

# Asset Maximization Planning

Did you know that certain assets within your investment portfolio that you may plan on passing to your heirs, or other beneficiaries, may be subject to income taxes, and possible federal and state estate or inheritance taxes at your death? This taxation can significantly erode a portion of the asset's value. The death benefit of a life insurance policy generally passes to the beneficiary income tax free\*, providing valuable cash that can be used to pay taxes, debts and long-term obligations.

You may be less familiar with the benefits of life insurance when a policy is made part of your overall investment portfolio. When properly planned, life insurance coverage provides balance, stability, and diversification. The tax-advantaged features of a life insurance policy, such as tax-deferred cash value growth and tax-free death benefit, can help you maximize your wealth transfer to your loved ones.

## This may be appropriate for those who...

- Own financial assets such as stocks, bonds, CD's, IRAs, non-qualified Annuities, or rental property not needed to meet your future income or emergency needs.
- Are between ages 60 - 80, and insurable with a desire to pass assets within your investment portfolio to a spouse, children and/or grandchildren.
- Want to transfer wealth to loved ones with greater predictability and understand that such a strategy can help offset possible future declines in portfolio values.
- Are widows/widowers with By-Pass Trust ("Credit Shelter Trust" or "B-Trust") assets who want to maximize wealth transfer and offset future federal or state estate or inheritance taxes.



These materials contain statements regarding the tax treatment of certain financial assets and transactions. These statements represent only our current understanding of the law in general and are not to be considered legal or tax advice by purchasers. Estate tax rules and the tax treatment of life insurance are subject to change at any time. Neither Protective Life nor its representatives offer legal or tax advice. Purchasers should consult with their legal or tax advisor regarding their individual situations before making any tax related decisions.

All guarantees are subject to the claims-paying ability of Protective Life Insurance Company.

Additional information on next page.

## The Situation

### How It Works

Jack Carter, widower, age 61, owns an investment portfolio that includes \$1.3 million in bonds and \$3 million in stock. His portfolio has experienced a decline over the last year due to market losses, which has impacted the final legacy Jack wants to leave to his three children. He plans on retiring at age 65 and his retirement income needs will be satisfied by a pension plan, income from rental property, and 401(k) plan. He wants to diversify his portfolio, transfer wealth more predictably with a guaranteed universal life policy.

- **Step 1:** Jack and his advisor plan to liquidate a portion of his investments and gift the after-tax values to an Irrevocable Life Insurance Trust (ILIT), using available annual gift tax exclusions and/or a portion of his lifetime estate, gift, GST exemption yearly for five years.
- **Step 2:** Jack's advisor researches available products and determines that a Protective Indexed Choice<sup>SM</sup> UL policy for a face amount of \$3,208,525 can be purchased with \$250,000 paid for five years. The coverage will be guaranteed to Jack's age of 95. The non-guaranteed policy cash values and death benefit show ending at his age 88 and continue to increase to age 121. The policy's death benefit produces IRRs that compare favorably to his existing portfolio assets to help maximize his wealth transfer strategy.

## The Results

### How It Works

The strategy helps Jack accomplish a number of important goals.

1. **Diversification:** The reliability of the life insurance policy's death benefit and cash accumulation helps Jack diversify his overall investment strategy.
2. **Wealth Transfer:** Jack converted investment assets that were subject to estate taxes, income taxes and market fluctuations into life insurance in an ILIT. By doing so, he secured the transfer of part of his wealth for his children, income-tax free, estate-tax free and without fear of market ups and downs.
3. **Wealth Recovery:** The death benefit of the life insurance adds value to Jack's overall wealth transfer strategy by helping to potentially recover some of the portfolio value lost due to recent market declines.

Jack's Protective Indexed Choice UL Policy \$250,000, 5-Pay, Male, Standard NT, Age 61 \$ 3,208,525 Death Benefit Guaranteed to Age 95			
	Age 75	Age 84	Age 95
IRR	8.12%	4.58%	3.65%
Pre-Tax IRR	13.11%	7.27%	4.74%
Jack's Combined Federal and State Tax Rate 37%			

Protective Indexed Choice UL (UL-27) is a flexible premium universal life insurance policy issued by Protective Life Insurance Company, Brentwood, TN. Policy form numbers, product features and availability may vary by state. Consult policies for benefits, riders, limitations and exclusion. Subject to underwriting. Up to a two-year contestable and suicide period. Benefits adjusted for misstatements of age or sex. In Montana, unisex rates apply. Protective Indexed Choice UL is not a security investment and is not an investment in the market. Your insurance professional can provide you with costs and complete details about the terms, conditions, limitations or exclusion that apply to this policy.

The internal rate of return (IRR) at life expectancy is the level annual interest rate at which annual premiums need to accumulate to provide an amount equivalent to the death benefit. IRRs vary according to policy type, premium method, riders and other features, and age at death—compared to the death benefit at life expectancy. IRRs may be compared to taxable and tax-exempt portfolio assets.

For more information, contact your Financial Representative.



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Life insurance is issued by Protective Life Insurance Company, Brentwood, TN.