

**Corporate Preferred Retirement Solution<sup>®</sup>**  
**Using Equimax<sup>®</sup> participating whole life**  
**Tips for completing the concept illustration system**

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

Client/Coverage   Excelsator Deposit Option   Riders   Withdrawal/Policy Loan   Concepts

Field	Description
Product: Estate or Wealth	In most situations, this solution works better with Estate 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"> <li>1) <b>[Premium + EDO]</b>: Fill in this amount if the client has a specific amount they want to spend, and they want to maximize their guaranteed death benefit.</li> <li>2) <b>[Premium + EDO] and Maximum EDO</b>: 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.</li> <li>3) <b>[Premium + EDO] and EDO Amount</b>: 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.</li> </ol> <p>TIP: 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, this solution works best with paid-up additions dividend option as it will generate the highest cash value.

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Riders and Withdrawals/Policy Loan tabs	
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>
Withdrawals tab	<p><b>Do not use the “Withdrawal/Policy Loan” tab when illustrating the Preferred Retirement Solution concept.</b></p> <p>TIP: The option to illustrate withdrawals for the Preferred Retirement Solution concept will be available once you select the <b>Concept tab &gt;&gt; Comparison details tab &gt;&gt; Include policy withdrawal comparison</b></p>

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## Concepts tab. Select *Corporate Preferred Retirement Solution*. Select *Build* concept.

### Starting from the Loan assumptions tab

Loan assumptions Comparison details

#### Loan assumptions tab

Loan Amount	<p>a) Specified – enter the desired income, or</p> <p>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.</p>
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.
Loan index rate	Defaults to 0% but can be changed. The loan amount can be indexed to increase each year for the loan duration if for example the client wants the loan amount, they receive each year to help with cost of living increases.
Maximum loan to CSV%	<p>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'.</p> <p>A maximum of 90% loan to CSV can be illustrated with Equimax.</p> <p><b>TIP: Financial institutions have restrictions that limit the amounts they are willing to lend based on the type of policy and investment options selected.</b></p>
Include other collateral required column	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".
Bank loan rate	<p>May vary by institution and current lending rates.</p> <p><b>TIP: Be conservative when selecting a bank loan interest rate.</b></p>
Interest Accumulation Option	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>Assumed age at death</p>	<p>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.</p> <p><b>TIP:</b> 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.</p>				
<p>Borrowing Type</p>	<p>Select the Borrowing Type, depending on who will be apply for the loan:</p> <ul style="list-style-type: none"> <li>• For a corporate loan select “Corporate Borrowing”</li> <li>• For a personal loan by the shareholder select “Shareholder Borrowing”.             <ul style="list-style-type: none"> <li>○ The following percentages are unique to Shareholder Borrowing.</li> </ul> </li> </ul> <table border="1" data-bbox="667 768 1466 1381"> <tr> <td data-bbox="667 768 846 1094"> <p>Selected Interest Rate Spread</p> </td> <td data-bbox="846 768 1466 1094"> <p>This is the interest rate difference between the loan rate the shareholder would have received from the bank without using the corporate life insurance policy as collateral and the loan rate they would receive by using the policy for collateral.</p> <p><b>TIP:</b> Defaults to 2% but can be changed. Changing the percentage will impact the Annual Taxable Benefit to the shareholder.</p> </td> </tr> <tr> <td data-bbox="667 1094 846 1381"> <p>Selected Guarantee Fee</p> </td> <td data-bbox="846 1094 1466 1381"> <p>This is the percentage of the loan that the shareholder pays annually to the corporation for the benefit of using the corporate insurance policy as collateral for a personal bank loan.</p> <p><b>TIP:</b> Defaults to 1% but can be changed. Changing the percentage will impact the Annual Taxable Benefit to the shareholder.</p> </td> </tr> </table> <p><b>TIP:</b> To change these percentages, go to Report and choose Design Report.</p> <p>For more detailed information on each Borrowing Type:</p> <ul style="list-style-type: none"> <li>• <i>Corporate Preferred Retirement Solution</i> <a href="#">Checklist (corporate borrowing)</a></li> <li>• <i>Corporate Preferred Retirement Solution</i> <a href="#">Checklist (shareholder borrowing)</a></li> </ul> <p><a href="#">Advisor Guide:</a> Preferred Estate Transfer/Preferred Retirement Solution for corporate clients</p>	<p>Selected Interest Rate Spread</p>	<p>This is the interest rate difference between the loan rate the shareholder would have received from the bank without using the corporate life insurance policy as collateral and the loan rate they would receive by using the policy for collateral.</p> <p><b>TIP:</b> Defaults to 2% but can be changed. Changing the percentage will impact the Annual Taxable Benefit to the shareholder.</p>	<p>Selected Guarantee Fee</p>	<p>This is the percentage of the loan that the shareholder pays annually to the corporation for the benefit of using the corporate insurance policy as collateral for a personal bank loan.</p> <p><b>TIP:</b> Defaults to 1% but can be changed. Changing the percentage will impact the Annual Taxable Benefit to the shareholder.</p>
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Comparison details tab	
Alternative investment comparison	A comparison of the <i>Corporate Preferred Retirement</i> 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.
Details	<p>If the "Investment only" comparison was selected:</p> <ul style="list-style-type: none"> <li>• Input the rate of return and investment allocation for the alternative investments, or</li> <li>• Choose a portfolio (growth, balanced or income) for a pre-set allocation.</li> </ul> <p>If the "Investment and Term Insurance" comparison was selected:</p> <ul style="list-style-type: none"> <li>• Follow the steps above for the investment details, and</li> </ul> <p>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	In order to select this comparison, the Dividend Option indicated in the Equimax product module must have been either Paid Up Additions or On Deposit. 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.
Present value discount rate	The default is 4%. This rate is used on the Summary of Retirement Benefits and Net Estate Values page to compare the present value of the options.

### 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 situation prior to implementation.

# Corporate Preferred Retirement Solution Reports

Equimax® participating whole life

Page name	Key focus
<b>Required reports</b>	
Corporate 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 – Selected rates	<ul style="list-style-type: none"> <li>Yearly Premium / Deposit – for selected duration</li> <li>The annual bank loan amount vs withdrawals from the alternative investment amount (or from the policy if selected)</li> <li>Net Estate Value at each duration. Focus on ‘Assumed Age at Death’</li> </ul>
Corporate Preferred Retirement Solution Report	<ul style="list-style-type: none"> <li>Total death benefit (DB).</li> <li>CDA balance – the portion of DB paid tax free to shareholders</li> <li>Annual loan repayment amount (if this option is selected)</li> <li>Total bank loan balance.</li> <li>Total bank loan balance as a % of CSV. It can only exceed the maximum after the Assumed Age at Death.</li> <li>Net estate value</li> <li>Additional collateral required (if selected).</li> </ul>
Policy Withdrawals report	Detailed calculations of the cash flow if ‘policy withdrawals’ is selected.
Alternative Investment Report – Corporate Investments	Detailed calculations of the cash flow for the alternative investments.
Alternative Investment – Corporate Tax Balances and Net Estate Value	Detailed tax calculations that produce the Net estate value using the alternative investments
Loan Rate Impact Comparison	Shows the impact of different loan rates.
Comparative Table (Summary) – interest rates	Shows the impact of different interest rates.
Important information about this concept + signature page	Client information about life insurance, this concept, and current tax legislation; plus, client signature.
Key Terms	Consumer education
Checklist	Important information about the borrowing process.

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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 – current dividend scale minus 1% and minus 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.
Maximum Loan Balance to CSV Ratio Page	Shows the impact on maximum income of alternative loan ratios (50%, 75% and 90%).

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