



Advanced Estate Planning Asset Planning and Financial Discussion

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**Success,
Insured.**

Estate Planning – Why Now?

- Exemptions sunset in 2026 (\$10M down to \$5M, indexed)
- Political winds shift quickly
- Recently proposed:
 - Elimination of stepped-up basis
 - Inclusion of grantor trust assets in taxable estate (with grandfathering)
 - Increased estate tax rates
- Low interest rates, for now

Insurance for Estate Planning – Why Now?

- A strong asset return with low risk
- Liquid assets when liquidity is needed
- Tax-free benefit allows low-basis trust assets to continue to defer
- The cost of waiting is steep:
 - At some point, you will become uninsurable
 - Rates increase as you age

Proof by Way of Example

Profile:

- John & Jane Client, age 65
- **Net Worth:** **\$20M**
 - Residences: \$1.4M
 - Cash & PP: \$0.6M
 - Liquid Assets: \$2M
 - Private Business: \$16M
- Three children



Estate Tax Liability, Projection

- Growth Rates (After-Tax)

- Residences: 3%
- Cash & PP: 0%
- Liquid Assets: 4%
- Private Business: 4%

- Annual CPI Increase: 1%

Estate Taxes Due

	Current Exemption	“Sunset” Exemption
<i>LE -5 Years</i>	\$6,962,052	\$13,026,606
<i>Life Expectancy*</i>	\$10,364,088	\$16,737,996
<i>LE +5 Years</i>	\$14,595,570	\$21,294,611

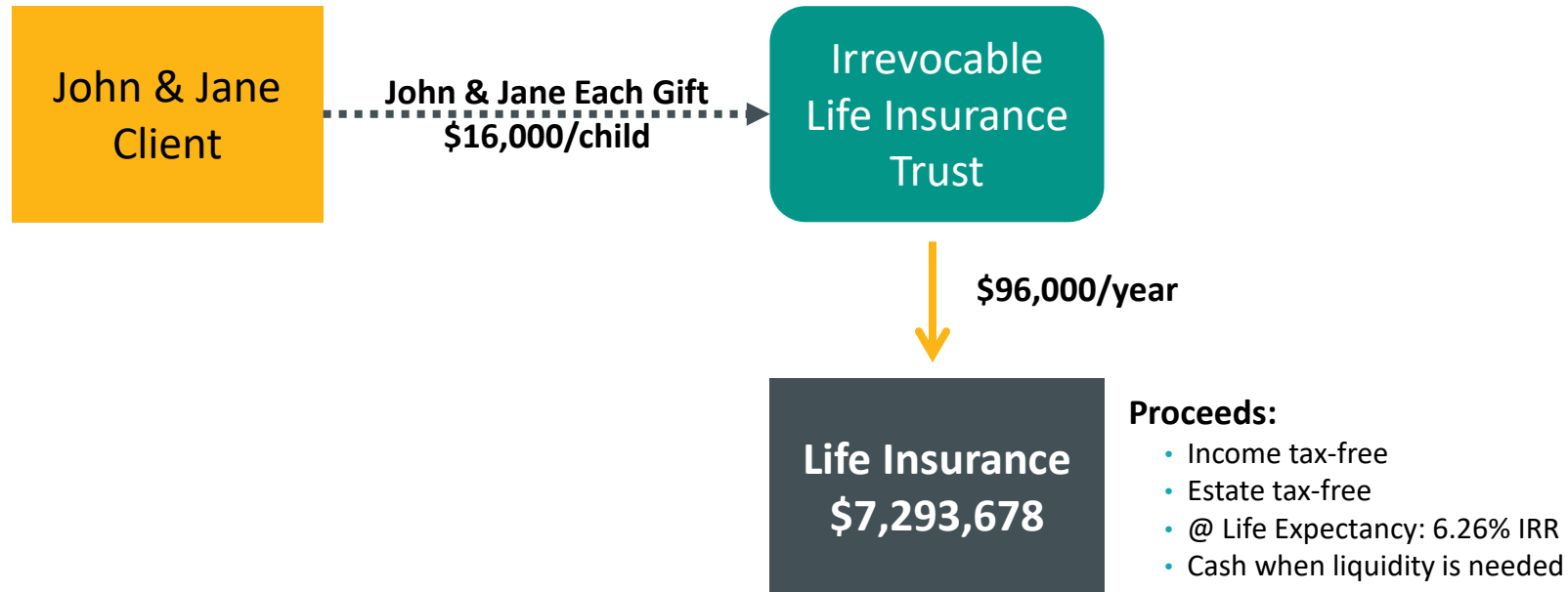
*Life expectancy is 28 years for a healthy 65-year-old couple

Strategy #1 – Gifting for Tax-Efficiency



Annual Gifts to Trust

GIFTING FOR TAX-EFFICIENCY:
Strategy #1



Client
 Male - 65 - Preferred NonSmoker
 Initial Assumed Status: **Bronze**
 Client
 Female - 65 - Preferred NonSmoker
 Initial Assumed Status: Bronze

GIFTING FOR TAX-EFFICIENCY:
 Strategy #1

Policy Year	EOY Age	Planned Premium	Policy Value	End of Year Non-Guaranteed Assumptions		
				4.65% Initial Current Rate, Current Charges	Net Surrender Value	Net Death Benefit
1	66 66	96,000	32,946	0	7,293,678	7,497.58%
2	67 67	96,000	67,410	0	7,293,678	723.07%
3	68 68	96,000	103,443	0	7,293,678	285.44%
4	69 69	96,000	141,095	0	7,293,678	163.39%
5	70 70	96,000	180,413	0	7,293,678	109.94%
6	71 71	96,000	224,703	51,343	7,293,678	80.83%
7	72 72	96,000	271,554	146,570	7,293,678	62.80%
8	73 73	96,000	321,055	240,600	7,293,678	50.66%
9	74 74	96,000	373,278	333,535	7,293,678	42.00%
10	75 75	96,000	428,255	425,378	7,293,678	35.54%

Totals:		960,000				
11	76 76	96,000	503,034	503,034	7,293,678	30.55%
12	77 77	96,000	581,878	581,878	7,293,678	26.61%
13	78 78	96,000	664,794	664,794	7,293,678	23.42%
14	79 79	96,000	751,732	751,732	7,293,678	20.79%
15	80 80	96,000	842,527	842,527	7,293,678	18.60%
16	81 81	96,000	936,843	936,843	7,293,678	16.74%
17	82 82	96,000	1,034,314	1,034,314	7,293,678	15.14%
18	83 83	96,000	1,134,604	1,134,604	7,293,678	13.77%
19	84 84	96,000	1,237,336	1,237,336	7,293,678	12.57%
20	85 85	96,000	1,342,064	1,342,064	7,293,678	11.52%

Totals:		1,920,000				
21	86 86	96,000	1,445,704	1,445,704	7,293,678	10.59%
22	87 87	96,000	1,548,655	1,548,655	7,293,678	9.76%
23	88 88	96,000	1,650,042	1,650,042	7,293,678	9.02%
24	89 89	96,000	1,749,046	1,749,046	7,293,678	8.35%
25	90 90	96,000	1,845,271	1,845,271	7,293,678	7.75%
26	91 91	96,000	1,939,103	1,939,103	7,293,678	7.21%
27	92 92	96,000	2,031,267	2,031,267	7,293,678	6.71%
28	93 93	96,000	2,122,930	2,122,930	7,293,678	6.26%
29	94 94	96,000	2,215,874	2,215,874	7,293,678	5.85%
30	95 95	96,000	2,313,310	2,313,310	7,293,678	5.47%

● **Vitality**

- Assumed BRONZE, Client Can Improve Outcome

● **Interest Rate**

- Recently Increased 0.3%
- Rising Rate Product?

● **Internal Rate of Return**

- 6.26% at Life Expectancy
- 8.94% Tax-Adjusted



How Does the Strategy Benefit the Client?

Acquiring a \$7.3M policy with premiums of \$96,000 gifted to trust annually**:

No Planning, No Insurance

	Values In Estate	Estate Tax Owed*	Net
LE -5 Yrs	\$47,727,901	\$13,026,606	\$34,701,295
LE	\$57,779,758	\$16,737,996	\$41,041,763
LE +5 Yrs	\$69,984,129	\$21,294,611	\$48,689,518

Annual Gifting Strategy

	Values In Estate	Estate Tax Owed*	Net Plus \$7.3M Insurance
LE -5 Yrs	\$44,071,971	\$11,564,234	\$39,801,415
LE	\$52,790,995	\$14,742,490	\$45,342,183
LE +5 Yrs	\$63,373,770	\$18,650,167	\$52,016,981

\$4.3M Improvement

*Assumes exemption sunsets

**Assumes gifts can be made with annual exclusions



Strategy #2 – Family Bank with SLATs



Family Bank with SLATs

FAMILY BANK WITH SLATS:
Strategy #2

- John is discretionary beneficiary
- Children can benefit per HEMS

- Jane is discretionary beneficiary
- Children can benefit per HEMS



Policy on Jane

End of Year Non-Guaranteed Assumptions
5.90% Initial Assumed Rate, Current Charges

Policy Year	EOY Age	Planned Premium	Policy Value	Net Surrender Value	Net Death Benefit
1	66	150,000	126,615	56,476	1,454,102
2	67	150,000	260,894	193,668	1,454,102
3	68	150,000	402,412	337,428	1,454,102
4	69	150,000	555,305	496,509	1,454,102
5	70	150,000	717,101	662,194	1,454,102
6	71	150,000	888,506	837,239	1,454,102
7	72	150,000	1,070,356	1,022,730	1,454,102
8	73	0	1,114,529	1,070,543	1,491,908
9	74	0	1,162,129	1,123,117	1,533,314
10	75	0	1,213,242	1,177,994	1,578,185

Totals: 1,050,000

11	76	0	1,268,000	1,235,723	1,626,591
12	77	0	1,326,593	1,323,928	1,678,803
13	78	0	1,406,005	1,406,005	1,755,678
14	79	0	1,490,739	1,490,739	1,837,634
15	80	0	1,581,025	1,581,025	1,924,424
16	81	0	1,677,052	1,677,052	2,016,319
17	82	0	1,779,087	1,779,087	2,113,912
18	83	0	1,887,214	1,887,214	2,216,911
19	84	0	2,001,294	2,001,294	2,325,304
20	85	0	2,121,566	2,121,566	2,439,377

Totals: 1,050,000

21	86	0	2,260,118	2,260,118	2,572,918
22	87	0	2,405,913	2,405,913	2,713,148
23	88	0	2,559,278	2,559,278	2,860,505
24	89	0	2,720,546	2,720,546	3,015,181
25	90	0	2,890,159	2,890,159	3,177,730
26	91	0	3,068,624	3,068,624	3,348,483
27	92	0	3,256,598	3,256,598	3,527,547
28	93	0	3,454,733	3,454,733	3,715,565
29	94	0	3,663,782	3,663,782	3,912,186
30	95	0	3,884,806	3,884,806	4,117,506

Accessible values during lifetime

Policy on John

End of Year Non-Guaranteed Assumptions
5.90% Initial Assumed Rate, Current Charges

Policy Year	EOY Age	Planned Premium	Policy Value	Net Surrender Value	Net Death Benefit
1	66	150,000	125,223	56,412	1,395,004
2	67	150,000	257,834	191,880	1,395,004
3	68	150,000	397,803	334,049	1,395,004
4	69	150,000	549,383	491,701	1,395,004
5	70	150,000	709,887	656,020	1,395,004
6	71	150,000	880,141	829,846	1,395,004
7	72	150,000	1,061,054	1,014,330	1,398,787
8	73	0	1,104,334	1,061,181	1,435,413
9	74	0	1,151,042	1,112,768	1,475,751
10	75	0	1,201,301	1,166,721	1,519,766

Totals: 1,050,000

11	76	0	1,255,274	1,223,608	1,567,711
12	77	0	1,313,210	1,310,595	1,619,450
13	78	0	1,393,193	1,393,193	1,697,188
14	79	0	1,478,576	1,478,576	1,779,910
15	80	0	1,569,242	1,569,242	1,867,241
16	81	0	1,664,691	1,664,691	1,958,675
17	82	0	1,765,246	1,765,246	2,054,569
18	83	0	1,871,210	1,871,210	2,155,073
19	84	0	1,982,807	1,982,807	2,260,599
20	85	0	2,100,306	2,100,306	2,371,875

Totals: 1,050,000

21	86	0	2,235,863	2,235,863	2,502,154
22	87	0	2,378,412	2,378,412	2,639,323
23	88	0	2,528,182	2,528,182	2,783,529
24	89	0	2,685,383	2,685,383	2,935,392
25	90	0	2,850,359	2,850,359	3,095,204
26	91	0	3,023,524	3,023,524	3,262,988
27	92	0	3,205,377	3,205,377	3,439,690
28	93	0	3,396,472	3,396,472	3,624,715
29	94	0	3,597,678	3,597,678	3,818,576
30	95	0	3,810,191	3,810,191	4,020,513

Tax-Free legacy values

How Does the Strategy Benefit the Client?

Acquiring two cash value policies with premiums of \$150,000 gifted to trust for 7 years**:

No Planning, No Insurance

	Values In Estate	Estate Tax Owed*	Net
<i>LE -5 Yrs</i>	\$47,727,901	\$13,026,606	\$34,701,295
<i>LE</i>	\$57,779,758	\$16,737,996	\$41,041,763
<i>LE +5 Yrs</i>	\$69,984,129	\$21,294,611	\$48,689,518

Family Bank Strategy

	Values In Estate	Estate Tax Owed*	Net Plus Insurance
<i>LE -5 Yrs</i>	\$43,112,373	\$11,751,595	\$37,004,812
<i>LE</i>	\$52,164,264	\$15,062,998	\$44,441,546
<i>LE +5 Yrs</i>	\$63,152,021	\$19,132,967	\$53,449,444

\$3.4M Improvement

*Assumes exemption sunsets

**Assumes gifts made with annual exclusions and lifetime exemptions

Strategy #3 – Discounted Gifting



Discounted Asset Gift

DISCOUNTED GIFTING:
Strategy #3

- Options are myriad, for this example the variables are streamlined to demonstrate the long-term estate tax savings by gifting discounted shares of stock to an IDGT



*Represents 30% discount for lack of marketability and control

Considerations with Gifting

DISCOUNTED GIFTING:
Strategy #3

- Requires irrevocable gifts, which involves some lack of control
- Spousal access trusts and controlling the voting shares of the business give back significant control
- Gifted asset must experience growth to work

The Value in Gifting

DISCOUNTED GIFTING:
Strategy #3

	Values In Estate	Estate Tax Owed*	Values Outside Estate
<i>LE -5 Years</i>	\$23,080,745	\$5,967,744	\$24,647,155
<i>Life Expectancy</i>	\$27,792,725	\$7,543,182	\$29,987,033
<i>LE +5 Years</i>	\$33,500,318	\$9,501,086	\$36,483,811

Characteristics of Trust-Owned Assets:

- Taxes can be paid by grantor
- No basis step-up
- Can be “generation skipping”

\$9.2M Reduction in Tax Liability

*Assumes exemption sunsets

The Value in Life Insurance

DISCOUNTED GIFTING:
Strategy #3

- Tax-free liquidity with timing to match need for estate tax owed
- Internal Rate of Return of 6.26% at life expectancy
 - *Equivalent of 8.9% yield taxed at 30%*
- Return not subject to market fluctuations, interest rate risk, or economic drivers

The Value in Life Insurance, with Planning

DISCOUNTED GIFTING:
Strategy #3

Acquiring a \$7.3M policy with premiums of \$96,000 gifted to trust annually**:

No Planning, No Insurance

	Values In Estate	Estate Tax Owed*	Net
LE -5 Yrs	\$47,727,901	\$13,026,606	\$34,701,295
LE	\$57,779,758	\$16,737,996	\$41,041,763
LE +5 Yrs	\$69,984,129	\$21,294,611	\$48,689,518

Planning, Insurance

	Values In Estate	Estate Tax Owed*	Net Plus Insurance
LE -5 Yrs	\$44,071,971	\$4,505,372	\$46,860,277
LE	\$52,790,995	\$5,547,677	\$54,536,996
LE +5 Yrs	\$63,373,770	\$6,856,943	\$63,810,505

\$13.5M Improvement

*Assumes exemption sunsets

** Assumes gifts can be made with annual exclusions

The Cost of Waiting – Life Insurance

- Delays increase premium outlays and risks changes to insurability:
 - Delay 1-year, Same UW: **+5.7% Increase**
 - Delay 5-yrs, Modest UW Change: **+85.7% Increase**
 - Delay 5-yrs, Major UW Change: **+190.6% Increase**

Conclusions and Takeaways



Key Takeaways

- 1. Cost of waiting on planning or insurance are significant**
- 2. Planning strategies can include more risk, but have substantial upside**
- 3. Insurance improves outcomes**

Questions?



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