



**Is your money working as hard
as you are?**



Let our money work for you

Manulife Bank Custom Investment Loans

Is your money working as hard as you are?

You work hard to earn income – and set aside a portion each month for your non-registered investment plan. Your expectation is that over time the money you invest will grow and eventually provide you with financial independence. Millions of Canadians rely on this ‘tried and true’ strategy to achieve their financial goals. But what if there was a broadly accepted investing strategy that could make your money work harder? There is.

Leveraged investing – a powerful alternative.

Leveraged investing is simply borrowing to invest. Traditional investors set aside a portion of their income each month to purchase investments, which means they gradually build up their portfolio over a long period of time. Conversely, leveraged investors begin with a large lump sum on day one, and then set aside income each month to make interest payments. The ‘out of pocket’ cost may be the same for both strategies, but the leveraged investing strategy has the potential to generate far greater returns.

Leveraged investing has two key advantages over traditional investing:

1 Compound returns. While both traditional investing and leveraged investing rely on the power of compound returns, there is a significant difference in the size of the investment being compounded, and the length of time it has to compound.

For example, assume you have a 15-year investment horizon. With traditional investing, only the contribution you make today will grow for the full 15 years. The contribution you make next year will only grow for 14 years, and so on. With a leveraged strategy, you borrow and invest the full investment amount up front. The whole investment has the entire 15 years to grow. By borrowing to invest, you can make your money work harder.

2 Tax deductibility. While you can’t deduct your investment contributions under a traditional strategy, the interest you pay on your investment loan is generally tax-deductible. This reduces your ‘break-even’ return – the rate of return at which you’re better off leveraging than pursuing a traditional strategy. The ability to reduce your taxable income means that your net cost of borrowing is typically lower than the interest rate you pay on the loan.

The powerful combination of compound returns and tax deductibility mean that a leveraged investing strategy can help you achieve far greater investment returns than can a traditional strategy.

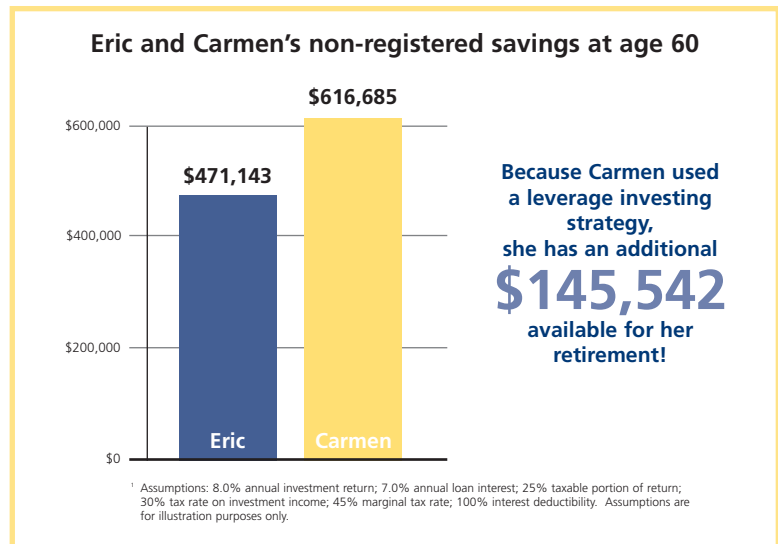
Leverage in action

The example of Eric and Carmen illustrate the power of leverage:

Eric and Carmen are both 45 years old, and would like to retire at age 60. Both are maximizing their RRSP contributions, and would also like to grow their non-registered investments over the next 15 years to make retirement as comfortable as possible. They are comfortable investing in equity-based investment funds, and can afford to set aside about \$11,000 per year toward their retirement savings. Currently their non-registered savings stand at \$75,000.

Eric chooses a traditional investing strategy. He sets aside a portion of his income each month, and at the end of each year makes an investment fund purchase. Carmen wants to explore her options, and asks her financial advisor for some advice. Her advisor suggests using her \$75,000 to secure a \$225,000 loan from Manulife Bank. Following her advisor's advice, she takes out an investment loan and purchases \$300,000 in investment funds.

Over the next 15 years, Eric and Carmen's investment fund averages a return of 8% per year. During that period, Eric contributes a total of \$166,593 to his investment plan, and Carmen's after-tax cost of borrowing has been the same \$166,593. At the end of the 15 years, both investors sell their funds and pay the applicable taxes. In addition, Carmen repays her \$225,000 loan. The following illustration shows the results.



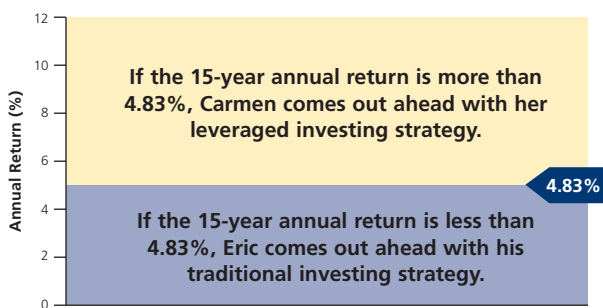
The following table provides some details on how Carmen was able to achieve the additional \$145,000 in savings:

	Eric	Carmen
Initial Investment	\$75,000	\$300,000
Additional Contributions	\$166,593	\$0
After-Tax Cost of Borrowing	\$0	\$166,593
Investment Value after 15 years	\$519,639	\$951,651
Less taxes on sale of investment	(\$48,496)	(\$109,966)
Less repayment of loan	\$0	(\$225,000)
Savings available at retirement	\$471,143	\$616,685

Carmen uses an investment loan to make a larger initial contribution.

The power of compounding and tax deductibility allows Carmen to end up with far more savings.

In this example, Carmen ended up better off than Eric. But at what rate of return would Eric have been better off? To understand this, we need to know what Carmen's 'break-even' return is. As the following chart shows, Carmen would have been better off as long as the average return over their 15-year investment period was higher than 4.83%².



How do I get started?

If you have a higher tolerance for risk, an investment horizon of at least 10 years, and sufficient income to comfortably service an investment loan and applicable taxes, leveraging may be an appropriate strategy for you.

Your financial advisor can provide you with more details about this innovative strategy and about Manulife Bank Custom Investment Loans. In addition, your advisor can provide you with a customized illustration to help you understand how an investment loan might work given your unique situation.

² The 'break-even' return will vary from investor to investor depending on a variety of factors such as marginal tax rate and interest rate. Ask your financial advisor to help you understand what your 'break-even' rate might be.



Ask your financial advisor how a
Manulife Bank Custom Investment
Loan can work for you!

Manulife Bank Custom Investment Loans

At Manulife Bank, we understand that each investor has unique needs and preferences. And investors borrowing larger amounts want a loan program that can be tailored to their specific situation. The Manulife Bank Custom Loan program has been developed with maximum flexibility in mind. The Custom Loan program allows you to choose from a number of attractive loan options, and design the leverage strategy program that's right for you. Here are just some of the features:

Loans from \$50,001 to \$250,000 and beyond

Start a leveraged investing program with the loan size that meets your needs.

No margin call option

Some loans have a 'no margin call' feature, so that you'll never be asked to make an additional deposit if the value of your investment declines.

Interest only payments

Some loans only require interest payments, which can keep your leveraged investment working at its full potential for your full investment period.

2:1, 3:1, 4:1 and 100% options available

Whether you wish to leverage your existing non-registered savings, or borrow the full amount of your investment, you can find a loan to meet your needs.

Investment selection

Manulife Bank Custom Loans are available for a wide variety of mutual funds and segregated funds, including high-quality funds from Manulife Investments.

Attractive interest rates

Competitive floating interest rates mean that you don't need to spend a lot to get a lot.

Alternative equity

Manulife Bank will accept other eligible investments as client equity, including qualifying permanent life insurance policies with a sizeable cash value.

Personal or corporate loans

Harness the power of investment loans for yourself, or for your business.



**Ask your financial advisor how a
Manulife Bank Custom Investment Loan
can work for you!**

Important Note

Borrowing to invest is suitable only for investors with higher risk tolerance. You should be fully aware of the risks and benefits associated with investment loans since losses as well as gains may be magnified. The value of your investment will vary and is not guaranteed, however you must meet your loan and income tax obligations and repay your loan in full. Please read the terms of your loan agreement and the investment details for important information, and discuss with your financial advisor before deciding to borrow to invest

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