

Estate Planning with Life Insurance

Estate planning tips with a focus on needs solved using life insurance.

DISCLOSURES

These disclosures apply to this presentation in its entirety.

North American Company nor its agents give tax advice. Please advise your customers to consult with and rely on a qualified legal or tax advisor before entering into or paying additional premiums with respect to such arrangements.

Death benefit guarantees are subject to premium payment requirements.

Index 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.

Please refer to the marketing guides for complete product details: Custom Guarantee (PR-651), Custom TermGUL (PR-1166) and Survivorship GIUL (PR-1435)

Custom Guarantee is issued on policy form series LS170, Custom TermGUL is issued on policy form series LS167, Survivorship GIUL is issued on policy form series LS171, Premium Guarantee Rider is issued on form series LR452; by North American Company for Life and Health Insurance, Executive Office, Chicago, IL. Products, features, riders, endorsements or issue ages may not be available in all jurisdictions. Limitations and restrictions may apply.

In this session

- The concerns around estate taxes
- Future of estate taxes
- Questions to discover life solutions
- Ownership
- Life products

The time to plan is now

Odds that you will die = 100%

Timing = Unknown

What will happen to your assets = Up to you

Too early to plan?

Of 2,246,264 deaths in 2006: 281,401 (13%) were from ages 55-64¹

1. Source: CDC, "National Vital Statistics Reports," volume 57 number 14, April 17, 2009, http://www.cdc.gov/nchs/data/nvsr/nvsr57/nvsr57_14.pdf

Estate Taxes – a concern for many

- Federal Tax
- State Tax
 - States with death taxes below \$3,500,000 limits in 2009:
Connecticut, District of Columbia, Illinois, Indiana, Kansas, Maine, Maryland, Massachusetts, Minnesota, New Jersey, New York, Ohio, Oklahoma, Oregon, Rhode Island, Tennessee, Vermont, Washington²
- 62,718 estate tax returns reporting a gross estate of \$1 million or more were filed in 2004³
- 10,055 of them were for estates over \$3.5 million³

2. "2009 State Death Tax Chart," September 19, 2009, http://www.mcguirewoods.com/news-resources/publications/taxation/state_death_tax_chart.pdf

3. Stern, Linda, "Death Looms for the 'Death Tax,'" October 23, 2009, http://bulletin.aarp.org/yourmoney/personalfinance/articles/death_looms_for_the_death_tax_.html

Current* Federal Estate Tax

- 2009 = \$3,500,000 exclusion. Maximum 45% bracket
- 2010 = No estate tax
- 2011+ = \$1,000,000 exclusion. Maximum 55% bracket

* As of 11/13/2009

Source: Stern, Linda, "Death Looms for the 'Death Tax' ", Oct. 23, 2009, http://bulletin.aarp.org/yourmoney/personalfinance/articles/death_looms_for_the_death_tax_.html

The future of estate taxes – more questions than answers

- What will the exemption be in 2010? Beyond?
- Will it be indexed for inflation?
- What will the tax brackets be?
- Will personal exemption be portable to spouse?
- Will congress make a permanent decision?

A growing estate?

Estate Value	\$3,000,000		\$10,000,000	
Growth Rate	3%	5%	3%	5%
5 years	\$3,477,822	\$3,828,845	\$11,592,741	\$12,762,816
10 years	\$4,031,749	\$4,886,684	\$13,439,164	\$16,288,946
15 years	\$4,673,902	\$6,236,785	\$15,579,674	\$20,789,282

Questions for clients to help discover life solutions

- Do you have children?
- Do you have grandchildren?
- How big is your estate?
- Have you thought about the future of estate taxes?
- Are you familiar with your state death tax rates?
- Do you expect future gifts or inheritance?

Questions for clients to help discover life solutions

- Do you have a family business that you would like to pass on?
- Do you have land or hard assets of significant value?
- Are there charities that are close to your heart?
- Do you have an outstanding mortgage?
- What are your goals in estate planning?

Estate Planning Goals

- Reduce estate settlement costs
- Provide sufficient estate liquidity
- Preserve the value of the estate
- Plan for orderly disposition of a business interest
- Make specific bequests
- Minimize taxes
- Maximize amount to heirs
- Balance estate
- Provide for spouse/children/grandchildren
- Supplemental education funding

Ownership

- Individually Owned
- Trusts
 - Irrevocable Life Insurance Trust (ILIT)
 - Annual gifting
 - Lifetime gift exclusion
- Owned by heir or other individual

What about needs analysis?

- Fact Finders
- Books and articles
- Outside resources
 - Client's advisors
 - Your advisors
- Advanced Life Insurance Consulting Services (ALICS)

Products

- Single Life
 - Custom Guarantee[®] universal life insurance
 - Custom TermGULsm universal life insurance
- Survivorship Universal Life
 - Survivorship GIUL indexed universal life insurance
- *Auto bind limit to age 75 is \$20,000,000*
- *Jumbo limit is \$35,000,000 for all ages*

Custom Guarantee

- Low cost coverage
- Benefit band for \$1,000,000+
- Guaranteed death benefit

Custom TermGUL

- Guaranteed death benefit with the Premium Guarantee Rider
- Competitive price
- Benefit band for \$1,000,000+
- Cash surrender value potential
 - Exit strategy if needs change
 - Future portability via 1035 exchange

Survivorship GIUL

- Joint life last survivor plan
- Cover one uninsurable*
- Guaranteed death benefit
- Benefit band for \$1,000,000+
- Cash surrender value potential
 - Exit strategy if needs change
 - Future portability via 1035 exchange

An uninsurable is defined as an individual who is rated higher than Table 16, but has a minimum life expectancy of 18-months. An uninsurable is allowable as long as the other applicant is rated at Table 6 or better. A flat extra of \$200 per \$1,000 of specified amount is added to the cost of insurance for the uninsurable.

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