

# To preserve your retirement income

Your financial health is also fine. You've contributed to your RRSP for many years, and you expect to retire around 65 or even earlier, if possible. But what would happen if a critical illness upset all your plans?

## Dave's story

Dave is a 40-year-old engineer. He plans to make a \$25,000 annual contribution to his RRSP until age 65. However, at age 52 he suffers a very serious stroke. He therefore stops making contributions for two years and must withdraw \$250,000 from his RRSP to fill the income gap and pay for home care.

### Important:

To be eligible for payment of the face amount, Dave's stroke diagnosis must be consistent with the definition provided in the policy. This definition may include certain exclusions or limitations. It is important to be aware of these.

<sup>1</sup> In the example, no tax was calculated on the \$250,000, since the tax refund on RRSP contributions was not taken into consideration.

<sup>2</sup> Transition T100 – 25 illnesses Coverage with Flexible Return of Premiums at age 65.

<sup>3</sup> Assuming a 5% annualized rate of return.

<sup>4</sup> Dave wasn't forced to suspend his contributions or withdraw \$250,000 from his RRSP.

Here's how critical illness coverage could have changed Dave's future.

| Critical illness coverage                    | No        | Yes                                  |
|----------------------------------------------|-----------|--------------------------------------|
| RRSP contributions                           | \$25,000  | \$20,142                             |
| Annual premium for critical illness coverage | N/A       | \$4,858 <sup>2</sup>                 |
| RRSP value at age 65 <sup>3</sup>            | \$689,386 | \$1,009,410 <sup>4</sup> + \$320,024 |
| Annual income at retirement (for 20 years)   | \$52,684  | \$77,141                             |
| Critical illness benefit                     | N/A       | \$250,000                            |

Compare three possible scenarios.

| Critical illness coverage         | No                                       | Yes                                      |                                              |
|-----------------------------------|------------------------------------------|------------------------------------------|----------------------------------------------|
|                                   | Dave is stricken with a critical illness | Dave is stricken with a critical illness | Dave is not stricken with a critical illness |
| RRSP value at age 65 <sup>3</sup> | \$689,386                                | \$1,009,410                              | \$1,009,410                                  |
| Critical illness benefit          | N/A                                      | \$250,000                                | N/A                                          |
| RRSP withdrawal                   | \$250,000                                | N/A                                      | N/A                                          |
| Flexible return of premiums       | N/A                                      | N/A                                      | \$121,450                                    |
| Total                             | <b>\$939,386</b>                         | <b>\$1,259,410</b>                       | <b>\$1,130,860</b>                           |

Which would you choose?

# Critical illness Coverage

## An effective solution to preserve your retirement income.

### Sandra's story

Sandra is a 25-year-old nurse. She makes a \$3,000 RRSP contribution every year. Unfortunately, Sandra is diagnosed with colorectal cancer at age 42. She stops making contributions for five years and withdraws \$50,000 to pay the cost of drugs, make up for lost income and pay for other unexpected expenses.

#### Important:

To be eligible for payment of the face amount, Sandra's cancer diagnosis must be consistent with the definition provided in the policy. This definition may include certain exclusions or limitations. It is important to be aware of these.

<sup>1</sup> In the example, no tax was calculated on the \$50,000 since the tax refund on RRSP contributions was not taken into consideration.

<sup>2</sup> Transition T100 – 25 illnesses Coverage with Flexible Return of Premiums at age 65.

<sup>3</sup> Assuming a 5% annualized rate of return.

<sup>4</sup> Sandra wasn't forced to suspend her contributions or withdraw \$50,000 from her RRSP.

Here's how critical illness coverage could have changed Sandra's future.

| Critical illness coverage                    | No        | Yes                                |
|----------------------------------------------|-----------|------------------------------------|
| RRSP contributions                           | \$3,000   | \$2,460                            |
| Annual premium for critical illness coverage | N/A       | \$540 <sup>2</sup>                 |
| RRSP value at age 65 <sup>3</sup>            | \$185,054 | \$312,026 <sup>4</sup> + \$126,972 |
| Annual income at retirement (for 20 years)   | \$14,142  | \$23,845                           |
| Critical illness benefit                     | N/A       | \$50,000                           |

### Compare three possible scenarios.

| Critical illness coverage         | No                                         | Yes                                        | Yes                                            |
|-----------------------------------|--------------------------------------------|--------------------------------------------|------------------------------------------------|
|                                   | Sandra is stricken with a critical illness | Sandra is stricken with a critical illness | Sandra is not stricken with a critical illness |
| RRSP value at age 65 <sup>3</sup> | \$185,054                                  | \$312,026                                  | \$312,026                                      |
| Critical illness benefit          | N/A                                        | \$50,000                                   | N/A                                            |
| RRSP withdrawal                   | \$50,000                                   | N/A                                        | N/A                                            |
| Flexible return of premiums       | N/A                                        | N/A                                        | \$21,600                                       |
| <b>Total</b>                      | <b>\$235,054</b>                           | <b>\$362,026</b>                           | <b>\$333,626</b>                               |

F13-697A (25-09) ACC

Which would you choose?