

NEW RBC INSURANCE LOAN FACILITY



OVERVIEW

We are pleased to announce that the new Credit Facility (CF) offered by RBC Insurance provides clients with attractive interest rates to continue leveraging their life insurance policies for investment purposes.

The new CF is available starting January 1, 2014 when secured by a Security Fund universal life insurance policy from RBC Insurance. The interest rate is 6.4% annually guaranteed for five years and will adjust annually thereafter at rates pegged to the rates credited against policy cash values.

The CF 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

RBC Insurance announced the "Credit Facility" in October 2013 as a new loan facility option secured by existing and new "Security Fund" policies.

Interest

The CF launches January 1, 2014 at **6.4%** annually for the first five years through December 31, 2018. Interest is payable annually on the loan anniversary date, and is payable **1.65% in advance and 4.75% in arrears**. The arrears interest rate equals the rate credited to the policy's Smoothed Account.

After 2018, the arrears interest rate will be adjusted annually effective January 1 of each calendar year. The arrears interest rate will remain equal to the rate credited to the policy's Smoothed Account.

After 2018, the advance interest rate will be adjusted annually on January 1 each calendar year, to take effect on the next loan anniversary date. The advance interest rate will be as announced by RBC Insurance.

Collateral

Unlike the Investment Credit Facility (ICF) collateral loan facility, the new CF is not required to be drawn in order for the policyholder to access any investment accounts within the policy. Consequently, the CF is compliant with the 2013 Federal Budget requirements for leveraged policies. The CF is available for up to 100% of the Smoothed Account value within the policy.

Term

The CF is a ten-year credit facility renewable at the option of the borrower subject to creditworthiness satisfactory to RBC Insurance.

Existing ICF Borrowers

Existing ICF borrowers may elect to automatically transfer their loan balances to the CF effective January 1, 2014 without charge or financial underwriting, and retain the original maturity dates of their ICF credit facilities. A pro-rated refund for advance interest paid in 2013 over 1.65% will be applied as a loan repayment.

WESTWARD'S VIEWPOINT

The CF is an attractive credit facility for leveraged RBC Insurance 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 Smoothed 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 RBC Insurance ICFs will receive information from us in November about how to convert to the CF automatically on January 1, 2014.

