



## Using Life Insurance for Legacy Building

Financial Protection & Help with Legacy Building

### QUICK LOOK

Legacy building is a strategy using permanent life insurance to offer death benefit protection along with an tax-efficient way to pass along assets to beneficiaries. Typically, the strategy starts with funds the client already plans to pass along to family. These funds are transferred to a life insurance policy, which may immediately increase the amount in the form of the death benefit.

### THE SITUATION

Pam is a busy and successful 65-year-old vice president at a public relations firm.

Over the years, Pam has prepared well for her retirement and is financially stable. She's able to meet her financial security needs after she leaves the corporate world and is now looking to slow down and prepare for retirement.

The only life insurance protection she has is through her employer, which she realizes is not enough for her adult children. Her children are beginning families, and she wants to be sure they are financially secure when she is no longer around. Pam has set aside money specifically for this purpose, but she's not sure about the best approach for passing on these funds. The funds are currently sitting in a savings account earning very little interest. Pam's not sure how to go about putting her wishes in place.

***Is there a way for Pam to meet her life insurance needs while helping her efficiently pass funds along to her children?***



## THE SOLUTION

Pam meets with her life insurance agent to discuss her death benefit protection needs along with her desire to pass along a legacy. The agent takes a thorough look at her finances and explains to Pam that with life insurance, she can financially protect her children now and at the same time put a plan in place that would pass the funds she has already set aside to her children. Pam decides on a life insurance policy. Here are a few reasons why she chose the policy:

- **Immediate death benefit protection.** Pam gains peace of mind from the start with death benefit protection that will be there for her children. When Pam passes way, the death benefit passes generally income tax-free to heirs.<sup>1</sup>
- **Probate-free.** When Pam completes the beneficiary designation naming her children on her life insurance policy, she is using a form of a Will substitute or non-probate transfer, which means the death benefit will pass directly to her children.
- **Leverage.** With life insurance, the premium can provide a larger death benefit immediately after issue.
- **Liquidity.** Should Pam's needs change, she may access funds in her life insurance policy through loans, withdrawals, or accelerated benefits.<sup>2</sup>

## CONSIDERATION

- **Cost of insurance.** Permanent life insurance policies require monthly deductions, which include the cost of insurance, expense charges, and potentially other charges. These deductions, with any loans or withdrawals, may reduce the cash value of the policy.



**Financial Markets, Inc.**

**800-888-2829**

[www.fmiAgent.com](http://www.fmiAgent.com) • [Marketing@fmiAgent.com](mailto:Marketing@fmiAgent.com)

<sup>1</sup> Neither North American Company for Life and Health Insurance nor its agents give legal or tax advice. Please advise your customers to consult with and rely on a qualified legal or tax advisor before entering into or paying additional premiums with respect to such arrangements.

<sup>2</sup> In some situations, loans and withdrawals may be subject to federal taxes. Clients should be instructed to consult with and rely on their own tax advisor or attorney for advice on their specific situation. Income and growth on accumulated cash values is generally taxable only upon withdrawal. Adverse tax consequences may result if withdrawals exceed premiums paid into the policy. Withdrawals or surrenders made during a Surrender Charge period will be subject to surrender charges and may reduce the ultimate death benefit and cash value. Surrender charges vary by product, issue age, sex, underwriting class, and policy year.

IRS CIRCULAR 230 NOTICE

Any U.S. tax information included in this written or electronic communication, including any attachments, is not intended as tax advice, was not intended or written to be used, and it cannot be used by you or any taxpayer, (i) for the purpose of avoiding any penalties that may be imposed on you or any other person under the Internal Revenue Code or applicable state or local tax law provisions, or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

***We're Here For Life***<sup>®</sup>

**525 W Van Buren | Chicago IL 60607**

**FOR AGENT USE ONLY. NOT TO BE USED FOR CONSUMER SOLICITATION PURPOSES.**

NAM-1786 R1 7/13

**[www.NorthAmericanCompany.com](http://www.NorthAmericanCompany.com)**