



Case Study

Using a term certain annuity to prearrange the funding for a child's Equimax® 10 pay insurance policy

Using a term certain annuity is a convenient way to prearrange the funding for future premiums on a life insurance policy. It's like an "All-Inclusive" for life insurance.

THE SITUATION & THE NEED

- George, age 78, is a new grandfather to granddaughter Mia, age 1.
- George would like to prearrange the funding for a \$100,000 permanent life insurance policy for Mia. At some point in the future Mia can access the cash value to help fund her education, start a business, buy a house or supplement her retirement income.
- He has \$20,000 available to put this plan in place.

THE SOLUTION:

The "All-Inclusive" Equimax whole life and term certain annuity package

Step #1: Establish the Equimax policy¹

Equimax Estate Builder®

- George, age 78, is the intended policy owner and Mia, female, age 1, is the intended life insured.
- \$100,000 Equimax Estate Builder with 10 pay premium.
- Paid-Up Additions Dividend Option.
- Annual Premium Mode: An initial payment of \$2,195.00 is required to settle the Equimax policy.

Product: Equimax Estate Builder Province: Ontario Advisor: Equitable Life Update Summary
 Owner(s): Applicant_1 Marginal Tax Rate: 50.00 %
 Client/Coverage: Excelsior Deposit Option Riders Withdrawal/Policy Loan Concepts
 Premium Type: Life Pay (to Age 100) 20 Pay 10 Pay
 Coverage Type: Single Life Number of Lives: 1
 Face Amount: \$100,000 Solve for Face Amount Premium Mode: Annual
 Dividend Option: No Offset
 Payment: Paid Up Additions
 Dividend: Switch to the 'Paid in Cash' dividend option:
 Client Name Sex Date of Birth (dd/mm/yyyy) Age Risk Class Rating
 Mia Female / / 1 Non-Smoker
 Total Initial Deposit: \$2,195.00
 Premium - EDO:
 Total Initial Premium: \$2,195.00 Annual Initial EDO Deposit: \$0.00
 No Offset:
 Equimax Estate Builder Premium 10 Pay: \$2,195.00
 Single Life Face Amount: \$100,000
 Dividend Option: Paid Up Additions
 Base Equimax premium: At issue: \$2,195.00
 Mia Female, 1, Non-Smoker

Step #2: Establish the term certain annuity²

(To be completed once the Equimax policy has settled and the final annual premium and policy anniversary are confirmed.)

Term certain annuity

- George, age 78, is the intended annuitant and annuity owner
- The Amount field must equal the total life insurance premium: \$2,195.00.
- Once the Equimax policy is settled, all subsequent 9 annual premium payments starting with the 1st anniversary will be paid by the term certain annuity.
- The EquiNet® online annuity quotation system calculates that a lump sum deposit of \$17,057.80 is required to provide this annual income.

Annuity Details
 Scenario 1
 Purchase Date: 08/08/2023
 Type of Annuity: Non-Registered - Prescribed
 Select Type of Annuity: Annuity Certain
 Additional Information
 First Payment: 08/08/2024
 Income Frequency: Annual
 Guarantee Period: 10 Years
 Calculation Type: Income
 Amount: \$2,195
 Illustration Language: English
 Single Premium: \$17,057.80

THE FUTURE: YEAR 10 AND AFTER

- After the 10th Equimax policy anniversary, the \$100,000 base plan whole life coverage is paid up and the Term Certain Annuity expires
- Once Mia is an adult, ownership of the Equimax policy can be transferred to her, and she can have access to the cash value should she need it.³
- Mia will have permanent insurance coverage in place to carry her into the future, providing financial security for a family of her own.

In this case study the policy is paid up before Mia, the insured child, is age nearest 18.

FOR ADVISOR USE ONLY

¹Life insurance rates illustrated are effective August 12, 2023. Based on the dividend scale at that time remaining unchanged for the life of the policy. 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. ²The term certain annuity rates illustrated are effective August 8, 2023. This information does not constitute legal, tax, investment, or other professional advice. ³Accessing the cash value in the policy may have tax consequences.

® denotes a trademark of The Equitable Life Insurance Company of Canada.

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 [610](#) 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 whole life 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.

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