

Estate Equalization



Prepared For
Valued Client

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Many of the figures used in the following presentation are based upon both assumptions and data provided by you, including assumed growth rates on your existing assets. A summary of those assumptions can be found at the end of the presentation. Your furnishing of accurate data will help enhance the value of the analysis contained in this presentation.

The decision to purchase life insurance should be based on long-term financial goals and the need for a death benefit. Life insurance is not an appropriate vehicle for short-term savings or short-term investment strategies. While the policy allows for loans, you should know that there may be little to no cash value available for loans in the policy's early years.

This supplemental life insurance illustration summary is not valid unless accompanied by or preceded by a **MassMutual Whole Life 100 Basic Illustration dated January 06, 2023. Refer to the Basic Illustration for guaranteed elements and other important information.**

Supplemental Illustration

Estate Equalization

YOUR CONCERN

Your success has resulted in sizable wealth, which may include assets like a successful business, multiple properties, considerable investment accounts, and may even include a valuable prized collection. You may now find it daunting to think about how to distribute your wealth equally among your heirs, especially the hard-to-divide assets like the family business.

You may have considered that it is not feasible or desirable to liquidate or divide assets, like the business, for the sake of equality. Instead, you may be focused on what is **fair** or **equitable** for each of your heirs – based on those who are working in the business and those who are not. Your concern may be how to best balance your desire for specific bequests with your desire to maintain an equitable distribution of your assets.

A SOLUTION

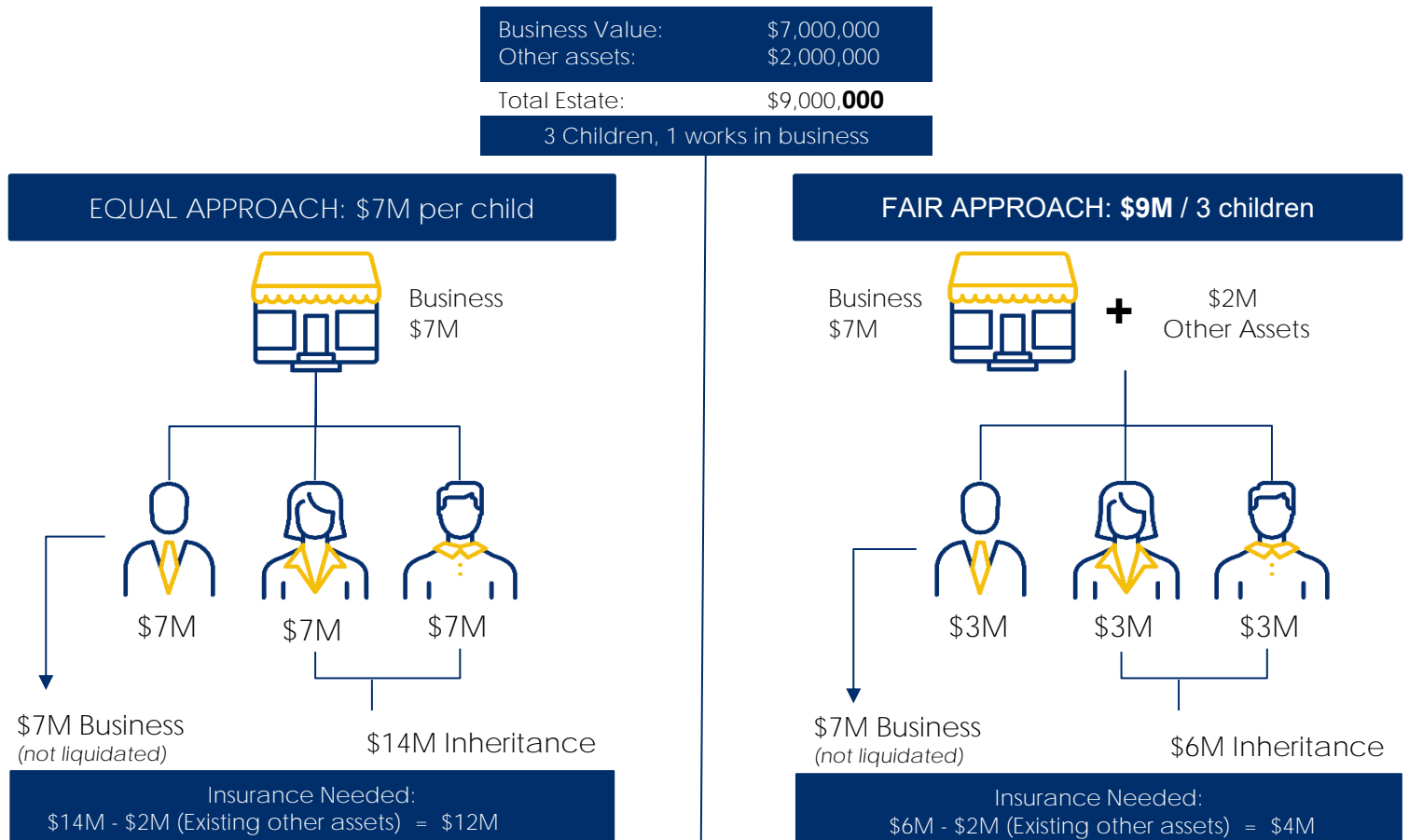
Securing life insurance today can go a long way in helping you to achieve an equitable distribution of your assets while minimizing conflict between heirs. Life insurance offers the liquidity your estate will need to equalize value amongst heirs, especially when “hard-to-divide” assets, like a business, are passed to the next generation. A life insurance policy provides the cash your estate needs – exactly when it is needed so the business or other assets don’t need to be sold and taxed to achieve liquidity.

HOW LIFE INSURANCE WORKS TO EQUALIZE THE ESTATE

While the amounts you ultimately transfer to each heir may not come out exactly **equal** in dollar value, the transfer can represent what you feel is **equitable**, and what you feel treats heirs fairly. When you look at the disposition of your assets from the viewpoint of what is fair, the task of dividing up a legacy becomes less overwhelming.

EQUAL OR EQUITABLE?

To illustrate the difference between the two common approaches to equalizing an estate – Equal and Equitable (Fair) – take a look at the following examples of how life insurance helps to address the shortfall and how dividing up assets equitably, as opposed to equally, makes the planning more feasible:



Estate Equalization - The Fair Approach

Fair Approach Year 1 Values

Total Estate to Equalize Under Fair Approach: **\$9,000,000** between 3 heirs

Business Interest	Non-Business Assets	Total Estate
\$7,000,000	\$2,000,000	\$9,000,000

		"Fair" Value of Inheritance Per Child	Per Child Allotment		Shortfall Per Child
	Heirs		Business Interest	Non-Business Assets	
In Business	1	\$3,000,000	\$7,000,000	\$0	\$0
Outside Business	2	\$3,000,000	\$0	\$1,000,000	\$2,000,000
Total No of Heirs:	3				

Total Life Insurance Needed For Children Not In Business

\$4,000,000

Fair Approach Year 20 Values

Total Estate to Equalize Under Fair Approach: **\$13,111,301** between 3 heirs

Business Interest	Non-Business Assets	Total Estate
\$10,197,678	\$2,913,622	\$13,111,301

		"Fair" Value of Inheritance Per Child	Per Child Allotment		Shortfall Per Child
	Heirs		Business Interest	Non-Business Assets	
In Business	1	\$4,370,434	\$10,197,678	\$0	\$0
Outside Business	2	\$4,370,434	\$0	\$1,456,811	\$2,913,622
Total No of Heirs:	3				

Total Life Insurance Needed For Children Not In Business

\$5,827,245

Estate Equalization

BENEFITS OF USING LIFE INSURANCE TO EQUALIZE AN INHERITANCE

Immediate Liquidity. The life insurance policy offers cash exactly when the estate needs it to facilitate the division of assets to heirs without having to sell the assets, pay taxes and deplete the legacy in the process. When a family business is being transferred, the cash available helps to keep the business intact so it transfers to the heir(s) without interruption.

Minimizes Family Conflict. By planning in advance for the liquidity required to equalize the legacy based on your wishes, your heirs will receive bequests without conflict, and without the costs and delay of asset liquidation, and are more likely to view the legacy transfer as *fair*.

Whole Life insurance. Whole life insurance is particularly suited to the process of equalizing inheritances because it generally provides income tax-free death benefit from day one.¹ What's more, the life insurance policy cash values grow tax-deferred and can be accessed – up to premiums paid into the contract – on a tax-free basis, as well. Any available distributions above cumulative premiums paid can be taken in the form of tax-free policy loans, if needed.²

Creates a Legacy Floor. The life insurance serves as a "floor" that locks in a minimum value, in the form of cash, that goes to your family – regardless of the negative impact of an ill-timed market correction, or even your premature death. Moreover, when the life insurance policy is owned by a properly drafted trust, the proceeds generally should not be included in your taxable estate.³ A trust is a flexible instrument for wealth transfer, allowing you to provide detailed instructions for the distribution of your estate assets, so that all your heirs are treated fairly and equitably according to your wishes.

¹ Life insurance death benefit proceeds are generally excludable from the beneficiary's gross income for income tax purposes. There are a few exceptions such as when a life insurance policy has been transferred for valuable consideration. No legal, tax or accounting advice can be given by MassMutual, its agents, employees or representatives. Prospective purchasers should consult their professional tax advisor for details.

² Distributions under the policy (including cash dividends and partial/full surrenders) are not subject to taxation up to the amount paid into the policy (cost basis). If the policy is a Modified Endowment Contract, policy loans and/or distributions are taxable to the extent of gain and are subject to a 10% tax penalty if the policyowner is under age 59 1/2. Access to cash values through borrowing or partial surrenders will reduce the policy's cash value and death benefit, increase the chance the policy will lapse, and may result in a tax liability if the policy terminates before the death of the insured.

³ Trusts should be drafted by an attorney familiar with such matters in order to take into account income and estate tax laws (including the generation-skipping transfer tax). Failure to do so could result in adverse tax treatment of trust proceeds.

Estate Equalization

WHAT TO CONSIDER

- **Insurability.** You will need to qualify for the insurance based on medical and financial underwriting. With regard to financial underwriting, although taking an equitable approach to dividing up assets may better position you to qualify for the amount of insurance you apply for, it is possible that you may not qualify for the total amount of liquidity you require to equalize your estate.
- **Life Insurance Projections.** The death benefit amount will be affected by the projected growth of the estate assets. It is important to consult with qualified professionals to determine appropriate growth assumptions for purposes of determining the amount of life insurance coverage you may require.
- **Changing Family Dynamics.** It is important to consider potential future heirs, especially those who may join the business after the initial planning is complete
- **Policy Costs.** There are internal costs in a whole life insurance policy. It is important to review the performance of the policy over time.
- **Legal Costs.** If a trust is used, there are costs associated with the drafting of trust documents by your legal team.

The Liquidity Analysis. The following pages illustrate the net legacy to heirs, with and without insurance, as if death occurs in any given year. The analysis assumes the life insurance is owned by a properly structured Irrevocable Life Insurance Trust (ILIT) so that the life insurance proceeds are not subject to estate tax, and does not take into account the source of funds required to pay estate taxes, if any.

Comparison of Options - Planning Without Life Insurance vs. With Life Insurance- Fair Approach

Valued Client, Male 52, Ultra Preferred Non-Tobacco

Whole Life 100

Initial Death Benefit: \$4,000,000 **Initial Premium:** \$122,674

Dividend: Current **Dividend Option:** LISR/FLEX - Paid-up Additions

Riders: ABR, ALIR, LISR, TIR, ALIR

TOTAL ASSETS

Yr.	Age EOY	TOTAL ASSETS				No Planing		Planning With Whole Life Insurance					
		(2.00%) Business Assets (BOY)	(2.00%) Non- Business Assets (BOY)	Total Assets (BOY)	"Fair" Legacy Per Heir (BOY)	Target Legacy for Heirs Not in Business (BOY)	Total Estate to Equalize Under Fair Approach: \$9,000,000 between 3 Heirs	Other Assets (Includes Premium Savings @ 2.00%) (BOY)	Shortfall for Heirs Not in Business	Total Estate Equalized Under Fair Approach Using Whole Life Insurance			
		(2.00%) Business Assets (BOY)	(2.00%) Non- Business Assets (BOY)	Total Assets (BOY)	"Fair" Legacy Per Heir (BOY)	Target Legacy for Heirs Not in Business (BOY)	Other Assets (Includes Premium Savings @ 2.00%) (BOY)	Shortfall for Heirs Not in Business	Annual Premium*	(2.00%) Non- Business Assets (BOY)	Net Death Benefit (EOY)	Shortfall to Insure (BOY)	Shortfall/ Excess from insurance
1	53	7,000,000	2,000,000	9,000,000	3,000,000	6,000,000	2,122,674	(3,877,326)	122,674	2,000,000	4,151,313	(4,000,000)	151,313
2	54	7,140,000	2,040,000	9,180,000	3,060,000	6,120,000	2,287,802	(3,832,198)	122,674	2,040,000	4,300,195	(4,080,000)	220,195
3	55	7,282,800	2,080,800	9,363,600	3,121,200	6,242,400	2,456,232	(3,786,168)	122,674	2,080,800	4,446,682	(4,161,600)	285,082
4	56	7,428,456	2,122,416	9,550,872	3,183,624	6,367,248	2,628,030	(3,739,218)	122,674	2,122,416	4,590,867	(4,244,832)	346,035
5	57	7,577,025	2,164,864	9,741,889	3,247,296	6,494,593	2,803,265	(3,691,328)	122,674	2,164,864	4,732,936	(4,329,729)	403,207
6	58	7,728,566	2,208,162	9,936,727	3,312,242	6,624,485	2,982,004	(3,642,480)	122,674	2,208,162	4,873,009	(4,416,323)	456,685
7	59	7,883,137	2,252,325	10,135,462	3,378,487	6,756,975	3,164,319	(3,592,656)	122,674	2,252,325	5,011,369	(4,504,650)	506,719
8	60	8,040,800	2,297,371	10,338,171	3,446,057	6,892,114	3,350,279	(3,541,835)	122,674	2,297,371	5,148,247	(4,594,743)	553,504
9	61	8,201,616	2,343,319	10,544,934	3,514,978	7,029,956	3,539,959	(3,489,998)	122,674	2,343,319	5,283,756	(4,686,638)	597,118
10	62	8,365,648	2,390,185	10,755,833	3,585,278	7,170,555	3,733,432	(3,437,124)	122,674	2,390,185	5,417,996	(4,780,370)	637,626
11	63	8,532,961	2,437,989	10,970,950	3,656,983	7,313,967	3,930,775	(3,383,192)	122,674	2,437,989	5,551,260	(4,875,978)	675,282
12	64	8,703,620	2,486,749	11,190,369	3,730,123	7,460,246	4,132,064	(3,328,182)	122,674	2,486,749	5,684,274	(4,973,497)	710,777
13	65	8,877,693	2,536,484	11,414,176	3,804,725	7,609,451	4,337,379	(3,272,071)	122,674	2,536,484	5,817,023	(5,072,967)	744,055
14	66	9,055,246	2,587,213	11,642,460	3,880,820	7,761,640	4,546,801	(3,214,839)	122,674	2,587,213	5,949,763	(5,174,427)	775,337
15	67	9,236,351	2,638,958	11,875,309	3,958,436	7,916,873	4,760,411	(3,156,461)	122,674	2,638,958	6,082,420	(5,277,915)	804,505
16	68	9,421,078	2,691,737	12,112,815	4,037,605	8,075,210	4,978,293	(3,096,917)	122,674	2,691,737	6,215,101	(5,383,473)	831,628
17	69	9,609,500	2,745,571	12,355,071	4,118,357	8,236,714	5,200,533	(3,036,181)	122,674	2,745,571	6,354,474	(5,491,143)	863,331
18	70	9,801,690	2,800,483	12,602,173	4,200,724	8,401,449	5,427,218	(2,974,230)	122,674	2,800,483	6,494,810	(5,600,966)	893,844
19	71	9,997,724	2,856,492	12,854,216	4,284,739	8,569,477	5,658,437	(2,911,041)	122,674	2,856,492	6,636,265	(5,712,985)	923,280
20	72	10,197,678	2,913,622	13,111,301	4,370,434	8,740,867	5,894,279	(2,846,588)	122,674	2,913,622	6,779,030	(5,827,245)	951,785

BOY=Beginning of Year, EOY=End of Year

* Note About the Source of Premium Payments: Insurance premiums are assumed to be paid by the business income or personal income and not the other estate assets. The "Planning Without Whole Life Insurance" scenario assumes that the annual premium savings are invested at 2.00% and are included in the value of the other assets in the estate. These illustrated amounts are not guaranteed. They include dividends, which are neither estimates nor guarantees, but are based on the 2023 dividend schedule. Dividends in future years may be lower or higher, depending on the company's actual experience. Due to this fact, we strongly recommend you look at a lower schedule illustration. This illustration is not valid unless accompanied by or preceded by a Massachusetts Mutual Life Insurance Company Whole Life 100 Basic Illustration dated January 06, 2023. Refer to the Basic Illustration for guaranteed elements, assumptions, explanations, and other important information.

Glossary of Column Definitions

- **Fair Legacy Per Heir (BOY)** – This column represents the Total Estate to equalize under Fair Approach.
- **Target Legacy to Heir(s) in the Business (BOY)** – This column reflects the total value of the business in the given year, based on assumed growth rate, that will transfer to heir(s) working in the business.
- **Other Assets (Includes Premium Savings) (BOY)** – This column reflects the growth of other estate assets that may be used to offset the liquidity needed to reach the target legacy for heirs not involved in the business. The premium savings are included in this column and grow at the assumed rate indicated.
- **Shortfall for Heirs Not in Business** – This column reflects the shortfall in the target legacy to heirs not in the business, net of other assets available, if there is no life insurance planning. Any shortfall is reflected as a negative.
- **Shortfall to Insure (BOY)** – This column reflects the shortfall in the target legacy that needs to be insured on the Planning with Whole Life Insurance scenario. The premium is not included as it is not being saved. Therefore, the shortfall to insure in this scenario will be different from the shortfall showing in the No Planning scenario.
- **Shortfall/Excess from Insurance** – This column reflects the excess or shortfall to heirs not in the business after life insurance is purchased.

Life Insurance Policy Details

Valued Client, Male 52, Ultra Preferred Non-Tobacco

Whole Life 100

Initial Death Benefit: \$4,000,000 **Initial Premium:** \$122,674

Dividend: Current **Dividend Option:** LISR/FLEX - Paid-up Additions

Riders: ABR, ALIR, LISR, TIR, ALIR

Yr.	Age EOY	PROJECTED NON-GUARANTEED VALUES				
		Annual Premium	Cumulative Premium Paid	Net Cash Value End Year	Net Death Benefit End Year	IRR on Death Benefit End Year*
1	53	122,674	122,674	86,905	4,151,313	3284.02%
2	54	122,674	245,348	180,838	4,300,195	444.17%
3	55	122,674	368,022	297,242	4,446,682	191.71%
4	56	122,674	490,696	419,036	4,590,867	113.88%
5	57	122,674	613,370	546,257	4,732,936	78.10%
6	58	122,674	736,044	678,986	4,873,009	58.06%
7	59	122,674	858,718	817,971	5,011,369	45.44%
8	60	122,674	981,392	962,852	5,148,247	36.85%
9	61	122,674	1,104,067	1,113,601	5,283,756	30.68%
10	62	122,674	1,226,741	1,270,334	5,417,996	26.05%
11	63	122,674	1,349,415	1,433,870	5,551,260	22.48%
12	64	122,674	1,472,089	1,604,109	5,684,274	19.65%
13	65	122,674	1,594,763	1,781,563	5,817,023	17.36%
14	66	122,674	1,717,437	1,966,845	5,949,763	15.48%
15	67	122,674	1,840,111	2,159,865	6,082,420	13.91%
16	68	122,674	1,962,785	2,367,103	6,215,101	12.58%
17	69	122,674	2,085,459	2,584,231	6,354,474	11.46%
18	70	122,674	2,208,133	2,811,289	6,494,810	10.50%
19	71	122,674	2,330,807	3,048,361	6,636,265	9.66%
20	72	122,674	2,453,481	3,295,462	6,779,030	8.93%
21	73	0	2,453,481	3,431,030	6,837,433	8.33%
22	74	0	2,453,481	3,569,502	6,897,802	7.82%
23	75	0	2,453,481	3,710,657	6,960,319	7.37%
24	76	0	2,453,481	3,853,877	7,025,007	6.97%
25	77	0	2,453,481	3,998,273	7,091,654	6.62%
26	78	0	2,453,481	4,142,238	7,160,007	6.31%
27	79	0	2,453,481	4,286,200	7,229,716	6.03%
28	80	0	2,453,481	4,428,548	7,301,178	5.78%
29	81	0	2,453,481	4,567,416	7,374,325	5.55%
30	82	0	2,453,481	4,700,981	7,449,064	5.34%

* The internal rates of return (IRR) are a measure that can be used to evaluate performance and is based on the current dividend schedule. They are an amount at which outlays (out-of-pocket costs) up to that year must be compounded each year to generate the net death benefit or net cash value.

These illustrated amounts are not guaranteed. They include dividends, which are neither estimates nor guarantees, but are based on the 2023 dividend schedule. Dividends in future years may be lower or higher, depending on the company's actual experience. Due to this fact, we strongly recommend you look at a lower schedule illustration. **This illustration is not valid unless accompanied by or preceded by a Massachusetts Mutual Life Insurance Company Whole Life 100 Basic Illustration dated January 06, 2023. Refer to the Basic Illustration for guaranteed elements, assumptions, explanations, and other important information.**

Label	Value	Explanation
CLIENT INFORMATION		
Client's Last Name	Client	
Client's First Name	Valued	
Age	52	
Sex	Male	
Assumed underwriting classification	Ultra Preferred Non-Tobacco	
Business Owner's Tax Bracket	35.00%	
PLAN INFORMATION		
Heirs' Names	The Heirs	
Business Assets	\$7,000,000	
Growth Rate	2.00%	
Non-Business Assets	\$2,000,000	
Growth Rate	2.00%	
Equalization Method	FAIR	
Heirs IN the Business	1	
Heirs NOT in the Business	2	
Include Premium Savings	Yes	
LIFE INSURANCE INFORMATION		
Policy Name	Whole Life 100	
State	Connecticut	
Initial Policy Death Benefit	\$4,000,000	
LISR Death Benefit	\$3,000,000	
RTR Death Benefit	\$0	
Policy Premium	\$122,674	
Years for Premiums	20	
Dividend Rate	Current	
Riders:	ABR, ALIR, LISR, TIR, ALIR	
PRESENTER INFORMATION		
Presenter's Name	Financial Professional	
Firm / Agency Name	ABC Financial Services	
Address	ABC Rd	
City State, ZIP	Hartford, CT 06666	
Telephone		
Cell	(000) 000-0000	
E-Mail Address		
License Number		
RESULTS		
Focus Year	20	Year to Highlight
Print Years	49	