LIFE INSURANCE AWARENESS-CASE STUDIES

Life Insurance Awareness Month (LIAM) is an opportunity to highlight the vital role life insurance plays in protecting families, businesses, and long-term financial goals. Too often, clients view life insurance narrowly as just a death benefit, when in reality it provides diversification, flexibility, and tax advantages across many life stages. These case studies showcase real-life scenarios—from young families to business owners and retirees—where life insurance offered tailored solutions to pressing financial challenges. By sharing these examples, you as an advisor can better illustrate the practical value of life insurance and spark meaningful client conversations.

CASE STUDY 1: PROTECTING THE YOUNG FAMILY

Client Profile: Married couple, early 30s, two young children, $350,000 mortgage, one primary income earner.

Client Challenge: If the primary income earner passed away, the family would face financial hardship covering the mortgage, childcare, and ongoing expenses.

Solution Implemented: A $1M 20-year term life insurance policy on the primary breadwinner to provide income replacement and mortgage protection with affordable premiums.

Advisor Talking Points:

- Term is the most cost-effective way to cover significant, temporary obligations.
- Frame the need in terms of "income replacement," not just a lump sum.
- Ask: "If your paycheck stopped tomorrow, how long could your family maintain their lifestyle?"

Key Takeaway: Term life insurance is essential protection for families with dependents and debt.

Young Family Benchmark Here

CASE STUDY 2: THE PRE-RETIREE – TAX DIVERSIFICATION WITH LIRP

Client Profile: Age 45 professional, maxing out 401(k) and IRA contributions, concerned about rising taxes in retirement.

Client Challenge: Traditional retirement accounts are tax-deferred but fully taxable at withdrawal. The client wanted additional tax diversification and no contribution caps.

Solution Implemented: Funded a Life Insurance Retirement Plan (LIRP) with permanent life insurance, providing tax-advantaged cash value growth and supplemental retirement income.

Advisor Talking Points:

- Position permanent life insurance as a "tax-free bucket" alongside taxable and tax-deferred accounts
- Use the Butterfly Chart or "three-bucket" story to illustrate tax diversification.
- Ask: "How confident are you that tax rates will be lower when you retire?"

Key Takeaway: Life insurance adds flexibility and tax efficiency to retirement planning.

Pre-Retiree Benchmark Here

CASE STUDY 3: THE BUSINESS OWNER – BUY-SELL FUNDING

Client Profile: Two partners in a growing HVAC company, business valued at $5 million.

Client Challenge: Without planning, if one partner died, the survivor could not afford to buy out the deceased partner's family's share, jeopardizing the business.

Solution Implemented: Cross-purchase Buy-Sell Agreement funded with permanent life insurance to provide immediate liquidity for ownership transfer.

Advisor Talking Points:

- Life insurance is an efficient way to fund buy-sell agreements.
- Highlight that without funding, legal agreements alone can't solve liquidity needs.
- Ask: "If something happened to you, how would your partner buy out your family's share?"

Key Takeaway: Life insurance ensures business continuity and protects families in succession planning.

Funding a Buy-Sell Agreement: Term vs. Permanent Insurance

Feature	Term Life Insurance	Permanent Life Insurance
Cost	Lower initial premiums	Higher but level for life
Best For	Shorter-term needs (e.g., 10-20 years)	Long-term or indefinite business continuity
Cash Value	None	Builds cash value that can be accessed
Duration of Coverage	Expires at end of term; may be costly to renew	Lifelong coverage, guarantees buy-sell funding
Ideal Scenario	Young partners with a clear exit or retirement plan	Established/family businesses expected to operate indefinitely

Financial Professional Insight: Term is often the starting point for younger businesses with tighter cash flow. Permanent is preferred when succession, estate planning, or long-term continuity is a priority.

Business Owner - Benchmark Here

CASE STUDY 4: LEGACY PLANNING – ESTATE LIQUIDITY

Client Profile: Couple in their late 60s, net worth $12M, primarily real estate investments, three adult children.

Client Challenge: Heirs would face estate taxes and liquidity issues upon inheritance, risking forced asset sales.

Solution Implemented: Created an Irrevocable Life Insurance Trust (ILIT) funded with a second-to-die permanent life policy to provide estate liquidity.

Advisor Talking Points:
- Estate taxes and liquidity gaps often catch families unprepared.
- ILITs remove life insurance proceeds from the taxable estate.
- Ask: "Would your heirs need to sell property or investments quickly to pay taxes?"

Key Takeaway: Life insurance provides liquidity, preserves wealth, and ensures a smoother legacy transfer.

SHOULD IT BE INDIVIDUAL COVERAGE OR SURVIVORSHIP?

Individual Life Insurance
- Pays at the first death
- Best if liquidity is needed immediately at the first spouse's passing (e.g., to pay debts, income replacement).

Survivorship (Second-to-Die) Life Insurance
- Pays at the second death
- Best for estate tax funding and legacy transfer since the estate tax is due after the second spouse's death.
- More cost-efficient (premiums lower than insuring each individually, especially if one spouse is less healthy).

Financial professional recommendation
- Run an estate projection with/without the 2026 exemption sunset.
- Recommend Survivorship (Second-to-Die) Universal Life (UL or IUL) with $3M face amount (adjust based on estate size).
- Position it as a tax-efficient tool: pennies on the dollar to solve a multi-million-dollar tax problem.

Survivorship Benchmark Here

✅ **Advisor Note:** In legacy and estate planning cases like this, **Survivorship Life Insurance is usually the better fit** because estate taxes apply **after the second spouse passes away**. Individual coverage may still be layered in for income replacement or liquidity at first death.