



## Life Insurance Restructure Case Study

### Client Scenario

Male age 56

Client has various life insurance policies owned individually and through business entities

Client majority owner of an S-Corporation

Two children and one stepchild working in the business

### Present Insurance Plan

- \$5,550,000 of Term, Universal Life and Whole Life policies
- \$64,000 annual premiums, but increasing to \$124,230 in next couple of years to keep policies in force

### Client Objective

Increase death benefit to \$9,000,000 for estate liquidity and flexibility to pay the estate tax.

Reduce insurance premiums.

Remove life insurance death benefit from estate.

Alleviate gift tax liability due to insurance premiums exceeding annual exclusion gifting limited by number of Crummey beneficiaries.

### Revised Insurance Plan

Client created new ILIT to own new individual life policies for \$9,000,000. Used three insurance carriers to spread entity risk. All were financially sound based on ALIRT and Comdex ratings. Transferred interest in income generating LLC to ILIT. ILIT will have cash flow to fund insurance premiums in excess of annual exclusion contributions limited by Crummey beneficiaries.

### Value to the Client

Three new policies with guaranteed death benefit.\*

Increased total death benefit to pay estate tax by \$3,450,000 (\$5,550,000 to \$9,000,000).

Reduced annual premium from \$124,230 to \$115,678.

Internal Rates of Return at life expectancy (age 83) are between 6.5% and 8.1% (Tax adjusted IRR between 10% and 12.5%).

Removed policy values from client's estate (currently \$2,550,000 in estate) – \$1,147,500 estate tax savings (45%). Plus structured remaining death benefit outside estate.

\*Payments of guaranteed principal and income, as well as living and death benefit guarantees are contingent upon the claims-paying ability of the issuing company. Optional living and death benefits are available for an additional fee and may not be available in all states.

The case study results are for illustrative purposes only and should not be deemed a representation of past or future results. This example does not represent any specific product, nor does it reflect sales charges or other expenses that may be required. No representation is made as to the accurateness of the analysis.