Savvy Term - Sun Permanent Life with Term rider and Return of Premium on Death (ROPD)

Purpose

The purpose of this tool is to demonstrate the value of Savvy Term - Sun Permanent Life with Term rider and Return of Premium on Death (ROPD). This product is slightly more expensive than standard term policies, but the tool can show that the additional cost is justified by calculating the pre-tax rate of return needed on the premium difference to match the ROPD benefit plus insurance coverage.

Building Savvy Term

➤ **Set the Sun Permanent Life basic coverage to the minimum of $25,000.**

When comparing Savvy Term to a standard term policy, optimize the comparison by setting the basic coverage of Sun Permanent Life to the minimum of $25,000. Note that increasing the basic coverage of Sun Permanent Life beyond $25,000 will raise premiums, potentially skewing the comparison.

➤ **Add a term insurance rider to the Sun Permanent Life policy to match the coverage of the standard term policy being compared, minus the $25,000 base coverage.**

The term insurance rider attached to Sun Permanent Life should match the coverage of the standard term policy the client would have otherwise purchased. For an equitable comparison, consider reducing the term insurance rider coverage by $25,000 to account for the basic Sun Permanent Life coverage. Sun Permanent Life offers term insurance riders exclusively in T10, T15, T20, or T30 options, which differs from standard term policies like Evolve Term. If a client has purchased a T15 term policy with no intention of renewal after 15 years, it's crucial to ensure consistency in the illustrations. When preparing comparisons between Sun Permanent Life and a standard term policy, we must elect to show both the Sun Permanent Life term rider and the standard term policy as non-renewable after the 15-year period.

➤ **Add Guaranteed return of premium on death benefit (ROPD).**

Any premiums paid for the policy are included in the death benefit and paid to the beneficiary tax-free on the death of the insured person. To select Guaranteed return of premium on death benefit:

- Maximum age of 50.
- Only available for 15 and 20 pay premium options.
- Must not have sub-standard rating. (When a term insurance rider and a ROPD rider is added, only a single life insurance with standard health status can be used.)
- Any other optional benefit other than Term insurance benefit cannot be selected.
- For single life, Term insurance benefit for linked person cannot be selected.

General rules for life insurance policy transfers

A life insurance policy transfer is a "disposition" within the meaning of subsection 148(9) of the Income Tax Act (ITA). Subsection 148(1) sets out the general rules that apply to the computation of tax in respect of a disposition. A life insurance policy transfer may trigger a policy gain, which is taxable in the hands of the transferor. The policy gain is equal to the proceeds of disposition minus the adjusted cost basis (ACB) of the interest in the life insurance policy. This gain is fully taxable as ordinary income. It should be noted that life insurance policies do not fall into the tax category of capital property, so a taxpayer who disposes of his interest in a life insurance policy does not realize a capital gain; instead, it is a policy gain and he will not be able to claim any losses and the entire gain is taken into income. For more information, particularly on how the proceeds of disposition amount is determined, please check out the documents reference below.

About this presentation

This presentation was prepared for information purposes only. It is not an insurance contract or an offer to provide insurance. It does not form any part of any policy that may be issued and is not intended to provide or replace professional legal or tax advice. For your specific situation, please consult your own tax and legal advisors. This presentation is based on values from the two product illustrations with the same date accompanying this presentation. Read this presentation together with the product illustrations, as it is incomplete without them. Unless specifically stated, the values and rates presented are not guaranteed.

[Tax implications of a life insurance policy transfer](#)

Sun Life

- *Sun Permanent Life with Term rider and ROPD typically requires higher premiums compared to term insurance.*
- *Is this additional cost justified?*
- *We'll calculate the pre–tax rate of return at which the additional premiums (relative to a standard term policy) would need to be invested in an interest earning asset to match the net to estate value.*

Let's look at an example for 38-year-old male non-smoker. This following ledger provides the comparison of a Savvy Term vs. a Term 20. The alternate investment rate of 6.98%, calculates the rate of return an equivalent fixed interest investment would be required to earn in order to match the net to estate values of Sun Permanent Life at age 90.

		Annual Premium				Invest The Difference						Term 20 $2,500,000 initial face amount				Sun Permanent Life + ROPD $25,000 base insurance amount – 20 Pay $2,475,000 term benefit – Term 20			
Year	Age	Savvy Term Premium	Term Premium	Premium Difference	Starting Balance	Investment Deposit	Starting Balance + Deposit	Investment Income 6.98%	Tax on Income 50.00%	Investment Balance	Cash Surrender Value	Term Net to Estate	Investment Net to Estate	Total Net to Estate	Death Benefit	Cash Surrender Value	Net to Esate	Alternate Inv rate Required
1	39	2,767	1,850	917	0	917	917	64	32	949	0	2,500,000	949	2,500,949	2,502,767	0	2,502,767	403.40%
2	40	2,767	1,850	917	949	917	1,866	130	65	1,932	0	2,500,000	1,932	2,501,932	2,505,534	0	2,505,534	201.36%
3	41	2,767	1,850	917	1,932	917	2,849	199	99	2,948	0	2,500,000	2,948	2,502,948	2,508,302	125	2,508,302	132.97%
4	42	2,767	1,850	917	2,948	917	3,865	270	135	4,000	0	2,500,000	4,000	2,504,000	2,511,069	150	2,511,069	99.01%
5	43	2,767	1,850	917	4,000	917	4,917	343	172	5,089	0	2,500,000	5,089	2,505,089	2,513,836	200	2,513,836	78.79%
6	44	2,767	1,850	917	5,089	917	6,006	419	210	6,216	0	2,500,000	6,216	2,506,216	2,516,603	250	2,516,603	65.40%
7	45	2,767	1,850	917	6,216	917	7,133	498	249	7,382	0	2,500,000	7,382	2,507,382	2,519,370	325	2,519,370	55.89%
8	46	2,767	1,850	917	7,382	917	8,299	579	290	8,589	0	2,500,000	8,589	2,508,589	2,522,138	425	2,522,138	48.79%
9	47	2,767	1,850	917	8,589	917	9,506	663	332	9,837	0	2,500,000	9,837	2,509,837	2,524,905	550	2,524,905	43.28%
10	48	2,767	1,850	917	9,837	917	10,755	750	375	11,130	0	2,500,000	11,130	2,511,130	2,527,672	675	2,527,672	38.89%
11	49	2,767	1,850	917	11,130	917	12,047	841	420	12,467	0	2,500,000	12,467	2,512,467	2,530,439	800	2,530,439	35.31%
12	50	2,767	1,850	917	12,467	917	13,385	934	467	13,851	0	2,500,000	13,851	2,513,851	2,533,206	925	2,533,206	32.33%
13	51	2,767	1,850	917	13,851	917	14,769	1,031	515	15,284	0	2,500,000	15,284	2,515,284	2,535,974	1,050	2,535,974	29.81%
14	52	2,767	1,850	917	15,284	917	16,201	1,131	565	16,766	0	2,500,000	16,766	2,516,766	2,538,741	1,200	2,538,741	27.66%
15	53	2,767	1,850	917	16,766	917	17,684	1,234	617	18,301	0	2,500,000	18,301	2,518,301	2,541,508	1,350	2,541,508	25.80%
16	54	2,767	1,850	917	18,301	917	19,218	1,341	671	19,888	0	2,500,000	19,888	2,519,888	2,544,275	1,800	2,544,275	24.17%
17	55	2,767	1,850	917	19,888	917	20,806	1,452	726	21,531	0	2,500,000	21,531	2,521,531	2,547,042	2,300	2,547,042	22.73%
18	56	2,767	1,850	917	21,531	917	22,449	1,566	783	23,232	0	2,500,000	23,232	2,523,232	2,549,810	2,700	2,549,810	21.46%
19	57	2,767	1,850	917	23,232	917	24,149	1,685	843	24,992	0	2,500,000	24,992	2,524,992	2,552,577	3,125	2,552,577	20.32%
20	58	2,767	1,850	917	24,992	917	25,909	1,808	904	26,813	0	2,500,000	26,813	2,526,813	2,555,344	4,200	2,555,344	19.29%
21	59	0	0	0	26,813	0	26,813	1,871	935	27,748	0	0	27,748	27,748	80,344	4,500	80,344	23.53%
22	60	0	0	0	27,748	0	27,748	1,936	968	28,716	0	0	28,716	28,716	80,344	4,800	80,344	21.97%
23	61	0	0	0	28,716	0	28,716	2,004	1,002	29,718	0	0	29,718	29,718	80,344	5,125	80,344	20.58%
24	62	0	0	0	29,718	0	29,718	2,074	1,037	30,755	0	0	30,755	30,755	80,344	5,425	80,344	19.35%
25	63	0	0	0	30,755	0	30,755	2,146	1,073	31,828	0	0	31,828	31,828	80,344	5,725	80,344	18.25%
26	64	0	0	0	31,828	0	31,828	2,221	1,110	32,939	0	0	32,939	32,939	80,344	6,050	80,344	17.26%
27	65	0	0	0	32,939	0	32,939	2,298	1,149	34,088	0	0	34,088	34,088	80,344	6,350	80,344	16.36%
28	66	0	0	0	34,088	0	34,088	2,379	1,189	35,277	0	0	35,277	35,277	80,344	6,725	80,344	15.55%
29	67	0	0	0	35,277	0	35,277	2,462	1,231	36,508	0	0	36,508	36,508	80,344	7,100	80,344	14.82%
30	68	0	0	0	36,508	0	36,508	2,548	1,274	37,782	0	0	37,782	37,782	80,344	7,475	80,344	14.14%
31	69	0	0	0	37,782	0	37,782	2,636	1,318	39,100	0	0	39,100	39,100	80,344	7,875	80,344	13.52%
32	70	0	0	0	39,100	0	39,100	2,728	1,364	40,464	0	0	40,464	40,464	80,344	8,250	80,344	12.96%
33	71	0	0	0	40,464	0	40,464	2,824	1,412	41,876	0	0	41,876	41,876	80,344	8,650	80,344	12.43%
34	72	0	0	0	41,876	0	41,876	2,922	1,461	43,337	0	0	43,337	43,337	80,344	9,025	80,344	11.95%
35	73	0	0	0	43,337	0	43,337	3,024	1,512	44,849	0	0	44,849	44,849	80,344	9,400	80,344	11.50%
36	74	0	0	0	44,849	0	44,849	3,130	1,565	46,414	0	0	46,414	46,414	80,344	9,800	80,344	11.08%
37	75	0	0	0	46,414	0	46,414	3,239	1,619	48,033	0	0	48,033	48,033	80,344	10,175	80,344	10.69%
38	76	0	0	0	48,033	0	48,033	3,352	1,676	49,709	0	0	49,709	49,709	80,344	10,575	80,344	10.33%
39	77	0	0	0	49,709	0	49,709	3,469	1,734	51,443	0	0	51,443	51,443	80,344	10,950	80,344	9.99%
40	78	0	0	0	51,443	0	51,443	3,590	1,795	53,238	0	0	53,238	53,238	80,344	11,350	80,344	9.67%
41	79	0	0	0	53,238	0	53,238	3,715	1,857	55,096	0	0	55,096	55,096	80,344	11,725	80,344	9.37%
42	80	0	0	0	55,096	0	55,096	3,845	1,922	57,018	0	0	57,018	57,018	80,344	12,125	80,344	9.09%
43	81	0	0	0	57,018	0	57,018	3,979	1,989	59,007	0	0	59,007	59,007	80,344	12,500	80,344	8.82%
44	82	0	0	0	59,007	0	59,007	4,118	2,059	61,066	0	0	61,066	61,066	80,344	12,875	80,344	8.57%
45	83	0	0	0	61,066	0	61,066	4,261	2,131	63,197	0	0	63,197	63,197	80,344	13,225	80,344	8.33%
46	84	0	0	0	63,197	0	63,197	4,410	2,205	65,402	0	0	65,402	65,402	80,344	13,575	80,344	8.11%
47	85	0	0	0	65,402	0	65,402	4,564	2,282	67,683	0	0	67,683	67,683	80,344	13,925	80,344	7.90%
48	86	0	0	0	67,683	0	67,683	4,723	2,361	70,045	0	0	70,045	70,045	80,344	14,475	80,344	7.69%
49	87	0	0	0	70,045	0	70,045	4,888	2,444	72,489	0	0	72,489	72,489	80,344	15,025	80,344	7.50%
50	88	0	0	0	72,489	0	72,489	5,058	2,529	75,018	0	0	75,018	75,018	80,344	15,550	80,344	7.32%
51	89	0	0	0	75,018	0	75,018	5,235	2,617	77,635	0	0	77,635	77,635	80,344	16,100	80,344	7.14%
52	90	0	0	0	77,635	0	77,635	5,417	2,709	80,344	0	0	80,344	80,344	80,344	16,625	80,344	6.98%
53	91	0	0	0	80,344	0	80,344	5,606	2,803	83,147	0	0	83,147	83,147	80,344	17,175	80,344	6.82%
54	92	0	0	0	83,147	0	83,147	5,802	2,901	86,048	0	0	86,048	86,048	80,344	17,725	80,344	6.67%
55	93	0	0	0	86,048	0	86,048	6,004	3,002	89,050	0	0	89,050	89,050	80,344	18,300	80,344	6.52%
56	94	0	0	0	89,050	0	89,050	6,214	3,107	92,157	0	0	92,157	92,157	80,344	18,900	80,344	6.38%

Sun Life

		Annual Premium				Invest The Difference						Term 20 $2,500,000 initial face amount				Sun Permanent Life + ROPD $25,000 base insurance amount – 20 Pay $2,475,000 term benefit – Term 20			
Year	Age	*Savvy Term* Premium	Term Premium	Premium Difference	Starting Balance	Investment Deposit	Starting Balance + Deposit	Investment Income 6.98%	Tax on Income 50.00%	Investment Balance	Cash Surrender Value	Term Net to Estate	Investment Net to Estate	Total Net to Estate	Death Benefit	Cash Surrender Value	Net to Esate	Alternate Inv rate Required
57	95	0	0	0	92,157	0	92,157	6,431	3,215	95,373	0	0	95,373	95,373	80,344	19,525	80,344	6.25%
58	96	0	0	0	95,373	0	95,373	6,655	3,328	98,700	0	0	98,700	98,700	80,344	20,200	80,344	6.12%
59	97	0	0	0	98,700	0	98,700	6,887	3,444	102,144	0	0	102,144	102,144	80,344	20,950	80,344	6.00%
60	98	0	0	0	102,144	0	102,144	7,128	3,564	105,708	0	0	105,708	105,708	80,344	21,800	80,344	5.88%
61	99	0	0	0	105,708	0	105,708	7,376	3,688	109,396	0	0	109,396	109,396	80,344	22,825	80,344	5.77%
62	100	0	0	0	109,396	0	109,396	7,634	3,817	113,213	0	0	113,213	113,213	80,344	25,000	80,344	5.66%

Sun Life