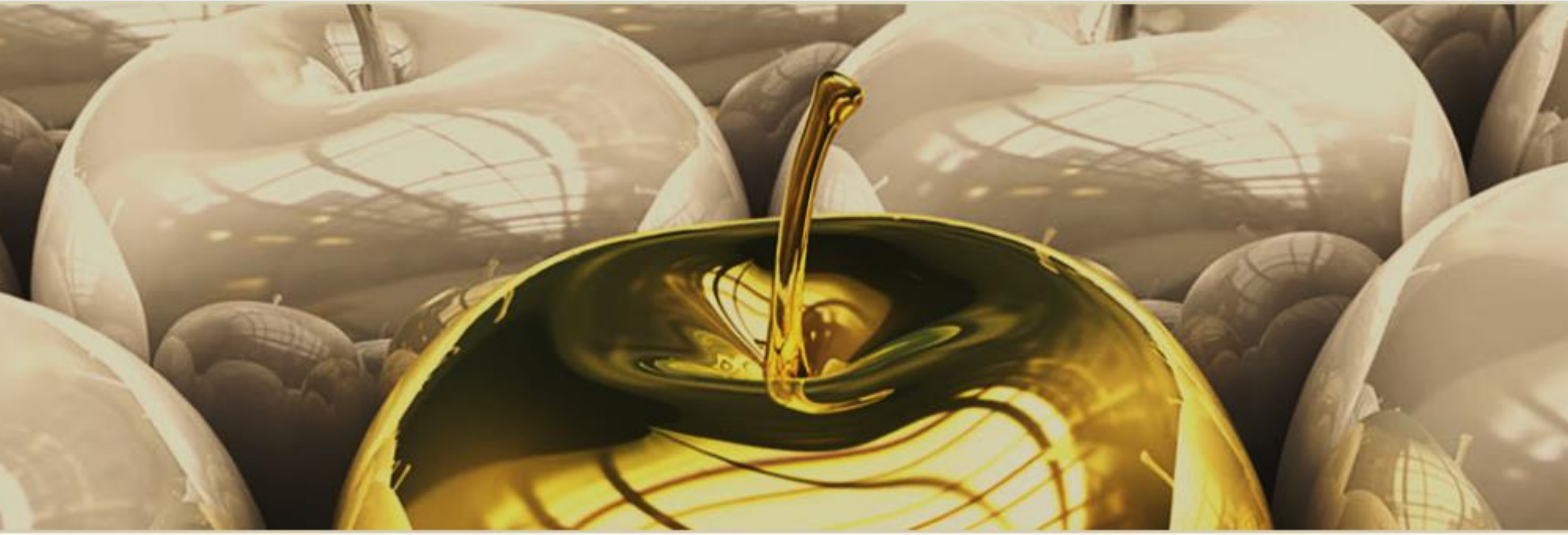

NEWTONONE

DELAWARE PHILADELPHIA NEW YORK SAINT LOUIS

Wealth Transfer Planning In Uncertain Times

presented by Stephen Target, CLU®, ChFC ®, AEP ®

A Premier Life Insurance Advisory firm for affluent individuals, businesses and their advisors in the areas of risk management, wealth transfer and business succession planning.

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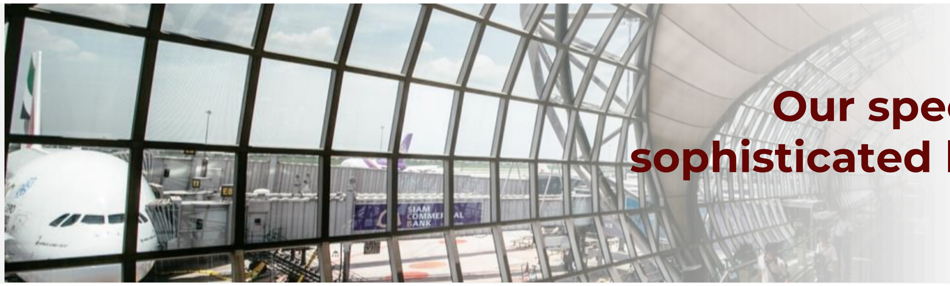
We deliver sophisticated life insurance solutions, utilizing exclusive products for affluent individuals and privately held businesses.

Innovative-Disruptive-Exclusive
Leaders-Visionary-Transformative



Our specialty is structuring, designing and implementing sophisticated life insurance solutions providing estate planning liquidity and non qualified business plans

About Newton One

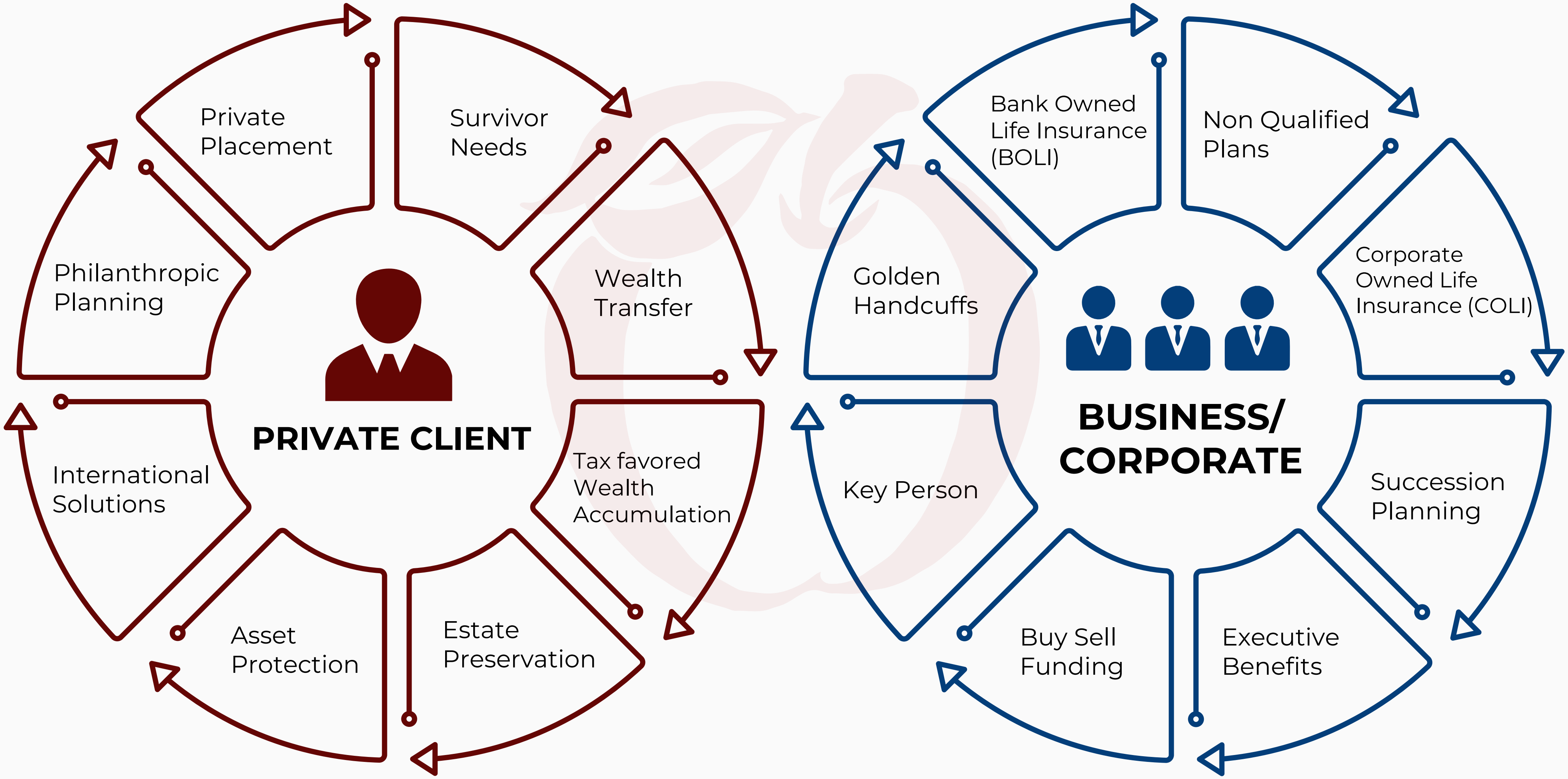
Newton One, LLC is a privately owned, independent national life insurance advisory firm headquartered in Delaware, with offices in New York City, Philadelphia and Saint Louis. We work with domestic and international clients by partnering with their existing advisors to offer sophisticated planning solutions. We specialize in solving problems for **affluent private clients, business owners and family offices** to address concerns of wealth creation and preservation due to taxes, litigation and life events. We offer policy reviews and audits as well as in-force management to all clients that we work with. Newton One, LLC operates with a formal succession plan that will span multiple generations to properly service our clients.

Our History

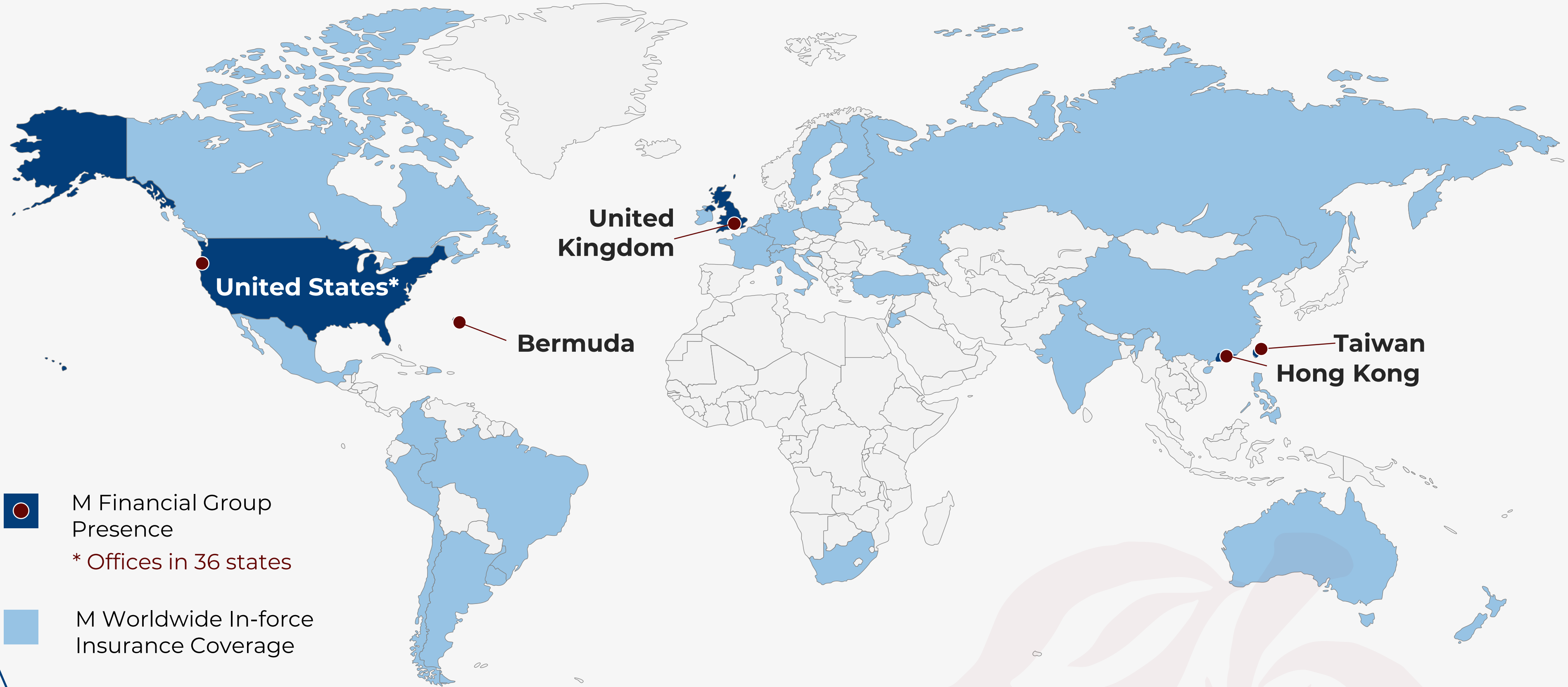
Newton One, LLC was founded on the premise that advocacy and independence is paramount to developing, implementing, and servicing the long-term financial needs of our clients in a rapidly changing and complex world. Newton One specializes in providing exceptional services to individuals, families, closely and publicly held businesses, their owners, executive teams, and professional service providers to help them accomplish a variety of wealth accumulation, preservation and distribution objectives.

The firm was founded in 1999 by H. Thomas Hollinger, one of the financial services industry's most successful entrepreneurs. Tom Hollinger started his career in 1972 with the Provident Mutual Life Insurance Company and is a perennial leader in the industry.

SERVICES PROVIDED



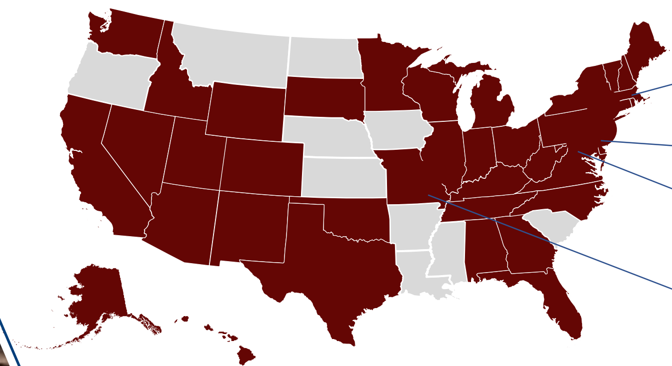
M FINANCIAL AND NEWTON ONE



M Financial Group Presence

* Offices in 36 states

M Worldwide In-force Insurance Coverage



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PRIVATE PREMIUM FINANCE

PRIVATE PREMIUM FINANCE

Private Premium Financing is the funding of life insurance premiums through personal loans to an Irrevocable Life Insurance Trust (ILIT).

This technique offers flexibility in plan design and relies on Applicable Federal Rates (AFR). Life insurance premiums are funded through a personal loan between an insured (grantor) and an Irrevocable Life Insurance Trust

By making loans, instead of gifts, the ILIT can be funded without incurring gift taxes

Interest rates on these loans can use an established government published rate known as the Applicable Federal Rate (AFR)

Each loan can be structured for a term of years and the interest rate is “locked in” for the entire term of the loan

The arrangement can be designed so that the loans will be repaid during life from assets within the trust

PRIVATE PREMIUM FINANCE – THE PROCESS

How It Works

01

The Grantor
creates an ILIT, which will apply for insurance on his or her single life or a second-to-die policy. (insuring the grantor and his or her spouse)

02

The Grantor
then enters into a loan agreement whereby he or she lends money to the trust to pay the insurance premium in return for a promissory note.

- The loan can be paid annually or in a lump sum
- The note must have an appropriate rate of interest, e.g. at or above the appropriate Applicable Federal Rate (AFR)

03

The Trust
uses the borrowed funds to pay the insurance premiums. If the trust has borrowed a lump sum amount, any excess funds will typically be invested and/or used to pay interest back to the client each year.

- The insurance policy may be used as collateral to secure the loan

04

At the end of the loan period,
the trust repays the debt using assets held in the trust

BENEFITS

Minimize gift taxes

Possibly take advantage of low interest rates

In a low interest rate environment, it may make sense to lock into a low interest rate by making a lump-sum loan to the ILIT

Keeps loan principal in the family

Provides flexibility of life insurance plan design and funding

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FUNDING APPROACHES

Lump Sum

Fixed loan interest rate for the duration of the term – eliminates interest rate risk

If desired, the grantor can make gifts to the trust to assist with loan interest repayments or reduce the debt

Trustee can invest borrowed amounts in income-producing assets, such as real estate or a securities portfolio

Annual Loans

As opposed to lump sum loans, the interest rates on each annual loan may vary

Loan interest must be paid each year or accrued. The grantor may gift to the trust each year to help the trust pay the interest

SAMPLE CLIENT GRANTOR TRUST – MID TERM AFR

Sample Client

$5,750,000 Grantor Loan →

← Trust pays **$21,850** Annual Non-Taxable Interest

Client Grantor Trust

At the End of Year 9, Trust Repays **$5.75MM** Note

$286,024 Annual Premium ↓

↑ **$10,000,000** Life Insurance Benefits

Life Insurance Company

This scenario assumes an Indexed Universal Life contract, solving for 9 annual premium payments, projecting a level death benefit of **$10MM** out through age 100, based on a **5.25%** growth rate – subject to **10%** cap, **0%** floor, **100%** participation and a guaranteed growth rate multiplier of **65%** with an associated **.165%** monthly asset charge.

Assumes the October 2020 mid-term AFR of **0.38%** for years 1-9. Please consult with your legal and tax advisors regarding the income tax benefits of using a Grantor Trust.

GRANTOR'S CASH FLOW OF ASSETS DEPLOYED

Year	EOY Ages	Asset Sale/Loan to Trust	-	Non Taxable Loan Payments	=	Annual Assets Deployed		Cumulative Assets Deployed	Grantor Note Receivable
1	**64**	**5,750,000**		**21,850**		**5,728,150**		**5,728,150**	**5,750,000**
2	65	0		21,850		(21,850)		5,706,300	**5,750,000**
3	66	0		21,850		(21,850)		5,684,450	**5,750,000**
4	67	0		21,850		(21,850)		5,662,600	**5,750,000**
5	**68**	**0**		**21,850**		**(21,850)**		**5,640,750**	**5,750,000**
6	69	0		21,850		(21,850)		5,618,900	**5,750,000**
7	70	0		21,850		(21,850)		5,597,050	**5,750,000**
8	71	0		21,850		(21,850)		5,575,200	**5,750,000**
9	72	0		5,771,850		(5,771,850)		(196,650)	0
10	**73**	**0**		**0**		**0**		**(196,650)**	**0**

This is a hypothetical illustration. Please consult your legal and tax advisor for details

DETAIL OF CLIENT GRANTOR TRUST AT 6.00%

Yr	EOY Age	BOY Trust Assets	-	Annual Premium	=	Net Trust Assets	+	6.00% Trust Return	-	Grantor Loan Payments	=	EOY Trust Account Value	-	Grantor Loan Balance	+	Life Insurance	=	Trust Net Value
1	**64**	**5,750,000**		**286,024**		**5,463,976**		**327,839**		**21,850**		**5,769,965**		**5,750,000**		**10,000,000**		**10,019,965**
2	65	5,769,965		286,024		5,483,941		329,036		21,850		5,791,127		5,750,000		10,000,000		10,041,127
3	66	5,791,127		286,024		5,505,103		330,306		21,850		5,813,559		5,750,000		10,000,000		10,063,559
4	67	5,813,559		286,024		5,527,535		331,652		21,850		5,837,337		5,750,000		10,000,000		10,087,337
5	**68**	**5,837,337**		**286,024**		**5,551,313**		**333,079**		**21,850**		**5,862,542**		**5,750,000**		**10,000,000**		**10,112,542**
6	69	5,862,542		286,024		5,576,518		334,591		21,850		5,889,259		5,750,000		10,000,000		10,139,259
7	70	5,889,259		286,024		5,603,235		336,194		21,850		5,917,579		5,750,000		10,000,000		10,167,579
8	71	5,917,579		286,024		5,631,555		337,893		21,850		5,947,599		5,750,000		10,000,000		10,197,599
9	72	5,947,599		286,024		5,661,575		339,694		5,771,850		229,419		0		10,000,000		10,229,419
10	**73**	**229,419**		**0**		**229,419**		**13,765**		**0**		**243,184**		**0**		**10,000,000**		**10,243,184**
11	74	243,184		0		243,184		14,591		0		257,775		0		10,000,000		10,257,775
12	75	257,775		0		257,775		15,467		0		273,242		0		10,000,000		10,273,242
13	76	273,242		0		273,242		16,395		0		289,636		0		10,000,000		10,289,636
14	77	289,636		0		289,636		17,378		0		307,014		0		10,000,000		10,307,014
15	**78**	**307,014**		**0**		**307,014**		**18,421**		**0**		**325,435**		**0**		**10,000,000**		**10,325,435**
16	79	325,435		0		325,435		19,526		0		344,961		0		10,000,000		10,344,961
17	80	344,961		0		344,961		20,698		0		365,659		0		10,000,000		10,365,659
18	81	365,659		0		365,659		21,940		0		387,599		0		10,000,000		10,387,599
19	82	387,599		0		387,599		23,256		0		410,855		0		10,000,000		10,410,855
20	**83**	**410,855**		**0**		**410,855**		**24,651**		**0**		**435,506**		**0**		**10,000,000**		**10,435,506**
21	84	435,506		0		435,506		26,130		0		461,636		0		10,000,000		10,461,636
22	85	461,636		0		461,636		27,698		0		489,334		0		10,000,000		10,489,334
23	86	489,334		0		489,334		29,360		0		518,694		0		10,000,000		10,518,694
24	87	518,694		0		518,694		31,122		0		549,816		0		10,000,000		10,549,816
25	**88**	**549,816**		**0**		**549,816**		**32,989**		**0**		**582,805**		**0**		**10,000,000**		**10,582,805**
26	89	582,805		0		582,805		34,968		0		617,773		0		10,000,000		10,617,773
27	90	617,773		0		617,773		37,066		0		654,840		0		10,000,000		10,654,840
28	91	654,840		0		654,840		39,290		0		694,130		0		10,000,000		10,694,130
29	92	694,130		0		694,130		41,648		0		735,778		0		10,000,000		10,735,778
30	**93**	**735,778**		**0**		**735,778**		**44,147**		**0**		**779,925**		**0**		**10,000,000**		**10,779,925**
31	94	779,925		0		779,925		46,795		0		826,720		0		10,000,000		10,826,720
32	95	826,720		0		826,720		49,603		0		876,323		0		10,000,000		10,876,323
33	96	876,323		0		876,323		52,579		0		928,903		0		10,000,000		10,928,903
34	97	928,903		0		928,903		55,734		0		984,637		0		10,000,000		10,984,637
35	**98**	**984,637**		**0**		**984,637**		**59,078**		**0**		**1,043,715**		**0**		**10,000,000**		**11,043,715**

Loan interest paid to the grantor is non-taxable when the trust is a grantor trust for income tax purposes.
This is a hypothetical illustration. Please consult your legal and tax advisor for details.

CONSIDERATIONS

- Adequate cash flow must be available to make the loan
- The loan repayment may be subject to estate tax to the lender
- Loan interest payments will be subject to income taxes if the lender is a trust or partnership
- Gifts may be needed to provide the borrower the fund to pay the interest
- If annual loans are made to the trust to pay premiums, each loan is subject to a different interest rate

TAX CONSEQUENCES

INCOME TAXES

- If you are the lender, the ILIT should be set up as a 'defective grantor trust' so that there is no income taxation on the loan interest that is paid to you
- If the lender is a trust, it will pay income tax at the trust tax rate on payments of loan interest unless it distributes that interest to its beneficiaries, in which case trust beneficiaries will be taxed at their individual rates
- If the lender is a partnership, the limited partners will share responsibility for income tax on the loan interest as they would for any other partnership income

ESTATE TAXES

- If you are the lender, loan principal is part of your taxable estate at death
- If the lender is a trust, loan principal will not be subject to estate tax as long as the lending trust is not includible in your estate
- If the loan is made by a partnership, loan interest becomes a part of each partner's estate in proportion to their interest in the partnership

Life Insurance Stewardship
Why Policy Audits Are Critical

The Problem

Acquisition of life insurance is often treated as a transaction, instead of an ongoing plan

- It's not uncommon for life insurance to be one of the largest assets within an estate. Unfortunately, it is an asset that is often not evaluated/reviewed on a consistent basis.
- There is an industry standard within the investment management world of periodic review for client portfolios and plans
- Life insurance policies/portfolios need to be managed rather than shelved
- Thorough, routine policy reviews are essential to track policy performance and to ensure that policies are still in line with client goals/needs

Change Is Constant

Many fluid factors can influence both the performance of a life insurance contract, and/or the suitability of that policy to line up with present goals/needs.

Personal

- Goals and objectives
- Current need for life insurance
- Marital status
- Cash flow and/or net worth
- Health status

External

- Interest rates
- Capital Markets
- Carrier Financial Strength
- Mortality expenses
- New medical underwriting risk class
- Medical history viewed more favorably
- Life Expectancies (CSO Tables)
- Crediting Rates
- Internal Fund Management Fees (VUL)
- Product innovations – more competitive products now available
- Current Tax Laws

Typical Phases of Review Process

1. Review Current Situation – Identify Any Key Changes
2. Obtain and Review Current Policy Performance
3. Compare Performance Against Original Projections & Current Goals
4. Explore Potential Policy Improvements
5. Present Findings – Make Recommendations If Necessary

Underlying Interest Assumption

Far too many clients believe if they simply pay their premiums as scheduled from policy inception, everything will go as planned. The truth is all policy performance is based on an interest assumption, apart from guaranteed products (No Lapse Guarantee, Guaranteed UL, Guaranteed VUL),

Many policies are purchased based on long-term performance expectations that are misunderstood as guarantees

- Only inevitability with life insurance is that the initial illustrative projections are highly unlikely to come to fruition
- Policy internal financial components are constantly shifting in response to factors such as interest rates, capital markets and mortality expenses
- Odds are overwhelming that underlying growth rate assumptions of the policy will fall somewhere above or below actual results

Analysis of Current Insurance Portfolio

- **Growth Rate** – assumed growth rate vs. what actually has been credited to policy value
- **Premium Schedule** – have premiums been paid as scheduled?
- **Policy Distributions** – Loans and/or Withdrawals?
- **Policy Duration** – is the policy still projected to reach anticipated duration under original or current (risk tolerance changes) growth rate assumptions and premium strategy?
- **Scheduled Policy Changes** – have scheduled policy changes been implemented? e.g. - transition in face amount from option b (increasing) to option a (level), step up in premium, policy distributions
- **Allocation of Policy Value –** rebalancing for VUL – IUL maturing segments

Policy Flexibility is vital when reacting to policy performance variations (both over-performance & under-performance), and an evolving needs of policy owners.

Hypothetical Newton One Policy Review - UL

Insurance Carrier	Policy Number & Plan Type	Insured	Owner	Beneficiary	Policy Date	Original Face Amount	Death Benefit Option	Planned Periodic Premium
John Hancock PO Box 192 Boston, MA 02117	xxxxxxxx Majestic Performance Universal Life	Valued Client	ILIT	ILIT	June 25, 2008	$4,000,000	Option A (Level)	No Additional Funding Planned

	Original Hypothetical as of 12th Year	Current – as of June 24, 2020
Crediting Rate	**4.80%**	**3.50%**
Death Benefit	**$4,000,000**	**$4,000,000**
Coverage Performance	**To Age 115**	**To Age 91**
Accumulated Value	**$499,585**	**$458,023**

Interest Earned in Past Policy Year	**$17,092**

Hypothetical Newton One Policy Review - UL

Insurance Carrier	Policy Number & Plan Type	Insured	Owner	Beneficiary	Policy Date	Original Face Amount	Death Benefit Option	Planned Periodic Premium
TIAA-Cref PO Box 1258 Charlotte, NC 28201-1258	xxxxxxx Current Assumption Universal Life	Valued Client	ILIT	ILIT	August 4, 2015	$2,500,000	Option A (Level)	$27,653 Annually

	Original Hypothetical as of 5th Year	Current – as of Aug 3, 2020
Crediting Rate	**4.25%**	**3.00%**
Death Benefit	**$2,500,000**	**$2,500,000**
Coverage Performance	**To Age 101**	**To Age 96**
Accumulated Value	**$90,354**	**$87,912**

Interest Earned in Past Policy Year	**$3,065**

Hypothetical Newton One Policy Review - VUL

Insurance Carrier	Policy Number & Plan Type	Insured	Owner	Beneficiary	Policy Date	Original Face Amount	Death Benefit Option	Planned Periodic Premium
John Hancock PO Box 192 Boston, MA 02117	xxxxxxxx Majestic Variable Universal Life 98	Valued Client	ILIT	ILIT	July 25, 2012	$8,465,000	Option A (Level)	No Further Premiums Planned

The information has been taken from sources, which we believe to be reliable, but there is no guarantee as to its accuracy. It is not a replacement for any account statement or transaction confirmation issued by the provider. This material is not Intended to present an opinion on legal or tax matters. Please consult with your attorney or tax advisor, as applicable. Investments in securities involve risks, including the possible loss of principle. When redeemed, shares may be worth more or less than their original value.

	Original Hypothetical as of 3rd Year	Current – 3rd Year
Assumed Growth Rate	**8.00%**	**8.00%**
Death Benefit	**$8,465,000**	**$8,465,000**
Coverage Performance	**To Age 100**	**To Age 108**
Accumulated Value	**$806,255**	**$901,084**

Annual 3rd Year Rate of Return	**6.20%**

The values are hypothetical for illustration purposes only and may not be used to project or predict investment results. Policy values will vary based on the actual performance of Sub-account investments selected, actual insurance charges over the life of the plan and the timing of premium payments.
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Investors should consider the investment objectives, risks, charges, and expenses of any variable product carefully before investing. This and other important information about the investment company is contained in each fund's prospectus, which can be obtained by calling Newton One LLC at 302-731-1326. Please read it carefully before you invest. Important Disclosures should be accompanied with this report. If such disclosures are not included, please contact us for a copy at 302-731-1326 or M Holdings Securities Compliance Department at 503-414-7351.

Hypothetical Newton Allocation Review

Current Policy Allocation
7/25/2014 thru 7/24/2015

Manager	Fund	Allocation
FIXED INCOME		
Declaration Mgmt & Research	Active Bond	15%
Wells Capital Management, Inc	Core Bond	15%
DOMESTIC EQUITY		
JH Asset Management	500 Index B	14%
T. Rowe Price	Blue Chip Growth	6%
T. Rowe Price	Equity Income	4%
JH Asset Management	Fundamental Large Cap Value	6%
Frontier	M Capital Appreciation	4%
DSM	M Large Cap Growth	6%
AJO	M Large Cap Value	8%
Wellington	Small Cap Value	4%
Van Kampen	Value	4%
INTERNATIONAL EQUITY		
DFA	International Small Company	5%
GMO	International Core	4%
Northern Cross	M International Equity	5%
	TOTAL	100%

Recommended Policy Allocation
7/25/2015 thru 7/24/2016

Manager	Fund	Allocation
FIXED INCOME		
DMR & JH Asset Management	Active Bond	15%
Wells Capital Management	Core Bond	15%
DOMESTIC EQUITY		
JH Asset Manangement	500 Index B	15%
T. Rowe Price	Blue Chip Growth	7%
JH Asset Manangement	Fundamental Large Cap Value	7%
Frontier	M Capital Appreciation	4%
DSM	M Large Cap Growth	8%
AJO	M Large Cap Value	8%
Wellington	Small Cap Value	3%
Van Kampen	Value	4%
INTERNATIONAL EQUITY		
DFA	Company	4%
GMO	International Core	5%
Northern Cross	M International Equity	5%
	TOTAL	100%

- Above information is an example only and not a recommendation to invest in any security, please see your Investment Advisor for advice related to your specific needs.
- Diversification does not ensure a profit or protect against loss in a declining market. An investment in variable life insurance is subject to fluctuating values of the underlying investment options and it entails risk, including the possible loss of principal.

Other Factors to Consider

- **Carrier Financial Strength** – Comdex Ranking, A.M. Best, Moody's…
- **Mortality Expenses** – has the carrier maintained their 'current' charge structure as of policy inception
- **Regulatory Changes**
- **In-Force pricing enhancements:**
    - Table Shaving Program
    - Rate Reconsideration
    - Product Repricing

Potential Policy Options

If Over-Performing

- **Reduce Premium Payments - keeping death benefit and policy duration constant**
    - lower premium payment amount
    - reduce total number of premium payments
    - pay no further premium entirely

- **Increase Policy Distributions**
    - Increase amount, keeping total # of distributions the same
    - Increase distributions, keeping total amount the same

- **Factor in stress testing scenarios – adverse market conditions**

Potential Policy Options

If Under-Performing

- **Increase Premium**
  - Solve for annual premium necessary to carry policy back out to original projected duration
  - If short pay strategy, solve for total additional premium payments needed, keeping premium payment amount constant
- **Reduce Face Amount**
  - Keeping annual premiums the same, solve for reduced face amount to carry the policy out to original projected duration
- **Reduce projected policy duration – illustrative duration may be temporary**
  - Keeping premiums and death benefit the same, solve for new policy duration based on lower policy value (due to lower than assumed growth rate)
  - Future growth rate results may bring policy back in line with original duration
  - Limits on crediting rate assumptions in UL and IUL above current rate and AG49
- **In-Force Policy Repricing –** lowering rates due to favorable claims experience
- **Remove Riders that no longer have value**

Potential Policy Options

If Under-Performing

- **Level Face Amount –** change from option b (increasing) to option a (level)
- **New Mortality Tables**
  - It may be possible to improve pricing by staying with the same carrier and requesting the current 'charge structure' reflect mortality costs in accordance with the new CSO tables
  - Carriers still basing older blocks of insurance products on the less cost efficient CSO tables may update a particular product's cost structure to the 2017 CSO tables upon request
- **Reduce Distributions**
  - Lower distribution amount, keeping the # of payouts equal
- **Rate Reconsideration –** upgrade to improved risk class (e.g. smoker to non-smoker)
- **Life Settlement Opportunities**
- **IRC 1035 Exchange**

IRC 1035 Exchange

Continual innovations in policy design have brought forth new products with the possibility for better pricing. The life insurance product line-up continuously evolves with potentially more efficient products to meet policy owner needs.

- It may be possible to improve pricing by transferring cash surrender value to a new product via 1035 exchange – assuming client insurability (new underwriting)
- Review advantages and disadvantages of various policy types and designs
- Analyze illustrative effectiveness regarding cost vs. benefit in relation to current insurance needs and planning goals
- Consider diversification of product type and carrier

Common Policy Performance Issues

Reduced dividends and interest crediting rates
from sustained low interest rate environment

- **Blended Whole Life policies often performed worse than non-blended**
- **Dividends insufficient to purchase PUA/Term**
- **Heavy term blend in Whole Life policies, with less than sufficient dividends - term portion will many times terminate (unless premiums are significantly increased) resulting in reduction of coverage**
- **Lower cash values of Current Assumption Universal Life policies result in higher charges, compounding the problem**
- **Carriers continue to experience downward rate pressure due to bond portfolio duration**

Common Policy Performance Issues

Variable Policy Performance

- **Overly optimistic original assumptions (sometimes over 10%)**
- **Volatility can hurt performance – 8% avg. return may be worse than 8% every year**
- **Reduction in cash values results in higher policy charges**
- **Fund allocations within the separate account weren't managed properly**
- **Rebalancing – if not regularly scheduled**

Policy Design Issues – Base on Age

Old Universal Life Policies were sold when
assumption was that everyone died by age 100

- **Best case: no more premiums required, no more charges deducted, policy lasts as long as insured and pays full benefit**
- **2nd best scenario is that of most recently issued policies: coverage continues with costs, so performance must be monitored with future premiums possibly necessary**
- **Bad case: cash value at age 100 becomes the death benefit**
- **Bad case: cash value gets paid out – may incur tax**
- **Worst case: coverage simply ends at age 100**

Policy Design Issues – Based on Age

Some policies were sold with an aggressive duration assumption – policy lapsing before or right at life expectancy

- **Illustrates favorably – avoids higher COI’s later in the policy, around life expectancy**
- **Competitive projections rather than sound projections**
- **Potential for steep catch up premiums**

Leveraged RMDs

Maximizing Wealth Transfer to the Next Generation

Planning Opportunity

Fundamentally, IRAs are designed to be retirement assets and not legacy assets.

The reality for many high net worth clients is that these plans, which were funded during working years, are no longer needed for retirement income and are thus earmarked for heirs.

Yet while IRAs are tax efficient when it comes to retirement savings, they are tax-inefficient with respect to transferring wealth to future generations

Since these accounts are funded on a tax-deferred basis, they don't receive a step-up in basis at the plan participant's death. Rather, distributions are taxable at the beneficiary's ordinary tax rate.

Changing the Conversation

When RMDs are not needed for current income, they will often be spent or reinvested in a taxable side fund. Then any remaining funds in the IRA at death will be transferred to the designated beneficiaries subject to tax.

Repositioning IRA assets into a life insurance policy that provides a 100% income tax free death benefit can better leverage earnings to increase the total inheritance received by loved ones.

This leverage is amplified by the elimination of the 'life-time stretch' provision with the Secure Act – now that all funds must be distributed within 10 years (i.e. tax incurred is accelerated)

Leveraged RMDs

Individuals have the option to simply direct the unneeded portion of RMDs toward paying life insurance premium or take distributions before RMDs are required.

Individual receives distributions from his or her IRA account

Individual/ILIT purchases a life insurance policy and pays premium using after-tax distributions

Distributions in excess of required premiums are either spent or saved in a taxable account

At death, insurance proceeds are paid to individual's spouse, children, grandchildren, or trust as a legacy

Any remaining IRA assets will pass to the named beneficiary(s), but will be reduced by required taxes

Leveraged RMDs – Sample Case

Fact Pattern

- Married Couple – both age 65
- $1.2MM IRA current account value
- IRA not needed for retirement income purposes by either spouse
- Goal is to leverage IRA account value as wealth to the next generation
- 35-year-old son is the designated beneficiary
- Parents tax rate – 37% | Beneficiary tax rate (IRD) – 37%
- Life expectancy on both parents – age 85

Leveraged RMDs – Sample Case

Option 1: No Planning

- No distributions until age 72 – at which point only RMDs are distributed (April the following year)*
- Invest RMDs in side taxable account – earning 5% net
- Beneficiary receives invested side account with step-up in basis, and residual IRA balance that is fully taxable at ordinary tax rates – 37%
- The IRA account is either distributed in entirety immediately, or left to grow tax free until year 10, at which point the entire balance(taxable) must be distributed
- The side account is either distributed in entirety tax-free immediately, or left to grow until the funds are needed/desired – any growth above basis is taxable as capital gains

* RMDs must be taken by April 1st of the following year after turning age 72

Option 2: Life Insurance Planning Leverage RMDs

- Survivorship Life insurance policy is purchased by a joint ILIT
- The policy is an Indexed Universal Life policy - projected $34,000 lifetime annual premium
- Annual distributions from IRA starting at ages 65 in the amount of $53,968/year ($34,000) net of tax in order to pay the insurance premiums
- RMDs starting at age 72 – part of which pay the $34K annual premium – the excess is invested in a side taxable account – earning 5% net
- Beneficiary receives tax free policy proceeds, plus the invested side account with a step-up in basis, and the residual IRA balance that is fully taxable at ordinary tax rates – 37%
- Life proceeds are received tax free and may be invested in a taxable account earning 5% net
- The side account is either distributed in entirety immediately, or left to grow until the funds are needed/desired – any growth above basis is taxable as capital gains
- The IRA account is either distributed in entirety immediately, or left to grow tax free until year 10, at which point the entire balance (taxable) must be distributed

Leveraged RMDs – Sample Case Results

Option 1: No Planning

- **The IRA balance grows from $1,200,000 to $2,305,589 by age 85 (6.50% net)**
- **Required distributions are invested into a taxable side account (earning 5% net). The balance grows to $1,253,307 by age 85**
- **After IRD taxes ($853,068) on the IRA account, the total net to heirs (Net IRA balance plus the taxable side account) at age 85 equals $2,705,828**

Option 2: Life Insurance Planning Leverage RMDs

- **The IRA balance of $1.2MM grows to $1,633,206 by age 85 (6.50% net)**
- **Reinvested distributions in excess of the annual premium ($34K) grow in a taxable account to $255,449 (5.00% net)**
- **After IRD taxes ($604,286) the total IRA balance plus the reinvested side account at age 85 equals $1,284,369**
- **Factoring in the tax free death proceeds of $3MM, the estimated total net to heirs would be $4,284,369**

Leveraging the RMDs with life insurance can increase the total net after-tax benefit to the heirs by 58% **($1,578,541 increase)**, assuming the beneficiaries 'cash out' the IRA immediately upon death of the surviving spouse

Wealth Transfer Comparison

Initial IRA Balance - $1,200,000

	Option 1: No Planning					Option 2: Leverage RMDs w Life Insurance						
Year	IRA Value EOY	Distribution Reinvested	Gross to Heirs	IRD Taxes	Net to Heirs	IRA Value EOY	Distribution Reinvested	Death Benefit	Gross to Heirs	IRD Taxes	Net to Heirs	Gain Due to Planning
1	$1,278,000	-	$1,278,000	$472,860	$805,140	$1,220,524	-	$3,000,000	$4,220,524	$451,594	$3,768,930	$2,963,790
2	$1,361,070	-	$1,361,070	$503,596	$857,474	$1,242,382	-	$3,000,000	$4,242,382	$459,681	$3,782,700	$2,925,226
3	$1,449,540	-	$1,449,540	$536,330	$913,210	$1,265,660	-	$3,000,000	$4,265,660	$468,294	$3,797,366	$2,884,156
4	$1,543,760	-	$1,543,760	$571,191	$972,569	$1,290,452	-	$3,000,000	$4,290,452	$477,467	$3,812,985	$2,840,416
5	$1,644,104	-	$1,644,104	$608,318	$1,035,786	$1,316,855	-	$3,000,000	$4,316,855	$487,236	$3,829,619	$2,793,833
6	$1,750,971	-	$1,750,971	$647,859	$1,103,112	$1,344,975	-	$3,000,000	$4,344,975	$497,641	$3,847,334	$2,744,222
7	$1,864,784	-	$1,864,784	$689,970	$1,174,814	$1,374,922	-	$3,000,000	$4,374,922	$508,721	$3,866,201	$2,691,387
8	$1,985,995	-	$1,985,995	$734,818	$1,251,177	$1,406,815	-	$3,000,000	$4,406,815	$520,522	$3,886,294	$2,635,117
9	$2,032,464	$51,318	$2,083,782	$752,012	$1,331,770	$1,439,733	$652	$3,000,000	$4,440,385	$532,701	$3,907,684	$2,575,913
10	$2,076,940	$108,316	$2,185,255	$768,468	$1,416,788	$1,471,238	$3,543	$3,000,000	$4,474,780	$544,358	$3,930,422	$2,513,635
11	$2,119,002	$171,458	$2,290,460	$784,031	$1,506,430	$1,501,034	$8,911	$3,000,000	$4,509,945	$555,382	$3,954,563	$2,448,133
12	$2,158,190	$241,242	$2,399,431	$798,530	$1,600,901	$1,528,793	$17,017	$3,000,000	$4,545,809	$565,653	$3,980,156	$2,379,255
13	$2,193,996	$318,197	$2,512,193	$811,778	$1,700,414	$1,554,157	$28,135	$3,000,000	$4,582,292	$575,038	$4,007,254	$2,306,840
14	$2,226,388	$402,565	$2,628,954	$823,764	$1,805,190	$1,577,103	$42,336	$3,000,000	$4,619,439	$583,528	$4,035,911	$2,230,721
15	$2,254,301	$495,243	$2,749,544	$834,091	$1,915,453	$1,596,875	$60,145	$3,000,000	$4,657,020	$590,844	$4,066,176	$2,150,723
16	$2,277,711	$596,478	$2,874,189	$842,753	$2,031,436	$1,613,458	$81,623	$3,000,000	$4,695,081	$596,979	$4,098,101	$2,066,665
17	$2,296,042	$706,875	$3,002,916	$849,535	$2,153,381	$1,626,443	$107,079	$3,000,000	$4,733,522	$601,784	$4,131,738	$1,978,357
18	$2,308,677	$827,069	$3,135,746	$854,210	$2,281,535	$1,635,393	$136,839	$3,000,000	$4,772,232	$605,095	$4,167,136	$1,885,601
19	$2,314,955	$957,732	$3,272,687	$856,533	$2,416,153	$1,639,840	$171,245	$3,000,000	$4,811,085	$606,741	$4,204,344	$1,788,190
20	$2,314,173	$1,099,566	$3,413,739	$856,244	$2,557,495	$1,639,287	$210,656	$3,000,000	$4,849,943	$606,536	$4,243,407	$1,685,912
21	$2,305,589	$1,253,307	$3,558,896	$853,068	**$2,705,828**	$1,633,206	$255,449	$3,000,000	$4,888,655	$604,286	**$4,284,369**	**$1,578,541**

IRA assumed growth – 6.50% net
Reinvested Distributions assumed growth – 5.00% net
Tax Rate – 37%

Annual Premium – $34,000 life-pay
Level Distribution pre-tax year 1-8: $53,968

Leveraging the RMDs with life insurance can increase the total net after-tax benefit to the heirs by 58% ($1,578,541 increase), assuming the beneficiaries 'cash out' the qualified plan immediately upon death of the surviving spouse

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Leveraged RMDs – Immediate vs. 10 Year Stretch

Option 1: No Planning

- **After the IRA balance is inherited, it grows from $2,305,589 to $4,327,907 in 10 years (6.50% net)**
- **Inherited reinvested distributions are left in the side taxable account (earning 5% net). The balance grows from $1,253,307 to $2,041,505 in 10 years**
- **After IRD taxes ($1,601,326) on the IRA account, the total net to heirs (Net IRA balance plus the taxable side account) ten years after inheritance equals $4,768,086**

Option 2: Life Insurance Planning Leverage RMDs

- **After the IRA balance is inherited, it's left to grow from $1,633,206 to $3,065,751 in 10 years (6.50% net)**
- **Inherited reinvested distributions are left in the side taxable account (earning 5.00% net). The balance grows from $255,449 to $416,100**
- **After IRD taxes ($1,134,328) the total IRA balance plus the reinvested side account in 10 years equals $2,347,523**
- **Tax free death proceeds of $3MM are invested in a side taxable account (earning 5.00% net). The balance grows to $4,886,684 in 10 years**
- **Factoring in the tax free death proceeds, the total net to heirs would be $7,234,207**

The potential gain due to planning is **$2,466,121**
The removal of the 'life-time stretch' option has the potential to amplify the projected planning gain from leveraging IRA distributions for wealth transfer to the next generation

Net to Heirs – Immediate vs. 10 Year Stretch

	Cash Out Immediately - Year 21		Lump Sum in 10 Years - Year 31	
	Option 1: No Planning	Option 2: Leverage RMDs	Option 1: No Planning	Option 2: Leverage RMDs
IRA Value Today	$1,200,000	$1,200,000	$1,200,000	$1,200,000
IRA Value (Ages 85) @ 6.50% gross	$2,305,589	$1,633,206	$2,305,589	$1,633,206
IRA Value - 10 Years after Transfer	-	-	$4,327,907	$3,065,751
Tax Free Death Proceeds	-	$3,000,000	-	$3,000,000
Tax Free Death Proceeds Reinvested @ 5.00% net	-	-	-	$4,886,684
Reinvested Distributions @ 5.00% net	$1,253,307	$255,449	$2,041,505	$416,100
IRD Taxes on IRA 37%	$853,068	$604,286	$1,601,326	$1,134,328
Net to Heirs	$2,705,828	$4,284,369	$4,768,086	$7,234,207
Potential Gain From Planning		**$1,578,541**		**$2,466,121**

The removal of the 'life-time stretch' option has the potential to amplify the projected planning gain from leveraging IRA distributions for wealth transfer to the next generation

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