High-Income/Dual Career Family

Meet Chris & Tara, A Complex Future Ahead

Background

Chris and Tara met each other at their common employer soon after each moved to Oklahoma City to start careers following college sixteen years ago. Two years into their careers, they got married, but decided to hold off starting a family.

Chris began as a chemical engineer and has steadily advanced and is now leading a team of 26 professionals and support staff. Tara began as an accountant, but shifted into corporate finance ten years ago.

Soon after Tara received a promotion to vice president seven years ago, Chris and Tara began their family. A baby boy was followed by a girl three years later. Tara learned five months ago that she was expecting twins.

Investment Profile

Chris and Tara's combined income the past three years averages $357,000. They maintain a $33,000 emergency fund to cover three months' spending, and they have $271,000 in a taxable portfolio. Chris has a 401(k) of $316,830 and Tara's is valued at $379,450, both have always maximized their contributions.

When their son was born, Chris and Tara decided to buy a condominium on the Texas Gulf Coast that is currently valued at $498,000; twenty-three years remain on the mortgage.   When not in their personal use, the condominium produces an average of $38,000 in rental income.

Their primary residence, purchased nine years ago, is on the market for $423,000, and Chris and Tara are planning on moving into a larger home with a target value of $625,000.

Wealth Planning

With twins on the way, Tara is concerned about the added stress in their family life along with the financial implications of college funding, a bigger house, and two sets of elderly parents. While Tara and Chris plan on a live-in nanny, Tara is uncertain if this will be a long-term strategy, and she is considering an early retirement when she reaches her 25-year anniversary nine years from now.

The planning priorities are:

1. Minimize taxes
2. Education Funding
3. Income flexibility
4. Estate planning

Investment Plan Execution

Core Tactic

Reallocate $130,000 from Chris and Tara's taxable portfolio and reduce the emergency fund to $13,000 permitting total premium payments of $150,000 into Advisor VUL® through four annual $37,500 premium payments. The payment structure permits tax-free cash access to the portfolio's cash value, while the four-pay method allows dollar cost averaging the VUL's funding to smooth market volatility.[1] The initial death benefit is $1,034,985.

Planning Priorities	Advisor VUL®'s Execution Benefits
Minimize Taxes	• The tax-free structure eliminates taxes on: 1. Portfolio income 2. Short- and long-term capital gains 3. Alternative minimum tax. • Any investment receives tax-free treatment allowing for higher-returning and higher-income investments. • There are no taxes charged for cash access used to support other planning needs or unforeseen circumstances.
Education Funding	• Life insurance is not considered in a family's financial aid calculation. • There are no giving restrictions as with a 529 plan. • No penalties are incurred for unused balances.
Income Flexibility	• To smooth future cash flows as needs arise, accessing the paid-in premium via withdrawals or taking a loan against the portfolio's growth are both tax free and available at any age.[2] (Note: the policy owner essentially loans money to him or herself and any unpaid balance is netted against the death benefit.) 1. Access cash on an ongoing basis to create an annuity-like income stream prior to Tara turning age 59½ when retirement portfolio withdrawals can begin. 2. Take one-time withdrawals as needs dictate or in an emergency.
Estate Planning	• The death benefit ensures additional core wealth to support the children should both Chris and Tara suffer untimely deaths before the twins are fully independent. • Over decades, should Chris and Tara reach their expected longevity, the death benefit will have increased in relationship to the policy's cash value for both inflation-protected wealth transfers and wealth replacement.

[1] Dollar cost averaging include continuous investment regardless of price levels. Although its goal is to lower the investor's average portfolio cost, it does not ensure a profit and does not protect against loss.

[2] Both loans and withdrawals will reduce the policy's cash surrender value and death benefit and excessive loans or withdrawal may cause the policy to lapse.