

# How Life Insurance Can Safeguard an Estate

Case study

Midland National<sup>®</sup> Life Insurance Company

## The situation

Your clients are a professional couple who are well on their way to acquiring a wealthy estate. The wife, a cardiologist, and the husband, a software sales engineer, have a combined income exceeding \$800,000. With two children in grade school, they proactively want to get their affairs in order so they won't need to restructure assets later in life while also mitigating estate taxes. They also want to assess their current life insurance to ensure they have a death benefit that safeguards the family's financial future.

## Meet the clients

- **39-year-old female**
- Cardiologist
- Annual Income: \$480,000



- **42-year-old male**
- Software Sales Engineer
- Annual Income: \$325,000
- They have two children in grade school

## Mr. & Mrs. Client - Estate Net Value = \$6,726,000

Real Estate	<b>\$2,800,000</b>	Vehicles, Boat	<b>\$230,000</b>
Investments	<b>\$180,000</b>	Life Insurance (term & group)	<b>\$4,000,000</b>
Qualified Plan	<b>\$1,390,000</b>	Other Assets	<b>\$368,000</b>
Savings, Checking, CDs	<b>\$32,000</b>	Debt	<b>\$2,274,000</b>

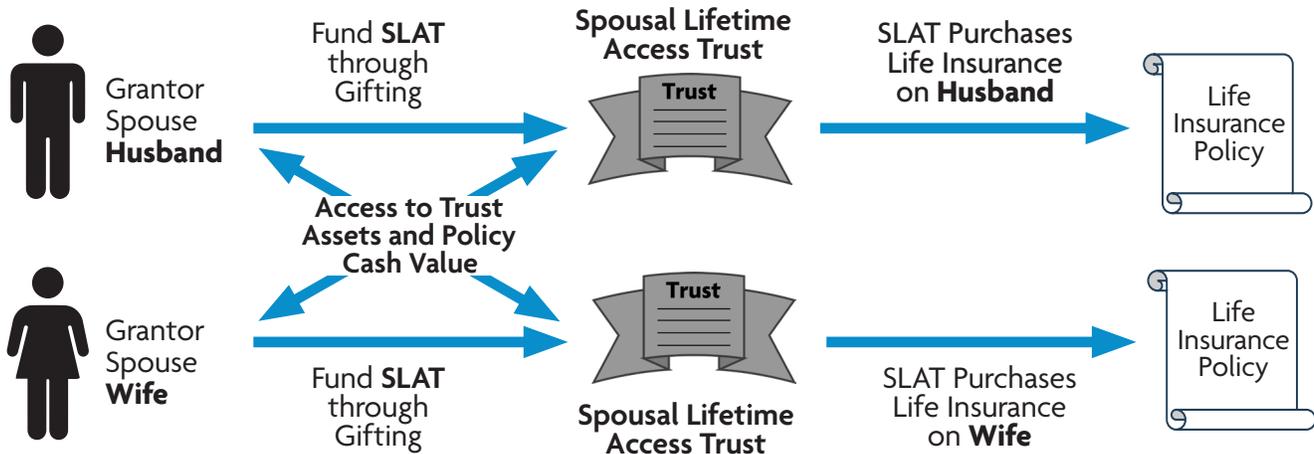
## A solution

After discussing multiple scenarios regarding the estate tax rollback and the probability of their asset accumulation over the next few decades, the clients decide to put two spousal lifetime access trusts in place. The benefits of a spousal lifetime access trust include:

- Access to the life insurance policy's cash value to help supplement retirement income or emergencies.
- Flexibility to make changes throughout their lifetime.
- Control over the funding of the policy.
- The opportunity to minimize the impact of federal estate taxes.
- Isolates the assets to:
  - Account for a spouse remarrying.
  - Create and provide prudent management of assets for the beneficiaries.

The Midland National Life Insurance Calculator is used to determine that the couple has a **total life insurance need of \$6,938,819**.

## Two policy estate planning



## Policy design

### Strategic Accumulator® IUL 3

Female, age 39, Preferred non-tobacco

- \$1,000,000 Face
- Annual Premium
  - \$30,000
  - \$1,200 annual increase to age 65

### Strategic Accumulator® IUL 3

Male, age 42, Preferred non-tobacco

- \$1,000,000 Face
- Annual Premium
  - \$24,000
  - \$1,200 annual increase to age 65

Values	Mrs. Client	Mr. Client	Totals
<b>Year 20 Death Benefit</b>	\$1,918,576	\$1,708,000	\$2,089,376
<b>Year 30 Death Benefit</b>	\$3,770,318	\$2,782,036	\$6,552,354
<b>Year 40 Death Benefit</b>	\$6,408,020	\$4,889,115	\$11,297,135
<b>Year 20 Cash Value</b>	\$1,390,272	\$1,134,773	\$2,525,045
<b>Year 30 Cash Value</b>	\$3,222,493	\$2,461,979	\$5,684,472
<b>Year 40 Cash Value</b>	\$6,102,876	\$4,665,824	\$10,768,700
<b>Age 80 Chronic Illness</b>	\$479,800	\$479,800	
<b>Age 85 Chronic Illness</b>	\$479,800	\$479,800	
<b>Age 90 Chronic Illness</b>	\$479,800	\$479,800	

Hypothetical examples and illustrations are not intended to predict future performance. The use of alternate assumptions could produce significantly different results. Illustrations are not complete unless all pages are included. Midland National Web Illustrations July 2024.

### Additional option for term protection with living benefits

- Purchase stand-alone term policies with living benefits and conversion privileges for both Mr. and Mrs. Client.
- 30-year Premier term for each at \$1 million face
  - Conversion period = earlier of policy age 70 or 20 years
- 20-year Premier term for each at \$1 million face
  - Conversion period = earlier of policy age 70 or 15 years

Policies	Mrs. Client Annual Premium	Mr. Client Annual Premium
<b>30 Year \$1mm Face Amount</b>	\$1,025.00	\$1,655.00
<b>20 Year \$1mm Face Amount</b>	\$615.00	\$945.00

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# Living Benefits on Midland National's term product



## Critical Illness

### NO ADDITIONAL PREMIUM\*\*

- 5 Triggering Events
- Premiums are reduced to reflect the lowered face amount<sup>1</sup> when benefit is accelerated
- Maximum 90% of face up to \$1 million
- Up to \$1 million critical illness acceleration
- Up to \$2 million policy max total\*\*\*
- Minimum lesser of 10% of face or \$100,000



## Chronic Illness

### NO ADDITIONAL PREMIUM\*\*

- 2/6 Activities of Daily Living or Cognitive Decline
- Premiums are reduced to reflect the lowered face amount<sup>1</sup> when benefit is accelerated
- Maximum 24% of face up to \$480,000 per election
- Up to \$2 million policy max total\*\*\*
- Minimum lesser of 5% of face on initial election date or \$50,000



## Terminal Illness

### NO ADDITIONAL PREMIUM\*\*

- 24 month life expectancy in most states
- Discounted at time of election
- Premiums waived when benefit is elected
- Maximum 90% of face up to \$1 million total acceleration
- Minimum lesser of 10% of face or \$100,000

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**Run an illustration to see how Midland National's life insurance products could help your clients with estate planning!**

Accelerated Death Benefits / Living Benefits are subject to eligibility requirements.

\*\*An administration fee is required at time of election of an accelerated death benefit. The face amount will be reduced by the accelerated death benefit amount. Since benefits are paid prior to death, a discount will be applied to the face amount accelerated. As a result, the actual amount received will be less than the amount of face amount accelerated.

\*\*\*Combined Terminal, Chronic and Critical.

1. Policy fees and premiums for riders, other than waiver of premium rider, are not reduced.

**Agents offering, marketing, or selling accelerated death benefits for chronic illness in California must be able to describe the differences between benefits provided under an accelerated death benefit for chronic illness and benefits provided under long-term care insurance to clients. You must provide clients with the ADBE Consumer Brochure for California that includes this comparison. Comparison is for solicitation purposes only, not for conversions.**

Indexed universal life insurance products are not an investment in the "market" or in the applicable index and are subject to all policy fees and charges normally associated with most universal life insurance.

While the primary use of life insurance is death benefit protection, your clients may also have other needs that can be met through life insurance. These sales concepts and accompanying marketing materials may help you broaden your sales potential. As independent contractors, it is up to you to choose which of these concepts may work for your particular sales strategy and clients, and which do not. Please note that Midland National does not require you to use any of these sales concepts; they are resources that can be used at your discretion for your own individualized sales presentations.

Strategic Accumulator® IUL 3 is issued on policy form series P100/ICC22P100, including all applicable endorsements and riders, by Midland National Life Insurance Company, West Des Moines, Iowa. Products, features, riders, endorsements, or issue ages may not be available in all jurisdictions. Limitations or restrictions may apply.

Premier Term (policy form series T142), or state variation, including all applicable endorsements and riders, is issued by Midland National Life Insurance Company, West Des Moines, Iowa. Product, features, endorsements, riders or issue ages may not be available in all jurisdictions. Limitations or restrictions may apply.

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