RAYMOND JAMES®

Whole Life Insurance: A Stable Option for Your Financial Plan

When market ups and downs cause concern, whole life insurance can offer a stable way to protect your family and grow your wealth. As a type of permanent life insurance, it provides lifelong coverage with features designed for predictability and peace of mind. Below we explore how whole life insurance works, detailing its benefits, and important considerations to help you decide if it fits your financial goals.

GUARANTEED BENEFITS FOR LONG-TERM SECURITY

Whole life insurance comes with three key guarantees:

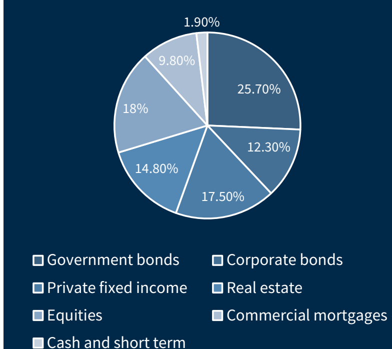
- **Death Benefit:** A tax-free payment to your beneficiaries upon your passing, helping cover expenses like estate taxes or income replacement. Under Canada's Income Tax Act, death benefits are typically tax-free, though specific tax rules may apply depending on policy use.
- **Premiums:** Fixed payments that won't increase, as long as you maintain your policy, making budgeting easier.
- **Cash Surrender Value (CSV):** The amount you'd receive if you cancel your policy, which grows steadily based on a guaranteed minimum rate set by the insurer. This growth is tax-deferred, meaning you don't pay taxes on it until you withdraw funds, though withdrawals may trigger tax consequences.

These guarantees provide a foundation of stability, but whole life policies may also offer non-guaranteed dividends, which depend on the insurer's investment performance and are not guaranteed. Always review policy details to understand both guaranteed and non-guaranteed elements.

DIVERSIFIED INVESTMENTS FOR PREDICTABLE GROWTH

Your premiums are paid into a fund managed by the insurance company, often called a participating account. This fund covers insurance costs and invests the remainder in a diversified portfolio, including assets like bonds, real estate, and stocks. Diversification helps reduce risk, aiming for steady, long-term growth. For example, insurers like Sun Life manage these funds carefully to align with future obligations, such as paying death benefits.

EXAMPLE OF PARTICIPATING ACCOUNT ASSET DIVERSIFICATION[1]



Sun Life Participation Account 810-3599-06-24

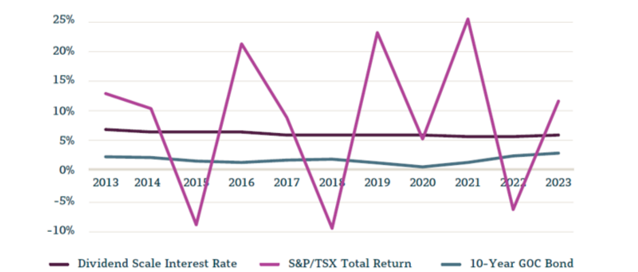
Insurance companies, as experienced investors, may access investment opportunities not typically available to individuals, which can support consistent performance. However, investment returns vary, and non-guaranteed dividends are not certain. Historical data from insurers can provide insight into past performance, but future results depend on market conditions. Contact your advisor for details on specific funds.

SMOOTHING RETURNS FOR STABILITY

Whole life insurance often uses a “smoothing” approach, spreading investment gains and losses over several years (e.g., five years). This reduces the impact of market volatility, offering more predictable returns compared to direct stock market investments. While this method promotes stability, it doesn’t eliminate risk entirely—dividends and CSV growth beyond the guaranteed minimum depend on the insurer’s investment success.

Example of historical return:

Year	Dividend Scale Interest Rate	S&P/TSX Total Return[2]	10-Year GOC Bond[3]
10-year average return	6.35%	7.62%	2.17%
10-year standard deviation	0.37%	12.71%	0.64%



The dividend scale interest rate is used in determining the investment component of the dividend scale. Although investment returns are only one factor of the dividend scale, they are the largest component, especially in the later policy years. Mortality experience, expenses, taxes and lapses are some of the other factors that impact the dividend scale.

Sun Par Policy performance over time 810-5108-06-24

Adding whole life insurance to your portfolio can complement other investments, like RRSPs or TFSAs, by providing a different type of growth opportunity. It’s especially useful for goals like estate planning or creating a financial legacy.

IS WHOLE LIFE RIGHT FOR YOU?

Whole life insurance can meet various needs, such as:

- **Financial Security:** Ensuring your family has funds to cover debt or living expenses.
- **Estate Planning:** Providing tax-free funds to pay estate taxes or leave a legacy.
- **Wealth Growth:** Building tax-deferred savings through CSV, which you can access if needed (though early withdrawals may reduce benefits or trigger taxes).

However, whole life insurance has limitations to consider:

- **Higher Premiums:** Premiums are generally higher than term insurance, reflecting lifelong coverage and savings features.
- **Suitability:** Whole life may not suit everyone, especially if you need short-term coverage or lower costs.

Whole life insurance involves risks, including non-guaranteed dividends that depend on market performance. It’s important to assess your financial situation, goals, and risk tolerance before deciding.

Working with Your Advisor

For personalized advice, reach out to your financial advisor.
They can help you understand whole life insurance and whether it aligns with your plans.

RAYMOND JAMES®