

Premium Financing

Alleviating estate taxes with life insurance



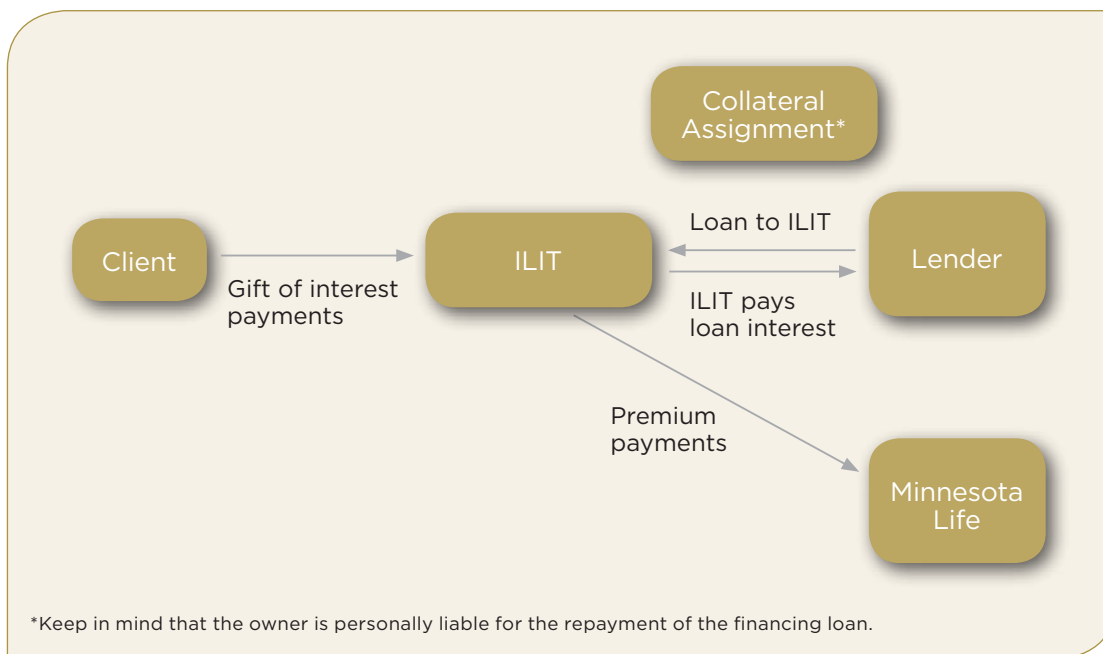
For many high net worth individuals, paying federal estate taxes can be a daunting challenge. In the face of high federal estate tax rates and low exclusion amounts, life insurance in an Irrevocable Life Insurance Trust (ILIT) can be an attractive choice to help mitigate the effects of estate taxes.

It's not unusual for people in this position to have most of their wealth tied up in business interests or appreciating assets or investments, and unavailable for use in purchasing life insurance. Premium Financing can be a solution.

Minnesota Life's products can provide effective life insurance solutions for your estate planning needs. Our single-life and survivorship products feature fixed and indexed crediting methods and have the flexibility to meet challenges the future may bring.

How Premium Financing works:

- Premium Financing is similar to a line of credit. A commercial bank lends funds that are used to pay premiums on a life insurance policy.
- Premium Financing allows 'pledging' assets as collateral to borrow the funds that pay the premiums.
- The loan is eventually repaid using the policy's cash value, the death benefit or other assets as collateral.



Benefits

- Ability to obtain large face amount life insurance policies without liquidating assets.
- Helps avoid potential gift taxes.
- Cash value of the life insurance policy could potentially exceed the value of the loan and interest.
- Strategy can cover multiple policies.
- By borrowing these funds, clients can avoid immediate capital gains from liquidating assets to pay premiums.
- Allows leveraging of clients' assets to create liquidity for estate tax obligations.
- Borrowing premiums can free up assets for other purchases.

Considerations

- Because the lender's interest rates are usually adjustable, Premium Financing involves interest rate risk.
- Cash value in the life insurance policy may fluctuate. Depending upon the actual policy experience, the owner may need to increase premium payments to keep the policy in force. Regardless of whether the policy is in force, the loan must be repaid.
- Interest on policy loans used to purchase personal life insurance does not qualify for an income tax deduction.
- Additional collateral could be required to secure the loan and, depending on market conditions, may need to be liquidated to pay off the loan balance.
- Liquidation of collateral could cause gift and income tax issues.

Premium financing is for people who:

- Have a net worth is \$5 million or more.
- Need significant life insurance coverage.
- Have a mix of assets that is not liquid and most of their wealth tied up in securities, property, or real estate.
- Understand and appreciate leverage and interest rate risks.
- Are under age 70.
- Have annual premium no more than 10 percent of their net worth.

Put the future *in your hands*

Minnesota Life's products and services can help you preserve your legacy for generations to come. Your financial advisor can help you find customized life insurance solutions for your estate. For more information about Premium Financing, talk to your financial advisor today.



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Securian Financial Group, Inc.
www.securian.com

Insurance products offered by Minnesota Life Insurance Company, 400 Robert Street North, St. Paul, MN 55101-2098 • 1-800-820-4205
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