

## Who Wants Tax-Free Retirement Income!!!

### Insurance and Investments – All in one Fund News

From time to time, we like to touch on financial planning topics and products that may be of interest to our clients. The following article features a unique type of insurance product – Universal Life Insurance.

#### Universal Life Insurance (UL)

UL Insurance is a little known plan that can have a big impact on your retirement income. It combines life insurance and an investment account in one package.

These policies are designed to enhance your portfolio, minimize taxes, preserve the value of your estate and ensure that your heirs are taken care of. They are named for their ability to accommodate an individual's changing needs.

#### Who should consider this type of policy?

Universal Life is not for everyone. In our experience, it is best suited for individuals who:

- are in good health

- are taxed in the highest bracket
- have paid down non-tax deductible debt such as their mortgage
- have maximized their RRSP and pension contributions (both spouses), and still have funds that they want to shelter from taxes until they retire.
- Have disposable income and a good cash flow
- Can commit to a savings plan over the longer-term

#### How does it work?

The cash deposits you put into your Universal Life policy pay for the premium on the life insurance component of the plan and the remainder goes to the investment portion, where it is sheltered from taxation (subject to Income Tax Act limits). This allows the excess to grow tax deferred, allowing it to accumulate and be paid out as part of the tax-free death benefit received by your selected beneficiary. Proceeds of the benefit are normally distributed without the costs and delays of probate and executor fees. This means that the heirs will have liquid funds that will help pay for any funeral costs, estate taxes and other expenses that may arise.

#### How can I use this to supplement my retirement income?

The Universal Life Policy can be used as collateral for a loan\* which provides an income stream upon retirement that is tax-free. The loan is designed so that the maximum loan plus its interest never exceeds 50-75% of the accumulated policy cash value. Interest on the loan is capitalized and is repayable on death. At death, the basic death benefit, in addition to the tax-deferred accumulation, is paid out on a tax-free basis. Part of the total death benefit is used to satisfy the out-

*continued on back page*

**Do you know who the beneficiary is on your RRSP? More importantly – do we? Please contact us if you would like to confirm the beneficiary on your account. If you would like to change your beneficiary, the form is available on our website at [www.mutualfundreporter.com/forms](http://www.mutualfundreporter.com/forms)**

**Or you can call us at:**

**1-800-387-9273**

**or contact us by e-mail at [carl\\_spiess@scotia-mcleod.com](mailto:carl_spiess@scotia-mcleod.com)**

\* based on current tax rules, you must satisfy credit criteria to qualify for the loan.

**UP TO 30% IN AN RRSP**

**1 Year Total Return**

1 Fidelity Small Cap America . . . . .	36.3%
2 Talvest Global Health Care . . . . .	29.4%
3 O'Shaughnessy US Value . . . . .	29.0%
4 CI Global Energy Sector . . . . .	27.7%
5 Mac Cundill Value Series A . . . . .	24.1%
6 First Trust Pharmaceutical 99 . . . . .	23.9%
7 AIC American Focused . . . . .	23.8%
8 Mac Cundill Value Series C . . . . .	23.6%
9 First Trust Pharmaceutical 98 . . . . .	20.0%
10 AGF International Value . . . . .	17.9%

**3 Year Total Return**

1 Talvest China Plus . . . . .	46.9%
2 Talvest Global Health Care . . . . .	46.6%
3 Talvest Global Small Cap . . . . .	26.9%
4 BPI Global Opportunities . . . . .	24.2%
5 AGF Aggressive Growth . . . . .	24.1%
6 CI Global Consumer Products . . . . .	22.4%
7 Altamira Science & Technology . . . . .	21.5%
8 First Trust Pharmaceutical 98 . . . . .	20.6%
9 Elliott & Page US Mid-Cap . . . . .	20.3%
10 CI Global Energy Sector . . . . .	19.3%

**5 Year Total Return**

1 BPI Global Opportunities . . . . .	35.9%
2 Altamira Science & Technology . . . . .	26.6%
3 Orbit World . . . . .	22.9%
4 Janus American Equity . . . . .	22.1%
5 AGF Aggressive Growth . . . . .	21.9%
6 Fidelity Small Cap America . . . . .	21.7%
7 CI Global Financial Serv Sec . . . . .	21.3%
8 AGF International Value . . . . .	20.5%
9 McLean Budden Amer Eq Growth . . . . .	19.3%
10 CI Global Telecom Sector . . . . .	18.6%

**10 Year Total Return**

1 CI Signature Amer Small Cos . . . . .	17.6%
2 Altamira Select American . . . . .	16.7%
3 TD US Index Fund (\$US) . . . . .	16.5%
4 AGF International Value . . . . .	16.2%
5 Trimark Fund . . . . .	16.2%
6 Spectrum American Growth . . . . .	16.0%
7 GBC North American Growth . . . . .	15.9%
8 AIC Value . . . . .	15.6%
9 AGF Amer Growth Class . . . . .	15.4%
10 McLean Budden Amer Eq Growth . . . . .	15.4%

**1 Year Total Return**

1 CI Global Technology Sector . . . . .	-64.5%
2 Royal e-Commerce . . . . .	-64.0%
3 CI Global Telecom Sector . . . . .	-64.0%
4 Talvest Global Sci & Tech . . . . .	-63.4%
5 Altamira e-business . . . . .	-62.6%
6 Altamira Science & Technology . . . . .	-61.3%
7 Mac Univ Wld Science & Tech . . . . .	-60.2%
8 AIM Global Telecom Class . . . . .	-58.6%
9 AIM Global Technology . . . . .	-58.2%
10 Spectrum Global Telecomm . . . . .	-55.2%

**3 Year Total Return**

1 Dynamic Europe . . . . .	-11.7%
2 AIM American Blue Chip Growth . . . . .	-10.8%
3 AGF Latin America . . . . .	-9.5%
4 AGF Germany Class . . . . .	-9.3%
5 TD Int'l Growth . . . . .	-9.2%
6 TD European Growth . . . . .	-9.0%
7 Scotia European Growth . . . . .	-8.8%
8 AIM European Growth . . . . .	-8.4%
9 Clean EnvironmentGlo Equity . . . . .	-7.9%
10 Global Strategy ROTH Europe + . . . . .	-7.0%

**5 Year Total Return**

1 Royal Asian Growth . . . . .	-10.5%
2 HSBC AsiaPacific . . . . .	-8.5%
3 AGF Asian Growth Class . . . . .	-8.5%
4 CI Pacific Sector . . . . .	-7.2%
5 CI Pacific . . . . .	-6.1%
6 TD Japanese Growth . . . . .	-5.3%
7 TD Emerging Markets . . . . .	-4.3%
8 AIM Indo-Pacific . . . . .	-3.8%
9 TD Asian Growth . . . . .	-3.5%
10 Royal Japanese Stock . . . . .	-3.0%

**10 Year Total Return**

1 Royal Japanese Stock . . . . .	-0.2%
2 AGF Japan Class . . . . .	1.4%
3 CI Pacific Sector . . . . .	2.0%
4 CI Pacific . . . . .	2.7%
5 CI Short-Term Sector . . . . .	3.5%
6 Royal \$US Money Market . . . . .	4.0%
7 Merrill Lynch US Money Mkt . . . . .	4.0%
8 AGF US Dollar Money Market . . . . .	4.3%
9 CI Canadian Sector . . . . .	5.1%
10 AGF Global Gov't Bond . . . . .	6.0%

**COMMENTARY**

ScotiaMcLeod would be pleased to provide you with further detailed information on the above mutual funds, however we cannot provide information on the funds marked #. These are historical performance rankings, and are not indicative of future investment performance. When analyzing particular funds, stress longer term performance.

These rankings are not sales advice and ScotiaMcLeod does not recommend simply selling bottom past performance funds and buying top past performance funds. Purchase or redemption fees may be involved. Please call (416) 863-7777 or 1-800-387-9273 for specific recommendations tailored to your individual needs.

Important information about any particular fund is contained in its prospectus. You may obtain a copy of the prospectus by calling (416) 863-7777. You should read the prospectus carefully before investing.

## 1 Year Total Return

1 Mac Universal Precious Metals	36.5%
2 Trimark Canadian Resources	33.0%
3 Trimark Canadian Small Cos.	30.5%
4 CI Signature Cdn Resource	28.7%
5 Merrill Lynch Cdn Inc Trust	27.7%
6 Talvest Global Health Care RSP	27.5%
7 CI Global Energy RSP	27.0%
8 Elliott & Page Monthly Hi Inc.	26.6%
9 GGOF Guardian Monthly Hi Inc Cl	25.2%
10 Mac Universal Cdn Resource	24.9%

## 3 Year Total Return

1 StrategicNova Cdn Technology	25.4%
2 CI Signature Select Cdn	21.0%
3 Working Opportunity (Balanced)	20.9%
4 Dynamic Venture Opportunities	19.8%
5 Capital Alliance Ventures	19.7%
6 AIM Canadian First Class	17.4%
7 Trimark Canadian Small Cos.	16.2%
8 CI Signature Cdn Resource	15.4%
9 PH&N Dividend Income	15.3%
10 Trimark Canadian Resources	14.8%

## 5 Year Total Return

1 PH&N Dividend Income	23.7%
2 AIC Diversified Canada	19.6%
3 Royal Dividend	17.9%
4 Scotia Cdn Dividend	17.0%
5 Beutel Goodman Small Cap	16.8%
6 AIC Advantage	16.4%
7 TD Dividend Growth	16.3%
8 MAXXUM Dividend	16.2%
9 Mac Industrial Dividend Grth	15.7%
10 Fidelity Cdn Growth Company	15.7%

## 10 Year Total Return

1 AIC Advantage	19.8%
2 PH&N Dividend Income	17.2%
3 Northwest Specialty Equity	17.1%
4 MAXXUM Dividend	15.7%
5 GBC Canadian Growth	15.5%
6 Dynamic Power Canadian Growth	15.0%
7 Mawer New Canada	14.3%
8 PH&N Vintage	14.0%
9 Altamira Equity	13.9%
10 Mac Industrial Dividend Grth	13.2%

## 1 Year Total Return

1 CI Global Technology RSP	-64.5%
2 CI Global Telecom RSP	-64.0%
3 Altamira RSP Science & Tech	-61.2%
4 Mac Univ RSP World Sci & Tech	-60.4%
5 AIM RSP Global Telecomm.	-58.7%
6 AIM RSP Global Technology	-58.0%
7 Spectrum RRSP Global Telec.	-55.5%
8 TD Nasdaq RSP Idx.	-54.5%
9 AIM RSP Amer Blue Chip Growth	-54.4%
10 TD Nasdaq RSP Idx Fd E	-54.0%

## 3 Year Total Return

1 AGF Canadian Aggressive AllCap	-12.7%
2 AGF Canadian Small Cap	-10.9%
3 Global Strategy ROTH Eur+ RSP	-10.5%
4 StrategicNova Cdn High Y Bond	-9.8%
5 TD EuroGrowth RSP	-8.4%
6 AGF Canadian Aggressive Equity	-8.3%
7 Working Ventures Canadian	-7.2%
8 AGF Cdn Opportunities	-7.1%
9 Spectrum Canadian Resource	-6.0%
10 Talvest Global RSP	-4.5%

## 5 Year Total Return

1 Scotia Precious Metals	-15.8%
2 Dynamic Precious Metals	-13.4%
3 Royal Precious Metals	-12.3%
4 TD Precious Metals	-10.4%
5 Altamira Resource	-8.5%
6 Mac Universal Precious Metals	-7.6%
7 TD AsiaGrowth RSP	-7.6%
8 CI Signature Explorer	-6.0%
9 AGF Canadian Aggressive AllCap	-4.0%
10 Working Ventures Canadian	-3.7%

## 10 Year Total Return

1 Working Ventures Canadian	-0.1%
2 Dynamic Precious Metals	2.2%
3 Mac Industrial Growth	3.7%
4 Mac Money Mrkt	3.9%
5 TD US Money Mkt (\$US)	4.0%
6 Merrill Lynch Canadian T-Bill	4.1%
7 AGF Canadian Money Market	4.2%
8 Fidelity Cdn Money Market	4.3%
9 Ethical Money Market	4.4%
10 Royal Canadian Money Market	4.5%

### NOTES TO THE PERFORMANCE TABLES

- ScotiaMcLeod is unable to provide information on funds marked #
- Figures are average rates of return for the periods ending Jul. 31, 2001
- Source data from Bell Charts, including over 3900 funds
- Funds with total assets under \$25 million are not included
- Only "totally public" funds are ranked
- RRSP eligible funds are at least 70% Canadian content and can also be held outside RRSPs
- Performance figures include reinvested dividends and management fees have been subtracted
- Non RRSP eligible funds can be held inside a ScotiaMcLeod RRSP to a maximum of 30% of book value

standing balance of the loan while the remaining amount is paid out to one's estate or named beneficiaries on a tax-free basis.

**What types of investments are available?**

The investment component of the plan can be allocated to a variety of different options, including a savings account, guaranteed investment account, indexed account or portfolio averaged account. This will depend on your comfort level and individual situation.

**Fund News**

Effective this October, Maxxum Funds will become a formal part of Mackenzie Financial, with full switchability of funds. The Janus and Scudder brands also fall under the Maxxum name as well.

This merger will result in a number of changes. In particular, the seven Canadian mutual funds under the Maxxum banner will transition to Mackenzie's investment team.

Maxxum's president and CEO John Wood has left to pursue other opportunities, as well as several of the fund managers that were with Maxxum prior to the merger.

Dynamic has introduced a new fund. The Dynamic Diversified Income Trust Fund. The objective of this new fund is to generate tax-efficient income for your non-RRSP account through investments in Income Trust units.

**Here's an example:**

A couple, both aged 40 and non-smokers, purchase a Universal Life policy with an initial death benefit of \$850,000. They make annual deposits of \$20,000 for 15 years. Let's look at how their Universal Life plan might develop over the next 50 years, assuming a 6% rate of return.\*\* Let's assume further that the couple chooses to enhance their income by taking out a series of tax-free loans beginning at age 65 against the value of their insurance policy. The loan will pay them \$26,666 per year of tax-free capital for 25 years. The outstanding loan balance of \$2,273,830 is repaid at their death, using proceeds from the policy's \$5,588,632 death benefit. The remaining \$3,314,802 death benefit that is left once the loan has been paid will be paid out to the couple's beneficiaries. As you can see from the chart below, the couple has succeeded in enhancing their retirement income tax-free while at the same time protecting their family with a life insurance policy that accumulates tax-free and pays a tax-free death benefit.

Initial Death Benefit	\$ 850,000
First year deposit	\$ 20,000
Total deposits by age 90	\$ 300,000
Annual tax-free advances at age 65:	\$ 26,666
Total tax-free advances over 25 years:	\$ 666,650
Projected benefit at age 90:	\$ 5,588,632
Outstanding loan balance at 8%*** at age 90:	\$ 2,273,830
Net estate value at age 90:	\$ 3,314,802
Internal Rate of Return, after tax, assuming death at age 90:	6.57%

**Universal Life Policies are available to suit many income levels. To find out if this product is appropriate for you or to request more information, please contact us at 1-800-387-9273 or via e-mail at: [mf\\_reporter@scotia-mcleod.com](mailto:mf_reporter@scotia-mcleod.com)**

\*\* for illustration purposes only. Rates are not guaranteed  
 \*\*\* based on current rates - which may vary.