

# The Power of Life Insurance

## The Client

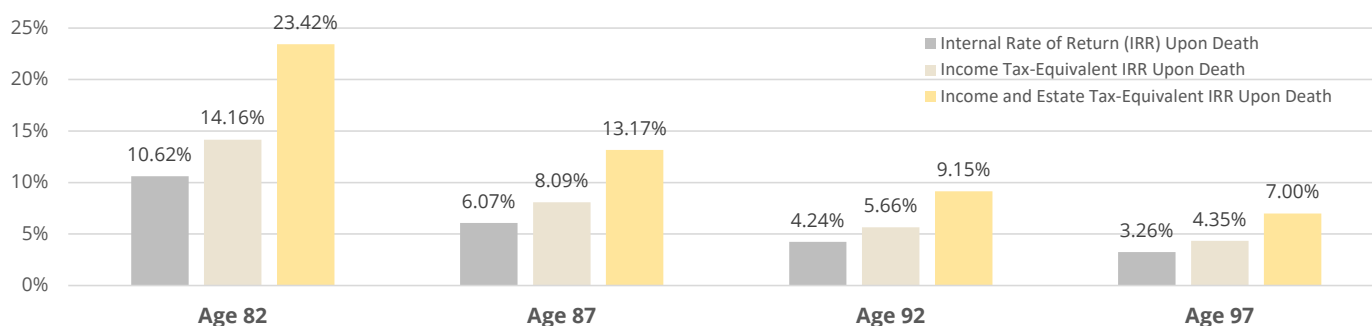
- Age 75 and standard non-tobacco
- \$30MM net worth growing at 2% after tax
- Average income tax rate of 25%
- \$11.7MM lifetime estate and gift tax exemption remaining
- Four available gift exclusions (\$60,000)
- Inflation rate of 2%.
- Estate tax rate of 40%

## Impact of a Tax-Free Death Benefit

Due to its potential tax advantages, life insurance can offer immediate and long-term leverage as compared to self-insuring with traditional taxable investments.

- Life insurance proceeds are typically paid income tax-free to the beneficiary.
- Life insurance policies owned by an irrevocable trust may avoid estate taxes on the death benefit proceeds.
- To match the economic value of the life insurance death benefit proceeds, equivalent annual contributions into a taxable investment may require higher yields and possibly greater risk.

## Summary of Rates of Return



## Explanation of Example

- At age 92 (life expectancy), the internal rate of return of the death benefit is 4.24% (left column). Assumes maximum expense and mortality assumptions.
- However, if a hypothetical investment account was created with the same outlay, but subject to income taxes at an average rate of 25%, that account would have to earn 5.66% annually in order to achieve the same \$10,000,000 net to heirs' benefit (center column).
- Furthermore, if that hypothetical investment account was subject to both income and estate taxes, that account would have to earn 9.15% annually in order to achieve the same net to heirs' benefit (right column) taking into account the client assumptions listed above.

Year	Attained Age	Premium Outlay	Guaranteed Death Benefit*	IRR Upon Death	Income Tax-Equivalent IRR Upon Death	Income and Estate Tax-Equivalent IRR Upon Death
1	76	\$4,932,886	\$10,000,000	102.72%	136.96%	250.35%
2	77	0	\$10,000,000	42.38%	56.51%	92.74%
3	78	0	\$10,000,000	26.56%	35.41%	56.20%
4	79	0	\$10,000,000	19.32%	25.76%	40.20%
5	80	0	\$10,000,000	15.18%	20.24%	33.94%
10	85	0	\$10,000,000	7.32%	9.76%	15.97%
15	90	0	\$10,000,000	4.82%	6.43%	10.42%
17	92	0	\$10,000,000	4.24%	5.66%	9.15%
20	95	0	\$10,000,000	3.60%	4.80%	7.73%
22	97	0	\$10,000,000	3.26%	4.35%	7.00%

\*Guarantees are based upon the financial strength and claims-paying ability of the issuing insurance company. If premiums are paid as illustrated and on time and no withdrawals and/or loans are taken, the insurance carrier guarantees the death benefit will be in force for 27 years (to age 102). The ability to acquire life insurance requires meeting the carrier's financial and medical underwriting guidelines. Riders are available for an additional fee—some riders may not be available in all states. Full variable life insurance illustration available upon request.



## LION STREET®

Please consider the investment objectives, risks, charges, expenses, and your need for death-benefit coverage carefully before investing. The prospectus, which contains this and other information about the variable life policy and the underlying investment options, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.

The investment return and principal value of the variable life policy are not guaranteed. Variable life sub-accounts fluctuate with changes in market conditions. The principal may be worth more or less than the original amount invested when the policy is surrendered. All values shown are hypothetical and for illustrative purposes only. Actual results will vary. Investing involves risk and possible loss of principal.