



Life Insurance Case Study

Overview

A 52 year old male client purchased two \$1M whole life policies 21 years ago intending to maximize the legacy he would leave to his family. With a premium schedule of \$20,000 annually to his age 65 and \$9,400 from ages 66 -100, he was led to believe that at some point he would not have to continue paying premiums to sustain his \$2M death benefit. Unfortunately, during a thorough policy review, we discovered that if he chose to discontinue premiums on the policies, his combined death benefit of \$2M would be reduced to about \$360,000 by his age 94 based on current dividends. The client was also under the impression that if he paid all scheduled premiums, the non-guaranteed dividends would increase his death benefit significantly by *life expectancy*. Given the poor policy performance, this was not going to happen either. If he made all scheduled premiums to his age 100, the combined death benefit would be about \$2.24M.

Strategy

With one goal in mind, putting the client in a better position to achieve the original intention of maximizing his legacy, we looked at several alternatives to his current coverage. The best choice proved to be a 1035 exchange of the combined total of cash value from the two whole life policies. He would continue to pay the existing \$20K premium to age 65 into the new policy. Fortunately, we were able to discontinue the \$9,400 premium outlay beyond age 65 and provide guaranteed coverage options.

Result

BSMG was able to find multiple solutions for this client. The two options below both increase his current death benefit while keeping the same \$20K annual premium to age 65 and ending premiums beyond age 65.

- No lapse guarantee to age 100 IUL - death benefit = 2,659,750
- No lapse guarantee to age 120 IUL - death benefit = 2,436,640

If you have clients that own whole life policies with companies that have "demutualized", the policies could be under-performing and clients could be overpaying significantly for inadequate coverage. "