Creative Uses Of Life Insurance

Case Study #1

Couple age 60 with a net worth of about $8M. Did not need insurance for federal estate taxes but recognized the effective IRR of the premium to death benefit. The cost for $2M of Second-To-Die coverage was $19,854/year. Both the premium and death benefit were guaranteed for their joint lives. The IRR to their joint life expectancy or 32 years is 6.22% or a taxable equivalent of 8.64% assuming a 28% tax bracket. They recognized that life insurance can be an effective non-correlated asset.

Case Study #2

Female age 81 had $135K of money in CD's earning about 1%. Did not need the money for income and wanted to leave the full sum to her two daughters. She purchased a single-pay life insurance policy using the CD money for a $216,323 death benefit guaranteed well past her age 100. The IRR rate of return of premium to death benefit in 10 years is 4.83%. After tax return using a 28% tax bracket is 6.71%. She realized this return would far exceed what she would earn if she left her money in CD's , thus dramatically increasing her daughters' inheritance.

Case Study #3

Prominent surgeon who was making yearly charitable contributions to a large hospital. Wanted to leverage his gifting more effectively. Purchased a $1M Second-To-Die life insurance policy for $25K/year premium payable for 5 years only. The hospital was named owner/bene of the policy. The surgeon still makes the charitable contribution in the amount of the premium and receives his deduction. The hospital turns around and writes a check to the insurance carrier.

All three scenarios used different carriers to achieve the intended goal.