CSV line of credit

Reasons to choose a National Bank *CSV line of credit*
The *CSV line of credit* gives affluent clients a convenient and flexible way to access the cash value accumulated within their personally or corporately-owned permanent life insurance policy. National Bank has worked with Canada Life to bring this program together as they understand the mechanics of life insurance and its value. National Bank has a dedicated program with processes in place, meaning clients will get quicker access to their policy's cash value than with other banks who may need to be educated about life insurance cash values.

Enhancements made to this program now consider the net worth of clients who have accumulated assets and have a higher net worth but may have a lower net income in addition to other credit requirements. For example, these clients may own a business or may be just starting one, making a career change, returning to school, or they may be retired or semi-retired.

National Bank *CSV line of credit* program is a revolving personal line of credit, offering competitive rates and services. It increases clients' opportunities to manage and monitor their financial development through the integration of banking products into their financial portfolio. At the same time, clients can continue to count on the professional financial security advice and personal service they have come to expect from you.

Target client
The program is for affluent clients who have accumulated significant cash value in their permanent life insurance policy. It provides individuals with a personal line of credit. Corporately-owned policies can be offered as collateral for a personal line of credit.
Since there are benefits and risks associated with a *CSV line of credit,* it's not recommended for everyone. It should only be considered for clients with:
- Enough financial sophistication to carefully review all alternatives
- Enough capital and income – above and beyond the policy and its premiums – to cover the loan interest payments or the tax bill, if necessary
- Access to professional advice from a lawyer, accountant and tax advisor

Policy eligibility
To be eligible for a *CSV line of credit*, a client's life insurance policy must:
- Provide permanent life insurance coverage
- Have guaranteed cash value
- Not have irrevocable beneficiaries

- Not be held in a registered account

The life insurance policy's current cash values in excess of:
- $55,560 for participating life insurance or universal life insurance with fixed-income investment options, or
- $83,340 for universal life insurance policies with equity linked investment options

CSV line of credit program highlights

Even though the permanent life insurance policy is collaterally assigned to National Bank, approval for the *CSV line of credit* takes more than the cash value of the life insurance policy into consideration.

- The client must fill out a credit application, just like any other loan. This includes proof of income and assets.
- National Bank evaluates the application and decides whether to offer a line of credit and on what terms.
- The client still owns the policy. However, they will need National Bank's approval to change it or take cash from it.
- National Bank provides the line of credit. The client can use the borrowed money for any purpose. Based on current tax law, the client does not incur tax on a personally-owned policy when they provide the policy as security or when they receive funds from the line of credit.
- The client must maintain premium payments to keep the policy in force.
- The client pays a minimum monthly payment of interest only on the outstanding line of credit balance.
- When the insured person dies, the *CSV line of credit* is repaid from the death benefit. The remaining proceeds go to the policy's beneficiaries.

Note: The line of credit amount does not automatically increase as the policy value increases. An application for an increase to the line of credit must be submitted.

CSV line of credit has risks

Clients need to understand there are risks associated with assigning a life insurance policy for a *CSV line of credit*. Some of these risks include:

1. National Bank could recall the *CSV line of credit* and clients may have to surrender the entire policy for its cash value. This could create a number of problems:
   - Clients may face potential tax consequences as a result of the policy surrender
   - Clients may have to pay higher premiums to replace their life insurance coverage, because they are older
   - Clients may not be able to replace the life insurance because of lifestyle or declining health

   Typically, the line of credit may be recalled if the client stops making premium and/or *CSV line of credit* interest payments and the outstanding line of credit balance is threatening to exceed the authorized credit limit granted.

2. Tax rules may change which could end the ability to receive tax-free funds from a *CSV line of credit*
3. Lending practices may change which could result in minimum financial requirements, loan repayment amounts, etc.

National Bank *CSV line of credit* advantage
By collaterally assigning a policy, clients do not remove the policy value from the life insurance policy itself. Therefore, there is no reduction in the value of the policy and it can continue to grow tax-advantaged. In addition, the *CSV line of credit* may provide larger after-tax advantage compared to other methods of accessing policy cash value.

The product provides many benefits for clients, including:
- Clients' bank may not accept life insurance policy cash values as collateral
- Competitive interest rates
- Competitive payment options
- Clients will have easy access to the *CSV line of credit* once it has been set-up
- Client contact centre and online banking available

***CSV line of credit* helps build your client relationships**
Include the *CSV line of credit* in your discussions when updating clients financial and insurance needs or when presenting the *Retirement income enhancer* life insurances sales or *Accessing policy cash value sales strategies*. Adding the *CSV line of credit* to the conversation allows you to strengthen your relationship with clients. When the time comes and they're ready to obtain a personal line of credit, clients won't have to create a new relationship with another financial institution because you've developed a strong relationship with them.

Note: The *CSV line of credit* program is available to individuals only. It is not appropriate when discussing corporate collateral loan strategies.

Clients always have the ability to access policy cash values using policy loans or partial surrenders/withdrawals.

Other methods to access policy cash value
If clients don't meet the lender's requirements for a *CSV line of credit* or if they decide that collaterally assigning their life insurance policy is not the right solution for them, there are two other methods they can consider to access the cash value in their life insurance policy:

- Partial surrender – Cash is permanently removed from the policy, subject to surrender charges and tax.
- Policy loan – Canada Life advances a loan, secured by the policy's cash value. This may be taxable.

For more information on how clients can access policy cash values, refer to the guide, *Accessing the cash values in a life insurance policy,* on RepNet.

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Tax advantages of each method
Collaterally assigning a permanent life insurance policy may provide larger advantages than the other two options because the advances are not taxable. The size of this advantage depends on a number of factors including whether it is a partial surrender, policy loan or collateral loan.

For more information on tax advantages, refer to the *Accessing cash values in a life insurance policy* on RepNet.