ESTATE PLANNING

Estate equalization with Virtus Protection IUL

A primary estate planning goal for most individuals is the desire to leave an equitable legacy to heirs. But treating heirs fairly can be tricky. If an estate is comprised primarily of a business, farm, realty, or assets that are not easily divided, the goal of achieving estate equalization can be daunting. It may even require a forced liquidation of assets. AuguStar® Life's Virtus Protection Indexed Universal Life (IUL) policy may help achieve estate equalization – simply.

Why life insurance?

Life insurance can be used to address estate liquidity needs, such as leaving a legacy to beneficiaries who are less interested or involved with specific estate assets. Consider several examples:

Family businesses: Successfully transitioning a family business to the next generation can be a challenge if some family members are active in the business while others are not. If the plan is to pass the business to active heirs, life insurance can be purchased on the life of the business owner to support the surviving spouse and provide an inheritance to the inactive family members. It helps protect family harmony and increases the likelihood of a smooth business transition to the next generation.

Blended families: Individuals who remarry may often have children from a previous marriage or relationship. Planning for the support of a current spouse while desiring to leave a legacy to children from a previous marriage can amplify stress and may not be practical given an individual's current asset mix. Life insurance can help generate the cash needed to fund a blended family estate plan.

Planning for individuals with special needs: Caring for and supporting an individual with special needs may be a lifetime financial commitment – and beyond. Pairing life insurance with a special needs trust can create a dedicated supplemental support fund for an individual with special needs while protecting other assets for the rest of the family.

Family farm or ranch: Family farms and ranches cannot easily be divided among family members. In fact, the situation may be more perilous than other family businesses because the real estate portion often outweighs the value of the rest of the estate. Life insurance purchased in an amount adequate to provide for the successful transition of the farm to the next generation may ensure the equitable treatment of family members.

Family real estate: A family home or vacation property may be desired by certain family members but not by others. If that's the case, life insurance payable to the non-interested heirs can compensate for the value of the property passing to the interested heirs thus avoiding a forced sale.

Why Virtus Protection IUL?

Virtus Protection IUL is designed to provide affordable, permanent death benefit protection. It also has the potential to accumulate cash value that can be accessed for a variety of lifetime needs or used as a rainy-day fund. Virtus Protection IUL's indexed universal life chassis gives it an added level of flexibility versus other product alternatives such as whole life insurance or guaranteed universal life insurance.

AuguStar® Life
A universe of possibilities®

The benefits

- Life insurance may be a simple and cost-effective way to equalize inheritances among heirs.
- Virtus Protection IUL proceeds may prevent a forced sale, often at a depressed price, of assets that are not easily convertible to cash such as family businesses, farms, and other illiquid assets.
- The death benefit is generally received income tax-free by beneficiaries. When properly structured within an irrevocable life insurance trust (ILIT), it may also be excluded from the taxable estate.
- Life insurance generally passes outside the probate process and pays directly to named beneficiaries.
- When structured properly, Virtus Protection IUL cash value can be accessed on a non-taxable basis.

Additional considerations

- A life insurance needs analysis is often an important step in the process to determine the appropriate amount of life insurance required.
- Before life insurance is purchased the financial ability to pay the premium should be confirmed.
- Factors such as age and health will determine life insurance eligibility and if it can be purchased cost-effectively.
- Depending on the specific strategy involved, working with an attorney may be a crucial step in the planning process. Unforeseen gift, estate, inheritance and/or generation-skipping taxes may be triggered if a particular situation is not properly addressed.

Learn more about this product and estate planning by requesting these brochures from your financial professional: Virtus Protection IUL client guide (Form 8631LMP) and Preserve Your Estate for Your Beneficiaries (Form 2307LMP).

This material provides general information that should not be construed as specific legal or tax advice nor the law of any particular state. Please seek the advice of a qualified legal or tax professional for your specific situation.

Cash value can be accessed by way of policy loans and surrenders. If tax-free loans are taken and the policy lapses, a taxable event may occur. Withdrawals (partial surrenders) and loans from life insurance policies classified as modified endowment contracts may be subject to tax at the time the withdrawal or loan is taken and, if taken prior to age 59½, an additional 10% federal tax may apply. Withdrawals and loans reduce the death benefit and cash surrender value.

Products issued by AuguStar Life Insurance Company, member of Constellation Insurance, Inc. family of companies. Product, product features and rider availability vary by state. Guarantees are based on the claims-paying ability of the issuer. Issuer not licensed to do business in New York.

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