

# SAGE *Solutions*

## Life Insurance as an Asset Class By Ernest Baptista and Jerry Tisser

Life insurance is a topic that brings out strong emotions among people. No one objects to owning life insurance – rather they object to paying for it.

What we will try to do in this article is give the public a different way of looking at life insurance: as an asset class.

Life insurance, if held to death in today's interest rate environment, is a very attractive asset. The rates of return compared to long term bonds are very favorable.

If you look at the example below, you can see a \$1,000,000 joint life policy with premium flows and death benefit returns which are income tax free under current law. This illustration assumes premiums to take the policy out to age 96. If we wanted to have the policy last longer, more premium is required which would lower rates of return.

At age 85 the rate of return is 36.67%. At age 95 the rate of return is 12.58%. These rates of return are after income tax. These rates would be very hard to duplicate in today's market using instruments as highly rated as the insurance companies, most of which are rated at least AA. These premiums are not guaranteed. We could use guaranteed premium products but that discussion is for another article.

This situation has some negatives. If the interest income on the premiums is needed for current income then this type of program is not for you. This program should be used by people who have liquid assets that would be invested with no current use of income.

We hope this gives you a different look at life insurance as an unusual asset that gives you the opportunity to enhance return.

If you would like to forward this article via email, please [click here](#).

Sage Hill Advisory & Management  
18 Division Street  
Suite 303B  
Saratoga Springs, NY 12866  
Main: 518-871-1214  
[www.sagehilladvisory.com](http://www.sagehilladvisory.com)

**SAGE HILL**  
Advisory & Management

# SAGE *Solutions*

\$1,000,000 Joint Life Policy  
Male age 75 – preferred non-smoker  
Female age 75 – preferred non-smoker

<u>Age</u>	<u>Premium</u>	<u>ROR (%)</u>
75	\$25,000	3900.0
76	\$ 0	532.46
77	\$ 0	242.00
78	\$ 0	151.49
79	\$ 0	109.13
80	\$ 0	84.93
81	\$15,899	68.72
82	\$15,899	57.27
83	\$15,899	48.70
84	\$15,899	42.03
85	\$15,899	36.67
86	\$15,899	32.26
87	\$15,899	28.57
88	\$15,899	25.45
89	\$15,899	22.77
90	\$15,899	20.46
91	\$15,899	18.45
92	\$15,899	16.69
93	\$15,899	15.15
94	\$15,899	13.79
95	\$15,899	12.58

Chart is not compliant without full summary pages