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Advanced Markets

Legacy Protect

Help your clients protect their legacy and more

Meet Marjorie

This is her situation:

- 55 years old and has recently become a grandmother
- Hopes to work another 10 to 15 years before retiring
- Has $4 million in investment assets
- Also has a 401(k) plan, which she's funded for the past 20 years, and a "cash balance" pension plan through her employer

As Marjorie looks forward to her retirement and the chance to spend more time with her grandson, she has taken the opportunity to sit with her investment advisor and discuss her financial position. She would like to utilize the Legacy Protect strategy to make sure she has money for her retirement, unexpected financial challenges, and for a legacy she'd like to leave her children and new grandson.

Use permanent life insurance and the Legacy Protect strategy to ensure your clients' families receive a legacy and have assets for retirement and other contingencies.

Do you have clients who are parents or grandparents and want to leave a legacy for their children or grandchildren, but aren't sure how, with retirement and unexpected financial setbacks on the horizon?

See how one client manages these issues.

Bucket A: Retirement funds

Marjorie believes that $1 million of her investment assets, her employer-sponsored retirement plans and Social Security will provide her with a comfortable retirement. These assets make up what Marjorie and her advisor consider her **"Bucket A"** retirement assets.

Bucket B: Contingency funds

To help protect against unforeseen retirement expenses, including potential long-term care expenses, Marjorie has purchased a $500,000 permanent life insurance policy with a Long-Term Care Services℠ Rider. That, and $1 million of her investment assets, make up what she and her advisor consider her **"Bucket B,"** or the contingency portion of her assets.

Bucket C: Legacy funds

This leaves Marjorie with $2 million of other portfolio assets she doesn't expect to need for retirement. While not formally segregated, these are Marjorie's **"Bucket C"** legacy assets. If Marjorie lives until age 87 (her anticipated life expectancy) and earns an average return of 3% (net of taxes) on these assets — her Bucket C assets will have grown to more than $5.1 million by the time of her death (column 1 in chart on the following page). While feeling that she is protected in her retirement makes her comfortable, her belief that she can leave a significant legacy for her family and her new grandson is exciting to her.

But, how certain is the $5 million legacy she has earmarked for her family? Although Marjorie is a healthy and active 55-year-old woman, good health can be fleeting. A number of her friends are already fighting serious health issues. And, although she and her investment advisor are assuming a modest net 3% growth on her investment portfolio, that is not something she can count on either. An ill-timed equity market correction could have a devastating impact on her anticipated legacy.

What impact will life insurance have on Marjorie's legacy?

Immediately add $2.7 million. By purchasing a life insurance policy today, Marjorie has grown her Bucket C legacy assets from $2 million to $4.7 million, which is near the target amount she hopes to accumulate for her heirs by age 87.

Potentially grow her investment by $1.6 million. If Marjorie lives until life expectancy, after taking $28,217 (initially 141 bps) of her investment gains each year to pay her life insurance premiums, her $2 million Bucket C portfolio of investments will still grow to over $3.6 million by the time she is age 87.

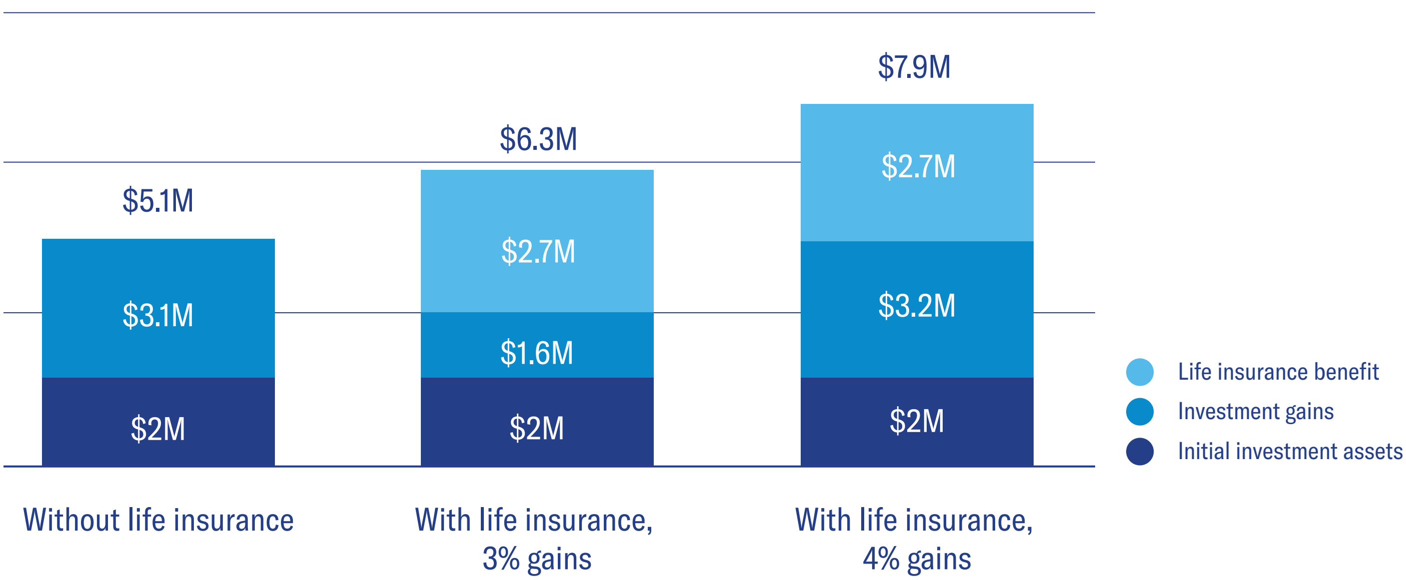
For a total of $6.3 million (3% gains). By combining her investment portfolio with the life insurance policy, Marjorie creates an anticipated legacy (Bucket C) at life expectancy of more than $6.3 million (column 2 in chart below). She started with $2 million, adds $2.7 million (the amount of the life insurance) and potentially $1.6 million more through investment gains. That's $1.2 million more than she'd have without the life insurance.

Or a total of $7.9 million (4% gains). If Marjorie's investment advisor thinks her insurance adds diversification and protection to her portfolio, her advisor may change her investment strategy slightly by investing a bit more aggressively. If this results in her earning 4% on her Bucket C assets instead of the current 3%, her total assets at age 87 would be $7.9 million (column 3 in chart below) — or $2.8 million more than they would be without life insurance.

Repositioning assets to protect her legacy

By taking less than half of the current return ($28,217 each year, initially 1.41% or 141 basis points), and using it to purchase a permanent life insurance policy with a face amount of $2.7 million, Marjorie could leave considerably more money to her family.

Marjorie's legacy



All columns in this chart show the positions described above from age 55-87.

Life insurance to protect your clients' legacies

Life insurance can be an important component of retirement and estate planning. Your clients may be aware that life insurance can be used to create a source of potential supplemental retirement benefits and, with a long-term care rider, can help protect them from the high cost of long-term care. But, they may not realize life insurance can also be a key component of a well-balanced legacy portfolio.

A permanent life insurance policy is the one product designed to protect against what is probably the biggest threat to achieving your clients' legacy goals — an early death. That's why they may want to consider the Legacy Protect strategy — because it can complete their legacy goals immediately, simply by redirecting a portion of their investment returns to pay for a life insurance policy. And by diversifying the risk profile of their portfolio, Legacy Protect may also give them more confidence when investing their portfolio's principal.

An easy way to explain this concept to your clients. Ask for our *Legacy Protect Concept* brochure — a client-approved piece illustrating this concept in straightforward language. It may be just what you need to show your clients what they need to do to protect their legacy and ensure they'll have the money they need for retirement and unexpected financial setbacks, too.

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Providing stability and reliability to our clients since 1859.

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