



TRUTH AND TRANSPARENCY™

# CASE STUDY

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MR. AND MRS. HIGH INCOME EARNERS



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### BACKGROUND ▾

Male 50 and Female 49 are highly compensated physicians based in a Texas Hospital System. They are interested in exploring the benefits of using cash value life insurance to provide future liquidity in the event of death and primarily as a vehicle for income. Their current net worth is \$15M and they have a combined household income of \$1.75M/year. As part of the planning, they have agreed to use \$300,000 of after tax money, per year, for 5 years.

They are comfortable with the market and after exploring Indexed Universal Life, Universal Life, and Whole Life, they preferred the IUL plan for the highest perceived upside while still having some downside protection with the floor.

### OPTIONS ▾

- 1 Pay \$300,000 / year for 5 years into an overfunded SIUL
- 2 Leverage up the plan and use \$300,000 / year to pay interest and principal on a Premium Financing plan

### RESULT ▾

- They were comfortable with the additional risks posed by leverage and felt comfortable that they had the assets and income to manage both interest rate risk and policy performance risk
- Secured a 5 year loan facility based on 30 day Libor + 200 bps
- No personal guaranty on the loan (important, especially to physicians)
- Targeted \$500,000 of cash to cover potential loan collateral
- Leverage allowed us to use \$1,000,000 of annual premium versus \$300,000
- Income solve from years 23-42
- \$1,200,000 / yr with PF vs \$540,000 / yr with non financed using identical assumptions on the life insurance

### ▾ CONCLUSION ▾

# THERE IS NO CASE TOO COMPLEX FOR US