Wealth Transfer Planning

Maximizing a Legacy

If you could guarantee the amount of money that your customer leaves to his or her heirs would you be interested in learning about this planing technique?

If you answered "YES" then you need to know about Aviva's Wealth Transfer Concept.

What is Wealth Transfer Planing?

The Wealth Transfer Concept, in its simplest form, is really nothing more than trading an asset such as cash in a bank account, CD, annuity or similar asset for a single premium life insurance plan. It is a better way to pass along this wealth. Why? Usually life insurance will produce a significantly better financial result for your customer's heirs. It's a method to maximize the value of any asset earmarked for an heir.

Annuities
Cash
CDs
Other Accounts

Life Insurance

What is the Target Market?

Wealth Transfer Planning works best for individuals who have reached retirement age, are living comfortably on retirement income and who have earmarked certain assets for their heirs, a religious organization or charity. Wealth Transfer is available to your customers who are in reasonably good health and between the ages of 50 and 85.

How does Wealth Transfer Planing Work?

Let's assume Mr. Doe, a 70-year-old widower, is considering the purchase of a $100,000 annuity with money he wants to leave to his grandchildren. After discussing the potential tax implications, you suggest Keepsake 200, a Wealth Transfer product. Let's examine what this will do for Mr. Doe.

$100,000
Single Premium
Payment from
Bank Account

$152,149
Guaranteed Minimum
Death Benefit
Life Insurance Policy*

Could an annuity yield the same after-tax result for his grandchildren? Only if Mr. Doe lives to be 84 and the annuity earns a steady 4% assuming a 28% tax bracket. That's a full 14 years required to net the same amount of benefit to his grandchildren that the life insurance contract would guarantee. The annuity would have to grow to $172,429 to provide the heirs the same $152,149 in their pockets because the gain would be taxable as income. Would you rather guarantee $152,149 to his heirs today or project a $152,149 benefit 14 years from now?

* Assuming no loans, withdrawals or changes to the specified amount are made on Keepsake 200

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Are There Other Applications for Wealth Transfer Planning?

Definitely! Other case design possibilities include transferring any of the following assets to an Aviva Life universal life insurance policy:

- *Non-qualified Annuities*
- *Cash Accounts*
- *CDs*
- *Non-qualified Mutual Funds*
- *Proceeds from Real Property*

What are the Benefits of Wealth Transfer Planning?

Regardless of the asset, the tax-free death benefit of life insurance results in a superior outcome for your customer's heirs. The financial advantage varies according to the income tax treatment of the asset class and the interest rate earned. However, none of these other assets can stack up to the competitive double-edged value of a guaranteed return of premium and a guaranteed initial death benefit.

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Tax-Advantaged

Wealth Transfer

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A Smart Way To Help Maximize The Legacy You Leave To Your Heirs

Plan Wisely, And Give The Ultimate Keepsake

Creating an estate plan is the first step in ensuring your heirs receive assets according to your wishes. But how do you ensure that they receive the greatest amount possible?

The Wealth Transfer concept can dramatically increase the ultimate value of assets you leave to loved ones. It's a simple, effective idea: Take assets such as annuities, CDs or cash accounts intended for heirs, and reposition them into a life insurance contract offering attractive financial results.

Leveraging The Tax Advantages Of Life Insurance

The key to Wealth Transfer involves leveraging the tax advantages of life insurance. None of these other assets can stack up to the competitive advantages of tax-deferred accumulation *and* an income tax-free death benefit. On top of that, Aviva's life insurance products provide guarantees not typically found in traditional universal life contracts.

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Tax-Advantaged

Wealth Transfer

Below is an example of how the Wealth Transfer concept and the advantages of life insurance can help maximize assets intended for beneficiaries. While this example* involves a couple, the concept works for single individuals too.

Jane and John Smith, a retired couple, have an estate that includes their family home, a retirement plan and some CDs**. Their retirement needs are adequately funded, so they've earmarked a $125,000 CD to leave to their children.

For the Smiths, there may be a better alternative. They could use that $125,000 to purchase a Keepsake Survivorship 200 universal life insurance policy. This insurance would pay the benefit to the Smiths' beneficiaries only after both Mr. and Mrs. Smith have passed away. Assuming the Smiths are both age 65, don't use tobacco products and are in good health, the Keepsake Survivorship 200 policy will generate an initial guaranteed life insurance benefit of $281,913 that may grow to more than $550,000 at the maturity of the contract.***

That's the Wealth Transfer concept. It's simple, easy to implement and can be very effective in helping you to bestow the ultimate keepsake.

Your Aviva Representative Can Tell You More

Learn more about Wealth Transfer and how it can help you maximize the legacy you leave to your heirs. Talk with your Aviva representative today.

* This example is for illustration purposes only. Actual values will vary.

** This example assumes the estate value is below the unified credit exemption, thus incurring no estate taxes.

*** The growth of the initial death benefit shown is based on a projection of values using the January 2003 5.65% crediting rate and current cost-of-insurance rates. If no loans, withdrawals or increases in specified amount are made, the death benefit is guaranteed to be at least $281,913 in all contract years.

The Company does not authorize its agents, employees or representatives to give legal, tax or accounting advice. The information contained herein is our understanding of current laws as they relate to annuities and life insurance. These laws are subject to change in the future. Please consult your personal advisor for any needed legal, tax or accounting advice.

Form # LP34937 / LC34940

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Case Study #1a Wealth Transfer Planning*

Maximizing Your Charitable Legacy: Life Insurance vs. Annuities

Scenario

Mr. Doe is a 70-year-old widower with a $500,000 estate that is comprised of his home, pension plan, bank accounts and CDs. He wants to leave $100,000 to his favorite charity. Mr. Doe is considering the purchase of an annuity to fund his bequest.

Objective

Maximize the assets used to fund Mr. Doe's charitable bequest.

Solution

Use $100,000 to purchase an Aviva Keepsake 200 universal life insurance policy that will be owned by and payable to the charity. Assuming Mr. Doe is a healthy non-tobacco user, this premium will fund a policy with a guaranteed initial death benefit of $152,149**.

Benefits

Mr. Doe can deduct the premium paid into the policy from his income taxes, subject to certain limitations. See Taxation section below.

1. Wealth Transfer provides an immediate guaranteed death benefit.
2. Mr. Doe has peace of mind knowing his favorite charity will receive $152,149** upon his death.

Taxation

Mr. Doe's premium payment is considered a charitable gift only if the charity owns the life insurance policy. Mr. Doe is not subject to gift tax because of the charitable deduction. His gift is income tax-deductible up to a maximum of 50% of his Adjusted Gross Income for gifts to public charities or 30% for private charities. Mr. Doe's net worth is insufficient to create any estate tax.

Results

Mr. Doe increases his charitable bequest by 52% in the first year by purchasing a Keepsake 200 policy. Can an annuity provide the same result? Only if Mr. Doe lives to age 81 and earns a minimum rate of 4% on his money.

* This example is for illustrated purposes only. Actual results will vary.

**Assuming no loans, withdrawals or changes to the specified amount are made.

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Form # LP34770 / LC34772 (A different form may be offered in certain states.)

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Case Study #1b Wealth Transfer Planning*

Maximizing Your Charitable Beneficiary: Survivor Life Insurance vs. Annuities

Scenario

Mr. & Mrs. Doe are 73- and 72-year-old healthy non-tobacco users who have no children. They have assets worth $575,000, which include a home, CDs, a mutual fund and a pension. The couple wants to earmark $125,000 of their estate to leave to their favorite charity. They are considering the purchase of an annuity to be owned by the Does with the charity as beneficiary.

Objective

To maximize the amount of wealth that Mr. & Mrs. Doe leave to their charity.

Solution

Mr. & Mrs. Doe should use the $125,000 to purchase an Aviva Keepsake Survivorship 200 universal life insurance policy. The policy should be owned by the charity with the charity designated as beneficiary. A single premium of $125,000 would purchase an initial death benefit of $223,935** guaranteed payable upon the second death.

Benefits

1. Mr. & Mrs. Doe have peace of mind knowing the charity will receive $223,935** upon the second death.
2. The life insurance offers a larger benefit sooner.
3. Mr. & Mrs. Doe can take an income tax deduction for the premium (subject to limitations described below) provided the charity owns the policy and is the beneficiary.

Taxation

The premium paid by the Does is considered a gift to the charity as long as the charity owns the policy. There is no gift tax because of the charitable deduction. It is income tax-deductible up to a maximum of 50% of their Adjusted Gross Income (for gifts to public charities) or 30% of Adjusted Gross Income (for private charities). Because the couple's estate is less than the unified credit exemption, there are no estate tax implications to this case design.

Results

Mr. & Mrs. Doe provide an immediate $223,935** benefit to the charity. In contrast, a $125,000 annuity earning 6% would require 11 years to grow to a $223,935 death benefit for the tax-exempt charitable beneficiary. If the Does owned the annuity, there would be no charitable income tax deduction.

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* This example is for illustrated purposes only. Actual results will vary.

**Assuming no loans, withdrawals or changes to the specified amount are made.

Form # LP34823 / LP34824 / LP34825 / LC34818 / LC34820 / LC34822 (A different form may be offered in certain states.)

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Case Study #2Wealth Transfer Planning*

Creating A Charitable Legacy

Scenario

Seventy-year-old Mrs. Doe, a healthy non-tobacco user, has a $50,000 tax-deferred annuity with a cost basis of $35,000. She has no intention of using this annuity for retirement income purposes. Instead, this asset is earmarked for her favorite charity. Mrs. Doe has a 27% income tax rate.

Objective

To maximize the amount of wealth that Mrs. Doe leaves to her favorite charity.

Solution

1. Obtain an annuity quote for a five-year payout on the existing deferred annuity to determine the amount available to fund a life insurance contract. In this example, the annual annuity income before taxes would be $10,599.74 based upon a rate of 3%, the after-tax annuity amount, $9,627.81 (based upon exclusion ratio).
2. Use the after-tax amount to fund an Aviva Keepsake 200 universal life insurance contract, structured as a five-pay plan with a minimum guaranteed death benefit.

Benefits

1. Mrs. Doe has peace of mind knowing her charitable beneficiary receives a larger legacy upon her death.
2. Mrs. Doe offsets the income taxation of her annuity with the charitable income tax deduction (subject to the limitations listed below).
3. Mrs. Doe mitigates her own income tax liability on her annuity by spreading the taxes over a five-year period.

Annuity Only

END OF YEAR	ANNUITY AFTER-TAX VALUE
1	*51,500.00*
2	*53,045.00*
3	*54,636.35*
4	*56,275.44*
5	*57,963.70*

Combination

	Annuitization			Life Insurance		Total
YEAR	ANNUITY PAYMENT	OWNER INCOME TAX	PREMIUM	MIN. GUAR. DEATH BENEFIT	PRESENT VALUE OF REMAINING ANNUITY AT 3% PAYMENT DUE IN SUBSEQUENT YEARS	TOTAL NET BENEFIT
1	*10,599.74*	*971.93*	*9,627.81*	*16,059.00*	*40,582.27*	*56,641.27*
2	*10,599.74*	*971.93*	*9,627.81*	*31,722.00*	*30,882.01*	*62,604.01*
3	*10,599.74*	*971.93*	*9,627.81*	*47,013.00*	*20,890.74*	*67,903.74*
4	*10,599.74*	*971.93*	*9,627.81*	*61,951.00*	*10,599.74*	*72,550.74*
5	*10,599.74*	*971.93*	*9,627.81*	*76,553.00*	*0.00*	*76,553.00*

Taxation

The premium paid by Mrs. Doe is considered a gift to the charity as long as the charity owns the policy. There is no gift tax because of the charitable deduction. It is income tax deductible up to a maximum of 50% of her Adjusted Gross Income (for gifts to public charities) or 30% of Adjusted Gross Income (for private charities). Because the value of Mrs. Doe's estate is less than the unified credit exemption, there are no estate tax implications to this case design. The charity pays no income tax.

Results

The combination of annuity and life insurance provides a greater guaranteed minimum benefit to the charity. There is a combination of annuity and life insurance death benefit in years one to five. The annuity alone would have resulted in a lesser guaranteed amount to the beneficiary in any given year assuming equivalent rates.

* This example is for illustrated purposes only. Actual results will vary.

Form # LP34770 / LC34772 (A different form may be offered in certain states.)

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Case Study #3 Wealth Transfer Planning*

Using An Annuity To Fund Life Insurance

Scenario

Seventy-year-old Mrs. Doe, a healthy non-tobacco user, has a $50,000 tax-deferred annuity with a cost basis of $35,000. She has no intention of using this annuity for retirement income purposes. Instead, this asset is earmarked for her daughter, the beneficiary. Mrs. Doe and her daughter are both in a 27% income tax bracket.

Objective

To maximize the amount of wealth that Mrs. Doe leaves to her daughter, while minimizing the income tax impact to Mrs. Doe.

Solution

1 Obtain an annuity quote for a five-year payout on the existing deferred annuity to determine the amount available to fund a life insurance contract. In this example, the annual annuity income before taxes would be $10,599.74 based upon a rate from Aviva of 3%, the after-tax annuity amount – in this case, $9,627.81 (based upon exclusion ratio).

2 Use that after-tax amount to fund an Aviva Keepsake 200 universal life insurance contract structured as a five-pay plan with a minimum guaranteed death benefit.

Benefits

1 Mrs. Doe has peace of mind knowing her daughter will likely receive a larger legacy upon her death.

2 Mrs. Doe mitigates her own income tax liability on her annuity by spreading the taxes over a five-year period.

Annuity Only**

END OF YEAR	ANNUITY VALUE	AFTER-TAX VALUE TO BENEFICIARY
1	51,500.00	47,045.00
2	53,045.00	48,172.85
3	54,636.35	49,334.54
4	56,275.44	50,531.07
5	57,963.70	51,763.50

Combination

	Annuitization			Life Insurance			Total
YEAR	ANNUITY PAYMENT	OWNER INCOME TAX	PREMIUM	MIN. GUAR. DEATH BENEFIT	PRESENT VALUE OF REMAINING ANNUITY (BEFORE TAX)	REMAINING ANNUITY (AFTER TAX)	TOTAL NET BENEFIT
1	10,599.74	971.93	9,627.81	16,059.00	40,582.27	36,861.13	52,920.13
2	10,599.74	971.93	9,627.81	31,722.00	30,882.01	28,050.33	59,772.33
3	10,599.74	971.93	9,627.81	47,013.00	20,890.74	18,975.19	65,988.19
4	10,599.74	971.93	9,627.81	61,951.00	10,599.74	9,627.81	71,578.81
5	10,599.74	971.93	9,627.81	76,553.00	0.00	0.00	76,553.00

Taxation

Life insurance death benefits are income tax-free to the beneficiary. Any gain in an annuity received by a beneficiary upon death of the owner/annuitant is taxable ordinary income to the beneficiary. Each annuity payment received is comprised of taxable (earnings) and non-taxable (return of basis) dollars. Mrs. Doe pays income taxes on a portion of the annuity income received that represents earnings. Because the value of Mrs. Doe's estate is less than the unified credit exemption, there are no estate tax implications to this case design.

Results

The combination of annuity and life insurance provides a greater benefit to the insured's heirs. The annuity alone would have resulted in a lesser amount to the beneficiary in any given year assuming equivalent rates.

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** Assumes earning 3%

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Wealth Transfer Script #1

Advisor: *There is a question that I have not asked you yet. It is not a financial or insurance question, but I think it is an important question all the same.*

Client answers, "What is it"?

Advisor: *Do you have any accounts or assets "specifically earmarked" for your children, your grandchildren, another heir, a charity or religious organization?*

If client answers "No" then thank them and you are done.

If client answers "Yes".

Advisor: *Have you purchased Long Term Care insurance or planned for your long term care needs yet?*

If client answers "No" then switch to the "Triangle Concept for Funding LTC" script.

If client answers "Yes" continue with this script below.

Advisor: *If I could show you how to leave more money to your heirs, income tax free, and you still control the cash, would you be interested in learning how?*

Assuming client answers "YES"!

Advisor: *Many mature Americans who have earmarked specific assets for heirs or charity are placing the money in a specially designed life insurance policy, which leaves a larger, income tax free benefit. You still control the cash, and can get the money back at any time if you needed it for an unforeseen emergency. In most cases, there is no physical exam. Would you like me to show you how it works?*