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# Which 10 pay Universal Life is best?

**The most popular Universal Life (UL) payment structure uses 10 deposits, regardless of the cost of insurance (COI) type selected. This is the result of advisors and Clients striving for simplicity – aiming to pay their policy in a reasonable amount of time.**

With a guaranteed 10 pay policy, Clients have the comfort of knowing their premiums are guaranteed over those 10 years. On the 11th year, Clients no longer need to concern themselves with ensuring sufficient funds in the policy to cover their premiums.

Alternatively, with a policy that has a longer COI duration, the Client must make sure enough funds are in the policy to cover insurance costs for the duration of the COI period. Because the charges in the first 10 years of these policies are lower than the guaranteed 10 pay equivalent, a Client's excess deposit would be invested in the meantime. If the excess money grows at a high enough rate, the Client could pay less overall for one of these longer COI duration policies than the guaranteed 10 pay UL.

**So, at what rate would excess cash need to grow so that the Client pays less than the guaranteed 10 pay UL?**

Fortunately, UL is a one-stop shop where Clients can park their excess cash in a variety of investment options, and the cash grows on a tax-preferred basis (subject to maximum limits).

**And the rate of return that's needed is much lower than you might expect.**

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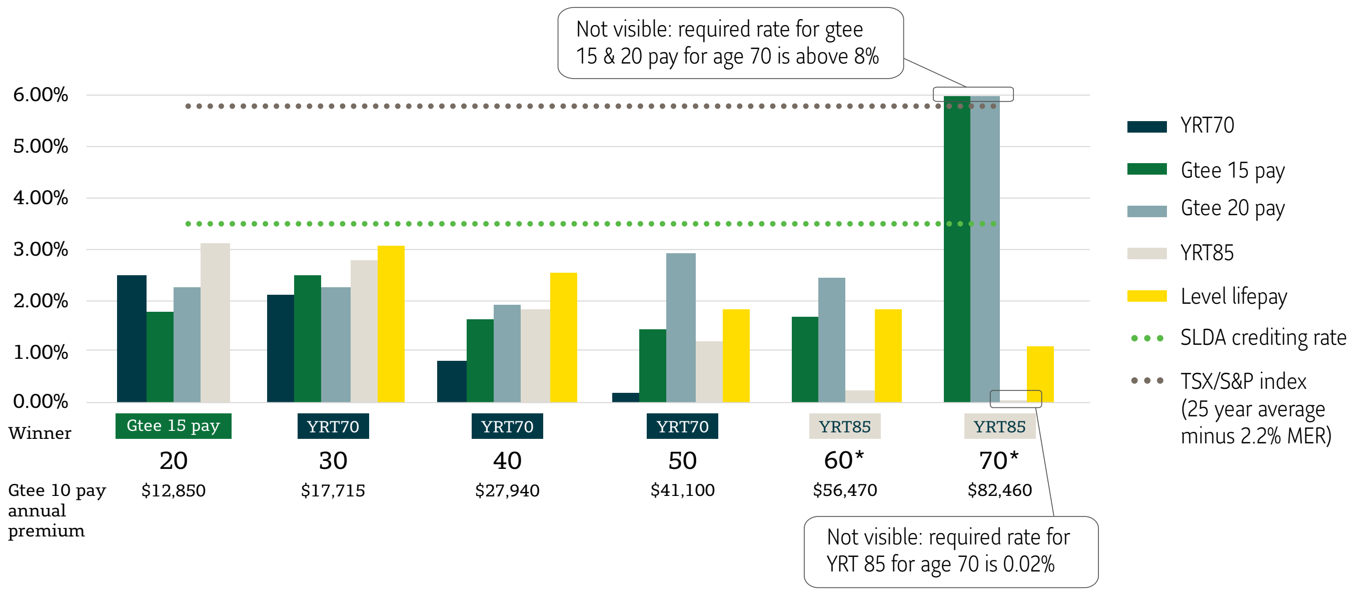
The chart below shows a $1M Sun UL II for male non-smokers at various issue ages and with various COI structures. We solved for the minimum rate of return required so that the 10 deposits are equal to that of the guaranteed 10 pay COI structure. If the policy's investment achieves a rate of return that is greater than what is indicated by the bars, lower deposit amounts would be required than the guaranteed 10 pay to keep the policy inforce (and vice versa). The limited pay policies ("Gtee") have a face plus fund death benefit. The yearly renewable term (YRT) policies shown here have a level death benefit.




Interest rates shown are for illustrative purposes and are not guaranteed

For most of the ages and COI structures above, the rate of return required to beat the guaranteed 10 pay UL in each scenario is less than:

- The current crediting rate of the Sun Life Diversified Account (SLDA), an investment option in our Sun Universal Life II. It currently pays 3.5%, with a guaranteed minimum rate of 0%.
- The 25 year average return of the TSX/S&P composite Index, with a 2.2% deduction (note: 2.2% is the average MER of investment funds available in Sun UL II).

**Consider the flip side:** if your Client selected the "winner" from each age group above and achieved a 2% fund return, they'd pay an average of 8.4% less on premiums. A greater return would result in greater savings (e.g. at 3% return they'd pay an average of 15.5% less on premiums).

* YRT 70 COI charge structure is not available above age 55. YRT 85 is not available above age 70. Beyond age 70, the hurdle rate for the level COI policy to beat the guaranteed 10 pay is between 0.83% to less than 0% (not shown).

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