

## Success Story

# PRUDENTIAL COLLABORATES WITH ADVISOR FOR MIRRORED LOAN SOLUTION



## The Background

As a result of the COVID-19 pandemic, a business run by two high-net-worth partners faced significant financial challenges that led to a downturn in fortunes. To help alleviate these difficulties, one of the partners opted to utilize loans from his policy. Unfortunately, even after borrowing heavily from the life insurance policy, the business could not be saved. In the aftermath, the business owner was unable to repay the loans from the policy.

Years later, the business owner was meeting with his trusted financial advisor to complete a holistic plan review when it was revealed that these outstanding loans on the life insurance policy posed a threat to his goals. Now that the business was gone, the client wanted to leave as much death benefit as possible to his heirs to enhance the legacy he hoped to leave behind. Not only were the loans decreasing the death benefit, they were also putting the policy at risk of lapse. To address this, the financial professional collaborated with their long-standing Prudential Wholesaler to develop a strategy that would meet the client's long-term needs.

## An Unforeseen Tax Burden

Together, the financial professional and the wholesaler explored different solutions to see how they could prevent the client from losing their coverage and facing a large tax bill. The client's existing indexed universal life policy had been issued by a company that had since exited the business and lowered caps, resulting in the policy no longer performing as expected. The long-term projections for this policy were not positive, and the client realized he could no longer afford the significant premiums required to keep the policy in force.



**You don't have to  
be an expert to  
sell life insurance.  
You just need a  
great partner to  
work with.**

**Contact your Prudential  
wholesaler today to identify  
the next big opportunity in  
your book of business.**



## Life Insurance Strategy and Solution

Ultimately, the strategy that enabled the client to both address the existing loan without requiring additional outlay and preserve as much death benefit as possible was to complete a 1035 exchange, mirroring the loan onto a new PruLife Custom Premier II VUL policy.

To summarize, the solution involved:

- Eliminating the premiums
- Exchanging to a policy with lower loan interest rates
- Securing \$3.6 million in death benefit
- Using withdrawals of basis to repay the \$2.4 million loan

## Lessons Learned

Clearly, the key to success in this particular case was the long-standing relationship and trust that had been nurtured between the financial advisor and wholesaler, coupled with the expertise of the Advanced Planning Team. What's more, the diligence of all parties to stay abreast of the provided information was significant in securing a satisfactory outcome. To help ensure the plan has been effectively implemented, the wholesaler will also follow up in early 2025.

Remember, you don't have to be an expert to sell life insurance. You just need a great partner to work with. Contact your Prudential Wholesaler today to identify the next big opportunity in your book of business.

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