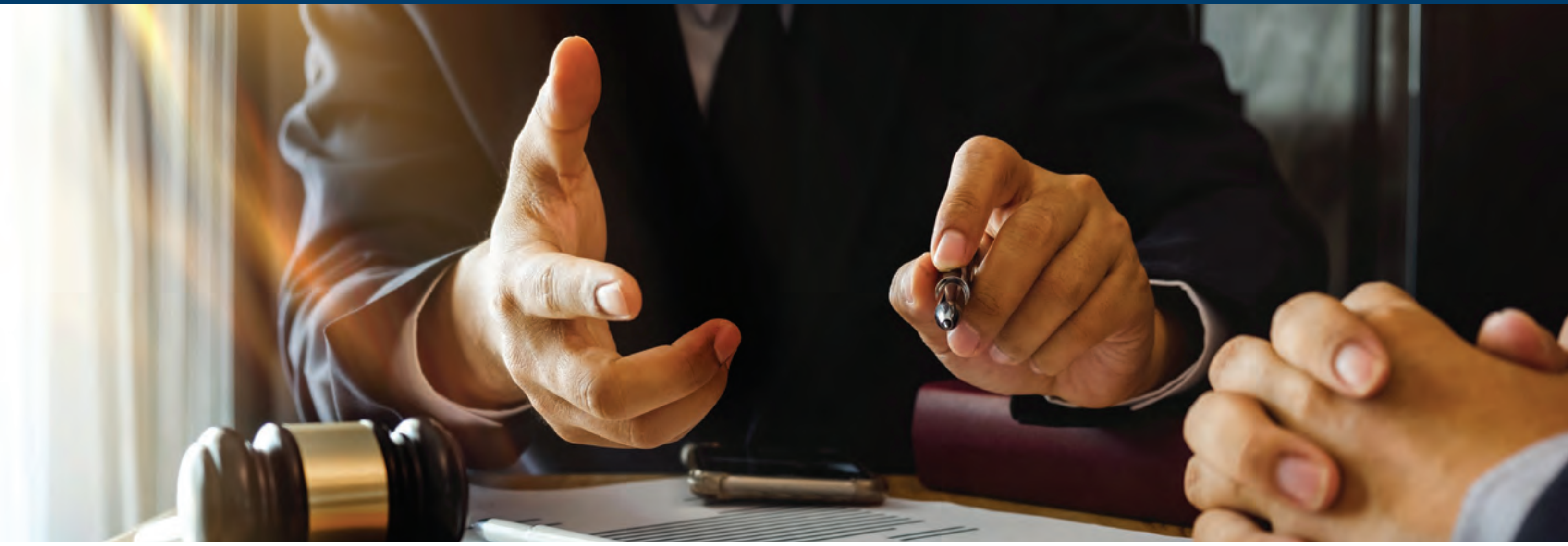
SIGNATURE WHOLE LIFE INSURANCE



Case Study: Estate Planning

OVERVIEW

The Need

Anthony, a financially conservative client, needs to cover the federal tax liability of his large estate while not reducing the inheritance he wants to provide his children after his death.

The Solution

Purchase a Signature Whole Life insurance policy held by an irrevocable life insurance trust with a face amount large enough to cover the cost of the federal estate tax.

The Benefit

A Signature Whole Life policy provides Anthony with a competitively priced and stable method to cover the cost of his expected federal estate tax liability while respecting his risk tolerance.

Anthony Depaolo was 50 years old and on top of the world. He recently sold his company to a large conglomerate for $10,000,000. As part of the closing at sale, Anthony's attorney advised him to have his will revised and to take out life insurance now that he had a taxable estate estimated at $13,370,000. Anthony was divorced but had three children and wanted to make sure they inherited the full value of his estate.

When Anthony visited his attorney to have his will updated, he was advised that, if federal tax rates remained the same, the amount of his estate valued over his total unified credit for estate and gift tax of $11,580,000 would likely be taxed at 40%. In other words, Anthony found himself with an expected federal estate tax liability of $716,000 plus probate expenses. To help offset this tax liability so that his children could receive the full value of the estate, his attorney recommended that Anthony have an Irrevocable Life Insurance Trust drawn to hold a $1,000,000 life insurance policy on his life.

With this plan, when Anthony passes, the tax on his $13,370,000 estate would be $716,000, with the remainder passing on to his three children, according to the terms of his will. The trust, as the beneficiary of the life insurance policy, would receive the entire $1,000,000 death benefit outside the estate to be held for the benefit of Anthony's children. Anthony liked the idea and immediately made an appointment to meet an insurance agent.

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The insurance agent talked with Anthony to identify his risk tolerance and market experience in financial matters. Anthony's current assets from the sale of his business were in a bond portfolio and he was comfortable with that setup. He did not want to take on risk and wanted to preserve what he had so he could pass it on to his children.

The agent showed Anthony a brochure on American National's Signature Whole Life Insurance. The agent told Anthony that this policy:

- Was very competitively priced
- Had premiums guaranteed to stay the same for the life of the policy
- Had a guaranteed death benefit, as long as he paid his annual premiums as scheduled
- Had cash value that would grow at a guaranteed rate
- Had the potential to pay dividends

The agent showed Anthony that the premium for $1,000,000 of Signature Whole Life insurance would be $20,340 per year. Anthony would be able to use present interest gifts of up to $15,000 per beneficiary per year to fund the trust thereby preserving his total unified credit for estate and gift tax of $11,580,000 that would shelter his estate from paying more estate tax at his death. Anthony liked that idea and the agent had Anthony sign the application to get the process started.

Anthony had now offset his current estate tax liability and ensured his children would inherit the full $13,370,000 estate he had worked so hard to accumulate.

This case study is an illustrative example; it is not based on actual events. Neither American National nor its agents give tax advice. Clients should contact their attorney or tax advisor on their specific situation. Form Series: PWL16; PWL16(NY) (Forms may vary by state). American National Insurance Company, headquartered in Galveston, Texas is licensed to conduct business in all states except New York. Business is conducted in New York by American National Life Insurance Company of New York, headquartered in Glenmont, New York. Each company has financial responsibility for only the products and services it issues.

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