

EMPIRE LIFE CLASS PLUS 2.1

Client Guide

Guaranteed retirement
income for life™



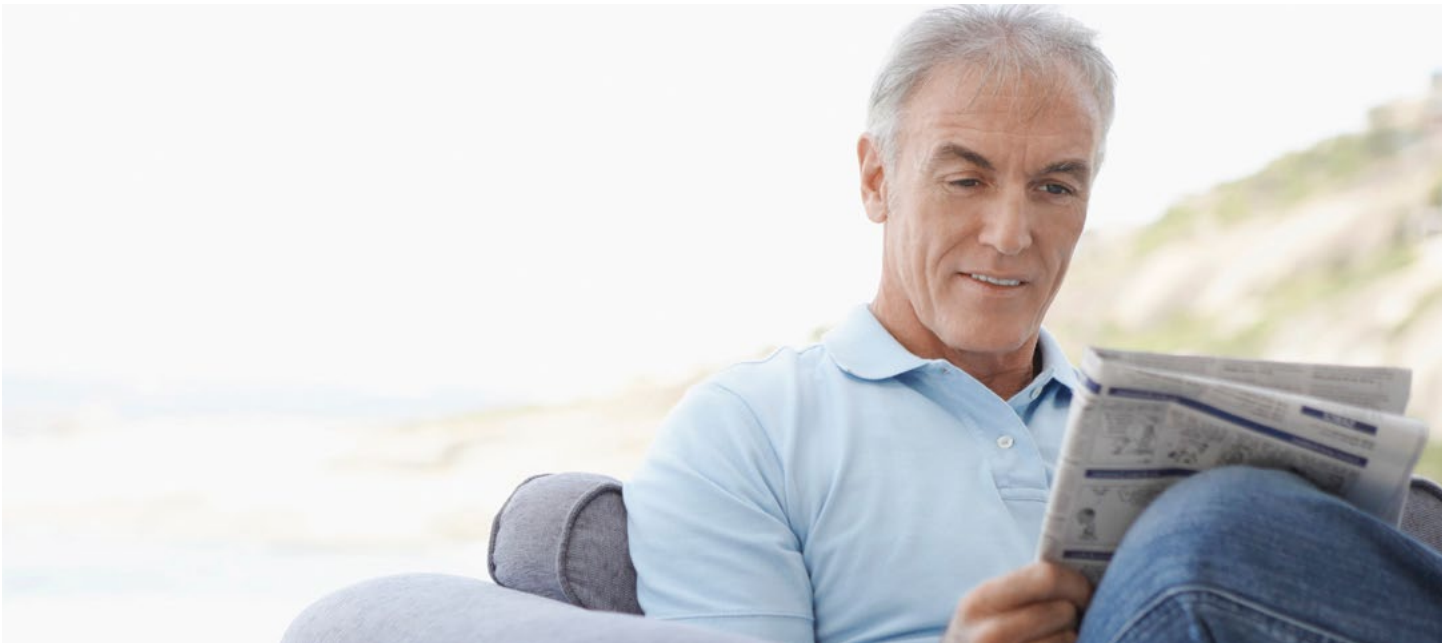
CLASS PLUS 2.1 CAN HELP YOU GET THE RETIREMENT INCOME YOU DESERVE.

You have worked hard to build the retirement income you deserve, but you face financial challenges such as outliving your savings, inflation risk, and market volatility. All of which can erode your retirement portfolio and negatively impact your retirement lifestyle. That's why Empire Life has designed Class Plus 2.1 to address these challenges and help you enjoy retirement.

This guide will help you to understand the importance of Class Plus 2.1 as part of your retirement solution.

TABLE OF CONTENTS

Retirement Landscape	2
Retirement is About Living!.....	3
Class Plus 2.1 Summary	4
How Class Plus 2.1 Works	5
Important Details	6
Client Scenarios	7



THE RETIREMENT LANDSCAPE

Shifting demographics and the economic realities of today mean more Canadians than ever before are looking for a solution to provide them with a secure source of retirement income. Here's a snapshot of the situation:

Aging population

- Baby boomers account for more than 30% of all Canadians¹—the largest population segment in the country. The oldest turned 65 in 2011.² Retirement income is top of mind for an ever-growing number of Canadians.

RETIREMENT PLANNING RISKS

Longer life spans, the increasing cost of living, and market volatility present challenges when planning for retirement.

Longevity Risk

- Canadians are living longer and are concerned about outliving their retirement savings. Considering that at age 65, the average Canadian can expect to live for nearly 20 more years, the possibility of running out of money is real.³

Less Income Support from Government

- Canada and Quebec Pension Plans plus Old Age Security benefits may not cover the average income you require in retirement. Many financial professionals believe that you will need 70%-80% of your pre-retirement income to maintain the standard of living to which you have become accustomed—that leaves a substantial shortfall that must be addressed.

Inflation Risk

- Inflation erodes the value of your retirement savings, leaving you vulnerable to increases in basic living expenses. For example, assuming an inflation rate of 2.0%, the purchasing power of \$1 is reduced to 67 cents over a 20-year period, over 30 years, it is 55 cents.⁴

Market Risk

- Studies indicate that the five years before and after retirement are a critical juncture called the retirement risk zone. During this 10-year period, short-term losses can have negative long-term consequences on retirement income because there is no time for investments to rebound.

¹ Statistics Canada, – A Portrait of Seniors in Canada, February 2007. ² Statistics Canada, – Portrait of the Canadian Population in 2006, by Age and Sex, 2006 Census, February 2007. ³ Statistics Canada, CANSIM, table 102-0512. Period 2005/2007 ⁴ Rate used is 2.3% Bank of Canada Investment Calculator 2014.

CLASS PLUS 2.1 ADDRESSES RETIREMENT PLANNING RISKS

- Class Plus 2.1 offers enhanced wealth accumulation before retirement and provides guaranteed retirement income for life.
- Guaranteed retirement income for life is available starting as early as the year you turn age 55, meaning you will not outlive your savings, regardless of market performance.³
- Automatic resets every three years of your Income Base, Bonus Base and Death Benefit Guarantee may take advantage of higher market values and may protect against inflation.
- Annual 5% Income Base Bonus can mitigate market risk during the critical years before retirement while increasing income during retirement, which can also counteract inflation.⁴
- With the unique Automatic Income Reset, Class Plus 2.1 does not tie you into the same payout rate for the rest of your life but increases to the next percentage tier.²

RETIREMENT IS ABOUT LIVING!

The days when everyone started full retirement at 65 are gone. Between Canadians that are phasing down work hours, starting new careers or study, volunteering, and travel, there is no standard definition of retirement anymore. And there is no standard age to start retirement.

The flexibility you need

Class Plus 2.1 can help you live retirement on your terms. You can start receiving income as early as age 55, or income can be deferred till later. The flexibility of Class Plus 2.1 is enhanced by the Single and Joint Tiered Lifetime Withdrawal Amount (LWA) Options.

Single Tiered LWA Percentage	Joint Tiered LWA Percentage ¹
0-54: 0.00%	0-54: 0.00%
age 55 - 59: 3.00%	age 55 - 59: 2.50%
age 60 - 64: 3.50%	age 60 - 64: 3.00%
age 65 - 69: 4.00%	age 65 - 69: 3.50%
age 70 - 74: 4.25%	age 70 - 74: 3.75%
age 75+: 5.00%	age 75+: 4.50%

Automatic Income Reset

Unlike other guaranteed income products, Class Plus 2.1 does not tie you into the same payout rate for the rest of your life. As you can see from the table below, the rate used to calculate income increases with age. You will always receive the greater of your current LWA or the new LWA, if it is higher.²

There is no paperwork or phone call to make to enjoy the benefits of our Automatic Income Reset—it's all done automatically for you. Your LWA will be automatically recalculated every December 31st for the following calendar year. That means peace of mind and worry-free income for life.³

Retirement Income Privileges

With our unique Retirement Income Privileges, you can stop your payments at any time to suit your income needs, continue to be eligible for the Income Base Bonus, then resume your income.

¹ Determined based on the age of the youngest of the Annuitant and the Joint Life. ² Calculated based on the current Income Base and the applicable LWA percentage that corresponds to the Annuitant's age or the youngest of the Annuitant and the Joint Life, if applicable, as of December 31st of the following calendar year. ³ Provided there are no Excess Withdrawals. ⁴ Income Base Bonus is a notional amount added to the Income Base at the end of each calendar year if no withdrawals are made for that year.



CLASS PLUS 2.1 SUMMARY

Key Features

Annual 5% Income Base Bonus ¹	75% Death Benefit Guarantee
Single and Joint Tiered LWA options	75% Maturity Benefit Guarantee
Triennial resets	Excess Withdrawal Alert service
Lifetime Withdrawal Amount (LWA) available as early as year you turn age 55	

Segregated Fund Investment Options

Money Market GIF, Bond GIF, Income GIF, Balanced GIF, Asset Allocation GIF, Dividend Balanced GIF, Elite Balanced GIF, Global Balanced GIF;
 Emblem GIF Portfolios: Diversified Income, Conservative, Moderate Growth, Balanced, and Growth

Income

Income can be taken monthly, quarterly, semi-annually or annually

Minimum Investment

Minimum initial investment of \$10,000

Automatic Income Reset

You are not tied to same payout rate for life but move to the next LWA percentage tier

Retirement Income Privileges

You can choose to discontinue your income payments and then resume at any time

¹ Income Base Bonus is a notional amount added to the Income Base at the end of each calendar year if no withdrawals are made for that year.

HOW CLASS PLUS 2.1 WORKS

Lifetime Withdrawal Amount (LWA)

- The LWA is the maximum amount available for withdrawal from Class Plus 2.1 each year, starting as early as the year you reach age 55. The LWA may increase through Income Base Bonuses and resets, but it will never decrease, as long as no Excess Withdrawals are made.
- Any withdrawals over and above the annual LWA (an Excess Withdrawal) will reduce the Income Base.

Income Base

- The Income Base is a notional amount that is used to calculate the guaranteed retirement income for life, or the LWA, and is the total of all deposits, less any withdrawals, plus any Income Base Bonuses. It is initially set to equal the amount of the initial deposit to Class Plus 2.1. It may increase through additional deposits or the triennial Income Base Reset.
- It has no cash value and is not available for withdrawal from Class Plus 2.1.

Bonus Base

- The Bonus Base is a notional amount used to calculate the Income Base Bonus at the end of the calendar year. It is equal to the initial deposit and may increase through additional deposits or the triennial Bonus Base Reset. The Bonus Base may decrease with Excess Withdrawals.

Income Base Bonus

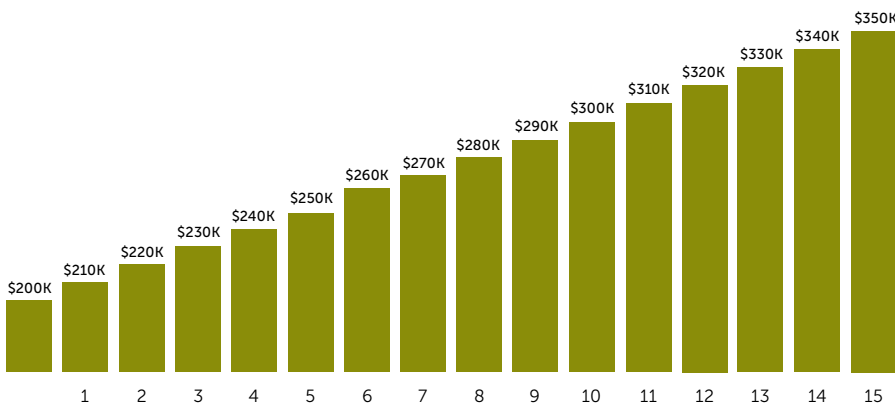
- The 5% Income Base Bonus builds income potential¹
- It is available every year for life, provided no withdrawal is made in that year.
- The Income Base Bonus, applied annually, is not pro-rated.

Income Base Reset

- On every third anniversary of the initial deposit, if the market value of Class Plus 2.1 is greater than the current Income Base, the Income Base will be reset to equal the market value of Class Plus 2.1.

How the Income Base Bonus can increase guaranteed annual income:

Income Base Bonus Increases a Deposit by 75% in 15 years



Income Base Bonus increases an Income Base by 75% in 15 years. In this example, the Income Base of \$200,000 grows to \$350,000 (provided no withdrawals are made).

Table is for illustrative purposes only. Year 1 represents the calendar year in which the initial deposit was made. Assumes an Income Base Bonus of 5% each year. The Income Base Bonus is not pro-rated. The 5% annual Income Base Bonus is not a guaranteed rate of return, has no cash value, and is not available for withdrawal.

¹ Income Base Bonus is a notional amount added to the Income Base at the end of each calendar year if no withdrawals are made for that year.



IMPORTANT DETAILS

Guaranteed Payment Phase

- Guaranteed Payment Phase is when the market value of Class Plus 2.1 is zero, the Income Base has a positive value, and guaranteed retirement income continues.
- The Class Plus Fee is not payable and no deposits can be made.

Single and Joint Tiered LWA

- Class Plus 2.1 is available in Single or Joint Tiered LWA options, enabling you to customize your retirement plans. Joint Tiered LWA option is available only as a non-registered contract.

Successor Annuitant

- By naming a Successor Annuitant under the Single Tiered LWA Option, the contract can continue to a widowed spouse on the death of the Annuitant. Successor Annuitants are only available for the Single Tiered LWA Option.

Death Benefit Guarantee (DBG)

- DBG is 75% of net deposits.
- The DBG is reset every third anniversary date of the initial deposit until age 80 of the annuitant.¹
- The DBG will reset to the higher of current DBG or 75% of the market value.
- The final DBG reset is on the annuitant's 80th birthday.¹
- The DBG is reduced proportionately for withdrawals.

Estate Planning Benefits

- When you name a beneficiary, the Death Benefit is paid directly to the beneficiary, bypassing the costly and lengthy probate and estate settlement process.

Excess Withdrawals

- The market value of Class Plus 2.1 can be accessed at anytime. However, withdrawing more than the guaranteed amount could have a negative impact on the LWA if the market value of Class Plus 2.1 is lower than the Income Base.

Excess Withdrawal Alert Service

- The Excess Withdrawal Alert can help protect your retirement income from Excess Withdrawals that could cause your future guaranteed income to decrease due to Income Base Downward Adjustments.

Investment Flexibility

- Investments can be withdrawn at any time.²
- Investments can be switched between available Funds.

Class Plus Fees

- Class Plus Fees are in addition to the underlying fund MERs.
- The Class Plus Fee is calculated and paid on the last valuation date of each month. The Class Plus Fee is paid through the withdrawal of Fund Class Units from Class Plus 2.1.
- Fees do not reduce the Income Base, Death Benefit Guarantee, or Maturity Benefit Guarantee.
- The Class Plus Fees are not charged during the Guaranteed Payment Phase.

¹ If Single Tiered LWA it is the Annuitant's 80th but if Joint Tiered it is the earliest of the Annuitant and the Joint Life's 80th birthday. ² Making a withdrawal that exceeds the LWA is considered an Excess Withdrawal.

SCENARIO 1

SAVING FOR RETIREMENT TAKING INCOME LATER SINGLE TIERED LWA

Sarah aged 51, plans to retire in 15 years and has \$250,000 to invest. She needs her portfolio to grow before she retires and wants an investment that will provide her with predictable income in retirement. Sarah is concerned that poor market performance may erode her savings and her retirement plans.

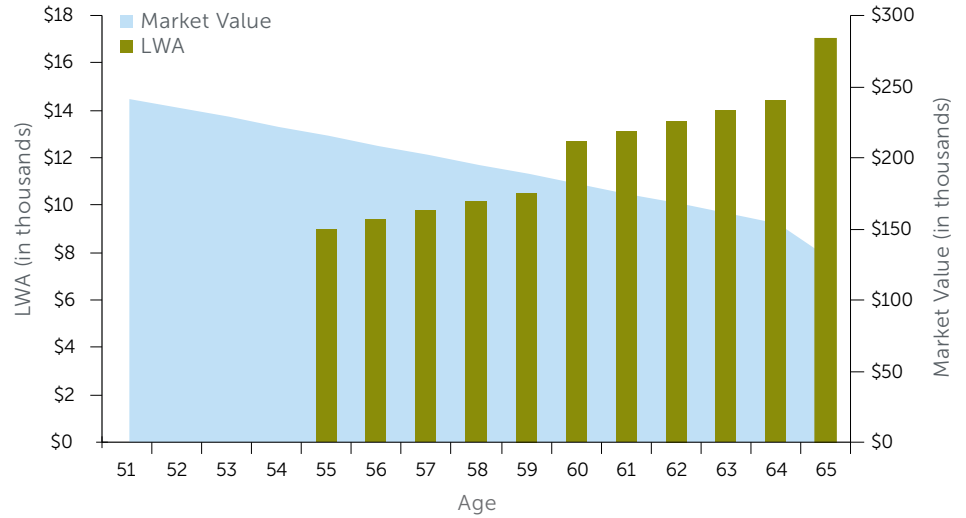
Empire Life Class Plus 2.1 can give Sarah the peace of mind she needs.

With Class Plus 2.1 Sarah will receive guaranteed retirement income for life¹. She can increase her future income through the Income Base Bonus² regardless of market conditions and take advantage of the investment growth through triennial Income Base Resets when the markets are strong.



HOW CLASS PLUS 2.1 CAN INCREASE SARAH'S GUARANTEED RETIREMENT INCOME IN **DOWN MARKETS**

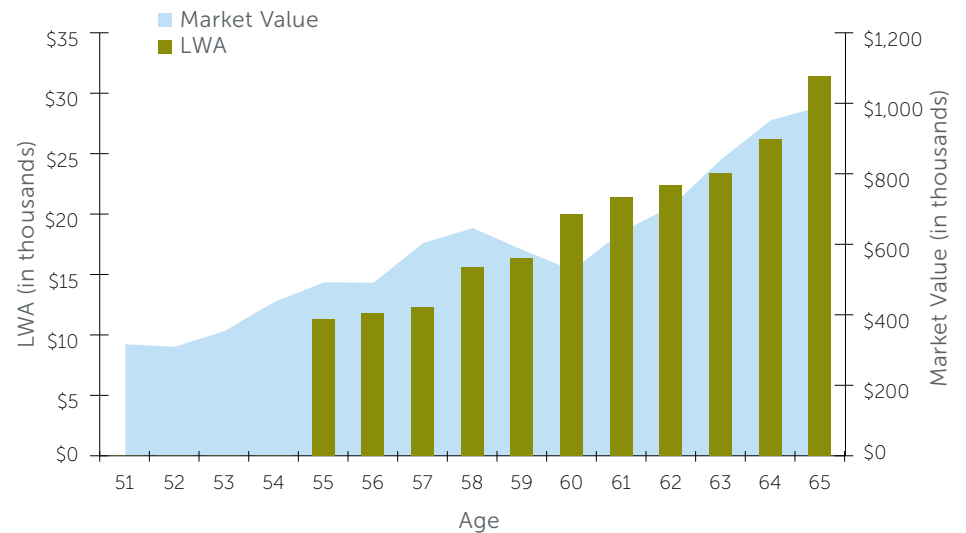
The Income Base Bonus contributes to Sarah's potential future income and protects her against downside market risk. Despite poor market conditions, Sarah's Income Base would grow from \$250,000 to \$425,000, assuming an Income Base Bonus of 5% for each year she did not make a withdrawal. By the time she is ready to retire and start withdrawing her money, she would have an annual income of \$17,000 (4.0% of her \$425,000 Income Base.)³



HOW CLASS PLUS 2.1 CAN INCREASE SARAH'S GUARANTEED RETIREMENT INCOME IN **UP MARKETS**

Under strong market conditions, in addition to the 5% Income Base Bonus, Sarah would also benefit from the automatic triennial reset feature. On every third Class Plus Anniversary Date an Income Base Reset may occur. The Income Base Reset occurs when the market value of the Fund Class Units at the credit of her contract is greater than the current Income Base, which results in a higher Income Base.²

When Sarah is ready to retire at age 65, her annual income would be \$31,379 (4.0% of her \$784,473 Income Base).⁴



¹ Provided there are no Excess Withdrawals. ² Income Base Bonus a notional amount added to the Income Base at the end of each calendar year if no withdrawals are made for that year. ³ For illustrative purposes the fund accumulates at a rate of return of -1.5%. A monthly Class Plus Fee of 0.125% (1.50% annually) of the Income Base was charged. ⁴ The following scenario's market value is based on historical rates of return using a blend of 80% S&P/TSX and 20% DEX Universe Bond Index, from December 31, 1994 to December 31, 2013, with an average rate of return of 9.20%. The monthly Class Plus Fee is 0.125% of the Income Base. Refer to the Class Plus 2.1 Information Folder for complete details.

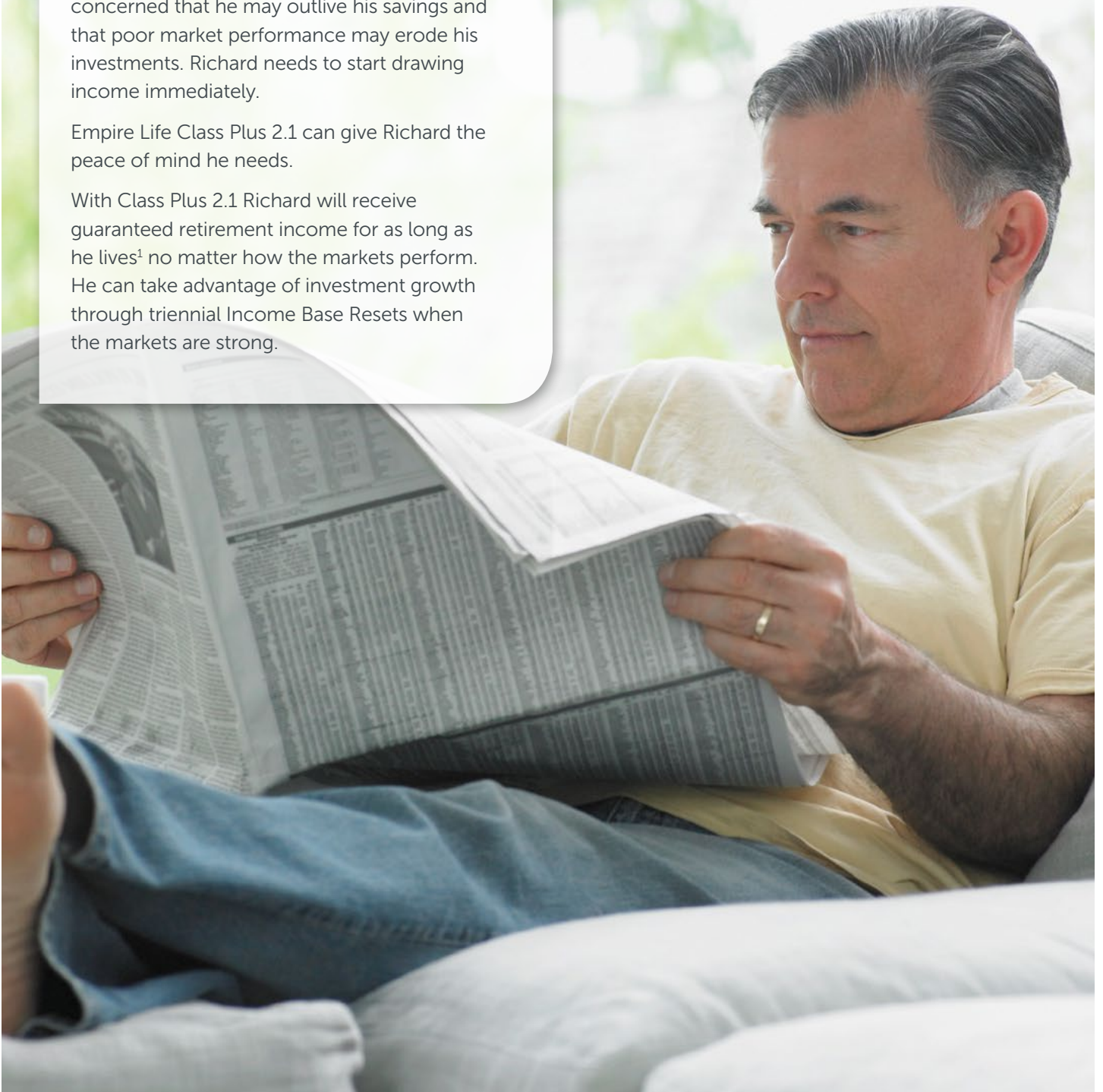
SCENARIO 2

IN RETIREMENT TAKING INCOME NOW SINGLE TIERED LWA

Richard is retired. He has \$400,000 to invest and wants an investment that will provide him with predictable, stable income in retirement. He is concerned that he may outlive his savings and that poor market performance may erode his investments. Richard needs to start drawing income immediately.

Empire Life Class Plus 2.1 can give Richard the peace of mind he needs.

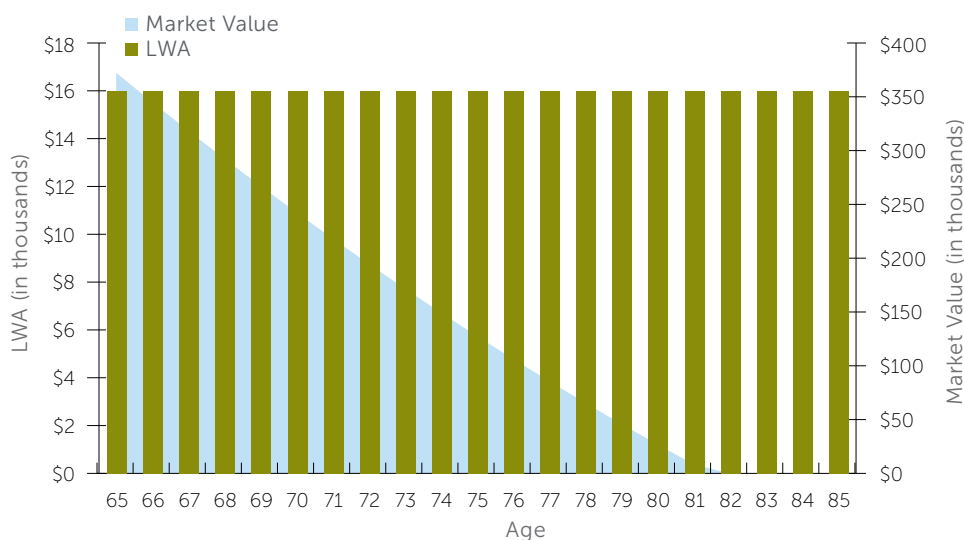
With Class Plus 2.1 Richard will receive guaranteed retirement income for as long as he lives¹ no matter how the markets perform. He can take advantage of investment growth through triennial Income Base Resets when the markets are strong.



HOW CLASS PLUS 2.1 PROTECTS RICHARD'S GUARANTEED INCOME IN **DOWN MARKETS**

Richard's investment could be depleted in 18 years if he withdrew \$16,000 every year. But with Class Plus 2.1, Richard is guaranteed an LWA of \$16,000 for his lifetime, regardless of market conditions. Richard is guaranteed an LWA of \$16,000, based on his Income Base of \$400,000 x 4.00% (Single Tiered LWA rate for his current age of 65).¹

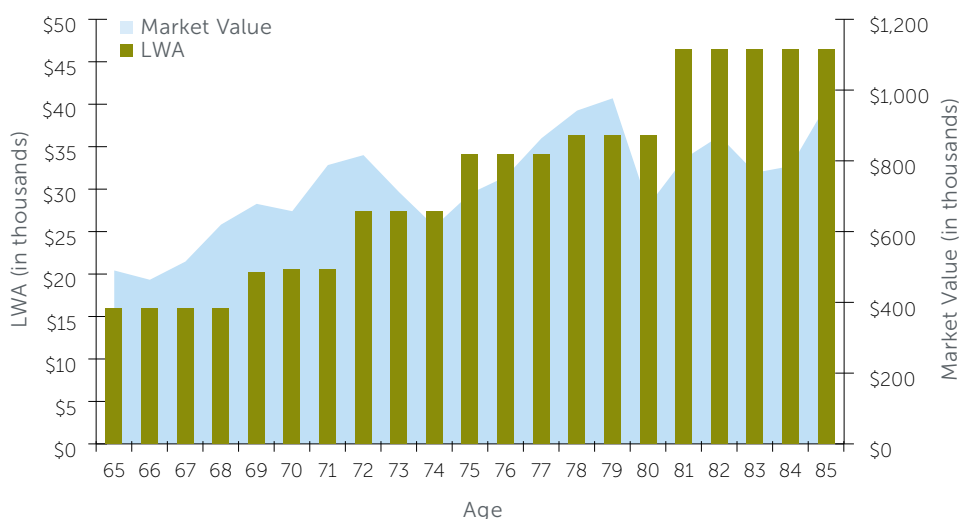
In a poor market scenario, Richard's Income Base has not benefitted from an Income Base Reset. At age 70, Richard's Single Tiered LWA rate will increase to 4.25% as a result of the Automatic Income Reset (AIR). However, this will not increase his guaranteed income as the LWA of \$13,600 (his current Income Base of \$320,000 x 4.25%) is less than his current LWA. Therefore, Richard's guaranteed income will not increase despite the AIR and he will continue to receive his guaranteed income for life of \$16,000.²



HOW CLASS PLUS 2.1 POTENTIALLY INCREASES RICHARD'S GUARANTEED INCOME IN **UP MARKETS**

With strong market conditions, Richard will be entitled to increases to the LWA from two factors:

- 1) automatic Income Base resets every third Class Plus Anniversary Date where the Income Base is set to equal the market value of the Fund Class Units at the credit of his contract, if the market value is greater than the Income Base at that time; and
- 2) an increase to the Single Tiered LWA Percentage for his age.³



¹ Provided there are no Excess Withdrawals. ² For illustrative purposes the fund accumulates at a rate of return of -1.5%. A monthly Class Plus Fee of 0.125% (1.50% annually) of the Income Base was charged. ³ The following scenario's market value is based on historical rates of return using a blend of 80% S&P/TSX and 20% DEX Universe Bond Index, from December 31, 1994 to December 31, 2013, with an average rate of return of 9.20%. The monthly Class Plus Fee is 0.125% of the Income Base. Refer to the Class Plus 2.1 Information Folder for complete details.

SCENARIO 3

IN RETIREMENT TAKING INCOME NOW JOINT TIERED LWA

John and Mary are a married couple who will be turning 65 and 60 this year. They have \$500,000 in savings. They want a joint equity-based investment that will guarantee them a fixed annual income with the potential for a future increase in income. Class Plus 2.1 with guaranteed retirement income for life™ meets their objectives.

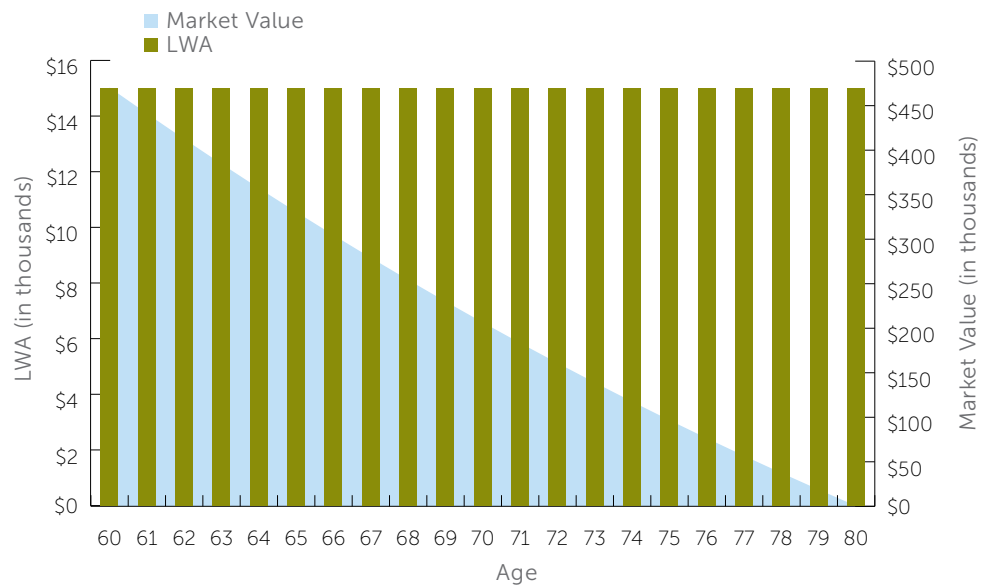
Given that Mary, at 60, is the younger of the two, her age will determine the LWA rate. John and Mary's annual income will be \$15,000 (Income Base of \$500,000 x 3.00% for Joint Tiered LWA Percentage at age 60).¹



HOW CLASS PLUS 2.1 PROTECTS JOHN AND MARY'S GUARANTEED RETIREMENT INCOME IN **DOWN MARKETS**

Assuming poor market conditions, John and Mary's investment may deplete by Mary's 81st birthday or John's 86th birthday. However, with Class Plus 2.1, John and Mary are guaranteed an annual income of \$15,000.¹

In the year that Mary turns 70, their Joint Tiered LWA Percentage is 3.75%. Their guaranteed income will not increase in this down market scenario, as the Income Base will be \$350,000 with an LWA of \$13,125 ($\$350,000 \times 3.75\%$). As this amount is less than their current annual income of \$15,000, their guaranteed income will be protected and they will continue to be paid \$15,000.²

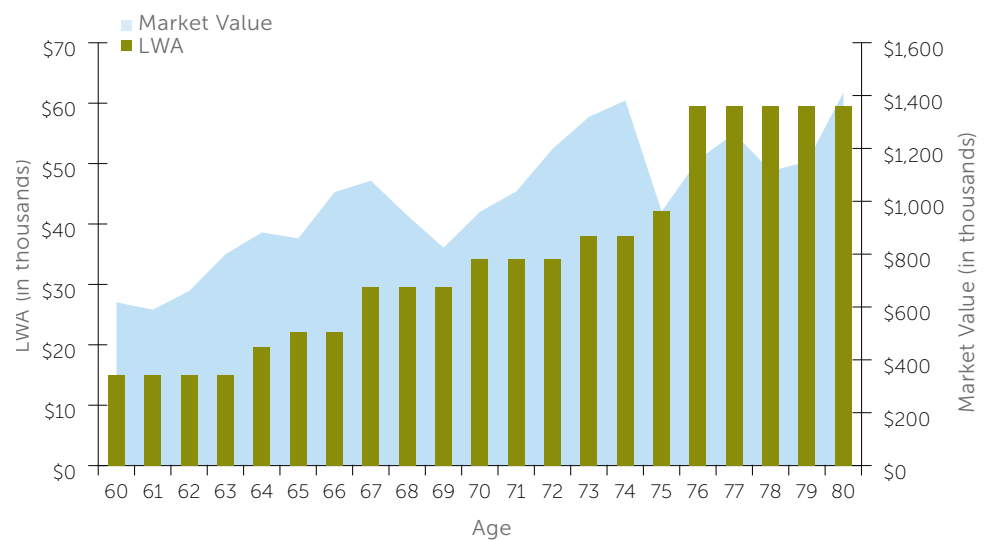


HOW CLASS PLUS 2.1 CAN INCREASE JOHN AND MARY'S GUARANTEED RETIREMENT INCOME IN **UP MARKETS**

With strong market conditions John and Mary will be entitled to increases to their annual income from two factors:

- 1) automatic Income Base Resets every third Class Plus Anniversary Date where the Income Base is set to equal the market value of the Fund Class Units at the credit of their contract, if the market value is greater than the Income Base at that time; and
- 2) an increase to the Joint Tiered LWA Percentage based on Mary's age.

John and Mary's LWA increased from \$15,000 at issue to a maximum of \$59,492 as a result of an increase to the Income Base through triennial resets and an increase to the Joint Tiered LWA Percentage based on Mary's age.³



¹ Provided there are no Excess Withdrawals. ² For illustrative purposes the fund accumulates at a rate of return of -1.5%. A monthly Class Plus Fee of 0.125% (1.50% annually) of the Income Base was charged. ³ The following scenario's market value is based on historical rates of return using a blend of 80% S&P/TSX and 20% DEX Universe Bond Index, from December 31, 1994 to December 31, 2013, with an average rate of return of 9.20%. The monthly Class Plus Fee is 0.125% of the Income Base. Refer to the Class Plus 2.1 Information Folder for complete details.

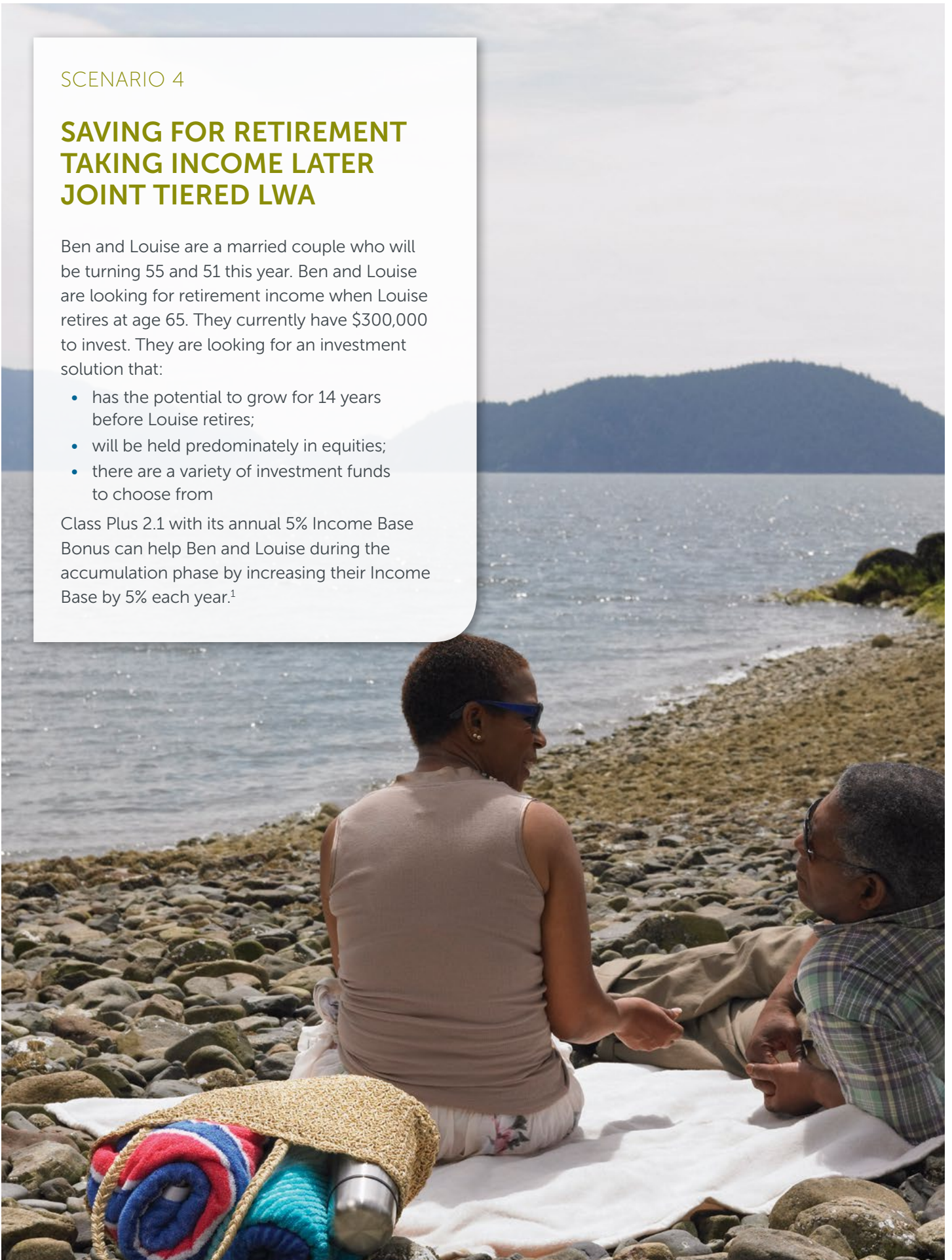
SCENARIO 4

SAVING FOR RETIREMENT TAKING INCOME LATER JOINT TIERED LWA

Ben and Louise are a married couple who will be turning 55 and 51 this year. Ben and Louise are looking for retirement income when Louise retires at age 65. They currently have \$300,000 to invest. They are looking for an investment solution that:

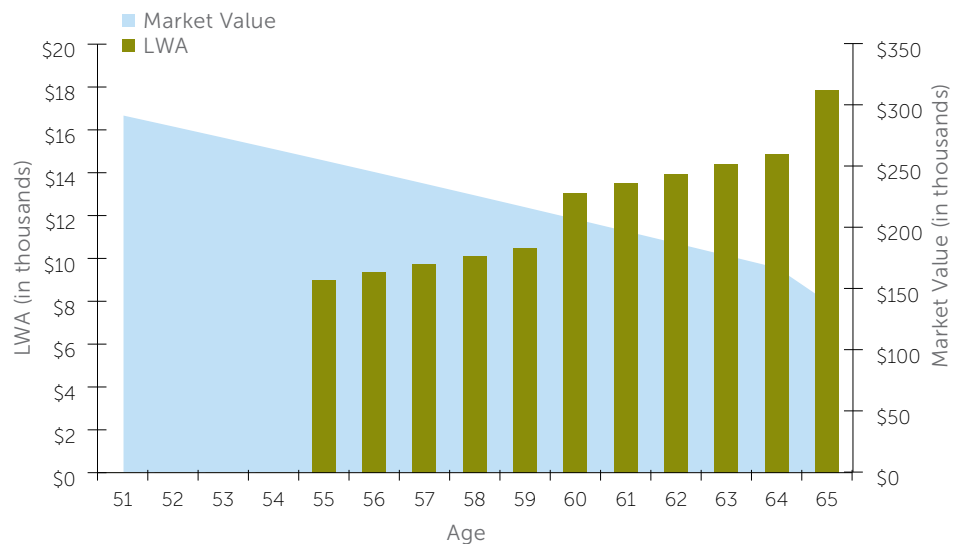
- has the potential to grow for 14 years before Louise retires;
- will be held predominately in equities;
- there are a variety of investment funds to choose from

Class Plus 2.1 with its annual 5% Income Base Bonus can help Ben and Louise during the accumulation phase by increasing their Income Base by 5% each year.¹



HOW CLASS PLUS 2.1 PROTECTS BEN AND LOUISE'S GUARANTEED RETIREMENT INCOME IN **DOWN** MARKETS

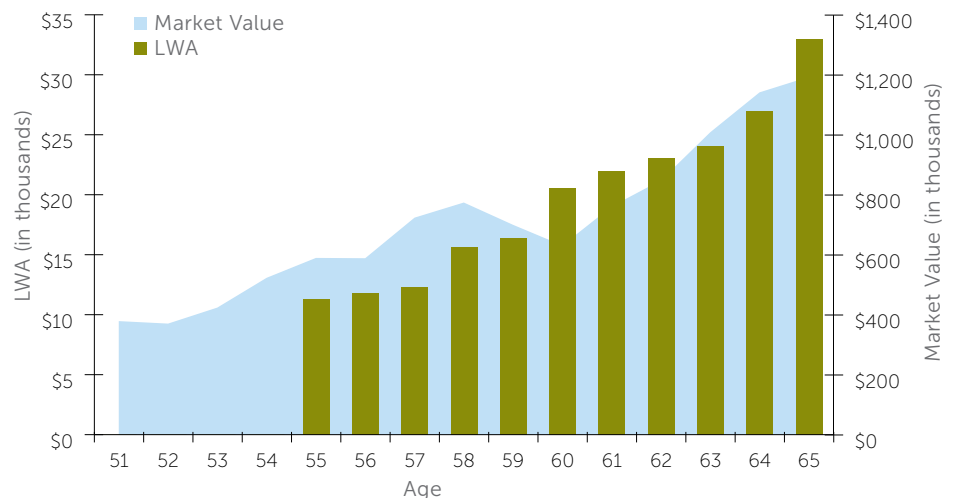
The Income Base Bonus contributes to Ben and Louise's potential future income and protects them against downside market risk. Despite poor market conditions, their Income Base would grow from \$300,000 to \$510,000, assuming a 5% Income Base Bonus each year and no withdrawals are made. By the time Louise is ready to retire and start withdrawing money, Ben and Louise will have an annual income \$17,850 (\$510,000 Income Base x 3.50% for Joint Tiered LWA at age 65).²



HOW CLASS PLUS 2.1 POTENTIALLY INCREASES BEN AND LOUISE'S GUARANTEED RETIREMENT INCOME IN **UP** MARKETS

Under strong market conditions, and assuming a 5% Income Base Bonus each year, Ben and Louise would also benefit from the automatic triennial reset feature. On every third Class Plus Anniversary Date an Income Base Reset may occur. The Income Base Reset occurs when the market value of the Fund Class Units at the credit of their contract is greater than the current Income Base, which results in a higher Income Base.

When Louise is ready to retire at age 65, their annual income would be \$32,948 (\$941,368 Income Base x 3.50% for Joint Tiered LWA at age 65).³



¹Income Base Bonus a notional amount added to the Income Base at the end of each calendar year if no withdrawals are made for that year. ² For illustrative purposes the fund accumulates at a rate of return of -1.5%. A monthly Class Plus Fee of 0.125% (1.50% annually) of the Income Base was charged. ³ The following scenario's market value is based on historical rates of return using a blend of 80% S&P/TSX and 20% DEX Universe Bond Index, from December 31, 1994 to December 31, 2013, with an average rate of return of 9.20%. The monthly Class Plus Fee is 0.125% of the Income Base. Refer to the Class Plus 2.1 Information Folder for complete details.

For more information, please contact your advisor.

The Empire Life Insurance Company (Empire Life) offers competitive individual and group life and health insurance, investment and retirement products to help you build wealth and protect your financial security.

Empire Life is among the top 10 life insurance companies in Canada¹ and is rated A (Excellent) by A.M. Best Company². Our vision is to be known for simplicity, being easy to do business with and having a personal touch.

¹ *The Globe and Mail Report on Business*, June 2014, based on revenue

² As at May 21, 2014

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A description of the key features of the individual variable insurance contract is contained in the Information Folder for the product being considered. **Any amount that is allocated to a Segregated Fund is invested at the risk of the contract owner and may increase or decrease in value.**

Empire Life Emblem GIF Portfolios currently invest primarily in units of Empire Life Mutual Funds. The simplified prospectus and other information about each of the underlying mutual funds are available on the SEDAR website at www.sedar.com or at www.empirelifeinvestments.ca.

[†] The Empire Life Insurance Company has been managing money for 50 years; including through its subsidiary Empire Life Investments Inc. since 2012.

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