



Flexibility for supplemental income with Equimax®

Paid-Up Additions (PUA) to Cash Concept

Did you know Equimax clients can switch from the PUA dividend option to the cash dividend option by simply requesting a dividend option change?^{1,2} Illustrate this for paid-up 10 pay and 20 pay Equimax plans! Show clients how they can build in added flexibility and use their policy to create a source of future supplemental income by simply changing the dividend option to cash.³

ILLUSTRATION CONSIDERATIONS

- Works with Equimax Estate Builder® or Equimax Wealth Accumulator®.
- Illustrate the Excelsior Deposit Option (EDO) to help build the policy values while the PUA dividend option is in effect. EDO payments will end with the switch to cash dividends (not available).
- If a client needs temporary insurance coverage – like mortgage protection – illustrate term riders for how long they are needed to meet the specific goal.³
- If critical illness coverage is needed our competitively priced 20 pay critical illness riders are a great fit to provide paid-up critical illness coverage.³

Clients should apply for the coverage they need. This concept is about flexibility to create a future source of **supplemental income**.

WHICH CLIENTS CAN BENEFIT?

- Parents/grandparents wanting insurance coverage on a child/grandchild with the option for future supplemental income.
- Adults looking for future flexibility and an option to supplement income – for example, during retirement.
- Clients who may not qualify for a collateral loan as illustrated with the Preferred Retirement Solution (PRS) sales concept.

TAX IMPLICATIONS

Dividends taken as cash are subject to taxation.⁴

'PUA TO CASH' CONCEPT: MEET MAX

- Max, age 41, just started his own consulting business.
- He needs to put insurance in place to:
 - Protect his business.
 - Provide some future savings and liquidity.
 - Cover his mortgage.
- Planned spend: \$25,000 annually to put the plan in place.



THE SOLUTION

- \$250,000 20 pay Equimax Wealth Accumulator plan with the paid-up additions (PUA) dividend option
- \$750,000 20-year term rider for 20 years to provide the needed mortgage protection.
- Annual payment of \$25,000 for 20 years (premium plus EDO)

THE ILLUSTRATED VALUES⁵ – PUA DIVIDENDS

Age	Total Death Benefit ⁵		Total Cash Value ⁵	
	Current	Less 1%	Current	Less 1%
42	\$1,054,688	\$1,054,077	\$20,586	\$20,412
65	\$1,646,173	\$1,407,297	\$928,649	\$794,401
75	\$2,238,528	\$1,741,301	\$1,579,185	\$1,229,635
85	\$3,124,250	\$2,211,731	\$2,574,885	\$1,826,619

By age 65, the illustrated death benefit is over \$1.4M under the less 1% dividend scale assumptions. By age 85, the illustrated death benefit is over \$2.2M under the less 1% dividend scale assumptions.⁵

THINKING AHEAD

- At age 65 his illustration shows values well over \$1,000,000⁵ in insurance coverage – Max wonders if he needs that much coverage but likes the fact that he'll be well protected no matter what the future may bring.
- You tell him about an Equimax option that adds flexibility – he could use it in the future if he finds he has enough insurance coverage – **Switching from the current PUA to the cash dividend option!**

HOW IT WORKS

- Locks-in the death benefit⁶ at the time of the change and allows Max to take the annual dividend payment as cash.
- Switching the dividend option from **PUA to cash at age 65** can provide Max with some additional annual income.

THE ILLUSTRATED VALUES^{5,7} – AFTER THE 'PUA TO CASH DIVIDEND' SWITCH

Age	Total Death Benefit ^{5,7}		Total Cash Value ^{5,7}		Annual Cash Dividend ^{5,7}	
	Current	Less 1%	Current	Less 1%	Current	Less 1%
42	\$1,054,688	\$1,054,077	\$20,586	\$20,412	\$0	\$0
65	\$1,598,566	\$1,379,648	\$901,894	\$778,862	\$26,755	\$15,539
75	\$1,598,566	\$1,379,648	\$1,129,292	\$975,393	\$37,283	\$22,683
85	\$1,598,566	\$1,379,648	\$1,323,824	\$1,144,311	\$45,923	\$28,540

With the switch to the cash dividend option at age 65, the dividend is no longer buying any PUAs, so the death benefit remains unchanged. The total cash value will continue to grow. And Max can supplement his income with an annual cash dividend that can also grow in value each year.^{1,4,5,6,7}

To learn more about this concept contact your wholesaler.

¹ 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 in the participating account as well as mortality, expenses, lapse, claims experience, taxes, and other experience of the participating block of policies.

² To request a change to the dividend option complete and submit form 558 (Request for Withdrawal of Dividends, Change in Option, or Premium Offset). A client can request a change to the cash dividend option from any other dividend option regardless of the premium type or whether premiums continue to be payable, subject to our current administration rules and guidelines. Some dividend option changes are subject to underwriting. Underwriting is not required to change from the PUA to cash dividend option, however, underwriting is required to change from the cash dividend option to the PUA dividend option.

³ This concept is intended to illustrate a one-time switch to cash dividends once premiums are no longer payable for the policy (including premiums for riders). Premiums are paid with after-tax dollars and dividends paid in cash are subject to taxation. If premiums are payable, there will be tax savings for the client to use the before-tax cash dividend to reduce the premium instead of taking it entirely as a cash payment. This concept is intended for longer term planning, not to meet short term cash needs by switching back and forth between the PUA and cash options. Clients should consider a policy loan or a cash withdrawal to meet short-term cash needs; policy loans and cash withdrawals may be subject to taxation.

⁴ Cash dividends are subject to taxation. The illustration system has an optional tax report to show clients the portion of the cash dividend subject to taxation. For more information on the taxation of the different dividend options please refer to the [Equimax Advisor/Admin Guide](#) on EquiNet®

⁵ Illustrated values as of August 12, 2023, for a male, age 41, at standard non-smoker rates and the current dividend scale continuing in effect for the life of the policy. Illustrated values assume \$250,000 of 20 pay Wealth Accumulator coverage with the PUA dividend option and \$750,000 of 20-year term rider for 20 years. The term rider is not renewed. The annual payment of \$25,000 is premium of \$9,665.52 plus an annual EDO payment of \$15,334.48. The illustrated values for the example are not guaranteed and assume no cash withdrawals or loans are taken.

⁶ Provided no withdrawals or loans are taken, the death benefit will remain at the amount accumulated in the policy at the time of the change to the cash dividend option and the total cash value continues to grow because of the guaranteed cash values available with the policy.

⁷ Assumes the same illustration assumptions as in footnote 5 above, but with a change from the PUA dividend option to the cash dividend option at age 65.

For more information on features available with Equimax, please refer to the [Equimax Advisor/Admin Guide](#) on EquiNet.

*This is an advanced advisor concept. For more information, please contact your wholesaler.

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