LEGACY BUILDING

WITH LIFE INSURANCE

FOR CHILDREN OR GRANDCHILDREN

THE WANT

Many parents want to leave a financial legacy for their children and/or grandchildren, and they would like to do so in the most assured and cost-effective way possible.

THE SOLUTION

Take out a life insurance policy on the least costly parent to insure, with the beneficiary being either the children and/or grandchildren. It's preferable that a trust be used for children, but it's essential for young grandchildren. In the alternative, children can be the direct beneficiaries of the policy. However, using a trust gives the grantor control over how quickly and for what reasons the children or grandchildren can access the funds in addition to protecting the funds from outside threats. When estate taxes are a concern, the trust should be irrevocable, and it should be both the owner and beneficiary of the policy. Quite often, unneeded RMDS are used to purchase legacy life insurance to take advantage of leveraging.

Using life insurance as the vehicle to enhance heir's legacy can provide a much higher **guaranteed** ROI on the premiums versus investing them elsewhere. The spreadsheet below shows the required ROI on the premiums, invested elsewhere, to equal the death benefit in given years. The tax bracket assumption is 27% (22% federal and 5% state). The highlighted year is the life expectancy for a female age 65 in good health. It shows that for $8700 per year premium to grow to $500,000, after tax, at her life expectancy of age 88, the required, before tax, ROI would be 9.64%. Remember the death benefit is both **guaranteed** and tax free.

Protective Advantage Choice UL 1/19

Universal Life Flexible Premium Adjustable Life Plan
Initial Annual Premium: $8,700.00
Initial Death Benefit: $500,000.00
Riders: None

Internal Rates of Return on Death Benefit
Prepared For: VALUED CLIENT
Female Age 65, Select Preferred

Protective.
Life Insurance Company

			Based on Guaranteed Assumptions[1]				
Age	Year	Premium Outlay*	Death Benefit	IRR on Death Benefit	Specified Tax Rate	Pre-Tax Equivalent	Probability of Death
78	13	8,700	500,000	19.84%	27.00%	27.18%	12.78%
80	15	8,700	500,000	15.54%	27.00%	21.29%	18.14%
82	17	8,700	500,000	12.47%	27.00%	17.08%	24.41%
84	19	8,700	500,000	10.18%	27.00%	13.95%	31.42%
86	21	8,700	500,000	8.42%	27.00%	11.54%	39.09%
[2]88	23	8,700	500,000	7.04%	27.00%	9.64%	47.29%
90	25	8,700	500,000	5.92%	27.00%	8.11%	55.81%
92	27	8,700	500,000	5.01%	27.00%	6.86%	65.15%
94	29	8,700	500,000	4.25%	27.00%	5.82%	73.60%
95	30	8,700	500,000	3.92%	27.00%	5.36%	77.65%
100	35	8,700	500,000	2.60%	27.00%	3.57%	92.98%
121	56	0	Policy Lapsed	-100.00%	27.00%	-100.00%	100.00%

* Refer to the Notes section for more information.

[1] Under Guaranteed Assumptions, the illustrated policy terminates in year 36. See Additional Information page for assumptions.

[2] The illustrated life expectancy of age 88 and probability of death are based upon the Select and Ultimate 2001 Valuation Basic Table. The values are based on standard mortality and are for illustrative purposes only. Individual mortality rates may vary based on the actual Rate Class. The investment must earn at least 7.04% after-tax to earn greater than or equal to the return on Death Benefit.