

# Survivor Life Insurance Strategies

More than federal estate taxes



**You may be tempted to overlook survivor life insurance but it's not just for the ultra-wealthy. Survivor life insurance can help clients with so much more than Federal estate tax issues.**

Ameritas Value Plus Survivor Index Universal Life Insurance can be a cost-effective way to provide coverage for two people when funds are not needed until the death of the second insured. The following information gives you some ideas of other important uses for Value Plus SIUL.

## Equalize inheritances

The proceeds from a survivor life insurance policy can be used to split an estate among beneficiaries when assets are hard to divide. For example, if much of a couple's estate is wrapped up in the family business, it's difficult to pass the estate to a child interested in running the business without disinheriting the children outside the business. The proceeds from a survivor policy can provide equitable inheritances for all the children.

## Fund special needs trust

With a trust as the beneficiary, survivor life insurance can provide financial security for a disabled child without impacting eligibility for governmental programs. This can be especially important to help provide for needs that are not provided by public assistance programs.

## Transfer retirement accounts

If you have clients who don't need all the funds they've accumulated in their traditional IRAs or 401(k)s and plan to pass those assets to their heirs, they can use survivorship life insurance to transfer assets efficiently. At death, qualified plans balances may be subject to both income and transfer taxes, which can reach 30% or more. Properly designed and funded, life insurance provides an income tax-free benefit to beneficiaries so part of your client's legacy won't be lost to taxes.

## Survivor Life Insurance provides important funding

Survivor life insurance can be a cost-effective way to provide coverage for two people when funds are not needed until the death of the second insured. Here are some of the ways SIUL proceeds can be used:

- Maintain a loved one's standard of living.
- Pay both federal and state estate taxes.
- Equalize inheritance among children, especially those not involved in a family business.
- Fund a charity or private foundation.
- Replace the value of family assets given to charities.
- Care for family members with special needs.
- Transfer ownership interests of a business.
- Operate a business.
- Help a business cope with the death of two key employees.
- Pay taxes on inherited 401(k)s and IRAs.



## Protect two career families

While a two career family may be able to cope with the loss of one income, the loss of two incomes would likely be devastating. SIUL provides a relatively low cost way to protect the family against the loss of two incomes.

## Help cope with the loss of two key employees

Similar to a two-career family, businesses may be able to survive the loss of one key employee, but the loss of two key employees could be disastrous. SIUL protects against that loss and can be a cost effective tool in other business insurance scenarios.

## Provide insurance for an uninsurable

If one person in a couple is uninsurable but still has a need for life insurance, perhaps for estate liquidity purposes, survivor life insurance may be able to help. As long as the uninsurable has a life expectancy of one year or more and the other person in the couple is insurable, then the couple can obtain survivor life insurance to help pay estate taxes or provide for other needs.

## Fund educations

Many grandparents contribute toward the costs of their grandchildren's education. Survivor life insurance can ensure that if the grandparents aren't alive to help, an education fund will be available.

## Replace assets given away

Charitable remainder trusts (CRTs) allow clients to sell a highly appreciated asset (stock, land, a business etc.) without paying capital gain taxes, to receive an income tax deduction and to convert the asset to income. When the clients die, the asset passes to the charity instead of to their heirs. However, the clients could use some of the income generated from the charitable trust coupled with the dollars saved as a result of the tax deduction created when funding the trust to purchase survivor life insurance. This would provide an income tax-free death benefit to replace the inheritance of the asset given away.

## Pay estate taxes

Although you may not have clients with estates that would be subject to Federal estate taxes, some states tax estates as small as \$1 million. Survivor life insurance is a popular and low-cost way to provide cash for estate taxes. Because a properly structured estate plan can defer all estate taxes until the second spouse's death, families may not need life insurance until the death of the surviving spouse.

## Transfer ownership of a business

If a husband and wife are both active owners of a business with a third partner, it may make sense to use a survivor life insurance policy to insure the couple. A buy-sell agreement could be designed to trigger the buy out at the death of the second person in the couple. Fund the agreement with life insurance and the funds are assured for the buy-out.



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