

UNIVERSAL LIFE INSURANCE

A Great Alternative to Cash

Universal life insurance is safe and liquid, and will protect your client's assets from litigation.

In our current economic environment, investors want their money as safe and as liquid as possible. But when most of them think of safe and liquid, they immediately think of money they have in banks, CDs or money market and savings accounts.

However, what most investors and advisors forget is that their checking or savings account is unprotected from a very real threat: exposure to an increasingly hostile and predatory litigation system.

There are tens of thousands of lawsuits filed each day in this country. The average legal cost of defending a frivolous lawsuit is \$91,000, plus the settlement amount itself. The number of lawsuits increases in tough economic times as people look for additional sources of income.

Our team often takes commonly used tools and redesigns them to provide protection of investor assets, while allowing them to retain control and liquidity. This is where the sciences of financial planning and asset protection meet. The following situation demonstrates the benefits of a strategy we are using in which we take a universal life (UL) insurance policy and design it to provide 98 percent to 102 percent cash-surrender value in the first year.

A case in point

Let's look at a common situation. A healthy 45-year-old male investor has \$1 million in a bank checking account. He rarely uses this account but keeps it because he likes to have a certain amount of funds liquid in case he needs to access his money quickly or wants to take advantage of investment opportunities.

- The account earns about one percent interest per year, with income taxable as ordinary income.

- If the investor is sued for any reason and loses, the judge can require the transfer of the assets from his checking account to the plaintiff's pockets.
- If the investor dies, the named beneficiaries will receive the \$1 million minus the taxes due.
- If the investor needs to use the money, he is able to take the amount needed.

The UL alternative

The strategy our team has designed allows the same investor to place the \$1 million into a specially designed UL insurance policy by paying a premium amount of \$500,000 in each of the first two years. The policy will provide the following benefits:

We design a UL policy to provide 98 percent to 102 percent cash-surrender value in the first year.

- The account will earn a net interest of about one percent annually invested in the policy's fixed account, and the gains are allowed to grow tax-deferred, unlike in a CD or another equivalent cash position. If the investor is sued for any reason and loses, the money in this account is 100 percent creditor-protected from day one.
- If the investor dies, the named beneficiaries will, in this specific example, receive a death benefit of \$10,624,682, the face amount of the insurance policy free of any estate taxes.
- If the investor needs to withdraw all or part of the money in the



account, he is able to do so at anytime, with no fees or surrender charges, and he will have access to the money within a week. The investor also has the flexibility of borrowing most of the cash back at less than one percent interest. This leaves the policy fully in place to protect his family as well.

Universal benefits

As you can see, the UL policy provides a wide range of benefits, including:

- Creditor protection
- Tax-free growth in the policy vs. taxable growth in the bank
- Wealth-multiplier effect of 10X (in this illustration)
- Liquidity and borrowing options with no penalty
- Death benefit of \$10 million, which passes outside the estate and is free of estate tax

(Thanks to insurance and investing expert Jeff Christenson for his help on the technical details of the insurance policy. Together, we implement this strategy for investors and advisors nationwide. Advice of this nature is always specific to each client.) □

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