Charitable Giving & Asset Maximization

SALES KIT

In this kit:

Social media images & posts | Charitable giving sales ideas | Client profiles | Asset max strategies

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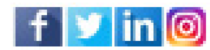
Charitable Giving & Asset Max 

Social Media Posts & Sharable Graphics

Text for Posts

Post this text with any of the images linked on the following 2 pages.

Missed deadlines and lost opportunities are costly! The last months of the year provide a critical planning window – contact me today to make sure you're up-to-date on your financial planning.

Create a lifetime legacy by using annual gifting exclusions for life insurance. Contact me today to find out how!

If your hard work and careful preparation have brought you financial wellness and rewards beyond what you need to live comfortably, you can take unneeded assets and use them to create a legacy or a charitable gift. I can help – contact me today to learn more.

Giving to a charitable cause makes us all feed good! Contact me to find out how charitable giving can be done using life insurance.

Creating a legacy through charitable giving allows you to help shape the future of a cause, benefit, or organization that's important to you. Let me show you how life insurance can help you do just that!

I can help you create a legacy of giving. Ask me about charitable remainder trusts today!

When properly structured and maintained, a charitable remainder trust can offer you significant tax advantages. Contact me today to find out how!

Life insurance can create a charitable gift that's much larger than might otherwise have been possible. Contact me today for a free quote!

Want to maximize your retirement income? Contact me today to reposition underperforming assets with cash value life insurance!

Did you know you can move money from unneeded or underperforming assets like CDs, annuities, qualified plans, pensions, and even Social Security...and use that money to fund life insurance, potentially increasing the legacy for your heirs or your favorite charity? Contact me today to find out how!

Charitable Giving & Asset Maximization

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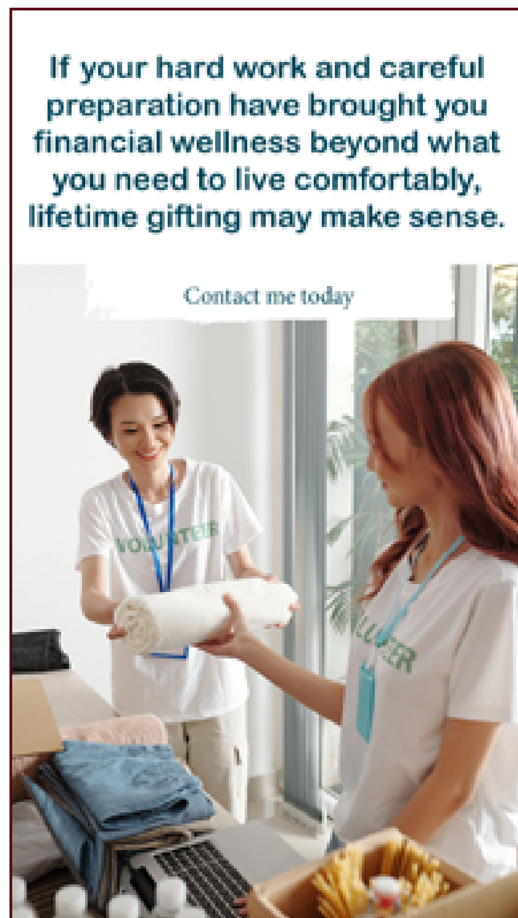

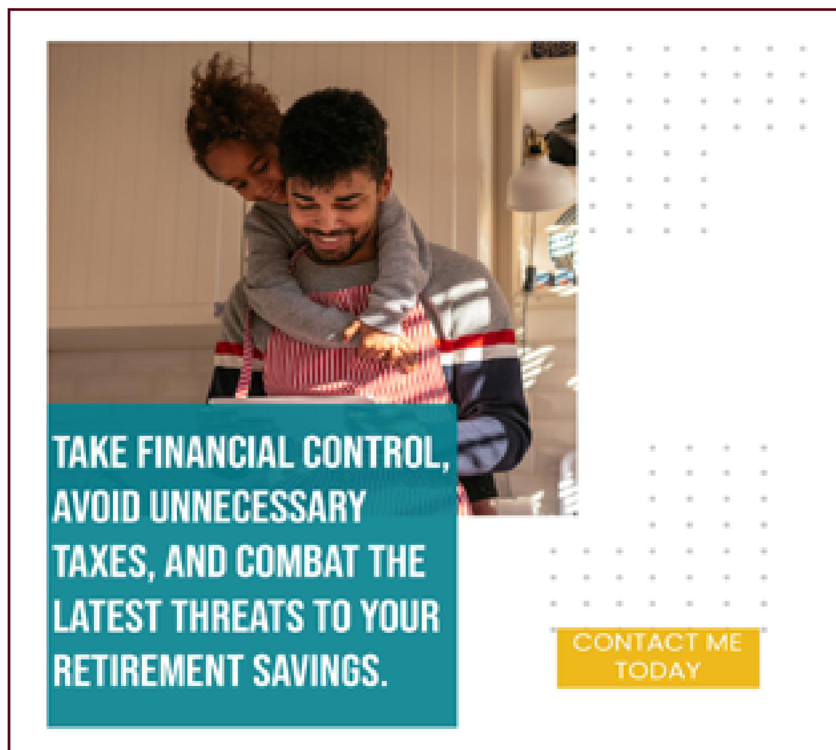

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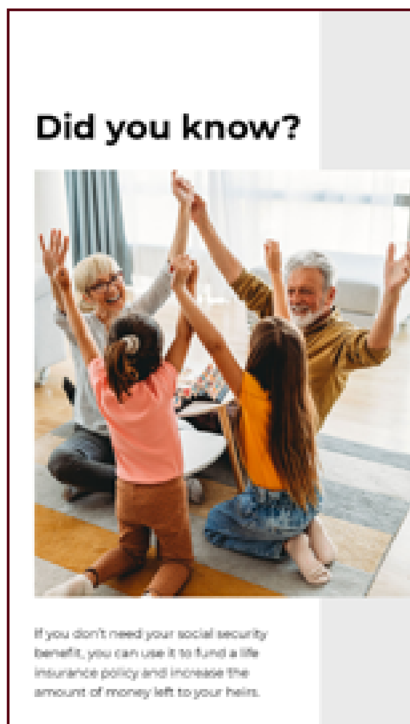

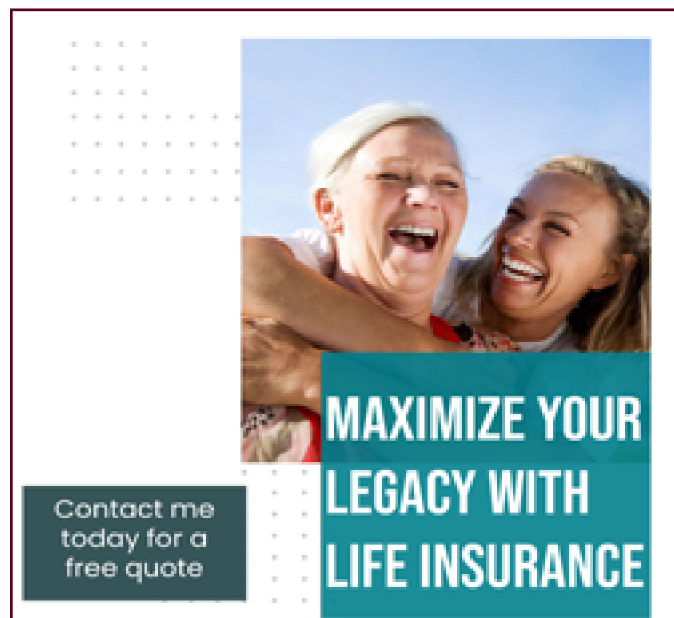

2023 YEAR-END CHECKLIST:

CRUNCH TIME FOR RETIREMENT ACCOUNTS 2023 YEAR-END GAME PLAN

ED SLOTT AND COMPANY, LLC
America's IRA Experts

Web: irahelp.com Email: info@irahelp.com Phone: 800-663-1340

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In sports, there is halftime and overtime. Soccer has stoppage time. Racing sports have lap times and time trials. The clock is always ticking…right down to crunch time. For IRAs and workplace retirement plans, like a 401(k), it is late in the fourth quarter, and you have no timeouts. Now is go-time to take advantage of certain beneficial retirement account tax breaks. You and your clients must keep your heads in the game. Since many of these actions require cooperation from third-party IRA custodians and plan administrators, call a play now and start year-end planning. The referee is about to blow the final whistle. Do not rely on a Hail Mary.

OCTOBER 1

Establish a SIMPLE IRA for 2023

If your client owns an existing business and wants to establish a new SIMPLE IRA plan for this calendar year, the deadline is October 1, 2023. If your client starts a new business after October 1, 2023, the SIMPLE IRA plan can be set up as soon as administratively feasible, but no later than December 31, 2023.

OCTOBER 16

Make 2022 Employer Contributions to a SIMPLE IRA

Employer contributions to a SIMPLE IRA plan must be made by the business's tax-filing deadline, including extensions. If your client's business has an extension to October 16, 2023, to file its 2022 tax return, that is the deadline to make the 2022 SIMPLE IRA employer contribution.

Establish and Fund a SEP IRA Plan for 2022

The deadline for establishing a new SEP IRA plan or to make contributions to an existing SEP is the business's tax-filing deadline, including extensions. This makes October 16, 2023, the deadline for 2022 SEP contributions for a business with an extension.

Correct 2022 IRA Contributions

Individuals who made excess contributions to their IRA for 2022 can reset the play. If the excess contribution, plus the net income attributable, is withdrawn by October 16, 2023, the 6% penalty will not apply. Excess contributions can also be recharacterized by that date. If a contribution is recharacterized, it will move from one type of IRA to another in a reportable, nontaxable transfer. The contribution will be treated as though it had been originally made to the IRA to which it is recharacterized.

Correcting a contribution by withdrawal or by recharacterization is not limited to excess contributions. IRA owners can correct an unwanted 2022 IRA or Roth IRA contribution by October 16 for any reason — *even if it is an allowable contribution and not an excess.* (Remember, Roth IRA conversions cannot be recharacterized.)

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OCTOBER 31

Provide Trust Beneficiary Documentation

If an IRA owner or retirement plan participant named a trust as beneficiary and died in 2022, October 31, 2023, is the deadline for the trustee of the trust to provide required documentation to either the IRA custodian or the plan administrator. This may sound like mere paperwork, but it is critical. If the trustee misses this deadline, the trust will not meet the "look-through rules," and trust beneficiaries may lose advantageous tax treatment.

DECEMBER 31

Take Your Required Minimum Distribution (RMD)

IRA owners who turn age 73 or older in 2023 must take a 2023 RMD. Participants in employer plans who are age 73 or older are also subject to RMDs — *assuming they do not qualify for the "still-working exception."* Beneficiaries may also be subject to RMDs. December 31, 2023, is the deadline for taking a 2023 RMD.

While distributions are not required from Roth IRAs during the owner's lifetime, do not forget that RMDs may be required from both inherited IRAs and inherited Roth IRAs. Missing the December 31 deadline can be catastrophic, as a hefty 25% penalty on the amount of the RMD not taken could apply. Advisors can steer clear of this penalty by closely monitoring clients' accounts. Process RMDs early to avoid last-minute errors. (Note: SECURE 2.0 gives beneficiaries an extended period to take a year-of-death RMD. The 25% missed RMD penalty is automatically waived if the year-of-death RMD is taken by the beneficiary's tax filing deadline, including extensions.)

Do a Qualified Charitable Distribution (QCD)

As the on-field action intensifies, do not forget about QCDs. Identify charitably inclined clients who might benefit from QCDs before year's end. Many people make their charitable gifts in December. QCDs remain a fantastic tax break. IRA owners and beneficiaries who are at least age 70½ are eligible to transfer up to $100,000 tax-free to charities directly from their IRA in 2023. SECURE 2.0 expanded the QCD rules to allow a once-in-a-lifetime $50,000 tax-free transfer to a split interest entity, such as charitable gift annuity.

Another benefit of a QCD is that it can satisfy the IRA owner's RMD (as long as the RMD has not already been withdrawn). Just make sure the QCD is received by the charity by year's end.

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2023 Year-End Checklist

Crunch Time for Retirement Accounts—2023 Year-End Game Plan

Consider Roth Conversions

Although Roth conversions generate immediate taxation, federal tax rates are historically low and may not stay that way for long. Take advantage of today's low rates by converting traditional retirement accounts to Roth accounts. To qualify as a 2023 Roth conversion, the funds must leave the IRA or company plan by December 31, 2023. (There is no such thing as a "prior-year conversion.") Those who are reluctant to absorb a big tax bill might consider a series of smaller partial conversions over time, using up lower tax brackets. Remember, Roth conversions are permanent, so be certain there are enough funds to pay the taxes before completing the transaction.

Use the Net Unrealized Appreciation (NUA) Strategy

NUA is a great tax-planning tool for clients with highly appreciated company stock in their 401(k). NUA allows an individual to pay ordinary income tax on the cost basis of the shares — *not the total value of the shares* — when withdrawn. The difference between cost basis and current value (the NUA) is not taxable until the shares are sold — *and at favorable long-term capital gains rates.* Although the NUA strategy can be lucrative, the eligibility rules are strict. For example, the participant's entire account must be emptied (with a few limited exceptions) within one calendar year. Individuals planning to use the NUA strategy for 2023 need to start the process early enough to ensure the lump sum distribution occurs by December 31, 2023.

Split IRAs into Separate Accounts

Another critical December 31 deadline involves splitting inherited IRAs into separate accounts. Beneficiaries have until December 31 of the year following the year of death to split inherited IRAs. One important reason for creating separate accounts is to allow beneficiaries to take advantage of favorable distribution payout rules. But be forewarned, it may take the IRA custodian some time to establish the separate inherited IRA accounts, so pay attention to the calendar.

Take 72(t) Distributions for 2023

IRA owners can tap their accounts before age 59½ without the 10% early distribution penalty if they commit to a series of withdrawals according to rules set out in section 72(t) of the tax code. These payments must continue without modification for five years or until age 59½, whichever is longer. The payments must be taken at least annually. For those using a calendar year schedule, the deadline for the 2023 payment is December 31, 2023. Be sure to leave enough time to take the distribution. Simply starting the process of requesting the payment will not suffice. The payment must be distributed and reported on a 2023 Form 1099-R.

Update Beneficiary Forms

Advisors should keep beneficiary forms for clients' retirement plans on file. These forms should be reviewed at least annually to ensure accuracy. The end of the year is a good time to contact clients to discuss updating their beneficiaries in the wake of life events that may have occurred. Marriage, divorce, death, or birth or adoption are all reasons why financial planning needs may change.

It's crunch time! As the clock is ticking down...both the SECURE Act and SECURE 2.0 changed the rules. Have a game plan! Huddle up with clients. A 2023 year-end review is now more critical than ever.

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ADVANCED PLANNING

Unmatched guidance to close high-net-worth cases

WHEN YOU WORK WITH PRUDENTIAL, YOU WORK WITH AN INDUSTRY LEADER

High-net-worth clients have unique planning needs, ranging from efficiently transferring their wealth to the next generation to leaving a charitable legacy. Life insurance is a versatile tool that can not only financially protect a client's loved ones, but also help them achieve other planning goals.

To deliver the strategies high-net-worth clients require and demand, you need a knowledgeable and experienced team behind you. Let Prudential be your first and only call.

The following is an overview of some strategies that may be appropriate for the high-net-worth clients you work with today. Your Prudential wholesaler and our Advanced Planning Team are ready to help you start actionable client conversations and execute these approaches.

ESTATE PLANNING

Help high-net-worth clients transfer their wealth to leave a legacy for heirs or a favorite charity.

Strategy	Client Objective	Client Profile	Strategy Overview
Leveraged Gifting	Desire to structure a tax-efficient wealth transfer plan and reduce the overall value of a client's estate to lessen estate tax exposure	• Is over age 55 • Has an estate that is subject to federal and/or state estate tax • Wants to keep wealth in the family by giving to children or grandchildren	Gift amounts equal to a client's annual gift tax exclusion amount or more to an irrevocable life insurance trust (ILIT) that uses the gifts to pay premiums on a life insurance policy that insures the life of the client or the client and spouse.

Strategy	Client Objective	Client Profile	Strategy Overview
Spousal Lifetime Access Trust (SLAT)	Decrease the value of a client's estate and exposure to creditors while allowing client's spouse to have indirect access to the money in case it is needed during their lifetime	• Is married • Is age 45 or older • Has an estate tax issue • Wants flexibility and access to trust assets, but exclusion from estates • Has an established wealth transfer need • May have concerns about creditors	One spouse, the grantor, creates the SLAT and makes gifts to it. The trustee uses the gifts to purchase either a single life policy on the grantor or second-to-die life insurance policy with the spouse. The non-grantor spouse and other heirs are beneficiaries of the trust. Under the terms of the trust document, the trustee may make discretionary distributions of the trust income and/or principal to the non-grantor spouse or any of the trust beneficiaries, according to the trust terms.
Dynasty Trust	Exclude legacy assets from estate, gift, and generation-skipping transfer taxes for children, grandchildren, and future generations	• Has a high-net-worth family where wealth will be passed to multiple generations • Wants to provide income for future generations • Wants to exclude wealth from the transfer tax system	A Dynasty Trust is an irrevocable trust designed to last for many generations to avoid taxing wealth each time it passes from one generation to the next. Life insurance owned by the Dynasty Trust, typically on the life of the creator and grantor of the trust, can provide for tax-deferred accumulation and help increase wealth transfer to future generations free of estate and generation skipping transfer tax.
Zero Estate Tax	Wishes to benefit society on their own terms, instead of leaving tax dollars to the government	• Has a net worth of $30,000,000+ • Is family oriented • Is involved in community, has a favorite charity, or is willing to set up a charity, such as a family foundation • Has estate tax concerns	The portion of a client's estate that is subject to estate taxes (the value above exemptions available) is directed to a charitable beneficiary, such as a family foundation, and thereby deducted from the estate. An irrevocable Wealth Replacement Trust owns life insurance on the life of the grantor(s) and helps replace the amount to the family that is passing to charity.

Strategy	Client Objective	Client Profile	Strategy Overview
Charitable Remainder Trust (CRT)	Receive income from assets donated to charity	• Has charitable intent • Has highly appreciated assets • Would like an income stream • Benefits from an income tax deduction	Client creates a Charitable Remainder Trust and irrevocably transfers assets to it, generating an income tax deduction for part of the asset value. The client names either self or someone else as the trust's income beneficiary for a term of years or for life. When the income period ends, one or more charities receive the remainder of the donated assets. The client also creates and funds a Wealth Replacement Trust, an irrevocable life insurance trust that owns life insurance on the life of the client to replace the asset's value to the family.
Grantor Retained Annuity Trust (GRAT)	Transfer assets to the next generation without making a large gift	• Has assets expected to appreciate in value • Wants to reduce the transfer tax cost of passing on the estate to family • Does not want to give up the income from the assets	The grantor establishes a Grantor Retained Annuity Trust (GRAT) for a selected term of years and designates trust beneficiaries. The client transfers assets to the GRAT and receives income from them for the trust term. The fair market value of the assets at the time of transfer less the discounted value of the future income interest is a gift to the trust beneficiaries. At the end of the GRAT term, income to the grantor stops and the trust beneficiaries receive the trust assets. During the trust term, its assets are includible in the grantor's taxable estate. Life insurance is purchased by the trustee of an Irrevocable Life Insurance Trust (ILIT) on the life of the grantor to protect against any estate tax liability if the grantor does not survive the GRAT term.

PREMIUM PAYING STRATEGIES

Enable high-net-worth clients to pay life insurance premiums without making substantial gifts to reduce taxation.

Strategy	Client Objective	Client Profile	Strategy Overview
Asset Sale to an Intentionally Defective Irrevocable Grantor Trust (IDGT)	Minimize gift taxes and maintain cash flow without liquidating assets while paying a large life insurance premium	• Generally, is age 55 or older • Has substantial assets valued in excess of estate tax exemption amount • Doesn't want to use the lifetime gift tax exemption amount (or doesn't have any left) • Understands leverage and arbitrage • Is illiquid (has substantial non-cash assets)	Client sells income-producing and, ideally, highly appreciating assets to an Intentionally Defective Irrevocable Grantor Trust. The grantor takes back a promissory note as payment. The grantor also "seeds" the trust with a gift of at least 10% of the fair market value of the asset sold to the trust. There is no capital gains tax incurred by the grantor on the sale or income tax on promissory note interest. The trust owns a life insurance policy on the life of the grantor and uses the income from the trust assets to pay premiums on the policy.
Intra-Family Loans	Minimize gift taxes while paying a large life insurance premium	• Generally, is age 55 or older • Has substantial assets valued in excess of estate tax exemption amount • Doesn't want to use the lifetime gift-tax exemption amount (or doesn't have any left) • Understands leverage and arbitrage • Has (or can access) substantial liquidity	Client loans money to an Irrevocable Grantor Trust and the trustee pays the premiums on a life insurance policy on the client's life. The trust pays the client loan interest.
Private Split Dollar	Minimize the use of an individual's annual and/or lifetime gift-tax-exempt amounts to fund an Irrevocable Life Insurance Trust (ILIT)	• Is age 55 or older • Has high net worth • Is interested in transferring wealth • Is interested in leveraging annual and lifetime gift-tax exemptions • Has a life insurance need where the premium is in excess of their gifting capacity	The grantor/insured creates an ILIT owning a life insurance policy on their life or a survivorship policy. A private split dollar agreement is created and guarantees repayment of premiums to the grantor's estate from the death benefit. In most cases, the ILIT will own the policy; either it borrows the premiums from the grantor at interest, or the value of the life insurance coverage is counted as an annual gift from the grantor to the ILIT.

Strategy	Client Objective	Client Profile	Strategy Overview
Commercial Premium Financing	Minimize gift taxes and maintain cash flow without losing control over assets while paying a large life insurance premium	• Typically age 55 or older • Has substantial assets valued in excess of estate tax exemption amount • Doesn't want to use the lifetime gift-tax exemption amount (or doesn't have any left) • Understands leverage and arbitrage • Wants to retain control over assets to benefit from appreciation and/or income	The client borrows money from a third-party commercial lender to finance the policy premiums for a life insurance policy. The policy is typically used as collateral to secure the loan. Additional collateral requirements are satisfied using the client's other assets.

CLOSE YOUR NEXT HIGH-NET-WORTH CASE WITH PRUDENTIAL BY YOUR SIDE

The high-net-worth clients you work with are important to you and the success of your business. Don't trust just anyone to help you design and place cases for them. Contact your Prudential wholesaler or Prudential's Advanced Planning Team at 800-800-2738, option 4, to discuss how we can help you with your next opportunity.

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1070563-00001-00 Ed. 06/2023

Recent Ruling Serves as a Reminder to Follow the IRS Guidelines and Rules with Charitable Giving

With the individual estate tax exclusion and lifetime gifting limit scheduled to decrease from approximately $13 million (in 2023) to $6.5 million on January 1, 2026, many high-net-worth clients are looking to move assets now while there is still an opportunity to do so. Assets that are often part of the conversation are shares of stock in closely held companies. Regardless of whether a client is considering gifting shares to a charity to obtain a current income tax deduction or to an irrevocable trust to freeze the value for estate planning purposes, a "Qualified Appraisal" should be obtained to determine valuation and a recent tax court case reinforces that message. In addition to working with a "qualified appraiser", taxpayers need to be aware of the impact of any prearranged agreements to purchase and how that might impact the intended tax benefits associated with the gift.

In the case of *Estate of Hoensheid v. Comm'r, T.C. Memo. 2023-34*[1], a taxpayer owned shares in a closely held company and gifted shares to a donor advised fund (DAF). The $3.2 million valuation of the shares included as a charitable deduction on the taxpayer's tax return was determined by an individual working for his financial advisor and his work did not meet the definition of a "qualified appraisal". The court determined that the taxpayer's "failure to satisfy multiple substantive requirements of the regulations, paired with the appraisal's other more minor defects, precludes them from establishing substantial compliance" and, further, that the taxpayer did not have reasonable cause for his failure to provide a qualified appraisal. Accordingly, the court upheld the determination by the IRS to disallow the claimed charitable income tax deduction in its entirely.

In addition to not receiving the anticipated charitable deduction, the taxpayer incurred reportable income as a result of the shares being sold a few days after being donated to the DAF. The sale of stock was the result of a prearranged sale of the company which the taxpayer helped orchestrate and had a high degree of confidence would be completed before he agreed to gift the shares to the DAF. The court determined the Assignment of Income Doctrine applied to the sale of the shares and the income is taxed "to those who earn or otherwise create the right to receive it" and that tax cannot be avoided "by anticipatory arrangements and contracts however skillfully devised." Therefore, a person with a fixed right to receive income from property cannot avoid taxation by arranging for another to gratuitously take title before the income is received.

To summarize, the tax consequences of the donation of shares to the DAF were not what the taxpayer thought they would be nor what they had intended. The taxpayer thought they would be able to avoid the income tax liability on the sale of the stock contributed to the DAF and receive a charitable income tax deduction for its fair market value, but instead they had to recognize the taxable gain and were unable to claim any charitable income tax deduction.

Prudential is Here to Support You

Prudential's Advanced Planning team is here to support you. For questions regarding charitable planning, estate planning or any advanced concept or strategy, please contact Prudential's Advanced Planning team at 800-800-2738, option 4.

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1071922-00001-00 Ed. 07/2023

This Advanced Planning Insights and Ideas bulletin was published July 2023.

[1] Hoensheid v. Commissioner of Internal Revenue, No. 18606-19 (U.S.T.C. Jun. 23, 2021). https://casetext.com/case/hoensheid-v-commissioner-of-internal-revenue

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ADVANCED PLANNING

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1045541-00004-00

Creating a Lifetime Legacy

You have several options available to you for passing along your wealth.

If your hard work and careful preparation have brought you financial rewards beyond what you need to live comfortably, lifetime gifting may make sense. By using annual gifting exclusions, you can:

- Enjoy seeing beneficiaries receive some of your wealth during your lifetime.
- Give money to your recipients of choice without gift tax consequences.
- Reduce the value of your estate, eliminating or reducing your potential estate tax exposure.

KNOWING IF THIS STRATEGY IS RIGHT FOR YOU

You have several options available to you for passing along your wealth. Certain criteria can help you determine whether to consider the strategy presented here.

This gifting strategy may benefit you and your family if you:

- Are single or married and age 55 or older.
- Have children or grandchildren.
- Have assets that you want to gift and do not intend to use during your life- time and that are not needed for support in retirement.
- Have a minimum net worth of $5,000,000 and sufficient liquid assets to support the strategy.
- Desire to provide for and leave more to your children or grandchildren.
- Would like to minimize taxes.

Step 1: Using Annual Exclusions

A wealthy married couple with children can reduce their taxable estate in 2023 by making annual exclusion gifts to each of their children.

HUSBAND		WIFE		TOTAL
$17,000 annual exclusion	+	**$17,000** annual exclusion	=	**$34,000** per recipient

It is important to remember that unused annual gifting exclusions do not carry over and accumulate. From year to year, you either make use of the exclusion amount or lose it. The gift tax exclusion amount is indexed annually for inflation.

Step 2: Using Lifetime Exemptions

Married couples can further reduce their taxable estate by up to $25,840,000 in 2023 by using their lifetime gifting exemptions.

HUSBAND		WIFE		TOTAL
$12,920,000 lifetime exemption	+	**$12,920,000** lifetime exemption	=	**$25,840,000** per couple

It is important to remember that using any of the lifetime exemption will reduce the amount of exemption available to offset estate tax, in the same amount. The lifetime exemption amount is indexed annually for inflation.

Step 3: Making your exclusions and exemptions work harder.

One way to help make your gifting exclusions work even harder for you and your beneficiaries is through annual gifting to an **Irrevocable Life Insurance Trust (ILIT)**. This is a trust specially drafted to own life insurance for the benefit of the beneficiaries of the trust. These beneficiaries have an insurable interest in the person being insured. The trustee can then use your annual gifts to pay the premiums on life insurance covering either you or you and your spouse jointly.

ANNUAL GIFTING TO AN IRREVOCABLE LIFE INSURANCE TRUST (ILIT).

This strategy may:

Irrevocable Life Insurance Trust (ILIT)

- Deliver value to beneficiaries through a death benefit that could be significantly greater than the sum of gifts made to the trust for premium outlay, depending on your health and age upon purchase.
- Reduce your taxable estate.
- Provide an income and estate tax-free death benefit that can be used to help offset any estate settlement costs, including potential estate taxes.
- The irrevocable nature of an ILIT prevents it from being changed in the future and helps ensure that contributions are completed gifts for gift tax purposes. However, most well-drafted trusts can be flexible enough to adjust for future changes to circumstances, despite their irrevocable nature. Please consult with your attorney for specific information.

BENEFITS OF USING AN ILIT.

When an ILIT is properly drafted and administered, it can help you:

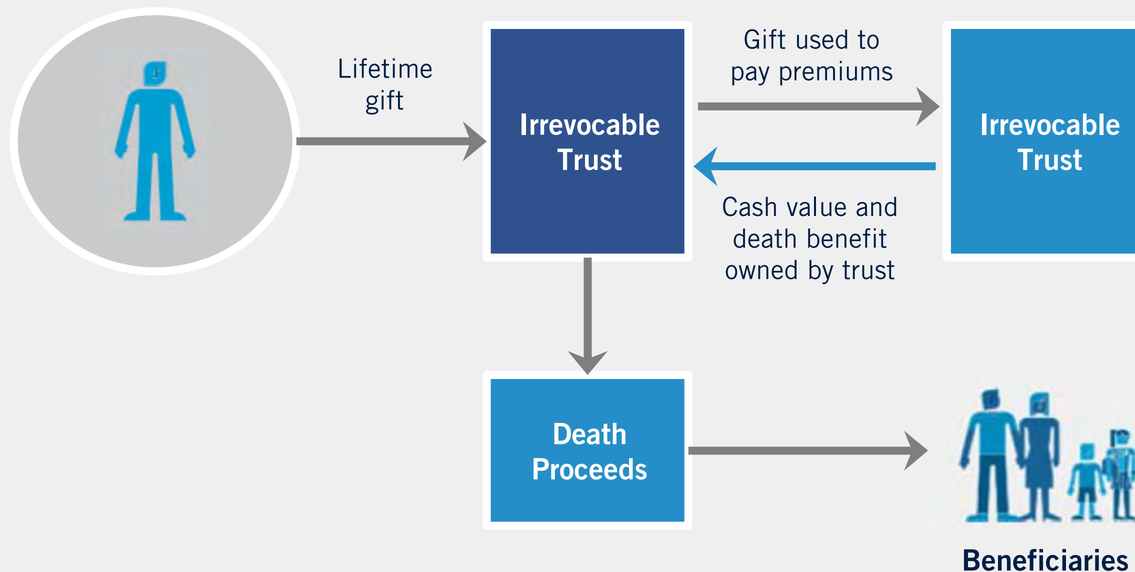
- Protect assets from creditors of trust beneficiaries.
- Provide for beneficiaries who may lack the maturity and/or responsibility to effectively manage large amounts of wealth.
- Establish controls around how the trust assets are managed, distributed, and ultimately received by your beneficiaries.
- Reinforce your value system by establishing additional controls such as incentive provisions, which can influence beneficiaries to behave in certain ways and live out or avoid certain kinds of lifestyles.
- Benefit multiple generations including a first-generation spouse, children, and grandchildren.

HOW AN ILIT WORKS

To implement this strategy, you would work with your attorney to draft the trust document. Once that's created, you would then make a gift to the trust. The trustee, whom you select, is then responsible for managing trust assets and distributing them to the beneficiaries according to the terms of the trust.

To accomplish its purpose, the ILIT must be both the owner and beneficiary of a life insurance policy. The premiums are typically paid with gifts made to the ILIT from the grantor of the trust.

Upon the grantor's death, the proceeds are paid to the ILIT and the trustee may distribute the proceeds to the trust's beneficiaries in accordance with the ILIT's terms. The life insurance proceeds are generally received income tax-free[1] by the ILIT and, assuming the trust is properly drafted and administered, the life insurance proceeds will also be excluded from the insured's estate.



[1]Pursuant to U.S. IRC §101(a).

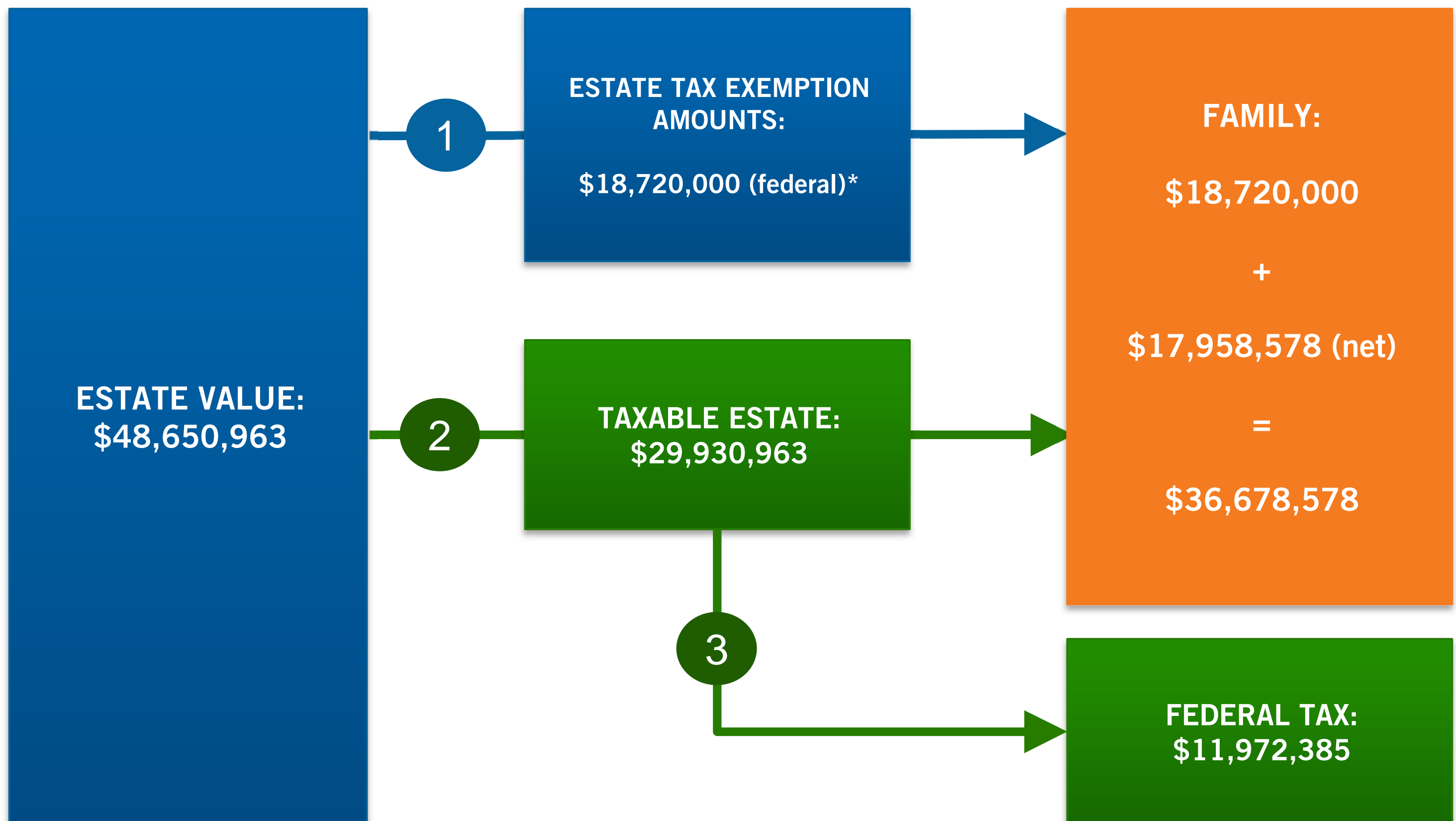
The trust will receive the death benefit free of both federal estate and income taxes. The policy pays the death benefit upon the second death, which is when the couple's estate must be settled.

No Planning

TECHNIQUES
- Full Use of Estate Tax Exemptions

Estate Value Today: $15,000,000

At Life Expectancy (30 Years):



1. Value of estate equal to estate tax exemption amounts passes to family.
2. Value of estate in excess of estate tax exemption amounts is subject to estate tax.
3. Federal estate tax payable is typically due within nine months of death.

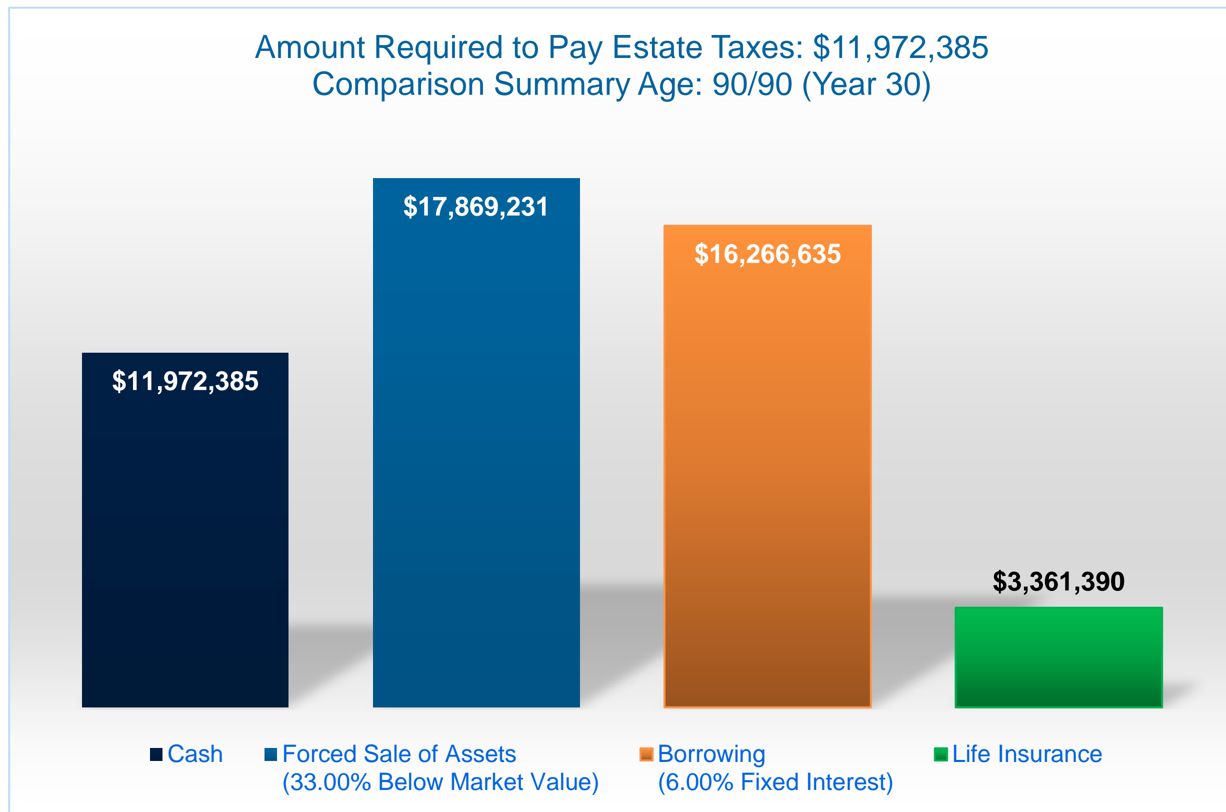
* The current federal estate tax laws allow individuals to pass a certain amount to a non-spouse beneficiary free of estate tax (currently $12,920,000* for 2023). Portability, which allows a surviving spouse to use a deceased spouse's unused estate tax exclusion, could increase the surviving spouse's exclusion to $25,840,000. The exemption will be reduced by 50% after December 31, 2025. The exclusion is indexed annually for inflation, and the amount shown here assumes the current exclusion is indexed at 1.50% annually. See the Concept Illustration pages for detailed calculations.

Life Insurance

Life insurance is often the most economical and practical solution to estate taxes and settlement costs, especially when you wish to pass your assets intact for the benefit of your heirs. Life insurance provides a specific payout at death, regardless of when death occurs. When cash value life insurance is used, the policy may serve double duty, providing both an income tax-free death benefit[1] and potential cash value accumulation on an income tax-deferred basis.

Life insurance can be a cost-effective method of prepaying the needs of the estate because premium costs are usually lower than the death proceeds and the death proceeds are generally received income tax-free under IRC §101(a).[1]

Cumulative Cost of Planning Options



- **Cash:** If the estate has sufficient cash on hand to pay taxes, there is little or no additional cost.
- **Forced Sale of Assets:** Since estate taxes must be paid in cash, the estate may be forced to raise the funds by selling assets on the open market. In the case of illiquid assets such as real estate or a family business[2], the seller may be faced with the disadvantages of a down market or a limited pool of buyers, resulting in discounted sale prices. This calculation assumes a hypothetical discount is a cost added to the tax.
- **Borrowing:** Using this option, the estate may borrow against the value of estate assets to pay the estate tax. In some cases, the heirs may lend their own money to the estate. In either scenario, the total loan interest and other borrowing expenses can significantly inflate the cost of paying taxes.
- **Life Insurance:** By using premiums for a life insurance policy as a means of pre-paying part or all of anticipated estate taxes, there may be significant overall long-term cost savings. The life insurance cost shown here purchases $15,000,000 of Death Benefit.

[1] For employer-owned contracts issued after August 17, 2006, the death proceeds in excess of the cost basis are subject to income tax, except where employee notice and consent requirements are met and the insured was either an employee at any time during the 12- month period prior to death or a director, a highly compensated employee, or a highly compensated individual at the time the contract was issued. In addition, businesses must fulfill annual information reporting requirements.
[2] Where a business comprises 35% or more of the estate's value, IRC Section 6166 may provide an option to pay the tax in deferred installments.

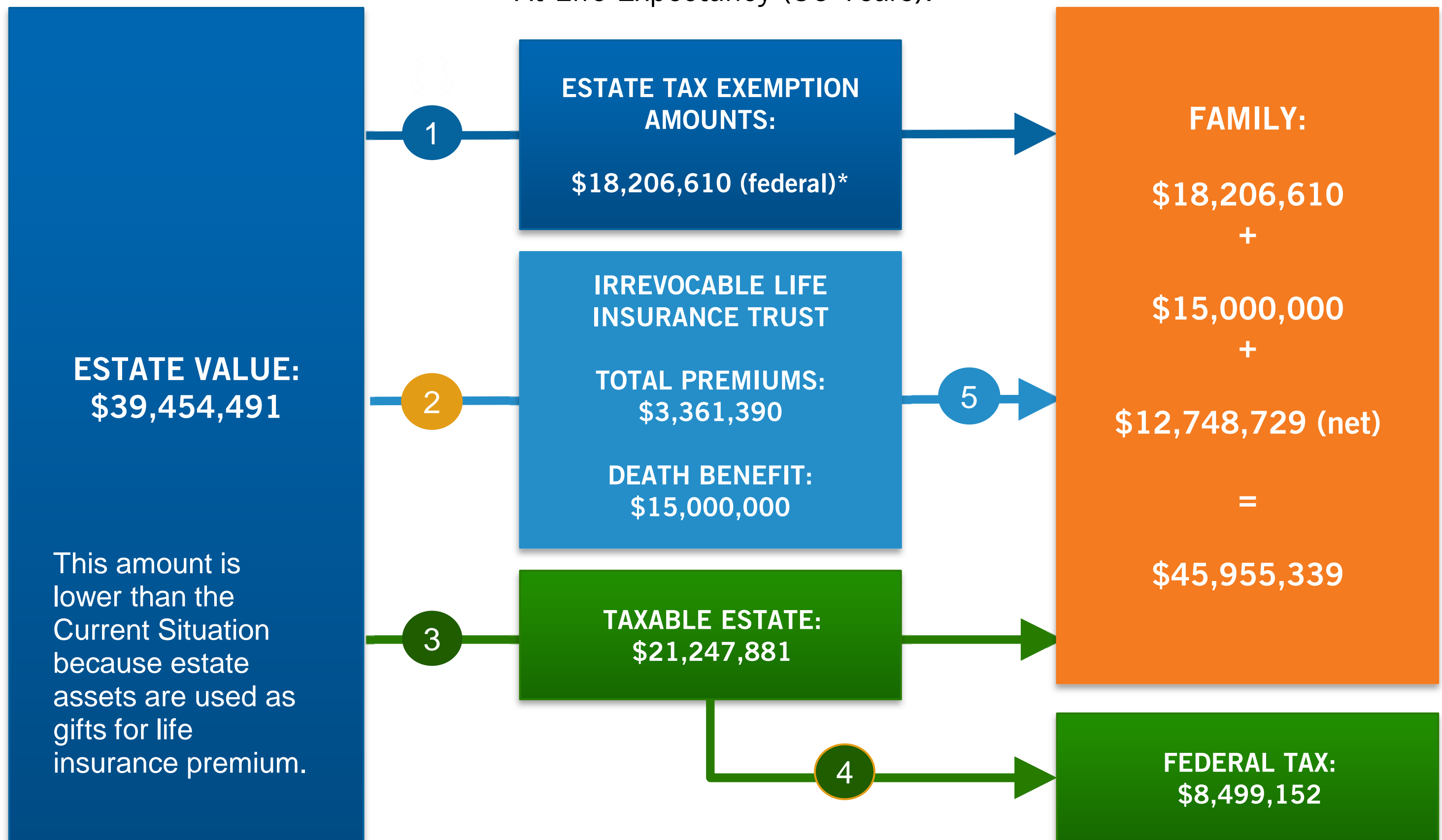
Leveraged Gifting

TECHNIQUES

- As above, make Annual Exclusion Gifts to Irrevocable Life Insurance Trust (four beneficiaries)
- 8 beneficiaries = $272,000 annually
- Make additional tax-free gifts by tapping into Lifetime Exemption Amounts
- Total Initial Premium: $336,139

Estate Value Today: $15,000,000

At Life Expectancy (30 Years):



1. Value of estate equal to estate tax exemption amounts passes to family.
2. Total exclusion gifts of $272,000 made annually to ILIT. In addition, a portion of the Lifetime Exemption Amount is used.
3. Value of estate is subject to estate tax in excess of remaining Lifetime Exemption Amount(s).
4. Federal estate tax payable is typically due within nine months of death.
5. At death, the life insurance death benefit passes tax-free to the next generation, effectively leveraging the gifts used to purchase it.

* The current federal estate tax laws allow individuals to pass a certain amount to a non-spouse beneficiary free of estate tax (currently $12,920,000* for 2023). Portability, which allows a surviving spouse to use a deceased spouse's unused estate tax exclusion, could increase the surviving spouse's exclusion to $25,840,000. The exemption will be reduced by 50% after December 31, 2025. The exclusion is indexed annually for inflation, and the amount shown here assumes the current exclusion is indexed at 1.50% annually. See the Concept Illustration pages for detailed calculations.

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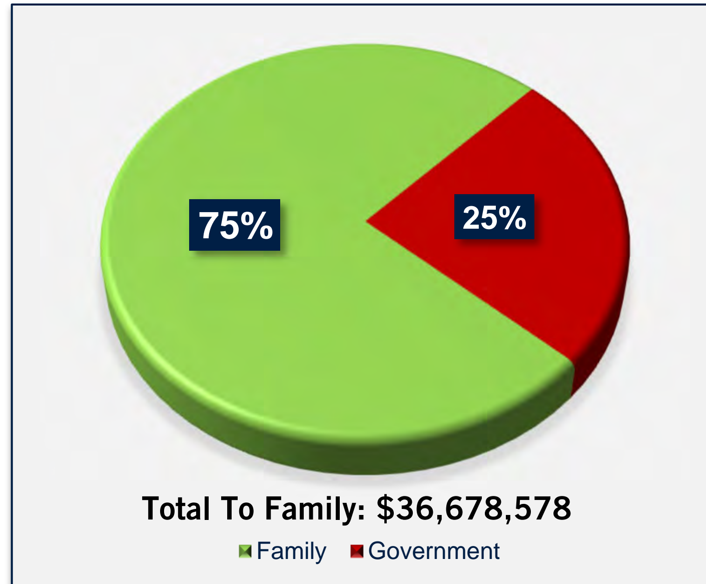
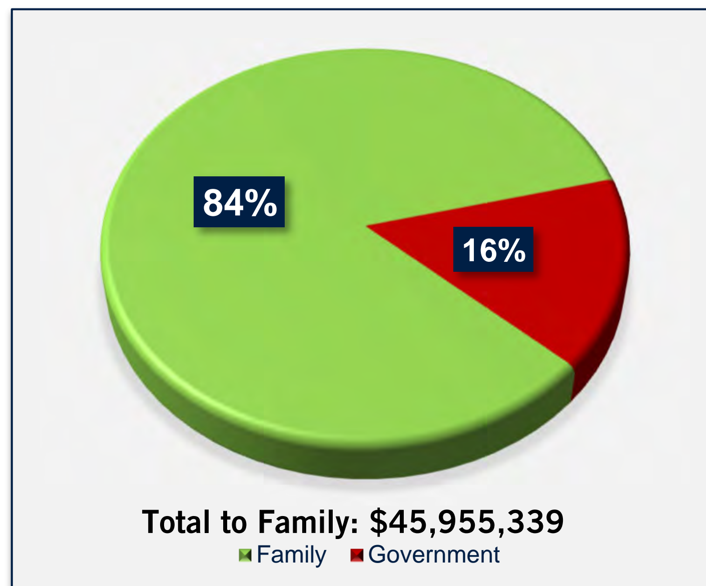
Comparison of Alternatives

Your Potential Legacy

CURRENT SITUATION



LEVERAGED GIFTING



The current federal estate tax laws allow individuals to pass a certain amount to a non-spouse beneficiary free of estate tax (currently $12,920,000* for 2023). Portability, which allows a surviving spouse to use a deceased spouse's unused estate tax exclusion, could increase the surviving spouse's exclusion to $25,840,000. The exemption will be reduced by 50% after December 31, 2025. The exclusion is indexed annually for inflation, and the amount shown here assumes the current exclusion is indexed at 1.50% annually. See the Concept Illustration pages for detailed calculations.

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THIS ILLUSTRATION IS NOT VALID WITHOUT A COMPLETE SET OF PAGES. THIS ILLUSTRATION ID IS 5569560137620009

Wealth Replacement Trust

DEFINITION OF COLUMNS
CURRENT SITUATION

1. **Year**
   These are the years the Policy has been in force, beginning on the Policy anniversary.

2. **Age(s)**
   These are the age(s) of the Insured(s) at the beginning of the Year.

3. **Estate Value**
   This amount assumes your current estate value increases annually.

4. **Federal Estate Tax Exemption**
   This is the value of the amount exempt from federal estate tax, indexed for inflation.

5. **Federal Estate Tax**
   This is the amount of estate tax after applying the Federal Exemption in Column 4.

6. **Total to Family**
   Column 3 minus Column 5.

WEALTH REPLACEMENT TRUST

7. **Annual Gifts**
   These are amounts used to pay for the life insurance policy owned by the irrevocable life insurance trust, as shown in Column 11.

8. **Estate Value**
   This amount assumes your current estate value increases annually, net of the life insurance premium in Column 7.

9. **Federal Estate Tax Exemption Amounts**
   The amount exempt from federal estate tax, indexed for inflation.

10. **Federal Estate Tax**
    The amount of estate tax after applying the Federal Exemption in Column 9.

11. **Wealth Replacement Trust (WRT) with Life Insurance**
    This is the life insurance policy death benefit held in trust for your heirs. If properly structured, assets in the trust are outside your taxable estate.

12. **Total to Family**
    Column 8 minus Column 10 plus Column 11.

Estate Tax Analysis

Valued Client, Male 60, Preferred Non-Tobacco
Valued Client, Female 60, Preferred Non-Tobacco
$15,000,000 PruLife® SVUL Protector
Type A (Fixed) Death Benefit

Non-Guaranteed Results Based on Hypothetical Annual Gross Return of 7.00% (Net 6.20%) and Current

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
		CURRENT SITUATION				LEVERAGED GIFTING					
Year	Age(s)	Estate Value (EOY)	Exemption Amounts	Estate Tax	Total to Family	Annual Gifts	Estate Value	Exemption Amounts	Estate Tax	Irrevocable Life Insurance Trust	Total to Family
1	60/60	15,600,000	25,840,000	0	15,600,000	336,139	15,250,415	25,775,861	0	15,000,000	30,250,415
2	61/61	16,224,000	26,220,000	0	16,224,000	336,139	15,510,847	26,091,722	0	15,000,000	30,510,847
3	62/62	16,872,960	26,620,000	0	16,872,960	336,139	15,781,697	26,427,583	0	15,000,000	30,781,697
4	63/63	17,547,878	12,720,000	1,931,151	15,616,727	336,139	16,063,380	12,463,444	1,439,974	15,000,000	29,623,406
5	64/64	18,249,794	12,900,000	2,139,917	16,109,876	336,139	16,356,331	12,595,305	1,504,410	15,000,000	29,851,920
6	65/65	18,979,785	13,100,000	2,351,914	16,627,871	336,139	16,660,999	12,747,166	1,565,533	15,000,000	30,095,466
7	66/66	19,738,977	13,300,000	2,575,591	17,163,386	336,139	16,977,855	12,899,027	1,631,531	15,000,000	30,346,324
8	67/67	20,528,536	13,500,000	2,811,414	17,717,121	336,139	17,307,385	13,050,888	1,702,599	15,000,000	30,604,786
9	68/68	21,349,677	13,700,000	3,059,871	18,289,806	336,139	17,650,095	13,218,749	1,772,539	15,000,000	30,877,557
10	69/69	22,203,664	13,900,000	3,321,466	18,882,199	336,139	18,006,515	13,386,610	1,847,962	15,000,000	31,158,553
11	70/70	23,091,811	14,100,000	3,596,724	19,495,087	0	18,726,775	13,586,610	2,056,066	15,000,000	31,670,709
12	71/71	24,015,483	14,320,000	3,878,193	20,137,290	0	19,475,846	13,806,610	2,267,694	15,000,000	32,208,152
13	72/72	24,976,103	14,540,000	4,174,441	20,801,662	0	20,254,880	14,026,610	2,491,308	15,000,000	32,763,572
14	73/73	25,975,147	14,760,000	4,486,059	21,489,088	0	21,065,075	14,246,610	2,727,386	15,000,000	33,337,689
15	74/74	27,014,153	14,980,000	4,813,661	22,200,492	0	21,907,678	14,466,610	2,976,427	15,000,000	33,931,251
16	75/75	28,094,719	15,200,000	5,157,887	22,936,831	0	22,783,985	14,686,610	3,238,950	15,000,000	34,545,035
17	76/76	29,218,507	15,420,000	5,519,403	23,699,104	0	23,695,345	14,906,610	3,515,494	15,000,000	35,179,851
18	77/77	30,387,248	15,660,000	5,890,899	24,496,349	0	24,643,159	15,146,610	3,798,619	15,000,000	35,844,539
19	78/78	31,602,738	15,900,000	6,281,095	25,321,643	0	25,628,885	15,386,610	4,096,910	15,000,000	36,531,975
20	79/79	32,866,847	16,140,000	6,690,739	26,176,108	0	26,654,040	15,626,610	4,410,972	15,000,000	37,243,068
21	80/80	34,181,521	16,380,000	7,120,608	27,060,913	0	27,720,202	15,866,610	4,741,437	15,000,000	37,978,765
22	81/81	35,548,782	16,620,000	7,571,513	27,977,269	0	28,829,010	16,106,610	5,088,960	15,000,000	38,740,050
23	82/82	36,970,733	16,860,000	8,044,293	28,926,440	0	29,982,170	16,346,610	5,454,224	15,000,000	39,527,946
24	83/83	38,449,562	17,120,000	8,531,825	29,917,737	0	31,181,457	16,606,610	5,829,939	15,000,000	40,351,518
25	84/84	39,987,545	17,380,000	9,043,018	30,944,527	0	32,428,716	16,866,610	6,224,842	15,000,000	41,203,873
26	85/85	41,587,047	17,640,000	9,578,819	32,008,228	0	33,725,864	17,126,610	6,639,702	15,000,000	42,086,162
27	86/86	43,250,529	17,900,000	10,140,211	33,110,317	0	35,074,899	17,386,610	7,075,315	15,000,000	42,999,583
28	87/87	44,980,550	18,180,000	10,720,220	34,260,330	0	36,477,895	17,666,610	7,524,514	15,000,000	43,953,381
29	88/88	46,779,772	18,440,000	11,335,909	35,443,863	0	37,937,010	17,926,610	8,004,160	15,000,000	44,932,850
30	**89/89**	**48,650,963**	**18,720,000**	**11,972,385**	**36,678,578**	**0**	**39,454,491**	**18,206,610**	**8,499,152**	**15,000,000**	**45,955,339**

The current federal estate tax laws allow individuals to pass a certain amount to a non-spouse beneficiary free of estate tax (currently $12,920,000* for 2023). Portability, which allows a surviving spouse to use a deceased spouse's unused estate tax exclusion, could increase the surviving spouse's exclusion to $25,840,000. The exemption will be reduced by 50% after December 31, 2025. The exclusion is indexed annually for inflation, and the amount shown here assumes the current exclusion is indexed at 1.50% annually. See the Concept Illustration pages for detailed calculations.

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Estate Tax Analysis

Valued Client, Male 60, Preferred Non-Tobacco
Valued Client, Female 60, Preferred Non-Tobacco
$15,000,000 PruLife® SVUL Protector
Type A (Fixed) Death Benefit

Non-Guaranteed Results Based on Hypothetical Annual Gross Return of 7.00% (Net 6.20%) and Current

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
		CURRENT SITUATION				LEVERAGED GIFTING					
Year	Age(s)	Estate Value (EOY)	Exemption Amounts	Estate Tax	Total to Family	Annual Gifts	Estate Value	Exemption Amounts	Estate Tax	Irrevocable Life Insurance Trust	Total to Family
31	90/90	50,597,001	19,000,000	12,638,800	37,958,201	0	41,032,670	18,486,610	9,018,424	15,000,000	47,014,246
32	91/91	52,620,881	19,280,000	13,336,352	39,284,529	0	42,673,977	18,766,610	9,562,947	15,000,000	48,111,030
33	92/92	54,725,716	19,580,000	14,058,287	40,667,430	0	44,380,936	19,066,610	10,125,731	15,000,000	49,255,206
34	93/93	56,914,745	19,880,000	14,813,898	42,100,847	0	46,156,174	19,366,610	10,715,826	15,000,000	50,440,348
35	94/94	59,191,335	20,180,000	15,604,534	43,586,801	0	48,002,421	19,666,610	11,334,324	15,000,000	51,668,096
36	95/95	61,558,988	20,480,000	16,431,595	45,127,393	0	49,922,518	19,966,610	11,982,363	15,000,000	52,940,155
37	96/96	64,021,348	20,780,000	17,296,539	46,724,809	0	51,919,418	20,266,610	12,661,123	15,000,000	54,258,295
38	97/97	66,582,202	21,100,000	18,192,881	48,389,321	0	53,996,195	20,586,610	13,363,834	15,000,000	55,632,361
39	98/98	69,245,490	21,400,000	19,138,196	50,107,294	0	56,156,043	20,886,610	14,107,773	15,000,000	57,048,270
40	99/99	72,015,309	21,740,000	20,110,124	51,905,186	0	58,402,285	21,226,610	14,870,270	15,000,000	58,532,015
41	100/100	74,895,922	22,060,000	21,134,369	53,761,553	0	60,738,376	21,546,610	15,676,706	15,000,000	60,061,670
42	101/101	77,891,759	22,380,000	22,204,703	55,687,055	0	63,167,911	21,866,610	16,520,520	15,000,000	61,647,391
43	102/102	81,007,429	22,720,000	23,314,972	57,692,457	0	65,694,627	22,206,610	17,395,207	15,000,000	63,299,420
44	103/103	84,247,726	23,060,000	24,475,090	59,772,636	0	68,322,413	22,546,610	18,310,321	15,000,000	65,012,092
45	104/104	87,617,635	23,420,000	25,679,054	61,938,581	0	71,055,309	22,906,610	19,259,480	15,000,000	66,795,829
46	105/105	91,122,341	23,760,000	26,944,936	64,177,404	0	73,897,521	23,246,610	20,260,365	15,000,000	68,637,157
47	106/106	94,767,234	24,120,000	28,258,894	66,508,341	0	76,853,422	23,606,610	21,298,725	15,000,000	70,554,697
48	107/107	98,557,924	24,480,000	29,631,169	68,926,754	0	79,927,559	23,966,610	22,384,380	15,000,000	72,543,180
49	108/108	102,500,241	24,840,000	31,064,096	71,436,144	0	83,124,662	24,326,610	23,519,221	15,000,000	74,605,441
50	109/109	106,600,250	25,220,000	32,552,100	74,048,150	0	86,449,648	24,706,610	24,697,215	15,000,000	76,752,433
51	110/110	110,864,260	25,600,000	34,105,704	76,758,556	0	89,907,634	25,086,610	25,928,410	15,000,000	78,979,224
52	111/111	115,298,831	25,980,000	35,727,532	79,571,298	0	93,503,939	25,466,610	27,214,932	15,000,000	81,289,008
53	112/112	119,910,784	26,380,000	37,412,314	82,498,470	0	97,244,097	25,866,610	28,550,995	15,000,000	83,693,102
54	113/113	124,707,215	26,760,000	39,178,886	85,528,329	0	101,133,861	26,246,610	29,954,900	15,000,000	86,178,960
55	114/114	129,695,504	27,180,000	41,006,202	88,689,302	0	105,179,215	26,666,610	31,405,042	15,000,000	88,774,173
56	115/115	134,883,324	27,580,000	42,921,330	91,961,994	0	109,386,384	27,066,610	32,927,910	15,000,000	91,458,474
57	116/116	140,278,657	28,000,000	44,911,463	95,367,194	0	113,761,839	27,486,610	34,510,092	15,000,000	94,251,747
58	117/117	145,889,803	28,420,000	46,987,921	98,901,882	0	118,312,313	27,906,610	36,162,281	15,000,000	97,150,032
59	118/118	151,725,395	28,840,000	49,154,158	102,571,237	0	123,044,805	28,326,610	37,887,278	15,000,000	100,157,527
60	119/119	157,794,411	29,280,000	51,405,764	106,388,647	0	127,966,597	28,766,610	39,679,995	15,000,000	103,286,602

The current federal estate tax laws allow individuals to pass a certain amount to a non-spouse beneficiary free of estate tax (currently $12,920,000* for 2023). Portability, which allows a surviving spouse to use a deceased spouse's unused estate tax exclusion, could increase the surviving spouse's exclusion to $25,840,000. The exemption will be reduced by 50% after December 31, 2025. The exclusion is indexed annually for inflation, and the amount shown here assumes the current exclusion is indexed at 1.50% annually. See the Concept Illustration pages for detailed calculations.

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Estate Tax Analysis

Valued Client, Male 60, Preferred Non-Tobacco
Valued Client, Female 60, Preferred Non-Tobacco
$15,000,000 PruLife® SVUL Protector
Type A (Fixed) Death Benefit

Non-Guaranteed Results Based on Hypothetical Annual Gross Return of 7.00% (Net 6.20%) and Current

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
		CURRENT SITUATION				LEVERAGED GIFTING					
Year	Age(s)	Estate Value (EOY)	Exemption Amounts	Estate Tax	Total to Family	Annual Gifts	Estate Value	Exemption Amounts	Estate Tax	Irrevocable Life Insurance Trust	Total to Family
61	120/120	164,106,188	29,720,000	53,754,475	110,351,713	0	133,085,261	29,206,610	41,551,461	15,151,876	106,685,677

The current federal estate tax laws allow individuals to pass a certain amount to a non-spouse beneficiary free of estate tax (currently $12,920,000* for 2023). Portability, which allows a surviving spouse to use a deceased spouse's unused estate tax exclusion, could increase the surviving spouse's exclusion to $25,840,000. The exemption will be reduced by 50% after December 31, 2025. The exclusion is indexed annually for inflation, and the amount shown here assumes the current exclusion is indexed at 1.50% annually. See the Concept Illustration pages for detailed calculations.

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Additional Considerations

BEFORE IMPLEMENTING THIS STRATEGY

- Any investment that you plan to purchase or pay for during retirement involves the structuring and use of your income or other assets. You should be certain you will have sufficient liquid assets to support your current and future income and expenses before considering the purchase of a life insurance policy. Equity in the home should not be considered a liquid asset.
- You should develop a comprehensive financial strategy to take into account current and future income and expenses in conjunction with implementing the strategy discussed here.
- We recommend that you consult your tax and legal advisor to discuss your situation before implementing the strategy discussed here.

ABOUT THIS CONCEPT

This concept is only intended to be used for assets that will not be needed for living expenses for the expected lifetime of the insured. It is your responsibility to estimate these needs and expenses and it is recommended that you consider developing a comprehensive financial strategy in conjunction with implementing the strategy.

IF YOUR FINANCIAL OR LEGACY SITUATION CHANGES

If you can no longer make premium payments, the life insurance policy may lapse and the results illustrated may not be achieved.

WHEN THIS STRATEGY MAY NOT BE IN YOUR BEST INTEREST

Depending on your life span, it is possible that the trust beneficiaries may receive more by just investing the assets used to pay the life insurance premiums rather than by receiving the death benefit of the life insurance policy that was purchased.

TAX AND OTHER FINANCIAL IMPLICATIONS

- There may be tax and other financial implications as a result of liquidating assets within an investment portfolio to purchase life insurance. If contemplating such a strategy, it is important to understand that life insurance is a long-term strategy to meet particular needs.
- The sale or liquidation of any stock, bond, IRA, certificate of deposit, mutual fund, annuity, or other asset may have tax consequences, early withdrawal penalties, or other costs or penalties as a result of the sale or liquidation.

ABOUT LIFE INSURANCE

- The death benefit protection offered by a life insurance policy can be a key component of a sound financial strategy.
- It is important to fully understand the terms and conditions of any financial product before purchasing it.

OTHER NOTES

- You should consider that life insurance policies contain fees and expenses, including cost of insurance, administrative fees, premium loads, surrender charges, and other charges or fees that will impact policy values.
- If you can no longer make premium payments, the life insurance death benefit may terminate, and the results illustrated may not be achieved.

Assumptions Used to Prepare the Concept Illustration

	Value	Explanation
CLIENT INFORMATION		
Family Name	Client	Name of family
Client Name	Valued	Given name of the first client
Age	60	Age of the first client (required)
Sex	Male	Sex of the first client (required)
Smoking Status	Preferred Non-Smoker	Underwriting class of the first client (required)
Spouse's Name	Valued Client	Given name of the second client
Age	60	Age of the second client (if any)
Sex	Female	Sex of the second client (required)
Smoking Status	Preferred Non-Smoker	Underwriting class of the second client (required)
Client's Tax Bracket	34.00%	Client's Tax Rate
ESTATE INFORMATION		
Total Estate Value	$15,000,000	
Growth Rate of Estate Assets	4.00%	
Marital Status	Married	
Death Year/Age:	30	
Post-76 Taxable Gifts	$0	
Prior Gift Taxes Paid	$0	
Number of Annual Exclusions Per Client	8	
Annual Gifting Method	None	
Federal Lifetime Exemption Used	$0	
Federal Exemption Inflation Rate	1.50%	
Borrow to Pay Estate Taxes		
Loan Rate:	6.00%	
Loan Term:	10	
Forced Sale of Assets:		
Discount Cost	33.00%	
LIFE INSURANCE INFORMATION		
Type of Policy	Survivorship	
Policy Name	PruLife® SVUL Protector	
State	Maryland	
Death Benefit of Policy	$15,000,000	
Premium for Policy	$336,139	
Years for Premiums	10	
Current Crediting Rate	6.20%	

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ADVANCED PLANNING

THE TAX CUTS AND JOBS ACT OF 2017 (TCJA)

Don't wait to see it sunset. Make the most of it today.

Many individuals and businesses have paid less in taxes since the Tax Cuts and Jobs Act of 2017 (TCJA) was signed into law in December 2017. If you're not familiar with the TCJA, it doubled the federal estate, gift, and generation-skipping transfer tax exemptions, lowered income tax rates, and more.

Most of these benefits are scheduled to sunset, or come to an end, on January 1, 2026. Here's what you should know:

The federal estate, gift, and generation-skipping transfer tax exemptions will be cut in half.

The TCJA doubled the estate, gift, and generation-skipping transfer tax basic exclusion amounts to:

- **$10 million per person, indexed for inflation. In 2023, the amount is equal to $12.92 million.**
- **$20 million per married couple, indexed for inflation. In 2023, the amount is equal to $25.84 million.**

On January 1, 2026, the exemption amount will revert to:

- **$5 million per person, adjusted for inflation, or**
- **$10 million per married couple, adjusted for inflation**

This planned decrease in the exemption caused concern over what would happen after 2026 if large gifts were made between 2018 and 2025. This left many people wondering:

- **Would their large gifts be clawed back once the exemption had been lowered?**
- **Would the planned gifts they had made during life be taxed unfavorably at death?**

IN GENERAL, THE ANSWERS TO THESE QUESTIONS ARE NO.

WHAT ABOUT PORTABILITY?

Portability is the availability of the unused exemption of the first spouse to die to be transferred to the surviving spouse.

If your spouse dies before 2026, the deceased spouse's unused exemption amount that is ported to the surviving spouse will not decrease because of the sunset.

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“Clawback” is the potential for gifts made during life to be taxed unfavorably at death. IRS regulations (Regs. Sec. 20.2010-1(c)) prevent most lifetime gifts that exceed the available basic exclusion amount at death from being “clawed back” and taxed as part of the donor’s estate.

FOR EXAMPLE:

THIS YEAR, YOU DECIDE TO MAKE A $10 MILLION GIFT.

You pass away in 2026, after the sunset, and the exemption has decreased to $5 million (indexed for inflation = $6.5 million).

Your estate gets the benefit of an estate tax exemption amount of $10 million. However, you have no remaining exemption amount left because in your lifetime you used more than the exemption amount in your year of death ($6.5 million).

DO YOU THINK YOUR ESTATE IS TOO SMALL TO WORRY ABOUT THIS?

What will it be worth in 5, 10, or 20 years at a mere 4% growth rate?

Year	Today’s Estate Value $3 million	Today’s Estate Value $5 million	Today’s Estate Value $8 million
0	$3,000,000	$5,000,000	$8,000,000
5	$3,649,959	$6,083,265	$9,733,223
10	$4,440,733	$7,401,221	$11,841,954
20	$6,573,369	$10,955,616	$17,528,985

Even if you don’t have a federal estate tax problem today, when you factor in the potential growth of your estate, will you have a problem in 2026? Do you live in a state that has state death taxes as well?

This is a “use it or lose it” opportunity. If you don’t use your increased exemption amounts that are available through the end of 2025, then you will have missed the opportunity to take advantage of these higher exemption amounts.

PLANNING OPPORTUNITY

Life insurance is a powerful tool to use in comprehensive estate plans. It can give your estate the liquidity it needs to enhance the wealth transferred to your loved ones. Do you have a plan already in place? Revisit it to ensure no opportunities have been overlooked.

CONSIDER THIS

The federal estate tax exemption increased by $860,000 from 2022 to 2023 due to the current state of inflation. If you’re married, that increase was doubled! If you had previously used your existing exemption in full, you have almost an additional $1 million to use this year.

Federal income tax rates will go up.

The TCJA reduced the tax rate for certain brackets, including the top bracket. Additionally, the legislation increased income thresholds for higher tax brackets. When the TCJA ends, so do the lower tax rates.

Here's how the 2023 tax brackets would be impacted by the upcoming changes:

FILING SINGLE

Income	2023 Tax Rate	2026 Tax Rate
$0 – $11,000	10%	10%
$11,001 – $44,725	12%	**15%**
$44,726 – $95,375	22%	**25%**
$95,376 – $182,100	24%	**28%**
$182,101 – $231,250	32%	**33%**
$231,251 – $578,125	35%	35%
Above $578,125	37%	**39.6%**

MARRIED FILING JOINTLY

Income	2023 Tax Rate	2026 Tax Rate
$0 – $22,000	10%	10%
$22,001 – $89,450	12%	**15%**
$89,451 – $190,750	22%	**25%**
$190,751 – $364,200	24%	**28%**
$364,201 – $462,500	32%	**33%**
$462,501 – $693,750	35%	35%
Above $693,750	37%	**39.6%**

PLANNING OPPORTUNITY

Will you be taxed at a higher rate come 2026?

CONSIDER THIS

Tax-diversified strategies to help minimize your tax burden in the future.

Life insurance that builds cash value can help reduce overall exposure to taxes and round out a diversified tax strategy as part of your portfolio.

[1] Certificate of deposit/money market accounts.

[2] Does not include amounts invested in Roth 401(k)/403(b)/457(b).

[3] Non-qualified annuities purchased with after-tax dollars enjoy the same tax-deferred growth and ordinary income taxation as qualified annuities.

[4] Please note, generally only bonds issued by local and state governments are tax-exempt. May be subject to alternative minimum tax (AMT) and may impact taxation of Social Security benefits.

[5] Life insurance death benefits are generally income tax-free pursuant to U.S. IRC §101(a).Contract cash values can be accessed during the insured's life-time via loans and withdrawals. Loans are generally income tax-free as long as the policy remains in force. Withdrawals are tax-free to the extent of basis. Policies that are modified endowment contracts (MECs) receive less favorable tax treatment.

[6] Qualified distributions are income tax-free. Roth IRA distributions are qualified if the account has been open for 5 tax years, and the owner is age 59½, dies, is disabled, or is a first-time homebuyer ($10,000 lifetime limit). Roth 401(k) distributions are qualified if the plan participant has contributed to the account for 5 tax years, and is 59½ , dies, or is disabled.

There are other notable provisions sunsetting in 2026:

- The standard deduction will be reduced by almost half, adjusted for inflation.
- The $10,000 limit on state and local taxes (the SALT deduction) will be removed.
- The mortgage interest deduction (MID) will increase from $750,000 back to the $1 million limit. This deduction will also be expanded to include up to $100,000 in home equity debt.
- The annual deduction limit for cash contributions to public charities will decrease to 50% of adjusted gross income (AGI).
- Key for businesses and business owners! The Section 199A qualified business income deduction that allowed for a tax deduction of up to 20% of business income for pass-through entities will be eliminated.
- The increased alternative minimum tax (AMT) exemption and income exemption phase-out limits will revert to the pre-TCJA levels, increasing the amount of AMT taxpayers, once again.

What should you do now?

Make sure your strategy meets your needs and you're ready for 2026 and beyond. Use this checklist to get started.

EXPLORE TAX REDUCTION STRATEGIES.

- ❑ Gifting
- ❑ Trust planning
- ❑ Charitable planning

CONSIDER WHERE YOU WANT YOUR ESTATE TO GO TO WHEN YOU DIE.

- ❑ Your heirs — This isn't guaranteed unless it's planned appropriately.
- ❑ Charity — This must be purposely established.
- ❑ Taxes — Without a strategy, taxes are likely.

Talk about estate planning and tax planning strategies with your financial professional and advisors today.

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Advanced Markets

Planning in Action

Private Split Dollar for Gift Tax Minimization (and an Alternative to Commercial Premium Finance)

Case in point

A producer recently reached out to the Advanced Markets team to discuss solutions to potential issues in an estate planning case. As part of the estate planning process, his clients, their estate planning attorneys and financial professionals were reviewing the clients' potential estate tax liability and determined that life insurance owned in an Irrevocable Life Insurance Trust (ILIT) would be a great solution to provide their heirs with sufficient liquidity to settle their estate upon their passing. The plan was to use their remaining lifetime exemption to gift premiums to the ILIT. As a result, the clients submitted an informal application for a survivorship policy on the husband and wife. When the preliminary underwriting decision came back with a substandard rating on the husband, the illustrated premium on the life insurance policy increased to a point that the gifts to the ILIT needed would now be beyond their remaining lifetime exemption amount and annual exclusions.

Designing a case & creating a plan

- The producer called the Advanced Markets team to discuss the option of using Premium Finance to see if the clients could use a commercial loan to pay premiums on the life insurance policy. The thought was that if the clients were able to pay interest-only on the loan this may keep the gifts to trust at a minimum. Unfortunately, at the clients' age, risk class — and due to currently increasing interest rates — the commercially financed design did not look attractive.

- The Advanced Markets Consultant (AMC) suggested they look at Private Split Dollar as an alternative. The AMC designed a Private Split Dollar (PSD) illustration, using the Protection SUL with a $30M death benefit and 10-pay premium of about $1.4M per year to show how using economic benefit may reduce the clients' required gifting.

Client profile

- High net worth clients working with their attorneys on estate planning to maximize the amount left to their heirs
- They have the liquidity to make annual premium payments
- Concerned about not having enough gifting capacity to pay for trust-owned life insurance premiums

Fact finding

- Clients:
  - Male 72, rated 250%
  - Female 68, Standard Plus
- They have a projected estate tax liability of $30M
- Clients don't want to pay premiums for more than 10 years.

  - Another bonus of using split dollar is that the economic benefit cost on a survivorship policy is based on IRS rate tables that do not rely on a client's underwriting rating. Therefore, while the premiums on this case were higher than a healthier client of the same age, the economic benefit costs were exactly the same.

- The AMC also discussed the multiple exit strategies – which provide increased flexibility to the PSD concept — to make sure the desired amount of death benefit remained in the trust after the passing of the insureds. These strategies include using the death benefit as the exit strategy, or potentially making a lump sum gift to settle the split dollar note. The AMC was also able to show what it would look like if the client setup a Grantor Retained Annuity Trust (GRAT) that would leave remainder in the trust sufficient to repay the split dollar loan in year 10.

- The producer took this idea to the clients and their estate planning attorneys. The attorneys approved of the idea and asked if it was possible to using rolling GRATs instead of a 10-year GRAT. The AMC was able to use John Hancock's Rolling GRAT calculator to provide projections to the clients and attorneys, and the case was placed.

Why it works

- The clients are able fund a life insurance policy owned in a trust with minimal gift tax consequences. Instead of having to make a gift equal to the entire premium (approximately $14 Million over ten years) they will only need to make a gift of the economic benefit costs each year (approximately $244 Thousand over ten years). When compared to a commercially premium financed design, these clients, at life expectancy, could have easily paid more in interest and gifts than the net DB would have been.

  Note: the economic benefit is based on IRS rate tables and will increase each year as the clients get older, so an exit strategy during life is highly recommended. Additionally, the economic benefit for a single-life policy is higher than for a survivorship policy, so they may want to look at switching to loan-regime split dollar if one of the insureds dies prior to the planned exit strategy.

- Using a GRAT with the ILIT as the remainder-beneficiary will provide an income stream back to the clients that could potentially help offset premium payments.

- At the end of the GRAT term, the remainder will transfer into to the ILIT using a nominal gift, likely approaching zero, and may provide the ILIT with the assets needed to pay the split dollar note and terminate the split dollar plan.

- In this particular case, the clients were already using the annual exclusions for other planning purposes, but if annual exclusions are available, they could reduce the size of the GRAT that is needed.

Conclusion

Private Split Dollar is a powerful planning technique that allows a client to pay annual premiums on a policy owned in an ILIT without having to make large gifts that would exceed the client's lifetime exemption and incur gift taxes. This technique is often preferred over annual premium loans because the economic benefit costs are often lower when compared to current interest rates — especially on a survivorship policy while both insureds are alive.

Call Advanced Markets at **888-266-7498, option 3** to speak with an Advanced Markets Consultant, or email **advancedmarkets@jhancock.com**

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This is a supplemental illustration. Not all benefits and values are guaranteed. The assumptions on which the non-guaranteed elements are based are subject to change by the insurer. Actual results may be more or less favorable.
Trusts should be drafted by an attorney familiar with such matters in order to take into account income and estate tax laws (including the generation-skipping tax). Failure to do so could result in adverse tax treatment of trust proceeds. There can be costs associated with drafting a trust.
Insurance policies and/or associated riders and features may not be available in all states.
Loans and withdrawals will reduce the death benefit, cash surrender value, and may cause the policy to lapse. Lapse or surrender of a policy with a loan may cause the recognition of taxable income. Policies classified as modified endowment contracts may be subject to tax when a loan or withdrawal is made. A federal tax penalty of 10% may also apply if the loan or withdrawal is taken prior to age 59½.
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ADVANCED PLANNING

Charitable Remainder Trusts

WEALTH TRANSFER

AN INGENIOUS SOLUTION TO A DIFFICULT PROBLEM

You have real estate, stock, or other assets that have increased substantially in value but are not producing an income stream. You would like to sell these assets to reallocate your holdings, but if you do, you will be faced with significant capital gains tax.

Have you considered a charitable remainder trust?

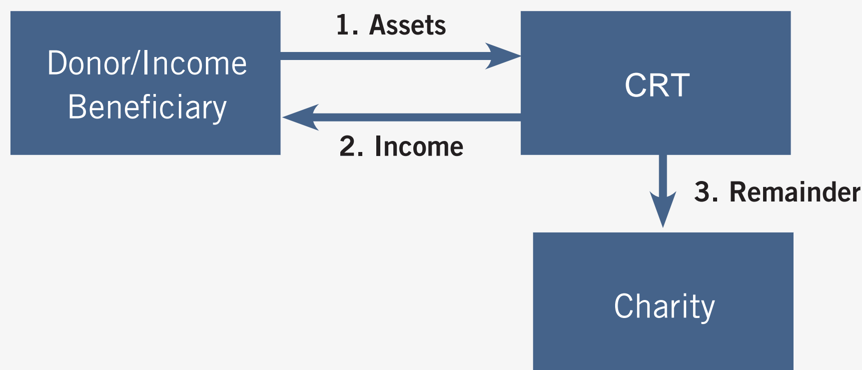
With a charitable remainder trust, you can:

- Help support your favorite charity
- Transfer assets without incurring capital gains tax
- Achieve a substantial income tax deduction
- Receive an income stream for life or a set period of years
- Avoid the estate tax that will result at your death if you retain these rapidly appreciating assets

HOW CHARITABLE REMAINDER TRUSTS WORK

A charitable remainder trust (CRT) is a form of irrevocable trust. You create a CRT by transferring cash or other assets to an irrevocable trust. The trust agreement provides that you or a specified beneficiary will receive payments from the trust for a term of years or for the rest of your life. At the termination of this income interest, the assets in the trust are transferred to the charity or charities you have named in the trust agreement.

This diagram gives you a quick overview of the relationships involving the donor/grantor, the trust, the income beneficiary, and the charity:



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1000941-00006-00 Ed. 11/2022

TYPES OF CHARITABLE REMAINDER TRUSTS

Charitable remainder trusts are generally structured as follows:

- **CHARITABLE REMAINDER ANNUITY TRUST (CRAT).** A CRAT is an irrevocable trust that names a charity as a remainder beneficiary and pays a fixed amount or annuity to the named income beneficiaries for a specified period of time.

  Because the increases (or decreases) in the value of the assets in the trust do not affect the income payments, the income beneficiaries are assured of a more stable income stream than with a charitable remainder unitrust.

- **CHARITABLE REMAINDER UNITRUST (CRUT).** A CRUT is an irrevocable trust that provides the named income beneficiaries with the right to a fixed percentage of the value of the trust assets, as valued annually.

  The CRUT provides a potential hedge against inflation by allowing the income stream to increase if the trust assets appreciate. However, there is no guarantee, and the payout may decline where assets do not perform.

  In addition to the standard fixed percentage unitrust discussed above, CRUTs are often structured with some additional payout options:

  - **Net-Income Unitrust or NI-CRUT.** This CRUT pays the lesser of a fixed percentage of the annual value of the trust assets or the trust's actual annual income.
  - **Net Income with Makeup or NIM-CRUT.** Similar to the NI-CRUT, the NIM-CRUT provides for an annual payout that is the lesser of a fixed percentage or trust income. However, to the extent that the trust earns income in future years that exceeds the specified CRUT percentage, excess earnings are used to make up for any payments that were less than the CRUT percentage in prior years.
  - **Flip Unitrust.** Allows a net income unitrust to "flip," or change, to a standard unitrust upon a triggering event.

    Financial professionals often use a flip CRUT or a net-income limitation in two situations:

    - Under circumstances when it may be difficult to meet the annual payout requirements because the donated asset may not be liquid and may take time to sell (e.g., real estate or stock)
    - Where a donor has no current need for income but will in the future

WHAT DETERMINES THE TAX BENEFITS?

The tax benefits of a charitable remainder trust are a function of many factors, including:

- Value of the donated assets
- Duration of the trust
- Type of trust (annuity or unitrust)
- Charitable payout rate
- Federal discount rate imposed by IRC Section 7520, which changes monthly

Continued on next page.

THE ADVANTAGES OF A CRT

In addition to the income stream paid to the donors or named beneficiaries, some of the advantages of a CRT include:

- A CRT may be established during the donor's lifetime or at their death
- The donor can choose a fixed stream of income (CRAT) or a variable payout (CRUT)
- Appreciating assets can be transferred out of the estate without triggering capital gains tax
- When the CRT sells appreciated assets, dollars are not lost to capital gains tax, ensuring that additional sums accumulate for the benefit of the charity or the income recipients
- The donor can work with their advisors to maximize the charitable deduction or the income stream within the guidelines dictated by the Internal Revenue Code
- The donor or their estate receives a charitable deduction for the value of the remainder interest

DETERMINING THE DONOR'S CHARITABLE INCOME TAX DEDUCTION

Lifetime gifts. The present value of the charity's remainder interest is "potentially" deductible for federal income tax purposes. The actual amount that can be deducted is dependent on a number of factors.

There is a limit on the amount that may be deducted for charitable purposes, based on the donor's adjusted gross income (AGI). Annual charitable contributions can never exceed 60%[1] of AGI and may be limited to a lower percentage depending on the type of property donated and the nature of the recipient charity.

This chart shows how these factors can affect your annual charitable income tax deduction:

DEDUCTION LIMITATIONS			
	Property Donated		
Donation Made To	Cash	Ordinary Income	Capital Gains Property
Public Charity	60.00%	50.00%	30.00%
Private Charity	30.00%	30.00%	20.00%

If the amount of the charitable contribution(s) exceeds these deduction maximums in the year of the donation, the excess amounts can be carried over and used for up to five additional years.

In addition, tax laws limit the amount of itemized deductions that are allowed to high-income individuals. In some cases, this may restrict a donor's ability to use the full amount of a charitable deduction to offset taxable income.

[1]Beginning Jan. 1, 2026, the limit on the amount that can be deducted for cash contributions will be reduced to 50%, per the current tax code.

Continued on next page.

THE DISADVANTAGES OF A CRT

There are two major disadvantages to a CRT:

- The trust must be irrevocable. It's important that you seek the advice of your legal and tax counsel prior to implementing a CRT
- When the trust terminates, the assets pass to charity, not to family members

While the charitable remainder trust offers many benefits, this strategy can effectively disinherit your heirs. One effective solution to overcoming this disadvantage is a wealth replacement trust.

CASE STUDY–WITH THE BASICS IN PLACE, LET'S ADD SOME NUMBERS

Mr. Smith has his attorney create a 20-year charitable remainder unitrust funded with appreciating real estate worth $1 million. The CRT pays an annuity of 5% of the trust's value to Mr. Smith for 20 years. At the end of this income period, all assets remaining in the trust pass to Mr. Smith's alma mater.

The present value of the income stream going to Mr. Smith is worth approximately $637,952.[1] Mr. Smith is deemed to have made a charitable gift of the remainder interest of approximately $362,048 ($1,000,000 less $637,952). He will get a current income tax deduction for this amount, subject to limitations, based on his adjusted gross income and the phase-out of itemized deductions applicable to higher-income taxpayers.

If the assets in the trust grow by 5% over the 20-year period, the trust principal passing to the charity will continue to be just under $1 million.

As you can see, a charitable remainder trust is an excellent way to move rapidly appreciating assets out of an estate with tax efficiency, ensure that you and your spouse have a stream of income, and provide a significant gift to your alma mater, church, or other favorite charity.

THE WEALTH REPLACEMENT CONCEPT

By directing a portion of the tax savings and/or additional income generated by the CRT to the purchase of a life insurance policy, you can donate your assets to charity and still provide a benefit to your heirs.

You decide how much of the charitable gift to replace. You can buy enough life insurance to replace only a portion of the donated property, or you may prefer to replace all of the gifted property.

The life insurance should be owned outside your taxable estate (i.e., by your children or by an irrevocable life insurance trust (an ILIT)).

If ownership is structured properly, policy proceeds will not be included in your estate at your death. This can mean a larger after-tax inheritance for your heirs than if they received the asset itself.

[1]Based on present value calculation assuming a 4.80% Section 7520 rate at time of transfer.

Continued on next page.

QUESTIONS AND ANSWERS

Q. Can I change my mind about which charity receives the remainder interest in my CRT?

A. With certain restrictions, you can retain the power to change, substitute, or designate a new charity after the creation of a CRT.

Q. Can any charity be named the remainder beneficiary of the CRT?

A. The charity must be "qualified" under the Internal Revenue Code or the donation may not be tax-deductible. Donors can use the IRS website and Publication 78 to check whether an organization is qualified.

Q. Is there a time limit for the income term of a CRT?

A. The term of a CRT can be for a set duration not to exceed 20 years or an individual's lifetime.

Q. Can I structure the income stream as high as I want to meet my income needs and still get an income tax deduction?

A. No, the income stream cannot be less than 5% or more than 50% of the initial net fair market value of the CRT assets. In addition, the charity's actuarial interest must be at least 10% of the initial fair market value of the assets transferred to the trust. For a CRUT only, if the mathematical probability of exhausting the asset (leaving nothing for the charity) is higher than 5%, no income or estate tax deduction is allowed.

Q. Can I make multiple contributions to a CRT?

A. To a CRUT, yes; a CRAT cannot accept additional donations.

Q. Are income beneficiaries taxed on the income they receive?

A. Distributions are taxed to the income beneficiaries under a "four-tier" priority system with the highest taxed income paid out first.

Q. Can I name anyone as an income beneficiary?

A. Yes, but if the income stream is paid to someone other than the donor or the donor's spouse, gift taxes and generation-skipping transfer taxes may be incurred.

IN SUMMARY

Charitable remainder trusts can be both a rewarding experience and a strategic tool allowing you, the donor, to both give and receive. If you believe that a CRT may be right for you, contact your financial professional for additional information.

This material is being provided for informational or educational purposes only and does not take into account the investment objectives or financial situation of any client or prospective clients. The information is not intended as investment advice and is not a recommendation about managing or investing your retirement savings. If you would like information about your particular investment needs, please contact a financial professional.

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Life insurance policies contain exclusions, limitations, reductions of benefits, and terms for keeping them in force. Your financial professional can provide you with costs and complete details.

We do not provide tax, accounting, or legal advice. Clients should consult their own independent advisors as to any tax, accounting, or legal statements made herein.

Investment and Insurance Products:
Not Insured by FDIC, NCUSIF, or Any Federal Government Agency. May Lose Value. Not a Deposit of or Guaranteed by Any Bank, Credit Union, Bank Affiliate, or Credit Union Affiliate.

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Charitable Remainder Trusts

AN ESTATE STRATEGY USING LIFE INSURANCE, A TRUST FOR THE BENEFIT OF CHARITY, AND A WEALTH REPLACEMENT TRUST

ADVANCED PLANNING

Prepared For

Valued Client & Valued Client

Presented By:

Financial Professional

Life Sales Desk (Broker Account)

--

-- NJ,

Phone: 000-000-0000

A current PruLife® SVUL Protector prospectus must accompany or precede this supplemental presentation.

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Wealth Transfer

You have real estate, stock, or other assets that have increased substantially in value. You've been advised that if you give the assets to your family today, they will realize tax on its future growth should they ever sell it. You've thought about selling it yourself, but if you do, you will be faced with significant capital gains tax on the growth you yourself have enjoyed.

AN INGENIOUS SOLUTION TO A DIFFICULT PROBLEM

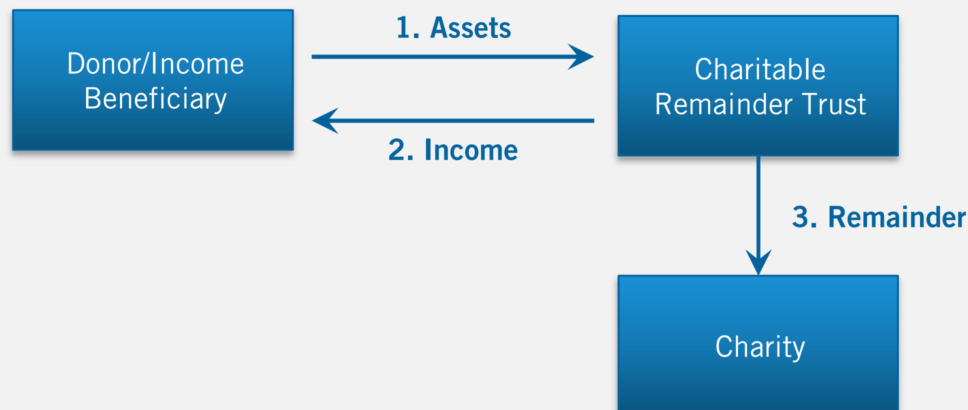
Have you considered a charitable remainder trust?

With a charitable remainder trust, you can:
- **Help** support your favorite charity.
- **Transfer** assets without incurring capital gains tax.
- **Achieve** a substantial income tax deduction.
- **Receive** an income stream for life or a set period of years.
- **Avoid** the estate tax that will result at your death if you retain these rapidly appreciating assets.

HOW CHARITABLE REMAINDER TRUSTS WORK

A charitable remainder trust (CRT) is a form of irrevocable trust. You create a CRT by transferring cash or other assets to an irrevocable trust. The trust agreement provides that you or a specified beneficiary are to receive payments from the trust for a term of years or for the rest of your life. At the termination of this income interest, the assets in the trust are transferred to the charity or charities you have named in the trust agreement.

The following diagram gives you a quick overview of the relationships involving the donor/grantor, the trust, the income beneficiary, and the charity.



Wealth Transfer

TYPES OF CHARITABLE REMAINDER TRUSTS

Charitable remainder trusts are generally structured as follows:

CHARITABLE REMAINDER ANNUITY TRUST (CRAT). A CRAT is an irrevocable trust that names a charity as a remainder beneficiary and pays a fixed amount or annuity to the named income beneficiaries for a specified period of time.

Because the increases (or decreases) in the value of the assets in the trust do not affect the income payments, the income beneficiaries are assured of a more stable income stream than with a charitable remainder unitrust.

CHARITABLE REMAINDER UNITRUST (CRUT). A CRUT is an irrevocable trust that provides the named income beneficiaries with the right to a fixed percentage of the value of the trust assets, as valued annually.

The CRUT provides a potential hedge against inflation by allowing the income stream to increase if the trust assets appreciate. However, there is no guarantee, and the payout may decline where assets do not perform.

WHAT DETERMINES THE TAX BENEFITS?

The tax benefits of a charitable remainder trust are a function of many factors, including the following:

- **Value** of the donated assets.
- **Duration** of the trust.
- **Type** of trust (annuity or unitrust).
- **Charitable** payout rate.
- **Federal** discount rate imposed by IRC Section 7520, which changes monthly.

Wealth Transfer

THE ADVANTAGES OF A CRT

In addition to the income stream paid to the donors or named beneficiaries, some of the advantages of a CRT are as follows:

- A CRT may be established during the donor's lifetime or at his/her death.
- The donor can choose a fixed stream of income (CRAT) or a variable payout (CRUT).
- Appreciating assets can be transferred out of the estate without triggering capital gains tax.
- When the CRT sells appreciated assets, dollars are not lost to capital gains tax, ensuring that additional sums accumulate for the benefit of the charity or the income recipients.
- The donor can work with his/her advisors to maximize the charitable deduction or the income stream within the guidelines dictated by the Internal Revenue Code.
- The donor or his/her estate receives a charitable deduction for the value of the remainder interest.

DETERMINING THE DONOR'S CHARITABLE INCOME TAX DEDUCTION

Lifetime gifts. The present value of the charity's remainder interest is "potentially" deductible for federal income tax purposes. The actual amount that can be deducted is dependent on a number of factors.

There is a limit on the amount that may be deducted for charitable purposes, based on the donor's adjusted gross income (AGI). Annual charitable contributions can never exceed 60%[1] of AGI and may be limited to a lower percentage depending on the type of property donated and the nature of the recipient charity.

This chart shows how these factors can affect your annual charitable income tax deduction:

DEDUCTION LIMITATIONS Property Donated			
Donation Made To	Cash	Ordinary Income	Capital Gains Property
Public Charity	60.00%	50.00%	30.00%
Private Charity	30.00%	30.00%	20.00%

If the amount of the charitable contribution(s) exceeds these deduction maximums in the year of the donation, the excess amounts can be carried over and used for up to five additional years.

In addition, tax laws limit the amount of itemized deductions that are allowed to high-income individuals. In some cases, this may restrict a donor's ability to use the full amount of a charitable deduction to offset taxable income.

[1]Beginning January 1, 2026, the limit on the amount that can be deducted for cash contributions will be reduced to 50%, per the current tax code.

Wealth Transfer

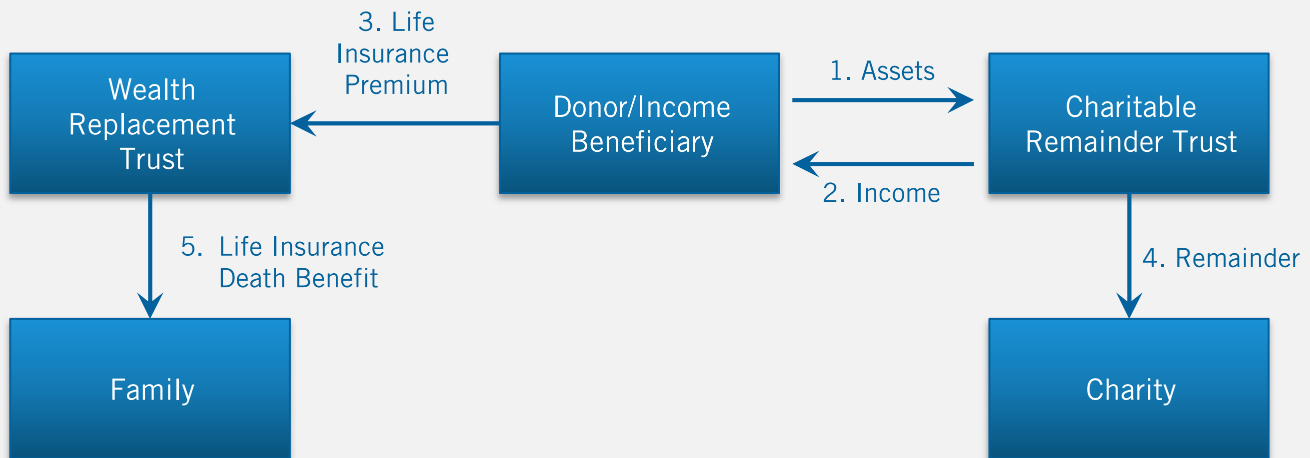
THE WEALTH REPLACEMENT CONCEPT

By directing a portion of the tax savings and/or additional income generated by the CRT to the purchase of a life insurance policy, you can donate your assets to charity and still provide a benefit to your heirs.

You decide how much of the charitable gift to replace. You can buy enough life insurance to replace only a portion of the donated property, or you may prefer to replace all of the gifted property.

The life insurance should be owned outside your taxable estate (i.e., by your children or by an irrevocable life insurance trust (an ILIT)).

If ownership is structured properly, policy proceeds will not be included in your estate at your death. This can mean a larger after-tax inheritance for the heirs than if they received the asset itself.



THE WEALTH REPLACEMENT CONCEPT IN YOUR SITUATION

The following pages illustrate the wealth replacement strategy based on a hypothetical Charitable Remainder Annuity Trust (CRAT) initial value of $10,000,000, 8.00% combined income and growth, a 5.00% beneficiary income interest, and life insurance in a wealth replacement trust with an initial premium of $268,104 and $12,000,000 death benefit. Assuming a term of 10 years, and compared with no planning, your family and favorite charities would receive:

NO PLANNING

Family:
$21,589,250

Charity
$0

CHARITABLE REMAINDER TRUST WITH WEALTH REPLACEMENT

Family:
Tax Savings and income:
$4,320,000
Wealth Replacement Trust:
$12,000,000

Charity:
$14,345,969

Wealth Transfer

THE DISADVANTAGES OF A CRT

When considering a strategy, it's also important to understand the potential disadvantages and limitations. There are two major disadvantages to a CRT:

- The trust must be irrevocable. It’s important that you seek the advice of your legal and tax counsel prior to implementing a CRT.
- When the trust terminates, the assets pass to charity, not to family members.

While the charitable remainder trust offers many benefits, this strategy can effectively disinherit your heirs. One effective solution to overcoming this disadvantage is a wealth replacement trust.

Wealth Transfer

QUESTIONS AND ANSWERS

Q. Can I change my mind about which charity receives the remainder interest in my CRT?

A. With certain restrictions, you can retain the power to change, substitute, or designate a new charity after the creation of a CRT.

Q. Can any charity be named the remainder beneficiary of the CRT?

A. The charity must be "qualified" under the Internal Revenue Code or the donation may not be tax-deductible. Donors can use the IRS website and Publication 78 to check whether an organization is qualified.

Q. Is there a time limit for the income term of a CRT?

A. The term of a CRT can be for a set duration not to exceed 20 years or an individual's lifetime.

Q. Can I structure the income stream as high as I want to meet my income needs and still get an income tax deduction?

A. No, the income stream cannot be less than 5% or more than 50% of the initial net fair market value of the CRT assets. In addition, the charity's actuarial interest must be at least 10% of the initial fair market value of the assets transferred to the trust. For a CRUT only, if the mathematical probability of exhausting the asset (leaving nothing for the charity) is higher than 5%, no income or estate tax deduction is allowed.

Q. Can I make multiple contributions to a CRT?

A. To a CRUT, yes; a CRAT cannot accept additional donations.

Q. Are income beneficiaries taxed on the income they receive?

A. Distributions are taxed to the income beneficiaries under a "four-tier" priority system with the highest taxed income paid out first.

Q. Can I name anyone as an income beneficiary?

A. Yes, but if the income stream is paid to someone else other than the donor or the donor's spouse, gift taxes and generation-skipping transfer taxes may be incurred.

IN SUMMARY

Charitable remainder trusts can be both a rewarding experience and a strategic tool allowing you, the donor, to both give and receive.

If you believe that a Charitable Remainder Trust may be right for you, contact your licensed financial professional for additional information.

DEFINITION OF COLUMNS

1. **Year**
   These are the years the Policy has been in force, beginning on the Policy anniversary.

2. **Age(s)**
   These are the ages of the Insureds at the beginning of the Year.

3. **Asset Value**
   This amount shows the value of the asset retained by you, and appreciating by a combined income and growth rate.

4. **Beginning of Year CRT Value**
   This column assumes the asset shown in Column 3 is instead gifted to a charitable remainder trust. The values in this column show the value of trust assets at the beginning of each year.

5. **CRT Growth and Income**
   Changes in value attributable to income and appreciation on the amount in Column 4.

6. **CRT Income to Beneficiary**
   The annuity amount due the charitable trust's income beneficiary.

7. **End of Year CRT Value**
   The value of assets in the charitable remainder trust after annual growth and income are calculated, and net of the amounts paid to the income beneficiary.

8. **Remainder to Charity**
   The amount passing to the charitable beneficiary at the end of the charitable remainder trust term. If the term is for life, the value is the same as in Column 7, assuming death occurred in that year.

9. **Value of CRT Deduction**
   The tax savings achieved by taking the charitable tax deduction shown in the heading of this ledger. The annual deduction is limited by the type of charity and the donor's total adjusted gross income; any deduction not used because of the limit can be carried forward to the next year for up to five years.

10. **After-Tax CRT Income**
    The annual annuity income net of income tax assessed under the "four tier" regime

11. **Life Insurance Premiums**
    The amounts used to pay for the life insurance policy death benefit owned by the wealth replacement trust, as shown in Column 13.

12. **Excess Income Investment Value**
    Assumes the amounts in Column 9 and any amounts from Column 10 not used as life insurance premium in Column 11 are placed in investments earning the input growth rate per year.

13. **Life Insurance Death Benefit**
    The death benefit of the life insurance policy purchased with the premiums in Column 10.

14. **Total to Family and Charity**
    Column 8 plus Column 12 plus Column 13.

Concept Illustration

Valued Client, Male 60
Valued Client, Female 60
$12,000,000 PruLife® SVUL Protector
Type A (Fixed) Death Benefit

Non-Guaranteed Results Based on Hypothetical Annual Gross Return of 7.00% (Net 6.20%) and Current Charges.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
		No Planning	**Charitable Remainder Annuity Trust (CRAT) with Wealth Replacement Trust Initial Charitable Deduction: $5,314,800**										
Year	Age(s)	Asset Value (8.00%) (EOY)	Beginning of Year CRT Balance	CRT Growth & Income (8.00%)	CRT Income to Beneficiary (5.00%)	End of Year CRT Balance	Remainder to Charity	Value of Deduction	After Tax CRT Income	Annual Premium	Excess Income Investment (8.00%)	Net Death Benefit	Total to Charity & Family (8+12+13)
1	60/60	10,800,000	10,000,000	800,000	500,000	10,300,000	0	600,000	500,000	268,104	250,448	12,000,000	12,250,448
2	61/61	11,664,000	10,300,000	824,000	500,000	10,624,000	0	600,000	500,000	268,104	520,931	12,000,000	12,520,931
3	62/62	12,597,120	10,624,000	849,920	500,000	10,973,920	0	600,000	500,000	268,104	813,053	12,000,000	12,813,053
4	63/63	13,604,890	10,973,920	877,914	500,000	11,351,834	0	600,000	500,000	268,104	1,128,545	12,000,000	13,128,545
5	64/64	14,693,281	11,351,834	908,147	500,000	11,759,980	0	600,000	500,000	268,104	1,469,277	12,000,000	13,469,277
6	65/65	15,868,743	11,759,980	940,798	500,000	12,200,779	0	600,000	500,000	268,104	1,837,266	12,000,000	13,837,266
7	66/66	17,138,243	12,200,779	976,062	500,000	12,676,841	0	0	330,000	268,104	2,051,095	12,000,000	14,051,095
8	67/67	18,509,302	12,676,841	1,014,147	500,000	13,190,988	0	0	330,000	268,104	2,282,031	12,000,000	14,282,031
9	68/68	19,990,046	13,190,988	1,055,279	500,000	13,746,267	0	0	330,000	268,104	2,531,441	12,000,000	14,531,441
10	**69/69**	**21,589,250**	**13,746,267**	**1,099,701**	**500,000**	**14,345,969**	**0**	**0**	**330,000**	**268,104**	**2,800,804**	**12,000,000**	**14,800,804**
11	70/70	23,316,390	0	0	0	0	14,345,969	0	0	0	3,024,868	12,000,000	29,370,837
12	71/71	25,181,701	0	0	0	0	15,493,646	0	0	0	3,266,858	12,000,000	30,760,504
13	72/72	27,196,237	0	0	0	0	16,733,138	0	0	0	3,528,206	12,000,000	32,261,344
14	73/73	29,371,936	0	0	0	0	18,071,789	0	0	0	3,810,463	12,000,000	33,882,252
15	74/74	31,721,691	0	0	0	0	19,517,532	0	0	0	4,115,300	12,000,000	35,632,832
16	75/75	34,259,426	0	0	0	0	21,078,935	0	0	0	4,444,524	12,000,000	37,523,458
17	76/76	37,000,181	0	0	0	0	22,765,249	0	0	0	4,800,086	12,000,000	39,565,335
18	77/77	39,960,195	0	0	0	0	24,586,469	0	0	0	5,184,092	12,000,000	41,770,562
19	78/78	43,157,011	0	0	0	0	26,553,387	0	0	0	5,598,820	12,000,000	44,152,207
20	79/79	46,609,571	0	0	0	0	28,677,658	0	0	0	6,046,725	12,000,000	46,724,383

A current PruLife® SVUL Protector prospectus must accompany or precede this supplemental presentation.
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Concept Illustration

Valued Client, Male 60
Valued Client, Female 60
$12,000,000 PruLife® SVUL Protector
Type A (Fixed) Death Benefit

Non-Guaranteed Results Based on Hypothetical Annual Gross Return of 7.00% (Net 6.20%) and Current Charges.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
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Year	Age(s)	Asset Value (8.00%) (EOY)	Beginning of Year CRT Balance	CRT Growth & Income (8.00%)	CRT Income to Beneficiary (5.00%)	End of Year CRT Balance	Remainder to Charity	Value of Deduction	After Tax CRT Income	Annual Premium	Excess Income Investment (8.00%)	Net Death Benefit	Total to Charity & Family (8+12+13)
21	80/80	50,338,337	0	0	0	0	30,971,871	0	0	0	6,530,463	12,000,000	49,502,334
22	81/81	54,365,404	0	0	0	0	33,449,620	0	0	0	7,052,900	12,000,000	52,502,521
23	82/82	58,714,636	0	0	0	0	36,125,590	0	0	0	7,617,132	12,000,000	55,742,722
24	83/83	63,411,807	0	0	0	0	39,015,637	0	0	0	8,226,503	12,000,000	59,242,140
25	84/84	68,484,752	0	0	0	0	42,136,888	0	0	0	8,884,623	12,000,000	63,021,511
26	85/85	73,963,532	0	0	0	0	45,507,839	0	0	0	9,595,393	12,000,000	67,103,232
27	86/86	79,880,615	0	0	0	0	49,148,466	0	0	0	10,363,025	12,000,000	71,511,491
28	87/87	86,271,064	0	0	0	0	53,080,343	0	0	0	11,192,067	12,000,000	76,272,410
29	88/88	93,172,749	0	0	0	0	57,326,771	0	0	0	12,087,432	12,000,000	81,414,203
30	89/89	100,626,569	0	0	0	0	61,912,912	0	0	0	13,054,426	12,000,000	86,967,339
31	90/90	108,676,694	0	0	0	0	66,865,945	0	0	0	14,098,781	12,000,000	92,964,726
32	91/91	117,370,830	0	0	0	0	72,215,221	0	0	0	15,226,683	12,000,000	99,441,904
33	92/92	126,760,496	0	0	0	0	77,992,439	0	0	0	16,444,818	12,000,000	106,437,256
34	93/93	136,901,336	0	0	0	0	84,231,834	0	0	0	17,760,403	12,000,000	113,992,237
35	94/94	147,853,443	0	0	0	0	90,970,381	0	0	0	19,181,235	12,000,000	122,151,616
36	95/95	159,681,718	0	0	0	0	98,248,011	0	0	0	20,715,734	12,000,000	130,963,745
37	96/96	172,456,256	0	0	0	0	106,107,852	0	0	0	22,372,993	12,000,000	140,480,845
38	97/97	186,252,756	0	0	0	0	114,596,480	0	0	0	24,162,832	12,000,000	150,759,312
39	98/98	201,152,977	0	0	0	0	123,764,199	0	0	0	26,095,859	12,000,000	161,860,057
40	99/99	217,245,215	0	0	0	0	133,665,334	0	0	0	28,183,528	12,000,000	173,848,862

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41	100/100	234,624,832	0	0	0	0	144,358,561	0	0	0	30,438,210	12,000,000	186,796,771
42	101/101	253,394,819	0	0	0	0	155,907,246	0	0	0	32,873,267	12,000,000	200,780,513
43	102/102	273,666,404	0	0	0	0	168,379,826	0	0	0	35,503,128	12,000,000	215,882,954
44	103/103	295,559,717	0	0	0	0	181,850,212	0	0	0	38,343,378	12,000,000	232,193,590
45	104/104	319,204,494	0	0	0	0	196,398,229	0	0	0	41,410,848	12,000,000	249,809,077
46	105/105	344,740,853	0	0	0	0	212,110,087	0	0	0	44,723,716	12,000,000	268,833,803
47	106/106	372,320,122	0	0	0	0	229,078,894	0	0	0	48,301,614	12,000,000	289,380,508
48	107/107	402,105,731	0	0	0	0	247,405,206	0	0	0	52,165,743	12,000,000	311,570,948
49	108/108	434,274,190	0	0	0	0	267,197,622	0	0	0	56,339,002	12,000,000	335,536,624
50	109/109	469,016,125	0	0	0	0	288,573,432	0	0	0	60,846,122	12,000,000	361,419,554
51	110/110	506,537,415	0	0	0	0	311,659,306	0	0	0	65,713,812	12,000,000	389,373,118
52	111/111	547,060,408	0	0	0	0	336,592,051	0	0	0	70,970,917	12,000,000	419,562,968
53	112/112	590,825,241	0	0	0	0	363,519,415	0	0	0	76,648,590	12,000,000	452,168,005
54	113/113	638,091,260	0	0	0	0	392,600,968	0	0	0	82,780,478	12,000,000	487,381,446
55	114/114	689,138,561	0	0	0	0	424,009,045	0	0	0	89,402,916	12,000,000	525,411,961
56	115/115	744,269,646	0	0	0	0	457,929,769	0	0	0	96,555,149	12,000,000	566,484,918
57	116/116	803,811,218	0	0	0	0	494,564,151	0	0	0	104,279,561	12,000,000	610,843,712
58	117/117	868,116,115	0	0	0	0	534,129,283	0	0	0	112,621,926	12,000,000	658,751,209
59	118/118	937,565,404	0	0	0	0	576,859,625	0	0	0	121,631,680	12,000,000	710,491,305
60	119/119	1,012,570,637	0	0	0	0	623,008,395	0	0	0	131,362,214	12,000,000	766,370,610

A current PruLife® SVUL Protector prospectus must accompany or precede this supplemental presentation.
These values are based on non-guaranteed hypothetical assumptions. Actual results will fluctuate from year to year. Results labeled as non-guaranteed are not guaranteed. They are based on assumptions that are not likely to continue unchanged in future years and are subject to change by the insurer. Please refer to the basic illustration which accompanies this supplemental illustration for guaranteed elements and important information.
The illustration is not intended to predict or project investment results. This Supplemental Illustration shows a hypothetical example for illustrative purposes only. Actual results will vary.

Concept Illustration

Valued Client, Male 60
Valued Client, Female 60
$12,000,000 PruLife® SVUL Protector
Type A (Fixed) Death Benefit

Non-Guaranteed Results Based on Hypothetical Annual Gross Return of 7.00% (Net 6.20%) and Current Charges.

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
		No Planning	Charitable Remainder Annuity Trust (CRAT) with Wealth Replacement Trust Initial Charitable Deduction: $5,314,800										
Year	Age(s)	Asset Value (8.00%) (EOY)	Beginning of Year CRT Balance	CRT Growth & Income (8.00%)	CRT Income to Beneficiary (5.00%)	End of Year CRT Balance	Remainder to Charity	Value of Deduction	After Tax CRT Income	Annual Premium	Excess Income Investment (8.00%)	Net Death Benefit	Total to Charity & Family (8+12+13)
61	120/120	1,093,576,288	0	0	0	0	672,849,067	0	0	0	141,871,192	12,000,000	826,720,259

These values are based on non-guaranteed hypothetical assumptions. Actual results will fluctuate from year to year. Results labeled as non-guaranteed are not guaranteed. They are based on assumptions that are not likely to continue unchanged in future years and are subject to change by the insurer. Please refer to the basic illustration which accompanies this supplemental illustration for guaranteed elements and important information.
The illustration is not intended to predict or project investment results. This Supplemental Illustration shows a hypothetical example for illustrative purposes only. Actual results will vary.

THIS SUPPLEMENT MUST BE ACCOMPANIED BY A COMPLETE ILLUSTRATION WITH ID 1937082931814605

Assumptions Used to Prepare the Concept Illustration

	Value	Explanation
CLIENT INFORMATION		
Family Name	Client	Name of family
Client Name	Valued	Given name of the first client
Age	60	Age of the first client (required)
Sex	Male	Sex of the first client (required)
Smoking Status	Preferred Best	Underwriting class of the first client (required)
Spouse's Name	Valued Client	Given name of the second client
Age	60	Age of the second client (if any)
Sex	Female	Sex of the second client (required)
Smoking Status	Preferred Non-Smoker	Underwriting class of the second client (required)
Client's Tax Bracket	34.00%	Client's Tax Rate
CHARITABLE REMAINDER TRUST ASSUMPTIONS		
Charity Name:	ABC Charity	
Current Asset Value	$10,000,000	
Asset Growth & Income Rate:	8.00%	
Type of Asset	Capital Gains Property	
Adjusted Gross Income (AGI)	$1,500,000	
Type of CRT	Charitable Remainder Annuity Trust (CRAT)	
Type of Charity	Public	
Optimize Payout?	No	
Payout Rate	5.00%	
Enter 7520 Rate	1.20%	
Trust Payout Term	Term	
Term Years	10	
Payout Period Ending	End of Year	
LIFE INSURANCE INFORMATION		
Type of Policy	Survivorship	
Policy Name	PruLife® SVUL Protector	
State	Georgia	
Death Benefit of Policy	$12,000,000	
Premium for Policy	$268,104	
Years for Premiums	10	
Current Crediting Rate	6.20%	

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We do not provide tax, accounting, or legal advice. Clients should consult their own independent advisors as to any tax, accounting, or legal statements made herein.

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SYMETRA®
RETIREMENT | BENEFITS | LIFE

ADVANCED MARKETS CONCEPT

Annuity Maximization Strategy

Repositioning nonqualified annuity assets to minimize taxes and maximize your legacy

Not a bank or credit union deposit, obligation or guarantee	May lose value
Not FDIC or NCUA/NCUSIF insured	Not insured by any federal government agency

You've spent a lifetime building wealth

Your hard work and sound financial decisions have not only provided you with a comfortable retirement, but also the means to gift assets you no longer expect to use to loved ones. If your financial goals have changed, it may be time to consider strategies that can help minimize taxes so that more of your legacy dollars pass to future generations.

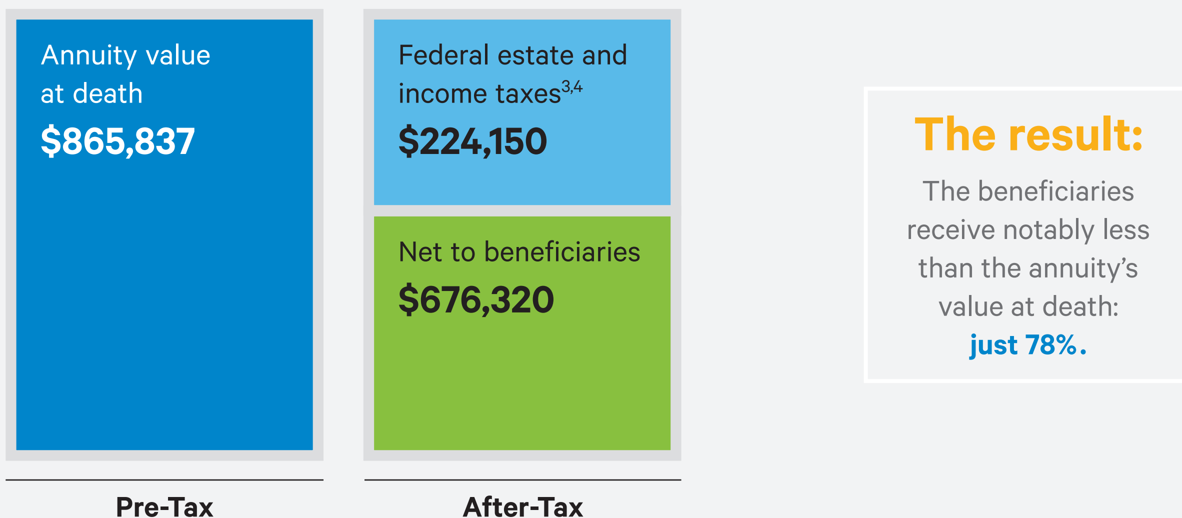
The potential tax impact of annuities

Nonqualified annuities can be effective tools for saving money and generating income. However, the same features that made an annuity a great choice for you—tax-deferred growth, guaranteed lifetime income and no required minimum distributions at age 73—can make it an inefficient tool for transferring wealth to your beneficiaries.[1]

Example 1

Annuity value transfers to beneficiaries

In this hypothetical scenario, we assume a 70-year-old owns a nonqualified annuity currently valued at $500,000. If the annuity's value has increased to $865,837 when death occurs at age 85, how much of that will the beneficiaries keep after taxes?[2]



The result:

The beneficiaries receive notably less than the annuity's value at death: **just 78%.**

[1] Required minimum distributions apply to qualified (retirement) assets only.

[2] Assumes the nonqualified annuity's cost basis is $200,000 (i.e., the after-tax premium payments not subject to federal income taxes). The $865,837 value at death assumes the annuity grew at a hypothetical average annual interest rate of 4.0% over 15 years.

[3] The applicable federal estate tax exemption amount (indexed for inflation) is $12.92 million per individual in 2023. The estate tax is unified with the federal gift tax and generation-skipping transfer tax such that in 2023 the lifetime exemption amount for the gift tax and for the generation-skipping transfer tax are $12.92 million (indexed for inflation) and the maximum tax rate for both of these taxes will be 40%. (Source: "What's New - Estate and Gift Tax," IRS, accessed December, 2022: https://www.irs.gov/businesses/small-businesses-self-employed/whats-new-estate-and-gift-tax). For current information and an assessment of your particular situation, please consult with your tax professional.

[4] Assumes the annuity's proceeds (after estate taxes, if applicable), were paid as a lump sum to the beneficiaries, and, therefore, further reduced by Income in Respect of a Decedent (IRD) by $224,150 (based on each beneficiary's assumed federal income tax rate of 32%). (IRC Sec. 691(a)). Please consult with your tax professional for more information.

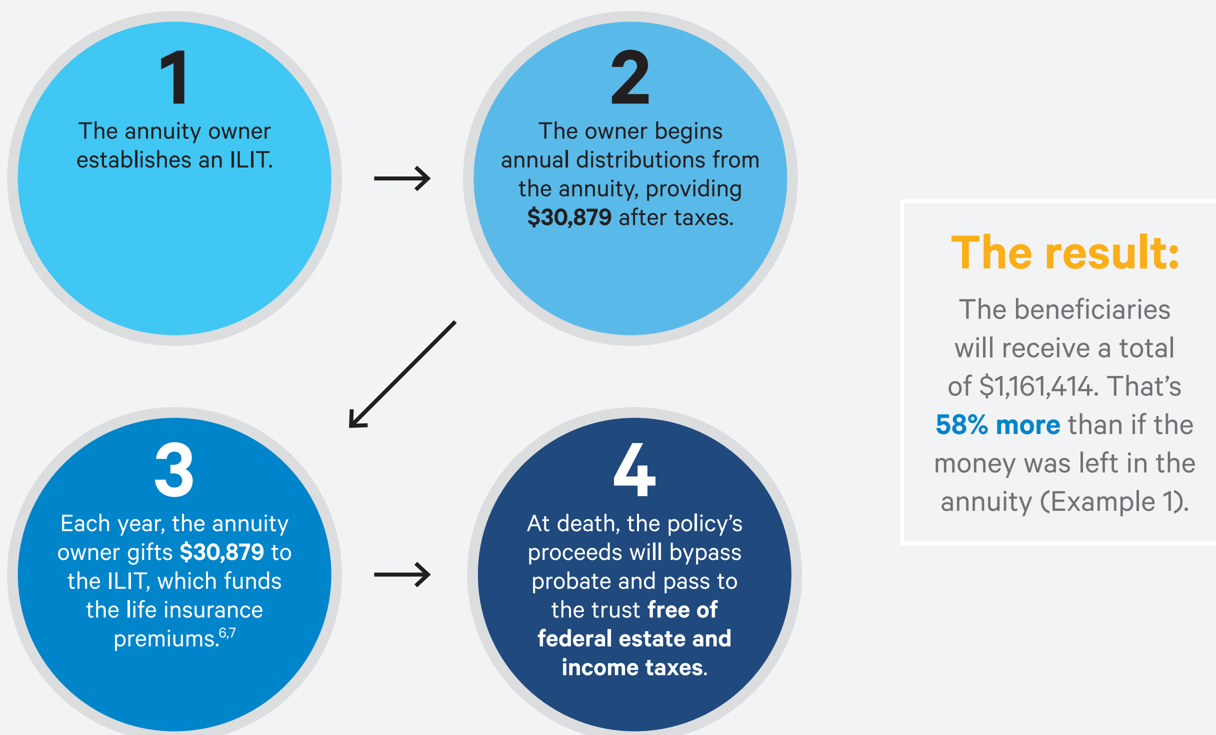
Maximizing the value of your annuity dollars

After careful consideration, you've concluded that you have sufficient retirement assets and do not anticipate relying on an annuity for future income needs. Repositioning those annuity assets inside an irrevocable life insurance trust (ILIT) may be an effective solution for maximizing the assets that transfer to your beneficiaries.

Example 2

Repositioning nonqualified annuity assets within an irrevocable life insurance trust (ILIT)

In this hypothetical scenario, our 70-year-old begins distributions from the $500,000 annuity by electing life only annuitization. This provides annual, after-tax income of $30,879.[5] Leveraging annual gift tax exemptions for multiple beneficiaries, the owner uses the after-tax distributions to gift the $30,879, which will be used for annual premiums on an ILIT-owned universal life insurance policy.[6,7]



The result:

The beneficiaries will receive a total of $1,161,414. That's **58% more** than if the money was left in the annuity (Example 1).

[5] This scenario assumes a 70-year-old female annuitizes her $500,000 annuity contract. Electing the "life only" option provides annual, pre-tax income of $39,528, which is guaranteed to continue as long as she lives (note: the amount shown is hypothetical and not based on a specific product). Annuity income consists of principal and interest and a portion of each payment will be taxed as ordinary income (assume 32% rate). The taxable portion of the annuity is determined by the applicable annuity exclusion percentage. Excess annuity payments above the exclusion percentage are considered ordinary income. Annuity issuers follow specific rules and should be contacted for more information regarding distributions.

[6] The annual gift tax exemption applies to gifts to each donee. In this scenario, we assume the owner has beneficiaries to whom she can gift up to $17,000 per year, per recipient (2023). Source: "What's New - Estate and Gift Tax." IRS, accessed December, 2022: https://www.irs.gov/businesses/small-businesses-self-employed/whats-new-estate-and-gift-tax.

[7] Based on the hypothetical client in this scenario, annual premiums of $30,879 years 1-16 and $26,879 years 17 and later will provide a $1,161,414 death benefit (based on a 70-year-old female in the Symetra Protector IUL "Standard Plus Non-Nicotine" rate class). Illustrated at a 6.24% initial crediting rate, The Putnam Dynamic Low Volatility Excess Return Index™ with Bonus 1-Year Point-to-Point Index Strategy, current policy charges. Policy remains in-force to age 119 with a no-lapse guarantee benefit for 22 years or to age 91. Please check current index cap and participation rate information. The premium and death benefit shown are current as of November 2022, but subject to change without notice. Please check current index cap and participation rate information.

How could you benefit?

If properly structured, repositioning annuity assets inside an Irrevocable Life Insurance Trust may help you:

Maximize your legacy
Although taking distributions from your annuity will trigger a taxable event, those dollars can potentially purchase a significant life insurance death benefit for your beneficiaries.

Avoid double taxation
Life insurance proceeds typically bypass probate, and in general, transfer to beneficiaries free of both federal estate and income taxes.

Transfer assets out of your estate
Making tax-free gifts to an ILIT can potentially reduce the size of your taxable estate. Currently, individuals may gift up to $17,000 annually (per donee) and married couples may combine their gifts to double the annual amount to $34,000 (per donee).[6] Plus, as long as you stay under the $17,000 limit, these annual gifts do not count against your combined $12.92 million lifetime cumulative gift and estate tax exemption.[3]

Collect additional retirement income
This strategy may allow you to enjoy the difference between your annuity's distributions and the life insurance premiums.

Is an annuity maximization strategy right for you?

You may benefit if:

- ☐ Your annuity assets are earmarked for your beneficiary.
- ☐ Your retirement income needs are fully met through other sources.
- ☐ You have a sizable estate that could leverage a tax-efficient wealth transfer strategy.
- ☐ You'd like to leave a larger legacy to your beneficiaries.

If any of these apply to you, contact your insurance professional to learn more.

Life insurance is issued by Symetra Life Insurance Company, 777 108th Avenue NE, Suite 1200, Bellevue, WA 98004-5135. Products are not available in all U.S. states or any U.S. territory.

Symetra Protector IUL is a flexible-premium adjustable life insurance policy with index-linked interest options. Policy form number is ICC18_LC2 in most states.

The Putnam Dynamic Low Volatility Excess Return Index with Bonus Index Account endorsement form number is ICC22_LE2 in most states and is not available in all U.S. states or any U.S. territory, and terms and conditions may vary by state in which it is available.

Life insurance policies contain exclusions, limitations, reductions of benefits and terms for keeping them in-force. Please contact your insurance professional for complete details.

Guarantees and benefits are subject to the claims-paying ability of Symetra Life Insurance Company.

Withdrawals or loans on modified endowment contracts (MEC) may be subject to federal income tax and an additional 10% tax on amounts taken prior to age 59½. Consult with your attorney or tax professional for more information.

Symetra Protector IUL has fixed and indexed accounts. Interest credited to the indexed accounts is affected by the value of outside indexes. Values based on the performance of any index are not guaranteed. The policy does not directly participate in any outside investment or index.

Symetra reserves the right to add, modify or remove any index strategy or crediting method. If any index is discontinued or if the calculation of any index is changed substantially, Symetra reserves the right to substitute a comparable index.

It is not possible to invest in an index.

There are other index strategies available within the Symetra Protector IUL policy.

Except for the Putnam Dynamic Low Volatility Excess Return Index, the performance of an index does not include the payment or reinvestment of dividends in the calculation of its performance.

The Putnam Dynamic Low Volatility Excess Return Index (the "Index") is the property of Putnam Investments, LLC, which has contracted with S&P Opco, LLC (a subsidiary of S&P Dow Jones Indices LLC) to calculate and maintain the Index. The Index is not sponsored by S&P Dow Jones Indices or its affiliates or its third-party licensors (collectively, "S&P Dow Jones Indices"). Neither Putnam Investments, LLC nor S&P Dow Jones Indices will be liable for any errors or omissions in calculating the Index. Putnam Dynamic Low Volatility Excess Return Index™ is a trademark of Putnam Investments, LLC. "Calculated by S&P Dow Jones Indices" and the related stylized mark(s) are service marks of S&P Dow Jones Indices and have been licensed for use by Putnam Investments, LLC. S&P® is a registered trademark of Standard & Poor's Financial Services LLC ("SPFS"), and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones").

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Neither Symetra Life Insurance Company, nor its producers or employees give tax or legal advice. Clients should consult with their attorney or tax professional for more information.

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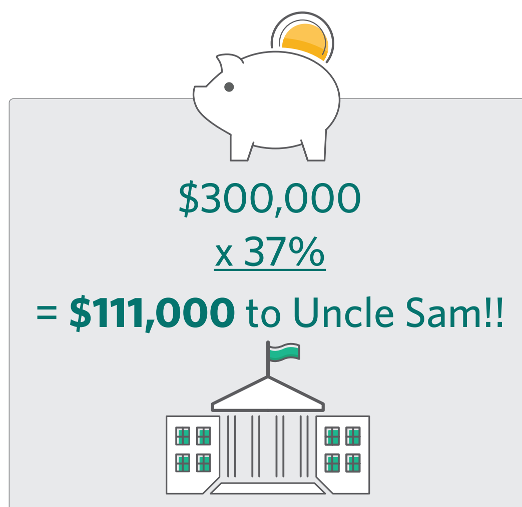
Appropriate planning can help maximize assets passed on to beneficiaries.

Let's look at Jane and consider how taxation and the SECURE Act can impact assets she wants to ultimately pass on to her son at her death.

Jane is a healthy 60-year-old. She has done a great job accumulating retirement assets during her working years and feels very confident about having the income she needs to last a lifetime. She wants to have a plan in place for her son Scott to inherit her remaining assets. Among her assets is a $300,000 IRA.

If Jane names Scott as the beneficiary of the IRA, he will have to pay income taxes on the money he takes out – as high as 37% currently — just for federal income taxes, let alone your state taxes.[1] And he likely will have to withdraw all the money by the 10th year after Jane's death, whether he wants to or not. That IRA was great for Jane's accumulation goals, but is not an efficient way for Scott to receive it.



The Solution is SECURE Transfer Planning Using Life Insurance

What if Jane:

- Withdraws or annuitizes the balance in the IRA
- Pays the income taxes when she receives the money
- Uses the money remaining after the taxes are paid to purchase a life insurance policy

Then:

- Jane can use the living benefits of the policy while alive such as chronic illness or long-term care if she owns the policy
- Scott may receive a tax-free death benefit as high as 2 or 3 times the IRA being used
- Jane brings more certainty to her legacy planning and can sleep better knowing that Scott will be receiving this tax free death benefit
- The IRS won't make Scott take the money in 10 years, but
- Jane can direct how quickly or slowly Scott takes the money if she sets up a trust to receive the life insurance

So, Jane controls the timing — NOT the IRS.

(continued on back)

So, what if Jane had an estate tax concern?

High net worth individuals need this even more! If Jane's total assets cause her to be subject to estate taxes, then

- Jane's estate may have to pay estate taxes at a rate as high as 40% on the IRA and other assets above the limit, AND
- Scott still has to pay income taxes on that same money – DOUBLE TAXATION!

The Solution is SECURE Transfer Planning with an Irrevocable Life Insurance Trust (ILIT)[2]

What if Jane:

- Takes all the same steps described above
- Contributes the money to an ILIT, subject to gift tax limitations
- Has a trust purchase a life insurance policy and be the beneficiary

Then:

- The death benefit is still income tax free
- The death benefit is estate tax free
- The funds can be used to pay estate taxes, pay other settlement costs and provide for Scott
- Jane effectively controls the distribution of the funds after her death using the terms of the trust

Why Mutual of Omaha

Over 50 years of Mutual of Omaha's Wild Kingdom taught us that the animal kingdom and the human kingdom have something in common … an instinct to protect what matters most. Through insurance and financial products, we help people protect their lives, protect their families, protect their kingdoms.

MutualofOmaha.com

[1] Keep in mind there could be offsetting tax deductions if estate tax was paid, so it is important to work with your tax advisor when inheriting assets that fall under the definition of "Income in Respect of a Decedent". In the above example, the beneficiary may get up to a $120,000 income tax deduction because of the federal estate tax paid attributable to the IRA.

[2] Consult with an experienced estate planner and your tax advisor to structure an irrevocable trust.

Consult with a professional tax and/or legal advisor before taking any action that may have tax or legal consequences.

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ADVANCED MARKETS CONCEPT

IRA Maximization Strategy

Maximizing IRA distributions to increase your legacy and control

Not a bank or credit union deposit, obligation or guarantee	May lose value
Not FDIC or NCUA/NCUSIF insured	Not insured by any federal government agency

Preserving retirement assets for future generations

If you own a traditional or Roth IRA and won't be relying on it for retirement income needs—planning to pass those assets to your beneficiaries—then you may want to supplement your wealth transfer plan with an IRA maximization strategy using life insurance.

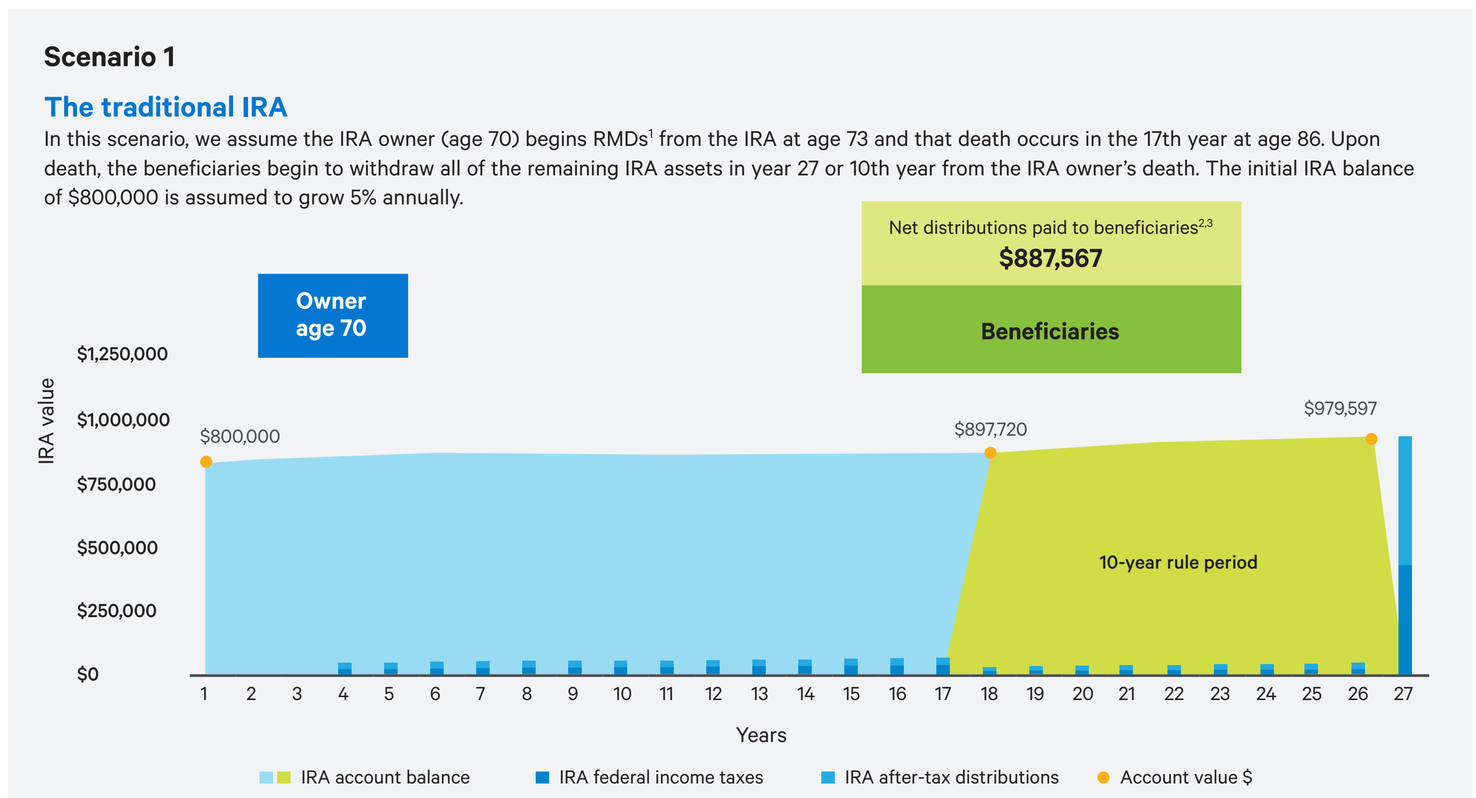
Leveraging the power of tax deferral

With an IRA, if inherited funds are kept in the IRA—with only the annual required minimum distributions (RMDs) taken by you—the amount of money that can be accumulated and paid to your beneficiaries can be significant. The graph below illustrates how a traditional IRA strategy might look.

Scenario 1

The traditional IRA

In this scenario, we assume the IRA owner (age 70) begins RMDs[1] from the IRA at age 73 and that death occurs in the 17th year at age 86. Upon death, the beneficiaries begin to withdraw all of the remaining IRA assets in year 27 or 10th year from the IRA owner's death. The initial IRA balance of $800,000 is assumed to grow 5% annually.



[1] Required Minimum Distributions (RMDs) are calculated using life expectancies based on the IRS Uniform Lifetime Table and the recipient's age at the beginning of each year. In this scenario, the IRA owner starts distributions in year four, at age 73. If the IRA owner's death occurs after RMDs have begun, the designated beneficiaries are required to take RMDs each year and must distribute all of the IRA assets by December 31st of the 10th anniversary of the IRA owner's death. See Reg. 1.401(a)(9)(B)(iii). (refer to footnote 3).

[2] Net distributions equal total after-tax distributions to the beneficiaries in year 27 or 10 years after the IRA owner's death. This assumes no estate taxes are due based on the assumption that the estate's total value, including the IRA starts at $3.2 million and the non-IRA assets grow at average annual rate of 2%. The applicable federal estate tax exclusion amount (indexed for inflation) is $12.92 million per individual in 2023. The estate tax is unified with the federal gift tax and generation-skipping transfer such that in 2023 the lifetime gift tax exclusion and generation-skipping transfer tax is $12.92 million (indexed for inflation) and the maximum tax rate for both of these taxes will be 40%. The estate and gift tax exemption are set to expire on 12/31/2025 and revert back to $5.6 million per person increased by inflation. (Source: "Frequently Asked Questions on Gift Taxes,"IRS, accessed December 2022: https://www.irs.gov/businesses/small-businesses-self-employed/frequently-asked-questions-on-gift-taxes). For current information and an assessment of your unique situation, please consult your tax professional.

[3] Scenario assumes the IRA owner has four beneficiaries, under IRA section 401(a)(9), unless the IRA is divided into separate accounts, the distributions are calculated based on a lump-sum distribution in year 27 or 10th year from the original IRA owner's death.

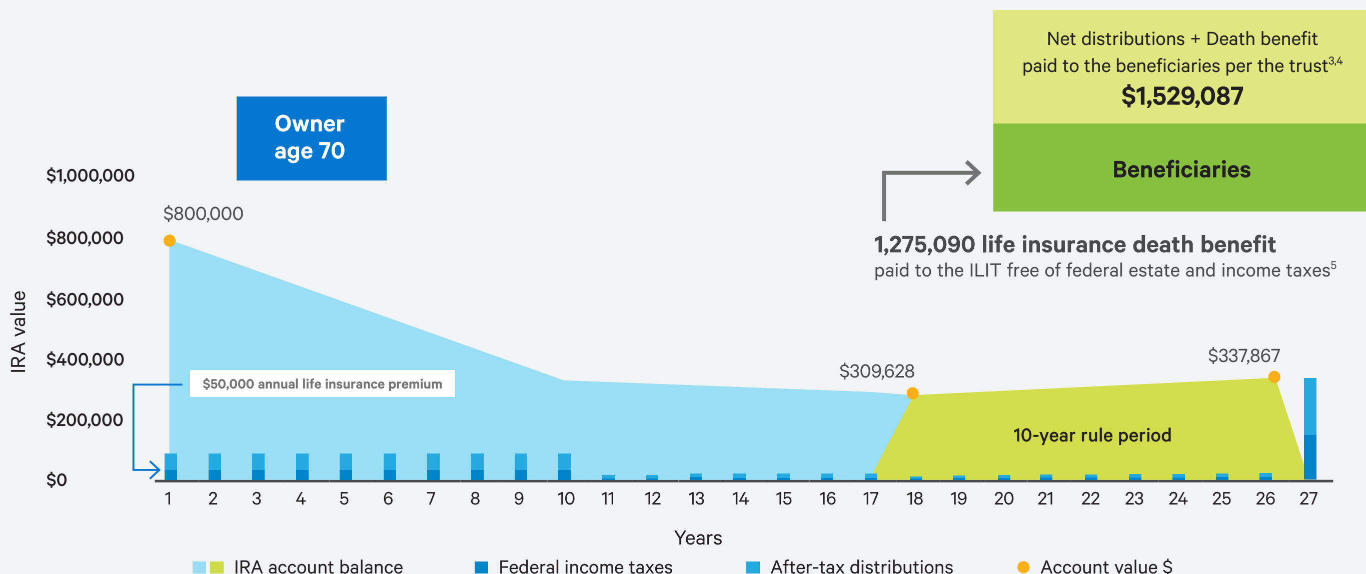
Get more from your IRA

An IRA can be a highly effective tool for increasing the wealth that passes to your beneficiaries. But with a life insurance policy held inside an irrevocable life insurance trust (ILIT), your IRA assets can work even harder for your beneficiaries. That's because the life insurance death benefit is paid to the ILIT free of federal income and estate taxes, thus "leveraging IRA distributions" by providing a more efficient and cost effective way to pass on wealth through your IRA.[4]

Scenario 2

The leveraged IRA (Using IRA distributions to purchase life insurance)

In this scenario, we assume the IRA owner (age 70) begins taking distributions at age 70 and a portion of each distribution is used to gift annual life insurance premiums of $50,000 for 10 years. In years 11+, the distributions are equal to RMDs and assumes death occurs in year 17 at age 86. The beneficiaries are assumed to withdraw all of the remaining IRA assets in year 27 (10 years from the date of death).



In this scenario, the IRA owner starts distributions at age 70 in order to gift the annual life insurance premiums to the ILIT. If the IRA owner's death occurs after RMDs have begun, the designated beneficiaries are required to take RMDs each year and must distribute all of the IRA assets by December 31st of the 10th anniversary of the IRA owner's death. See Reg. 1.401(a)(9)(B)(iii). This assumes a federal income tax rate of 32% for both the IRA owner and the beneficiaries.

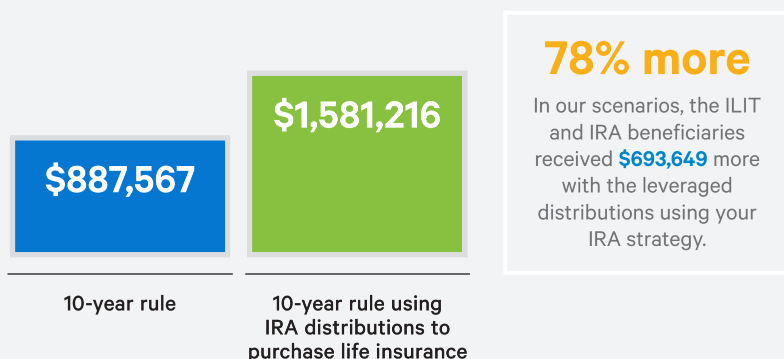
The life insurance premium and death benefit are based on Symetra Protector IUL for a 70-year-old female in the Preferred Non-Nicotine rate class. Illustrated at a 5.97% initial crediting rate, Putnam Low Volatility Index with Fixed Bonus Index strategy, current policy charges. Policy remains in-force to age 119 with a no-lapse guarantee benefit for 20 year or to age 89. Illustrated amounts are current as of May 2023, but are subject to change without notice. Please check current index cap and participation rate information.

[4] Life insurance proceeds are generally received income-tax-free, however, there may be exceptions. Symetra Life Insurance Company does not provide tax advice. Consult with your attorney or tax professional for more information.

[5] Net distributions equal total after-tax distributions to the beneficiary as a lump-sum distribution in year 27 or 10th year from IRA owner's death, plus the life insurance proceeds net of federal estate taxes, if applicable.

[6] Scenario assumes the IRA owner has four beneficiaries. The annual gift tax exclusion applies to gifts to each donee. In this scenario, we assume the owner has beneficiaries to whom he or she can gift up to $17,000 per year, per recipient. (Source: "Frequently Asked Questions on Gift Taxes,"IRS, accessed December 2022: https://www.irs.gov/businesses/small-businesses-self-employed/whats-new-estate-and-gift-tax).

Which legacy would you rather leave for beneficiaries?



78% more

In our scenarios, the ILIT and IRA beneficiaries received **$693,649** more with the leveraged distributions using your IRA strategy.

How could you benefit?

Using IRA distributions inside a life insurance trust may help:

Minimize taxes
Life insurance proceeds bypass probate and are paid to the ILIT free of both federal estate and income taxes.

Maximize and control your legacy
Using the net after-tax distributions from your IRA may allow you to purchase a significant life insurance death benefit for your beneficiaries.

Proceeds from an ILIT-owned life insurance policy will be distributed by the trustee to your beneficiaries according to your preferences.

Transfer assets out of your estate
Making tax-free gifts to an ILIT can help reduce the size of your taxable estate. Currently, individuals may gift up to $17,000 annually (per beneficiary) and married couples may gift $34,000 annually (per beneficiary). Plus, as long as you do not exceed the $17,000 limit, these annual gifts do not count against your $12.92 million combined cumulative lifetime gift- / estate tax exemption. (Refer to footnote 2 on page 2 for source information.)

Is an IRA maximization strategy right for you?

You may benefit if:

- ☐ You plan to leave IRA assets to your beneficiaries.
- ☐ Your retirement income needs are fully met by other sources without the need for RMDs.
- ☐ You want more control with ILIT distributions made to trust beneficiaries.
- ☐ You'd like to leave a larger legacy to your beneficiaries.

If these apply to you, contact your insurance professional to learn more.

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EQUITABLE

How life insurance can assist clients in meeting their future needs

Social Security planning

Sales Guide

Life Insurance: • Is Not a Deposit of Any Bank • Is Not FDIC Insured • Is Not Insured by Any Federal Government Agency • Is Not Guaranteed by Any Bank or Savings Association • Variable Life Insurance May Go Down in Value

Introduction

A few words about Social Security and where Social Security planning fits into a client's overall planning.

For most Americans, income during their retirement years will be addressed by three asset groups:

1 **Retirement plan assets** (company-provided pensions, IRAs and 401(k) plans)

2 **Social Security benefits**

3 **Personal assets**

While important, the first two may not be able to replace personal savings. Company-provided pension assets have diminished in importance for many retirees.

Twenty-two percent of American workers in the private sector (i.e., non-government jobs) were covered by an employer-sponsored pension plan in 2018.[1]

Concerns also exist regarding the viability of the Social Security program:

- **According to many studies, the Social Security trust fund will be able to cover its retirement and disability obligations for the next 17 years or so, after which there will be a shortfall of about 24%.[2]**
- **The chief actuary of the Social Security Administration estimates Social Security funds will fall short after 2037.**

Sections of this guide will talk about how clients might be able to use life insurance, and the protection it offers families, as a way to help supplement these two items as part of a personal asset accumulation approach.

3 **Strategy one:** The Social Security "bridge"

5 **Strategy two:** Supplementing retirement income

7 **Strategy three:** Legacy wealth transfer with Social Security max

9 Closing comments

10 Appendix

1 Bureau of Labor Statistics' National Compensation Survey for 2018.

2 www.ssa.gov

Social Security *may* and *can* be an integral part of your client's planning. While it may not be central, it remains a cornerstone of many retirement plans. In some cases, it can be used by a client as part of a wealth transfer strategy. An assessment of your clients' needs and a comparison with available resources can help identify any shortfalls that may exist. The earlier the process begins, the more viable the opportunity to arrange their personal estate and reallocate assets to help address future needs.

Sadly, however, recent surveys indicate that less than 30% of all Americans don't have an idea of what they may be entitled to receive from Social Security. They may have no idea of the significance that Social Security may still play in their retirement and estate plans. If they wait too long, it may be too late to maximize the role Social Security might play in their retirement.

The Social Security Administration website offers substantial general benefit information, as well as personal planning tools to access an individual's own benefit profile and benefit projections.[2] Consider the following three situations where life insurance may provide assistance to your clients in conjunction with your review of their Social Security benefits and retirement and estate planning goals.

This guide will show three ways to look at a client's overall planning and offer three strategies that can help enhance, supplement or use Social Security to achieve their retirement or wealth transfer goals:

1. For many clients, Social Security will represent a major portion of their retirement resources and they may benefit from strategies to maximize what they are entitled to receive, perhaps by delaying the receipt of their benefits (next page).
2. Some clients will need to plan for personal assets to fill the retirement income gap that will exist between their needs and what Social Security and retirement plan assets will provide (page 5).
3. Other clients will not need Social Security for their retirement needs, but it may be helpful in addressing their legacy plans (page 7).

Let's explore three strategies that could work for your clients:

Strategy one: The Social Security "bridge"

Strategy two: The supplement

Strategy three: The legacy

Strategy one: The Social Security "bridge"

Do you have clients who would like to get the maximum benefit amount their Social Security profile can provide? This approach will show how life insurance can be integrated into an overall protection plan, and allow a client to maximize their overall Social Security benefits.

An important part of any financial plan is planning for retirement. Setting aside money in various retirement accounts will help achieve retirement goals. When assessing retirement need, one income source that you'll need to consider is the amount of Social Security benefits that will be available, based on an individual's personal profile and projected retirement age or date.

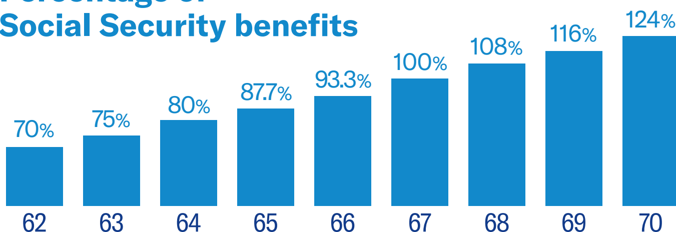
For most future recipients, "normal" Social Security full retirement age will be between 66 and 67. However, clients can access these funds as soon as they reach age 62. Conversely, they can defer receipt of Social Security benefits until age 70. Accelerating benefits, taking them prior to their full retirement age, will result in reduced benefits. Delaying receipt will result in enhanced benefits. Although timing and amounts will vary from client to client based on their birth year, on average it is about an 8% per year reduction or growth.

This can be a critical element in a client's planning. At its heart, Social Security is a fixed annuity. For clients who can defer receipt of their Social Security benefits during the deferral period, starting at age 67, they will compound growth year after year at about 8% per year. Few financial alternatives offer 8% growth.

Retiring early can mean a 30% reduction in Social Security benefits.

Retiring later, however, can increase your benefits 8% a year.

Percentage of Social Security benefits



Eligible retirement age

Meet Chris and Linda

- **Both age 45**
- **Two children**

This strategy may be right for clients who:

- Want to maximize their Social Security benefits.
- Can delay Social Security benefits until age 70 to get increased monthly benefits.
- Want to retire earlier than Social Security full retirement age.
- Clients who have a need for life insurance.
- Wish to leave a legacy to their children.

Chris and Linda's situation

Chris and Linda recently met with their financial professional. They are married, both 45 years old, with two children, and want to retire early. Based on today's Social Security benefits schedule, Chris would qualify for the maximum Social Security benefit if he retired at the full retirement age of 67. However, he wants to retire at age 62, a point where Social Security benefits would be substantially reduced. Chris is looking for a strategy that would allow him to have access to an amount that is equal to what he would receive from Social Security at full retirement age 67, yet allow him to retire at 62 and delay triggering his actual Social Security benefit until age 70.

A cash value life insurance policy may be an excellent way to help provide for additional funds to help "bridge" the Social Security gap.

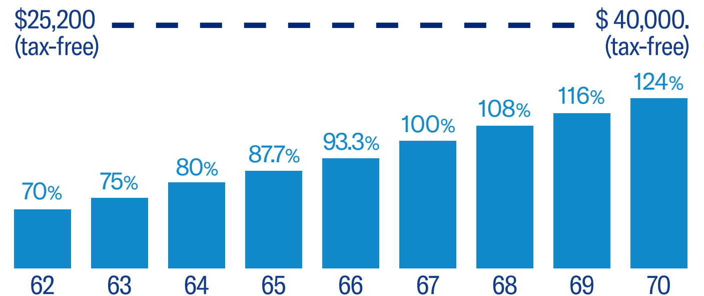
By tapping into the policy cash values in strategic years, between age 62 to age 70 (just 8 years), clients can obtain the equivalent value of their Social Security benefit. They can let their Social Security benefit grow and take their maximum benefit at age 70. All along, their family has death benefit protection and later, a possible legacy.

Chris and Linda's strategy

- It is projected that Chris will be eligible for a Social Security benefit of $32,000 per year at his full retirement age of 67, and eligible for a $40,000 annual benefit if he delays until age 70.
- Chris and Linda need to purchase a $500,000 life insurance policy to protect their family if something happened to Chris. A cash value life insurance policy on Chris' life meets both personal protection needs, and helps to fund a "supplemental income stream" at Chris' age of 62.
- They will pay policy premiums for 16 years from Chris' age 45 through his age 62. (Annual premium of $9,500 for 16 years).
- At age 62, and until he reaches 69, Chris will plan to take $25,200 annually in funds from the life insurance values, an amount equal to the "after-tax" amount of $32,000 that he could receive from Social Security at age 67, "normal retirement age," in a 25% tax bracket.
- At age 70, Chris can trigger his delayed Social Security benefit of $40,000.
- Chris and Linda can leave a legacy to their two children with the remaining policy death benefit.
- Along the way, Chris can always change his mind and work longer, and they will still have cash value in their policy to enhance their retirement beyond age 70.

Using life insurance, Chris and Linda are able to retire when they want, and still delay Social Security benefits in order to get the maximum amount available to them.

Cash value life insurance can fill the Social Security gap[4]



Eligible retirement age

A variable universal life insurance contract such as VUL Optimizer® is a contract with the primary purpose of providing a death benefit. It is also a long-term financial investment that can also allow potential accumulation of assets through customized, professionally managed investment portfolios. These portfolios are closely managed in order to satisfy stated investment objectives. There are fees and charges associated with variable life insurance contracts, including mortality and risk charges, administrative fees, investment management fees, front-end load, surrender charges and charges for optional riders. There is investment risk with a variable life insurance policy, including the loss of principal invested.

Age	After-tax Social Security equivalent from policy	Cash value[3]	Life insurance benefit	Delayed social security benefit at age 70
62	$25,200	$206,812	$474,800	$0
65	$25,200	$163,912	$399,200	$0
69	$25,200	$89,906	$297,285	$0
70	$0	$94,553	$296,524	$40,000

Why it works

- Life insurance is not always just about estate planning and taxes. It can be an effective tool to help provide supplemental retirement income in addition to leaving a legacy to beneficiaries.
- Chris will be able to defer taking his Social Security benefit to become eligible to receive a higher benefit amount at age 70. By taking his full retirement age Social Security benefit equivalent from the life insurance policy at his early retirement age of 62, life insurance helps "bridge" the gap between an early retirement and an increased Social Security benefit.
- All along, Chris retains the choice to change his retirement date and still have cash value life insurance protection.

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4 Calculation: Benefit of $32,000 per year; 85% taxed at 25% income tax rate ($27,200 x 25% = $6,800 tax); $32,000 - $6,800 = $25,200 after-tax amount of projected benefit at FRA.

Strategy two: Supplementing retirement income

Do you have clients whose projected Social Security benefits and "traditional retirement assets" may fail to meet their retirement income needs? This approach will show how life insurance can be integrated into an overall retirement planning strategy and allow a client to coordinate their Social Security benefits, traditional retirement benefits and personal savings with their life insurance protection.

Retirement protection is often a central goal for most clients. They have worked for many years and want to feel confident that they have accumulated enough wealth to maintain their standard of living in their non-working years. How much is enough? People are living longer than in previous generations. It used to be that 70% of your salary at retirement was a good rule of thumb to gauge how much people should save. But for many this number is no longer a valid indicator. In the early years of retirement, your clients might lead a much more active life with travel, visiting grandchildren, hobbies and other activities. Whereas in the later years, they might be less active, but the cost of living could have increased. Also consider that in the working years there may be a need for a source of emergency funds.

Given current health trends and an increasing dependence on personal savings, clients need to properly prepare for retirement. Consider the economic downturn. Millions of Americans either lost their jobs, their nest eggs or both! Assets that were set aside for retirement, such as real estate or securities, were quickly reduced to a fraction of their previous value and in some cases had to be liquidated all together. Yet the need for future retirement income remains. In addition, inflation rates have been slowly rising. Would a 3% average annual inflation rate jeopardize the value of your client's current retirement portfolio?

Meet Gary and Darlene

- **Both age 45**
- **Two children looking at colleges**

This strategy may be right for clients who:

- Are 10 or more years away from retirement.
- Have projected Social Security and "traditional retirement assets" that won't meet their retirement needs.
- Are looking for retirement planning strategies.
- Are healthy and have a life insurance need.
- Would like to leave a financial legacy.

Gary and Darlene's situation

Gary and Darlene are married and both age 45. They have two high school-aged daughters who are looking at colleges. Although they have been contributing to their employers' 401(k) plans, their financial professional has made them aware of the limitations on funding these plans. They also know that Social Security provides only a limited supplemental benefit. So, they are looking for other ways to save in a way that is tax-efficient.

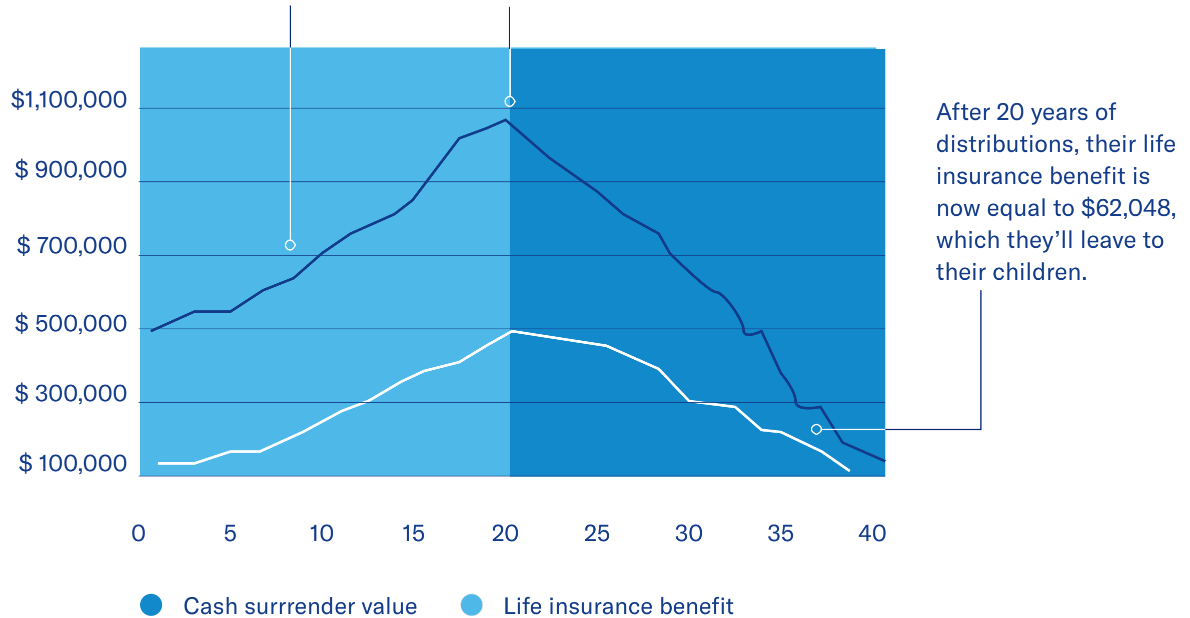
Why life insurance?

Life insurance cash values may help with many of these planning issues. A life insurance policy that builds cash value can accomplish two goals. First, it can provide essential life insurance coverage for the family. Second, it can be another source of supplemental income for the client and their spouse in retirement. Life insurance can build value, tax-deferred. What's more, when your client is ready to access their cash value, they can do it potentially tax-free.

Under current federal tax rules, clients generally may take federal income tax-free withdrawals up to their basis (total premiums paid) in the policy or loans from a life insurance policy that is not a Modified Endowment Contract (MEC). Certain exceptions may apply for partial withdrawals during the policy's first 15 years. If the policy is a MEC, all distributions (withdrawals or loans) are taxed as ordinary income to the extent of gain in the policy, and may also be subject to an additional 10% premature distribution penalty prior to age 59½, unless certain exceptions are applicable. Loans and partial withdrawals will decrease the death benefit and cash value of their life insurance policy, and may be subject to policy limitations and income tax. In addition, loans and partial withdrawals may cause certain policy benefits or riders to become unavailable and may increase the chance the policy may lapse. If the policy lapses, is surrendered or becomes a MEC, the loan balance at such time would generally be viewed as distributed and taxable under the general rules for distribution of policy cash values.

Gary and Darlene's payments accumulate tax-deferred. They've decided to pay $15,000 a year for 20 years. Their payments cover the cost of their life insurance benefit, which grows with their cash value.

At age 66, their life insurance benefit equals $1,010,268 and their cash surrender value equals $545,557.[5] They've decided to take $47,000 a year in tax-free income to supplement their retirement.



Gary and Darlene's strategy

- Their financial professional has suggested that Gary and Darlene consider a variable universal life policy.
- If the insured were to die, the policy would provide an immediate source of cash for the girls' current and future financial needs.
- While they're alive, the policy cash value could continue to grow over time to create a source of supplemental income for their retirement years.
- Assuming they pay policy premiums of $15,000 a year for 20 years, at a 7.5% gross rate of return (which is not a guaranteed rate), their life insurance policy could provide approximately $47,000 for 20 years, beginning when they're age 66. (In a 35% income tax bracket, $47,000 after-tax would equate to approximately $72,308 of before-tax income.)

Why it works

- Cash value life insurance, single life or survivorship life insurance policies, can provide a cost-efficient means to accumulate assets.
- During the time prior to their retirement years, there is a life insurance benefit of $500,000-$1,000,000 to provide financial protection for their daughters.
- When they need retirement income, the policy cash values can be accessed via loans or withdrawals, as a source of supplemental income. Policy loans and withdrawals will reduce the face amount and cash value of the policy. Clients may need to fund higher premiums in later years to keep the policy from lapsing.

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Strategy three:
Legacy wealth transfer with Social Security max

Do you have clients with substantial wealth who will not need or rely on Social Security for their own financial needs? They may be able to use life insurance to leverage this personal benefit amount and enhance the legacy they leave for their children, grandchildren or favorite charities.

Most clients will use their Social Security benefits to support their retirement income needs. However, some clients may have been fortunate enough to amass a comfortable retirement nest egg. Perhaps they've not even considered their Social Security benefits as a source of income when they are retired. If these benefits are "excess," the after-tax funds will merely be added to the client's portfolio. As a result they may be subject to taxes on investment growth and, possibly increase their estate or other wealth transfer taxes. Legacy planning with life insurance can offer a more effective use of these excess benefits.

If your clients have children, grandchildren or charities that are important to them, some or all of their Social Security benefits could instead be used toward a life insurance policy. This can be a very simple way to create a legacy for their family or charities.

Why it works

- Bill and Debbie did not need their Social Security benefit for living expenses.
- They only used a portion of the funds from Social Security for life insurance.
- They can still make annual gifts to family members or charities with the remaining benefit.
- They are able to leverage their legacy with use of a life insurance policy.

Meet Bill and Debbie

- **Both turning 66**
- **Estate worth: $5,000,000**

This strategy may be right for clients who are:

- Healthy and have a life insurance need or capacity for life insurance purchases.
- Age 62 or older.
- Qualified to receive Social Security, but do not need Social Security for retirement income.
- Would like to enhance or create a financial legacy.

Bill and Debbie's situation

Bill and Debbie are working with their financial professional on their retirement plans. They are both turning 66 at the end of this year. During their working years, they accumulated substantial assets and both have employer-provided pensions. They never considered Social Security as a necessary source of retirement funds. They're not even sure how much they are eligible to receive.

During their recent planning discussions with their financial professional, they uncovered that they are both eligible to receive the Social Security maximum benefit at their retirement's "normal retirement age" 66. After taxes, their financial professional estimated that together they will have a total of $64,000 in pretax benefits. This equates to approximately $40,000 in after-tax dollars available to them.

Bill and Debbie's strategy

- Bill and Debbie decide to use half of the after-tax amount available to them from Social Security, or $20,000, as premium for a life insurance policy on their lives, to provide a benefit for their four grandchildren.
- They can purchase a range of policies. Depending on each client's situation one approach may be better than the others.
  - A survivorship life policy.
  - A single life policy on either Bill or Debbie.
  - Two single life policies, one on Debbie's life and one on Bill's life.
  - They elected to purchase an indexed universal life policy on Debbie's life (see diagram below).
  - They can own the policy outright, or it can also be owned by a trust, their children or a charity. At Debbie's death, the policy can complete their family legacy or may be maintained until Bill's death if he is still alive.

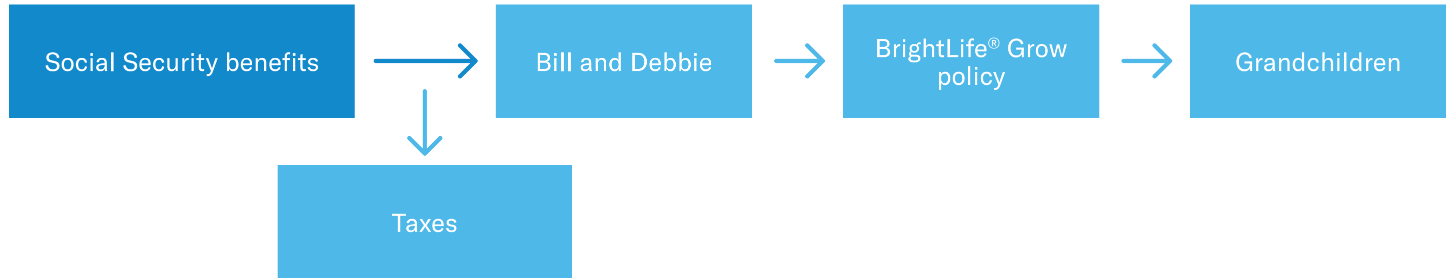
A comparison

Here is comparison of their legacy showing the advantage of placing $20,000 in a life insurance policy insuring Debbie's life.

Approach	Annual contribution	Over 20** years
Gift	$20,000	$400,000
Invest*	$20,000	$554,764*
Insure[6]	$20,000	$700,000**

* Projected return is 5% before tax, 3.02% after tax.

** Assume Social Security amounts contributed to life insurance in all years.



Other considerations

Please remember cash value life insurance has many other considerations clients should review carefully before selecting a life insurance policy. Please keep these important points in mind:

- Clients must keep paying the required premiums for the entire premium payment period, missing or skipping premiums will negatively impact the amount of loans and withdrawals available. A life insurance policy like Equitable's BrightLife® Grow generally takes years to build up a substantial cash value. To be effective, the policy should be held until death.
- This idea is based on a hypothetical scenario according to certain rates and charges in the policy. The rates and charges are not guaranteed, and thus the actual results your client receive will be different.
- Clients must qualify both medically and financially for the life insurance.
- How much life insurance your client can purchase and the price they pay will depend on the medical and financial underwriting.
- Generally, there are additional charges associated with a BrightLife® Grow policy, including, but not limited to, a front-end load, monthly administrative charge, monthly segment charge, cost of insurance charge, additional benefit rider costs and a 15-year surrender charge.

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Closing comments

Social Security is an important consideration for most of your clients as they plan for their ultimate retirement goals. However, its impact will vary widely for each client. Additionally, not all U.S. citizens are eligible to participate in the Social Security system.

Most eligible participants do not realize the scope of their own Social Security benefits. They are not aware that the maximum Social Security benefit in 2022 available at “full retirement” age is only $3,345 per month or $40,140. The majority of eligible Social Security recipients receive less than half that amount. Although important, Social Security, along with qualified pensions, will only address a portion of retirement needs for many of your clients. Personal assets, including life insurance, will be needed to address any shortfall.

Opening up a discussion with clients on retirement needs and Social Security long before their retirement years makes good sense. Life insurance, either single life or survivorship life, can be an invaluable planning tool for you to consider.

Appendix

Contents

A1 Qualifying for Social Security benefits

A1 Understanding the basics

A1-A2 Understanding the process

- Full retirement age (FRA)
- Primary insurance amount (PIA)
- Early entry
- Deferred entry

A2 Divorced spouses

A2 Impact of earned income on Social Security benefits

A3 Income taxation of Social Security benefits

A3 Case studies

- Benefit timing — a participant's perspective
- A spouse's view and "file and suspend"
- A divorcee's view

A4 How to get started

As mentioned within this document, recent surveys indicate that many Americans have little idea of what they may be entitled to receive from Social Security. Those clients will have no idea of the significance that Social Security may play in their retirement and estate plans, or the gap that might exist. If they wait until it is too late, they will be unable to effectively address their ultimate retirement needs.

What follows is a "primer" of the major points to consider when addressing the impact of Social Security with your clients.

Qualifying for Social Security benefits

Not all workers qualify to receive Social Security benefits. Those who have been employed by the federal government or state governments may be covered by other retirement funding arrangements. This group generally includes teachers in the public school systems. As a general rule, American citizens and resident aliens who have contributed into the U.S. Social Security system during their working years can qualify for Social Security benefits. Workers who have "40 quarters" (10 years) of participation can qualify for some benefit amount on their own. Spouses and divorced spouses may also be eligible for benefits through their spouse or former spouses. Identifying your clients' occupation, work history, employer and marital history can be helpful in assessing their Social Security profile and eligibility for benefits.

Understanding the basics

During working years, both covered employees and their employers contribute to Social Security on their behalf. Currently, 6.2% of earned income, up to the annual "Social Security Contribution Base," is withdrawn from each paycheck along with state and federal income taxes. Employers and covered workers contribute a like dollar amount on behalf of the employee. Self-employed persons contribute to both the employer and employee portions, 12.4%.

If you work for someone else	Social Security tax
You pay	6.2%
Your employer pays	6.2%
If you are self-employed	
You pay	12.4%

Compensation subject to the Social Security withholding referred to as the "Social Security Contribution Base" is capped each year. For 2022, the compensation maximum was capped at $147,000.

Once a covered worker is credited with 40 quarters of contributions (essentially 10 years), eligibility for benefits is sealed. However, the ultimate benefit amount is based on an assimilation of 35 years of compensation. If a covered worker has contribution credits for 403 quarters or more, but less than 35 total covered years, values for the missing years will be filled in with zeros for the final benefit calculations.

Understanding the process

In working with Social Security, there are certain basic terms that someone needs to know in accessing and understanding Social Security retirement benefit amounts.

Full retirement age:

Full or normal retirement age (FRA) refers to the age at which the participant will be eligible to receive 100% of their Social Security benefit. The FRA varies based on the date of birth of the participant.

As an example, for a covered worker born between 1943 and 1954, age 66 is the FRA. If a covered worker was born after 1960, their FRA is age 67. For birth years between 1955 to 1960, the age at which full retirement benefits are payable increases gradually to age 67. The following chart provides full retirement for given ages, and demonstrates the phase for those gap years. As you can see, a covered worker becoming age 66 this year is entitled to receive 100% of their "primary insurance amount."

Year of birth	Full retirement age
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 or later	67

Primary Insurance Amount (PIA):

The "primary insurance amount" (PIA) is the benefit a covered worker would receive if they elect to begin receiving retirement benefits at their "full retirement age," FRA. If benefits begin at the FRA, the benefit amount is neither reduced for early retirement nor increased for delayed retirement. A special calculation formula is applied to the income levels that a covered worker was taxed on during their working years. The formula indexes the income amounts for inflation to arrive at the PIA. In 2022, the maximum PIA amount is $3,345 per month or $40,140 per year.

Early entry:

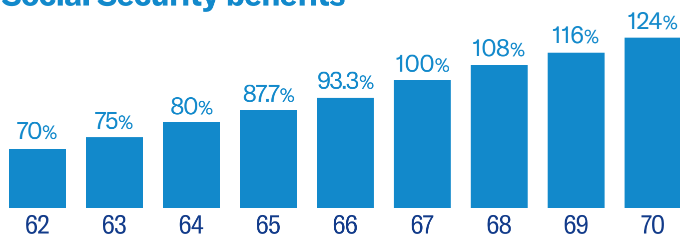
If a covered worker applies for Social Security benefits before their FRA, their benefit will be less than 100% of the amount available at their FRA. A covered employee's benefit is reduced by about half a percent for each month they start to receive their Social Security benefit before their FRA. For example, if a covered employee's full retirement age is 66, and they sign up for Social Security when they are 62, they would only get 75% of their primary insurance amount.

Additionally, it is important to note that if a covered employee starts receiving benefits prior to their FRA and they continue to work, not only are their benefits reduced for early entry into the system, their benefit may also be reduced $1 for each $2 earned until they reach their FRA, if their earned income exceeds an earnings threshold. In 2022, that earnings threshold is $19,560.

Deferred entry:

In contrast to early entry, if a covered employee defers receipt of their benefit to a year after FRA, up to age 70, their benefit will be increased by 8% of their PIA at their FRA for each year deferred. How much it will differ depends on the number of gap years. As an example, if normal retirement age is 67, applying for a benefit at age 62 results in a reduction of benefit amount by 30%. In contrast, delaying receipt of a benefit until age 70 will increase the benefit to 124% of the primary insurance amount.

Percentage of Social Security benefits



Eligible retirement age

Divorced spouses

Divorced spouses may also have rights to a "spousal benefit" through any of their former spouses, where the divorced spouse:

- Had been married for 10 years.
- Is unmarried at the time of filing for benefits.
- Is age 62 or older.
- Has been divorced from the eligible participant for 2 or more years.
- Has an ex-spouse who is entitled to Social Security retirement benefits.
- The benefit they are entitled to receive based on their own earnings record is less than the benefit they would receive based on their ex-spouse's benefit base referred to as the Primary Insurance Amount (PIA).

When you are working with divorced clients who fit the profile listed above, these rules can be important to you as part of the overall retirement plan.

Impact of earned income on Social Security benefits

Earned income will not have a direct impact on the Social Security benefit amount of an eligible recipient who continues to work after their FRA. However, if someone has earned income and elects to begin their Social Security retirement benefit prior to their FRA, their benefits may be subject to an additional reduction until they do reach their FRA.

As an example, for someone born between January 2, 1943, through January 1, 1955, their FRA for Social Security retirement benefits is age 66. Someone who reaches normal retirement age or older, may collect 100% of their Social Security benefit amount, no matter how much they earn. However, for those triggering a benefit prior to normal retirement age who have not yet reached their FRA, there is a limit to how much they can earn and still currently receive full Social Security benefits. During 2022, those who:

- Are receiving Social Security retirement benefits.
- Have not yet reached their FRA.
- Have earned income in excess of $19,560.

Their annual benefit will be reduced $1 for each $2 they earn above the $19,560 threshold (2022). If they reach FRA during 2022, the reduction changes to a $1 reduction for every $3 earned in excess of $50,520 (or $4,210 per month). For the year following their FRA, the reduction no longer applies at all.

Income taxation of Social Security benefits

Some recipients of Social Security retirement benefits will have to pay federal income taxes on their Social Security benefits themselves. This will occur if they have other substantial income (such as wages, self-employment, interest, dividends and other taxable income that must be reported on your tax return) in addition to their Social Security benefits. Note: Life insurance accumulations can be accessed through withdrawals and loans, and when properly structured, will not trigger current income taxes.

It should be noted that earned income delays the receipt of some benefit amounts. But once the participant reaches FRA, the administration will recalculate their benefit amounts and give them credit for the benefit amounts withheld.

If a Social Security recipient:

Files a federal tax return as an "individual" and their "combined income" is:

- Between $25,000 and $34,000, they may have to pay income tax on up to 50% of their benefit amount.
- More than $34,000, up to 85% of their benefits may be taxable.

Files a joint return, and they and their spouse have a "combined income" that is:

- Between $32,000 and $44,000, they may have to pay income tax on up to 50% of your benefits
- More than $44,000, up to 85% of their benefits may be income-taxable.

No one pays federal income tax on more than 85% of his or her Social Security benefits based on Internal Revenue Service (IRS) rules. Consider the following sample cases.

Case studies

Case study 1: Benefit timing

Can be affected by a client's age, income from unrelated sources.

a. Eligible participant profile

- Mark is 60 and reviewing his Social Security options with his financial advisor.
- He is married and currently, he and his spouse are both working.
- His FRA is 66.
- His PIA at NRA is projected to be $2,500 per month, $30,000 per year.

b. Timing

If he starts benefits at age 62, his benefit will be reduced below the PIA amount by 25%, to $22,500 per year. If he defers until age 70, his benefit will increase by 32% of the PIA, to $39,600 per year.

c. Taxation

Mark's Social Security benefits may be subject to income tax if they exceed the stated income thresholds.

For an eligible participant who is married filing a joint return and the couple has a combined income that is:

- Between $32,000 and $44,000 of income, they will have to pay income tax on up to 50% of their benefits
- More than $44,000, up to 85% of their benefits may be taxable.

Mark plans to continue to work after his FRA. The couple's "combined income" is expected to be $100,000, which exceeds the higher $44,000 threshold. At this income level, $25,500 of Mark's $30,000 annual benefit would be subject to income tax. That is 85% of the $30,000 because of his income level. Assuming a 25% marginal income tax bracket, Mark's after-tax benefit is reduced from $30,000 to $23,625.

d. Earned income reduction for benefits received prior to FRA

What if Mark triggers his Social Security benefits at age 62, prior to his FRA and continues to work? His PIA amount is $30,000 at age 66.

- At age 62, his benefit would be reduced to $22,500.
- Since 62 is less than his FRA, all earned income in excess of the annual threshold, will be reduced $1 for every $2 earned. The income threshold in 2022 is $19,560. In Mark's case we will assume earned income of $50,000. His Social Security benefit received at age 62 would be reduced by $15,220 ($50,000 - $19,560 = $30,440; $30,440/2 = $15,220) leaving him with only $7,280 for the year or $607 per month before tax ($22,500 - $15,220 = $7,280).

It becomes obvious that taking an early benefit while still working will not increase Mark's cash flow significantly and may not make sense.

Case study 2: A spouse's view

It is not uncommon to find spouses who did not work outside of the home or did not have the required 40 quarters of covered earnings.

A spouse of an eligible recipient can receive up to 50% of the primary worker's income benefit. This is in addition to the benefit received by the eligible recipient themselves.

In many cases, a spouse is fully insured under Social Security, but they are entitled to the larger of their own benefit or 50% of a spouse's benefit.

Let's look at Bob and Sally:

a. Eligible participant profile

Bob and Sally are the same age and they have reached their normal retirement age.

- Bob's PIA is $2,200.
- Sally's benefit based on her own work and earnings history is $700.
- Sally's spousal benefit is $1,100, or 50% of Bob's, so she will be eligible to receive $1,100, the spousal benefit, instead of $700.
- So, under these facts, Bob will receive $2,200 each month and Sally an additional $1,100 in Social Security benefits. In addition, if Bob were to die, Sally would receive Bob's higher benefit amount of $2,200.

b. Where a spouse's own benefit is larger

Assume that Sally was actually entitled to $1,400 based on her own work history. Since $1,400 is greater than half of Bob's benefit of $1,100 she can be qualified to receive the $1,400 monthly benefit. In addition, if Bob were to die prior to Sally, she would still be eligible to receive Bob's higher benefit amount of $2,200 instead of her own benefit of $1,400.

Case study 3: A divorcee's view

Divorced spouses may also have rights to a "spousal benefit" through any of their former spouses. Mary is 66 and has reached her FRA. She has been married twice. Her second husband Jim died last year. She was married to her first husband, Bill, for 12 years.

- Mary's PIA would be $1,100.
- Jim's PIA would be $1,200.
- Bill is 66 but has not filed for Social Security. His PIA amount would be $2,663.

Mary meets the criteria for a divorced spouse to benefit from their ex-spouse's Social Security account:

- She was married for more than 10 years to Bill.
- Divorced from Bill more than 2 years ago.
- She is currently unmarried.
- Age 62 or older.
- Her ex-spouse, Bill, is entitled to Social Security retirement.
- The benefit she is entitled to receive based on her own work is less than the benefit they would receive based on their ex-spouse's PIA.

Mary's Social Security benefit will either be $1,100, her PIA survivor benefit of $1,200 based on Jim's account or $1,331, the spousal benefit as an ex-spouse on Bill's account. She needs some guidance from her financial advisor on how to proceed in gathering the facts and applying for her Social Security benefit.

How to get started

Hopefully these brief facts and case examples were helpful to getting your thinking on track for your clients. The Social Security Administration website offers substantial general benefit information, as well as personal planning tools to access an individual's own benefit profile and benefit projections.[7]

To understand the Social Security benefits procedure, start with a review of your client's projected Social Security retirement benefits.

7 Please refer to: www.ssa.gov/myaccount

For more information, please call the Sales Desk or visit equitable.com.

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