A Tool for your Success

TAX STRATEGIES

SALES KIT

Brought to you by: Pinney Insurance Center, Inc.
2266 Lava Ridge Court | Roseville, CA 95661 | www.pinneyinsurance.com

A Tool for your Success

TAX STRATEGIES

1040 GUIDE & OVERLAYS

Brought to you by: Pinney Insurance Center, Inc.
2266 Lava Ridge Court | Roseville, CA 95661 | www.pinneyinsurance.com

Advanced Markets

I’m looking for new planning opportunities for 2015

1040 guide and overlays

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

redefining / standards®

Planning for 2015 Taxes

Welcome to AXA's 2015 version of the 1040 Overlay Guide. A 1040 form can offer a wealth of information about clients and their planning needs. You can use this Guide to work with existing clients, develop new clients, and develop centers of influence to work with you in exploring these planning opportunities that might have otherwise been overlooked. As you look through this 1040 Overlay Guide booklet, as well as the two overlays, you will see prompts where certain 1040 line items might trigger a planning discussion.

With the increase of the Federal Estate Tax "equivalent" exemption there has been a noticeable decrease with the concern with gift and estate taxes and an increase in the focus on income taxes and retirement planning. Among other planning tools, life insurance, annuities and qualified plans can offer some unique planning and tax advantages. Life insurance, death benefits, cash values and riders, like long-term care and chronic illness riders, can offer a viable planning option in conjunction with other planning assets and techniques. This year's "Overlay" Guide includes some unique planning options that are identified and are supported by concept support materials pictured in our concept "thumb nails" within the Guide.

Tax planning remains an essential element in any work with clients at all income levels. A review of last year's tax return with your clients should allow you an opportunity to assist them in addressing decisions that may impact their overall income tax, accumulation and retirement planning. Life insurance and annuities offer unique accumulation, distribution and death benefit options that can help clients, particularly in a rising tax environment. Many of the life insurance planning, annuity and retirement planning techniques addressed in this booklet remain fundamental to your work with clients, even as rates, exemptions, and deductions change.

Additionally, in working with clients on the 2014 tax returns, it's important to remember the effect of the changes introduced by 2013's legislation, "The American Taxpayer Relief Act of 2012," or ATRA, have had on your clients' overall planning.

As a reminder, here are some of the major tax charges that impact many taxpayers, especially the highly compensated:

- **The maximum marginal income tax rate is now at 39.6%.**
- **Long-term capital gains rates are 20% for taxpayers in the 39.6% bracket.**
- **A 3.8% surcharge on passive income (interest, dividends, capital gains and more) for clients over certain income levels. It affects taxpayers with incomes as low as $200,000 (individuals filing as single taxpayers). However, as one's income increases, the combined effect of increased tax brackets and this 3.8% surcharge can boost the overall tax toward 50% for certain types of income.**
- **There is a 0.9% increase in Medicare withholding on earned income, wages and self-employment income.**
- **Phase-outs of itemized deductions and exemptions with incomes and filing statuses over specified levels.**

These surcharges may call for special reviews to make certain clients have adequately withheld, or have otherwise protected themselves through estimated payments, from unexpected taxes.

how to use this guide

We are continually reminded by users of this Guide that reviewing a client's recent tax returns can be an effective way to identify his or her financial protection needs — needs that AXA may help fulfill with its products and services. Survivor income, funding for special needs, addressing long-term health care needs, estate tax liquidity, and saving for and protecting retirement income are just a few of the many needs that might be identified.

The information in this Guide identifies background on items to look for when examining a client's tax return, as well as general information on the planning options and strategies.

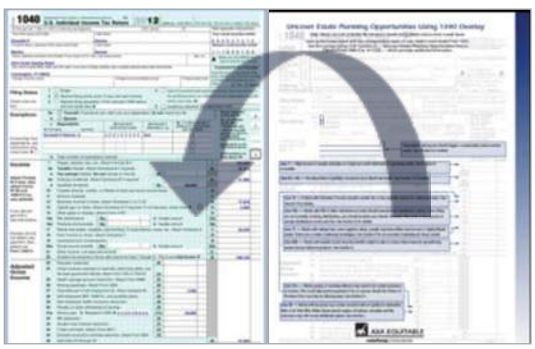
Additionally, AXA offers a wide range of concept materials and product strategies to support many of these planning items. Throughout this guide we will refer you to support materials available to you from AXA and, where appropriate, product references.

Included with this Guide

- **Marketing Concept Thumbnails —** Pages 2–12. Thumbnails have been provided within the page that offer support pieces related to the concepts discussed on the lines of the tax return. You can ask for a copy of the item identified from your AXA Internal Wholesaler. In addition, if you have a pdf version of this Guide, you can bring your cursor to the specific piece and it will open up a pdf version of that piece that you can save or print.
- **Form 1040 —** First Page. Overlay with annotations and Sample 1040 case data.
- **Schedule A —** Inserts. Overlay with annotations and Sample case data.

The comments on the overlays and sections will cross-reference you to areas of particular interest discussed in this guide. Other sections of this Guide will help provide additional detail relative to a client's tax picture and might open up other planning opportunities. **Additionally, our Advanced Markets team can help provide you with additional support in any of the areas discussed in this Guide.**

The 1040



Schedule A

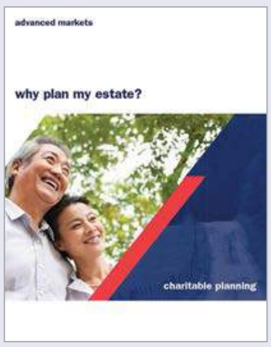
1040 line entries

Consider these AXA materials and product applications that can help you address your clients' needs.

Policy Review
Cat. #147971

Special Needs Planning
Cat. #152274

Estate Planning
Cat. #135187



Section A — Dependents

Many clients, particularly younger and middle-aged clients, will have dependents detailed on their tax returns. When a client has dependents, you will want to examine whether there is sufficient life insurance to support the family, provide for college tuition or to address other special needs should a client/breadwinner die prematurely. Even where no dependents are detailed, if the client files a joint return, or the return otherwise indicates a spouse, you will want to talk to a client to see if he or she has sufficiently planned for a surviving spouse who may be even partially dependent on your client.

Finally, talk to your client to see if his or her estate planning documents have been updated to take into consideration estate tax changes for 2014 and beyond, and if his or her qualified plans, IRAs and insurance policies have been reviewed recently to be certain the appropriate beneficiary elections are in place.

AXA has numerous tools to help determine survivor needs, education costs and planning for special needs family members. In addition to life insurance, to help protect survivors and help make education planning self-completing, you may want to consider using approaches such as Section 529 plans for education expenses. Consider the following planning areas:

- Family Income Replacement: You can see the number of dependents and open a discussion to determine if there are sufficient funds to care for the family if a client dies unexpectedly.
- Education Planning: Knowing the number of school-age children can open a discussion on whether college education is adequately funded if a client were unable to complete funding.
- Special Needs Planning: Knowing if a child has special needs opens up additional planning options. Life Insurance in a Special Needs Trust is often central to caring for such a child.
- Policy Review: Are the client's existing policies adequate to care for his/her family? Are the beneficiary designations current for the client's current situation?
- Children from former marriages: This can open up a discussion on legal obligations for a former spouse and for child support. Life insurance may have been a requirement. In addition, your client may wish to include other children in his/her current planning.

Section B — Line 7 — Wages and Salary

High-income earners, estates and trusts may be subject to the tax on investment income to pay for Medicare: 3.8% of the smaller of (i) the individual's net investment income (this includes interest, dividends and capital gains) and (ii) the individual's modified adjusted gross income in excess of the threshold amounts listed below. Also, there is an additional Medicare tax of 0.9% (90 cents on $100) imposed on the earned income of "high-wage earners":

- The income threshold differs based on tax filing status. For example, in the case of a joint return, $250,000; for an individual tax payer, $200,000.

Trusts must also pay a 3.8% unearned income Medicare contribution tax on the lesser of: (i) their undistributed net investment income for the tax year and (ii) any excess of their AGI over the dollar amount at which the highest tax bracket for estates and trusts begins for the tax year. For 2014, that threshold was $12,150 and for tax year 2015 it will be only slightly higher at $12,300.

High-income is indicative of clients who are currently accumulating, or could accumulate, substantial assets. You should explore with your clients their current estate plans, expected growth in their assets, and if there are other estate planning approaches that might be appropriate.

Retirement Income Planning

Retirement Planning is often a concern for high-income earners. They cannot save enough for retirement with traditional qualified pension plan options, even when they have maximized their employer 401(k) plans and IRAs. Their W-2 can provide an indication on the steps they have taken to maximize their 401(k) contributions (box 12). Here are the current 401(k) maximums as an example.

Maximum 401(k) Contributions		
	2014	2015
Under age 50	$17,500	$18,000
Age 50 and over	$23,000	$24,000

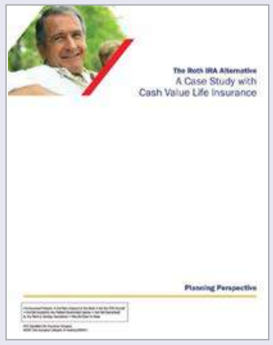
Clients who are already maximizing these savings opportunities, yet still have assets they want to use toward retirement, may want to look at some of the tax-deferral opportunities offered by annuity and life insurance products. AXA's "Roth IRA Alternative" case study (Cat. #152906) can provide you a means to transition into the discussion of the value of life insurance as an alternative retirement income planning source in addition to the insurance protection.

In addition, a discussion of retirement planning and retirement funding may also provide the opportunity to address the income tax impact of various retirement income options. Many clients in their 40s and 50s who are planning for retirement

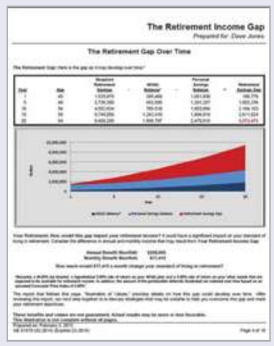
For additional planning ideas, see these special AXA resources:

Your Options for a 401(k) When Retiring or Changing Jobs
Cat. #148981

Roth IRA Alternative— Cash Value Life Insurance
Cat. #152906



The Retirement Income Gap
GE-91478

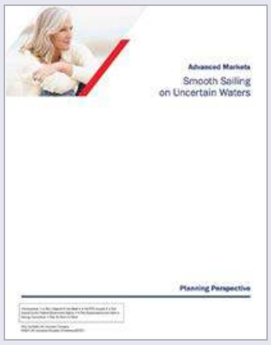


have a common concern as they watch the stock market fluctuate. Will the market's instability erode their retirement savings? The press has referred to this issue as the **sequence of returns**. Market losses, especially in the early years of retirement, can erode the overall retirement portfolio and affect long-term retirement funds.

AXA's "Smooth Sailing" Planning Perspective (Cat. #152907) can help you identify an additional approach to retirement planning that involves the use of cash value life insurance, as an additional source of funds to be employed in conjunction with the equity portion of their retirement nest egg. Some additional details are discussed in Section I of this guide.

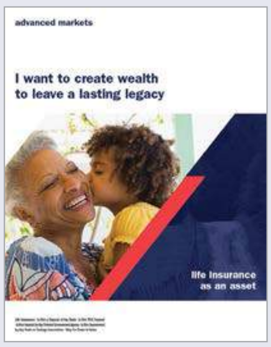
Consider these AXA materials and product applications that can help you address your clients' needs.

Smooth Sailing on Uncertain Waters
Cat. #152907



Pay Yourself Minimum Wage
Cat. #151643

Life Insurance As An Asset
Cat. #139511



Section C — Lines 8 and 9 — Interest and Dividends

Lines 8 (interest income) and 9 (dividend income) can open up many opportunities for discussions with clients. For the appropriate client, diversifying assets into lower-taxed or tax-deferred assets might be an appropriate conversation; see page 6 for additional details on some of the ways in which annuities or life insurance can meet these needs.

Even when clients have tax-exempt income, or low-taxed dividends, they may want to consider allocating a portion of these assets to life insurance. **The chart below** details the tax-exempt and taxable equivalent interest rate on taxable investments. **Compare these to the Internal Rate of Return (IRR) you can achieve on AXA products** using the AEGIS illustration system. Not only can life insurance offer the leverage of a death benefit to meet client needs, it may provide a better IRR for the appropriate client.

Taxable Equivalent Yields

Tax Brackets	Tax-Free Yield of:	
	3%	5%
	Provides an Equivalent Taxable Yield of:	
25%	4.00%	6.67%
28%	4.17%	6.94%
33%	4.48%	7.46%
35%	4.62%	7.69%
39.6%	4.97%	8.28%

Estimating Net Worth Values (For lines 8 and 9, Interest and Dividends)

Where you have the client's 1040 but are not certain about the value of dividend- and income-producing assets, here is an approach you can use.

With the numbers on these lines of your client's tax return you can approximate some portion of the client's net worth.

The formulas below can help provide you with a basic guide to estimate these values:

Line 8a value $____________ divided by 5%[1] = $____________.
This is the approximate value of interest-generating assets.

Line 8b value $____________ divided by 2.5%[1] = $____________.
This is the approximate value of tax-exempt assets.

Line 9a value $____________ divided by 3%[2] = $____________.
This is the approximate value of dividend-paying assets.

Discussions about interest and dividends can help you as the advisor uncover other areas for planning and appropriate advice. In addition, AXA also offers you the ability to assist your clients in repositioning assets from tax-generating to tax-deferred. See our materials on "Concentrated Stock" and "Life Insurance As An Asset."

Section D — Line 12 — Business Income (Schedule C)

Clients with Schedule C income may overlook retirement savings opportunities. Certain retirement plans can help business owners save even more, while providing the opportunity for tax-deductible contributions along with tax-deferred growth. Plans to consider include SIMPLE IRAs, SEP-IRAs, 401(k)s, profit-sharing plans and Defined Benefit plans.

Most closely held business owners work closely with a multitude of vendors. Small business owners may be a good referral source. Don't forget to ask your clients who their best vendors are and if they would be willing to refer you to them.

Line 12 entries may also trigger discussion of business continuity and buy-sell agreements. Life insurance alone or with a long-term care rider can provide a needed strategy. See AXA's Planning Perspective, "The Buy Sell Triple Play" (Cat. #152908).

Line 13 — Capital Gains

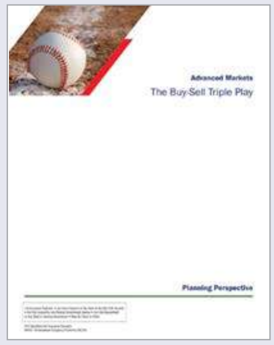
The existence of capital gains or losses can open up another line of discussion. For most taxpayers, long-term capital gains will be taxed at 0% or 15% levels. However, for those in the highest tax bracket, 39.6%, long-term capital gains will be taxed at a 20% level. They may want to consider the tax impact of drawing income from capital assets, especially when they retire.

For additional planning ideas, see these special AXA resources:

Business Valuation Fact Finder
Cat. #142625


business valuation
fact finder

The Buy-Sell Triple Play
Cat. #152908


Advanced Markets
The Buy-Sell Triple Play
Planning Perspective

Big Opportunities for Small Business Owners
Cat. #147635

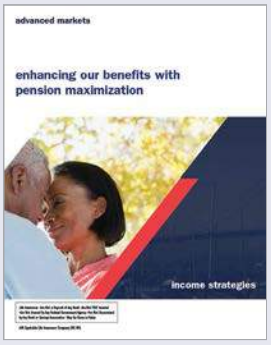

Advanced Markets
big opportunities
for small business owners

1 Or an appropriate interest rate.
2 Or an appropriate dividend rate for the client's assets.

Consider these AXA materials and product applications that can help you address your clients' needs.

Diversify from Concentrated Asset
Cat. #150368

Enhancing Our Benefits with Pension Maximization
Cat. #133784



Leveraging Your RMDs
Cat. #150451

A review of equity earnings can also raise a concern with "**concentrated**" **stock** holdings. The need for asset allocation and diversification is a hallmark of wise asset management. Any one asset or asset class might underperform in a given year; diversification into other assets can offset that underperformance.

The investment risk can be magnified where clients have a heavy concentration in one stock, asset or asset class. Now may be a good time to consider repositioning. Where a client has a life insurance need, a life insurance death benefit might also help add stability to a client's overall wealth planning and transfer plan. A review can be helpful to clients that have accumulated heavy concentrations in:

- Employer Stock
- Family Business Stock
- Favorite Stock / High Performers

They should consider looking at AXA's "Life Insurance to Diversify Away from a Concentrated Position" marketing materials and illustration.

Section E — Line 15 — IRA Distributions

Your review with your clients may lead to a discussion about IRA assets or employer retirement plans they may have. Even when clients are under age 70½ and not yet required to take Required Minimum Distributions (RMDs), there are numerous planning opportunities to discuss. These are available to demonstrate for clients on the AEGIS life illustration system. These include:

- Plan to minimize potential double tax exposure by taking distributions after age 59½ and direct some or all of the after-tax distributions out of a client's estate. If those funds are directed toward life insurance premiums, some or all of the IRA values can be replaced income- and estate-tax-free.
- Take only minimum distributions, but direct the IRA to younger beneficiaries, such as children. This can potentially allow the IRA to grow tax-deferred for decades across multiple generations. Clients may want to consider purchasing insurance to keep the IRA from being depleted by potential estate taxes, thereby allowing more of the IRA to grow tax-deferred for a longer period of time.
- Clients required to take RMDs may have concerns for their own long-term care health needs. Where life insurance is appropriate, the addition of a long-term care rider, with policy and rider funded by IRA or pension withdrawals may offer a strategy. (The long-term care rider does have an added charge.)
- A variable deferred annuity contract with optional riders (available for an additional fee) and an automatic Required Minimum Distribution program can help satisfy income needs and possibly leave a death benefit to beneficiaries.
- Couples with substantial IRA or pension assets who want to leave a legacy to their heirs, but also want the flexibility to tailor their planning based on their

health and finances, can ask their Financial Professional about our special "premium skip design."

- Convert the IRA to a Roth IRA: although this might accelerate income taxes, clients and their beneficiaries can enjoy income-tax-free distributions. Again, life insurance can help provide funds for any potential estate tax bill to help preserve the Roth IRA's tax-deferred growth.

For clients who may not be taking distributions, examine their IRA statements. Some clients might also have a Form 8606 filed with their tax returns to show any basis they have in regular IRAs. This form would also show the value of their IRAs as of the prior year's end.

Line 16a — Pension and Annuity Distributions

For clients with these assets, you will want to make certain you are doing appropriate planning. For clients with large IRAs and/or annuities, consider taking a portion of their after-tax distributions to purchase life insurance, thereby replacing the IRA/annuity value for their beneficiaries with an income- and potentially estate-tax-free death benefit. Again, the AEGIS life illustration can help you demonstrate these approaches for clients.

Section F — Line 17 — Sub S Distributions, Real Estate, Partnerships and Trusts

This line and Schedule E, which feeds into this line, contain a large volume of information for certain taxpayers. Schedule E is a form that handles many pass-through entities that transfer their tax liabilities to a client's tax return.

When clients have a tax liability passed through to them on Schedule E, there may be an ownership stake, usually illiquid, that requires planning. These can include:

- An interest in a trust that may be included in your client's estate.

  Today, reviewing trust assets is more important than ever. Trusts with retained income greater than $12,300 in 2015 face a substantial tax increase. Although a client's tax return will show only income taxed to the individual, it may lead to the question, "Are there other trust assets that are being taxed to the trust?"

- An interest in a partnership, Sub S corporation or LLC that may be included in your client's estate, requires succession planning between your client and family members, or may be able to be loaned to a trust to generate cash flow for life insurance premiums (this is a unique form of private split-dollar that can be illustrated by AXA).

- Rental real estate is also an illiquid stake that requires specialized planning, which may call for restructuring into an entity to minimize multi-state probate, and may also be able to be loaned to a trust to generate cash flow for life insurance premiums.

For additional planning ideas, see these special AXA resources:

Annuity MAX
Cat. #143720

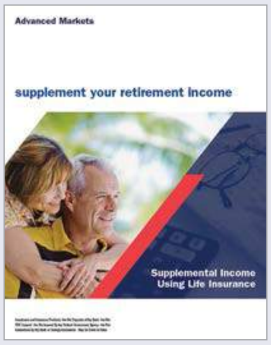
Business Succession Planning
Cat. #134910

Executive Benefits—Choosing the Right Plan to Recruit, Retain and Reward
Cat. #152631

Consider these AXA materials and product applications that can help you address your clients' needs.

Social Security FAQ
Cat. #145888

Supplemental Income
Cat. #144684



Managing Your Retirement Income and The Debt Clock
Cat. #147981

Section G — Line 20a and 20b — 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. The dollar thresholds below are not indexed to inflation.

Social Security Benefits

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	

The IRS provides a calculation worksheet with the instructions for the 1040 that supplement completion of the tax return. When a return has an amount included on line 20b, taxable amount, it should raise a flag on this area to review with your client. By repositioning assets to tax-deferred investments, a client might be able to lower his or her current income tax exposure on this income. See AXA's "Asset Characteristics Chart."

Section H — Lines 11 and 31a — Alimony Received and Paid

See if your client is either receiving or paying alimony. Clients receiving alimony may want to protect themselves with life insurance against a termination in payments due to the death of their former spouse. Permanent life insurance products with our Return of Premium Rider attached can help an alimony payer as well. Permanent policy cash values may be used to recoup all or some of the premiums paid for the life insurance.

Section I — Line 32 — IRA Deduction

Although maximum contribution amounts are lower for IRAs than 401(k)s and other qualified plans, IRAs provide a valuable benefit for many tax payers. A discussion of IRAs may also help identify invested assets that were previously rolled over from qualified plans. Here are the maximum contribution amounts currently allowed:

Maximum IRA Contributions		
	2014	2015
Under age 50	$5,500	$5,500
Age 50 and over	$6,500	$6,500

Line 58 — Additional Tax on Retirement Plans

Entries will be here if your client received "premature" distributions from an IRA or qualified plan, excess contributions were made to the taxpayer's IRAs, Coverdell education savings accounts (ESAs), Archer MSAs, or health savings accounts (HSAs) or the taxpayer received taxable distributions from Coverdell ESAs or qualified tuition programs.

There may be some planning situations where clients must or should consider taking funds out of IRAs or qualified plans. If numbers show up on these lines your client may want to consider working with you to consider other options, such as "72(t)" elections.

Line 61 — Total Tax

Many clients find it difficult to relate to their total taxes. Dividing "taxable income" (line 43) by "total tax" (line 61), may add some perspective on their effective tax rate. With this frame of reference, participating in a company-sponsored retirement plan can be one way to reduce your client's taxable wages, and he or she may be eligible for a matching contribution by his or her business or employer. Additionally, if your client can participate in either a traditional or Roth IRA, his or her participation might lower taxable income and/or build tax-deferred assets.

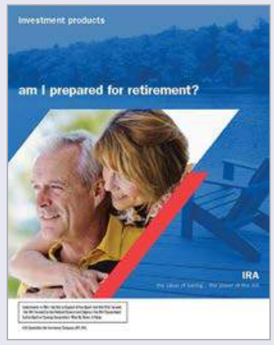
Recent changes in contribution levels, especially for individuals over age 50, can help clients maximize their tax-deferred retirement plans.

Line 62 — Withholding

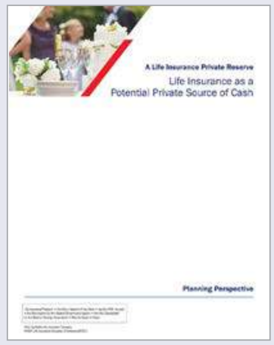
Are your clients withholding too much? If so, they are missing an opportunity to put this money to work for themselves. Remember, if they withhold too little, they may incur interest charges and underpayment penalties.

For additional planning ideas, see these special AXA resources:

The Power of The IRA
Cat. #148985



A Life Insurance Private Reserve
Cat. #152905

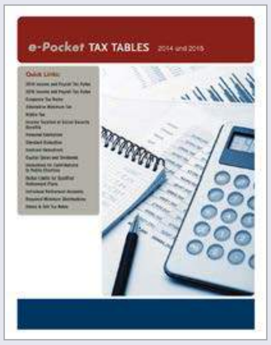


Asset Characteristics
Cat. #143469

Consider these AXA materials and product applications that can help you address your clients' needs.

Tax Calculators
AXA online

Pocket Tax Tables
2014-2015



Dialing Your Tax Bracket
Cat. #147982

Line 74a — Refund

For clients receiving refunds, this is often found money. There is an opportunity to put these funds to work toward long-term client goals. It may make sense to apply some or all of a refund for life insurance premiums.

Line 76 — Amount Owed

If your clients expect significant changes in their tax liability for the upcoming year, they should work with their tax professionals to recalculate their W-4 or estimated tax payments.

Have You Considered Dialing Down Your Client's Tax Bracket?

For clients with non-discretionary income sources, such as Social Security and qualified plan distributions, life insurance can help address income needs and avoid pushing income into a higher tax bracket. For example, see the difference in net after-tax income in the example below when life insurance cash values are used to supplement income.[3]

		Lower Tax Brackets Filled First: Social Security, IRA, Pension Distributions, Other Taxable Income				Higher Tax Brackets: There is a Choice— Taxable Income or Cash Values, Roth IRAs and Municipal Bond Interest		Total
		First $18,150	+	Next $55,650	+	Next $26,200	=	$100,000
Without Life Insurance Planning	Tax Rate	10%		15%		25%		
	Taxes Due	$1,815	+	$8,348	+	$6,550	=	$16,713
With Life Insurance Planning	Tax Rate	10%		15%		0%		
	Taxes Due	$1,815	+	$8,348	+	$0	=	$10,163
						Savings: **$6,550**		% of Savings: **39.19%**

3 Assumes tax calculations made in 2014, filing jointly.

Schedule A line entries

Schedule A

Continuing in 2014 and 2015, "high-income earners" are also faced with a phase-out of itemized deductions. These begin at the following levels:

- **$305,050** in the case of a joint return or surviving spouse
  $309,900 for 2015 returns
- **$279,650** in the case of a head of household
  $284,050 for 2015 returns
- **$254,200** in the case of an individual who is not married and who is not a surviving spouse or head of household
  $258,200 for 2015 returns
- **$152,525** in the case of a married individual filing a separate return
  $154,950 for 2015 returns

Section J — Schedule A, Line 1 — Medical and Dental Expenses

For 2014 and 2015, the medical threshold is 10% (for taxpayers 65 or older it remains at 7.5%). Many high-income clients neglect to report these amounts because they are skeptical the expenses will exceed this threshold, but it may still be worthwhile to engage business owner clients into a discussion about plans for current and post-retirement medical benefits. The rules have been opened up and taxpayers may now deduct medical expenses paid for "children" under age 27.

Section K — Schedule A, Line 6 — Real Estate Taxes

A high real estate tax can indicate an expensive primary residence that may require specialized planning. A second residence or vacation home will increase a client's need to plan for illiquid assets. In particular, clients with property in two or more states should consider specialized planning to reduce taxes, probate and estate administration across multiple states. Revocable trusts can be a terrific planning device for these clients and can open up opportunities to discuss other long-term goals and wealth transfer options. This might include using life insurance as an asset to help stabilize wealth transfer.

Section L — Schedule A, Lines 10 and 12 — Home Interest Deductions and Points

High interest deductions might indicate a high-net-worth individual or one who has multiple residences. It is worth examining the details for line 10. Further, clients often wish to repay mortgages upon the death of the first spouse. Do they have enough life insurance coverage payable to the surviving spouse to extinguish this debt? If not, this wish may go unfulfilled, with the surviving spouse left to continue payments.

For additional planning ideas, see these special AXA resources:

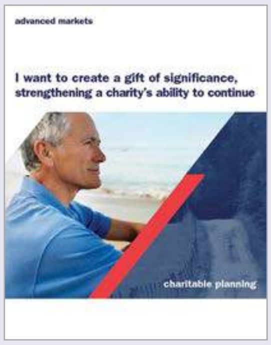
A Guide to Understanding the Tax Forms... (for the LTCSR) Cat. #153651

Taking Control and Finding Opportunities Cat. #151356

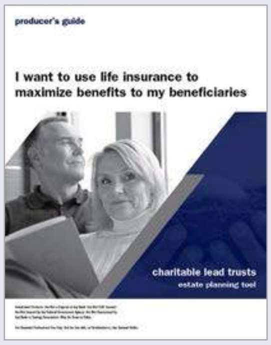
Life Insurance Protection Guide Cat. #145947

Consider these AXA materials and product applications that can help you address your clients' needs.

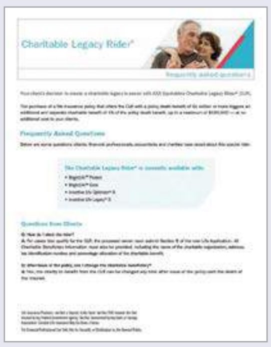
Creating A Gift of Significance
Cat. #135186



Charitable Lead Trusts
Producer Guide
Cat. #141250



AXA's Charitable Legacy Rider
Cat. #144592



Points paid are summarized on line 12. The details for this line are also valuable and may also open up other planning opportunities. Points can only be taken on a primary residence or a second home. If points are indicated, it may be evidence of a new real estate purchase. Clients may want to consider purchasing life insurance to cover the debt.

Amortized points will often indicate a refinancing — this may indicate clients who recently have freed up some of their cash flow through the refinancing. This cash flow can be redirected toward long-term goals.

Section M — Schedule A, Line 19 — Charitable Gifts

Clients making charitable deductions can open up several planning options. These clients may want to benefit one or more charities at their deaths, or during their lifetimes. Several options that AXA's Advanced Markets can help you with are:

- **Planning for annual charitable deductions**.
- Using a **Charitable Remainder Trust (CRT)** for current deductions, possible tax planning for highly appreciated assets, and enhancing income. Some of the enhanced income can be directed toward life insurance to replace the gifted assets in the hands of a client's children or grandchildren.
- Using a **Charitable Lead Trust (CLT)** for possible current deductions, providing for a charity during your client's lifetime and enhanced transferring of assets to future generations with reduced gift tax consequences. In certain cases, the CLT might be able to direct a small portion of your client's assets toward life insurance to enhance wealth transfer to a client's beneficiaries.
- **Charitable IRA Transfers** — Among the provisions extended for tax year 2014 was the IRA charitable transfer for transfers made through December 31, 2014. Donors age 70½ and older who transferred up to $100,000 from their IRA to a qualified public charity may qualify. The transfers would be made free of federal income tax and the gift qualifies for the donor's 2014 required minimum distribution (RMD). Whether this provision will be made available in 2015 is uncertain, but it is worth exploring with clients meeting the eligible profile.
- Using **Charitable Gift Annuities** to help clients transfer highly appreciated assets, generate an income stream for themselves, and provide for a charity. Additionally, AXA offers the "**Charitable Legacy Rider®** " on its permanent life insurance policies with a face amount in excess of $1 million. For a policy face amount between $1 million and $10 million, this cost-free rider provides an additional 1% of the initial policy face amount to a qualified charity selected by the policyowner.

Conclusion

The items presented in this Guide are an overview of what might be culled from a client's tax return and related documents like the W-2. You can use these items to begin a discussion of client planning. No single item may lead to the suggested planning, but the discussion will likely lead to some form of planning for your client.

Notice For Tax Preparers — Client Consent to Comply with IRC §7216

Overview

If you are a financial professional that also prepares clients' tax returns, Internal Revenue Code §7216 requires you to obtain a client's prior written consent to solicit personal financial planning business from information that you have access to due to your work associated with their income tax return. AXA makes a sample consent form available that is intended to offer a model to use in obtaining client consent. A convenient point in time to request consent may be when you provide the client with the completed tax return.

If you use this sample consent form, please keep in mind that it is being furnished by AXA Advisors, AXA Distributors or AXA Network solely to provide your tax counsel with sample language. This document does not take into account your specific circumstances or, in some cases, recent legislation that may affect the client's situation. Legal counsel must review and modify this document before it is utilized.

Please be advised that this document is not intended as legal or tax advice. Accordingly, any tax information provided in this document is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer. The tax information was written to support the promotion or marketing of the transaction(s) or matter(s) addressed, and clients should seek advice based on their particular circumstances from an independent tax advisor.

Life insurance and annuity products are issued by AXA Equitable Life Insurance Company or an affiliate and are distributed through AXA Advisors, LLC, AXA Distributors, LLC and AXA Network, LLC and its subsidiaries. AXA Equitable, MONY Life Insurance Company of America, AXA Advisors, AXA Network and AXA Distributors are affiliated companies.

"AXA" is a brand name of AXA Equitable Financial Services, LLC and its family of companies, including AXA Equitable Life Insurance Company (NY, NY), MONY Life Insurance Company of America (AZ stock company, administrative office: Jersey City, NJ), AXA Advisors, LLC, and AXA Distributors, LLC. AXA S.A. is a French holding company for a group of international insurance and financial services companies, including AXA Equitable Financial Services, LLC. This brand name change does not change the legal name of any of the AXA Equitable Financial Services, LLC companies. The obligations of AXA Equitable Life Insurance Company and MONY Life Insurance Company of America are backed solely by their claims-paying ability.

All guarantees are based on the claims-paying ability of AXA Equitable Life Insurance Company (New York, NY) or MONY Life Insurance Company of America, an Arizona Stock Corporation with its main administrative office in Jersey City, NJ.

1290 Avenue of the Americas, New York, NY 10104, (212) 554-1234

G34705
IU-89727 (1/15) (Exp. 1/17)
Cat. #141742 (1/15)

A Tool for your Success

TAX STRATEGIES

1040 OVERLAY CASE STUDY

Brought to you by: Pinney Insurance Center, Inc.
2266 Lava Ridge Court | Roseville, CA 95661 | www.pinneyinsurance.com

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 $1,250,000.
- 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 distributions[1] 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.

A Tool for your Success

TAX STRATEGIES

1040 OVERLAY IMPLEMENTATION CHECKLIST

Brought to you by: Pinney Insurance Center, Inc.
2266 Lava Ridge Court | Roseville, CA 95661 | www.pinneyinsurance.com

AXA EQUITABLE
redefining / standards®

1040 Overlay Marketing Program

Implementation Checklist

How to Use the 1040 Overlay Program with: Clients and Prospects

☐ Send pre-approach letters to clients and prospects.

- Two basic options:
  - Clients at or nearing retirement
  - Younger clients
- Target client profile:
  - Clients of *any* age
  - Clients at *any* income level
  - Special concerns to consider:
    - Significant W-2 income
    - Social Security income
    - IRA and pension distributions
    - "Pass-through" income
    - Divorced paying or receiving alimony and/or child support
    - Receiving dividend or interest income
    - Charitably inclined
    - Special needs family members

☐ Follow up pre-approach letters with telephone calls.

Talking points:

- Changes have been made to the tax laws that:
  - Can impact the treatment of earned income
  - Impact the income tax rates and the rate applied to long-term capital gains for "highly compensated" clients
  - Introduction of phase-out of itemized deductions in 2013 for high-income earners
- The assessments of withholding for Social Security and Medicare have been modified.
- Gift and estate tax rates and exemptions have been solidified.
- Reallocation of assets may be appropriate to reduce tax exposure.

☐ Make an appointment to sit down with your client and discuss his/her most recent tax return.

- Use the overlay to highlight discussion points.
- Refer to the sections of the 1040 Guide Book that are indicated by highlights — key areas that you may want to address or mention are worthwhile for further discussion.
- Identify needs that your client is interested in addressing.
- Collect relevant client information to be used to develop proposals to meet the needs identified.

☐ Work with your AXA Equitable Regional Vice President or the Advanced Markets team to prepare life insurance proposals designed to meet needs identified by using this process.

☐ Present your proposals to your client, keeping the 1040 Overlay and Guide Book handy for reference as a reminder on how his/her needs were determined.

A Tool for your Success

TAX STRATEGIES

REDUCE TAXABLE INCOME WITH AN ANNUITY

Brought to you by: Pinney Insurance Center, Inc.
2266 Lava Ridge Court | Roseville, CA 95661 | www.pinneyinsurance.com

Reduce Taxable Income with an Annuity

The Problem:

This is the time of year when most Americans are filing tax returns and some of the returns probably include a 1099 that represents taxable interest earned in the previous year. It's not too late to offer your clients a way to reduce their tax bill.

- Clients are able to make IRA contributions for the previous tax year
- Can help reduce tax liability for next year

Made Simple:

Taxpayers are allowed to make contributions to certain IRA and Roth IRA plans in the *current* year and have the deduction apply to the *previous* tax year.

A great way to do this and protect their savings at the same time is by using a deferred annuity.

Benefits for Clients:

- Annuities provide guarantees of the principal
- Clients are able to reduce their tax liability for previous year
- They start to get into the habit of using annuities and taking advantage of tax deferral

Benefits for You:

- Creates additional adhesion to clients - you are more than an insurance agent
- Reduces their tax bill in an easy process
- Great cross-sell opportunity

If you are interested in learning more and making this part of your sales process, call **(800) 823-4852** to speak to your Pinney Brokerage Director.

PINNEY
INSURANCE

2266 Lava Ridge Court
Roseville, CA 95661
www.pinneyinsurance.com

PINNEY INSURANCE

Providing All the Tools for Your Success(sm)

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.

Pinney has expanded into a national distributor with thousands of contracted agents and offices in California, Illinois, Maryland, North Carolina, Oklahoma, Pennsylvania, Texas, Washington, and Mississippi. Pinney represents over 100 life, annuity, disability, and long-term care companies with the intent of providing our clients & partners with the best possible product solutions at the lowest possible costs.

Email Brokerage Sales Support or contact one of our Brokerage Directors today at 800-823-4852.

Quick Links

- Pinney Insurance
- DataRaptor
- EZLifeSales
- Case Status
- Get a Quote
- Forms
- Contracting

Most Popular Tools

- **Full-Service Brokerage**
  www.pinneyinsurance.com
  Access to carrier forms, quote tools, and 24/7 case status.
- **DataRaptor.com**
  www.dataraptor.com - Insurance marketing evolved!
  Innovative Features
  Client Management Preview
- **EZLifeSales.com**
  www.ezlifesales.com - Learn How it works.
  Features customizable marketing materials,
  1 page app, and customizable quoting tool.
- **Policy Assessment**
  Learn about our hassle-free Policy Assessment Kit.
- **Ask the Underwriter**
  Introducing Our In-House Agency Underwriter
  Click here for a Basic Underwriting Questionnaire