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CANADA LIFE PARTICIPATING LIFE INSURANCE

Demystifying the dividend scale interest rate

When discussing participating life insurance and policyowner dividends, illustrations can help clients understand how values in their policies can grow.

But often clients focus on only a current dividend scale interest rate, and that rate only gives clients part of the information they need to make an informed decision.

There are more elements to look at than just today's dividend scale interest rate. These include:

- Long-term average dividend scale interest rates
- The other elements of the dividend scale
- The strength of the company offering the insurance

To help you talk with clients about the importance of looking at more than just today's dividend scale interest rate, we've prepared an article that explains:

- Over the long term, differences in average dividend scale interest rates are small among all companies and,
- These differences have little effect on the long-term values in a participating life insurance policy.

KEY MESSAGES INSIDE: A client should look at more than just a dividend scale interest rate because a lower dividend scale interest rate, today doesn't necessarily mean lower policy values in the future. Excellence matters, and when it comes to participating life insurance, we're a leader in the Canadian marketplace.

➔ For more information, contact your regional marketing centre.



Canada Life's participating account

Demystifying the Canada Life participating account

The role of the dividend scale interest rate

The glamour of illustrations

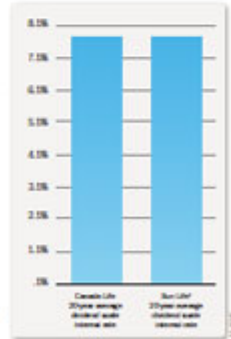
When considering participating life insurance, illustrations help visually explain how a policy's values could grow. Yet it's easy to focus on comparing numbers, particularly when it comes to the dividend scale interest rate. But that rate is only one component of what makes up a dividend.

You might think if you buy a participating life insurance policy from a company that offers a higher dividend scale interest rate at that time, your policy's value will grow quicker and higher in the future. But dividend scale interest rates are not guaranteed and will go up and down over time.

Average dividend scale interest rates can be just as important because of the long-term nature of the insurance policy duration.

For example, Sun Life's 20-year average dividend scale interest rate (1990-2013) is 5.08 per cent. While over that same time is also 5.08 per cent, it shows how short-term gaps close over time.

When you look long term, dividend scale interest rate differences should be small because the elements that can influence a dividend scale have similar effects on all participating accounts. Since all participating accounts are all operating within the same economic environment, they may have similar experiences. Illustrations of cash values that reflect this reality often look alike.



Company	20-year average dividend scale interest rate
Canada Life	5.08%
Sun Life	5.08%

Demystifying the Canada Life participating account: the role of the dividend scale interest rate (form 46-9264)

Attachment

Canada Life March newslink (PDF)

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