



Life Insurance Strategies

Session 9: Asset Transfer Planning / Cap-Tran

For Agent Use Only – Not for dissemination to the public.

Disclosures

Investment and Insurance Products and Services are not FDIC/NCUA/NCUSIF insured, not insured by any Federal Government Agency, not bank or credit union guaranteed, and may lose value.

Imeriti, Inc. and its employees do not provide tax or legal advice. This commentary is not intended to be, nor should it be construed as, tax or legal advice.

As with all matters of a tax or legal nature, your clients should consult their own tax or legal counsel.

TRANSFER PLANNING: Using Capital Transfer Planning and Strategies

- You have worked hard and saved for your retirement for years. You have leveraged the tax advantages of
 - ❑ individual retirement accounts and
 - ❑ tax-deferred annuities

And, you may have accumulated funds in Certificates of Deposit.

These assets, if not used during your lifetime, may not be the best assets to own at death.



Where are your assets?

Tax Now Each year you pay income taxes on any earnings you receive.	Tax Later Earnings accumulate tax-deferred. You pay taxes when you withdraw your money.	Tax Never Earnings accumulate tax-deferred and may be income-tax free and penalty-free.
Savings account	Traditional IRA	Roth IRA ²
Checking account	SEP IRA	Municipal bonds
Certificates of Deposit (CDs)	Simple IRA	529 plans
Stocks	401(k), 403(b), & pension plans	Universal life insurance death benefit ¹ – with cash accumulation value ¹
Bonds	Annuities ³	
Mutual funds	Savings bonds ³	

¹ Death benefit is income-tax free to your beneficiaries. Cash value may be accessed income-tax free and penalty-free through loans and withdrawals if the policy is not a MEC. Policy loans will reduce available cash values and death benefits and may cause the policy to lapse, or affect guarantees against lapse. In the event of a lapse, outstanding policy loans in excess of unrecovered cost basis will be subject to ordinary income tax.

² “Qualified distributions” from Roth IRAs are income-tax free and penalty-free.

³ Income tax-free returns of basis or premium.



TRANSFER PLANNING: Using Capital Transfer Planning and Strategies

- You can efficiently **transfer the value** of these assets to your heirs **using life insurance** to protect your annuities, pension accounts, IRAs, CDs, and other taxable assets.

When structured properly, the death benefit of a life insurance policy is received income tax-free by your beneficiaries.

- Capital Planning involves repositioning an asset not needed for current income into an efficient funding source for your beneficiaries.
You pay any income tax due upon repositioning the asset.



What is Cap-Tran?

{Capital Transfer}



The **Cap-Tran** software suite allows you, as the trusted advisor, to demonstrate how an Asset Reposition and Transfer will benefit the Client and Heirs.

Cap-Tran was created by advisors with the following in mind:

- ✓ **A simple tool that is easy for a client to understand and easy for the advisor to use**
- ✓ **A tool that allows you as the advisor to present real solutions that lead to real sales**

TRANSFER PLANNING: Using Capital Transfer Planning and Strategies

➤ 7 SCENARIOS for Repositioning Assets:

1. Annuity to Life / Multiple Premium Plan
2. Annuity to Life / Single Premium Plan
3. CD to Life / Multiple Premium Plan
4. CD to Life / Single Premium Plan
5. IRA to Life / Multiple Premium Plan
6. IRA to Life / Single Premium Plan
7. SPIA to Life / Multiple Lifetime Premium Plan



TRANSFER PLANNING: Using Capital Transfer Planning and Strategies

➤ Candidate:

- Ages 65-82
- Good to excellent health
- \$50,000+ in Deferred Annuity, CD, and/or IRA
- Funds not necessary to maintain candidate's current lifestyle
- Intention is to hand down asset to spouse, children, grandchildren, or charity



IRA to Life –

Using IRA money to fund life insurance

- Male, Age 70, Widower, Preferred Non-tobacco
- \$275,000 IRA
- Must begin taking RMDs
- Concern: Preserve RMD value for heirs.



IRA to Life –

Using IRA money to fund life insurance

What will be accomplished?

- Value of IRA average RMDs [less any reserve for taxes] used to pay life insurance premiums
- Substantially increases inheritance to heirs as result of increased death benefit inherent in life insurance policy
- Provides liquidity to heirs in order to pay income tax due on inheritance of IRA and/or for conversion to Roth IRA



IRA to Life / Multiple Premium Plan

Prospect Information

Name: Alvin Myers
 Gender: Male Smoker: No
 Risk: Preferred Rating:
 Age: 70 Life Expectancy: 83

RMD Begins in Year: 2010
 Value of IRA: \$275,000
 Owner's Est. Tax Bracket: 28%
 Heir's Est. Tax Bracket: 28%

\$275,000
 Est. Rate of Return on IRA: 6.00%
 Side Fund: 6.00%
 Rate of Return: 3.25%

28%

6%

Number of Years to Project

To Life Expectancy (13 Years) Enter Value (45 Max):

Calculate Snapshot Help Close

Life expectancy 13 years

Schedule of IRA RMDs & Deposits to Life Insurance Policy

Year	Age	IRA Bal	RMD	Bal Aft RMD	RMD to SF	SF Tax Val	IRA + SF
2010	70	\$275,000	\$16,500	\$291,500	\$10,639	\$280,861	\$288,521
2011	71	\$280,861	\$16,852	\$297,713	\$11,234	\$286,479	\$303,172
2012	72	\$286,479	\$17,189	\$303,667	\$11,862	\$291,805	\$318,554
2013	73	\$291,805	\$17,508	\$309,314	\$12,523	\$296,791	\$334,702
2014	74	\$296,791	\$17,807	\$314,598	\$13,218	\$301,380	\$351,654
2015	75	\$301,380	\$18,083	\$319,463	\$13,950	\$305,512	\$369,450
2016	76	\$305,512	\$18,331	\$323,843	\$14,720	\$309,123	\$388,130
2017	77	\$309,123	\$18,547	\$327,670	\$15,456	\$312,214	\$407,759
2018	78	\$312,214	\$18,733	\$330,947	\$16,303	\$314,644	\$428,364
2019	79	\$314,644	\$18,879	\$333,523	\$17,104	\$316,419	\$450,016
2020	80	\$316,419	\$18,985	\$335,404	\$17,936	\$317,468	\$472,770
2021	81	\$317,468	\$19,048	\$336,516	\$18,800	\$317,716	\$496,685
2022	82	\$317,716	\$19,063	\$336,779	\$19,695	\$317,085	\$521,822
2023	83	\$317,085	\$19,025	\$336,110	\$20,620	\$315,490	\$548,248

\$15,088

Enter Withdrawal Needed (RMD Median recommended): \$15,088



IRA to Life / Multiple Premium Plan

Prospect Information

Name:	Alvin Myers	RMD Begins in Year:	2010	Owner's Aft-Tax Avail of Funds:	72%
Gender:	Male	Smoker:	No	Est. Rate of Return on IRA:	6.00%
Risk:	Preferred	Rating:		Est. Rate of Return on Side Fund:	6.00%
Age:	70	Life Expectancy:	83	Owner's Est. Tax Bracket:	28%
				Heir's Est. Tax Bracket:	28%
				Insurance Proj. Rate of Return:	3.25%

Number of Years to Project

To Life Expectancy (13 Years)
 Enter Value (45 Max):

Calculate

Snapshot

Help

Close

Projected Value of IRA & Side Investment in FPDA

Schedule of IRA RMDs & Deposits to Life Insurance Policy

Year #	Year	Age	BY IRA Bal	Ann Int	EY IRA Bal	Rec Ann W/D	Aft Tax Dep to LI	Aft Tax R...	Txbl ...	IRA ...
1	2010	70	\$275,000	\$16,500	\$291,500	\$15,088	\$10,863	\$0	\$0	\$291,...
2	2011	71	\$276,412	\$16,585	\$292,997	\$15,088	\$10,863	\$0	\$0	\$292,...
3	2012	72	\$277,909	\$16,675	\$294,584	\$15,088	\$10,863	\$0	\$0	\$294,...
4	2013	73	\$279,496	\$16,770	\$296,266	\$15,088	\$10,863	\$0	\$0	\$296,...
5	2014	74	\$281,178	\$16,871	\$298,049	\$15,088	\$10,863	\$0	\$0	\$298,...
6	2015	75	\$282,961	\$16,978	\$299,939	\$15,088	\$10,863	\$0	\$0	\$299,...
7	2016	76	\$284,851	\$17,091	\$301,942	\$15,088	\$10,863	\$0	\$0	\$301,...
8	2017	77	\$286,854	\$17,211	\$304,065	\$15,456	\$10,863	\$265	\$281	\$304,...
9	2018	78	\$288,609	\$17,317	\$305,926	\$16,303	\$10,863	\$875	\$1,225	\$307,...
10	2019	79	\$289,623	\$17,377	\$307,000	\$17,104	\$10,863	\$1,452	\$2,837	\$309,...
11	2020	80	\$289,896	\$17,394	\$307,290	\$17,936	\$10,863	\$2,051	\$5,181	\$312,...
12	2021	81	\$289,354	\$17,361	\$306,715	\$18,800	\$10,863	\$2,673	\$8,325	\$315,...
13	2022	82	\$287,915	\$17,275	\$305,190	\$19,695	\$10,863	\$3,317	\$12,341	\$317,...
14	2023	83	\$285,495	\$17,130	\$302,625	\$20,620	\$10,863	\$3,983	\$17,3...	\$319,...

\$15,088

\$10,863

Figures in blue represent RMDs in excess of withdrawal needed. Any excess of \$15,088 goes to pocket, after tax.



A Capital Transfer "Snapshot"

(assuming values at beginning of year)

IRA Plus SIDE FUND

<u>IRA</u>	<u>SIDE FUND</u>
Current Value: \$275,000	Current Value: \$0
Projected Value at Life Expectancy: \$317,085	Projected Value at Life Expectancy: \$204,737
Income Tax Due Upon Inheritance: \$88,784	Income Tax Due Upon Inheritance: \$18,329
Net After-Tax Inheritance: \$228,301	Net Inheritance: \$186,408

Total Net Inheritance

\$414,709

IRA Plus LIFE POLICY Plus SIDE FUND

<u>IRA</u>	<u>LIFE POLICY</u>	<u>SIDE FUND</u>
Current Value: \$275,000	Face Amount: \$372,097	\$372,097
Projected Value at Life Expectancy: \$285,495	Death Benefit at Life Expectancy: \$372,097	
Income Tax Due Upon Inheritance: \$79,939	Income Tax Due Upon Inheritance: \$0	
Net After-Tax Inheritance: \$205,556	Net Inheritance: \$372,097	
		Projected Value at Life Expectancy: \$12,341
		Income Tax Due Upon Inheritance: \$3,455
		Net Inheritance: \$8,886

Total Net Inheritance

\$586,539

Calculate

Help

Close

Comparison Results

Your heirs inherit \$171,830 or 41% MORE, if transferred to life insurance.

41%

A Capital Transfer "Snapshot"

(Assuming Beginning Year Balances)

IRA	Plus	SIDE FUND	IRA	Plus	LIFE POLICY	Plus	SIDE FUND
Current Value \$275,000		Current Value \$0	Current Value \$275,000		Face Amount \$372,097		Current Value \$0
Projected Value at Life Expectancy \$317,085		Projected Value at Life Expectancy \$204,737	Projected Value at Life Expectancy \$285,495		Death Benefit at Life Expectancy \$372,097		Projected Value at Life Expectancy \$12,341
Income Tax Due Upon Inheritance \$88,784		Income Tax Due Upon Inheritance \$18,329	Income Tax Due Upon Inheritance \$79,939		Income Tax Due Upon Inheritance \$0		Income Tax Due Upon Inheritance \$3,455
Net After-Tax Inheritance \$228,301		Net After-Tax Inheritance \$186,408	Net After-Tax Inheritance \$205,556		Net Inheritance \$372,097		Net Inheritance \$8,886
Total Net Inheritance: \$414,709			Total Net Inheritance: \$586,539				

\$414,709

Your heirs inherit
\$171,830
or
41%
MORE, if transferred to life insurance

41%

\$586,539

This is an illustration, not a contract. Over the years, the values may vary depending on actual experience. This illustration assumes recommended premium deposits are always made.



Life insurance offers a potentially powerful combination of benefits, protections and advantages

I wish to Thank You for attending.
And now, Questions

For Case Design and Life Product assistance,
contact an **Imeriti Representative** at 800.921.3100

