



Universal life insurance: Selecting your investment account mix

Permanent life insurance such as universal life is a life-long component of your financial future. Universal life insurance gives you flexibility and allows you access to cash values within your policy (if available) through a cash withdrawal or policy loan.

Cash values may grow when you overfund your policy. This means you pay more than what is required for the insurance component. The excess payment goes into your policy fund and can grow based on the returns of the underlying investments. Choosing the right underlying investment account options for your universal life insurance policy is an important part of your financial strategy.

It's important that you ensure the investment account options you select within your policy reflect both the long-term nature of your life insurance policy and the flexibility you may need in the future. Your selections should reflect your needs, goals, performance expectations, time horizon and level of investment risk you're prepared to accept. This questionnaire can help you choose a suitable mix of investment account options to meet your objectives.

Notes

- You are not investing directly in the investment account options you choose for your policy
- You have the option to choose from a variety of investment types, including industry-recognized managed portfolios, index funds and guaranteed interest options
- The performance/interest of your chosen investments is tracked, and returns are credited to your policy net of any applicable management fees

Please visit the following links for information on which underlying investments are available for the policy you are considering.

- [SunUniversalLife II Insurance](#)



Life's brighter under the sun

Work with your advisor to fill out this questionnaire.

Four steps to assess your risk tolerance and investment preferences

1. **Complete the investment risk questionnaire.** You and your advisor can determine your level of risk tolerance by answering these questions.
2. **Calculate your score.** Add up the score for each of your responses. The higher your score, the more tolerant of investment risk you may be.
3. **Select your asset mix.** Consider your advisor's recommendations and choose an ideal mix of investment account options by aligning your score with one of six different asset mixes.
4. **Review your policy every year.** You should review your policy and investment account options with your advisor every year. If your financial goals or personal circumstances change, you should rebalance your investments accordingly.

Step 1: Your knowledge

1. Which of the following statements best describes your financial situation? Please consider your regular expenses, your ability to repay outstanding loans, saving for emergencies and retirement savings.

- A. I need the cash value in this policy to supplement my income.
- B. My financial situation is somewhat unstable.
- C. I don't need to supplement my income at this time; however, this could change.
- D. I don't expect to use the cash value in my policy to meet my current income requirements, but I would need to access the funds in the event of an emergency.
- E. My financial situation is stable, and I have sufficient cash flow to meet most of my requirements.
- F. My financial situation is completely secure, and I can meet emergency requirements without accessing my cash value.

2. Your knowledge of investments is:

- A. Non-existent to very limited: You have focused on savings accounts up until now.
- B. Fair: You have some knowledge and are familiar with some basic investments. You understand the difference between stocks and bonds.
- C. Good: You have a working knowledge of the markets and various investments.
- D. Excellent: You have an in-depth knowledge of investments. You understand the risks and rewards associated with investing in various markets.

3. Would you consider your tolerance for investment risk to be:

- A. Low
- B. Low/medium
- C. Medium
- D. Medium/high
- E. High

4. In making financial and investment decisions, you are:

- A. Conservative and try to minimize your risk
- B. Conservative but willing to accept a small amount of risk
- C. Balanced with the amount of risk you are willing to accept
- D. Somewhat aggressive and take on some larger risks
- E. Aggressive and typically take on large risks

5. Higher-return investments tend to have greater risk, while lower-risk investments tend to have lower returns. What percentage of underlying investments in your policy are you willing to have in higher risk investments ?

- A. Zero
- B. 1% to 30%
- C. 31% to 50%
- D. 51% to 70%
- E. 71% to 80%
- F. More than 80%

6. You would like the underlying investments in your policy to:

- A. Be 100% guaranteed
- B. Be reasonably secure and safe from short-term losses
- C. Generate a steady stream of income
- D. Generate some income with some opportunity to grow in value
- E. Generate long-term growth in value
- F. Aggressively grow in value

7. If you were to withdraw a portion of the cash value (if available) from your policy, when would you want to do it?

- A. In less than 1 year
- B. 1 to 3 years
- C. 4 to 5 years
- D. 6 to 8 years
- E. 9 to 10 years
- F. 11 to 20 years
- G. Over 20 years or I don't plan to ever withdraw cash value from my policy

8. If available, what percentage of the cash value in your policy are you comfortable not touching for more than five years?

- A. Less than 25%
- B. 25% to 49%
- C. 50% to 74%
- D. 75% or more or I don't plan to access my cash value

9. If the cash value in your policy declined temporarily (for example, over 1 year), how much of a decline could you tolerate?

- A. No decline
- B. 1% to 5% decline
- C. 6% to 10% decline
- D. 11% to 20% decline
- E. More than 20% decline

10. Scenario: You're considering investing one-third of an investment portfolio in a company that financial experts say is solid; however, the investment is not guaranteed, and you could lose part of it. How low must the likelihood of loss be for you to make the investment?

- A. Zero; no likelihood of loss
- B. Low likelihood of loss
- C. Somewhat low likelihood of loss
- D. Equal likelihood of loss or gain

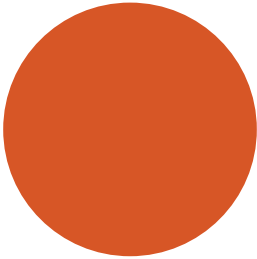
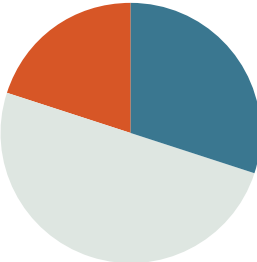
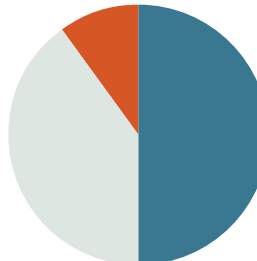
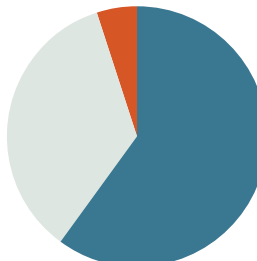
Step 2: Add up your score

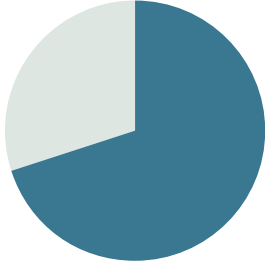
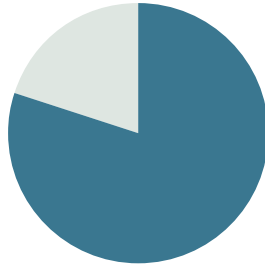
Using the chart below, assign a score for each answer, then add them for your total score.

	A	B	C	D	E	F	G	Total
1.	2	2	4	6	8	10		
2.	1	2	3	4				
3.	2	4	6	8	10			
4.	2	4	6	8	10			
5.	1	2	3	4	5	6		
6.	1	2	3	4	5	6		
7.	0	1	2	3	4	5	6	
8.	1	2	3	4				
9.	2	4	6	8	10			
10.	1	2	3	4				

Step 3: Select your asset mix

Based on your score, you can match your total to an investment risk profile which shows a sample asset mix for your policy.

Score	Risk Profile	Sample Asset Mix
< 30 points	<p>Guaranteed Profile</p> <p>You may wish to choose underlying investments for your policy that provide liquidity and security.</p> <p>If you require access to funds in the short term, an overfunded Universal Life policy may not be right for you. Consider alternate investment vehicles such as tax-free savings accounts, etc.</p>	 <p>● Guaranteed 100%</p>
30-40 points	<p>Conservative Profile</p> <p>Investment options made up primarily of fixed income investments and, to a lesser extent, equity investments may be suitable for you.</p>	 <p>● Equity 30% ● Fixed income 50% ● Cash 20%</p>
41-50 points	<p>Moderate Profile</p> <p>Investment options made up of a mix of fixed income and equity investments may be suitable for you.</p>	 <p>● Equity 50% ● Fixed income 40% ● Cash 10%</p>
51-55 points	<p>Balanced Profile</p> <p>Investment options made up of a mix of equity and fixed income investments may be suitable for you.</p>	 <p>● Equity 60% ● Fixed income 35% ● Cash 5%</p>

Score	Risk Profile	Sample Asset Mix
56-60 points	<p>Balanced Growth Profile</p> <p>Investment options made up of equity investments, and, to a lesser extent, fixed income investments may be suitable for you.</p>	 <p>● Equity 70% ● Fixed income 30%</p>
61-70 points	<p>Growth Profile</p> <p>Investment options made up of equity investments, and, to a lesser extent, fixed income investments may be suitable for you.</p>	 <p>● Equity 80% ● Fixed income 20%</p>

Step 4: Review your portfolio every year

It's important to review your policy and the underlying investments with your advisor every year to ensure your chosen investment mix is achieving a suitable rate of return to meet the objectives you discussed when you applied for your policy. Failure to do so could result in (but may not be limited to) the following scenarios:

- Reduced death benefit and cash values over time
- Additional payments required to keep your policy in force
- Policy lapsing while you are still alive

Accessing cash inside your Universal Life policy

Cash values within a Universal Life policy grow tax-preferred, and no taxes are owed on the growth if the money remains inside the policy. There are three options available for you to access the cash value in your life insurance policy.

Policy withdrawals

A policy withdrawal involves withdrawing (or surrendering) cash from the policy. It results in a decrease to both the cash value and the death benefit.

- To determine the taxable amount of the withdrawal, we compare the policy's adjusted cost basis (ACB) to the cash value.
- The percentage of the ACB is then applied to the withdrawal amount.

Example: If the ACB is equal to 40% of the policy's cash value, then 40% of the withdrawal will be tax-free.

Policy Loans

A policy loan is secured against the policy's cash value. A policy loan does not affect the cash value growth, and interest is often charged at a variable rate.

- Policy loan amounts equal to or less than the policy's ACB are tax-free.
- Policy loan amounts greater than the policy's ACB will be taxable. Sun Life will issue a T5 slip to report the taxable gain.

Collateral Assignment

As the owner of a life insurance policy, you can apply for a loan with a third-party lender using the cash value of your policy as security for the loan. Depending on the type of loan you take, the interest on the loan may be payable or may be added to the loan balance every year. Often the loan will be provided to you as a line of credit. You must qualify for the loan based on the lender's criteria.

- At the insured person's death, the death benefit will be used to repay the total amount of the loan plus any interest that has accumulated. If any balance remains, it will be paid to the beneficiary.
- This type of arrangement is attractive because collateral loans are not currently considered taxable income, so no additional tax will be due on your tax return.

Note: If you experience a life-altering injury or illness during the lifetime of your policy, please speak to your advisor for information about accessing the policy fund or living benefit while disabled, ill or injured.

Glossary

Equity

Refers to ownership shares in companies, typically in the form of stocks. Characteristics of equity include the potential for higher returns compared to other asset classes. Generally, there is higher risk and volatility than with fixed income or cash. There are no guaranteed returns or principal protection. This type of investment may provide returns through dividends and growth.

Equity is typically used for long-term growth in a portfolio. The percentage allocated to equity often depends on factors such as investor risk tolerance, investment time horizon and financial goals.

Types of equity investments may include:

- Common stocks
- Preferred stocks
- Mutual funds or exchange-traded funds
- Private equity

Fixed income

Refers to investments that provide regular, fixed payments to investors. Fixed income investments are debt securities that pay a fixed amount of interest (usually on a regular schedule) and return the principal amount at maturity. Generally, the risk is lower compared to equities. Fixed income provides steady, predictable income and less potential for capital appreciation. It is often a portfolio stabilizer during periods of market volatility.

Fixed income provides income and stability to a portfolio and typically helps balance overall portfolio risk. The percentage allocated to fixed income often depends on factors like investors' risk tolerance, investment time horizon and need for regular income.

Types of fixed income investments may include:

- Government bonds
- Corporate bonds
- Municipal bonds
- Treasury bills
- Mutual funds or exchange-traded funds
- Private fixed income

Cash

Refers to highly-liquid assets that can be quickly converted into currency without significant loss of value. Cash is an important component of a diversified asset mix, offering stability and liquidity, though it typically comprises a small portion of long-term investment portfolios due to its lower return potential.

Cash often provides stability to a portfolio and serves as a reserve for immediate expenses or opportunities. Cash can also act as a buffer against market volatility. While cash offers safety, it may not keep pace with inflation. The appropriate amount of cash in an asset mix depends on individual financial goals, risk tolerance and market conditions.

Types of cash investments

- Short-term, highly-liquid investments, like money market funds
- Treasury bills and other short-term government securities