

RBC INSURANCE LOAN vs BIG 5 BANK LOAN

COMPARISON OF LOAN TERMS

OUR VIEW

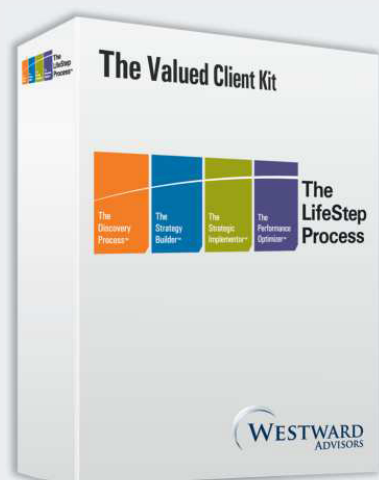
Collateral loan facilities secured primarily by the cash values of universal life insurance policies are now available from Canadian banks and becoming increasingly attractive in the current interest rate environment.

Refinancing an RBC Insurance loan with a Big 5 bank loan offers the opportunity to:

- Reduce interest payments;
- Increase after-tax cash flow;
- Achieve positive pre-tax cash flow;
- Require less taxable income to absorb interest deductions; and
- Access a higher loan to policy value ratio.

This Viewpoint compares the primary differences in loan terms that should be expected in a Big 5 loan commitment letter. In our view, the cash flow benefits of the Big 5 bank loan far outweigh any deterioration in loan terms.

For more information, clients can contact their Westward Account Manager.



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Term	Big 5 Bank Loan	RBC Insurance Loan
Term to Maturity	Demand loan	Ten-year term loan
Interest Rate	Banker's Acceptance rate + Stamp % (~2.0% in June 2021)	Policy rate + 1.65% + Smoothing Factor (5.95% in 2021)
Interest Rate Changes	Upon maturity of Banker's Acceptance (usually every 30 – 90 days)	Adjusted each calendar year
Interest Payment Frequency	Selected Banker's Acceptance term (usually every 30 – 90 days)	Annually
Loan to Policy Value	100%	100%
Policy Value Date	End of policy year	Beginning of policy year
Collateral Security	Life insurance policy	Life insurance policy
Corporate Guarantee	General guarantee	Limited recourse guarantee
One-time Setup Fee	Approx. 0.2% of loan	\$250
Annual Reporting	Net worth, financial statements and tax returns	Not applicable
Annual Review Fee	From \$500- \$5,000	Not applicable
Cash Value Withdrawal Options	Withdrawal restrictions apply after RBC Insurance loan is paid off	100% available to pay off RBC Insurance loan in full at any time
Cash Value Withdrawal Fees	Market value adjustment applies to cash value withdrawal. Can be positive or negative	None

