

CASE STUDY

A simple review. A powerful outcome.

Summary

A client's life insurance policy may have fit their needs a few years ago, but over time, their needs could evolve. A thoughtful policy review helps ensure their coverage still fits.

Scenario

Andre, age 60, owns a whole life policy and is beginning to think more seriously about long-term care (LTC) planning. His current policy includes:¹

Annual premium	Cash value	Cost basis
\$12,000	\$407,250	\$250,000

Andre feels the policy has become expensive and is considering canceling it to access the cash value while wanting to address potential long-term care needs.

Key findings

After reviewing the whole life policy, the financial professional used a 1035 exchange to transfer the existing cash value, tax-free, into a new paid-up policy that provides both life insurance and long-term care benefits.

Client options presented	Keep current policy	Cancel policy	Replace via 1035 exchange
Death benefit	\$912,000	\$0	\$1,239,160
Long-term care	\$0	\$0	\$1,239,160
Annual premium	\$12,000	\$0	\$0
Use of policy value	Remains in the policy	\$352,913 (after tax)	\$407,250 (tax-free transfer)
Tax impact	None	\$155,250 taxable gain	None

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The results

- Increase total coverage by 35%
- Add long-term care protection using the death benefit
- Eliminate ongoing premium payments

Why it matters

This case highlights how a policy review can go beyond maintenance by unlocking new value.

By identifying opportunities to improve efficiency, reduce costs and expand protection, a financial professional can help clients better align their coverage with evolving goals.

Key takeaway

A policy review isn't just a check-in, it's a chance to reimagine what a client's coverage can do while reinforcing the value of your advice.

Please keep in mind that the primary reason to purchase a life insurance product is the death benefit.

Product features and availability may vary by state.

Life insurance products contain charges, such as Cost of Insurance Charge, Cash Extra Charge, and Additional Agreements Charge (which we refer to as mortality charges), and Premium Charge, Monthly Policy Charge, Policy Issue Charge, Transaction Charge, Index Segment Charge, and Surrender Charge (which we refer to as expense charges). These charges may increase over time, and these policies may contain restrictions, such as surrender periods. Policyholders could lose money in these products.

Long-term care insurance may cover care such as nursing care, home and community-based care, and informal care. Please ensure that you consult a tax advisor regarding long-term care benefit payments, or when taking a loan or withdrawal from a life insurance contract.

Additional agreements may be available. Agreements may be subject to additional costs and restrictions. Agreements may not be available in all states or may exist under a different name in various states and may not be available in combination with other agreements.

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