Life Insurance is There for You. So are We.

Life happens and when you need extra cash, life insurance is there for you. Whether its paying off a debt, paying for college or taking a loan to build your business. Having a large outstanding loan that’s accruing interest can add a significant burden to you financially and can affect your life insurance. Your life insurance death benefit is decreasing, the premiums are increasing, the policy can lapse and the outstanding loans can become a ticking tax time bomb. There is a solution to keep your life insurance in place and avoid taxes on the gain in your policy. Learn how Centric Capital was able to help a client out of a tight situation.

Loan Rescue Strategy

Client Profile:
- John Miller, Age 60 Standard No Tobacco
- Cash Value of existing WL policy = $420,000
- 1,000,000 Whole Life Policy

Situation:
- John has an outstanding loan in the amount of $317,000 on his existing life insurance policy.
- The death benefit is reduced by the loan amount plus accrued interest, and is continuing to decrease as interest grows. i.e….Death Benefit Reduced to 682,000 due to loan
- John’s out-of-pocket costs have become burdensome due to loan interest and premium requirements.
- John is willing to pay some out of pocket towards a new contract to maintain his desired death benefit of $1 million dollars.

The Strategy:
- After reviewing the options with his advisor, John carries over the values of his old policy via a 1035 exchange to purchase a new UL insurance policy and carry the loan to the new policy.
- John is paying $12,800 a year towards the new contract.
- Over time, the cash value builds up.
- In year 16, John takes a tax free withdrawal of cost basis to repay a large portion of the loan plus accrued interest.
- Loan repayments help to restore the death benefit.

Benefits from the 1035 Exchange:
- With a 1035 exchange, the cash value and policy loan from the replaced policy is moved to the new UL policy without incurring any income tax liability or any gain in the old policy.
- John is able to stabilize his premium cost and maintain the $1 million in death benefit he wishes to pass on to his heirs.

Call Us Today!

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