



Calculating Commission Chargebacks

When an investor purchases a fund using the Advisor Chargeback Option (CBO), RBC Insurance will pay a commission of 3.25% to the dealer/advisor. There are no sales charges paid by the client when a client wishes to redeem from the fund, however, the dealer/advisor will have to return all or part of their sales commission if the client redeems within the 2 years from the purchase date.

The chargeback schedule below shows how much of the original commission paid will be subject to a chargeback percentage and is based on a 24-month declining scale:

Number of months	Chargeback Percentage	Number of months	Chargeback Percentage	Number of months	Chargeback Percentage	Number of months	Chargeback Percentage	Number of months	Chargeback Percentage
0	100%	5	83.33%	10	62.50%	15	41.67%	20	20.83%
1	100%	6	79.17%	11	58.33%	16	37.5%	21	16.67%
2	95.83%	7	75%	12	54.17%	17	33.33%	22	12.5%
3	91.67%	8	70.83%	13	50%	18	29.17%	23	8.33%
4	87.50%	9	66.67%	14	45.83%	19	25%	24	4.17%

Commission Chargeback: Units subject to chargeback and Units not subject to chargeback

There are embedded units that will reduce **the amount of the advisor chargeback** if a withdrawal occurs in the first 2 years. These amounts are referred to as "Units not subject to chargeback."

- 10% for non-registered, RRSP/LIRA; TFSA;
- 20% for RRIF/LIF;

The commission chargeback calculation is based on the number of units and calculated as a percentage of the gross deposit amount in units and the unit price at the time of withdrawal.

Formula used to calculate the Chargeback amount

Chargeback amount=

$$\text{Commission paid at time of purchase} * \text{Chargeback percentage} * \left[\frac{\# \text{ units required to withdraw} - \text{units not subject to chargeback}}{\text{Original units purchased}} \right]$$

Calculating Advisor Chargeback Amount

a) Deposit of \$100,000 made on Feb 1, 2021.

Date	Transaction	Gross Transaction Amount	Commission Paid @3.25%	Unit value at time of deposit	Total # units (Gross amount/Unit Value)	# units not subject to chargeback (10% * total # units)
Feb 1, 2021	Deposit	\$100,000	\$3,250	\$13.50	7,407	740.70

For simplicity, only 1 fund was purchased.

b) Withdrawal of \$50,000 processed on June 15, 2021.

Date	Transaction	Gross Transaction Amount	Unit Value at time of withdrawal	# units needed to withdraw the gross transaction amount (Gross amount /unit value)	# free units based on original deposit amount	# units being charged (# units - # free units)
June 15, 2021	Withdrawal	\$50,000	\$13.50	3,703.50	740.70	2962.80

For simplicity, the unit value of the fund remains constant.

c) Calculation of Advisor Chargeback amount

Commission paid at time of purchase	*	Chargeback percentage	*	# units needed to withdraw	-	# Free units	/	Original units purchased	=	Chargeback to advisor
\$3,250	*	83.33%	*	((3703.50	-	740.70)	/	7,407)	=	\$1083.29

RESULT: *The advisor chargeback amount is \$1083.29.*

Additional information:

- If there is more than 1 fund in the account, amounts not subject to chargeback are calculated at a fund level (each fund will calculate its own chargeback amount) and not at an account level.
- If there is a switch of funds within the first 2 years, commission chargeback including # units not subject to chargeback will be based on unit values of the new fund(s).
- This example assumes the unit value stays constant. Chargeback to advisor amounts will vary in a positive market vs a negative market.

Contact your RBC Insurance Sales Consultant at 1-866-235-4332 to learn more.

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