LIFE INSURANCE AS AN ASSET CLASS
INDIVIDUAL PLANNING

CREATING A PREDICTABLE LEGACY IN AN UNPREDICTABLE WORLD

In the investment world, nearly all assets are subject to risk – a lesson many investors learned during the last economic downturn. When used as an estate-planning tool, the life insurance policy's proceeds will often yield a more competitive rate of return compared to legacy assets held in a taxable investment.

CASE STUDY

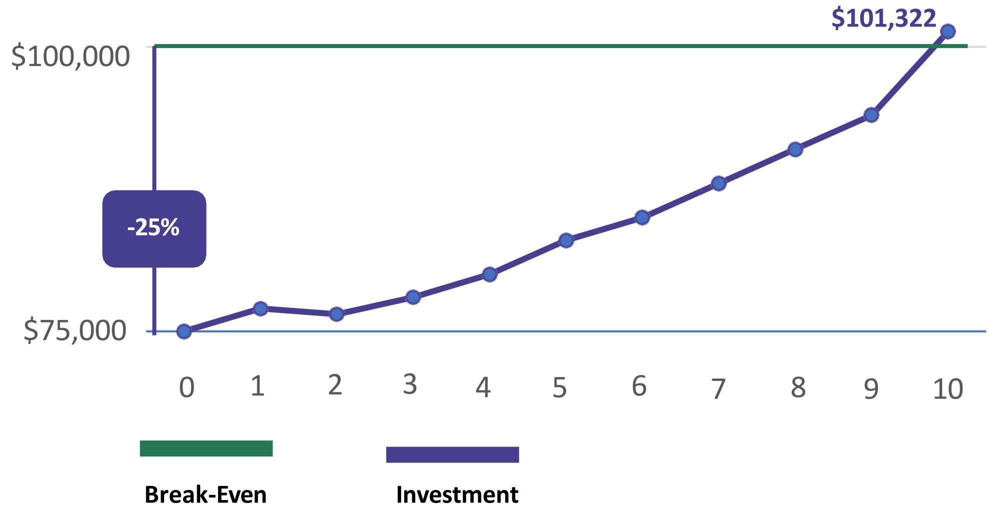
- Female, age 67, Preferred Non-tobacco
- Annual premiums of $60,899
- IUL Policy w/ a Lapse Protection Benefit to age 90
- 5% initial crediting rate

CONSIDER THIS

If your client's investment experienced a 25% loss during this time period, what gain would you need to return to the break-even point? Many investors reason that a 25% loss would require a 25% gain, but the reality is that fewer dollars translate to proportionately smaller gains. In the scenario below, for example, it would take nearly 8.5 years for a $100,000 taxable investment to recover the loss.

Example 1:

How long to recover an investment loss?



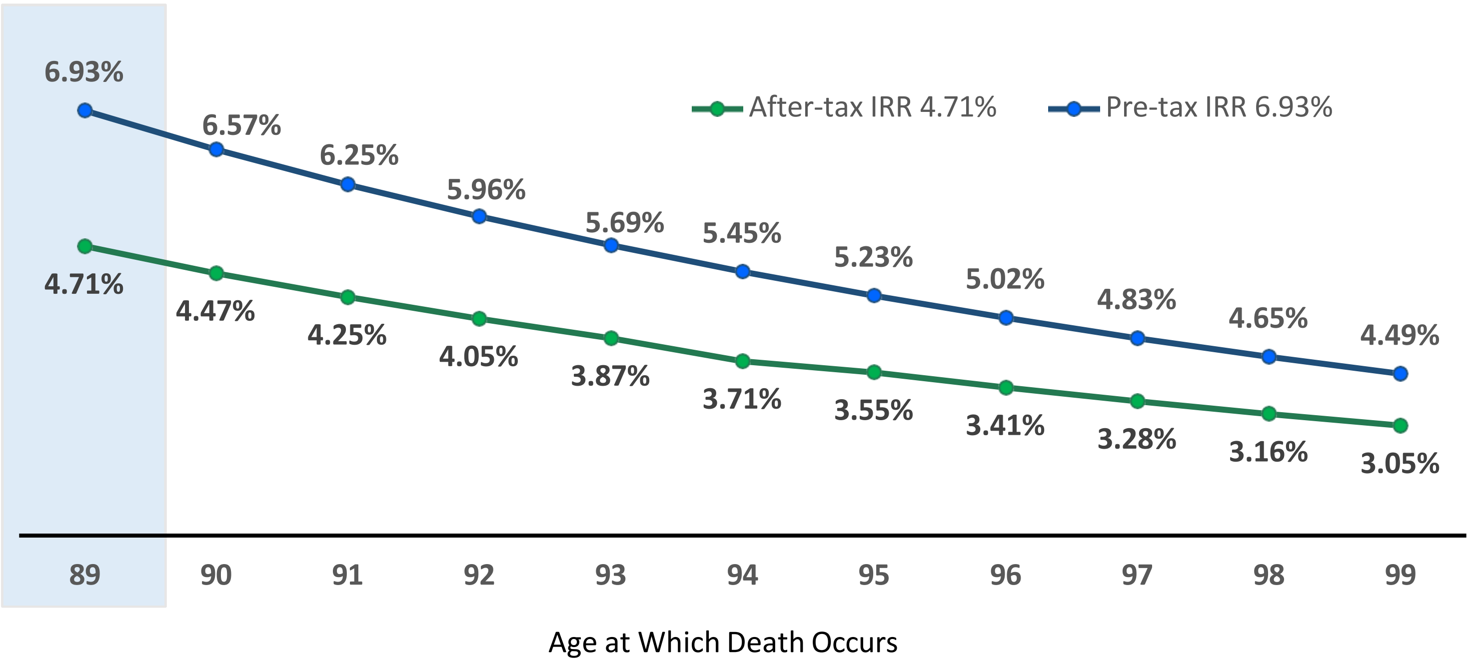
A 25% loss would require a 33% gain just to break even – a climb that would take nearly 8.5 years earning average annual returns of 5% (subject to a federal income tax rate of 32%)[1]

[1]Hypothetical scenario assumes a starting balance of $100,000 and a one-time loss of $25,000. If the investment earned average annual returns of 5% (subject to 32% federal income tax), it would take approximately 8 years and 6 months to return to the break-even point.

LIFE INSURANCE ADDS PREDICTABILITY

In times of economic uncertainty, many individuals turn to life insurance to help stabilize their retirement portfolios. Why? The death benefit paid to beneficiaries is based on a combination of conservative investments and the mortality predictions derived from actuarial tables. In other words, the life insurance company's ability to estimate the life expectancy of those who pay into a life insurance pool means the policy's proceeds are largely insulated from the market's ups and downs.

Additionally, if properly structured in a trust that exists outside of the taxable estate, the death benefit proceeds are paid to the trust free of federal income and estate taxes.



LIFE EXPECTANCY

For a 67-year old female, by life expectancy (age 89) the probability of death occurring is 49%.[4]

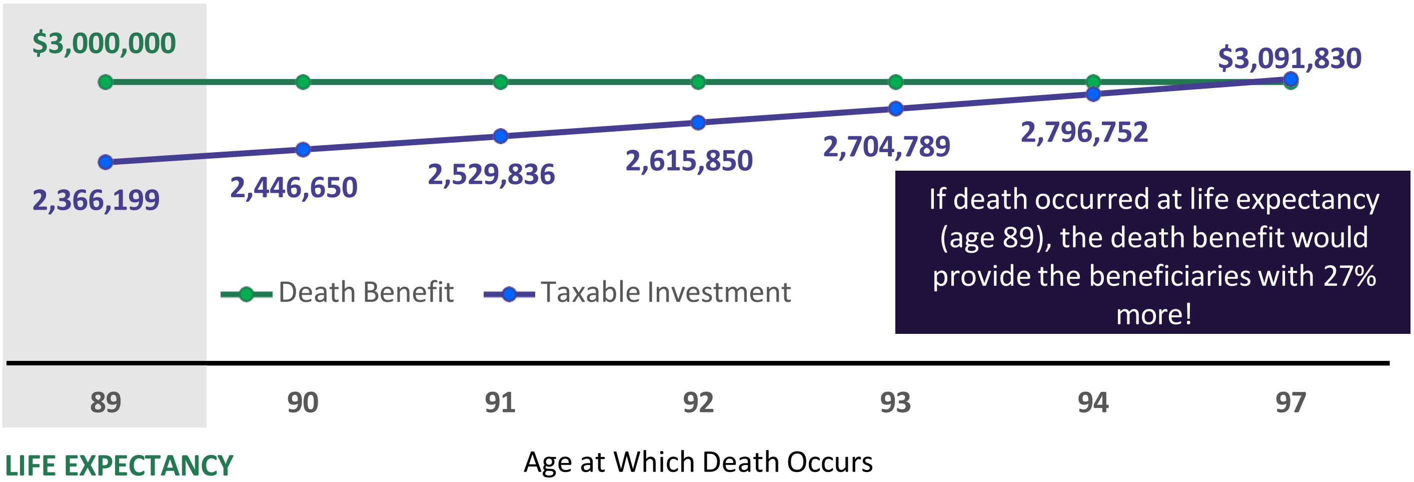
[2]The Internal Rate of Return (IRR) is the annual effective after-tax interest rate at which life insurance premiums must accumulate in order to match the value of the death benefit at the end of the referenced year.

[3]This hypothetical is for a 67-year old female with a $3,000,000 face amount Symetra Protector IUL policy, Preferred Non-Nicotine rate class and annual premiums of $126,888 for 10 years (illustrated at a 4.90% initial crediting rate with the JPMorgan ETF Efficiente® 5 Core Index – 1 Year Point-to-Point, current policy charges). Policy remains in-force to age 119 with a no-lapse guarantee benefit for 23 years or to age 90. Illustrated amounts are subject to change without notice. Please check current index cap and participation rate information. By life expectancy, age 89, the probability of death occurring is 48.79%. In this scenario, the investment must have earned an average annual interest rate of 4.71%, subject to a federal income tax rate of 32% (6.93% before taxes), in order to equal the life insurance policy's death benefit of $3 million.

[4]Life Expectancy (LE) is based on the average age at death based on current age, as well as the average probability of death by a certain year. Used is 2008 VBT (Valuation Basic Tables) produced by the NAIC and the SOA. It is important to note this table should not be used to predict life expectancies and should only be used as a reference. Joint and survivorship life will produce different outcomes. There are many tables available in addition to 2008 VBT Table to calculate life expectancies and other probabilities. This is not a recommendation to forecast or predict the future.

YEARS FOR TAXABLE INVESTMENTS TO MATCH DEATH BENEFIT

Chart compares what legacy beneficiaries would receive if, starting at age 67, the policyowner placed $126,888 for the next 10 years into a taxable investment earning an average annual rate of 5% (subject to a federal income tax rate of 32%) instead of paying premiums on an indexed universal life insurance policy with a no-lapse guarantee.[5]



THE BENEFITS OF OWNING LIFE INSURANCE

- **Access to Money:** Life insurance can help equalize the inheritance received by beneficiaries, and provide the money they need to replace income, pay off debt or cover end-of-life expenses.
- **Control:** As the policyowner, you direct how life insurance policy proceeds are distributed, and help assets avoid the costs and delays of probate.
- **Self-Completion:** The life insurance policy death benefit can facilitate "self-completion" of your financial plans by providing the cash your beneficiaries need to:
  - Replace lost income and future contributions to savings
  - Avoid the need to sell investments during a down market
  - Fund a business transition plan
- **Maximize Wealth Transfer:** Life insurance proceeds are paid to the beneficiaries free of federal income taxes, and, if held in a properly structured trust that exists outside the taxable estate, assets are also free of federal estate taxes.

IS OWNING LIFE INSURANCE THE RIGHT STRATEGY FOR YOUR CLIENT?

A life insurance policy may be a good choice if you:

✓ Own a diverse portfolio of assets you aren't planning to use for your own retirement income needs.

✓ Want to leave all or a portion of these assets to your beneficiaries

✓ Want to eliminate the need to liquidate assets during a down market.

✓ Would like to minimize the impact of federal estate and income taxes on your legacy.

✓ Wish to potentially protect legacy assets from creditors, predators and other foreseen liabilities.

If any of these apply to you, contact your financial professional to learn more.