

# NEW INDUSTRIAL ALLIANCE LOAN FACILITY



## OVERVIEW

We are pleased to announce that the new Collateral Loan Facility (CLF) offered by Industrial Alliance provides clients with attractive interest rates to continue leveraging their life insurance policies for investment purposes.

The new CLF is available starting January 1, 2014 when secured by a Genesis-IRIS universal life insurance policy from Industrial Alliance. The interest rate is 6.15% annually guaranteed for four years and will adjust annually thereafter at rates pegged to the rates credited against policy cash values.

The CLF is a collateral loan **option**. Since it is not required to be drawn in order to access any investment accounts inside the policy, it 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 "Collateral Loan Facility" in October 2013 as a new loan facility option secured by existing and new "Genesis" universal life insurance policies.

### Interest

The CLF launches January 1, 2014 at 6.15% 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 annual fixed interest rate will be the rate credited to the policy's Stabilized Account plus a spread of 1.5% to 2.0%.

Interest is payable annually in arrears on the policy anniversary date.

### Collateral

Unlike the IRIS collateral loan facility, the CLF is not required to be drawn in order for the policyholder to access any investment accounts within the policy. Consequently, the CLF is compliant with the 2013 Federal Budget requirements for leveraged policies. The CLF is available for up to 100% of the account values of four different investment accounts within the policy, including the new Stabilized Account that becomes available January 1, 2014.

### Term

The CLF is a ten-year credit facility renewable at the option of the borrower subject to creditworthiness satisfactory to Industrial Alliance.

### Existing IRIS Borrowers

Existing IRIS borrowers may elect to automatically transfer their loan balances to the CLF effective January 1, 2014 without charge or financial underwriting, and retain the original maturity dates of their IRIS credit facilities. Borrowers will receive a pro-rated refund of the 2% advance interest paid in 2013.

## WESTWARD'S VIEWPOINT

The CLF is an attractive credit facility for leveraged Industrial Alliance policies for the following reasons:

- It is compliant with the 2013 Federal Budget requirements for leveraged life insurance policies, enabling the borrower to deduct loan interest when the borrowed money is used for business or investment purposes.
- It does not have to be drawn to access any investment accounts within the policy, providing more flexibility within the policy.
- The fixed one year interest rate is pegged to the rate credited to the policy's Stabilized Account, providing certainty over the future value of the loan collateral versus the loan balance.
- It only requires credit approval once every ten years and has no annual fees, reducing borrower costs.
- It can be drawn and repaid at any time without fees or penalties, providing flexibility to the borrower.

Our clients with Industrial Alliance IRIS credit facilities will receive information from us in October and November about how to convert to the CLF automatically on January 1, 2014.