

# A Quick Guide to Evergreen Wealth Multi-Currency Plan's Currency Change Option



Amy's policy details	
Initial life assured	Amy
Premium term	5 years
Annual premium	USD 25,000
Total premium paid	USD 125,000

Amy takes out an **Evergreen Wealth Multi-Currency Plan** with a 5-year premium term in USD, a notional amount of USD 125,000.

15 years later, she uses the **Currency Change Option** to change the policy to CAD to fund her son, Carson pursuing his tertiary study in Canada.



1



**How the Currency Change Option works?**

We determine the value of Amy's policy in the first 15<sup>th</sup> policy year in the same way as in the reference USD policy (**Table 1**).



15

Amy requests to exercise her **Currency Change Option** to change from USD to CAD, within 30 days before the end of the 15<sup>th</sup> policy anniversary (**Table 2**).



16

Policy year

After Amy exercised the **Currency Change Option**, her policy value will be determined in the same way as the reference CAD policy from the 16<sup>th</sup> policy anniversary onward.



**Table 1 – Policy value of other Evergreen Wealth Multi-Currency Plan’s reference policies**

USD policy, 5-year premium term, notional amount USD 125,000					CAD policy, 5-year premium term, notional amount CAD 125,000 <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">1d</span>			
End of policy year	Total premiums paid	Guaranteed Cash Value (A)	Non-guaranteed Terminal Dividend (B)	Total Cash Value (A)+(B)	Total premiums paid	Guaranteed Cash Value (A)	Non-guaranteed Terminal Dividend (B)	Total Cash Value (A)+(B)
11	125,000	95,500	58,313	153,813	125,000	68,750	81,625	150,375
12		99,125	65,300	164,425		71,375	89,263	160,638
13		102,750	73,213	175,963		74,000	97,575	171,575
14		106,125	82,438	188,563		76,625	106,700	183,325
<b>15</b>	<b>125,000</b>	<b>109,000</b>	<b>93,213</b>	<b>202,213</b>	<b>125,000</b>	<b>79,500</b> <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">2c</span>	<b>116,625</b> <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">2e</span>	<b>196,125</b> <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">2a</span>
16	125,000	111,375	105,400	216,775	125,000	82,500	127,588	210,088
17		113,625	115,850	229,475		85,500	139,700	225,200
18		121,875	126,600	248,475		88,625	152,988	241,613

**Table 2 – The policy value of Amy’s policy if she uses the Currency Change Option**

End of policy year	Policy currency	Notional amount	Total premiums paid	Guaranteed Cash Value (A)	Non-guaranteed Terminal Dividend (B)	Total Cash Value (A)+(B)
11	USD	125,000	125,000	95,500	58,313	153,813
12				99,125	65,300	164,425
13				102,750	73,213	175,963
14				106,125	82,438	188,563
<b>15</b>	<b>USD</b>	<b>125,000</b>	<b>125,000</b> <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">3a</span>	<b>109,000</b>	<b>93,213</b>	<b>202,213</b> <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">1a</span>
<b>15</b>	<b>CAD</b>	<b>162,389</b> <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">2b</span>	<b>157,500</b> <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">3b</span>	<b>103,279</b> <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">2d</span>	<b>151,509</b> <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">2f</span>	<b>254,788</b> <span style="border: 1px solid black; border-radius: 50%; padding: 2px;">1c</span>
16	CAD	162,389	157,500	107,177	165,750	272,927
17				111,074	181,486	292,560
18				115,134	198,748	313,882

The prevailing exchange rate as at the 15<sup>th</sup> policy anniversary:

1 USD = 1b 1.26 CAD

**Before**  
15 exercising Currency Change Option

**After**  
15 exercising Currency Change Option

# How the Currency Change Option works

1

The policy's **Total Cash Value** stays unchanged.

We simply **convert** the **Total Cash Value** to **CAD** using the prevailing exchange rate. **1b**

$$\begin{array}{r}
 \text{USD } 202,213 \text{ (1a)} \\
 \times \quad 1.26 \text{ (1b)} \\
 \hline
 = \text{CAD } 254,788 \text{ (1c)}
 \end{array}$$

2

We determine the **notional amount**, **Guaranteed Cash Value** and **Non-guaranteed Terminal Dividend** in **CAD** using the **Total Cash Value** of the reference **CAD** Policy.

**Notional amount:**

$$\begin{array}{r}
 \text{CAD } 254,788 \text{ (1c)} \\
 \div \quad 196,125 \text{ (2a)} \\
 \times \quad 125,000 \text{ (1d)} \\
 \hline
 = \text{CAD } 162,389 \text{ (2b)}
 \end{array}$$

**Guaranteed Cash Value:**

$$\begin{array}{r}
 \text{CAD } 254,788 \text{ (1c)} \\
 \div \quad 196,125 \text{ (2a)} \\
 \times \quad 79,500 \text{ (2c)} \\
 \hline
 = \text{CAD } 103,279 \text{ (2d)}
 \end{array}$$

**Non-guaranteed Terminal Dividend:**

$$\begin{array}{r}
 \text{CAD } 254,788 \text{ (1c)} \\
 \div \quad 196,125 \text{ (2a)} \\
 \times \quad 116,625 \text{ (2e)} \\
 \hline
 = \text{CAD } 151,509 \text{ (2f)}
 \end{array}$$

3

We **convert** the **total premiums paid** by Amy to **CAD** using the prevailing exchange rate. **1b**

**Total premiums paid:**

$$\begin{array}{r}
 \text{USD } 125,000 \text{ (3a)} \\
 \times \quad 1.26 \text{ (1b)} \\
 \hline
 = \text{CAD } 157,500 \text{ (3b)}
 \end{array}$$



## Important Information

When you use the Currency Change Option, the plan's Total Cash Value remains unchanged, but the mix of the Guaranteed Cash Value and the non-guaranteed Terminal Dividend will be affected, and the Guaranteed Cash Value may be higher or lower.

In the above example, when Amy changes her policy from **USD to CAD**, the Guaranteed Cash Value of her plan **reduces** from USD 109,000, which is about 54% of the Total Cash Value, to CAD 103,279 (equivalent to USD 81,967 – at the prevailing exchange rate), which is approximately 41% of the Total Cash Value.

In contrast, if another policyholder of **Evergreen Wealth Multi-Currency Plan** would like to change the currency from **CAD to USD**, the proportion of the Guaranteed Cash Value will **increase** from 41% to 54% of the Total Cash Value.

## Remarks

- The figures are only for illustration and we have calculated them with reference to the notional amount – an amount we use to calculate the plan's premiums, guaranteed cash value, non-guaranteed Terminal Dividend and other policy values.
- After exercising the Currency Change Option, the notional amount under the new policy currency will be adjusted. For further details, please ask us for a sample of the policy document for reference.
- The examples are not an indicator of future performance and actual returns may be higher or lower subject to investment performance.
- The non-guaranteed benefit is estimated based on our current dividend scale in light of the current assumed investment return. This is not an indicator of the future non-guaranteed benefit. The above calculations assume all premiums have been paid, no policy loan is made, and all the other options not stated in the above cases are not exercised while the policy is in effect. All figures are rounded to the nearest whole number of dollars and will vary depending upon selected payment terms.
- Your policy will still be exposed to currency risk after exercising the Currency Change Option.
- We invest in various types of assets to back your policy returns. For equity-type securities, we invest globally with an aim to achieve diversification, and your policy values are subject to foreign exchange movements between the currency denominations of the equity-type securities and your policy currency. For fixed-income securities, we primarily invest in those denominated in USD, and currency hedging may be used if the currency of the fixed-income securities is different from the underlying policy denomination. For this plan, we will allocate a considerable portion of our investments to equity-type securities. Returns from equity-type securities are generally more volatile than fixed-income securities. You should note the investment mix of this plan stated in the product brochure.
- Applications for exercising the above-mentioned options are subject to our approval. Some benefits or options will be affected once you exercise the Currency Change Option or Wealth-Split Option, change the life assured or policyholder.
- For further details of the product, please refer to the product brochure, policy document and insurance proposal of **Evergreen Wealth Multi-Currency Plan**.

Click [here](#) or scan the QR code for more information on **Evergreen Wealth Multi-Currency Plan**



## Need more details? Get in touch

Please contact your consultant or call our Customer Service Hotline at 2281 1333 for more details.

### Key risks

#### How may our credit risk affect your policy?

The guaranteed cash value (if applicable) and insurance benefit of your plan are subject to our credit risk. If we become insolvent, you may lose the value of your policy and its coverage.

#### How may Currency Change Option affect your policy?

The mix of your guaranteed cash value and non-guaranteed Terminal Dividend will be affected when you exercise the Currency Change Option – in particular, your guaranteed cash value may be lower. After changing your policy currency, the future guaranteed cash value, the non-guaranteed Terminal Dividend and any future premiums may be higher or lower than the corresponding values before exercising this option. The approval of this Currency Change Option is subject to the availability of the currency at the time of exercising this option as well as prevailing laws and regulations.

### **How may currency risk affect your return?**

Foreign currency exchange rates may fluctuate. As a result, you may incur a substantial loss when you choose to convert your payout benefits to other currencies. Additionally, the conversion of your benefits to other currencies is subject to currency exchange restrictions applicable at the time when the benefits are paid. You have the sole responsibility to decide if you want to convert your benefits to other currencies. Please also note that the RMB is not freely convertible at present, and its conversion through banks in Hong Kong is subject to applicable banking and regulatory requirements.

Investing in a foreign currency introduces additional risk. If your policy currency is not your local currency, your policy value may appreciate or depreciate when viewed against your local currency. We may illustrate a different future policy value for policies denominated in different currencies, with the expected foreign exchange movements reflected. When you view the policy values in your local currency over the long term, those illustrated differences may not be realised and may change depending on the actual foreign exchange movement. In the short term, foreign exchange movements can be large and difficult to predict.

### **How may long-term target asset allocations affect the value of your plan?**

Under this plan, we will allocate a considerable portion of our investments to equity-type securities. Returns from equity-type securities are generally more volatile than bonds and other fixed-income securities. You should note that the current long-term target asset allocation of this plan as disclosed in “The investment mix of your plan” section below will affect the non-guaranteed Terminal Dividend of your plan, and is subject to risks and possible losses.

### **What are the risks of surrendering your plan or withdrawing money from your plan?**

The liquidity of an insurance policy is limited. You are strongly advised to reserve adequate liquid assets for emergencies. For any surrender/withdrawal especially at the early stage upon policy inception, you may receive an amount considerably less than the premiums you paid.

### **How may inflation affect the value of your plan?**

We expect the cost of living to rise in the future because of inflation. That means the insurance you take out today will not have the same buying power in the future, even if the plan offers increasing benefit intended to offset inflation.

### **How may overseas taxation affect your return?**

The impact of taxation (and any tax reliefs) depends on individual circumstances. You are recommended to seek taxation advice.

### **What happens if you do not pay your premiums?**

You should only apply for this product if you intend to pay all of its premiums. If you miss any of your premium payments, we will automatically settle your outstanding premiums or premiums and levy(ies) by an automatic premium loan, with interest charged at a rate as determined by us. In the case the loan amount (plus accrued interest) exceeds the amount we allow for loan under the policy, we may terminate your policy and you may receive an amount considerably less than the premiums you paid, as well as losing the policy's coverage.

### **Factors affecting the Terminal Dividend**

The dividend we pay is not guaranteed and we may review and adjust it at our discretion. Factors that may affect it include (but not limited to):

- (i) Investment performance factors – Your plan's performance will be affected by the return on its underlying investment portfolio. This could be driven by:
  - interest earnings from fixed-income securities and dividend from equity-type securities (if any);
  - capital gains and losses from investment assets;
  - counterparty default risk of fixed-income securities (such as bonds);
  - investment outlook; and
  - external market risk factors such as recessions and changes in monetary policies and foreign exchange rates.
- (ii) Claims factors – Our historical claims experience on death and/or other covered benefits, and projected future costs of providing Death Benefit and/or other covered benefits.
- (iii) Expense factors – These include direct expenses associated with issuing and maintaining your policy, such as commissions, overrides, underwriting and policy administration expenses. They may also include indirect expenses (such as general overheads) allocated to your policy.
- (iv) Persistency factors – Policy persistency and any partial surrenders of a group of policies may impact the dividend we pay to the continuing policies.

The actual future amounts of benefits and/or returns may be higher or lower than the values currently presented in the marketing materials. Our website at <https://pruhk.co/bonushistory-SHPAR-en> explains the bonus history.

## Notes

The above information is for reference only and not to be used as a basis of decision making. Your decision should be based on your actual situation or needs. This flyer does not constitute any contract or any part thereof between Prudential Hong Kong Limited ("Prudential") and any person or entities.

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