

## IA's STABILIZED ACCOUNT OFFERS SMOOTHED YIELDS AND COLLATERAL STRENGTH



### THE ISSUE

We are pleased to announce that a new investment option offered by Industrial Alliance provides clients with very attractive, stable rates and several other benefits to ensure the long-term effectiveness of their plans.

The new Stabilized Account from Industrial Alliance available to all Genesis universal life insurance policyholders as of January 1, 2014 at 4.60% is guaranteed for four years and will adjust annually thereafter under a smoothing formula to minimize volatility.

This Account is available to all policyholders and its rate of return is not determined by reference to any loan rates and therefore complies with the 2013 Federal Budget requirements affecting so-called "10/8" leveraged life insurance arrangements.

*The opinions expressed in this memorandum are strictly those of Westward Advisors Ltd. This memorandum is for information purposes only and is not legal or tax advice.*

### THE DETAILS

Industrial Alliance announced the "Stabilized Return Index Account" in October 2013 as a new investment option for all existing and new "Genesis" universal life insurance policies.

#### Interest Rate

The Stabilized Account **launches January 1, 2014 at 4.60% annually** for the first four years through December 31, 2017.

After 2017, the interest rate will be adjusted annually effective January 1 for each calendar year. The new interest rate will be announced by Industrial Alliance in the fourth quarter of each year for the following calendar year based on actual investment results in the Stabilized Account's underlying investments and after application of the smoothing formula. The annual interest rate will never be negative.

#### Withdrawals and Transfers

To further support the goal of a smoothed yield for all policyholders, withdrawals or transfers from the Stabilized Account are permitted without charge for up to 20% of the account value annually after 2018. Market value adjustment charges will apply to other withdrawals or transfers.

#### Leveraged Policies

Unlike the IRIS investment account currently paying 7.0% to 8.0%, there is no requirement to borrow against the policy value to access the Stabilized Account. It is available to all policyholders, and is therefore compliant with the 2013 Federal Budget requirements for leveraged policies. Policyholders currently invested in the IRIS investment account may elect to automatically transfer their policy funds to the Stabilized Account effective January 1, 2014 without charge.

### WESTWARD'S VIEWPOINT

The Stabilized Account is an attractive investment alternative for leveraged Industrial Alliance policies for the following reasons:

1. It can be assigned as collateral for loans in compliance with the 2013 Federal Budget requirements;
2. It can be assigned as collateral to any lender, not just Industrial Alliance;
3. The four year fixed 4.6% rate provides short term certainty;
4. The annual rate change after four years provides the ability to benefit from rising markets;
5. The smoothing of gains and losses in the Stabilized Account's underlying investments improves predictability.

In the coming weeks, clients with leveraged Industrial Alliance policies will receive *Your Insurance Plan*, a personalized booklet that provides an updated cash flow projection and our recommendations for moving forward.

In most cases, it will be beneficial to maintain the Collateral Loan Facility (CLF) and elect to transfer the policy funds to the Stabilized Account effective January 1, 2014.

