

What is Wealth Transfer Planning?

Wealth Transfer Planning uses one or more planning techniques to maximize your wealth for your intended heirs while minimizing federal estate and income taxes. Wealth Transfer Planning may include basic planning techniques such as wills, revocable trusts, irrevocable life insurance trusts, and lifetime gifts. Some additional strategies to help prevent your assets from being diminished by transfer taxes, or unforeseen events may include:

- **Annuity Maximization**—An estate planning technique that may help you transfer your wealth to your heirs in a more cost-effective manner. This strategy lets you annuitize a deferred annuity to fund an Irrevocable Life Insurance Trust (ILIT). The death benefit potentially increases the amount of wealth to your heirs while decreasing the taxable estate.
- **The Leveraged Credit Shelter Trust**—A basic wealth transfer planning technique that allows you to take part, or all of the credit shelter trust assets, and purchase life insurance to potentially increase the amount of wealth available to your heirs at the time of your spouse's death. It is funded with the estate tax exclusion amount at the first spouse's death.
- **Stretch IRA**—An estate planning technique where life insurance may be purchased by the trustee to potentially increase wealth to the heirs at the death of the insured. This strategy utilizes income from an IRA to fund an irrevocable trust when the IRA owner wants to prevent the beneficiaries from liquidating the assets upon the IRA owner's death. Separate sub-trusts are funded for each beneficiary.
- **Municipal Bond Alternative**—This wealth transfer strategy allows you to potentially increase the amount of wealth to your heirs while decreasing your taxable estate. By liquidating all or some of your municipal bond portfolio, you may use the proceeds to fund an Irrevocable Life Insurance Trust (ILIT) with an immediate annuity. Gifts to the ILIT enable the trustee to purchase life insurance where the death benefit can increase the amount of wealth to your heirs and decrease your taxable estate.

Benefits of Wealth Transfer Planning with Life Insurance

- Income tax-free death benefit for heirs¹
- Peace of mind knowing today, what your heirs will receive tomorrow
- Convenience of passing one's assets to beneficiaries
- Decrease in taxable estate and probate costs

1. Wealth transfer concepts require the use of sophisticated trust, estate and income tax strategies. Trusts should be drafted by an attorney familiar with trusts, income and estate tax issues to ensure the desired tax treatment is achieved.

Why Wealth Transfer Planning Is Important

No one knows what the future will bring. You want your hard-earned assets to provide long-term financial security for your heirs. Unexpected life events can create substantial financial hardships or remove future opportunity for heirs. Taking initiative early can help achieve financial security for them and future generations.

Knowledge is key to effective wealth transfer planning, so get the facts. Consult with your own attorney and/or tax advisor regarding the application of these concepts to your particular situation.

For more information on these strategies and how they can work for you,
please talk to your Sun Life Financial Representative today.

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