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3 Under certain circumstances and in some states, policyholders may not be able to take withdrawals or policy loans in the first policy year. For Guardian's Core Whole Life and Limited Pay Whole Life products, first-year loans are available in all states. With Executive Strategies Whole Life, Achiever Gold, and Estate Guard, first-year policy loans are not available, except in states where first-year loans are required to be available.

4 Policyholders should consider that due to the "recapture ceiling", if a withdrawal taken within the first 15 years of the policy reduces the policy's death benefit, it may be considered taxable income, even if the withdrawal is not in excess of basis. Withdrawals up to the policyholder's basis that are taken after 15 policy years will not be considered taxable income as long as the policy is not a MEC.

5 If a policyholder sells, instead of surrenders, a policy, the Internal Revenue Service (IRS) takes the position that the cumulative cost of insurance charges reduce the policyholder's basis when calculating the gain or loss upon a sale.

6 All whole life insurance policy guarantees are subject to the timely payment of all required premiums and the claims paying ability of the issuing insurance company.

Policy loans and withdrawals affect the guarantees by reducing the policy's death benefit and cash values.

7 A part-gift, part-sale may also lead to the transfer being a "transfer for value," which may result in having some or all of the death benefit being subject to income taxes

# LIFE INSURANCE TAX FREE BENEFITS

Donald Albach  
President  
Millstone Financial Group



# TODAY'S FINANCIAL LANDSCAPE

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- ✘ Low Interest Rates
- ✘ Market Volatility
- ✘ Need for Taxation
- ✘ Debt and Deficits

# LIFE INSURANCE, DO I NEED IT!

- ✘ What if it were free?
  
- ✘ Amount
  - + Phase I – Replacement Value (income)
  - + Phase II – Replacement Value (assets)
  
- ✘ Type
  - + Term
  - + Permanent

# CHALLENGES

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- ✘ Costs
- ✘ Flexibility
- ✘ Rates of Return
- ✘ Confusion & Media (Library)
- ✘ Needs Based Planning

# TYPES OF LIFE INSURANCE

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Term Life Insurance

Variable Life Insurance

Whole Life Insurance

# FEATURES OF PERMANENT

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- ✘ Guaranteed Contribution (Premium)
- ✘ Guaranteed Death Benefit
- ✘ Guaranteed Cash Value
- ✘ Dividend Participation
- ✘ Favorable Tax Treatment

# TAX FREE BENEFITS

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Dividends can be withdrawn tax free

Withdrawals and loans can be structured to provide a tax free income stream

Death benefits are left beneficiaries tax free

# FEATURES CONTINUED

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- ✘ LOC – Recaptures
  - + Term
  - + Costs – Ex. COLI & BOLI
  
- ✘ Cash Value & Dividends
  - + Access
  - + Collateral
  - + Distribution Strategies

## Asset Utilization & Replacement

# THE TEXAS HOLD-EM GENERATION

- ✘ 401(k) Values have not really grown
- ✘ Real Estate Values have fallen
- ✘ Interest rates have been very low
- ✘ Many Pension Fund are Struggling

# THE WATER BOTTLE LESSON !





# THE PERMISSION SLIP TO SPEND

- ✘ Annuitize my 401(k) / IRA
- ✘ Do a reverse mortgage
- ✘ Spend down my savings
- ✘ Leave a legacy

# THE LIFE TIME LINE

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- ✘ All about ME
- ✘ All about US
- ✘ All about THEM
- ✘ All about US?
- ✘ All about THEM AGAIN!!!

# WELCOME TO OUR COMMUNITY

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- ✘ Going from Coerced to Coached
- ✘ Coaching and Advising
- ✘ [donald\\_albach@ca-strategy.com](mailto:donald_albach@ca-strategy.com)

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