

**How Segregated Fund Withdrawals  
 Affect Your Client's Guarantees**

Based on inquiries we have received regarding the treatment of segregated fund withdrawals, we thought clarification on how they affect guarantees would be helpful.

Guarantees are based on **original** dollars invested or the **reset value** of investments at the time of reset, whichever is higher. A segregated fund policyholder can make withdrawals at any time for most providers. However, when withdrawals are made, they impact the guarantee value. Most segregated fund contracts reduce the guarantee value according to the following formula:

$$\text{Reduction in guarantee value After withdrawal} = \text{Guarantee value before withdrawal} \times \frac{\text{Market value of units withdrawn}}{\text{Market value of all units immediately prior to withdrawal}}$$

**Example:**

Based on Current Guarantee \$1,000, a \$500 Withdrawal and Current Market Value of \$800

$$\begin{array}{rcl} \$1,000 & \times & \frac{\$ 500}{\$ 800} \end{array}$$

OR  $\begin{array}{rcl} \$1,000 & \times & .0625 \text{ or } 62.5\% \end{array}$

Result is guarantee value drops by \$625

$$\$1,000 \text{ less } \$625 = \text{new guaranteed amount is } \$375$$

Some had thought that the guarantee reduction is dollar for dollar \$1000 less \$500 = \$500

**Be aware** - check the policy contract wording on the segregated funds you offer to your clients.