

WEALTH TRANSFER PLANNING

Client Guide



## *Annuity Maximization*



## Maximize Generational Wealth for Your Loved Ones

You are a savvy investor who has integrated deferred annuities into your planning to gain tax advantages. You have accumulated significant wealth, and as you reach or are approaching retirement, you no longer need to supplement your retirement income. Now you have new planning goals: to maximize the amount of assets that will be transferred to your heirs and to minimize your federal estate taxes.

A deferred annuity is an attractive retirement vehicle because it offers tax-deferred growth as well as a lifetime income stream when needed. However, income taxes will be due on the gain in the annuity, and the accumulated value of a deferred annuity may be subject to estate tax. Combined, estate and income taxes can claim a substantial portion of the annuity's value, leaving much less to your family than expected.

If you no longer need all or a portion of your deferred annuity, it can be repositioned into an annuity maximization plan for a more effective and tax efficient asset to create generational wealth.

### How the Annuity Max Plan Works

- The deferred annuity is annuitized using a “life only” option, providing a guaranteed income stream for your life.<sup>1</sup>
- You establish an Irrevocable Life Insurance Trust (ILIT), which will be the owner and beneficiary of a life insurance policy on your life. You will make annual gifts to the ILIT using the annuity payments.<sup>2</sup>
- The trustee will use these funds to purchase the life insurance policy. If properly drafted, the death benefit will be passed to your heirs free of income tax and estate tax.
- The value of your annuity is removed from your taxable estate, reducing potential estate taxes.<sup>3</sup>



1. Annuitizing a contract is generally an irrevocable decision. Once annuitized the contract will no longer have any principal value and will not be an available source of emergency funds. As an alternative to annuitizing the annuity, scheduled or systematic withdrawals can be taken. These withdrawals are not guaranteed, and to the extent there is any shortfall, out-of-pocket payments may be needed to fund the life insurance premiums. Withdrawals from annuities are taken on a last-in-first-out basis and will be subject to income tax until 100% of the gain is received. Other taxes may result, including Income In Respect of a Decedent (IRD).

2. Gifts to the ILIT may consume all or a portion of your lifetime gift tax exemption and annual exclusion amounts. Amounts gifted in excess of exclusions and credit available will result in gift tax in the year the gift is made.

3. Life insurance costs and values may vary depending on insurer experience. Failure to make required premium payments will cause this strategy to fail. It is possible that the life insurance purchased with the annuity proceeds will perform better or worse than the existing annuity depending on a variety of factors.

**NOT FDIC/NCUA INSURED • MAY LOSE VALUE • NO BANK/CREDIT UNION GUARANTEE • NOT A DEPOSIT • NOT INSURED BY ANY FEDERAL GOVERNMENT AGENCY**

## Is the Annuity Max Plan Right for You?

*You may want to consider the Annuity Max Plan if you:*

- want or need all or portion of the income from your deferred annuity;
- are retired or nearing retirement;
- think your estate may be subject to estate tax;
- wish to minimize estate and income taxes;
- desire to leverage your assets to maximize wealth for your heirs; and
- are insurable.

## Life Insurance Advantages

Repositioning your annuity to fund life insurance may maximize the assets that are left to your heirs while minimizing taxes. If properly structured, life insurance purchased and owned by an Irrevocable Life Insurance Trust may provide an income tax-free and estate tax-free death benefit to the trust's beneficiaries. If the life insurance policy has a cash value accumulation feature, the trustee may have the discretion under the terms of the trust agreement that you create to distribute a portion of the cash value to one or more trust beneficiaries, as needed.

## Goals Achieved!

*With the Annuity Max Plan, you can:*

- Reposition an asset into a more tax-efficient planning tool;
- Maximize wealth for your heirs;
- Minimize estate taxes; and
- Provide liquidity for your heirs.

For more information, please talk to your Sun Life Financial Representative today.

## About Sun Life Financial

Sun Life Financial is a leading international financial services organization providing a diverse range of wealth accumulation and protection products and services to individuals and corporate customers. Chartered in 1865, Sun Life Financial and its partners today have operations in key markets worldwide. Sun Life Financial, Inc. trades on the New York (NYSE), Toronto (TSX), and Philippine (PSE) stock exchanges under ticker symbol SLF.



INSURANCE MARKETPLACE  
STANDARDS ASSOCIATION

Sun Life Assurance Company of Canada, Sun Life Assurance Company of Canada (U.S.), and Sun Life Insurance and Annuity Company of New York are members of the Insurance Marketplace Standards Association (IMSA).

*This brochure contains references to concepts that have significant legal, accounting, and tax implications. It is not intended as legal, accounting, or tax advice. The material in this document was written to support the promotion and marketing of insurance products. Clients should consult with their own attorney and/or tax advisor regarding the application of these concepts to any particular situation.*

*Under current law, the estate tax is repealed in 2010; thereafter, the applicable exclusion is \$1,000,000 per person, subject to change.*

*All guarantees are based on the claims-paying ability of the issuing company, either Sun Life Assurance Company of Canada (Wellesley Hills, MA), Sun Life Assurance Company of Canada (U.S.) (Wellesley Hills, MA) or, in New York, Sun Life Insurance and Annuity Company of New York (New York, NY). All are members of the Sun Life Financial group of companies.*