

4 Commonly Missed Life Insurance Opportunities

Modern Life

December 2022



Today's presenters



Ryan Mattern

Advanced Planning Lead

Crump Life Insurance Services

*Responsible for advanced case design,
underwriting*



Brandon Parry

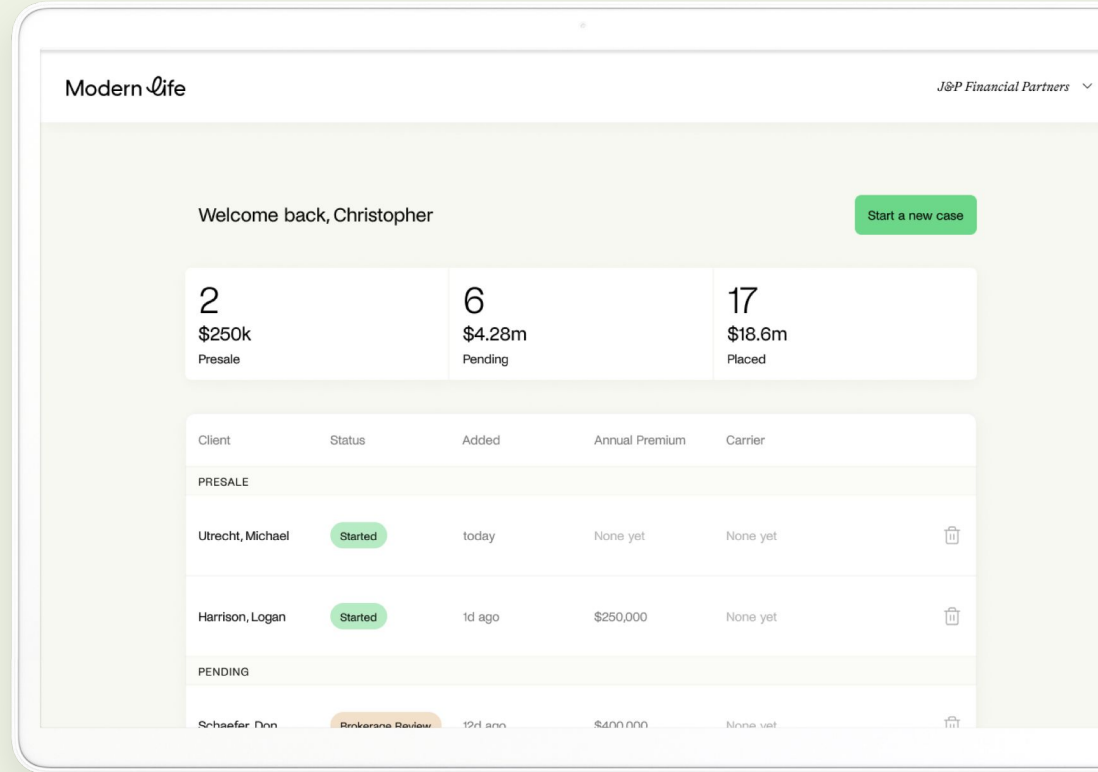
Brokerage Manager

Crump Life Insurance Services

*Responsible for underwriting, case design,
quotes, relationship management*

Sophisticated solutions for a modern world

- End-to-end digital, streamlined journey from advice to in force
- Instant, accurate ratings across multiple carriers
- Digital field underwriting
- Faster and simpler issuance, approval, and delivery



A top-tier, *full-service* *brokerage*

White-glove
service and
support

- Underwriting resources & expertise for complex cases
- Advanced markets & sales strategies
- Proactive case management

Access to all
major carriers,
including



Broad suite of
products

Permanent Life

- Indexed UL
- Guaranteed UL
- Current Assumption UL
- Whole Life

- Term Life
- Linked LTC
- Disability

Today's agenda

Employee retention

Roth IRA look-alike

Reducing portfolio volatility

Business owner double taxation

Q&A

Employee retention

Typical key person arrangement



Purpose

- Finding suitable replacement
- Keeping business afloat
- Keeping creditors and customers satisfied

Ownership structure

- Business is owner/beneficiary
- 101(j) compliance

Product

- Term versus permanent

Leveraging insurance to improve retention using a split dollar plan

- Bet on key employee being alive/retiring versus dying prematurely
- Endorsement split dollar
 - Design structure
 - Transfer policy to employee at end of service requirement
 - 409A avoidance
- Adds tighter retention if employee becomes sick/disabled
- Provides either cost recovery or tax deduction

Case study: Employee retention

Male, Age 40, Preferred NS

- Total death benefit: \$471,706
- Premium: \$25,000 (20 Pay)
- Rollout Year 21

YEAR	AGE	ECONOMIC BENEFIT	BONUS FROM EMPLOYER	TAXES PAID	INCOME FROM POLICY	NET OUTLAY	NET CASH SURREN- DER VALUE	NET DEATH BENEFIT
1	40	491	0	123	0	123	0	446,706
2	41	502	0	126	0	126	0	444,553
3	42	532	0	133	0	133	0	443,467
4	43	573	0	143	0	143	0	443,931
5	44	624	0	156	0	156	0	445,624
10	49	974	0	243	0	243	0	457,091
15	54	1,643	0	411	0	411	0	450,079
20	59	2,727	0	682	0	682	0	450,079
21	60	0	751,852	187,963	(187,963)	0	595,188	1,013,968
22	61	0	0	0	(48,172)	(48,172)	577,566	965,796
23	62	0	0	0	(48,172)	(48,172)	559,206	917,624
24	63	0	0	0	(48,172)	(48,172)	540,041	869,452
25	64	0	0	0	(48,172)	(48,172)	520,005	821,280
30	69	0	0	0	(48,172)	(48,172)	405,113	573,708
35	74	0	0	0	(48,172)	(48,172)	263,740	297,531
40	79	0	0	0	(48,172)	(48,172)	83,358	124,582
41	80	0	0	0	(48,172)	(48,172)	35,646	78,078

Roth IRA lookalike

Replicate many of the benefits of a Roth IRA – without contribution limits

Roth IRAs

Taxation

- Tax-deferred growth
- No tax on withdrawals

Decumulation

- 10% early withdrawal penalty

Accumulation

- \$6,000/\$7,000 max contribution
- Salary limits

Life Insurance

- Tax-deferred growth
- No tax on withdrawals

- Can withdraw before 59 ½ without penalty

- Downside protection
- No contribution limit

Roth IRA lookalike *case study*

- Female
- Age 40
- Preferred NS

Background

- Married with 2 dependant children
- 125K salary
- Catching up on retirement savings
- Has 12K/ yr. to invest right now
- Debt free (other than mortgage)

Needs

- \$150,000 death benefit
- \$6,000 premium years 1-10
- \$7,000 premium years 11-20
- Max income years 21-35
- Concerned about LTC costs

Roth IRA lookalike case study *ledger*

	Life Insurance				Roth IRA			
YEAR	ANNUAL PREM	INCOME	NET CSV	NET DB	BOY VALUE	GROWTH AT 5.74%	INCOME	EOY VALUE
1	6,000	0	1,048	152,773	6,000	344	0	6,344
2	6,000	0	6,368	152,773	12,344	709	0	13,053
3	6,000	0	11,989	152,773	19,053	1,094	0	20,147
4	6,000	0	17,946	154,479	26,147	1,501	0	27,647
5	6,000	0	24,273	160,727	33,647	1,931	0	36,579
10	6,000	0	70,393	203,239	78,126	4,484	0	82,610
15	7,000	0	137,167	270,013	142,529	8,181	0	150,710
20	7,000	0	229,510	362,356	227,664	13,068	0	240,732
25	0	(23,964)	174,497	242,535	196,518	11,280	(23,964)	183,834
30	0	(23,964)	108,020	144,147	125,388	7,197	(23,964)	108,621
35	0	(23,964)	29,137	50,756	31,362	1,800	(23,964)	9,198
40	0	0	65,761	86,865	11,499	660	0	12,159

Roth IRA lookalike *client outcome*



Client decision

Opted to split future funds between life insurance and a Roth IRA



Benefits

Enhanced diversification & tax-advantaged income in retirement



Additional advantages

Tax-advantaged death benefit for beneficiaries & LTC rider in case need arises

Reducing portfolio volatility

Reducing volatility in client investment portfolios

Life insurance policy

- Immediate leverage
- Death benefit guarantees
- Held outside of taxable estate

Match intent with product

- Indexed UL - protect against downside
- Guaranteed UL - mitigate market risk for wealth transfer
- Can design product to add additional value

Case study: Mitigating risk while increasing portfolio value

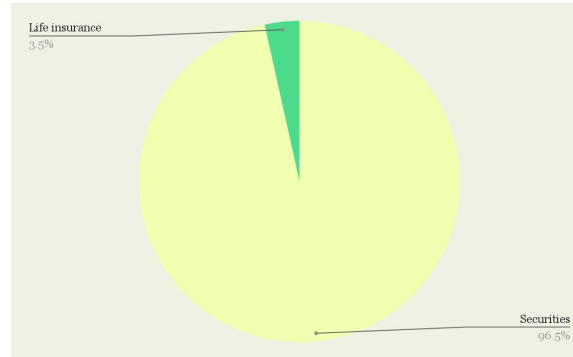
Background

- Female
- Age 50
- Preferred NS

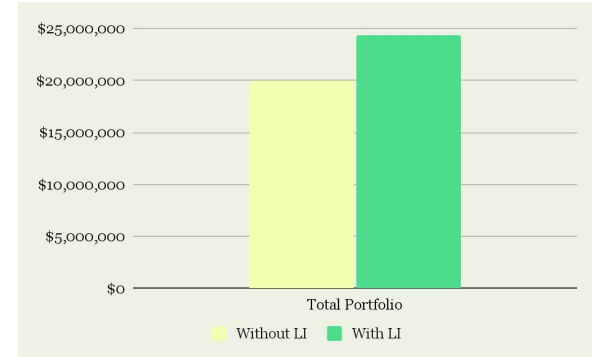
Portfolio

- \$5 million death benefit
- \$24.3 million diversified portfolio
- Allocated \$697,757 for life insurance

Portfolio allocation



Total portfolio value



Retirement planning for business owners

Loan regime split dollar for business owners



C corporations have benefits and drawbacks
Limited liability, but double taxation



TCJA 2018 changed the financial calculus
Reduced corporate tax rate from 35% to 21% (40% tax savings)



Loan regime split dollar offers a solution
Take additional profits as loans vs. W-2 compensation
Pay premium with money that's been taxed the least

Case study: loan regime split dollar

Background

- Age 40
- Preferred NS
- 25% personal income tax bracket
- \$100,000 profit/year for 10 years

	<i>Dividend Distribution</i>	<i>Split Dollar</i>
Amount Available	\$14,000	\$14,000
Tax on Distribution	\$3,500	-
Net Amount Available	\$10,500	\$14,000
Net Rate of Return	4.31%	5.74%
Cash Remaining (Yr 26)	\$251,221	\$369,526
Income (A66–A80)	\$23,088	\$40,116
Residual Benefit (A90)	-	\$349,191

Modern Life *empowers advisors*

- Leading-edge technology
- Advanced brokerage expertise
- Comprehensive insurance products



“Modern Life’s offering has been exceedingly helpful in streamlining the underwriting process and securing policies quickly.”

Scott DeSantis
CEO, Civic Financial



“Embracing technology allows advisors to streamline the buying process, leveling up life insurance capabilities and client satisfaction. Modern Life does it best.”

Jared Levy, CFP ChFC
Founder & Managing Partner, Brix Partners

Questions?

Thank you!



brokerage@modernlife.com

modernlife.com

295 Lafayette St, Ste 701
New York, NY 10022

Modern Life