



Universal Life Insurance

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# Understanding universal life insurance

The Manufacturers Life Insurance Company

The purpose of universal life insurance is two-fold. It provides long-term insurance protection to help safeguard the legacy you're building for those you care about. It also gives you the opportunity to invest and build additional wealth over time, within the same policy.



**Universal life insurance is a permanent life insurance plan. 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 taxadvantaged 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.

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 (either positive or negative) based on the performance of the investment account(s) you've chosen. The money within your investment account(s) is called **account value**.

While universal life insurance does have an investment component, you can decide to pay only the insurance and administrative costs each month and not use the investment

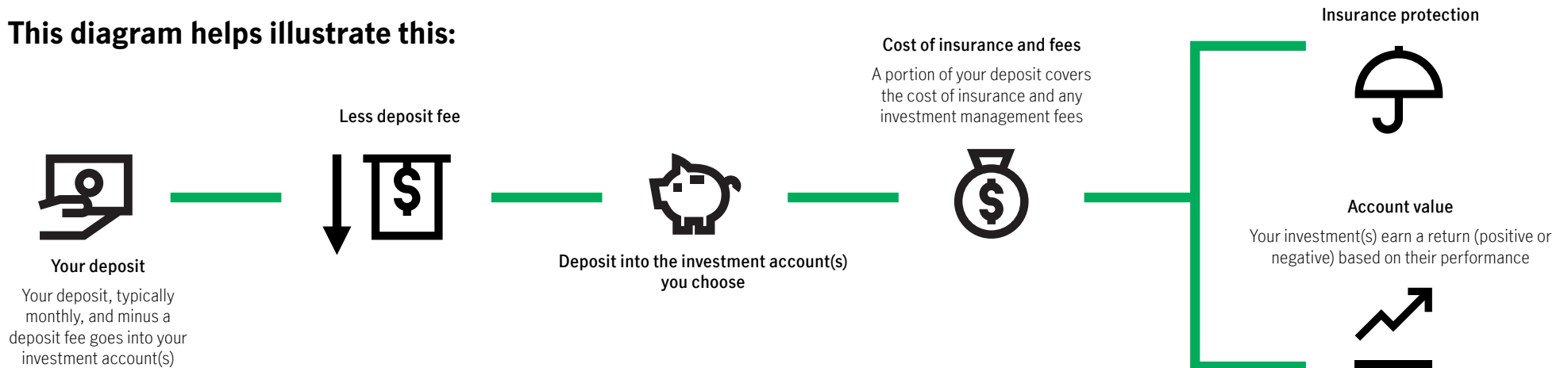
component at all. However, if you're saving for the future, any excess deposits that you make can grow on a tax-advantaged basis within your policy.

What's unique about universal life insurance is 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'd like to learn more about universal life insurance and how it would apply to your unique situation, 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 many factors that affect interest rates that are beyond an insurance company's control.

### This diagram helps illustrate this:



**Account value** is created by making deposits into your universal life policy in excess of your insurance costs. The extra money you deposit accumulates in the investment account(s) you choose.



# Protecting your life with universal life insurance

First and foremost, universal life insurance is an insurance product. It is designed to help you take care of your beneficiaries by providing them with financial support. Plus, the added advantage is that it gives you an opportunity to invest and build additional wealth over time – tax free, through the universal life investment accounts.

Most universal life policies provide you with options and features so you can choose a 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 or 20 years or for the life of the policy), or a yearly cost that gradually 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 account 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 account 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 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 amount of insurance coverage you've selected plus the value of your investments.
- 3 Account value on each death**  
The value of your investments is paid as a pre-determined percentage at the time of death, per insured person. The death benefit includes the amount of insurance coverage you've selected and is paid when the last of two insureds dies.



## 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 you have several options to change your amount of insurance or type of coverage.

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

- 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

Your advisor can help explain which benefits are available and 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 several universal life options to choose from.

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

**InnoVision** offers amazing flexibility and choice for your clients. This market-leading product combines permanent life insurance and tax-advantaged investment opportunities to provide custom-designed solutions ideal for tax and estate planning.

**Manulife UL** offers four straightforward, long-term cost-effective insurance and investment options. With Manulife UL you can choose your investment accounts based on your investment style and the amount of risk you're comfortable with.

- **Hands-on investor?** Choose, review and manage your own investments. You'll have more than 50 best-in-class investment account options to choose from. Consider Manulife UL Client Investment Select (Level or Yearly Renewable Term)
- **Hands-off investor?** Let Manulife manage your investments using a single investment account designed to help decrease the impact of market ups and downs. Consider Manulife UL Gold Investment Account (Level or Yearly Renewable Term)

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 the investment accounts available within Manulife's universal life insurance solutions, talk to your advisor or visit [manulife.ca/ul](http://manulife.ca/ul)

Your advisor will discuss the different insurance and investment options with you, and help find a universal life insurance solution that's right for you.

## Easily access your account value

Should you need access to your money, cash withdrawals are easy to make from most universal life policies. If an insured person becomes disabled, you may be able to receive a tax-free Disability Benefit. Cash withdrawals for other reasons are subject to taxation and, for some accounts, Market Value Adjustments may apply. Your advisor can provide you with more information about accessing your account value.

# Put your trust in Manulife

Manulife Financial Corporation is a leading international financial services group that helps people make their decisions easier and lives better. We operate primarily as John Hancock in the United States and Manulife elsewhere. We provide financial advice, insurance, as well as wealth and asset management solutions for individuals, groups and institutions. For over 130 years, we've grown with Canadians, offering a range of permanent insurance solutions to meet their short and long-term needs.





For more information, talk to your advisor  
or visit **Manulife.ca/ul**

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