



# PIVOTAL SELECT Segregated Funds

Chargeback Sales Charge Options



## What is it?

No Load CB (NL-CB) and No Load CB5 (NL-CB5) are sales charge options in Pivotal Select™. When there is a deposit into a NL-CB or NL-CB5 fund, the advisor receives upfront commission. If the client withdraws funds within the chargeback period, three or five years, there is a chargeback of commission to the advisor. The client is not charged any deferred sales charges.

## How is commission paid?

NL-CB		
	FundSERV	Non-FundSERV
	Initial commission: 3.5% of the amount deposited. Trailer commission starts one year after deposit and is doubled five years after deposit.	Initial commission: 2.5% of the amount deposited. Trailer commission starts one year after deposit and is doubled five years after deposit.
Months	Trailer Rate	Trailer Rate
1 – 12	0%	0%
13 – 48	0% Money Market Up to 0.252% Fixed Income Funds Up to 0.504% Balanced, Equity and Portfolio Funds	0% Money Market Up to 0.180% Fixed Income Funds Up to 0.360% Balanced, Equity and Portfolio Funds
49+	0% Money Market Up to 0.504% Fixed Income Funds Up to 1.008% Balanced, Equity and Portfolio Funds	0% Money Market Up to 0.360% Fixed Income Funds Up to 0.720% Balanced, Equity and Portfolio Funds

NL-CB5		
	FundSERV	Non-FundSERV
	Initial commission: 5.6% of the amount deposited. Trailer commission starts one year after deposit.	Initial commission: 4.0% of the amount deposited. Trailer commission starts one year after deposit.
Months	Trailer Rate	Trailer Rate
1 – 12	0%	0%
13+	0% Money Market Up to 0.252% Fixed Income Funds Up to 0.504% Balanced, Equity and Portfolio Funds	0% Money Market Up to 0.180% Fixed Income Funds Up to 0.360% Balanced, Equity and Portfolio Funds

## How does the commission chargeback work?

A commission chargeback may be applied when a client withdraws fund units within 3 years (on the NL-CB) or 5 years (NL-CB5) from the date of purchase. The commission chargeback is calculated as a percentage of the initial commission. The rate of the commission chargeback is based on the age of the units being withdrawn. The commission chargeback rate is as follows:

Months	Commission Chargeback Rate NL-CB	Commission Chargeback Rate NL-CB5
1-12	100%	100%
13 – 24	97.2% – 66.4%	98.3% – 80.0%
25 – 36	63.6% – 32.8%	78.3% – 60.0%
37 – 48	0%	58.3% – 40.0%
49 – 60	0%	38.3% – 20.0%
61+	0%	0%


If the annuitant dies, commission will not be charged back unless the deposit was made on or after the annuitant's 60 birthday and the death occurred within six months of the deposit being made.

## Can any money be withdrawn without a commission chargeback prior to the end of the schedule?

Each year the commission chargeback is waived on up to 10% of a client's opening fund unit balance on January 1, plus 10% of fund units purchased throughout the year (including units purchased through preferred pricing rebates). The amount is non-cumulative year-to-year. This applies to all registration types. Please note that chargeback free units are applicable to withdrawals only and are not eligible to be transferred to No Load (NL).

## How is the commission chargeback calculated?


It is important to remember the calculation of a commission chargeback is based on the number of units. Not the dollar value.




**Example 1**

Using the NL-CB series of funds, Paul purchases \$10,000 of the Active Balanced fund on May 1 via FundSERV

**1,000 units @ \$10.00**



**Paul redeems 500 units** in May of the following year. Paul had 1,000 units as of January 1, and made no other purchases or redemptions.




Units redeemed: **500**  
Age of units : **13 months**  
Commission chargeback rate: **97.2%**  
(based on time invested)  
Free units: **100**  
(10% of the 1,000-unit balance)  
Units subject to chargeback: **400 units**  
(500 units being withdrawn minus 100 free units)

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Initial commission: **\$350**  
(\$10,000 x 3.5% initial commission)

Commission chargeback to the advisor: **\$136.08**  
(400/1000 x 97.2% x \$350)



# What happens to the 10% chargeback free units if there is a switch to a different fund?

Paul has 1,000 units of the Equitable Life Active Balanced Portfolio, NL-CB series. There are one hundred units that may be withdrawn without a commission chargeback. Instead, Paul transfers five hundred units of the Equitable Life Active Balanced Portfolio to the Equitable Life Dynamic U.S. Monthly Income Fund.



### Example 2

The calculation of the chargeback free units switched to the new fund is based on the unit value of both funds at the time of the switch.

The current unit price of the Equitable Life Active Balanced Portfolio is \$13.250 and the current unit price of the Equitable Life Dynamic U.S. Monthly Income Fund is \$12.045.

### Equitable Life Active Balanced Fund



50% assets

### Equitable Life Dynamic U.S. Monthly Income Fund



50% assets

$$\frac{(\text{units being switched out}) \times (\text{unit price of original fund})}{(\text{unit price of new fund})}$$




Chargeback Free:  $100 \times 13.25 / 12.045 = 110$  chargeback free units of Equitable Life Dynamic U.S. Monthly Income Fund

The end result is the Equitable Life Active Balanced Portfolio no longer holds any chargeback free units. The Equitable Life Dynamic U.S. Monthly Income Fund holds all the chargeback free units, 110 units. A switch to another fund may result in fewer chargeback free units. This depends on the unit price of the target fund at the time of the switch.

What happens if Paul switches all 1,000 units to the Equitable Life Dynamic U.S. Monthly Income Fund and the Equitable Life Bissett Canadian Equity Fund equally (50/50)?

The chargeback free units do not split evenly between the two new funds. A first in first out logic applies. The first switch of 50% to the Equitable Life Dynamic U.S. Monthly Income Fund will include the chargeback free units, Example 2. The second switch of 50% to the Equitable Life Bissett Canadian Equity Fund does not include any chargeback free units.

The current unit price of the Equitable Life Active Balanced Portfolio is \$13.250. The current unit price of the Equitable Life Dynamic U.S. Monthly Income Fund is \$12.045. The current unit price of the Equitable Life Bissett Canadian Equity Fund is \$11.350.




**Example 3**

The calculation of the chargeback free units being switched in based on the fund units value of the Equitable Life Active Balanced Portfolio and the Equitable Life Dynamic U.S. Monthly Income Fund only.


The Equitable Life Bissett Canadian Equity Fund is not a factor in the calculation.

**Equitable Life Dynamic U.S. Monthly Income Fund**



50% assets


**Equitable Life Bissett Canadian Equity Fund**



50% assets

100 (units being switched out) x  
13.250 (unit price of original fund) /  
12.045 (unit price of new fund)

Chargeback Free:  $100 \times 13.25 / 12.045 = 110$  **chargeback free**  
units of Equitable Life Dynamic U.S. Monthly Income Fund



The end result is the Equitable Life Dynamic U.S. Monthly Income Fund holds all the chargeback free units, 110 units. The Equitable Life Bissett Canadian Equity Fund has zero chargeback free units.

On January 1 of each year, the 10% chargeback free units reset on a per fund basis. This means that 10% of the units, of each fund, can be withdrawn without incurring a chargeback; regardless of which fund had chargeback free units in the previous calendar year.

Advisors wishing to track chargeback free units must maintain their own records. The calculation of chargebacks or grace units is not available through Equitable’s head office. If an advisor believes the client is planning to withdraw funds in the short term, investing in a no load basis may make more sense.