Help Preserve Your Wealth for Future Generations

Client Brochure

Using Life Insurance for Death Benefit Protection & Legacy Building

Life

North American Company
for Life and Health Insurance
Since 1886

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Gain financial protection and help maximize the money you pass along to heirs.

There may come a time when you may need to think about the future generations of your family. You have worked hard, accomplished your goals, and accumulated funds to support a comfortable retirement. Along with your careful planning, maybe you would like to set aside funds to pass along to your children or grandchildren. Whether the amount is a little or a lot, wouldn't it be nice to help ensure those funds are passed along in a tax-efficient manner?[1] This would help maximize the money you can provide to your heirs. Life insurance provides death benefit protection and can help increase the value of the funds you pass along to beneficiaries.

Legacy building, also referred to as wealth transfer, is simply a strategy using life insurance to pass along money to your beneficiaries in a way that's most favorable for them and for you.

KEY QUESTIONS	ITEMS DISCUSSED
Why life insurance?	Learn how a life insurance policy can be used to meet death benefit protection needs and help maximize the wealth you pass along to heirs.
Who can benefit?	Explore if using life insurance for legacy building is right for you.
How does it work?	Discover how legacy building can protect what's important to you and leave behind a lasting legacy.

WHY LIFE INSURANCE?

Life insurance provides a death benefit, which can help provide financial security to beneficiaries generally income tax-free.[1] For legacy building, life insurance offers the same two key benefits:

- It helps to provide financial protection and passes along a generally income tax-free death benefit.[1]
- It can help maximize the funds you pass along—whether it's for your children or grandchildren, a church, or perhaps a charity.[1]

If you have set aside funds, explore how life insurance can help efficiently pass those funds along to your beneficiaries.

WHO CAN BENEFIT?

There are a few items to consider before deciding on a legacy building strategy using life insurance. Importantly, consider legacy building if you have a death benefit need and have funds available to support yourself throughout retirement. Those who have money already set aside for heirs typically consider a legacy building strategy. These assets are often held in various financial vehicles, which may not be a tax-efficient method for transferring wealth.[1]

Here are a few questions to help you determine if the strategy is right for you:

- Do you have a death benefit need?
- Are you within the retirement ages of 55-75?
- Are you financially sound, with your own retirement plan?
- Do you have children, grandchildren, or an organization you'd like to benefit?
- Do you have available sources of income in other financial vehicles designated to leave to heirs or children, not being used for retirement?
- Have you named your heirs joint owners of your assets?
- Do you have an annuity you'd like to pass along to heirs?
- Are you taking required minimum distributions (RMDs) but don't have a current need for the funds?
- Are you looking for tax-advantaged solutions to transfer funds?[1]

ADVANTAGES

- **Immediate death benefit protection.** From the start, you gain death benefit protection to be paid out to your beneficiary upon death.
- **Income tax-free transfer to beneficiaries.** When you die the death benefit passes generally income tax-free to beneficiaries.[1]
- **Leverage.** With life insurance, your premium payments can provide a larger death benefit after issue.
- **Tax-deferred growth.** Permanent life insurance policy may earn interest and grow cash value on a tax-deferred basis.[2]

HOW DOES IT WORK?

When properly structured, a legacy building plan can help you gain death benefit protection and maximize the funds you leave to heirs.

1. Establish whether the strategy is appropriate for you and that you need death benefit protection.
2. Locate the funds you would like to pass along to your beneficiaries. These funds represent assets you don't plan to use for retirement.
3. The designated funds are then used to purchase a life insurance policy. This may immediately increase the amount available in the form of a death benefit. Consult your representative about methods of transferring funds into the life insurance policy.
4. Upon death, the funds from the life insurance policy are passed along to beneficiaries in the form of a death benefit—passing along a legacy.

LIFE INSURANCE CONSIDERATIONS

- **Cost of insurance charges (COIs) or other charges:** 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 withdrawls, may reduce the cash value of the policy.
- **Surrender charges:** Withdrawals may be subject to surrender charges and the amount available for policy loans.[3]
- **Modified Endowment Contracts (MECs):** MECs may have tax implications that you need to take into consideration.[4]
- **Maintaining the Death Benefit:** Permanent life insurance requires monthly deductions to pay the policy's charges and expenses. Should you take cash value out, additional premiums may be necessary to continue the desired death benefit, depending on funding.

Help preserve your wealth for future generations and consider a legacy building strategy. Contact your North American representative today.

1 Neither North American Company for Life and Health Insurance nor any of its agents, employees or representatives is authorized to give tax or legal advice. Please consult with and rely on a qualified tax or legal advisor before entering into or paying additional premiums with respect to such arrangements or commencing any charitable giving plan.

2 The tax-deferred features are not necessary for a tax-qualified plan. In such instances, you should consider whether other features, such as the death benefit and optional riders make the policy appropriate for your needs. Before purchasing a policy, you should obtain competent tax advice both as to the tax treatment of the policy and the suitability of the product.

3 Policy loans from life insurance policies generally are not subject to income tax, provided the contract is not a Modified Endowment Contract (MEC), as defined by Section 7702A of the Internal Revenue Code. A policy loan or withdrawal from a life insurance policy that is a MEC is taxable upon receipt to the extent cash value of the contract exceeds premium paid. Distributions from MECs are subject to federal income tax to the extent of the gain in the policy and taxable distributions are subject to a 10% additional tax prior to age 59½, with certain exceptions. Policy loans and withdrawals will reduce cash value and death benefit. Policy loans are subject to interest charges. Consult with and rely on your tax advisor or attorney on your 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.

4 For most policies, withdrawals are free from federal income tax to the extent of the investment in the contract, and policy loans are also tax-free so long as the policy does not terminate before the death of the insured. However, if the policy is a Modified Endowment Contract (MEC), a withdrawal or policy loan may be taxable upon receipt. Further, unpaid loan interest on a MEC may be taxable. A MEC is a contract received in exchange for a MEC or for which premiums paid during a seven-year testing period exceed prescribed premium limits (7-pay premiums).

Life insurance policies have terms under which the policy may be continued in force or discontinued. Permanent life insurance requires monthly deductions to pay the policy's charges and expenses, some of which will increase as the insured gets older. These deductions may reduce the cash value of the policy. Current cost of insurance rates and current interest rates are not guaranteed. Therefore, the planned periodic premium may not be sufficient to carry the contract to maturity. For costs and complete details, refer to the policy or call or write North American Company, Administration Office, One Sammons Plaza, Sioux Falls, SD 57117-5088. Telephone: (877) 872-0757.

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