

# Line of credit program using life insurance cash value

## Accessing cash value in your insurance policy

Permanent life insurance can be a powerful tool in your financial portfolio. These products offer life insurance protection and can allow you to accumulate growth, or cash value, within certain legislative limits, without paying income tax on the growth while it remains in the policy. The death benefit is paid to your beneficiaries tax-free on death.

Generally, permanent life insurance is purchased because you want the benefit a life insurance policy provides at death. This need for protection should be the principal reason for buying life insurance. The cash value in a permanent life insurance policy may also provide a source of income to you during your lifetime for retirement or other purposes. It can also allow you to take advantage of personal or business opportunities, or to deal with unforeseen financial emergencies. The amount of cash value that may be available for opportunities or emergencies depends on how the policy is funded and on tax laws and interpretations in effect at the time funds are withdrawn from the policy.



The cash value of a permanent life insurance policy is an asset that generally increases in value over time. As with most other assets, it may be used as security against a line of credit.



## Using your personal or corporately owned permanent life insurance policy issued by Canada Life™ as collateral

Using your policy as collateral for a line of credit may give you access to more cash than other methods of accessing the cash value, such as a policy loan or partial surrender. However, this method also involves greater risk and need for administration. Obtain professional advice from your advisor, lawyer, accountant, etc. before considering a line of credit program using life insurance cash value. Also, consider having other sufficient capital available to cover possible interest payments or the tax bill should a partial surrender or policy loan become necessary due to the need to repay the line of credit.

Ask your advisor for a copy of Canada Life's *Accessing cash value in your life insurance policy* brochure for more detailed information about the options and methods for accessing the accumulated cash value in a permanent life insurance policy, and the benefits and risks associated with each option.

## Work with your Canada Life advisor to discuss setting up a Scotia Private Client Group® cash surrender value (CSV) line of credit program

Features include:

- Loan-to-cash value ratio:
  - 90 per cent, if the cash surrender value is from a participating life insurance policy, or from a universal life insurance policy where the principal value of the cash surrender value is in guaranteed interest options.
  - 50 per cent, if the cash surrender value is from a universal life insurance policy invested in variable interest options.
  - Up to 100 per cent for fully paid-up policies.
- Customized payment options available.
- Prime flat for enhanced retirement income and back-end leverage structures.
- Minimum line of credit: \$100,000.
- Subject to administration fees.

For more details on this program, contact your advisor. Program details subject to change without notice.

## Helping people achieve more™



In Quebec, advisor refers to a financial security advisor for individual insurance and segregated fund policies; and to an advisor in group insurance/annuity plans for group products.

Life insurance should not be purchased solely on a possible future opportunity to obtain a collateral loan from a third-party lending institution. Using your policy as collateral for a line of credit may give you access to more cash than other methods, such as a policy loan or partial surrender. However, this method also involves more risk and administration. Collateral loans should generally only be considered by sophisticated investors with high risk tolerance. Before you consider using your permanent life insurance policy as collateral for a line of credit, obtain advice from your financial security advisor and lawyer or accountant. Make sure you understand the risks and benefits.

With this long-term strategy, you must have enough other income and net worth to make the premium payments and meet the financial institution's lending criteria. You should also be able to cover possible interest payments and taxes, in case the lender requests repayment and you have to take a partial surrender or policy loan. If funds are withdrawn, rather than borrowed against, they are subject to income tax. The amount of cash value available depends on how the policy is funded and on tax laws and interpretations in effect when you access the cash value.

This material is current as of June 2013, for information purposes only. It is general in nature and should not be construed as legal, accounting or tax advice. For individual circumstances, consult with legal, accounting and tax professionals. Under current Canadian income tax legislation, as generally interpreted, using a life insurance policy as collateral to secure loan proceeds from a third-party lending institution will not by itself, generally, result in taxation. However, typically loan interest is payable and the lender may require repayment of the loan. All comments related to taxation are general in nature. They are based on current Canadian tax legislation and interpretations for Canadian residents, which are subject to change.

The Canada Life Assurance Company, a subsidiary of The Great-West Life Assurance Company and a member of the Power Financial Corporation group of companies, provides insurance and wealth management products and services. Founded in 1847, Canada Life is the country's first domestic life insurance company. Canada Life has received strong ratings on our claims paying ability and financial strength from the major rating agencies

Scotia Private Client Group® consists of private client services from The Bank of Nova Scotia, The Bank of Nova Scotia Trust Company, Scotia Asset Management L.P., Scotia Asset Management U.S. Inc., ScotiaMcLeod Financial Services Inc., WaterStreet Family Capital Counsel Inc., and ScotiaMcLeod®, a division of Scotia Capital Inc. Scotia Capital Inc. is a member of the Canadian Investor Protection Fund and the Investment Industry Regulatory Organization of Canada.

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