



income max strategy



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NP090014 (7/09)



a strategy to maintain or increase your after-tax income and transfer wealth to your beneficiaries

The Problem:

- Clients are looking for security and stability of income
- Value of their retirement income assets may fluctuate in value
- Result may be to produce varying amounts of income over time.
- How can they:
 - Reduce or eliminate some of the market and interest rate risks,
 - Lock in income for life (if possible, increase after-tax income),
 - Also leave something for their beneficiaries.

strategy to maintain or increase your after-tax income and transfer wealth to your heirs



The Strategy:

- Increase current after-tax income by
 1. Selling a portion of current investments and
 2. Using the proceeds to buy a SPIA for life.*
- Use part of the income to purchase life insurance
- Death benefit replaces the assets sold
 - income tax-free and
 - potentially estate tax-free basis.**

* The Single Premium Immediate Annuity Illustration and policy should be reviewed before selling any assets. Note the sale of an investment may result in income taxes and other sales charges.

** Your client's legal or tax advisor may wish them to purchase the life insurance and annuity from different insurance carriers for both pricing and risk shifting/risk distribution purposes. Clients need to consult with their own tax advisor.

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Potential Benefits:

- Eliminate or reduce market risk from some of the current investment portfolio.
- Increase after-tax income for life through a lifetime SPIA .
- Provide income clients can't outlive (guaranteed for life).
- Provide death benefit for beneficiaries to replace asset, potentially estate tax-free.*

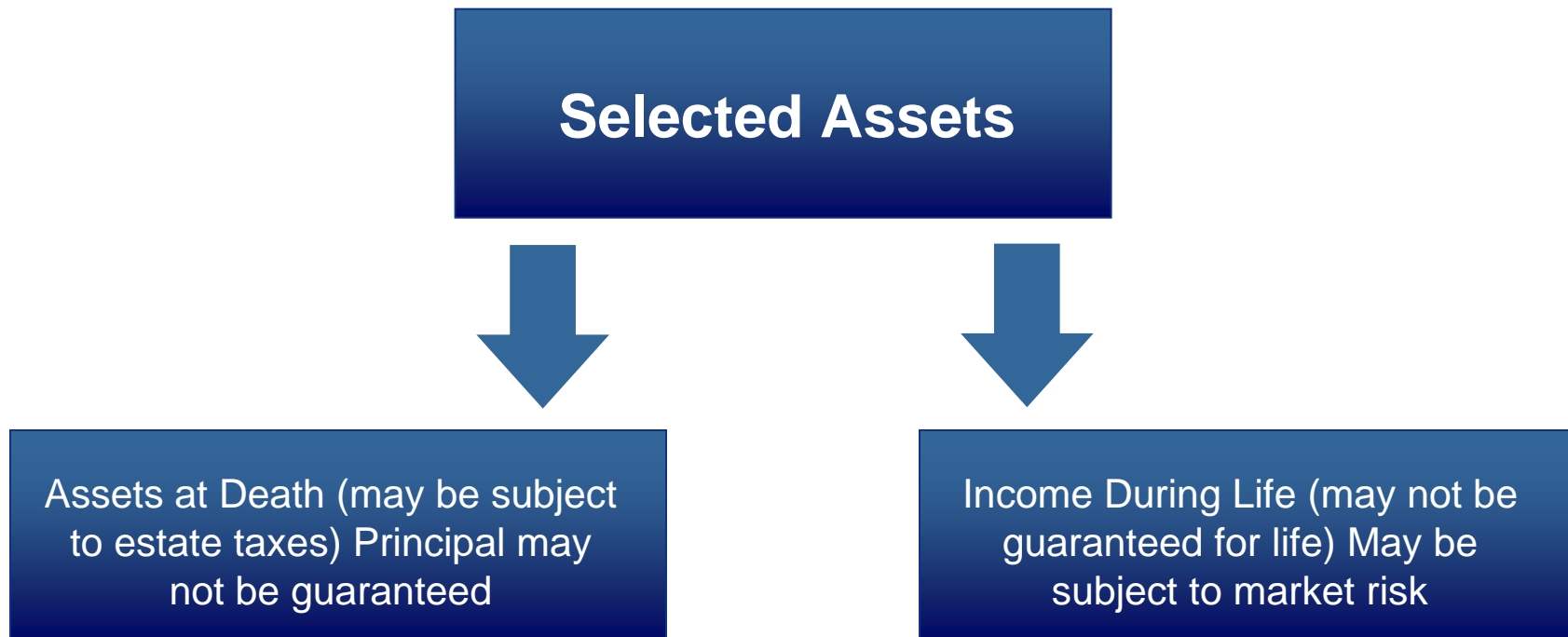
Caveats:

- Potential loss of liquidity by purchasing the SPIA.
 - Clients need to understand the terms of the particular SPIA being purchased.
- Once the SPIA is purchased, amount of income is locked in.
 - No changes are permitted.
- For life insurance, clients must qualify based on health and financial status.
- The lifetime SPIA will generally end without value upon death.
 - Wealth transfer will come from the life insurance policy death benefit.

* Life Insurance death proceeds are generally excluded from the beneficiary's gross income for federal income tax purposes.

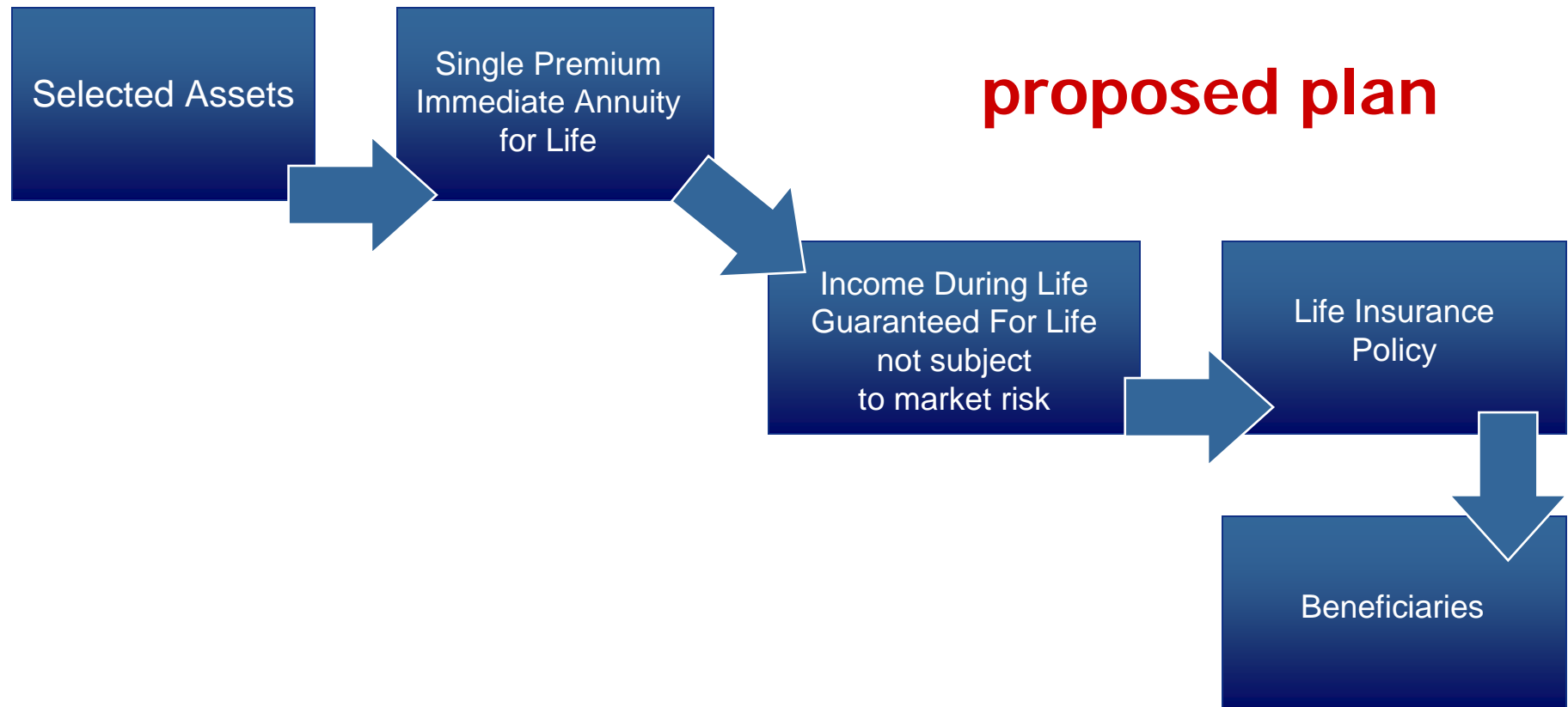
how it works: /

current plan



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how it works: /



proposed plan

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hypothetical example assumptions

Current Asset Value:	\$500,000*
Cost Basis of Asset:	\$500,000
Assumed Hypothetical Earnings Rate:	3.00%
Deferred Asset Growth Rate:	0.00%
Client's Income Tax Bracket:	35.00%
Capital Gains Tax Bracket:	20.00%
Monthly Income from SPIA:	\$4,468.71
Exclusion Ratio:	74.59%
Life Insurance Policy Face Amount:	\$1,000,000

*This value is designed to reflect the amount held in the particular asset(s) and does not attempt to reflect actual market value which among other factors would depend on future interest rates, tax laws and financial risk factors associated with particular asset(s).

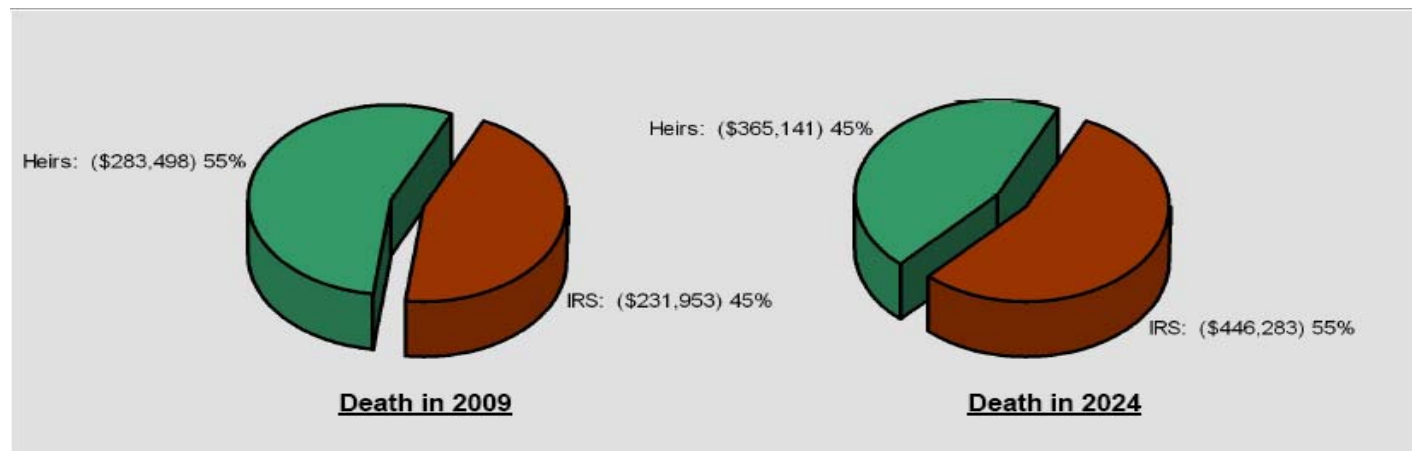
This is a hypothetical example of Income Max. A client should consider their own individual circumstances and consult with a tax advisor prior to implementing this strategy.

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case study: current plan

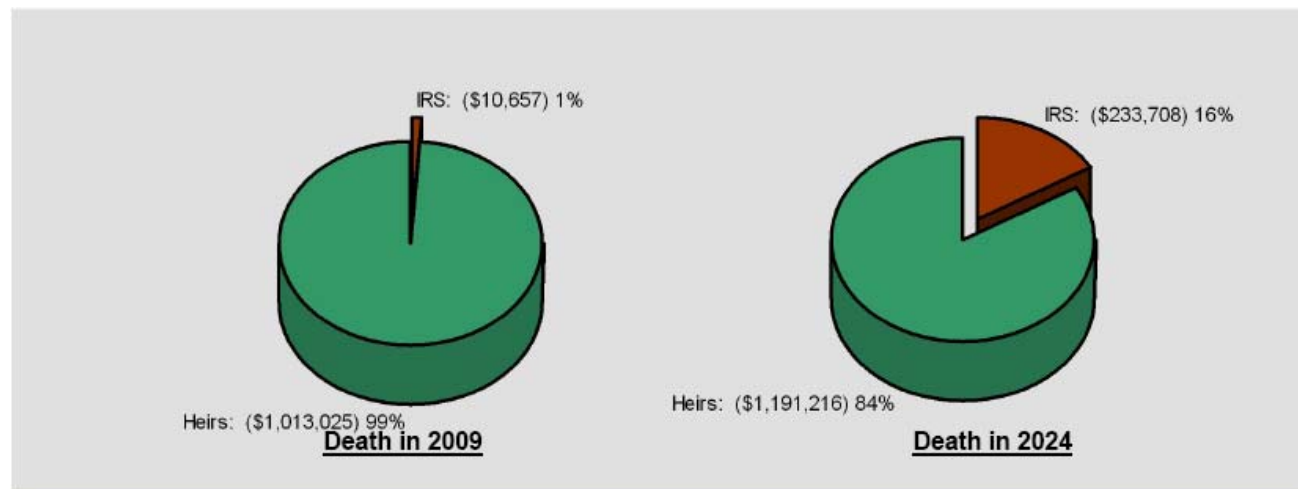
- Male age 70, healthy
- Current asset value of \$500,000, with a \$500,000 initial deposit
- Project death at 86, assumed asset value of \$811,424
- Potential amount owed to IRS = \$446,283



This is a hypothetical example of Income Max. A client should consider their own individual circumstances and consult with a tax advisor prior to implementing this strategy.

case study: proposed strategy /

- Reallocate the \$500,000 asset to purchase a Single Premium Immediate Annuity
- Begin annual distributions from SPIA of \$53,625 for 30 years
- Assuming 35% tax bracket, net after-tax distributions would be \$48,855
- Life insurance death benefit = \$ 1,000,000
- Death benefit passes tax free to beneficiaries



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comparing the numbers



-----Current Plan-----

-----Proposed Strategy-----

Year	EOY Asset Market Value (1)	Assumed Estate Tax Rate (4)	Estimated Estate Tax (5)	Net to Heirs (6)	Annual Income From SPIA (7)	Life Insurance Premium (11)	ILIT Net Death Benefit (13)	Net to Heirs w/ILIT (14)	Additional Net Value to Heirs (15)
2009	500,000	45.00%	231,953	283,498	53,625	25,863	1,000,000	1,013,025	729,528
2010	500,000	0.00%	0	531,364	53,625	25,863	1,000,000	1,048,075	516,712
2011	500,000	55.00%	301,265	246,489	53,625	25,863	1,000,000	1,032,940	786,451
2012	500,000	55.00%	310,550	254,087	53,625	25,863	1,000,000	1,044,585	790,499
2013	500,000	55.00%	320,114	261,912	53,625	25,863	1,000,000	1,056,580	794,668
2014	500,000	55.00%	329,965	269,972	53,625	25,863	1,000,000	1,068,934	798,963
2015	500,000	55.00%	340,112	278,273	53,625	25,863	1,000,000	1,081,660	803,386
2016	500,000	55.00%	350,563	286,824	53,625	25,863	1,000,000	1,094,766	807,942
2017	500,000	55.00%	361,327	295,631	53,625	25,863	1,000,000	1,108,266	812,635
2018	500,000	55.00%	372,414	304,703	53,625	25,863	1,000,000	1,122,172	817,469
2019	500,000	55.00%	383,834	314,046	53,625	25,863	1,000,000	1,136,494	822,448
2020	500,000	55.00%	395,597	323,670	53,625	25,863	1,000,000	1,151,246	827,576
2021	500,000	55.00%	407,712	333,583	53,625	25,863	1,000,000	1,163,199	829,616
2022	500,000	55.00%	420,191	343,793	53,625	25,863	1,000,000	1,172,263	828,470
2023	500,000	55.00%	433,044	354,309	53,625	25,863	1,000,000	1,181,599	827,290
2024	500,000	55.00%	446,283	365,141	53,625	25,863	1,000,000	1,191,216	826,075

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disclosure



This is a supplemental illustration and must be read in conjunction with the basic illustration. The basic illustration contains values using the same underwriting assumptions as this supplemental at both guaranteed charges and guaranteed interest rates and contains other important information. The values represented here are for a \$1,000,000 Athena-DB policy on a 70 year old male preferred non-smoker. The values reflect the cost of 30 years of premiums. The values represented here are non-guaranteed and assume current charges and a current interest rate of 4.25%. If guaranteed rates and charges are used, the policy would fail in year 21.

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comparing the numbers



	-----Current Plan-----				-----Proposed Strategy-----				
Year	EOY Asset Market Value (1)	Assumed Estate Tax Rate (4)	Estimated Estate Tax (5)	Net to Heirs (6)	Annual Income From SPIA (7)	Life Insurance Premium (11)	ILIT Net Death Benefit (13)	Net to Heirs w/ILIT (14)	Additional Net Value to Heirs (15)
1	500,000	45.00%	231,953	283,498	53,625	25,863	1,000,000	1,013,025	729,528
5	500,000	55.00%	320,114	261,912	53,625	25,863	1,000,000	1,056,580	794,668
10	500,000	55.00%	372,414	304,703	53,625	25,863	1,000,000	1,122,172	817,469
15	500,000	55.00%	433,044	354,309	53,625	25,863	1,000,000	1,181,599	827,290
16	500,000	55.00%	446,283	365,141	53,625	25,863	1,000,000	1,191,216	826,075

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