

## Summary

Beginning May 12, 2023 (subject to regulatory approval), Canada Life Segregated Funds Standard series and Preferred series 1 will offer two chargeback sales charge options:

- Chargeback 2 = CB2 (*New!*)
- Chargeback 4 = CB4 (*Formerly CB; new commission rate!*)

The chargeback option is not available on Estate Protection funds.

## Questions and answers

### General

#### 1. I've never used the chargeback sales charge option before. How does it work?

We offer both chargeback and front-end load (FEL) sales charge options on current Canada Life Segregated Funds policies, giving you access to flexible options to suit your practice. You should choose the sales charge option that is right for your client's needs.

Our chargeback options are designed to offer your clients flexibility to access their money while rewarding your expertise and advice with competitive compensation. Compensation percentages shown are gross percentages. For your rate, refer to your compensation guide.

The table below summarizes the various sales charge options available on Canada Life Segregated Funds policies:

Sales charge option	What the client pays	How it works
Standard series and Preferred series 1 Chargeback 2 (CB2) option  and  Standard series and Preferred series 1 Chargeback 4 (CB4) option	There's no fee to invest or redeem units.	<ul style="list-style-type: none"> <li>• When a client invests in the CB2 option, Canada Life pays you a commission of up to 3%.</li> <li>• If the client redeems units within the first 2 years from when the contribution was allocated, you may have to return a portion of your commission to Canada Life.</li> <li>• When a client invests in the CB4 option, Canada Life pays you a commission of up to 3.5%**</li> <li>• If the client redeems units within the first 4 years from when the contribution was allocated, you may have to return a portion of your commission to Canada Life.</li> </ul>
Standard series FEL option	Up to 5% of the amount the client invests.	<ul style="list-style-type: none"> <li>• You and your client determine the rate.</li> <li>• The fee is deducted from the amount the client invests. It's paid as a commission.</li> </ul>
Preferred series 1 FEL option	Up to 2% of the amount the client invests.	
Partner series FEL option	Up to 5% of the amount the client invests.	<ul style="list-style-type: none"> <li>• You and your client determine the rate.</li> </ul>

Preferred partner series FEL option	Up to 2% of the amount the client invests.	<ul style="list-style-type: none"> <li>The fee is deducted from the amount the client invests. It's paid as a commission.</li> <li>You'll also agree on an advisory and management services fee (AMS) of between 0.50 – 1.25%. The AMS fee is deducted from the client's policy every quarter.</li> </ul>
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\*\*The current CB4 option has a temporarily increased commission of 4% through to April 24, 2023, which will be extended through to May 11, 2023. It will be permanently increased to 3.5% on May 12, 2023.

## 2. How is the chargeback calculation done?

It's based on the original purchase values of the units redeemed and a declining chargeback rate schedule. Some amounts may be redeemed without incurring a chargeback (e.g., the chargeback-free amount). For illustrative examples, refer to [Understanding chargeback option calculations](#).

## 3. Can I find out what the chargeback-free amount is for my client's policy?

No. This information isn't available. For more information and examples, refer to the [Understanding chargeback calculations](#) job aid.

## 4. Are regulators considering restrictions or limitations to the use of the chargeback sales charge option?

Along with the announcement about changes to DSC options on segregated funds policies, regulators advised of consultation on upfront commissions, including chargeback. Regulatory consultation with industry participants is ongoing, with an outcome expected to be announced sometime in 2023. Currently, there are no specific restrictions to sales under the chargeback option. We'll continue to monitor any developments and keep you updated as more details are made available.

## Chargeback 2 (CB2) and Chargeback 4 (CB4)

### 1. What's the difference between our current chargeback option and the new CB2 option?

Canada Life's current four-year CB option applies a sales commission chargeback to the advisor when a client withdraws fund units **within four years** from the date of purchase. With the new two-year CB option, the sales commission chargeback period is shorter; a chargeback is applied only if fund units are withdrawn **within the first two years** of purchase.

More features on both options are detailed below:

	CB2 (Available starting May 12, 2023)	CB4 (Formerly named CB prior to May 12, 2023)
Upfront sales commission	3.00%	3.50%  <i>(Temporarily 4% through to May 11, 2023)</i>

## Segregated Funds chargeback sales charge option

Trailer commission (per year)	<b>Equity and balanced funds*</b> YR 1-2: 0.25% YR 3+: 1.00%  <b>Fixed income funds</b> YR 1-2: 0.125% YR 3+: 0.50%  <b>Money market funds</b> YR 1-2: 0.05% YR 3+: 0.25%	<b>Equity and balanced funds*</b> YR 1-4: 0.50% YR 5+: 1.00%  <b>Fixed income funds</b> YR 1-4: 0.25% YR 5+: 0.50%  <b>Money market funds</b> YR 1-4: 0.15% YR 5+: 0.25%																
Sales commission chargeback period	Within 2 years of deposit	Within 4 years of deposit																
Chargeback schedule (% of sales commission)	<table border="0"> <tr> <td>0-12 months</td> <td>100.00%</td> </tr> <tr> <td>13-24months**</td> <td>92.31% - 7.69%</td> </tr> <tr> <td>25+ months</td> <td>0.00%</td> </tr> </table> <p>** Within this range, decreases equally by month.</p>	0-12 months	100.00%	13-24months**	92.31% - 7.69%	25+ months	0.00%	<table border="0"> <tr> <td>0-12 months</td> <td>100.00%</td> </tr> <tr> <td>13-24 months</td> <td>83.33%</td> </tr> <tr> <td>25-36 months</td> <td>66.67%</td> </tr> <tr> <td>37-48 months</td> <td>33.33%</td> </tr> <tr> <td>49+ months</td> <td>0.00%</td> </tr> </table>	0-12 months	100.00%	13-24 months	83.33%	25-36 months	66.67%	37-48 months	33.33%	49+ months	0.00%
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Chargeback-free amount (CFA)	<ul style="list-style-type: none"> <li>At the beginning of each year, the CFA is equal to 10% of the remaining book value of the chargeback units held as of Dec. 31 of the previous calendar year.</li> <li>Further, in-year purchases of chargeback units also establish new CFAs based on 10% of the purchase amount. Throughout the year, when a client makes redemption requests from chargeback units for specific funds, CFAs from all available units will be used before chargeable units. Unused CFAs from one year do not carry over to the next year and cannot be moved to their FEL equivalent annually.</li> </ul>																	
Fund switches	Within CB2 or CB4, clients can switch from one fund to another on the Canada Life fund shelf without triggering a chargeback. Switching between CB2 and CB4 is not permitted.																	

\*Certain balanced funds are subject to different trailer rates than those specified here. Refer to your distribution contract for more details.

### 2. Can I switch existing Canada Life Segregated Funds into the new CB2 sales charge option?

Existing funds held in FEL, DSC or CB4 options **cannot** be switched into CB2 funds. Within Canada Life Segregated Funds Standard series and Preferred series 1 policies, new contributions can be allocated to CB2 funds starting on May 12, 2023.

### 3. When will the fund code sheets, applications and forms be updated to reflect this new information?

Online applications, paper applications and fund codes will be updated effective May 12, 2023.

**4. Will all pre-authorized contributions (PACs) in one calendar year have the same expiry date for the chargeback period or will the expiry dates stay separate?**

The chargeback period starts on the date of each PAC contribution. So, a monthly PAC over the course of one year would create 12 separate chargeback periods.

**5. As the current compensation increase on CB4 ends, when and how will the sales compensation on PACs change?**

Current PACs on CB4 will continue with 4% upfront sales commission until May 11, 2023. On May 12, this commission rate will be automatically adjusted to 3.5% to reflect the end of the temporary increase period.

**6. How does a client or advisor request DSC PAC be changed to a CB2 PAC (instead of the default FEL 0%) in advance of May 12?**

Purchases cannot be made into CB2 option until it becomes available on May 12, 2023 within the Canada Life Segregated Funds product, Standard series and Preferred series 1 (subject to regulatory approval). We can accommodate instructions in advance to change DSC PAC instructions so that they go into CB2 starting with the first scheduled contribution on or after May 12. To request this, provide instructions prior to the April 28th deadline clearly indicating "CB2" for the funds where desired on the Canada Life form. This is an accommodation being offered only for updating DSC PAC instructions; requests not pertaining to updating DSC PAC instructions will not be processed and will be returned to you.