



CASE STUDY:

Using **Protection SIUL 26** to help address estate liquidity needs

THE OPPORTUNITY:

A large estate and a future liquidity need

Meet **Michael and Laura**, a married couple with a combined net-worth of approximately **\$60 million**. Much of their wealth is made up of illiquid assets, including closely held business interests, real estate, nonmarketable securities, and long-term family holdings.

They would like to pass their wealth efficiently to their children, including specific assets that have been in the family for generations. They are concerned that the federal estate tax may be significant and require liquidity that their estate does not have. They want a solution that is designed to provide sufficient liquidity for the estate.

Assuming a combined federal estate tax exemption of approximately **\$30 million** for a married couple, their taxable estate could be roughly:

- **Total estate:** \$60 million
- **Less estimated combined exemption:** \$30 million
- **Estimated taxable estate:** \$30 million
- **Approximate federal estate tax at 40%:** \$12 million

While their estate has substantial value, not all assets are liquid. At the death of the surviving spouse, estate taxes are generally due within nine months, which may create pressure to sell assets, borrow funds, or disrupt long-term planning objectives. For Michael and Laura, the planning question becomes:

How can they create estate liquidity in a predictable, efficient way — without forcing their heirs to sell assets at an inopportune time?



THE PLANNING STRATEGY:

Life insurance owned by an ILIT

One potential solution is to purchase survivorship life insurance inside an **irrevocable life insurance trust**, or ILIT.

A properly designed ILIT can own the life insurance policy outside of the clients’ taxable estate. At the death of the surviving spouse, the policy death benefit may provide the trust with liquidity that can be used to help support the family’s estate planning objectives.

For Michael and Laura, the agent recommends a \$15 million survivorship life insurance policy owned by an ILIT. The death benefit is intended to help provide liquidity for:

- Federal estate taxes
- Estate settlement costs
- Equalization among beneficiaries
- Preservation of family assets
- Avoiding forced sales of illiquid assets
- Continuing the clients’ legacy planning goals

Because the policy insures two lives and pays at the death of the surviving insured, survivorship coverage may be a particularly strong fit where the primary need is estate liquidity.

Why survivorship life insurance?

For married clients with an expected estate tax liability, survivorship life insurance can be especially attractive — the estate tax is typically after the death of the surviving spouse.

That means the timing of the death benefit payment may align with the expected liquidity need.

In addition, because a survivorship policy insures two lives and pays at the second death, it is often more cost-effective than purchasing two separate single-life policies or relying on coverage on only one spouse.

For Michael and Laura, the policy provides a way to reposition a portion of their assets into a strategy designed to deliver liquidity when their beneficiaries may need it most.

FUNDING THE ILIT:

Annual exclusion gifts plus lifetime exemption

Michael and Laura have four children. They plan to make gifts to the ILIT each year to help fund the policy premium.

Using the annual gift tax exclusion, they can each gift \$19,000 per beneficiary, for a total of \$152,000 per year (\$19,000 x 4 x 2).

The annual premium for the \$15 million Protection SIUL 26 (PSIUL 26) policy is assumed to be: **\$329,106 per year for 10 years.**

Because their \$152,000 annual exclusion gifts will not cover the full amount of the premium, Michael and Laura will also have to use a portion of their lifetime exemption to fund the ILIT.

Funding example:

Male 65, Female 63, Preferred, Non-Smokers

	Premium	Annual exclusion gifts	Lifetime exemption used
Annually	\$329,106	\$152,000	\$177,106
After 10 years	\$3,291,060	\$1,520,000	\$1,771,060

This is a supplemental illustration. Not all benefits and values are guaranteed. The assumptions on which the non-guaranteed elements are based are subject to change by the insurer. Actual results may be more or less favorable.

The ILIT uses the gifts to purchase a \$15 million death benefit designed to provide liquidity. If properly structured and administered, the death benefit may not be included in the clients’ taxable estate.

THE SOLUTION:

Protection SIUL 26

For clients like Michael and Laura, Protection Survivorship IUL 26 may be a strong fit because it combines the estate-planning advantages of survivorship coverage with product features designed for protection-focused, high-net-worth planning.

PSIUL 26 may help address several key needs:

1. Estate liquidity at the right time

The policy is designed to pay at the death of the surviving insured, which is intended to align with the point when federal estate taxes and other settlement costs become due.

This can help beneficiaries avoid selling family assets, business interests, or investment property under time pressure.

2. Cost-effective survivorship coverage

Because the policy insures two lives, survivorship life insurance is often more cost-effective than comparable single-life coverage designed for the same estate liquidity purpose.

This can allow clients to obtain a meaningful death benefit while preserving more flexibility in their broader financial plan.

3. Protection-focused design

PSIUL 26 is built for clients who want life insurance to serve a clear planning purpose: providing death benefit protection and estate liquidity.

The product includes Death Benefit Protection, a no-lapse guarantee feature, provided minimum-premium requirements are met and policy debt does not exceed policy value.

Clients who want added certainty may also consider the optional Enhanced Death Benefit Protection Rider designed to extend guarantee durations through the younger insured's age 100 - provided minimum premium requirements are met and policy debt does not exceed policy value.

4. Indexed growth potential with flexibility

PSIUL 26 also offers indexed account options, giving clients the potential for policy value growth based in part on index-linked crediting strategies, while maintaining the core protection purpose of the policy.

This flexibility may be valuable for clients who want a long-term estate planning solution but also appreciate the ability to adapt over time as planning needs, tax laws, asset values, and family circumstances change.

THE RESULT:

Using PSIUL 26 to potentially turn a future tax liability into a planned liquidity strategy

Without planning, Michael and Laura's heirs may face an estimated **\$12 million federal estate tax liability** and limited time to raise the necessary liquidity.

With planning, they can use a combination of annual exclusion gifts and lifetime exemption to reduce their taxable estate and fund an ILIT that owns a **\$15 million Protection SIUL 26 policy**.

This strategy may help:

- Provide liquidity when it is likely to be needed most
- Reduce pressure to sell illiquid or legacy assets
- Preserve family wealth and business continuity
- Support equalization among beneficiaries
- Keep the clients' estate plan aligned with their long-term legacy goals

For ultra-high-net-worth married clients with federal estate tax exposure, PSIUL 26 can help turn a future liquidity challenge into an opportunity for thoughtful, proactive planning.

Conclusion

For clients with a significant taxable estate, the question is not just how much estate tax they will owe — it is how their estate will pay it.

Protection SIUL 26 can help provide a dedicated source of liquidity when it is needed, at a potentially lower cost than a single life policy. Protection focused design with growth potential, increases planning flexibility, helping to protect family assets and support clients’ legacy objectives.

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