

# Understanding universal life insurance



Strong. Reliable. Trustworthy. Forward-thinking.

Universal life insurance is a permanent life insurance plan. Manulife's InnoVision, Limited Pay UL and Security UL are examples of universal life insurance. This brochure explains the features and benefits of universal life insurance to help you decide if it's the right insurance solution for you.

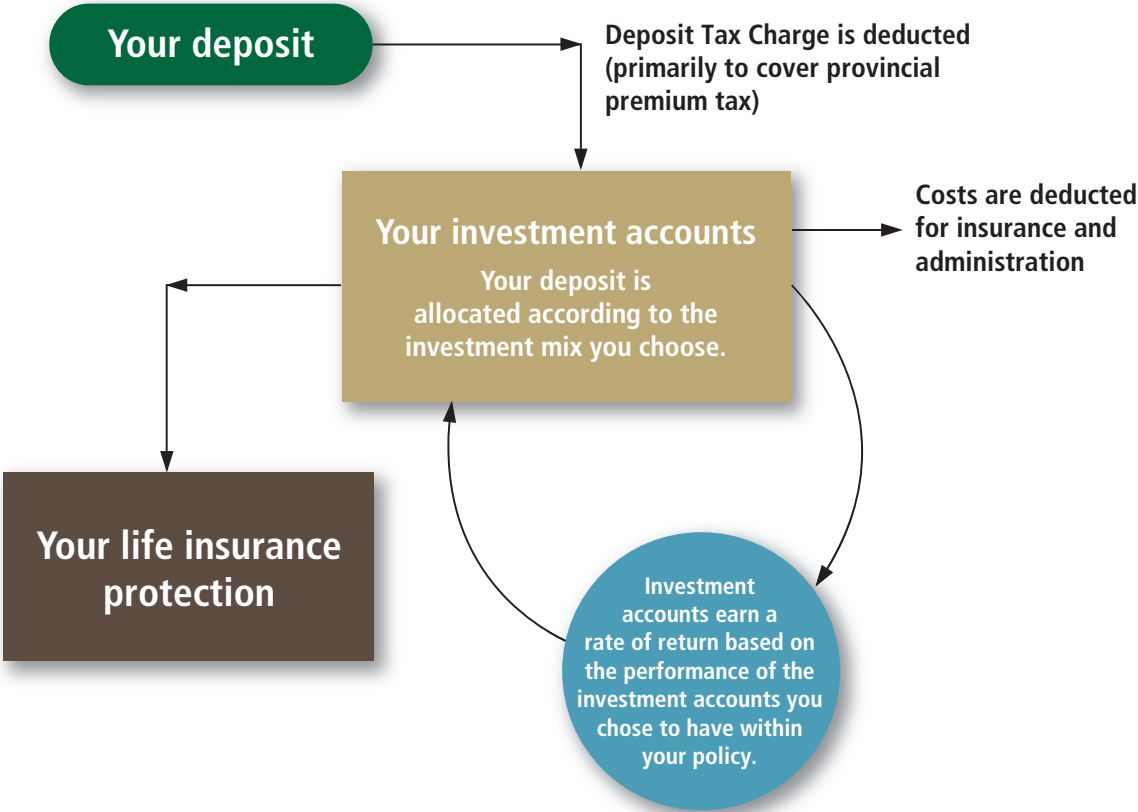


# How universal life insurance works

Universal life insurance uniquely combines permanent life insurance protection with the benefits of tax-advantaged investing. You may have heard the saying: “buy term insurance and invest the difference,” well universal life takes care of both ... all in one policy. And while it does have an investment component, you can decide to pay only the insurance and administrative costs each month and not use the investment component at all.

With universal life insurance, you pay an amount of money (usually monthly) that is deposited into one or more investment accounts (see the section *Investing in your future*). Each month, the insurance company takes out money to cover the cost of the insurance and administrative costs. The money left in the investment account earns a return based on the performance of the investment account(s) you’ve chosen inside your policy.

This diagram helps illustrate this:





And it's important to remember that you don't have to pay tax on any growth in the investment accounts because it is part of a life insurance policy, provided your policy value does not exceed an amount prescribed under the Income Tax Act.

If you're interested in universal life, your advisor can show you an illustration for a particular product. This is a snapshot of how your policy will perform over time based on different investment assumptions. A company with a good illustration program will be able to show you how your policy will perform under a variety of investment conditions.

It's important to remember that illustrated values are not guaranteed, as there are so many factors that affect interest rates that are beyond an insurance company's control.



## Protecting your life with universal life insurance

First and foremost, universal life insurance is an insurance product. An advantage that universal life offers is you not only get the peace of mind knowing your beneficiaries are covered when you die, you can also build up extra money through the universal life investment accounts.

Most universal life policies provide you with a variety of options and features so you can customize your policy to meet your needs. And a good universal life plan lets you change your policy as your needs change.

Typically, the amount you pay for your insurance is structured in one of two ways: you either pay a level cost of insurance that spreads the actual cost of your coverage evenly over a certain period (10, 15, 20 years or for the life of the policy), or a yearly cost that increases each year to equal the actual cost of insuring you as you grow older.

These two cost structures allow you to tailor your policy to suit your specific needs. With the level structure, higher insurance costs are deducted in the early years of your policy, resulting in slower growth of your Cash Value. However, higher growth occurs in the later years when lower insurance costs are charged. The yearly increasing structure, on the other hand, provides higher Cash Value early in your policy and slower growth in later years when the costs to insure you increase.

It's also possible to get the best of both worlds because in some cases you can switch from yearly increasing to level. For example, you can start your policy with the increasing cost of insurance to build up your early values, then switch to the level option to produce greater value over the long term.

Your advisor can discuss the options with you and help you decide which is best for you.

You can also choose the type of Death Benefit (or insurance proceeds) your policy provides. The two most common options are:

1. **Level Face:** The Death Benefit remains the same as long as you own your policy.
2. **Face Plus:** The Death Benefit includes the Face Amount (the amount of insurance coverage you've selected) plus the value of your investments.

Other options may also be available depending on the insurance company.

### CUSTOMIZING YOUR POLICY WITH EXTRA BENEFITS

At Manulife, we recommend a yearly review of your insurance policy to make sure it continues to meet your changing needs. And, if your needs change, it's good to know that you have several options to change your current amount of insurance or type of coverage.

With your universal life policy, you can choose a number of "riders" or extra benefits. These extra cost options help customize your policy. Some examples include:

- Wealth Enhancer: maximize the amount of wealth accumulation in your policy
- Protection Indexor: protects you from inflation

- Child Protection Rider: insure your children now and their future insurability
- Business Value Protector: protect your future business growth
- Term Insurance Rider: provide extra temporary protection on top of your permanent insurance
- A policy expansion option: allows you to start with a lower cost universal life plan and expand the plan to add other features and investment accounts as your needs change

Your advisor can help you decide which, if any, extra benefits you need.

### HEALTHY REWARDS FOR HEALTHY LIVING

If you consider yourself to be healthy and you lead a healthy lifestyle, you should choose an insurance company that offers preferred underwriting. This means that you may get further discounts on your insurance than someone who is not as healthy.

Manulife was the first major life insurance company to introduce preferred underwriting. Our program is called Healthstyles. With Healthstyles, we look in more detail at your tobacco use, cholesterol level, blood pressure and family medical history and reward you for your healthy living.



# Investing in your future with universal life

The benefit of choosing universal life insurance is that it not only offers you quality, permanent life insurance protection, it also offers you the opportunity for tax-advantaged investing.

Most insurance companies offer customers a wide variety of investment accounts in universal life. And often, the choice of which universal life policy to choose is based on which accounts are available.

Manulife offers three universal life policies. **Security UL** provides easy-to-understand and manage universal life insurance with a small selection of quality investment choices.

And Security UL offers a feature that allows you to expand your policy to take advantage of InnoVision's additional features and benefits, including its wide variety of investment accounts. This allows you to purchase Security UL and then change to InnoVision as your need for tax-advantaged investing increases.

**Limited Pay UL** is for people who want to finish paying for their life insurance protection within a certain period of time. Easy to understand and manage, it offers permanent insurance coverage with guaranteed insurance costs, guaranteed cash values, choice of payment periods and opportunities for tax-deferred growth in a variety of investment options.

**InnoVision** is a market leader in universal life insurance. Not only does it provide quality insurance, it offers a wide variety of investment accounts for a wide variety of investment styles. No matter your level of risk tolerance, InnoVision has an investment account for you.

InnoVision is also a leader when it comes to Managed Accounts, which are investment accounts linked to the performance of a mutual fund. The associated funds are managed by a variety of fund managers, all carefully selected and monitored on your behalf.

And InnoVision offers Managed Accounts linked to the performance of Manulife's Simplicity Portfolio Account funds. There are five accounts to choose from:

- Simplicity **Conservative** Portfolio Account
- Simplicity **Moderate** Portfolio Account
- Simplicity **Balanced** Portfolio Account
- Simplicity **Growth** Portfolio Account
- Simplicity **Aggressive** Portfolio Account

The beauty of the Simplicity Portfolio Accounts is that diversification is done for you. Each portfolio is made up of funds that invest in equities, bonds, cash and other investments and the percentage of each is matched to your risk profile.

All of Manulife's Managed Accounts have the power of i-Watch or Investment Watch. This program monitors the funds and fund managers behind the Managed Accounts to give you peace of mind that the accounts available in your policy are based on the highest quality of funds and fund managers.

For more information on Security UL's, Limited Pay UL's and InnoVision's investment accounts, talk to your advisor or visit [www.manulife.ca/ul](http://www.manulife.ca/ul). If you're interested in InnoVision, ask your advisor for a copy of the kit "InnoVision Investment Accounts" (MK7167E).

## A CHOICE OF BONUS OPTIONS

Many universal life policies give you a "bonus," an extra amount of interest for keeping your policy long term. Both Security UL and InnoVision offer a bonus; however, InnoVision lets you choose how you want to be rewarded. You can choose whether you want an interest bonus for keeping your policy long term or if you want your bonus upfront through lower management fees.

Your advisor will discuss the different bonus options and help you choose the one that's right for you.

## FOR YOUR FUTURE

When you choose Manulife, you're choosing a strong, reliable and trustworthy company that's been providing forward-thinking financial solutions for Canadians for more than 100 years. You can rest assured that we're here for you today ... and for your future.

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