

# Alternative to Cash on the Balance Sheet (COTBS)

## Concept applied:

Most successful businesses maintain a cash reserve, but cash is typically subject to low interest rates, and that interest is taxed. An alternative to cash on the balance sheet (COTBS) is permanent life insurance, which accumulates cash value tax deferred while simultaneously meeting other important planning needs.

## How it works:

The business uses funds from its reserve account to purchase a New York Life Custom Whole Life policy. The policy is designed to:

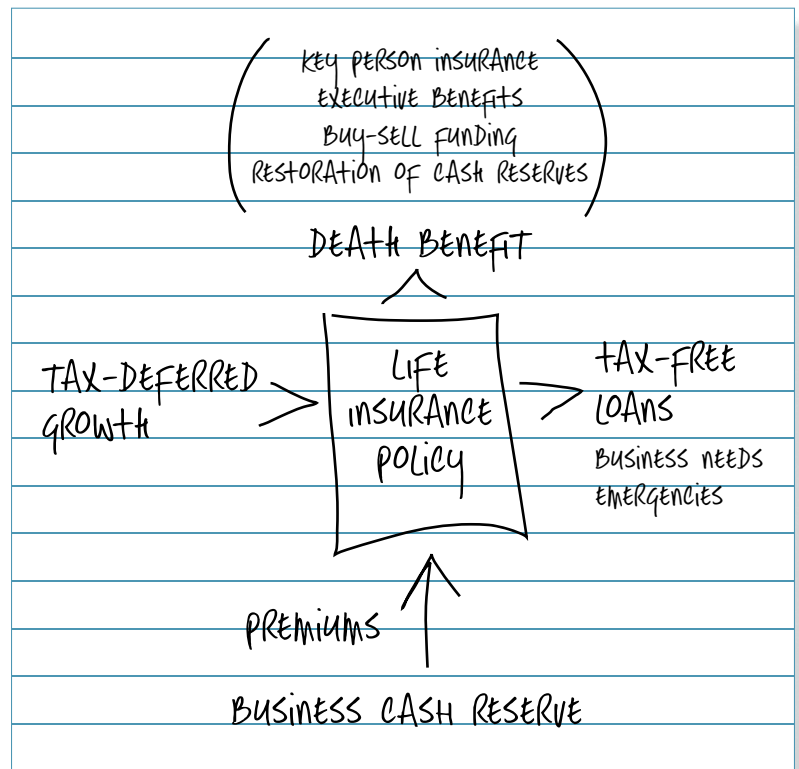
1. Accumulate cash quickly, with tax-deferred growth
2. Provide the business with tax-free access to the cash value through policy loans (loans accrue interest and decrease the death benefit and cash value)
3. Provide a tax-free death benefit payable to the company to meet additional business needs and restore cash reserves

## Why is it useful?

Using life insurance as an alternative to COTBS is an effective and efficient technique to provide both life insurance protection and an accessible cash reserve that grows tax deferred.

## 50 words or less

A business can use whole life insurance to maintain a portion of the company's cash reserve. Policy cash value offers tax-deferred growth—which, over the long term, may exceed the growth of other cash alternatives—while the death benefit can be earmarked for key person insurance, executive benefits, buy-sell funding, or restoration of cash reserves.



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