



Why Your Affluent Clients May Need Life Insurance Now More Than Ever

The current administration may take action in 2021 to pass tax increases targeting affluent Americans, pressuring these taxpayers to find additional sources of liquidity to meet rising taxes and replace lost wealth.

Life insurance can mitigate the impact of higher taxes and by starting the underwriting process today, a policyholder can be prepared to meet a broad range of possible legislative outcomes.

The Life Insurance Advantage

To help clients plan for possible tax increases, trusted advisors can turn to cash value life insurance as a source of liquidity at death through its income tax-free death benefit, and wealth accumulation during life through its tax-deferred cash value build-up, which can be accessed income tax free, if done properly.

Replace Lost Wealth and Income

Trust-owned life insurance can help replace wealth lost to increased estate tax and mitigate income tax on inherited property if the step-up in basis at death is repealed.

Cash value life insurance can help build wealth and offset higher investment income and capital gain tax.

Life Insurance Wait-and-See Options

Policies obtained right now can be adjusted to fit the outcome of the expected tax proposals as well as any future tax increases. Taxpayers targeted should take advantage of their current insurability and put a cash value life insurance policy in force by funding it with a minimum amount of premium. As tax legislation is enacted and their planning liabilities crystallize, the policyholder can fund and adjust the policy accordingly.

Alternatively, a client can buy term life insurance today and convert the policy to cash value life insurance tomorrow. The policyholder will be assured of immediate low-cost coverage and have the option of converting the term policy in the future in order to meet planning needs.

Tax Increases Proposed in Recent Years

Federal Estate and Gift Tax Exemption Per Person	Cut from \$11.7 million to as low as \$3.5 million, decoupling the gift tax exemption to \$1 million
Estate and Gift Tax Rate	Increase top rate from 40% to as high as 65%
Step-up in Basis at Death and Carryover Basis on Gifts	Replace with taxation of capital gains on property transferred at death or by gift in excess of a \$1 million lifetime exemption amount per person.
Long-Term Capital Gain Tax Rate	Increase top rate from 20% to 39.6%, plus the 3.8% Net Investment Income Tax

Affluent individuals may keep less of what they earn, find wealth accumulation impaired and realize more of their estate is subject to higher transfer taxes.

Do Not Delay

Higher taxes may be coming. Plan to deal with the impact by obtaining life insurance immediately. Trusted advisors can pinpoint how much life insurance is needed while Wait-and-See options can be implemented today to prepare for the gaps created by the proposed tax increases.

Easy to Start

Advances in the underwriting process and access to 'big data' have led to less intrusive procedures. Many life insurance companies offer accelerated underwriting for clients seeking policies upwards of \$7.5 million. Policies can be issued in days or may not require the insured to take a medical exam.

Crescent Private Client Group is comprised of an elite national network of planning specialists in the major U.S. wealth markets. We partner with financial advisors and professionals to provide sophisticated planning solutions, business and estate planning strategies and specialized expertise focused on helping high-net-worth and business clients succeed.