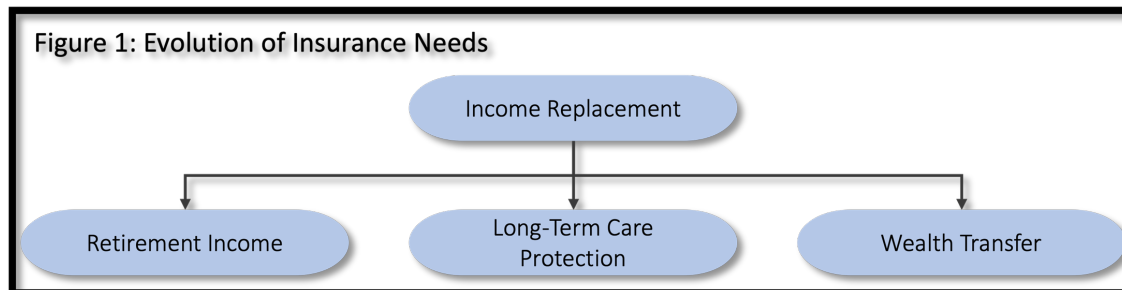


Tackling the "Seasoned" Life Insurance Challenge with Split Exchange Strategies

As we celebrate Annuity Awareness Month, it's the perfect time to explore unique strategies that can enhance the value and flexibility of your clients' life insurance assets. As clients grow older, their life insurance needs often evolve. While their insurance policies may have served their initial purpose—providing protection for loved ones—they frequently accumulate substantial cash value over time. As clients' financial goals shift from simple income replacement to more diverse objectives, the existing policies might not be flexible enough to meet these new needs, as illustrated in Figure 1.

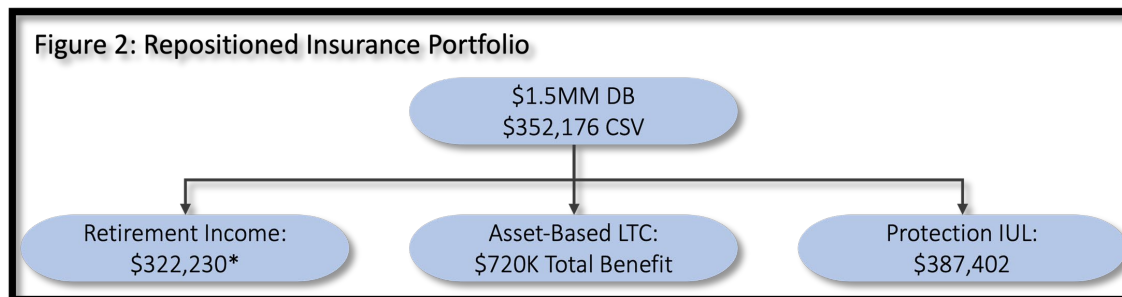


The Challenge

Repositioning the cash value from an existing policy into new solutions seems straightforward, but it is not without complications. No single product can meet all evolving objectives, and splitting the cash value among multiple solutions usually requires surrendering the existing policy, which can trigger significant tax liabilities.

The Solution

Fortunately, some insurance companies offer versatile product portfolios that accommodate “split” 1035 exchanges. This allows clients to allocate funds across multiple solutions without triggering a taxable event. For example, a 57-year-old male with a \$1.5 million policy and a surrender value of \$352,176 was able to reposition his assets effectively, as demonstrated in Figure 2.



This strategy provided the client with a total death benefit coverage of \$627,402 (from both the Protection IUL and Asset-Based LTC policies), without requiring additional premium payments. Additionally, the annuity guarantees a lifetime income of over \$322,000. If the client requires long-term care and exhausts the LTC benefits, the total combined coverage, including income, is \$1,429,632. *Income begins at age 66, with a guaranteed annual amount of \$10,741 for 30 years.