Dividend scale interest rate and PAR account rate of return 30-year historical performance

The following table shows Equitable's participating account rate of return and dividend scale interest rate over 30 years compared to other well-known economic indicators. The participating account returns are the returns earned on assets held in the account for the given calendar year; the returns are net of investment expenses and include returns from policy loans. The dividend scale interest rate is smoothed and does not include policy loans.

Year	Equitable Par Account Return	Equitable Dividend Scale Interest Rate	S&P/TSX Total Return Index	Government of Canada 5 to 10 Year Bonds	5 Year GIC	Consumer Price Index
1995	9.43%	10.20%	14.53%	7.93%	7.10%	1.80%
1996	9.14%	9.60%	28.35%	6.86%	5.60%	2.20%
1997	8.54%	10.00%	14.98%	5.87%	4.70%	0.80%
1998	8.32%	9.10%	-1.58%	5.26%	4.40%	1.00%
1999	8.23%	8.80%	31.71%	5.56%	4.80%	2.60%
2000	8.23%	8.80%	7.41%	5.96%	5.30%	3.20%
2001	7.74%	8.80%	-12.57%	5.32%	4.00%	0.70%
2002	8.02%	8.80%	-12.44%	5.08%	3.90%	3.80%
2003	7.70%	8.40%	26.72%	4.54%	3.10%	2.10%
2004	7.64%	8.20%	14.48%	4.34%	2.90%	2.10%
2005	7.48%	8.20%	24.13%	3.89%	2.70%	2.10%
2006	7.59%	7.90%	17.26%	4.18%	3.20%	1.70%
2007	7.30%	7.90%	9.83%	4.25%	3.30%	2.40%
2008	4.92%	7.90%	-33.00%	3.36%	3.01%	1.20%
2009	8.58%	7.40%	35.05%	2.84%	1.95%	1.30%
2010	7.80%	7.10%	17.61%	2.88%	2.00%	2.40%
2011	6.00%	7.10%	-8.71%	2.47%	1.87%	2.30%
2012	7.34%	6.80%	7.19%	1.63%	1.65%	0.80%
2013	8.54%	6.80%	12.99%	1.99%	1.63%	1.20%
2014	8.25%	6.80%	10.55%	1.86%	1.92%	1.50%
2015	4.03%	6.80%	-8.32%	1.19%	1.47%	1.60%
2016	7.23%	6.50%	21.08%	1.02%	1.41%	1.50%
2017	6.90%	6.50%	9.10%	1.61%	1.39%	1.90%
2018	3.70%	6.35%	-8.89%	2.22%	1.69%	2.00%
2019	7.49%	6.20%	22.90%	1.53%	2.08%	2.20%
2020	5.15%	6.20%	5.60%	0.65%	1.28%	0.70%
2021	11.07%	6.05%	25.09%	1.27%	0.99%	4.80%
2022	3.04%	6.05%	-5.84%	2.78%	2.87%	6.30%
2023	6.03%	6.25%	11.75%	3.38%	3.80%	3.40%
2024	7.32%	6.40%	21.65%	3.33%	3.67%	1.80%
Average annualized returns						
5 Years	6.49%	6.19%	11.08%	2.28%	2.52%	3.38%
10 Years	6.17%	6.33%	8.65%	1.89%	2.06%	2.61%
20 Years	6.77%	6.86%	8.12%	2.41%	2.19%	2.15%
30 Years	7.28%	7.59%	8.77%	3.49%	2.98%	2.11%
Standard deviation over 30 years	1.74%	1.25%	15.63%	1.89%	1.50%	1.22%

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 and experience in the participating account and the participating block of policies. Improvements in some of the components can help offset declines in other components. For example, improvements in mortality can help offset the impact of declining interest rates on investment performance. Data as of December 31 of the applicable year, other than the dividend scale interest rate, which is as of July 1 of the applicable year. Average returns are calculated using a geometric mean. Historical results are not indicative of future performance. Source: Statistics Canada, Bank of Canada, Equitable Life of Canada.

The participating account rate of return

The participating account rate of return is the return on the investments over the calendar year. It shows how investments perform over a short time. The amount of money that can be made from an investment can change depending on how the markets are doing.

The value of things like common equities and real estate are based on current market prices. This is what we would get for the asset if we sold it at that time. This way of determining the asset value is called a mark-to-market basis. Using a mark-to-market basis is a fair way to determine an asset's value. These assets are volatile. For example, changes in the stock market affect returns on common and preferred equity investments. This will affect the returns of the non-fixed income assets in the participating account. We use a smoothed return on these assets when setting the dividend scale interest rate (DSIR). This means we factor in any big changes in the returns and spread it out over time. This helps to reduce volatility in the DSIR.

With bonds, we base their value on holding them until the end of their term. Bonds have a fixed interest payment, and the investment is repaid at maturity. This means we know in advance the return we should get. There is still risk that a company may not be able to repay the debt at maturity. If this happens it will affect the returns of the fixed income assets in the participating account.

When interest rates are high, the returns of the participating account usually go up over time. Money flowing in and assets maturing allow us to invest at higher interest rates. But when interest rates are low, the returns usually go down over time. Because of the way we value the assets in the participating account, there's often a delay between these changes. This leads to more stability, and fewer ups and downs in the returns of the participating account even though markets and interest rates are always changing.

The dividend scale interest rate

The dividend scale interest rate is one of the factors we use to decide how much is paid as a dividend to a participating policy. It is different from the participating account rate of return.

The dividend scale interest rate reflects the investment performance of the participating account. It smooths out the ups and downs of the participating account experience. It does not include investment income from policy loans.

Because we smooth the ups and downs, changes in the dividend scale interest rate will lag interest rate changes and participating account returns. If interest rates are low, the dividend scale interest rate usually goes down in the future. When interest rates rise, the dividend scale interest rate usually goes up in the future.

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