

# Deleveraging Annuities— A strategy to help maximize and preserve your legacy

Estate planning strategies  
using life insurance

## Objective

To utilize a financial planning strategy intended to restructure an individual's or couple's current annuity holdings, leading to their wealth passing to their heirs, while at the same time reducing their income, estate and inheritance taxes. Generally, income is not needed from the annuity for retirement, yet you may still wish to maintain access to annuity values.

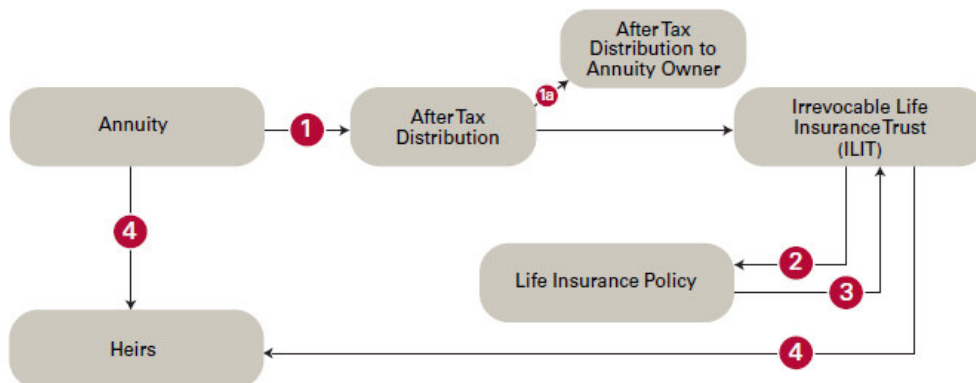
## How it works...

1. Annuity owner gifts a portion of the after-tax distribution from the annuity to the ILIT.<sup>1</sup> The annuity distribution is taxed to the recipient and then gifted to the Irrevocable Life Insurance Trust (ILIT).
- 1a. Distributions in excess of premiums may be used for living expenses, reducing taxable estate to heirs.
2. The trustee of the ILIT uses the annual gifts to purchase a life insurance policy on the annuity owner or annuity owner and spouse naming the ILIT as owner and beneficiary. Gift tax may be reduced or eliminated by using any available unified credit or annual exclusion amounts.
3. At the annuity owner's or annuity owner's and spouse's death, life insurance proceeds pass income and estate tax free to the ILIT.
4. ILIT beneficiaries, per the trust's terms, receive the trust assets. In addition, any remaining annuity proceeds held outside of the ILIT will pass to the heirs after any income and estate taxes have been paid.



### Ideal client (general characteristics)

- Annuity no longer under a surrender period?
- Has an annuity value of \$200,000 or more?
- Have a net worth in excess of \$1,500,000?
- Enjoy meaningful cash flows from employer pensions and social security?
- Are more interested in transferring their assets than generating income?
- Are age 65 and above and are generally healthy?
- Often discuss family or charitable events during investment reviews?



<sup>1</sup> Establishing an ILIT for the purpose of owning a life insurance policy on an individual or on an individual and spouse, may place the policy and its future death benefit outside the taxable estate of the individual (based on current federal estate tax law).

American General Life Companies insurers do not give tax advice. Policy owners strongly urged to contact a competent legal and/or tax advisor in order to evaluate all of the tax consequences of an estate plan. If uncertain, contact your American General Life Companies representative for assistance.

**American General**  
Life Companies

**Please call us at 800-847-6426 to discuss this concept.**