Retirement & Estate Planning

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Estate plans after SECURE: retirement benefits payable to trusts

Aimed at increasing access to tax-advantaged accounts and preventing older Americans from outliving their assets, the Setting Every Community Up for Retirement Enhancement Act (SECURE Act) is far-reaching retirement savings legislation that took effect in January.

One significant provision eliminated stretch IRAs as an estate planning tool by requiring full distribution of an IRA to beneficiaries within 10 years, following the year of the employee or IRA owner's death.

Now is the time for financial professionals to talk to their clients about their estate plans and discuss new options to help them pass their legacy to their beneficiaries without also passing a big tax bill.

Reach out to your Lincoln representative to get the white paper by Tom Commito

URGENT – review existing trusts now

For decades, a popular estate planning strategy for clients with substantial IRA and other retirement plan assets was to "stretch" the post-death payout period over the beneficiary's life expectancy to minimize income taxes and preserve the tax-deferred status of the undistributed plan assets. Often, clients named a testamentary irrevocable trust ("see-through trust") for the benefit of their spouse, children or grandchildren rather than name the individual outright as the beneficiary of their retirement accounts, due to concerns over potential divorce, lawsuits, financial mismanagement or other missteps.

Prior to SECURE, if the trust satisfied the IRS's requirements to qualify as a see-through trust and all "countable" beneficiaries were individuals, it was considered a "designated beneficiary," and the oldest trust beneficiary's life expectancy was used to determine the payout period (applicable distribution period) for purposes of required minimum distributions (RMDs).

In general, with the passage of the SECURE Act, the life expectancy payout option for any designated beneficiary, including see-through trusts, was eliminated. This was replaced with a 10-year payout rule that requires the client's entire retirement account to be distributed within 10 years, following the year of their death.

After SECURE – see-through trust issues

Conduit trust

The new legislation may be most problematic for clients with conduit trusts because the conduit trust will no longer operate the way the client originally expected it to work. Under a conduit trust, the trustee immediately pays all retirement plan distributions to the primary or lifetime trust beneficiary ("conduit" beneficiary). All retirement plan distributions paid to the trust are forced out to the conduit beneficiary and nothing accumulates in the trust.

Historically, conduit trusts regulated and controlled the systematic and gradual payout of the client's sizeable retirement plan over the beneficiary's lifetime. They were used to address the client's fears regarding the beneficiary's potentially questionable financial judgment, discipline and restraint as well as concerns about creditors' and other claimants' (ex-spouses) attempts to access those assets, if otherwise, left outright the beneficiary.

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SECURE mandates the trustee accelerate distributions under the 10-year payout rule to the conduit beneficiary rather than make small incremental distributions over the beneficiary's lifetime unless the beneficiary is an "eligible designated beneficiary" (EDB). An EDB is a surviving spouse, a disabled or chronically ill individual, minor child of client, or an individual who is not more than 10 years younger than the client.

As a result, SECURE may expose a conduit beneficiary to an increased income tax burden and undermine the intent, purpose and utility of the trust if the designated beneficiary is not an EDB. At a minimum, the client should have their conduit trust reviewed and either modified to name an EDB, if appropriate for their circumstances, or potentially switch to an accumulation trust.

Accumulation trust

With an accumulation trust, the trustee has broad discretionary authority to either pay out or accumulate retirement plan distributions during the lifetime of the primary beneficiary for possible distribution to another beneficiary, at a later date. However, after SECURE, even an accumulation trust isn't the perfect solution. It has its tradeoffs.

An accumulation trust may resolve the client's concerns about the beneficiary receiving too much too quickly, but at a prohibitively expensive income tax hit. SECURE requires that all retirement benefits be paid to the accumulation trust within 10 years, following the year of the client's death. To the extent the trustee accumulates retirement plan benefits in the trust, they will be taxed at the highest trust rates due to its compressed tax brackets.

Yet, a strategy that combines an accumulation trust with the purchase of a life insurance policy on the client's life may be the right solution and should be discussed with the client to help offset the accelerated tax liability with an income-tax free death benefit at the client's death.

Questions to ask clients

- When was the last time you reviewed your trust to make sure changes in laws don't affect your planning?
- Are you aware that the passage of the SECURE Act may have created drawbacks to your current trust?
- The SECURE Act has significantly changed how certain beneficiaries receive an inherited IRA. Who are the beneficiaries to your trust?
- Does your trust include use of a stretch IRA? If so, it's important we review the trust to ensure there isn't a major income tax burden to your beneficiary.

For clients with see-through trusts, SECURE may affect their existing estate plans.

Now is the time to have their trusts immediately reviewed to accommodate the new law. Contact your Lincoln representative for more information.

This is intended for educational purposes only and must not be considered financial, tax or legal advice. Please work with your financial professional prior to making any decisions regarding your finances.

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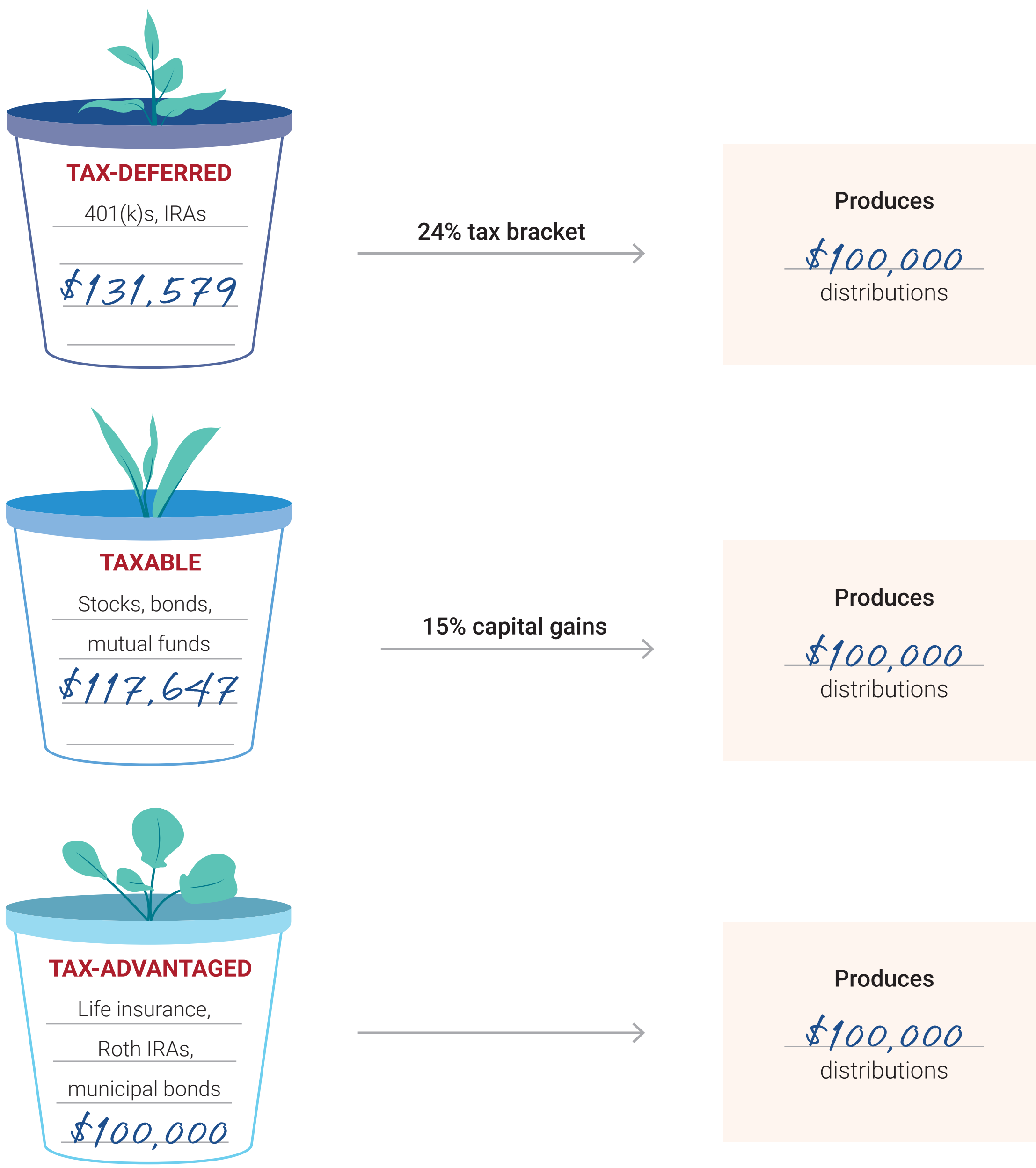
Prepare today for a tax-efficient future

Help your clients keep more of what they earned

As your clients plant the seeds for retirement, now is the time to show them how taxes will affect them when they begin spending their savings.

Review the sample illustration below to help your client better understand how taxes affect their retirement plan and how to diversify assets, so they can keep more income and pay less in taxes when they begin distributions.

Help them understand how taxes impact the money they use to invest in the different options and how taxes impact their distributions. Diversification is not only important for growth but distribution.



Get to know the different asset categories to create a diversified portfolio

Plans	Purchased with	What happens when you spend your savings?	Things to consider
Tax-deferred (IRA, 401(k), SEP, TSA)	Pre-tax dollars	Taxable	▪ There are contribution limits ▪ You will be penalized for withdrawals made before age 59½ ▪ You are required to take minimum distributions, starting at age 72
Taxable (Stocks, bonds, mutual funds, checking, savings)	After-tax dollars	Taxable	▪ You will be taxed on any capital gains on earnings ▪ There are no contribution limits ▪ There are no required distributions ▪ 85% of your Social Security benefits are taxed if you have too much adjusted gross income (MAGI)[1] ▪ Your Medicare premiums could increase if you have too much MAGI[2]
Tax-advantaged (Life insurance, Roth IRAs, municipal bonds)	After-tax dollars	Tax-free	▪ Roth IRAs have contribution limits ▪ Municipal bond earnings have no contribution limits but are added to your MAGI and could affect Social Security benefits and Medicare premiums ▪ Life insurance has tax-free distributions without penalites;[3] no effect on Social Security benefits or Medicare premiums, and no required distributions

Keep more of what you earned

When creating a retirement plan focused on maximizing tax advantages, educate your clients on the benefits of adding a tax-advantaged product like life insurance to their portfolio. Adding cash value life insurance to their overall portfolio can help protect savings and provide:

- An income tax-free death benefit for their beneficiaries
- Tax-deferred growth opportunities
- An income tax-free financial resource for retirement[1]
- No penalties for cash values taken before age 59½

[1] Individuals with MAGI above $34,000; $44,000 filing jointly.

[2] Individuals with MAGI above $160,000; $320,000 filing jointly.

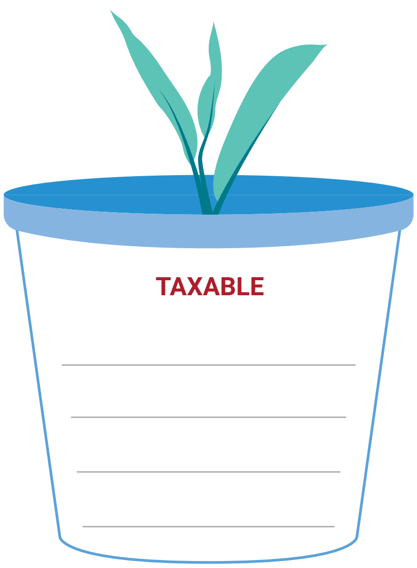
[3] Income tax-free loans and withdrawals will reduce the policy's cash value and death benefit. See page 4 for important information regarding loans and withdrawals.

Fill out the illustration below to help your client better understand how taxes affect their retirement plan.

Produces

____

distributions



Produces

____

distributions

Produces

____

distributions

Why diversification matters

The following examples show how a typical portfolio will be taxed versus a balanced portfolio. By withdrawing from a mix of asset categories, your clients could have $10,700 more.

Withdraw $100,000 from assets

$100,000	$40,000 from the tax-deferred asset $30,000 of gains from a taxable asset $30,000 from a life insurance policy
–$8,800	22% ordinary tax on 401(k) withdrawal[1]
–$4,500	15% capital gains tax on the taxable asset
–$0	tax-free life insurance loan[2]
$86,700	income

Withdraw $100,000 from 401(k)

$100,000	from tax-deferred 401(k)
–$24,000	24% ordinary tax
$76,000	income

This hypothetical example is for educational purposes only and does not represent any actual strategy and is not intended to be financial advice. Gains and cash value in a life insurance policy are never guaranteed.

Diversification does not assure a profit or protect against loss.

Assumes 24% tax rate

[1] Because the full $100K was not pulled from a qualified account, it lowers the tax bracket from 24% to 22%. This assumes single filer rates.

[2] Life insurance policy distributions are taken though loans and withdrawals, which reduce a policy's cash value and death benefit and may cause the policy to lapse. Loans are not considered income and are tax-free. Withdrawals and surrenders are tax-free up to your cost basis, provided your policy is not a modified endowment contract (MEC). A MEC policy is one in which the life insurance limits exceed certain high levels of premium or the cumulative premium payments exceed certain amounts specified under the Internal Revenue Code. For policies that are MECs, distributions during the life of the insured, including loans, are first treated as taxable to the extent of income in the contract, and an additional 10$ federal income tax may apply for withdrawals made prior to age 59½.

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Not FDIC-insured
Not insured by any federal government agency
Not guaranteed by any bank or savings association
May go down in value

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ADVANCED PLANNING

Comparison of Retirement Plan Alternatives—For Business Owners

EMPLOYER-SPONSORED PLANS

	SIMPLIFIED EMPLOYEE PENSION PLAN (SEP)	PROFIT-SHARING/MONEY PURCHASE	AGE-WEIGHTED/ COMPARABILITY	DEFINED BENEFIT
Eligible Employers	All types of employers, including sole proprietors, partnerships, C corporations and S corporations, and nonprofit and government entities.	All types of employers, including sole proprietors, partnerships, C corporations and S corporations, and nonprofit and government entities.	Any incorporated or unincorporated business, including tax-exempt or nonprofit organizations. Retirement plans established for the benefit of governmental employees generally function in ways similar to those covering private employers. • Section 401(a)—Qualified Plan • Section 403(b)—Annuity for public schools and 501(c)(3) organizations • Section 457(b)—Nonqualified, eligible deferred compensation plans for state and local governments and tax-exempt organizations • Section 457(f)—Nonqualified, ineligible deferred compensation plans	
Employee Age and Service Requirements	• is at least 21 years old, and • has performed "service" in at least 3 of the immediately preceding 5 years. Service means any work performed for any period of time, however short.	Plans may exclude employees under age 21. Plans may also require employees to complete up to two years of service but only if fully immediately vested. A "year of service" may be defined as up to 1,000 hours over a 12-month period.	May exclude employees under age 21. Generally, one year of service if vesting schedule is used. May require employee to complete up to two years of service but only if fully immediately vested. A "year of service" may be defined as up to 1,000 hours over a 12-month period.	
Excludible Employees	Otherwise eligible employees may be excluded if annual compensation is below indexed threshold, $600 in 2020. Plan may exclude certain employees covered by collective bargaining agreements and certain nonresident aliens.	The plan may exclude certain employees covered by collective bargaining agreements and certain nonresident aliens. Some plans may exclude certain classes of employees (e.g., hourly employees) subject to nondiscrimination requirements.		

Continued on the next page.

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	SIMPLIFIED EMPLOYEE PENSION PLAN (SEP)	PROFIT-SHARING/MONEY PURCHASE	AGE-WEIGHTED/ COMPARABILITY	DEFINED BENEFIT
Employer Contributions	Discretionary. Employers may decide each year whether to make a contribution and, if so, the amount.	Profit-sharing contributions are discretionary. Employers may decide each year whether to make a contribution and, if so, the amount, but there must be substantial and recurring contributions. Money purchase contributions are required each year based on percentage specified in plan document.	Contribution is actuarially weighted by age and/or employee classification groupings.	Actuarially determined each year. Employer contributions tend to favor older participants.
Social Security Integration	Permitted in prototype SEPs, not in IRS Model 5305-SEP.	Permitted.	Generally, no.	Yes.
Elective Deferrals	Not permitted, except in Salary Reduction SEPs (SARSEPs), which may not be established after 1996.	Permitted only in profit-sharing plans with 401(k) elective deferral feature (see page 3).	No.	
Includible Compensation	Up to $285,000 in 2020, indexed for inflation, can be taken into account.			
Maximum Employer Deduction	The maximum deductible contribution is 25% of total includible compensation paid to participating employees, subject to annual additions limit (See below). For self-employed individuals, compensation is defined as net earnings from self-employment, with certain adjustments. Maximum deduction with respect to compensation of self-employed individuals is effectively 20%.		25% of participating employee includible compensation, including employee elective deferrals. Maximum deduction with respect to compensation of self-employed individuals is effectively 20%.	May fund a benefit at normal retirement age of 100% of average high three years compensation not to exceed $230,000 in 2020, indexed for inflation.

Continued on the next page.

	SIMPLIFIED EMPLOYEE PENSION PLAN (SEP)	PROFIT-SHARING/MONEY PURCHASE	AGE-WEIGHTED/ COMPARABILITY	DEFINED BENEFIT
Maximum Annual Addition Per Employee	Contributions for each eligible employee may not exceed 25% of compensation or $57,000 in 2020, indexed for inflation, whichever is less. Employees with adjusted gross income below certain levels may also make traditional deductible IRA contributions to the SEP IRA of up to $6,000 in 2020, indexed for inflation, and catch-up contributions for individuals 50 and older of $1,000.	Contributions for each eligible employee may not exceed 100% of compensation or $57,000 in 2020, indexed for inflation, whichever is less.	Individual allocations limited to 100% of compensation or $57,000 in 2020, indexed for inflation, whichever is less.	An actuarial cost method is adopted to ascertain needed contributions.
Vesting	Participants are always 100% vested in all amounts credited to their SEP-IRA account.	Vesting schedules based on certain length of service requirements are permitted. If the plan requires more than one year of service for eligibility purposes, vesting must be full and immediate.	Vesting schedule permitted. Generally, either graduated vesting providing an incremental percentage increase each year until 100% is credited or "cliff vesting," which provides 0% vesting for a number of years then immediate vesting at 100%. Vesting schedule requirement may differ between a defined benefit or defined contribution plan.	
Loans	IRA rules govern. Loans are not permitted.	Permitted, including loans to a sole proprietor, 10% or greater partner, or 5% or greater shareholder in an S corporation.	Permitted.	
In-Service Withdrawals	Allowed anytime; subject to income tax but withdrawals before age 59½ may be subject to additional 10% federal income tax penalty unless certain exceptions apply.	Profit-sharing plans may permit distributions to be made while working under certain circumstances. Early withdrawals before age 59½ may be subject to a 10% federal income tax penalty unless certain exceptions apply. Money purchase plans do not permit in-service distributions unless plan terminates.	Plan may provide for distribution of profit-sharing contributions only held in plan a certain number of years (at least 2 years). A 10% federal income tax penalty may apply if under age 59½.	Only on death, disability, or termination. The Pension Protection Act of 2006 provided discretionary plan distributions to participants age 62 or older.
Government Reporting	Must report on Form 5498.	Generally, Form 5500 must be filed annually with the IRS.	IRS Form 5500 must be filed annually with the IRS.	IRS Form 5500, including actuarial information, required to be filed annually with the IRS.

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ELECTIVE DEFERRAL DESIGNS

	SIMPLE IRA	SOLO 401(k)	SAFE HARBOR 401(k)	TRADITIONAL 401(k)
Eligible Employers	All types of employers having 100 or fewer employees, including sole proprietors, partnerships, C corporations and S corporations, and nonprofit and government entities, and not currently maintaining another pension plan.	Any incorporated or unincorporated business, including tax-exempt or nonprofit organizations (but not state and local government entities).	Any incorporated or unincorporated business, including tax-exempt or nonprofit organizations (but not state and local government entities).	Any incorporated or unincorporated business, including tax-exempt or nonprofit organizations (but not state and local government entities).
Employee Age and Service Requirements	No minimum age. All employees who earned at least $5,000 in any two preceding calendar years with employer and expect to earn at least $5,000 during the current calendar year are eligible. Employer can specify lower compensation amount, but not higher.	Plans may exclude employees under age 21. Plans may also require employees to complete up to two years of service but only if fully immediately vested. A "year of service" may be defined as up to 1,000 hours over a 12-month period.	May exclude employees under age 21. Generally, one year of service if vesting schedule is used. May require employee to complete up to two years of service but only if fully immediately vested. A "year of service" may be defined as up to 1,000 hours over a 12-month period.	
Excludible Employees	The plan may exclude certain employees covered by collective bargaining agreements and certain nonresident aliens.	Designed to cover only an owner or an owner and spouse. Other employees generally must be covered if hired, as in any 401(k) plan.	The plan may exclude certain employees covered by collective bargaining agreements and certain nonresident aliens. Some plans may exclude certain classes of employees (i.e., hourly employees) subject to nondiscrimination requirements.	
Employer Contributions	Employers are required to make either matching contributions or nonelective contributions as follows: (1) Matching: Each dollar of elective contributions up to 3% of compensation of employees who defer salary. Can be reduced to no lower than 1% (in not more than two out of five years). (2) Nonelective: 2% of compensation for each "eligible employee" whether or not he or she defers salary.	Discretionary. Generally will maximize employer profit-sharing contribution at 25% of compensation earned income, in addition to employee maximum elective deferral. Salary deferrals do not count toward the 25% of compensation employer deduction.	Employer must make either a nonelective or matching contribution as follows: (1) Nonelective: Employer makes a 3% contribution for all eligible non-highly compensated employees (NHCES) regardless of whether employees make salary deferrals or post-tax contributions. (2) Matching: Employer matches salary deferrals 100% up to 3% of the employee's compensation and 50% of deferrals that exceed 3% but which do not exceed 5% of compensation. Certain enhanced matching formulas are permissible.	Discretionary. Employers may decide each year whether to make a contribution. However, profit-sharing contributions must be recurring and substantial. Employers may make matching contributions (fixed or discretionary).

Continued on the next page.

	SIMPLE IRA	SOLO 401(k)	SAFE HARBOR 401(k)	TRADITIONAL 401(k)
Social Security Integration	Not permitted.	Not applicable.	Not permitted.	Permitted for profit-sharing contribution.
Elective Deferrals	Must be expressed as a percentage of compensation. Maximum elective deferrals are $13,500 in 2020, indexed for inflation. Additional catch-up contributions of $3,000 permitted for participants who are age 50 (or over) by the end of the calendar year.	Elective deferrals (employee's pre-tax contributions) may not exceed $19,500 in 2020, indexed for inflation. Additional catch-up contributions permitted for individuals age 50 or older by year-end are $6,500 in 2020. Catch-up contributions do not count toward the dollar component of the annual additions limit. Elective deferrals do not count toward the 25% of compensation maximum employer deduction. No ADP or top-heavy testing is necessary.		
Includible Compensation	For purposes of nonelective contributions only, contributions are based on the first $285,000 of each participant's compensation (in 2020, indexed for inflation thereafter). All compensation included for matching contributions.	Up to $285,000 (in 2020, indexed for inflation thereafter) can be taken into account.		
Maximum Employer Deduction	Employer may deduct all employee elective contributions and employer matching and nonelective contributions made under SIMPLE IRA plan.	Contributions up to 25% of participating employee includible compensation, including employee elective deferrals. Maximum deduction for compensation of self-employed individuals is effectively 20%.		
Maximum Annual Addition Per Employee	The sum of employee elective deferrals and required employer contributions.	All contributions (employer and employee) allocated to a participant's account for plan year may not exceed 100% of compensation or $57,000 (in 2020, indexed for inflation), whichever is less.		
Vesting	Participants are always 100% vested in all amounts credited to their account.	Participants are always 100% vested in all elective deferrals. Vesting schedules on employer discretionary and matching contributions are uncommon, but permitted.	Participants are always 100% vested in all elective deferrals and in matching contributions used to satisfy safe harbor.	Participants are always 100% vested in their 401(k) elective deferrals. Vesting schedules are permitted on employer discretionary and matching contributions.

Continued on the next page.

	SIMPLE IRA	SOLO 401(k)	SAFE HARBOR 401(k)	TRADITIONAL 401(k)
Loans	Loans are not permitted.	Permitted, including loans to a sole proprietor, 10% or greater partner, or 5% or greater owner in an S corporation.		
In-Service Withdrawals	Allowed anytime subject to income tax, but a 25% federal income tax penalty on distributions before age 59½ applies to withdrawals within the first two years of participation. After two years, penalty on pre-59½ distributions is 10%.	The plan may permit distributions to be made while working under certain circumstances (i.e., hardship or after age 59½). Withdrawals before age 59½ are subject to a 10% federal income tax penalty.		
Government Reporting	Must report on Form 5498.	Plan covering only owner and spouse may be eligible to file Form 5500EZ, or exempt from filing if plan assets do not exceed $250,000 at end of plan year.	Generally, Form 5500 return/report must be filed annually with the IRS.	

Survivor Supplemental Retirement Income Funded with Life Insurance

The Purpose…

- Survivor supplemental retirement income funded with life insurance uses insurance proceeds to provide a supplemental spousal benefit that is higher than the "joint-and-survivor" benefits offered under the worker's employer-sponsored retirement plan.
- This allows the employee to choose the higher, single-life (life-only) annuity distribution option.

The Concept…

- The joint-and-survivor annuity option automatically provided by pension plans can greatly reduce the monthly benefit amount paid to retirees, since the benefit is designed to make payments over two lifetimes.
- By choosing survivor supplemental retirement income funded with life insurance, a retired worker receives the maximum monthly pension benefit amount—paid over the retired worker's lifetime only.
- This is a workable option because life insurance proceeds will provide the surviving spouse with an income source if the retiree is the first to die.

The Joint-and-Survivor Annuity Requirement…

- Current law requires most defined benefit and money purchase pension plans to provide a joint-and-survivor annuity option automatically.
- The required annuity must provide lifetime benefits for the retiree along with a survivor annuity for the lifetime of the spouse. The survivor benefit may not be less than 50% nor more than 100% of the retiree's benefit.
- To implement an arrangement other than the joint-and-survivor option, the spouse must waive the right to the plan's annuity survivorship benefits in writing.

The Need for an Alternative…

- A survivorship annuity offered under an employer's retirement plan can result in a substantial reduction in monthly retirement income.
- If the spouse dies first, no survivor benefit is paid, yet the retiree benefit has been permanently reduced.
- If a retiree remarries, no benefit is provided for the new spouse.
- With survivor supplemental retirement income funded with life insurance, however, the retiree receives the maximum monthly benefit for life without compromising income for a surviving spouse.

When This Alternative Is Not Advisable…

- The employee is close to retirement.
- The retiree is in poor health.
- The retirement plan provides an inflation-indexed payout.

The Reduced Joint-and-Survivor Benefit…

- The ages of the worker and spouse are important as they affect the amount by which the retiree benefit will be reduced if the retiree chooses the joint-and-survivor annuity.
- The table shows the cost of reduction over time when a retiree receives 75% of the otherwise available benefit. For example, a worker who would otherwise receive a maximum benefit of $1,500 monthly would lose $375 per month—a loss that totals $45,000 over 10 years and $90,000 over 20 years. This loss can never be made up, even if the spouse dies first.

Dollar Loss in Joint-and-Survivor Benefit (25% Reduction to Retiree)				
Monthly Life Income Option	**One Month**	**One Year**	**10 Years**	**20 Years**
$ 500	$125	$1,500	$15,000	$ 30,000
$1,000	$250	$3,000	$30,000	$ 60,000
$1,500	$375	$4,500	$45,000	$ 90,000
$2,000	$500	$6,000	$60,000	$120,000
$2,500	$625	$7,500	$75,000	$150,000
$3,000	$750	$9,000	$90,000	$180,000

- Obviously, the cost is high in terms of a substantial reduction in benefits to pay for a contingency that may or may not happen.
- Workers and their spouses must elect or waive the survivorship benefit within 90 days of the benefit start date. If they don't make an election, the survivorship election applies automatically.
- After benefits begin, the choice is irrevocable.
- In deciding whether to implement survivor supplemental retirement income, individuals must work with their tax advisors to determine the tax consequences.

How It Works…

- This arrangement involves purchasing a life insurance policy that will provide the surviving spouse with a benefit equal to the retiree's maximum pension benefit.
- The worker must be able to qualify for life insurance.
- The policy covers the life of the worker and names the spouse as beneficiary. The surviving spouse uses the proceeds to provide supplemental income if the worker dies first.
- The fund created with the policy proceeds should be equal to the pension benefit.
- If desired, just the earnings may be withdrawn from the capital account and paid to the surviving spouse instead of using a settlement option that provides lifetime income from the capital.
- After the insurance company issues a policy covering the worker's life, and with the spouse's written consent, the worker selects the life income option from the employer's retirement plan, which ensures that the full monthly benefit is available. These benefits end when the retiree dies, and the life insurance proceeds are paid to the surviving spouse.

Benefits of the Survivor Supplemental Retirement Income Alternative…

- Life insurance provides great flexibility.
- If the spouse dies first, the retiree can surrender the policy and use the surrender value to supplement retirement income. Alternately, the retiree can continue the policy and name another individual or a charity as beneficiary.
- During the retiree's lifetime, policy cash values accumulate on a tax-deferred basis.
- Should a retiree remarry, life insurance can provide benefits to a new spouse—an option that is not available with the joint-and-survivor annuity.

- The surviving spouse will have maximum control over the insurance proceeds, which can be used for a wide variety of income and planning needs.
- The surviving spouse can receive benefits as a tax-free lump sum or through any one of several settlement options.

Tax Considerations…

- If the retiree's employer made all contributions to the pension plan, benefits paid to the retiree are fully taxable.
- If the beneficiary takes the insurance death benefits in a lump sum, they are not subject to income tax.
- Interest earned on proceeds held by the insurer under a settlement option is generally subject to income tax when received by the beneficiary.
- Death benefits that are paid over a period of time as an annuity are taxable only to the extent that the payment represents income. The portion that is considered to be a return of capital is not taxed.
- The taxable portion of an annuity payment is calculated by applying an exclusion ratio that reflects the amount that can be excluded from gross income annually.

The Best Prospects…

- Healthy workers in their 40s or 50s who are married, currently employed and covered by an employer pension plan.
- Any married worker concerned about providing lifetime income from a pension plan.

The Bottom Line…

Survivor supplemental retirement income funded with life insurance can provide the maximum retirement income to a retiree while ensuring that the surviving spouse will not suffer a loss of income after the retiree's death. The retiree can use the additional income received under the life income option to pay for the cost of insurance, often with a significant surplus. If the spouse dies first, the retiree can withdraw policy cash values to enhance retirement income. Withdrawals and policy loans will affect cash values and death benefits, and may have tax consequences.

SUMMARY

What Is Survivor Supplemental Retirement Income Funded with Life Insurance?

This is a strategy a worker can employ to provide a comfortable retirement income for a surviving spouse while maximizing the benefit amount the retiring worker receives for life from an employer pension plan. Instead of splitting the pension benefit with the spouse, the retiree retains the full monthly benefit available. The pension benefit will cease when the retiree dies. To protect the spouse if the retiree dies first, the retiree purchases a life insurance policy payable to the surviving spouse, which can be arranged to provide a monthly benefit.

Why Is This Alternative Desirable?

Under current law, most pension plans are required to automatically provide a joint-and-survivor annuity to married retirees, providing lifetime annuity benefits for both the retiree and a surviving spouse if the retiree dies first. The spouse's lifetime benefit must be no less than 50% and no more than 100% of the retiree's benefit.

The retiree's benefit will always be less with the spousal requirement than it would have been without, and this reduced benefit will not revert to the higher single-life amount if the spouse dies first. In other words, it's quite possible that the retiree will reduce his or her monthly benefit for life and the spouse will never use the spousal benefits.

With survivor supplemental retirement income funded with life insurance, however, there is no need to provide spousal benefits from the pension. Note: To implement this arrangement, the spouse must waive, in writing, the right to receive survivorship benefits. This typically must be accomplished within 90 days of the benefit start date.

How Does It Work?

The worker purchases a life insurance policy on his or her life providing a benefit equal to the worker's pension benefit, naming the spouse as beneficiary. The purpose of the policy is to pay proceeds that can become a capital account to pay the spouse a lifetime supplemental income if the retiree dies first. If the spouse prefers, the capital account can pay earnings only, keeping capital intact.

The worker selects a life income option, which provides the full monthly benefit when the worker retires. When the retiree dies, these payments end and the life insurance proceeds provide income to the surviving spouse.

Who Can Benefit from This Arrangement?

This arrangement is best suited for healthy people in their 40s or 50s, married, currently employed and covered by an employer pension. The plan can also benefit workers concerned about providing retirement income from a pension plan.

This plan is not suitable for workers very close to retirement, anyone in poor health, or workers whose pension plans provide an inflation-indexed payout.

What Are the Benefits of This Alternative?

Life insurance is flexible and can be used for different purposes if changing circumstances require. If the spouse dies first, the retiree can use loans and withdrawals to supplement retirement income.

Alternately, the retiree may continue the policy and change the beneficiary to another individual or a charity. This option is helpful if the retiree remarries, providing benefits for the second spouse that would not have been available with the joint-and-survivor annuity.

A spouse who receives policy benefits has complete control over how they are taken (either in a tax-free lump sum or in installments) and how they are used.

What Is the Tax Situation?

All employer contributions to the pension plan are fully taxable when paid to the retiree or the spouse. However, insurance proceeds paid in a lump sum are not taxable to the spouse (or other beneficiary). If the life insurance benefit is paid under a settlement option, only the interest is taxable to the beneficiary when paid. The portion that represents a return of capital is not taxed.

Let’s deliver on our promises. **Together.**

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Discover life insurance opportunities

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LIFE INSURANCE OPPORTUNITIES ARE ALL AROUND.

The key is to quickly identify those opportunities and create solutions to meet clients' needs. From simple answers to more advanced concepts, being able to identify the best solution for the client's challenge is the primary goal.

BASIC LIFE INSURANCE STRATEGIES

RETIREMENT PLANNING STRATEGIES

WEALTH TRANSFER STRATEGIES

BUSINESS PLANNING AND SUCCESSION

UNIQUE PLANNING STRATEGIES

In this interactive PDF, simply click on the text to the right or on the tabs at the top of each page to find the information you need quickly.

CLIENT CONCERN:

I want to ensure that the people I love have what they need.

SOLUTION:

A life insurance death benefit can be used by beneficiaries to maintain their current standard of living without being forced to make lifestyle adjustments.

CLIENT PROFILE:	QUESTIONS TO ASK:
☐ Does not have any or enough life insurance protection	☐ Is there someone other than you who relies on your income?
☐ Has a spouse or child who depends on him or her to meet regular expenses, including mortgage, childcare, or tuition	☐ Do you have group insurance through your job?
☐ Would create an additional expense at death (such as a stay-at-home parent)	☐ Who would take care of the things that you do (carpool, cooking, cleaning, etc.) if you were gone?
☐ Purchased a financial product through you that is subject to risk	☐ Do you have assets that are subject to market volatility?

CLIENT/PROSPECT NAMES:

CLIENT CONCERN:

I want to make sure that my coverage still meets all of my needs.

SOLUTION:

Clients who already own life insurance should **review their coverage** periodically, especially as needs change over time. Amount of coverage, policy performance, and premium competitiveness are typically of interest to clients. Ownership and beneficiary arrangements may need to be updated with client family changes. Also, if their prior strategy did not take into consideration chronic illness, it should be discussed.

A policy review is not always a precursor to a change in coverage.

CLIENT PROFILE:

- ☐ May potentially be over- or under-insured as a result of changes in circumstance
- ☐ Would like to lower premiums or increase coverage
- ☐ May have a policy with crediting rates or guarantees that may no longer be competitive
- ☐ Would like to re-evaluate his or her insurance policy's cash value
- ☐ Has not recently evaluated ownership and/or beneficiary designations
- ☐ Has chronic illness or longevity concerns
- ☐ May have an estate tax issue and currently own a policy outside a properly structured irrevocable life insurance trust, possibly compounding any estate tax liability

QUESTIONS TO ASK:

- ☐ Has it been a while since you reviewed your life insurance needs and policy?
- ☐ Have you gotten a new job since the last time we spoke?
- ☐ Has your financial situation gotten better or worse since you purchased your policy?
- ☐ Has your family situation changed, perhaps a new child or grandchild?
- ☐ Have you thought about how you'd pay for what you need if you become chronically ill?

CLIENT/PROSPECT NAMES:

CLIENT CONCERN:

I want to get the coverage I need but stay within my budget.

SOLUTION:

When it comes to life insurance, clients generally want the highest level of coverage without exceeding their budget. In these situations, balance client protection goals and the budget by balancing the type of insurance and not the amount. **The Balancing Act** focuses on offering both term and permanent coverage to meet client needs. The permanent policy provides a coverage base to meet long-term protection and strategy needs, while the term coverage can provide a higher amount of short-term coverage, often when it's needed most.

CLIENT PROFILE:	QUESTIONS TO ASK:
☐ May potentially be under-insured as a result of changes in circumstance, such as buying a house or having kids	☐ Do you have an individual life insurance policy that will meet your needs today but not for the long term?
☐ Would like to increase coverage but is budget conscious	☐ Are you interested in possibly supplementing your income in retirement?
☐ Would like the opportunity to potentially increase cash value accumulation in a currently owned life policy	☐ Are you interested in having permanent life insurance but are concerned about your budget?
☐ Has chronic care or longevity concerns	☐ Has it been a while since you reviewed your life insurance needs and current policy?

CLIENT/PROSPECT NAMES:

CLIENT CONCERN:

I want to supplement my income in retirement.

SOLUTION:

Life Insurance in Retirement Planning is for clients in the pre-retirement phase of their lives and believe they may have less of a need for death benefit protection and a greater need for income once retired. Life insurance in retirement planning offers the potential to accumulate cash value and allows clients access to their life insurance cash values through loans and withdrawals* to help supplement their retirement incomes.

CLIENT PROFILE:

- ☐ Under age 55
- ☐ High-income earner
- ☐ Retirement assets are well-funded
- ☐ Small business owner of a privately owned or family-held business
- ☐ Looking to save more money for retirement but still has some need for death benefit protection

QUESTIONS TO ASK:

- ☐ Have you maxed out your contributions to qualified savings programs, like a 401(k)?
- ☐ Are you looking for ways to generate additional retirement income?
- ☐ Do you need life insurance?

CLIENT/PROSPECT NAMES:

*Outstanding loans and withdrawals will reduce policy cash values and the death benefit and may have tax consequences.

CLIENT CONCERN:

I want a resource to help supplement future income.

SOLUTION:

Supplemental Income Planning isn't just a goal for older clients. Young professionals who need death benefit protection may also be thinking about having enough money when they retire. Supplementing retirement income with typically income-tax free loans from a cash value life insurance policy may be an attractive solution.[1] The needs could range from a down payment for a home, to helping to see them through losing a job, to supplementing income in retirement. Using this strategy, the client starts paying premiums at a targeted level and annually increases monthly premium payments by 5%, or whatever percentage he or she is comfortable with, until he or she either reaches age 65 or has made the maximum allowable premium payments allowed without becoming a MEC.[2]

CLIENT/PROSPECT NAMES:

CLIENT PROFILE:

- ☐ Professionals between their mid-20s and early 30s
- ☐ Have discretionary income today with good prospects for the future
- ☐ Want life insurance to be able to provide a death benefit to their family should they die young
- ☐ Currently contributing the maximum amounts allowed to any available qualified retirement savings plan

QUESTIONS TO ASK:

- ☐ Who will be financially impacted when you die?
- ☐ Do you expect your salary to increase over time?
- ☐ If you die with debt, how will it be paid?
- ☐ What large expenses are in your future?
- ☐ If you lost your job, what resources are in place to help pay your living expenses?
- ☐ Are you maximizing retirement plan contributions?

[1] Outstanding loans and withdrawals will reduce policy cash values and the death benefit and may have tax consequences.
[2] Federal tax law limits the amount of premium contributions that can be made to a policy in order for it to retain certain tax advantages. When premium contributions exceed this limit, the policy is classified as a modified endowment contract (MEC). Distributions from Modified Endowment contracts (MECs) (such as loans, withdrawals, and collateral assignments) are taxed less favorably than distributions from policies that are not MECs to the extent there is gain in the policy. For distributions from a MEC prior to age 59½, a federal income tax penalty may apply to the extent there is gain in the policy. However, death benefits are still generally received income tax-free pursuant to IRC §101(a). The death benefit will be reduced by any withdrawals or loans (plus unpaid interest). Clients should consult a tax advisor.

CLIENT CONCERN:

I want some financial protection in case I become chronically ill.

SOLUTION:

There are clients who don't have a financial strategy in place for the possibility of becoming chronically or terminally ill. The following solution can help give them additional flexibility to access benefits should they incur a chronic illness: **cash value** through loans and withdrawals.[1] A permanent life insurance policy may also offer an **accelerated death benefit rider** that can be used if the client becomes chronically ill, subject to the terms of the rider.[2]

CLIENT PROFILE:	QUESTIONS TO ASK:
☐ Between ages 50 and 65	☐ Are you interested in having flexible financial options that can be made available should you incur a chronic or terminal illness?
☐ Is concerned about chronic or terminal illness in his or her future	☐ Do you have personal experience of people close to you who have suffered a chronic or terminal illness in their later years?
☐ Wants another potential option to pay for expenses should he or she become chronically or terminally ill	☐ If you were to become chronically or terminally ill, who will take care of you?
☐ Has provided care for another family member or knows someone who has and understands how involved it can be to care for someone with a chronic illness.	

CLIENT/PROSPECT NAMES:

[1] Outstanding loans and withdrawals will reduce policy cash values and the death benefit and may have tax consequences.
[2] Accelerating the death benefit will reduce, and may even eliminate, the policy's death benefit.

CLIENT CONCERN:

I'm married and want to protect myself and my spouse from outliving our income.

SOLUTION:

As a result of healthier lifestyle choices and medical advances, Americans are living longer. Unfortunately, their financial strategies may not be keeping pace. If clients have a need for death benefit protection and concerns about longevity, they should consider purchasing **life insurance with cash value accumulation potential**. These products may be able to provide access to the cash value through withdrawals and/or loans.*

CLIENT PROFILE:	QUESTIONS TO ASK:
☐ Age 35 to 55	☐ What expenses, if any, do you expect to have at age 90? (e.g., housing, food, utilities, medical)
☐ May not have planned adequately to live past age 90; especially common for women, who have a longer life expectancy	☐ What sources of income do you have to pay your living expenses in retirement? (e.g., pension, savings, 401(k))
☐ Is relying heavily on Social Security and qualified plans in retirement	☐ How many years do you expect your retirement to last?

CLIENT/PROSPECT NAMES:

*Outstanding loans and withdrawals will reduce policy cash values and the death benefit and may have tax consequences.

CLIENT CONCERN:

I want to reduce the overall volatility of my legacy assets and secure the value I hope to leave to my heirs.

SOLUTION:

Legacy Advantage is a simple and effective strategy that can help clients preserve and potentially enhance their legacies by repositioning those assets they do not expect to need during life (their legacy assets) to pay life insurance premiums.

CLIENT PROFILE:

- ☐ Family oriented and age 59½ or older so not subject to a 10% federal income tax penalty.
- ☐ Net worth of $1,000,000 and sufficient liquid assets to support this strategy (excluding equity in the home)
- ☐ Holds assets not needed for support in retirement
- ☐ Has sufficient retirement income from other sources. Additionally, the client should have a financial plan completed as determined in conjunction with a qualified financial professional
- ☐ Desires to provide for children, grandchildren, and/or charity and considers other assets as “leave-on” assets for them

QUESTIONS TO ASK:

- ☐ Do you have a qualified or non-qualified and tax-deferred asset that isn’t needed for your retirement goals?
- ☐ Have you given consideration to any potential income tax and possible estate tax liabilities for this asset?
- ☐ Would you be interested in reducing the tax liability of your assets for your heirs?

CLIENT/PROSPECT NAMES:

Distributions for non-qualified tax-deferred assets (and certain deemed distributions) are subject to ordinary income tax and, if taken prior to age 59½, may also be subject to a 10% federal income tax penalty. Early surrender charges may also apply. **Please see back cover for important considerations.**

CLIENT CONCERN:

I want to transfer my wealth in a tax-efficient way.

SOLUTION:

Life insurance death benefit proceeds are generally received federal income tax-free* and may be estate tax-free. **Life insurance owned by someone who is not the insured** or by another entity that is not the insured would typically not be includable in the insured's estate. For example, if the policy is owned within a properly drafted irrevocable life insurance trust (ILIT), the proceeds would not be includable and not be subject to estate tax. As a result, life insurance may be an efficient way for affluent clients to transfer wealth to their beneficiaries or provide the proceeds necessary to cover an estate tax liability, helping to preserve the family's assets. There may be federal gift tax consequences associated with funding an ILIT.

CLIENT PROFILE:	QUESTIONS TO ASK:
☐ May have an estate that could be subject to federal estate tax in the future	☐ How do you feel about the current estate tax laws?
☐ Wants to keep wealth in the family	☐ Do you feel your estate might be subject to estate taxes?
☐ Needs creditor protection	☐ Would you be interested in a tax-efficient solution to transferring your estate?
☐ May be charitably inclined	

CLIENT/PROSPECT NAMES:

* Pursuant to U.S. IRC §101(a).

CLIENT CONCERN:

I want to reduce the size of my estate to leave more for my heirs.

SOLUTION:

A client may want to consider a **leveraged gifting strategy** that includes creating a lifetime legacy using annual gifting exclusions. The annual exclusion gifts would be gifted to an irrevocable life insurance trust (ILIT). The trustee can then use the annual gifts to pay the premiums on life insurance covering either the client or the client and his or her spouse jointly.

CLIENT PROFILE:
☐ Single or married ages 55+
☐ Net worth $5 million+
☐ Children or grandchildren
☐ Desire to minimize taxes
☐ Wants to leave more to heirs

QUESTIONS TO ASK:
☐ Would you like to reduce your future estate tax exposure?
☐ Are you inclined to leave more to family, less to government?
☐ Do you want to keep your estate assets intact?
☐ Would you enjoy seeing the recipient benefit during your lifetime?

CLIENT/PROSPECT NAMES:

CLIENT CONCERN:

A large percentage of my estate is represented by my business. This may present challenges to my heirs who will not be receiving a portion of the business.

SOLUTION:

There may be family members who will inherit all or a portion of the business and some who may not. Many business owners want to "equalize" their overall estates by also taking care of those heirs who have no interest in the business. A life insurance death benefit payable to those heirs can assist in transferring wealth equitably.

CLIENT PROFILE:	QUESTIONS TO ASK:
☐ Some family members are active in the business	☐ Are all children or family members involved in the business?
☐ Some family members are not involved in the business, but the client wants them to share in his or her estate	☐ Are you concerned about leaving equal amounts of your legacy to each?
☐ Wants heirs to inherit equal shares of the estate	☐ How much of your net worth is in the business?
☐ The business accounts for more than half of client's net worth	☐ Do you want to provide your spouse or heirs with another source of funds, other than the business?
☐ Interested in another source of funds, other than the business, to provide for a spouse or heirs who are not active in the business	

CLIENT/PROSPECT NAMES:

CLIENT CONCERN:

I want to ensure that my business continues, even after I die.

SOLUTION:

This concept is for business owners who are concerned about a business succession strategy. Whether the triggering event is retirement, an unexpected disability, or death, a **buy-sell agreement funded with life insurance** may be helpful. This client recognizes the current and future benefits the business provides to his or her family.

CLIENT PROFILE:

- ☐ Is concerned about business continuity
- ☐ Wants to help ensure that the business owner and his or her heirs are treated fairly in the event of death, disability, or retirement
- ☐ Wants supplemental retirement income

QUESTIONS TO ASK:

- ☐ What have you done to ensure the continuation of your business after your death?
- ☐ Who would you like your business transferred to?
- ☐ Are you counting on your business for your retirement income?
- ☐ Could your business continue without you or another key person?
- ☐ If you sold your business today, could you get the value you want?

CLIENT/PROSPECT NAMES:

CLIENT CONCERN:

I need to retain, motivate, and attract key employees to my business, without having to include all employees.

SOLUTION:

Use **life insurance products to fund executive benefits**, such as split-dollar strategies or deferred compensation arrangements. An executive bonus plan may also be used to retain, motivate, and attract key employees. These non-qualified plans do not require discrimination testing, either.

CLIENT PROFILE:	QUESTIONS TO ASK:
☐ Wants to retain, motivate, and attract key employees using additional executive benefits	☐ Is there an employee whose departure for a competitor would devastate your business?
☐ Wants a supplemental retirement income for self and/or key employees, without having to include all employees	☐ Would you like to offer additional benefits to retain, motivate, and attract valuable employees?
	☐ Would you like ideas to help take full advantage of the business value upon your retirement?

CLIENT/PROSPECT NAMES:

CLIENT CONCERN:

I need to ensure that my child or other loved one with special needs is taken care of financially and to protect his or her government benefits.

SOLUTION:

In many cases, a combination of family assets and government programs is not enough to provide the quality of life desired for loved ones with special needs. That makes preparing for the future of paramount importance so that existing family resources are not over-taxed or even dissipated in an effort to provide for the care and comfort of the family member with special needs. The use of **a special needs trust funded with life insurance** can be an important part of any strategy for someone with special needs.

CLIENT PROFILE:	QUESTIONS TO ASK:
☐ Has a child with special needs	☐ Do you have a strategy in place for the future care of your child or other dependent with special needs?
☐ Is the guardian of someone with special needs	☐ Have you spoken with an attorney about your strategy?

CLIENT/PROSPECT NAMES:

CLIENT CONCERN:

I want to give to a favorite charity in the biggest way possible.

SOLUTION:

Clients who are charitably inclined may want to leave a legacy to a charity. They may be concerned that an organization may suffer when they pass. They may also simply want to increase their overall donations. **Life insurance** could be a solution.

CLIENT PROFILE:	QUESTIONS TO ASK:
☐ Is concerned about a charity	☐ Are you charitably inclined?
☐ Has a favorite charity and currently makes charitable contributions.	☐ Do you have a favorite charity?
	☐ Are you interested in using life insurance to increase the legacy you leave to a charity?

CLIENT/PROSPECT NAMES:

BEFORE IMPLEMENTING THE LEGACY ADVANTAGE STRATEGY

- Any investment purchased during retirement involves the planning and use of a client's income or other assets. Clients should be certain to have sufficient liquid assets other than the asset or income they may be repositioning to support 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.
- Clients should consider developing 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 clients consult their tax and legal advisor to discuss their situation before implementing the strategy discussed here.

ABOUT LEGACY ADVANTAGE

- 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 their responsibility to estimate these needs and expenses and it is recommended that they consider developing a comprehensive financial strategy in conjunction with implementing the strategy being considered. The accuracy of determining future needs and expenses is more critical for individuals at older ages who have less opportunity to replace assets used for the strategy.

IF A CLIENT'S FINANCIAL OR LEGACY PLANNING SITUATION CHANGES

- If they need to use the assets or income being repositioned for current or future income needs and they can no longer make premium payments, the life insurance policy may lapse and the results illustrated may not be achieved.
- If the asset or income being repositioned becomes fully exhausted, premiums may have to be paid using other assets or income to keep the life insurance policy in force.

WHEN LEGACY ADVANTAGE MAY NOT BE IN A CLIENT'S BEST INTEREST

- Depending on a client's life span, it is possible that a client's beneficiary may receive more by just inheriting the assets being repositioned, 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. If contemplating such a strategy, it is important to understand that life insurance is a long-term strategy to meeting particular needs.
- The sale or liquidation of any stock, bond, certificate of deposit, mutual fund, or other asset to pay for the purchase of a life insurance product may have tax consequences, early withdrawal penalties, and/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 clients fully understand the terms and conditions of any financial product before purchasing it.

OTHER NOTES

- Clients 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 premiums and/or performance are insufficient over time, the policy could lapse, which would require additional out-of-pocket premiums to keep it in force.

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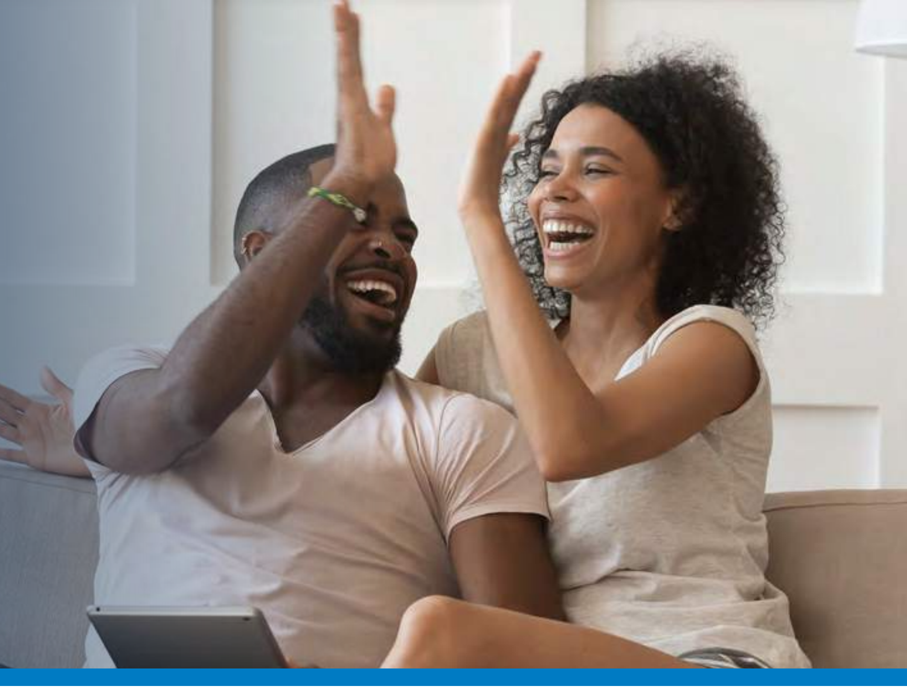
RETIREMENT PLANNING

Planning now with life insurance can help you keep more of your money later



THE IMPORTANCE OF TAX PLANNING FOR RETIREMENT

It's always critical for Americans to review their retirement planning needs. Current events, however, present an immediate need for you to develop retirement strategies that both address taxation and provide sources of supplemental retirement income.

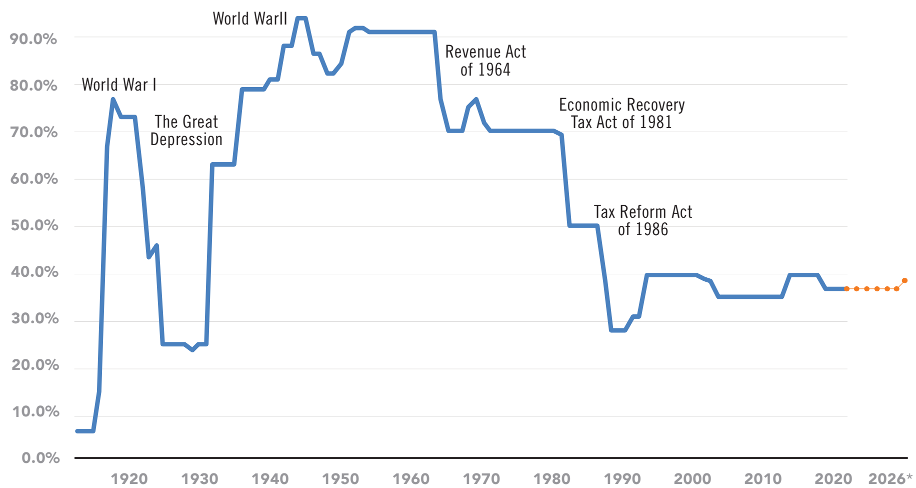
Consider the long-range effects of:

- Elections and possible tax code changes.
- An ongoing economic climate of uncertainty.
- Sustained extremely low interest rates.
- The pandemic's continued strain on local and federal budgets and the resulting increasing uncertainty around taxes.

TAXATION IS HARD TO PREDICT.

Tax rates have a history of going up and down, making tax planning particularly challenging. What will the rates be when you retire? And what impact might the economic hit of the current pandemic have on taxes in the short- and long-term?

Historical Highest Marginal Income Tax Rates in the U.S.



Source: https://www.investopedia.com/articles/tax/10/history-taxes.asp.

*2020-2026 Highest Marginal Income Tax Rate shown is projected based on current legislation. The projected rate through 2025 is 37%. On January 1, 2026 the highest marginal income tax rate is currently scheduled to increase to 39.6%.

HIGHER INCOME EARNERS, YOU MAY NEED TO FOCUS MORE ON TAXATION

Retirement planning should begin with a tax-advantaged retirement account, but it shouldn't end there. Some financial assets in retirement portfolios create a tax bill every year; others trigger taxes when assets are finally withdrawn.

To prepare, incorporating tax-free vehicles, including life insurance, into your retirement plans can help make a marked difference in the amount of income you have available in retirement.

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LIFE INSURANCE THAT BUILDS CASH VALUE CAN HELP ROUND OUT YOUR RETIREMENT PORTFOLIO.

The primary purpose of life insurance is to provide death benefit protection; this financial strategy assumes this to be a priority for you. In addition to providing that valuable death benefit for your beneficiaries, life insurance can help to diversify not just your tax strategy but also your assets. It can provide:

- **Tax-free growth of cash value.** Any cash value that accumulates in a life insurance policy grows tax free. Within certain limitations, you can pay additional premiums over time as life changes or earned income increases, in an attempt to help the cash value grow.[1]

- **Tax-free access to the policy's cash value.**[2] You can access cash value that builds in the policy for any reason you choose, like to supplement your retirement income, regardless of your age.
  - Withdrawals from the policy can generally be taken tax free up to the amount of premiums paid.
  - Loans can be taken from the policy tax free as long as the policy is still in force.

LIFE INSURANCE CAN BE PART OF A TAX DIVERSIFICATION STRATEGY.

Life insurance can be a great addition to any retirement portfolio to help reduce overall exposure to taxes.

Hypothetical Scenario: $100,000 withdrawal during a retirement year. 401(k): 32% Ordinary Income Tax, Mutual Fund: Assumes no cost basis and 15% Capital Gains Tax. Actual results will depend on your personal financial situation.

NON-DIVERSIFIED	DIVERSIFIED		
401(k)	**401(k)**	**MUTUAL FUNDS**	**LIFE INSURANCE**
Withdrawal $100,000	Withdrawal $33,000	Withdrawal $33,000	Withdrawal $34,000
Ordinary Income Tax ($32,000)	Ordinary Income Tax ($10,560)	Capital Gains Tax ($4,950)	Ordinary Income Tax ($0)
	Net Income **$22,440**	Net Income **$28,050**	Net Income **$34,000**
Total Net Income **$68,000**	**Total Net Income** **$84,490**		

PLAN NOW TO KEEP MORE OF YOUR MONEY LATER.

Ask your financial professional today how cash-value life insurance can help you reach your legacy and retirement goals.

[1] If the cash value grows beyond a certain point, the death benefit will be increased. This is to ensure that the policy continues to qualify as life insurance under tax law, and this will also ensure that the tax advantages still apply. If premiums exceed certain levels, your policy may become a modified endowment contract (MEC). Distributions from MECs, including loans, receive less favorable tax treatment than distributions from policies that are not classified as MECs.

[2] Note that loans are charged interest. Taking loans or withdrawals will reduce the policy's cash value and the death benefit paid to beneficiaries. Withdrawals could also shorten any guarantee against lapse that's in place. If there is an unpaid loan, the no-lapse guarantee will not protect the policy from lapsing, and the client might need to pay more into the policy than originally expected. Loans outstanding if the policy lapses or is surrendered will become immediately taxable to the extent of gain in the policy. Withdrawals that are more than what you put into the policy may be taxable.

Life insurance is issued by The Prudential Insurance Company of America, 213 Washington Street, Newark, NJ 07102, and its affiliates.

Prudential Financial and its financial professionals do not give legal or tax advice. Please consult your own advisors.

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REF # 11456401

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Managing Retirement Risks with Life Insurance

ALTHOUGH LIFE RARELY GOES AS PLANNED, LIFE INSURANCE CAN HELP MAKE YOUR RETIREMENT THE EXCEPTION

It's impossible to predict what you'll face in retirement.

- Will your savings last?
- Will you face a serious illness?
- Will market shifts reduce your income?

In the face of these and other challenges, life insurance offers a foundation of death benefit protection for your family. Along with that, it can offer other benefits that can help safeguard your finances up to and throughout your retirement.

LIFE INSURANCE CAN HELP YOU MANAGE THESE RISKS

TAXES — REDUCE THE IMPACT OF TAXES IN RETIREMENT

Some financial assets in retirement portfolios create a tax bill every year; others trigger taxes when assets are finally withdrawn. The effect of taxes can make a marked difference in the amount of income you have available in retirement. And with potential changes in the tax code seemingly always looming, no one can predict what they will face when they retire.

Fortunately, in addition to a typically tax-free death benefit for your loved ones, life insurance can help by also providing supplemental income that is usually federal income tax-free.[1] It can be a valuable tool for reducing income tax bills and helping you gain more control of taxes in retirement.

OUTLIVING YOUR MONEY — LIFE IS SHORT. UNLESS YOU DON'T HAVE ENOUGH SAVINGS

Running out of money in retirement is a common concern. Retirees are vulnerable to outliving their retirement savings. Longer life expectancies and a shift away from defined benefit programs can put your financial well-being to the test. The good news is that cash-value, or permanent, life insurance can give you options to help supplement or stretch your retirement income.

Prudential

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UNANTICIPATED RISK — CHRONIC ILLNESS CAN BE A CHRONIC DRAIN

A chronic illness can result in an extended financial demand that's often not anticipated when planning for retirement. Life insurance is an often-overlooked tool that can help meet this challenge. Certain life insurance policies offer a way to help meet the financial challenges of a chronic or terminal illness by accelerating a portion of the death benefit so you can use it while you're alive.[2]

Although this will reduce the death benefit payable to your beneficiaries, it can help at a time when you need it most and can help keep your retirement assets intact.

MARKET VOLATILITY — A SOURCE OF CALM DURING UNCERTAINTY

Life insurance can provide security and access to cash value during challenging times. Permanent life insurance with cash value potential can help you prepare for the possibility of market volatility. With built-in safeguards like meaningful guarantees, floors, and fixed-rate options, life insurance can help give you confidence in the face of market swings.

DISCOVER HOW LIFE INSURANCE CAN HELP YOU HAVE A MORE SECURE RETIREMENT

Life insurance is uniquely positioned to handle all these facets of retirement planning. It can give you a foundation of protection, a source of both accumulating and then accessing your cash value for supplemental income, and a way to offset the expenses of a chronic illness.

Speak with a financial professional and start planning for retirement today!

1 Death benefit proceeds are generally federal income tax-free pursuant to IRC §101(a). Supplemental income is accessed through loans and withdrawals which when left unpaid reduce cash values and death benefits. Loans are charged interest; they are usually not taxable. Withdrawals are generally taxable to the extent they exceed basis in the policy. Loans that remain unpaid when the policy lapses or is surrendered while the insured is alive will be taxed immediately to the extent of gain in the policy. For policies that are Modified Endowment Contracts (MECs), distributions (including loans) are taxable to the extent of income in the policy; an additional 10% federal income tax penalty may apply.

2 Subject to the terms and conditions of the rider. Additional charges and underwriting requirements may apply, depending on the rider chosen.

Prudential Financial and its financial professionals do not give legal or tax advice. Please consult your own advisors.

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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.

Get ready for a tax-efficient retirement

What you can do today to help protect your retirement income

CLIENT GUIDE

Insurance products issued by:
The Lincoln National Life Insurance Company
Lincoln Life & Annuity Company of New York

Not insured by any federal government agency	Not a deposit	Not FDIC-insured
May go down in value	Not guaranteed by any bank or savings association	

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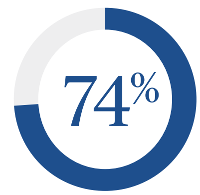
Make retirement less taxing

As you plant the seeds for your retirement, now is the time to consider how taxes will affect you when you begin spending your savings. Often, you're tending to products that could not only raise your taxes in retirement, but erode your retirement income. The good news is that you can make solid decisions now to benefit you in the future. As you grow your retirement portfolio, consider adding more tax-efficient assets, like a life insurance policy that provides a valuable death benefit as well as a different layer of protection to your overall retirement portfolio.



Over 74% of consumers have not talked to a financial professional about ways to minimize exposure to taxes, even though concern is high on how a change in taxes may impact retirement.[1]

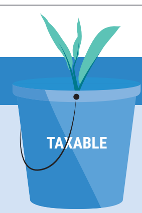
Today, your retirement portfolio is probably a mix of assets that fall into three categories, or buckets.

Taxable income

Tax-deferred contributions (401(k)s, IRAs)

- **Bought with pretax dollars, so you don't pay taxes until you withdraw money**
- **Contributions to these types of plans are limited and your savings become taxable upon withdrawal**

Taxable income



Taxable investments (stocks, bonds, mutual funds)

- **Bought with after-tax dollars, which means you already paid taxes on the money you used to invest, but you will owe taxes on earnings when you withdraw**

Tax-free income[2]

Tax-advantaged investments (municipal bonds, Roth IRAs)

- **Bought with after-tax dollars**
- **Be aware that municipal bond earnings are calculated into your modified adjusted gross income (MAGI), which could limit Social Security and Medicare benefits**
- **Depending on your MAGI, you may not be eligible for a Roth**

See how taxes may affect your income when you retire

Before age 59½
You pay ordinary income tax and a 10% penalty.[4]

After age 59½
Your tax-deferred assets become taxable when withdrawn.

At age 62
85% of your Social Security benefits are taxed if you have too much MAGI.[5]

At age 65
Your Medicare Part B costs could increase to $433.40/month if you have too much MAGI.[6]

At age 72
You must take required minimum distributions, from tax-deferred assets, which adds to your tax exposure.

[1] Source: Lincoln Financial, Monthly Consumer Sentiment Tracker, Dec. 2020.

[2] Income tax-free subject to certain requirements. Could affect modified adjusted gross income.

[3] Income tax-free loans and withdrawals will reduce the policy's cash value and death benefit. See the following page for important information regarding loans and withdrawals.

Keep more of what you earned

Talk with a financial professional about creating a diversified retirement portfolio that balances the limitations and benefits of different financial assets. Your tax-deferred investment withdrawals, for example, will become taxable income. Add that income to any withdrawals on your stocks, bonds or mutual funds, and you could have a higher-than-anticipated tax bill. Including tax-advantaged products like cash value life insurance can be key to a smaller tax bill later in life.

Income tax-free financial resource[3]

Life insurance
(Tax-advantaged)

- **Your potential savings accumulate on a tax-deferred basis**
- **You can have a tax-efficient financial resource for retirement[2]**
- **No IRS income limits**

Adding cash value life insurance to your portfolio can help protect your savings and provide:

- An income tax-free death benefit for your beneficiaries
- Tax-deferred growth opportunities
- An income tax-free financial resource for retirement[2]
- No penalties for cash values taken before age 59½

No matter when you retire, you can take income through policy loans and withdrawals without affecting your income tax bracket, Medicare premiums, Social Security tax, capital gains and MAGI.

What cash value life insurance could do for you when you retire

Before age 59½
You have income tax-free distributions without penalties.[3]

After age 59½
You could access income tax-free funds.[3]

At age 62
There's no effect on your Social Security benefits.

At age 65
There's no effect on Medicare Part B premiums.

At age 72
You are not required to take minimum distributions.

[4] The 10% penalty is applicable for withdrawals from qualified plan and IRA accounts before age 59½.
[5] Individuals with MAGI above $34,000; $44,000 filing jointly.
[6] Individuals with MAGI above $160,000; $320,000 filing jointly.

Start planning now to help protect your retirement income from taxes.

2021 tax rates	If your taxable income is over		
Tax provision	**Single filers**	**Joint filers**	**2021 top tax rate**
Income tax	$523,600	$628,300	37%
Medicare payroll tax: additional tax on unearned income	$200,000	$250,000	1.45%
Capital gains tax: long-term capital gains and qualified dividends	$445,850	$501,600	20%
Unearned income Medicare contribution tax (UIMCT): applies to realized investment income and gains	$200,000	$250,000	3.8%
Itemized deductions: reduces Schedule A deductions by up to 80%	Suspended until January 1, 2026		
Personal exemptions: phaseout $4,150/personal tax exemption	Suspended until January 1, 2026		
Child tax credit	$2,000	$2,000	Phaseout begins at $200,000 for single taxpayer and $400,000 for married filing jointly
Social Security benefits	$34,000	$44,000	Up to 85% is treated as ordinary income

Sources: https://www.irs.gov/newsroom/irs-provides-tax-inflation-adjustments-for-tax-year-2020. All tax information is from the Internal Revenue Service, current as of January 2020 and can be accessed at IRS.gov.

Your Medicare premiums

Medicare premiums are also affected by the amount of income you have. As your income increases, so do those premiums. Premiums can increase to $475.20 per month for single filers with income over $165,000, or for joint filers with income over $330,000. This amount is $504.90 for single taxpayers with income above $500,000, or for joint filers with income above $750,000.

Ask a financial professional how Lincoln cash value life insurance could enhance your retirement strategy.

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Distributions are taken through loans and withdrawals, which reduce a policy's cash value and death benefit and may cause the policy to lapse. Loans are not considered income and are tax-free. Withdrawals and surrenders are tax-free up to your cost basis, provided your policy is not a modified endowment contract (MEC). A MEC policy is one in which the life insurance limits exceed certain high levels of premium or the cumulative premium payments exceed certain amounts specified under the Internal Revenue Code. For policies that are MECs, distributions during the life of the insured, including loans, are first treated as taxable to the extent of income in the contract, and an additional 10% federal income tax may apply for withdrawals made prior to age 59½.

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Retirement Income Sources

Retirement Income Sources…

- Social Security benefits
- Employer retirement plans
- Individual retirement accounts (IRAs)
- Personal savings and investments
- Post-retirement employment

Social Security…

- Social Security retirement benefits provide a basic amount of monthly income, depending on the recipient's earnings history and age when benefits begin.
- The normal retirement age for Social Security was traditionally 65. Now, the age when the full benefit amount becomes payable increases in stages depending on date of birth.
- An individual may take a reduced monthly benefit as early as age 62.
- Benefits are subject to annual cost-of-living adjustments.
- Benefits are generally nontaxable, but become partially taxable if other income exceeds certain threshold amounts.
- According to the Social Security Administration, about 40 percent of Social Security recipients pay some taxes on their benefits. *(Source: www.socialsecurity.gov/pubs/10024.html.)*

Employer Retirement Plans and Personal IRAs…

- Defined benefit plans pay a promised monthly benefit to employees, usually at retirement.
- Defined contribution plans, on the other hand, provide a benefit determined by the individual's account balance at retirement. Common defined contribution plans include 401(k)s, 403(b)s and profit-sharing plans.
- Individual retirement accounts may be "traditional" or "Roth" IRAs. Contributions to traditional IRAs are tax deductible in certain cases, while contributions to Roth IRAs are never deductible.
- Distributions from traditional IRAs are taxable (in whole or in part) as ordinary income. Distributions from Roth IRAs are generally tax free when requirements are met.

Personal Savings and Investments…

- Traditional savings vehicles include savings accounts, certificates of deposit, money market mutual funds and government savings bonds.
- Investments include stocks, bonds and mutual funds.
- Bonds are debt instruments issued by the federal government, state and local governments, and corporations. They may be owned directly or indirectly through mutual funds, investment accounts and trusts.
- Real estate includes personally owned property and property owned through an entity such as a limited partnership. Retirees may also use the equity in their homes as a source of retirement income, but must keep in mind the drawbacks of borrowing money to pay living expenses.
- Annuities offer tax-deferred growth and a variety of payout options, including payments guaranteed to last for the annuitant's lifetime or until the death of a second annuitant. All annuity guarantees are subject to the claims-paying ability of the issuing insurance company.

Post-Retirement Employment…

- Working after retirement is a common way to supplement retirement income, but these earnings come with tax ramifications.
- Post-retirement earnings are subject to federal, state and local income taxes, as well as Social Security and Medicare taxes.
- Post-retirement earnings may also boost the retiree's income high enough that Social Security benefits are subject to federal income tax.

The Bottom Line…

Numerous sources of potential retirement income are available to those looking toward a comfortable retirement free from financial concerns. The key is to prepare as early as possible and save as much as possible during the working years. Thanks to the power of compounding, each year's income and gains build on prior growth. Therefore, the sooner a retirement strategy begins, the more likely it is that the strategy can achieve targeted goals.

SUMMARY

Creating Retirement Income

There are four potential sources for retirement income: Social Security, employer retirement plans and IRAs, personal savings and investments, and continued work after retirement.

Social Security

Social Security benefits are based on a person's earnings history and age when payments begin. Traditionally, the normal retirement age was 65, but under current law it increases in stages depending on date of birth. Payments are subject to annual cost-of-living adjustments.

Social Security retirement benefits are generally nontaxable, although they become partially taxable when a retiree's income (or joint return income) exceeds certain threshold amounts. According to the Social Security Administration, about 40 percent of people receiving Social Security pay some taxes on their benefits. *(Source: www.socialsecurity.gov/pubs/10024.html.)*

Employer Plans and IRAs

An employer-sponsored retirement plan may be a defined benefit plan that pays a pre-established monthly benefit to the retiree, or a defined contribution plan, in which the employee's individual account balance at retirement typically determines the retirement benefit.

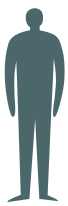
Individual retirement accounts and annuities (IRAs) may be "traditional" or "Roth" IRAs. Contributions to traditional IRAs are tax deductible, accumulate on a tax-deferred basis and are then taxed as ordinary income when received. Roth IRA contributions are made with after-tax dollars, are not deductible, accumulate on a tax-deferred basis and are tax free upon receipt (provided certain requirements are satisfied).

Personal Savings and Investments

Savings accounts, certificates of deposit, money market mutual funds and government savings bonds are among the most widely used savings vehicles. Investments such as stocks, bonds and mutual funds are also popular. Annuities can also provide supplementary retirement income in fixed or variable amounts over the annuitant's life or the life of a second annuitant, such as a surviving spouse.

Real Estate

Real estate—including personally owned property and property owned in a limited partnership—can also generate retirement income.



RETIREE

1

A retiree must reach normal retirement age under Social Security to receive full benefits, but can collect reduced benefits as early as age 62.

2

Employer retirement plans and IRAs are other important sources of retirement income.

3

Personal savings and investments produce income that a retiree can liquidate if needed.

4

Some retirees work part-time or full-time after retirement to provide an additional source of income.

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LOOKING AHEAD

INCOME TAX IMPLICATIONS OF LIFE INSURANCE LIVING BENEFITS

TRANSAMERICA®

Worthwhile financial guidance recognizes the bigger picture — how health affects finances and how finances can affect health. People want to live long, healthy lives with the financial means to do so.

Healthcare costs and lost wages as a result of illness or injury can make a major impact on your clients' financial future. On the plus side, certain types of life insurance are designed to provide the confidence your clients and their loved ones need.

This document examines some of the potential tax implications with regard to qualifying health events and policy ownership. In general:

Terminal illness or chronic illness/long term care (LTC) benefits should be income tax-free if the death benefit would have been income tax-free upon the death of the insured. (These benefits would be taxable to the business for business-owned policies).

Critical illness benefits should generally be income-tax free when premiums are paid by the individual insured rather than by an employer.

To find out more:

Terminal/chronic illness benefits are governed by Internal Revenue Code (IRC) § 101(g) and are treated like an acceleration of the death benefit.

Critical illness benefits are treated like health insurance benefits under IRC § 104.

Long term care benefits are governed by Internal Revenue Code § 7702B and § 101(g). To sell products with long term care benefits, producers must generally be licensed to sell long term care in the state where the contract is sold.

TAXATION OF BENEFITS BASED ON POLICY OWNERSHIP

The table below compares some of the differences in taxation based on ownership of the life insurance policy:

	INSURED OWNS POLICY	EMPLOYER OWNS POLICY
Terminal Illness	Not Taxable as Income[1]	Taxable as income to employer[2]; but may be deductible by employer and taxable to employee if paid to employee as reasonable compensation
Chronic Illness/LTC	Not taxable if less than per diem limit or actual long term care costs[3], depending on contract terms	Taxable as income to employer[2]; but may be deductible by employer and taxable to employee if paid to employee as reasonable compensation
Critical Illness	Not taxable as income when insured pays premium[4]	Most likely not taxable as income to employer[5]; but may be deductible by employer and then taxable to employee if paid to employee as reasonable compensation
Death Benefit	Not taxable as income[6]	Taxable unless IRC § 101(j) requirements met including notice and consent provided

[1] IRC § 101(g)(1)(A)
[2] IRC § 101(g)(5)
[3] IRC § 101(g)(1)(B); IRC §7702B(d)
[4] IRC sec. 104(a)(3)
[5] IRC § 104(a)(3), and Rugby Productions, Ltd. v. C.I.R., 100 T.C. 531 (1993)
[6] IRC § 101(a)

THIRD-PARTY OWNERSHIP

Living benefits are normally free from income tax even when the insured is not the owner. Some exceptions to the income tax-free nature of living benefits when a third party is the owner of the contract are:

- Business related policies: Terminal and chronic illness long term care benefits may not be exempted from income tax
- If the policy has become subject to the transfer for value rule:[7] While critical illness benefits may fall outside the statutory transfer for value rule, they may also become taxable if the owner acquired the policy for money or in exchange for services or property after inception of the policy[8]

MODIFIED ENDOWMENT CONTRACT (MEC) WITH A LONG TERM CARE RIDER

Generally, MEC's follow the LIFO (last in, first out) rules for taxation so that any loans or withdrawals from an MEC result in taxable gains being distributed first before the nontaxable return of basis. However, when LTC benefits are paid out of an MEC from an LTC rider, the benefits received by the insured for long term care are not taxable because they are considered LTC rider benefits rather than withdrawals from the MEC.

In addition, one can do a tax-free 1035 exchange from an MEC contract to an MEC contract with an LTC rider and thereafter receive lifetime benefits for long term care without experiencing taxation of the benefits.

LAPSING A POLICY AFTER RECEIPT OF LIVING BENEFIT

The general rules on surrender determine the tax consequences of allowing a policy to lapse, even after payment of an accelerated death benefit. When 100% of the policy face amount has been accelerated as a terminal illness benefit, the base policy and all riders will terminate.

When a policy lapse occurs after a chronic illness claim or long term care claim, there is no taxable income related to prior living benefit payments as they are considered a tax-free accelerated death benefit. Similarly, prior critical illness benefit payments are not taxable on a later lapse of the policy.

(NOTE: This differs from the tax treatment of the lapse of a policy with an outstanding loan in excess of basis in the policy. In that scenario, the outstanding loan balance is included as part of the amount realized, and the result is additional ordinary income to the policy owner.)

QUALIFIED PLANS

If life insurance with accelerated death benefit riders is owned by a qualified plan, the plan documents should address living benefit riders.

- Long term care/chronic illness and critical illness riders may not be considered by the Internal Revenue Service (IRS) to be permissible incidental benefits in a qualified plan
- Terminal illness riders in a qualified plan require attention, to the extent that a life insurance policy inside a qualified plan has cash value when the participant is terminally ill, the distribution of living benefit payment from the plan could be viewed as a pro rata distribution of death benefit and cash value

Insureds and plan trustees should consult with their tax advisors to evaluate the tax consequences of plan ownership of a life insurance policy with living benefit provisions.

FEDERAL INCOME TAX REPORTING

Transamerica reports the payment of living benefits when required by the IRS on forms 1099-LTC and 1099-R. Taxpayers must consult with their professional legal and tax advisors to determine whether benefit payments are taxable and prepare their tax returns accordingly.

Summary:

With the increasing popularity of hybrid life insurance products with chronic, critical, terminal, and long term care benefits, it's important to be aware of the issues that may arise due to tax consequences of these living benefits. Policies owned by businesses, policies in qualified plans, and any other policies not owned by the insured all require careful review so that the value of these benefits is understood and realized.

[7] IRC § 101(a)(2).

[8] Peoples Finance & Thrift Co. v. C.I.R., 12 T.C. 1052, 1055 (1949), aff'd 184 F.2d 836 (5th Cir. 1950)

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TALKING WITH MOM AND DAD ABOUT YOUR INHERITANCE

Sagicor
LIFE INSURANCE COMPANY

This holiday season is a perfect time to have a conversation with your parents about the future. While retirement security should be their top priority, many financially secure retirees intend to pass wealth to their children. Lack of proper planning could potentially create new tax risk for you and your siblings.

Tax laws regarding inherited IRA and retirement plan assets changed in 2020, when the SECURE Act (Setting Every Community Up for Retirement Enhancement) went into effect.

Before the SECURE Act — Adult children could inherit a parent's IRA or other retirement plan assets and minimize their tax risk by stretching withdrawals from these accounts over their lifetime.

Now — Adult children who inherit a parent's IRA or other retirement plan assets must liquidate the account by the end of the tenth year after the passing of their parent.

Inheriting mom or dad's IRA could lead to significant financial consequences for you.

Depending on your income and the amount of money in your parent's IRA or retirement plan, inheriting these assets could potentially:

- Increase your income tax and capital gains tax exposure.
- Move you to a higher tax bracket.
- Raise your modified adjusted gross income.

Consider the following example:

Meet Marie and her son, George

Marie is a widow, age 75. George, her only child is a chemical engineer, age 50.

Marie has non-qualified assets in a money market account and receives Social Security benefits that cover her monthly living expenses. There is no mortgage on her home.

When Marie's husband Saul died, she was the sole beneficiary of his $500,000 IRA. Even though she must take required minimum distributions from her IRA account, she realizes that the IRA asset balance will become George's inheritance.

What if Marie does nothing? **George's net inheritance could be $499,253.**	*What if Marie makes a tax-smart decision?* **George's net inheritance could be $612,532.**
Marie passes at age 85, and George is the sole beneficiary of her IRA assets. ▪ Marie reinvested her annual net after tax Required Minimum Distributions (RMDs) of $20,000 at a hypothetical 3% growth rate (2.4% after tax), in a non-qualified money market account. After 10 years, the money market account value of $254,357 is inherited by George. ▪ George must distribute all remaining IRA assets within 10 years of Marie's death. ▪ If George is to distribute the entire IRA asset value at his mother's passing, he nets $244,896.[1] ▪ The net inheritance of $499,253 is the $254,357 money market account value, plus the $244,896 IRA value after tax.	Marie's tax advisor suggests she take annual distributions of $25,000, which satisfies her RMDs. After tax, she uses $20,000/year to fund a **Sage Indexed Universal Life Insurance** policy, offering: ▪ A $367,636 death benefit, which has cash value and an income tax-free death benefit[2] ▪ Access to funds should Marie be diagnosed with a chronic illness When Marie passes at age 85, George will receive the $367,636 death benefit income tax free and will not have to distribute the death benefit within 10 years. ▪ At a hypothetical 3% growth rate, the balance of the IRA that will be inherited by George is $376,763, which is fully taxable upon distribution at George's tax bracket. ▪ If George is to distribute the entire IRA asset value at his mother's passing, he nets $244,896 after tax, plus the $367,636 death benefit, which is a total net $612,532.

[1] Assumes $25,000 in annual distributions to satisfy RMD requirements; George is in a 35% tax bracket.

[2] Standard NT underwriting class, $20,000 per year annual premium, solve for maximum DB to endow death benefit at maturity. 5.18% illustrated rate, 100% allocation to Global Multi-Index Bonus Index Strategy. This example assumes that Marie is in 20% tax bracket ($25,000 RMD - $5,000 tax = $20,000 after tax life insurance premium).

Exceptions to the SECURE Act 10-year withdrawal rule

The following individuals may have longer than the usual 10-year deadline to liquidate an inherited qualified account.

Beneficiaries excluded

- A surviving spouse
- Minor children of the account owner
- Individuals not more than 10 years younger than the account holder
- Those who meet government definitions of disabled or chronically ill
- Individuals who inherited an IRA or a qualified plan before January 1, 2020

What you can do now

If you're thinking about creating a legacy for your children or loved ones, consider life insurance. Let's discuss how you can potentially leverage IRA assets to accomplish your goals and seek to increase your legacy in conjunction with guidance from your tax and estate planning team.

Licensed Insurance Agent or Insurance Professional:
Agency:
Address:
Telephone:
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Retirement Income Worksheet

HOW MUCH INCOME WILL YOU NEED IN RETIREMENT?

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1039975-00001-00 Ed. 09/2020

HOW MUCH MONEY WILL YOU NEED?

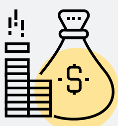
If you've recently started thinking about retiring, now is the time to develop a strategy for turning your savings into a lifetime of income. As a first step in planning for your future, work with your financial professional to complete this worksheet. It can help you define your retirement goals, establish a budget, and identify your desired lifestyle in retirement.

Covering your essential and discretionary expenses

When you retire, you'll have essential and discretionary expenses. Essential expenses are your basic needs (housing, food, health care), and discretionary expenses are the fun things that you dream of doing in retirement.

Estimating your future essential expenses and making sure you can afford them is critical for your future. Using multiple streams of retirement income can help to ensure that your essential expenses are covered, while also covering the discretionary expenses that allow you to enjoy retirement. And identifying any income gaps now may make it easier to help you plan for a more secure future.

TRADITIONAL SOURCES OF RETIREMENT INCOME



INVESTMENTS

SOCIAL SECURITY

PENSION

Will these traditional sources be enough?

It's important to review your particular situation to see if you need additional sources of income.

DID YOU KNOW?

Just 4 in 10 pre-retirees (42%) and/or their spouses have tried to calculate how much money they will need to have saved to live comfortably in retirement.

Greenwald & Associates – 2019 research.

Calculate your *essential* expenses and income

(Remember to consider your spouse or partner in your calculations)

STEP 1	**Identify and estimate monthly essential expenses**	a. Loans (e.g., mortgage, auto, college)	$
		b. Utilities (e.g., electric, gas, water, cable, phone)	$
		c. Health care (e.g., prescriptions, physician, co-pays)	$
		d. Food	$
		e. Taxes (e.g., home, auto)	$
		f. Insurance (e.g., auto, home, life)	$
		g. Other	$
		TOTAL ESTIMATED ESSENTIAL EXPENSES	**$** 0
STEP 2	**Identify and estimate monthly sources of retirement income**	a. Social Security (go to ssa.gov for income estimate)	$
		b. Pension	$
		c. Employment	$
		d. Income from Annuity and/or Life Insurance	$
		e. Other	$
		TOTAL ESTIMATED RETIREMENT INCOME	**$** 0
STEP 3	**Identify your income gap**	Subtract total of Step 2 from Step 1	**$** 0

DO YOU HAVE A RETIREMENT INCOME GAP TO FILL?

Talk with your financial professional today to learn how permanent life insurance can help provide supplemental income for a more secure retirement.

The Prudential Insurance Company of America, Newark, NJ.

Prudential Financial and its financial professionals do not give legal or tax advice. Please consult your own advisors.

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.

[REF # 10526875]

MAKE THE MOST OF YOUR LEGACY

USING TRANSAMERICA'S ANNUITIES IN IRREVOCABLE TRUSTS

Annuities may lose value and are not insured by the FDIC or any federal government agency. They are not a deposit of or guaranteed by any bank, bank affiliate, or credit union.

TRANSAMERICA®

Insurance / Investments / Retirement

The duties of a trustee can be challenging. Among their many responsibilities, trustees must act as fiduciaries in selecting trust investments that serve the needs of multiple trust beneficiaries in a tax-efficient manner. An annuity purchased by a trust may help the trustee meet these challenges.

BENEFITS OF USING ANNUITIES IN IRREVOCABLE TRUSTS

Annuities are known for providing individual investors with benefits such as tax deferral, a diverse selection of investment options, death benefit protection, and lifetime income. What's often overlooked is annuities can provide those same benefits within an irrevocable trust.

Using annuities in irrevocable trusts can provide:

- Control over the recognition and taxation of trust earnings
- Flexible investment options with the potential for growth
- Death benefits that provide the potential to enhance the value of assets passing to trust beneficiaries
- Guaranteed lifetime income[1]

TYPES OF IRREVOCABLE TRUSTS

Many types of trusts may be able to own an annuity. The most common include, but are not limited to:

- Credit Shelter Trust
- Irrevocable Family Trust
- Spendthrift Trust
- Irrevocable Life Insurance Trust (ILIT)
- Qualified Terminable Interest Property (QTIP) Trust
- Generation-Skipping Trust (GST)
- Special Needs Trust (SNT)

TAXATION OF IRREVOCABLE TRUSTS

Taxable income retained within a non-grantor irrevocable trust may be subject to comparatively higher effective trust income tax rates:

- Top income tax rate of 37% on income over $13,050 (2021)
- Additional tax of 3.8% on the lesser of undistributed net investment income or adjusted gross income over $13,050 (2021)
- Capital gains and qualified dividends are taxed at 20% when income is in excess of $13,250 (2021)

[1] All guarantees, including optional benefits, are based on the claims-paying ability of the issuing insurance company.

MORE REASONS TO USE ANNUITIES IN IRREVOCABLE TRUSTS

CONTROL OVER THE RECOGNITION AND TAXATION OF IRREVOCABLE TRUST EARNINGS

Investing trust assets in an annuity can provide income tax efficiency within the trust and help meet the needs of trust beneficiaries. Taxable income retained by certain non-grantor trusts is subject to comparatively higher effective trust income tax rates and may be subject to an additional 3.8% net investment income tax. Although income may be distributed to trust beneficiaries to help reduce the impact of the trust tax rates, payment of income to the trust beneficiaries may not be desirable. Investment in an annuity by a trust meeting certain requirements may avoid this tax dilemma. Keep in mind that the manner in which the annuity is titled will have an impact on how the annuity contract operates. The titling options and rules are described throughout the remainder of this brochure.

ANNUITIES AND TRUSTS: IRC SECTION 72(u)

Annuities that are owned by trusts that act solely for the benefit of living individuals will receive tax deferral under IRC Section 72(u). With annuities that meet the requirements under IRC Section 72(u), the appreciation of the annuity remains tax-deferred until the trustee requests a distribution.

Annuities owned by trusts that benefit nonnatural entities, businesses, or charities will not receive tax deferral.

FLEXIBLE INVESTMENT OPTIONS WITH GROWTH POTENTIAL

Changing trust objectives and economic conditions may cause the trust to change or modify its investment allocations. In many cases, the reallocation of trust assets may result in transaction costs and/or the realization of capital gains.

By using a Transamerica variable annuity as part of the investment strategy, the trustee can choose a diverse asset allocation among a variety of investment options. Since the investment options are held within the variable annuity, the trustee can modify the allocation of trust assets without worrying about transaction costs or capital gains recognition.[2]

DEATH BENEFITS WITH POTENTIAL TO ENHANCE THE VALUE OF ASSETS PASSING TO TRUST BENEFICIARIES

An annuity with a guaranteed death benefit or enhanced death benefit offers the potential for long-term growth with downside protection, allowing the trustee to consider a more aggressive asset allocation for the benefit of the remainder beneficiaries.[3] If the account performs poorly, an enhanced death benefit may provide an amount higher than the original account value at the death of the annuitant.

GUARANTEED LIFETIME INCOME[3]

An annuity can satisfy a need for trust income through a guaranteed lifetime income stream for the income beneficiary of a trust. This can be beneficial for two reasons:

1. It allows the trustee to allocate a specific amount of trust assets to generate a lifetime stream of income.
2. It enables the trustee to invest more aggressively without fear of compromising income needed for the beneficiary's life, thereby potentially growing the trust assets for the benefit of the remainder beneficiaries.

[2] Insurance companies may limit the number of transfers between subaccounts and assess additional fees on excessive transfers. Transamerica permits 12 transfers per year, after which a $10 transfer fee may apply.

[3] All guarantees, including optional benefits, are based on the claims-paying ability of the issuing insurance company. Diversification is a technique to help reduce risk and does not guarantee against loss.

CASE STUDY:
USING REMAINDER BENEFICIARIES AS THE ANNUITANTS – THE PASS-IN-KIND STRATEGY

HOW IT WORKS

The trustee purchases an annuity contract for the remainder beneficiary(ies) of the trust. Each remainder beneficiary is designated the annuitant on their own annuity contract.

When the trust dissolves, the trustee requests an ownership change on the annuity contract from the trust to the annuitant listed on the contract. Once complete, the trust remainder beneficiary becomes the contract owner with full ownership rights.

This ownership change allows the annuity contract to "pass-in-kind" from the trust without triggering a taxable event on any accumulated earnings in the contract. Moreover, Transamerica's contractual benefits are not impacted by the ownership change from the trust to the beneficiary. As the account owner, the annuitant/remainder beneficiary can name new beneficiaries for their annuity contract and use the proceeds for any desired purpose. Below is a hypothetical example to help illustrate how the annuity operates under the Pass-in-Kind Strategy.

SMITH IRREVOCABLE TRUST:

- Mrs. Smith (age 87) is the income beneficiary of the trust
- At Mrs. Smith's death, the remaining trust assets are to pass to her children, Suzie (age 64) and Ed (age 60)

HOW IT WORKS TODAY ...

The trustee purchases two annuity contracts with Suzie named the annuitant on one contract and Ed named the annuitant on the other.

Any potential growth in the annuity contracts accumulates tax-deferred to help increase the inheritance to Suzie and Ed.

SMITH IRREVOCABLE TRUST	
Annuity #1 Suzie's annuity accumulates tax-deferred.	**Annuity #2** Ed's annuity accumulates tax-deferred.

IN THE FUTURE ...

At Mrs. Smith's death, the trust dissolves. The ownership of the annuity contracts are changed from the trust to Suzie and Ed. They become the owner of their respective contract without a taxable event or change to the contractual provisions or benefits.

SMITH IRREVOCABLE TRUST	
Suzie assumes ownership of her tax-deferred annuity contract.	Ed assumes ownership of his tax-deferred annuity contract.

This hypothetical example is not indicative of any specific investment and does not reflect the impact of fees or expenses. Because individual circumstances vary, employing this strategy may not produce the same results for all individuals. Consult your tax advisor to determine if this strategy is right for you.

CASE STUDY:
USING THE INCOME BENEFICIARY AS THE ANNUITANT – GENERATING INCOME

Some trusts may require the distribution of income or principal from the trust on an ongoing basis. The income beneficiary may be more interested in the continuity of income rather than tax efficiency or passing assets from the trust to the remainder beneficiaries. The use of an annuity with a living benefit can help ensure an amount of income that lasts for the lifetime of the annuitant.

STEVENS IRREVOCABLE TRUST:

Mrs. Stevens (age 70) is the income beneficiary of the trust and is interested in generating ongoing income from the trust assets. She may access 5% of trust principal every year, but does not anticipate needing that much to satisfy her income needs.

HOW IT WORKS TODAY ...

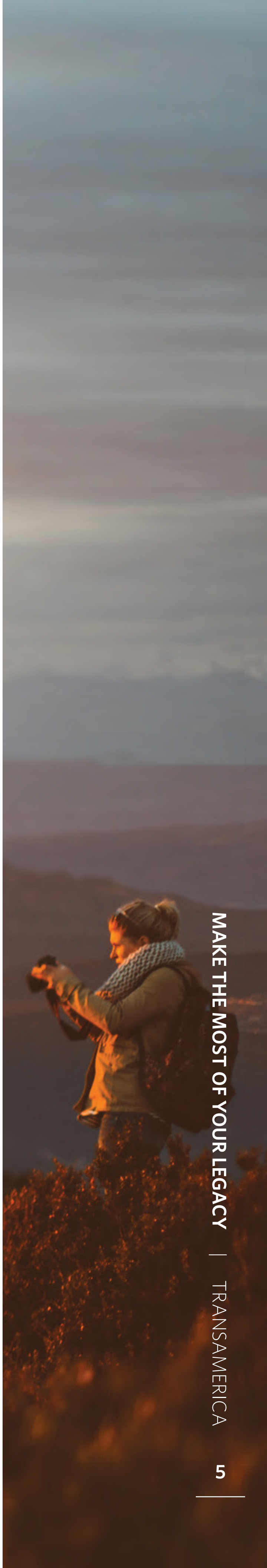
The trustee purchases a Transamerica annuity with a living benefit. Mrs. Stevens is named as the annuitant. The trust is named as the owner and beneficiary.

Mrs. Stevens is entitled to lifetime income from the living benefit. She will receive a minimum amount of income for the rest of her life regardless of how the underlying investments perform.

IN THE FUTURE ...

At the death of Mrs. Stevens, the remaining proceeds will pay back into the trust and the trustee will have five years to liquidate the proceeds of the annuity.

This hypothetical example is not indicative of any specific investment and does not reflect the impact of fees or expenses. Because individual circumstances vary, employing this strategy may not produce the same results for all individuals. Consult your tax advisor to determine if this strategy is right for you.



CASE STUDY:
USING THE INCOME BENEFICIARY AS THE ANNUITANT – LEAVING A LEGACY

The income beneficiary of the trust may not desire income and instead be primarily interested in accumulating more value to pass to the trust beneficiaries. Two challenges to this objective could be ongoing trust taxation and market volatility. The use of an annuity with an enhanced death benefit may help overcome these challenges.

FRANKLIN FAMILY IRREVOCABLE NON-GRANTOR TRUST:

Mr. Franklin (age 68) is the income beneficiary of the trust and does not want any income from the trust.

At Mr. Franklin's death, the remaining trust assets pass to his son Matthew.

HOW IT WORKS TODAY ...

The trustee purchases the annuity contract naming the trust as the owner and beneficiary of the annuity. The trustee names Mr. Franklin as the annuitant and elects an enhanced death benefit based on his life.

Any growth within the annuity contract grows tax-deferred. The enhanced death benefit may increase from any potential growth in the annuity subaccounts.

IN THE FUTURE ...

At Mr. Franklin's death, the death benefit is triggered and pays back into the trust. The trustee has five years to liquidate the proceeds of the annuity contract.

This hypothetical example is not indicative of any specific investment and does not reflect the impact of fees or expenses. Because individual circumstances vary, employing this strategy may not produce the same results for all individuals. Consult your tax advisor to determine if this strategy is right for you.

IRREVOCABLE TRUST-OWNED ANNUITIES AT TRANSAMERICA[4]

- Transamerica requires that a copy of the trustee certification form, along with the title page and signature page of the trust, be provided to Transamerica.
- The trust will be listed as the owner of the annuity contract. The annuitant on the contract may be a trustor/settlor/grantor, trustee, or trust beneficiary. The annuitant is the measuring life on the contract.
- A "pass-in-kind" strategy is available at Transamerica for annuities that are owned by irrevocable non-grantor trusts. For trusts that meet the criteria to use this strategy, after the trust dissolves, the trustee would request that Transamerica retitle the ownership of the annuity contract from the name of the trust to the name of the annuitant listed on the policy. The contract ownership transfers to the annuitant without triggering an income-taxable event or change of contractual benefits such as living and death benefits. Consult a qualified tax professional to evaluate if this strategy is appropriate for the trust.

DEFINITIONS

ANNUITANT

Individual designated on an annuity contract to serve as the measuring life for the contract features and death benefit.

CORPUS

A term used to describe the principal of a trust, as distinguished from gains, earnings, and profits.

GRANTOR

Also referred to as the settlor or trustor, the individual who created the trust and ceded the assets to the trust.

INCOME BENEFICIARY

Trust beneficiary entitled to income from the trust.

INTER VIVOS OR REVOCABLE TRUST

A trust that is established during the lifetime of the grantor that can be amended or revoked at any time by the grantor. Since this type of trust is revocable, the tax and ownership of the trust are attributed back to the grantor.

REMAINDER BENEFICIARY

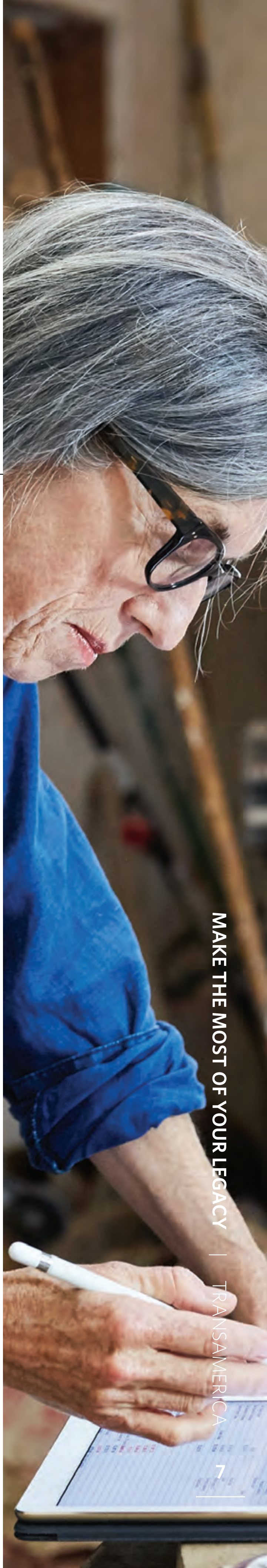
Trust beneficiary entitled to trust assets at the termination of income beneficiary's interest in the trust.

SUCCESSOR TRUSTEE

Individual who takes over for the trustee if they become incapacitated, unable to perform their duties, or pass away.

TRUSTEE

Fiduciary responsible for management of the trust.



[4] Pursuant to IRC Section 72(e)(12), all annuity contracts issued by Transamerica to the same trust as owner during a calendar year will be aggregated and treated as one contract for tax purposes. All guarantees, including optional benefits, are backed by the claims-paying ability of the issuing insurance company.

TRANSAMERICA®

When it comes to preparing for your future, there's no time like the present.

Let's get started today.

Visit: transamerica.com

Before investing, consider a variable annuity's investment objectives, risks, charges, and expenses. Go to transamerica.com for prospectuses containing this and other information. Please read carefully.

Variable annuity fees and charges include mortality and expense risk fee and administrative charge, surrender charges, annual fee, and investment option management fees. Additional fees may apply to optional benefits, including living benefit selected.

There is no additional tax-deferral benefit derived from placing IRA or other tax-qualified funds into an annuity. Features other than tax-deferral should be considered in the purchase of a qualified annuity.

Withdrawals of taxable amounts are subject to ordinary income tax, and if taken prior to age 59½, a 10% federal tax penalty may apply.

Variable annuities are subject to investment risk, including possible loss of principal. Annuities are long-term, tax-deferred vehicles designed for retirement purposes.

Neither Transamerica nor its agents or representatives may provide tax or legal advice. Anyone to whom this material is promoted, marketed, or recommended should consult with and rely on their own independent tax and legal advisors regarding their particular situation and the concepts presented herein.

Annuities issued in all states except New York by Transamerica Life Insurance Company, Cedar Rapids, Iowa, and in New York by Transamerica Financial Life Insurance Company, Harrison, New York. Annuities are underwritten and distributed by Transamerica Capital, Inc., 1801 California St., Suite 5200, Denver, CO 80202. FINRA member. References to Transamerica may pertain to one or all of these companies.

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LEGACY PLANNING

Maximize the legacy you leave to loved ones

TRANSAMERICA®

PLAN YOUR LEGACY.

Ensure that your assets transfer to your loved ones as you wish.

Whether you are getting started with the planning process, or need to review your existing plans, your legacy requires careful planning and the appropriate legal documents to ensure that your assets and belongings transfer to your loved ones as you wish.

A well-designed legacy plan can help you:

- Arrange for the guardianship of your minor children
- Preserve wealth and promote your values throughout generations
- Protect assets from creditors, divorces and lawsuits
- Minimize family discord
- Provide for orderly family business succession
- Promote a charitable cause
- Provide for loved ones who have special needs while preserving eligibility for government assistance
- Avoid probate and probate fees
- Minimize or eliminate estate taxes at death

Taxes and Transfer Costs

Whether you do bare bones planning by drafting a will or fail to plan altogether, you have an estate that is subject to probate administration. Your estate must be administered through the probate court located in the county of your legal residence at the time of death. The overall cost of probate will vary according to state law and will generally hinge on the size of the estate—the more you own, the more you owe.

In addition, generally the federal government imposes an estate tax on all property you pass to your loved ones upon your passing. Every asset you own at that time will be included in determining the value of your estate and any taxes due. Any amount that is above the applicable estate tax exemption in the year you pass away will be subject to federal estate taxes. In 2015, the estate tax exemption is $5.43 million.

Some states impose their own separate estate tax. For example, in New Jersey, the estate tax exemption is $675,000.[1] It is possible that an estate that is too small to generate federal estate taxes may nonetheless trigger state estate taxes.

Some states impose an inheritance tax in addition to the state estate tax. Inheritance tax is imposed on the right to receive property by inheritance or legal succession. The tax imposed is based on the beneficiary's relationship to you and the amount of property received from your estate.

When it comes to legacy planning, here are a few things to consider:

1. Do you have current legal documents, including a will, medical and financial powers of attorney, advanced healthcare directives, and if needed, a family trust or guardians for minor children? Have you written a letter of instruction, including your burial wishes?
2. Do your beneficiary designations on your life insurance, annuities, employer-sponsored retirement plans and IRAs reflect your wishes?
3. Do you have children, parents, or other family members or dependents with special needs?
4. Have you thought about your legacy including a charity, educational institution, or other nonprofit organization at your death?
5. Have you taken any action to reduce the amount of estate taxes that may be due at death?
6. If you will have an estate tax liability, have you arranged your life insurance so that the proceeds will be excluded from your estate to minimize federal estate taxes at death?

If you have not found the time to address these questions, this brochure should help you and your advisor assess your estate quickly and simply. After completing this evaluation, you can expect to receive suggestions from your advisor on how you can meet your planning objectives. These recommendations may help you build your legacy by reducing estate erosion due to taxes and probate costs, allowing more of your assets to pass on to your loved ones.

The Bottom Line

To ensure your wishes are carried out you need a legacy plan. Without a plan, taxes, transfer costs or even a family member's lack of financial management skills threaten to erode your hard-earned legacy.

Legacy Planning Data - Part I

Client Information

PERSONAL INFORMATION

Name *(Husband)*	Date of Birth	Health Status
Name *(Wife)*	Date of Birth	Health Status

ADDRESS INFORMATION

Street *(Home)*	City	State	ZIP Code
Street *(Business)*	City	State	ZIP Code
Street *(Other Residence)*	City	State	ZIP Code

Citizenship (if other is applicable, please specify)

Husband
- ☐ U.S. Citizen
- ☐ Resident Alien
- ☐ Non-resident Alien Country of Citizenship ________________ ____________________

Wife
- ☐ U.S. Citizen
- ☐ Resident Alien
- ☐ Non-resident Alien Country of Citizenship ________________ ____________________

Children

Name	Date of Birth	Health Status
Name	Date of Birth	Health Status
Name	Date of Birth	Health Status

Grandchildren

Name	Date of Birth	Health Status
Name	Date of Birth	Health Status

Other Dependents

Name	Date of Birth	Health Status
Name	Date of Birth	Health Status

Prior Marriage Date	Former Spouse's Name(s)	Date of Dissolution	Court Involved	Alimony Support Amount

Legacy Planning Data - Part II

Life Insurance Policies

Policy 1

Issued by: ______________________________

Name of Insured: ______________________________

Policy Owner: ______________________________

Face Amount: $ ______________________________

Cash Surrender Value: $______________________________

Annual Premium: $ ______________________________

Beneficiary(ies):	Relationship to Insured:
____________	____________
____________	____________
____________	____________
____________	____________

Policy 2

Issued by: ______________________________

Name of Insured: ______________________________

Policy Owner: ______________________________

Face Amount: $ ______________________________

Cash Surrender Value: $______________________________

Annual Premium: $ ______________________________

Beneficiary(ies):	Relationship to Insured:
____________	____________
____________	____________
____________	____________
____________	____________

Policy 3

Issued by: ______________________________

Name of Insured: ______________________________

Policy Owner: ______________________________

Face Amount: $ ______________________________

Cash Surrender Value: $______________________________

Annual Premium: $ ______________________________

Beneficiary(ies):	Relationship to Insured:
____________	____________
____________	____________
____________	____________
____________	____________

Policy 4

Issued by: ______________________________

Name of Insured: ______________________________

Policy Owner: ______________________________

Face Amount: $ ______________________________

Cash Surrender Value: $______________________________

Annual Premium: $ ______________________________

Beneficiary(ies):	Relationship to Insured:
____________	____________
____________	____________
____________	____________
____________	____________

Policy 1/Face Amount: ______________________________*

Policy 2/Face Amount: ______________________________*

Policy 3/Face Amount: ______________________________*

Policy 4/Face Amount: ______________________________*

*Amount to be copied to **Total Life Insurance Face Amount** line in **PART III** (next page)

Legacy Planning Data - Part III

Current Assets	Husband	Wife	Jointly Owned
Cash and Cash Equivalents such as bank accounts and CDs			
Notes, Accounts Receivable, Mortgages, and Other Receivables			
Bonds			
Stocks and Mutual Funds			
Closely Held Business Interests			
Real Estate			
Total Life Insurance Face Amounts Per Owner–copy totals from Part II here			
Includible Trusts			
Retirement Plans such as 401(k), pension, profit-sharing, ESOP, and IRA			
Miscellaneous Personal Effects such as automobiles, jewelry, collections, art, patents, trademarks, and copyrights			
TOTAL			
Current Liabilities*			
Real Estate Mortgages			
Notes to Financial Institutions			
Loans on Life Insurance Policies			
Other Obligations			
Tax Liabilities			
TOTAL			
Net Worth**			

*Estimate for general legacy planning only.
**Totals are net of Current Assets and Current Liabilities columns.

Legacy Planning Data - Part IV

Client Information	Husband	Wife
Monthly Salary		
Other income		
Pay off mortgages or other debts at death? (y/n)		
Provisions for children		
Provisions for grandchildren		
Beneficiaries with special needs		

Current Gifts	Husband	Wife
Annual exclusion gifts		
Planned lifetime gifts		

Charitable Gifts	Husband	Wife
Annual gifts		
Planned lump sum gifts		

Other Goals

[1] Retrieved November 2013 from http://www.state.nj.us/treasury/taxation/revesttax.shtml, New Jersey Department of the Treasury

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Discussions of the various planning strategies and issues are based on our understanding of the applicable federal income, gift, and estate tax laws in effect at the time of publication. However, tax laws are subject to interpretation and change, and there is no guarantee that the relevant tax authorities will accept Transamerica's interpretations. Additionally, this material does not consider the impact of applicable state laws upon clients and prospects.

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TRANSAMERICA®

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SHARING YOUR FINAL WISHES

UNDERSTANDING WILLS AND FINAL ARRANGEMENTS

INCLUDES:

PERSONAL INFORMATION
THINGS TO CONSIDER
FAMILY CHECKLIST
FINAL ARRANGEMENTS
ONLINE INFORMATION

TRANSAMERICA®

Insurance / Investments / Retirement

YOUR LEGACY ON YOUR TERMS

WILLS AND FINAL ARRANGEMENTS

When you think about it, creating a will and making final arrangements are one more opportunity to show you care. You've lived life on your own terms, why shouldn't you leave a legacy on your terms?

If you die without a will, you are said to have died "intestate." Intestacy means state law will determine what happens to the property and assets you leave behind.

Your will is your opportunity to distribute your assets as you desire, whether that's gifts to charity, a comfortable retirement for your spouse, or a head start for children, grandchildren, and others who have been important to you.

FINAL ARRANGEMENTS: REDUCE THE BURDEN FOR A GRIEVING FAMILY

Documenting your wishes and final arrangements, often through something called a "letter of last instructions," can be one less burden for your family members as they are dealing with their grief. Putting everything in order before you pass on can help ensure your wishes are followed and leave less guesswork for those you leave behind. Including some vital information about yourself — your date of birth, hometown, occupation, degrees earned, etc. — can help your loved ones or funeral home write your obituary or death notice. You may want to discuss with your legal counsel where to store your letter of last instructions. Storing such information in a safe deposit box could be problematic if relatives are unable to access it immediately after your death.

You may want to consult a professional, such as an attorney, when creating your letter of last instruction and will.

We've provided a checklist you can fill out before taking a formal step with topics to help you get organized and thinking about what's important to you.

PERSONAL INFORMATION

Full Name

Address

City County State

Date of Birth Place of Birth (City) County State

Social Security Number

Education/Degrees

Occupation (Or retired from)

Employer

Physician(s) and Phone Number(s)

Are You a Veteran? ❑ Yes ❑ No Serial Number

Enlistment Date Discharge Date

For help or advice in settling my affairs, please consult:

Name/ Phone

MARITAL STATUS

❑ Never married ❑ Married ❑ Widowed ❑ Divorced

Spouse or Maiden Name

Name of Father

Name of Mother (Maiden)

THINGS TO CONSIDER FOR A WILL

Who do you want to be appointed as executor of your estate?

❏ Husband/Wife ❏ Son/Daughter ❏ Relative ❏ Attorney ❏ None

Name

What instructions do you have for real estate holdings?

What personal effects do you wish to give and to whom?

Item	To Whom
Item	To Whom
Item	To Whom
Item	To Whom

Where do you keep the following financial and personal records?

❏ Will, Living Will, Power of Attorney, Letter of Instructions

❏ Insurance Policies

❏ Pension, Annuity, 401(k), IRA, Other Retirement Accounts

❏ Bank and Credit Card Information

❏ Tax Records

❏ Mortgage Information

❏ Social Security Card, Birth Certificate, Marriage Certificate, Divorce Judgement, etc.

❏ Vehicle Titles

❏ Location of Valuables (And Access Information)

❏ Additional Information

FAMILY CHECKLIST

BEFORE THE FUNERAL ...

NOTIFY:

- ❏ Attorney
- ❏ Business Associates
- ❏ Cemetery
- ❏ Florist
- ❏ Fraternal Organizations
- ❏ Friends
- ❏ Funeral Director
- ❏ Minister/Church
- ❏ Obituary
- ❏ Organist/Soloist
- ❏ Relatives

AFTER THE FUNERAL ...

NOTIFY:

- ❏ Accountant
- ❏ Financial Institutions
- ❏ County Recorder
- ❏ Credit Cards
- ❏ Department of Motor Vehicles
- ❏ Insurance Agents and Companies
- ❏ Medicare
- ❏ Military Pension
- ❏ Post Office
- ❏ Social Security
- ❏ Union
- ❏ Utility Companies
- ❏ Veteran's Organization

FINAL ARRANGEMENTS

Name of Funeral Home

Name of Church

Name of Cemetery

Burial or Cremation

Casket or Urn Preference

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ONLINE INFORMATION

DEPARTMENT OF VETERANS AFFAIRS

va.gov

SOCIAL SECURITY ADMINISTRATION

ssa.gov

CREMATION ASSOCIATION OF NORTH AMERICA (CANA)

cremationassociation.org

INTERNATIONAL CEMETERY, CREMATION AND FUNERAL ASSOCIATION

iccfa.org

THE NATIONAL FUNERAL DIRECTORS ASSOCIATION

nfda.org

MEDICARE

medicare.gov

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

hhs.gov

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