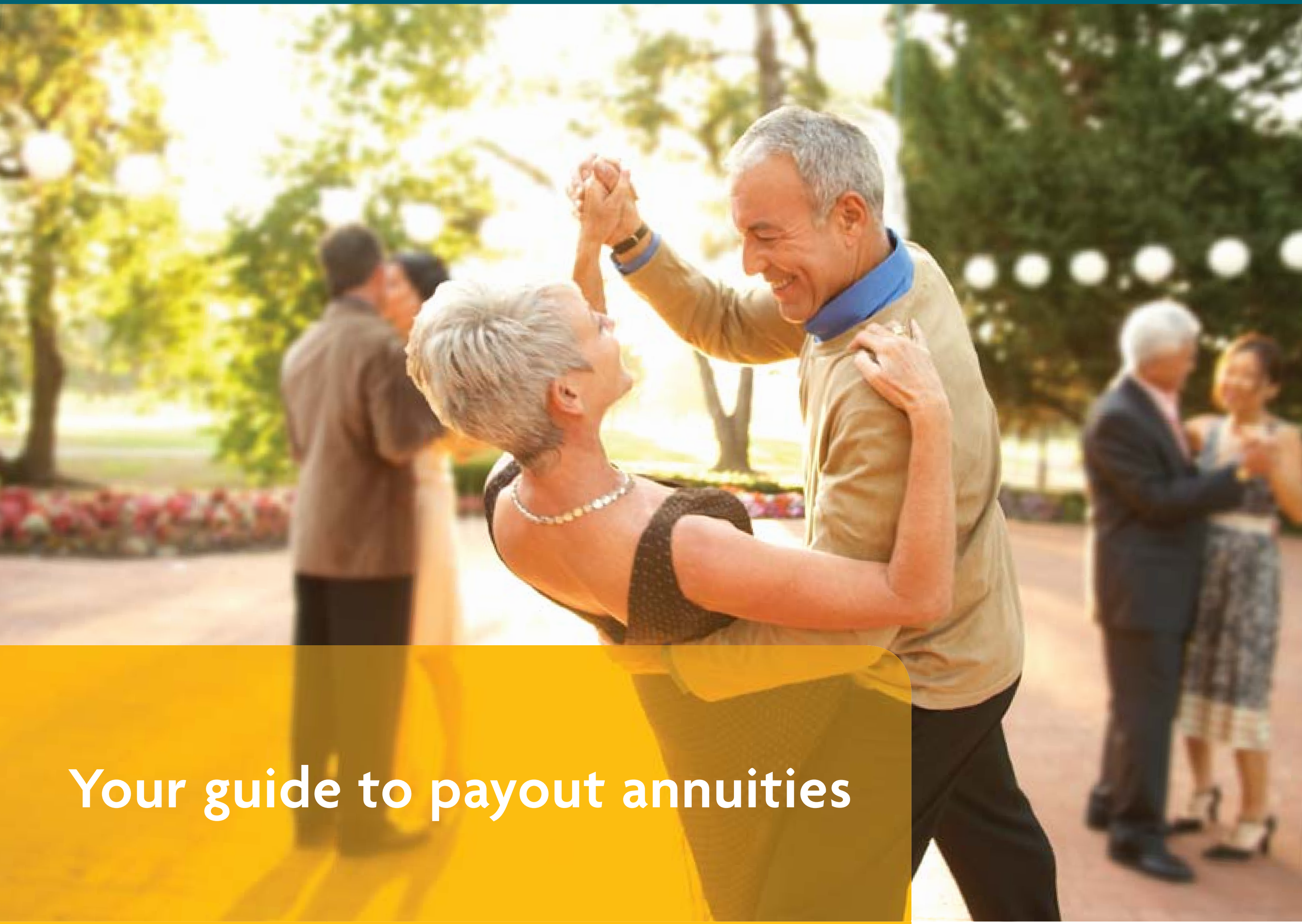

Your guide to payout annuities

Turning savings into secure retirement income

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GUARANTEED PAYMENTS FOR AS LONG AS YOU CHOOSE

As retirement approaches, you may have asked yourself – how can I turn my savings into secure retirement income? Income not just for your essential living expenses but also for the lifestyle you envision.

A payout annuity can be part of your solution. It can help reduce the worry of keeping key expenses covered by providing a guaranteed income.

A payout annuity is basically this: you give us a lump sum of money (premium), we'll give you a guaranteed cheque for as long as you choose. It's that easy.

Peace of mind in retirement

Critical to your retirement income planning is ensuring you always cover essential living expenses like groceries, rent and utilities. Income from a life annuity can supplement other sources of guaranteed lifetime income: Canada Pension Plan (CPP), Quebec Pension Plan (QPP), Old Age Security (OAS) or a defined benefit pension to create your "income floor".

Once you've covered the essentials, you're free to look at creative ways to generate income to cover your lifestyle expenses.

THINGS TO REMEMBER

A payout annuity is a great choice if you're getting ready to retire. But it's also an excellent solution if you:

- are nearing retirement and looking for an income "bridge" until other income sources begin
- are of any age and want income for a fixed period
- want to leave a legacy to a child, grandchild or charity.

Feature	Benefit
Income for life option	• Life annuity – You can never outlive your retirement income • Joint life annuity – Provide lifetime income for your spouse while you're alive and when you are no longer here
Market risk protection	• Your income isn't affected by market or interest rate fluctuation • You don't have to worry about making investment decisions related to market performance
Inflation protection	You can choose to have income increase each year by a fixed percentage to help offset inflation.
Low maintenance income	No investments to make decisions about or manage.
Death benefit	You can choose a period during which, if you die, we'll pay a benefit to your beneficiary.
Tax and estate planning	• Tax -efficient income (non-registered annuities) • Income may qualify for tax credits and pension income splitting
Attractive income	Guaranteed income that can be higher than many other income-generating products.
Customizable	Many options to "customize" the annuity to your needs.
Assuris protection	If a life insurance company fails, Assuris guarantees you retain up to $2,000 per month or 85 per cent of the monthly income amount, whichever is higher. Please see www.assuris.ca for more details.

CHOOSE AN ANNUITY THAT WORKS BEST FOR YOU

Life annuity

You are the annuitant and we make payments as long as you live.

Joint life annuity

You and a second person are the annuitants and we make payments as long as either you or the second person (the joint annuitant) lives.

Term certain annuity (single annuitant and joint annuitants)

We provide guaranteed payments for a specified period that you choose. We pay a death benefit to a beneficiary if the last surviving annuitant dies before we've made all payments.

AN ANNUITY FOR SPECIAL NEEDS

Essential Care Annuity

We'll consider you for an enhanced life annuity if you have a life-shortening condition (referred to as a health impairment). An Essential Care Annuity provides higher income payments (or requires a lower premium) than an annuity for someone of the same age and sex with no health impairment.

Do you qualify?

We must evaluate your medical information to determine if you qualify. Your impairment should be severe, permanent and progressive.

You are responsible for all costs associated with providing medical evidence.

Impairments that may qualify

The following aren't the only impairments that usually qualify for an Essential Care Annuity, and being on the list doesn't mean it automatically qualifies. The impairment won't qualify if it isn't severe enough or is too severe (life expectancy is less than two years).

- stroke
- heart attack
- multiple sclerosis
- quadriplegia - paralysis from the shoulders down
- paraplegia - paralysis from approximately the waist down
- cancer – advanced or aggressive cancer with a life expectancy greater than two years
- Parkinson's disease
- diabetes
- any swelling of the aorta or weakness in the aorta wall
- emphysema
- cirrhosis of the liver

INCOME PAYMENTS TO SUIT YOU

Payment types

Type	Description
Level payments	The payment you receive remains the same throughout the payment period.
Indexed payments	Your payments increase each year by a specified percentage to help offset inflation. You select the percentage increase – between 1 per cent and 4 per cent – when you buy the annuity.
Integrated payments	We integrate annuity income with government benefits; annuity income decreases when CPP, QPP or OAS payments begin.
Reducing payments (available on joint life annuities only)	You can choose to reduce income payments by a specified percentage of the original payment if you or the joint annuitant dies. When you buy the annuity you can choose one of the following: to have income reduce when you die, the joint annuitant dies or either of you die. You must choose the percentage when you buy the annuity. If a guaranteed period is chosen, we won't reduce the payment until the end of the guaranteed period, even if a death occurs before this date.

Your choice of payment frequency

You can receive your payments:

- monthly, quarterly or semi-annually by direct deposit to a Canadian financial institution only
- annually by direct deposit to a Canadian financial institution or by cheque.

You chose the payment frequency at the time the policy is issued.

You can defer income up to 10 years

The source of money you use to buy the annuity may restrict how long you can choose to defer income. For example, if you use RRSP money, income must start within 10 years of the purchase date, but no later than the age of 71. Please ask your advisor for details. Deferring income results in higher income than income that begins immediately.

Guaranteed period

You may choose a guaranteed period for a life or joint life annuity when you buy the annuity. This ensures your beneficiary receives a death benefit if payments have started and you die before the period ends. In the case of a joint annuity, we pay the beneficiary if both of you die during this period. The longer the period you select, the lower the income payments.

The source of premium may restrict the minimum and maximum guaranteed periods available.

FACT

The death benefit of a payout annuity is the amount of money paid or due to be paid to the beneficiary when an annuitant dies (or in the case of a joint annuity, the last annuitant dies).

BENEFIT WE'LL PAY A BENEFICIARY

The benefit we pay depends on:

- whether there's a guaranteed period
- the source of money used to buy the annuity
- if income has started.

If you die before payments start

If you die before payments start, we'll return the premium and pay it to your beneficiary. We'll do the same if it's a joint annuity and both you and the joint annuitant die before payments start.

For other options – for example, the premium plus any interest earned between the purchase date and death – please talk to your advisor.

If you die after payments start and during the guaranteed period

We'll pay a death benefit if payments have started and the last surviving annuitant dies during guaranteed period.

Death after payments start and the guaranteed period has ended

We don't pay a benefit if the last surviving annuitant(s) dies after:

- the income start date and there is no guaranteed period
- the end of the guaranteed period.

Taxation

The information in this section reflects our understanding of current federal and provincial income tax laws. Taxation laws are subject to change; rules and restrictions may differ in the future.

Registered vs. non-registered taxation

If you buy an annuity with registered funds, you are taxed on the entire income in the year you receive it.

If you buy an annuity with non-registered funds, you are taxed on the income in the year you receive it, but only a portion of each income payment is taxable. There are three different tax treatments – prescribed, accrual or level.

Prescribed taxation

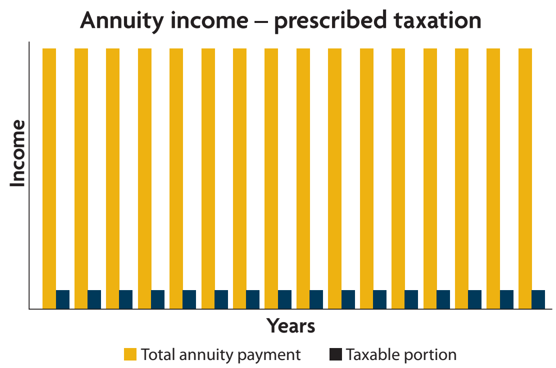
During the payout period, payments from an annuity with prescribed treatment – a prescribed annuity – are considered for tax purposes to be a level blend of interest and capital. That is, a fixed portion of each annuity payment will be taxable.

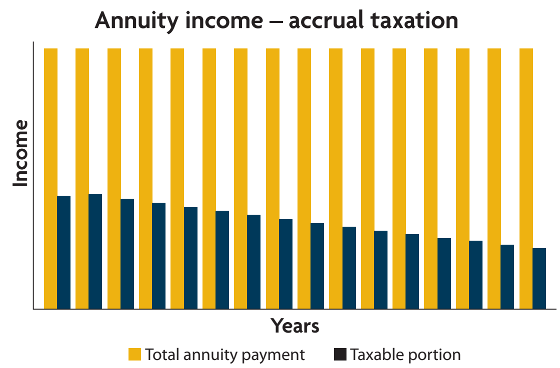
An annuity contract must qualify for prescribed tax treatment. Most annuities bought by individuals qualify for prescribed taxation.

Non-prescribed (accrual) taxation

In contrast to a prescribed annuity, income from an annuity with accrual taxation – an accrual annuity – is taxed on interest accrued (earned) in the policy from the purchase date to the policy anniversary, and then annually on each policy anniversary.

Generally, the taxable amounts will be larger in the early years and decrease each year. Most annuities automatically qualify for prescribed taxation. You can request accrual taxation when you submit your application.





*Example data presented for illustrative purposes only

Taxation during the period you defer income

Registered

Registered annuities are non-taxable during the deferral period.

Non-registered

All annuities are taxed on an annual basis and receive accrual tax treatment. Once income payments begin, and assuming all conditions set out by the Income Tax Act (Canada) are met, the tax treatment will change to prescribed. The tax treatment remains accrual if conditions aren't met or you request that the tax treatment remain accrual.

TIP

We encourage you to consult with a tax expert if you have questions about taxes on a payout annuity.

Withholding tax

We withhold tax at source and remit it to CRA.

Mandatory withholding tax

We must withhold tax if you bought the annuity with locked-in registered pension plan (RPP), non locked-in RPP, life income fund (LIF) or deferred profit sharing plan (DPSP) funds. We base the tax we withhold on formulae supplied by CRA. They incorporate various personal tax credits, including basic personal, disability and pension income.

Optional withholding tax

You can ask us to withhold:

- additional tax if it's a non-registered annuity with accrual taxation
- your entire periodic payment amount.

Income splitting

Income from a payout annuity may qualify for income splitting for income tax purposes. This allows you to transfer to your spouse up to 50 per cent of the taxable income earned from the payout annuity.

You do the income splitting on your annual tax return. We'll send you a tax slip for the full taxable amount.

Pension income tax credit

Income from a payout annuity may qualify for the federal pension income tax credit. You can claim this in the non-refundable tax credit portion of your tax return if you have eligible pension income. The maximum credit is $2,000.

USING YOUR PENSION MONEY TO BUY A PAYOUT ANNUITY

You may need your spouse's approval

Pension money is governed by the pension legislation in the jurisdiction where the income was earned. Each jurisdiction has its own rules, definitions, etc., including special rights for spouses. In some situations, your spouse will have to waive these rights before we can issue the annuity and begin payments.

AFTER THE SALE

We'll issue the policy once we receive the completed paperwork and premiums. Your advisor will deliver your policy pages, any addenda or amendments and a copy of the application.

Please review any amendments when you receive your policy. By accepting the policy, you accept any changes set out in the amendment.

You will also periodically receive a customer confirmation form from us. It's to confirm you are still living and to help us keep our records current.

WHY CHOOSE SUN LIFE FINANCIAL FOR PAYOUT ANNUITIES?

You can have guaranteed income to suit your needs when you buy a payout annuity from Sun Life Financial. You can also feel good knowing that your investment is with a company whose roots in Canada go back 140 years. Today, we provide financial security to millions of Canadians.

Along with our experience and financial stability, Sun Life Financial is the most trusted life insurance company in Canada according to a Harris/Decima poll. Commissioned by Reader's Digest, the poll named us the Most Trusted Brand in Life Insurance in both 2010 and 2011. The poll asked Canadians, unprompted, which brands they trusted most.

- **Product quality:** 97% of respondents who selected Sun Life as a trusted brand believe that offering a high quality product is important to the reputation of a brand; 94% indicated that offering products/services that are good value for the money is important.
- **Customer service:** 94% said that offering good customer service and product and service backing (i.e. standing behind the product) is important.
- **Brand experience:** having a positive personal experience with the brand was important to 93%, while 89% felt that the trustworthiness of the brand impacted brand reputation.

We are also recognized for our sustainability. In 2010 we were named one of the Global 100 Most Sustainable Corporations in the world for the fifth time in seven years.

NOTES:

Questions? We're here to help.

Talk to an advisor about Sun Life Financial today!
For more information and resources: Visit www.sunlife.ca | Call 1 877 SUN-LIFE/1 877 786-5433

We're dedicated to helping you achieve lifetime financial security.

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