CASE STUDY:
Back-Door Life Insurance

HOWARD

Faith - Family - Finance

Concept:

Back-Door Life Insurance with Cash Value Access allows an adult to secure a permanent life insurance policy on a child, building cash value over time that the adult can access if they themselves are uninsurable. This strategy provides both lifelong coverage for the child and a potential financial resource for the policy owner in the future.

Key Facts

Here are some critical issues that the client in the case study faced before the proper solutions were in place.

$0
Life Insurance

$10K
Avg. Funeral Cost

$25K
Outstanding debt

AGE = 64
Age of Client

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CHALLENGE

Martha, age 64, wants to provide a tax-free benefit to her only daughter to pay for Martha's funeral expenses and any debts that she may have. The only difficulty that Martha has is that she had a major health event 2 years ago and she is uninsurable for life insurance. Because Martha can't get life insurance on herself, we have to look at alternative solutions.

SOLUTION

The solution for this situation is to get a Life Insurance policy on Martha's daughter, age 35, who is in great health. By making the insured Martha's daughter then Martha will be paying a much lower cost on insurance ensuring more of Martha's monthly premiums go to cash value accumulation. When Martha passes, her daughter will inherit the policy and can use the cash value to pay for Martha's funeral expenses and debts.

$59K
CV @ Age 79

$104K
CV @ Age 85

$250.00
Monthly Payment

BENEFITS

1

Life Insurance Benefits for the Uninsurable

This solution provides Martha the ability to get the tax-free benefits of the cash value associated with life insurance. Martha has discretion and control of the cash value.

2

Tax-Free Benefit for Beneficiary

This solution provides Martha's daughter a life insurance policy with a built-up cash value, of which she can use the cash value to pay for Martha's funeral expenses and debts.

3

Shop Carriers

This solution provide an aggressive growth in the cash value tied to the S&P 500 index with the cash value and index floored at 0%. This solution was with TransAmerica.