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Note: Most policy Summary Overviews are shorter than this sample, very few are longer; the purpose of the Summary Overview is to identify real problematic issues while initiating the client into the fee-engagement approach of policy analysis and design. The cost of $60 per policy is minimal and allows the client to see what issues need to be addressed before making a decision to engage in an in-depth project of full analysis and recommendations for resolve.

Summary Overview on ING Policy #0000 / per Audit-Pro request / Brian

Current age of client is Male / 61.
Policy under review is a Universal Life (UL) style policy (cash value dependent).
Policy issued 05/06/93, which makes this an older generation policy that has the following features:

1) Has a high guaranteed interest rate. This puts pressure on the company to adjust policy charges/expenses during a low interest rate cycle. In addition, higher COI's and policy expenses are often associated with the older UL policies with the high guaranteed rates. These older polices tend to NOT pass through current interest rate advantages, in order to level off the high guaranteed rate during low cycles.
2) Has a maturity date before age 100 (Age 95 is common). Although some companies have issued extension amendments, this is not evident in every case or with every generation of product. Newer generation UL's do not generally have a maturity date.

Policy has NOT been monitored with annual in-force illustrations. This is a necessity to insure policy performance as illustrated.

Conflicting statement: In the UL / Policy questionnaire, it is stated that there is no current need/desire for the death benefit (life insurance) and that there was uncertainty of any desire to access cash value in the future. In the General questionnaire section, it is stated that the policy and all related issues comply with the strategies they are integrated with.

My assumption is that a specific strategy has not yet been developed, that the death benefit is a non-issue, and that there is a desire to see how to best use the cash values of the policy.

Based on annual premium stated, client has paid $21,750 over the 15 years that the policy has been in force. This figure may be more if there was a 1035 exchange or additional premiums paid. It may also be less if premiums had been skipped, or only partially paid.

Universal Life (UL) can be structured to provide a controllable death benefit beyond life expectancy through properly designed premium deposits, or, as a tax-advantaged and asset protection planning tool under a maximum funding strategy. Variable Universal Life can provide both benefits as well, but is more suited to the asset accumulation / protection objective.

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Summary Overview Commentary

Under current ownership, the death benefit will be included in the client's estate. Data suggests that this is not an issue.

Since the death benefit / coverage is a non-issue, the previously mentioned items related to an older generation UL policy are only relevant to the component of capital accumulation; tax-advantaged growth.

The high expense of the policy (based on assumed total premium outlay and current cash value) supports the position that this is an inefficient planning tool for capital accumulation.

Policy size and age of client does not create an opportunity to take the policy to the life settlement market (market the policy).

Based on assumed total premium outlay and current cash value, there would be no taxable liability upon surrender of the contract.

Based on assumed total premium outlay and current cash value, there is a negative $14,993 (premium minus cash value) that could be used to the advantage of the client should there be a strategy to use a UL or VUL policy with a focus on accumulating tax-wrapped and protected capital that can be accessed in a non-taxed environment. By implementing a 1035 exchange into a new no-load policy, the client would carry over the current cash value AND the current cost basis. This would allow an additional premium deposit of $14,993 and bring the policy "cost-basis" current and liquid. Additional deposits can be designed to maximum fund the policy for the purpose of accumulation, with only the minimum death benefit needed to protect all tax benefits.

If this strategy is not appealing, then the policy should be surrendered for its cash value – to be invested into any equity of choice.

Continuation of this policy has no economic value.

If the client has difficulty is releasing the policy because of the amount of premiums paid over the years, and there is any discussion of buying term to satisfy that emotional issue, I would suggest revisiting the 1035 strategy.

All commentary is based on the data supplied by advisor/firm via Audit-Pro input.

Summary Complete

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