

LIFE INSURANCE & THE WEALTHY

with Mark Davis



SPECIAL THANKS TO OUR CORPORATE PARTNER





Mark Davis, MFin, CFA **Director of Professional Insight**

Mark has been with Sun Life for over 10 years; providing regulatory consulting and operations management for the investments division, to quantitative modelling for large insurance cases. Although his experience is varied, one thing has always remained the same; his passion to educate and inspire Canadians to lifelong financial security. He recently spent a couple of years as the Head of TransUnion's Canadian Pricing Strategy, but returned to Sun in 2020 where he now provides thought leadership to leading advisors as the Director of Professional Insights. Although Mark may sound fresh off the boat, he now proudly admits he is more Canadian than British, having been on North American soil for over 20 years. In that time, he earned his Master of Finance from Queen's University and his CFA charter.



TRUE OR FALSE?

If you have:

1. a terminal tax liability;
2. assets in a holding company; or
3. a sizable investment in 'safe' assets;

you will benefit from investing in life insurance.



Myth:

My wealthy clients don't **NEED** insurance!

Reality?

They might *WANT* it!



MORE THAN JUST A NEED

Life insurance is wealth protection

NEED Insurance

(protecting human capital from loss due to death)

- Viewed as an **expense**
- Generates a “*I hate insurance*” response

[Term insurance]

WANT Insurance

(protecting financial capital from taxes & market risk)

- Viewed as an **investment**
- Generates a “*How much can I get?*” response

[Permanent insurance]



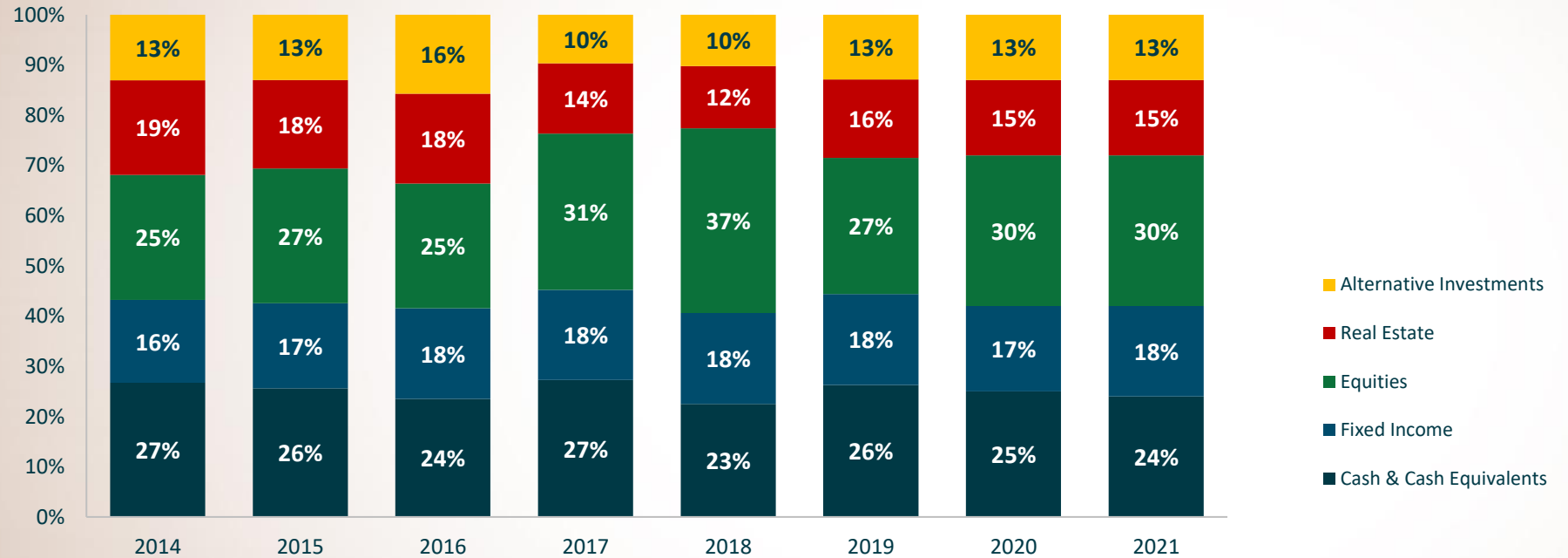
NEED OR WANT?

Top 10 life insurance sales at Sun Life in 2021

RANK	PREM (\$M)	FACE (\$M)	AGE	PRODUCT	ADVISOR	OWNER
1	\$7.48	\$137	41	Par Accumulator – life pay	Independent	Corporate
2	\$6.48	\$163	56	Par Accumulator – life pay	Independent	Corporate
3	\$5.87	\$79	52	Par Accumulator – life pay	Independent	Corporate
4	\$4.94	\$60	68/58	Par Accumulator – 20 pay	Independent	Personal
5	\$4.94	\$75	49	Par Protector – 10 pay	Independent	Corporate
6	\$4.88	\$130	42	Par Accumulator – 20 pay	Independent	Personal
7	\$4.85	\$59	57	Par Protector – 10 pay	Independent	Corporate
8	\$4.12	\$56	52	Par Accumulator – enh life pay	Independent	Corporate
9	\$3.81	\$70	59/50	Par Protector – 20 pay	IIROC	Corporate
10	\$3.79	\$52	51	Par Accumulator – life pay	Independent	Corporate



HNW INVEST OVER 40% IN SAFE ASSET CLASSES





Myth:

Insurance is a poor investment.

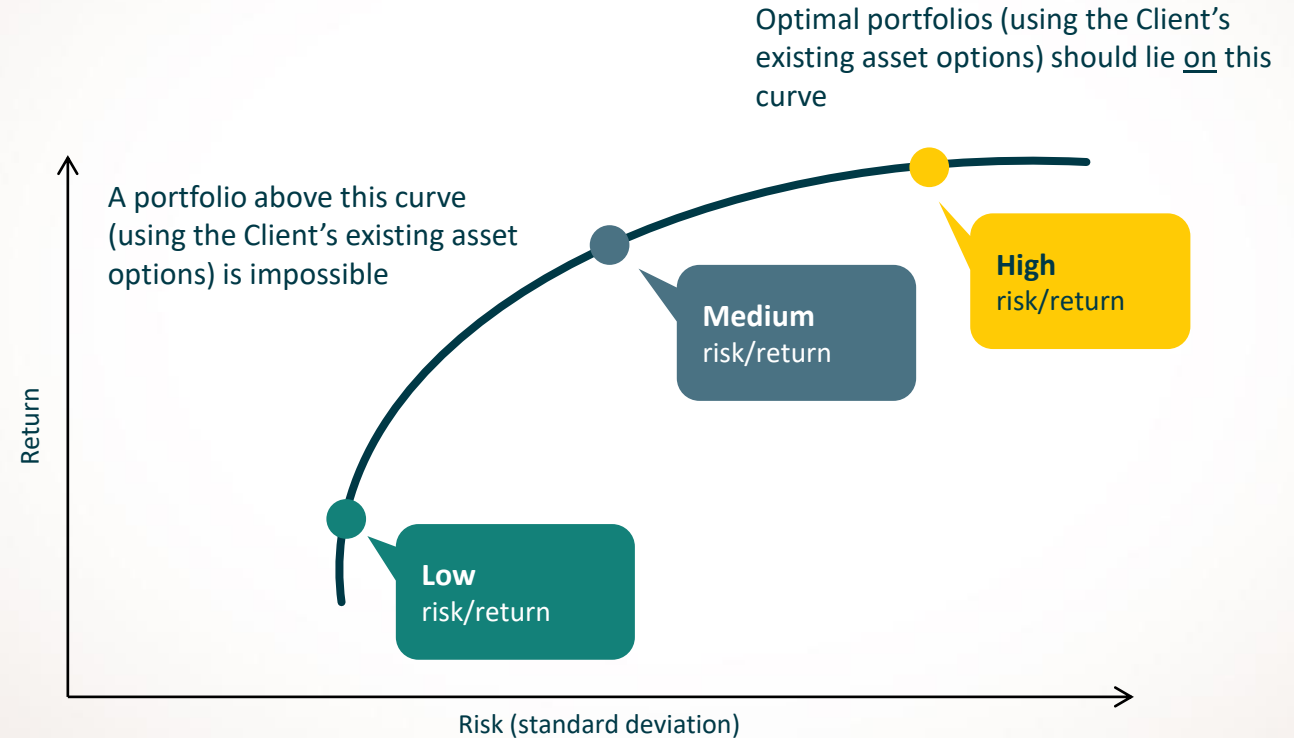
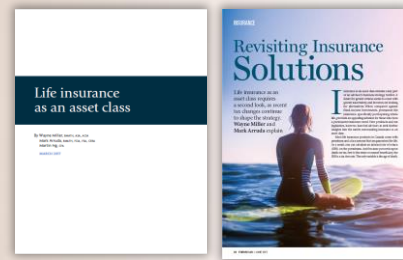
Reality?

Insurance wasn't designed to be an investment but is often applauded as being a good one.



A DESIRED LOCATION

Asset classes and the Efficient Frontier

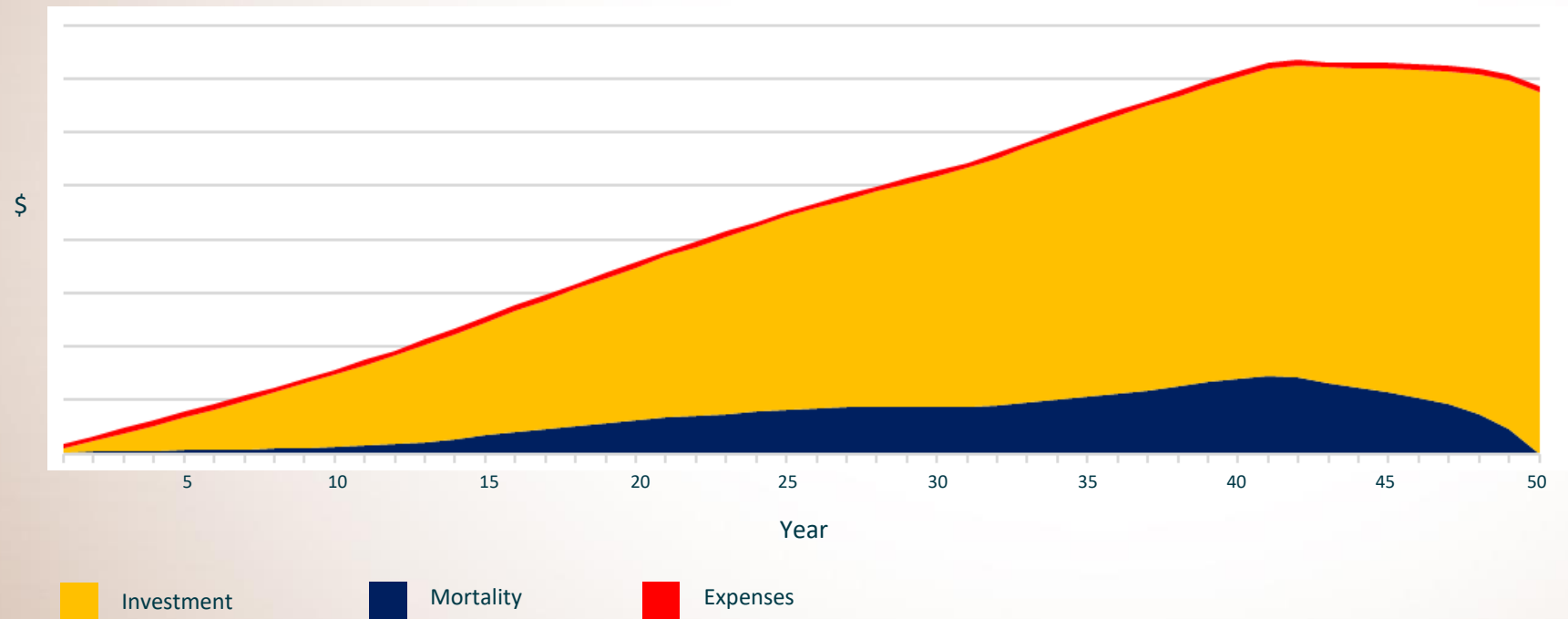


BUT... you could create a better curve:
Add an asset(s) with low correlation to the others you've already considered



THE PRINCIPAL OF SHARING Dividends by source of gain

$$DIV_t = \text{Investment Div}_t + \text{Mortality Div}_t + \text{Expense Div}_t$$



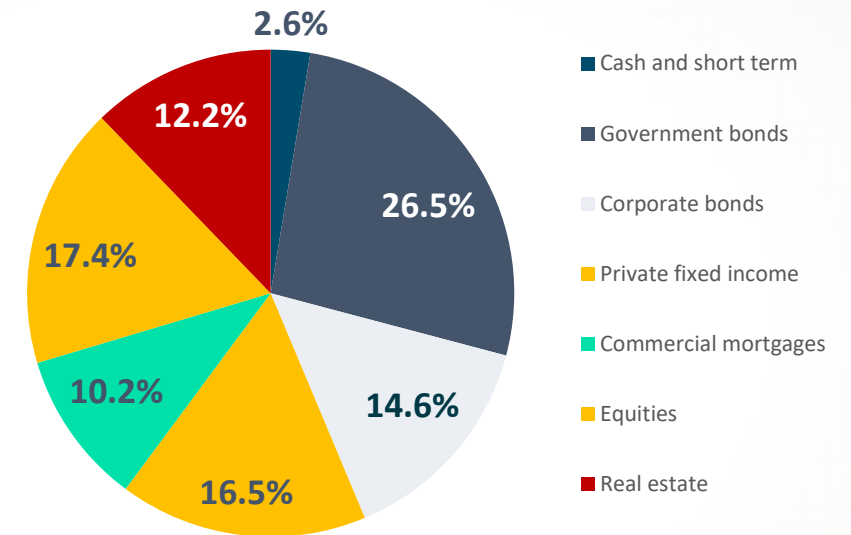


A VIEW TO THE LONG TERM

Sun Life's participating fund mix

Focus on **long term value through expert structuring and selection** rather than market timing.

Don't bet on the direction of interest rates, currency or commodities.



Source: Participating whole life insurance: Facts & Figures, Sun Life, December 31 2020



RETURN WITHOUT THE RISK

Historical performance

	Dividend interest	S&P / TSX	10 year GOC bond
Maximum	8.40%	35.05%	6.42%
Average	7.37%	9.20%	3.73%
Minimum	6.00%	-33.0%	1.80%
σ	0.83%	16.30%	1.63%

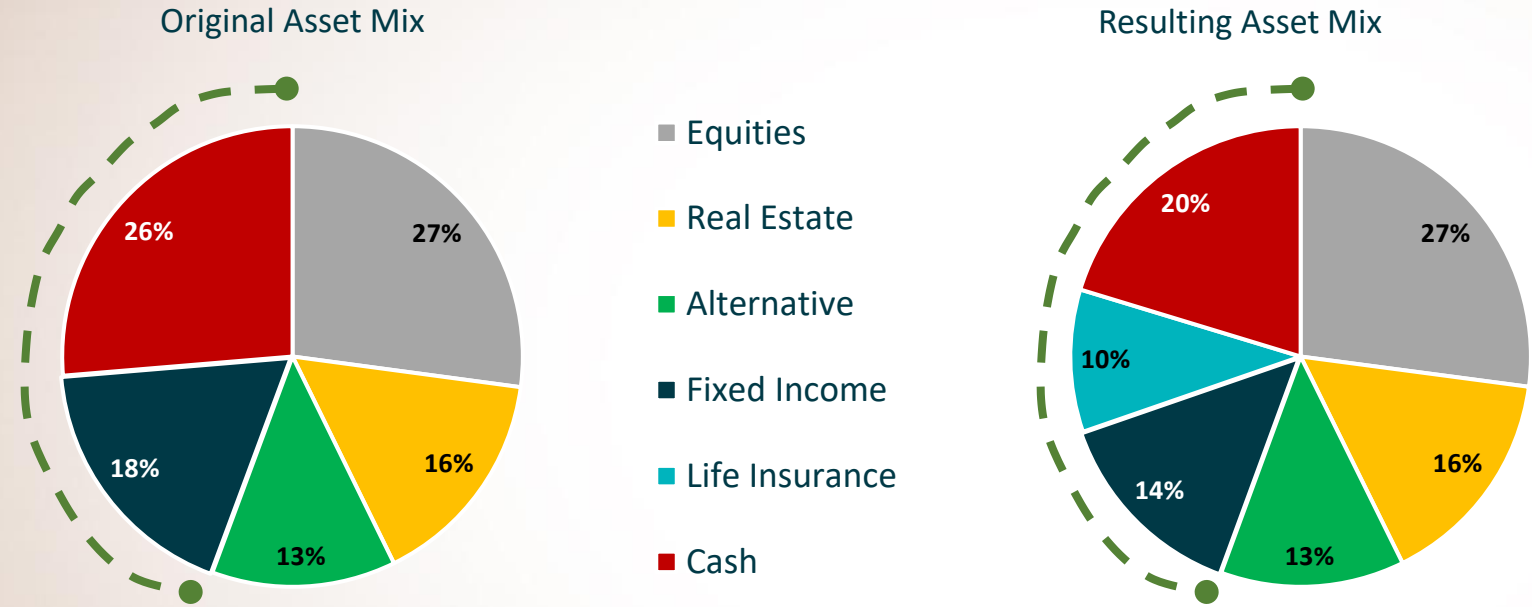
Sun Life 25-year averages at year-end 2021





A "SAFE MONEY" ALTERNATIVE

Life insurance as an asset class





A TAX-EFFICIENT ALTERNATIVE

- Non-smoking male, aged 50
- \$1 million of assets sitting in the holding co.
- Comparison of net estate values from traditional investments vs. moving to participating whole life at \$100k per year for 10 years
- Current dividend scale interest rate -1%
- Fixed income interest rate of 3%

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INSURANCE ALWAYS OUTPERFORMS

Bond vs. transfer to life insurance



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WEBSITE OF KNOWLEDGE

www.sunlife.ca/advisorbestpractices



The collage features several content items:

- Revisiting Insurance Solutions:** An article discussing life insurance as an asset class, featuring Wayne Miller and Mark Arruda.
- 5 THINGS Advisors often don't tell their wealthy Clients:** A graphic with a large number 5 and a person walking up stairs.
- Bolstering the balance sheet:** A whitepaper by Mark Arruda, James W. Kraft, and Jeffrey H. Waugh.
- Excel strategy tools:** A screenshot of a website interface showing various tools and resources for advisors.
- Advisor Best Practices:** A section titled 'The resource hub for the Client-focused advisor'.
- Professional insights:** A section titled 'Elevate your practice by expanding your technical knowledge. Learn innovative concepts.'
- Scenario 2: Sun Par Accumulator II:** A table showing financial projections.

	5710,378 initial face amt.	Offset at year 11 @ Current	Impact on balance sheet ⁵	Impact on income statement ⁶
Annual premium			-6,933	-2,674
Total CSV ⁴			131	3,559
			6,935	10,440
			13,942	17,448
			21,116	24,812
			25,941	26,767
			27,957	29,173
			30,174	30,034



POLL



Q&A



**STAY
TUNED!**

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THANK YOU

For more information, don't forget to visit our website: www.advocis.ca

Questions? Please email: communications@advocis.ca

To contact us about Coffee Talks: events@advocis.ca



**THANK
YOU!**