



## CASE STUDY: DIVERSIFIED LIFE INSURANCE STRATEGY

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.

### RELATIONSHIPS FIRST