Symetra Life Insurance Company

ADVANCED MARKETS CONCEPT

Annuity Maximization Strategy

Repositioning nonqualified annuity assets to minimize taxes and maximize your legacy

Not a bank or credit union deposit, obligation or guarantee	May lose value
Not FDIC or NCUA/NCUSIF insured	Not insured by any federal government agency

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You’ve spent a lifetime building wealth

Your hard work and sound financial decisions have not only provided you with a comfortable retirement, but also the means to gift assets you no longer expect to use to loved ones. If your financial goals have changed, it may be time to consider strategies that can help minimize taxes so that more of your legacy dollars pass to future generations.

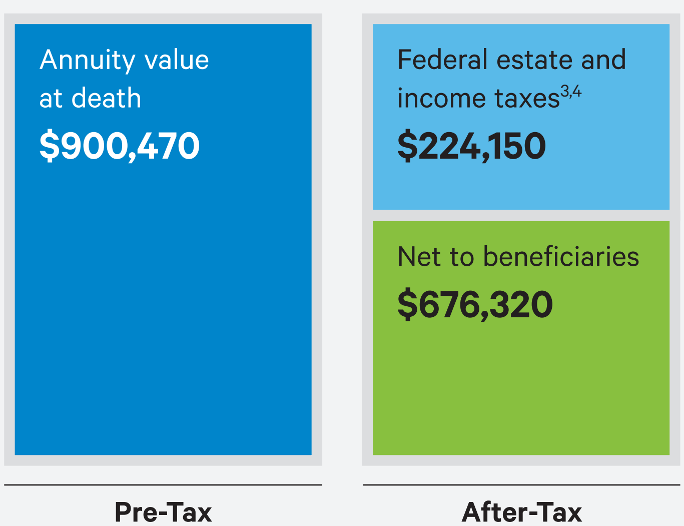
The potential tax impact of annuities

Nonqualified annuities can be effective tools for saving money and generating income. However, the same features that made an annuity a great choice for you—tax-deferred growth, guaranteed lifetime income and no required minimum distributions at age 73—can make it an inefficient tool for transferring wealth to your beneficiaries.[1]

Example 1

Annuity value transfers to beneficiaries

In this hypothetical scenario, we assume a 70-year-old owns a nonqualified annuity currently valued at $500,000. If the annuity’s value has increased to $900,470 when death occurs at age 85, how much of that will the beneficiaries keep after taxes?



The result:

After taxes, the beneficiaries receive notably less than the annuity’s value at death: **just 75%.**

[1] Required minimum distributions apply to qualified (retirement) assets only.

[2] Assumes the nonqualified annuity’s cost basis is $200,000 (i.e., the after-tax premium payments not subject to federal income taxes). The $900,470 value at death assumes the annuity grew at a hypothetical average annual interest rate of 4.0% over 15 years.

[3] The applicable federal estate tax exemption amount (indexed for inflation) is $12.92 million per individual in 2023. The estate tax is unified with the federal gift tax and generation-skipping transfer tax such that in 2023 the lifetime exemption amount for the gift tax and for the generation-skipping transfer tax are $12.92 million (indexed for inflation) and the maximum tax rate for both of these taxes will be 40%. (Source: “What’s New - Estate and Gift Tax,” IRS, accessed December, 2022: https://www.irs.gov/businesses/small-businesses-self-employed/whats-new-estate-and-gift-tax). For current information and an assessment of your particular situation, please consult with your tax professional.

[4] Assumes the annuity’s proceeds (after estate taxes, if applicable), were paid as a lump sum to the beneficiaries, and, therefore, further reduced by Income in Respect of a Decedent (IRD) by $224,150 (based on each beneficiary’s assumed federal income tax rate of 32%). (IRC Sec. 691(a)). Please consult with your tax professional for more information.

Maximizing the value of your annuity dollars

After careful consideration, you've concluded that you have sufficient retirement assets and do not anticipate relying on an annuity for future income needs. Repositioning those annuity assets inside an irrevocable life insurance trust (ILIT) may be an effective solution for maximizing the assets that transfer to your beneficiaries.

Example 2

Repositioning nonqualified annuity assets within an irrevocable life insurance trust (ILIT)

In this hypothetical scenario, our 70-year-old begins distributions from the $500,000 annuity by electing life only annuitization. This provides annual, after-tax income of $30,879.[5] Leveraging annual gift tax exemptions for multiple beneficiaries, the owner uses the after-tax distributions to gift the $30,879, which will be used for annual premiums on an ILIT-owned universal life insurance policy.[6,7]

1
The annuity owner establishes an ILIT.

→

2
The owner begins annual distributions from the annuity, providing **$30,879** after taxes.

↙

3
Each year, the annuity owner gifts **$30,879** to the ILIT, which funds the life insurance premiums.[6,7]

→

4
At death, the policy's proceeds will bypass probate and pass to the trust **free of federal estate and income taxes**.

The result:
The beneficiaries will receive a total of $1,169,195. That's **73% more** than if the money was left in the annuity (Example 1).

[5] This scenario assumes a 70-year-old female annuitizes her $500,000 annuity contract. Electing the "life only" option provides annual, pre-tax income of $39,528, which is guaranteed to continue as long as she lives (note: the amount shown is hypothetical and not based on a specific product). Annuity income consists of principal and interest and a portion of each payment will be taxed as ordinary income (assume 32% rate). The taxable portion of the annuity is determined by the applicable annuity exclusion percentage. Excess annuity payments above the exclusion percentage are considered ordinary income. Annuity issuers follow specific rules and should be contacted for more information regarding distributions.

[6] The annual gift tax exemption applies to gifts to each donee. In this scenario, we assume the owner has beneficiaries to whom she can gift up to $17,000 per year, per recipient (2023). Source: "What's New - Estate and Gift Tax." IRS, accessed December, 2022: https://www.irs.gov/businesses/small-businesses-self-employed/whats-new-estate-and-gift-tax.

[7] Based on the hypothetical client in this scenario, annual premiums of $30,879 years 1-16 and $26,879 years 17 and later will provide a $1,169,195 death benefit (based on a 70-year-old female in the Symetra Protector IUL "Standard Plus Non-Nicotine" rate class). Illustrated at a 5.97% initial crediting rate, The Putnam Dynamic Low Volatility Excess Return Index™ with Bonus 1-Year Point-to-Point Index Strategy, current policy charges. Policy remains in-force to age 119 with a no-lapse guarantee benefit for 21 years or to age 90. Please check current index cap and participation rate information. The premium and death benefit shown are current as of May 2023, but subject to change without notice. Please check current index cap and participation rate information.

How could you benefit?

If properly structured, repositioning annuity assets inside an Irrevocable Life Insurance Trust may help you:

Maximize your legacy
Although taking distributions from your annuity will trigger a taxable event, those dollars can potentially purchase a significant life insurance death benefit for your beneficiaries.

Avoid double taxation
Life insurance proceeds typically bypass probate, and in general, transfer to beneficiaries free of both federal estate and income taxes.

Transfer assets out of your estate
Making tax-free gifts to an ILIT can potentially reduce the size of your taxable estate. Currently, individuals may gift up to $17,000 annually (per donee) and married couples may combine their gifts to double the annual amount to $34,000 (per donee).[6] Plus, as long as you stay under the $17,000 limit, these annual gifts do not count against your combined $12.92 million lifetime cumulative gift and estate tax exemption.[3]

Collect additional retirement income
This strategy may allow you to enjoy the difference between your annuity's distributions and the life insurance premiums.

Is an annuity maximization strategy right for you?

You may benefit if:

- ☐ Your annuity assets are earmarked for your beneficiary.
- ☐ Your retirement income needs are fully met through other sources.
- ☐ You have a sizable estate that could leverage a tax-efficient wealth transfer strategy.
- ☐ You'd like to leave a larger legacy to your beneficiaries.

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

Life insurance is issued by Symetra Life Insurance Company, 777 108th Avenue NE, Suite 1200, Bellevue, WA 98004-5135. Products are not available in all U.S. states or any U.S. territory.

Symetra Protector IUL is a flexible-premium adjustable life insurance policy with index-linked interest options. Policy form number is ICC18_LC2 in most states.

The Putnam Dynamic Low Volatility Excess Return Index with Bonus Index Account endorsement form number is ICC22_LE2 in most states and is not available in all U.S. states or any U.S. territory, and terms and conditions may vary by state in which it is available.

Life insurance policies contain exclusions, limitations, reductions of benefits and terms for keeping them in-force. Please contact your insurance professional for complete details.

Guarantees and benefits are subject to the claims-paying ability of Symetra Life Insurance Company.

Withdrawals or loans on modified endowment contracts (MEC) may be subject to federal income tax and an additional 10% tax on amounts taken prior to age 59½. Consult with your attorney or tax professional for more information.

Symetra Protector IUL has fixed and indexed accounts. Interest credited to the indexed accounts is affected by the value of outside indexes. Values based on the performance of any index are not guaranteed. The policy does not directly participate in any outside investment or index.

Symetra reserves the right to add, modify or remove any index strategy or crediting method. If any index is discontinued or if the calculation of any index is changed substantially, Symetra reserves the right to substitute a comparable index.

It is not possible to invest in an index.

There are other index strategies available within the Symetra Protector IUL policy.

Except for the Putnam Dynamic Low Volatility Excess Return Index, the performance of an index does not include the payment or reinvestment of dividends in the calculation of its performance.

This is not a complete description of the Symetra Protector IUL product. For a more complete description, please refer to the policy.

Neither Symetra Life Insurance Company, nor its producers or employees give tax or legal advice. Clients should consult with their attorney or tax professional for more information.

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