

Equimax® whole life and term certain annuity package

Looking for a way to help clients prearrange the funding for their Equimax life insurance policy? Funding it with a term certain annuity may be just the ticket!

How does it work?

- An Equimax participating whole life policy is purchased.
- Once the life policy is settled and the final annual premium and policy anniversary are confirmed, a term certain annuity is purchased to provide an annual income sufficient to pay the total life insurance premium.
- Works best with the 10 pay or 20 pay premium option but can also be used with life pay premium option if the intention is to try to qualify for premium offset after 20 years.

Who is the ideal client?

A solution for clients who:

- Want to prearrange the funding for their life insurance policy.
- Want to prearrange the funding for life insurance for a child or grandchild. Premiums for children are low and Equimax provides a stable investment option with tax-advantaged growth.
- Have cash available to purchase a term certain annuity.
- Age restrictions will apply to the annuitant as we require a specific number of annuity payments to pay the premiums. They must be age nearest 71 or under at the time of the first annuity payment for funding a 20 pay or life pay Equimax policy, age nearest 81 or under at the time of the first annuity payment for funding a 10 pay Equimax policy.

How can it help clients?

It gives clients security knowing they have life insurance in place and that the premiums will be paid without impacting their day to day finances.

How can it help you?

- Since the life insurance premium is paid by the annuity income, you benefit from knowing that business will have good persistency.
- You receive commission on both the life insurance and annuity business.

What is the process?

See the reverse side for a simple checklist that will walk you through the two-step process:

Step #1: Establish the Equimax policy

Step #2: Establish the term certain annuity

Important points to clarify with clients

- If there are changes to the Equimax policy after issue that result in an increase in premium, including riders in effect that may have premium renewals, and the term certain annuity income is insufficient to cover the premium, including riders in effect that may have premium renewals, the annuity income will be paid directly to the owner of the annuity. The Equimax policy owner will receive a billing notice for the full premium amount due and must submit the payment to keep the policy in effect.
- If the Equimax life insured is different from the owner (for example, children's policies), we recommend the Equimax contingent owner and the annuity beneficiary be the same person. This will help ensure the income continues to fund the Equimax policy if the owner and annuitant dies before the annuity expires.
- Once the term certain annuity is purchased, it cannot be changed. It will continue to pay the annual income for the term of the annuity. The interest portion of the term certain annuity income is subject to taxation.
- Using a term certain annuity to prearrange the funding for an Equimax policy does not always guarantee the Equimax policy will be paid up when the annuity expires. Premiums may continue to be payable for riders and benefits, or for the base plan when life pay is selected. For life pay plans, where the intention is to potentially qualify for premium offset, you should use the alternate dividend scale of "current minus 2%" as a guideline. The sales illustration you provided when the policy was purchased may have shown a premium offset point based on the dividend scale in effect at that time remaining unchanged for the life of the policy. Since the premium offset point is dependent on dividends, it is not guaranteed. Clients may be required to pay premiums after the term certain annuity ends to keep the policy in effect.
- Dividends are not guaranteed and are paid at the sole discretion of the Board of Directors. Dividends may be subject to taxation. Dividends will vary based on the actual investment returns in the participating account as well as mortality, expenses, lapse, claims experience, taxes and other experience of the participating block of policies.

All-inclusive Equimax whole life and term certain annuity package

Step #1: Establish the Equimax policy (Submit the illustration along with the life insurance application.)	
Premium mode:	<input type="checkbox"/> Annual
Dividend option:	<input type="checkbox"/> Any dividend option <u>except</u> premium reduction
Excelsior deposit option (EDO):	<input type="checkbox"/> Scheduled annual EDO payments can be added to qualifying plans
Total annual premium:	<input type="checkbox"/> Must be \$500 or more (Can include scheduled annual EDO payments.) The annual premium for the policy must meet the minimum requirement for the term certain annuity.
Premium offset: (life pay)	<input type="checkbox"/> Specified offset for a minimum of 20 years The illustration will indicate if the "earliest offset" date occurs later than 20 years, based on the dividend scale in effect at that time remaining unchanged for the life of the policy. The alternate dividend scale of "current minus 2%" will show how premium offset is affected by a decrease in the dividend scale interest rate.
Riders (if selected)	<input type="checkbox"/> Riders that expire prior to the term certain annuity When the rider terminates, the annuity payment will exceed the new lower Equimax premium. The excess will be paid directly to the owner of the annuity. <input type="checkbox"/> Term riders <ul style="list-style-type: none"> • If <u>converted or terminated</u> prior to the premium renewal, the total annual Equimax premium will decrease and the excess annuity income will be paid directly to the owner of the annuity. • If a 10 or 20 year term rider renews, the term certain annuity income may no longer be sufficient to pay the higher total annual Equimax premium. If this happens, the annuity income will be paid directly to the owner of the annuity. The Equimax policy owner will receive a billing notice for the full premium amount due. Using a T20 rider may be a good fit as the first renewal occurs after year 20.
Step #2: Establish the term certain annuity (To be completed once the Equimax policy has settled and the final annual premium and policy anniversary are confirmed.)	
Type of annuity	<input type="checkbox"/> Annuity certain
Number of years	<input type="checkbox"/> Minimum 19 years for funding a 20 pay or life pay Equimax policy; minimum 9 years for funding a 10 pay Equimax policy The first premium payment was paid by the policy owner to settle the Equimax policy.
Type of funds – tax status	<input type="checkbox"/> Non-registered-prescribed The interest portion of the term certain annuity income is subject to taxation.
First payment date	<input type="checkbox"/> 1 st Equimax policy anniversary
Income frequency	<input type="checkbox"/> Annual
Amount	<input type="checkbox"/> Must match the exact annual premium of the Equimax policy A separate payment is required to establish the term certain annuity.
Important considerations when completing the applications	
Owner / Beneficiary	<input type="checkbox"/> If Equimax policy owner = annuity owner/annuitant = Equimax life insured Contingent owners and beneficiaries can be any life as chosen by the policy owner. <input type="checkbox"/> If Equimax policy owner = annuity owner/annuitant ≠ Equimax life insured We recommend that the Equimax contingent owner = annuity beneficiary to ensure the income continues to fund the Equimax policy if the owner and annuitant dies before the annuity expires.
Special instructions	<input type="checkbox"/> Life application – Include the following in the special instructions box "This application is for a policy to be funded by a term certain annuity." <input type="checkbox"/> Annuity application – Include the following in the special instructions box "This application is for a term certain annuity for [name of annuitant] to pay premiums for Equimax whole life policy [policy number]."

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