

Four Reasons to Borrow to Invest

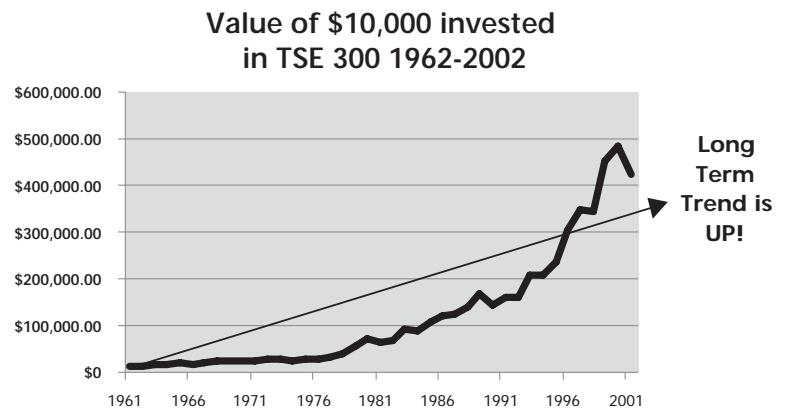
Borrowing to invest is a proven wealth creation strategy that has recently been getting more attention by mainstream investors. In general, investors are beginning to understand the potential benefits that borrowing to invest can offer, but many remain reluctant to act because of the recent volatility of equity markets.

For investors who are able to remain focused on long-term objectives, the rewards may be significant. Your challenge as an advisor is to help your clients see the bigger picture. With markets down, and investment confidence weakened, this may be an excellent opportunity to enhance your clients' portfolios with an investment loan.

Right now, there are four key advantages to offering investment loans as part of a non-registered wealth creation strategy for your select clients.

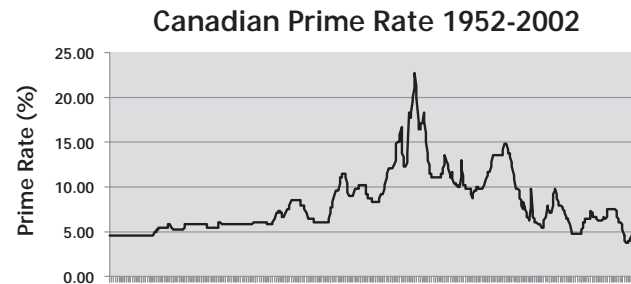
1. Markets are substantially down – buy low

Many investors wait for the market to experience significant gains before they buy. However common sense dictates that the best time to invest in equity markets is when they are down. Despite the recent downturn, the long-term trend for equity markets is UP, as the following graph of the TSE over the past 100 years shows. Investors who recognize this long-term trend can benefit from borrowing to invest.



2. Interest Rates are at historic lows

The cost of borrowing is at historic lows. Because the rate of interest paid is one of the key factors in determining whether borrowing to invest makes sense, today's low rates signal that now is a great time for your clients to take advantage of this strategy. The following table shows the prime lending rate over the last 50 years.

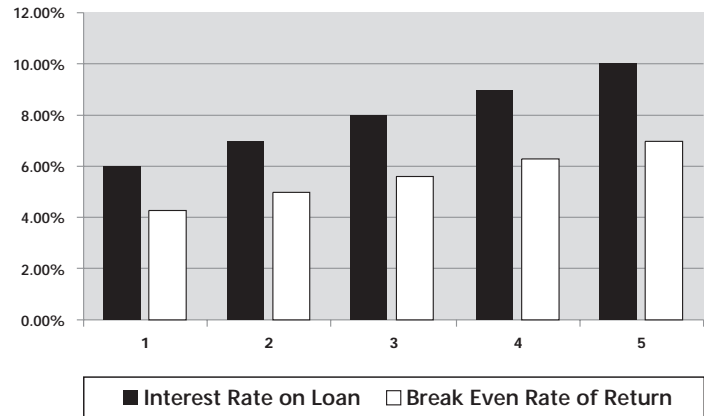


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3. The capital gains inclusion rate is 50%

Taxation should be a key consideration in any non-registered savings plan. In 2000, Canada reduced the capital gains inclusion rate to 50% - which means that investors are only taxed on 50% of the capital gains they realize in their non-registered investments. This means clients who borrow to invest may expect to keep even more of their gains in the future.



Assumptions: Loan interest is 100% tax deductible; annual taxable portion of fund return is 33%; tax rate on income allocations from funds is 45% and the marginal tax rate is 50%

4. Interest on investment loans is tax deductible

One of the greatest incentives to borrow to invest is that interest paid on investment loans is generally deductible from your taxable income. This means that the rate of return required to 'break even' is lower

than the rate of interest being paid on the loan. The following chart shows the rate of return required for an investor to break even at different loan interest rates.

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Manulife Bank is a leader in flexible borrowing to invest concepts, including:

- Manulife Investment Leverage Concept - 2:1, 3:1 and 100% loans for Manulife Insured Portfolio Funds (GIF/GIF *encore*)
- Mutual Fund Investment Loans - 2:1, 100% loans for the Elliott & Page and MIX mutual funds
- Mutual Fund Investment Loans - 2:1, 100% loans for the Manulife Securities nominee name plans

Support materials are available to assist you in your sales efforts, and are available on Repsource (www.manulife.com/repsource), or by contacting:

- Your Manulife Bank Regional Banking Consultant
- Manulife Regional Office
- Wealth Management Sales Team

You should ensure that this program is suitable for your clients and that they are aware of the potential risks and obligations when borrowing to invest.