

# CASE IN POINT

Sales Tax Estate Planning Underwriting & Product Newsletter

## Individual Insured Annuity with a raise



In the last article on Individual Insured Annuities, we looked at a **traditional structure** for Mary, age 70. Let's look at a concern that Mary or her daughters may have with the traditional Insured Annuity.

What happens if Mary needs a lump sum of cash down the road? Remember that the original strategy freed up a sizable amount of money that Mary could use for lifestyle needs, lifetime gifts to children and grandchildren or other purposes. Let's say that this money was either spent or committed elsewhere.

Mary or her daughters may feel that they require a lot more guaranteed income. They wonder what would happen if the prescribed annuity stopped funding the estate preservation part of the strategy, specifically the life insurance policy on Mary's life. They would like to give Mary a raise in guaranteed spendable income.

Mary has the ability to stop paying premiums with her annuity income and elect to have a reduced paid-up life insurance policy. She can then spend the entire amount of annuity income on other things.

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Peter works with independent advisors and other professionals raising awareness on issues and concerns faced by affluent individuals, professionals and business owners. He supports efforts in researching and developing optimal solutions for clients aimed at improving their financial well-being and supporting their personal wishes and lifestyles. He annually provides 100's of workshops, seminars and technical support throughout the country on tax, retirement income and estate planning issues, concepts and strategies to both advisors and consumers. As a Registered Financial Gerontologist, a good deal of his time is spent on building awareness and educating people of all professions who work with or specialize in the needs, expectations and issues of elders. Comprehensive lifestyle planning is an important element of these processes.

The Sales, Tax, Estate Planning, Underwriting & Product (STEPUP) team provides internal and broker support, including seminars, education, advanced concept illustrations & Client case technical consultations.

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Let's assume that Mary's advisor used EstateMax 100, a specially designed permanent participating life insurance policy. Remember that the original sum insured would have been equal to the capital used to buy the annuity, \$250,000. Fifteen years later, when Mary is 85 years old and in need of personal care at home or some extra money in a retirement residence, she stops paying the life insurance premiums. The paid-up policy would represent almost \$143,000 of coverage, still providing a sizeable amount of money for Mary's grandchildren. Mary would have an extra \$10,400 of tax-paid income each year to support her need.

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