

CASE STUDY

Policy Review

Policy Review for Increased Dividends



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Client and Opportunity

- Male Age 40
- Good Health
- Would like to stop paying premiums at age 65
- Concerned with decreasing dividends since initial purchase of whole life policy
- Does not need cash value – looking to maximize death benefit to include lifetime guarantees

Current Policy:

- Participating Whole Life
- Death Benefit: \$4,569,332
- Premium: \$47,051 – full pay
- Surrender Value: \$432,000

The Assessment and Approach

Assess the current situation and identify products to meet the client’s desire to increase the death benefit with a guarantee for life.

- New Opportunity client
- 1035 & \$47,051 to age 65 to PRU VUL Protector with Opt I DB CVAT \$8,677,488 guaranteed for life.
- 1035 & \$47,051 for Life to PRU VUL Protector with Opt I DB CVAT \$9,591,321 guaranteed for Life – if he wanted to continue premium payments this is an option for increase guaranteed DB and future growth

The Recommendation

Exchange the current value of the policy into a variable universal life policy:

- Lifetime no-lapse guarantee
- Pay same premium of \$47,051 for life
- The level guaranteed death benefit is \$9,591,321
- Based on a hypothetical Annual Gross Return of 7.00%, the net death benefit at age 80 is \$10,232,776 and \$17,467,080 by age 90

The Result

- \$4.1M additional death benefit
- Death Benefit is based on guarantees not the dividend performance
- Premiums are invested in market for long term growth potential with underlying DB guarantees for LIFE
- Cash Value growth can increase death benefit, \$17.5M at age 90 (assumes 7.0% Gross return)

	Before	After	
	Existing Policy	Option 1	Option 2
Product	Participating Whole Life	Prudential VUL Protector	Prudential VUL Protector
Surrender Value / 1035 Exchange	\$432,000	\$432,000	\$432,000
Premium	\$47,051 full pay premium	\$47,051 premiums to age 65	\$47,051 full pay premium
Death Benefit	\$4,569,332	\$8,677,488 <i>guaranteed for life</i>	\$9,591,321* <i>guaranteed for life</i>

*Based on hypothetical Annual Gross Return of 7.00%, the net DB at age 80 is \$10,232,776 and at age 90 is \$17,467,080