

# Estate Planning with Survivorship GIUL Indexed Universal Life Insurance



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Surrender charges vary by product, issue age, sex, underwriting class, and policy year. 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.

Please refer to the Survivorship GIUL marketing guide PR-1435 and the Builder IUL series marketing guide PR-1275.

# Who Needs to be Concerned with Estate Planning?

- Wealthy and those of moderate wealth
- People seeking to cover estate taxes
- Closely held business owners
- Parents seeking equitable and sizable estate distribution
- Those seeking to leave a bequest to charity or children

# Estate Planning Goals

- Provide sufficient estate liquidity & preserve the value of the estate from taxes
- Plan for orderly disposition of a business interest
- Make specific bequests
- Maximize amount to heirs
- Balance estate
- Provide for children/grandchildren

# Survivorship Life Insurance

- Pays death benefit at 2<sup>nd</sup> death of two insureds
- Provides leverage of premium dollars into larger death benefit
- Transfers assets efficiently

# Case Studies

- Estate taxes
- Estate balancing
- Legacy building

# Estate Taxes Case Study

- Don and Doris are each age 65.
- They have an estate worth \$5 million and expect it to grow slightly.
- They live in a state with a \$1 million exemption.
- They want to plan on federal exemption of \$3.5million and assume federal tax rate of 45% and state of 10%.

# Don & Doris Calculations

(as they identified with help of their financial advisors)

Without combining individual exemptions:

- Federal need: \$675,000  
 $(\$5,000,000 - \$3,500,000) \times 45\%$
- State need: \$400,000  
 $(\$5,000,000 - \$1,000,000) \times 10\%$

Total current need: \$1,075,000

# Don & Doris Calculations

(as they identified with help of their financial advisors)

## Combine individual exemptions via A/B trust:

- Federal need: \$0  
 $(\$5,000,000 - \$7,000,000) \times 45\%$
- State need: \$300,000  
 $(\$5,000,000 - \$2,000,000) \times 10\%$

Total current need: \$300,000

# Considerations

- **Ownership**
  - If policy is owned by insured, \$300,000 death benefit is included in the estate, raising the amount needed to \$333,333 to cover state death tax at an additional premium cost of over \$500/year!
  - Irrevocable Life Insurance Trust may be a solution.
  - Policy may be owned by child or outside owner.
- **Growth in estate**
  - If an estate grows at a rate faster than federal and/or state exemptions, needs could change.
- **Change in federal or state tax rates**

# Solution

- Don & Doris decide:
  - To purchase a Survivorship GIUL indexed universal life insurance policy to cover their estate tax needs
  - To set up appropriate trust work including A/B trust to cover multiple exemptions and ILIT.
  - Though the need has been identified as \$300,000, the agent shows another illustration of \$500,000 to cover potential estate growth and possible tax rate changes.
    - Easier to reduce than increase death benefit in future.

End of Year	Guaranteed				Non-Guaranteed		
	Premium Outlay	Account Value	Surrender Value	Death Benefit	Account Value	Surrender Value	Death Benefit
					8.00% Interest Rate for Index Selections		
					3.00% Interest Rate		
1	4592.12	2059	0	300000	2312	0	300000
2	4592.12	4056	0	300000	4796	0	300000
3	4592.12	5966	0	300000	7459	0	300000
4	4592.12	7757	581	300000	10310	3134	300000
5	4592.12	9395	2375	300000	13355	6335	300000
	<u>22,960.60</u>						
6	4592.12	10834	3970	300000	16595	9731	300000
7	4592.12	12018	5466	300000	20036	13484	300000
8	4592.12	12869	6473	300000	23673	17277	300000
9	4592.12	13308	7224	300000	27496	21412	300000
10	4592.12	13246	7318	300000	31477	25549	300000
	<u>45,921.20</u>						
11	4592.12	12572	7112	300000	35767	30307	300000
12	4592.12	11156	6008	300000	40184	35036	300000
13	4592.12	8829	4149	300000	44655	39975	300000
14	4592.12	5377	1009	300000	49076	44708	300000
15	4592.12	543	0	300000	53263	49363	300000
	<u>68,881.80</u>						

\$300,000 DB

\$4,592.12/yr

End of Year	Guaranteed				Non-Guaranteed		
	Premium Outlay	Account Value	Surrender Value	Death Benefit	Account Value	Surrender Value	Death Benefit
					8.00% Interest Rate for Index Selections		
					3.00% Interest Rate		
1	7607.62	3445	0	500000	3863	0	500000
2	7607.62	6787	0	500000	8014	0	500000
3	7607.62	9984	0	500000	12464	0	500000
4	7607.62	12983	1023	500000	17228	5268	500000
5	7607.62	15727	4027	500000	22316	10616	500000
	<u>38,038.10</u>						
6	7607.62	18140	6700	500000	27731	16291	500000
7	7607.62	20130	9210	500000	33482	22562	500000
8	7607.62	21564	10904	500000	39560	28900	500000
9	7607.62	22313	12173	500000	45950	35810	500000
10	7607.62	22227	12347	500000	52604	42724	500000
	<u>76,076.20</u>						
11	7607.62	21122	12022	500000	59777	50677	500000
12	7607.62	18782	10202	500000	67163	58583	500000
13	7607.62	14925	7125	500000	74640	66840	500000
14	7607.62	9194	1914	500000	82036	74756	500000
15	7607.62	1162	0	500000	89047	82547	500000
	<u>114,114.30</u>						

\$500,000 DB

\$7,607.62/yr

# Estate Balancing Case Study

- Robert and Jackie are each 60 years old.
- They have a family farm that accounts for \$2,000,000 of their \$3,000,000 net worth.
- They have 3 children (Mark, Lynn, and David) though only Mark has any interest in continuing to operate the farm.
- The goal is to treat the children equally.

# Options

- Farm is sold for cash
  - Doesn't meet Mark's desire to continue farming or the parents' to wished to see the farm remain in family
- Each child inherits 1/3 of the farm
  - Mark doesn't have complete control
  - Lynn and David may desire cash more than partial ownership
- Mark takes a loan to buy out the siblings' shares
  - May not qualify for loan amount
  - Interest rates may not be attractive when needed
  - May place a large burden on Mark requiring partial liquidation

# Survivorship GIUL

- \$3,000,000 survivor life insurance policy.
- Each heir receives equal value.
  - Mark receives \$2,000,000 farm and equipment
  - Lynn and David receive \$2,000,000 each (from combination \$3,000,000 life policy and \$1,000,000 other assets)
- Life policy can be put into a trust to avoid estate tax concerns (or larger amount can be purchased to cover estate taxes and avoid liquidation of assets).

End of Year	Guaranteed				Non-Guaranteed		
	Premium Outlay	Account Value	Surrender Value	Death Benefit	8.00% Interest Rate for Index Selections		
					Account Value	Surrender Value	Death Benefit
1	28799.22	13715	0	3000000	15276	0	3000000
2	28799.22	27339	0	3000000	31448	0	3000000
3	28799.22	40739	0	3000000	48848	0	3000000
4	28799.22	53757	0	3000000	67563	6843	3000000
5	<u>28799.22</u>	66214	6814	3000000	87676	28276	3000000
	143,996.10						
6	28799.22	77896	19816	3000000	109274	51194	3000000
7	28799.22	88570	33130	3000000	132450	77010	3000000
8	28799.22	97971	43851	3000000	157276	103156	3000000
9	28799.22	105776	54296	3000000	183851	132371	3000000
10	<u>28799.22</u>	111628	61468	3000000	212240	162080	3000000
	287,992.20						
11	28799.22	115027	68827	3000000	243646	197446	3000000
12	28799.22	115376	71816	3000000	277166	233606	3000000
13	28799.22	111798	72198	3000000	312823	273223	3000000
14	28799.22	103482	66522	3000000	350369	313409	3000000
15	<u>28799.22</u>	89479	56479	3000000	389731	356731	3000000
	431,988.30						
16	28799.22	68599	40879	3000000	430890	403170	3000000
17	28799.22	39442	17002	3000000	473734	451294	3000000
18	28799.22	159	0	3000000	518080	500920	3000000
19	28799.22	0	0	3000000	563566	551686	3000000
20	<u>28799.22</u>	0	0	3000000	609534	602934	3000000
	575,984.40						
21	28799.22	0	0	3000000	670571	670571	3000000
22	28799.22	0	0	3000000	731958	731958	3000000
23	28799.22	0	0	3000000	792999	792999	3000000
24	<u>28799.22</u>	0	0	3000000	852773	852773	3000000
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The information presented is hypothetical and not intended to project or predict investment results. Illustrations are not complete unless all pages are included. Illustrations assume 60male preferred non tobacco and 65 female preferred non tobacco. Solved for premium to guarantee to age 120.



# Legacy Building Case Study

- Don and Karen are 55 years old and in good health.
- They seek to grow a legacy for their two children (Chad and Katie).
- Open to funding options that would enable them to generate a \$1,000,000 benefit.

# Funding options

- Lump sum = \$154,944.55
- Short pay (15 years) = \$11,209.91
- Lifetime pay = \$6,562.11

# Short pay

- Reasonable premium payment period
- Cash value growth potential
- Leveraged death benefit

End of Year	Premium Outlay	Guaranteed			Non-Guaranteed		
		Account Value	Surrender Value	Death Benefit	Account Value	Surrender Value	Death Benefit
					8.00% Interest Rate for Index Selections		
					3.00% Interest Rate		
1	11209.91	7221	0	1000000	7798	0	1000000
2	11209.91	14578	0	1000000	16141	0	1000000
3	11209.91	22058	4298	1000000	25058	7298	1000000
4	11209.91	29646	12626	1000000	34667	17647	1000000
5	<u>11209.91</u>	37324	20674	1000000	45019	28369	1000000
	56,049.55						
6	11209.91	45068	28788	1000000	56171	39891	1000000
7	11209.91	52846	37306	1000000	68184	52644	1000000
8	11209.91	60616	45446	1000000	81122	65952	1000000
9	11209.91	68331	53901	1000000	95052	80622	1000000
10	<u>11209.91</u>	75940	61880	1000000	110047	95987	1000000
	112,099.10						
11	11209.91	83380	70430	1000000	126786	113836	1000000
12	11209.91	90587	78377	1000000	144876	132666	1000000
13	11209.91	97487	86387	1000000	164422	153322	1000000
14	11209.91	103987	93627	1000000	185531	175171	1000000
15	<u>11209.91</u>	109988	100738	1000000	208311	199061	1000000
	168,148.65						
16	0.00	104572	96802	1000000	221586	213816	1000000
17	0.00	97955	91665	1000000	235819	229529	1000000
18	0.00	89831	85021	1000000	251053	246243	1000000
19	0.00	79917	76587	1000000	267334	264004	1000000
20	<u>0.00</u>	67877	66027	1000000	284705	282855	1000000
	168,148.65						
21	0.00	53291	53291	1000000	307248	307248	1000000
22	0.00	35656	35656	1000000	331357	331357	1000000
23	0.00	14307	14307	1000000	357112	357112	1000000
24	0.00	0	0	1000000	384579	384579	1000000
25	<u>0.00</u>	0	0	1000000	413858	413858	1000000
	168,148.65						
26	0.00	0	0	1000000	445008	445008	1000000
27	0.00	0	0	1000000	478007	478007	1000000
28	0.00	0	0	1000000	512962	512962	1000000
29	0.00	0	0	1000000	549986	549986	1000000
30	<u>0.00</u>	0	0	1000000	589189	589189	1000000
	168,148.65						

# Great Potential Returns

- Leveraged death benefit
- Cash surrender value potential

Year	Survivorship GIUL			
	Surrender Value*		Death Benefit	
	Net Rate of Return	Pre-Tax Equivalent Rate of Return	Net Rate of Return	Pre-Tax Equivalent Rate of Return
21	4.28	6.20	12.55	18.19
22	4.50	6.52	11.78	17.07
23	4.69	6.80	11.08	16.06
24	4.86	7.04	10.47	15.17
25	5.00	7.25	9.91	14.36
26	5.13	7.43	9.41	13.64
27	5.24	7.59	8.95	12.98
28	5.33	7.72	8.54	12.38
29	5.41	7.84	8.16	11.83
30	5.48	7.94	7.81	11.33
31	5.55	8.05	7.50	10.86
32	5.62	8.14	7.20	10.44
33	5.68	8.23	6.93	10.04
34	5.74	8.31	6.67	9.67
35	5.79	8.39	6.44	9.33
36	5.85	8.48	6.22	9.01
37	5.92	8.58	6.05	8.77
38	6.00	8.69	6.10	8.83
39	6.07	8.80	6.14	8.90
40	6.15	8.91	6.18	8.95

# Survivorship GIUL

- Indexed UL design
- Optional guaranteed death benefit\*
- No charges or premiums after younger insured reaches age 100
- Three death benefit options

\* Subject to premium payment requirements.

# Survivorship GIUL

- Interest rate bonus
  - 0.50% years 11-20
  - 0.75% years 21+
  - Conditionally guaranteed on fixed account\*
  - Guaranteed on index account
- \$200,000 minimum face amount
- 3-year commission chargeback
- Death benefit band 2 at \$1,000,000 or more\*\*

# Survivorship GIUL Riders

- Survivor Premium Guarantee Rider
  - Adjustable guaranteed death benefit\* design (Dial-a-Guarantee)
  - Not available with the Return of Premium Death Benefit Option or the Waiver of Surrender Charge Option
- Waiver of Surrender Charge Option
  - No table shaving
- Accelerated benefit after 1<sup>st</sup> death for terminal illness
- Accelerated benefit after 1<sup>st</sup> death for chronic illness
- Automatic Distribution Option
- Estate Preservation Rider
- Survivorship Policy Split Exchange Endorsement

# Index Options

Index Option	Point to Point	Daily Averaging	Monthly point to point
S&P 500®	√	√	√
DJIA <sup>sm</sup>	√	√	
NASDAQ-100®	√		
Uncapped S&P 500®	√		
Russell 2000®	√	√	
S&P Midcap 400®	√	√	
DJ EURO STOXX50®	√		
Multi-index (S&P 500®, DJ EURO STOXX 50®, Russell 2000®)	√		

# Control and Flexibility

- Annual index selections
- Daily index sweeps\*
- No funds required in the fixed account
- Options to access funds
  - Withdrawals (beginning 1<sup>st</sup> year)
  - Variable loans (beginning 2<sup>nd</sup> year)
  - Fixed loans (beginning 1<sup>st</sup> year)
  - Net zero cost loans (up to full loan value) (beginning 6<sup>th</sup> year)\*\*
- Transfer between loan types without cash payoff required

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