

## 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 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.

### For more information, please check out Insurance Tax Solutions – Articles & Publication

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

[Corporate ownership of life insurance](#)

Savvy Term - Sun Permanent Life with Term rider and ROPD

- 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 50-year-old male non-smoker. This following ledger provides the comparison of a Savvy Term vs. a Term 10. The alternate investment rate of 10.00%, 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 85.

Annual Premium					Invest The Difference										Term 10 \$1,200,000 initial face amount					Sun Permanent Life + ROPD \$25,000 base insurance amount - 15 Pay \$1,175,000 term benefit - Term 10						
Year	Age	Permanent Premium	Term Premium	Premium Difference	Starting Balance	Investment Deposit	Starting Balance + Deposit	Investment Income 10.00%	Tax on Income 50.67%	Investment Balance	RDTOH Refund	Total Taxable Dividend	Dividend Tax 46.67%	Investment Net to Estate	Cash Surrender Value	Adjusted Cost Basis	Total CDA	Term Net to Estate	Investment Net to Estate	Total Net to Estate	Death Benefit	Cash Surrender Value	Adjusted Cost Basis	Total CDA	Net to Estate	Alternate Inv rate Required
1	51	3,312	1,741	1,571	0	1,571	1,571	157	80	1,649	48	1,697	792	905	0	721	1,199,279	1,199,664	905	1,200,569	1,203,312	0	2,291	1,201,021	1,202,243	259.75%
2	52	3,312	1,741	1,571	1,649	1,571	3,220	322	163	3,379	147	3,526	1,646	1,881	0	986	1,199,014	1,199,540	1,881	1,201,420	1,206,625	0	4,125	1,202,500	1,204,700	140.67%
3	53	3,312	1,741	1,571	3,379	1,571	4,951	495	251	5,195	299	5,494	2,564	2,930	0	867	1,199,133	1,199,595	2,930	1,202,525	1,209,937	200	5,572	1,204,365	1,207,337	96.03%
4	54	3,312	1,741	1,571	5,195	1,571	6,766	677	343	7,100	506	7,606	3,550	4,057	0	328	1,199,672	1,199,847	4,057	1,203,903	1,213,250	300	6,597	1,206,653	1,210,171	72.81%
5	55	3,312	1,741	1,571	7,100	1,571	8,672	867	439	9,099	772	9,872	4,607	5,265	0	0	1,200,000	1,200,000	5,265	1,205,265	1,216,562	400	7,149	1,209,413	1,213,226	60.12%
6	56	3,312	1,741	1,571	9,099	1,571	10,671	1,067	541	11,197	1,100	12,297	5,739	6,558	0	0	1,200,000	1,200,000	6,558	1,206,558	1,219,875	575	7,182	1,212,693	1,216,523	52.33%
7	57	3,312	1,741	1,571	11,197	1,571	12,769	1,277	647	13,399	1,491	14,890	6,949	7,941	0	0	1,200,000	1,200,000	7,941	1,207,941	1,223,187	800	6,609	1,216,578	1,220,103	46.76%
8	58	3,312	1,741	1,571	13,399	1,571	14,970	1,497	758	15,708	1,950	17,659	8,241	9,417	0	0	1,200,000	1,200,000	9,417	1,209,417	1,226,500	1,050	5,359	1,221,141	1,223,999	42.59%
9	59	3,312	1,741	1,571	15,708	1,571	17,280	1,728	876	18,132	2,480	20,612	9,620	10,993	0	0	1,200,000	1,200,000	10,993	1,210,993	1,229,812	1,300	3,322	1,226,490	1,228,262	39.62%
10	60	3,312	1,741	1,571	18,132	1,571	19,704	1,970	998	20,676	3,084	23,760	11,089	12,671	0	0	1,200,000	1,200,000	12,671	1,212,671	1,233,125	1,700	391	1,232,734	1,232,942	37.32%
11	61	1,179	0	1,179	20,676	1,179	21,854	2,185	1,107	22,952	3,755	26,687	12,455	14,232	0	0	0	0	14,232	14,232	59,303	2,325	1,377	57,926	58,660	49.29%
12	62	1,179	0	1,179	22,932	1,179	24,111	2,411	1,222	25,300	4,494	29,794	13,905	15,889	0	0	0	0	15,889	15,889	60,482	3,150	2,339	58,142	59,390	43.07%
13	63	1,179	0	1,179	25,300	1,179	26,479	2,648	1,342	27,785	5,306	33,091	15,443	17,647	0	0	0	0	17,647	17,647	61,660	4,050	3,275	58,386	60,132	38.08%
14	64	1,179	0	1,179	27,785	1,179	28,963	2,896	1,467	30,392	6,194	36,586	17,075	19,511	0	0	0	0	19,511	19,511	62,839	5,050	4,181	58,658	60,888	33.98%
15	65	1,179	0	1,179	30,392	1,179	31,571	3,157	1,600	33,128	7,163	40,290	18,804	21,487	0	0	0	0	21,487	21,487	64,017	6,050	5,056	58,961	61,658	30.57%
16	66	0	0	0	33,128	0	33,128	3,313	1,678	34,762	8,179	42,940	20,040	22,900	0	0	0	0	22,900	22,900	64,017	6,275	4,716	59,401	61,816	27.82%
17	67	0	0	0	34,762	0	34,762	3,476	1,761	36,477	9,245	45,721	21,338	24,383	0	0	0	0	24,383	24,383	64,017	6,525	4,348	59,669	61,988	25.51%
18	68	0	0	0	36,477	0	36,477	3,647	1,848	38,276	10,363	48,639	22,700	25,939	0	0	0	0	25,939	25,939	64,017	6,775	3,951	60,067	62,174	23.54%
19	69	0	0	0	38,276	0	38,276	3,827	1,939	40,164	11,537	51,701	24,129	27,572	0	0	0	0	27,572	27,572	64,017	7,025	3,521	60,496	62,374	21.85%
20	70	0	0	0	40,164	0	40,164	4,016	2,035	42,145	12,769	54,914	25,628	29,286	0	0	0	0	29,286	29,286	64,017	8,250	3,059	60,959	62,590	20.38%
21	71	0	0	0	42,145	0	42,145	4,214	2,135	44,224	14,061	58,285	27,202	31,084	0	0	0	0	31,084	31,084	64,017	8,650	2,560	61,457	62,822	19.10%
22	72	0	0	0	44,224	0	44,224	4,422	2,241	46,405	15,418	61,823	28,853	32,970	0	0	0	0	32,970	32,970	64,017	9,025	2,025	61,992	63,072	17.98%
23	73	0	0	0	46,405	0	46,405	4,640	2,351	48,694	16,841	65,535	30,585	34,950	0	0	0	0	34,950	34,950	64,017	9,400	1,451	62,566	63,340	16.98%
24	74	0	0	0	48,694	0	48,694	4,869	2,467	51,096	18,334	69,431	32,403	37,027	0	0	0	0	37,027	37,027	64,017	9,800	836	63,181	63,627	16.10%
25	75	0	0	0	51,096	0	51,096	5,109	2,589	53,617	19,901	73,518	34,311	39,207	0	0	0	0	39,207	39,207	64,017	10,175	180	63,837	63,933	15.30%
26	76	0	0	0	53,617	0	53,617	5,361	2,717	56,262	21,546	77,807	36,313	41,495	0	0	0	0	41,495	41,495	64,017	10,575	0	64,017	64,017	14.55%
27	77	0	0	0	56,262	0	56,262	5,626	2,851	59,037	22,629	81,666	38,113	43,552	0	0	0	0	43,552	43,552	64,017	10,950	0	64,017	64,017	13.86%
28	78	0	0	0	59,037	0	59,037	5,903	2,991	61,949	23,745	85,694	39,993	45,701	0	0	0	0	45,701	45,701	64,017	11,350	0	64,017	64,017	13.22%
29	79	0	0	0	61,949	0	61,949	6,195	3,139	65,005	24,916	89,921	41,965	47,955	0	0	0	0	47,955	47,955	64,017	11,725	0	64,017	64,017	12.64%
30	80	0	0	0	65,005	0	65,005	6,500	3,294	68,211	26,145	94,357	44,036	50,320	0	0	0	0	50,320	50,320	64,017	12,125	0	64,017	64,017	12.11%
31	81	0	0	0	68,211	0	68,211	6,821	3,456	71,576	27,435	99,011	46,208	52,803	0	0	0	0	52,803	52,803	64,017	12,500	0	64,017	64,017	11.62%
32	82	0	0	0	71,576	0	71,576	7,157	3,627	75,106	28,788	103,895	48,488	55,407	0	0	0	0	55,407	55,407	64,017	12,875	0	64,017	64,017	11.17%
33	83	0	0	0	75,106	0	75,106	7,510	3,805	78,911	30,208	109,020	50,879	58,140	0	0	0	0	58,140	58,140	64,017	13,225	0	64,017	64,017	10.75%
34	84	0	0	0	78,911	0	78,911	7,891	3,993	82,699	31,698	114,397	53,389	61,008	0	0	0	0	61,008	61,008	64,017	13,575	0	64,017	64,017	10.36%
35	85	0	0	0	82,699	0	82,699	8,269	4,190	86,778	33,262	120,040	56,023	64,017	0	0	0	0	64,017	64,017	64,017	13,925	0	64,017	64,017	10.00%
36	86	0	0	0	86,778	0	86,778	8,677	4,397	91,059	34,903	133,963	58,786	67,175	0	0	0	0	67,175	67,175	64,017	14,475	0	64,017	64,017	9.66%
37	87	0	0	0	91,059	0	91,059	9,105	4,614	95,550	36,624	132,175	61,686	70,489	0	0	0	0	70,489	70,489	64,017	15,025	0	64,017	64,017	9.35%
38	88	0	0	0	95,550	0	95,550	9,554	4,841	100,263	38,431	138,694	64,729	73,966	0	0	0	0	73,966	73,966	64,017	15,550	0	64,017	64,017	9.05%
39	89	0	0	0	100,263	0	100,263	10,026	5,080	105,209	40,327	145,536	67,922	77,614	0	0	0	0	77,614	77,614	64,017	16,100	0	64,017	64,017	8.77%
40	90	0	0	0	105,209	0	105,209	10,520	5,331	110,399	42,316	152,715	71,272	81,443	0	0	0	0	81,443	81,443	64,017	16,625	0	64,017	64,017	8.51%
41	91	0	0	0	110,399	0	110,399	11,039	5,594	115,844	44,403	160,248	74,788	85,460	0	0	0	0	85,460	85,460	64,017	17,175	0	64,017	64,017	8.26%
42	92	0	0	0	115,844	0	115,844	11,584	5,869	121,559	46,593	168,152	78,477	89,676	0	0	0	0	89,676	89,676	64,017	17,725	0	64,017	64,017	8.03%
43	9																									