



## Client profile

# Car Dealership Owner



### Client profile and common concerns

- Owns car dealership which makes up a majority of net worth
- Has both estate tax planning and business succession needs which require liquidity
- Wants to use life insurance to fund liquidity needs
- Strict franchise agreements limit the use of dealership assets to fund the liquidity plan
- Looking to find an alternative source of cash flow for funding

### Questions to ask

- What estate and business succession planning has already been completed?
- Who are the parties to the franchise agreement?
- Do you have ownership interest in other business ventures outside of the car dealership?
- What is the ownership structure of the dealerships and other business interests?
- What are your cash flow needs both personally and for the business?

### Potential solution

- Client, dealership owner, needed to find liquidity outside of the dealership assets to fund life insurance needs in his estate plan.
- Fact-finding uncovered an LLC interest that owned the dealership real estate.
- While associated with the dealership, this LLC was not part of the franchise agreement.
- Using the Sale of an Asset to a Grantor Trust (SAGT) concept, the client sold a portion of his LLC interests to an irrevocable life insurance trust (ILIT) realizing these benefits:
  - ILIT uses rental income received from the dealership to pay premiums on the life policy.
  - ILIT pays interest annually to client for cash flow needs.
  - The value of the LLC sold may qualify for valuation discounts.
  - The LLC and any future appreciation is now outside of the client's taxable estate.
- In addition, as part of the client's business succession and estate equalization plan, the life insurance proceeds and future LLC rental income is held in trust to be managed for the benefit of his heirs who may not be engaged in the dealership business.

### Why John Hancock?



Access to client specific and individualized presentations in JH Illustrator



Advanced Markets support specific to the Sale to a Grantor Trust concept



Expertise to review statements and franchise agreements to identify possible funding opportunities



Suite of comprehensive life insurance products to help meet the client's estate planning needs and goals