

Tax Strategies SALES KIT



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2018 INCOME AND PAYROLL TAX RATES

SINGLE TAXPAYER RATES

Taxable Income		Tax before Credits		
Over	But not over	Flat amount	+	Of excess over
\$ 0	\$ 9,525	\$ 0	10%	\$ 0
9,525	38,700	952.50	12%	9,525
38,700	82,500	4,453.50	22%	38,700
82,500	157,500	14,089.50	24%	82,500
157,500	200,000	32,089.50	32%	157,500
200,000	500,000	45,689.50	35%	200,000
500,000	—	150,689.50	37%	500,000

HEAD OF HOUSEHOLD RATES

Taxable Income		Tax before Credits		
Over	But not over	Flat amount	+	Of excess over
\$ 0	\$ 13,600	\$ 0	10%	\$ 0
13,600	51,800	1,360.00	12%	13,600
51,800	82,500	5,944.00	22%	51,800
82,500	157,500	12,698.00	24%	82,500
157,500	200,000	30,698.00	32%	157,500
200,000	500,000	44,298.00	35%	200,000
500,000	—	149,298.00	37%	500,000

TRUSTS AND ESTATES RATES

Taxable Income		Tax before Credits		
Over	But not over	Flat amount	+	Of excess over
\$ 0	\$ 2,550	\$ 0	10%	\$ 0
2,550	9,150	255.00	24%	2,550
9,150	12,500	1,839.00	35%	9,150
12,500	—	3,011.50	37%	12,500

MARRIED FILING JOINTLY RATES

Taxable Income		Tax before Credits		
Over	But not over	Flat amount	+	Of excess over
\$ 0	\$ 19,050	\$ 0	10%	\$ 0
19,050	77,400	1,905.00	12%	19,050
77,400	165,000	8,907.00	22%	77,400
165,000	315,000	28,179.00	24%	165,000
315,000	400,000	64,179.00	32%	315,000
400,000	600,000	91,379.00	35%	400,000
600,000	—	161,379.00	37%	600,000

MARRIED FILING SEPARATELY RATES

Taxable Income		Tax before Credits		
Over	But not over	Flat amount	+	Of excess over
\$ 0	\$ 9,525	\$ 0	10%	\$ 0
9,525	38,700	952.50	12%	9,525
38,700	82,500	4,453.50	22%	38,700
82,500	157,500	14,089.50	24%	82,500
157,500	200,000	32,089.50	32%	157,500
200,000	300,000	45,689.50	35%	200,000
300,000	—	80,689.50	37%	300,000

SOCIAL SECURITY PAYROLL TAX

	Maximum Taxable Wage Base	Tax Rate	Maximum Tax
Employee	\$128,400	6.2%	\$ 7,961
Self-Employed	128,400	12.4%	15,922

MEDICARE PART A PAYROLL TAX

	Taxable Wage Base	Tax Rate	Maximum Tax
Employee	Initial \$250,000 (joint filer)	1.45%	\$3,625.00
	Initial \$125,000 (married filing separately)	1.45%	\$1,812.50
	Initial \$200,000 (all others)	1.45%	\$2,900.00
	Wages over \$250,000 (joint filers)	2.35%	(no maximum)
	Wages over \$125,000 (married filing separately)	2.35%	(no maximum)
	Wages over \$200,000 (all others)	2.35%	(no maximum)
Employer	All wages	1.45%	
Self-Employed	Initial \$250,000 (joint filer)	2.9%	\$7,250.00
	Initial \$125,000 (married filing separately)	2.9%	\$3,625.00
	Initial \$200,000 (all others)	2.9%	\$5,800.00
	Wages over \$250,000 (joint filers)	3.8%	(no maximum)
	Wages over \$125,000 (married filing separately)	3.8%	(no maximum)
	Wages over \$200,000 (all others)	3.8%	(no maximum)

2019 INCOME AND PAYROLL TAX RATES

SINGLE TAXPAYER RATES

Taxable Income		Tax before Credits		
Over	But not over	Flat amount	+	Of excess over
\$ 0	\$ 9,700	\$ 0	10%	\$ 0
9,700	39,475	970.00	12%	9,700
39,475	84,200	4,543.00	22%	39,475
84,200	160,725	14,382.50	24%	84,200
160,725	204,100	32,748.50	32%	160,725
204,100	510,300	46,628.50	35%	204,100
510,300	—	153,798.50	37%	510,300

HEAD OF HOUSEHOLD RATES

Taxable Income		Tax before Credits		
Over	But not over	Flat amount	+	Of excess over
\$ 0	\$ 13,850	\$ 0	10%	\$ 0
13,850	52,850	1,385.00	12%	13,850
52,850	84,200	6,065.00	22%	52,850
84,200	160,700	12,962.00	24%	84,200
160,700	204,100	31,322.00	32%	160,700
204,100	510,300	45,210.00	35%	204,100
510,300	—	152,380.00	37%	510,300

TRUSTS AND ESTATES RATES

Taxable Income		Tax before Credits		
Over	But not over	Flat amount	+	Of excess over
\$ 0	\$ 2,600	\$ 0	10%	\$ 0
2,600	9,300	260.00	24%	2,600
9,300	12,750	1,868.00	35%	9,300
12,750	—	3,075.50	37%	12,750

MARRIED FILING JOINTLY RATES

Taxable Income		Tax before Credits		
Over	But not over	Flat amount	+	Of excess over
\$ 0	\$ 19,400	\$ 0	10%	\$ 0
19,400	78,950	1,940.00	12%	19,400
78,950	168,400	9,086.00	22%	78,950
168,400	321,450	28,765.00	24%	168,400
321,450	408,200	65,497.00	32%	321,450
408,200	612,350	93,257.00	35%	408,200
612,350	—	164,709.50	37%	612,350

MARRIED FILING SEPARATELY RATES

Taxable Income		Tax before Credits		
Over	But not over	Flat amount	+	Of excess over
\$ 0	\$ 9,700	\$ 0	10%	\$ 0
9,700	39,475	970.00	12%	9,700
39,475	84,200	4,543.00	22%	39,475
84,200	160,725	14,382.50	24%	84,200
160,725	204,100	32,748.50	32%	160,725
204,100	306,175	46,628.50	35%	204,100
306,175	—	82,354.75	37%	306,175

SOCIAL SECURITY PAYROLL TAX

	Maximum Taxable Wage Base	Tax Rate	Maximum Tax
Employee	\$132,900	6.2%	\$ 8,239.80
Self-Employed	132,900	12.4%	16,479.60

MEDICARE PART A PAYROLL TAX

	Taxable Wage Base	Tax Rate	Maximum Tax
Employee	Initial \$250,000 (joint filer)	1.45%	\$3,625.00
	Initial \$125,000 (married filing separately)	1.45%	\$1,812.50
	Initial \$200,000 (all others)	1.45%	\$2,900.00
	Wages over \$250,000 (joint filers)	2.35%	(no maximum)
	Wages over \$125,000 (married filing separately)	2.35%	(no maximum)
	Wages over \$200,000 (all others)	2.35%	(no maximum)
Employer	All wages	1.45%	
Self-Employed	Initial \$250,000 (joint filer)	2.9%	\$7,250.00
	Initial \$125,000 (married filing separately)	2.9%	\$3,625.00
	Initial \$200,000 (all others)	2.9%	\$5,800.00
	Wages over \$250,000 (joint filers)	3.8%	(no maximum)
	Wages over \$125,000 (married filing separately)	3.8%	(no maximum)
	Wages over \$200,000 (all others)	3.8%	(no maximum)

CORPORATE TAX RATE

Beginning in 2018, all taxable income is taxed at a flat rate of 21%.

ALTERNATIVE MINIMUM TAX

Taxpayers are subject to an "alternative minimum tax" (AMT) instead of the regular income tax when they have substantial "preference income." This is income that is treated favorably under the regular income tax. Basically, the taxpayer must pay whichever tax is higher—the regular tax or the AMT.

Filing Status	2018 Exemption	2019 Exemption
Single or head of household	\$70,300	\$71,700
Married filing jointly	\$109,400	\$111,700
Married filing separately	\$54,700	\$55,850

The exemption amounts are phased out for higher-income taxpayers. The income thresholds are:

2018 - Married filing jointly - \$1,000,000 All other taxpayers - \$500,000

2019 - Married filing jointly - \$1,020,600 All other taxpayers - \$510,300

AMT Income in Excess of Exemption 2018 / 2019	AMT Rate
First \$191,500 / \$194,800*	26%
Above \$191,500 / \$194,800	28%

*\$95,750 / \$97,400 for married persons filing separately

KIDDIE TAX (UNDER AGE 19 WITH UNEARNED INCOME)

Beginning in 2018, the "kiddie tax" on net unearned income is determined based on the ordinary and capital gains tax rates that apply to trusts and estates. See the Trusts and Estates charts on pages 3 and 6. The kiddie tax applies to:

- a) a child under age 18;
- b) a child age 18 whose earned income does not exceed one-half of his or her support; or
- c) a child age 19-23 whose earned income does not exceed one-half of his or her support, and who is a full-time student.

Furthermore, the child does not file a joint income tax return and has at least one living parent at the end of the tax year.

INCOME TAXATION OF SOCIAL SECURITY BENEFITS

Retired taxpayers with incomes over certain threshold amounts are subject to income tax on their Social Security retirement benefits. The special tax base for determining whether a taxpayer's benefits are subject to tax equals one-half of Social Security benefits, plus all other income, including tax-exempt income.

Filing Status	Tax Base	% of Benefits Taxed
Single or head of household	\$25,000 - \$34,000	50%
	Over \$34,000	85%
Married filing jointly	\$32,000 - \$44,000	50%
	Over \$44,000	85%
Married filing separately	Depends on whether the spouses live together during the tax year	

For example, a married couple filing jointly has an adjusted gross income of \$30,000, tax-exempt interest of \$3,000, and receives \$24,000 in Social Security benefits. The special tax base for the couple equals \$45,000, and \$6,850 of the Social Security benefits are taxable ($.50 \times \$12,000 = \$6,000$; $.85 \times \$1,000 = \850 ; total \$6,850)

PERSONAL EXEMPTION

Beginning in 2018, personal exemptions are no longer allowed.

STANDARD DEDUCTION

Amount - The standard deduction is a flat amount that a taxpayer may deduct in lieu of itemizing deductions. The standard deduction amount for each taxpayer category is:

Taxpayer Status	2018	2019
Single	\$12,000	\$12,200
Married filing jointly	\$24,000	\$24,400
Head of household	\$18,000	\$18,350
Married filing separately	\$12,000	\$12,200

Age 65 or Blind - Taxpayers who are age 65 or over, or who are blind, may take an additional standard deduction (provided they do not itemize). In 2018, the additional standard deduction amount is \$1,300 if married or \$1,600 if the person is unmarried or not a surviving spouse. In 2019, the additional standard deduction amount is \$1,300 if married or \$1,650 if the person is unmarried or not a surviving spouse.

Beginning in 2018, a deduction for dependents is not allowed. Instead, the child tax credit is increased to \$2,000 per child under age 18. A \$500 credit is allowed for other dependents. The \$2,000 child credit is refundable up to \$1,400, but the \$500 credit for other dependents is nonrefundable.

ITEMIZED DEDUCTIONS

Interest Expense - Most personal interest paid is not deductible, with certain important exceptions:

Deductible	Not Deductible
1. Mortgage interest on one or two residences up to \$750,000 of indebtedness (applies only to new mortgages taken out after December 15, 2017; older mortgages remain tied to the \$1,000,000 cap)	1. Auto loan interest
2. Points on home mortgages	2. Credit card interest
3. Business interest	3. Home equity loan interest
4. Investment interest up to net investment income	4. Most other consumer loan interest
	5. Prepaid interest other than points on home mortgages

Beginning in 2018, all miscellaneous deductions subject to the 2% floor under IRC §67 are repealed.

State and Local Taxes - Itemizers may deduct either state and local income taxes, or state and local sales taxes. Also, itemizers may deduct state and local real property taxes and personal property taxes. The combined deduction for state property and income taxes is capped at \$10,000 beginning in 2018. Taxpayers may not deduct state and local taxes in calculating the AMT unless they are deductible in computing adjusted gross income ("above-the-line" deductions, not itemized).

Medical and Dental Expenses - Expenses paid for nearly all medical, dental and vision care during the year, and not reimbursed by insurance or other means, are deductible by itemizers to the extent that the total of such expenses exceeds 7.5% of AGI in 2018 or 10% of AGI in 2019.

Losses - Individuals can deduct two basic types of losses: 1) business losses incurred in the taxpayer's unincorporated business, or 2) investment losses if the investment was originally motivated by profit. Beginning in 2018, casualty and theft losses are not deductible except for declared national disasters.

DEDUCTION FOR QUALIFIED BUSINESS INCOME

Beginning in 2018, owners of pass-through entities are taxed on business income at their individual income tax rates, but may claim a 20% deduction of their share of the business income—even if they elect to use the standard deduction instead of itemizing. A number of “specified service trades or businesses” do not qualify for the deduction, subject to the following thresholds on qualified business income:

	2018	2019
Married Filing Jointly	\$315,000	\$321,400
Married Filing Separately	\$157,500	\$160,725
Single	\$157,500	\$160,700
Head of Household	\$157,500	\$160,700

CAPITAL GAINS AND DIVIDENDS

2018 Maximum Tax Rate on Long-Term Capital Gains and Most Corporate Dividends

Long-Term Capital Gains Tax Rate	Single	Married (Joint)*	Head of Household	Estate or Trust
0%	\$0 - \$38,600	\$0 - \$77,200	\$0 - \$51,700	\$0 - \$2,600
15%	\$38,601 - \$425,800	\$77,201 - \$479,000	\$51,701 - \$452,400	\$2,601 - \$12,700
20%	over \$425,800	over \$479,000	over \$452,400	over \$12,700

2019 Maximum Tax Rate on Long-Term Capital Gains and Most Corporate Dividends

Long-Term Capital Gains Tax Rate	Single	Married (Joint)*	Head of Household	Estate or Trust
0%	\$0 - \$39,375	\$0 - \$78,750	\$0 - \$52,750	\$0 - \$2,650
15%	\$39,376 - \$434,550	\$78,751 - \$488,850	\$52,751 - \$461,700	\$2,651 - \$12,950
20%	over \$434,550	over \$488,850	over \$461,700	over \$12,950

*One half of these amounts in the case of married filing separately.

Holding Period - The long-term rate generally applies to gains on the sale of capital assets held for more than one year.

Short-Term Capital Gains - Net short-term capital gains (on sales of capital assets held for one year or less) are taxed at ordinary income rates.

Collectibles - Long-term capital gain from the sale of collectibles is taxed at a top rate of 28%.

Capital Losses - After capital gains and losses are netted against one another, any remaining net capital loss may be used to offset ordinary income up to \$3,000 per year. Any excess net capital loss may be carried over and used in future years.

Sale of a Principal Residence - A seller of any age who has owned and used real property as a principal residence for at least two of the last five years can exclude from gross income up to \$250,000 (\$500,000 if married filing jointly) of gain realized on a sale.

Additional Tax on High-Income Taxpayers - Individuals with more than \$200,000 in income (\$250,000 for a married couple filing jointly), who also have investment income, will pay an additional tax of 3.8% on net investment income or the excess of modified adjusted gross income over the threshold amount (whichever amount is less). Investment income is defined as the sum of gross income from items such as interest, dividends, annuities, royalties, and rents, as well as net gain attributable to the disposition of property (i.e., capital gains).

DEDUCTION FOR CONTRIBUTIONS TO PUBLIC CHARITIES

Type of Property Contributed	Deemed Amount of Contribution	Percentage Limitation ¹ 2018	Percentage Limitation ¹ 2019
Cash	Actual dollar amount	60%	60%
Appreciated ordinary income property ² or appreciated short-term capital gain property ³	Donor's tax basis	50%	50%
Appreciated long-term capital gain property ⁴			
(a) General rule	Fair market value	30%	30%
(b) Election made to reduce amount of contribution	Donor's tax basis	50%	50%
(c) Tangible personal property put to unrelated use by donee charity	Donor's tax basis	50%	50%

1 The applicable "percentage limitation" applies to the donor's contribution base, which is the donor's adjusted gross income (AGI) determined without regard to any net operating loss carryback. The limitation is applied on an annual basis. Any deductible contributions that exceed the current year's limitations may be carried over and deducted in the five succeeding tax years, subject to the percentage limitations in those years.

2 "Ordinary income property" is property that would produce ordinary income if sold by the individual.

3 "Short-term capital gain property" is property that would produce short-term capital gain if sold by the individual.

4 "Long-term capital gain property" is property that would produce long-term capital gain if sold by the individual.

INDIVIDUAL RETIREMENT ACCOUNTS

Traditional IRA

Contribution Limit - In 2018, the lesser of \$5,500 (\$6,500 for taxpayers age 50+) or earned income. In 2019, the lesser of \$6,000 (\$7,000 for taxpayers age 50+).

Deduction Limit on Qualified Retirement Plan Participants

- Taxpayers who do not participate in qualified retirement plans can deduct contributions to an IRA.
- Taxpayers who do participate in qualified retirement plans may be subject to a reduced deduction based on modified adjusted gross income (MAGI).
- In 2018, the MAGI phase-out of the deduction for single taxpayers begins at \$63,000 and the deduction is lost at \$73,000. The MAGI phase-out of the deduction for married taxpayers filing jointly begins at \$101,000 and the deduction is lost at \$121,000. In 2019, the MAGI phase-out of the deduction for single taxpayers begins at \$64,000 and the deduction is lost at \$74,000. The MAGI phase-out of the deduction for married taxpayers filing jointly begins at \$103,000 and the deduction is lost at \$123,000.

Roth IRA

Contribution Limit - In 2018, the lesser of \$5,500 (\$6,500 for taxpayers age 50+) or earned income. In 2019, the lesser of \$6,000 (\$7,000 for taxpayers age 50+).

Contribution Limit Based on Modified Adjusted Gross Income - The amount taxpayers can contribute to a Roth IRA is subject to a MAGI phase-out.

- In 2018, the MAGI phase-out on Roth IRA contributions by single taxpayers begins at \$120,000 and no contribution is permitted if MAGI is \$135,000 or more. The MAGI phase-out on Roth IRA contributions for married taxpayers filing jointly begins at \$189,000 and no contribution is permitted if MAGI is \$199,000 or more.
- In 2019, the MAGI phase-out on Roth IRA contributions by single taxpayers begins at \$122,000 and no contribution is permitted if MAGI is \$137,000 or more. The MAGI phase-out on Roth IRA contributions for married taxpayers filing jointly begins at \$193,000 and no contribution is permitted if MAGI is \$203,000 or more.

Deduction Limit - There is no deduction for a contribution to a Roth IRA.

DOLLAR LIMITS FOR QUALIFIED RETIREMENT PLANS

	2018	2019
Defined Contribution Plans - Annual additions limit for defined contribution plans [IRC Sec. 415(c)]	\$55,000	\$56,000
Defined Benefit Plans - Annual benefit limit for defined benefit plans [IRC Sec. 415(b)]	\$220,000	\$225,000
401(k) - Annual limit on deferrals [IRC Sec. 402(g)]	\$18,500	\$19,000
Plus: age 50+ catch-up	\$6,000	\$6,000
403(b) - Annual limit on deferrals [IRC Sec. 402(g)]	\$18,500	\$19,000
Plus: age 50+ catch-up	\$6,000	\$6,000
Salary Reduction SEPs (SARSEPs) - Annual limit on elective deferral [IRC Sec. 402(g)]	\$18,500	\$19,000
Plus: age 50+ catch-up	\$6,000	\$6,000
Annual Limit On Elective Deferrals to 457 Plans - [IRC Sec. 457(b)(2)(c)(1)]	\$18,500	\$19,000
Plus: age 50+ catch-up	\$6,000	\$6,000
Maximum Annual Compensation - Amount of employee compensation that may be taken into account by plan formula (QRPs, 403(b), SEPs) [IRC Sec. 401(a)(17)]	\$275,000	\$280,000
Nondiscrimination Rules - For "highly compensated employees" [IRC Sec. 414(q)(1)]	\$120,000	\$125,000
Annual Compensation Subject to SEP Discrimination Rules - [IRC Sec. 408(k)(3)(c)]	\$275,000	\$280,000
Compensation Threshold for SEP Participation - [IRC Sec. 408(k)(2)(c)]	\$600	\$600
Annual Limit on Elective Deferrals to SIMPLE Plans - [IRC Sec. 408(p)]	\$12,500	\$13,000
Plus: age 50+ catch-up	\$3,000	\$3,000

REQUIRED MINIMUM DISTRIBUTIONS: UNIFORM LIFE TABLE

The Uniform Life Table is used to calculate lifetime required minimum distributions (RMDs) from qualified retirement plans, including 401(k) and 403(b) plans, and IRAs. To use this table, owners must be:

- Unmarried
- Married with a spouse who is not more than ten years younger
- Married with a spouse is not the sole beneficiary of the account

Married owners whose spouse is more than 10 years younger determine the appropriate life expectancy using the Joint and Last Survivor Table.

For every "distribution calendar year" (a calendar year for which a minimum distribution is required), find (1) the account balance on December 31st of the preceding year, (2) the account owner's age on his or her birthday in the distribution calendar year, and (3) the divisor that corresponds to that age in the year of the distribution for the Uniform Lifetime Table. The RMD for the distribution calendar year is (1) divided by (3).

IRAs funded with annuities may have additional benefits that need to be included when calculating RMD payments.

Age	Factor	Age	Factor	Age	Factor
70	27.4	85	14.8	100	6.3
71	26.5	86	14.1	101	5.9
72	25.6	87	13.4	102	5.5
73	24.7	88	12.7	103	5.2
74	23.8	89	12.0	104	4.9
75	22.9	90	11.4	105	4.5
76	22.0	91	10.8	106	4.2
77	21.2	92	10.2	107	3.9
78	20.3	93	9.6	108	3.7
79	19.5	94	9.1	109	3.4
80	18.7	95	8.6	110	3.1
81	17.9	96	8.1	111	2.9
82	17.1	97	7.6	112	2.6
83	16.3	98	7.1	113	2.4
84	15.5	99	6.7	114	2.1
				115+	1.9

REQUIRED MINIMUM DISTRIBUTIONS: SINGLE LIFE EXPECTANCY TABLE

The following section concerns the RMD for individuals who inherit accounts. The required beginning date (RBD) is the date on which the owner has to begin taking distributions from a qualified retirement plan (age 70½).

When the owner dies BEFORE reaching the RBD

If the owner dies before reaching the RBD for taking required minimum distributions (RMDs), and there is a designated beneficiary, use the designated beneficiary's life expectancy as calculated by using his or her age in the year following the year of the owner's death, and reduce by one for each passing year. But, if there is no designated beneficiary, the entire interest must be paid out by the end of the year marked by the fifth anniversary of the owner's death.

When the owner dies AFTER reaching the RBD

If there is a designated beneficiary, there are two options for taking RMDs after the owner's death:

- Use the life expectancy method using the designated beneficiary's life expectancy (as described above), or
- Use the deceased owner's remaining life expectancy at death based on his or her age in the year of death, and reduced by one for each year thereafter.

If there is no designated beneficiary, the only distribution period available is based on the deceased owner's life expectancy in the year of death, and reduced by one for each year thereafter.

Options for the Surviving Spouse as Sole Beneficiary

The spouse may elect to treat the account as his or her own IRA.

In the event the owner dies before reaching the RBD, the spouse may defer payments until the year the deceased owner would have reached age 70½. Thereafter, RMDs are calculated based upon the spouse's life expectancy.

In the event the owner dies after the RBD, the spouse must take the deceased owner's RMD for the year of death (if the owner dies before taking the distribution). And, starting in the year after the owner's year of death, the spouse takes RMDs based on his or her life expectancy. OR, the spouse could choose to take a lump sum or distributions of varying amounts over time (as long as all funds are distributed within five years).

Age	Factor	Age	Factor	Age	Factor	Age	Factor	Age	Factor	Age	Factor
0	82.4	19	64.0	38	45.6	57	27.9	76	12.7	95	4.1
1	81.6	20	63.0	39	44.6	58	27.0	77	12.1	96	3.8
2	80.6	21	62.1	40	43.6	59	26.1	78	11.4	97	3.6
3	79.7	22	61.1	41	42.7	60	25.2	79	10.8	98	3.4
4	78.7	23	60.1	42	41.7	61	24.4	80	10.2	99	3.1
5	77.7	24	59.1	43	40.7	62	23.5	81	9.7	100	2.9
6	76.7	25	58.2	44	39.8	63	22.7	82	9.1	101	2.7
7	75.8	26	57.2	45	38.8	64	21.8	83	8.6	102	2.5
8	74.8	27	56.2	46	37.9	65	21.0	84	8.1	103	2.3
9	73.8	28	55.3	47	37.0	66	20.2	85	7.6	104	2.1
10	72.8	29	54.3	48	36.0	67	19.4	86	7.1	105	1.9
11	71.8	30	53.3	49	35.1	68	18.6	87	6.7	106	1.7
12	70.8	31	52.4	50	34.2	69	17.8	88	6.3	107	1.5
13	69.9	32	51.4	51	33.3	70	17.0	89	5.9	108	1.4
14	68.9	33	50.4	52	32.3	71	16.3	90	5.5	109	1.2
15	67.9	34	49.4	53	31.4	72	15.5	91	5.2	110	1.1
16	66.9	35	48.5	54	30.5	73	14.8	92	4.9	111	1.0
17	66.0	36	47.5	55	29.6	74	14.1	93	4.6		
18	65.0	37	46.5	56	28.7	75	13.4	94	4.3		

ESTATE & GIFT TAXES

2018 and 2019 Gift and Estate Unified Tax Rates:

Over	But not over	Flat amount	+	Of excess over
\$ 0	\$ 10,000	\$ 0	18%	\$ 0
10,000	20,000	1,800	20%	10,000
20,000	40,000	3,800	22%	20,000
40,000	60,000	8,200	24%	40,000
60,000	80,000	13,000	26%	60,000
80,000	100,000	18,200	28%	80,000
100,000	150,000	23,800	30%	100,000
150,000	250,000	38,800	32%	150,000
250,000	500,000	70,800	34%	250,000
500,000	750,000	155,800	37%	500,000
750,000	1,000,000	248,300	39%	750,000
1,000,000	_____	345,800	40%	1,000,000

Estate Tax

2018

2019

Top Estate Tax Rate

40%

40%

Estate Tax Applicable Exclusion Amount

\$11,180,000

\$11,400,000

Portability: The estate executor can elect to allocate the unused portion of a decedent's estate tax applicable exclusion amount to the surviving spouse.

Gift Tax

2018

2019

Top Gift Tax Rate

40%

40%

Annual Gift Tax Exclusion

\$15,000 per donee

\$15,000 per donee

Annual Gift Tax Exclusion for a Noncitizen Spouse

\$152,000

\$155,000

Lifetime Gift Tax Applicable Exclusion Amount

\$11,180,000

\$11,400,000

e-Pocket TAX TABLES

2018 and 2019

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Understanding Social Security Planning Opportunities

Minimizing Taxation of Benefits

Minimizing Taxation of Social Security Benefits

Understanding how taxes affect your clients Social Security benefits can help you enhance their plans for retirement. See how a tax-deferral strategy can help maximize their benefits.

Meet Beth Brown

Age: 62 | Wants to begin taking her annual Social Security benefit of \$18,000

Beth's provisional income calculation looks like this:

Pension		Portfolio Earnings (\$200,000)		Interest on Municipal Bonds		50% of Social Security Benefit		Total Provisional Income
\$15,000	+	\$12,000	+	\$1,500	+	\$9,000	=	\$37,500

Since Beth is single and her provisional income is greater than \$34,000, up to 85% of her benefit may be subject to tax.

Annual Social Security Benefits		Benefits Taxed as Income		Total Taxable Benefit		Federal Tax Rate		Total Tax
\$18,000	x	85%	=	\$15,300	x	25%	=	\$3,825

Get Started: Help clients estimate what percentage of their benefits may be taxed.

CALCULATING PROVISIONAL INCOME

All income from wages, pensions and investments	+	Any non-reportable tax-exempt income	+	Any other exclusions to income	+	50% of anticipated Social Security benefit	=	Total Provisional Income
--	---	---	---	--------------------------------------	---	---	---	--------------------------------

CALCULATING BENEFITS TAXED AS INCOME

PROVISIONAL INCOME*	Joint Filers	\$0 - \$32,000	\$32,001 - \$44,000	\$44,001 +
	Single Filers	\$0 - \$25,000	\$25,001 - \$34,000	\$43,001 +
BENEFITS TAXED AS INCOME		0% (State taxes may still apply)	50%	85%

* Source: IRS Publication 915 (2016)

How can Beth minimize taxes?

Beth can move a portion of her provisional income-generating assets into a tax-deferred annuity. If Beth invests \$100,000 in a Protective Life indexed annuity, half of her previous portfolio earnings are now excluded from her provisional income calculation, reducing the taxation of her benefit.

50% of \$200,000 portfolio → \$100,000 Protective Life Indexed Annuity

After this move, Beth's new provisional income calculation looks like this:

Pension		Portfolio Earnings (\$100,000)		Interest on Municipal Bonds		50% of Social Security Benefit		Total Provisional Income ¹
\$15,000	+	\$6,000	+	\$1,500	+	\$9,000	=	\$31,500

With Beth's new provisional income calculation, up to 50% of her benefit may be subject to tax. The amount of tax on her benefit may be reduced by more than 40%.

Annual Social Security Benefits		Benefits Taxed as Income		Total Taxable Benefit		Federal Tax Rate		Total Tax
\$18,000	x	50%	=	\$9,000	x	25%	=	\$2,250



Contact our annuity sales desk for more information: 888.340.3428

¹ Any income from the indexed annuity will be included in provisional income tax calculations for the tax year, potentially resulting in higher taxation of the benefit.

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Advanced Markets

1040 Overlay

Case Study



Help CPAs Uncover Estate Planning Opportunities Using 1040 Overlay

Situation

Bob has been Scott's and Mindy's CPA for years. With the help of Marsha, a life insurance producer, Bob was introduced to AXA's 1040 Overlay Sales Tool. Marsha and Bob used the program with Scott and Mindy on their recent tax return. The 1040 Overlay highlighted a number of planning opportunities that might have otherwise been missed.

What Did the Overlay Uncover?

Scott and Mindy may be strong estate planning candidates. Why?

- High W-2 income indicates potentially substantial savings accumulations.
- Interest and dividend income indicates the existence of other assets.
- Simple Sales Tool calculations estimate these assets are valued at approximately \$7,000,000.
- Reported capital gain distributions reflect significant capital assets.
- Rental income indicates potentially valuable, but illiquid assets.

client profile: Scott and Mindy

- Earn high W-2 income
- Are business owners
- Have interest income
- Take real-estate-related deductions
- Deduct charitable contributions

“What can we do to
reduce our taxes?”

Strategy

The clients may need IRA distribution planning.

The Sales Tool alerted Bob to IRS Form 8606 Non-deductible IRAs, which showed that Scott and Mindy may have large IRAs, which increases their estate and requires specialized post-death planning.

These assets are exposed to potential double taxation, estate and income, which risks eroding their value by 60% to 70%. They may want to explore taking IRA distributions¹ to pay for life insurance owned outside their estates to provide estate liquidity. Or, they may want to consider a Roth IRA conversion when either Scott or Mindy dies. The income taxes due at conversion can be paid with life insurance death benefit proceeds.²

¹ IRA distributions are subject to ordinary income tax.

² These strategies are complex and may be suitable only in certain specific estate tax planning situations.



For more information, Please call the Life Insurance
Sales Desk or visit www.axa.com.

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Advanced Markets

give your CPAs something
to do in the off season



1040 Overlay

Do you work with CPAs as Centers of Influence?

Are you looking for new ways to attract them to do planning work with you?

In most tax years, client returns are filed by April 15th. Many CPAs now have a break in their tax preparation season and may be looking for ways to engage with clients. We have a package of tools you can use with your CPA clients to work with them when exploring client tax returns for planning opportunities.

Now is the time to work with a client's current tax return. Our tools can help you reconnect with your key Centers of Influence. They include:

- Overlay tools you can use with CPAs to help pinpoint key needs faced by key clients
- A coaching booklet you can offer CPAs and Centers of Influence to guide them as they review a client's 1040
- Pre-approach letters you can use with your CPAs and Centers of Influence and letters they can use with their clients
- A case study to demonstrate how this can work with a client

Generate Sales — Build More Value into a CPA's Practice

February 15 – April 15

CPAs are busy working on tax returns. You should talk with them about targeting their key clients to review in the off-season.

April 15 – June 15

Work with your Centers of Influence to use the AXA 1040 Overlay Guide to target planning opportunities for key clients.

June 15 – Labor Day

Work with your Centers of Influence and their clients to show them the planning opportunities that have been uncovered.

For more information, please call the Life Insurance Sales Desk or visit www.axa.com.

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What is the real rate of return on your taxable account?

Typically in a taxable account, your earnings (such as interest, dividends, and capital gains) create a taxable event that would need to be paid each year to the IRS. Paying taxes every year on your earnings limits the growth potential of your taxable account. For example, if your tax bracket is 24% and you earn a 3.0% annual rate of return in a taxable account, your after-tax return would be 2.28%.

RATE OF RETURN (AFTER TAXES)

Federal Tax Bracket	Taxable investment return rates								
	10.00%	9.00%	8.00%	7.00%	6.00%	5.00%	4.00%	3.00%	2.00%
10%	9.00%	8.10%	7.20%	6.30%	5.40%	4.50%	3.60%	2.70%	1.80%
12%	8.80%	7.92%	7.04%	6.16%	5.28%	4.40%	3.52%	2.64%	1.76%
22%	7.80%	7.02%	6.24%	5.46%	4.68%	3.90%	3.12%	2.34%	1.56%
24%	7.60%	6.84%	6.08%	5.32%	4.56%	3.80%	3.04%	2.28%	1.52%
32%	6.80%	6.12%	5.44%	4.76%	4.08%	3.40%	2.72%	2.04%	1.36%
35%	6.50%	5.85%	5.20%	4.55%	3.90%	3.25%	2.60%	1.95%	1.30%
37%	6.30%	5.67%	5.04%	4.41%	3.78%	3.15%	2.52%	1.89%	1.26%

WHICH TAX RATE APPLIES TO YOU?

Rate	2018 Federal Income Tax Rates			
	Single Return	Married Joint Return	Married Separate Return	Head of Household Return
10%	\$0 - \$9,525	\$0 - \$19,050	\$0 - \$9,525	\$0 - \$13,600
12%	\$9,526 - \$38,700	\$19,051 - \$77,400	\$9,525 - \$38,700	\$13,601 - \$51,800
22%	\$35,701 - \$82,500	\$77,401 - \$165,000	\$35,701 - \$82,500	\$51,801 - \$82,500
24%	\$82,501 - \$157,500	\$165,001 - \$315,000	\$82,501 - \$157,500	\$82,501 - \$157,500
32%	\$157,501 - \$200,000	\$315,001 - \$400,000	\$157,501 - \$200,000	\$157,501 - \$200,000
35%	\$200,001 - \$500,000	\$400,001 - \$600,000	\$200,001 - \$300,000	\$200,001 - \$500,000
37%	\$500,001 or more	\$600,001 or more	\$300,001 or more	\$500,000 or more

Just how much of a difference can a tax-deferred annuity make?

When compared to a taxable account, a tax-deferred annuity has the potential for increased earning power. With a tax-deferred annuity you are earning compounding interest on your principal and accrued interest on money that would have otherwise been paid to the IRS in taxes. To see this earning power let's look at this example. If you're in a 24% tax bracket and you are earning a 3.0% annual rate of return in a tax-deferred annuity, you would need to earn a 3.95% annual rate of return in a taxable account.

TAXABLE ACCOUNT EQUIVALENT RATE TO A TAX-DEFERRED ANNUITY RATE

Tax-Deferred Annuity Rate	Federal Tax Bracket				
	10.00%	12.00%	24.00%	32.00%	37.00%
10%	11.11%	11.36%	13.16%	14.71%	15.87%
9%	10.00%	10.23%	11.84%	13.24%	14.29%
8%	8.89%	9.09%	10.53%	11.76%	12.70%
7%	7.78%	7.95%	9.21%	10.29%	11.11%
6%	6.67%	6.82%	7.89%	8.82%	9.52%
5%	5.56%	5.68%	6.58%	7.35%	7.94%
4%	4.44%	4.55%	5.26%	5.88%	6.35%
3%	3.33%	3.41%	3.95%	4.41%	4.76%
2%	2.22%	2.27%	2.63%	2.94%	3.17%
1%	1.11%	1.14%	1.32%	1.47%	1.59%

Let the advantages of a tax-deferred annuity help increase the earning potential for your future. Contact your financial advisor for more information.

The charts on this flyer are for illustrative purposes only and do not indicate the performance of any individual annuity. These tables do not include any fees that may be associated with the purchase of an annuity contract, which may increase the returns needed. Past performance does not guarantee future results.

Not all investment earnings are taxed at ordinary income tax rates, and some investment tax rates, such as the capital gains rate, may be lower than ordinary income tax rates.

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www.protective.com

Tax planning worksheet

A little tax planning now can go a long way toward helping you keep more of your money next year.

Use this worksheet to help you think through how you may be able to take advantage of tax credits and deductions. (And then log the potential savings.)

	Yes	No	N/A	Potential tax savings
Increase contributions to retirement accounts 401(k), 403(b), IRA, Simple IRA, SEP IRA				
Take advantage of a Flexible Spending Account (FSA) Dependent care, health care				
Contribute to your Health Savings Account (HSA)				
Review your withholdings from your paycheck Too much, too little, just right?				
Buy a home				
Make energy efficient improvements to your home				
Add money to a 529 college savings account				
Buy a car Not just any car though				
Keep an eye on your investment portfolio Tax loss harvesting				
Expand your family				
TOTAL potential savings to put toward your financial goals			=

This is just a sample of potential credits and deductions. Depending on your situation, you may also want to look at [charitable contributions](#), [student loan interest](#), and more. Consult your tax professional to help you evaluate what's best for you.

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Enjoy tax-deferred growth through an annuity

When you put your money in a tax-deferred investment like an annuity, you don't have to pay taxes on gains in your account until you withdraw your money. In the meantime, any gains within the account are reinvested, earning you even more. This is known as compounding.

Take some time to complete this worksheet and see how you might benefit from tax-deferred growth.

1 My investment amount: \$ _____

2 Interest rate: _____ %

Taxable growth

3 My tax rate (see below): _____ %

4 What I keep for myself: (100% – line 3) _____ %

5 After-tax rate: (line 2 x line 4) _____ %

Return on taxable growth: (line 1 x line 5) \$ _____

Tax-deferred growth

3 Tax rate doesn't apply while money is growing tax-deferred

4 You keep 100% of your earnings until you withdraw it

5 After-tax rate: (line 2) _____ %

Return on tax-deferred growth:* (line 1 x line 5) \$ _____

* You'll pay ordinary income tax on earnings once you make a withdrawal. Withdrawals prior to age 59½ may be subject to a 10% IRS penalty tax.

Not sure what your tax rate is? ** See the chart below.

2019 federal tax rates

	10%	12%	22%	24%	32%	35%	37%
Single	\$0 – \$9,700	\$9,701 – \$39,475	\$39,476 – \$84,200	\$84,201 – \$160,725	\$160,726 – \$204,100	\$204,101 – \$510,300	Over \$510,301
Joint	\$0 – \$19,400	\$19,401 – \$78,950	\$78,951 – \$168,400	\$168,401 – \$321,450	\$321,451 – \$408,200	\$408,201 – \$612,350	Over \$612,351
Married filing separately	\$0 – \$9,700	\$9,701 – \$39,475	\$39,476 – \$84,200	\$84,201 – \$160,725	\$160,726 – \$204,100	\$204,101 – \$306,175	Over \$306,176
Head of Household	\$0 – \$13,850	\$13,851 – \$52,850	\$52,851 – \$84,200	\$84,201 – \$160,700	\$160,701 – \$204,100	\$204,101 – \$510,300	Over \$510,301

** Your marginal tax rate is based on your total taxable income (total income minus exemptions, adjustments and deductions) and your tax filing status.

Taxable and tax-deferred growth

Let's look at it another way by comparing what you need to earn on taxable income to equal the tax-deferred growth of a fixed annuity.

_____ %

Annuity interest rate

100% - tax bracket: _____ %

=

\$ _____

Tax-equivalent yield

The table below might also help. It shows the rate for a tax-deferred annuity and the rate needed for the same yield with a taxable investment, based on your tax rate.

Tax-deferred rate	10%	12%	22%	24%	32%	35%	37%
8.0%	8.89%	9.09%	10.26%	10.53%	11.76%	12.31%	12.70%
7.0%	7.78%	7.95%	8.97%	9.21%	10.29%	10.77%	11.11%
6.0%	6.67%	6.82%	7.69%	7.89%	8.82%	9.23%	9.52%
5.0%	5.56%	5.68%	6.41%	6.58%	7.35%	7.69%	7.94%
4.0%	4.44%	4.55%	5.13%	5.26%	5.88%	6.15%	6.35%
3.0%	3.33%	3.41%	3.85%	3.95%	4.41%	4.62%	4.76%

Taxable-equivalent yield



Learn more
An annuity can be a valuable part of your retirement income plan. Talk to your financial professional to decide if it's right for you.



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Tax-qualified retirement arrangements, such as IRAs, SEPs, and SIMPLE-IRAs are tax-deferred. You derive no additional benefit from the tax deferral feature of the annuity. Consequently, an annuity should be used to fund an IRA, or other tax-qualified retirement arrangement, to benefit from the annuity's features other than tax deferral. These features may include guaranteed lifetime income, guaranteed minimum interest rates, and death benefits without surrender charges.

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Life Insurance Client Review

Help Ensure Your Clients' Goals Are Met
- *Marketing Guide*



Life

Give your clients an opportunity to improve their life insurance coverage

Life insurance can be one of the simplest and most powerful forms of financial protection. But left untouched, it may no longer meet your clients' needs. Many people assume their protection is sufficient and appropriate for the duration of their lives. However, life changes, and insurance products change over time. That's why it's important for you to have a regular client review practice in place.

A periodic life insurance client review positions you as an important professional resource. Professional agents know that selling policies and moving on isn't a good approach. Professional agents place insurance in families and businesses and regularly review the circumstances to make sure the coverage in force is both adequate and appropriate. Overall, a client review practice can open doors and help you further build credibility with your clients.

Trust, credibility, and long-term relationships are just the beginning to the advantages of scheduling reviews. For help in putting your client review practice in place, turn to North American Company. We'll help you successfully manage the process and help you grow your business.

L I F E I N S U R A N C E P O L I C Y R E V I E W

You work hard to acquire new clients. You invest your time and efforts into helping clients meet their financial protection goals, and now it's time to make sure those goals are still on track. Current clients tend to be very receptive to a review—it shows you're interested in meeting their needs. You may be able to help them improve their situation or simply offer a reassuring confirmation that everything is on track.

In this guide, we'll help you explore the client review process so you can put it to work and help grow your sales. Here are the items that will be discussed.

A Close Look at Client Review

Why Conduct a Client Review?

- Key questions to answer
- Common issues you need to know

How it Works

Client Profile

Why North American?

A CLOSE LOOK AT CLIENT REVIEW

It's up to you to remind your clients about the importance of having the most appropriate life insurance protection. Take the opportunity to reconnect with your clients and review their policies. Ask about their goals and their primary purpose for life insurance coverage. Life changes, and so do life insurance policies—be sure your clients' protection is the right fit. Identifying the goal is important. Meeting client needs is vital.

- Is death benefit protection the single purpose of the insurance coverage?
- Does your client want the opportunity to build cash value for potential use in later years?
- Does your client anticipate any significant life events (marriage, children, home purchase, etc.) in the future?
- If your clients' current policies are not meeting their goals, it may be time to consider changes.

Comparing existing coverage with newer products on the market may show that new death benefit guarantees,¹ lower insurance costs, and competitive crediting rates may create new opportunities for your clients. Your clients may be able to better their coverage, reduce their costs, and help prevent a policy from lapsing because of performance differences from the original illustration.

WHY CONDUCT A CLIENT REVIEW?

A life insurance policy should require as much attention as a client's stock portfolio or mutual fund portfolio. A review can reveal several items that may need attention. A key item to look at is whether or not the client's policy is meeting current needs.

*“Across all age groups and income levels, insured households said they want to review their life insurance coverage annually. This is significantly higher than in 2010.”**

There is important information to discover during a review, like whether the premium payment is supporting the death benefit for the desired duration. Today's life insurance policies are generally more flexible, may offer better pricing, and could include a feature not available in older policies. Given the advances of today's policies, you could help your clients improve their financial stability by helping to maximize the value of their policies.

* Life Insurance and Market Research Association (LIMRA), Facts About Life 2016.



KEY QUESTIONS TO ANSWER

Here are a few questions to answer when reviewing a policy.

- Can the client retain the same coverage, but at a lower cost?
- Is there a policy that offers more coverage for the same premium?
- Can improved death benefit guarantees be found?¹
- Is the death benefit enough, too much, or just right?
- Is the client pleased with the current cash value growth potential?
- Does the product offer all the features and benefits that the client desires?
- Being ready to help with options that meet your clients' needs gives you credibility. It demonstrates your commitment to helping them secure their financial futures.

COMMON ISSUES YOU NEED TO KNOW

Here are common issues discovered in many life insurance portfolios:

- The crediting rate at time of purchase was projected to be higher than the actual interest rate credited to the policy, and no adjustment to the premium amount has ever been made.
- A policy was issued when the client was a smoker, but the client stopped smoking over 10 years ago. The old policy premiums still reflect the smoker classification.
- The policy is underperforming due to loans, withdrawals, or missed premium payments.²
- The client is a recent empty-nester and is considering reduced coverage.
- A client's changing goals put a stronger focus on cash accumulation.

HOW IT WORKS

Let's start by looking at term life insurance policies and a few considerations:

- Is conversion a possibility?
- Do you see policies coming to the end of their level-term periods?
- Has there been a change in health?
- Have the client's needs changed significantly?

Generally speaking, term coverage provides basic life insurance protection. After a significant life event, your client may require a more advanced coverage option.

For clients with permanent life insurance policies:

- If the product being reviewed is whole life insurance, is the client concerned about limited cash value accumulation potential or expensive cost?
- Is the client seeking a product with living benefits or a longer death benefit guarantee period?¹
- Start by looking at clients who bought policies five or more years ago. Interest rates have changed dramatically over the years, which may affect the performance of your clients' universal life policies.
- See if their plans offer guarantees. Many new universal life products on the market offer death benefit guarantees along with other guarantees that may appeal to the client.¹
- Get a copy of the last annual policy report, which will show how long the death benefit is guaranteed and/or projected to continue under current premium funding.
- Obtain an in-force policy projection to use as a tool to compare to a new generation North American policy.
- Does your client need the cash value that may or may not be building in the policy?
- Is the client's cash value growth at a level that is expected or desired?

For clients with families, you should inquire about reviewing a spouse's life insurance policy along with any policies on children.

As with many products over time, life insurance products have become more efficiently priced and flexible in nature. In addition, there are many product variations available that can serve as alternatives to older policies that are not performing, or were never structured properly.

CLIENT PROFILE

Some of your best sales are likely to come from your current clients. A review is an opportunity for you to go over their needs, build stronger relationships, and become a trusted representative.

Here are a few items that may trigger the need to review a life insurance policy:

- Change in marital status
- New home
- Children/adoption
- Taking on debt
- Changes in business
- Planning for college
- Planning for retirement

This may include clients who:

- Are concerned about their policy performance
- Want improved death benefit guarantees¹

Your clients' lives change. There are many events that may prompt a further look at the strategy of their policies. In addition to life events, their health may have even changed. If you have clients who have lost weight or stopped smoking, they may qualify for a better underwriting class. A periodic review will keep you up-to-date with their needs and life changes. When you show your commitment, your clients will notice.

WHY NORTH AMERICAN?

Turn to North American to help with your client review cases. In addition to our knowledgeable Sales Development team, you'll gain several benefits, including:

- **Competitive Products** – With North American you have access to a full portfolio of highly competitive products that include several features and benefits.
 - Competitively priced term insurance with a convertibility feature.
 - A full suite of universal life insurance products that offer accelerated death benefit features and the ability to build cash value.
 - An indexed universal life insurance portfolio that offers up to 10 index selections, access to policy cash values, and accelerated death benefit features.
- **Fair and Consistent Underwriting** – North American is committed to providing fast turnaround times on your submitted business.
- **Competitive Compensation** – North American offers competitive compensation to reward your time and commitment.
- **Financial Stability** – Sound financial ratings and private ownership focused on long-term value.³
 - “A+” (Superior) A.M. Best
 - “A+” (Strong) S&P Global Ratings
 - “A+” (Stable) Fitch Ratings



Resources

Sales Development

Phone: (800) 800-3656 ext. 10411

Email: salesupport@nacolah.com

Hours: 7:30 – 5:00 CST, Monday through Thursday
7:30 – 12:30 CST, Friday

1 Subject to premium payment requirements.

2 In some situations, loans and withdrawals may be subject to federal taxes. North American does not give tax or legal advice. Clients should be instructed to consult with and rely on their own tax advisor or attorney for advice on their specific situation. Income and growth on accumulated cash values is generally taxable only upon withdrawal. Adverse tax consequences may result if withdrawals exceed premiums paid into the policy. Withdrawals or surrenders made during a Surrender Charge period will be subject to surrender charges and may reduce the ultimate death benefit and cash value. Surrender charges vary by product, issue age, sex, underwriting class, and policy year.

3 A.M. Best is a large third-party independent reporting and rating company that rates an insurance company on the basis of the company's financial strength, operating performance, and ability to meet its obligations to contract holders. A+ (Superior) is the second highest rating out of 15 categories, and was affirmed for North American Company for Life and Health Insurance as part of Sammons Financial Group on July 6, 2017. S&P Global Ratings awarded its "A+" (Strong) rating for insurer financial strength on February 26, 2009 and affirmed on October 19, 2016 to North American for Life and Health Insurance® as part of Sammons Financial Group. The A+ (Strong) rating, which is the fifth highest out of twenty-two, reflects the financial strength of North American Company for Life and Health Insurance®, member of Sammons Financial Group. Fitch Ratings, a global leader in financial information services and credit ratings, on May 2, 2017, assigned an Insurer Financial Strength rating of A+ Stable for North American. This rating is the fifth highest of 19 possible rating categories. The rating reflects the organization's strong business profile, low financial leverage, very strong statutory capitalization and strong operating profitability supported by strong investment performance. For more information, read the Fitch Ratings report.

Indexed Universal Life products are not an investment in the "market" or in the applicable index and are subject to all policy fees and charges normally associated with most universal life insurance.



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Client review

Client profile

Name: _____ Agent code: _____

Email: _____ MGA: _____

Not only does life change, but life insurance products change over time. That's why it's important for you to have a regular client review practice in place. Trust, credibility, and long-term relationships are just the beginning to the benefits of scheduling reviews.

Help your clients keep their life insurance protection current

If your clients have any of these life changing events...

- New child or grandchild
- New job
- Inheritance
- Major investment gain/loss
- Health concerns
- Change in marital status
- Change in estate plan
- Sales or purchase of a home
- Start/purchase a business
- Sold or acquired assets
- Death of family member
- New investments
- Retirement
- Gain/loss of business partner

... It may be time to schedule a North American client review.

List the names of five clients who fit the above profile and whom you would like to help meet their life insurance needs and financial goals.



Client name: _____ Age: _____ Gender: _____ Tobacco: Y/N _____ State: _____

Premium amount: _____ Retirement age: _____

Client name: _____ Age: _____ Gender: _____ Tobacco: Y/N _____ State: _____

Premium amount: _____ Retirement age: _____

Client Name: _____ Age: _____ Gender: _____ Tobacco: Y/N _____ State: _____

Premium amount: _____ Retirement age: _____

Client Name: _____ Age: _____ Gender: _____ Tobacco: Y/N _____ State: _____

Premium amount: _____ Retirement age: _____

Client Name: _____ Age: _____ Gender: _____ Tobacco: Y/N _____ State: _____

Premium amount: _____ Retirement age: _____

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Life insurance client review

A sales strategy to help you succeed

QUICK LOOK

Life insurance is a key part of your clients' financial plans. However, when not reviewed frequently, it may no longer meet their needs. With a client review, you can help your clients make the best use of their premium payments and any accumulated cash values. Life changes, and insurance products change over time, so it's important for you to have a regular client review practice in place. Plus, it can open doors and help you further build credibility with your clients.

THE STORY

Mark is a 57-year-old sales manager at a large manufacturing company. In 1985 he purchased a \$50,000 whole life insurance policy before he and his wife were expecting their first child.

Mark only thought about the policy when it came time to pay his \$595 annual premium. Over the years, though, Mark and his wife had two more children and bought a larger home, and he has been promoted several times.

With his three children now out of the house and living on their own, Mark's needs have significantly changed. He recently received his annual policy statement and is wondering if there is anything he can do with his policy. It has a cash value totaling \$20,000, and Mark wants to explore his options.

A SOLUTION

Mark meets with a life insurance agent, and they decide to look at three options. He's rated as Preferred Non-Tobacco.

Option 1: Can Mark retain the same coverage amount, but at a lower cost?

Using North American's Custom Guarantee® universal life insurance product, Mark is able to 1035 exchange the remaining \$20,000² of cash value and guarantee \$51,480² of death benefit to age 120 with no future premiums!

Option 2: Can Mark find a policy that offers more coverage for the same premium? Option 3: Can Mark find a policy that offers more coverage plus cash value accumulation for the same premium?

For this scenario, the agent looks again at North American's Custom Guarantee. Mark is able to 1035 exchange the remaining \$20,000² of cash value, pay the same \$595 annual premium, and guarantee \$102,409² of death benefit to age 120.¹ That's over twice the death benefit with the same annual premium!

Option 3: Can Mark find a policy that offers more coverage plus cash value accumulation for the same premium?

To help build cash value and guarantee the death benefit,¹ the agent looks to North American's Guarantee Builder IUL® indexed universal life insurance product. In this option, Mark is able to 1035 exchange the remaining \$20,000 of cash value, pay the same \$595 annual premium, and guarantee \$101,569² of death benefit beyond age 100, while having nice cash accumulation potential. This gives Mark both a guaranteed death benefit and potential cash value accumulation.

Need help with your client review cases?

Contact sales development today at 800-800-3656 ext. 10411
or email salesupport@nacolah.com.

The information presented is hypothetical and not intended to project or predict investment results.

¹ Subject to premium payment requirements.

² Source: North American illustration software on iPipeline 8/22/2018.

Indexed Universal Life products are not an investment in the "market" or in the applicable index and are subject to all policy fees and charges normally associated with most universal life insurance.

Custom Guarantee UL is issued on policy form series LS170, Guarantee Builder IUL is issued on policy form series LS175; or state variations by North American Company for Life and Health Insurance, Administrative Office, One Sammons Plaza, Sioux Falls, SD 57193. Product features, riders, endorsement or issue ages may not be available in all jurisdictions. Restrictions and limitations may apply.

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Help keep your life's goals on track

Have you reviewed your life insurance lately?
Client brochure



North American Company
for Life and Health Insurance
Since 1886

| *Life*



Help protect your financial future with a periodic life insurance review

You're already on your way to a more protective financial future with the life insurance you have, but how often do you review your policy? Do you still have the same needs as when you first bought coverage? Can your needs be met more economically? With the passage of time, life changes, and scheduling a client review with your agent can help keep you on track.

KEY QUESTIONS	ITEMS DISCUSSED
Can you benefit from a client review?	Just about anyone can benefit from a life insurance client review—here are the reasons to consider a review.
Why review your life insurance?	As time passes, your circumstances more than likely have changed. Explore a list of several key life-changing events.
How does it work?	Gain insight into how a client review can protect what's important to you.

CAN YOU BENEFIT FROM A CLIENT REVIEW?

You may periodically review your bank statements, retirement portfolio, and car insurance, but have you recently looked at your life insurance policy? Life insurance is a part of your financial strategy, and a regular review can help make sure your goals and protection needs are being met. Consider these statistics:

Three in ten American households (37.5 million) are uninsured, and 40% say they need more life insurance.

For families without life insurance coverage, 73% recognize the need for life insurance and 62% would be in immediate financial trouble if the primary breadwinner passed away.

Life Insurance and Market Research Association (LIMRA), Facts About Life, 2016

In addition to making sure your coverage needs are met, you may be able to improve your situation in several ways:

- You may be able to lower your premium cost for the same amount of coverage.
- You may be able to gain more coverage for the same premium you are paying now.
- It may be possible to improve the death benefit guarantee.¹
- There may be a way to help improve policy performance and build cash value.
- You may be able to gain features and benefits not available on your current policy.

If you haven't reviewed your life insurance policy in a while or other policies that may be in your household, a phone call to your life insurance agent is all it takes. Your life insurance agent is trained to review certain items to make sure you're on track with your life insurance goals.

All financial tools need a periodic review, including life insurance. Life insurance policy offerings have changed significantly over the years, and making the right adjustments now may better prepare you for the future.

WHY REVIEW YOUR INSURANCE?

Life is unpredictable, and the passage of time may bring about a new home, a job change, children, and even a change in health. These are all life events that may affect your life insurance coverage. A client review gives you the opportunity to review your current financial situation and evaluate your life insurance needs.

Here are a few life events that may prompt a further look at your life insurance coverage:

- Change in marital status
- New home
- Job promotion/job change
- Taking on debt
- Planning for college²
- Planning for retirement
- A significant change in assets
- Changes in your business if you're a business owner

This list of life events is a guideline to help evaluate your current situation. There are many other events to consider, like whether or not your children are out of college and on their own. In this case, the original reason for purchasing coverage has probably changed, and there may now be a need for retirement or estate planning.

In addition to life events, there may be other circumstances that may affect your policy:

- **Your health:** Have you lost weight or stopped smoking? Your health is a consideration when reviewing your life insurance policy.
- **The economic environment:** Interest rates fluctuate and could be quite different from where they were a few years ago. These interest rate changes may play a role in the performance of your policy.

HOW DOES IT WORK?

Your agent will take a comprehensive look at your policy and analyze its features and performance to see if your original objectives are being met. If adjustments need to be made, your agent can present you with options. If the policy is currently on track with your original goals, then no changes may be needed. The important step is to take action and to see if you're still on track with your financial protection needs.

There are a few items to note when reviewing your life insurance policy. The list below is not meant to be comprehensive, but it may help you get started in the right direction.

- **Examine your annual premiums:** How much are you paying? Is the amount still within your budget?
- **Look at your beneficiary designations:** Make sure your beneficiary designations are up-to-date.
- **Review the death benefit amount:** Does the death benefit provide you with enough coverage? Items that may affect your death benefit are cost-of-living expenses and any life events.
- **Consider your supplementary benefits:** Are there riders or endorsements you no longer need? Are there new riders that may be beneficial to your situation?

Life insurance is a key component to your overall financial plan. Take a moment and help ensure your life insurance goals are being met.

Give your agent a call today to help make sure you're on track with your life insurance goals.

North American Company for Life and Health Insurance has been providing quality life insurance products since 1886. As one of the leading life insurance companies in the U.S., we'll make it as easy as possible for you to become one of our insureds. Please visit our website at northamericancompany.com to find out more about our company.

¹ Guaranteed death benefit is subject to premium payment requirements.

² The primary purpose of life insurance is to provide a death benefit to beneficiaries. Because of the uncertainty surrounding all funding options except savings, it is critical to make personal savings the cornerstone of your college funding program. However, even a well-conceived savings plan can be vulnerable. Should you die prematurely, your savings plan could come to an abrupt end. To protect against this unexpected event, life insurance may be the only vehicle that can help assure the completion of a funding plan. In addition to the financial protection aspect of insurance, the tax-deferred buildup of cash values can be part of your college savings plan. Generally, if the policy is not a Modified Endowment Contract then tax-free withdrawals can be made up to the contract's cost basis. Moreover, if the policy is not a Modified Endowment Contract, then loans in excess of the cost basis are also tax free as long as the policy remains in force.



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Have your needs changed?

Life events checklist

A periodic review and analysis of your life insurance needs is an important part of your financial protection. Have your needs changed since purchasing the policy? Is the policy still performing according to expectations, and meeting financial goals? To determine how to help meet your financial goals, please complete the form below.

COMMON LIFE EVENTS

- | | | |
|---|---|--|
| <input type="checkbox"/> New child or grandchild | <input type="checkbox"/> New investments | <input type="checkbox"/> Gain/loss of business partner |
| <input type="checkbox"/> Change in marital status | <input type="checkbox"/> Inheritance sale or purchase of home | <input type="checkbox"/> Health concerns |
| <input type="checkbox"/> Death of family member | <input type="checkbox"/> Retirement | <input type="checkbox"/> Sold or acquired assets |
| <input type="checkbox"/> New job or promotion | <input type="checkbox"/> Major investment gain/loss | |
| <input type="checkbox"/> Change in estate plan | <input type="checkbox"/> Start/purchase a business | |

AREAS OF INTEREST OR CONCERN

- | | | |
|--|---|--|
| <input type="checkbox"/> Retirement planning | <input type="checkbox"/> Estate planning | <input type="checkbox"/> Business/executive benefits |
| <input type="checkbox"/> College funding | <input type="checkbox"/> Planning for parents | <input type="checkbox"/> Business continuation |
| <input type="checkbox"/> Survivor benefit planning | <input type="checkbox"/> Charitable giving | <input type="checkbox"/> Other: |

ADDITIONAL COMMENTS AND NOTES:

CONTACT INFORMATION:

Name: _____

Address: _____

Phone: _____ Best time to call: _____

Email: _____

Neither North American Company for Life and Health Insurance nor its agents give legal or tax advice. Please consult with and rely on a qualified legal or tax advisor before entering into or paying additional premiums with respect to such arrangements.

Financial objectives discussion guide

Confidential

Date: _____

1. PERSONAL OVERVIEW

	Client 1	Client 2
Name		
Gender		
Date of birth		
Address		
Home phone		
Work phone		
Cell phone		
Email		
Preferred contact method and time		
Occupation		
Business owner?		

Please provide me with a general overview of your financial situation and experience including any disappointments and achievements.

List any recent events in your life related to you, your loved ones or your financial situation. Examples include: change in marital status, death of a family member, health concerns, change in employment, change in income, new investments, etc.

Tell me about your current retirement plan.

What would your retirement look like if we worked together? Think about where you’d live during the various stages of your retirement, how you’d spend your typical days, what activities or hobbies you’d be involved in, etc.

Who have you relied on for financial guidance?

	Insurance professional	Broker or Financial advisor	Accountant	Attorney
Name				
Firm name				
Phone				
How did you meet?				
How long have you been associated?				
When did you last meet?				
Rate satisfaction Level from 1 – 5 with 1 being poor and 5 being excellent				

Your financial concerns

I'd like to understand your current financial concerns and know about the relationships in your life that may be impacted by these concerns. First, let me know if any of the following items are of concern to you and, if so, how they rank in order of importance.

Concern	Level of importance – Check appropriate column				
	1 None	2 Minimal	3 Somewhat	4 Very	5 Urgent
A. Income protection for my family					
B. Funding children's education ¹					
C. Outliving your assets in retirement					
D. Leaving a legacy for heirs					
E. Providing for extended family and/or dependents with special needs					
F. Estate planning/wealth transfer					
G. Charitable giving					
H. Concern about market volatility					
I. Concern about yields on savings or other fixed vehicles					
J. Affording to retire					
K. Business continuation					
L. Executive benefits for employees					
M. Loss of key employee or partner					
N. Affording in home health care or nursing home care					
O. Other:					

Additional comments: _____

Your relationships

Based on your concerns, list others who you are supporting or plan to support financially. When identifying your relationship with these individuals, be as specific as possible from a legal perspective (i.e. "daughter of previous spouse" vs. "step-daughter", "son-in-law's child from a previous marriage" vs. "grandchild", etc.).

Name	Relationship	Gender	Date of birth	Social security number*	Concern (use letter from previous chart)

*Will be required if a life insurance transaction results from this conversation.

Now that we've discussed your personal situation, I'm going to ask you for a lot of data. Before we move on though, is there anything else that you'd like to share?

2. CURRENT FINANCIAL SITUATION

Pre-retirement earnings and benefits	Client 1	Client 2
Annual salary		
Bonus		
Other income		
Annual value of employer paid benefits/ contributions		
Health insurance		
Life insurance		
Disability insurance		
Other:		

General assets

Description	Current value	Owner (Client 1, Client 2 or J – joint, T - trust)	Plan to use for retirement?	Plan to pass on to heirs?
Residence				
Other property				
Automobiles				
RV/other				
Savings account				
Certificate of deposit				
Bonds				
Mutual funds				
Stocks				
Business interest				
Other:				
General assets total				

Note: A separate chart for Retirement Assets follows.

Retirement assets

Description	Current value		Annual contributions			
	Client 1	Client 2	Client 1	Client 1's employer	Client 2	Client 2's employer
401(k)						
403(b)						
Pension plan						
Employee stock plan						
Traditional IRA						
Roth IRA						
Annuities						
Life insurance						
Other:						
Retirement assets totals						

Liabilities

Description	Amounted owed	Duration
Mortgage 1		
Mortgage 2		
Home equity loan		
Credit cards		
Student loans		
Line of credit		
Business loan		
Other:		
Liabilities		

Net worth

(Assets _____ + Retirement assets _____ = _____) – Liabilities _____ = Net worth _____

Taxes

	Current	Expected at retirement
Federal tax bracket		
State tax bracket		

3. COLLEGE FUNDING NEEDS¹

Current college funding sources

Saving vehicles	Current value
529 Plan	
Savings accounts	
Certificate of deposit	
Sources from family (grandparents, etc.)	
Future potential sources (scholarships, grants, loans, student aid, other?)	
Life Insurance	
Other:	

Expenses	Estimated cost
Tuition	
Housing	
Food	
Books	
Supplies (computer, pens, notebooks, other?)	
Fees (activity, parking, other?)	
Transportation	
Other:	

4. INSURANCE REVIEW

Do you currently have coverage under any of the following types of insurance policies? Indicate the number of policies if you have more than one of any type.

Type	Client 1	Client 2
Life insurance		
Disability insurance		
Long term care insurance		

How did you purchase this coverage? (i.e. from the same representative, multiple representatives, on-line, other)

How did you come to a decision on the amount of death benefit coverage you currently have.

What life changes have occurred since you bought these policies? (i.e. marriage, children, mortgage, other?)

When was the last time you reviewed your beneficiary designations?

Let's review the insurance policies that you current have as well as any annuities that you referenced earlier.

NOTE: Use additional sheet(s) for multiple policies/contracts.

Life insurance coverage

Current coverage	Client 1 (insured)	Client 2 (insured)
Owner*		
Beneficiary(ies)*		
Issuing insurance company		
Policy issue date		
Product type		
Death benefit		
Annual premium		
Underwriting classification		
Riders (type and reason for having them):		
For permanent life insurance:		
Death benefit guarantee		
Cash accumulated value		
Cash surrender value		
Surrender charge period		
Guaranteed interest rate		
For term life insurance:		
Level term period		
Years remaining of initial level term period		
Years remaining for eligible conversion privilege		

*Be sure to list trusts if appropriate.

Disability insurance coverage

Current coverage	Client 1 (insured)	Client 2 (insured)
Issuing insurance company		
Annual premium		
Monthly benefit		
Inflation adjustment?		
Offset by social security?		

Long term care insurance coverage

Current coverage	Client 1	Client 2
Issuing insurance company		
Annual premium		
Daily benefit (in-home)		
Daily benefit (care facility)		
Maximum lifetime benefit		
Inflation adjustment?		

Annuity contracts

Current coverage	Client 1	Client 2
Issuing insurance company		
Current value		
Cost basis		
Growth rate		
Other:		

5. DISCUSSION SUMMARY

Is there anything that we haven't discussed that you feel is important for me to know?

Next appointment

Date: _____

Time: _____

Place: _____

The content of this material is not intended sell, discuss the risks, recommend, or provide any type of advice relative to securities. Nor is it intended to recommend the liquidation of specific securities, or identify specific securities that could be used to fund a life insurance product.

Neither North American Company nor its agents give legal or tax advice. Please consult with and rely on a qualified legal or tax advisor before entering into or paying additional premiums with respect to such arrangements.

1 The primary purpose of life insurance is to provide a death benefit to beneficiaries. Because of the uncertainty surrounding all funding options except savings, it is critical to make personal savings the cornerstone of your client's college funding program. However, even a well-conceived savings plan can be vulnerable. Should your client die prematurely, your client's savings plan could come to an abrupt end.

To protect against this unexpected event, life insurance may be the only vehicle that can help assure the completion of a funding plan. In addition to the financial protection aspect of insurance, the tax-deferred buildup of cash values can be part of your client's college savings plan. Generally, if the policy is not a Modified Endowment Contract then tax-free withdrawals can be made up to the contract's cost basis. Moreover, if the policy is not a Modified Endowment Contract, then loans in excess of the cost basis are also tax free as long as the policy remains in force.



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Next appointment

Date: _____

Time: _____

Place: _____

NOTES

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

PROPERTY RECEIPT

This receipt should be left with the client should the financial representative obtain copies of the client's insurance policies.

The following policies have been provided by the client(s) to the financial representative for review. Those policies will be returned to the clients by _____ (date).

Issuing company	Policy number	Insured	Policy owner

Client #1 printed name

Client #1 signature

Date

Client #2 printed name

Client #2 signature

Date

Financial representative printed name

Financial representative signature

Date

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I N S U R A N C E

Providing All the Tools for Your Successsm

Pinney Insurance

Founded in 1972 as a Transamerica branch office and later incorporated as Pinney Insurance Center, Inc., we are headquartered in our own building in Roseville, California. We provide a small local agency feel with the power of a major national firm.



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