

## **MEET ELEANOR FREEDMAN**

### **BUSINESS OWNERS FINDING A SOLUTION**

Eleanor is insured under a \$625,000 whole life policy owned by a small business LLC comprised of three members including Eleanor. The policy was issued 25+ years ago in conjunction with the start up of Eleanor's catering business, financed by her two partners.

While quite profitable from day one, the business had been declining over the past seven or eight years, as Eleanor grew older, cutting back her work schedule and marketing efforts accordingly. The Covid-19 pandemic in early 2020 was the final blow, resulting in the business closing. Now, what to do with the policy?

Over the years of decline, the partners had borrowed against the policy's cash value to cover operating expense shortfalls and personal expenses for Eleanor. The policy cash value stood at \$550,000 but the policy loan was up to \$460,000 with a variable 6.25% interest rate costing approximately \$28,000 p.a. As such, the policy had about 3 years left before lapsing unless paid down or off. Surrendering the policy had potential....until the partners realized that there was only about \$90,000 of surrender value left, and that they'd owe about \$100,000 in taxes on the policy's inside income gain.

## FREEDMAN CASE STUDY - 2021

They also considered pursuing a life settlement, but Eleanor was hesitant to undergo any medical exams and underwriting. Her privacy was important. Plus those sale proceeds wouldn't be much more than surrender value and would suffer the same tax hit.

So what was this small business to do?

Fortunately, the owners reached out to their Agent, who introduced them to FairMarket Advisory Services ("FairMarket Advisors") which is the exclusive national distributor of proprietary tailored loans designed to solve predicaments like Eleanor's and her partners. After understanding their dilemma, FairMarket Advisors was able to design a non-recourse, fixed 5.50% interest loan that:

- Kept the policy ownership and beneficial interest with the company.
- Didn't require any medical exams or underwriting.
- Re-financed the existing policy loan in full avoiding both a tax liability and potential lapse.
- Paid them \$37,000 in tax-free cash at closing.
- Provided the owner's beneficiaries with a net death benefit interest starting at \$190,000.  
(See Attached Schedule.)

Now that's a solution!



## POLICY BENEFICIARY INTEREST (ESTIMATED)

YEAR	AGE	POLICY BENEFICIARY INTEREST (ESTIMATED)
34	83	\$190,000.00
35	84	\$170,000.00
36	85	\$150,000.00
37	86	\$127,000.00
38	87	\$102,000.00
39	88	\$77,000.00
40	89	\$50,000.00
41	90	\$30,000.00
42	91	\$30,000.00
43	92	\$30,000.00
44	93	\$30,000.00
45	94	\$30,000.00
46	95	\$30,000.00
47	96	\$30,000.00
48	97	\$30,000.00
49	98	\$30,000.00
50	99	\$30,000.00
51	100	\$30,000.00