



Life Insurance Restructure Case Study

Client Scenario

Male age 61, Female age 64

Irrevocable Life Insurance Trust (ILIT) created in 2000 to own life insurance policy on the male

Client 100% owner of a C-Corporation

C-Corp and Trustee of ILIT make life insurance premium payments on a trust-owned policy subject to a Split Dollar Agreement

Present Insurance Plan

- Trust owns \$5,000,000 Individual Whole Life policy on male (Preferred Nonsmoker)
- \$139,860 annual premiums
- Cash surrender value at time of engagement of \$1,485,000

Client Objective

Maintain \$5,000,000 death benefit for estate liquidity and flexibility.

Reduce insurance premiums.

Use policy cash value (\$1,485,000) for corporate expansion.

Revised Insurance Plan

With help of tax attorney, created new ILIT to own new survivorship universal life policy for \$5,000,000. Corporate resolution to release collateral assignment (based on Split Dollar Agreement) in exchange for policy from trustee of existing ILIT. Changed owner & beneficiary of trust-owned policy to the corporation. Corporation surrendered existing policy and accessed cash value for use.

Value to the Client

New policy guaranteed to age 100.

Reduced annual premium by 56% (from \$139,860 to \$62,197)

Internal Rate of Return at life expectancy (age 83) of oldest insured is 18.38%.

Corporation received \$1,485,000 in cash.

New trust revised for new distribution plan.

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.