

Business & Estate Advisers, Inc.
With Your Interest In Mind

CASE OF THE QUARTER
CASE # 6
AN EVERYDAY COUPLE

GOAL

Desire to be able to have a bit more income and reduce expenses to improve lifestyle.

FACTS

Husband and wife in their early 60's. Husband had been paid quite well and then his employer left town three years ago. New job pays less than half of old job. Wife was never a high wage earner. Total assets were around \$750,000 with \$250,000 of this in home equity. They had entrusted all of their planning to a life insurance agent that represented a single company. Everything they owned, life insurance, long term care insurance, IRA accounts and personal accounts were invested with this agent. The products were not industry competitive.

SOLUTIONS

1. Life Insurance: We recommended that the husband eliminate all future premiums with a tax free transfer of his current cash value to an updated insurer. His coverage actually increased 5% with no further premium outlay. The wife's coverage was increased from \$25,000 to \$100,000 with premium increasing from \$900 to \$1,300. We also recommended that the wife increase the coverage from \$100,000 to \$150,000 to "keep the goose". More on this in point #3.
2. Invested in "Risk" with Safety Net: We moved their retirement assets to 6% Guaranteed Minimum Income Benefit annuities. This allowed them to remain "in the market" to see if they can do better.
3. Cash Flow Benefits: Since the husband has such a significant pay decrease we contacted Social Security and found that he could draw \$1,500 per month starting right now (he is 63) and would likely forfeit about three to four months for the next two years if he remains employed (netting an increase of \$12,000 per year in cash flow). The wife had once been involved with Wisconsin Teachers Retirement. We contacted them and found she could start drawing "right now" since she was over 55. Her choice was \$500 per month for life or \$430 per month for "joint life" with her husband. We recommended the \$500 and took about \$50 of the monthly amount to increase her life insurance from \$100,000 to \$150,000. Now when she dies the family get's \$50,000 of "cash" (what we call the "goose") instead of giving the goose to the Wisconsin Teachers Retirement Plan. And, they actually have \$450 per month instead of \$430 per month today!
4. Bottom Line: Clients are super happy. Not only have we been able to show them that they can live their lifestyle during retirement, we have also increased their current cash flow by about \$2,000 per month. Some small debt they have can now be retired in the next two years.

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