

Advanced Planning Sushi: Advanced Planning Strategies Using Protection IUL

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Announcer: Advanced Planning Sushi fresh and flavorful sales bites. Three advanced planning strategies using Virtus Protection IUL.

Speaker 1: Hello, everyone, this is David Szeremet, Vice President of the Advanced Planning department at AuguStar.

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Speaker 1: And today I'm joined by Jim Barbee, Senior Advanced Planning Consultant here at AuguStar as well. And we're excited today because we want to talk to you about some ways you can put our new life insurance product to work in advanced markets. And specifically, we're going to discuss Virtus Protection indexed universal life. And the name says it all. This product in indexed universal life a leading product we'll be focusing on protection. And in advanced markets we see a lot of areas where protection or, you know, affordable death benefit is crucial to helping somebody achieve their goals whether it's in the estate planning market or working with business owners. So, we're excited in Advanced Planning about the launch of this new product. We hope you are, too. And to help you get a flavor for the product we want to spend a few minutes with you today and share some planning ideas where we felt the Virtus Protection IUL will really shine for your clients and put them in a much better place.

So, I'm going to kick it off today and start with estate planning. And in particular I'm going to talk about estate equalization and, you know, estate equalization can mean different things to different people. But for most people it's a desire to leave an equitable legacy to their heirs. So, in many cases, you know, they want a, you have a client, they're talking about planning for their estate, and the passing of their assets to their kids, and their grandkids, and their spouse. But they want to treat people equitably, fairly, and that can be really tricky especially if an estate is comprised primarily by a business, farm, or real estate, or non-marketable securities, you know, assets that are not easily divided. So, the goal of achieving estate equalization can be daunting where you have an estate comprised of those types of assets. So, you know, it can even turn into a forced liquidation of assets if your heir, if somebody's heirs don't agree on how assets should be divided. So, you know, AuguStar's Virtus Protection IUL can really fit the bill there. You know, life insurance certainly has, can play a major role in achieving estate equalization and we're excited because this product, you know, focuses on affordable, permanent, death benefit protection. So, when you talk about estate equalization our new product really fits there.

And just a few quick examples. I talked about family businesses, you know, successfully transitioning a family business to the next generation can be a challenge. You know, especially if some family members are active in the business and some are not active.

So, you have this classic example where you have the active children, let's say in the business, and the inactive children who are doing other things with their lives. So, if the plan is to pass the business to the active children, life insurance potentially could be purchased to pass, you know, a liquidity legacy to the inactive children. So, I know it's a very basic example, but we get this call all the time where we have family businesses where some kids are in the business and some kids are out of the business. And the client is concerned about estate equalization. Well of course life insurance can step right in there and Virtus Protection IUL, very affordable, very competitive option there. So, think about family businesses.

Another example would be blended families. You know, families where maybe we have children from a previous marriage or children from a previous relationship and the client is interested in supporting their current spouse, but also desiring a legacy to those children from a previous marriage. And again it may not be practical to separate or divide assets when we have that situation, you know, we're not going to, we don't want to have to sell the family house and, you know, kick the spouse out of the house so that we can take care of the kids from a previous marriage, or sell the family business, or have to liquidate all of the family stocks and bonds to achieve estate equalization. So, again where we have these blended family scenarios life insurance certainly is a great way to achieve estate equalization without having to, you know, upset the apple cart and force liquidation of those family assets. So, that's another area.

A third example, family farms and ranches, you know, family farms and ranches tend to be, by far, the largest asset in an estate. And again, the idea might be to pass the farm or the ranch down to the active individuals. But they also want to leave something to the other family members. Again, life insurance on the farm or ranch could trigger a significant estate tax. We've seen land values skyrocketing in recent decades. Some of these farms and ranches are worth tens of millions of dollars. And so again, life insurance to prevent the forced liquidation of that family farm or ranch could be very important. So, again, these are just quick examples, but these are the types of calls we receive all the time.

One final example for estate equalization would be a vacation home. We've had cases where it may not be an estate tax case, but we have a family vacation home and, you know, some of the children and grandchildren are interested in maintaining that family vacation home as like a legacy for the family, other children and grandchildren may not be as interested in maintaining that vacation home, they'd rather liquidate it quite honestly. So, life insurance can be purchased to ensure that the vacation home stays intact for those family members who want to continue that legacy, meanwhile the life insurance death benefit would help, you know, equalize the inheritance for the individuals who are not going to stay involved with that real estate.

So, there you go. Just a quick topic for you, estate equalization using Virtus Protection IUL. A very affordable, permanent death benefit oriented product which I see fitting perfectly in this estate planning market when we're talking about estate equalization.

I want to change gears here just briefly and we're going to go up the ladder one rung on the estate planning ladder and let's talk about spousal lifetime access trusts. Everybody's favorite acronym SLAT. And for clients who potentially do have an estate tax problem, they often, you know, will require a significant amount of liquidity to help potentially cover that estate tax, you know, without the family having to liquidate everything or, you know, being in a financially precarious position when they have to pay an estate tax. So, of course, life insurance classically has been the solution to help provide estate liquidity for estate taxes not only at the federal level, but also at the state level. There are quite a few states that still have inheritance and estate taxes of their own. And the idea though of locking up a permanent policy inside of a plain vanilla irrevocable life insurance trust may not be appealing to many clients because even though Virtus Protection IUL is focused on permanent death benefit protection, it also can have some attractive cash accumulation and it as well. And in many cases families would like to know that that cash value is available as a safety net. And if we take that Virtus Protection policy and put it inside a spousal lifetime access trust, not only would the death benefit be there to provide liquidity for estate taxes and would be removed from the grantors estate as long as its done properly, but the cash value accumulation could also potentially be available for the spouse for lifetime needs. So, again, the spousal lifetime access trust, it's something that's been around for a long time, very popular these days because estate taxes are very uncertain right now.

You know, today we have an estate tax exemption at the federal level of over thirteen million dollars. So, a married couple can essentially double it making it, you know, twenty-six, twenty-seven million that they can pass tax free. But with this looming sunset provision, you know, under current law, if they don't change it in Washington D.C. as of January 1, 2026, the sunset provision is scheduled to kick in which would take the exemption back down to five million dollars plus inflation. But it would slash the federal estate tax exemption by far more than half. So, we're talking about many more clients who potentially are facing an estate tax problem depending on what happens in Washington. But something like the spousal lifetime access trust funded with Virtus Protection IUL could be a very good solution for many people out there who are looking to hedge their bets in Washington and are looking for an affordable, permanent solution, but also can provide lifetime access to those life insurance cash values for the spouse. So, if you have a happily married couple out there, they're looking for estate liquidity, they're also potentially looking for lifetime access, I see the spousal lifetime access trust as a great solution.

So, that's two quick ideas for you, estate equalization and the spousal lifetime access trust, where I see the Virtus Protection IUL really shining.

Jim, how about on the business side of the ledger, on those business insurance concepts that we work on in Advanced Planning all the time. Do you see a Virtus Protection IUL playing a role here as well?

Speaker 2: Thanks, David. I really do and I think this product, in my mind, stands out for a few things. It's really got, provides an affordable death benefit coverage if we're

looking at, you know, cost of insurance per unit, and it's got some really attractive guarantees.

And where that product will help fill some needs, David, is in buy-sell planning. And I know a lot of our listeners have heard of this buy-sell concept. I'm just going to give you a quick overview. So, David, let's say you and I own a business together and we own it fifty fifty and the business might be worth two million dollars. But we're concerned about what's going to happen when one of us dies. We don't have any kids that want to partake in the business at our death. So, what we agree is, we agree to buy or sell our interest to the other person at our death primarily, but perhaps at other times. Let's just focus on our death for a minute because I think this product fits really well. If we were to make that agreement, I might buy a life insurance policy on you David for your interest in the business. I might buy a million-dollar life insurance policy on you. I'm going to be the owner and beneficiary, premium payor and what I'm looking for is an affordable death benefit coverage, but I want some guarantees that as long as I pay those premiums the policy won't lapse even if the cash value goes to zero because that's my interest in this. Think of this buy-sell contract itself as like a last will and testament. David, you were talking about the estate equalization with people's estates. I think about this as the will for the business. This is our plan. And I think the Protection IUL fits in particularly well. And here's why. This product comes bundled. It has flexible premiums, but it comes bundled with an extended no lapse premium guarantee rider meaning that as long as these premiums have been paid during the guarantee period the policy death benefit will not lapse even if the cash value goes to zero. Now, the policy does have cash value and it's there if you need it. We have different lifetime loan options, and I could access it, David, if I needed to buy you out during life or perhaps at your retirement. But this product is really designed for providing an affordable death benefit. And I would like to point out, David, we have some, a new form coming out on this. It's form 2320 for the Protection IUL buy-sell planning.

And, David, I know we just talked about buy-sell, but I see great uses for this product in several of our advanced planning concepts. This product would fit really well with an executive bonus or an endorsement split dollar. And I don't know about you, David, but I'm just really happy to see this product come along right now.

What about you? Are there other uses in the estate planning world?

Speaker 1: Yah, Jim. I mean it's something where you don't, in the advanced markets we work on a lot of concepts where the primary focus is protection. Right.

You know, you just talked about the classic example of the, you know, you and I putting together a cross-purchase buy-sell. Really our primary concern is death benefit. Yes, the cash value is there. It can be attractive. It can be a great safety net or, you know, opportunity bucket for the business to access. But first and foremost, we're looking for something that's permanent, and affordable, and comes from a high-quality carrier. So, I'm excited about this product because it really can round out business insurance concepts and I mentioned, you know, just two ideas on the estate planning side.

We didn't even talk about, you know, planning for individuals with special needs, like using this in a special needs trust or, you know, all sorts of estate planning topics where this Virtus Protection IUL can fit.

And, Jim, while we're at it, while we're mentioning resources, I'd be remiss if I didn't mention a couple resources that we have access to for the topics I discussed. For estate equalization, we have a form 2322, which is, you know, it's a two pager which explains the estate equalization concept and provides some simple examples and, you know, where and when the product can fit. So, I would encourage everybody to check out form 2322. Also, for irrevocable life insurance trusts, ILITs, I would suggest form 2321. That one focuses on Virtus Protection IUL used with ILITs. So, again, I would encourage everybody to check out that as well. And let's not forget, we also have dozens and dozens of other resources out there that aren't product specific. So, if you want more information on ILITs, or SLATs, or buy-sell agreements in general, we have all sorts of agent, client guides, PowerPoint presentations, sample legal documents, you name it.

So, we would love to work with you in the advanced planning market on these concepts. But we're excited about Virtus Protection IUL. We're excited where it can fit. And it really is another powerful arrow in your quiver as an agent out there with AuguStar.

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Speaker 1: So, we love working with you and we look forward to hearing from you.

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