

## RBC's SMOOTHED ACCOUNT OFFERS SMOOTHED YIELDS AND COLLATERAL STRENGTH



RBC  
Insurance



### THE ISSUE

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

The new Smoothed Account from RBC Insurance is available to all Security Fund policies (version 4.1 or higher) as of January 1, 2014. It pays 4.75% guaranteed for five 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

RBC Insurance announced the "Smoothed Return Investment Account" in October 2013 as a new investment option for all existing and new "Security Fund" universal life insurance policies, version 4.1 or higher

#### Interest Rate

The Smoothed Account **launches January 1, 2014 at 4.75% annually** for the first five years through December 31, 2018.

After 2018, the interest rate will be adjusted annually effective January 1 for each calendar year. The new interest rate will be announced by RBC Insurance before each calendar year based on actual investment results in the Smoothed Account's underlying investments over the previous five years and after application of the smoothing formula.

#### Withdrawals and Transfers

To further support the goal of a smoothed yield for all policyholders, withdrawals or transfers from the Smoothed Account are restricted unless used to repay a collateral to RBC Insurance. Market value adjustment charges will apply to other withdrawals or transfers.

#### Leveraged Policies

Unlike the Collateral Investment Account currently paying from **6.25% to 8.0%**, there is no requirement to borrow against the policy value to access the Smoothed 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 Collateral Investment Account with matching Investment Credit Facility loan balances may elect to automatically transfer their policy funds to the Smoothed Account effective January 1, 2014 without charge.

### WESTWARD'S VIEWPOINT

The Smoothed Account is an attractive investment alternative for leveraged RBC Insurance 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 RBC Insurance;
3. The five year fixed 4.75% rate provides short term certainty;
4. The annual rate change after five years provides the ability to benefit from rising markets;
5. The smoothing of gains and losses in the Smoothed Account's underlying investments improves predictability.

In the coming weeks, our clients with leveraged RBC Insurance policies will receive a personalized updated cash flow projection and our recommendations for moving forward.

In most cases, it will be beneficial to maintain the credit facility and elect to transfer the policy funds to the Smoothed Account effective January 1, 2014.

