

Understanding your fee-based opportunities



Building a better business



- Why the addition?
 - Regulatory environment
 - Transparency
 - More possibilities for your clients
- Providing the necessary tools now to orient your business towards the future

What are Partner and Preferred partner series?




- A fee-based offering for segregated funds
- Offered as both retail and high net worth (HNW)
- Partner Series also available with Estate Protection Segregated Funds

Partner and Preferred partner series fees



- Management expense ratio (MER) consists of:
 - Operating expense (OE)
 - Investment management fee (IMF)
 - Taxes
- Negotiated advisory and management service (AMS) fee not charged to fund itself, but to client directly

Partner and Preferred partner series – Compensation



- A negotiated AMS is agreed to (as per a fee agreement) on the Partner and Preferred partner series at the time the policy sale is placed
- Compensation paid quarterly
- The AMS fee is:
 - Not disclosed in the contract, but is reported separately on the client statement
 - Charged as one AMS fee transaction (plus applicable GST/HST) per fund
 - Negotiated between client and advisor and **ranges from 0.50 to 1.25%** annually
 - Only changed when re-negotiated with client

Partner and Preferred partner series – Switching / transferring



- Both series can be changed from or to Standard series and Preferred Series 1 (PS1) by processing a fund switch within the same policy
 - LIB option is removed on switching from Standard or Partner series to Preferred partner series or PS1
 - **All units within a policy must be switched at the same time** (i.e., cannot use 10% DSC-free amount to transition over a number of years)
- A Partner series AMS fee agreement is required when switching from Standard or PS1 into Partner series or Preferred partner series

Preferred partner series – Minimum requirements



- Must meet eligible minimum assets of \$500,000
- Total initial premium or market value of \$100,000
- Household account aggregation available to meet minimums
- Maintaining minimums:
 - **No action taken if decline is due to market fluctuation**
 - Falling below minimum due to withdrawal:
 - Advisors will be notified and given 30 days to have clients top up
 - After 30 days, clients are contacted directly

Adding fee-based choices for seg funds



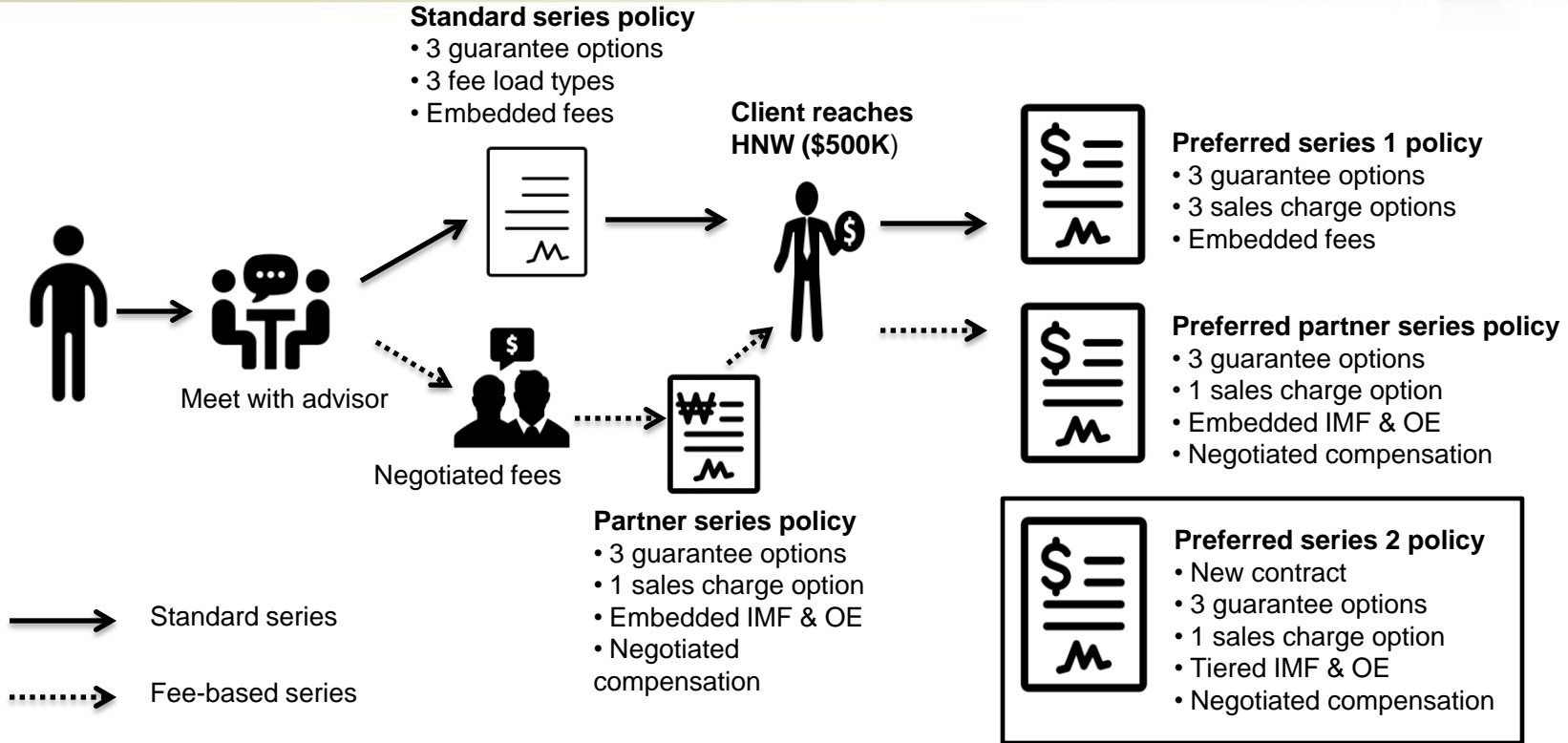
Embedded		Fee-Based		Unbundled	
Retail	HNW	Retail	HNW	Retail	HNW
Standard	PS1	<i>Partner</i>	<i>Preferred partner</i>	N/A	PS2

Client reporting



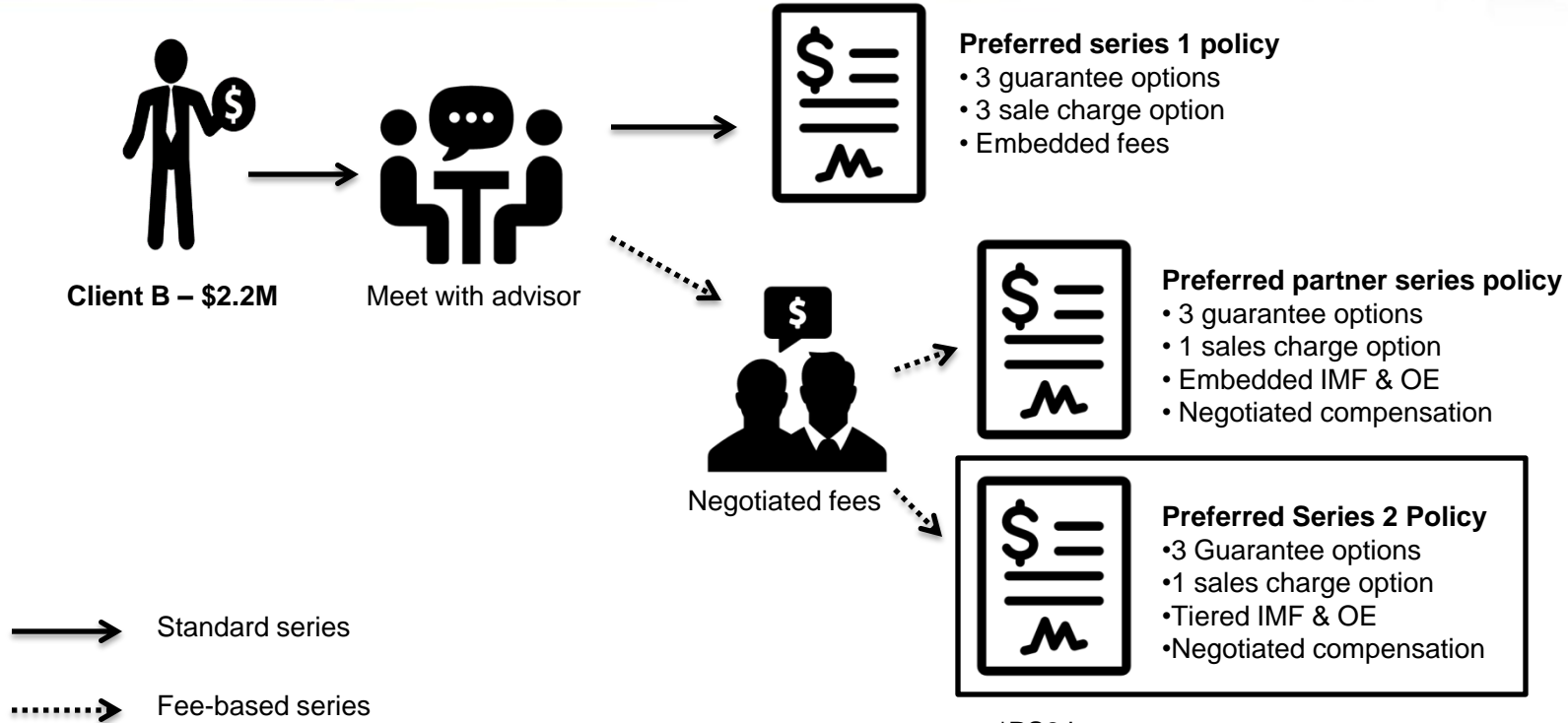
Embedded	No fee transactions
Fee-for-service	One fee transaction per quarter
Unbundled	Two fee transactions per quarter Proportional fee deducted from each fund: <ul style="list-style-type: none">• 1st: IMF + OE (plus tax)• 2nd: AMS fee (plus tax) (i.e., servicing commission plus tax)

Client journey – Retail to HNW



*Moving to PS2 requires a new contract.

Client journey – New HNW client



*PS2 is a separate contract.

A description of the key features of the segregated fund policy is contained in the information folder. Any amount allocated to a segregated fund is invested at the risk of the policyowner and may increase or decrease in value.

