Recent Retirees

Meet George and Paula, a Lot of Life to be Lived

Background

George was a successful business owner of a plumbing-supply business in Chattanooga, Tennessee, and he recently sold his business to the firm's senior management for a net proceeds of $3.4 million. Paula, his 59-year old wife, encouraged George to sell while he was in good health and relatively young (age 60) so they could devote more time to their two passions, charitable work and travel.

Eleven years ago, George and Paula went on a missionary trip with their church to Haiti. George saw that his plumbing background would be life-changing not only for families but entire communities. With over twenty-one trips back to Haiti since then, George and Paula have developed a significant network of families that have benefited from their expertise, counseling, and material support.

George and Paula have four adult children and nine grandchildren, with all living within two hours of the family's home.

Investment Profile

George has $890,275 in his SEP plan and will begin taking an annual $93,000 withdrawal. At this rate, their ongoing budget needs will be funded for a projected 15 years.

With the sale recently completed, the $3.4 million is currently invested 75% in treasury securities and 25% in municipal bonds, but George wants a more growth-oriented allocation to boost their net worth for wealth transfers and philanthropy in the next three decades. Paula wants to keep the primary residence, valued at $596,000 (with no mortgage), as a home base for the extended family.

Wealth Planning

George and Paula want to forestall taking social security until 67 years old and to ensure that taxes are minimized for maximum cash at hand. An estate plan intends to distribute their wealth equally between their family and their various Haitian charitable endeavors.

The planning priorities are:

1. Minimize taxes
2. Wealth Transfer
3. Charitable giving

Investment Plan Execution

Core Tactic

George and Paula will each invest $100,000 per year for six years in two Advisor VUL® policies (a total of $1.2 million). The policies will be funded by liquidating 100% of the municipal bond portfolio with the remainder from the taxable portfolio.

Also, both George and Paula will fund $30,000 in annual premium payments into individual Advisor VUL® policies for each of their four children (a total of $120,000 per year) for six years (a grand total of $720,000). (The initial death benefits are: George ($1,307,100); Paula ($1,520,546); Child age 32 ($1,152,816); Child age 31 ($1,058,356); Child age 29 ($1,133,418); Child age 26 ($1,429,124).)

Planning Priorities	Advisor VUL®'s Execution Benefits
Minimize Taxes	• In order to avoid getting pushed into higher tax brackets when social security distributions begin, any supplemental income will be from a tax-free premium withdrawal. • Any investment receives tax-free treatment allowing for higher returning and higher income investments such as high-yield bonds, non-US stocks, and REITs to boost the ultimate death benefit amount. • There are no taxes charged for cash access used to support other planning needs or unforeseen circumstances, and this enables George and Paula's taxable portfolio to be invested more aggressively than their life stage would otherwise suggest.
Wealth Transfer	• Each child will be a policyowner. • There are three stipulations that George and Paula have made for each child's policy: 1. The grandchildren will be made beneficiaries of their respective parents' death benefit. 2. The portfolio's value prior to each child's retirement will be accessed only for education funding or disability. 3. Each policy is designed to supplement the child's retirement income. Like a Roth, the VUL policy can provide potentially tax-free income but, unlike a Roth, there are no contribution limits.
Charitable Giving	• The four children will be the designated beneficiaries (equally applied) for each of George and Paula's policies for a tax-free death benefit. • The family's various Haitian charities will be named beneficiaries of the taxable estate.