

Planning for Wealth Transfer

The Role of Life Insurance and Asset Protection+

Who do you know who:

- owns highly-appreciated, non-qualified tax-deferred assets (herein called annuity) and/or traditional IRAs and is planning to take only required minimum distributions?
- is age 60 or older and focused on transferring maximum wealth to beneficiaries?
- is potentially subject to estate taxes

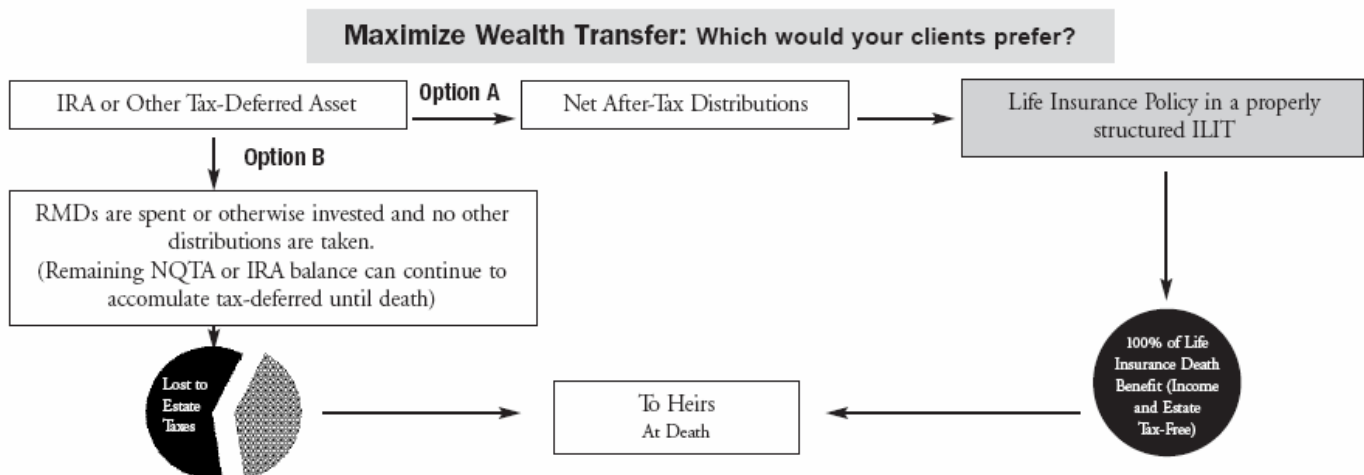
What's the problem?

At death, clients with sizable estates may lose as much as 47% of their annuity and IRA assets to estate taxes and their beneficiaries may be subject to ordinary income taxes (currently up to 35%).¹

What can they do?

Clients can use net, after-tax proceeds from annuity or IRAs to purchase a permanent, properly structured life insurance policy within a properly structured Irrevocable Life Insurance Trust (ILIT).² A life insurance death benefit is generally Federal income tax-free, and, since the policy is owned within an ILIT, the death benefit will also be estate tax-free. As a result, the life insurance death benefit will be transferred tax-free to the ILIT.

Plus, any balance of the annuity or IRA can continue to accumulate. Though it will be subject to Federal estate tax, any remaining portion of this asset will also be transferred at death, helping to maximize your client's legacy.



Here are the primary benefits:

- Can offer clients a strategy for providing a Federal income tax free death benefit, which passes through an ILIT to beneficiaries through an estate tax-free life insurance death benefit.
- Can improve wealth transfer through the use of a properly structured ILIT.
- Can protect clients against the loss of up to 47% of their annuity and IRA assets to estate taxes.

¹For amounts qualifying as income in respect of a decedent under the Internal Revenue Code, a Federal income tax deduction is allowed for the Federal estate taxes (if any) attributable to such amount.

²There may be Federal gift tax consequences associated with the funding of an Irrevocable Life Insurance Trust.