

# Legacy Building

## Help Maximize Assets Passed to Beneficiaries

### Concept

Life insurance is ideally suited for transferring assets. Legacy Building involves moving assets that are intended for heirs into a life insurance policy. The life policy then leverages those assets into a larger, generally income tax-free death benefit.

### Agent Profile

Annuity producer looking to add life insurance to their sales, or a financial professional in an adviser role.

### Client Profile

Typically age 60 to 80 and has assets that are not needed for current or expected future living needs. Wants to leave money for heirs and/or a charitable interest. May also want a guaranteed amount for their legacy or tax-advantaged tools without probate costs. Might own an irrevocable life insurance trust (ILIT).

### Key Selling Points

- ▼ Assets for legacy building may come from: inheritances, annuities, retirement plan assets or required minimum distributions not needed for retirement, savings accounts, money markets, mutual funds, funds from sale of business, real estate, etc.
- ▼ When your clients complete a beneficiary designation on a life insurance policy, they are using a form of a will substitute or non-probate transfer, which means the death benefit will pass directly to the beneficiary.
- ▼ With life insurance, the premium can provide a larger death benefit immediately after issue, and any cash values grow generally tax-deferred.
- ▼ Should the client's needs change, funds in a life insurance policy are accessible through loans, withdrawals, or accelerated death benefits (if the insured acquires a qualifying illness).<sup>1</sup> They have full control to change their policies.

### Product Options

- ▼ **Custom Guarantee UL** - low-cost guaranteed death benefit coverage
- ▼ **Guarantee Builder IUL** - guaranteed death benefit with access to potential cash value
- ▼ **Custom TermGUL®** - guaranteed death benefit with access to cash value potential (for the client who prefers fixed UL to indexed UL)
- ▼ **Survivorship IUL** - may provide a larger death benefit for two insureds versus two single-life policies

### Illustration Design Tips

- ▼ Demonstrate value by using Insmark or the Internal Rate of Return on the software. Focus on the death benefit returns and their value as an after-tax return for heirs.
- ▼ The client may seek to spread out premiums (perhaps by using a SPIA) to avoid MEC status.<sup>2</sup>
- ▼ Although we think of legacy building as an asset transfer, it can also be done on a systematic payment basis—for example, required minimum distributions from qualified plans.
- ▼ A policy that is owned by the insured will be included in the size of their estate and must be factored in when calculating potential estate tax issues. An ILIT can help avoid those issues. An alternative can be to have the policy owned by the beneficiaries.



## Right Words

"Leverage is a term that most people have heard but few take advantage of. Life insurance provides an opportunity to use leverage to pass on greater assets to your heirs. Think of it as buying dollars for pennies. If you have funds available to pass onto your heirs, each of those pennies can buy dollars and therefore leave behind a greater financial legacy. The leverage of life insurance makes this possible."



## Right Questions

- ▼ "Do you have funds that in your mind are already set aside for passing on to your heirs at your death?"
- ▼ "Are you sure you won't need these funds in your lifetime?"
- ▼ "Would you like to explore how, using those funds, you could multiply the amount of financial legacy you leave for your loved ones?"

Send



New Email Message

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To:

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Subject: **Follow-Up Email to Agent**

Hello \_\_\_\_\_,

It was great talking to you [today/recently]. Since we talked about the legacy building concept, I wanted to send you some tips to help you identify clients.

First, this strategy is really meant for any client that needs life insurance, but also wants to pass along money (like an inheritance) in a tax-efficient way. It works by moving assets that are intended for heirs into a life insurance policy. The life policy then leverages those assets into a larger, generally tax-free death benefit. These types of assets could be:

- An inheritance
- Annuities
- Retirement plan assets not needed for retirement
- Required minimum distributions not needed for retirement
- Savings accounts, money markets, or mutual funds
- Funds from sale of business, real estate, or other assets

Think of clients that are between the ages of 60 and 80 and may have assets like these that they intend to leave to heirs or for a charity or other organization.

You can also look for clients who want a guaranteed amount for their legacy or tax-advantaged tools without probate costs, or who own an irrevocable life insurance trust (ILIT).

Once you've had a chance to identify some clients that fit this profile, give me a call and I can help you put together a case design for them.

Feel free to call me with any questions!

Regards,

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