



## Case Study | The Miller Family

### ACCUMULATING ADDITIONAL INSURANCE TO AUGMENT A BALANCED FAMILY ASSET STRUCTURE

#### BACKGROUND:

An advisor approached us in early 2007 for assistance with his client. John Miller helped his mother acquire a number of insurance policies over the last several years and, along with the advisor, put several of those policies out to the life settlement market. They had been paid a significant cash settlement for these policies. His mother now had a remaining life insurance portfolio of \$20 million of coverage, with a total of \$40 million of coverage in place which also included those policies no longer owned for the benefit of the Miller family.

The family understood more death benefit would provide greater long-term flexibility for the family and for Mrs. Miller's estate. They had now decided to obtain additional death benefit.

The advisor had the following concerns:

- How is the coverage they retained performing?
- What will the required long-term funding be to keep the coverage in place?
- Given Mrs. Miller's medical history and current net worth, what are the family's options for adding new coverage?



## THE SITUATION:

Here is an example of how a client's family and advisor provided additional leverage for the estate through active management of her life insurance portfolio.

### *The Miller Family*

John Miller owned and managed very large real estate holdings in Los Angeles. He already worked with his advisors to leverage his mother's life insurance portfolio by obtaining new coverage a few years ago and settling (selling on the life settlement market) the older life insurance policies to provide additional funding for the new life insurance coverage.

Mr. Miller was now concerned he may have given too much away by settling half of his mother's death benefit. Mrs. Miller is a widow who had gone through bypass surgery roughly eight years ago; however, she remained very active, still exercised several times a week and continued to travel the world extensively. Her charitable work was legendary and she had created several foundations as well as provided for a number of charities in the future through her estate plan.

## THE SOLUTION:

The analytic assessment of the existing life insurance coverage indicated it was being funded with the least amount of premium possible to keep the coverage in force. Since the clients wanted to retain all of the coverage for the rest of Mrs. Miller's life, a new funding schedule was put in place with greater annual premiums, allowing the policies to stay in force beyond Mrs. Miller's current projected life expectancy. Actuarial estimates of her life expectancy were obtained, and provided the basis for this analysis.

Despite some issues with Mrs. Miller's health and with net worth at the first generation level (the majority of the family's assets were already in her son's name), \$20,000,000 of additional life insurance was obtained at standard rates. This coverage will allow the family flexibility to balance their entire asset picture with an adequate amount of liquidity should Mrs. Miller pass away. The insurance coverage will also help the family to provide for Mrs. Miller's future charitable goals, and provide for the charitable bequests currently within her estate plan.

The advisor who brought the Miller family to us previously believed life insurance was a safeguard many of his clients had superseded. The wealth and liquidity many had did not require life insurance as a protection device. Before engaging us, he already understood that some very smart money is currently pursuing life insurance as a phenomenally good alternative. The death benefit not only meets the purposes of estate planning and balance, it can also create liquidity on a current basis for the right client. The Millers had already experienced this value now available for some life insurance policies, and had actually been paid through this competitive "auction" environment.

As the Miller's and their advisor understand, life insurance capacity, when managed astutely, can provide amazing benefits to those who consider and take advantage of the many options available.

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