## Acknowledgement of Understanding

## **Policy Loans / Before Insured Retirement Income Time**

I, as the policy owner, understand that when I access policy loan(s), I control the repayment schedule, and the lien for the loan balance is applied to the total death benefit of my policy. I have been coached by my advisor and recognize the importance of always having a repayment schedule planned before requesting a policy loan / or at minimum a plan to repay that loan at some point in the future.

I understand that if I choose to not repay a policy loan (i.e. during retirement), simple interest will continue to accrue and compound at each policy anniversary. Subsequently, the loan balance will continue rising and eventually be extinguished by the total death benefit when the Life Insured dies, or when the policy is either fully performed at age 100, or if the policy were surrendered prior to.

I understand that simple interest accrues daily on a policy loan balance and the simple interest rate (%) is variable, determined by the board of directors of the life insurance company one time annually (\*dependent upon carrier). I have been advised and understand that notwithstanding a loan repayment schedule, a recommended best practice is to pay the annual simple interest accrued prior to each policy anniversary date. I understand that unpaid interest is capitalized at each policy anniversary and added to the outstanding loan balance.

I understand that policy loans are an invested asset in the participating account of the life insurance company, and that as a participating policy owner, I can contribute more to the net earnings of the company by actually paying the interest that has accrued. I have been advised and understand this is a best practice that is prudent and that my behavior is far more critical than the behavior of the life insurance company.

I understand that when I access a policy loan, the amount that exceeds the Adjusted Cost Basis (ACB), is considered a deemed disposition and will trigger a taxable gain. I also understand that any amount of the policy loan repaid (regardless of when), triggers a corresponding tax deduction. I’ve also been advised of my options to collaterally assign my policy to a commercial bank if / when I choose to do so and do not wish to trigger a taxable gain. I acknowledge receipt of additional resources below.

I understand that one option available to Canadians is to collaterally assign the policy with a 3rd party lender - see accompanying resources.

I understand that the Adjusted Cost Basis (ACB) of a policy increases with premiums paid, when dividends are used to purchase paid up insurance, with interest paid on policy loans (unless this interest has been used for tax deductions), and policy loan repayments - see accompanying resources.

If a policy loan triggers a taxable gain, an offsetting deduction will be allowed as the policy loan is repaid in future years.

The term “premium offset” is used to describe the option to pay the minimum required premium each year from either dividends and / or partial surrender of paid up additions, or a combination of both. I understand that if there is an outstanding policy loan balance, offset may not be an option. I understand (carrier dependant), there may or may not be access to policy loan(s) while my policy is in a permanent premium offset mode. My advisor has indicated that it’s best to review all available options at the time which I choose to exercise them so that I can maintain access to capital.

I understand that if I am planning to collaterally assign my policy with a commercial bank or other lender that provides cash surrender value (CSV) lending at some point in the future, i.e. for an insured retirement solution, there can be no outstanding policy loan balance at the time I plan to exercise this option, and there are minimum total cash value, and underwriting requirements which may be required by the lender. I have been advised and acknowledge that I can either (1) pay off the policy loan balance from my own assets and / or (2) I may qualify for the lender to pay off the policy loan balance as a condition of approval for the collateral assignment.

**Premium Payment / Policy Design:**

The policy illustration, and design elements (i.e. base, PUA, term or other riders) have all been thoroughly reviewed by my advisor with me. I understand the presumption is that I will be paying the total premium which consists of (1) the minimum required and (2) the additional deposit option combined, and potentially (3) a Term and / or additional riders. I acknowledge my contractual authority to only pay the minimum required premium in any given year, and if I exercise that authority, all future policy values will be less than originally illustrated. In addition, if I reduce / remove a term rider I may trigger a cash back scenario, which may have taxable consequences. I acknowledge that I have been advised to meet with my advisor in the event that I need to adjust the premium payment.

I understand that if I experience financial hardship and am unable to pay a premium, either partially or in full, my advisor has indicated there are several options available to keep my policy in force and I assume responsibility to contact Him / Her to discuss all available options.

I understand that if I own the policy personally, and decide at any time to use corporate funds to pay the premiums, I am conferring a shareholder benefit that may trigger a taxable event. I have been duly Advised and acknowledge that it is my responsibility to consult with a designated Accountant whenever I am considering changes to who the premium payor is for my personally owned policy, and that additional documentation is required.

I understand that laws and regulations under the income tax act and other statues can change. I also understand that my policy is a unilateral binding contract and the only party to the contract who can change the terms is the policy owner.

**Policy Administration:**

I understand that it is my responsibility to ensure that my beneficiary designations are up to date.

I understand that it is my responsibility to ensure that my contact and banking information are up to date.I understand that when I request a policy loan, I’ve been advised to submit the request a minimum of fourteen (14) days before I need the funds. We recommend that you plan thirty (30) days in advance of a need for capital.

For Juvenile policies only: I understand that it is my responsibility to make sure the Life Insured completes a declaration form that confirms the Life Insured’s smoking status no later than age 18. Failure to do so will result in a change to the minimum required premium.

## **Corporate Owned Life Insurance**

I have been advised to consult with a designated tax professional, CPA in collaboration with experts with Ascendant Financial to review any questions I may have regarding the Capital Dividend Account (CDA), collateral assignment of the policy, shareholder versus corporate borrowing strategies.

I have been coached on how to locate the policy value information (i.e. cash surrender value) that my CPA will be requesting at my year end for tax preparation purposes. I acknowledge my understanding of where / how to locate that information and that it is my responsibility to do so. I am also aware that should my CPA or any representative of my company engage Ascendant Financial Client Services to retrieve that information on my behalf, a service fee of $160 will be applied, as the nature of this request goes beyond the standard level of service.

I agree to set a calendar reminder for the date of my corporation year end to retrieve the cash surrender value, policy loan balance outstanding, and other values that my accountant may require. I am aware that my policy values are accessible either online (depending upon carrier), or by contacting the life carrier directly. Should my CPA or any representative of my Company engage Ascendant Financial Client Services to retrieve that information on my behalf, a service fee of $160 will be applied, as the nature of this request goes beyond the standard level of administrative services we provide.