How Lincoln *LifeLINC*® can preserve greater estate value—three lives, three legacies

Perhaps your clients have successfully prepared for retirement, but are now faced with a new challenge—preserving as much of their estates as possible for the next generation. Lincoln *LifeLINC* can help make effective estate planning much easier—and much more satisfying for your clients and their loved ones who are beneficiaries.

I. Taking the tax sting out of an IRA

Meet Helen

She's a 71-year-old widow, doesn't smoke and enjoys good health. Helen has a substantial estate including an IRA of $50,000. When Helen's husband passed away 15 years ago, she rolled over his IRA into her own spousal IRA. Today:

- Helen's IRA has grown to $102,962.
- She receives a monthly income from her late husband's pension.
- In addition, Helen has retirement income from a previous job, plus Social Security.
- All told, Helen has more income than she requires to meet her lifestyle or emergency needs.

Taxes could take a significant portion of her estate

Helen plans to leave her IRA balance to her children. But there's a catch:

- If Helen keeps the IRA and it continues to grow at a projected 7% rate of return; by her assumed life expectancy of 87, the net IRA balance (minus required distributions) would be $210,711.[1]
- Upon her death, her estate would be valued at $5,000,000.

Under these circumstances, income and estate taxes could reduce the net amount from the IRA to her family to just $67,174—a tax loss of 68%.

But a Lincoln *LifeLINC* plan could help her share $134,133 more with her loved ones

After looking at her options, Helen sees that she can leverage her IRA distributions to purchase a single premium immediate annuity (SPIA), which creates an after-tax annuity payment of $5,033. The SPIA would allow her more monthly income to purchase more life insurance coverage. Helen buys a *Lincoln LifeGuarantee*℠ UL policy worth $210,307.

- She purchases a single premium immediate annuity inside the IRA using the $102,962 of fair market value with a life-only payout option.
- Under the Lincoln *LifeLINC* program, her beneficiaries would receive the life insurance benefit income tax free, and if a third party owned the policy, free of estate tax, too.
- The result? A net increase of $134,133 for Helen's beneficiaries.

II. Making better use of a CD

John retires

John is 62, doesn't smoke, and has just entered retirement in reasonably good health. Now he's assessing his financial situation:

- A good pension from a previous employer
- A 401(k) plan he can tap for emergency cash and backup income
- A Certificate of Deposit (CD) that has been accumulating for years and is now valued at $50,000

Finding $66,701 more for his grandchildren using Lincoln *LifeLINC*

Weighing his circumstances, John's confident he has plenty for income and emergencies, allowing him to leave his CD as an inheritance for his grandchildren. He considers the numbers carefully:

- At a growth rate of 4%, interest taxable each year, in 24 years (assuming a life expectancy of 86), the CD would be worth $88,342—but it would be subject to probate expenses and tax shrinkage.

[1] Assumes required minimum distributions are reinvested at gross rate of return of 7%.

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- If John applies the CD's $50,000 to buy a *Lincoln LifeGuarantee*SM UL single premium policy, his guaranteed life insurance death benefit would be $155,043.
- Assuming John lived to age 86, his grand-children, as beneficiaries, would receive the entire $155,043 instead of $88,342 for a net gain of $66,701.

III. Successful asset repositioning

Jackie is worried

A 58-year-old professional, Jackie has had a recent health scare that's inspired her and her spouse to review their financial situation — and fast. Ultimately, they want to reposition their assets to leave money for their two nieces while minimizing the impact of estate and capital gains taxes. Today:

- Jackie and her spouse have a substantial estate that includes $150,000 in savings that they won't need in their lifetime.

Participating in the Lincoln *LifeLINC*® program could increase their estate value by $517,860

If Jackie and her spouse decide to purchase a *Lincoln LifeGuarantee*SM SUL policy by repositioning $150,000 of their assets subject to probate:

- At a growth rate of 8%, in 32 years (assuming a life expectancy of 90 and Jackie is predeceased by her spouse) the policy would grow to $672,438.
- The net value to her heirs is $302,597, after paying income taxes on the earnings.

If Jackie and her spouse supplement this step by setting up an irrevocable life insurance trust (ILIT) and purchasing a Lincoln single premium, second-to-die universal life insurance policy in the amount of $820,457:

- The irrevocable life insurance trust removes the proceeds from their estates, benefiting their nieces.
- Assuming Jackie's spouse predeceased her and she lives to age 89, their initial $150,000 investment would increase the benefits to their heirs by more than $517,860, guaranteed.

Case studies' assumptions:

Helen — 40% tax bracket, 40% beneficiary tax bracket
John — 40% tax bracket, 28% beneficiary tax bracket
Jackie — 40% tax bracket, 28% beneficiary tax bracket

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