

Baker Associates Case Studies

We have put together a few case studies to help demonstrate no-lapse guarantees. Click on any of the cases below to learn more.

Case Study #1 Loan Rollover

Case Study #2 Survivorship Review

Case Study #3 Jumbo Loan Rollover



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Case Study #1

Male, age 70

\$500,000 Face Value on existing policy

Gross Cash Value = \$247,318

Outstanding Loan = \$110,576

In-force projection: Policy will lapse in 7 years at age 77 on current factors.

Action Taken:

1035 Exchange into a no-lapse
guaranteed loan rollover product

Result:

- ↪ Loan not repaid--
Loan interest charged=policy crediting rate on loaned cash value
- ↪ No further planned premiums
- ↪ \$500,000 death benefit; db at issue net of loan=\$389,424
- ↪ Even with loan outstanding, policy stays in force until age 110
on a guaranteed basis

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Husband & Wife, ages 71 & 68

Bought 4 SUL policies in 1992-1996, purpose was estate liquidity

Total Premiums = \$260,374

Total Cash Value = \$147,694

Both were issued Standard

Review revealed clients...

- ➔ Wanted cash value in policy in case estate tax repealed
- ➔ Would like to lower gifts to trust
- ➔ Could qualify for Preferred Non-Smoker rates
- ➔ Some policies would lapse soon without increased premium

Action Taken:

1035 all policies into \$10,000,000 secondary guaranteed UL product

Result:

➔ Lowered annual premiums to \$194,345

➔ Client saves \$66,029 per year

➔ Current surrender value on current non-guaranteed factors = \$1,052,087

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Case Study #3

Male, age 66, SNT, \$75M face policy, \$25M CV

\$12.5M outstanding loan

Policy rejections show lapse within 5 years on current factors

➔ Goals: Avoid “phantom income” and maintain net level db of \$62.5M

Action Taken:

1035 into guaranteed product, no loan repayment

Result:

- ➔ Maintained guaranteed net level db of \$62.5M
- ➔ No phantom income with guaranteed death benefit
 - ➔ Annual cash outlay to keep guaranteed level db at \$62.5M ($\$75M - \$12.5M$) = \$1,003,959 (premium + loan interest)

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