rethink.

Can you increase value without asking for more money?

An insured annuity is a well-known strategy that provides a Client with guaranteed monthly income in retirement, as well as facilitates an efficient transfer of wealth. This strategy has fallen out-of-favour in recent years, but it's worth rethinking. The performance of an annuity has always been appealing in comparison to that of a GIC, even more so in the current low interest rate environment.

You can also enhance an insured annuity by combining it with long-term care insurance, using the Sun Retirement Health Assist product (RHA).[1] This strategy offers a lower yield than an insured annuity by itself, but it gives the added bonus of helping to protect a Client's finances if they lose the ability to care for themselves. If this happens, the strategy provides a substantially increased yield – above an insured annuity – at a moment when Clients need it most. With aging Canadians facing an increased risk of needing long-term care, this gives you a way to offer a holistic solution.

Here's how it works:

1) **The Client purchases an immediate payout annuity.**
2) **The payout, after tax, is used to cover the premiums for both**
   - a minimum-funded, life pay universal life (UL) policy for the same amount as the annuity principal, and
   - an RHA policy.
3) **The Client then**
   - uses the remaining annuity income as supplemental income, and
   - is covered in the event they are unable to care for themselves.
4) **At death**
   - the UL policy pays a tax-free death benefit to the Client's beneficiaries helps provide an efficient wealth transfer.

rethink.

Here's how it looks:

Compare the following options for a male non-smoker, age 65:

Option A) $1M non-registered GIC – Assumed interest rate of 2% with principal returned at death.

Option B) Insured annuity – $1M immediate payout life annuity with no guaranteed period using non-registered funds.

Option C) Insured annuity with RHA.[2] The annuity payment is used to purchase 1) $1M in coverage of level COI, life-pay UL insurance; and 2) $1,000/week RHA with a 730-day waiting period and an unlimited benefit period.

	Option A	Option B	Option C	
	GIC	Insured annuity	Insured annuity with RHA	Insured annuity with RHA claim
Annual income	$20,000	$59,957	$59,957	$111,957
Less: 50% tax payable	$10,000	$4,338[3]	$4,338[3]	$4,338[3]
Net income	$10,000	$55,620	$55,620	$107,620
Less: insurance payment(s)		$31,470	$34,026	$31,470
Spendable income	$10,000	$24,150	$21,594	$76,150
Increase in income		$14,150	$11,594	$66,150
Equivalent pre-tax yield	2.00%	4.83%	4.32%	15.23%
After-tax yield	1.00%	2.41%	2.16%	7.61%

Compared to the GIC, the insured annuity provides a significantly improved yield. Adding RHA reduces the yield due to the RHA premiums, though it remains an improvement over the GIC. However, in the event of an RHA claim, the RHA premiums are no longer required and the Client receives the tax-free RHA income (calculated here as $1,000/week for 52 weeks).

The result:

Combining an insured annuity with RHA offers an improved yield in comparison to a GIC. It also helps protect a Client from the unexpected expense of long-term care. It offers performance and protection – without asking for more money.

To obtain an illustration of this strategy, contact your Sun Life relationship manager.

[1] An insurer may not permit the purchase of both the annuity and life insurance on the same life insured with the same insurance carrier. We recommend the annuity and life insurance be purchased at different insurance companies.

[2] The rates provided are for SunUniversalLife II and Sun Retirement Health Assist. They are the rates that applied at the time of writing (May 2021). Annuity rates change daily. RHA premiums are subject to change. UL premiums are guaranteed.

[3] Figures shown are for a resident of Ontario. Premium taxes differ by province.

Sun Life

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