



We're focusing on various business strategies as part of our trimester theme. A situation recently came across the desk of our advanced planning attorney that illustrates the distinct DBS advantage: we have the advanced resources that work for you and your clients!

SITUATION

A business owner wanted to set up a deferred compensation plan funded with life insurance for three people involved in the business but 2 of the 3 individuals were not insured. One was a 100% owner of pass-through business so it did not make sense for her because of the double taxation involved but wanted to make arrangements for the other two.

The question very clearly became:
How can we proceed with one uninsurable when carriers do not permit a substitution of insured?

SOLUTION

The solution was to combine two plans with the cash value of one policy. We insured the young insurable on a split dollar basis. We then added a key person portion so if the young person died before the older uninsurable's retirement a portion of the death benefit would go to the business to fund his retirement. The balance would go to the young person's family under the terms of the split dollar.

If the younger lived, the policy cash value was sufficient to create income under a deferred comp for the older while also sustaining the policy to either start a deferred comp for the younger or continue as split dollar.

Problem solved with flexibility added.

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DBS is proud to offer our own in-house advanced case resources to support your complex underwriting situations. We have the knowledge to dig deeper and ask follow-up questions to find the best fit from our many available carriers and products.