

LIAAC

Case Study #2

M. Jean Guy

From Couples to Entrepreneurs: When \$3M Becomes \$23M

New world conclusions in action

What we'll examine

A “next generation high net worth investor” (High Net Worth investor)

- We'll compare two strategies:
 - **Traditional portfolio:** \$23M invested conventionally, versus,
 - **LIAAC optimized strategic reallocation to permanent life insurance**
- We'll measure three critical outcomes:
 - **Risk reduction** (portfolio volatility)
 - **Estate value** (net estate to beneficiaries)
 - **Liquidity** (access to funds during lifetime)



Case study – High net worth

- Jean Guy just sold his business for \$23M—and now faces the eternal dilemma: **How do I protect this against volatility without boring returns?**
- From business sale to legacy, let's help Jean consider his alternatives.
- Jean likely has some structures in place post-sale —corporate holding companies, trusts etc., but still has unfulfilled planning objectives.



Case study – High net worth

- Jean Guy – MNS 50
- Has a liquid \$23m investment portfolio resulting from the sale of his business.
- Is interested in locking-in some of the wealth he's created.
- Wants (some) liquidity with investments but is willing to 'invest for the long term'.
- Wants to preserve wealth and reduce risk but with some higher individual risks (barbell portfolio idea).



Current investment portfolio

Jean's investment portfolio aligns with the North American CapGemini World Wealth Report 2025.

"Next-gen HNWI's seek seamless, omnichannel financial interactions, with a strong preference for video calls."

Key concerns

Wants to address estate planning goals given the recent sale of his business.

"Next-gen HNWI's also appreciate concierge services, including those with a focus on medical care, advice, and education."

Personal details

Jean has term life insurance policies up for renewal in the next few years but overall is under-insured.

Advisors "are expected to deliver highly personalized, multi-generational, geographical, and asset advisory services."



Case study – HNW investor

\$23 million long term investment portfolio
without rebalancing

VS

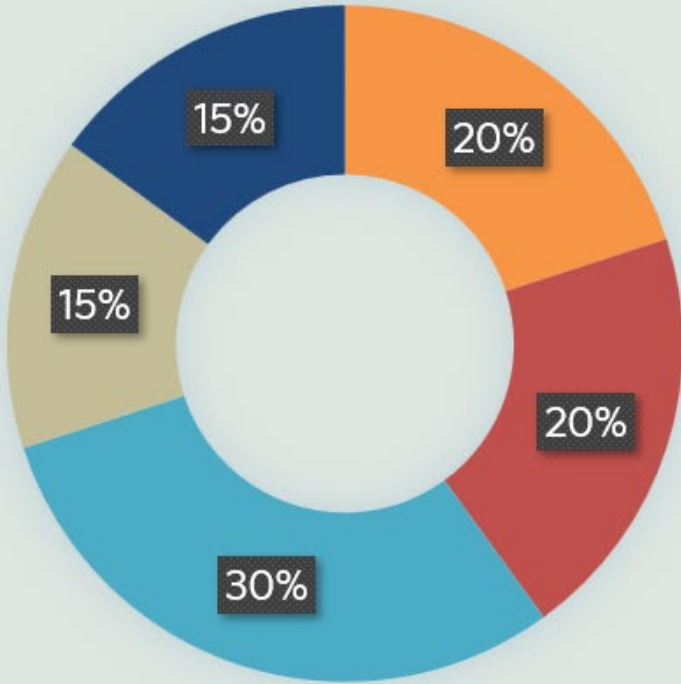
Re-allocate with insurance over 15 years:

- Move fixed income to (\$162k): \$2.5 million Sun Par Protector II, PUA, offset in year 16, DSIR current – 1%
- Move equities to (\$152k): \$5.0 million SunUniversalLife II, YRT85, Level insurance, illustration rate 5%

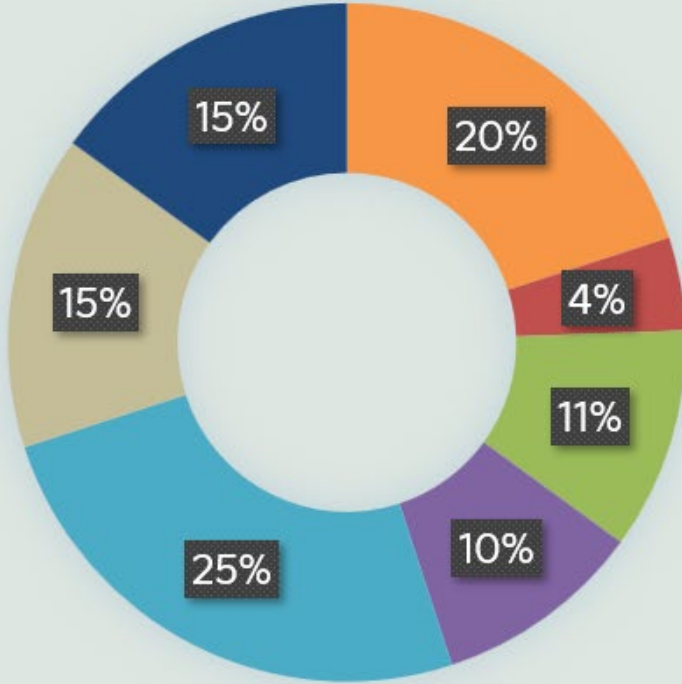
Case Study – Jean Guy

Re-allocation of insurance using LIAAC approach

Client's current portfolio



Portfolio diversified with Par and UL



Legend: Cash (orange), Fixed Income (red), Par (green), UL (purple), Equities (blue), Real Estate (tan), Alternative Investment (dark blue)

Case Study – Jean Guy

Re-allocation of insurance using LIAAC approach

LIFE INSURANCE AS AN ASSET CLASS

Permanent life insurance has always been an exceptional estate planning tool, and in this presentation, we will evaluate the additional merits of permanent life insurance as an asset class.

AN INTRODUCTION TO PERMANENT LIFE INSURANCE

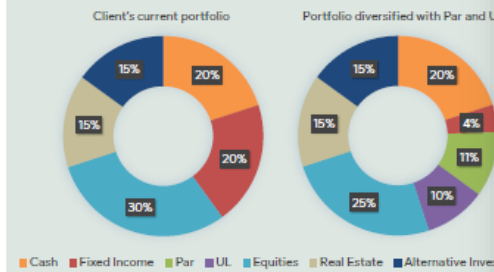
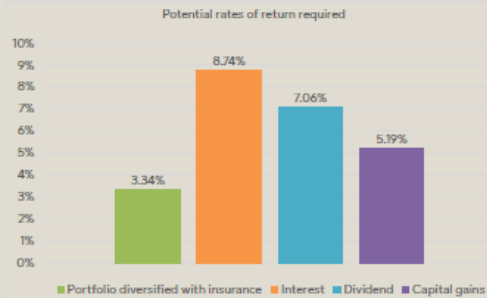
Permanent life insurance demonstrates all essential characteristics of an asset class, operating within a comprehensive regulatory framework. What distinguishes it is its unique dual nature: simultaneously providing mortality protection and wealth accumulation. When structured and funded appropriately, it functions as a tax-advantaged wealth vehicle. The death benefit offers estate liquidity and legacy planning, and the cash value provides growth potential, portfolio diversification, and capital access. This is all within a tax-preferred structure that can enhance after-tax returns relative to comparable taxable investments.

Participating whole life insurance (Par) represents the permanent insurance planning that many advisors and clients are more familiar with. It provides guaranteed lifetime coverage supported by three key guarantees: premium amounts, minimum cash values, and death benefit levels. These guarantees remain in force provided the policyowner maintains the required premium payments.

Universal life insurance (UL) offers a different structure characterized by greater transparency and flexibility compared to Par. It clearly separates insurance charges from the investment component, creating transparency that enables policyowners to track precisely how their deposits flow through the policy.

HOW THE OPTIONS COMPARE – DIFFERENT INVESTMENTS

To achieve the same net to estate benefits as a portfolio diversified with insurance, other asset classes may require higher rates of return.



Note: The diversified asset mix is calculated as of year 1, using the sum of all insurance premiums. This calculation factor in any investment growth, additional funding, rebalancing, or insurance benefits.

	Client's current portfolio	Portfolio diversified with insurance
Initial value	23,000,000	18,275,285 Remaining investment value 7,500,000 Death benefit
Initial annual premium/ payment	-	-
Collateral value in year 25	31,616,048	33,116,048
Corporate value in year 35	84,236,459	73,737,590 Remaining investment value 13,274,084 Cash surrender
Capital dividend account in year 35	26,061,809	39,061,809
Net to estate in year 35	64,348,212	72,348,212
IRR in year 35	2.98%	3.34%

The collateral values are based on the following loan-to-value ratios: 100% cash, 90% fixed income, 50% equities, 0% alternative investments, 90% Par cash surrender value and 75% UL cash surrender value. This tool does not include post-mortem planning strategies and related considerations.

LIFE INSURANCE AS AN ASSET CLASS

Let's compare the client's current portfolio to one diversified with insurance and see how they perform in three areas: relative levels of risk, estate benefits, and liquidity as an interim benefit.

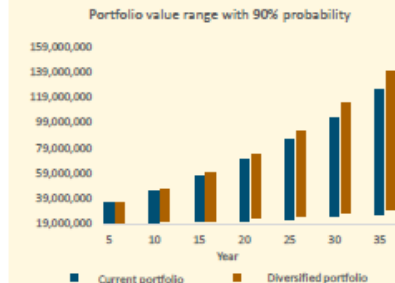
CAPITAL PRESERVATION AND RISK ANALYSIS

When comparing portfolios, the question transcends simple return maximization. "Which portfolio earns more?" becomes less relevant than "Which portfolio demonstrates superior resilience?" Standard deviation provides a straightforward measure of this robustness, quantifying how much portfolio values fluctuate around average returns.

With exceptionally low correlation to typical assets, insurance can often reduce overall portfolio volatility while maintaining or enhancing expected internal rate of return (IRR). The lower standard deviation means the portfolio diversified with insurance experiences less extreme swings in value, providing more consistent growth even during market downturns.

	Client's current portfolio	Portfolio diversified with insurance
IRR in year 35	2.98%	3.34%
Standard deviation	7.91%	7.82%

With a starting portfolio size of \$23,000,000, how might the changing IRR and standard deviation affect the portfolio's growth trajectory over time?

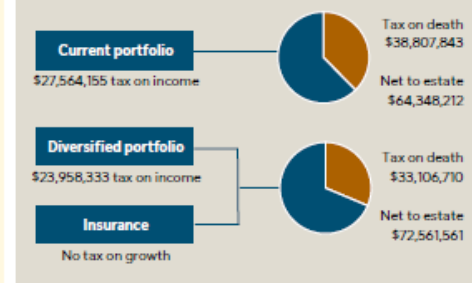


ESTATE VALUE ANALYSIS

Permanent life insurance demonstrates all essential characteristics of an asset class, operating within a comprehensive regulatory framework. What distinguishes it is its unique dual nature: simultaneously providing mortality protection and wealth accumulation. When structured and funded appropriately, it functions as a tax-advantaged wealth vehicle. The death benefit offers estate liquidity and legacy planning, and the cash value provides growth potential, portfolio diversification, and capital access. This is all within a tax-preferred structure that can enhance after-tax returns relative to comparable taxable investments.



By diversifying an investment portfolio with insurance, the clients could potentially save \$9,306,956 in taxes — \$3,605,823 during their lifetime and \$5,701,133 upon death in year 35.



LIQUIDITY ANALYSIS

A common concern among clients contemplating permanent insurance centers on liquidity reduction. The perception is that allocating capital to insurance inevitably diminishes access to funds. Comparing collateral value often reveals a more nuanced reality. Permanent insurance offers several main options for accessing liquidity:

1. Policy loans: Insurers offer policy loans against the policy's cash values. However, these may have tax consequences.
2. Third-party collateral loans: Clients may use the policy's cash value as collateral to borrow from a third party.
3. Partial or full withdrawals: Clients may withdraw partially or fully from the policy, collecting the cash surrender values. This option may also have tax consequences.

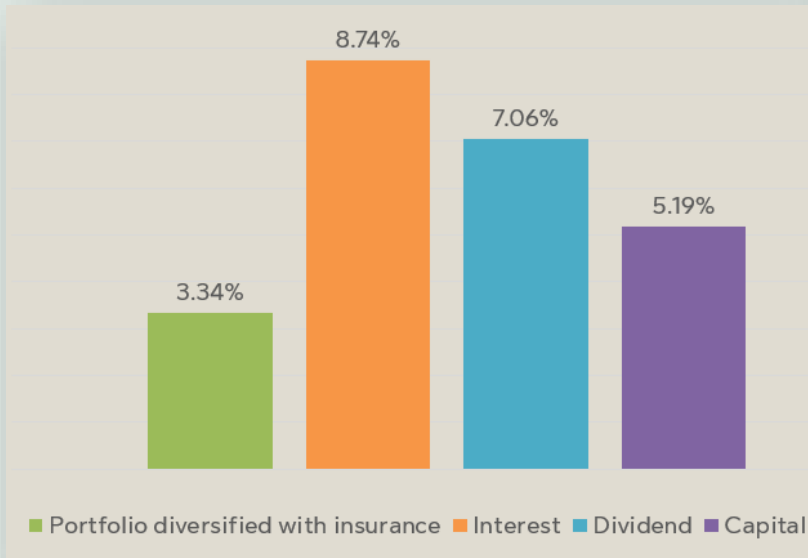


In addition, UL has built-in liquidity features where clients can withdraw a portion of their investment account while disabled, ill, or injured, all tax-free under current tax rules. Similarly, for joint-last-to-die policies, the surviving policyowner can access up to 100% of the investment account tax-free at the loss of the first spouse.

Par policies allow clients to receive par dividends in cash.

Case Study – Mr. Jean Guy

Looking at the big picture when using LIAAC approach



Sun Par Protector II and SunUniversalLife II		
	Client's current portfolio	Portfolio diversified with insurance
Initial value	23,000,000	18,275,285
	Investment value	Remaining investment 7,500,000
Initial annual premium/ payment	-	314,981
Collateral value in year 25	31,616,048	33,089,058
Corporate value in year 35	84,236,459	73,737,590
	Investment value	Remaining investment 13,274,084
Capital dividend account in year 35	26,061,809	39,809,194
Net to estate in year 35	64,348,212	72,561,561
IRR in year 35	2.98%	3.34%

Case Study – Mr. Jean Guy

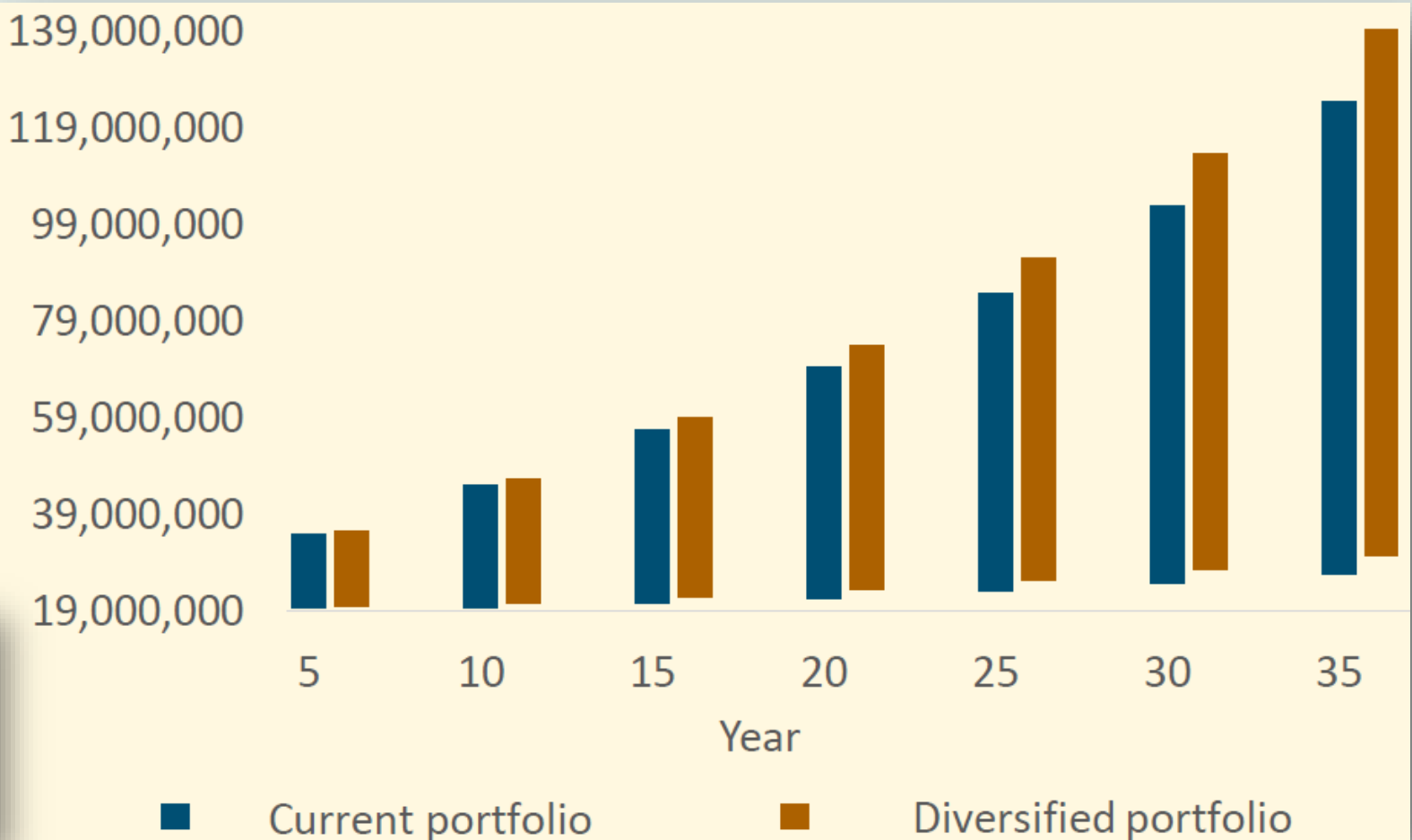
Looking at the big picture when using LIAAC approach

Investment Initial Balance	23,000,000					
	Current portfolio	Diversified with insurance	Loan-to-value ratio	Return	Std Dev	
Cash	20%	20%	100%	2.75%	0.69%	
Fixed Income	20%	4%	90%	3.75%	5.07%	
Equities	30%	25%	50%	6.50%	13.63%	
Real Estate	15%	15%	65%	7.19%	15.72%	
Alternative Investment	15%	15%	0%	5.15%	21.06%	
Par		11%	90%			
UL		10%	75%			

Case Study – Mr. Jean Guy

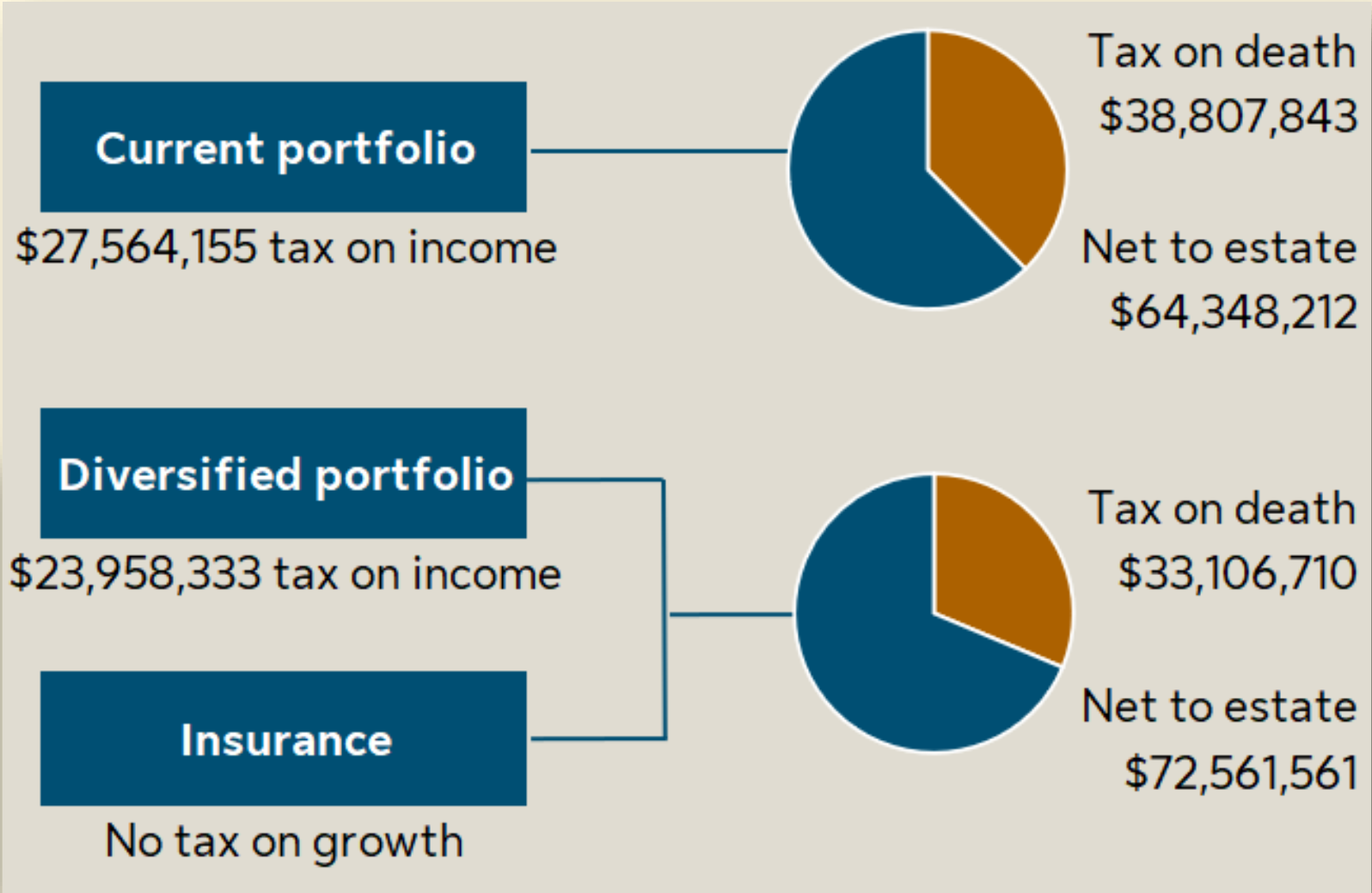
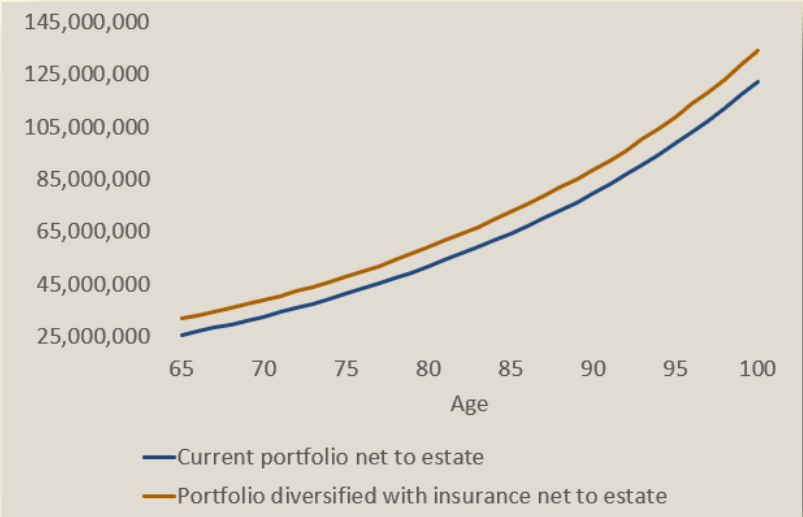
Looking at the big picture when using LIAAC approach

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Standard deviation	7.91%	7.82%



Case Study – Mr. Jean Guy

Looking at the big picture when using LIAAC approach



Case study – Mr. Jean Guy



Capital preservation

- ✓ Only insurance can provide the tax effective wealth preservation solution that leads to peace of mind investing.
- ✓ Jean continues to hold his equities and 'safe assets' through insurance and continue to enjoy some of the needed liquidity, investment options and transparency he values.

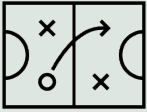
Highly personalized, multi-generational solution

- ✓ Jean expect to evolve his estate plans; using a combination of Par & UL he is able to adapt (e.g. plenty of flexibility to increase the insurance funding above projections shown).

Medical care, advice and education

- ✓ Par & UL offer complementary solutions suited to Jean, and locks-in his existing good health (ideally the solution is complemented with CII & other).

Concern versus reality:



"Insurance is illiquid"

- Collateral value actually increases by year 15 and beyond.



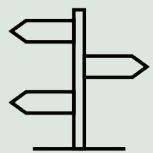
"Returns are too low"

- Tax-free growth + death benefit creates superior after-tax IRR.
- The LIAAC reallocation reduces risks and allows Jean to take increased investment risks elsewhere.



"Too complex for clients"

- New LIAAC Excel tool makes analysis simple and transparent.



"What about flexibility?"

- UL allows investment changes and is built for payment flexibility.
- Par allows changes in dividend options.