

Leveraging Qualified Plan Assets

Estate planning strategies using life insurance

Objective

To implement a legacy planning strategy with the intention of assisting a qualified plan owner pass on assets normally used for retirement which, at present, may not be needed for financial support. However, access to QP values as an income source is important and should be maintained. This strategy's focus is to minimize estate tax liability by purchasing life insurance, owned by either the heirs or a trust, with their required minimum distributions (RMD's).

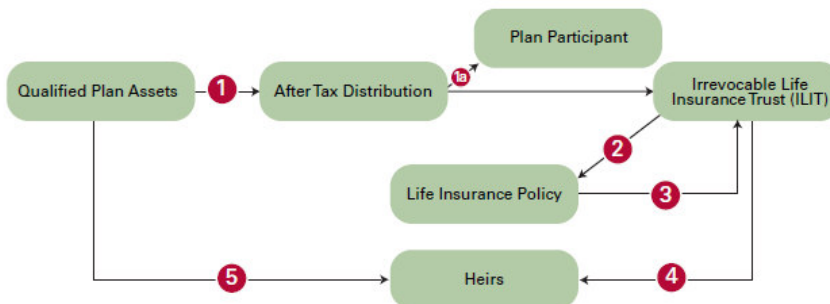
How it works...

1. Qualified plan owner takes taxable distributions from the qualified plan on an annual basis and then gifts a portion of the after-tax net distribution to an Irrevocable Life Insurance Trust (ILIT)! The distribution from the qualified plan removes that asset from the taxable estate of the qualified plan owner.
 - 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 qualified plan owner as the insured and naming the ILIT as owner and beneficiary of the policy. Gift tax may be reduced or eliminated by using any available unified credit or annual exclusion amounts.
3. At the death of the qualified plan owner, the life insurance proceeds are distributed to the ILIT free of income and estate taxes.
4. ILIT beneficiaries, per the trust terms, receive the trust assets.
5. Any remaining assets of the qualified plan held outside of the ILIT will pass to the heirs after any income and estate taxes have been paid. Distributions from the qualified plan to heirs may also be subject to income tax.



Ideal client (general characteristics)

- Is age 65 or older and generally healthy?
- Has a qualified plan value of \$500,000 or more?
- Have a net worth in excess of \$4,000,000?
- Have complained about having to take distributions from their IRAs?
- Are currently reinvesting IRA distributions?
- Often discuss family or charitable events during investment reviews?



¹ 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).

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