

“How Much More Annual Income Could You Have?”

Too often in my practice, I see retirees who want to keep their investments safe but at the same time, they are risking their current income in the hopes that interest rates are going to rise to the levels that they were in the late 80's and 90's. Or, they are only locking in their money in for one year at a time in the event of their deaths, so that their estate can be settled and their heirs can receive their inheritance in a timely fashion.

Each year, the retiree will receive their notice from the bank that their GIC's are coming due for renewal. The current renewal interest rates are still low but they are willing to forego another year of lower interest in the hopes that next year the rates will be higher.

Another thought they have is that if they invest in a 5-year GIC this year, they may miss out next year if the rates go up. A laddering strategy is one remedy to this, where you have money coming due each year and reinvest for the longest term to take the highest rate possible. But, we have experienced fairly low interest rates for several years now.

Let's take a look at a scenario with a healthy 70-year old couple, Jack and Jill. They have \$250,000 of non-registered funds that they continually roll over one year at a time (they have enough liquidity with other investments), so they are not concerned with keeping this amount liquid.

A better option for this “charitably inclined couple”, who also want to leave a legacy to TB Vets, is to consider an “Insured Annuity” strategy.

If Jack and Jill continued to roll over this money into GIC's until the last death, their expected return on the investment would be around \$5,188.00, or \$60,717.09 to their expected life expectancy (assuming current rates), and the capital that would be left to their heirs would be the \$250,000 of capital.

Versus an Insured Annuity income stream that would give them the following benefits:

- 1) Their annual income would become \$12,673.08 (after tax).
- 2) Their annual income has increased by over \$9,000, and they still can leave the \$250,000 of capital in part or in its entirety, to TB Vets, or their heirs, tax-free and probate-free.
- 3) This translates to over \$154,000 of extra income over this couple's life expectancy (projected at 17 years).

If you think you may have a use for an extra \$154,000 of extra income, then you will want to explore this “Insured Annuity” concept as it may work for you.

Next Issue: Another “The Insured Charitable Annuity Explained”

The information provided above is just one of the many ways you can provide a significant gift to your favourite charity. Please talk with a professional advisor to see what options are best for you.