Wealth Transfer and Legacy Planning

Client Profile that Generates Insurance Revenue

"Which of your clients…"

- **Would like to provide an inheritance to their heirs with minimal impact on retirement income or transfer taxes?**
- **Have an interest in charitable giving?**
- **Are looking for ways to equalize their children's inheritance?**
- **Have sufficient income for retirement?**

Wealth transfer and legacy planning involve repositioning assets to transfer more money to heirs or charities while maintaining or increasing income. Often, it entails using the assets from the sale of bonds, CDs, annuities, or other liquid assets not being used for income to buy life insurance. The table below presents the tax advantages of using life insurance to transfer wealth.

Summary of Taxation at Death

	Municipal Bonds	Certificates of Deposit	Deferred Annuities	SPIA	Trust-Owned Life Insurance
Income Tax	No	No	Yes	No	No
Estate Tax	Yes	Yes	Yes	No	No
GST Tax	Yes, when beneficiaries are grandchildren	Yes, when beneficiaries are grandchildren	Yes, when beneficiaries are grandchildren	No	No

The following example demonstrates the use of life insurance as an alternative to keeping assets in CDs for wealth transfer.

Scenario 1:

John owns a $100,000 CD in his brokerage account. He intends to continue using CDs and reinvesting the interest payments until his death. He has adequate assets and cash flow and does not anticipate the need to take any withdrawals. Upon his death, assuming there are no estate taxes, John's son will exercise the survivor's option to receive the principal and accrued interest to receive a little over $100,000.

Scenario 2:

John is 70, in good health, and does not smoke. He decides to fund a fully underwritten permanent life insurance policy with the $100,000 proceeds from the CD when it matures and designates his son as the beneficiary. He qualifies for a standard rating and makes a one-time $100,000 premium payment to the insurance company to buy a lifetime, guaranteed death benefit in the amount of $230,000.

As a result, John's son will receive $130,000 more than he would from the CD.