

# Go Fee-Based with RBC Guaranteed Investment Funds

## An Overview



Insurance

### What are fee-based funds (FSC)?

Fee-based funds offer clients and advisors flexibility in establishing the cost for access, service and advice as the fee for the advisor's services is negotiated with the client. Because the advisor fee is excluded from the fund's Management Expense Ratio (MER), it can vary from one account to another and also be changed as the client's situation may change.

#### a. MERs

In embedded advice funds (deferred, low or initial sales charge) trailers are paid by the insurance company to the segregated fund distributor and are charged to the fund as part of the MER.

Fee-based fund MER's do not include trailers or upfront commissions and, as a result, will be lower than embedded advice fund MERs.

#### b. Compensation

The advisor fee is negotiated between you and your client. A redemption of units, based upon the negotiated rate, applicable taxes and the market value in the client's account is made on monthly basis to pay the fee. There is no additional sales commission payable on fee-based funds.

#### The anatomy of Embedded Advice MERs and FSC MERs

Embedded Advice



The fee for advice, access & service is embedded in the series A MER, while it is charged as a separate advisor fee with FSC funds.

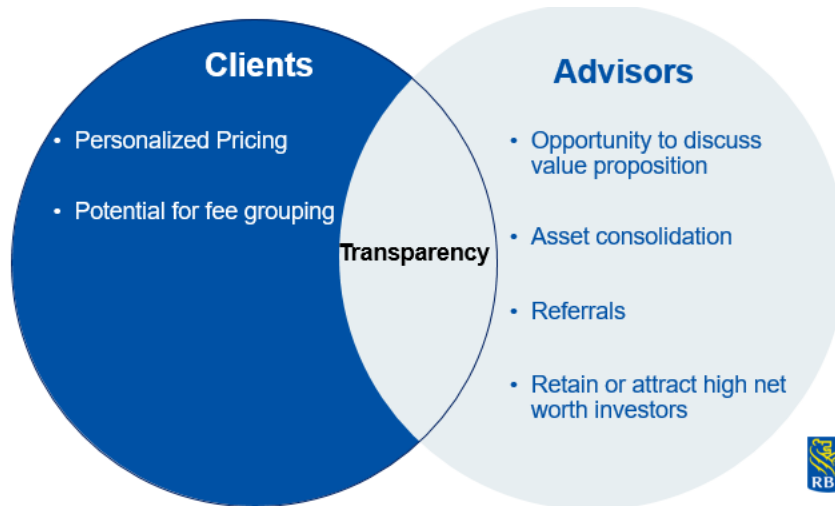
FSC



## Benefits of fee-based investing

Fee-based investing provides greater transparency in fees and allows for more flexibility in determining the cost of advice, access and service for your client.

### Improve client retention and increase assets with RBC GIF FSC!



#### Additional client benefits:

- ✓ **Full transparency of fees:** Promotes a better understanding of what they are paying and what they can expect in return for the fees they pay. This will help clients make informed decisions.
- ✓ **Focus on value to clients:** Greater involvement in the process and a shared understanding of expectations can result in greater mutual trust.
- ✓ **Reduced costs for clients:** Personalized pricing which may take into consideration the total value of assets under management, the total number of household or related accounts, and / or the total strength of the relationship with you.

#### Additional advisor benefits:

- ✓ **Show your value as an advisor:** Opportunity to clarify client expectations about the level of service and advice you will provide according to the rate negotiated.
- ✓ **Focus on relationship building:** Open communication about fees and services can build greater trust and help you better communicate your brand.
- ✓ **Customize pricing and receive a consistent income stream:** Ability to offer clients customized pricing that may encourage greater asset consolidation and retention.
- ✓ **Align advisor and client goals:** More tools to use in competitive situations to help you win the business.
- ✓ **Industry trends:** Prepare for the shift in the industry that may result from the implementation of new regulatory requirements regarding the disclosure of advisor compensation on client statements.

## RBC GIF FSC: Key Product Highlights

### Client suitability for RBC GIF fee-based (FSC) funds

There is no increased asset minimum to invest in FSC funds. While fee-based investing is often seen as more beneficial for higher net-worth clients, it is at your discretion to determine who would be a suitable candidate for RBC GIF FSC funds.

### Availability of fee-based (FSC) funds within RBC GIF

FSC funds are available in:

- ✓ Invest Series (75/75)
- ✓ Series 1 (75/100)
- ✓ Series 2 (75/100 + Resets to age 90)

FSC is an addition to our three other sales charge options:

- ✓ Deferred Sales Charge (DSC)
- ✓ Low Sales Charge (LSC)
- ✓ Initial Sales Charge (ISC)
- ✓ Advisor Chargeback Sales Charge (CBO)

Segregated fund distributors wanting to offer RBC GIF FSC funds must transact business through the Fundserv network and sign an FSC distributor agreement with RBC Life Insurance.

## How to submit FSC business

### No additional paperwork required!

- ✓ ALL-IN-ONE RBC GIF application has been updated to include application for FSC funds.

**13 In which RBC Guaranteed Investment Funds are you investing?**  
List the Fund number for the Funds you have chosen and the percentage you are allocating to each Fund. Minimum lump sum allocation is \$1,000 per Fund number.  
**\*\* Monthly PAD allowed only with Non-Registered, RSP and SRSP Contracts.**  
Minimum monthly PAD allocation is \$50 per Fund number.  
**Subsequent lump sum deposits will require a new submission of investment instructions.**

Please ensure the Fund numbers match the product type, fund, and sales charge option you wish to purchase. Please refer to the inside cover of this application for Fund numbers.

Fund number	Lump sum allocation	Monthly PAD allocation**	For ISC only Initial sales charge* 0 to 5%	F Sales Charge(FSC) Agreed upon Advisor Fee 0 to 1.25% If the advisor fee is left blank it will be deemed 0%. The fee amount is applicable to all FSC funds. Owner's signature required.**
RLI	%	%	%	%
RLI	%	%	%	%
RLI	%	%	%	%
RLI	%	%	%	%
RLI	%	%	%	%
RLI	%	%	%	%

**Total 100%**      **Total 100%**

\* Applicable to ISC funds only. Please see the RBC GIF Information Folder for the maximum initial sales charge. If the initial sales charge is not indicated, the minimum applies. If you need more space, use the Additional Information section.

**Mandatory for FSC Funds only.**

\*\*By signing here, you agree to the Advisor Fee entered above. \_\_\_\_\_  
Owner(s) signature

## Advisor Fee

### 1. Advisor fee rate

The negotiated fee must be no more than 1.25% annually. If no rate is indicated on the application (section 13), a 0% rate will be applied. The rate is applicable to all FSC funds held in the account.

Fees are subject to the Goods and Services Tax (GST), and either the Quebec Sales Tax (QST) or the Harmonized Sales Tax (HST) – determined by the client's province of residence.

### 2. Advisor fee payments

RBC Insurance will calculate and collect the Advisor Fee and applicable taxes on behalf of the advisor on a monthly basis.

The fee, plus applicable tax, will be charged monthly as redemption of units in the client's account. Upon a mid-month full redemption request, a pro-rated fee will be charged for that month.

The full amount of the fee, plus applicable taxes, are paid to the dealer via the usual trailer commission process.

An LS file which includes the service fee and GST/HST and/or QST amount is received one business day after the trailer fee file.

### 3. Taxable impact of the advisor fee

#### a. Registered Accounts

The redemption of units to pay the advisor fee, and applicable taxes, is not subject to withholding tax and will not be reported as taxable income for the policy owner. The fee is considered an expense of the registered plan.

There is also no impact to the RRSP or TFSA contribution room.

#### b. Non-Registered Accounts

The redemption of units to pay the advisor fee on non-registered accounts is a disposition and may result in a capital gain or loss.

### 4. Impact of the advisor fee on RBC GIF guarantees

The redemption of units to pay the advisor fee on client name accounts holding FSC funds will not impact the maturity or death benefit guarantees.

### 5. Deductibility of the advisor fee

When administered by RBC Life Insurance, the advisor fee and applicable taxes are not tax deductible.

## 6. Remittance of sales tax

It is the responsibility of the distributor/advisor to remit tax to the government.

## 7. Changes to the advisor fee

The advisor fee rate can be changed via written instructions signed by the client and advisor. The change will be applied to all FSC funds in the account.

# Administration of RBC GIF FSC

## 1. Switching between sales charge options

Switching from deferred (DSC), low (LSC), advisor chargeback (CBO), or initial (ISC) sales charges to FSC is not permitted. Movement from DSC, LSC, CBO, or ISC to FSC will be treated as a sell and a buy and will require a new, completed application to be submitted.

## 2. Co-mingling FSC funds with DSC, LSC, CBO and ISC

FSC funds cannot be held in the same account as DSC, LSC, CBO, or ISC funds. Clients may hold FSC funds in one account and hold a separate account with DSC, LSC, CBO, and ISC funds.

## 3. Dissolution of an advisor fee agreement

If there is no longer a valid fee agreement between you and your client, we will switch the FSC units in their account to the corresponding ISC units of the same fund (with a 0% sales charge), in accordance with our administrative rules in place at the time. The switch will not impact their maturity or death benefit guarantees.

## 4. Fundserv and nominee accounts

**Both client name and nominee name accounts holding FSC funds must be administered on the Fundserv network.**

Advisor fees paid by your client for holding FSC funds in a nominee account are administered by the nominee distributor according to the terms of the nominee distributor's account agreement. If a redemption of units is used to pay the advisor fee in a nominee account, that transaction will be treated as a regular redemption and will impact the maturity and death benefit guarantee values according to the formula specified in the RBC Guaranteed Investment Funds Information Folder and Contract.

If we are notified that your client no longer has a fee based nominee account, we reserve the right to switch the FSC units to the corresponding ISC units of the same fund (with a 0% sales charge), in accordance with our administrative rules in place at the time. The switch will not impact their maturity or death benefit guarantees.

## Why go fee-based with RBC Guaranteed Investment Funds?

**Strength** - Choose from our fully diversified and competitively priced FSC fund lineup managed by industry-leading investment manager RBC Global Asset Management.

**Simplicity** - Consistent and easy-to-understand product offering for you and your clients with no additional paperwork for our FSC offering.

**Trust** - Transparency of costs help your clients make more informed decisions, allowing you to establish long term trustworthy relationships!

## How to get started with us!

### 1. Confirm your MGA has signed the dealer agreement.

- ✓ FSC funds may only be purchased in client name through Fundserv enabled dealers.

### 2. Talk to your clients about the benefits of fee-based investing

- ✓ The new marketing flyer, “**Fee-based investing with RBC Guaranteed Investment Funds**”, is designed to educate clients on the differences between embedded advice and fee-based investing.

### 3. Obtain point of sale documents:

- ✓ Updated RBC GIF application
- ✓ New Segregated Fund Information Folder & Contract

### 4. Other resources available:

- ✓ [Advisor Guide](#)
- ✓ [Client Guide](#)
- ✓ [RBC GIF At a Glance \(including MER chart\)](#)
- ✓ [Fund Codes](#)
- ✓ [Marketing flyers](#)

## Additional Questions?

Contact your local Senior Sales Consultant for more information.

**Any amount that is allocated to a segregated fund is invested at the risk of the contractholder and may increase or decrease in value.** RBC Guaranteed Investment Funds are individual variable annuity contracts and are referred to as segregated funds. RBC Life Insurance Company is the sole issuer and guarantor of the guarantee provisions contained in these contracts. The underlying mutual funds and portfolios available in these contracts are managed by RBC Global Asset Management Inc. When clients deposit money into an RBC Guaranteed Investment Funds contract, they are not buying units of the RBC Global Asset Management Inc. mutual fund or portfolio and therefore do not possess any of the rights and privileges of the unitholders of such funds. Details of the applicable Contract are contained in the RBC GIF Information. Folder and Contract at [www.rbcinsurance.com/segregatedfunds](http://www.rbcinsurance.com/segregatedfunds).