

THE INS AND OUTS OF iA SRIA MVAs

WESTWARD'S VIEW

Since 2014, some universal life insurance policies have expanded investment options to include a fund similar to a whole life par fund. The fund is for long-term investing and so MVA fees usually apply to withdrawals. **Understanding the MVA formula is essential** when considering a withdrawal or transfer of funds.

For example, an "MVA" fee will apply to the iA SRIA investment option if funds are withdrawn, transferred to another investment account or used to pay insurance charges. **The MVA does not apply** to SRIA funds used to pay death or disability benefits.

The MVA is 6.0% until December 31, 2018 and is significantly reduced thereafter according to the formula shown here.

Despite the label, the iA SRIA MVA has no connection to market values. It is simply a withdrawal fee.

Clients considering a withdrawal or transfer of funds from the iA SRIA or similar funds in other universal life insurance policies are advised to seek advice from Westward to determine the impact of the MVA and options to minimize it.



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The iA SRIA Investment Option

One of the investment account options within some Industrial Alliance (iA) universal life insurance policies is the **Stabilized Return Index Account (SRIA)**.

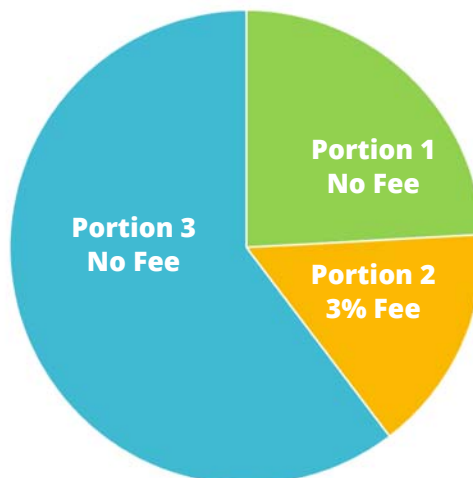
Funds invested in the SRIA are **managed on a discretionary basis** by iA, similar to how investment funds underlying whole life policies are managed. The investment objective is low volatility with long-term investment focus targeting superior returns while minimizing risk of capital loss.

iA uses a **smoothing process** to translate the actual returns of the SRIA fund to an **annual guaranteed rate** credited to the SRIA policy investment account, less the management fee. The net credited rate after management fee can never be negative.

iA SRIA MVA After December 31, 2018

Generally, the MVA applicable to a complete lump sum withdrawal of the entire SRIA, assuming no previous SRIA withdrawals, is calculated by dividing the withdrawal total into three parts as follows:

- 1) **Portion 1:** The first portion of the withdrawal equal to 20% of the SRIA fund balance on the last policy anniversary is not subject to any MVA;
- 2) **Portion 2:** The second portion of the withdrawal equal to the total of all amounts deposited to the SRIA in the 24 months preceding the withdrawal, less Portion 1, is subject to a 3.0% MVA;
- 3) **Portion 3:** The remainder of the withdrawal is only subject to an MVA if the policy's 5 Year Fixed interest rate account is paying more than the SRIA interest rate at the time of the withdrawal, which is highly unlikely.



Thus, the MVA diminishes significantly over time and **eventually reduces to zero** after deposits to the SRIA end.

The MVA will be affected by prior withdrawals and/or transfers. The MVA applies regardless of an outstanding policy loan or collateral loan secured by the policy.