canada life

Select Account

Draft paragraphs for a suitability report

Important note to professional advisers:

These sample paragraphs are for your information and consideration only. It is your responsibility to make sure that any letters sent to your clients meet the requirements of your regulatory authority and that any recommendations made are appropriate for your client. No liability is accepted by Canada Life Limited in connection with your use of any of these suggestions.

Introduction

Further to our initial meeting on **[date]**, our subsequent conversations and the meeting at our office, I/we want to confirm details of our discussions and the reasons for arranging your investment.

I/We provided you with copies of the initial disclosure document and explained the contents.

Recommendation

After discussing and having consideration of your:

- personal and financial circumstances;
- needs and priorities as identified through our fact finding process;
- attitude to risk both in general terms and to the specific area of need and recommendation

I/We recommended that you invest in the Canada Life Select Account (the Account).

We discussed the other options open to you, including collective investments and the Account offers the best mix of tax efficiency and flexibility to match your personal circumstances (which may change in the future).

In particular, the Account offers advantages over other forms of investment because **[comparison of charges, availability of a tax deferred withdrawal of capital, deferral of tax charges, and so on]**.

This is a tax efficient investment which can provide the following:

- a combination of regular partial withdrawals of capital across all policy segments per policy year, up to 5% of the initial value of capital invested and potential capital growth
- deferral of income tax liabilities
- a choice of risk-rated investment funds
- a choice of investment managers
- unlimited free fund switching without attracting any capital gains tax liability
- ability to withdraw capital sums on demand
- efficient administration and minimum paperwork

The other factors we took into account included:

Assignment to family member before encashment

In the future you are able to assign ownership of the Account to another individual who is not a higher rate tax payer like yourself, without giving rise to an income tax charge. That individual, who could be your spouse or another family member for example, can surrender the Account and any gains would be taxed on their lower rate of income tax, providing their income does not exceed the basic rate tax threshold when the average gain is added to their other income.

Long-term care

Whilst this was not a factor in your decision to invest in the Account, you may be interested to know that this investment is a life assurance policy and as such, is currently disregarded as a capital asset in the financial assessment for residential accommodation.

However, any withdrawals you make from the Account will be included in any assessment.

Note: This only applies as long as the client does not deliberately take out a bond in order to avoid the financial assessment.

Estate planning

See appendix for relevant paragraphs if using a trust arrangement.

Withdrawals

You require an annual withdrawal of **x% of the original investment/£x** each year.

It is important to note that if the investment return after charges is less than the amount of the withdrawal being taken, the value of the Account could reduce.

Under the Account you are able to take withdrawals of up to 5% each policy year on a tax deferred basis, and no immediate liability to tax arises. This 5% tax-deferred allowance is cumulative and so any unused amount rolls over to subsequent years. Withdrawals can continue until an amount equal to the original investment has been returned.

This annual tax deferred allowance is ideal for your desire to take an income from your investment as this can be taken without any immediate tax liability. The tax calculation will be done when any policies are surrendered in the future and will depend on your tax position at that time. **As you are expecting to be a basic rate tax payer in the future, this will help minimise any potential tax liability.**

Tax deferral

As a non-income producing asset the Account allows you to invest without any ongoing tax liability.

You have other investments through which you intend to use your annual capital gains tax exemption and therefore the ability to defer any personal tax liability under the Account is important to you.

Tax advantages

We have produced a comparison of the different types of investment vehicles including collective investments and bonds, both onshore and offshore. This has shown that given the investment split, your income requirements and tax position, an onshore investment bond would be favourable from a tax perspective.

As a UK resident company, Canada Life Limited pays UK corporation tax on the funds available through its Select Account. However any dividend income received within a fund from UK equities is not taxed.

Interest and other income received, such as rental income is taxed at 20%. Capital gains made by the funds within the bond are also taxed at 20%. This is treated as being equal to basic rate income tax.

This means that if you surrender the Account and it has increased in value or your withdrawals exceed the 5% tax-deferred allowance, a further tax liability should not arise unless you are a higher rate taxpayer when this occurs. This can also occur on the death of the last life assured.

If you are a higher or additional rate tax payer, or become one when the average gain is added to your income then you may have to pay the difference between basic rate and the higher rates of income tax.

This information regarding taxation is based on our understanding of current legislation, which may alter and depends on your individual financial circumstances.

Charges

As discussed, the Account will include the following charges:

- A monthly management charge which is based on the value of the Account
- An investment management fee for the underlying investment fund(s); this will vary depending on the fund(s) selected.

Full details of the charges appropriate to the funds you have chosen are shown on your Personal Example.

Attitude to risk

In looking at a suitable investment, we have to consider your attitude to risk.

To assist with establishing your attitude to investment risk and capacity for capital loss we have used an online tool called Investment Planner from Distribution Technology. After answering a series of questions we were able to determine your attitude to risk and use the asset allocation tool to create an appropriate investment strategy using selected products and funds to match your risk profile.

Your attitude to risk and capacity for loss can be described as follows:

[Summary of attitude to risk and capacity for loss]

Fund choice and selection

When making an investment, having a choice which covers the wide range of asset classes and fund types available in the market today is essential.

The Account allows access to a comprehensive range of professionally managed internal and external investment funds, including:

- funds investing in a single asset class, such as cash, fixed interest, property and equities;
- funds investing in a mixture of some or many asset types;
- specialist managers, multi-managers and fund-of-funds; and
- funds investing into a single geographic region and funds spanning the whole globe.

Full details of the charges appropriate to the funds chosen are shown on your personal example.

Past performance is not a guide for the future. The value of units can fall as well as rise. If the policy is surrendered in the early years, the surrender value is likely to be less than the premiums paid. Currency fluctuations can also affect performance.

Please note that in exceptional circumstances, Canada Life Limited may not allow you to cash-in or switch any fund that holds property for up to six months, in the interests of all property fund investors.

Why Canada Life?

Founded in 1847, Canada Life was Canada's first domestic life assurance company and began operations in the United Kingdom in 1903.

In July 2003, Canada Life became a subsidiary of the Great-West Life Assurance Company which is owned by Great-West Lifeco Inc. The Great-West Lifeco Inc Group of companies serve the financial security needs of individuals and organisations in Canada, the United States and Europe, providing retirement savings and income plans, as well as comprehensive protection contracts for individuals and families.

With assets under administration of £1.28bn (as at 30 June 2021) Great-West Lifeco Inc has been given AA insurer financial strength rating from Standard & Poor's and Fitch Ratings (as at 30 September 2021).

Quality of Service

Should you not receive a first rate service from Canada Life then you have the peace of mind of being protected by their investment service charter. This provides you with monetary compensation should they not deliver on their promised response and processing times detailed within their service charter.

Timescale

The Account is a whole of life assurance contract with no maturity date. It will remain in force until totally surrendered or the death of the last life assured.

Fees

As discussed, for reviewing and analysing your personal and financial objectives and arranging this investment we will be charging a fee of **[£xxxx/x%].**

As part of the application process you have asked Canada Life to deduct this amount from the payment you have made and arrange for [£xxxx/x%] to be paid to us on your behalf. This will be paid before any investment is made in the Account and the 5% tax deferred allowance will be based on the net amount, after deduction of our fee.

As part of the application process you have asked Canada Life to deduct this amount from your policy after it has been set-up and arrange for [£xxxx/x%] to be paid to us on your behalf. This means that the 5% tax deferred allowance is based on the full amount, however the amount paid to us will utilise part of the allowance for the first year.

In addition to this, to pay for the ongoing service we have agreed we will make a charge of **£xxx/x.x% of the value of your Account each year**. You have requested Canada Life deduct this amount from the investment and pay it to us on your behalf. This will count against your 5% tax deferred allowance and will reduce the amount of income you can take from the policy without incurring a tax liability.

Any fees that are deducted from the policy for either initial or ongoing adviser charges will count towards your 5% tax deferred yearly allowance.

What happens next?

You have already received a key features document and Personal Example for the proposed Account. These contain full details of the features, benefits, charges and risks.

I/We consider that the Canada Life Select Account is the most suitable product for your financial needs and that Canada Life Limited is the most appropriate provider.

It is important to let **me/us** know any changes to your personal circumstances, for example, if there are any changes to your address, employment or family situation. Please contact **[name/me]** in order that your report can be revised and any change in circumstances identified.

Please sign and return the attached copy of this letter in the prepaid envelope enclosed to confirm that you have read the letter and accept the contents.

Thank you for your application.

Appendix - Estate planning

Probate bare trust

You are using a probate bare trust because you want to ensure that in the event of your death, payment of the death benefit can be made quickly without the need to obtain a Grant of Representation.

In the meantime you have the full right to all benefits from the policy.

Bare gift trust

You are using a bare gift trust because you want to make an absolute gift to **[name(s) of beneficiaries]**. You will have no further right to any benefit from the policy.

The reason for using this trust was because **the recipient is under age 18/you are concerned about your potential inheritance tax bill.**

Discretionary gift trust

You are using a discretionary gift trust because you want to make a gift of your investment, but want to keep your options open as to who should ultimately benefit. You will have no further right to any benefit from the policy.

The reason for using this trust was because you are concerned about your potential inheritance tax bill.

Bare gift and loan trust

You are using a bare gift and loan trust because you want to make a gift of the growth on your investment to **[name(s) of beneficiaries]**. You will be entitled to have your capital returned to you, as it was a loan, either as a regular payment or lump sum payment, on demand.

The reason for using this trust was because you are concerned about your potential inheritance tax bill.

Discretionary gift and loan trust

You are using a discretionary gift and loan trust because you want to make a gift of growth on your investment, but want to keep your options open as to who should ultimately benefit from this. You will be entitled to have your capital returned to you, as it was a loan, either as a regular payment or lump sum payment, on demand.

The reason for using this trust was because you are concerned about your potential inheritance tax bill.

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