

Effective Wealth Transfer Strategies

Maximizing the value of your estate.

This Strategy is best suited for:

- People who want to leave more wealth to their heirs or favorite charities.
 - or -
- Anyone with assets that they do not anticipate using during their lifetime.

Effective Wealth Transfer Strategies

Our Philosophy

1. To preserve your lifestyle.
2. To protect your hard earned savings.
3. To maximize what you leave to each other and to your heirs.
4. To minimize the tax burden your heirs will be faced with as your wealth transfers to them.

Effective Wealth Transfer Strategies

Always remember you have two beneficiaries in your estate:

- Your heirs
- The IRS

Effective Wealth Transfer Strategies

Three Asset Classes

Taxable

CDs
Savings
Stocks
Bonds
Mutual Funds
Rental Income

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Tax Deferred

Annuities
IRAs
401(k)s
TSAs

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Three Asset Classes

Taxable

CDs
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Tax Deferred

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IRAs
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TSAs

Income Tax Free*

Life Insurance

* Death benefit is generally tax-free to your beneficiary

WEALTH TRANSFER

What makes Life Insurance Federal Income Tax Free?



Department of the Treasury
Internal Revenue Service

Publication 525
Cat. No. 150478

Taxable and Nontaxable Income



Get forms and other information faster and easier by:

Internet • www.irs.gov

FAX • 703-368-9694 (from your fax machine)

Contents

What's New	1
Reminders	2
Introduction	2
Employee Compensation	3
Miscellaneous Compensation	3
Fringe Benefits	4
Retirement Plan Contributions	7
Stock Options	9
Restricted Property	11
Special Rules for Certain Employees	12
Clergy	12
Members of Religious Orders	12
Foreign Employer	12
Military	13
Volunteers	13
Business and Investment Income	13
Rents From Personal Property	13
Royalties	14
Partnership Income	14
S Corporation Income	14
Sickness and Injury Benefits	14
Disability Payments	15
Long-Term Care Insurance Contracts	15
Workers' Compensation	16
Other Sickness and Injury Benefits	16
Miscellaneous Income	16
Bartering	16
Canceled Debts	17
Education Loan Repayment Assistance	18
Life Insurance Proceeds	18
Recoveries	19
Survivor Benefits	25
Unemployment Benefits	25
Welfare and Other Public Assistance Benefits	26
Other Income	27
Repayments	31
How To Get Tax Help	32
Index	34

What's New

Education loan repayment assistance. Beginning in 2004, education loan repayments made to you by the National Health Service Corps Loan Repayment Program (NHSC Loan Repayment Program) or a state education loan repayment program eligible for funds under the Public Health Service Act are not taxable if you agree to provide primary health services in health professional shortage areas. For more information, see Publication 970, Tax Benefits for Education.

- Religious.
- Scientific.
- Testing for public safety.

Exception. You do have income if your student loan was made by an educational institution and is canceled because of services you performed for the institution or other organization that provided the funds.

Deductible debt. You do not have income from the cancellation of a debt if your payment of the debt would be deductible. This exception applies only if you use the cash method of accounting. For more information, see chapter 5 of Publication 334.

Price reduced after purchase. Generally, if the seller reduces the amount of debt you owe for property you purchased, you do not have income from the debt is treated and reduces your

Excluded debt in your gross income.

- The debt is under the National Health Service Corps Loan Repayment Program (NHSC Loan Repayment Program) or a state education loan repayment program eligible for funds under the Public Health Service Act.
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Education Assistance

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Life Insurance Proceeds

Life insurance proceeds paid to you because of the death of the insured person are not taxable unless the policy was turned over to you for a price. This is true even if the proceeds were paid under an accident or health insurance policy or an endorsement contract.

Proceeds not received in installments. If death benefits are paid to you in a lump sum or other than at regular intervals, include in your income only the benefits that are more than the amount payable to you at the time of the insured person's death. If the benefit payable at death is not specified, you include in your income the

benefit payments that are more than the present value of the payments at the time of death.

Proceeds received in installments. If you receive life insurance proceeds in installments, you can exclude part of each installment from your income.

To determine the excluded part, divide the amount held by the insurance company (generally the total lump sum payable at the death of the insured person) by the number of installments to be paid. Include anything over this excluded part in your income as interest.

Example. The face amount of the policy is \$75,000 and, as beneficiary, you choose to receive 120 monthly installments of \$1,000 each. The excluded part of each installment is \$625 (\$75,000 ÷ 120), or \$7,500 for an entire year. The rest of each payment, \$375 a month (or \$4,500 for an entire year), is interest income to

party to the arrangement pays all or part of the premiums, and one of the parties paying the premiums is entitled to recover all or part of those premiums from the proceeds of the contract. There are two mutually exclusive regimes to tax split-dollar life insurance arrangements.

1. Under the economic benefit regime, the owner of the life insurance contract is treated as providing current life insurance protection and other taxable economic benefits to the non-owner of the contract.
2. Under the loan regime, the non-owner of the life insurance contract is treated as loaning premium payments to the owner of the contract.

Only one of these regimes applies to any one policy. For more information, see sections 1.61-22 and 1.7872-15 of the regulations.

“Life insurance proceeds paid to you because of the death of the insured person are not taxable...”

Exclusion for a surviving spouse does not apply. If you later decide to receive the proceeds from the policy in installments, you can take the interest exclusion from the time you begin to receive the installments.

Surrender of policy for cash. If you surrender a life insurance policy for cash, you must include in income any proceeds that are more than the cost of the life insurance policy. In general, your cost (or investment in the contract) is the total of premiums that you paid for the insurance policy, less any refunds of premiums, rebates, dividends, or unexpended amounts that were not included in your income.

You should receive Form 1099-R showing the total proceeds and the taxable part. Report these amounts on lines 16a and 16b of Form 1040 or on lines 12a and 12b of Form 1040A.

TIP For information on when the proceeds are excluded from income, see Accelerated Death Benefits, later.

Split-dollar life insurance. Generally, a split-dollar life insurance arrangement is an arrangement between an owner and a non-owner of a life insurance contract under which either

Accelerated Death Benefits. Certain amounts paid as accelerated death benefits under a life insurance contract or viatical settlement before the insured's death are excluded from income if the insured is terminally or chronically ill.

Viatical settlement. This is the sale or assignment of any part of the death benefit under a life insurance contract to a viatical settlement provider. A viatical settlement provider is a person who regularly engages in the business of buying or taking assignment of life insurance contracts on the lives of insured individuals who are terminally or chronically ill and who meets the requirements of section 101(g)(2)(B) of the Internal Revenue Code.

Exclusion for terminal illness. Accelerated death benefits are fully excludable if the insured is a terminally ill individual. This is a person who has been certified by a physician as having an illness or physical condition that can reasonably be expected to result in death within 24 months from the date of the certification.

WEALTH TRANSFER

What can a wealth transfer life plan do for you?

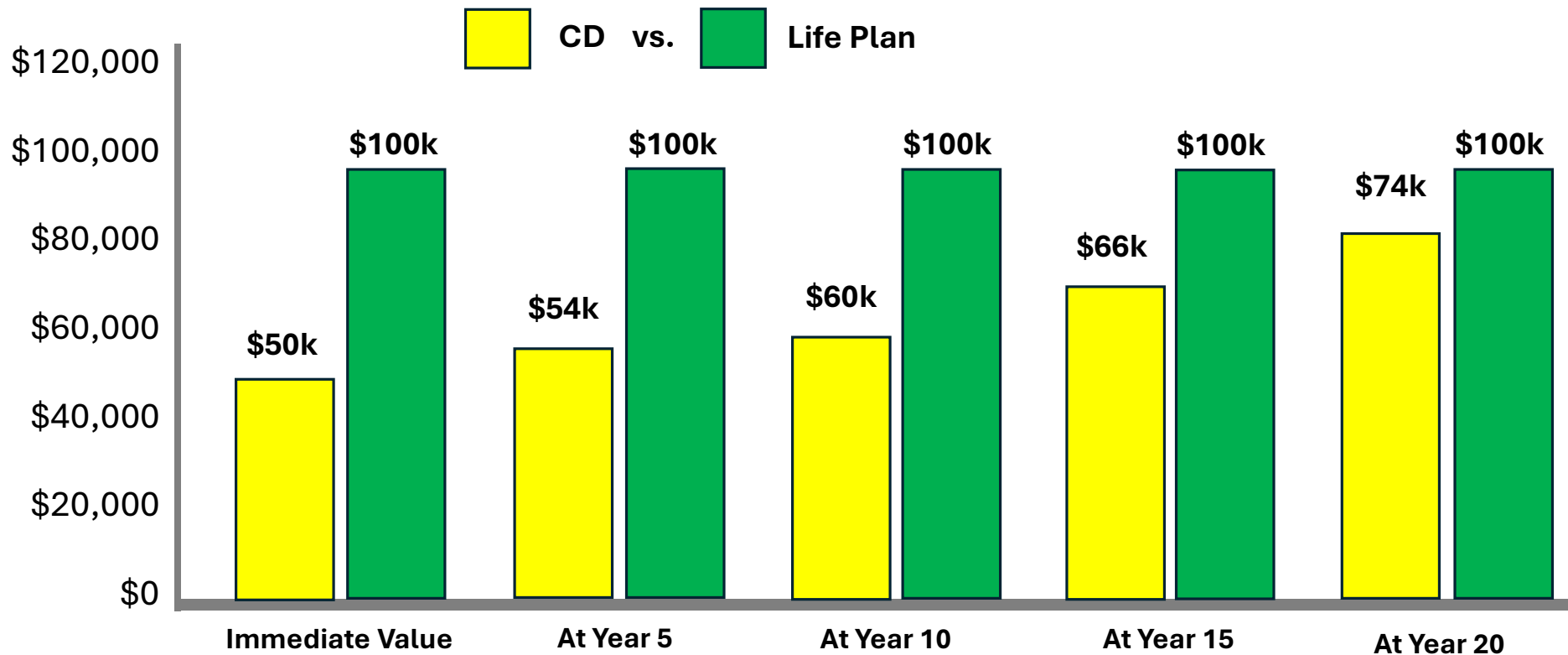
- Immediately increase the value of your assets.
- Increased values are fully guaranteed.
- Increased values are free from market risk.
- No federal income taxes.*
- Available cash for unexpected emergencies.
- No probate costs.**
- Proceeds transfer rapidly; no delays.
- Unlike a will, beneficiary designations cannot be contested.***

*Generally, death benefits pass to your named beneficiary tax free. **Generally, life insurance proceeds by-pass probate.

***A claim must be submitted to the life insurance company, with complete documentation as required under the policy.

WEALTH TRANSFER

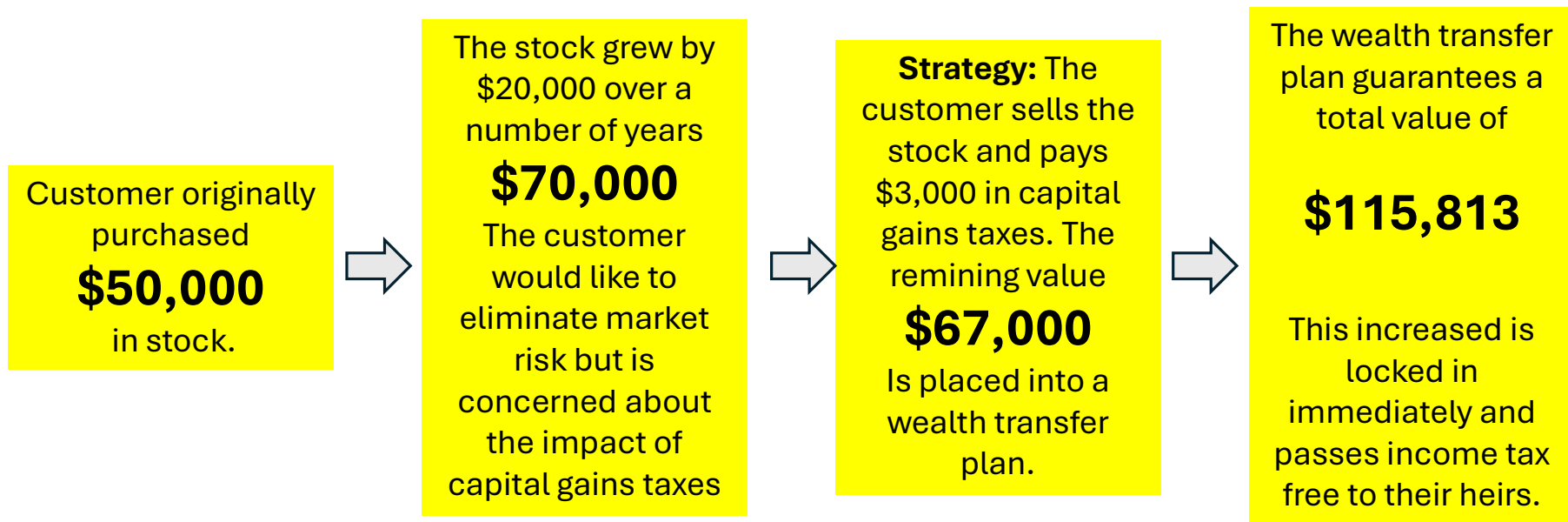
A wealth transfer plan can give you a significant head start on what you will leave to your heirs.



Assumes CD rate of 3.0%, a 30% state & federal tax bracket for a 65-year-old female non-smoker

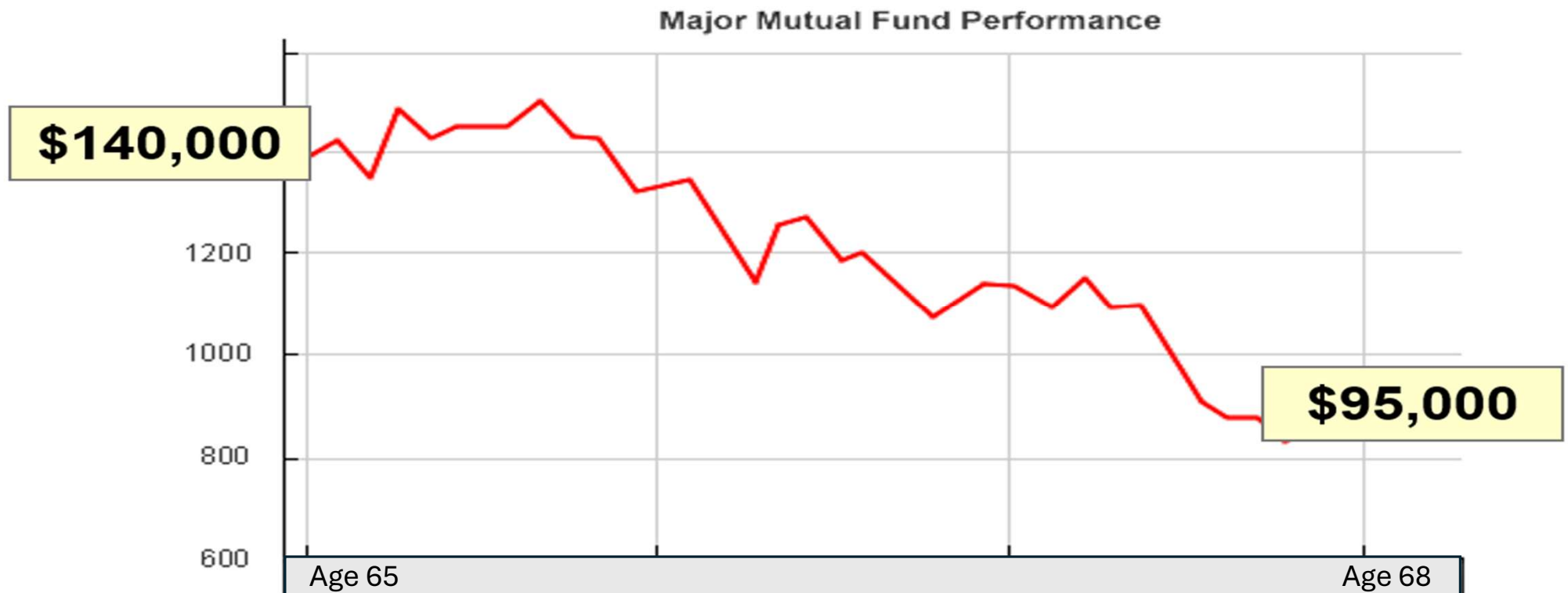
WEALTH TRANSFER

A wealth transfer plan can help you lock in or increase your existing values while eliminating market risk.



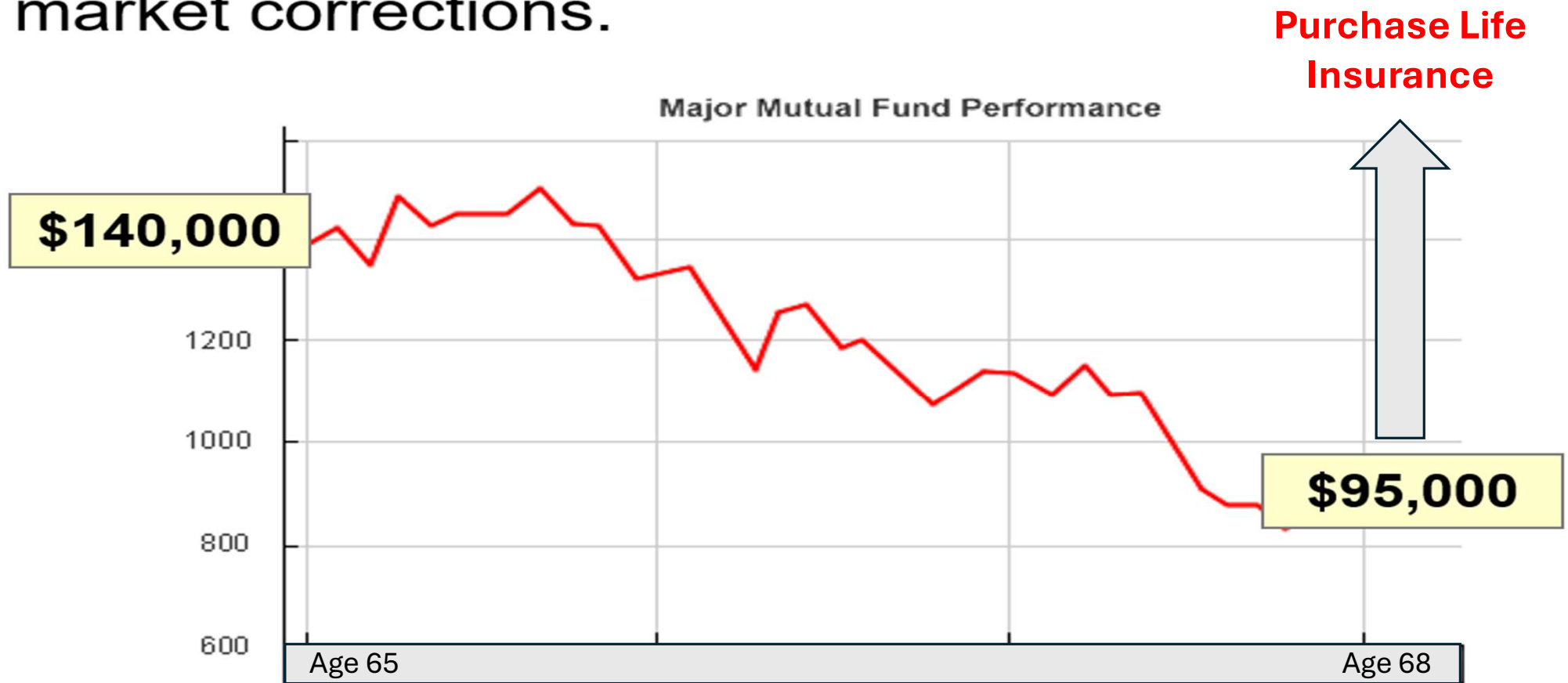
WEALTH TRANSFER

A wealth transfer plan can recover lost wealth from market corrections.



WEALTH TRANSFER

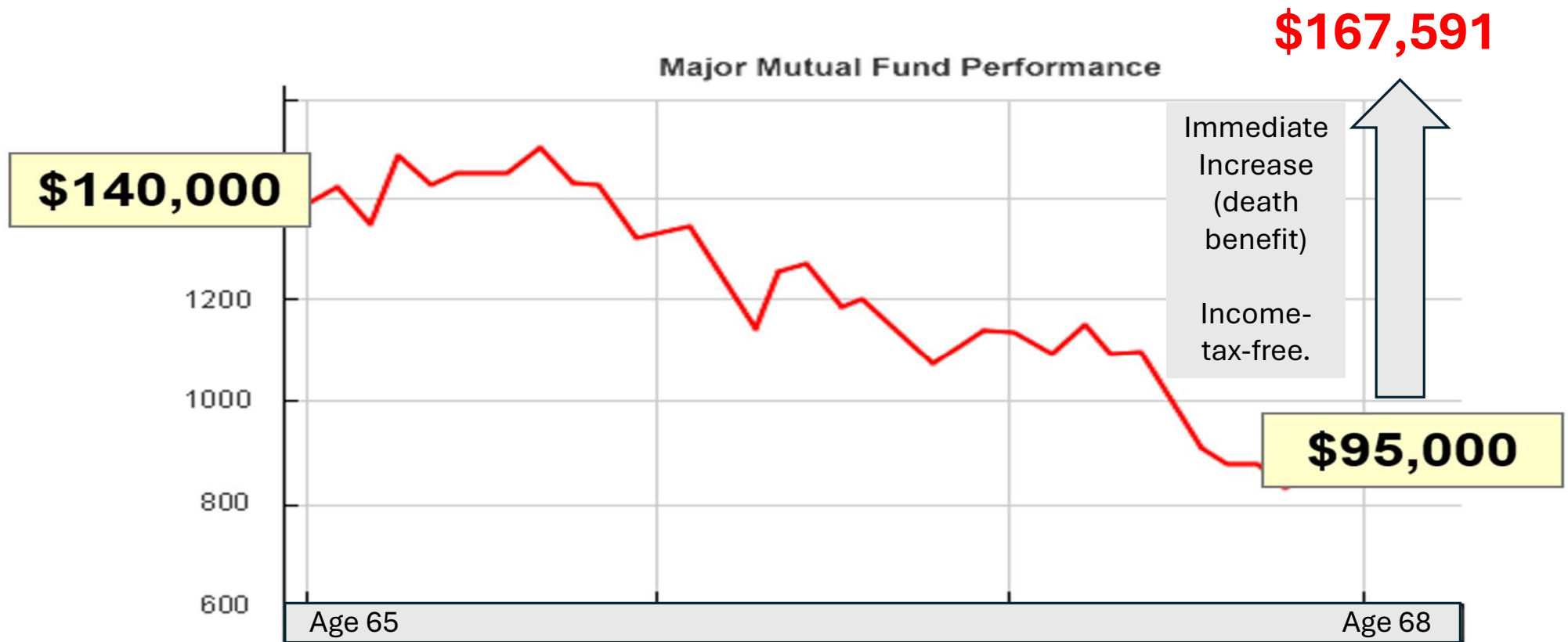
A wealth transfer plan can recover lost wealth from market corrections.



68-year-old female, non-smoker

WEALTH TRANSFER

A wealth transfer plan can recover lost wealth from market corrections.



68-year-old female, non-smoker

WEALTH TRANSFER

A wealth transfer plan can make your interest more interesting.

A 70-year-old
owns a portfolio
generating
\$20,000
of interest
income they
don't plan on
using.



Strategy:
Move these
funds into a
wealth transfer
plan.



**Immediate
Increase:**
The wealth transfer
plan creates a
\$33,089
Guaranteed death
benefit. This
represents **an
increase in value
of 65.4%**, income-
tax-free.

WEALTH TRANSFER

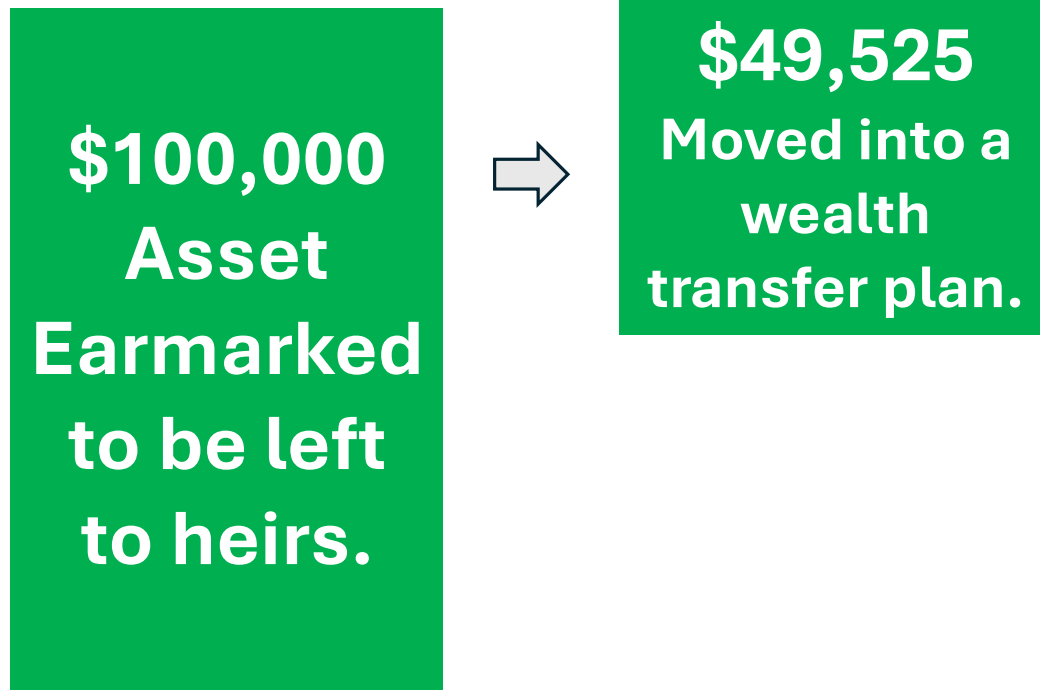
A wealth transfer plan can free up valuable dollars while still accomplishing your goal of leaving assets to your loved ones.

**\$100,000
Asset
Earmarked
to be left
to heirs.**

64-year-old female, non-smoker

WEALTH TRANSFER

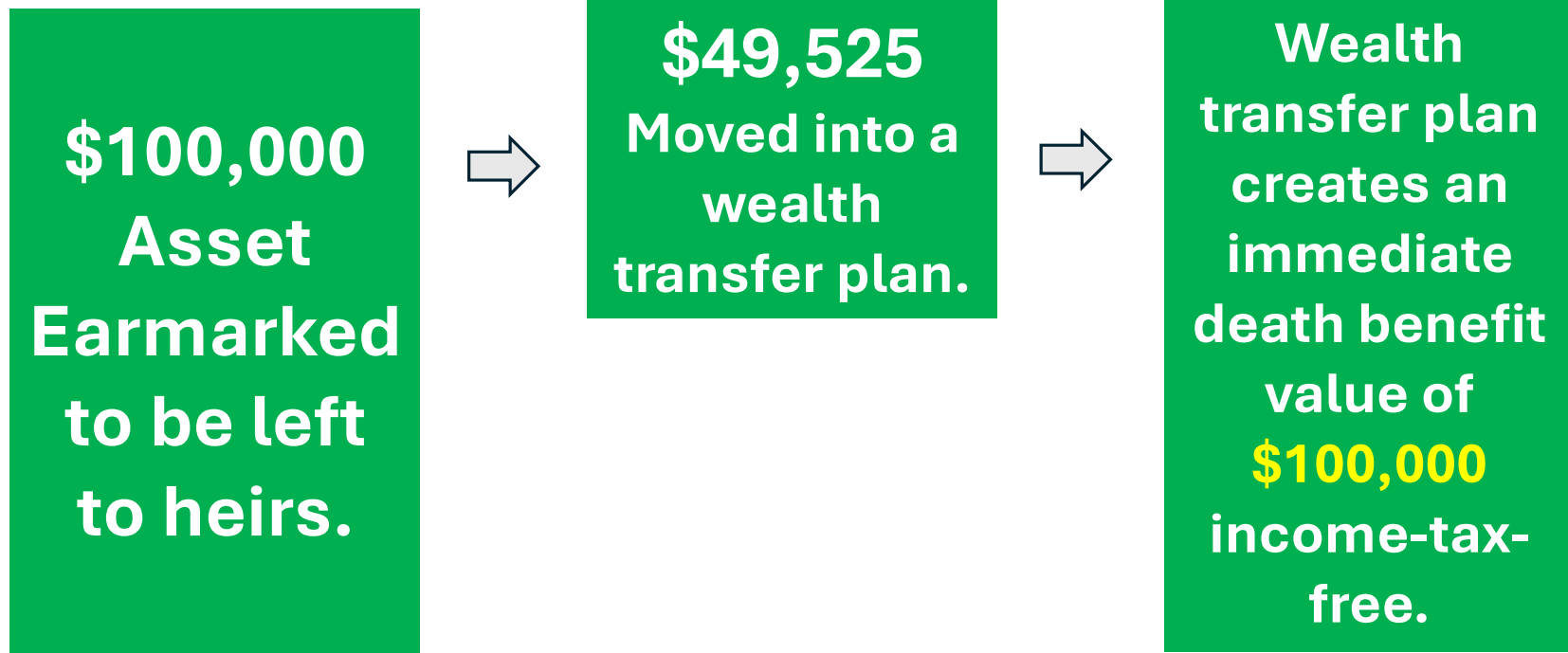
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64-year-old female, non-smoker

WEALTH TRANSFER

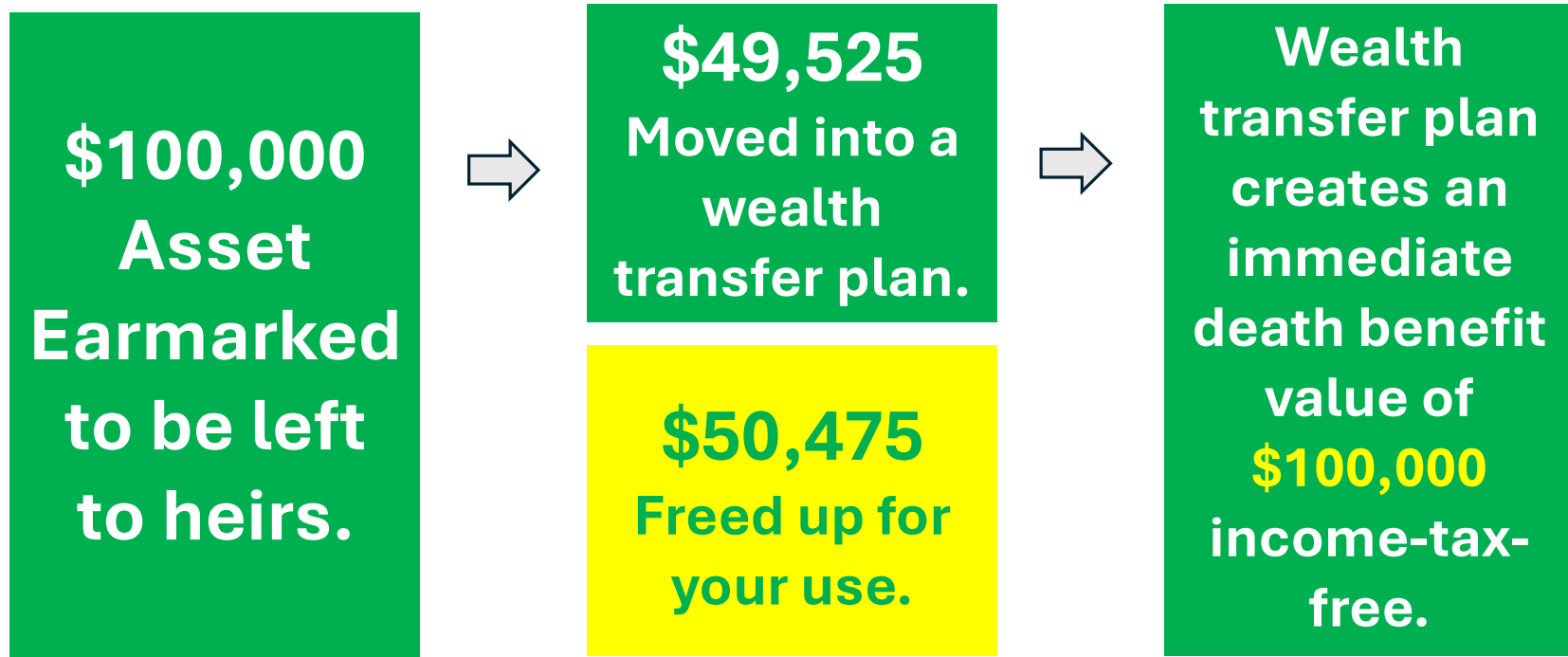
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64-year-old female, non-smoker

WEALTH TRANSFER

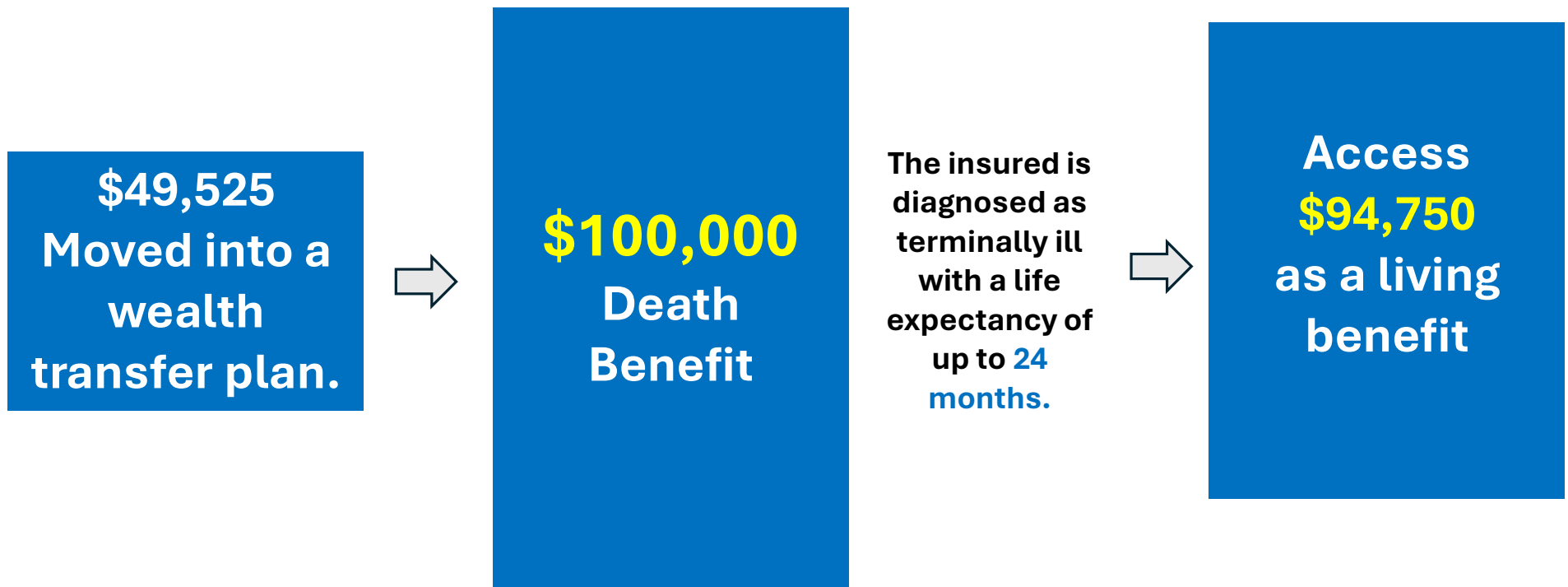
A wealth transfer plan can free up valuable dollars while still accomplishing your goal of leaving assets to your loved ones.



64-year-old female, non-smoker

WEALTH TRANSFER

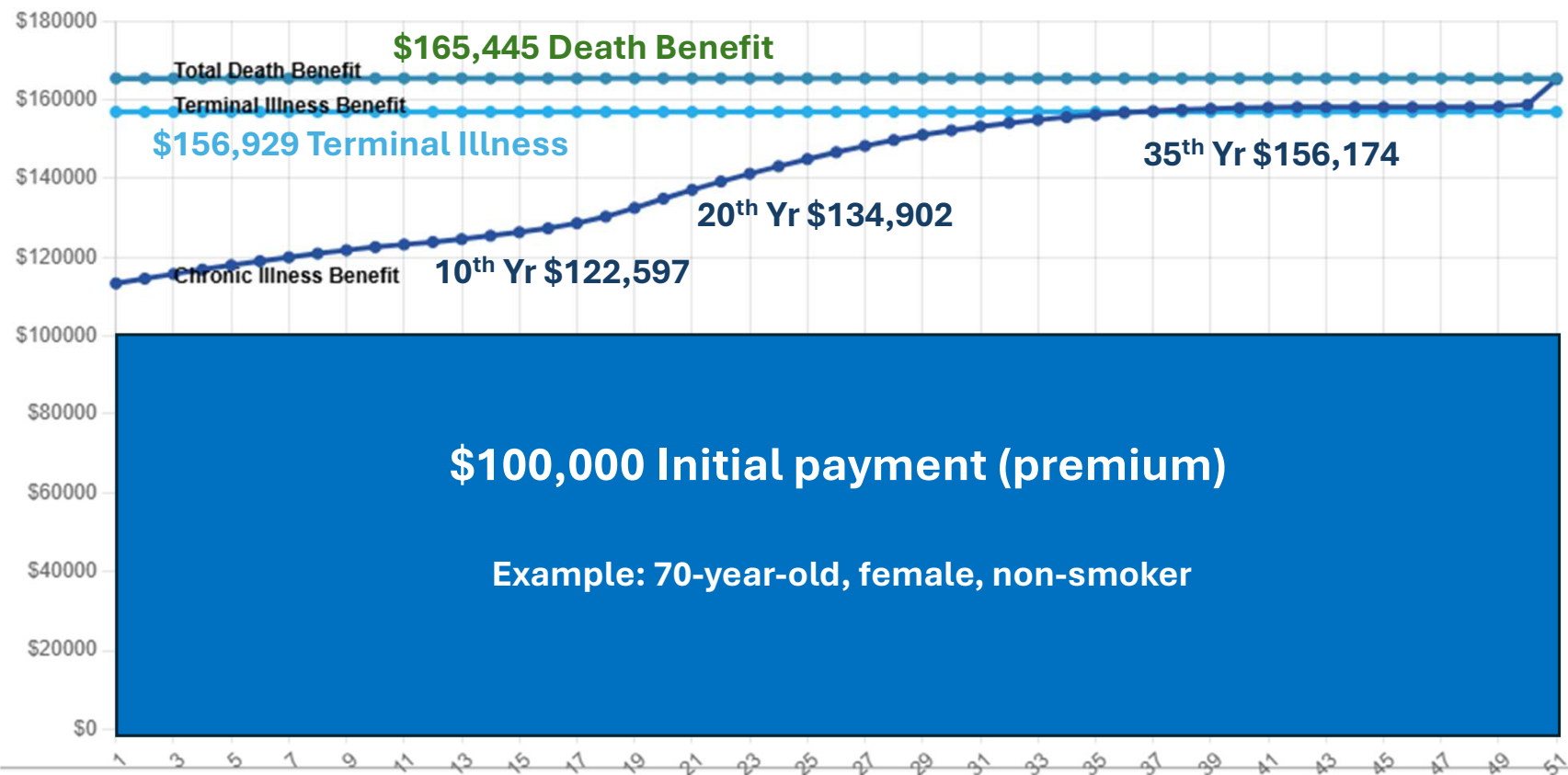
Today's innovative plans also include valuable living benefits.



64-year-old female, non-smoker. Living benefits are an acceleration of your death benefit. Accessing the full available amount will full satisfy and surrender the policy. Accessing a partial benefit will proportionally reduce your death benefit. See policy for details.

WEALTH TRANSFER

Chronic Illness benefits are also available and continue to grow.



Payable when unable to perform 2 of 6 of activities of daily living or suffers from a severe organic mental illness.

Living benefits are an acceleration of your death benefit. Accessing the full available amount will full satisfy and surrender the policy. Accessing a partial benefit will proportionally reduce your death benefit. See policy for details.

How do you feel about:

- ☒ **An immediate increase to the value of your assets?**
- ☒ **Your values being fully guaranteed?**
- ☒ **Your assets being free from market risk?**
- ☒ **Likely eliminating federal income taxes?**
- ☒ **Likely avoiding probate costs & delays?**
- ☒ **Your assets transferring rapidly?**
- ☒ **Accomplishing your desires for your beneficiaries?**
- ☒ **Accessing increased value for Terminal or Chronic illness?**

Living benefits are an acceleration of your death benefit. Accessing the full available amount will full satisfy and surrender the policy. Accessing a partial benefit will proportionally reduce your death benefit. See policy for details.

WEALTH TRANSFER

A wealth transfer life insurance plan can immediately maximize the value of the assets you leave to those you care about most. You can also take advantage of valuable accelerated living benefits for terminal or chronic illness.

- **The values are guaranteed by the insurance company.**
- **Benefits are paid federal income tax free in most cases.**
- **Assets normally transfer outside of probate costs and delays when you have a properly designated beneficiaries.**

Increase your wealth today!