

Are you *on track* to qualify? Hop on the Tube and find something for everyone in this incredible city of ideas and imagination. You could be exploring London, England from May 13 to 18, 2016 at the Canada Life™ Platinum conference.

For qualification criteria, visit Canada Life RepNet™ under Home > Events > Platinum conference.



Even good plans get interrupted

Protecting RRSPs with critical illness insurance

Your clients may be well on their way to meeting their retirement goals. They've taken the steps needed to build a retirement plan, including setting up an RRSP. By contributing on a regular basis, they're helping to secure funds for their retirement. They may already have an idea of how they'll use those funds and what they'd like life after work to look like.

But what if illness interrupts their plans?

Some people think an RRSP is the key to retirement and a safety net for unexpected events. But if your clients are unable to work because of a critical illness and have to withdraw money from their RRSPs to cover expenses, what would they do once they recover? Life-threatening illness can affect your clients' families, their ability to work and their future well beyond recovery.

Show clients how critical illness insurance can work for them

With LifeAdvance™ critical illness insurance, clients receive a lump-sum payment if they're diagnosed with a critical illness as defined in their policy and the survival period (usually 30 days) has been satisfied. They can use these funds however they want – supplement lost income, pay for private nursing or cover mortgage payments. The choice is theirs.

continued next page



1 in 3

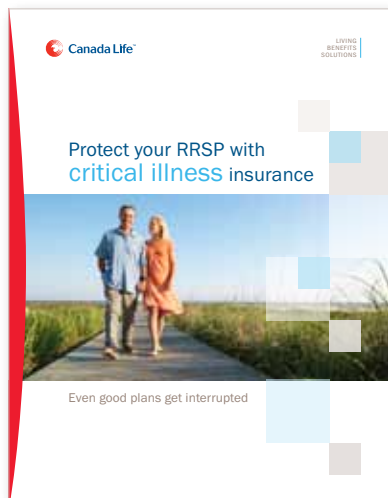
A serious, life-altering illness strikes one in three Canadians in their lifetime.*



85%

Cancer, heart attack and stroke account for 85 per cent of critical illness insurance claims paid up until 2013 in Canada.*

The updated client brochure, *Protect your RRSP with critical illness insurance* (form 46-8249), uses scenarios to show clients how LifeAdvance can help protect their retirement savings from expenses arising from a critical illness.



Protect your RRSP with critical illness insurance (form 46-8249)

The brochure is available on Canada Life RepNet™ under Products & tools > Living benefits > Marketing materials > Critical illness > Client material catalogue.

Also, use the recently updated *Protect your RRSP with critical illness insurance* tool to facilitate conversations about the risk of relying on RRSP contributions as an emergency fund. The tool can be found on RepNet under Products & tools > Living benefits > Tools & calculators.

Advisor**tools**

Show clients the cost of waiting

New tool demonstrates the cost of waiting to purchase life and critical illness insurance

Young, healthy people may not have a sense of urgency when it comes to buying insurance, thinking it's smarter to wait. But that's hardly a wise decision, as the cost of life and critical illness insurance often increases with age.



Each year of waiting to purchase life insurance can result in:

- ↑ Higher premiums
- ↓ Lower total death benefit
- ↓ Lower total cash value

The biggest potential cost of waiting to purchase life insurance is the risk of death.



Each year of waiting to purchase critical illness insurance can result in:

- ↑ Higher premiums
- ↓ Less coverage

The biggest potential cost of waiting to purchase critical illness insurance is the risk of becoming critically ill.

The new *Cost of waiting* tool can help you show clients the potential costs of delaying a life and critical illness insurance purchase.

The tool can be found on RepNet under:

- Products & tools > Life insurance > Tools & calculators
- Products & tools > Living benefits > Tools & calculators

Now available: 2015 participating policyowner dividend scale announcement

The *Participating policyowner dividend scale announcement* (form 46-4049) is now available on Canada Life RepNet™ under Products & tools > Life insurance > Participating life > Financial reporting.

The announcement is also available in Chinese (form 46-4049CH) under Home > Chinese marketing materials.



CANADA LIFE 2015

Participating policyowner dividend scale announcement

Canada Life™ has consistently offered participating life insurance to Canadians since 1847, longer than any other Canadian life insurance company. Canada Life has distributed dividends to its participating policyowners every year since 1848.

Policyowner dividend scale for 2015

Participating insurance policies are eligible for periodic participating dividends. The amount to be distributed from the participating account and participating dividends is determined at least annually following a review of the actual and expected experience of the participating account. The dividend scale may be affected by investment returns, mortality experience, expenses, lapses and other factors associated with the participating account.

A review has been completed of the participating account experience for Canada Life, former New York Life and former Crown Life. Based on this review, effective January 1, 2015 the dividend scale for Canada Life open block participating life insurance policies will increase. The 2015 dividend scale for Canada Life open block, former New York Life and former Crown Life participating life insurance policies will remain unchanged from 2014.

The participating accounts for the Canada Life open block and the closed blocks of Canada Life, former New York Life and former Crown Life are managed and reviewed separately, and the experience of each account will differ.

Canada Life (open block)

- Participating policyowner dividends will increase, on average, by 2.5 per cent. This is compared to the dividend increase for the 2014 anniversary if there had been no change. The actual dividend increase for any policy varies by product, issue year, issue age, duration and risk class. Policies that experience an increase that is less than, or greater than, the overall average.

Note: The Canada Life open block includes all participating policies issued on or after November 24, 2014, and all participating policies issued on or before November 23, 2014.

- Factors including improvements in mortality and fee experience make it possible to increase the dividend scale.
- The dividend scale interest rate, which is the rate used to calculate the investment component of participating open-block dividends, will remain unchanged at 6.50 per cent.
- The performance of equity markets was favourable during the 12-month period ending June 30, 2014, and was able to help offset the impact of the continuing low interest rate environment.

- Enhanced coverage option maximums are changing for Estate Annuity and Health Annuity, effective November 24, 2014. The majority of enhanced coverage option maximums will increase.
- Additional deposit option (ADO) maximums are changing for Estate Annuity and Health Annuity, effective November 24, 2014. There will be some increases and decreases while others will remain unchanged.

All policies

- Enhanced coverage option term enhancement rates remain unchanged.
- The variable policy loan rate will be reduced from 7.5 per cent to 6.5 per cent.
- For new policy loans, this change is effective November 24, 2014.
- For existing policy loans, this change will be effective at the policy anniversary on or after November 24, 2014.

- All participating life insurance policyowners will receive notification about the participating policyowner dividend scale on their policy anniversary statements.



加拿大人壽 2014 年度

分紅保單

加拿大人壽 Canada Life™ 於 2015 年 1 月 1 日起公佈 2015 年度分紅保單。此份公告將向所有加拿大人壽分紅保單持有人提供有關 2015 年度分紅保單的重要資訊。

2014 年度分紅保單持有人將收到一份關於分紅保單的說明書，其中將包含有關分紅保單的重要資訊。此份說明書將以電子方式寄出，請留意查收。

加拿大人壽、前紐約人壽及前皇冠人壽 (Crown Life) 參與的分紅保單

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加拿大人壽、前紐約人壽及前皇冠人壽 (Crown Life) 參與的分紅保單

New videos showcase two great Setanta investment choices

To provide insight into attractive global investing options available to you and your clients through Canada Life™, two new exclusive videos featuring a discussion with Alan Hickey, Marketing Director, Setanta Asset Management, are now available to view via WealthCentre. In these videos, Alan provides an overview of the Global Equity and Global Dividend funds and explains their process for selecting holdings and managing the funds to help ensure they stay true to their mandate.

Find the videos on WealthCentre at wealthcentre.cl-rmc.com/home.



wealthcentre.cl-rmc.com/home

No
sign-in
required

WealthCentre – your fund information source

Located on RepNet, WealthCentre is an interactive website that compiles resources for Canada Life's fund shelf into one convenient destination. This site provides access to market insights and marketing support materials that will help you meet clients' needs. Add the link to your "favourites" and visit often – no sign-in required.

Understanding income allocations versus distributions at tax time



Mutual fund distributions and segregated fund allocations may appear straightforward, but they're actually more complicated than expected.

In general, segregated funds allocate taxable income of the fund to investors, while mutual funds distribute taxable income to their investors.

The information below can help you answer client questions about tax planning.

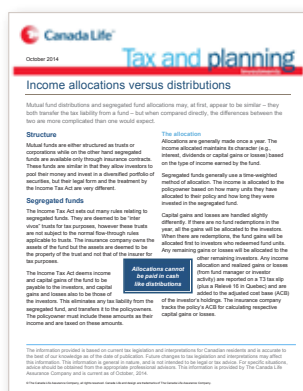
The allocation

- Segregated fund allocations are generally made once a year. The income allocated maintains its character – interest, dividends or capital gains or losses – based on the type of income earned by the fund.
- Segregated funds generally use a time-weighted method of allocation. The income is allocated to the policyowner based on how many units they have allocated to their policy and how long they were invested in the segregated fund.
- Any income allocation and realized gains or losses (from fund manager or investor activity) are reported on a T3 tax slip (plus a Relevé 16 in Quebec) and are added to the adjusted cost base (ACB) of the investor's holdings. The insurance company tracks the policy's ACB for calculating respective capital gains or losses.
- When income is allocated by a fund, the actual income is retained within the fund. No additional units are purchased and the fund's unit value is not reduced. Allocations cannot be paid in cash like distributions. A request for a partial withdrawal must be made.

The distribution

- Mutual fund distributions are generally made once a year, in the form of cash or reinvested units, on a distribution date to investors on record of owning the fund when declared. Income distributed maintains its character – interest, dividends or capital gains – based on the type of income earned by the trust.
- The income and gains are reported on a T3 tax slip (plus a Relevé 16 in Quebec) and, if reinvested, added to the ACB of the investor's holdings. The reinvested units have a cost equal to the amount distributed. The calculation of the ACB is the investor's responsibility.
- Total fund assets decline by the distribution amount, so the per-unit net asset value also declines.

As always, your investment specialist in your regional marketing centre has the expertise to help you and your clients with questions related to Canada Life™ segregated funds policies and the performance of our funds.



Income allocations versus distributions sales article

Two ways to find more information



Canada Life RepNet™ – Products & tools > Estate & tax planning >
Tax & planning articles > Investments > Income allocations versus distributions

WealthCentre – wealthcentre.cl-rmc.com/sales-support/tax-and-estate-planning

News briefs

■ Banking product applications easier with new online tool

A new online tool is designed to help reduce not-in-good-order occurrences when clients apply for certain banking products.



The tool will generate a printable checklist for advisors outlining

the forms and additional documentation required to process a client's application for the following banking products:

- CSV line of credit
- Interest-only investment lines of credit
- Principal and interest investment term loans
- RRSP loans

Designed specifically for advisor use, this new tool can be accessed on Canada Life RepNet™ under Products & tools > Investments > Loan programs > National Bank of Canada > National Bank products – required documents tool.

For more information, contact Canada Life™ Banking Products Support team at 1-866-566-0626.

■ Canada Life administrative services unavailable Good Friday – April 3, 2015

All Canada Life regional marketing centres and the following offices will be closed Friday, April 3 to observe Good Friday.

Individual Insurance

Client Service Centres in London and Regina

Individual Insurance New Business in Toronto

Individual Insurance Claims in London

Individual Insurance Client Service and New Business in Regina and Montreal

Individual Insurance Client Service, New Business and Claims in Winnipeg

Contracts and Compensation

The Toronto office will be closed.

Individual Wealth Management

Client Service Centre in London

Wealth Management Administration in London

Wealth Management Administration in Montreal

The Toronto Stock Exchange (TSX) and FundSERV will also be closed. Wealth Management Administration in Montreal will be open. April 3 will not be a trade or settlement date. Operations will resume April 6.

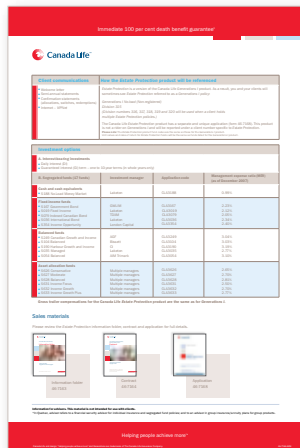
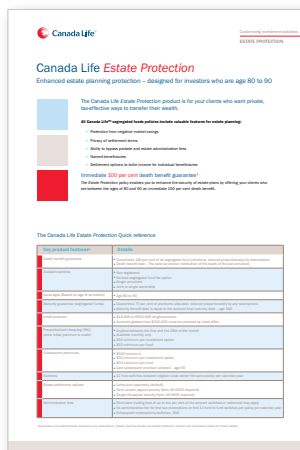
Processing business through FundSERV

Canada Life segregated funds and mutual fund business can be entered on FundSERV April 3, but will be processed through FundSERV April 6. For more information, please call your regional marketing consultant.

Service Desk

The Service Desk will be open with reduced hours of 6:30 a.m. to 3:30 p.m. CT. Regular hours (7 a.m. to 6 p.m. CT) will resume April 6.

Estate planning protection designed for investors aged 80 to 90



An intelligent choice for clients who want a private, tax-free way to transfer their wealth

Want to meet the financial and estate needs of a large, affluent group of Canadians who value protection of their wealth and may be worried about leaving a lump-sum inheritance? With Canada Life™ Estate Protection – available on non-registered policies – you can offer an easy solution to an important client concern.

Estate Protection offers:

- Immediate 100 per cent death benefit guarantee of money invested (less withdrawals)*
- Ability to invest in the markets – up to 60 per cent equity exposure with guarantees on death in place*
- Choice of 17 segregated funds for moderate, risk-tolerant growth potential
- No cost to set up, no estate administration fees
- Enables clients to structure estate settlement options outside their will

Find your updated *Estate Protection* quick reference guide (form 46-7166) on Canada Life RepNet™ under Products & tools > Investments > Marketing materials > Marketing catalogues > Estate protection catalogue, or contact an investment specialist at your regional marketing centre.

* Guarantees are reduced proportionately by any withdrawals.

Any amount that is allocated to a segregated fund is invested at the risk of the policyowner and may increase or decrease in value.

WE'RE HERE TO HELP.

FOR MORE INFORMATION, CONTACT YOUR MGA, BRANCH OFFICE OR REGIONAL MARKETING CENTRE.

Please direct all comments and inquiries to: Whitney_Eansor@canadalife.com

Newslink is for information purposes only and should not be construed as legal or tax advice. Every effort has been made to ensure its accuracy, but errors and omissions are possible. Individual circumstances may vary and specific legal and tax advice is recommended. The information presented is based on current tax legislation. Future tax changes and market conditions may affect this information.

In Quebec, advisor refers to a financial security advisor for individual insurance and segregated funds policies and to an advisor in group insurance/annuity plans for group products.

RepLine: 1-888-724-3680

RepNet tech support: 1-866-205-8835

RepNet: <https://repnet1.canadalife.com>

Web: canadalife.com

Eastern RMC: 514-874-0868 | 1-800-361-0860

British Columbia RMC: 604-685-7364 | 1-800-663-0413

Ontario RMC: 416-552-3100 | 1-877-594-1100

Prairie RMC: 403-266-8912 | 1-888-578-8083

Buy-sell structures for partnerships

A common organizational structure for an operating partnership is to have each individual own his or her respective partnership interest through a corporation that, as a holding company, owns an interest in the operating partnership.

Upon the death of an individual partner, the individual is deemed to have disposed of the shares of his or her “holding company” (i.e., the corporate partner) immediately before his or her death (unless there’s a spouse or common-law partner for the shares to rollover). Where there’s a resulting capital gain (the fair market value of the corporation greater than the adjusted cost base of the shares), there could be a significant tax liability for the deceased’s estate. As well, the deceased partner will want to ensure the fair market value of his or her interest in the partnership will be distributed to his or her estate. Therefore, a comprehensive partnership agreement will include an insured, tax-effective buyout provision.



Death of partner and buy-sell structures

The ownership/beneficiary structure options for life insurance policies to fund buy-sell provisions are:

- Corporate partner owned, with the partnership as irrevocable beneficiary
- Corporate partner owned, with a shared interest agreement (split-dollar agreement), with the partnership owning and paying for the death benefit
- Corporate partner cross-ownership, with the corporate partner as beneficiary
- Partnership owned, with the partnership as beneficiary

Corporate partner owned with partnership as beneficiary

Where a life insurance policy is owned at the corporate partner level and the operating partnership is named as the beneficiary, parties should be aware that there may be certain tax implications depending on who makes, and the manner in which, premium payments are made. At the 2010 Conference for Advanced Life Underwriting (CALU) meeting, the Canada Revenue Agency (CRA) was asked to comment on a situation where a holding company owned and paid the premiums on a life insurance policy and named a subsidiary operating company the beneficiary of the

continued

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Innovative and customized solutions for business owners, professionals and affluent clients

British Columbia regional marketing centre

Brenda McEachern, B.Comm., LL.B., TEP

National Estate and Tax Consultant
1-800-663-0413 or 604-443-8209

Patricia Kennedy, LL.B., CFP, CLU, TEP
National Estate and Tax Consultant
1-800-663-0413 or 604-443-8212

Prairie regional marketing centre

Jos Herman, B. Comm., CPA, CA, CFP
National Estate and Tax Consultant
1-855-311-1211 or 306-382-0572

Patrick Uzan, B.A., CA, TEP
National Estate and Tax Consultant
1-888-578-8083 or 403-663-2509

Ontario regional marketing centre

Bryan McNulty, LL.B., TEP
National Estate and Tax Consultant
1-877-594-1100 ext. 5470 or 416-552-5470

Steve McLeod, LL.B.
National Estate and Tax Consultant
1-877-594-1100 ext. 3049 or 416-552-3049

Sandra Napoletano, CPA, CA
National Estate and Tax Consultant
1-877-594-1100 ext. 3084 or 416-552-3084

Eastern regional marketing centre

Chris Britton, CPA, CA
National Estate and Tax Consultant
1-888-346-0444 or 902-450-5564

Suzanne Désy, LL.B., D.D.N.
National Estate and Tax Consultant
1-800-361-0860 ext. 2290 or 514-874-0868 ext. 2290

policy. The CRA responded that subsection 15(1) [any benefits conferred by a corporation to a shareholder are included in the shareholder's taxable income] did not apply, but subsection 246(1) [any benefits conferred by a person to a taxpayer are to be included in the taxpayer's income] could apply to the operating company such that the premiums paid by the holding company are included in the operating company's income. The CRA also stated if the operating company were to reimburse the holding company the premium paid, then the reimbursement could be viewed as income from property to the holding company under section 9 [income from business or property] or paragraph 12(1)(x) [inclusion of a reimbursement in income]. These comments could also apply to a holding company/partnership structure. Where the holding company (the corporate partner) owns the policy and the operating company (the partnership) receives the death benefit, the operating company (the partnership) would be entitled to the capital dividend account (CDA) credit (or increase in the adjusted cost base of the partnership interest). However, the actual credit to the CDA (increase in adjusted cost base of partnership interest) is the death benefit proceeds received less the adjusted cost basis of the policy. Since the operating company (the partnership) does not own the policy, it does not have an adjusted cost basis in the policy to reduce the adjusted cost base of partnership interest. The CRA has stated this structure would effectively impoverish the holding company for the enrichment of the subsidiary company.

This type of life insurance ownership structure has been a popular approach to funding buy-sell agreements while protecting the policy from the operating company's (the partnership's) creditors and/or avoid having to transfer the policy if the interest in the subsidiary company (the partnership) is sold in the future. The Minister could also apply the general anti-avoidance rule (GAAR). There have yet to be any court cases on this topic, so it remains to be seen if 246(1), 12(1)(x) or GAAR would apply in a holding company (corporate partner) owner/operating company (partnership) beneficiary situation.

Corporate partner owned with shared interest agreement

A possible buy-sell structure could be for the owner of the policy to be the corporate partner who may eventually own the entire policy upon retirement or termination. Presumably the corporate partner would be the initial cash value owner and under a third-party shared interest agreement make the partnership an irrevocable beneficiary of the basic death benefit. This way, it's also protected from the partnership's creditors. The third-party agreement (a formal legal agreement between the owners of the policy, which does not include the insurance company) sets out the rights and responsibilities of each party to the shared interest agreement. It covers such issues as: ownership of cash values, ownership of death benefit, premium obligations, the split of adjusted cost basis and net cost of pure insurance (NCPI), the right to assign death benefits and the conditions and terms under which the shared interest arrangement may be terminated. The agreed upon split of the adjusted cost basis, NCPI, etc. may in fact be different than what the insurer has administratively recorded. It's essential that legal counsel for the parties be involved in drafting a shared interest/ownership agreement of a life insurance contract. The cash value owner should be made aware they cannot access the guaranteed cash value of participating life insurance without infringing on the initial death benefit. If they do surrender the policy, the

death benefit owner no longer needs to pay the premium for the death benefit. However, there could be a taxable benefit if the partnership infringed on the corporation's prepayment of premium. What is to happen, who has ownership of what, etc., should all be documented in the third-party agreement.

Corporate partner cross-ownership with corporate partner as beneficiary

Because of the possible tax effects of naming the partnership as the beneficiary of the corporate partner-owned policies, it might be better to keep the beneficiary the corporate partner. In the case of three partners, each corporate partner would own two policies, one on each of the other partners. Upon the death of a partner, the remaining two corporate partners would receive the death benefit and credit to the CDA of the corporation. The corporate partner would use the proceeds to purchase the deceased's interest in the partnership.

It's possible to have one policy on each shareholder, and each policy be jointly owned by the other two partners. However, in these situations, Canada Life™ does not produce two billings; the owners must provide Canada Life with one address to be used for all mailings (e.g., billings, statements, etc.). The parties are responsible for making separate arrangements on how they will administer their shared ownership outside Canada Life and the contract.

Partnership owned with partnership as beneficiary

In the case of a partnership owning and being the beneficiary of a life insurance policy, for purposes of valuing a deceased person's partnership interest at death, the life insurance policy owned by the partnership is valued at the cash surrender value of the policy immediately before the partner died. As a result, the entire death benefit will not be included in the value of the partnership for purposes of the deceased's deemed disposition of their holding company shares. According to the Income Tax Act s.53 (1)(e)(iii), life insurance proceeds can be allocated from the partnership to the holding corporation of the deceased individual to repurchase the holding corporation's partnership interest. The holding company's adjusted cost base in its partnership interest would be increased accordingly, resulting in no tax on the redemption of the partnership interest. Upon redemption of the partnership interest, the private corporation would receive a credit to its CDA allowing it to distribute tax-free capital dividends to any remaining shareholders, or to the estate of the deceased as the sole shareholder.

Conclusion

Buy-sell planning for partnerships can be complex. Clients' specific circumstances, including whether they've used their lifetime capital gains exemption, may lead to implementing one plan over another. Speak with your Canada Life national estate and tax consultant for additional information on these and other strategies. Clients should be referred to their own legal counsel for independent legal advice regarding partnership planning.

This material is for informational purposes only and should not be construed as providing legal or tax advice. Reasonable efforts have been made to ensure its accuracy, but errors and omissions are possible. All comments related to taxation are general in nature and are based on current Canadian tax legislation and interpretations for Canadian residents, which are subject to change. For individual circumstances, consult with a legal or tax professional. This information is provided by The Canada Life Assurance Company and is believed to be current as of February 2015.