Safe Money Concepts

Wealth Transfer Using Single Premium Life

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INTRODUCTION

Way back in December, 1993, Cornell University's Science News calculated that over ten trillion dollars in wealth would change hands by the year 2040, with about 115 million bequests averaging more than $ 90,000 each! With the up-tick in our recent markets, who knows what those numbers really are today?

When considering wealth transfer, most Americans want to know that no matter the size of their estate, their assets will move to the people they choose at the lowest possible rate of taxation and at the highest rate of interest earned throughout the life of the products they have purchased, with little or no risk. Consumers should also understand that a Single Premium Life product could be one of the most efficient wealth transfer vehicles available.

Today, you have many types of products from which to choose that will work: Universal Life, Indexed Life, or Whole Life. Since most of the inheritors are in the middle class, they are not candidates for and don't need sophisticated estate planning. However, whether or not estate taxes will be a factor in your wealth transfer planning, income taxes can have a huge effect. Single Premium Life products take advantage of current tax laws. They provide you (the insured) with a lump sum of money to increase the size of your estate and then pass the proceeds – federal income tax-free – to your heirs while bypassing probate!

If you are between the ages of 60 and 85 with money set aside and earmarked for future generations, you may be an ideal candidate for Single Premium Life. If you are somewhat conservative and prefer guarantees rather than assumptions, you are also an ideal candidate. Since Single Premium Life is life insurance, you should be in fairly good health and be able to meet underwriter requirements; however, many of these products are called "simplified issue" and do not require a medical exam.

WEALTH TRANSFER

When you're considering a Single Premium Life product, you should use monies that you don't need right now. Therefore, ask yourself one simple question: "What's the purpose of the money I have accumulated right now?" If you intend to pass on all or part of that money to your kids, grandkids, or church, then you may be a candidate for Single Premium Life. If you have money in CDs, a passbook savings account, or fixed annuities, you may be a good candidate. If you have money that you don't use because you have other sources of income (such as CDs that you roll over year after year), again, you're a possible candidate.

Here are a few other considerations: Interest on CDs and passbook savings accounts are taxable each year, and they reduce your legacy to your heirs. Deferred annuities earmarked for your kids' inheritance also include a tax time bomb that could really disrupt your heirs' income tax situation. You see, annuities are usually designed to provide lifetime income for you, not to facilitate wealth transfer for your heirs. Therefore, monies you leave to your beneficiaries from an annuity are fully taxable, meaning the longer the annuity accumulates monies, the more taxes your heirs will pay!

Single Premium Life Wealth Transfer Benefits

1. Takes advantage of current tax laws to minimize tax liability
2. Federal income tax-free
3. Conservative life insurance policy that provides guarantees
4. Helps to increase the size of our estate in a tax efficient manner
5. Accelerated death benefits for nursing home or home health services
6. Protects beneficiaries from being bumped up into a higher tax bracket
7. Helps avoid the "tax time bomb"

Furthermore, since these taxes are calculated based on your heirs' tax bracket, which may be higher than yours, your heirs' taxes could be significant. For those people who do not need to use all of their money for their own income (living expenses, etc.), Single Premium Life can eliminate those taxes. Single Premium Life was designed as a wealth transfer product. In addition to the death benefit – which is several times higher than the initial single premium – the Single Premium Life product also provides accelerated death benefits for nursing home care (meaning you can actually withdraw part or all of the death benefit of the policy to pay for your nursing home care) as well as home health care services.

Call Jeff Balak at (214) 597-6103

for more information regarding how Single Premium Life can solve your unique wealth transfer needs.

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