

Preferred Retirement Solution®

Using Equimax® participating whole life

Tips for completing the concept illustration system

Starting from the Client/Coverage tab and moving through each tab



Field	Description
Product: Estate Builder® or Wealth Accumulator®	In most situations, this solution works better with Estate Builder because of higher longer-term values.
Premium Type: Life Pay, 20 Pay, or 10 Pay	Choose the premium option your client is interested in. Depending on the age of your client different premium options may illustrate better longer-term values. If you are trying to maximize the longer-term values, you may need to take a look at the illustrated values generated by each premium option to choose the best solution. The 10 Pay premium option is available only with Equimax Estate Builder
Face Amount	This can be a specific face amount or “Solve for Face Amount”. The solve can be based on: <ol style="list-style-type: none"> 1) [Premium + EDO]: Fill in this amount if the client has a specific amount they want to spend, and they want to maximize their guaranteed death benefit. 2) [Premium + EDO] and Maximum EDO: Choose this combination if the client has a specific amount they want to spend while ensuring they are making the maximum EDO scheduled deposit for their policy. 3) [Premium + EDO] and EDO Amount: Choose this combination if the client has a specific amount they want to spend and how much of that they want to go to EDO. <p>NOTE: Premiums for riders can be added to work within the specific amount the client wants to spend by selecting the rider options first (from the Client/Coverage tab) and then coming back and inputting the [Premium + EDO amount].</p>
Payment	Select the option for how long the client wants to pay.
Dividend	Any of the dividend options can be selected, however, the solution works best with paid up additions dividend option as it will generate the highest cash value.

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Riders and Withdrawal/Policy Loan tab.	
Riders tab	<p>All riders can be selected when running this solution. Term riders provide cost-effective coverage for short-term needs and may also allow for a higher EDO payment to the policy.</p> <p>For 10 Pay policies where EDO is not offered, a term rider added to the policy may allow for EDO payments.</p> <p>If you want to illustrate additional EDO payments from a term rider you will need to add the term rider before entering the EDO amount or executing the solve feature to determine the initial amount of Equimax coverage.</p>
Withdrawal/Policy Loan tab	<p>Do not use the “Withdrawal/Policy Loan” tab when illustrating the Preferred Retirement Solution concept.</p> <p>TIP: The option to illustrate withdrawals for the Preferred Retirement Solution concept will be available once you select the Concept tab >> Comparison details tab >> Include policy withdrawal comparison</p>

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Concepts tab. Select Preferred Retirement Solution. Select Build concept.

Starting from the Loan assumptions tab

Loan assumptions Comparison details

Loan assumptions tab

Loan amount	a) Specified – enter the desired income, or b) Solve for maximum – The system will determine the maximum yearly level loan amount available over the duration specified by the user. This ensures the loan amount does not exceed the maximum loan to cash value percentage anytime in the illustration.
Duration	Select how long your client will require the loan for based on years or age. The duration cannot exceed one year prior to the 'Assumed age at death' selected for the loan assumptions.
Maximum loan to CSV %	This value is entered by the user. This amount determines the outstanding loan balance that is illustrated, so that it does not exceed this maximum percentage before the 'Assumed age at death'. A maximum of 90% loan to CSV can be illustrated with Equimax. TIP: Financial institutions have restrictions that limit the amounts they are willing to lend based on the type of policy and investment options selected.
Bank loan rate	May vary by institution and current lending rates. TIP: Be conservative when selecting a bank loan interest rate.
Assumed age at death	This is the point in time that is used to calculate the IRR of the Net Estate Value. This is not a calculated life expectancy; therefore, you can run an illustration beyond this point. The Assumed age at death can be adjusted up or down. The default age is 100. The internal rate of return at the "Assumed age at death" will appear at the top of the columns on the Comparison of Values reports.

 **The Equitable Life Insurance Company of Canada**
www.equitable.ca

Designed for: Client 1, Male, Non Smoker, Age 35
Residing in: Ontario

Preferred Retirement Solution
Equimax Estate Builder
Life Pay (to age 100)
Single Life

Comparison of Values - Current Dividend Scale

		Life Insurance Policy				Alternative Investment (selected rates)			
		IRR at age 100 (Net Estate Value): 2.11%				IRR at age 100 (Net Estate Value): 2.92%			
Age	Year	Yearly Premium / Deposit	Annual Bank Loan Amount	Net Estate Value	IRR - Net Estate Value	Yearly Premium / Deposit	Withdrawals After Tax	Net Estate Value	IRR - Net Estate Value

TIP: Up until the "Assumed age at death" in the illustration, the outstanding loan balance will exceed the maximum loan to CSV % entered; therefore, the age selected here will impact the maximum loan amounts available.

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<p>Include other collateral required column</p>	<p>If this option is selected, an additional column will appear on the report showing the Maximum Loan to CSV % based on age/year. If applicable, it will indicate the amount of extra collateral that may be required if the bank loan exceeds the maximum loan to CSV % in the illustration after the “Assumed age at death”.</p>
<p>Interest Accumulation Option</p>	<p>Select interest capitalization or annual interest repayment. Interest Capitalization means no annual payments are made on the loan. This will create a very large loan over time since the accrued and unpaid interest is added to the principal each year. Interest repayment is preferred by most banks. With this type of repayment, the amount of interest payable increases each year as the principal amount increases.</p>

<p>Comparison details tab</p>	
<p>Alternative investment comparison</p>	<p>A comparison of the Preferred Retirement concept versus using an ‘Investment only’ or an ‘Investment and Term insurance’ solution. Choosing the ‘Investment and Term insurance’ option for comparison provides more of a like-to-like comparison since it also provides insurance protection. The amount deposited into the alternative investment is reduced by the amount of funds needed to pay the Term insurance premiums.</p>
<p>Details</p>	<p>If the “Investment only” comparison was selected:</p> <ul style="list-style-type: none"> • Input the rate of return and investment allocation for the alternative investments, or • Choose a portfolio (growth, balanced or income) for a pre-set allocation. <p>If the “Investment and Term Insurance” comparison was selected:</p> <ul style="list-style-type: none"> • Follow the steps above for the investment details, and • Choose the “Term Insurance Tab” in the pop-up and provide the Term Insurance details. Current term rates are used.
<p>Include policy withdrawal comparison</p>	<p>Selecting this will produce a report illustrating how policy values compare if funds are withdrawn directly from the policy as compared to a bank loan or alternative investment options.</p>
<p>Present value discount rate</p>	<p>The default is 4%. This rate is used on the option Summary of Retirement Benefits and Net Estate Values page to compare the present value of the options.</p>

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Illustration tips

If the concept won't run based on the values that have been entered, consider the following, assuming they fit with the client's needs and situation:

- Reduce the income amount.
- Increase the deposit amount.
- Shorten the duration by lowering the Assumed age at death or start income a year later.
- Reduce the lending rate.
- Set the Loan Index rate to zero (if higher).
- Increase the maximum loan to CSV % (if possible).
- Adjust the investment allocation. This may provide more favourable tax treatment.

NOTE: Tax and estate planning is complex. Your clients should ensure that competent tax and estate professionals have been consulted regarding their particular situation prior to implementation.

Preferred Retirement Solution Reports

Equimax[®] participating whole life

Page name	Key focus
Required reports	
Preferred Retirement Solution Concept	Marketing description of the concept
Comparing the Value of Life Insurance with Alternative Investments	Shows a comparison of the internal rate of return from, or total deposits needed for, other types of taxable asset classes to achieve the same net estate value as the Equimax participating whole life policy.
Comparison of Values – Current Dividend Scale	<ul style="list-style-type: none"> • IRR of Net Estate Value at ‘Assumed age at Death’. • Yearly Premium / Deposit – for selected duration • The annual bank loan amount vs withdrawals from the alternative investment amount (or from the policy if selected) • Net Estate Value at each duration. Focus on ‘Assumed Age at Death’
Preferred Retirement Solution Report	<ul style="list-style-type: none"> • Total death benefit. • Annual loan repayment amount (if this option is selected) • Total bank loan balance. • Total bank loan balance as a % of CSV. • Additional collateral required (if selected).
Policy Withdrawals Report	Detailed calculations of the cash flow if the policy withdrawals option is selected.
Alternative Investment Report	Detailed calculations of the cash flow for the alternative investments.
Loan Rate Impact Comparison	Shows the impact of different loan rates.
Comparative Table (Summary)	Shows a comparative summary of the impact of reduced dividend scale interest rates.
Important information about this concept (mandatory signature page)	Client information about life insurance, this concept, and current tax legislation; plus, client signature.
Key Terms	Consumer education: Definition of important terms used in the illustration
Preferred Retirement Solution Checklist	Checklist to ensure important information about the borrowing process is discussed and understood by the client.

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Optional reports	
Cover Page	Packaging.
Comparing the Value of Life Insurance with Alternative Investments – at current dividend scale minus 1% and minus 2%	Shows a comparison of the internal rate of return from, or total deposits needed for, other types of taxable asset classes to achieve the same net estate value as the Equimax participating whole life policy assuming the alternate dividend scale assumptions.
Comparison of Values – Dividend Scale -1% or -2%	Same report shown with the required pages, however illustrated values for the life insurance are based on the alternate dividend scale assumptions and compared to the alternative investment.
Summary of Retirement Benefits and Net Estate Values	Shows present value of the retirement cash flow and a summary comparison of Net estate values at each year. Net Estate value under Bank Loan Scenario: Policy death benefit minus outstanding loan balance
Net Estate Value (Graph)	Visual comparison based on the preceding Summary of Retirement Benefits
Maximum Loan Balance to CSV Ratio	Shows the maximum eligible annual bank loan amount at alternative loan ratios (50%, 75% and 90%) that can be taken and its corresponding total outstanding bank loan to date, for each policy year.

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