The Baltimore Life®
COMPANIES

Help Your Clients Transfer Assets

The Baltimore Life Insurance Company offers two product solutions in our portfolio for your prospects and clients who are interested in re-allocating money not needed for daily living expenses, and substantially increasing the amount of asset they can pass on to their family or favorite charity. Our Single Premium Whole Life (SPWL) is designed for premiums re-allocated from savings accounts, CD's, money market accounts, and cash values from existing life insurance policies that are deemed suitable by the client for their present needs by way of a 1035 exchange. Our Generation Legacy® product is designed for premiums coming from non-qualified annuities and other qualified plans. For more information on these products, you can refer to the agent guides (SPWL: Form ICC18-7982 and Generation Legacy: Forms ICC18-8243 and 8244).* On-demand training modules are also available on our agent website.

The following sales ideas will get you to start thinking about opportunities that you should have with your clients and prospects to discuss using SPWL or Generation Legacy as a solution to increase the money that they will be able to pass on to the heirs. These products if used appropriately, are easily understood, and offer a tax-efficient method to pass on assets using life insurance products.

Asset Transfer Sales Ideas

"Leave Behind Money"

Make a habit of asking your existing clients where they keep their "leave behind money." Some of them won't understand the term, but will identify with the concept. The idea of "leave behind money is when seniors have money sitting in CD's or savings accounts that they intend to pass on to their children or grandchildren. If so, you have identified a good reason to present SPWL to your prospect as an easy and more tax-efficient way to significantly increase the amount of money they can leave behind to their loved ones. Of course the SPWL would pay a death benefit income tax-free to their beneficiary.

Annuities Not Needed for Income to Support Daily Living

Many seniors have purchased non-qualified annuity products. The reason for their purchase could have been to reduce their taxable income by putting money into an annuity that accumulates cash on a tax-deferred basis. At some point in time, your prospect that has an annuity may decide they do not have the need for additional income that could be provided by the cash value in their annuity. If they decide not to annuitize the cash value,

**Some states use state specific versions of these policy forms. See Approval and Forms List for details (Form 8049 for SPWL and Form 8254 for Generation Legacy).*

the increase in cash value compared to the money they paid into the product ("taxable gain"), will eventually be taxable. This taxable gain must be declared when the annuity is surrendered, annuitized or paid to a beneficiary at the annuity owners death. If the funds from the annuity originate from a qualified plan, the annuity owner is required to take a minimum distribution from the contract starting at age 70½. In this situation, the taxable gain within each required minimum distribution payment would be taxable. In these situations, Generation Legacy may be an excellent solution for your client. If they don't need additional income and are interested in leaving these assets behind for their hiers, Generation Legacy is a product that provides an easy and more tax efficient way to significantly increase the amount of money they can leave behind to their loved ones. Of course the Generation Legacy would also pay a death benefit income tax free to their beneficiary. If death occurs during the period when the SPIA, part of Generation Legacy, is paying the premium of the whole life product, unpaid payments from the SPIA would also be paid to the beneficiary. Of course, the beneficiary would need to pay the taxes on the gain from each SPIA payment.

Generation Legacy Spouse Option

In most Generation Legacy cases, the life insurance policy and the annuity are purchased for the same individual. However, if the spouse who owns the source of funds can't qualify for life insurance, payouts from the annuity can be used to purchase life insurance on the other spouse. Or, if both spouses qualify for life insurance, your client may choose which spouse to insure regardless of which spouse owns the source of funds.

1035 Exchange an Older Paid Up Policy

Many of your clients have old paid-up policies that were taken out on them when they were much younger, most of the time by their parents or grandparents. Now that these clients are much older, the paid-up policy might not provide enough protection. If your client is healthy enough to qualify for new coverage, they might be in a good position to exchange a paid-up policy using the cash value as a single premium, for a new policy with a potentially higher death benefit. This can be accomplished with a 1035 exchange, and the new policy would require no additional premium.

Universal Life Rescue

Many of your current clients may have UL policies they purchased in the 1980's and 1990's when projected interest rates were high. Most likely these clients have seen the cash values on these policies fluctuate in recent years because the current interest rate credited hasn't been high enough to sustain the financial integrity of the policy. These type of polices may be "imploding" and may soon have limited to no cash value, resulting in a termination of coverage. A possible solution could be to use a 1035 exchange to move the existing cash value from their UL into a new SPWL. This would allow them to retain a level death benefit for life with no future payments.

Burial Account

Older clients will often times set up a savings account, CD or money market with a set amount of cash they want to be used to pay for their funeral and other final expenses. Of course, these accounts are only being credited with a declared interest rate and your client is receiving a 1099 statement each year on the earnings. Show your clients how they can pay a single premium from their "burial account", and provide a larger tax-free death benefit using Single Premium Whole Life. They will no longer be burdened with the annual 1099 statement. Of course, cash from the SPWL can be accessed in case of emergencies through policy withdrawals or loans. They also can accelerate the death benefit in the event of a catastrophic illness.

Long Term Care Benefits Using the Accelerated Death Benefit Rider

Most seniors understand they may need money for long-term care or care required for terminal illness. They are very concerned about the cost of a nursing home, adult care, or extended care facilities, and of course a terminal illness. Unfortunately a high majority of our seniors have not purchased long term care insurance. The major obstacles that prevent a buying decision for the average consumer include; cost, and the challenge to understand how an LTC policy works. Although the **SPWL and Generation Legacy products do not have a LTC benefit**, they do include an accelerated death benefit rider (in most states where the product is approved) that provides the opportunity to pay living benefits in the event of a catastrophic illness. The policyowner can accelerate a portion** of the death benefit provided by the SPWL product if the insured is considered terminally ill, permanently confined to a qualified nursing facility or needing qualified extended care, adult day care, or home health care. The Generation Legacy product offers an accelerated death benefit rider that offers similar features, and a portion of the face amount can be paid in as a living benefit resulting in a lien against the death benefit of the policy. In addition to living benefits, your client can significantly increase the amount of money they can pass onto their heirs using a single premium. ***The accelerated death benefit rider is not a long-term care policy and should not be presented to your client as a benefit that would match the many features of a long-term care product.*** However, if your client cannot afford, or is not interested in purchasing an LTC product, the accelerated death benefit riders available on our SPWL and Generation Legacy products can provide living benefits in the event of a catastrophic illness.

Reduce 1099 Income and Exposure to Income Tax on Social Security

Seniors want to keep their cash in “safe” vehicles such as savings accounts, CD’s, money market accounts. They also may be concerned about investing their money in vehicles that offer variable rates of return. Most accounts that generate interest require reporting of 1099 income each year. This additional income can expose many of your clients to income tax on their Social Security benefits. Cash not needed for daily living expenses can be repositioned and used as premium for a SPWL product. Cash value in the SPWL accumulates on an income tax deferred basis. It also provides your client with an increase in their estate value using a life insurance product that would pay a death benefit income tax free to a named beneficiary. The policyowner would also have access to cash through withdrawals or loans. Living benefits are also available in the event of a catastrophic illness using the Accelerated Death Benefit rider. Please remember that bank CD’s are FDIC insured and a life insurance product is backed by the insurance company that issues the product.

Reasons for Business Owners to Purchase One of our Single Premium Life Products

- ☐ As a means of reducing the tax liabilities on corporate retained earnings.
- ☐ As a vehicle for financing an employer’s obligation under a non-qualified deferred compensation plan.
- ☐ As an appropriate vehicle for after-tax employee contributions that cannot be rolled over into an IRA.
- ☐ If the company is terminating a qualified pension plan, and will make a lump sum distribution to the participants, Baltimore Life’s Generation Legacy product could offer an excellent solution for funds not needed for daily living.

*** Eligible portion that is available for acceleration as defined in Rider Form 8014*