PAYOUT ANNUITY
YOUR GUIDE

Turn savings into secure retirement income

Sun Life Global Investments

Contents

Guaranteed payments for as long as you choose

As retirement approaches, you may have asked yourself – how can I turn my savings into secure retirement income? Income not just for your essential living expenses, but also for the lifestyle you envision.

A payout annuity can be part of your solution. It can help reduce the worry of keeping key expenses covered by providing a guaranteed income.

A payout annuity has a contract owner and an annuitant who receives the income. They're not necessarily the same person. The contract owner gives us a lump sum of money; we give the annuitant a guaranteed cheque for as long as the contract owner chooses. It's that easy.

Peace of mind in retirement

Critical to your retirement income planning is ensuring you always cover essential living expenses like groceries, rent and utilities. Income from a life annuity can supplement other sources of guaranteed lifetime income: Canada Pension Plan (CPP), Quebec Pension Plan (QPP), Old Age Security (OAS) or a defined benefit pension.

Once you've covered the essentials, you can look at other ways to turn your savings into retirement income.

THINGS TO REMEMBER

A payout annuity is a great choice if you're getting ready to retire. But it's also an excellent solution if you:

- are nearing retirement and looking for an income "bridge" until other income sources begin,
- are of any age and want income for a fixed period, or
- want to leave a legacy to a child, grandchild or charity.

Features and benefits

Feature	Benefit
Income for life option	**Life annuity –** You can never outlive your retirement income. **Joint life annuity** – Provides lifetime income for you and your spouse while both or one of you is alive.
Market risk protection	Your income isn't affected by market or interest rate fluctuations. You don't have to worry about making investment decisions related to market performance.
Inflation protection	You can choose an annual income increase of a fixed percentage to help offset inflation.
Low-maintenance income	No investment decisions to make or manage.
Death benefit	You can choose a period during which, if you die, we'll pay a benefit to your beneficiary.
Tax and estate planning	Tax-efficient income (non-registered annuities) Income may qualify for tax credits and pension income splitting.
Attractive income	Guaranteed income that can be higher than many other income-generating products.
Customizable	Many options to make the annuity fit your specific needs.
Assuris protection	Sun Life Assurance Company of Canada is a member company of Assuris, a not for profit organization that protects Canadian policyholders if their life insurance company should fail. Visit assuris.ca for more details.

Choose an annuity that works best for you

Life annuity

An annuity has a contract owner and an annuitant who receives the income. They're not necessarily the same person.

Joint life annuity

Provides lifetime income for you and your spouse while both of you or one of you is alive.

Term certain annuity

We provide guaranteed payments for a specified period that you choose. We pay a death benefit to a beneficiary if the last surviving annuitant dies before we've made all payments.

An annuity for special needs

Essential Care Annuity

We'll consider you for an enhanced life annuity if you have a life-shortening condition, referred to as a health impairment. An Essential Care Annuity provides higher income payments (or requires a lower premium) than an annuity for someone of the same age and sex with no health impairment.

Do you qualify?

Life-shortening conditions are usually severe, permanent and progressive. A medical evaluation is required to determine if you qualify. You're responsible for all costs associated with providing medical evidence.

Income payments to suit you

Payment types	Descriptions
Level payments	The payment you receive remains the same throughout the payment period.
Indexed payments	Your payments increase each year by a specified percentage to help offset inflation. You select the percentage increase – from 1-4% – when you buy the annuity.
Reducing payments (available on joint life annuities only)	You can choose to reduce income payments by a specified percentage of the original payment if you or the joint annuitant dies. When you buy the annuity, you can choose one of the following: to have income reduce when you die, the joint annuitant dies or either of you die. You select the percentage decrease when you buy the annuity.
Integrated payments	We integrate annuity income with government benefits; annuity income decreases when CPP, QPP or OAS payments begin.

Your choice of payment frequency

You choose your payment frequency at the time the policy is issued. You can receive your payments:

- monthly, quarterly or semi-annually by direct deposit to a Canadian financial institution only.
- annually by direct deposit to a Canadian financial institution or by cheque.

You can defer income up to 10 years

Deferring income results in higher income payments. The source of money you use to buy the annuity may restrict how long you can choose to defer income. For example, if you use RRSP money, income must start within 10 years of the purchase date, but no later than the annuitant's 72nd year. A full year's income must be received by December 31 of the year the annuitant turns age 72. Please ask your advisor for details.

Guaranteed period

You may choose a guaranteed period for a life or joint life annuity when you buy the annuity. This ensures your beneficiary receives a death benefit if payments have started and you die before the period ends. In the case of a joint annuity, we pay the beneficiary if both annuitants die during this period. The longer the period you select, the lower the income payments.

The source of premium may restrict the guaranteed periods available.

Benefit we'll pay a beneficiary

The benefit we pay depends on:

- whether there's a guaranteed period,
- the source of money used to buy the annuity, and
- if income has started.

If the annuitant dies before payments start

If the annuitant dies before payments start, we'll return the premium and pay it to your beneficiary. We'll do the same if it's a joint annuity and both annuitants die before payments start.

For other options – for example, the premium plus any interest earned between the purchase date and death – please talk to your advisor.

If the annuitant dies after payments start and during the guaranteed period

We'll pay a death benefit if payments have started and the last surviving annuitant dies during the guaranteed period.

If the annuitant dies after payments start and the guaranteed period has ended

We don't pay a benefit if the last surviving annuitant(s) dies after:

- the income start date and there is no guaranteed period.
- the end of the guaranteed period.

FACT

The death benefit of a payout annuity is the amount of money paid or due to be paid to the beneficiary when an annuitant dies – or in the case of a joint annuity, when the last annuitant dies.

Taxation

The information in this section reflects our understanding of current federal and provincial income tax laws. Taxation laws are subject to change; rules and restrictions may differ in the future.

Registered vs. non-registered taxation

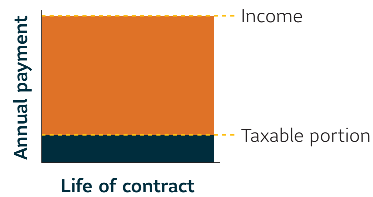
If you buy an annuity with registered funds, you're taxed on the entire income in the year you receive it.

If you buy an annuity with non-registered funds, you're taxed on the income in the year you receive it, but only a portion of each income payment is taxable. There are two different tax treatments – prescribed or accrual.

Prescribed taxation

With prescribed taxation, the taxable portion of each payment remains the same, so the tax per payment is level for the life of the contract. This is a powerful benefit, unique to life annuities.

An annuity contract must qualify for prescribed tax treatment. Most annuities bought by individuals qualify for prescribed taxation. Talk to your advisor for a complete list of qualifying criteria.

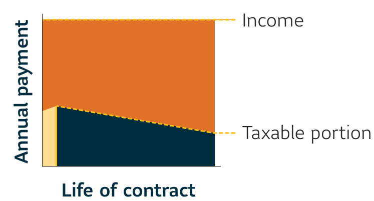


*Example data presented for illustrative purposes only.

Non-prescribed (accrual) taxation

With accrual taxation, the taxable portion of each payment is calculated annually, based on income earned since the last policy anniversary date.

Generally, the taxable portion will be larger in the early years and decrease each year. You can request accrual taxation when you submit your application.



*Example data presented for illustrative purposes only. In most cases, the annual taxable portion in years one to three is zero or very low.

TIP

We encourage you to consult with a tax expert if you have questions about taxes on a payout annuity.

Withholding tax

We withhold tax at source and remit it to Canada Revenue Agency (CRA).

Mandatory withholding tax

We must withhold tax if you bought the annuity with money from a registered pension plan (RPP), life income fund (LIF), locked-in retirement income fund (LRIF) or deferred profit sharing plan (DPSP). The mandatory tax we withhold is based on CRA formulas.

Optional withholding tax

You can ask us to withhold:

- additional tax if it's a non-registered annuity with accrual taxation, or
- your entire periodic payment amount.

Pension income

Income splitting

Income from a payout annuity may qualify for income splitting for income tax purposes. This allows you to transfer up to 50 per cent of the taxable income earned from the payout annuity to your spouse.

Pension income tax credit

Income from a payout annuity may qualify for a federal or provincial pension income tax credit.
A taxpayer can claim a pension income tax credit on up to $2,000 of eligible pension income.

Using your pension money to buy a payout annuity

You may need your spouse's approval

Pension money is governed by the pension legislation applicable to the jurisdiction in which the income is earned. Each jurisdiction has its own rules, definitions, etc., including special rights for spouses. In some situations, your spouse will have to waive these rights before we can issue the annuity and begin payments.

After the sale

We'll issue the policy once we receive the completed paperwork and premiums. Your advisor will deliver your policy pages, any addenda or amendments and a copy of the application.

Occasionally, you'll receive a customer form to keep our records current.

For more information, speak to your advisor or:

Visit **sunlifeglobalinvestments.com** | Call **1-877-786-5433**

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