



**rethink.**

## An asset in your corporate client's “vested” interest

**It's a common misconception that insurance is just an expense. You can help corporate clients and their accountants rethink this assumption by showing them how permanent life insurance can enhance the value of their business. A corporately owned policy can offer tax-efficient cash value growth that bolsters the balance sheet, improves liquidity and gives access to growth opportunities. As with all life insurance, the policy will also pay a tax-free death benefit upon death of the insured.**

### Bolster the balance sheet with an early cash value participating policy

Corporations with a temporary insurance need will often opt to minimize costs with term insurance. But when a business owner needs help funding a terminal tax liability, they should turn to permanent life insurance. That can be a good thing. Even though permanent insurance comes with a greater premium, it can offer potential investment growth in a tax-preferred cash accumulation fund. That growth can actually improve the values on the corporate balance sheet – something term doesn't offer.

A lower cost term policy always creates a negative impact on the balance sheet and income statement. Similarly, an expense will occur on the income statement during the years when the annual premium paid into a participating (par) policy is greater than the annual growth of the CSV. However, over time the annual growth in the cash value in a par policy can exceed the premium paid that year. When that happens, the policy is no longer an expense and adds to the corporation's income. And when the total cash value exceeds the sum of premiums paid, the policy effectively bolsters the balance sheet as a net-positive asset.

## Financial statement comparison

### A lower-premium term 20 policy vs. Sun Par Accumulator II (SPA II)

Year	Term 20 <sup>1</sup>			Sun Par Accumulator II <sup>2</sup>					
	Annual premium	Balance sheet impact	Income statement impact	Annual premium	Total CSV	Balance sheet impact	IRR on CSV <sup>3</sup>	Income Statement impact	Annual ROR <sup>4</sup> on CSV
1	-\$2	-\$2	-\$2	-\$50	\$43	-\$7	-14.8%	-\$7	NA
2	-\$2	-\$4	-\$2	-\$50	\$89	-\$11	-7.2%	-\$3	-3.5%
3	-\$2	-\$6	-\$2	-\$50	\$140	-\$10	-3.6%	● \$0	● 0.1%
4	-\$2	-\$8	-\$2	-\$50	\$193	-\$7	-1.3%	\$4	2.1%
5	-\$2	-\$10	-\$2	-\$50	\$251	● \$1	● 0.1%	\$8	3.1%
6	-\$2	-\$12	-\$2	-\$50	\$312	\$12	1.1%	\$11	3.5%
7	-\$2	-\$14	-\$2	-\$50	\$376	\$26	1.8%	\$14	3.9%
8	-\$2	-\$16	-\$2	-\$50	\$443	\$43	2.3%	\$18	4.1%
9	-\$2	-\$18	-\$2	-\$50	\$514	\$64	2.7%	\$21	4.3%
10	-\$2	-\$20	-\$2	-\$50	\$589	\$89	3.0%	\$25	4.4%
11	-\$2	-\$22	-\$2	\$0	\$616	\$116	3.2%	\$26	4.5%
12	-\$2	-\$24	-\$2	\$0	\$643	\$143	3.3%	\$27	4.4%
13	-\$2	-\$26	-\$2	\$0	\$671	\$171	3.5%	\$28	4.4%
14	-\$2	-\$28	-\$2	\$0	\$701	\$201	3.6%	\$30	4.4%
15	-\$2	-\$30	-\$2	\$0	\$732	\$232	3.6%	\$31	4.4%
16	-\$2	-\$32	-\$2	\$0	\$764	\$264	3.7%	\$32	4.4%
17	-\$2	-\$34	-\$2	\$0	\$797	\$297	3.8%	\$33	4.3%
18	-\$2	-\$36	-\$2	\$0	\$831	\$331	3.8%	\$34	4.3%
19	-\$2	-\$38	-\$2	\$0	\$867	\$367	3.8%	\$36	4.3%
20	-\$2	-\$40	-\$2	\$0	\$904	\$404	3.9%	\$37	4.3%

Dollar values are in \$000's

○ Without cash values, the balance sheet and income statement numbers of the Term 20 are always negative.

● SPA II quickly creates a positive IRR on the cash value and becomes an asset on the balance sheet.

● The early cash values of SPA II create an inflow on the income statement, with a positive annual rate of return in the same year.

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## 3 benefits of a corporately owned early cash value par policy

### **It bolsters the balance sheet:**

The policy yields a positive impact to the balance sheet and income statement early in its life.

### **Vested cash values:**

A policy's cash values will never be lower than they were in the previous year (assuming the client has not selected withdrawals, surrenders or premium offset). A comparable bond investment will always be at risk of decreasing in value if interest rates increase.

### **Competitive Internal Rate of Returns:**

When the balance sheet becomes positive, so does the policy's internal rate of return.

### Want to learn more?

For more information about bolstering the balance sheet, take a look at this helpful [summary](#).

Or, contact your Sun Life representative and ask about our **Bolstering the Balance sheet tool** and **Internal Rate of Return on Cash Value tool**.

<sup>1</sup> T20 term policy, for F50NS, with coverage amount of \$1M.

<sup>2</sup> Sun Par Accumulator II, for F50NS, Life pay with offset year 11, maximum plus premium, initial coverage amount of \$772,919 (grows to a death benefit of \$2.19M at life expectancy age 85) at current dividend scale interest rate of 6.0%.

<sup>3</sup> Internal rate of return (IRR)

<sup>4</sup> Rate of return (ROR)



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