



PREMIER

BROKERAGE SERVICES

A Gallagher Company

DIVERSIFIED LIFE INSURANCE STRATEGY

Case Study 1 - Optimum Balance of Premium Threshold and Risk Tolerance

A well-constructed financial portfolio benefits from the inclusion of life insurance, which offers an **added degree of diversification** as well as **significant tax and liquidity advantages**.

The affluent client has **numerous competing needs** and **varying degrees of risk tolerance** when it comes to life insurance. The fundamental question is how to determine the **type** of insurance which is the best 'fit'.

Traditionally, the answer to that question has been a single product, however, the astute insurance professional realizes that a **diversified life insurance strategy can meet multiple needs while balancing product risk**.

Profile

- Robert Jones, Male Age 47
- Sole Proprietor of a Successful Advertising Business
- Married with two Children
- Annual Income: \$341,000
- Current Business Valuation: \$3,800,000
- Health Profile: 5' 11", 283 lbs., Controlled Diabetes, Moderate Sleep Apnea

Mr. Jones' Advisory Team has recommended \$7,500,000 of Life Insurance for **Income Replacement** as well as to fund a one-way **Buy Sell Agreement** with a Key Executive. The challenge is that Mr. Jones has been assessed as a Table 2 Risk by all major insurers, resulting in a cost which is not aligned with Mr. Jones' current premium threshold.

Consider how employing a Diversified Life Insurance Strategy can efficiently meet Mr. Jones' planning objectives while providing the optimum balance of premium threshold and risk tolerance.

Traditional Recommendation

- **\$7,500,000 of Whole Life Insurance**
- Rate Class: Table 2 Non-Tobacco
- Annual Premium: \$153,525 for Life

Recommendation Employing Diversified Life Insurance Strategy

- **\$3,750,000 of Whole Life Insurance**
- **\$3,750,000 of Guaranteed Universal Life Insurance with ROP/LTC**
- Rate Class: Reducing the Death Benefit in each product allows you to take advantage of each life insurer's optimum crediting programs, resulting in a Standard Non-Tobacco rate class.
- Annual Premium/Whole Life: \$68,925
- Annual Premium/GUL with ROP/LTC: \$38,703
- Total Annual Premium: \$107,628

Advantages of the Diversified Life Insurance Strategy

- Lower Annual Premium
- Increased Internal Rate of Return on Death Benefit
- Maximization of Underwriting Crediting Programs
- Flexibility to Surrender Guaranteed Universal Life Policy at Retirement (year 25) and receive a full refund of premium which can be used to pay future whole life premiums or to supplement retirement income needs.

DIVERSIFIED LIFE INSURANCE STRATEGY

Case Study 2 - Using Whole Life Dividends to Minimize the Premium

Profile

- Robert Jones, Male Age 63
- Sole Proprietor of a Successful Advertising Business
- Annual Income: \$391,000
- Current Business Valuation: \$3,900,000
- Total Net Worth – 7.7 million
- Health Profile: 5' 11", 283 lbs., Controlled Diabetes
- Standard risk

Mr. Jones' Advisory Team has recommended an additional \$2,500,000 of Life Insurance for **Income Replacement** as well as paying for **Estate Taxes**.

Consider how employing a Diversified Life Insurance Strategy can efficiently meet Mr. Jones' planning objectives while using dividends from his current Whole Life policy to minimize the premium on the new policy.

Current Insurance

- \$5,000,000 of Whole Life Insurance with a dividend of \$33,750 that continues to grow each year. He has been using his dividend to increase cash value for retirement
- Rate Class: standard Non-Tobacco
- Annual Premium: \$95,000 to age 100

Recommendation for additional insurance: Employing a Diversified Life Insurance Strategy using Dividends from current Whole Life policy to reduce the premium of new coverage.

- \$2,500,000 of Guaranteed Universal Life Insurance with ROP/LTC riders
- GUL premium is \$51,101
- Applying \$33,750 from Whole Life Dividend creates a net cost of \$17,351 for Mr. Jones new \$2,500,000 GUL with Chronic Illness and ROP riders
- As dividend continues to grow, he can either use it to reduce net cost of GUL or leave it in the whole life to increase his cash value

Advantages of the Diversified Life Insurance Strategy:

- Reduces Annual Premium addressing dual needs
- Increased Internal Rate of Return on Death Benefit
- Flexibility to Surrender Guaranteed Universal Life Policy (year 25) and receive a full refund of premium which can be used to pay future whole life premiums or to supplement retirement income needs
- Chronic Illness coverage to allow Mr. Jones to stay at home in the event of illness without depleting his investments and causing an adverse taxable event
- A diversified portfolio using different products and carriers to minimize market risk

RELATIONSHIPS FIRST

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