

Preferred retirement solution

Checklist



Review this checklist to ensure you understand the Preferred retirement solution® and how it can impact you.

financial planning

	<p>I understand that the cash surrender value of a life insurance policy may be used to secure a bank loan.</p>
	<ul style="list-style-type: none"> • With a collateral bank loan, the lender will be a third party lending institution. Availability of a loan from the third party lending institution is not guaranteed by Equitable and is not part of the life insurance contract. • The borrower must apply for and meet the third party lending institution's loan qualification requirements. The ability to obtain a loan and the terms of a loan are subject to the financial underwriting policies at the third party lending institution at the time of loan and are subject to change at any time. • The borrower may be able to borrow from a third party lending institution an amount up to 100% of the policy's cash value. Loan minimums vary by financial institution. Some financial institutions require a minimum collateral loan of \$250,000. • Loans may be made as a lump sum or as a stream of payments over time depending on your needs. The loan stream in this illustration is only one example. Your insurance advisor can show you different types of loan streams or amounts. • In addition to using the cash surrender value of the policy as collateral for a bank loan, that value is also accessible via a withdrawal, a policy loan, or both, and may be subject to taxation.
	<p>I understand that the terms of the loan will be similar to other secured loans available in the marketplace.</p>
	<ul style="list-style-type: none"> • The bank uses the cash surrender value of your policy as security for the loan. • This is a bank loan with current loan terms. There may be conditions, fees and costs associated with arranging the collateral bank loan. Be sure to read the terms specified in the bank loan agreement carefully. • Using your policy as collateral for a bank loan will restrict certain policy owner's rights. These may include accessing cash surrender value through policy loans or withdrawals, surrendering the policy, changing coverage amounts, changing ownership, or converting the policy. • The intention of the Preferred retirement solution is to use the death benefit proceeds from the life insurance policy to pay off the bank loan. However, if the terms of the loan are not met, the bank may have the right to demand immediate payment. The bank could force you to surrender the policy and apply the cash surrender value to the loan balance. You would be responsible for the income tax payable on any policy gain that arises on surrender of the cash surrender value. • See the "Net Cancellation Value" column in the illustration.

	<p>I understand that interest rates and other economic factors impact the amount and timing of loan advances.</p>
	<ul style="list-style-type: none"> • Two of the variables that affect the loan are bank interest rates charged on the loan and policy return rates. This illustration assumes historically reasonable rates; however, actual bank interest rates and policy return rates fluctuate: <ul style="list-style-type: none"> • Lower bank interest rates reduce the cost of borrowing. Higher policy return rates may increase the cash surrender value in the policy. Both of these together may increase the amount available for the loan. • Higher bank interest rates increase the cost of borrowing. Lower policy return rates decrease the cash surrender value in the policy. Both of these together may decrease the amount available for the loan. • Refer to the “Loan Rate Impact Comparison” page to see the impact of higher interest rates. • Ask your insurance advisor to illustrate different bank interest rates and policy return rates.
	<p>I understand that it’s possible for the loan to exceed the bank lending limit.</p>
	<ul style="list-style-type: none"> • This illustration is based on historically reasonable assumptions for things like life expectancy, payments into the policy and loan advances. Your insurance advisor can illustrate using different assumptions. • To the extent that reality differs from these assumptions, the lending limit may be exceeded. If this happens, depending on the terms of your loan, the bank may give you the follow options: <ul style="list-style-type: none"> • personally paying the loan interest; • personally paying an amount to bring the loan back within the lending limit; • providing the bank with additional collateral.
	<p>I understand that laws and regulations under the Income Tax Act and other statutes can change.</p>
	<ul style="list-style-type: none"> • Any changes to laws and regulations in the future could impact the ability to use the cash surrender value of an insurance policy as collateral security for a loan.

This checklist is not a substitute for tax or legal advice. Please consult your tax or legal professional for advice with respect to your personal circumstances. The Preferred retirement solution is a concept. It is not a product or contract.