

 **Success Story**

**Trust-owned life insurance
as an alternative asset**

Symetra SUL-G

Survivorship Universal Life Insurance

Benefitting from trust-owned life insurance as an alternative asset

Situation

A high-net-worth couple, ages 68 and 60, is in the process of establishing irrevocable trusts for each other, and gifting \$5 million into each trust. To take advantage of the gifting strategy of moving assets outside of their estates, their producer recommends using life insurance to not only replace wealth lost to taxation, but also as an alternative asset inside the trust. The couple's initial concern is that, if they live to a reasonable life expectancy (31 more years, or the younger insured lives to age 90), the leverage of using life insurance as an alternative asset may not be very attractive.

Solution

The producer thoroughly explains the need for life insurance and recommends the trustees use a portion of the trust's annual income each year to purchase a \$10 million Symetra survivorship life insurance policy in each trust.¹ This strategy will maintain the trust principle, giving the trustees flexibility for future trust distributions, if needed by either spouse, and leveraging the trust assets for future generations using life insurance.

Assuming a very conservative 20% income tax bracket, the trust earns a hypothetical gross annual return of 6% (net rate of 4.80%). The couple's original design (Plan A) would net the beneficiaries \$21.3 million in 31 years. Alternatively, the producer's recommended plan (Plan B) of funding the life insurance policy with trust income each year, and combining the remaining trust equity assets with the death benefit, nets the beneficiaries \$23.6 million upon death of the second insured. By using life insurance as an alternative asset in the trust, Plan B creates an additional \$2.3 million per trust for the beneficiaries. The clients are also able to utilize Symetra's Charitable Giving Benefit to direct an additional 1% of the initial face amount, or \$100,000, to their favorite charities (see The Benefits of Plan B vs. Plan A analysis on next page).²

The Benefits of Plan B vs. Plan A

			Plan A			Plan B					
			Invest \$5 million at 6% gross (4.80% net; 20% tax bracket)			Invest \$5 million at 6% gross (4.80% net; 20% tax bracket) Purchase \$10 million Symetra SUL-G life insurance using trust income					
Year	M Age	F Age	BOY Trust Equity Assets	EOY Net Assets 4.80%	Net to Beneficiaries	BOY Trust Assets	SUL-G Life Insurance Premium	EOY Net Assets 4.80%	SUL-G Guaranteed Death Benefit	Net to Beneficiaries	Charitable Giving Benefit
1	68	60	\$5,000,000	\$5,240,000	\$5,240,000	\$5,000,000	(\$108,389)	\$5,126,408	\$10,000,000	\$15,126,408	\$100,000
2	69	61	\$5,240,000	\$5,491,520	\$5,491,520	\$5,126,408	(\$108,389)	\$5,258,884	\$10,000,000	\$15,258,884	\$100,000
3	70	62	\$5,491,520	\$5,755,113	\$5,755,113	\$5,258,884	(\$108,389)	\$5,397,719	\$10,000,000	\$15,397,719	\$100,000
4	71	63	\$5,755,113	\$6,031,358	\$6,031,358	\$5,397,719	(\$108,389)	\$5,543,218	\$10,000,000	\$15,543,218	\$100,000
5	72	64	\$6,031,358	\$6,320,863	\$6,320,863	\$5,543,218	(\$108,389)	\$5,695,701	\$10,000,000	\$15,695,701	\$100,000
6	73	65	\$6,320,863	\$6,624,264	\$6,624,264	\$5,695,701	(\$108,389)	\$5,855,503	\$10,000,000	\$15,855,503	\$100,000
7	74	66	\$6,624,264	\$6,942,229	\$6,942,229	\$5,855,503	(\$108,389)	\$6,022,975	\$10,000,000	\$16,022,975	\$100,000
8	75	67	\$6,942,229	\$7,275,456	\$7,275,456	\$6,022,975	(\$108,389)	\$6,198,486	\$10,000,000	\$16,198,486	\$100,000
9	76	68	\$7,275,456	\$7,624,678	\$7,624,678	\$6,198,486	(\$108,389)	\$6,382,422	\$10,000,000	\$16,382,422	\$100,000
10	77	69	\$7,624,678	\$7,990,663	\$7,990,663	\$6,382,422	(\$108,389)	\$6,575,187	\$10,000,000	\$16,575,187	\$100,000
11	78	70	\$7,990,663	\$8,374,215	\$8,374,215	\$6,575,187	(\$108,389)	\$6,777,204	\$10,000,000	\$16,777,204	\$100,000
12	79	71	\$8,374,215	\$8,776,177	\$8,776,177	\$6,777,204	(\$108,389)	\$6,988,918	\$10,000,000	\$16,988,918	\$100,000
13	80	72	\$8,776,177	\$9,197,433	\$9,197,433	\$6,988,918	(\$108,389)	\$7,210,794	\$10,000,000	\$17,210,794	\$100,000
14	81	73	\$9,197,433	\$9,638,910	\$9,638,910	\$7,210,794	(\$108,389)	\$7,443,320	\$10,000,000	\$17,443,320	\$100,000
15	82	74	\$9,638,910	\$10,101,578	\$10,101,578	\$7,443,320	(\$108,389)	\$7,687,008	\$10,000,000	\$17,687,008	\$100,000
16	83	75	\$10,101,578	\$10,586,454	\$10,586,454	\$7,687,008	(\$108,389)	\$7,942,393	\$10,000,000	\$17,942,393	\$100,000
17	84	76	\$10,586,454	\$11,094,604	\$11,094,604	\$7,942,393	(\$108,389)	\$8,210,036	\$10,000,000	\$18,210,036	\$100,000
18	85	77	\$11,094,604	\$11,627,145	\$11,627,145	\$8,210,036	(\$108,389)	\$8,490,526	\$10,000,000	\$18,490,526	\$100,000
19	86	78	\$11,627,145	\$12,185,248	\$12,185,248	\$8,490,526	(\$108,389)	\$8,784,480	\$10,000,000	\$18,784,480	\$100,000
20	87	79	\$12,185,248	\$12,770,140	\$12,770,140	\$8,784,480	(\$108,389)	\$9,092,543	\$10,000,000	\$19,092,543	\$100,000
21	88	80	\$12,770,140	\$13,383,107	\$13,383,107	\$9,092,543	(\$108,389)	\$9,415,393	\$10,000,000	\$19,415,393	\$100,000
22	89	81	\$13,383,107	\$14,025,496	\$14,025,496	\$9,415,393	(\$108,389)	\$9,753,740	\$10,000,000	\$19,753,740	\$100,000
23	90	82	\$14,025,496	\$14,698,720	\$14,698,720	\$9,753,740	(\$108,389)	\$10,108,328	\$10,000,000	\$20,108,328	\$100,000
24	91	83	\$14,698,720	\$15,404,259	\$15,404,259	\$10,108,328	(\$108,389)	\$10,479,936	\$10,000,000	\$20,479,936	\$100,000
25	92	84	\$15,404,259	\$16,143,663	\$16,143,663	\$10,479,936	(\$108,389)	\$10,869,381	\$10,000,000	\$20,869,381	\$100,000
26	93	85	\$16,143,663	\$16,918,559	\$16,918,559	\$10,869,381	(\$108,389)	\$11,277,520	\$10,000,000	\$21,277,520	\$100,000
27	94	86	\$16,918,559	\$17,730,650	\$17,730,650	\$11,277,520	(\$108,389)	\$11,705,249	\$10,000,000	\$21,705,249	\$100,000
28	95	87	\$17,730,650	\$18,581,721	\$18,581,721	\$11,705,249	(\$108,389)	\$12,153,509	\$10,000,000	\$22,153,509	\$100,000
29	96	88	\$18,581,721	\$19,473,644	\$19,473,644	\$12,153,509	(\$108,389)	\$12,623,286	\$10,000,000	\$22,623,286	\$100,000
30	97	89	\$19,473,644	\$20,408,379	\$20,408,379	\$12,623,286	(\$108,389)	\$13,115,612	\$10,000,000	\$23,115,612	\$100,000
31	98	90	\$20,408,379	\$21,387,981	\$21,387,981	\$13,115,612	(\$108,389)	\$13,631,570	\$10,000,000	\$23,631,570	\$100,000
32	99	91	\$21,387,981	\$22,414,604	\$22,414,604	\$13,631,570	(\$108,389)	\$14,172,294	\$10,000,000	\$24,172,294	\$100,000
33	100	92	\$22,414,604	\$23,490,505	\$23,490,505	\$14,172,294	(\$108,389)	\$14,738,972	\$10,000,000	\$24,738,972	\$100,000
34	101	93	\$23,490,505	\$24,618,049	\$24,618,049	\$14,738,972	(\$108,389)	\$15,332,851	\$10,000,000	\$25,332,851	\$100,000
35	102	94	\$24,618,049	\$25,799,715	\$25,799,715	\$15,332,851	(\$108,389)	\$15,955,236	\$10,000,000	\$25,955,236	\$100,000
36	103	95	\$25,799,715	\$27,038,101	\$27,038,101	\$15,955,236	(\$108,389)	\$16,607,496	\$10,000,000	\$26,607,496	\$100,000
37	104	96	\$27,038,101	\$28,335,930	\$28,335,930	\$16,607,496	(\$108,389)	\$17,291,064	\$10,000,000	\$27,291,064	\$100,000
38	105	97	\$28,335,930	\$29,696,055	\$29,696,055	\$17,291,064	(\$108,389)	\$18,007,443	\$10,000,000	\$28,007,443	\$100,000
39	106	98	\$29,696,055	\$31,121,466	\$31,121,466	\$18,007,443	(\$108,389)	\$18,758,209	\$10,000,000	\$28,758,209	\$100,000
40	107	99	\$31,121,466	\$32,615,296	\$32,615,296	\$18,758,209	(\$108,389)	\$19,545,011	\$10,000,000	\$29,545,011	\$100,000
41	108	100	\$32,615,296	\$34,180,830	\$34,180,830	\$19,545,011	(\$108,389)	\$20,369,580	\$10,000,000	\$30,369,580	\$100,000

This scenario comparison is based off of a 68-year-old male and a 60-year-old female. Plan B illustrates the male in a Standard Non-Nicotine rate class and the female in a Preferred Non-Nicotine rate class with a \$10 million of Symetra SUL-G Survivorship Universal Life Insurance policy.

Understanding the bigger picture

The clients understand the extra benefit life insurance will provide for their beneficiaries, but they are concerned that if the trust non-insurance assets perform better than the assumed hypothetical gross rate of 6%, the life insurance may not provide enough leverage.

The producer explains the value of the Internal Rate of Return (IRR) for the recommended life insurance policy. At life expectancy (or year 31), the federal income and estate tax-free death benefit of \$10 million generates an after-tax IRR of 6.13% (9.43% before-tax), assuming a 35% income tax bracket. The clients agree the non-insurance assets in the trust could earn an average gross rate between 4% and 7%, depending on market conditions. To show the leverage life insurance can provide, the producer uses a combined capital gains and ordinary income tax bracket of 25% and models the same life insurance premiums invested each year at various gross rates between 4% and 7%.

After reviewing the results (see Rate of Return Analysis on next page), the clients understand the power of using life insurance as an alternative asset, as it would take 37 years—or an additional six years beyond the assumed life expectancy—for the non-insurance assets to equal the life insurance death benefit, assuming a 6% gross return (4.50% net). Even at an assumed gross rate of 7% (5.25% net), the non-insurance assets would need 34 years to match the guaranteed life insurance death benefit.

Results

Clients

Male, age 68
Female, age 62

Product

Symetra SUL-G Survivorship Life Insurance

Rate Classes

Standard Non-Nicotine
Preferred Non-Nicotine

Included Benefit

Lapse Protection Benefit
(guaranteed to age 121 of younger insured)

Death Benefit

\$10,000,000

Annual Premium

\$108,389

Target Premium

\$130,067

Find out how Symetra SUL-G could help your clients leave more to their beneficiaries. Contact us today for a custom illustration.

Symetra Life Sales Desk

1-877-737-3611
Weekdays 8 a.m. to 6 p.m. (ET)
lifesales@symetra.com

Rate of Return Analysis (Alternative Asset Summary)

Male, age 68 (Standard Non-Nicotine) / Female, age 60 (Preferred Non-Nicotine)

Symetra SUL-G Survivorship Life Insurance: \$10 million

Assumed life expectancy

Crossover point based off the specified scenario

			Life Insurance as an Asset (Assumed 35% income tax bracket)					Non-Insurance Assets (Assumed 25% income tax bracket)				
Year	M Age	F Age	Premium Outlay	Total Outlay	Guaranteed Death Benefit	Guaranteed After Tax IRR	Pre-Income Tax IRR	Beginning Annual Investment	4.00% gross 3.00% net growth	5.00% gross 3.75% net growth	6.00% gross 4.50% net growth	7.00% gross 5.25% net growth
									Hypothetical Investment End of Year	Hypothetical Investment End of Year	Hypothetical Investment End of Year	Hypothetical Investment End of Year
1	68	60	\$108,389	\$108,389	\$10,000,000	9126.03%	14040.05%	\$108,389	\$111,641	\$112,454	\$113,267	\$114,079
2	69	61	\$108,389	\$216,778	\$10,000,000	811.82%	1248.95%	\$108,389	\$226,631	\$229,125	\$231,631	\$234,148
3	70	62	\$108,389	\$325,167	\$10,000,000	314.04%	483.14%	\$108,389	\$345,071	\$350,171	\$355,321	\$360,520
4	71	63	\$108,389	\$433,556	\$10,000,000	178.46%	274.55%	\$108,389	\$467,064	\$475,756	\$484,577	\$493,527
5	72	64	\$108,389	\$541,945	\$10,000,000	119.78%	184.28%	\$108,389	\$592,717	\$606,050	\$619,649	\$633,517
6	73	65	\$108,389	\$650,334	\$10,000,000	88.03%	135.43%	\$108,389	\$722,139	\$741,230	\$760,800	\$780,856
7	74	66	\$108,389	\$758,723	\$10,000,000	68.45%	105.31%	\$108,389	\$855,444	\$881,480	\$908,303	\$935,930
8	75	67	\$108,389	\$867,112	\$10,000,000	55.31%	85.09%	\$108,389	\$992,748	\$1,026,989	\$1,062,443	\$1,099,146
9	76	68	\$108,389	\$975,501	\$10,000,000	45.95%	70.69%	\$108,389	\$1,134,171	\$1,177,955	\$1,223,519	\$1,270,931
10	77	69	\$108,389	\$1,083,890	\$10,000,000	38.97%	59.95%	\$108,389	\$1,279,837	\$1,334,582	\$1,391,844	\$1,451,734
11	78	70	\$108,389	\$1,192,279	\$10,000,000	33.60%	51.69%	\$108,389	\$1,429,873	\$1,497,082	\$1,567,743	\$1,642,029
12	79	71	\$108,389	\$1,300,668	\$10,000,000	29.35%	45.15%	\$108,389	\$1,584,410	\$1,665,676	\$1,751,558	\$1,842,315
13	80	72	\$108,389	\$1,409,057	\$10,000,000	25.91%	39.86%	\$108,389	\$1,743,583	\$1,840,592	\$1,943,645	\$2,053,116
14	81	73	\$108,389	\$1,517,446	\$10,000,000	23.08%	35.51%	\$108,389	\$1,907,531	\$2,022,068	\$2,144,376	\$2,274,984
15	82	74	\$108,389	\$1,625,835	\$10,000,000	20.71%	31.86%	\$108,389	\$2,076,398	\$2,210,349	\$2,354,139	\$2,508,500
16	83	75	\$108,389	\$1,734,224	\$10,000,000	18.70%	28.77%	\$108,389	\$2,250,331	\$2,405,691	\$2,573,342	\$2,754,276
17	84	76	\$108,389	\$1,842,613	\$10,000,000	16.99%	26.14%	\$108,389	\$2,429,482	\$2,608,358	\$2,802,409	\$3,012,955
18	85	77	\$108,389	\$1,951,002	\$10,000,000	15.50%	23.85%	\$108,389	\$2,614,007	\$2,818,625	\$3,041,784	\$3,285,215
19	86	78	\$108,389	\$2,059,391	\$10,000,000	14.21%	21.86%	\$108,389	\$2,804,068	\$3,036,777	\$3,291,931	\$3,571,768
20	87	79	\$108,389	\$2,167,780	\$10,000,000	13.07%	20.11%	\$108,389	\$2,999,831	\$3,263,110	\$3,553,334	\$3,873,365
21	88	80	\$108,389	\$2,276,169	\$10,000,000	12.06%	18.55%	\$108,389	\$3,201,467	\$3,497,930	\$3,826,501	\$4,190,796
22	89	81	\$108,389	\$2,384,558	\$10,000,000	11.17%	17.18%	\$108,389	\$3,409,152	\$3,741,556	\$4,111,960	\$4,524,892
23	90	82	\$108,389	\$2,492,947	\$10,000,000	10.37%	15.95%	\$108,389	\$3,623,067	\$3,994,318	\$4,410,265	\$4,876,528
24	91	83	\$108,389	\$2,601,336	\$10,000,000	9.65%	14.85%	\$108,389	\$3,843,400	\$4,256,559	\$4,721,993	\$5,246,625
25	92	84	\$108,389	\$2,709,725	\$10,000,000	9.00%	13.85%	\$108,389	\$4,070,343	\$4,528,634	\$5,047,749	\$5,636,152
26	93	85	\$108,389	\$2,818,114	\$10,000,000	8.41%	12.94%	\$108,389	\$4,304,094	\$4,810,911	\$5,388,164	\$6,046,129
27	94	86	\$108,389	\$2,926,503	\$10,000,000	7.87%	12.11%	\$108,389	\$4,544,857	\$5,103,774	\$5,743,898	\$6,477,630
28	95	87	\$108,389	\$3,034,892	\$10,000,000	7.38%	11.35%	\$108,389	\$4,792,843	\$5,407,619	\$6,115,640	\$6,931,785
29	96	88	\$108,389	\$3,143,281	\$10,000,000	6.93%	10.66%	\$108,389	\$5,048,269	\$5,722,858	\$6,504,110	\$7,409,783
30	97	89	\$108,389	\$3,251,670	\$10,000,000	6.52%	10.03%	\$108,389	\$5,311,358	\$6,049,919	\$6,910,061	\$7,912,876
31	98	90	\$108,389	\$3,360,059	\$10,000,000	6.13%	9.43%	\$108,389	\$5,582,339	\$6,389,245	\$7,334,280	\$8,442,381
32	99	91	\$108,389	\$3,468,448	\$10,000,000	5.78%	8.89%	\$108,389	\$5,861,450	\$6,741,295	\$7,777,589	\$8,999,685
33	100	92	\$108,389	\$3,576,837	\$10,000,000	5.46%	8.40%	\$108,389	\$6,148,934	\$7,106,547	\$8,240,847	\$9,586,248
34	101	93	\$108,389	\$3,685,226	\$10,000,000	5.15%	7.92%	\$108,389	\$6,445,043	\$7,485,496	\$8,724,952	\$10,203,605
35	102	94	\$108,389	\$3,793,615	\$10,000,000	4.87%	7.49%	\$108,389	\$6,750,035	\$7,878,656	\$9,230,841	\$10,853,374
36	103	95	\$108,389	\$3,902,004	\$10,000,000	4.61%	7.09%	\$108,389	\$7,064,177	\$8,286,559	\$9,759,495	\$11,537,256
37	104	96	\$108,389	\$4,010,393	\$10,000,000	4.36%	6.71%	\$108,389	\$7,387,743	\$8,709,759	\$10,311,939	\$12,257,041
38	105	97	\$108,389	\$4,118,782	\$10,000,000	4.14%	6.37%	\$108,389	\$7,721,016	\$9,148,829	\$10,889,243	\$13,014,615
39	106	98	\$108,389	\$4,227,171	\$10,000,000	3.92%	6.03%	\$108,389	\$8,064,287	\$9,604,364	\$11,492,525	\$13,811,962
40	107	99	\$108,389	\$4,335,560	\$10,000,000	3.72%	5.72%	\$108,389	\$8,417,856	\$10,076,981	\$12,122,955	\$14,651,169
41	108	100	\$108,389	\$4,443,949	\$10,000,000	3.53%	5.43%	\$108,389	\$8,782,032	\$10,567,321	\$12,781,754	\$15,534,435



Symetra Life Insurance Company
777 108th Avenue NE, Suite 1200
Bellevue, WA 98004-5135
www.symetra.com

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Guarantees and benefits are subject to the claims-paying ability of Symetra Life Insurance Company. Contract and riders may not be available in all states and terms and conditions may vary.

This material is not intended to provide investment, tax or legal advice. Please encourage your clients to consult their independent advisors on such matters.

¹ The trust must have a provision to purchase life insurance as a trust investment and the trustee should have authority to purchase life insurance on the grantor(s).

² The Charitable Giving Benefit is only available on policies with a face amount of \$100,000 or more. Payment is 1% of the original base face amount to a maximum of \$100,000, regardless if the policy face amount has been increased. If the policy face amount has been decreased, 1% of the remaining base policy face amount is paid. The charity must be designated at time of issue and qualify under tax code 170(c) and 501(c). If the charity is not operating at the time of death, the estate or owner may direct proceeds to another qualified charity.