

WEALTH SOLUTIONS GROUP

A unique tool for Baby Boomers to help their children enter today's real estate market

For many Canadian families, the reality of surging home prices is bittersweet. The older generation stands to benefit from having entered the market years earlier. Meanwhile, their young adult children watch from the sidelines as their dreams of home ownership slip further out of reach.

Some retired Canadians may want options to help the next generation accomplish their goals, and for many retirees, a solution may be in sight.

The affordability gap widens to a chasm

Last year, Canadian home prices continued to grow in spite of the COVID-19 crisis. The national average rose to a record \$607,280 in December – up 17.1% from the same month a year earlier.¹ This metric is heavily influenced by sales in the GTA and Greater Vancouver, two of Canada's most active and expensive housing markets – and busiest urban centres. Over the same month, prices in these regions jumped over 11% and 5.4%, respectively, to an all-time high of \$932,222 and a whopping \$1.047 million.² This momentum is expected to continue in 2021, making it harder for first-time buyers to secure the necessary funds for a down payment. In fact, prices are expected to increase 5.5% this year, with Ottawa and Vancouver anticipated to lead the country at 11.5% and 9% growth, respectively.³

Analysts are predicting the upward pricing pressure will be supported by two key trends: lack of supply and record low interest rates. Not only has the Bank of Canada promised to keep rates low until 2023, but on New Year's Day, there were fewer than 100,000 residential listings on all Canadian MLS systems, the absolute bottom extending back three decades.⁴

Add to these stark market dynamics, millennials are the most indebted generation of all time. Their debt to after-tax income ratio is a staggering 216%, approximately 1.7 times more than young Gen-Xers and 2.7 times more than young Boomers.⁵ Housing

affordability under these circumstances – with an average household income of \$44,100 – presents a serious issue for millennials.⁶

A “living benefit” for all involved

In this environment, many parents and grandparents are looking to help the next generation purchase their first home, yet they often lack the necessary amount in liquid assets. However, as the number of Canadian households with life insurance policies continues to climb to unprecedented levels,⁷ many have an easy option to proactively unlock built-up equity.

This is where a cash surrender value (CSV) lending solution comes in.

It allows Canadians to borrow against their existing permanent, or whole, life insurance policy *now* – providing additional liquidity when and where it’s needed. They can realize a “living benefit,” in the sense that they’re able to offer financial support while still alive, all without forfeiting their policies or reducing the coverage amount.

For Canadians 50 years of age or older, [**Equitable Bank’s CSV FLEX Line of Credit \(LOC\)**](#)⁸ offers unique benefits in this situation. Not only will borrowers have access to up to 90% of the cash value tax-free (determined on a case-by-case basis), but their policy will continue to grow uninterrupted. Proceeds are repaid by the death benefit, and interest is allowed to capitalize – meaning no servicing payments are required. Here’s a quick summary of the benefits:

- Funds are entirely tax-free⁹
- Low interest rates at 3.7% (Prime + 1.25%)¹⁰
- No monthly servicing if LOC is in good standing¹¹
- Revolving credit as needed (scheduled, ad hoc, or all at once)
- Partial or full repayment at any time without penalty
- Hassle-free underwriting process for a fast and easy application

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.

Who’s eligible?

Canadian residents 50+ years who have:

- A whole life insurance policy with one of Equitable’s insurance partners¹²
- Adequate CSV available in their policy¹³

Use the [**Equitable Bank CSV FLEX Line of Credit Qualification Calculator**](#) to assess individual eligibility amounts and begin the application.

Ready for quick tax-free cash?

[Learn how to leverage whole life insurance policies to achieve financial flexibility, and start the application process.](#)

Need more information?

Contact Mike Pilz, Senior Business Development Manager at mpilz@eqbank.ca and 647-600-7559, or email our team at wealthsolutions@eqbank.ca

More insights from Equitable Wealth Solutions Group



GICs: [New laws suggest long-term GICs are portfolio mainstay](#)

Learn more



HISAs: [New CDIC coverage creates a better safe haven for U.S. cash](#)

Learn more



CSV Line of Credit: [Leveraging life insurance: an untapped source of liquidity](#)

[Learn more](#)

Reverse Mortgage: [Accessing home equity wealth for retirement planning needs](#)

[Learn more](#)

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.

¹ [The Canadian Real Estate Association, January 15, 2021.](#)

² Toronto Regional Real Estate Board (TRREB), January 6, 2021; CBC, January 5, 2021.

³ Royal LePage, December 2020.

⁴ [The Canadian Real Estate Association, January 15, 2021.](#)

⁵ [Statistics Canada, April 2019.](#)

⁶ [Ibid.](#)

⁷ [Insurance-Canada.ca, November 2019.](#)

⁸ Visit www.equitablebank.ca/lines-of-credit/csv to learn more and connect with your financial or insurance advisor to decide if the Equitable Bank CSV Line of Credit is the right solution for you.

⁹ The Equitable Bank CSV FLEX Line of Credit offers access to tax-free cash while the policy continues to grow. Borrowers are eligible for credit limits totaling 90% of the cash surrender value of the policy, provided that monthly interest payments are made. Equitable Bank is in no way providing investment advice. Consult with your financial and/or insurance advisor to discuss your unique tax situation and the tax-free benefits of an Equitable Bank CSV Line of Credit.

¹⁰ The CSV Prime Rate is the annual rate of interest established from time to time by Equitable Bank as the reference rate for determining interest rates on Equitable Bank CSV Lines of Credit. Rates are subject to change at any time without notice.

¹¹ 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.

¹² A full list of partner insurers can be found on the Equitable Bank website.

¹³ The amount of capital made available depends on the projected growth of the policy and the age of the borrower.

[CONTACT US](#) | [PRIVACY AGREEMENT](#)

This email was sent by Equitable Bank. [View in browser](#)

Equitable Bank

30 St. Clair Ave. W., Suite 700, Toronto, Ontario, M4V 3A1, Canada

Equitable Bank is a member of CDIC (Canada Deposit Insurance Corporation).

Thanks for staying up to date with the latest Equitable Bank stories, offers and news.

[UNSUBSCRIBE](#) | [UPDATE YOUR PROFILE](#)

© 2021 Equitable Bank, All Rights Reserved