GENERAL PURPOSES OF LIFE INSURANCE

Life insurance is a unique asset which is used to solve some of life's perplexing financial problems due to its potentially high yield and its tax – favored benefits.

It can be used to:

1. **CREATE AN ESTATE.** Where time or other circumstances have kept the estate owner from accumulating sufficient assets to care for his or her loved ones, life insurance can create an instant estate.
2. **PAY DEATH TAXES** and other estate settlement costs. These costs can vary from a low percentage of three to four percent to over 50 percent of the estate. Federal Estate taxes are due nine months after death.
3. **FUND A BUSINESS TRANSFER.** Business owners often agree to buy a deceased owner's share from his or her estate after death. Life insurance provides the ready cash to finance the transaction.
4. **COLLEGE FUND FOR CHILDREN OR GRANDCHILDREN.** Cash value increases, in a policy on a minor's life (or the parent's life), can be used to accumulate funds for college.
5. **PAY OFF THE HOME MORTGAGE.** Many people would like to pass the family residence to their spouse or children free of any mortgage. Often a decreasing term policy is used, which decreases in face amount as the mortgage balance is paid down.
6. **PROTECT A BUSINESS FROM THE LOSS OF A KEY EMPLOYEE.** Key employees are difficult to attract and retain. Their untimely death may cause a severe financial strain on the business.
7. **CREATE A RETIREMENT FUND.** Current insurance products provide comparative returns and are a prudent way of accumulating necessary funds for retirement years.
8. **REPLACE A CHARTIBLE GIFT.** Charitable Remainder Trusts provide tax benefits and life insurance can replace the value of the donated asset. Policies can also be paid directly to a charity.
9. **GUARANTEE LOANS.** Personal or business loans can be paid off with insurance proceeds.
10. **EQUALIZE INHERITANCES.** When the family business passes to children who are active in it, life insurance can give an equal amount to the other children.

Benefits of Owning Your Own Insurance Bank

1. Large face Amount That Grows
2. Tax-Deferred Growth
3. Tax-Free Income Potential
4. Bypasses Probate
5. Avoid Government Control
6. Avoid Future Tax Increases
7. Self-Completing Upon Disability or Injury
8. Total Avoidance of All Taxes (Excise, Wealth, Inheritance Estate, ect.)
9. History of Being Grandfathered In
10. Regains Capital Gains Tax
11. Flexible
12. Liquid
13. No Limitations or Contributions
14. Avoids Compounding Estate Problem
15. Able to Implement Velocity of Money Strategies
16. Significant Survivor Benefits
17. Total Replacement of Income if Premature Death Occurs
18. No Pre 59 (67 ½ Withdrawal Penalty)
19. Pledge as Collateral for Loans
20. Regain Social Security
21. Peace of Mind
22. Lump Sum Potential
23. Interest is Deductible

"The Grandfathering Story You Wish You Had Known Last Year."

11 INSURANCE PRODUCTS GRANDFATHERED

1. Deduction of interest on borrowed dollars to purchase SPDAs - 3-1-54.
2. Deduction of interest on 100% premium financing to pay for annual premium life or annuity – 8-6-63.
3. No PS58 costs for split dollar plans - 11-13-64.
4. Tax-deferred interest on CDs via the investment annuity – 3-6-77.
5. Stepped-up cost basis at owner's death for a variable annuity – 10-20-79.
6. Cost basis (principal) withdrawn first tax-free from SPDAs- 8-13-82.
7. Tax-deferred interest on corporate owned annuities – 2-28-86.
8. Deduction of IRA contribution for everyone – 12-31-86.
9. No excise tax penalty to beneficiary (if younger than 59 ½) upon annuitant's death – 4-22-87.
10. Tax-free distributions via loans and no excise tax penalties for SPWL- 6-20-88.
11. Annuities purchased from same insurance company in one calendar year not aggregated – 10-21-88.

Dates reflect the last day before new
tax law went into effect.