



Manulife One sub-accounts:

Flexibility for you

Manulife One sub-accounts

Manulife One allows you to consolidate your debt and enjoy a low, competitive interest rate. However, there may be times when you'd like to track some of your debt separately. For example, if you make a large purchase, you may want to keep track of that portion of your debt as it's paid down. Or you may choose to incur debt for investment purposes, and keeping track of that debt separately may allow you to deduct its interest from your income tax¹.

With Manulife One, you have the flexibility to divide your debt between:

- Up to five term sub-accounts with a specific amortization period(s) — a great choice if you're looking for predictable monthly payments, much like you would have with a traditional mortgage;
- Up to 15 tracking sub-accounts at the same variable rate as your main account; or
- A combination of up to five term sub-accounts and up to 15 tracking sub-accounts.

The choice is yours.



Fast Fact

Depending on your borrowing limit, you may have to allocate part of your balance to a term sub-account. Speak to your banking representative for details.

Term sub-accounts

If locking in some of your debt and ensuring your debt is repaid over time is important to you, a term sub-account may be right for you.

Term sub-accounts allow you to lock in all or some of your debt at either a variable or a fixed interest rate, with a predefined amortization period — the amount of time it will take for you to pay off this portion of your debt.

If you lock in at a fixed rate for a specified term – either six months, one to five years, seven years or 10 years, you won't have to worry about your rate increasing during that time.

Or, if you prefer a variable rate, your sub-account will be set up as a five-year open term, and the interest rate is the Manulife One Base Rate plus or minus an adjustment factor.

With a term sub-account, you will have set monthly payments, giving you the ability to maintain a disciplined payment schedule and reduce your debt over time.

Principal and interest payments are based on the amortization schedule you choose and made from your main account on the last day of every month. Interest paid on the sub-account is tracked separately online and on your monthly statement.

If your borrowing limit is above 65 percent of the value of your home² the amount of credit that's available over 65 percent must be allocated to a term sub-account. Each monthly principal payment or lump-sum payment you make to your sub-account will effectively decrease the credit limit of your main account.

If your borrowing limit is below 65 percent of the value of your home,² you can choose to have your payment either:

- Decrease the credit limit of your main account; or
- Create additional borrowing room in your main account.

¹ Borrowing to invest may not be appropriate for everyone. You should be fully aware of the risks and benefits associated with leveraged borrowing since losses as well as gains may be magnified. Preferred candidates are those willing to invest for the long term and not averse to increased risk. You should be aware that this strategy may have a higher risk as your home is offered as security for the loan and you will be required to make payments regardless of the performance of your investment. The value of your investment will vary and is not guaranteed; however, you must meet your loan and income tax obligations. The dealer and advisor are responsible for determining the appropriateness of investments for their clients and informing them of the risks associated with borrowing to invest. Tax-deductibility of loan interest depends on a number of factors, with the Income Tax Act providing the framework for determining tax-deductibility. Clients should consult their own tax and legal advisors with respect to their particular circumstance.

² If you're a small business owner, or if your Manulife One account has been used to purchase an investment property, the amount of credit that's available over 50 percent of the value of your home must be allocated to a term sub-account. If your borrowing limit is below 50 percent of the value of your home, you can choose to set up a term sub-account and make payments that either decrease the credit limit of your main account or create additional borrowing room in your main account. ³ Interest Rate Differential (IRD): an adjustment that may apply if you prepay more of your mortgage principal than your prepayment privileges permit. It's the difference between your mortgage rate and the rate of a mortgage that is closest to the remainder of your term, multiplied by the outstanding balance of your mortgage for the time that is left on your term. It is calculated on the amount of principal being prepaid.



Fast Fact

A term sub-account is not available for second position Manulife One accounts (i.e. if your mortgage is in first position with another institution).



Tip

If you're thinking about opening a fixed rate sub-account in the future, you can lock in at a fixed rate ahead of time. Depending on the circumstances, this guaranteed period could be as little as 30 days for existing accounts or as much as 120 days for a home purchase.

Repayment

In addition to the progress you'll make on paying down your debt each month through your pre-scheduled payments, both fixed-rate and variable-rate term sub-accounts also offer prepayment privileges that can help decrease your debt even faster.

For fixed-rate term sub-accounts, you can prepay an additional 20 percent of the original amount of the sub-account per contract year. However, please remember that you may incur a prepayment charge (the higher of three months interest or the Interest Rate Differential³), if you close the fixed rate sub-account before the end of its term. Unused prepayment privilege cannot be carried forward; you may not apply your prepayment privilege to your prepayment charge if you prepay the sub-account in full.

For variable-rate term sub-accounts, you can pay off the balance in your sub-account completely – anytime. And when the debt is gone, the sub-account is closed.

You can make changes or prepayments to the sub-account by calling us at 1-877-765-2265.

When your term ends

A few months before your term sub-account matures, you will receive a renewal package from us, with information about your renewal options and what you need to do to inform us of your selection. If you do not reply or pay out the balance, the term sub-account will be renewed into a one-year fixed rate open term. Contact us for more information or questions you may have about the maturing term.

Set-up and access

To set up a term sub-account, log into your account at manulifeone.ca.

For more information on term sub-accounts, visit manulifeonego.ca, where you'll also find a short video tutorial that shows how term sub-accounts work.

Tracking sub-accounts

Tracking sub-accounts allow you to track part of your debt, and the interest your debt is charged, separately, at the same low variable interest rate as your main account.

This can work well if you, for example, loan some money to a family member and want to keep the related financials separate from your main account. Or, perhaps you've purchased an investment and need to track the debt separately for tax purposes.

Interest attributed to the debt within your tracking sub-account is charged directly to your main account each month. You may set up your sub-account payments as

- Interest-only payments transferred from your main account, or
- Principal and interest payments transferred from your main account. With this option, your sub-account balance will be reduced by the amount of the principal payment each month.

Set-up and access

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For more information on tracking sub-accounts, visit manulifeonego.ca, where you'll also find a short video tutorial that shows how tracking sub-accounts work.



Fast Fact

A sub-account will remain open until you've paid it off. We will not use funds in your main account to reduce your sub-account, unless you instruct us to do so. In other words, if you have a positive balance in your main account, that balance will not offset the negative balance in sub-account.

³ Interest Rate Differential (IRD): an adjustment that may apply if you prepay more of your mortgage principal than your prepayment privileges permit. It's the difference between your mortgage rate and the rate of a mortgage that is closest to the remainder of your term, multiplied by the outstanding balance of your mortgage for the time that is left on your term. It is calculated on the amount of principal being prepaid.

Sub-account features at-a-glance

	Term sub-account	Tracking sub-account
Minimum	\$5,000	\$1
Maximum	Up to 100% of your current borrowings.	Up to 100% of your current borrowings.
Set-up and access	Request online and generate documentation. Documentation must be reviewed, signed and returned.	Set up online. No documentation required.
Repayment	Monthly payment of principal and interest. Variable rate and open fixed rate sub-accounts can be paid at any time without penalty. A lump-sum prepayment up to 20% of the initial balance can be made each year to a closed fixed rate sub-account.	Interest only or principal and interest. Repayment at any time without penalty. Set up transfers to the tracking sub-account through online banking.

An example of effective use of sub-accounts

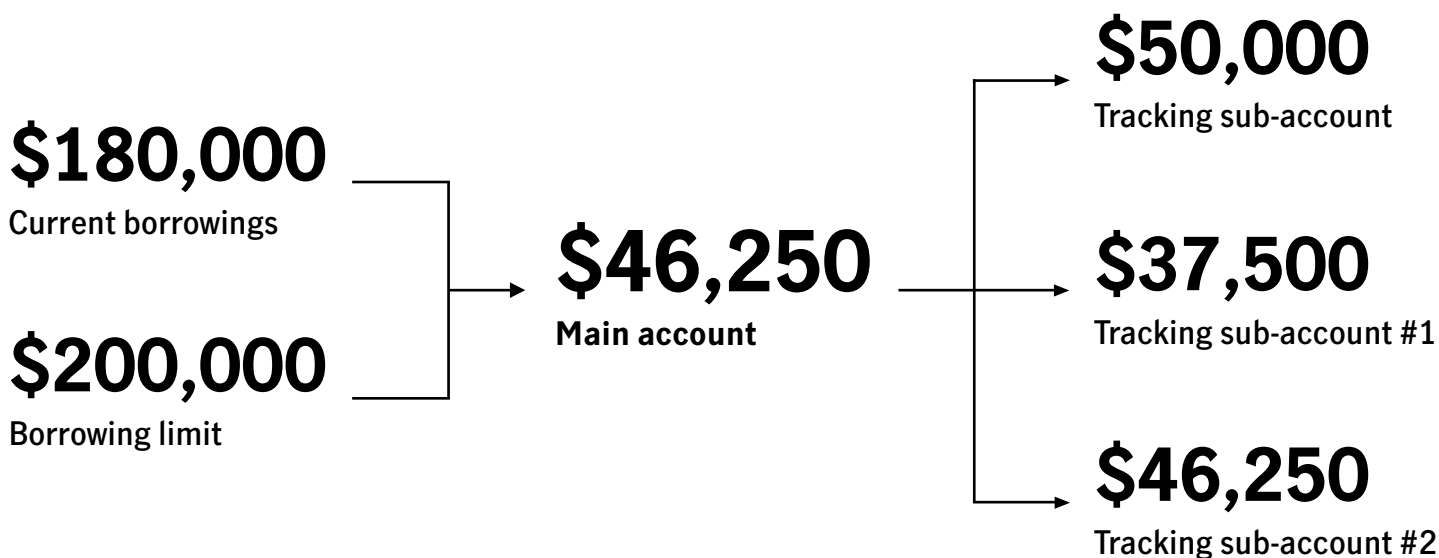
The Cornells' home value is \$250,000. They opened a Manulife One account with a borrowing limit of \$200,000 — 80 percent of the value of their home — and initial borrowings of \$180,000.

A recent \$50,000 investment purchase is part of their balance. The couple would like to track the interest and the payments they make on this purchase, so they set up a tracking sub-account with a balance of \$50,000.

Since they have a \$200,000 borrowing limit, they must allocate \$37,500 — the amount above 65 percent of the value of their home — to a term sub-account. They choose a short amortization period for their term sub-account so they can pay down this portion of their debt quickly; and they've set up the sub-account to reduce their overall borrowing limit by the amount of each principal payment to this sub-account.

After factoring in both sub-accounts, the remaining balance in the main account is \$92,500.

The Cornells have decided to lock half of their remaining balance — \$46,250 — into a two-year fixed-rate sub-account to protect this portion of their balance against future interest rate increases.



For more information on sub-accounts,
please call us at **1-877-765-2265**.



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