

# Finding cash flexibility in an uncertain economy

This past year has highlighted the importance of Canadians, especially business owners, to manage uncertainty in the world with two practical tools: life insurance and cash reserves.

However, the two are often at odds. Having a policy in good standing offers peace of mind that loved ones will be cared for, but only at the expense of ongoing premiums that eat into current cash flows. As the economy struggles to regain footing, businesses and individuals may need to brace for the potential of uncertain incomes. So, which takes priority: *liquidity today, or security tomorrow?*

Immediate Financing Arrangements (IFA) have typically provided a strategic solution to bridge the gap, allowing the policy holder to borrow back 100% of the premium amount so they have both coverage and tax-free cash. But while this process is straightforward in theory, the reality can be more complex. Common problems include:

1. Many IFA lenders require significant assets to be pledged as excess collateral,
2. The underwriting process can be overly invasive, requiring an end-to-end review of the borrower's financials, and
3. The solution is usually designed for upper echelon policies (i.e., \$100,000 annual premiums or above).

For a simpler alternative, Equitable Bank has created an "IFA Lite" strategy, which enables quick, tax-free access for 90%<sup>1</sup> of the cash surrender value (CSV) of a whole life insurance policy.<sup>2</sup>

## Innovation with "IFA Lite"

Unlike many traditional IFAs, the **Equitable Bank CSV MAX Line of Credit** only requires the *policy* as collateral. No other assets are needed, nor does the borrower have to spend months on the application process before gaining access to the funds. The initial assessment is fast, and streamlined to confirm that interest payments can be met (as opposed to the full financial review). From there, the policy holder is granted credit of 90% of the CSV value tax-free, depending on the details of the coverage and the individual or business circumstances. As the policy continues to grow, the borrower can apply for a credit limit increase in order to max out the funds available in the LOC.

Available funds can be applied toward any priorities that develop in the short-term, from home renovations to paying down higher interest debt, starting a company or covering a child's education expenses. What's most important is the realization that life insurance and cash flexibility are not mutually exclusive; that it is possible to gain coverage and build the liquidity buffer needed to navigate an uncertain future.

What happens if the insured passes away? Simple: the outstanding loan is repaid directly from the death benefit, and the remaining cash is inherited by the beneficiary.

## Who's eligible?

Canadian residents aged 18+ who have:

- A whole life insurance policy with one of Equitable Bank's insurance partners
- Adequate cash surrender value available in their policy<sup>3</sup>
- Met financial qualifications to ensure monthly servicing

Bottom line: it's a win-win solution for all involved. The borrower's burden of having to source unavailable funds is lifted, and they're still able to help their families with any large expense during their lifetime. From a dream home to a dream wedding, the applications are endless.

## Ready to apply?

Get in touch with your financial advisor or insurance broker today to discuss how you can balance coverage and cash-on-hand.

[Download brochure >](#)

## Need more information?

Contact Mike Pilz, Head, National Sales, CSV Lending at [mpilz@eqbank.ca](mailto:mpilz@eqbank.ca) and 647-600-7559, or email our team at [wealthsolutions@eqbank.ca](mailto:wealthsolutions@eqbank.ca).

As Canada's Challenger Bank™, we offer a diverse suite of residential lending, commercial lending and savings solutions, including high-interest savings products and GICs.

<sup>1</sup> Credit limits are subject to deductions based on required premium payments.

<sup>2</sup> Consult your financial advisor to discuss your unique tax situation and the tax-free benefits of an Equitable Bank CSV Line of Credit.

<sup>3</sup> The Equitable Bank CSV Line of Credit Suite is a demand credit facility, meaning Equitable Bank can demand payment of all or part of the outstanding balance at any time. The outstanding balance of your loan must remain below 95% of the cash surrender value of your policy.