

Insurance As An **Asset Class**



For years, we have heard financial sayings such as: “Don’t put all your eggs in one basket”, “buy low, sell high” and “timing is everything”. All of this remains true, but investors today face new challenges, such as interest rates that fluctuate in line with inflation and frequent market turbulence. Despite current trends, Markowitz’s theory that traditional portfolio development is based on the correlation between risk and asset return is still relevant. In addition, diversification remains an excellent way to develop efficient financial planning. Efficiency reduces overall risk. But these are not the only strategies that can reduce portfolio risk and optimize expected returns.

A strategy involving integrating a permanent life insurance policy into your financial planning can also be considered in order to improve diversification, while offering an attractive after-tax rate of return. The opportunities offered by permanent life insurance products go beyond traditional insurance needs.

In this modern strategy, life insurance not only meets the need for protection, but also diversifies financial assets during the insured’s lifetime and at death. In addition, insurance cash surrender values can serve as a source of liquidity and allow for additional strategies if the need arises. For example, you can access the cash value in several ways: a policy loan, partial surrender or secured loan.





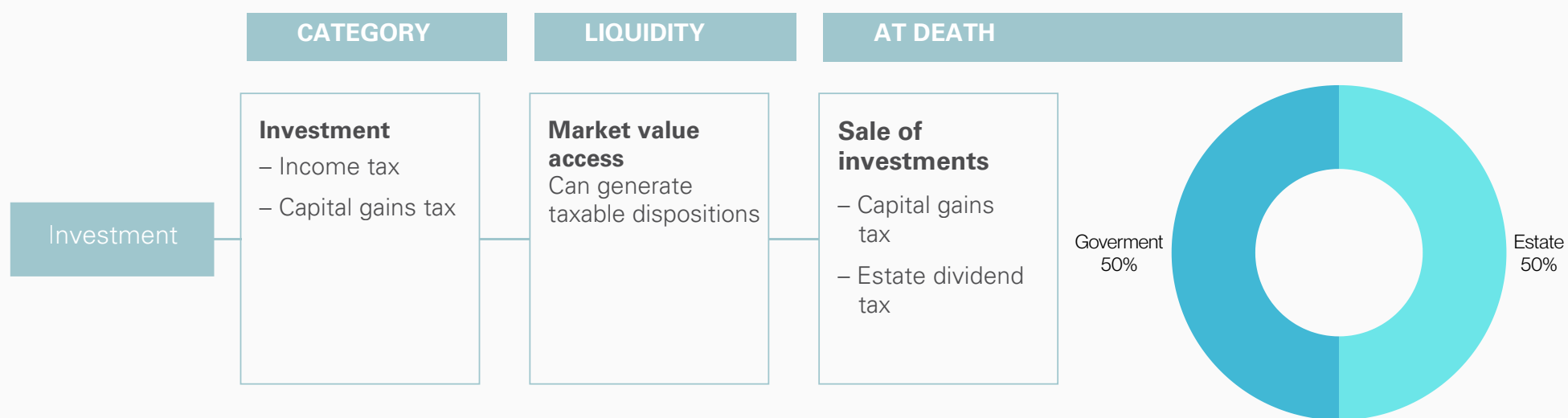
WHO IS THE “INSURANCE-AS-AN-ASSET-CLASS” STRATEGY FOR?

This strategy is geared towards businesses and individuals with ongoing life insurance needs, who have excess income or assets that are not needed in the short term to finance their activities, lifestyle or retirement.

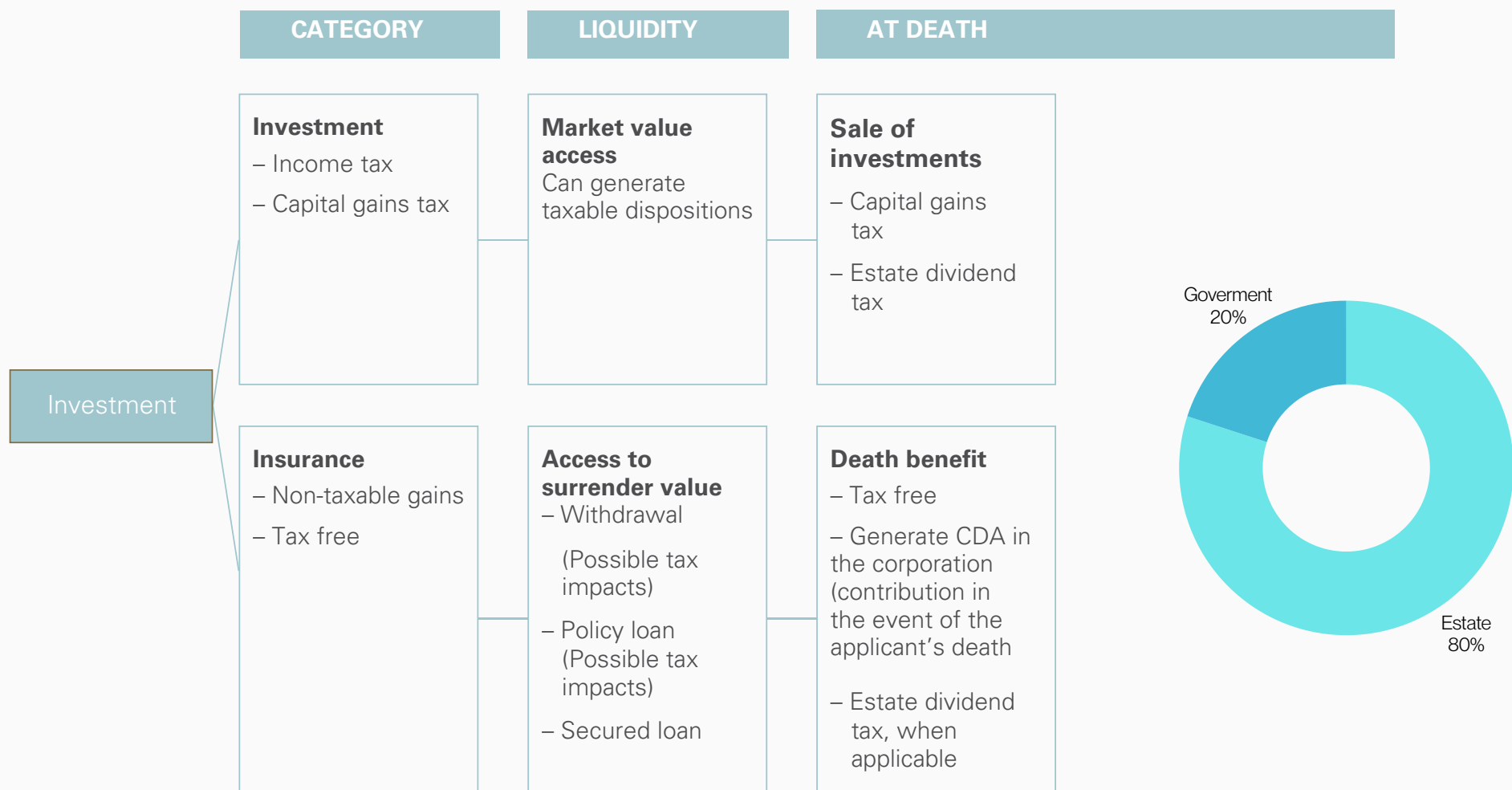
It is important to create winning conditions to maximize the strategy, such as predictable cash flows in order to pay insurance premiums.

Example:

TRADITIONAL PORTFOLIO



MODERN PORTFOLIO (ADDITION OF INSURANCE AS AN ASSET CLASS)



Objectives

Protection in the event of death

The strategy is based on the need for permanent life insurance. Thus, when the need for protection in the event of death arises, you can use and consider cash surrender values as financial assets. Permanent life insurance policies offer attractive internal rates of return.

Diversification

This strategy makes it possible to diversify assets by including permanent life insurance in the client's financial planning. Some insurance products benefit from institutional investment management. This type of management gives clients exposure to alternative investments. These investments offer attractive returns while maintaining moderate risk.

Tax efficiency

Life insurance policies have an advantageous tax status. Cash value growth is tax free, which has a snowball effect. In addition, the death benefit is not taxable to the beneficiary.

Access to liquidity

It is possible to access the accumulated cash value in the form of cash. Whether in the form of a policy loan or partial surrender, you will need to consider any tax consequences that may apply.

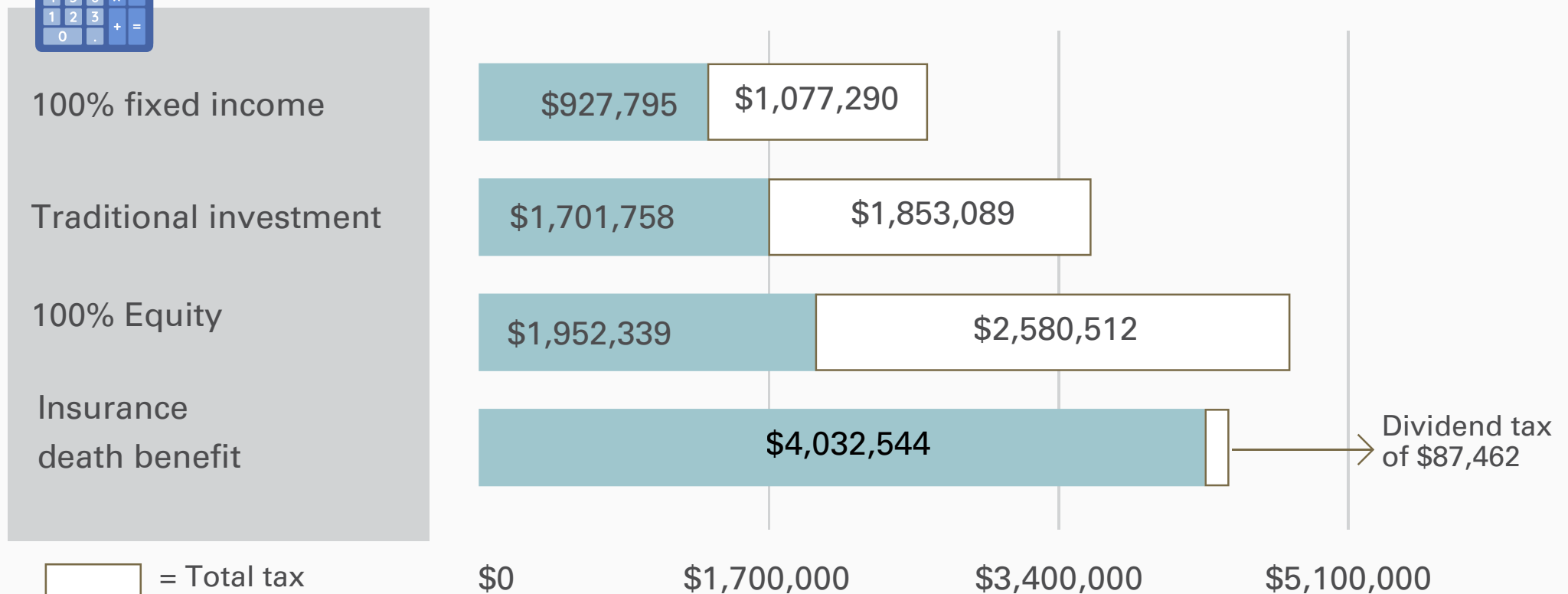
In addition, insurance can be used as collateral with an external financial institution to obtain a secured loan. The borrower can use the secured loan to make investments that generate income, or they can choose to use it for personal purposes. It is important to have enough taxable income to deduct interest from the loan to maximize the strategy, when possible.

Example:

LIFE INSURANCE RETURN AT AGE 85 VS. OTHER INVESTMENT METHODS



Total investment:
\$1,000,000



It is clear that life insurance, with its many advantages, is an asset class that can be very attractive for individuals and for shareholders of corporations. The need for insurance remains the primary reason why policyholders purchase life insurance. However, particularly through its tax efficiency, insurance offers an advantageous internal return and an element of diversification that is essential to good financial planning.