

# The Ultimate Guide to Estate Planning with Life Insurance

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**Learn how you can use Life Insurance strategies to discount your estate tax costs, and create more wealth for the benefit of charity or heirs.**

## Life Insurance is Most Commonly Used in Estate Planning to:

- ◇ Discount Estate Tax Costs
- ◇ Family Protection
- ◇ Income Replacement
- ◇ Legacy Enhancement
- ◇ Estate Equalization
- ◇ Wealth Transfer
- ◇ Philanthropy

# How Can Life Insurance Enhance Your Estate Plans?

**LEARN HOW TO USE LIFE INSURANCE TO:**

**CREATE CASH TO PAY ESTATE TAXES**

**GIVE AWAY YOUR ESTATE TWICE**

**ENHANCE THE LEGACY YOU CAN LEAVE BEHIND  
TO FAMILY AND CHARITIES**

**OPTIMIZE SOCIAL SECURITY**

**CREATE YOUR OWN INHERITANCE**

**CREATE TAX-FREE WEALTH THAT MAY HAVE  
BEEN LOST WITH INVESTMENTS OR OTHER  
FINANCIAL EVENTS**

**GIFT INTO PERPETUITY**

**INCREASE THE ULTIMATE VALUE OF YOUR  
RETIREMENT PLAN 10-20X INCLUDING IRA'S,  
401K'S, ANNUITIES, ETC.**

**CREATE A LARGE TAX-FREE INCOME STREAM**

**CREATE PORTFOLIO INSURANCE**

# Howard Kaye

Owner and Entrepreneur



## Why Howard Kaye?

**OUR TEAM HAS SUCCESSFULLY CREATED AND PRESERVED MORE THAN \$1 BILLION OF WEALTH, WITH LIFE INSURANCE PLAYING A KEY ROLE IN OUR ESTATE PLANNING STRATEGIES.**

We've been helping families create and preserve wealth for decades. As life insurance advisors, we believe the team you work with is crucial in creating and implementing the appropriate estate planning strategy. These issues are far too important to be handled by just anybody. **Let us show you how you can leverage life insurance in your estate plan.**

# Change The Way You Think About Creating and Distributing Wealth

Let the Howard Kaye team show you how to create and preserve more wealth utilizing life insurance strategies we have pioneered. If you're interested in creating a secure and lasting legacy, let us show you how life insurance can achieve those goals.

## **HOW CAN YOU BENEFIT FROM THIS GUIDE:**

- Learn how you can give your estate away twice and discount your estate tax costs. Our strategies allow you to provide for not only your family but also the charities you support.
- Let us show you how we can maximize the return you receive from traditional savings vehicles, such as 401(k)s and IRAs by increasing the ultimate value to 10-20 times the current value.
- Turn an income stream from a pension, annuity, or even Social Security, into a multimillion-dollar legacy for your heirs.
- We will show you that life insurance is not an expense. It's an asset and investment alternative.
- Do you have a policy you no longer need or want? Ask us what your policy would be worth if sold in the Life Settlement Marketplace.
- We can review your current policy and offer unique alternatives where appropriate. We'll also show you how to read and understand your life insurance policies.
- We don't only focus on life insurance. We are also experts at lifetime income vehicles and retirement planning strategies. This includes many types of guaranteed annuity solutions.

**START CREATING AN ESTATE PLAN THAT PASSES MORE MONEY  
ALONG THAN YOU EVER IMAGINED**

C H A P T E R

01

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# Estate Planning With Life Insurance

You've spent a lifetime building your career and your wealth, and now it's time to take a step back and switch your focus to your family and other activities you enjoy. But without a solid estate plan, your estate can be deeply discounted as your heirs become unnecessarily exposed to hefty estate taxes, which take your hard-earned money from them and hand it to the government. You need a plan that minimizes your tax exposure and maximizes your legacy.

# Be Proactive About Estate Planning

## TAKE A LOOK AT THE FACTS



Of Americans believe life insurance is only for end of life expenses, leading them to not purchase enough to provide income replacement or allow wealth transfer.



In 2022, 106 million Americans or 5 in 10 adults were without life insurance or lacking sufficient coverage



Only 4 in 10 U.S adults have a will or trust - If you don't, there's never a bad time to pull together an estate plan or revisit an existing one.

### CONSIDER THE FOLLOWING:

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- Estate planning is crucial for people of all ages and income statuses.
- If you have young children, you need, at a minimum, a designated guardian and instructions outlined in a trust should you encounter unexpected death or disability.
- Without a will or trust in place, a judge will make determinations about your child's care and the distribution of your property - decisions that typically follow expensive legal proceedings.
- Even if you don't have children in your home, your estate plan needs to address asset protection, property management, wealth distribution, and healthcare decisions.
- A basic estate plan involves four documents (or more, depending on your assets):
  - A last will and testament
  - A durable power of attorney
  - A healthcare power of attorney
  - An advance directive

There's no time like the present to **take steps toward giving your family the ultimate peace of mind.** Call 1866 ASK-HOW-K today and let's discuss how we can make sure your family is taken care of no matter what the future holds.

# Why Life Insurance?

## **When properly structured, life insurance can help you to create, preserve, and distribute more wealth than you ever thought possible**

Life insurance is not an expense. Life insurance is money. We believe that life insurance can offer so much more than income replacement—it can actually change the way you plan your estate and help you maximize your legacy. Life insurance is the most flexible and efficient tool out there because it offers you a guaranteed, tax-free dollar amount of return. Life Insurance belongs in every truly diversified portfolio as an investment alternative.

## **Life insurance is a dynamic estate planning tool that turns the popular premise of estate planning on its ear**

In our view, estate planning is less about minimizing taxes, and more about making sure that your heirs receive everything that you have worked so hard to provide for them. A properly structured estate plan provides maximum control, with tax efficiency. It enhances the overall value of the estate while providing for the smooth conveyance of assets.

A successful estate plan guarantees the lifestyle and standard of living for your children and grandchildren that you envision, while providing for future generations and your favorite charities as well. Life insurance in estate planning is all about leaving your heirs and your charities the absolute most money possible. At the Howard Kaye Insurance Agency, LLC, we use life insurance to create superior estate plans.

## **Avoid the common mistake of losing control of assets**

Our belief is that it is wise to let the life insurance company pay the estate tax for you. They're prepared to do so and will help you conserve a tremendous amount of hard earned wealth.

Instead of losing control of assets in an effort to simply minimize taxes, we believe in solutions that create more wealth, while allowing you maximum control. This additional wealth can be created outside of your taxable estate, and allow those you care about to benefit in ways you have always dreamed they would.



# Ask Howard Kaye to Create a Plan For You!



## **The Team You Work with is Crucial in Creating and Implementing the Appropriate Estate Planning Strategy**

Even if you have an existing estate plan, life events such as second marriages and the introduction of stepchildren will often necessitate changes to that estate plan. Existing assets and life insurance policies may be titled in a manner that complicates your estate settlement efforts rather than facilitate them. These common problems can and should be avoided.

We've been helping families create and preserve wealth for decades. As life insurance advisors, we believe the team you work with is crucial in creating and implementing the appropriate estate planning strategy. These issues are far too important to be handled by just anybody.

C H A P T E R

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# Life Insurance as an Estate Planning Tool for High-Net- Worth Individuals

Estate planning is no small feat; in fact, for most individuals, it's an ongoing process. Even with the guidance of a team of financial and tax advisors, estate planning experts, and specialists in life insurance, annuities, and other investment alternatives, you may be shocked to learn how much of your estate could be lost to taxes. Estate tax mitigation is a key element of estate planning, but in order to be effective in minimizing tax liability, it's vital that you understand the criteria for imposing both estate and income taxes.



## **Life Insurance Allows you to Systematically and Strategically Reduce the Size of Your Estate in a Tax Effective Manner**

While it may seem counterintuitive, reducing the size of your estate could result in a larger transfer of wealth to your heirs as you may qualify you for a reduced tax burden at death. An effective strategy will often include developing a plan that includes the creation of trusts, reallocation of assets to children, and qualified donations, all with the goal of helping you achieve the transfer of as much of your wealth as allowable. This can serve as an effective method for reducing the size of your estate in a tax efficient manner.


Strategic gifting may also be beneficial as it entails distributing up to \$16,000 per recipient each year — and it is free of taxation and doesn't reduce your Estate / Gift Tax Exemption.



Finally, it may be possible to pay for certain expenses for your heirs, such as college tuition, without being subject to gift taxes. This is another key area to explore with your accounting and financial team as well as your estate planning advisors.

Qualified Charitable Distributions are available to IRA owners who are at least 70 1/2 years old. The distribution must be paid directly to the non-profit organization. Individuals can each donate up to \$100,000 per year from their own IRA, for a maximum gift of up to \$200,000 per year, per couple provided they maintain separate IRAs. (More Info Ahead)

# DID YOU KNOW?



Estate taxes can reduce the value of your estate by 50% or more, but these taxes apply only to assets owned directly by you. By ensuring that your assets are properly titled, you'll be better equipped for the estate planning process.



## Understanding Your Estate Tax Liability

In 2022, the estate tax exemption was set at \$12.06 million per individual and \$23.4 million for married couples. Any assets over and above these sums will typically be subject to taxation, which can reach well over 50% or more if you include the impact of any possible state estate taxes.

High net worth individuals with an estate valued above these thresholds must employ a number of strategies in order to maximize the transfer of wealth to heirs and charitable interests.

The good news is that only two out of every 1,000 estates will be subject to federal estate taxes this year, which is largely attributable to the efforts of expert estate planning advisors who work with high net worth investors to minimize their estate tax liability.

By showing people how to properly structure and fund life insurance policies, we've helped families build, preserve, and distribute more wealth than they ever believed they could.

### How can you develop a solid estate planning strategy as a High-Net-Worth Investor?

- ✓ Buy Life Insurance with Gifts to an Irrevocable Trust to Create More Wealth for Heirs
- ✓ Use Trusts to Transfer Wealth
- ✓ Reduce The Size Of Your Estate
- ✓ Properly Titling Assets
- ✓ Leverage QCD'S

## Ensure Assets are Properly Titled

A properly structured estate should provide ample access to assets needed while you are alive without compromising your overall estate and legacy plans. While certain assets may be directly owned by you or your spouse, it is wise to make certain that other assets are safely outside your estate for estate tax purposes. Some assets such as business interests and investment portfolios, and retirement accounts will require you to maintain direct control, while other assets such as life insurance may be outside of the estate in a properly structured trust.



## Leverage Qualified Charitable Donations

Another estate planning strategy is to take advantage of IRA Qualified Charitable Donations (QCDs). This serves to reduce the size of your estate while guaranteeing that your funds go to the intended recipient income tax-free. QCDs are available to IRA owners who are at least 70 1/2 years old. The distribution must be paid directly to the non-profit organization. Individuals can each donate up to \$100,000 per year from their own IRA, for a maximum gift of up to \$200,000 per couple, per year, provided they maintain separate IRAs.



## Create a Greater Legacy For Heirs or Charity Later in Life

It's often possible to secure a life insurance policy even later in life, imparting a greater tax-free sum to your beneficiaries when you pass. For instance, for a couple age 60 a single payment of \$1 Million could be used to secure a life insurance policy with a payout of up to \$5 million (depending upon age and health.) Alternatively, you can opt to pay annual premiums of \$50,000 rather than a single lump sum. The Internal Rate of Return at Death is quite impressive, especially on a taxable equivalent yield basis.



## Use Trusts To Maximize Tax Exemptions on Wealth You Leave Behind

Not all trusts offer any substantial tax sheltering because financial allocations to the beneficiary are typically considered taxable income unless properly structured. However, some trusts, such as living trusts and irrevocable trusts, can be useful. Living trusts offer access to effectively assets and offer maximum control while alive, while Irrevocable trusts seek to effectively maximize tax exemptions on the wealth they're passing along to heirs and charities.





C H A P T E R

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# Discount your Estate Tax Costs up to 90%

CREATE CASH TO PAY ESTATE TAXES AND EFFECTIVELY  
LOWER YOUR ESTATE TAX COSTS

One of the most important reasons to buy life insurance is to preserve and transfer your wealth. If you don't plan ahead, your heirs may receive only a portion of your money due to heavy estate taxation. We'd like to show you how to discount your estate tax costs up to 90% and pass along as much of your money as possible to your family and the charities that you support.

## Don't dismiss the burden of estate taxes

It's easy for people to brush this off by saying, "well, only 1% of the population is affected," but if you're one of the estimated 3 million individuals who will be impacted, it certainly doesn't feel like a small problem. However, using life insurance we can show you how to dramatically reduce your estate tax bill and pass more money along to your heirs.

## Reduce the impact of estate taxes with life insurance

So how do we reduce those estate taxes? First, we set up an irrevocable life insurance trust, often simply called an "ILIT." Inside the trust, a \$5 million life insurance policy is purchased, which is the amount of estate tax you expect to pay upon your death. The one-time cost of that policy for a healthy couple around 70 years of age can be as low as \$1.25 million.

In this scenario, you're paying \$1.25 million now instead of \$5 million later. The net result of this would be passing an additional \$3.75 million, income and estate-tax-free, to your heirs. That's a 75% discount on your estate tax costs. The total money you'd be passing to your heirs in this scenario is \$8.75 million instead of the \$5 million they'd receive if you died with \$10 million in your taxable estate.



If you and your spouse were younger – say, 60 years old – the cost of that policy would be far less than \$1.25 million, creating the potential for a 90% discount on your estate tax costs. Further, you aren't required to pay the full insurance premium up front. Instead, you could make those payments annually, which dramatically alters the internal rate of return on the policy in the event of your early death.

At Howard Kaye, we've been helping our clients implement life insurance solutions for decades. If you want to dramatically reduce your estate tax bill and pass more money along to your heirs, speak to one of our life insurance advisors today at 800-DIE-RICH.

C H A P T E R

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## *Give Away Your Estate Twice*

Why would somebody want to give their estate away twice? Well, let's say you want to provide for your family and the charities you support after your passing. We have a strategy that allows you to give an equal inheritance to both. Once to your family and once to the cause you care about.

## Give your wealth to your heirs and causes you care about instead of paying the IRS

Say you have a large multi-million dollar estate that will owe several million in taxes upon your death. As an example, your first step could be to establish an Irrevocable Life Insurance Trust (ILIT) and have that trust purchase an amount of insurance that equals your estate value. If your estate is worth \$10 million, you will have the trust purchase a \$10 million policy. At this point, you may be thinking to yourself: That will be very expensive— can I afford that?



Well, if you have \$10 million, which is capable of generating somewhere between \$500,000 – \$600,000 each year in dividends and interest, and you only use, say, \$100,000 of that to live on, then you probably can afford the policy. Therefore, you and your spouse each gift \$1 million, just a portion of your “lifetime exemption” to the ILIT. That \$2 million will then buy \$10 million of insurance on you and your spouse. When you pass away, the trust will receive \$10 million, which the trustees can pay out to your family. The remaining \$8 million in your estate (which may likely be worth much more than that due to market growth) can be left entirely to charity. **This is how you can give your estate away twice.**

## Give away significantly more wealth than you ever thought possible

To reiterate the significance of this strategy, consider this: If you simply passed away with \$10 million in your estate, your kids and charity would split up the remainder after all taxes are paid. Following this strategy, you would have a full \$10 million to give to your family while being able to pass the value of your estate to charity free of taxes. **What a legacy!** At Howard Kaye, we want to help you understand that life insurance is an excellent tool for preserving and transferring wealth. Strategies, such as the one above, present a real opportunity for you to pass along more wealth to future generations and your favorite charities.

C H A P T E R

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# How is Life Insurance Taxed?

Clients routinely inquire about whether their life insurance policy will bring an additional tax burden to their loved ones. The simple answer is NO! Life Insurance proceeds are income tax-free. With properly structured life insurance , the proceeds are estate tax free as well. It is this tax efficiency that makes life insurance an enticing, effective, efficient estate and wealth planning tool.

C H A P T E R

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# The Pros and Cons of Life Insurance for Estate Planning

Clients are often looking to consider investment alternatives with greater immunity to market volatility, which caused such extreme losses to traditional retirement options in the not too distant past. Life insurance is often the financial answer that my clients are seeking—when properly structured with the help of an estate planning advisor.

## Clients Weighing the Benefits of Life Insurance as an Investment Alternative Generally Come to Realize it is a Very Secure Choice.



### PROS:

- Life insurance death benefits are income tax-free
- Life insurance policies we offer are not subject to market losses
- Life insurance creates estate liquidity
- Life insurance policies often have value for the insured during his or her lifetime.

### CONS:

- Beneficiaries must wait until your death to receive any benefits
- Premium payments can be substantial depending on age and health

The fact is, estates comprised primarily of liquid assets such as stocks, IRAs, 401(k)s, and other traditional retirement accounts can easily and without warning be devastated not only by market volatility but by estate taxes as well.

# The Pros of Utilizing Life Insurance for Estate Planning

The pros of life insurance as an investment alternative for estate planning tend to greatly outweigh any cons, with the tax benefits and the stability of its value (outlined below) providing the greatest advantages to your family and heirs.



## Pro #1 Life Insurance death benefits are tax-free

Perhaps the most significant benefit to using life insurance as an investment alternative is the fact that the death benefits paid out on life insurance policies are free from income tax and estate tax provided they are properly structured with the help of a trusted insurance advisor. Estate taxes and income taxes, on the other hand, can eat up as much as 75% of the total value of your IRAs, 401(k)s, real estate, and stock portfolios.



## Pro #2 Guaranteed life insurance policies are not subject to market volatility or increased mortality costs

When you purchase a guaranteed life insurance policy, the death benefit is guaranteed. So a \$1 million policy will never be valued at less than \$1 million when you pass away. Depending on when you pass, the return on your premium investment can be incredibly impressive compared to traditional investments that have risk. The value of your stocks or IRA account, on the other hand, is based on the performance of the underlying investment and can heavily fluctuate. When they perform well, your portfolio may see incredible gains that your heirs can benefit from. However, if the market drops again as it did in 2008, your family may be left with less than you initially invested. In addition, keep in mind that most investments are not tax free!



## Pro#3 Life Insurance creates estate liquidity

A key goal of estate planning is to pass on as much of your wealth as possible. Interestingly, lowering the value of your estate reduces the amount subject to estate taxes. By using liquid assets during your lifetime such as IRA required minimum distributions or annuity payments to pay the premiums on a life insurance policy, you achieve two objectives: you reduce the size of your estate subject to taxes and purchase a life insurance policy that passes wealth on to your beneficiaries free of income taxes.





### **Pro #4 Life Insurance often has value during the insured's lifetime**

There are, of course, ways to share your wealth with family and charities during your lifetime. Often overlooked with life insurance is the option of accessing the cash value which can be based on market indices or dividend and interest growth. In addition, as an alternative to cash surrender, a life settlement may be available, which secures either a cash amount exceeding the surrender value or possibly a paid up death benefit in exchange for selling the policy to an institutional investor.



THERE ARE MANY FACTORS THAT GO  
INTO SELECTING THE FINANCIAL  
VEHICLES AND SOLUTIONS THAT ARE  
RIGHT FOR YOU.

When weighing the pros of life insurance as an estate planning tool there are several compelling reasons for considering it as an *investment alternative*. However, it is crucial to get the advice of a trusted—and well-qualified—insurance advisor that has the experience to guide you through the decision making process. Howard Kaye can help you to create a properly structured wealth creation and transfer plan that includes life insurance.

# The Cons of Utilizing Life Insurance for Estate Planning

As an insurance advisor, I know first hand that life insurance is often overlooked as one of the most lucrative, yet stable financial vehicles. That being said, for estate planning purposes, there are some cons to using life insurance as a retirement investment alternative:

## **Con #1 Beneficiaries must wait until your death to receive any benefits**

The obvious downside to life insurance is that your beneficiaries cannot receive any funds until your death. This limitation will prevent your heirs, as well as your favored charities, from fully benefiting from the wealth that you intend to share with them until you pass. However, there are effective strategies that will allow you to share your wealth during your lifetime. For instance, annual gifts which can be used to pay for your heirs' college expenses.

## **Con #2 Total cost of premium payments can be substantial depending on age and health**

Waiting too long, being too old, and medical ailments can affect premium costs. That's why we encourage people to buy life insurance when they are healthy and still insurable,



C H A P T E R

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# Conclusion

## IS LIFE INSURANCE RIGHT FOR YOUR ESTATE PLANNING NEEDS?

Simply having life insurance is no guarantee your estate is sufficiently protected from the potential loss of value due to estate taxes. Because you purchased a life insurance policy years ago does not mean your heirs and charities are properly shielded from estate taxes or inherent market adversity and risk. Your estate value may have changed or perhaps the federal or state tax exemption is not the same.

We recommend a comprehensive insurance review that allows us to perform an in depth analysis of your life insurance portfolio as well as current and future estate tax exposure. The review is extensive, cost free and without obligation. Call us today for a complimentary life insurance review.

**Do you have your risks your adequately covered? Is your life insurance sufficient to offset and discount your estate settlement costs?**

# Watch Now

THE LIFE INSURANCE EDUCATION SERIES WITH  
HOWARD KAYE



A compelling look at the problems and creative solutions we offer through the innovative use of life insurance and annuities. Howard Kaye's authentic, unscripted approach to these very important topics will both inspire and educate even the most saavy viewer.

[WATCH NOW](#)



# HOWARD KAYE INSURANCE AGENCY, LLC

The Howard Kaye advantage is in our rich history and decades of experience. Estate and Life Insurance planning can be complex because it overlaps with your tax situation, asset allocation, and individual goals and objectives. Don't trust that job to just anybody.

**Trust, The Nation's Foremost Authority in Life Insurance.**

At Howard Kaye, we offer a policy review and a life settlement option for those who want out of an old policy. We use our connections to drive competition for your policy, allowing you to maximize your payout, death benefit retention, or in some cases, both. Rather than giving up that life insurance policy, contact a Howard Kaye advisor at **1866-ASK-HOW-K** to discuss our services in the life settlement market.