

2 CASE STUDY: ABIL with Cash Stream™ ***Income Generation from Your Life Insurance Policy***

Bob and Carol are married with three children and have an approximate net worth of \$90 million. Bob is 83 while Carol is 53, a 30 year difference in age. Bob has placed most of his estate in an Irrevocable Trust to avoid estate taxation. Therefore, assuming Bob passes away first, Carol will receive a 5% annual stipend from the trust. Unfortunately, though, Carol will have no control over trust assets and management decisions. She is concerned that managed assets may decline in value and therefore reduce her income.

Bob is no longer eligible for new life insurance, but Carol is. Their advisors have agreed to a supplemental income strategy recommended by CFS whereby Carol will finance a new \$20 million life insurance policy using the ABIL strategy. According to the basic ABIL design requirements, Bob has agreed to assign relatively modest collateral for a finite period of years before the policy becomes the sole source of collateral for the lending bank. The first year collateral assignment is \$700,000. The peak collateral is projected at \$1.5 million in year 8 before declining to \$0 in year 15.

Carol's plan design anticipates that the bank loan will be fully paid off in year 15. The following year, when she reaches age 69, the policy will distribute from policy cash value annual tax-free distributions in the amount of \$525,000 each year for the rest of Carol's life. At her death the insurance proceeds will pass to their children and several named charities. Additionally, if Carol lives to age 95, it is projected that her death benefit will have grown to \$45 million. Like most ABIL plan designs, there is a high probability of no out-of-pocket cost due to the interest rate arbitrage embedded in the strategy design!