ANNUITY-FUNDED LIFE INSURANCE STRATEGY

Case Study

Martin

Martin is a 67 year old male with a new grandchild; it's a boy!

Insurance Needs

Working with his advisor, Martin will purchase an EstateMax® 20-Pay participating plan with the Paid Up Additions dividend option for a coverage amount of $100,000 for his grandchild. Martin will be the policy owner and name his son as contingent owner for the plan.

Traditional Payment Method

Martin could pay a total of $92.52 each month for the plan over the next 20 years. Based on this amount, he would pay a total of **$22,205** over that time period and the policy would be fully paid-up.

Annuity-Funded Life Insurance Strategy

Since Martin can pay one lump sum deposit now using non-registered funds, he instead chooses to purchase an Empire Life 20-year term certain annuity for **$16,822.26** with guaranteed income payments of $1,028.00 per year, which will match and fund the annual life insurance premiums for his grandson's policy. If he uses this strategy for 20 years, the policy would be fully paid-up. A portion of each annual annuity income payment is taxable. For Martin, only $186.89 of the annual income payment is taxable each year. As Martin is the annuitant, should he die before all annuity payments are made, his son will need to make alternative funding arrangements to pay the remaining EstateMax insurance premiums.

Empire Life®

EstateMax 20-pay using the Paid-Up Additions dividend option with a total initial coverage amount of $100,000

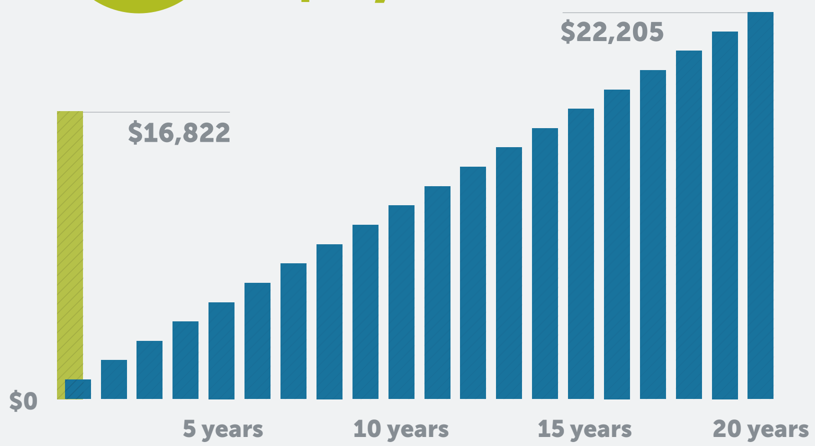
Pay Once & Pay Less

Assuming Martin lives at least 20 years, the pre-tax savings shown is the difference between the sum of all monthly premium payments for Martin's EstateMax plan over 20 years versus the cost of purchasing an Empire Life term certain annuity that guarantees 20 years of income payments, which Martin can use to pay the annual premium payments for his grandson's policy.

24% savings

Total Potential Pre-Tax Savings

$5,383

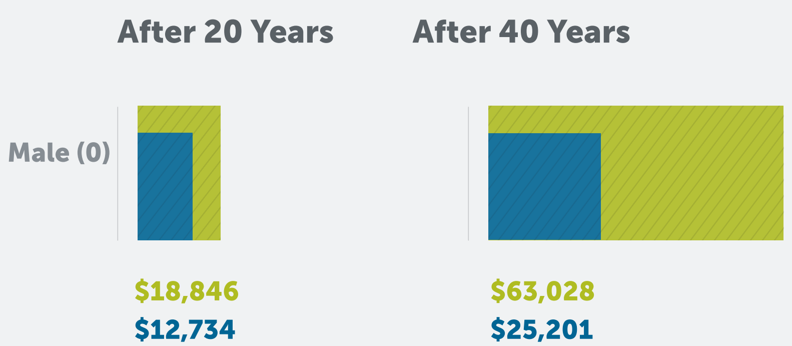


One-time annuity deposit

Total accumulated insurance premiums

Exit or Borrowing Options

Martin can eventually transfer ownership of the policies to his grandson. The policy includes cash surrender values starting after the 4th year, which the grandchild could surrender or use as collateral to borrow against in the future.



Projected cash surrender values[1]

Guaranteed cash surrender values

This case study is for illustration purposes only and is designed to show how pre-funding an Empire Life EstateMax 20-Pay policy using an Empire Life 20-year term certain annuity can work under certain situations. Results will vary depending on the life insured,annuitant, plan type, coverage amount, pay period, and life insurance premiums and annuity rates available at time of request. Advisors should determine whether this concept is suitable for any particular client based on the client's specific circumstances and needs.

All figures and pre-tax savings shown in this case study are based on premiums available for the EstateMax product indicated insuring a male (age 0), rated standard, and on annuity rates for a 20 year term certain for a 67 year old male as of October 23rd, 2019. Actual pre-tax savings will depend on the payment period, annuity rates and insurance premiums available at time of submission, and may be more or less than those shown. The taxable portion of each annuity payment has to be reported as income for the annuitant for each year an annuity payment is received. [1] Projected cash surrender values assumes the current dividend scale does not change, which is not guaranteed.

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