

LIAAC

Case Study #1

The Power couple

New world conclusions in action

What we'll examine

A “next generation high net worth investor” (next gen HNWI)

- We'll compare two strategies:
 - **Traditional portfolio:** \$3M 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 – HNW couple

- Pete and Pam Power spent 20 years building a \$3M portfolio.
- They've achieved what most dream of—security for their family. **But one conversation with an advisor exposed a blind spot: what if their portfolio could actually work harder, with less risk?**
- Consider a rhetorical question:
 - "What if I told you: Same portfolio, lower volatility and higher net-to-estate value? Would you want to see how?"



Case study – HNW couple

- Pete & Pam Power – ready to get their portfolio is as great a shape as they are!
- Have a \$3m investment portfolio and are under-insured.
- Planning, diversification and strategies designed to maximize estate values are of key interest to them (want to leave an estate to their children).
- Wants (some) liquidity with investments but are willing to invest for the long-term to protecting what they've built.



Current investment portfolio

The Power's investment portfolio aligns with the CapGemini World Wealth Report 2025.

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

Key concerns

Looking to address estate planning goals and improve the chances they'll have a healthy estate to leave to their children.

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

Personal details

The Power's prefer liquidity when investing but are want to balance those goals with their long-term needs and goals.

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



Case study – HNW couple

\$3 million invested into a long-term investment portfolio (without rebalancing)

VS

Re-allocate with insurance (over 10 years) :

- Move fixed income to (\$50k/yr):
 - \$940k JLTD Sun Par Protector II, PUA, offset in year 11, DSIR current – 1%
- Move equities to (\$50k/yr):
 - \$1.5m SunUniversalLife II Joint Last, Insurance + Fund, Level cost, investment yield of 5.9%

Case Study – Pete & Pam Power

Re-allocation of insurance using LIAAC approach

AN INTRODUCTION TO PERMANENT LIFE INSURANCE

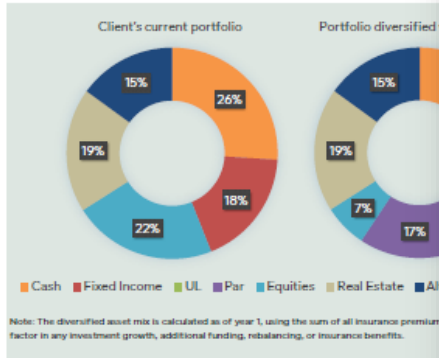
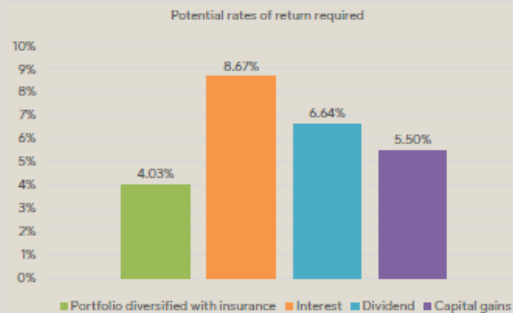
Permanent life insurance demonstrates all essential characteristics of an asset class, operating within a comprehensive regulatory framework. What distinguishes it is its unique dual nature: simultaneously providing mortality protection and wealth accumulation. When structured and funded appropriately, 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 premium factor in any investment growth, additional funding, rebalancing, or insurance benefits.

	Client's current portfolio	Portfolio diversified with insurance
Initial value	3,000,000	2,000,004
Investment value	-	2,488,029
Initial annual premium/ payment	-	-
Collateral value in year 25	4,028,477	4,028,477
Asset value in year 35	10,123,134	7,300,753
Investment value	-	2,748,029
Collateral value in year 35	5,562,399	5,562,399
Net to estate in year 35	9,819,684	9,819,684
IRR in year 35	3.45%	4.03%

The collateral values are based on the following loan-to-value ratios: 100% cash, 90% fixed income, 0% alternative investments, 90% Par cash surrender value and 75% UL cash surrender value. This tool's calculation excludes 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.

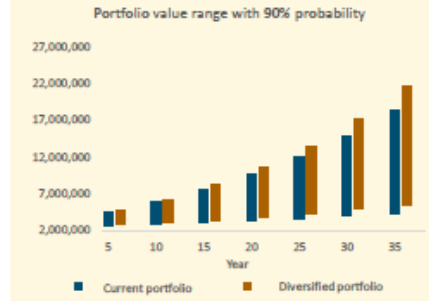
CAPITAL PRESERVATION AND RISK ANALYSIS

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.

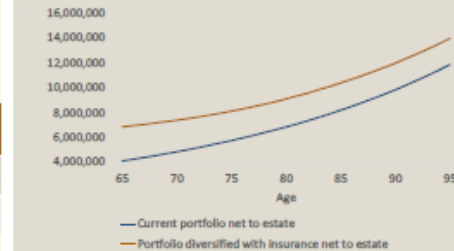
	Client's current portfolio	Portfolio diversified with insurance
IRR in year 35	3.45%	4.03%
Standard deviation	7.35%	7.01%

With a starting portfolio size of \$3,000,000, how might the changing IRR and standard deviation affect the portfolio's growth trajectory over time?

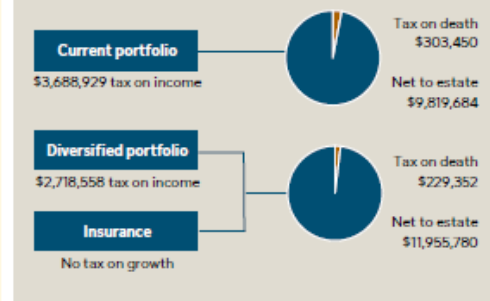


ESTATE VALUE ANALYSIS

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.



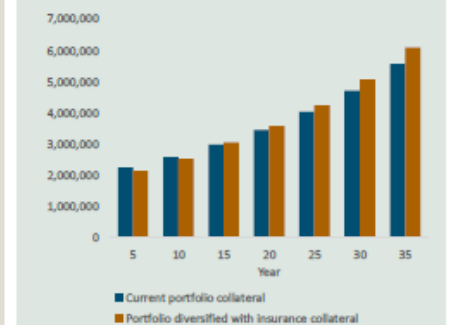
By diversifying an investment portfolio with insurance, the clients could potentially save \$1,044,469 in taxes – \$970,371 during their lifetime and \$74,097 upon death in year 35.



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.



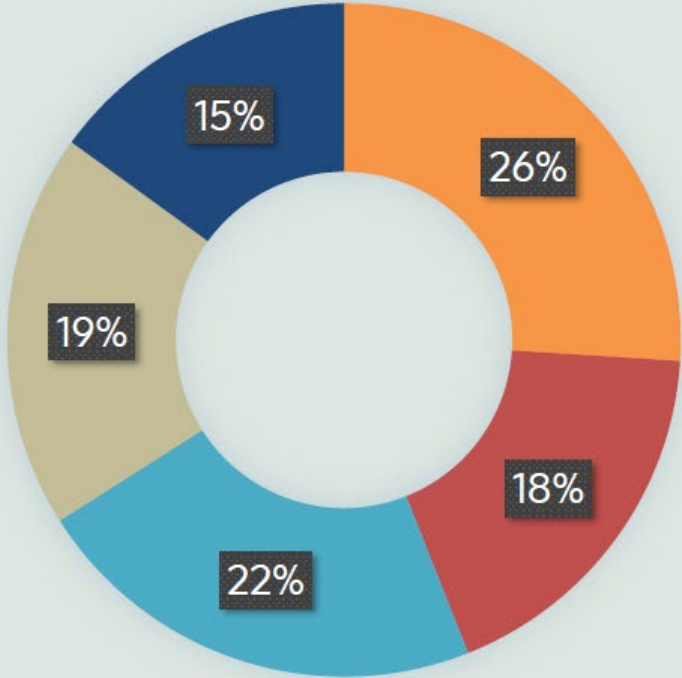
In addition, UL has built-in liquidity features where clients can withdraw a portion of their investment account while disabled, ill, or injured, all tax-free under current tax rules. Similarly, for joint-last-to-die policies, the surviving policyowner can access up to 100% of the investment account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

Par policies allow clients to receive par dividends in cash.

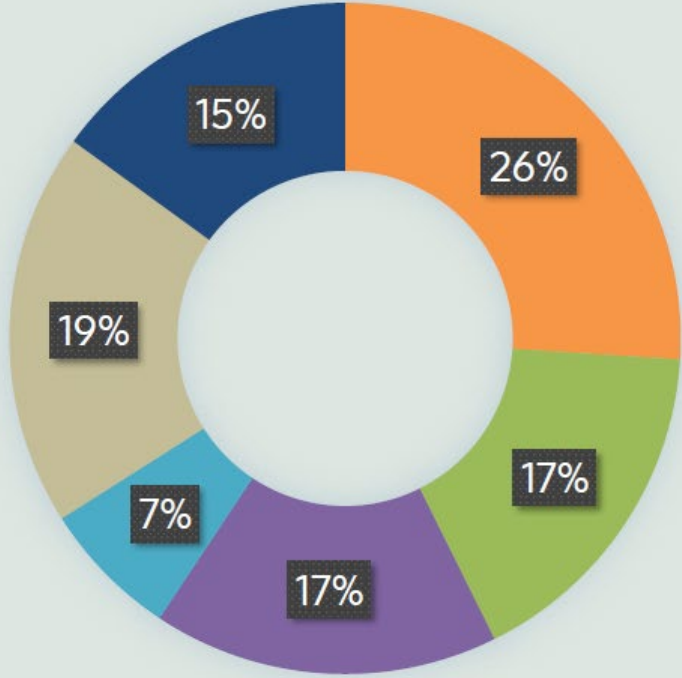
Case Study – Pete & Pam Power

Re-allocation of insurance using LIAAC approach

Client's current portfolio



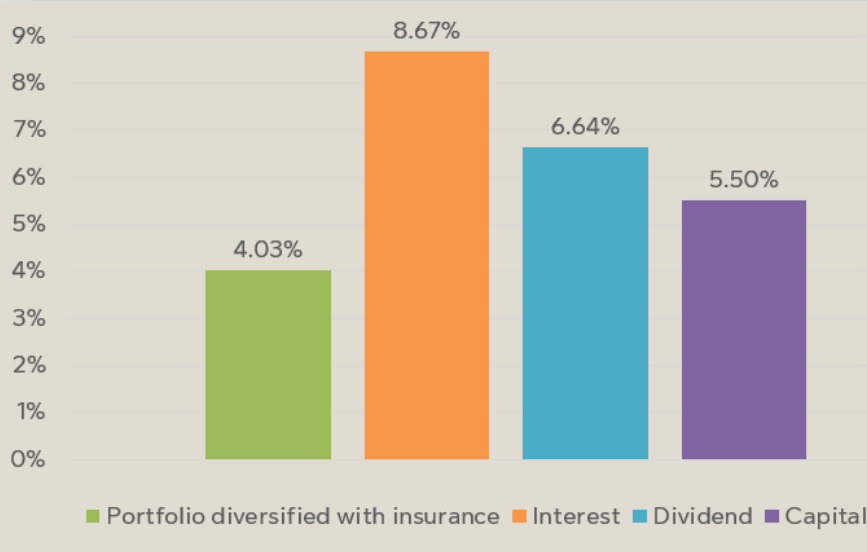
Portfolio diversified with Par and UL



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

Case Study – Pete & Pam Power

Looking at the big picture when using LIAAC approach



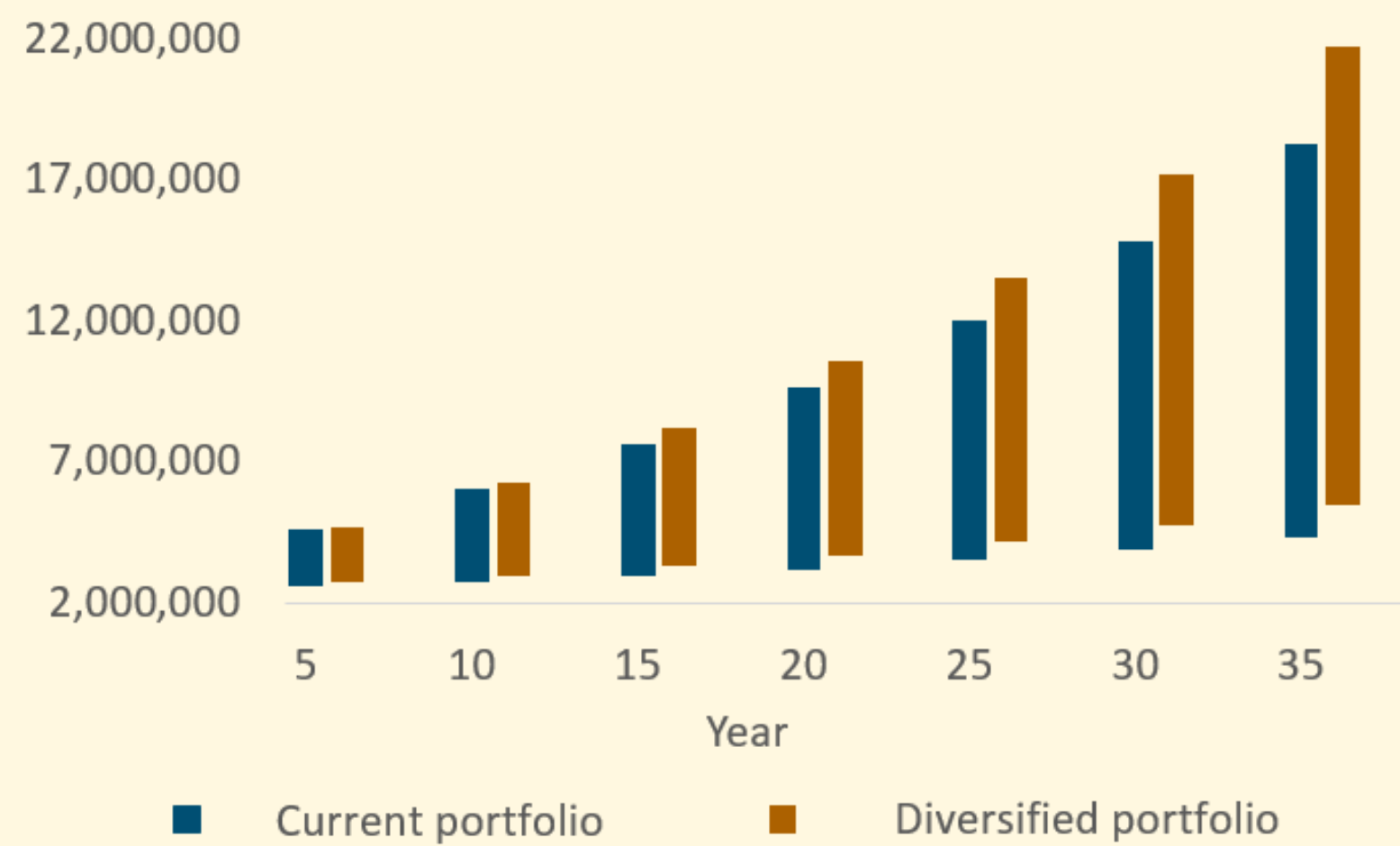
SunUniversalLife II and Sun Par Protector II		
	Client's current portfolio	Portfolio diversified with insurance
Initial value	3,000,000	2,000,004
	Investment value	Remaining investment
		2,440,796
		Death benefit
Initial annual premium/ payment	-	100,000
Collateral value in year 25	4,028,477	4,251,048
Asset value in year 35	10,123,134	7,300,753
	Investment value	Remaining investment
		2,748,029
		Cash surrender value
Collateral value in year 35	5,562,399	6,088,814
Net to estate in year 35	9,819,684	11,955,780
IRR in year 35	3.45%	4.03%

Case Study – Pete & Pam Power

Looking at capital preservation when using LIAAC approach

Portfolio value range with 90% probability:

- The standard deviation drop of .34% might sound small, but over time and for a couple near-retirement, that's the difference between sleeping well and worrying about market downturns.

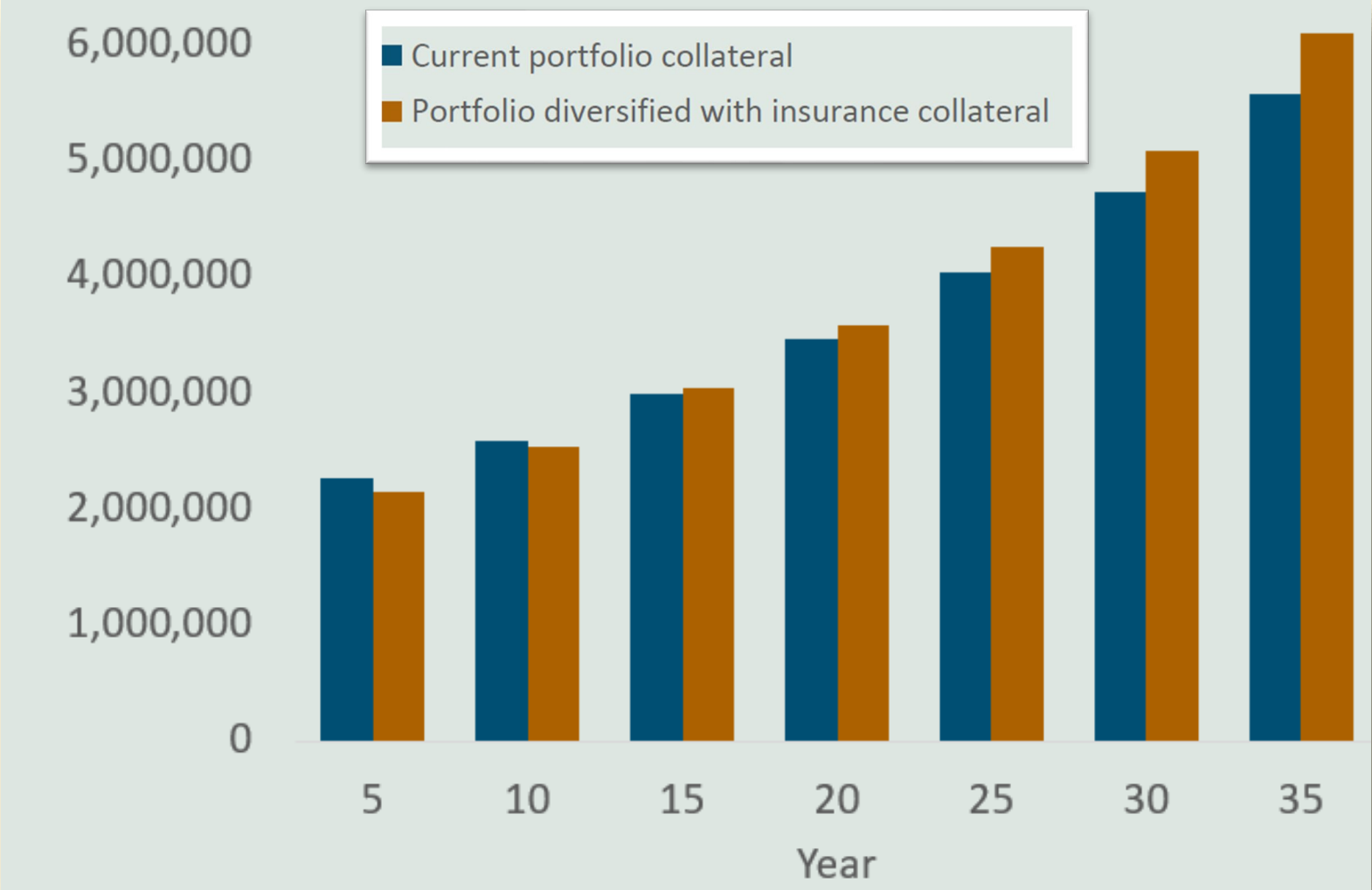


Case Study – Pete & Pam Power

Looking at liquidity when using LIAAC approach

Portfolio liquidity using common LTV:

- Address liquidity concerns within the context of the overall portfolio.
- Useful to demonstrate liquidity for those with complex financial planning needs.



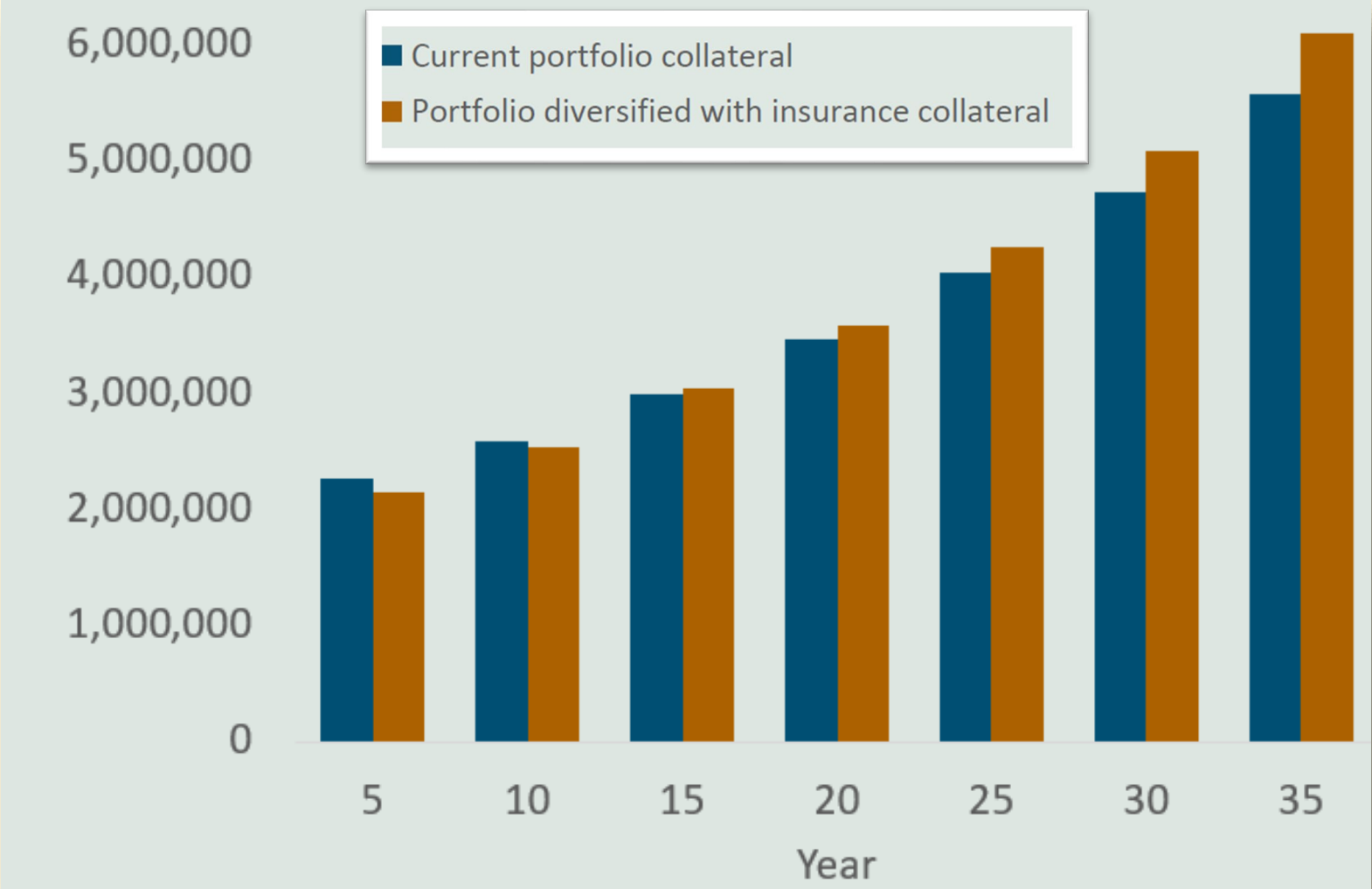
Case Study – Pete & Pam Power

Looking at liquidity when using LIAAC approach – addressing the liquidity question

Clients often ask:

“But what if I need some money early on or yearly in retirement?”

- ✓ By year 15, collateral value on the UL exceeds pure investment liquidity—just not in the traditional sense.



Case study summary – Pete & Pam Power

Capital preservation & estate maximization

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

Highly personalized, multi-generational solution

- ✓ The Power's estate plan can be bolstered through a strategic combination of Par & UL insurance, which leads to \$2.6M additional net-to-estate value while reducing portfolio volatility.
- ✓ Par & UL offer complementary solutions and over time work in synergy to improve their overall estate plan (e.g., access to UL cash value upon the first death)