ADVISOR GUIDE

RRSP
LOAN PROGRAM

it's a Money Thing

This Advisor Guide is only for independent advisors contracted with Canada Life™ and should not be distributed to your clients. See the most recent Private Collections, Canada Life Generations® and Flex Contracts, Information Folders and Summary Fact Statements for more detailed information about product features.

Loans are provided solely by B2B Trust, a subsidiary of Laurentian Bank. The Canada Life Assurance Company does not act as a lender nor does it intend to. The program is a means by which a client may transfer loan proceeds approved and funded by B2B Trust to a new or existing Canada Life account in a client's name. Canada Life does not process client investment transactions until loan proceeds are received from B2B Trust and sufficient client authorization to do so is provided. Canada Life accepts no responsibility for loan approval delays or delays to transfers of approved loan proceeds to Canada Life.

Provided by B2B Trust

B2B TRUST
A SUBSIDIARY OF LAURENTIAN BANK

RRSP LOAN PROGRAM

it's a Money Thing

The RRSP Loan Program can help your clients achieve their registered savings goals. Canada Life™ has partnered with B2B Trust, a subsidiary of Laurentian Bank, to provide your clients with loans from B2B Trust that they can use to maximize their Registered Retirement Savings Plan (RRSP) contributions by investing in any of Canada Life's full range of individual investment products.

Ideal RRSP Loan Clients

Ideal RRSP Loan Program clients are those who have contribution room in their RRSPs and need a capital source to top up their contributions. Clients should also:

- Have long-term investment goals (10-year minimum)
- Be comfortable with borrowing money for investment purposes
- Be experienced investors familiar to market volatility

RRSP Loan Program Benefits

Establishes a Disciplined Savings Plan

Establishing an RRSP Loan Program creates a registered pool of invested capital that a client must pay for by monthly interest and principal payments. This definitely makes it easy for them to set money aside for the future.

Helps Meet Savings Goals

Many people lack enough money to maximize their RRSP contributions to their registered savings portfolios. The RRSP Loan Program can provide your clients with the capital they need to keep the maximum amount invested in their registered portfolios so it may grow large enough to provide a retirement income.

Shortens the Investment Time Horizon

You've heard time and time again about the 'magic' of compound interest and how much quicker clients' reach their financial goals the longer their money is invested. Quite simply, the RRSP Loan Program gets more money working for your clients faster.

Creates a Tax-Deduction

Let's face it, tax deductions are few and far between in Canada. However, deposits into registered savings plans are tax-deductible and the money in the plan grows tax-deferred until withdrawn.

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RRSP Loan Program Risks

Decreased Investment Values

Investing borrowed money magnifies the impact of investment returns – both positively and negatively. Ensure your clients know this prior to signing up for the RRSP Loan Program with B2B Trust.

Help reduce your clients' overall risk by guiding them to make wise, long-term investment selections that are diversified amongst a number of eligible Canada Life investments.

Increased Interest Rates

Increasing interest rates raises your clients' cost of borrowing. Additionally, the rate of return your clients need in order to profit from borrowed investing goes up. Increasing interest rates also adversely affects equity markets. Together, this may force some clients to liquidate all or a portion of their assets to pay down their debts.

Ensure your clients have enough cash flow to cover any interest rate increases and suggest an emergency fund sufficient to cover debt payments for up to one year.

Reduced Cash Flow

Clients may have difficulty paying off their loans if their cash flow is reduced. This situation can become even more serious if the investments purchased through the loan program drop in value to the point that the value of these investments does not cover the debt.

Clients must be conservative from the onset of the program and not borrow more than they can handle during difficult times. Establishing an emergency fund sufficient to cover debt payments for up to one year is also a smart move.

RRSP Loan Program Details

Note that all loan product and administrative details are based on information provided by B2B Trust.

The RRSP Loan Program offers clients three types of loans: the Early Bird Special, Traditional and Top-Up RRSP Loans.

Early Bird Special RRSP Loan

B2B Trust lends clients 100 per cent of the money to invest in a registered savings plan with Canada Life. The Early Bird Special RRSP Loan features a special variable interest rate at prime that's available to clients from Dec. 1 to Jan. 31 each year.

Loan Features

- Pre-approval opportunity
- Variable interest rate at prime
- Deferred payment option of up to 120 days
- No down payment
- No set up or transaction fees

Loan Details

Loan Amount:	Minimum = $2,500
	Maximum = $13,500
Interest Rate	Variable prime rate
Payments	Interest plus principal
Amortization	One to two years
Key Benefits	• Pre-approval opportunity • Deferred payment option of up to 120 days • No down payment • No set up or transaction fees • Variable interest rate at prime

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Traditional RRSP Loan

B2B Trust lends clients 100 per cent of the money to invest in a registered savings plan with Canada Life. B2B Trust's most popular loan, the Traditional RRSP Loan also offers clients a fixed interest rate option from Feb. 1 to the end of RRSP season.

Loan Features

- Pre-approval opportunity
- Competitive variable loan interest rates
- Fixed interest rate option
- Deferred payment option of up to 120 days
- No down payment
- No set up or transaction fees

Loan Details

Loan Amount	Minimum = $2,500
	Maximum = $13,500
Interest Rate	One year loan = Prime + 0.5% Two year loan = Prime + 0.75% Fixed rates available
Payments	Interest plus principal
Amortization	One to two years
Key Benefits	• Pre-approval opportunity • Deferred payment option of up to 120 days • No down payment • No set up or transaction fees • Fixed interest rate option

Top-Up RRSP Loan

B2B Trust lends clients 100 per cent of the money to invest in a registered savings plan with Canada Life. The Top-Up RRSP Loan also offers clients an amortization schedule of up to 10 years so they can choose the schedule that meets their needs.

Loan Features

- Pre-approval opportunity
- Competitive variable loan interest rates
- Deferred payment option of up to 120 days
- No down payment
- No set up or transaction fees

Loan Details - Two Versions

Loan Amount	Minimum = $5,000	Minimum = $10,000
	Maximum = $9,999	Maximum = $50,000
Interest Rate	Three to five years = Prime + 2.5%	One to five years = Prime + 0.75% Six to 10 years = Prime + 1.5%
Payments	Interest plus principal	
Amortization	Three to five years	One to 10 years
Key Benefits	• Pre-approval opportunity • Deferred payment option of up to 120 days • No down payment • No set up or transaction fees • Flexible amortization schedule	

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Pre-Approval

Clients who've paid a B2B Trust RRSP loan as agreed within the previous two years automatically qualify for a new B2B Trust RRSP loan of the same amount.

Deferred Payment Option

Clients may defer their first monthly payment for up to 120 days. Interest accrues from the date of loan funding but amortization is deferred until the end of the deferral period. For example, the first loan payment for a loan funded between Dec. 22, 2002 and Jan. 20, 2003 is withdrawn Mar. 20, 2003. Note that loan funding and pre-authorized cheque (PAC) withdrawal payments only occur on B2B Trust business days.

Application Instructions

Applying for a B2B Trust RRSP loan is easy. Just follow these simple steps for each application.

All RRSP Loan Program forms and marketing materials are available from RepNet, Canada Life's advisor Web site, at www.canadalife.ca/repnet. B2B Trust forms can also be found on its Web site at www.natlink.com.

1. Complete the Canada Life application/investment instructions and indicate that the deposit money is from a "B2B Trust RRSP Loan". Indicate the existing Canada Life RRSP account number if the client has an existing registered account with Canada Life. Send the completed application to Canada Life as per the normal process.

2. Complete and fax the *RRSP Loan Program Advisor Enrollment Form* (form 5226) to B2B Trust according to the instructions provided. Advisors must enroll with B2B Trust prior to submitting loan applications.

3. Complete all sections of the *B2B Trust RSP Loan Program Loan Application*. The client must sign where applicable and initial any corrections. Ensure you indicate your name, Canada Life advisor number and the client's RRSP account number if assigned.

4. Attach the client's most recent T4 slip or pay stub indicating year-to-date income. Also attach a copy of the client's most recent Notice of Assessment as proof of income if the loan amount is more than $13,500. Or, forward complete copies of the client's T1 General personal income tax returns for the previous two years if the client is self-employed, a commissioned salesperson or has rental property and/or investment income.

5. Indicate the client's investment instructions on the loan application or the *Financial Account Changes Form*.

6. Courier all completed original documents to:

B2B Trust
Investment Lending Dept.
130 Adelaide St. West
Toronto, ON M5H 3P5

B2B Trust reviews the information and notifies you of its credit decision within 48 hours of receiving the completed loan application and supporting documents. Loan funding will occur within 24 hours of approval and loan proceeds are sent to Canada Life for deposit into the client's RRSP account.

Underwriting

B2B Trust loans are subject to B2B Trust's underwriting criteria. The following is an overview of the underwriting criteria used to determine whether or not a loan request is approved.

Net Worth

Applicants' total net worth should be at least two times the loan amount applied for.

Net worth is calculated by subtracting a client's total liabilities from his or her total assets. Items such as the client's residence, registered assets (RRSPs, RRIFs or Locked-in RRSPs), open mutual fund investments, stocks traded on major exchanges and automobiles up to three years old qualify as assets. Jewellery, art, home furnishings, automobiles more than three years old, leased vehicles and net worth (retained earnings) in a company owned by the applicant (unless confirmed by copies of audited financial statements) do not qualify as assets.

Include a copy of the client's most recent statement of each account with the loan application when listing a client's assets that include any registered or unregistered investment account. This verifies the value of a client's assets and speeds up the approval process.

Liabilities include any outstanding mortgages, personal loans, credit cards or lines of credit balances and lease payments. Also, any debt to the Canada Customs and Revenue Agency or alimony or child support payments must be disclosed. It's important that each liability is listed individually so that a proper net worth calculation can be made. Failure to declare debts on the application is not in the client's best interest.

Total Debt Service Ratio

Clients must be able to service the new monthly payment in addition to their current debt payments. As such, B2B Trust only lends funds to clients that do not exceed a maximum Total Debt Service Ratio (TDSR) of 40 per cent. This means clients' monthly debts can't exceed 40 per cent of their monthly gross income.

A client's monthly housing payment amount must include principal, interest and property taxes on the application. A mortgage-free homeowner must also quote the monthly property tax obligation.

Use the following guide when stating lines of credit and credit card payments:

- Secured lines of credit require monthly interest only payments. Multiply the authorized amount by the rate of interest charged by the lender and divide by 12.
- Unsecured lines of credit require a minimum monthly payment of three per cent of the outstanding balance. It's important to note whether the line of credit is secured or unsecured on the application.
- Bank credit cards require a minimum monthly payment of three per cent of the outstanding balance.
- Department store credit cards require a monthly payment of five per cent of the outstanding balance.

Monthly Payments

Sample TDSR Calculation

An applicant earns an annual gross salary of $60,000. The monthly, regularly recurring debts and amounts are listed below.

Mortgage (principal and interest):	$900.00
Property taxes:	$200.00
Secured line of credit ($20,000):	$62.50
Unsecured line of credit ($5,000):	$250.00
Credit card ($5,000 balance):	$150.00
Sub-total:	$1,562.50
New RRSP loan payment:	$414.67
Total monthly debt:	$1,977.17

TDSR: ($1977.17 x 12) / $60,000 = 39.54%

Proof of Income

The client's most recent Notice of Assessment and pay stub (or the most recent T4 statement in lieu of the Notice of Assessment in some cases) are accepted as confirmation of client income.

B2B Trust requires a minimum of two years complete personal tax returns and the corresponding company financial statements for self-employed clients. The financial statements must be Review Engagement at minimum as financial statements completed as Notice to Reader are not acceptable. B2B Trust also requires at least two years of Notice of Assessments for clients who are commissioned sales persons or earning the majority of their incomes through commissions.

Monthly principal and interest payment amounts are calculated by the following formula:

loan amount x interest rate factor
(see *Interest Rate Factors Table* (form 5451))

Note that B2B Trust has the right to adjust payment amounts at any time.

The actual amount of interest charged might vary from month to month since the prime rate and/or interest rate may fluctuate. Therefore, the amount of each payment allocated to interest and principal may change each month. The principal amount of the loan is reduced when the payment amount exceeds the actual interest costs. Alternatively, the principal amount is increased in the event that the interest cost exceeds the payment amount.

Monthly payments are withdrawn by PAC on the 20th day of each month. The first payment is withdrawn on the 20th day of the month following the loan advance.

Cost of Borrowing

Calculate the monthly interest costs with the following formula:

(loan amount x interest rate (in decimal form)) / 12

Pre-payments

Clients may make lump sum principal payments at any time without penalty. This reduces the amortization schedule. Pre-payments may also be adjusted to reflect the principal.

Contact Information

Loans

Contact B2B Trust's Client Services Department for loan information.

Telephone: 1-800-263-8349 (toll-free)
(1-888-374-9911 in Quebec)

Mail: B2B Trust
Investment Lending Dept.
130 Adelaide St. West
Toronto, ON M5H 3P5

Investment Accounts

Contact Canada Life's Individual Savings Products Customer Care team.

Telephone: 1-888-252-1847 (toll-free)

Email: isp_customer_care@canadalife.com

Mail: The Canada Life Assurance Company
Investments & Pensions Operations
Individual Savings Products
438 University Avenue, #86
Toronto, ON M5G 2K8

Advisors can also access B2B Trust documents and client loan account status and information via B2B Trust's Web site at www.natlink.com.

You may also receive information about Canada Life and its products at www.canadalife.ca, RepNet, our advisor Web site, or by calling the Canada Life Regional Marketing Centre nearest you. Regional Marketing Centre contact information is on the back cover.

For more information about Canada Life and the RRSP Loan Program, visit www.canadalife.ca, RepNet, our advisor Web site, or call the Canada Life Regional Marketing Centre nearest you.

Canada Life Regional Marketing Centres

Eastern
514-874-0868
1-800-361-0860

Toronto City
416-594-1100
1-877-594-1100

Toronto West
905-803-8888
1-888-803-8333

Prairie
403-266-8912
1-888-578-8083

British Columbia
604-685-7364
1-800-663-0413

The Canada Life Assurance Company
330 University Avenue
Toronto, Ontario M5G 1R8
www.canadalife.ca

Form 5225 CAN (11/02)