SALES IDEA

Life insurance as an asset class

Take action using life insurance to leverage alternative assets

Symetra Protector IUL

Indexed Universal Life Insurance

Life insurance as an asset class

In the same way your clients purchase auto and homeowners insurance for protection from unexpected financial losses, life insurance can provide their beneficiaries with a predictable death benefit if something were to happen to them.

Generally, the policy's proceeds will yield a competitive Internal Rate of Return when compared to legacy assets held in a taxable investment.

Why life insurance adds predictability

Unlike alternative assets held in an investment portfolio affected by the market's ups and downs, life insurance provides a stipulated payment correlated to mortality.

Additionally, if properly structured in a trust that exists outside of the taxable estate, the death benefit proceeds can be paid to the trust free of federal income and estate taxes.[1]

Did you know?

In times of economic uncertainty, many individuals turn to life insurance to help protect their investment portfolios.

Benefits of owning life insurance

When properly structured, life insurance may provide several additional benefits.

Access to money

The life insurance death benefit can help equalize the inheritance received by your client's beneficiaries, and provide them with the money they may need to:

- Pay off a mortgage.
- Replace lost income.
- Pay estate, income and capital gains taxes.

Maximizing wealth transfer

Life insurance proceeds are generally paid to the beneficiaries free of federal income taxes.

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

Control

As the policyowner, your client directs how the death benefit proceeds are distributed to his/her beneficiaries and helps ensure that the death benefit proceeds avoid the costs and delays of probate.

Self-completion

The life insurance policy death benefit can facilitate "self-completion" of your client's financial strategy by:

- Providing cash to help replace lost income and future contributions to savings.
- Avoiding the need to sell assets during a down market and allowing assets to potentially continue growing.
- Funding a business transition plan and providing cash flows to help your business stay afloat during the transition period.

Success stories: Leveraging alternative assets

In addition to the benefits we've discussed, life insurance can provide a financial hedge to your client's portfolios for assets that are earmarked for wealth transfer. Let's take a look at how leveraging alternative assets using life insurance helped maximize the transfer of wealth in the following two hypothetical scenarios.

SCENARIO #1 **Leveraging trust assets to enhance returns, an insurance professional placed $29,725 of target premium.**

Situation

While reviewing several trusts with a trustee, an insurance professional came across a Credit Shelter Trust (CST) or B Trust that was established several years ago for the benefit of a 70-year-old female upon her husband's death. As a beneficiary, she never accessed the trust for income needs, which held about $1.5 million of assets conservatively invested in certificates of deposit (CDs) and bonds. Her estate was valued at $4.1 million and she was debt-free, living comfortably on her assets. The trustee did not believe she would need to access the trust funds during her lifetime, as she had discussed plans for her three children to receive the trust assets after her death.

The combined trust assets had historically earned average annual gross returns of 3%, generating about $45,000 of annual income, which remained as cash or rolled into one of the CDs upon renewal. Assuming a combined federal income and capital gains tax rate of 30% for the trust, the remaining net after-tax income was $31,500. The insurance professional suggested an alternative strategy to provide more benefit to the children. The trustee was open to ideas, as long as any additional risk added to the current strategy would be minimal.

Solution

The insurance professional explained the benefits of leveraging the trust income using life insurance with a lapse protection benefit, which guarantees the policy will stay in-force for a selected duration, provided the required annual premiums are paid. And, the opportunity for cash value growth based on the performance of selected index strategies. Based on a detailed analysis of similar products in the marketplace, the insurance professional recommended a Symetra Protector IUL policy.

By leveraging the net after-tax income of $31,500 each year into a life insurance policy on her life, the trust will have a guaranteed death benefit of $1,036,161 for 20 years. Assuming her life expectancy at the end of year 20, or age 90, the Internal Rate of Return (IRR) on the death benefit of 4.53% (6.47% pre-tax) is well above the historical trust gross returns of 3%. If the after-tax income of $31,500 was invested at 3% gross (2.10% net) annually, it would take an additional five years to equal the death benefit. The trustee and widow agreed to leverage the trust income using life insurance, as it would minimize any additional risk to the existing trust assets.

Results

Client
Female, age 70

Product
Symetra Protector IUL Indexed Universal Life Insurance

Rate Class
Standard Plus Non-Nicotine

Included Benefit
Lapse Protection Benefit (guaranteed to age 90)

Death Benefit
$1,036,161

Annual Premium
$31,500

Target Premium
$29,725

SCENARIO #2

Client understood the benefits of leveraging alternative assets using life insurance, and an insurance professional placed $116,000 of premium.

Situation

An insurance professional was recently contacted by his client, age 67, with a request to surrender his life insurance policy. The client claimed he was not concerned with estate taxes, as his estate was under the current federal exemption amount.[2] He was more interested in creating an investment account to pass on to his four children by using the cash surrender value of the life policy and making additional contributions of $30,000 each year for the next 9 years.

The client believed he could invest the cash surrender value and additional contributions to build a larger legacy for his children. With low to moderate risk, he assumed he could earn an average gross return of 4% to 5%, based on his risk tolerance. Based on his health and family history, he assumed he would have sufficient time for the investments to grow for another 18 to 20 years. After reviewing the situation, the insurance professional suggested the client still had a need for life insurance protection to cover potential state estate taxes and to pay off his real estate debt instead of spending down other alternative assets upon his death. The insurance professional further explained the Internal Rate of Return (IRR) on the death benefit, and how it could provide an attractive return and minimize risk versus other alternative assets.

Results

Client
Male, age 67

Product
Symetra Protector IUL
Indexed Universal Life Insurance

Rate Class
Preferred Non-Nicotine

Included Benefit
Lapse Protection Benefit (guaranteed to age 89)

Death Benefit
$855,005

Annual Premium
$116,000 (year 1);
$30,000 (years 2-10)

1035 Exchange
$116,000

Target Premium
$24,482

Solution

The insurance professional recommended the client exchange his current policy—with a death benefit of $450,000 and a cash surrender value of $116,000—into a new indexed universal life policy that provided a death benefit of $855,005. Assuming a 24% federal income tax rate, the alternative asset would have to earn average annual gross returns of 6.40% (net 4.87%) by the end of year 20 (or to age 87). The client agreed he would need to add considerable risk to his investment strategy to exceed the amount of the new death benefit.

Still unsure of his decision, the client wondered if his policy's death benefit could do just as well as if he lived for another five years. Using Symetra's "Leveraging Alternative Assets" supplemental illustration, the insurance professional demonstrated that it would take an additional 5 years, assuming a gross return of 5% (net 3.80%) to match the death benefit.

With a clear understanding of the life insurance need and how using life insurance as an alternative asset could provide a greater legacy for his children, the client agreed to move forward with the recommended plan.

Based on a detailed analysis of similar products in the marketplace, the insurance professional recommended a Symetra Protector IUL policy with an included Lapse Protection Benefit to keep the policy in-force to age 89 (provided premiums are paid exactly as illustrated and no changes are made). The client's death benefit would provide an additional $405,005 to his children with minimal additional investment risk. He was also able to add Symetra's Charitable Giving Benefit, which upon his death would direct an additional 1% of the initial face amount (or $8,550) to his favorite charity.

Benefits of choosing Symetra Protector IUL

Whether for estate planning, wealth transfer or business-protection, Symetra Protector IUL can help ensure your clients' legacy planning goals are being met. When the policy is part of an estate-planning strategy using an Irrevocable Life Insurance Trust (ILIT), the death benefit will generally pass to the trust free of federal income and estate taxes.[3,4]

Advantages of Symetra Protector IUL include:

- **Guaranteed death benefit protection**
  Our Lapse Protection Benefit ensures your clients' policy will be in-force for as long as they'd like.
- **Potential cash value growth**
  Policy cash value can grow based on the performance of the index strategies selected and any growth is generally tax-deferred.
- **A gift to your clients' favorite charity**
  Selected at the time of application and available at no additional cost, our Charitable Giving Benefit provides an additional benefit of 1% of the base policy face amount (up to $100,000) to the qualified charity of your clients' choice upon the insured's death.

Don't let uncontrollable life changes control your clients' legacies.

Help them understand how leveraging alternative assets using life insurance could leave more to their beneficiaries, and show them how Symetra Protector IUL might be the right legacy planning solution now and in the future.

Contact us for a custom illustration, and see how Symetra Protector IUL can potentially benefit your clients.

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Symetra Protector IUL is a flexible-premium adjustable life insurance policy with index-linked interest options issued by Symetra Life Insurance Company, 777 108th Avenue NE, Suite 1200, Bellevue, WA 98004. This policy is not available in all U.S. states or any U.S. territory; however, where available, it is usually issued under policy form number ICC18_LC2.

Policy riders and benefits are not available in all states and terms and conditions may vary by state in which they are available.

The Lapse Protection Benefit prevents the policy from entering the Grace Period when the policy is in a Lapse Protection Benefit Period. Coverage will remain in effect as long as the Lapse Protection Value is greater than or equal to zero and the surrender value of your policy is greater than the sum of all outstanding policy loans and loan interest. Loans, withdrawals, and late or delayed premium payments may affect the duration of the Lapse Protection Benefit.

The Charitable Giving Benefit, form number ICC16_LE8, is only available on policies with a face amount of $100,000 or more. Payment is 1% of the base face amount to a maximum of $100,000, regardless if the policy face amount has been increased. If the policy face amount has been decreased, 1% of the remaining base policy face amount is paid. The charity must be designated at time of application and qualify under federal tax code sections 170(c) and 501(c). If the charity is not operating at the time of the insured's death, we may allow the estate to direct proceeds to another qualified charity.

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

Withdrawals or loans on modified endowment contracts (MECs) may be subject to federal income tax and an additional 10% tax on amounts taken prior to age 59½.

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.

Allocations to the fixed account or index strategies are subject to the minimum allocation amounts and are based on the allocation instructions provided at time of application. Allocation instructions may be subsequently changed in writing by the policyowner. When allocations occur, an index segment for each respective index strategy is created. Each index segment has its own index crediting method, index value, index cap, index floor, index participation rate, index segment term, and index start and maturity date. The index caps, floors and participation rates after the initial index segment term may be higher or lower than the initial rates, but will never be less than the guaranteed minimums shown in the policy.

An index segment represents the portion of the index account that credits interest based on a change in the indexes applicable to that index segment. Index credits are calculated and credited (if applicable) on the respective index segment's maturity date. Amounts withdrawn from the index account before the index segment's maturity date will not receive an index credit, if applicable, for that term.

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.

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

This material is not intended to provide investment, tax or legal advice. Clients should consult with their attorney or tax professional for more information.

[1] Although proceeds of life insurance are generally received income-tax-free by beneficiaries, estate and local taxes may apply. Your clients should consult their attorney or tax professional for more information.

[2] Refer to the IRS.gov website at https://www.irs.gov/businesses/small-businesses-self-employed/whats-new-estate-and-gift-tax for information on the current estate tax exemption amounts.

[3] The trust must have a provision to purchase life insurance as a trust investment and the trustee should have authority to purchase life insurance on the grantor(s).

[4] Trusts should be drafted by an attorney familiar with such matters. Failure to do so could result in adverse treatment of trust proceeds. Symetra Life Insurance Company does not provide tax advice.

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