



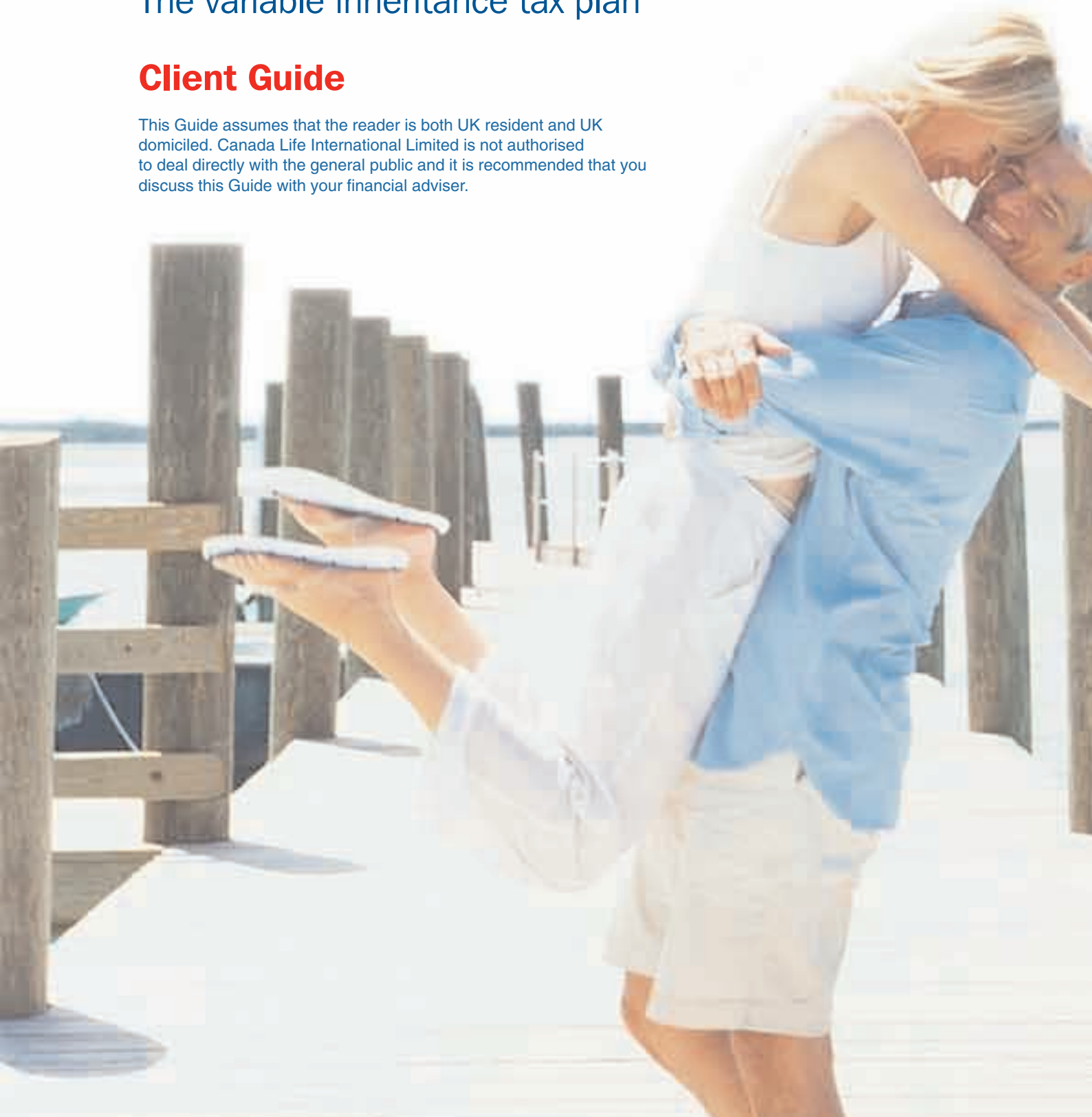
Canada Life[™]
International

The Wealth Preservation Account

The variable inheritance tax plan

Client Guide

This Guide assumes that the reader is both UK resident and UK domiciled. Canada Life International Limited is not authorised to deal directly with the general public and it is recommended that you discuss this Guide with your financial adviser.





Introduction

As we get older and we are more financially secure it is only natural that we consider the future for our children and grandchildren. However, the situation is brought into sharper focus by the fact that UK inheritance tax (IHT) may well reduce the amount that we are able to leave to our children and grandchildren. IHT is a tax levied against the value of an individual's estate on death and also, in some circumstances, on gifts made during their lifetime.

Inheritance tax

An individual is allowed to leave only £300,000 (tax year 2007/2008) to his or her heirs without the estate suffering IHT. This amount is referred to as the Nil Rate Band. A married couple and registered civil partners are allowed to leave twice this amount between them and, with appropriate planning, only an amount of over £600,000 should suffer IHT.

IHT legislation does allow individuals and couples to make gifts during their lifetimes to reduce the value of their estate on death. These lifetime gifts are known as Potentially Exempt Transfers or Chargeable Lifetime Transfers and, providing that the donor survives seven years after making the gift, the amount gifted will not be liable to the 40% IHT charge.

Where the donor does not survive seven years the value of the gift is liable to IHT. For larger gifts that are above the Nil Rate Band, a further relief known as taper relief may also apply, reducing the amount of inheritance tax that will be payable. Taper relief applies from three years after making a gift.

So, for example, you can make a large gift to your children and this will reduce your IHT liability but it does mean that you lose all future access to the assets gifted. Most people, therefore, will be reluctant to make gifts that may result in themselves, or their partner, having insufficient funds in the future. In particular, there is a concern with most people that, as they get older, they may need to retain funds to meet the cost of long term nursing home care.

IHT will have an increasing impact on the estates of people throughout the UK. Everything you have worked hard for may be dramatically reduced unless appropriate IHT planning is put in place. It is estimated that the number of people whose estates will potentially be liable to IHT will more than double from 2.1 million in 2002 to 4.5 million in 2009*. The amount taken by HM Revenue & Customs in IHT will rise from £2.6 billion in 2005 to an estimated £7.3 billion in 2009*.

*(Source - Lombard Street Research and Grant Thornton - 2005)



The Canada Life International Wealth Preservation Account

One solution to this problem lies in Canada Life International's Wealth Preservation Account (the Account), which uses a trust arrangement and allows you to make a gift to your chosen beneficiaries and for you to receive an annual 'income'.

The Account provides you with the opportunity to reduce your potential IHT liability and maintain your peace of mind that you will not be forfeiting your financial security in exchange for saving IHT. This is of particular importance at the present time, given increasing life expectancy and the need to adapt to changing circumstances.

Gifting into the Wealth Preservation Account

When you make a gift into the Account, it is known as a Chargeable Lifetime Transfer for IHT purposes. Any amount gifted that is above the IHT Nil Rate Band (£300,000 for 2007/2008), will cause an immediate IHT charge. This will be charged at the lifetime IHT rate of 20%.

For this reason it is suggested that the amount gifted into an Account should be within the available Nil Rate Band. This assumes that you have not made any other Chargeable Lifetime Transfers in the last seven years. If you have then you will need to discuss the situation with your financial adviser.

After seven years the amount of the gift will be outside of your estate for IHT purposes. On a gift of £300,000 this could mean a reduction in your IHT bill of £120,000. It is worth remembering that if you live for seven years after making the gift you will be eligible to use the Nil Rate Band again against the remainder of your estate.

When it comes to tax planning and especially when planning for IHT, it would seem to be: the sooner you start the greater the chance of reducing the effects of IHT and therefore the greater the chance of passing on your wealth intact to your children.

Unless such action is taken, in many cases HM Treasury will be the main single benefactor of your estate.

IHT savings using the Wealth Preservation Account

In order to create a solution that has the potential to save you IHT and allows for variation in the levels of annual income, expert legal advice was sought for the creation of the trust structure, which supports the Account. Further details of the structure of the Account are given in the Questions and Answers section of this Guide.

Whilst there is a saving on your personal IHT liability there may be a relatively small IHT charge on the discretionary trust settlement itself. This may occur when money is withdrawn from the settlement or on every 10th anniversary of the commencement of the settlement if the value of the trust exceeds the Nil Rate Band at the appropriate time. Your financial adviser can provide you with more details if this will apply to you.



How the Wealth Preservation Account works

The Account has the added flexibility of being able to vary the amount of 'income' that matures each year.

You can have as many policies as you like subject to the following rules:

- No one policy can be worth less than £2,000 at outset
- You can have no more than 998 policies

So, if you made an investment of £100,000, your Account could look like this:

Policy anniversary	Policy size £ x	No. of maturing policies =	Total value £
1	2,000	5	10,000
2	2,000	5	10,000
3	2,000	5	10,000
4	2,000	5	10,000
5	2,000	5	10,000
6	2,000	5	10,000
7	2,000	5	10,000
8	2,000	5	10,000
9	2,000	5	10,000
10	2,000	5	10,000
Totals	0	50	100,000

You do not have to structure your plan in precisely this way; it can be set-up with maturities over a greater number of years or with different maturing amounts in the future.

However, given the ability of the trustees to extend all or some of the policies in any one year, the above structure would suit the needs of many people.

The amount you receive each year will of course depend on the investment performance of your funds.

When you invest in an Account, your investment purchases units within a fund or funds of your choice. The value of the Account is dependent upon the performance of your chosen fund(s) which can go down as well as up. Past performance is not a guide to the future and currency fluctuations can also affect performance. The fund(s) in which the Account invests are not the same as a bank or building society account because the capital value of the investment does not remain fixed.

How does it work in practice?

60 & 30 days before each policy matures, we will write to your trustees asking them to confirm which of the following options they require:

1. Extend all maturing policies.
2. Extend some of the maturing policies and allow the rest to mature fully.
3. Allow all policies to mature fully.

So, using our example, on the first policy anniversary the trustees could elect to:

1. Extend all 5 policies for a further 10 years to mature on the 11th policy anniversary.
2. Allow three of the policies to mature and extend the other two for a further 10 years.
3. Allow all policies to mature.

Option 1 – extend all policies

Policy anniversary	Policy size £ x	No. of maturing policies =	Total value £
1	2,000	5	10,000
2	2,000	5	10,000
3	2,000	5	10,000
4	2,000	5	10,000
5	2,000	5	10,000
6	2,000	5	10,000
7	2,000	5	10,000
8	2,000	5	10,000
9	2,000	5	10,000
10	2,000	5	10,000
11	2,000	5	10,000
Totals	0	50	100,000

Please note that if no written instruction is received in regards to the maturities the policies automatically mature. Once the anniversary date has passed there is no option to alter this course of action.

Option 2 – extend some policies

Policy anniversary	Policy size £ x	No. of maturing policies =	Total value £
1	2,000	5 3	10,000 6,000
2	2,000	5	10,000
3	2,000	5	10,000
4	2,000	5	10,000
5	2,000	5	10,000
6	2,000	5	10,000
7	2,000	5	10,000
8	2,000	5	10,000
9	2,000	5	10,000
10	2,000	5	10,000
11	2,000	2	4,000
Totals		50	100,000

Option 3 – allow all policies to mature

Policy anniversary	Policy size £ x	No. of maturing policies =	Total value £
1	2,000	5	10,000
2	2,000	5	10,000
3	2,000	5	10,000
4	2,000	5	10,000
5	2,000	5	10,000
6	2,000	5	10,000
7	2,000	5	10,000
8	2,000	5	10,000
9	2,000	5	10,000
10	2,000	5	10,000
11	0	0	0
Totals		50	100,000

On the second policy anniversary, the same options would again be available. It can be seen that by choosing between the three options a variable amount of ‘income’ can be taken each year. **These examples exclude any growth on the chosen fund(s) and should not be relied upon as advice.**

Investing via the Wealth Preservation Account

With the Account you can select any of the Canada Life International life funds, giving you access to some of the biggest and the best names in the market. From the big fund houses of Fidelity, New Star, Jupiter and Schroders to the specialists such as Allianz Pimco and Artemis. You will also see those smaller “boutique” firms who we feel have something special to offer, such as Miton with their multi-manager specialism and Midas with their exciting multi-asset offering.

With Canada Life International you get the institutional buying power of an insurance company with over £5.1bn of funds under management as at 31st May 2007. This means we can negotiate the best possible terms with the fund managers from whom we purchase the investments of our life funds. The majority of the Canada Life International life funds invest solely in units of the underlying fund (except for a small cash balance, which may be held from time to time). This ensures that whilst the unit price of the Canada Life International fund will differ from that of the underlying fund, the performance of the two will closely correspond.

We actively monitor and review our fund range with the aim of including top performing funds in all those investment sectors that you would like to include in your investment portfolio. Additionally, we have a wide range of multi-managed and multi-asset funds for investors who wish to take advantage of these broadly-based investment funds.

If, for any reason, Canada Life International's own life funds are not sufficient for an investor's needs then the Account also allows the trustees to select from a wide range of freely available collective investment schemes. Your financial adviser will be able to provide you with more details.

There is also the ability for the trustees to nominate a suitably qualified fund adviser should they so wish.

Furthermore, the trustees have the ability to dictate which funds are sold to meet charges or maturities. At the time of application, therefore, it may be advisable to set up a standing dealing instruction to cover the costs of running the Account (the application form caters for this), which the trustees may leave in place. If standing instructions are not given then the Account may become overdrawn and debit interest charged.

Canada Life International will produce a full quarterly valuation and cash statement of the Account and its holdings.

Summary of benefits

The Account offers many benefits including:

- An annual 'income', which can be taken in full, in part or deferred to any future anniversary.
- The capital is outside of your estate for IHT purposes after seven years (i.e. for the 40% inheritance tax calculations).
- By taking out the Account, the value of the gift is frozen for IHT purposes but you can still benefit from any increases in the stock market performance of your chosen fund(s).
- You have access to a wide range of well-known fund managers and fund(s).



Questions and answers

What is the Account?

The Account is a series of term life assurance policies issued by Canada Life International, which offer a wide range of investment options.

The Account is denominated in sterling and is available on a single applicant basis only.

On inception, the Account is immediately assigned into a bare trust and settlement arrangement. You will be the Settlor of the settlement. The documentation to create the initial trust and the settlement is included in your application pack.

What is the main benefit of the Account?

The Account enables you to benefit from a reduction in the value of your estate for IHT purposes providing you survive seven years from the commencement date of the Account. You are still able to gain some periodic access to your capital and can continue to enjoy “income” from the fund(s) in which you are investing.

You can choose from a wide range of pooled fund(s) and you have the ability to switch at any time. Switching, dealing, dividends, new issues and valuations are all handled by Canada Life International.

How much can I invest?

The minimum investment is £50,000. There is no maximum investment but any amount invested would normally be within your IHT Nil Rate Band.

You cannot add additional investments in the future.

What are the age restrictions to investing?

The maximum age for an applicant or lives assured at entry is 89 years attained. The minimum age at entry is 18 years of age. Trustees have to be over 18 years attained and UK resident.

Can I transfer my existing investments?

Canada Life International accepts most types of existing pooled investments, which you may already hold. If acceptable, these may be transferred to Canada Life International to form the basis of your new Account. Any dealing expenses are borne by the Account.

Is it a simple procedure to take in these existing investments?

Yes. However, it is important to note the following points: -

- Subject to the comments made below, all assets exchanged are valued at the mid-price on the day of receipt of either a confirmation of your holding or certificates (where applicable) and correctly completed signed stock transfer forms or, in the case of dual-priced unit trusts, bid price. This value is added to any cash transferred. This total amount becomes the premium under the Account. For investments held in non-certificated form (such as investment trusts) the valuation day is the date receipt is notified to Canada Life International by our holding agent.

Questions and answers

- If you are transferring an existing portfolio into the Account then this transfer constitutes a change of ownership and thus a realisation of that investment. It is possible therefore that a UK capital gains tax liability will arise. Please check with your financial adviser.
- It is also possible to generate a liability to stamp duty or some other similar tax on the transfer of an existing portfolio. Again, please check with your financial adviser.
- A stock transfer form or an equivalent instrument may need to be completed to transfer ownership from you to Canada Life International.

How is the day to day running of the Account carried out?

Canada Life International is responsible for all dealing, settlements, stock delivery, investment income receipts and all other financial transactions within the Account. The Account is valued quarterly by Canada Life International. This valuation, together with a full statement of all transactions since the previous valuation is sent to your financial adviser.

Does a fund adviser have to be appointed?

No. However, most people, including trustees, do prefer to nominate a fund adviser unless they are in a position to monitor investment markets on a regular basis and make informed investment decisions. Please note that Canada Life International requires that nominated fund advisers be suitably authorised. A fee may be payable to the fund adviser and this will be at a level agreed upon between both parties. This fee will then be deducted from the cash account of the Account based on the value of the Account at the end of each quarter when the fee is due.

How may the investment fund choices be changed after the Account has started?

Either the trustees of the bare trust or the nominated fund adviser may instruct Canada Life International to switch units from one fund to another at any time. We do not accept such instructions via e-mail.

For Canada Life International life funds instructions received in writing by 4:30pm local time will be actioned on the next available dealing day. For transactions in funds offered by third party Fund Managers all instructions received by 12 noon will be placed prior to the close of business that day. For funds not priced daily, deals will be placed at the next available price. All instructions received after 12 noon will be placed by 12 noon on the next business day. A 'switch' may constitute a change to just one fund choice, or to all funds.

What is the position with regard to cash within the Account?

Cash is invested into the appropriate Canada Life International money fund on a regular basis where there is a credit cash balance. Any overdrawn position, whether caused by fees or for any other reason, will incur overdraft interest to be debited quarterly. Money fund holdings are also sold on a regular basis to cover overdrafts where appropriate.

Canada Life International reserves the right to sell investments or match currencies should it deem necessary if an overdrawn position occurs.

Questions and answers

Are there charges in Canada Life International's life funds?

With the exception of the money funds, which are cash funds on which Canada Life International levies an administration fee, presently not exceeding 0.65% p.a., Canada Life International makes no charge for the administration of its life funds. However, all unit trusts or similar funds, including those underpinning Canada Life International's non-cash life funds, have management charges, which are levied by the unit trust managers or authorised corporate directors. These charges are deducted before the calculation of the unit price is provided to Canada Life International. In addition such funds may incur other expenses.

What happens when I die?

On the death of the last life assured, and following acceptable written notification of death, the benefit payable will be £100 plus the value of the Account less any outstanding charges.

Will probate be required for my Account?

As the Account is subject to the bare trust, Isle of Man probate is not required. Providing there is at least one trustee surviving you then UK probate will not be required.

Do I get policyholder protection with an Isle of Man life assurance company?

Policyholders of Canada Life International policies will be protected by the Isle of Man Life Assurance (Compensation of Policyholders) Regulations 1991 if the company becomes unable to meet its liabilities to them. Certain policyholders may also be protected by the UK Financial Services Compensation Scheme.

What is my liability to UK tax?

This Guide assumes you are UK resident and domiciled for UK taxation purposes. If you are in any doubt about your tax status you should consult your financial adviser.

As the Account is structured as a series of life assurance policies held in trust, there is no liability to capital gains tax or income tax when the trustees or your nominated fund adviser switch the investments. You will, however, be potentially liable to income tax when a policy matures, should the trustees surrender a policy during your lifetime then the income tax liability on any gain will fall on you as settlor.

Canada Life International have produced detailed tax notes for your financial adviser who will be able to advise further on this subject.

About Canada Life International

Canada Life International was established in 1987 and is based in the Isle of Man, a jurisdiction recognised for its stable government, strong regulatory controls and policyholder protection measures. Canada Life International continues to receive strong ratings from specialist agencies in relation to financial strength, unit-linked business and commitment to service.

Since formation, Canada Life International has continually developed expertise in providing wealth management solutions for UK and international clients alike. With assets under administration of £5.1bn (as at 31/05/2007) Canada Life International works in close partnership with some of the world's largest investment specialists.

In July 2003, Canada Life International 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 C\$182bn (£89.8bn) (as at 31/03/06), Great-West Lifeco Inc is the largest Canadian life and health insurance company.

The Great-West Life Assurance Company has been given financial strength ratings from Fitch Ratings and Standard & Poor's of AA+ and AA respectively (as at 12/06/07).



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