

# PERMANENT INSURANCE WITH LIQUIDITY CONCERNS



## CASE STUDY: MINIMALLY FUNDED LIFE INSURANCE

Lack of liquidity impacts your financial plan and the approach to risk management solutions, but it doesn't have to limit you to temporary, low cost term options. Minimally funded life insurance can help balance current cash flow constraints and the need for a permanent life insurance solution. But where does it fit and what are the tradeoffs?



### THE SITUATION

Brian Price,\* age 56, and his wife Hannah, age 57, contacted their advisor looking for survivorship term. Their attorney had suggested \$10M of coverage for their estate planning needs, but current cash flow and liquidity were a little tight over the next few years. The clients expected increased cash flow in the future once the kids are out of college, but understood the importance of locking in their insurability today by securing death benefit protection now.



### SUMMARY

The advisor informed the clients that very few, if any, survivorship term solutions were available. The advisor suggested that the clients explore a few options including: individual term that could be converted to a survivorship policy, a minimally funded survivorship policy, and a fully funded survivorship policy for comparison. The term quotes came back much higher than expected, so the clients and advisor agreed that a permanent survivorship solution maybe the best plan.

	JOINT PERMANENT	JOINT - TERM ALTERNATIVE	SINGLE LIFE TERM
Initial Death Benefit	\$10,000,000	\$10,000,000	\$10,000,000
Modal Premium	\$102,091	\$26,100	\$39,785
Premium Schedule	65 Years	65 Years	20 Years
Brian Risk Class	Preferred NonTobacco	Preferred NonTobacco	Preferred NonTobacco
Hannah Risk Class	Preferred NonTobacco	Preferred NonTobacco	—
		Cumulative Premium	
Year 1	\$102,091	\$26,100	\$39,785
Year 10	\$1,020,910	\$261,000	\$397,850
Year 20	\$2,041,820	\$522,000	\$795,700
Year 38 (LE)	\$3,879,458	\$7,002,000	Expired



### THE OUTCOME

After reviewing the options with the clients, **the advisor recommended minimally funding the survivorship policy** initially and then stepping up the premium in the future to align with their cash flow constraints. This step design solution produced lower initial premiums than the term option and allowed the clients to secure permanent coverage. Brian and Hannah understood that the cumulative premium would be higher in the long run with this solution, but the minimally funded design allowed them to achieve their goal of securing permanent coverage today within their available cash flow.



### THE TAKEAWAY

Minimally funded life insurance can be an effective alternative to term insurance and a powerful solution for clients with liquidity and cash flow constraints.



**34%**  
**less expensive**  
than term\*\*

\*Client name has been changed to protect confidentiality.  
\*\*The case study presented is for illustrative purposes only and is not intended to represent the experience of all clients. Each client's situation is unique, and outcomes may vary based on individual facts, goals, and circumstances. This example should not be construed as a guarantee of similar results. Past performance or outcomes are not indicative of future results.