



REVIEW MAXIMIZES THE VALUE OF A POLICY THAT WOULD HAVE OTHERWISE LAPSED

THE SITUATION

Ed and Vivian Smith, ages 81 and 80, bought a \$5 Million variable survivorship policy on each of their lives 16 years ago after Ed retired from his position as COO at a national sportswear manufacturer. The couple had wanted to put aside an inheritance for their two sons and six grandchildren. Recently, the Smith's accountant introduced them to the Valmark Policy Management Company (PMC) to complete a review the policy.

THE PROBLEM

During the initial review, the PMC team discovered that the Smith's trust paid the policy's planned \$90,000 annual premium for the first seven years, but then stopped paying premiums altogether. Meanwhile, the Smith's policy was left untended for nine additional years and was sustained by using the existing cash value.

	ORIGINAL DESIGN	CURRENT PLAN
Death Benefit	\$5,000,000	\$5,000,000
Annual Premium	\$90,000	\$0
Cash Surrender Value	\$1,814,665	\$478,227
Cumulative Premiums Paid	\$1,650,000	\$833,014
Projected Coverage Age	110	83
Life Expectancy		10.23 years
Prob. of Outliving Coverage		99.12%

THE OPTIONS

Understanding that there was a high probability of the Smiths outliving their coverage, the PMC team researched several options:

1. Increase future premium payments to \$297,329 per year to extend projected coverage age to 110.
2. Sell the policy on the secondary market as a life settlement. Offers were made, but the Smiths declined them as insufficient.
3. Exchange the policy value to a variable annuity to leverage the cost basis and tax-deferred growth.

THE STRATEGY

The Smiths decided to proceed with the strategy using a variable annuity which was purchased with the policy's cash surrender value of \$478,227.

- The annuity will grow tax deferred, meaning they are not taxed until you withdraw the money.
- If the Smiths were to surrender the policy and invest the surrender value in other taxable investments, taxes would be due on future growth.
- This strategy preserves the policy's cash value of \$478,227 as the minimum death benefit in the annuity.

THE TAKEAWAY

Had the Smiths not had their policy reviewed and taken the appropriate action, there's a high probability their policy would have lapsed and they would have received nothing. The policy review and recommendation maximized the value for the Smiths and their beneficiaries.

¹ Client name has been changed to protect confidentiality. Securities offered through Valmark Securities, Inc. Member FINRA/SIPC. 130 Springside Drive, Akron, Ohio 44333. (800) 765-5201.



DISCLOSURE

The principal value and rate of return in a variable annuity will fluctuate due to sub-account allocations and market conditions. Therefore, at any point, the value of the annuity contract may be worth more or less than the owner's actual investment in the contract. Guarantees are based on the claims-paying ability of the issuing company. Not all characteristics described will be applicable to every situation or variable annuity. Fees will vary based on the specific product and features selected, and may increase after issuance up to contractual maximums. For more information about a variable annuity, including its product features, risks, charges, and expenses, please read its prospectus. Please consider the charges, risks, expenses, and investment objectives carefully before investing. Any forecasts contained herein are for illustrative purposes only and are not to be relied upon as advice or interpreted as a recommendation. Any tax advice contained herein is of a general nature. You should seek specific advice from your tax professional before pursuing any idea contemplated herein.