

# Policy loan

on Equimax participating whole life

Show your clients how to use the cash value in their Equimax® policy as collateral for a policy loan.

## What is a policy loan?

A policy loan allows your clients to use the cash value in their Equimax Estate Builder® or Equimax Wealth Accumulator® policy as collateral to borrow money from Equitable®. If the loan is granted, there will be an outstanding debt against the policy. Unlike a cash withdrawal, a policy loan does not affect the values in the policy while the policy is in effect. However, it will affect the amount paid to your clients if they choose to surrender the policy or the amount paid to the beneficiary on death of the life insured. Policy loans may be subject to taxation and a tax reporting slip may be issued.<sup>1</sup>

## How does it work?

<b>Availability</b>	<p><b>Policy must have cash value</b></p> <ul style="list-style-type: none"> <li>Your clients can borrow against both the guaranteed cash value of the policy and the non-guaranteed cash value generated by dividends.<sup>2</sup></li> <li>Minimum loan amount<sup>3</sup> is currently \$500.</li> <li>The maximum loan amount<sup>3</sup> is currently limited to 90% of the available cash value less any amounts already owing on the policy (outstanding indebtedness).</li> </ul>
<b>Interest</b>	<p><b>Interest accrues daily from the effective date of the loan</b></p> <ul style="list-style-type: none"> <li>The effective date of the loan is the date that the loan is processed, not the date the funds are available in your clients' bank account.</li> <li>Interest accrues daily, and at each policy anniversary is added to the outstanding loan balance (capitalised). Interest is charged on the entire amount owing.</li> <li>If the outstanding loan balance, including the accrued interest, exceeds the available cash value, the policy will lapse, and the insurance coverage will terminate.</li> <li>Equitable sets the loan interest rate and can change it at any time. Changes will affect both new and existing loans.</li> </ul>
<b>Loan repayments</b>	<p><b>Payments are applied entirely to principal</b></p> <ul style="list-style-type: none"> <li>A loan repayment<sup>4</sup> can be made any time. When received, it's applied entirely to the principal.</li> <li>If the loan is not paid off in full in any given policy year, the interest will capitalise and become part of the loan principal at the policy anniversary.</li> <li>Depending on the premium payment mode of the policy, loan repayments can be made by pre-authorized debit (PAD), cheque or through online banking. Credit cards are not accepted.</li> </ul>

For more information, refer to the policy loan Q&A available on EquiNet® under the resources tab on the whole life insurance page.

For advisor use only

<sup>1</sup> For information regarding the tax reporting status of a proposed loan, please contact Head Office customer service.

<sup>2</sup> 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.

<sup>3</sup> The minimum and maximum loan amount is set by Equitable and is subject to change.

<sup>4</sup> Loan repayment by partial policy surrender may be subject to taxation. A tax reporting slip may be issued. This information does not constitute legal, tax, investment, or other professional advice.

® or ™ denote trademarks of The Equitable Life Insurance Company of Canada.