

Financial Game 1: Explanation

Financial Game 1

Best Life Insurance

- Each group is required to find a pamphlet or an internet brochure of a life insurance program that tells every detail of the program. Also, explain why it is the best program.

An Example: SAVER+ program

http://www.scb.co.th/en/personal-banking/insurance/life-insurance/life-insurance-saving/saver_plus

What we need to know:

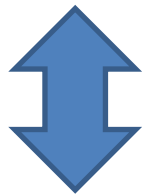
- 1) Premium
- 2) Sum insured
- 3) Cash return
- 4) Other benefits



Year (end)	Payments	Returns
0	29,600.00	
1	29,600.00	
2	29,600.00	4,000.00
3	29,600.00	
4	29,600.00	4,000.00
5	29,600.00	
6		4,000.00
7		
8		4,000.00
9		
10		4,000.00
11		
12		4,000.00
13		
14		200,000.00

Calculating Internal Rate of Returns

$$P = \frac{C}{1+i} + \frac{C}{(1+i)^2} + \dots + \frac{C}{(1+i)^n} + \frac{F}{(1+i)^n}$$



$$P = \frac{P_1}{1+i} + \frac{P_2}{(1+i)^2} + \dots + \frac{P_m}{(1+i)^m}$$

- Look at the Excel file again.

Personal Income Tax in Thailand

Assessable income

Less Deductible expenses

Less Allowances

Net income

Deductible Income

- Generally, a deductible of 40% is allowed subject to a maximum of Baht 60,000
- Note: The rate of deductible may vary for some types of assessable income

Allowances

1. <i>Personal allowances</i>	<i>Baht</i>
• Taxpayer:	30,000
• Spouse (if spouse has no income):	30,000
• Taxpayer's children (maximum 3), each:	15,000
• Additional education allowance for each child:	2,000
• Parental care, each:	30,000
• Care of disabled or incapacitated family members, each:	60,000
• Care of a disabled or an incapacitated person other than a family member:	60,000

In addition, a Thai resident who is 65 years of age or older is entitled to personal income tax exemption on income up to an amount not exceeding Baht 190,000.

Allowances

2. *Specific allowances*

- Life insurance premiums in an amount not exceeding Baht 100,000 paid by a taxpayer on his/her own life are allowed as a deduction provided that the insurance policies are for a minimum period of 10 years and the insurer is carrying on a life insurance business in Thailand. The amount of any embedded health or accident premium will not be deductible. Moreover, if the policy includes a savings plan which provides an annual return to the policy holder exceeding 20% of the annual premium, the entire premium will be non-

Tax Rate

Net income (Baht)	Personal income tax (%)	
	Proposed rates	Existing rates
0 – 150,000	Exempt	Exempt
150,001 – 300,000	5	10
300,001 – 500,000	10	
500,001 – 750,000	15	20
750,001 – 1,000,000	20	
1,000,001 – 2,000,000	25	30
2,000,001 – 4,000,000	30	
4,000,001 up	35	37

Tax Calculation: Examples

	Case 1 Bht. 20,000/Month	Case 2 Bht. 40,000/Month	Case 3 Bht. 60,000/Month
Assessable Income (Yearly)	240,000	480,000	720,000
<u>Less</u> Deductible expenses	60,000	60,000	60,000
<u>Less</u> Allowances			
(a) Personal	30,000	30,000	30,000
Net income before LI premium	150,000	390,000	630,000

Tax Calculation

Bracket 1 (0 - 150,000)	150,000	150,000	150,000
Tax from bracket 1 (Exempt)	0	0	0
Bracket 2 (150,001 - 300,000)	0	150,000	150,000
Tax from bracket 2 (5%)	0	7,500	7,500
Bracket 3 (300,001 - 500,000)	0	90,000	200,000
Tax from bracket 3 (10%)	0	9,000	20,000
Bracket 4 (500,001 - 750,000)	0	0	130,000
Tax from bracket 4 (15%)	0	0	19,500
Total Personal Income Tax	0	16,500	47,000

Tax Benefits from Life Insurance: Examples

	Case 1 Bht. 20,000/Month	Case 2 Bht. 40,000/Month	Case 3 Bht. 60,000/Month
Assessable Income (Yearly)	240,000	480,000	720,000
<u>Less</u> Deductible expenses	60,000	60,000	60,000
<u>Less</u> Allowances			
(a) Personal	30,000	30,000	30,000
Net income before LI premium	150,000	390,000	630,000
Current max. tax bracket	Exempt (0 - 150,000)	10% (300,001 - 390,000)	15% (500,001 - 630,000)
(b) Life insurance premium	60,000	60,000	60,000
Tax benefit from LI premium (per year)	-	6,000	9,000

An Example: SAVER+ program

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8		4,000.00
9		
10		4,000.00
11		
12		4,000.00
13		
14		200,000.00



Year (end)	Payments	Returns	Tax Benefits
0	29,600.00		2,960.00
1	29,600.00		2,960.00
2	29,600.00	4,000.00	2,960.00
3	29,600.00		2,960.00
4	29,600.00	4,000.00	2,960.00
5	29,600.00		2,960.00
6		4,000.00	-
7			-
8		4,000.00	-
9			-
10		4,000.00	-
11			-
12		4,000.00	-
13			-
14		200,000.00	-

Other factors

- <http://www.moneychoice.org/basic-life-insurance-plan-guide/>

Report Content

- Specify the buyer: Salary, age, other demographic factors
- Details of the insurance program
- IRR of the program
- Other factors to consider

Report

- 5 pages with complete data
- Electronic file submitted to s.pawin@gmail.com
- Presentation file (in pptx or pdf) submitted to s.pawin@gmail.com