

Jim Harbaugh's Contract with Michigan Includes a Life Insurance Loan

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The University of Michigan and its football coach, Jim Harbaugh, recently agreed to an updated contract that will increase payments from the school, as well as loan Harbaugh \$4 million in 2016 and \$2 million for the following five years to pay life insurance premiums. According to information from a Freedom of Information Act request, the first \$2 million loan payout was made on June 3, and each additional payout will be made each December.

According to reports, Harbaugh does not need to repay the loan until he dies, as long as that insurance policy remains active. Upon his death, the university can recoup the investment it made, and the rest of the insurance payout leftover after the loan is settled will go to Harbaugh's beneficiaries. If the policy is stopped, Michigan will still be able to get its money back from the insurer.

It is a tremendous savings vehicle for Harbaugh, to be sure. As a result of this deal, if Harbaugh dies while Michigan is paying for the policy, his heirs will get at least 150 percent of the premium that has been paid. This clause also protects Michigan — Harbaugh is allowed to borrow against the policy while alive, but must keep at least 150 percent of the value of the premium untouched, ensuring the school will be able to get back its investment if needed.

There are other contingencies in place as well. If, for example, Harbaugh is fired from his position or decides to leave the school, the university will no longer provide the loans for paying these premiums. If the policy is canceled afterward for any reason, Harbaugh must pay back the money loaned to him by Michigan.

It allows Harbaugh to avoid traditional banks, getting access to money that can then grow significantly larger. While he does have to pay back the loan eventually, by the time he pays it off the money he has will dwarf the amount he needs to return to Michigan.

The University of Michigan, from an asset accumulation (endowment) perspective, is one of the top ten universities in the United States. Seems like smart people making smart business decisions.

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