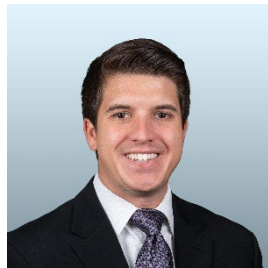




Ryan Barradas | Managing Partner



Vincent Brunoforte | Partner

Welcome to
Best Practices and
Standards for
Insurance Portfolio
Due Care

Tuesday, February 27, 2024 | 8:00 am PST

Available Via Video Conference

NASBA CPE Credit: 1 hour for CPAs

CFP Credit: 1 hour

This material is informational only and is not intended as an offer or a solicitation for any particular product.

WealthPoint, LLC does not provide tax advice. Any discussion of U.S. tax matters contained herein is not intended to be used and cannot be used for the purposes of avoiding U.S. tax-related penalties. Securities offered through Kestra Investment Services, LLC (Kestra IS), member FINRA/SIPC. Investment advisory services offered through Kestra Advisory Services, LLC (Kestra AS), an affiliate of Kestra IS. WealthPoint is a member firm of PartnersFinancial. Kestra IS and Kestra AS are not affiliated with WealthPoint, LLC or PartnersFinancial. WealthPoint, LLC is independently owned and operated. WealthPoint, the WealthPoint logo and Know your story are all registered trademarks of WealthPoint, LLC. Life insurance services are provided through WealthPoint, LLC DBA WealthPoint Insurance Solutions, CA Insurance License #0N03255. Investor Disclosure:

<https://bit.ly/KF-Disclosures>

LEARNING OBJECTIVES & AGENDA

🌀 Learning Objectives

- Types of life insurance post-issue due care
 - Day-to-day ongoing policy service
 - Annual policy reviews
 - Five-year comprehensive review & market study
 - Insurance exit analysis
- Understand the importance of life insurance policy post-issue due care
 - Life insurance is not a “set it and forget it” purchase
- Review case studies

🌀 Conclusion and Questions



MEETING REMINDERS & CE CREDIT

🕒 Q&A

- Please type your questions into the **Q&A** feature in your Zoom toolbar
 - Please **don't** use the chat function

🕒 Polling Questions

- In order to maintain compliance for CE credit, we must ask at least three polling questions during the webinar
- Each question will allow two minutes to receive your answer

🕒 If you are interested in receiving CE and/or CFP credit for attending this webinar, please look for and complete the survey that will be sent to you

- CE certificates will be emailed to you within 30 days after the webinar and completion of the survey
- For any additional questions, please reach out to Kristin@wealthpoint.net



Life Insurance Policy Due Care Overview

WHAT IS POLICY DUE CARE?

- ④ Policy due care is ongoing service and maintenance of in-force life insurance business. Policy due care includes one or more of the following:
 - Ongoing daily policy service
 - Annual policy review
 - Five-year comprehensive review & market study
 - Insurance exit analysis



WHY POLICY DUE CARE IS IMPORTANT

- ④ Life insurance policies are built on financial modeling, projections and assumptions where the only certainty is change

- ④ A life insurance purchase requires thorough and proactive attention, and if it's not properly cared for, it can be very costly

- ④ Five-year comprehensive review & market studies result in one of three outcomes:
 - Verify the policy is performing as it should
 - Identify solutions and enhancements to correct concerns before major issues arise
 - Uncover more efficient solutions available in the marketplace



LIFE INSURANCE FACTORS TO REVIEW

- ④ Factors that will influence the life insurance policy and planning and should be reviewed include:
 - Ownership strategy or structure
 - Financial strength of insurance carrier
 - Original assumptions vs. actual policy experience and performance
 - Interest rate environment
 - Changes to product pricing, features and availability
 - Changes in health of the insured
 - Changes in planning objectives
 - Updated personal and business financials



Polling Question #1

Sample Annual Review

- Ⓢ Performed annually, typically following policy anniversary
- Ⓢ Summarization of current policy statements, values and in-force illustrations
- Ⓢ Evaluate policy performance and benchmark against original planning
- Ⓢ Evaluate market alternatives or planning changes as needed
- Ⓢ Communication with policy stakeholders
- Ⓢ May remedy fiduciary liability concerns



IN-FORCE COVERAGE SUMMARY

In-Force Life Insurance Summary

Insured	Owner	Carrier	Policy #	Policy Date	Type	Annual Premium	Account Value	Surrender Value	Death Benefit	Cost Basis
John and Debbie Smith	J and D Smith ILIT	Penn Mutual Life Ins. Co.	1112345	11/23/2020	S-IUL	\$ -	\$1,501,668	\$1,443,906	\$ 10,000,000	\$1,656,500
Total						\$ -	\$1,501,668	\$1,443,906	\$10,000,000	\$1,656,500

- Ⓢ Penn Mutual policy #1112345
 - Year two planned premium paid in year three
 - No further premiums scheduled



POLICY INFORMATION AND PERFORMANCE SUMMARY

Policy Information

Policy #	1112345
Insured	John and Debbie Smith
Owner	J and D Smith ILIT
Beneficiary	J and D Smith ILIT
Underwriting Class	Standard NT/Preferred Plus NT
Death Benefit	\$10,000,000
Carrier	Penn Mutual Life Ins. Co.
Product	Survivorship Plus Select IUL
Issue Date	11/23/2020
Policy Year	4

Premium Details

Planned Premium	N/A
Premium Mode	Annual
Next Premium Due Date	N/A
Premiums Paid to Date	\$1,656,500.00
Policy Cost Basis	\$1,656,500.00

Original Plan & Purpose

The policy was designed for the purpose of estate liquidity. It features total premiums of \$1M in year one, and \$656K in year two. This is done to support a level death benefit of \$10M through Debbie's age 104. Original illustrations assumed an indexed rate of return of 4.80%

Carrier Comdex Rating

The Comdex rating for Penn Mutual Life Ins. Co. is 96.

Comdex ratings are the average percentile ranking of all the ratings received by a company on a scale of 1 to 100 of where the company ranks among approximately 1,100 companies that have been rated.

*The original policy and illustration should be referenced for additional detail.

Policy Performance

Beginning of Year Account Balance	\$856,051.73
Premium	\$656,500.00
Policy Charges	\$ (88,252.66)
Interest Credited	\$76,362.53
End of Year Account Balance	\$1,500,661.60

The annual return for this policy was 5.36%.

Illustrated Performance

Premiums Paid as Planned	Yes
Last Premium Amount Paid	\$656,500.00
Date of Last Premium	1/11/2023
Current Projected Lapse	Year 50
Action Required	No

Index Allocation	Allocation	Value
1 Yr S&P 500 Indexed Account	100.00%	\$1,501,667.92
Total	100.00%	\$1,501,667.92

Index growth rates are determined by tracking an underlying stock index. A minimum crediting rate, floor, will protect policy principal from losing money due to negative market performance. A maximum crediting rate, cap, will limit the upside potential.

Recommendations & Next Steps

The policy is performing as expected. It is recommended to continue paying premiums as scheduled.



OPEN AND MATURE INDEX SEGMENT REPORT

Open Index Segments

Segment Start Date	Segment End Date	Cap Rate	Guaranteed		Index Beginning Value	Index Current Value	Underlying Index Return*	Projected Index Crediting Rate**	Index Interest Multiplier	Projected Policy Crediting**
			Floor Rate	Participation Rate						
2/23/2023	2/23/2024	7.75%	1.00%	100%	4012.32	4864.80	21.25%	7.75%	1.10	8.53%
3/23/2023	3/23/2024	7.75%	1.00%	100%	3948.72	4864.80	23.20%	7.75%	1.10	8.53%
4/23/2023	4/23/2024	7.75%	1.00%	100%	4137.04	4864.80	17.59%	7.75%	1.10	8.53%
5/23/2023	5/23/2024	7.75%	1.00%	100%	4145.58	4864.80	17.35%	7.75%	1.10	8.53%
6/23/2023	6/23/2024	7.75%	1.00%	100%	4348.33	4864.80	11.88%	7.75%	1.10	8.53%
7/23/2023	7/23/2024	7.75%	1.00%	100%	4554.64	4864.80	6.81%	6.81%	1.10	7.49%
8/23/2023	8/23/2024	7.75%	1.00%	100%	4436.01	4864.80	9.67%	7.75%	1.10	8.53%
9/23/2023	9/23/2024	7.75%	1.00%	100%	4337.44	4864.80	12.16%	7.75%	1.10	8.53%
10/23/2023	10/23/2024	7.75%	1.00%	100%	4217.04	4864.80	15.36%	7.75%	1.10	8.53%
11/23/2023	11/23/2024	7.75%	1.00%	100%	4559.34	4864.80	6.70%	6.70%	1.10	7.37%
12/23/2023	12/23/2024	7.75%	1.00%	100%	4774.75	4864.80	1.89%	1.89%	1.10	2.07%
1/23/2024	1/23/2025	7.75%	1.00%	100%	4864.80	4864.80	0.00%	1.00%	1.10	1.10%

Matured Index Segments - Performance Detail

Segment Start Date	Segment End Date	Cap Rate	Guaranteed		Index Beginning Value	Index Ending Value	Underlying Index Return*	Index Crediting Rate	Index Interest Multiplier	Policy Crediting
			Floor Rate	Participation Rate						
2/23/2022	2/23/2023	7.50%	1.00%	100%	4225.50	4012.32	-5.05%	1.00%	1.10	1.10%
3/23/2022	3/23/2023	7.50%	1.00%	100%	4456.24	3948.72	-11.39%	1.00%	1.10	1.10%
4/23/2022	4/23/2023	7.50%	1.00%	100%	4296.12	4137.04	-3.70%	1.00%	1.10	1.10%
5/23/2022	5/23/2023	7.50%	1.00%	100%	3973.75	4145.58	4.32%	4.32%	1.10	4.76%
6/23/2022	6/23/2023	7.50%	1.00%	100%	3795.73	4348.33	14.56%	7.50%	1.10	8.25%
7/23/2022	7/23/2023	7.50%	1.00%	100%	3966.84	4554.64	14.82%	7.50%	1.10	8.25%
8/23/2022	8/23/2023	7.50%	1.00%	100%	4128.73	4436.01	7.44%	7.44%	1.10	8.19%
9/23/2022	9/23/2023	7.50%	1.00%	100%	3693.23	4337.44	17.44%	7.50%	1.10	8.25%
10/23/2022	10/23/2023	7.50%	1.00%	100%	3797.34	4217.04	11.05%	7.50%	1.10	8.25%
11/23/2022	11/23/2023	7.50%	1.00%	100%	4027.26	4559.34	13.21%	7.50%	1.10	8.25%
12/23/2022	12/23/2023	7.50%	1.00%	100%	3844.82	4774.75	24.19%	7.50%	1.10	8.25%
1/23/2023	1/23/2024	7.75%	1.00%	100%	4019.81	4864.80	21.02%	7.75%	1.10	8.53%

* Current and past underlying index return does not guarantee future index performance or return.

** Projections are based on the value of the index at the time of this report. The value of the index may go up or down until the segment maturity date.



INSURANCE ILLUSTRATIONS

Date Run Design Rate of Return		Original Plan Design				Current In-Force			
		5/13/2021				1/23/2024			
		2-Pay - Level Death Benefit				In Force			
		<i>Indexed: 4.80%</i>				<i>Indexed: 4.80%</i>			
		Cash				Cash			
EOY	Year	Annual Outlay	Account Value	Surrender Value	Death Benefit	Annual Outlay	Account Value	Surrender Value	Death Benefit
62/55	1	\$1,000,000	\$861,850	\$775,638	\$10,000,000	\$1,000,000			
63/56	2	\$656,500	\$1,507,359	\$1,430,631	\$10,000,000	\$0			
64/57	3		\$1,543,979	\$1,476,734	\$10,000,000	\$656,500			
65/58	4		\$1,582,406	\$1,524,644	\$10,000,000		\$1,536,364	\$1,478,602	\$10,000,000
66/59	5		\$1,622,632	\$1,574,353	\$10,000,000		\$1,574,470	\$1,526,191	\$10,000,000
67/60	6		\$1,703,518	\$1,664,723	\$10,000,000		\$1,652,958	\$1,614,162	\$10,000,000
68/61	7		\$1,788,273	\$1,758,961	\$10,000,000		\$1,735,074	\$1,705,762	\$10,000,000
69/62	8		\$1,877,188	\$1,857,359	\$10,000,000		\$1,821,212	\$1,801,383	\$10,000,000
70/63	9		\$1,970,323	\$1,959,978	\$10,000,000		\$1,911,422	\$1,901,076	\$10,000,000
71/64	10		\$2,068,327	\$2,068,327	\$10,000,000		\$2,006,348	\$2,006,348	\$10,000,000
72/65	11		\$2,180,846	\$2,180,846	\$10,000,000		\$2,115,448	\$2,115,448	\$10,000,000
73/66	12		\$2,299,217	\$2,299,217	\$10,000,000		\$2,230,179	\$2,230,179	\$10,000,000
74/67	13		\$2,423,585	\$2,423,585	\$10,000,000		\$2,350,702	\$2,350,702	\$10,000,000
75/68	14		\$2,554,053	\$2,554,053	\$10,000,000		\$2,477,108	\$2,477,108	\$10,000,000
76/69	15		\$2,690,569	\$2,690,569	\$10,000,000		\$2,609,331	\$2,609,331	\$10,000,000
81/74	20		\$3,463,536	\$3,463,536	\$10,000,000		\$3,356,773	\$3,356,773	\$10,000,000
86/79	25		\$4,370,596	\$4,370,596	\$10,000,000		\$4,229,066	\$4,229,066	\$10,000,000
91/84	30		\$5,341,966	\$5,341,966	\$10,000,000		\$5,149,001	\$5,149,001	\$10,000,000
96/89	35		\$6,214,444	\$6,214,444	\$10,000,000		\$5,930,531	\$5,930,531	\$10,000,000
97/90	36		\$6,360,904	\$6,360,904	\$10,000,000		\$6,049,285	\$6,049,285	\$10,000,000
98/91	37		\$6,492,691	\$6,492,691	\$10,000,000		\$6,148,124	\$6,148,124	\$10,000,000
99/92	38		\$6,607,304	\$6,607,304	\$10,000,000		\$6,223,107	\$6,223,107	\$10,000,000
100/93	39		\$6,702,283	\$6,702,283	\$10,000,000		\$6,269,926	\$6,269,926	\$10,000,000
101/94	40		\$6,774,007	\$6,774,007	\$10,000,000		\$6,282,453	\$6,282,453	\$10,000,000
102/95	41		\$6,817,122	\$6,817,122	\$10,000,000		\$6,251,868	\$6,251,868	\$10,000,000
107/100	46		\$6,286,181	\$6,286,181	\$10,000,000		\$4,895,106	\$4,895,106	\$10,000,000
110/103	49		\$4,382,709	\$4,382,709	\$10,000,000		\$1,441,003	\$1,441,003	\$10,000,000
112/105	51		\$1,010,737	\$1,010,737	\$10,000,000				
		As Illustrated, Policy Lapses Year 52				As Illustrated, Policy Lapses Year 50			
Premium to LE:		\$1,656,500				\$1,656,500			
Paid Premium:		\$1,656,500				\$1,656,500			



Sample Five-year Comprehensive Review & Market Study

FIVE-YEAR COMPREHENSIVE REVIEW AND MARKET STUDY

- ④ Should be performed every five years
- ④ Comprehensive policy review and extensive market study
- ④ Reconfirm planning objectives
- ④ Obtain updated analysis of underwriting offers based on current health
 - May include life expectancy studies
- ④ Create credible baseline and benchmark against existing policy design
- ④ Produce comprehensive “fiduciary quality” review and analysis for policyowner



PERFORMANCE SUMMARY

Insured	Owner	Death Benefit	Carrier	Policy #	Issue Date
Mr. Smith	Smith IRR Trust	\$6,000,000	John Hancock	#123456	March 21, 2008

Original Plan Design and Purpose

The universal life policy insuring Mr. Smith was purchased in 2008 for the benefit of the Smith Irrevocable Trust. The funding structure of this policy assumed a sustained crediting rate of 5.40% and annual premiums of \$112,155 to provide a death benefit of \$6,000,000 through Mr. Smith's age 93. Due to strong client preference and familial history, Mr. Smith does not desire coverage beyond age 90. Since issue, all premiums have been paid as scheduled.

Illustrated Performance

Initially, the funding for the single life policy insuring Mr. Smith was illustrated to maintain death benefit coverage to age 93. This funding structure assumed a 5.40% crediting rate in all years. Since issue, the crediting rate has been reduced by 0.95%. Assuming a sustained crediting rate of 4.45% and annual premiums of \$112,155, this policy is illustrated to lapse at Mr. Smith's age 90. The table below summarizes this comparison between the original design plan and actual performance to date.

	Annual Premium	Death Benefit	Crediting Rate	Coverage Duration
Original Plan Design	\$112,155	\$6,000,000	5.40%	Age 93
Current Illustrated Performance	\$112,155	\$6,000,000	4.45%	Age 90

Crediting Rate Information

Due to the persistently low interest rate environment, the crediting rate has been lowered from 5.40% to 4.45%. It is likely that downward pressure from today's persistently low interest rate environment will continue to affect insurance companies' fixed account crediting rates. Similarly, as interest rates return to historical averages, crediting rates will likely adjust accordingly.

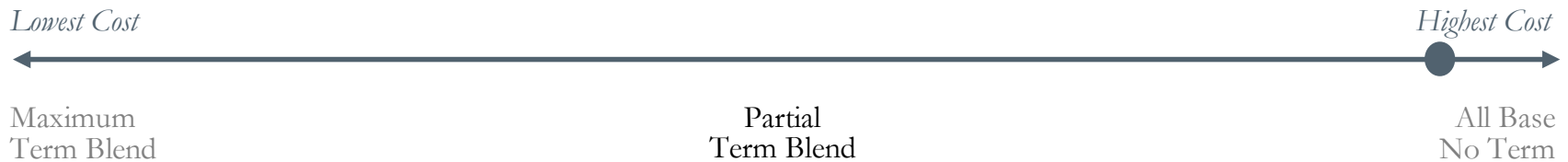


EFFICIENCY EVALUATION

Blending Analysis

Many permanent life insurance products allow the sales agent to "term blend" the death benefit. Sales charges are assessed against the "base" portion of the death benefit, which amounts to 95% of the death benefit in this case. The agent who sold this contract was able to "blend" more of the base with a non-commissionable term rider (which has no sales charges) to reduce the overall costs of this policy. When an agent blends an insurance product, he or she will make less in compensation, but it will result in either lower premiums or higher cash values for the client.

Mr. Smith's John Hancock policy was issued with a 5% term blend.



Carrier Financial Strength and Ratings

John Hancock's Comdex rating is currently 92. Comdex ratings are the average percentile ranking of all of the ratings received by a company. The Comdex indicates on a scale of 1 to 100 where the company ranks among approximately 1,100 companies that have been rated.

<u>Ratings Agency</u>	<u>Rating</u>
A.M. Best Company	A+ (2)
Standard & Poor's	AA- (4)
Moody's	A1 (5)
Fitch Ratings	AA- (4)
Weiss	B (5)

A.M. Best's Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. It is not a warranty of a company's financial strength and ability to meet its obligations to policyholders. View our Important Notice: Best's Credit Ratings for a disclaimer notice and complete details at <http://www.ambest.com/ratings/notice>.



UNDERWRITING SUMMARY

Underwriting Analysis

The largest internal charges in a life insurance contract are the costs of insurance. This cost is charged to cash values every month based upon the insured's current age and underwriting class. The table below illustrates the relationship between underwriting classes and insurance costs.

Mr. Smith received a Standard Non-Tobacco rating on his John Hancock UL policy.



Through informal underwriting, WealthPoint obtained a preliminary assessment of Mr. Smith's current underwriting class from multiple insurance companies based on his medical records. These opinions were offered by the carriers without a full application and would be subject to additional requirements including a paramedical exam. Multiple carriers offered Mr. Smith the best ratings (Select and Super Preferred) on this preliminary basis as shown in the Market Study table on Page 7. Rates could vary upon a formal application and medical examination.

Underwriting Offers

The table below reflects the summary of the insurance underwriting offers that WealthPoint received based on his medical records only. These offers are subject to additional outstanding requirements.

Carrier	Rating
John Hancock	Super Preferred Non-Tobacco
Nationwide	Select Preferred Non-Tobacco
Pacific Life	Super Preferred Non-Tobacco
TIAA-Cref	Preferred Non-Tobacco
Prudential	Preferred Non-Tobacco
Lincoln	Preferred Best Non-Tobacco



Life Expectancy (LE) Analysis

Life expectancy is an important element in analyzing life insurance. LE is defined when 50% of people in the same age and general health are still living. When purchasing insurance, we believe you should fund a policy to provide a 95% chance of collecting the death benefit.

Based on the life expectancy calculator, a policy should be funded to Mr. Smith's age 105.

Life Expectancy Calculator

Underwriting Rating	Super Preferred Non-Tobacco
Probability of Survival	Mr. Smith's Age
50%	Age 92
25%	Age 97
10%	Age 102
5%	Age 105



Market Study

The existing John Hancock policy was issued in 2008 with a Standard Non-Tobacco rating and only a 5% term blend. Exchanging cash values (§1035 exchange) into a new policy with improved health underwriting and increased term blend can provide the same level of coverage with more efficient and competitive pricing. The table below compares the existing policy against new products. See "Illustrations" for full numerical summaries of the insurance illustrations. All illustrated scenarios assume a §1035 exchange of \$402,265 and best available health ratings.

Product	Preliminary Underwriting	Base Coverage %	Death Benefit	Annual Premium	Crediting Rate	Death Benefit IRR (Age 90)
Existing Policy	Standard Non-Tobacco	95%	\$6,000,000	\$112,155	4.45%	5.95%
Internal Exchange JH-UL	Super Preferred Non-Tobacco	35%	\$6,000,000	\$81,135	4.40%	8.17%
Nationwide VUL	Select Preferred Non-Tobacco	35%	\$6,000,000	\$73,962	4.75%	8.79%
Pacific Life VUL	Super Preferred Non-Tobacco	35%	\$6,000,000	\$59,480	5.05%	10.23%

Illustrations to Age 105

Product	Preliminary Underwriting	Base Coverage %	Death Benefit	Annual Premium	Crediting Rate	Death Benefit IRR (Age 95)
Existing Policy (funded to age 90)	Standard Non-Tobacco	95%	\$6,000,000	\$112,155	4.45%	N/A (Policy lapses at age 90)
Internal Exchange JH-UL	Super Preferred Non-Tobacco	35%	\$6,000,000	\$94,846	4.40%	4.81%
Nationwide VUL	Select Preferred Non-Tobacco	35%	\$6,000,000	\$120,158	3.75%	3.42%
Pacific Life VUL	Super Preferred Non-Tobacco	35%	\$6,000,000	\$127,638	4.20%	3.38%

Recommendations & Next Steps

Based on illustrated values, replacing the existing John Hancock policy can offer significant premium savings annually and over the life of the policy. Mr. Smith will need to complete a paramedical exam to secure formal underwriting offers and begin the replacement process. To schedule a paramedical exam, or for alternate planning scenarios, please contact WealthPoint.

ILLUSTRATIONS

Age	Year	Existing Policy			Year	Internal Exchange, JH UL			Nationwide VUL			Pacific Life VUL			
		Annual Outlay	Surrender Value	Death Benefit		Annual Outlay	Surrender Value	Death Benefit	Annual Outlay	Surrender Value	Death Benefit	Annual Outlay	Surrender Value	Death Benefit	
		95% Base Crediting Rate 4.45%					35% Base Crediting Rate 4.40% Super Preferred Non Tobacco*			35% Base Enhanced Fixed Rate 4.75% Select Preferred Non Tobacco*			35% Base Crediting Rate 5.05% Super Preferred Non Tobacco*		
66 - 67	7	\$112,155	\$438,101	\$6,000,000	1	\$81,135	\$425,466	\$6,000,000	\$73,962	\$428,441	\$6,000,000	\$59,480	\$343,068	\$6,000,000	
67 - 68	8	\$112,155	\$511,917	\$6,000,000	2	\$81,135	\$466,638	\$6,000,000	\$73,962	\$480,002	\$6,000,000	\$59,480	\$383,240	\$6,000,000	
68 - 69	9	\$112,155	\$588,160	\$6,000,000	3	\$81,135	\$502,469	\$6,000,000	\$73,962	\$527,616	\$6,000,000	\$59,480	\$418,828	\$6,000,000	
69 - 70	10	\$112,155	\$665,555	\$6,000,000	4	\$81,135	\$535,988	\$6,000,000	\$73,962	\$574,163	\$6,000,000	\$59,480	\$450,211	\$6,000,000	
70 - 71	11	\$112,155	\$757,150	\$6,000,000	5	\$81,135	\$569,357	\$6,000,000	\$73,962	\$621,617	\$6,000,000	\$59,480	\$479,071	\$6,000,000	
71 - 72	12	\$112,155	\$850,471	\$6,000,000	6	\$81,135	\$600,935	\$6,000,000	\$73,962	\$668,643	\$6,000,000	\$59,480	\$506,718	\$6,000,000	
72 - 73	13	\$112,155	\$941,844	\$6,000,000	7	\$81,135	\$631,530	\$6,000,000	\$73,962	\$715,978	\$6,000,000	\$59,480	\$530,327	\$6,000,000	
73 - 74	14	\$112,155	\$1,031,828	\$6,000,000	8	\$81,135	\$657,434	\$6,000,000	\$73,962	\$760,380	\$6,000,000	\$59,480	\$551,565	\$6,000,000	
74 - 75	15	\$112,155	\$1,116,282	\$6,000,000	9	\$81,135	\$679,773	\$6,000,000	\$73,962	\$803,000	\$6,000,000	\$59,480	\$569,784	\$6,000,000	
75 - 76	16	\$112,155	\$1,196,866	\$6,000,000	10	\$81,135	\$689,585	\$6,000,000	\$73,962	\$840,127	\$6,000,000	\$59,480	\$584,591	\$6,000,000	
76 - 77	17	\$112,155	\$1,272,577	\$6,000,000	11	\$81,135	\$721,830	\$6,000,000	\$73,962	\$882,361	\$6,000,000	\$59,480	\$616,569	\$6,000,000	
77 - 78	18	\$112,155	\$1,342,106	\$6,000,000	12	\$81,135	\$744,793	\$6,000,000	\$73,962	\$916,807	\$6,000,000	\$59,480	\$643,930	\$6,000,000	
78 - 79	19	\$112,155	\$1,404,154	\$6,000,000	13	\$81,135	\$756,267	\$6,000,000	\$73,962	\$944,236	\$6,000,000	\$59,480	\$667,772	\$6,000,000	
79 - 80	20	\$112,155	\$1,457,168	\$6,000,000	14	\$81,135	\$756,990	\$6,000,000	\$73,962	\$963,227	\$6,000,000	\$59,480	\$688,836	\$6,000,000	
80 - 81	21	\$112,155	\$1,489,224	\$6,000,000	15	\$81,135	\$710,504	\$6,000,000	\$73,962	\$943,306	\$6,000,000	\$59,480	\$701,385	\$6,000,000	
81 - 82	22	\$112,155	\$1,504,055	\$6,000,000	16	\$81,135	\$653,698	\$6,000,000	\$73,962	\$915,454	\$6,000,000	\$59,480	\$699,537	\$6,000,000	
82 - 83	23	\$112,155	\$1,498,663	\$6,000,000	17	\$81,135	\$586,035	\$6,000,000	\$73,962	\$877,657	\$6,000,000	\$59,480	\$686,166	\$6,000,000	
83 - 84	24	\$112,155	\$1,469,167	\$6,000,000	18	\$81,135	\$506,978	\$6,000,000	\$73,962	\$829,063	\$6,000,000	\$59,480	\$657,808	\$6,000,000	
84 - 85	25	\$112,155	\$1,409,929	\$6,000,000	19	\$81,135	\$412,970	\$6,000,000	\$73,962	\$764,498	\$6,000,000	\$59,480	\$612,132	\$6,000,000	
85 - 86	26	\$112,155	\$1,313,881	\$6,000,000	20	\$81,135	\$340,812	\$6,000,000	\$73,962	\$676,173	\$6,000,000	\$59,480	\$546,239	\$6,000,000	
86 - 87	27	\$112,155	\$1,172,103	\$6,000,000	21	\$81,135	\$264,441	\$6,000,000	\$73,962	\$560,424	\$6,000,000	\$59,480	\$451,699	\$6,000,000	
87 - 88	28	\$112,155	\$973,058	\$6,000,000	22	\$81,135	\$179,609	\$6,000,000	\$73,962	\$412,773	\$6,000,000	\$59,480	\$330,140	\$6,000,000	
88 - 89	29	\$112,155	\$701,698	\$6,000,000	23	\$81,135	\$91,067	\$6,000,000	\$73,962	\$228,636	\$6,000,000	\$59,480	\$180,409	\$6,000,000	
89 - 90	30	\$112,155	\$333,182	\$6,000,000	24	\$81,135	\$1,006	\$6,000,000	\$73,962	\$1,022	\$6,000,000	\$59,480	\$1,022	\$6,000,000	
		Lapse at Age 90					Lapse at Age 90			Lapse at Age 90			Lapse at Age 90		
Remaining Premium		\$2,691,720					\$1,947,240			\$1,775,088			\$1,427,520		
1035 Exchange		n/a					\$402,265			\$402,265			\$402,265		

*Assumed underwriting based on preliminary offer



ALTERNATIVE OPTIONS – ILLUSTRATIONS TO AGE 105

Age	Year	Internal Exchange, JH UL			Nationwide VUL			Pacific Life VUL		
		Annual Outlay	Surrender Value	Death Benefit	Annual Outlay	Surrender Value	Death Benefit	Annual Outlay	Surrender Value	Death Benefit
		35% Base Crediting Rate 4.40% Super Preferred Non Tobacco*			35% Base Enhanced Fixed Rate 3.75% Select Preferred Non Tobacco*			35% Base Crediting Rate 4.20% Super Preferred Non Tobacco*		
66 - 67	1	\$94,846	\$438,989	\$6,000,000	\$120,158	\$479,867	\$6,000,000	\$127,638	\$428,329	\$6,000,000
67 - 68	2	\$94,846	\$494,072	\$6,000,000	\$120,158	\$574,698	\$6,000,000	\$127,638	\$538,674	\$6,000,000
68 - 69	3	\$94,846	\$544,578	\$6,000,000	\$120,158	\$670,849	\$6,000,000	\$127,638	\$647,085	\$6,000,000
69 - 70	4	\$94,846	\$593,585	\$6,000,000	\$120,158	\$766,472	\$6,000,000	\$127,638	\$753,989	\$6,000,000
70 - 71	5	\$94,846	\$643,292	\$6,000,000	\$120,158	\$856,237	\$6,000,000	\$127,638	\$862,649	\$6,000,000
71 - 72	6	\$94,846	\$692,141	\$6,000,000	\$120,158	\$978,859	\$6,000,000	\$127,638	\$970,887	\$6,000,000
72 - 73	7	\$94,846	\$740,998	\$6,000,000	\$120,158	\$1,107,366	\$6,000,000	\$127,638	\$1,081,208	\$6,000,000
73 - 74	8	\$94,846	\$786,314	\$6,000,000	\$120,158	\$1,240,991	\$6,000,000	\$127,638	\$1,192,972	\$6,000,000
74 - 75	9	\$94,846	\$829,289	\$6,000,000	\$120,158	\$1,377,142	\$6,000,000	\$127,638	\$1,306,485	\$6,000,000
75 - 76	10	\$94,846	\$861,349	\$6,000,000	\$120,158	\$1,511,303	\$6,000,000	\$127,638	\$1,422,078	\$6,000,000
76 - 77	11	\$94,846	\$919,379	\$6,000,000	\$120,158	\$1,644,816	\$6,000,000	\$127,638	\$1,555,655	\$6,000,000
77 - 78	12	\$94,846	\$970,367	\$6,000,000	\$120,158	\$1,779,892	\$6,000,000	\$127,638	\$1,688,494	\$6,000,000
78 - 79	13	\$94,846	\$1,012,464	\$6,000,000	\$120,158	\$1,913,635	\$6,000,000	\$127,638	\$1,820,992	\$6,000,000
79 - 80	14	\$94,846	\$1,046,671	\$6,000,000	\$120,158	\$2,040,158	\$6,000,000	\$127,638	\$1,951,882	\$6,000,000
80 - 81	15	\$94,846	\$1,039,051	\$6,000,000	\$120,158	\$2,165,468	\$6,000,000	\$127,638	\$2,079,419	\$6,000,000
81 - 82	16	\$94,846	\$1,024,839	\$6,000,000	\$120,158	\$2,295,176	\$6,000,000	\$127,638	\$2,198,288	\$6,000,000
82 - 83	17	\$94,846	\$1,003,886	\$6,000,000	\$120,158	\$2,429,518	\$6,000,000	\$127,638	\$2,316,880	\$6,000,000
83 - 84	18	\$94,846	\$976,073	\$6,000,000	\$120,158	\$2,565,135	\$6,000,000	\$127,638	\$2,434,925	\$6,000,000
84 - 85	19	\$94,846	\$938,566	\$6,000,000	\$120,158	\$2,701,319	\$6,000,000	\$127,638	\$2,552,076	\$6,000,000
85 - 86	20	\$94,846	\$924,941	\$6,000,000	\$120,158	\$2,837,012	\$6,000,000	\$127,638	\$2,667,707	\$6,000,000
86 - 87	21	\$94,846	\$911,827	\$6,000,000	\$120,158	\$2,967,662	\$6,000,000	\$127,638	\$2,787,036	\$6,000,000
87 - 88	22	\$94,846	\$895,804	\$6,000,000	\$120,158	\$3,092,348	\$6,000,000	\$127,638	\$2,904,615	\$6,000,000
88 - 89	23	\$94,846	\$881,420	\$6,000,000	\$120,158	\$3,207,499	\$6,000,000	\$127,638	\$3,019,873	\$6,000,000
89 - 90	24	\$94,846	\$870,886	\$6,000,000	\$120,158	\$3,311,404	\$6,000,000	\$127,638	\$3,132,375	\$6,000,000
90 - 91	25	\$94,846	\$875,957	\$6,000,000	\$120,158	\$3,403,796	\$6,000,000	\$127,638	\$3,238,622	\$6,000,000
95 - 96	30	\$94,846	\$754,198	\$6,000,000	\$120,158	\$3,583,795	\$6,000,000	\$127,638	\$3,583,548	\$6,000,000
100 - 101	35	\$94,846	\$524,091	\$6,000,000	\$120,158	\$2,950,093	\$6,000,000	\$127,638	\$3,328,347	\$6,000,000
105 - 106	40	\$94,846	\$1,004	\$6,000,000	\$120,158	\$1,672	\$6,000,000	\$127,638	\$1,802	\$6,000,000
		Lapse at Age 105			Lapse at Age 105			Lapse at Age 105		
Remaining Premium		\$3,793,840			\$4,806,320			\$5,105,520		
1035 Exchange		\$402,265			\$402,265			\$402,265		

*Assumed underwriting based on preliminary offer



Sample Exit Analysis

- ④ Insurance portfolios should be properly examined before any permanent changes are made

- ④ There are multiple options to consider when evaluating an insurance policy
 1. Stay the course
 2. Policy restructure
 3. Policy replacement
 4. Cost basis recovery
 5. Premium holiday
 6. Death benefit reduction
 7. Life settlement
 8. Reduced paid-up
 9. Surrender for cash value
 10. Gift to charity

- ④ Each option above may have many variations
 - Working with a creative and collaborative team can create incredibly powerful solutions
 - Estate tax, income tax, insurance and financial services knowledge



Polling Question #2

OPTION #1: STAY THE COURSE

- ④ “Stay the Course” means just that: continue with the original plan and design
- ④ Monitor policy performance and consider revised assumptions during policy reviews

Fact Pattern

- ④ Client, male, age 70 with a \$15,000,000 Prudential variable life insurance policy
 - Policy issued in 2007 and premiums have been paid as scheduled
 - Policy has performed close to original expectations and projected not to lapse
 - Policy originally assumed an 8.70% gross rate of return and annual premiums of \$199,147
 - Evaluate policy performance using a more conservative 7.00% gross rate of return
 - Policy would lapse at age 94
 - A premium of \$268,508 would restore the intended duration of the policy
 - Client’s health has declined since the policy was issued
 - Policy originally issued at Preferred Best rating, recently underwritten at Table B
 - Life expectancy has been reduced from age 92 to age 87 due to this change in health
 - Life expectancy is just a 50% chance of collecting a death claim
 - At Table B, client reaches a 5% probability of survival at age 99



OPTION #1: STAY THE COURSE (CONT'D)

			Current In-Force				Reduced Rate of Return				Solve for Premium @ 7.00%			
			Prudential Ins. Co. of America VUL				Prudential Ins. Co. of America VUL				Prudential Ins. Co. of America VUL			
			<i>Preferred Best</i> <i>Variable Gross 8.70% (7.89% Net)</i>				<i>Preferred Best</i> <i>Variable Gross 7.00%, (6.24% Net)</i>				<i>Preferred Best</i> <i>Variable Gross 7.00% (6.24% Net)</i>			
			Cash		Death		Cash		Death		Cash		Death	
			Annual	Surrender	Benefit	Benefit	Annual	Surrender	Benefit	Benefit	Annual	Surrender	Benefit	Benefit
Age	Year	Year	Outlay	Value	IRR	IRR	Outlay	Value	IRR	IRR	Outlay	Value	IRR	IRR
70	-	71	\$199,147	\$1,698,963	\$15,000,000	30.42%	\$199,147	\$1,671,514	\$15,000,000	30.42%	\$199,147	\$1,671,514	\$15,000,000	30.42%
71	-	72	\$199,147	\$1,933,578	\$15,000,000	26.49%	\$199,147	\$1,872,926	\$15,000,000	26.49%	\$268,508	\$1,942,151	\$15,000,000	26.41%
72	-	73	\$199,147	\$2,175,944	\$15,000,000	23.31%	\$199,147	\$2,075,771	\$15,000,000	23.31%	\$268,508	\$2,219,223	\$15,000,000	23.14%
73	-	74	\$199,147	\$2,425,260	\$15,000,000	20.69%	\$199,147	\$2,278,581	\$15,000,000	20.69%	\$268,508	\$2,501,796	\$15,000,000	20.45%
74	-	75	\$199,147	\$2,683,238	\$15,000,000	18.50%	\$199,147	\$2,482,334	\$15,000,000	18.50%	\$268,508	\$2,791,421	\$15,000,000	18.18%
75	-	76	\$199,147	\$2,947,292	\$15,000,000	16.65%	\$199,147	\$2,683,564	\$15,000,000	16.65%	\$268,508	\$3,085,397	\$15,000,000	16.26%
76	-	77	\$199,147	\$3,215,981	\$15,000,000	15.06%	\$199,147	\$2,879,848	\$15,000,000	15.06%	\$268,508	\$3,382,190	\$15,000,000	14.61%
77	-	78	\$199,147	\$3,484,052	\$15,000,000	13.69%	\$199,147	\$3,064,718	\$15,000,000	13.69%	\$268,508	\$3,676,597	\$15,000,000	13.18%
78	-	79	\$199,147	\$3,752,474	\$15,000,000	12.50%	\$199,147	\$3,237,913	\$15,000,000	12.50%	\$268,508	\$3,969,567	\$15,000,000	11.94%
79	-	80	\$199,147	\$4,021,766	\$15,000,000	11.45%	\$199,147	\$3,398,499	\$15,000,000	11.45%	\$268,508	\$4,261,593	\$15,000,000	10.84%
80	-	81	\$199,147	\$4,287,666	\$15,000,000	10.52%	\$199,147	\$3,540,253	\$15,000,000	10.52%	\$268,508	\$4,548,537	\$15,000,000	9.87%
81	-	82	\$199,147	\$4,545,482	\$15,000,000	9.69%	\$199,147	\$3,656,089	\$15,000,000	9.69%	\$268,508	\$4,825,946	\$15,000,000	9.01%
82	-	83	\$199,147	\$4,792,422	\$15,000,000	8.96%	\$199,147	\$3,740,455	\$15,000,000	8.96%	\$268,508	\$5,091,306	\$15,000,000	8.24%
83	-	84	\$199,147	\$5,028,959	\$15,000,000	8.29%	\$199,147	\$3,790,819	\$15,000,000	8.29%	\$268,508	\$5,345,301	\$15,000,000	7.55%
84	-	85	\$199,147	\$5,246,305	\$15,000,000	7.70%	\$199,147	\$3,793,643	\$15,000,000	7.70%	\$268,508	\$5,579,774	\$15,000,000	6.93%
85	-	86	\$199,147	\$5,455,760	\$15,000,000	7.15%	\$199,147	\$3,757,366	\$15,000,000	7.15%	\$268,508	\$5,805,923	\$15,000,000	6.37%
86	-	87	\$199,147	\$5,656,500	\$15,000,000	6.66%	\$199,147	\$3,675,960	\$15,000,000	6.66%	\$268,508	\$6,023,192	\$15,000,000	5.86%
87	-	88	\$199,147	\$5,846,975	\$15,000,000	6.21%	\$199,147	\$3,541,469	\$15,000,000	6.21%	\$268,508	\$6,230,380	\$15,000,000	5.39%
88	-	89	\$199,147	\$6,025,550	\$15,000,000	5.80%	\$199,147	\$3,344,492	\$15,000,000	5.80%	\$268,508	\$6,426,277	\$15,000,000	4.97%
89	-	90	\$199,147	\$6,190,593	\$15,000,000	5.42%	\$199,147	\$3,073,999	\$15,000,000	5.42%	\$268,508	\$6,609,753	\$15,000,000	4.58%
94	-	95	\$199,147	\$6,555,551	\$15,000,000	3.92%	\$199,147	\$0	\$0		\$268,508	\$7,127,367	\$15,000,000	3.05%
99	-	100	\$199,147	\$321,828	\$15,000,000	2.87%					\$268,508	\$2,000,207	\$15,000,000	2.00%
104	-	105	\$0	\$471,559	\$15,000,000	2.37%					\$0	\$2,707,168	\$15,000,000	1.62%
109	-	110	\$0	\$690,953	\$15,000,000	2.01%					\$0	\$3,664,001	\$15,000,000	1.36%
114	-	115	\$0	\$1,012,419	\$15,000,000	1.74%					\$0	\$4,959,020	\$15,000,000	1.17%
119	-	120	\$0	\$1,483,449	\$15,000,000	1.54%					\$0	\$6,711,756	\$15,000,000	1.02%
			As illustrated, policy does not lapse				As illustrated, policy lapse at age 94				As illustrated, policy does not lapse			
Total at LE:			\$3,982,940				\$3,186,352				\$4,296,128			

OPTION #2: POLICY RESTRUCTURE

- ④ Identify ways to restructure a policy to become more efficient without going to a new carrier
 - Rating improvements
 - Go through medical underwriting to achieve a better underwriting rating
 - Better rating = lower cost of insurance charges
 - Internal exchange
 - §1035 Exchange to a more efficient product within the same carrier
 - Blending the new policy can provide more efficient coverage

Fact Pattern

- ④ Client, male, age 66 with a \$6,000,000 John Hancock universal life insurance policy
 - Policy issued in 2005; premiums have been paid as scheduled
 - Client received a Standard rating
 - Policy has performed close to original expectations
 - Policy originally designed with 95% base coverage
- ④ Client decided to do an internal exchange to a more efficient product and design
 - Received a Super Preferred rating after going through medical underwriting
 - New policy issued with 35% base coverage – 65% non-commissionable term rider
 - Client should consider extending duration to account for his actual life expectancy



OPTION #2: POLICY RESTRUCTURE (CONT'D)

Age	Year	Existing Policy, JH-PUL			Year	Internal Exchange, JH-UL			
		Annual Outlay	Surrender Value	Death Benefit		Annual Outlay	Surrender Value	Death Benefit	
		95% Base*					35% Base		
		Crediting Rate 4.45%					Crediting Rate 4.40%		
		Standard Non Tobacco					Super Preferred Non Tobacco		
66 - 67	7	\$112,155	\$438,101	\$6,000,000	1	\$81,135	\$425,466	\$6,000,000	
67 - 68	8	\$112,155	\$511,917	\$6,000,000	2	\$81,135	\$466,638	\$6,000,000	
68 - 69	9	\$112,155	\$588,160	\$6,000,000	3	\$81,135	\$502,469	\$6,000,000	
69 - 70	10	\$112,155	\$665,555	\$6,000,000	4	\$81,135	\$535,988	\$6,000,000	
70 - 71	11	\$112,155	\$757,150	\$6,000,000	5	\$81,135	\$569,357	\$6,000,000	
71 - 72	12	\$112,155	\$850,471	\$6,000,000	6	\$81,135	\$600,935	\$6,000,000	
72 - 73	13	\$112,155	\$941,844	\$6,000,000	7	\$81,135	\$631,530	\$6,000,000	
73 - 74	14	\$112,155	\$1,031,828	\$6,000,000	8	\$81,135	\$657,434	\$6,000,000	
74 - 75	15	\$112,155	\$1,116,282	\$6,000,000	9	\$81,135	\$679,773	\$6,000,000	
75 - 76	16	\$112,155	\$1,196,866	\$6,000,000	10	\$81,135	\$689,585	\$6,000,000	
76 - 77	17	\$112,155	\$1,272,577	\$6,000,000	11	\$81,135	\$721,830	\$6,000,000	
77 - 78	18	\$112,155	\$1,342,106	\$6,000,000	12	\$81,135	\$744,793	\$6,000,000	
78 - 79	19	\$112,155	\$1,404,154	\$6,000,000	13	\$81,135	\$756,267	\$6,000,000	
79 - 80	20	\$112,155	\$1,457,168	\$6,000,000	14	\$81,135	\$756,990	\$6,000,000	
80 - 81	21	\$112,155	\$1,489,224	\$6,000,000	15	\$81,135	\$710,504	\$6,000,000	
81 - 82	22	\$112,155	\$1,504,055	\$6,000,000	16	\$81,135	\$653,698	\$6,000,000	
82 - 83	23	\$112,155	\$1,498,663	\$6,000,000	17	\$81,135	\$586,035	\$6,000,000	
83 - 84	24	\$112,155	\$1,469,167	\$6,000,000	18	\$81,135	\$506,978	\$6,000,000	
84 - 85	25	\$112,155	\$1,409,929	\$6,000,000	19	\$81,135	\$412,970	\$6,000,000	
85 - 86	26	\$112,155	\$1,313,881	\$6,000,000	20	\$81,135	\$340,812	\$6,000,000	
86 - 87	27	\$112,155	\$1,172,103	\$6,000,000	21	\$81,135	\$264,441	\$6,000,000	
87 - 88	28	\$112,155	\$973,058	\$6,000,000	22	\$81,135	\$179,609	\$6,000,000	
88 - 89	29	\$112,155	\$701,698	\$6,000,000	23	\$81,135	\$91,067	\$6,000,000	
89 - 90	30	\$112,155	\$333,182	\$6,000,000	24	\$81,135	\$1,006	\$6,000,000	
		Lapse at Age 90					Lapse at Age 90		
Remaining Premium		\$2,691,720					\$1,947,240		
1035 Exchange		n/a					\$402,265		



OPTION #3: POLICY REPLACEMENT

- ④ Evaluate marketplace for a more efficient solution
 - Clients will undergo informal underwriting to obtain current underwriting offers
 - Compare underwriting offers with the optimal products – negotiate for the best result

Fact Pattern

- ④ Client, male, age 49 owns two whole life policies totaling \$2,000,000 of coverage
 - Policies issued with Northwestern Mutual Life
 - Annual premiums required of \$39,592
 - Reduces to \$38,100 year 17 and again to \$19,050 in years 50-51
 - Primary objective is to maximize the amount of death benefit
 - Client is willing to explore products with more risk, not offered at issue
- ④ John Hancock offered a more efficient solution
 - Policy issued with a \$5,620,156 death benefit for the same premium structure
 - 181% increase at issue
 - 40% increase at life expectancy



OPTION #3: POLICY REPLACEMENT (CONT'D)

		Current Insurance					Indexed UL				
		Northwestern Mutual Life Ins. Co.					John Hancock Life Ins. Co.				
		Whole Life					Accumulation IUL 18				
		Current Scheduled Premium					Match Premium and Solve for Death Benefit				
		<i>Premier Non-Tobacco 2018 Dividend Scale</i>					<i>Preferred Non-Tobacco Indexed Account 6.00%</i>				
		Underwriting Rating Rate of Return									
Age	Year	Annual Outlay	Account Value	Cash Surrender Value	Death Benefit	Death Benefit IRR	Annual Outlay	Account Value	Cash Surrender Value	Death Benefit	Death Benefit IRR
49 - 50	1	\$39,592	\$60,407	\$60,407	\$2,000,000	3699.10%	\$39,592	\$35,338	\$0	\$5,620,156	10575.78%
50 - 51	2	\$39,592	\$94,764	\$94,764	\$2,000,000	479.91%	\$39,592	\$58,244	\$0	\$5,620,156	896.32%
51 - 52	3	\$39,592	\$130,634	\$130,634	\$2,000,000	205.99%	\$39,592	\$81,842	\$747	\$5,620,156	345.59%
52 - 53	4	\$39,592	\$168,172	\$168,172	\$2,000,000	122.16%	\$39,592	\$109,056	\$44,065	\$5,620,156	197.29%
53 - 54	5	\$39,592	\$207,549	\$207,549	\$2,000,000	83.61%	\$39,592	\$137,533	\$78,775	\$5,620,156	133.28%
54 - 55	6	\$39,592	\$248,853	\$248,853	\$2,000,000	61.96%	\$39,592	\$167,399	\$114,665	\$5,620,156	98.64%
55 - 56	7	\$39,592	\$292,178	\$292,178	\$2,000,000	48.27%	\$39,592	\$198,664	\$152,024	\$5,620,156	77.25%
56 - 57	8	\$39,592	\$337,619	\$337,619	\$2,000,000	38.92%	\$39,592	\$231,347	\$189,998	\$5,620,156	62.86%
57 - 58	9	\$39,592	\$386,697	\$386,697	\$2,000,000	32.17%	\$39,592	\$265,408	\$234,070	\$5,620,156	52.58%
58 - 59	10	\$39,592	\$439,639	\$439,639	\$2,000,000	27.09%	\$39,592	\$300,785	\$275,105	\$5,620,156	44.91%
59 - 60	11	\$39,592	\$494,982	\$494,982	\$2,000,000	23.16%	\$39,592	\$339,824	\$319,367	\$5,620,156	38.98%
60 - 61	12	\$39,592	\$552,778	\$552,778	\$2,000,000	20.02%	\$39,592	\$380,311	\$364,285	\$5,620,156	34.27%
61 - 62	13	\$39,592	\$613,109	\$613,109	\$2,000,000	17.48%	\$39,592	\$422,245	\$411,364	\$5,620,156	30.46%
62 - 63	14	\$39,592	\$676,051	\$676,051	\$2,000,000	15.38%	\$39,592	\$465,664	\$460,006	\$5,620,156	27.31%
63 - 64	15	\$39,592	\$741,660	\$741,660	\$2,000,000	13.62%	\$39,592	\$510,572	\$510,137	\$5,620,156	24.67%
64 - 65	16	\$38,100	\$809,732	\$809,732	\$2,000,000	12.13%	\$38,100	\$570,005	\$570,005	\$5,620,156	22.43%
65 - 66	17	\$38,100	\$880,380	\$880,380	\$2,000,000	10.86%	\$38,100	\$630,230	\$630,230	\$5,620,156	20.51%
66 - 67	18	\$38,100	\$954,056	\$954,056	\$2,000,000	9.76%	\$38,100	\$692,634	\$692,634	\$5,620,156	18.84%
67 - 68	19	\$38,100	\$1,030,960	\$1,030,960	\$2,000,000	8.81%	\$38,100	\$757,059	\$757,059	\$5,620,156	17.39%
68 - 69	20	\$38,100	\$1,111,216	\$1,111,216	\$2,022,782	8.06%	\$38,100	\$823,197	\$823,197	\$5,620,156	16.11%
73 - 74	25	\$38,100	\$1,558,044	\$1,558,044	\$2,414,414	6.21%	\$38,100	\$1,290,819	\$1,290,819	\$5,620,156	11.50%
78 - 79	30	\$38,100	\$2,083,445	\$2,083,445	\$2,860,275	5.15%	\$38,100	\$1,938,588	\$1,938,588	\$5,620,156	8.66%
83 - 84	35	\$38,100	\$2,680,701	\$2,680,701	\$3,353,250	4.46%	\$38,100	\$2,663,289	\$2,663,289	\$5,620,156	6.77%
88 - 89	40	\$38,100	\$3,327,369	\$3,327,369	\$3,888,533	3.98%	\$38,100	\$3,464,598	\$3,464,598	\$5,620,156	5.42%
89 - 90	41	\$38,100	\$3,461,722	\$3,461,722	\$4,002,016	3.90%	\$38,100	\$3,581,977	\$3,581,977	\$5,620,156	5.20%
90 - 91	42	\$38,100	\$3,597,811	\$3,597,811	\$4,116,923	3.83%	\$38,100	\$3,694,941	\$3,694,941	\$5,620,156	4.99%
91 - 92	43	\$38,100	\$3,735,959	\$3,735,959	\$4,232,477	3.75%	\$38,100	\$3,802,341	\$3,802,341	\$5,620,156	4.79%
92 - 93	44	\$38,100	\$3,876,570	\$3,876,570	\$4,348,293	3.69%	\$38,100	\$3,904,182	\$3,904,182	\$5,620,156	4.60%
93 - 94	45	\$38,100	\$4,020,386	\$4,020,386	\$4,463,928	3.62%	\$38,100	\$4,000,204	\$4,000,204	\$5,620,156	4.42%
98 - 99	50	\$19,050	\$4,881,767	\$4,881,767	\$4,964,402	3.28%	\$19,050	\$4,416,336	\$4,416,336	\$5,620,156	3.67%
103 - 104	55	\$0	\$6,151,987	\$6,151,987	\$6,151,987	3.42%	\$0	\$4,655,658	\$4,655,658	\$5,620,156	3.17%
108 - 109	60	\$0	\$7,750,788	\$7,750,788	\$7,750,788	3.57%	\$0	\$4,778,758	\$4,778,758	\$5,620,156	2.78%
113 - 114	65	\$0	\$9,765,201	\$9,765,201	\$9,765,201	3.69%	\$0	\$4,857,227	\$4,857,227	\$5,620,156	2.48%
118 - 119	70	\$0	\$12,303,274	\$12,303,274	\$12,303,274	3.79%	\$0	\$5,295,323	\$5,295,323	\$5,620,156	2.23%
		As illustrated, policy does not lapse					As illustrated, policy does not lapse				
Total at LE:		\$1,584,480					\$1,584,480				

Additional
\$3,620,156
in year 1

Additional
\$1,618,140
at life
expectancy



OPTION #4: COST BASIS RECOVERY

- ④ §1035 exchange life policy into an annuity contract – carryover in cost basis
 - Must be a “like kind” exchange – same owner and same insured/annuitant
 - Transfer can be into any type of annuity (fixed, variable, private placement, indexed, immediate income)
 - §1035 exchange can result in reduction or elimination income tax on future gains
 - Growth up to the cost basis can be taken income-tax free
 - §1035 exchange of a second life/annuity policy with a gain can offset that tax liability
- ④ Can be enhanced when a client has ability to add additional funds to the new annuity contract

Fact Pattern:

- ④ Client, female, age 63 has a \$8,500,000 insurance policy with \$1,000,000 of cost basis and \$192,007 of cash surrender value
 - Funded at \$100,000/year for 10 years = \$1,000,000 cost basis
 - Client §1035 exchanges into an annuity contract and pays additional \$2,000,000 deposit
 - When monies are withdrawn, the owner can recapture the carryover in basis
 - Year 6 results in \$807,993 of cost basis being recovered
 - Total income-tax savings of **\$323,197!**
 - If policy was surrendered instead of exchanged, the client would have lost out on the \$807,993 of available cost basis (difference between cost basis and cash value)



OPTION #4: COST BASIS RECOVERY (CONT'D)

§1035 Exchange Zero Additional Premium					
Year	Beginning Value	Growth	Ending Value	Recapture of Basis	
1	\$ 192,007	\$ 11,520	\$ 203,527	\$	11,520
2	\$ 203,527	\$ 12,212	\$ 215,739	\$	23,732
3	\$ 215,739	\$ 12,944	\$ 228,683	\$	36,676
4	\$ 228,683	\$ 13,721	\$ 242,404	\$	50,397
5	\$ 242,404	\$ 14,544	\$ 256,949	\$	64,942
6	\$ 256,949	\$ 15,417	\$ 272,366	\$	80,359
7	\$ 272,366	\$ 16,342	\$ 288,708	\$	96,701
8	\$ 288,708	\$ 17,322	\$ 306,030	\$	114,023
9	\$ 306,030	\$ 18,362	\$ 324,392	\$	132,385
10	\$ 324,392	\$ 19,464	\$ 343,855	\$	151,848
11	\$ 343,855	\$ 20,631	\$ 364,487	\$	172,480
12	\$ 364,487	\$ 21,869	\$ 386,356	\$	194,349
13	\$ 386,356	\$ 23,181	\$ 409,537	\$	217,530
14	\$ 409,537	\$ 24,572	\$ 434,109	\$	242,102
15	\$ 434,109	\$ 26,047	\$ 460,156	\$	268,149
16	\$ 460,156	\$ 27,609	\$ 487,765	\$	295,758
17	\$ 487,765	\$ 29,266	\$ 517,031	\$	325,024
18	\$ 517,031	\$ 31,022	\$ 548,053	\$	356,046
19	\$ 548,053	\$ 32,883	\$ 580,936	\$	388,929
20	\$ 580,936	\$ 34,856	\$ 615,792	\$	423,785
21	\$ 615,792	\$ 36,948	\$ 652,740	\$	460,733
22	\$ 652,740	\$ 39,164	\$ 691,904	\$	499,897
23	\$ 691,904	\$ 41,514	\$ 733,419	\$	541,412
24	\$ 733,419	\$ 44,005	\$ 777,424	\$	585,417
25	\$ 777,424	\$ 46,645	\$ 824,069	\$	632,062
26	\$ 824,069	\$ 49,444	\$ 873,513	\$	681,506
27	\$ 873,513	\$ 52,411	\$ 925,924	\$	733,917
28	\$ 925,924	\$ 55,555	\$ 981,480	\$	789,473
29	\$ 981,480	\$ 58,889	\$ 1,040,368	\$	807,993

Assumptions

Cost Basis in LI Policy	\$	1,000,000
Cash Value	\$	192,007
Additional Premiums	\$	2,000,000
Annuity Type		Variable or PPVA
Assumed ROR		6%

§1035 Exchange \$2,000,000 Additional Premium					
Year	Beginning Value	Growth	Ending Value	Recapture of Basis	
1	\$ 2,192,007	\$ 131,520	\$ 2,323,527	\$	131,520
2	\$ 2,323,527	\$ 139,412	\$ 2,462,939	\$	270,932
3	\$ 2,462,939	\$ 147,776	\$ 2,610,715	\$	418,708
4	\$ 2,610,715	\$ 156,643	\$ 2,767,358	\$	575,351
5	\$ 2,767,358	\$ 166,042	\$ 2,933,400	\$	741,393
6	\$ 2,933,400	\$ 176,004	\$ 3,109,404	\$	807,993
7	\$ 3,109,404	\$ 186,564	\$ 3,295,968	\$	807,993
8	\$ 3,295,968	\$ 197,758	\$ 3,493,726	\$	807,993
9	\$ 3,493,726	\$ 209,624	\$ 3,703,350	\$	807,993

* The purpose of this analysis is informational only and does not take into account annual contract charges assessed by the insurance carrier. Additionally, a conditional deferred sales charge may impact the ability to access funds in the first seven years.



OPTION #5: PREMIUM HOLIDAY

- ④ Due to tax reform, a client may want to take a “wait and see” approach
 - May want to suspend premiums until tax reform becomes more permanent
 - May negatively affect policies with contractual guarantees

Fact Pattern

- ④ Client, male, age 53 owns a \$4,000,000 John Hancock variable life insurance policy
 - Premium schedule of \$150,000 year 1, \$75,000 year 2 and \$27,288 years 3+
 - Policy issued in 2016
 - Client is unsure of whether he wants to continue funding the insurance policy currently
- ④ Evaluate impact of paying zero premiums for 5 or 10 years and then resuming premiums
 - Waiting 5 years increases annual premiums to \$38,770 years 8+
 - Waiting 10 years increases annual premiums to \$56,490 years 13+
- ④ In some cases, it may make financial sense to defer paying premiums
 - Evaluate net present value and internal rate of return of future premium schedule
 - Note that not all policies allow for premiums to be deferred
 - Certain riders and guarantees may lapse if premiums are not paid
 - Other policies may have automatic premium loans (APL) that will accrue interest
- ④ Analysis will be completed to evaluate the cash flow and investment return of any deferred premiums



OPTION #5: PREMIUM HOLIDAY (CONT'D)

		Original Plan Design				No Premiums for 5 Years then Solve				No Premiums for 10 Years then Solve			
		Gross Rate 7.00% (Net 6.33%)				Gross Rate 7.00% (Net 6.33%)				Gross Rate 7.00% (Net 6.33%)			
		Present Value of Premium (4%): \$678,796				Present Value of Premiums (4%): \$768,111				Present Value of Premiums (4%): \$887,468			
Age	Year	Annual Outlay	Surrender Value	Death Benefit	Death Benefit IRR	Annual Outlay	Surrender Value	Death Benefit	Death Benefit IRR	Annual Outlay	Surrender Value	Death Benefit	Death Benefit IRR
52 - 53	1	\$150,000		\$4,000,000	2566.67%	\$150,000		\$4,000,000	2566.67%	\$150,000		\$4,000,000	2566.67%
53 - 54	2	\$75,000	\$207,420	\$4,000,000	392.00%	\$75,000	\$207,420	\$4,000,000	392.00%	\$75,000	\$207,420	\$4,000,000	392.00%
54 - 55	3	\$27,288	\$237,708	\$4,000,000	181.07%	\$0	\$211,027	\$4,000,000	182.99%	\$0	\$211,027	\$4,000,000	182.99%
55 - 56	4	\$27,288	\$269,501	\$4,000,000	113.08%	\$0	\$214,457	\$4,000,000	115.70%	\$0	\$214,457	\$4,000,000	115.70%
56 - 57	5	\$27,288	\$301,988	\$4,000,000	80.81%	\$0	\$216,768	\$4,000,000	83.78%	\$0	\$216,768	\$4,000,000	83.78%
57 - 58	6	\$27,288	\$335,380	\$4,000,000	62.24%	\$0	\$218,040	\$4,000,000	65.40%	\$0	\$218,040	\$4,000,000	65.40%
58 - 59	7	\$27,288	\$369,798	\$4,000,000	50.26%	\$0	\$218,251	\$4,000,000	53.54%	\$0	\$218,251	\$4,000,000	53.54%
59 - 60	8	\$27,288	\$405,372	\$4,000,000	41.92%	\$38,770	\$255,337	\$4,000,000	45.01%	\$0	\$217,379	\$4,000,000	45.27%
60 - 61	9	\$27,288	\$442,211	\$4,000,000	35.79%	\$38,770	\$293,744	\$4,000,000	38.68%	\$0	\$215,368	\$4,000,000	39.20%
61 - 62	10	\$27,288	\$480,582	\$4,000,000	31.11%	\$38,770	\$333,750	\$4,000,000	33.79%	\$0	\$212,323	\$4,000,000	34.55%
62 - 63	11	\$27,288	\$525,697	\$4,000,000	27.43%	\$38,770	\$381,061	\$4,000,000	29.89%	\$0	\$212,103	\$4,000,000	30.88%
63 - 64	12	\$27,288	\$572,147	\$4,000,000	24.45%	\$38,770	\$429,785	\$4,000,000	26.71%	\$0	\$210,108	\$4,000,000	27.91%
64 - 65	13	\$27,288	\$619,785	\$4,000,000	21.99%	\$38,770	\$479,772	\$4,000,000	24.06%	\$56,490	\$263,722	\$4,000,000	25.28%
65 - 66	14	\$27,288	\$668,327	\$4,000,000	19.94%	\$38,770	\$530,728	\$4,000,000	21.82%	\$56,490	\$318,407	\$4,000,000	23.04%
66 - 67	15	\$27,288	\$718,735	\$4,000,000	18.19%	\$38,770	\$583,658	\$4,000,000	19.90%	\$56,490	\$375,230	\$4,000,000	21.11%
71 - 72	20	\$27,288	\$1,000,468	\$4,000,000	12.36%	\$38,770	\$876,664	\$4,000,000	13.35%	\$56,490	\$685,649	\$4,000,000	14.32%
76 - 77	25	\$27,288	\$1,299,324	\$4,000,000	9.06%	\$38,770	\$1,187,528	\$4,000,000	9.57%	\$56,490	\$1,015,067	\$4,000,000	10.17%
81 - 82	30	\$27,288	\$1,600,469	\$4,000,000	6.96%	\$38,770	\$1,500,875	\$4,000,000	7.14%	\$56,490	\$1,347,283	\$4,000,000	7.38%
86 - 87	35	\$27,288	\$1,839,322	\$4,000,000	5.52%	\$38,770	\$1,749,692	\$4,000,000	5.47%	\$56,490	\$1,611,550	\$4,000,000	5.42%
91 - 92	40	\$27,288	\$1,993,136	\$4,000,000	4.47%	\$38,770	\$1,910,614	\$4,000,000	4.27%	\$56,490	\$1,783,593	\$4,000,000	4.00%
96 - 97	45	\$27,288	\$2,050,949	\$4,000,000	3.68%	\$38,770	\$1,972,904	\$4,000,000	3.38%	\$56,490	\$1,853,117	\$4,000,000	2.95%
101 - 102	50	\$27,288	\$2,042,043	\$4,000,000	3.07%	\$38,770	\$1,968,337	\$4,000,000	2.69%	\$56,490	\$1,855,947	\$4,000,000	2.16%
106 - 107	55	\$27,288	\$1,930,106	\$4,000,000	2.58%	\$38,770	\$1,862,236	\$4,000,000	2.16%	\$56,490	\$1,760,384	\$4,000,000	1.56%
111 - 112	60	\$27,288	\$1,615,801	\$4,000,000	2.18%	\$38,770	\$1,558,272	\$4,000,000	1.73%	\$56,490	\$1,475,774	\$4,000,000	1.08%
116 - 117	65	\$27,288	\$881,209	\$4,000,000	1.85%	\$38,770	\$845,308	\$4,000,000	1.38%	\$56,490	\$803,746	\$4,000,000	0.71%
		Policy Does Not Lapse				Policy Does Not Lapse				Policy Does Not Lapse			
Remaining Premium		\$1,801,008				\$2,364,970				\$3,163,440			
Premiums Paid		\$225,000				\$225,000				\$225,000			
Total Premiums		\$2,026,008				\$2,589,970				\$3,388,440			



OPTION #6: DEATH BENEFIT REDUCTION

- Ⓢ Due to tax reform or cash flow constraints, a client may no longer need as much coverage
- Ⓢ The death benefit on insurance policies can be reduced post-issue
 - Subject to constraints from the carrier
 - Decreased death benefit results in decreased charges and expenses – reduced premium

Fact Pattern

- Ⓢ Client, male, age 70 owns a \$15,000,000 Prudential variable life insurance policy
 - Policy originally designed for estate liquidity
 - Issued in 2007, current premium of \$268,508
 - Due to tax reform changes, the client is considering dropping some of the coverage
- Ⓢ Evaluate impact on premiums going forward of reducing death benefit by \$2.5M, \$5M and \$7.5M



OPTION #6: DEATH BENEFIT REDUCTION (CONT'D)

			Reduce \$2,500,000				Reduce \$5,000,000				Reduce \$7,500,000				
Carrier			Prudential Ins. Co. of America				Prudential Ins. Co. of America				Prudential Ins. Co. of America				
Product			VUL				VUL				VUL				
Underwriting Rating			<i>Preferred Best</i>				<i>Preferred Best</i>				<i>Preferred Best</i>				
Rate of Return			<i>Variable Gross 7.00% (6.24% Net)</i>				<i>Variable Gross 7.00% (6.24% Net)</i>				<i>Variable Gross 7.00% (6.24% Net)</i>				
Age	Year		Annual Outlay	Cash Surrender Value	Death Benefit	Death Benefit IRR	Annual Outlay	Cash Surrender Value	Death Benefit	Death Benefit IRR	Annual Outlay	Cash Surrender Value	Death Benefit	Death Benefit IRR	
70	-	71	12	\$199,147	\$1,686,896	\$12,500,000	27.57%	\$199,147	\$1,702,278	\$10,000,000	24.10%	\$199,147	\$1,717,659	\$7,500,000	19.62%
71	-	72	13	\$197,469	\$1,906,834	\$12,500,000	23.93%	\$126,392	\$1,871,480	\$10,000,000	20.91%	\$55,303	\$1,836,113	\$7,500,000	17.04%
72	-	73	14	\$197,469	\$2,132,010	\$12,500,000	20.98%	\$126,392	\$2,044,720	\$10,000,000	18.34%	\$55,303	\$1,957,404	\$7,500,000	14.98%
73	-	74	15	\$197,469	\$2,361,668	\$12,500,000	18.55%	\$126,392	\$2,221,418	\$10,000,000	16.24%	\$55,303	\$2,081,130	\$7,500,000	13.31%
74	-	75	16	\$197,469	\$2,597,068	\$12,500,000	16.52%	\$126,392	\$2,402,545	\$10,000,000	14.50%	\$55,303	\$2,207,969	\$7,500,000	11.94%
75	-	76	17	\$197,469	\$2,836,017	\$12,500,000	14.80%	\$126,392	\$2,586,418	\$10,000,000	13.03%	\$55,303	\$2,336,749	\$7,500,000	10.79%
76	-	77	18	\$197,469	\$3,077,275	\$12,500,000	13.33%	\$126,392	\$2,772,084	\$10,000,000	11.78%	\$55,303	\$2,466,806	\$7,500,000	9.81%
77	-	78	19	\$197,469	\$3,316,617	\$12,500,000	12.06%	\$126,392	\$2,956,301	\$10,000,000	10.70%	\$55,303	\$2,595,880	\$7,500,000	8.97%
78	-	79	20	\$197,469	\$3,554,818	\$12,500,000	10.96%	\$126,392	\$3,139,669	\$10,000,000	9.76%	\$55,303	\$2,724,392	\$7,500,000	8.25%
79	-	80	21	\$197,469	\$3,792,282	\$12,500,000	9.99%	\$126,392	\$3,322,499	\$10,000,000	8.94%	\$55,303	\$2,852,566	\$7,500,000	7.62%
80	-	81	22	\$197,469	\$4,025,654	\$12,500,000	9.13%	\$126,392	\$3,502,220	\$10,000,000	8.22%	\$55,303	\$2,978,611	\$7,500,000	7.06%
81	-	82	23	\$197,469	\$4,251,326	\$12,500,000	8.37%	\$126,392	\$3,676,064	\$10,000,000	7.58%	\$55,303	\$3,100,601	\$7,500,000	6.57%
82	-	83	24	\$197,469	\$4,467,262	\$12,500,000	7.69%	\$126,392	\$3,842,477	\$10,000,000	7.00%	\$55,303	\$3,217,459	\$7,500,000	6.13%
83	-	84	25	\$197,469	\$4,674,026	\$12,500,000	7.08%	\$126,392	\$4,001,899	\$10,000,000	6.49%	\$55,303	\$3,329,503	\$7,500,000	5.73%
84	-	85	26	\$197,469	\$4,865,008	\$12,500,000	6.53%	\$126,392	\$4,149,264	\$10,000,000	6.02%	\$55,303	\$3,433,211	\$7,500,000	5.37%
85	-	86	27	\$197,469	\$5,049,309	\$12,500,000	6.03%	\$126,392	\$4,291,572	\$10,000,000	5.60%	\$55,303	\$3,533,482	\$7,500,000	5.05%
86	-	87	28	\$197,469	\$5,226,489	\$12,500,000	5.57%	\$126,392	\$4,428,501	\$10,000,000	5.22%	\$55,303	\$3,630,108	\$7,500,000	4.76%
87	-	88	29	\$197,469	\$5,395,593	\$12,500,000	5.16%	\$126,392	\$4,559,333	\$10,000,000	4.87%	\$55,303	\$3,722,608	\$7,500,000	4.49%
88	-	89	30	\$197,469	\$5,555,656	\$12,500,000	4.78%	\$126,392	\$4,683,347	\$10,000,000	4.55%	\$55,303	\$3,810,506	\$7,500,000	4.24%
89	-	90	31	\$197,469	\$5,705,787	\$12,500,000	4.44%	\$126,392	\$4,799,884	\$10,000,000	4.25%	\$55,303	\$3,893,370	\$7,500,000	4.01%
94	-	95	36	\$197,469	\$6,136,118	\$12,500,000	3.06%	\$126,392	\$5,140,363	\$10,000,000	3.08%	\$55,303	\$4,143,336	\$7,500,000	3.11%
99	-	100	41	\$197,469	\$2,000,316	\$12,500,000	2.11%	\$126,392	\$2,000,328	\$10,000,000	2.25%	\$55,303	\$2,000,155	\$7,500,000	2.46%
104	-	105	46	\$0	\$2,707,316	\$12,500,000	1.73%	\$0	\$2,707,332	\$10,000,000	1.88%	\$0	\$2,707,097	\$7,500,000	2.10%
109	-	110	51	\$0	\$3,664,200	\$12,500,000	1.46%	\$0	\$3,664,223	\$10,000,000	1.61%	\$0	\$3,663,905	\$7,500,000	1.82%
114	-	115	56	\$0	\$4,959,290	\$12,500,000	1.26%	\$0	\$4,959,321	\$10,000,000	1.40%	\$0	\$4,958,890	\$7,500,000	1.61%
119	-	120	61	\$0	\$6,712,122	\$12,500,000	1.11%	\$0	\$6,712,163	\$10,000,000	1.24%	\$0	\$6,711,581	\$7,500,000	1.45%
			As illustrated, policy does not lapse				As illustrated, policy does not lapse				As illustrated, policy does not lapse				
Total at LE:			\$3,159,504				\$2,022,272				\$884,848				



OPTION #7: LIFE SETTLEMENT

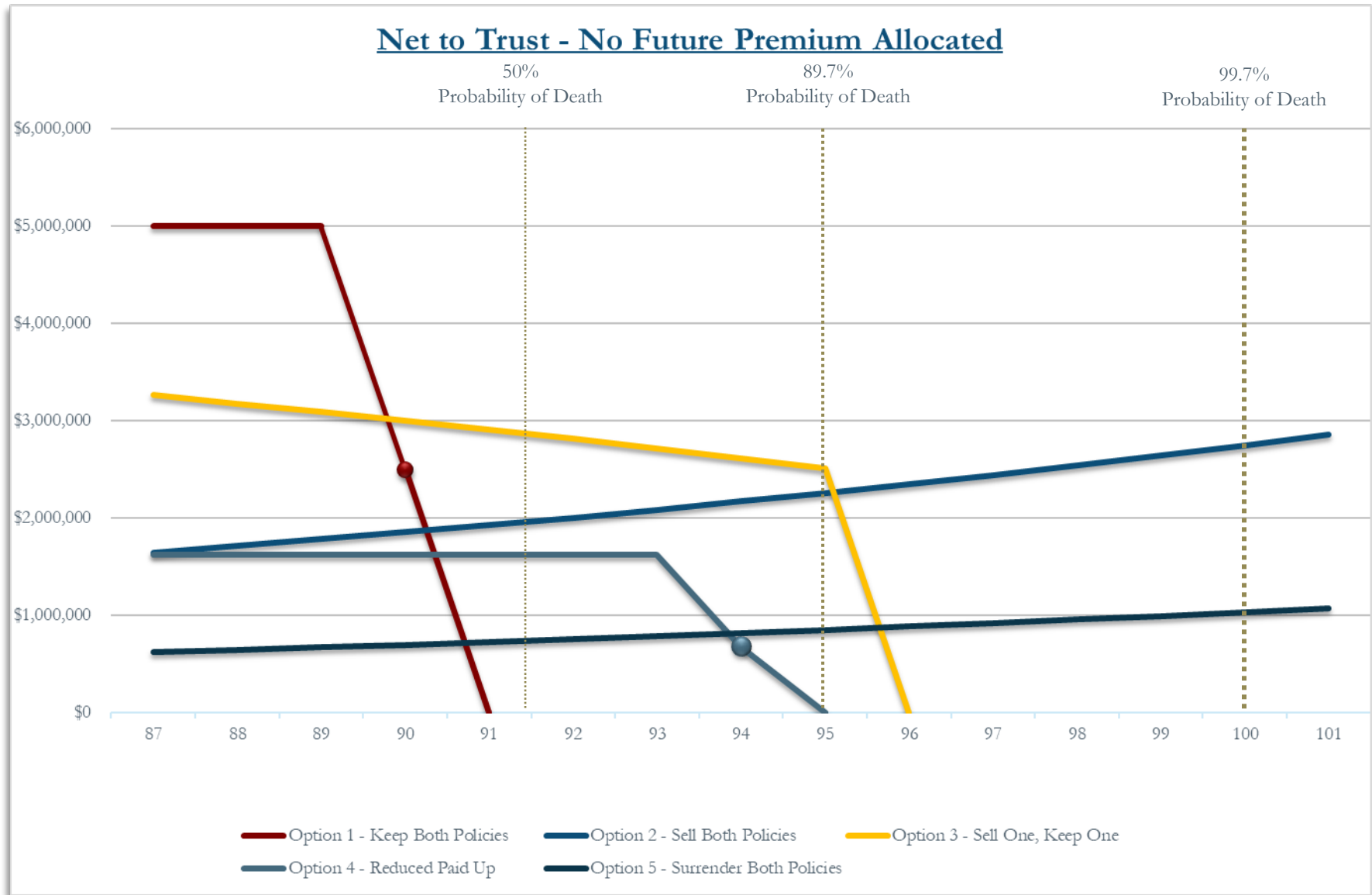
- Ⓢ Policies can be sold on the secondary market through a life settlement
 - Buyers are typically investment funds, banks or other institutional investors
- Ⓢ Policies often purchased for more than their cash surrender value
- Ⓢ Life expectancy (LE) study will be performed
- Ⓢ Purchase price will be impacted by type of policy, insured's LE, current cash value and timing of premiums required to keep the policy in force
- Ⓢ Tax reform was favorable for life settlements
 - All premiums paid count towards cost basis
 - Gain may be taxed as long-term capital gain

Fact Pattern

- Ⓢ Clients, husband age 86, and wife, deceased, have two survivorship life insurance policies held in an ILIT, each with \$2,500,000 of death benefit – \$5,000,000 total
 - Client cannot afford to continue making gifts to pay premiums of \$234,000
 - Primary objective is to eliminate expense and maximize rate of return and net to heirs
- Ⓢ Evaluate five options assuming zero future premiums
 1. Keep both policies
 2. Surrender both policies and invest the proceeds
 3. Keep both policies and reduce the death benefit
 4. Sell one policy and use the proceeds to pay premiums on the remaining policy
 5. Sell both policies and invest the proceeds



OPTION #7: LIFE SETTLEMENT (CONT'D)



OPTION #8: REDUCED PAID-UP

- ⊗ Due to tax reform or cash flow constraints, a client may no longer need as much coverage
- ⊗ The death benefit can be reduced post-issue (subject to constraints from the carrier)
- ⊗ Reducing the death benefit can result in no further premiums being required
 - The policy becomes “paid up”

Fact Pattern

- ⊗ Client, male, age 68 owns a \$6,000,000 John Hancock variable life insurance policy
 - Policy originally designed for family protection
 - Annual premiums of \$26,000
 - Client would prefer to keep the coverage but not pay any additional premiums



OPTION #8: REDUCED PAID-UP (CONT'D)

			Inforce Illustration				Reduced Death Benefit			
			John Hancock Life Ins. Co.				John Hancock Life Ins. Co.			
			Universal Life				Universal Life			
			Current Inforce Composite				Reduced Paid-Up			
			<i>Super Preferred NonSmoker</i>				<i>Super Preferred NonSmoker</i>			
			<i>Gross Rate 7.00% Net Rate 6.33%</i>				<i>Gross Rate 7.00% Net Rate 6.33%</i>			
			Cash				Cash			
			Annual	Account	Surrender	Death	Annual	Account	Surrender	Death
Age	Year	Year	Outlay	Value	Value	Benefit	Outlay	Value	Value	Benefit
68	-	69	\$26,000	\$943,334	\$940,619	\$6,000,000	\$0	\$925,411	\$922,772	\$4,375,000
69	-	70	\$26,000	\$987,491	\$987,491	\$6,000,000	\$0	\$953,080	\$953,080	\$4,375,000
70	-	71	\$26,000	\$1,030,029	\$1,030,029	\$6,000,000	\$0	\$979,476	\$979,476	\$4,375,000
71	-	72	\$26,000	\$1,070,920	\$1,070,920	\$6,000,000	\$0	\$1,004,561	\$1,004,561	\$4,375,000
72	-	73	\$26,000	\$1,111,122	\$1,111,122	\$6,000,000	\$0	\$1,028,979	\$1,028,979	\$4,375,000
73	-	74	\$26,000	\$1,148,440	\$1,148,440	\$6,000,000	\$0	\$1,051,202	\$1,051,202	\$4,375,000
74	-	75	\$26,000	\$1,191,399	\$1,191,399	\$6,000,000	\$0	\$1,078,634	\$1,078,634	\$4,375,000
75	-	76	\$26,000	\$1,232,245	\$1,232,245	\$6,000,000	\$0	\$1,104,453	\$1,104,453	\$4,375,000
76	-	77	\$26,000	\$1,270,345	\$1,270,345	\$6,000,000	\$0	\$1,128,209	\$1,128,209	\$4,375,000
81	-	82	\$26,000	\$1,396,247	\$1,396,247	\$6,000,000	\$0	\$1,199,078	\$1,199,078	\$4,375,000
86	-	87	\$26,000	\$1,371,516	\$1,371,516	\$6,000,000	\$0	\$1,157,363	\$1,157,363	\$4,375,000
91	-	92	\$26,000	\$1,164,441	\$1,164,441	\$6,000,000	\$0	\$974,625	\$974,625	\$4,375,000
92	-	93	\$26,000	\$1,084,833	\$1,084,833	\$6,000,000	\$0	\$908,881	\$908,881	\$4,375,000
93	-	94	\$26,000	\$987,534	\$987,534	\$6,000,000	\$0	\$829,652	\$829,652	\$4,375,000
94	-	95	\$26,000	\$874,015	\$874,015	\$6,000,000	\$0	\$737,847	\$737,847	\$4,375,000
95	-	96	\$26,000	\$745,903	\$745,903	\$6,000,000	\$0	\$634,493	\$634,493	\$4,375,000
96	-	97	\$26,000	\$601,846	\$601,846	\$6,000,000	\$0	\$518,492	\$518,492	\$4,375,000
97	-	98	\$26,000	\$439,913	\$439,913	\$6,000,000	\$0	\$388,319	\$388,319	\$4,375,000
98	-	99	\$26,000	\$258,183	\$258,183	\$6,000,000	\$0	\$242,438	\$242,438	\$4,375,000
99	-	100	\$26,000	\$54,443	\$54,443	\$6,000,000	\$0	\$79,089	\$79,089	\$4,375,000
			Policy Lapses at Age 100				Policy Lapses at Age 100			
Total Premiums:			\$858,000				\$0			



OPTION #9: SURRENDER FOR CASH VALUE

- ④ Policy could be surrendered for the current cash surrender value*
 - Carrier will deduct any surrender charges from the account value first
 - Any cash surrender value that exceeds the policy's cost basis will be taxed as ordinary income
- ④ Net proceeds could be invested in other asset classes

Fact Pattern

- ④ Client, female, age 60 owns a \$4,000,000 Nationwide insurance policy and no longer needs the coverage
 - Cost basis = \$400,000
 - Cash surrender value = \$506,679
 - Taxable gain = \$106,679
 - Net after-tax proceeds of \$464,007 (assuming a 40% tax rate)
- ④ Client decided to surrender* the policy and invest the proceeds in an alternative investment
 - Client could opt to continue tax deferral with a §1035 exchange into an annuity

**To maximize value to client, amount and duration of surrender charge must be considered prior to policy surrender*



OPTION #9: SURRENDER FOR CASH VALUE (CONT'D)

Surrender and Invest the Proceeds							
<u>Life Insurance Surrender</u>		<u>Investment Account</u>					
		Year	Beginning Balance	Add: Investment	Growth	Ending Balance	
Cash Value	\$ 506,679	1	\$ -	\$ 464,007	\$ 20,880	\$ 484,888	
Cost Basis	\$ 400,000	2	\$ 484,888	\$ -	\$ 21,820	\$ 506,708	
Gain	\$ 106,679	3	\$ 506,708	\$ -	\$ 22,802	\$ 529,510	
Tax Owed (40% rate)	\$ 42,672	4	\$ 529,510	\$ -	\$ 23,828	\$ 553,337	
Net After-tax Proceeds	\$ 464,007	5	\$ 553,337	\$ -	\$ 24,900	\$ 578,238	
Assumed ROR (after-tax)	4.5%	6	\$ 578,238	\$ -	\$ 26,021	\$ 604,258	
		7	\$ 604,258	\$ -	\$ 27,192	\$ 631,450	
		8	\$ 631,450	\$ -	\$ 28,415	\$ 659,865	
		9	\$ 659,865	\$ -	\$ 29,694	\$ 689,559	
		10	\$ 689,559	\$ -	\$ 31,030	\$ 720,589	
		11	\$ 720,589	\$ -	\$ 32,427	\$ 753,016	
		12	\$ 753,016	\$ -	\$ 33,886	\$ 786,902	
		13	\$ 786,902	\$ -	\$ 35,411	\$ 822,312	
		14	\$ 822,312	\$ -	\$ 37,004	\$ 859,316	
		15	\$ 859,316	\$ -	\$ 38,669	\$ 897,985	
		16	\$ 897,985	\$ -	\$ 40,409	\$ 938,395	
		17	\$ 938,395	\$ -	\$ 42,228	\$ 980,622	
		18	\$ 980,622	\$ -	\$ 44,128	\$ 1,024,750	
		19	\$ 1,024,750	\$ -	\$ 46,114	\$ 1,070,864	
		20	\$ 1,070,864	\$ -	\$ 48,189	\$ 1,119,053	



Polling Question #3

OPTION #10: GIFT TO CHARITY

- ④ Insurance policy can be gifted to a qualifying charity including a Donor Advised Fund (DAF)
 - Policy's Interpolated Terminal Reserve (ITR) value will be used for determining the value of the gift to a DAF
- ④ In the event of a premature death, the qualifying charity will receive the full death benefit
- ④ Client can make additional gifts of tax savings to the qualifying charity to pay the premiums
 - Client would receive an income tax deduction which results in zero-cost to client

Fact Pattern

- ④ Clients, husband, age 70, and wife, age 68, have a \$30,000,000 Lincoln survivorship guaranteed universal life insurance policy
 - Policy originally designed for estate liquidity
 - Paid \$203,000 for 3 years, no premiums paid for the last 13 years
 - Due to recent tax reform and additional liquidity, this policy is no longer needed
- ④ Clients generate a sizeable amount of taxable income on an annual basis
 - Interested in increasing income tax deductions due to California residency
- ④ Clients are charitably inclined and would like to give back to the community
- ④ Use the savings from charitable tax deductions to fund a new policy for charity
 - NLG
 - UL
 - IUL



OPTION #10: GIFT TO CHARITY (CONT'D)

Gifting Summary

Annual Income: \$1,710,000
Policy Cash Value: \$0
Policy ITR: \$2,381,452
Federal Tax Rate: 37.0%
State Tax Rate: 13.3%

	Annual Year	Gift	Federal Deduction*	Federal Carry Forward	Federal Tax Savings	State Deduction**	State Carry Forward	State Tax Savings	Total Tax Savings
1	\$2,381,452	\$855,000	\$1,526,452	\$316,350	\$855,000	\$1,526,452	\$113,715	\$430,065	
2	\$430,065	\$855,000	\$1,101,517	\$316,350	\$855,000	\$1,101,517	\$113,715	\$430,065	
3	\$430,065	\$855,000	\$676,582	\$316,350	\$855,000	\$676,582	\$113,715	\$430,065	
4	\$430,065	\$855,000	\$251,647	\$316,350	\$855,000	\$251,647	\$113,715	\$430,065	
5	\$430,065	\$681,712	\$0	\$252,233	\$681,712	\$0	\$90,668	\$342,901	
6	\$342,901	\$342,901		\$126,873	\$342,901		\$45,606	\$172,479	
7	\$172,479	\$172,479		\$63,817	\$172,479		\$22,940	\$86,757	
8	\$86,757	\$86,757		\$32,100	\$86,757		\$11,539	\$43,639	
9	\$43,639	\$43,639		\$16,146	\$43,639		\$5,804	\$21,950	
10	\$21,950	\$21,950		\$8,122	\$21,950		\$2,919	\$11,041	

* Federal deduction is the lesser of the value of the gift or 50% of earned income. Amounts not used may be carried over to the next year.

* State (CA) deduction is the lesser of the value of the gift or 50% of earned income. Amounts not used may be carried over to the next year.



OPTION #10: GIFT TO CHARITY (CONT'D)

John and Jane Smith

8/7/2019

		No Lapse Guarantee					Universal Life					Indexed UL										
		Nationwide Life Ins. Co.					John Hancock Life Ins. Co.					John Hancock Life Ins. Co.										
		89					92					92										
		YourLife NLG SUL II					Protection SUL 13					Protection SIUL 16										
		Use Annual Gifts for Premium					Use Annual Gifts for Premium					Use Annual Gifts for Premium										
		<i>Preferred Non-Tobacco</i>					<i>Preferred Non-Tobacco</i>					<i>Preferred Non-Tobacco</i>										
		<i>Preferred Non-Tobacco</i>					<i>Preferred Non-Tobacco</i>					<i>Preferred Non-Tobacco</i>										
		<i>Pre-Infomal</i>					<i>Pre-Infomal</i>					<i>Pre-Infomal</i>										
		<i>Crediting Rate 1.00%</i>					<i>Crediting Rate 4.95%</i>					<i>Indexed Account 5.88%</i>										
				Cash		Death				Cash		Death				Cash		Death				
				Surrender		Benefit				Surrender		Benefit				Surrender		Benefit				
				Value		IRR				Value		IRR				Value		IRR				
EOY	Age	Annual	Account	Outlay	Value	Value	Benefit	IRR	Annual	Account	Outlay	Value	Value	Benefit	IRR	Annual	Account	Outlay	Value	Value	Benefit	IRR
68/71	1	\$430,065	\$166,606	\$0	\$6,923,500		\$5,000,000	1509.87%	\$430,065	\$328,681	\$56,960	\$9,542,411		\$211,883	2118.83%	\$430,065	\$263,847	\$51,298	\$10,010,592		\$2,227.69%	
69/72	2	\$430,065	\$333,462	\$49,760	\$6,923,500		\$6,425,740	254.34%	\$430,065	\$682,590	\$422,042	\$9,542,411		\$323.69%	323.69%	\$430,065	\$539,533	\$335,397	\$10,010,592		\$335.05%	
70/73	3	\$430,065	\$499,812	\$234,954	\$6,923,500		\$6,688,546	111.77%	\$430,065	\$1,053,869	\$804,522	\$9,542,411		\$140.88%	140.88%	\$430,065	\$828,564	\$632,952	\$10,010,592		\$145.49%	
71/74	4	\$430,065	\$664,723	\$418,147	\$6,923,500		\$6,505,353	64.41%	\$430,065	\$1,443,260	\$1,205,087	\$9,542,411		\$82.14%	82.14%	\$430,065	\$1,132,507	\$945,573	\$10,010,592		\$84.90%	
72/75	5	\$342,901	\$791,067	\$561,925	\$6,923,500		\$6,341,575	42.59%	\$342,901	\$1,767,318	\$1,540,290	\$9,542,411		\$55.20%	55.20%	\$342,901	\$1,394,120	\$1,215,951	\$10,010,592		\$57.13%	
73/76	6	\$172,479	\$841,386	\$629,130	\$6,923,500		\$6,269,370	31.18%	\$172,479	\$1,948,094	\$1,732,126	\$9,542,411		\$40.80%	40.80%	\$172,479	\$1,577,595	\$1,439,348	\$10,010,592		\$42.26%	
74/77	7	\$86,757	\$846,235	\$650,042	\$6,923,500		\$6,183,458	24.40%	\$86,757	\$2,054,296	\$1,849,247	\$9,542,411		\$32.08%	32.08%	\$86,757	\$1,716,930	\$1,617,787	\$10,010,592		\$33.25%	
75/78	8	\$43,639	\$819,441	\$638,508	\$6,923,500		\$6,109,991	19.98%	\$43,639	\$2,122,577	\$1,928,305	\$9,542,411		\$26.32%	26.32%	\$43,639	\$1,838,056	\$1,774,552	\$10,010,592		\$27.29%	
76/79	9	\$21,950	\$765,997	\$599,540	\$6,923,500		\$6,038,040	16.89%	\$21,950	\$2,170,735	\$1,987,099	\$9,542,411		\$22.27%	22.27%	\$21,950	\$1,953,573	\$1,922,329	\$10,010,592		\$23.09%	
77/80	10	\$11,041	\$686,209	\$533,721	\$6,923,500		\$5,965,779	14.61%	\$11,041	\$2,206,544	\$2,033,317	\$9,542,411		\$19.27%	19.27%	\$11,041	\$2,069,361	\$2,067,109	\$10,010,592		\$19.98%	
78/81	11	\$0	\$574,613	\$435,087	\$6,923,500		\$5,880,413	12.88%	\$0	\$2,227,394	\$2,064,322	\$9,542,411		\$16.98%	16.98%	\$0	\$2,216,399	\$2,216,399	\$10,010,592		\$17.60%	
79/82	12	\$0	\$427,290	\$305,234	\$6,923,500		\$5,775,266	11.51%	\$0	\$2,241,134	\$2,087,906	\$9,542,411		\$15.17%	15.17%	\$0	\$2,371,266	\$2,371,266	\$10,010,592		\$15.72%	
80/83	13	\$0	\$234,700	\$128,513	\$6,923,500		\$5,646,787	10.40%	\$0	\$2,244,769	\$2,101,016	\$9,542,411		\$13.70%	13.70%	\$0	\$2,533,684	\$2,533,684	\$10,010,592		\$14.19%	
81/84	14	\$0	\$0	\$0	\$6,923,500		\$5,502,000	9.49%	\$0	\$2,237,198	\$2,102,554	\$9,542,411		\$12.48%	12.48%	\$0	\$2,703,079	\$2,703,079	\$10,010,592		\$12.93%	
82/85	15	\$0	\$0	\$0	\$6,923,500		\$5,347,500	8.72%	\$0	\$2,345,135	\$2,219,147	\$9,542,411		\$11.46%	11.46%	\$0	\$2,879,223	\$2,879,223	\$10,010,592		\$11.88%	
83/86	16	\$0	\$0	\$0	\$6,923,500		\$5,182,000	8.06%	\$0	\$2,479,230	\$2,361,473	\$9,542,411		\$10.59%	10.59%	\$0	\$3,056,772	\$3,056,772	\$10,010,592		\$10.98%	
84/87	17	\$0	\$0	\$0	\$6,923,500		\$5,007,500	7.50%	\$0	\$2,615,860	\$2,527,918	\$9,542,411		\$9.85%	9.85%	\$0	\$3,237,232	\$3,237,232	\$10,010,592		\$10.20%	
85/88	18	\$0	\$0	\$0	\$6,923,500		\$4,823,000	7.00%	\$0	\$2,754,092	\$2,692,540	\$9,542,411		\$9.20%	9.20%	\$0	\$3,419,247	\$3,419,247	\$10,010,592		\$9.53%	
86/89	19	\$0	\$0	\$0	\$6,923,500		\$4,638,500	6.57%	\$0	\$2,892,679	\$2,854,351	\$9,542,411		\$8.63%	8.63%	\$0	\$3,600,760	\$3,600,760	\$10,010,592		\$8.94%	
87/90	20	\$0	\$0	\$0	\$6,923,500		\$4,454,000	6.19%	\$0	\$3,029,659	\$3,011,754	\$9,542,411		\$8.13%	8.13%	\$0	\$3,772,226	\$3,772,226	\$10,010,592		\$8.42%	
88/91	21	\$0	\$0	\$0	\$6,923,500		\$4,269,500	5.85%	\$0	\$3,163,833	\$3,163,833	\$9,542,411		\$7.68%	7.68%	\$0	\$3,936,925	\$3,936,925	\$10,010,592		\$7.95%	
89/92	22	\$0	\$0	\$0	\$6,923,500		\$4,085,000	5.55%	\$0	\$3,294,106	\$3,294,106	\$9,542,411		\$7.28%	7.28%	\$0	\$4,093,720	\$4,093,720	\$10,010,592		\$7.54%	
90/93	23	\$0	\$0	\$0	\$6,923,500		\$3,900,500	5.27%	\$0	\$3,419,165	\$3,419,165	\$9,542,411		\$6.91%	6.91%	\$0	\$4,240,753	\$4,240,753	\$10,010,592		\$7.16%	
91/94	24	\$0	\$0	\$0	\$6,923,500		\$3,716,000	5.02%	\$0	\$3,538,324	\$3,538,324	\$9,542,411		\$6.59%	6.59%	\$0	\$4,376,591	\$4,376,591	\$10,010,592		\$6.82%	
92/95	25	\$0	\$0	\$0	\$6,923,500		\$3,531,500	4.80%	\$0	\$3,651,305	\$3,651,305	\$9,542,411		\$6.29%	6.29%	\$0	\$4,499,884	\$4,499,884	\$10,010,592		\$6.51%	
93/96	26	\$0	\$0	\$0	\$6,923,500		\$3,347,000	4.59%	\$0	\$3,757,105	\$3,757,105	\$9,542,411		\$6.01%	6.01%	\$0	\$4,609,264	\$4,609,264	\$10,010,592		\$6.23%	
94/97	27	\$0	\$0	\$0	\$6,923,500		\$3,162,500	4.40%	\$0	\$3,856,226	\$3,856,226	\$9,542,411		\$5.76%	5.76%	\$0	\$4,703,634	\$4,703,634	\$10,010,592		\$5.97%	
95/98	28	\$0	\$0	\$0	\$6,923,500		\$2,978,000	4.23%	\$0	\$3,948,141	\$3,948,141	\$9,542,411		\$5.53%	5.53%	\$0	\$4,782,300	\$4,782,300	\$10,010,592		\$5.73%	
96/99	29	\$0	\$0	\$0	\$6,923,500		\$2,793,500	4.06%	\$0	\$4,032,033	\$4,032,033	\$9,542,411		\$5.32%	5.32%	\$0	\$4,839,394	\$4,839,394	\$10,010,592		\$5.51%	
97/100	30	\$0	\$0	\$0	\$6,923,500		\$2,609,000	3.91%	\$0	\$4,109,384	\$4,109,384	\$9,542,411		\$5.13%	5.13%	\$0	\$4,869,823	\$4,869,823	\$10,010,592		\$5.31%	
102/105	35	\$0	\$0	\$0	\$6,923,500		\$1,724,500	3.31%	\$0	\$4,404,967	\$4,404,967	\$9,542,411		\$4.32%	4.32%	\$0	\$5,011,144	\$5,011,144	\$10,010,592		\$4.48%	
107/110	40	\$0	\$0	\$0	\$6,923,500		\$839,000	2.86%	\$0	\$4,599,638	\$4,599,638	\$9,542,411		\$3.74%	3.74%	\$0	\$5,000,876	\$5,000,876	\$10,010,592		\$3.87%	
117/120	50	\$0	\$0	\$0	\$6,923,500		\$0	-	\$0	\$7,370,292	\$7,370,292	\$9,542,411		\$2.94%	2.94%	\$0	\$7,489,885	\$7,489,885	\$10,010,592		\$3.05%	
		Guaranteed to age 110					As illustrated, policy does not lapse					As illustrated, policy does not lapse										
Total at LE:		\$2,399,027					\$2,399,027					\$2,399,027										

CHARITABLE DISCLOSURES

Background:

- Typically, if a life insurance policy is donated to a charity, the tax deduction is limited to the **lesser** of the cost basis or the value of the policy. This is because the tax deduction of a gift of “ordinary-income property” is limited to the basis of the asset. IRC §170(e)(1)(A) states that the amount of any charitable contribution of property shall be reduced by the amount of gain which would not have been long-term capital gain if the property had been sold by the taxpayer at its fair market value.
- For example, if a commercial building was purchased for \$5M, fully depreciated in value over time and then gifted to a charity, the value of the gift would be at the property’s cost basis. If it was at the fair market value of the property (assume \$5M value), that would be unfair, as the owner would have paid \$5M for a building and received \$10M of tax deductions.

Tax Specifics:

- We know that if a life insurance policy is surrendered and its cash value exceeds its cost basis, the gain is taxable as ordinary income. However, we also know that life insurance policies are capital assets for tax purposes, meaning that if the policy is sold for that same amount, the gain is treated as capital gain income. Years ago, individuals could exploit this difference by selling the policy to a third party, who would then pledge the policy to a bank and then surrender it. This resulted in favorable treatment for the taxpayer because they received capital gains treatment instead of ordinary income. However, the IRS then created the “substitute for ordinary income” doctrine, which treated the sale proceeds as a mere substitute for the surrender proceeds and then taxed the proceeds at ordinary income rates. This rule continues today when the sale proceeds equal the cash surrender value.

Insurance Specifics:

- What happens if the sale proceeds exceed the cash surrender value? In that case, the sales proceeds in excess of the cash value are treated as capital gains. The ordinary income characterization only applies up to the cash surrender value of the policy. Beyond that, they are capital gains.
- In reference to the original issue stated above, in the event of a deemed sale of the insurance policy at its fair market value (or ITR value), and the ITR exceeds the cash surrender value, the excess is treated as capital gains. Assuming the policy has been owned for longer than 12 months, the gain would be long-term capital gain and, therefore, would not be subject to the limitation on the charitable deduction. Note that if the CSV exceeds the cost basis, that gain would be subject to ordinary income tax and the charitable limitation would apply.

Note: The information provided above is for advisor use only. Please refer to tax and/or legal counsel for more information. WealthPoint, LLC does not provide tax advice.



Presentation Summary

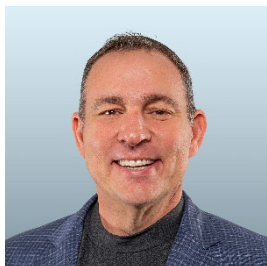
LEARNING OBJECTIVES ACHIEVED

🕒 Learning objectives achieved:

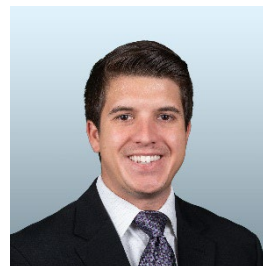
- ✓ Types of life insurance post-issue due care
- ✓ Understand the importance of life insurance policy post-issue due care
- ✓ Review factors that will influence future life insurance planning
- ✓ Discuss Annual Review, Five-year Comprehensive Review & Market Study and Exit Analysis case studies







Ryan Barradas | Managing Partner
WealthPoint
ryan@wealthpoint.net
(602) 559-5388



Vincent Brunoforte | Partner
WealthPoint
vince@wealthpoint.net
(602) 559-5392

- 🕒 Visit www.wealthpoint.net for more information and to see our upcoming events
 - A copy of this recording and presentation will be published shortly in the Thought Leadership section of our website



Know your story.[®]

Appendix

IMPORTANT DISCLOSURES

This material is intended for informational purposes only and should not be construed as legal or tax advice and is not intended to replace the advice of a qualified attorney, tax advisor, personal investment advisor or retirement plan or employee benefit plan provider. This report is not intended as an offer or solicitation to purchase insurance or any other product. Any discussion of US tax matters contained herein is not intended to be used and cannot be used for purposes of avoiding US tax-related penalties.

The financial information included in this report has been taken from sources, which we believe to be reliable, but there is no guarantee as to its accuracy. All information provided should be confirmed to any official account statement and is not a replacement for any account statement or transaction confirmation issued by the custodian or investment/insurance provider. WealthPoint (WP) has made reasonable steps to accurately reproduce the information from your official account custodian statements. Differences in positions and valuations may occur due to the reporting dates used and differences in valuation sources and methods. Please contact the carrier or your financial representative if you have any questions about your statements. In the event of a discrepancy your official account statement valuations would prevail.

Nature of Services, and Responsibilities

The business advisory services, and possible resulting recommendations (estate planning solutions, need for liquidity planning, etc.) will vary in type and complexity, depending on a client's individual personal and business circumstances and goals. Services and responsibilities are outlined in our Proposal Letter and Relationship and Engagement Agreement. It is important that you provide accurate and complete responses to the questions asked by the WP Partner, that you review the information provided to you in the initial Instinct Verification, Decision Dialogue, financial modeling or other report, as well as any final report, and that you promptly inform the Partner of any subsequent changes to your situation or the information provided. You are solely responsible for the accuracy or completeness of the information you have provided, which may affect the results of any recommendations contained in the report. Information should be kept up to date, as results may vary over time and as assumptions change.

Methods of Analysis and Projection

Information collected is intended to project future financial scenarios to meet your future goals or liquidity requirements. Financial Projections and other information prepared by WP are based on assumptions provided by and/or reviewed with the client in their final report, are hypothetical in nature, do not reflect actual investment or business results and are not guarantees of future performance. Actual results will vary, perhaps to a significant degree.

- Personal Investments - WP uses simple aggregate growth rates to project personal investments and retirement accounts, and all inputs are either provided by the client or client's financial advisor/provider or are jointly agreed on by WP and the client. Return assumptions do not reflect the deduction of any commissions, fees or product charges that may apply to any particular investment, which may negatively impact returns.
- Insurance Illustrated Performance - All policy values used reflect current policy charges, current cost of insurance rates, current mortality and expense risk charges, average fund expenses and the stated hypothetical gross rate of return. The policy values are hypothetical for illustration purposes only and may not be used to project or predict investment results. Policy values will vary based on the actual performance of sub-account investments selected, actual insurance charges over the life of the plan and the timing of the premium payments. A WP illustration may utilize a supplemental illustration from an insurance provider, that is only part of the basic illustration and must be read in conjunction with the actual basic illustration. Please refer to the actual illustration for more information about the guaranteed elements of the policy and other important details.
- Business Income Statement, Cash Flow Statement and Balance Sheet – Current company financial statement information is provided by the client, as well as revenue and expense growth assumptions for future years. These assumptions are used to project future Net Income, and business valuation based upon an appropriate multiplier disclosed to the client.
- Personal Cash Flow – Cash flows are projected based on information obtained from the client (tax returns, personal financial statements, bank statements, W-2s, 1099s, K-1s, etc.). Future cash inflows and outflows are based on input from the client and the client's advisors.



IMPORTANT DISCLOSURES

- Estate/Trust Cash Flow – Cash flows due to and from Trusts will be based on trust documents and financial information (tax returns, financial statements, etc.) obtained from the client.
- Personal Assets – In some situations, WP may project the value of an asset (i.e. real estate, other assets, etc.) based on input from the client and the client's advisors.
- Taxes – Taxes are being calculated in the analysis. However, WP does not provide tax advice and the tax calculations are for illustrative and hypothetical purposes only. The client should consult with their tax advisor to evaluate their tax situation.

Other Compensation

In addition to WP's business consulting services, and the fees charged to clients as outlined in the Relationship and Engagement Agreement, WP Partners are licensed agents to sell insurance. WP may receive fees from life insurance companies, if insurance is purchased through WP relationships. Any commissions or fees will be disclosed to you in any life insurance proposal and agreement. WP is a member firm of Partners Financial and has access to all insurance providers on their network. The needs and circumstances of the client will drive the choice of the insurance provider.

Insurance Product

An investment in variable life insurance is subject to fluctuating values of the underlying investment options and entails risk, including the possible loss of principal. The performance of your account will vary and you may receive more or less than the amount invested. Product guarantees, including the death benefit, are subject to the claims-paying ability of the issuing insurance company. Loans and partial withdrawals will decrease the death benefit and cash value and may be subject to policy limitations and income tax.

An insurer's financial strength rating represents an opinion by the issuing agency regarding the ability of an insurance company to meet its financial obligations to its policyholders and contract holders. A rating is an opinion of the rating agency only, and not a statement of fact or recommendation to purchase, sell or hold any security, policy or contract. These ratings do not apply to the safety or performance of any separate account.

Sub Account Performance Disclosures (for Variable Universal Life policies)

The fund performance data shown in this report that relates to variable life insurance policies was obtained through Morningstar and represents the individual net returns of the underlying funds shown in the report. Morningstar is a non-affiliated third party investment research and management firm that provides mutual fund information, news, commentary, portfolio analysis, comparison reporting and other services. Past performance does not guarantee future results. The fund performance data is being provided for informational purposes only and does not reflect the actual returns of the sub accounts in the variable component of the insurance policies that are invested in those funds, which may be lower or higher than the performance quoted due to the timing of cash flows, holding periods, sub account allocation changes, policy fees and other expenses. Policy fees or expenses include premium loads, cost of insurance, administration fees, mortality and expense risk charges, or any other charges that may be incurred under the policy. Policy returns would be significantly lower after all policy fees and expenses are deducted.

Securities offered through Kestra Investment Services LLC (Kestra IS), member FINRA/SIPC. Investment advisory services offered through Kestra Advisory Services, LLC (Kestra AS), an affiliate of Kestra IS. WealthPoint is a member firm of PartnersFinancial. Kestra IS and Kestra AS are not affiliated with WealthPoint, LLC or PartnersFinancial. WealthPoint, LLC is independently owned and operated.

