SUCCESS STORY

Trust-owned life insurance as an alternative asset

Symetra Protector IUL

Indexed Universal Life Insurance

Benefitting from trust-owned life insurance as an alternative asset

Situation

A high-net-worth female, age 60, is in the process of establishing an irrevocable trust, and gifting $5 million into the trust. To take advantage of the gifting strategy of moving assets outside of her estate, her insurance professional recommends using life insurance to not only replace wealth lost to taxation, but also as an alternative asset inside the trust. Her initial concern is that, if she lives to a reasonable life expectancy (28 more years, or to age 87), the leverage of using life insurance as an alternative asset may not be very attractive.

Solution

The insurance professional recommends the trustee use a portion of the trust's income each year to purchase a $5 million Symetra universal life insurance policy in the trust.[1] This strategy will not diminish the trust principal, giving the trustee flexibility for future trust distributions, if needed, and leveraging the trust assets for future generations using life insurance.

Assuming a conservative investment strategy, the trust earns a hypothetical gross return of 5% less annual account management fees of .50% for a net rate of 4.50%. The original design (Plan A) would net the beneficiaries $17.8 million in 28 years. Alternatively, the insurance professional's recommended plan (Plan B) of funding the life insurance policy with trust income for 10 years, and combining the remaining trust equity assets with the death benefit, nets the beneficiaries $18.5 million upon her death. By using life insurance as an alternative asset in the trust, Plan B could create an additional $746,000 in the trust for the beneficiaries. The client is also able to use Symetra's Charitable Giving Benefit to direct an additional death benefit of 1% of the initial face amount, or $50,000, to her favorite charity (see The Benefits of Plan B vs. Plan A analysis on next page).

Hypothetical illustration: The Benefits of Plan B vs. Plan A

		Plan A			Plan B					
		Plan A – Invest $5,000,000 at 5% (4.50% net) (Assumes annual management fees of .50%)			Plan B – Invest $5,000,000 at 5% (4.50% Net) Purchase $5,000,000 Symetra Protector IUL Using Trust Income					
Year	F Age	BOY Trust Equity Assets	EOY Net Assets 4.50%	Net to Beneficiaries	BOY Trust Assets	Annual Life Insurance Premium	EOY Net Assets 4.50%	Life Insurance Death Benefit	Net to Beneficiaries	Charitable Giving Benefit
1	60	$5,000,000	$5,225,000	$5,225,000	$5,000,000	($149,975)	$5,068,276	$5,000,000	$10,068,276	$50,000
2	61	$5,225,000	$5,460,125	$5,460,125	$5,068,276	($149,975)	$5,139,625	$5,000,000	$10,139,625	$50,000
3	62	$5,460,125	$5,705,831	$5,705,831	$5,139,625	($149,975)	$5,214,184	$5,000,000	$10,214,184	$50,000
4	63	$5,705,831	$5,962,593	$5,962,593	$5,214,184	($149,975)	$5,292,098	$5,000,000	$10,292,098	$50,000
5	64	$5,962,593	$6,230,910	$6,230,910	$5,292,098	($149,975)	$5,373,519	$5,000,000	$10,373,519	$50,000
6	65	$6,230,910	$6,511,301	$6,511,301	$5,373,519	($149,975)	$5,458,603	$5,000,000	$10,458,603	$50,000
7	66	$6,511,301	$6,804,309	$6,804,309	$5,458,603	($149,975)	$5,547,516	$5,000,000	$10,547,516	$50,000
8	67	$6,804,309	$7,110,503	$7,110,503	$5,547,516	($149,975)	$5,640,430	$5,000,000	$10,640,430	$50,000
9	68	$7,110,503	$7,430,476	$7,430,476	$5,640,430	($149,975)	$5,737,525	$5,000,000	$10,737,525	$50,000
10	69	$7,430,476	$7,764,847	$7,764,847	$5,737,525	($149,975)	$5,838,990	$5,000,000	$10,838,990	$50,000
11	70	$7,764,847	$8,114,265	$8,114,265	$5,838,990	$0	$6,101,745	$5,000,000	$11,101,745	$50,000
12	71	$8,114,265	$8,479,407	$8,479,407	$6,101,745	$0	$6,376,324	$5,000,000	$11,376,324	$50,000
13	72	$8,479,407	$8,860,980	$8,860,980	$6,376,324	$0	$6,663,259	$5,000,000	$11,663,259	$50,000
14	73	$8,860,980	$9,259,725	$9,259,725	$6,663,259	$0	$6,963,106	$5,000,000	$11,963,106	$50,000
15	74	$9,259,725	$9,676,412	$9,676,412	$6,963,106	$0	$7,276,446	$5,000,000	$12,276,446	$50,000
16	75	$9,676,412	$10,111,851	$10,111,851	$7,276,446	$0	$7,603,886	$5,000,000	$12,603,886	$50,000
17	76	$10,111,851	$10,566,884	$10,566,884	$7,603,886	$0	$7,946,061	$5,000,000	$12,946,061	$50,000
18	77	$10,566,884	$11,042,394	$11,042,394	$7,946,061	$0	$8,303,634	$5,000,000	$13,303,634	$50,000
19	78	$11,042,394	$11,539,302	$11,539,302	$8,303,634	$0	$8,677,298	$5,000,000	$13,677,298	$50,000
20	79	$11,539,302	$12,058,570	$12,058,570	$8,677,298	$0	$9,067,776	$5,000,000	$14,067,776	$50,000
21	80	$12,058,570	$12,601,206	$12,601,206	$9,067,776	$0	$9,475,826	$5,000,000	$14,475,826	$50,000
22	81	$12,601,206	$13,168,260	$13,168,260	$9,475,826	$0	$9,902,238	$5,000,000	$14,902,238	$50,000
23	82	$13,168,260	$13,760,832	$13,760,832	$9,902,238	$0	$10,347,839	$5,000,000	$15,347,839	$50,000
24	83	$13,760,832	$14,380,069	$14,380,069	$10,347,839	$0	$10,813,492	$5,000,000	$15,813,492	$50,000
25	84	$14,380,069	$15,027,172	$15,027,172	$10,813,492	$0	$11,300,099	$5,000,000	$16,300,099	$50,000
26	85	$15,027,172	$15,703,395	$15,703,395	$11,300,099	$0	$11,808,603	$5,000,000	$16,808,603	$50,000
27	86	$15,703,395	$16,410,048	$16,410,048	$11,808,603	$0	$12,339,990	$5,000,000	$17,339,990	$50,000
28	87	$16,410,048	$17,148,500	$17,148,500	$12,339,990	$0	$12,895,290	$5,000,000	$17,895,290	$50,000
29	88	$17,148,500	$17,920,182	$17,920,182	$12,895,290	$0	$13,475,578	$5,000,000	$18,475,578	$50,000
30	89	$17,920,182	$18,726,591	$18,726,591	$13,475,578	$0	$14,081,979	$5,000,000	$19,081,979	$50,000
31	90	$18,726,591	$19,569,287	$19,569,287	$14,081,979	$0	$14,715,668	$5,000,000	$19,715,668	$50,000
32	91	$19,569,287	$20,449,905	$20,449,905	$14,715,668	$0	$15,377,873	$5,000,000	$20,377,873	$50,000
33	92	$20,449,905	$21,370,151	$21,370,151	$15,377,873	$0	$16,069,877	$5,000,000	$21,069,877	$50,000
34	93	$21,370,151	$22,331,808	$22,331,808	$16,069,877	$0	$16,793,021	$5,000,000	$21,793,021	$50,000
35	94	$22,331,808	$23,336,739	$23,336,739	$16,793,021	$0	$17,548,707	$5,000,000	$22,548,707	$50,000
36	95	$23,336,739	$24,386,892	$24,386,892	$17,548,707	$0	$18,338,399	$5,000,000	$23,338,399	$50,000
37	96	$24,386,892	$25,484,302	$25,484,302	$18,338,399	$0	$19,163,627	$5,000,000	$24,163,627	$50,000
38	97	$25,484,302	$26,631,096	$26,631,096	$19,163,627	$0	$20,025,990	$5,000,000	$25,025,990	$50,000
39	98	$26,631,096	$27,829,495	$27,829,495	$20,025,990	$0	$20,927,160	$5,000,000	$25,927,160	$50,000
40	99	$27,829,495	$29,081,823	$29,081,823	$20,927,160	$0	$21,868,882	$5,000,000	$26,868,882	$50,000
41	100	$29,081,823	$30,390,505	$30,390,505	$21,868,882	$0	$22,852,982	$5,000,000	$27,852,982	$50,000

This hypothetical comparison is based on a 60-year-old female. Plan B illustrates a female in a Preferred Non-Nicotine rate class with a $5 million Symetra Protector IUL Indexed Universal Life Insurance policy.

Understanding the bigger picture

The client understands the extra benefit life insurance can provide for her beneficiaries, but she is concerned that if the trust non-insurance assets perform better than the assumed hypothetical gross rate of 5%, the life insurance may not provide enough leverage.

The insurance professional explains the value of the Internal Rate of Return (IRR) for the recommended life insurance policy. At life expectancy (or year 28), the federal income and estate tax-free death benefit of $5 million generates an after-tax IRR of 5.21% (7.66% before taxes), assuming a 32% income tax bracket.[2] The client agrees the non-insurance assets in the trust could earn an average gross rate between 4.75% and 5.50%, depending on market conditions. To show the leverage life insurance can provide, the insurance professional uses an annual management fee of .50% and models the same life insurance premiums invested each year at the various net rates between 4.25% and 5%.

After reviewing the results (see Rate of Return Analysis on next page), the client understands the power of using life insurance as an alternative asset, as it would take 32 years—or four years beyond the assumed life expectancy—for the non-insurance asset to equal the life insurance death benefit, assuming a 5% gross return (4.50% net). Even at an assumed gross rate of 5.50% (5.0% net), the non-insurance assets would need 29 years to match the life insurance death benefit.

Results

Client
Female, age 60

Product
Symetra Protector IUL Indexed Universal Life Insurance

Rate Class
Preferred Non-Nicotine

Included Benefit
Lapse Protection Benefit (guaranteed to age 88)

Optional Rider
Charitable Giving Benefit

Death Benefit
$5,000,000

Annual Premium
$149,975 (years 1-10)

Find out how Symetra Protector IUL could help your clients leave more to their beneficiaries. Contact us today for a custom illustration.

Symetra Life Sales Desk
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Hypothetical illustration: Rate of Return Analysis (Alternative Asset Summary)

Female, age 60 (Preferred Non-Nicotine)

Symetra Protector IUL Indexed Universal Life Insurance: $5 million

Assumed Income Tax Bracket: 0%

Assumed life expectancy | Crossover point based on the specified scenario

		Life Insurance as an Asset				Non-Insurance Assets (Assumes management fee of .50%)				
							4.75% gross 4.25% net growth	5.00% gross 4.50% net growth	5.25% gross 4.75% net growth	5.50% gross 5.00% net growth
Year	F Age	Premium Outlay	Total Outlay	Death Benefit	After Tax IRR	Beginning Annual Investment	Hypothetical Investment End of Year	Hypothetical Investment End of Year	Hypothetical Investment End of Year	Hypothetical Investment End of Year
1	60	$149,975	$149,975	$5,000,000	3233.89%	$149,975	$156,349	$156,724	$157,099	$157,474
2	61	$149,975	$299,950	$5,000,000	429.56%	$149,975	$319,343	$320,500	$321,660	$322,821
3	62	$149,975	$449,925	$5,000,000	182.46%	$149,975	$489,264	$491,647	$494,037	$496,436
4	63	$149,975	$599,900	$5,000,000	106.54%	$149,975	$666,406	$670,495	$674,603	$678,732
5	64	$149,975	$749,875	$5,000,000	71.70%	$149,975	$851,078	$857,391	$863,746	$870,142
6	65	$149,975	$899,850	$5,000,000	52.21%	$149,975	$1,043,597	$1,052,697	$1,061,872	$1,071,123
7	66	$149,975	$1,049,825	$5,000,000	39.96%	$149,975	$1,244,299	$1,256,793	$1,269,410	$1,282,153
8	67	$149,975	$1,199,800	$5,000,000	31.63%	$149,975	$1,453,531	$1,470,072	$1,486,806	$1,503,734
9	68	$149,975	$1,349,775	$5,000,000	25.65%	$149,975	$1,671,655	$1,692,949	$1,714,528	$1,736,394
10	69	$149,975	$1,499,750	$5,000,000	21.18%	$149,975	$1,899,049	$1,925,856	$1,953,067	$1,980,688
11	70	$0	$1,499,750	$5,000,000	18.27%	$0	$1,979,759	$2,012,519	$2,045,837	$2,079,722
12	71	$0	$1,499,750	$5,000,000	16.02%	$0	$2,063,898	$2,103,083	$2,143,015	$2,183,708
13	72	$0	$1,499,750	$5,000,000	14.25%	$0	$2,151,614	$2,197,721	$2,244,808	$2,292,894
14	73	$0	$1,499,750	$5,000,000	12.81%	$0	$2,243,058	$2,296,619	$2,351,436	$2,407,539
15	74	$0	$1,499,750	$5,000,000	11.63%	$0	$2,338,388	$2,399,967	$2,463,129	$2,527,915
16	75	$0	$1,499,750	$5,000,000	10.64%	$0	$2,437,769	$2,507,965	$2,580,128	$2,654,311
17	76	$0	$1,499,750	$5,000,000	9.80%	$0	$2,541,374	$2,620,824	$2,702,684	$2,787,027
18	77	$0	$1,499,750	$5,000,000	9.08%	$0	$2,649,383	$2,738,761	$2,831,062	$2,926,378
19	78	$0	$1,499,750	$5,000,000	8.46%	$0	$2,761,981	$2,862,005	$2,965,537	$3,072,697
20	79	$0	$1,499,750	$5,000,000	7.91%	$0	$2,879,366	$2,990,795	$3,106,400	$3,226,332
21	80	$0	$1,499,750	$5,000,000	7.43%	$0	$3,001,739	$3,125,381	$3,253,954	$3,387,648
22	81	$0	$1,499,750	$5,000,000	7.01%	$0	$3,129,313	$3,266,023	$3,408,517	$3,557,031
23	82	$0	$1,499,750	$5,000,000	6.63%	$0	$3,262,308	$3,412,994	$3,570,422	$3,734,882
24	83	$0	$1,499,750	$5,000,000	6.29%	$0	$3,400,956	$3,566,579	$3,740,017	$3,921,627
25	84	$0	$1,499,750	$5,000,000	5.98%	$0	$3,545,497	$3,727,075	$3,917,667	$4,117,708
26	85	$0	$1,499,750	$5,000,000	5.70%	$0	$3,696,181	$3,894,793	$4,103,757	$4,323,593
27	86	$0	$1,499,750	$5,000,000	5.44%	$0	$3,853,268	$4,070,059	$4,298,685	$4,539,773
28	87	$0	$1,499,750	$5,000,000	5.21%	$0	$4,017,032	$4,253,212	$4,502,873	$4,766,762
29	88	$0	$1,499,750	$5,000,000	5.00%	$0	$4,187,756	$4,444,606	$4,716,759	$5,005,100
30	89	$0	$1,499,750	$5,000,000	4.80%	$0	$4,365,736	$4,644,613	$4,940,805	$5,255,355
31	90	$0	$1,499,750	$5,000,000	4.62%	$0	$4,551,280	$4,853,621	$5,175,493	$5,518,122
32	91	$0	$1,499,750	$5,000,000	4.45%	$0	$4,744,709	$5,072,034	$5,421,329	$5,794,029
33	92	$0	$1,499,750	$5,000,000	4.29%	$0	$4,946,359	$5,300,275	$5,678,842	$6,083,730
34	93	$0	$1,499,750	$5,000,000	4.14%	$0	$5,156,579	$5,538,788	$5,948,587	$6,387,916
35	94	$0	$1,499,750	$5,000,000	4.01%	$0	$5,375,734	$5,788,033	$6,231,145	$6,707,312
36	95	$0	$1,499,750	$5,000,000	3.88%	$0	$5,604,203	$6,048,495	$6,527,125	$7,042,678
37	96	$0	$1,499,750	$5,000,000	3.76%	$0	$5,842,381	$6,320,677	$6,837,163	$7,394,812
38	97	$0	$1,499,750	$5,000,000	3.64%	$0	$6,090,682	$6,605,108	$7,161,928	$7,764,552
39	98	$0	$1,499,750	$5,000,000	3.54%	$0	$6,349,536	$6,902,337	$7,502,120	$8,152,780
40	99	$0	$1,499,750	$5,000,000	3.44%	$0	$6,619,392	$7,212,943	$7,858,471	$8,560,419
41	100	$0	$1,499,750	$5,000,000	3.34%	$0	$6,900,716	$7,537,525	$8,231,748	$8,988,440

This hypothetical comparison is based on a 60-year-old female Preferred Non-Nicotine rate with a $5 million Symetra Protector IUL Indexed Universal Life Insurance policy.

The Internal Rate of Return (IRR) on the death benefit is the effective after-tax annual rate at which an amount equal to the illustrated premium must be accumulated in order to generate the net death benefit at the end of a referenced policy year.

The crossover point identifies the specific year in which the hypothetical end of year investment account is equal to or greater than the life insurance death benefit amount.

Symetra Protector IUL is a flexible-premium adjustable life insurance policy with index-linked interest options issued by Symetra Life Insurance Company, 777 108th Avenue NE, Suite 1200, Bellevue, WA 98004. This policy is not available in all U.S. states or any U.S. territory; however, where available, it is usually issued under policy form number ICC18_LC2.

Policy riders and benefits are not available in all states and terms and conditions may vary by state in which they are available. Charitable Giving Benefit Rider, form number ICC16_LE8.

The Charitable Giving Benefit is only available on policies with a face amount of $100,000 or more. Payment is 1% of the original base face amount to a maximum of $100,000, regardless if the policy face amount has been increased. If the policy face amount has been decreased, 1% of the remaining base policy face amount is paid. The charity must be designated at time of issue and qualify under federal tax code sections 170(c) and 501(c). If the charity is not operating at the time of the insured's death, we may allow the estate to direct proceeds to another qualified charity.

The Lapse Protection Benefit prevents the policy from entering the Grace Period when the policy is in a Lapse Protection Benefit Period. Coverage will remain in effect as long as the Lapse Protection Value is greater than or equal to zero and the surrender value of your policy is greater than the sum of all outstanding policy loans and loan interest. Loans, withdrawals, and late or delayed premium payments may affect the duration of the Lapse Protection Benefit.

A rider is a provision of the policy that may have additional costs, limitations, potential benefits and features that should never be confused with the base policy itself. Before evaluating the benefits of a rider, your client should carefully examine the policy to which it is attached.

Life insurance policies contain exclusions, limitations, reductions of benefits and terms for keeping them in-force. Clients should consult with an insurance professional for more complete details.

Guarantees and benefits are subject to the claims-paying ability of Symetra Life Insurance Company.

Symetra Protector IUL has fixed and indexed accounts. Interest credited to the indexed accounts is affected by the value of outside indexes. Values based on the performance of any index are not guaranteed. The policy does not directly participate in any outside investment or index.

Allocations to the fixed account or index strategies are based on the allocation instructions provided at time of application, and may be subsequently changed in writing by the policyowner. When allocations occur, an index segment for each respective index strategy is created. Each index segment has its own index crediting method, index value, index cap, index floor, index participation rate, index segment term, and index start and maturity date. The index caps, floors and participation rates after the initial index segment term may be higher or lower than the initial rates, but will never be less than the guaranteed minimums shown in the policy.

Policy endorsements are not available in all U.S. states or any U.S. territory, and terms and conditions may vary by state in which they are available. Where available, the S&P 500 Index Account is usually issued under form number ICC20_LE9.

An index segment represents the portion of the index account that credits interest based on a change in the indices applicable to that index segment. Index credits are calculated and credited (if applicable) on the respective index segment's maturity date. Amounts withdrawn from the index account before the index segment's maturity date will not receive an index credit, if applicable, for that term.

Symetra reserves the right to add, modify or remove any index strategy or crediting method. If any index is discontinued or if the calculation of any index is changed substantially, Symetra reserves the right to substitute a comparable index.

This material is not intended to provide investment, tax or legal advice. Please encourage your clients to consult with their independent professional on such matters.

[1] The trust must have a provision to purchase life insurance as a trust investment and the trustee should have authority to purchase life insurance on the grantor(s) life.

[2] Although proceeds of life insurance are generally received income-tax-free by beneficiaries, estate and local taxes may apply. Your clients should consult with their attorney or tax professional for more information.

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