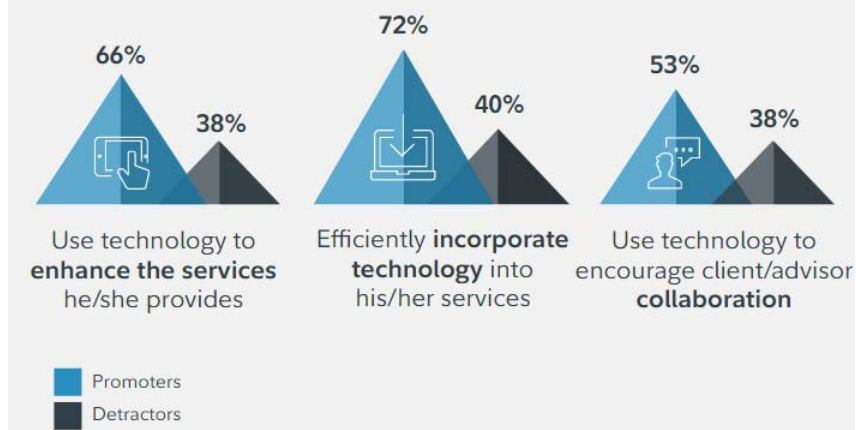
* 2019 Aite Group Financial Advisor Survey

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Benefits of Digital

Strengthen Client Relationships

Clients are more likely to recommend their advisors if they:



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Fidelity 2016 Investor Insights Study

Going on-line



- cost savings
- convenience to the consumer
- better coordination of processes
- Leads to:
- A better client experience
- More frequently delivered
- When they want it
- How they want it

Enhancing advisors' value add by providing flexibility and options

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The move to Digital



- Almost everyone uses digital now
- Not due to being tech-savvy
- Rather about:
 - social behaviour
 - Research preferences
 - Shopping preferences
- And:
 - Self trust
 - Trust in social networks
 - Being in control

source: World Insurance Report 2020 Webcast, May, 15, 2020
Capgemini 2020 Financial Services Analysis; Voce of the Customer Survey

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Process Changes

2/3 respondents prefer human interactions

Sources: Phoenix Marketing International, Cerulli Associates, Q3 2019

Despite preferring human interaction, digital experience is increasingly an expectation of financial relationships

Sources: Phoenix Marketing International, Cerulli Associates, Q2 2019

Digital engagement allows you to scale basic services and devote more time for personal interaction



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Hybrid Approach



- Going digital, automation not replacements for human interaction
- Value added human interaction:
 - Trust
 - Emotional aspects of financial/lifestyle planning
 - Addressing customer behaviour/misbehaviour
 - Anticipating life events and impact on decisions, plans and solutions
 - Comprehensive view and approach

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- **Build and support the right client experience**

- Face time which may be in person
- Empathy, sense of connectedness and compassion

“If relationships matter, so do conversations.” Norm Trainor

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**Retiring early:
Just a dream?**



Empire Life Retirement & Savings Tool

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Direction: Technology as an Enabler

Technology enabled tools and Processes

- Fast & Full: Insurance and Investment applications
- e-signature, e-payment & instant approval available¹
- Face to face and non face to face process
- eContract delivery
- Same day trade date before 4pm
- Website and live supported training
- FastandFull.ca
- Electronic access to policy information:... client and advisor



¹ Subject to applicable eligibility requirements.

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Fast & Full – Non-Face-to-Face Sales Process

Non-Face-to-Face sales process uses the Internet and phone

- Distance or scheduling no longer a restriction
- Reduce travelling costs and time
- Efficient sales process – more cost effective especially for smaller insurance & investment policies
- Screen sharing software via join.me tool



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Extended reach for advisors

- Across the city, region, province and country
- Need to be licensed where advisor acts
 - Advisor location
 - Each owner's location when application completed
 - If owner signs app, then also where life insured is located in ON, NV, NWT and YK



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Client Services

- e-Contract delivery
- Remote individual client identity verification
- Policy delivery receipt and ACF via non face to face
- Extended grace period



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Process Changes

- COVID-19 Updates for our Retail Distribution Partners

<https://info.empire.ca/retail-advisor-updates>

- Retail Advisors, Consumers
- Newsletters, webinars, commentaries, underwriting changes, videos
- Envision software
- webinars



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Going Digital, Covid-19 and Evolving Consumer Preferences

What we're experiencing is an acceleration of the inevitable.

Adapting and adopting are crucial to success



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