Manulife Investment Management

Product guide

Manulife Investments GIC

Closed to new contracts effective October 21, 2022

This guide describes important information about the Manulife Investments (GIC) product features and benefits. Topics discussed include the following:

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What is a Manulife Investments GIC?

A Manulife Investments Guaranteed Interest Contract (GIC) is a deferred annuity insurance contract offered through Manulife. This GIC offers investors unique tax and estate planning benefits as well as potential creditor protection.

The Manulife Investments GIC offers the following registration types:

- Non-registered
- Registered Retirement Savings Plan (RRSP including Spousal RRSP), Locked-in Retirement Account (LIRA), and a Restricted Locked-in Savings Plan (RLSP)
- Tax free Savings Account (TFSA)
- Registered Retirement Income Fund (RRIF), Life Income Fund (LIF), Locked-in Retirement Income Fund (LRIF), Prescribed Retirement Income Fund (PRIF), Restricted Life Income Fund (RLIF) or other similar retirement income contracts

The GIC account investment options include:

- Daily interest account (DIA)
- Guaranteed Interest Account (GIA) – Cashable

Features and benefits

Manulife Investments GIC features

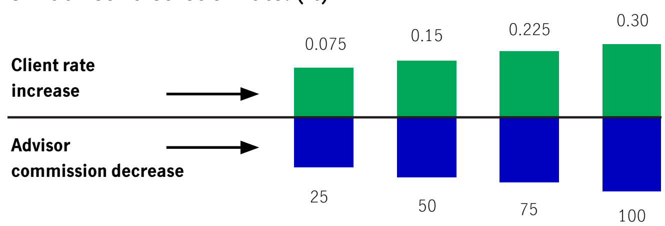
Choice and flexibility

Choose terms from one month to 10 years.

Advisor rate discretion

If desired, increase posted term rates with a corresponding reduction in commissions without prior head office approval (not available for the daily interest account). See chart below.

GIA advisor discretion rate: (%)



Cashability

Early cashing privileges allow investors access to their money in the event of an emergency or for other investment opportunities, subject to possible surrender charges (for details refer to section on surrender charges).

Insurance company benefits

Manulife Investments GICs are insurance contracts. This means they offer certain benefits that may not be available through mutual fund organizations, banks, or trust companies:

Estate planning advantages:

- Ability to designate beneficiaries allows GIC proceeds to bypass probate, legal, and other estate fees on death (for registered, TFSA and non-registered plans)
- On death, GIC proceeds (including interest) can pass quickly, privately, and directly to any named beneficiaries without charges
- Ability to appoint a successor annuitant for nonregistered contracts. In the event of the primary annuitant's death, the successor annuitant will automatically become the primary annuitant and the contract will continue with all terms and interest rates intact.

Creditor protection potential:

- Investors may receive creditor protection benefits available under provincial insurance laws.

Tax advantages for non-registered contracts:

- Manulife Investments GIC interest qualifies for the annual pension income tax credit for people 65 years of age or older.
- Policy year tax reporting delays tax on interest earned for up to one year
- Accrued interest from a Manulife Investments GIC is an eligible source of pension income for purposes of income splitting for people age 65 or older.

Member of Assuris:

Assuris is a not for profit corporation, funded by the life insurance industry, that protects Canadian policyholders against loss of benefits due to the financial failure of a member company. Details about the extent of Assuris' protection are available at assuris.ca or in their brochure, which can be obtained from your advisor, life insurance company or Assuris from info@assuris.ca or by calling 1-866-878-1225.

General contract overview

Reinvestment defaults

Unless otherwise instructed, each term maturing within a Manulife Investments GIC, including RRIF/LIF/LRIF/PRIF/RLIF contracts, will automatically reinvest into the same term, interest option, and term length originally selected.

Prior to the reinvestment date, investors can change the default reinvestment instructions on their maturing investments, including reinvesting for a different term length, account type, or withdrawing part or all of the maturing amount.

Unscheduled withdrawals

Withdrawals from the GIA are available at any time, but will be subject to possible surrender charges (refer to the section on surrender charges). Funds withdrawn on the maturity date of the account are charge free. Withdrawals are available DIA at anytime without charge.

A withdrawal cannot cause the total account value to fall below the account minimum. Balances of less than the account minimum, will be transferred to the daily interest account.

Withdrawals of locked-in funds are subject to applicable pension legislation.

Withdrawal minimums

$100 minimum withdrawal or entire daily interest account amount (whichever is less).

Note: The reinvestment options available and the reinvesting term length may be restricted by the contract maturity date.

RRSP/LIRA/RLSP contract maturity default

Unless the investor provides alternate instructions, the funds accumulated in a Manulife Investments GIC RRSP, LIRA, or RLSP contract will be amended to become a Manulife Investments GIC RRIF/LIF/PRIF/RLIF on the contract maturity date, subject to applicable pension legislation. For information on investments in a registered contract that mature past the end of the year the investor turns age 71, see the section on the asset transfer feature.

Non-registered contract maturity

A non-registered Manulife Investments GIC must be annuitized or cashed-out on or before the annuitant's 110th birthday. Investors cannot choose investment terms that go past age 110.

Funds accumulated in non-registered contracts will be transferred to a life annuity at age 110, unless alternate instructions are provided.

Interest options

- **Compound** – Interest is calculated on a compounding daily basis and accumulated until maturity. At maturity, all the interest plus the original investment is available, without charge.
- **Annual simple** – Interest is calculated on a simple interest basis and credited annually on the deposit anniversary to the daily interest account. The interest is available without charge on the deposit anniversary. At maturity, all the interest remaining, plus the original investment, is available without charge.
- **Monthly simple** – Interest is calculated on a simple interest basis and credited monthly, based on the original deposit date, to the daily interest account or paid to a bank account. The monthly interest is available without charge. At maturity, all the interest remaining, plus the original investment, is available without charge.

Registered contracts

The only interest option available is compound.

Non-registered and TFSA contracts

All interest options are available.

Scheduled payments

Scheduled payment options

Payment options are available for non-registered, TFSA, and retirement income contracts including RRIFs, LIFs, LRIFs, RLIFs, and PRIFs.

Payment frequency can be monthly, quarterly, semi-annual, or annual.

Payments will be made directly to the investor's bank account.

Non-registered and TFSA

For non-registered and TFSA plans, the only payment option available is interest only. Payments are made from the daily interest account, based on the amount of interest credited from the different investments in the contract.

Note: The amount of interest credited is based on the number of days in the period and therefore payment amounts can fluctuate throughout the year for frequencies less than annual.

Registration type availability summary:

The payment options available for RRIF/LIF/LRIF/PRIF/ RLIF include:

Minimum	This option will pay out the legislated RRIF minimum.
Level – investor specified amount*	Any fixed amount requested
Indexed – investor specified amount indexed annually*	A requested income amount indexed by a fixed percentage annually
Maximum (LIF, LRIF, RLIF only)	This option will pay out the legislated LIF, LRIF, or RLIF maximum for the contract.

* All payments are subject to legislated minimum and maximums. In addition, the amount selected cannot fully deplete the account before maturity.

Withdrawal order options for RRIF/LIF/LRIF/RLIF and PRIF

For registered retirement income products (RRIF/LIF/LRIF/ RLIF/ PRIF), the investor must select a withdrawal order option, which determines how payments are to be funded by existing accounts or terms. The payment amount you elect to receive will be withdrawn from the investments according to the withdrawal order specified by you. **However, for contracts with multiple GIAs with identical terms (term lengths and interest options) the withdrawal will be made from the GIA that is nearest to its maturity. In the absence of instructions for the withdrawal order, we will apply the withdrawal order in accordance with our current administrative rules at the time.** The scheduled payment option, payment amount, withdrawal order option, and the payment frequency you select will remain in effect until you request us to change it, or until we are required to change it to maintain the provisions of the contract. Any changes will affect future payments only. There may be restrictions and charges applicable to any changes you request, according to our then current administrative rules and fees.

Note: The amount being funded from a specific account cannot fully deplete the account before maturity.

Tax withholding options for scheduled payments on RRIF/LIF/ LRIF/RLIF/PRIF

For RRIF/LIF/LRIF/RLIF/PRIF clients must select from two tax withholding options:

- Levelized minimum, or
- Investor specified rate

Levelized minimum

This method levels out the amount of tax that is applied to each scheduled income payment when a payment frequency less than annual is selected. A RRIF minimum amount for the contract is calculated on January 1st of each year. The RRIF minimum is subtracted from the total amount of income expected for the year, based on the payment option selected. The amount over and above the minimum is considered the excess portion and is therefore subject to withholding tax. The amount of withholding tax is then spread equally across each individual scheduled payment. This method will result in the same net payment amount for the entire year.

Note: The tax rate is based on the total excess amount for the year and not the total excess amount applicable to each individual payment. Therefore, the total tax payable for the year of $1,400 is spread across each payment: $1,400/12 or $116.67 per payment. Applying this level amount of tax will provide for equal payments of $883.33 per month ($1,000–$116.67). Any change in payment option, amount, or frequency during the year can result in a change to the level amount of tax withheld.

For example, assume that a contract has a minimum required payout of $5,000 calculated for a given year:

- The investor selects level payments of $1,000 per month
- The total amount to be paid for the year is $12,000 ($1000/month from January to December)
- The difference between the total amount payable for the year of $12,000 and the RRIF minimum, in this case $5,000, is considered to be the excess amount. The excess is $7,000 ($12,000–$5,000). The tax rate applicable to the excess amount would be 20% or $1,400

Client specified rate

With the client specified rate option, investors can select a tax rate that best suits their needs (e.g. they may have additional income outside a RRIF and would like to have additional tax withheld from the RRIF to help cover the tax payable on that additional income). The tax rate selected may range from 10% to 100%. Once selected, this rate is used on all income payments (including minimum payments) from the contract. For example, if an investor selects a 20% tax rate and has a $1,000 monthly payment, 20% ($200) will be withheld from each payment.

Quebec residents should select a specified rate for both federal and provincial withholding tax.

Charge-free withdrawal

Charge-free withdrawal for RRIF/LIF/LRIF/PRIF/RLIF

There are no surrender charges for withdrawals and scheduled payments from the contract for a calendar year from GIA(s) up to the charge-free amount for RRIF, LIF, or other similar retirement income contracts (including externally registered retirement income contracts). The charge-free amount for GIA(s) in a given calendar year for these contracts is:

- 20% of the Market Value of GIA(s) as of December 31 of the prior calendar year . Any unused portion of the charge-free amount as defined above cannot be carried forward from one year to the next if you do not exercise this option.

Note: For unscheduled withdrawals, withholding tax will be applied at the government prescribed rate, unless the client requests that a higher tax rate be applied.

Asset transfer feature

Asset transfers

Asset transfers (partial or full) are transfers that occur between Manulife Investments GICs, without incurring charges, while maintaining the original rates and maturity dates. No commission would be payable on the deposit to the new contract.

Investors have the option to asset transfer their basic account (cashable) and laddered account investments held within their RRSP/LIRA/RLSP contracts to a RRIF/LIF/RLIF/PRIF prior to December 31st of the year they turn age 71.

Transfer RRSP/LIRA/RLSP to RRIF/LIF/RLIF/PRIF

Investors have the ability to purchase basic account (cashable) and laddered account investments that extend past the end of the year in which they turn 71 within their RRSP/LIRA/RLSP, because the contract will be amended to become a RRIF/LIF/RLIF/PRIF on December 31st of the year the investor turns age 71.

What are the requirements?

Investors must be aware that when they are purchasing a basic account (cashable) or laddered account investment within an RRSP/LIRA/RLSP contract that extends past the end of the year they turn age 71, it will mature after the RRSP/LIRA/RLSP contract has been amended to become a RRIF/LIF/RLIF/PRIF contract.

Interest rate information

Interest rates

Interest rates	Manulifeim.ca/giarates, subject to change at any time
Volume bonus	Bonus is based on GIA assets and does not include any segregated fund or DIA assets. Posted rate includes bands and rate including bonus per band.

Refer to the commission schedule NN0044 for more details.

Surrender charges

What are surrender charges?

When investors redeem their money from a GIA before the maturity date, they could be subject to “surrender charges” made up of a Market Value Adjustment (MVA), and an Expense Recovery (ER).

What is Market Value Adjustment (MVA)?

The MVA is an interest adjustment charge that may result from a redemption prior to the maturity date of an account. This charge depends upon the current interest rate environment at the time of redemption. It can be either positive or negative. If interest rates, for the term remaining, were currently lower than the rate being earned, the MVA would be negative and could offset all or part of the expense recovery charge. A negative MVA can only offset the expense recovery charge to zero.

What is Expense Recovery (ER)?

An expense recovery charge is applied for redemptions that occur prior to the maturity date of an account. This charge represents a recovery of fees (e.g. commissions) and contract charges (e.g. administrative costs) associated with the account that have not yet been fully expensed.

Calculating surrender charges

The following formula is used for calculating surrender charges:
Market value adjustment (MVA) formula: MVA = A × T × (C – G)
Expense recovery (ER) formula: ER = A × T × 1%
Total surrender charges (SC) formula: SC = MVA + ER

A = Accumulated value or amount redeemed

T = Time remaining to maturity (in complete months, divided by 12)

G = Guaranteed rate for the account (the rate set at purchase)

C = Current base rate for the GIA

An example

A person invested in a five-year basic account (cashable) at a guaranteed rate of 4.5%.

With two years remaining, the investor wants to surrender their account. The current interest rate for a 5-year GIA is 5.0%. The value of the account, prior to the redemption is $11,576.25.

MVA
= A × T × (C – G)
= $11,576.25 × (24/12) × (.05 – .045)
= $11,576.25 × 2 × .005
= $115.76

ER
= A × T × 1.0%
= $11,576.25 × (24/12) × .01
= $11,576.25 × 2 × .01
= $231.53

SC
= MVA + ER
= $115.76 + $231.53
= $347.29

RRIF/LIF/LRIF/RLIF/PRIF maximum and minimum information

RRIF minimum calculations

The minimum calculation determines the legislative minimum amount the client must receive as income from the plan each year, which affects the required amount of withholding tax to remit to Canada Revenue Agency (CRA) (required withholding tax is calculated only on the amount withdrawn in excess of the RRIF minimum).

LIF/RLIF maximums in the Initial year

The LIF/RLIF maximum is calculated based on the client's age on January 1st of that year and the applicable rate as per the Canadian Socio-economic Information Management System (CANSIM). CANSIM rates are set monthly by the Government of Canada, based on that month's average rate for long-term Government of Canada bonds. The previous year's November CANSIM rate is used to calculate LIF/RLIF maximum payments.

LIF/RLIF maximums in subsequent years

Every year after a plan's initial year, LIF/RLIF maximum payments are calculated on January 1st, based on the value of the contract and the investor's age at January 1st of that year andthe applicable CANSIM rate.*

* The Alberta and British Columbia LIF maximum calculation and the Ontario old LIF, New LIF, and LRIF maximum calculation is the greater of the value using the applied CANSIM Rate and the previous year's investment returns under the contract. The Manitoba LIF maximum calculation is the greater of the value using the applied CANSIM rate and the investment earnings in the previous year plus 6% of any funds transferred into the LIF from a LIRA or pension plan.

LRIF*

LRIFs are currently only available under Newfoundland and Labrador (not under our products), and Saskatchewan pension jurisdictions.

For Saskatchewan—in the first year of the contract:

Saskatchewan only allows transfers from an existing LRIF into a new LRIF. When money is transferred from another income contract, there are no income payments allowed in the first year.

For Saskatchewan—in the second and subsequent years, annual maximum payment is the greater of:

A. investment earnings for the previous year while in the LRIF

B. the balance at the beginning of the year less the net value of all funds transferred-in over all years (the net value of all funds transferred-in equals the value of all funds transferred-in, including the initial deposit, less the value of all funds transferred out to purchase an annuity, a LIRA or another LRIF)

C. 6% of the contract value at the beginning of the year. This is applicable to the first two years of the contract.

In cases where a maximum is less than the minimum due to the lack of growth in the year, and provided it's not within the first two years of the contract, the maximum would be equal to the LRIF minimum for that year.

Prescribed RRIF (PRIF)

Currently, a Prescribed Registered Retirement Income Fund (PRIF) is only available under Saskatchewan and Manitoba pension jurisdictions. A PRIF is an investment option that allows for locked-in pension funds to be paid as retirement income, with no restriction on the maximum income available in a given year. The Saskatchewan government legislated a PRIF as a retirement income option to replace LIFs and LRIFs. Manitoba pension legislation permits a one-time transfer of up to 50% from a Manitoba LIF into a PRIF (see the Manitoba pension website or Repsource for steps to follow when applying for a MB one-time prescribed transfer).

*LRIFs have been eliminated for sale in the pension jurisdictions of Alberta, Manitoba, and Ontario.

How is a PRIF different from a traditional RRIF?

A PRIF has certain provisions that do not apply to a traditional RRIF. They are:

- Investors must be age 55 (under Saskatchewan pension legislation, the investor may be younger depending upon the provisions of the pension plan from which the monies originated).
- The spouse must consent to the transfer by signing a prescribed consent form that can be found on the relevant government website.
- On death, the owner's surviving spouse is entitled to the death benefit proceeds, unless a benefit waiver has been signed.
- If a Saskatchewan PRIF is used to purchase an annuity, a surviving spouse is entitled to at least 60% joint and survivor annuity unless they sign a "Spouse's waiver of 60% past-retirement survivor benefit".
- Investors cannot combine funds from a RRIF and a PRIF.
- Investors cannot transfer PRIF funds to a non-locked-in RRSP or RRIF.
- Payments from a prescribed RRIF are eligible for the pension tax credit provided that the client is 65 years of age or older.

Client communications

Contract maturity notice

Clients will also be notified of upcoming term maturities in their statements.

The notice will direct clients to contact their advisor to discuss their contract maturity options.

Confirmations

A Confirmation notice is sent to the client for the following financial transactions:

- Internal transfers between investment options within the same contract
- Withdrawals (partial and full)
- Reinvestments

Statements

An annual statement is produced at the end of every calendar year and sent early in January of the following year. On request, additional statements providing a snapshot of current holdings can be produced.

Questions

Sales and marketing questions

- Advisors, please contact your Manulife Investment Management sales team.
- National accounts advisors: **1-888-666-0882**
- MGAs/Mutual fund dealers: Contact your MGA office or your mutual fund dealer office.

Administration questions

- All of Canada except Quebec: **1-888-790-4387**
- Quebec advisors: **1-800-355-6776**
- MGAs/Mutual fund dealers: Contact your MGA office or your mutual fund dealer office.

Manulife Investment Management

To speak with Manulife Investment Management about segregated funds, call 1-888-790-4387.

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