Life insurance as an asset class

Using life insurance to leverage alternative assets

Symetra Protector IUL

Indexed Universal Life Insurance

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

Life insurance as an asset class

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

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 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.

Control

As the policyowner, you direct how the death benefit proceeds are distributed to your beneficiaries and help ensure that the death benefit proceeds avoid the costs and delays of probate.

Maximizing wealth transfer

Life insurance proceeds are generally paid to 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.

Self-completion

The life insurance policy death benefit can facilitate "self-completion" of your 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.

Leveraging alternative assets

In addition to the benefits we've discussed, life insurance can provide a financial hedge to your 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.**

Situation

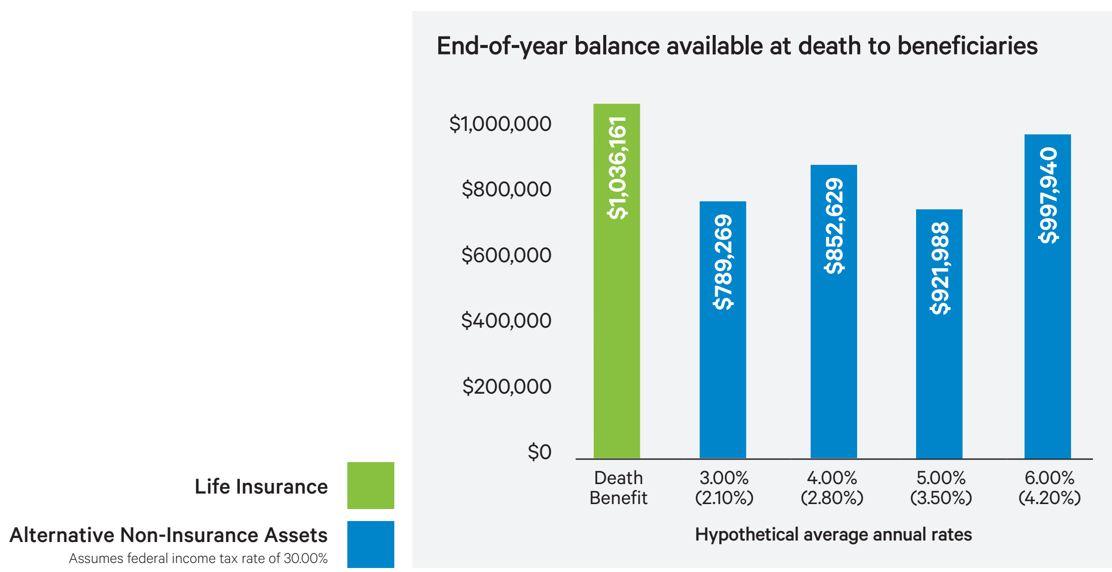
While performing annual trust reviews, a trustee came across a Credit Shelter Trust (CST) or B Trust that was established several years ago for the benefit of a 70-year-old female upon her husband's death. As a beneficiary, she never accessed the trust for income needs, which held about $1.5 million 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 the client 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.

After further review, the trustee determined that 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 trustee was interested in an alternative strategy to provide more benefit to the children, as long as any additional risk added to the current strategy would be minimal.

Solution

The trustee learned from a valued insurance professional about the benefits of leveraging the trust income using life insurance with a lapse protection benefit,[2,3] which guarantees the policy will stay in-force for a selected duration, provided the required annual premiums are paid.[4] 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 20 years, 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.



SCENARIO #2 **Understanding the benefits of leveraging alternative assets using life insurance.**

Situation

Dave, age 67, decided to surrender his life insurance policy because he was no longer concerned with federal estate taxes on his estate which were less than the current exemption amount.[5] 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 nine years.

Dave 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 health and family history, he assumed he would have sufficient time for the investments to grow for another 18 to 20 years. After speaking with his long-time insurance professional, Dave learned he 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. He also learned about 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.

Solution

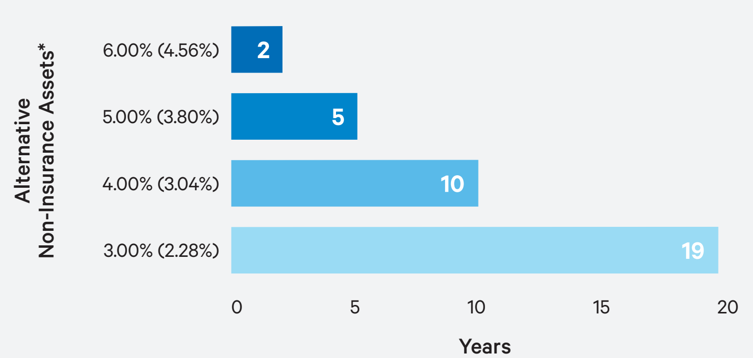
Instead of surrendering the policy, Dave exchanged his current policy—with a death benefit of $450,000 and a cash surrender value of $116,000—into a new indexed universal life policy that provided a death benefit of $855,005. Assuming a 24% federal income tax rate, the alternative asset would have to earn average annual gross returns of 6.40% (net 4.87%) by the end of year 20 (or to age 87). Dave understood that 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, Dave questioned if he could do just as well if he lived for another five years. His insurance professional clearly demonstrated that it would take an additional five years, assuming a gross return of 5% (net 3.80%) to match the death benefit.

With a clear understanding of his life insurance need and how using life insurance as an alternative asset could help provide a greater legacy for his children, Dave 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 a Lapse Protection Benefit to keep the policy in-force to age 89.[4] The death benefit would provide an additional $405,005 to his children with minimal additional investment risk. Dave 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.

Additional years for non-insurance assets to match life insurance death benefit



*Assumes federal income tax rate of 24%.

Is owning life insurance the right strategy for you?

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 for beneficiaries to liquidate assets during a down market to pay estate taxes or expenses.
- Would like to potentially protect legacy assets from creditors, spendthrift beneficiaries (applicable to trusts) and other unforeseen liabilities.

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

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 conditions may vary by state in which they are available.

The Charitable Giving Benefit Rider, form number ICC16_LE8, is only available on policies with a specified amount of $100,000 or more. Selected at application and available at no additional cost, this rider provides an additional benefit of 1% of the base policy specified amount, to a maximum of $100,000. If the policy specified amount has been decreased, 1% of the remaining base policy specified amount is paid. The charity must be designated at time of issue 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.

Withdrawals or loans may not be allowed in certain situations. Amounts withdrawn will decrease the policy death benefit and may be subject to a withdrawal processing fee. Loans may have a permanent effect on the policy, even if repaid.

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. You should consult with your 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 with their attorney or tax professional for more information.

[2] 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).

[3] 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.

[4] The Lapse Protection Benefit ensures that the insured's coverage under the policy will be in-force for as long as the policyowner selects, provided sufficient premium payments are made to cover the monthly deduction due, and the policy is in a Lapse Protection Benefit Period. While in a Lapse Protection Benefit Period, your policy will not enter the Grace Period even if your net cash surrender value is insufficient to pay your monthly deduction.

[5] 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.

SYMETRA®
RETIREMENT | BENEFITS | LIFE

Symetra Life Insurance Company
777 108th Avenue NE, Suite 1200
Bellevue, WA 98004-5135
www.symetra.com