North American Company
for Life and Health Insurance
Since 1886

Life

Using Life Insurance For Annuity Maximization

Put Your Annuity To Work for Your Financial Future

Client Brochure

Help gain financial protection and potentially maximize your annuity.

Even the best financial plans can run into unforeseen problems with taxation that could leave your heirs with less than you plan. By using life insurance to maximize your annuity funds, you can provide your loved ones with the most value for your annuity funds, without the limitations of income or estate taxes.[1]

HIGHLIGHTS	MAXIMIZING YOUR ANNUITY WITH LIFE INSURANCE
Who can benefit?	Any beneficiaries named on the policy, including a surviving spouse, children, and other loved ones.
Why life insurance?	Death benefit proceeds provide generally tax-free funds.
How does it work?	Annuity funds are used to purchase life insurance.

Who Can Benefit?

You may have used annuities as a savings vehicle as part of your financial plan. However, now you may find that you no longer need the money in the annuity and you want to pass the money on to your heirs.

But did you know that the gains on your annuity (the portion that exceeds your original investment)[2] could be taxable income to your heirs? In addition, the full value of your annuity is includible in your taxable estate, which could result in a diminished inheritance.

To maximize your annuity dollars, one strategy is to purchase a life insurance policy on your life with the annuity funds. The beneficiaries of the policy would then be paid a generally tax-free death benefit and avoid the taxes associated with inheriting annuity funds.

Why Life Insurance?

Annuities are subject to income taxes and estate taxes after the owner dies. Your annuity cash value could be severely reduced after beneficiaries are hit with tax liabilities, often determined by:

- the type of annuity you own.
- the total value of the annuity.
- the income tax brackets of your heirs.
- the size of your estate.

Life insurance, on the other hand, provides a generally income tax-free death benefit and can be structured to be excluded from your taxable estate, thereby avoiding any potential estate taxes. Using your annuity to buy a life insurance policy can maximize the value for your heirs.

How Does It Work?

There are two common ways to use the annuity maximization strategy.

1. Single premium:
   - Surrender your annuity and use the lump sum to purchase a paid up, guaranteed universal life policy on your life.[3]
   - Leverage lump sum dollars into the largest guaranteed death benefit for your heirs.
   - Your heirs receive the life insurance death benefit, generally tax-free.
2. Spread out premium payments:
   - Annuitize or 1035 exchange your annuity into a Single Premium Immediate Annuity (SPIA).
   - Use the income stream to fund a life insurance policy.
   - You retain access to cash accumulation, if needed.
   - Your heirs receive the life insurance death benefit, generally tax-free.

Both options present different advantages and disadvantages—depending on your goals. To decide which is right for you, talk to your legal or tax advisor and your North American representative about your particular circumstances.

**Gain financial protection while building a legacy for future generations.
Talk to your North American representative today.**

North American Company
for Life and Health Insurance
Since 1886

Life

North American Company for Life and Health Insurance has been providing quality life insurance products since 1886. As one of the leading life insurance companies in the U.S., we'll make it as easy as possible for you to become one of our insureds. Please visit our Website at www.NorthAmericanCompany.com to find out more about our company.

1 This material does not constitute tax, legal or accounting advice, and neither North American nor any of its agents or employees may offer such advice. It is not intended and cannot be used for the purpose of avoiding any tax laws or IRS penalties. You should seek advice from your own attorney, tax advisor and/or accountant based on your own particular circumstances.

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.

2 If the original investment was pre-tax, then the full value of the annuity will be taxable income to heirs.

3 Removing funds from an annuity may result in surrender charges and/or income taxes.