

Select Solutions

Estate Tax Repeal Hedge Plan

Have you been finding some of your wealthy clients are taking a wait and see attitude towards the purchase of survivorship life insurance coverage because of the estate tax repeal legislation?

If so, Prudential has a solution.

Facts: Assume your clients, both age 55 and in good health, have accumulated a net worth of over \$4,500,000. Their attorney has advised them that under the current estate tax laws they can expect to incur taxes and expenses at the surviving spouse's death of \$2,000,000. Your clients are hesitant to proceed with the purchase of a survivorship policy because they heard that the estate tax was repealed in the 2001 legislation. While you have explained to your clients the legislation only repeals estate tax for one year in 2010; and given their current age and good health it is likely they will live past the repeal, they are still hesitant. You want to know what Prudential can do to overcome the estate tax repeal objection.

Solution: At Prudential, a convertible term insurance policy can be changed to a survivorship policy during the conversion period. Consequently, one simple solution is to have the trust initially apply for term insurance coverage. When the client feels more confident that they will be subject to estate tax (and during the conversion period) the term coverage can be changed on an attained age basis to a survivorship policy.

With the Term Elite 2003 policy at the time of the policy change, the client receives a premium credit, which is applied to the purchase of the survivorship policy. The premium credit is commissionable and is generally equal to the prior year's premium excluding the cost of any rating extras. Thus, from a cost standpoint, the client may be in nearly the same position they would have been in if the purchase of

the survivorship policy had not been delayed a year.

Alternatively, Term Essential 2003 provides even more competitive premiums and can also be changed to survivorship; however, the conversion period may be shorter and the insured does not receive a premium credit towards the purchase of the survivorship policy.

There are two ways the term purchase can be structured. Assuming the client needs \$2,000,000 of survivorship coverage, one option is to have the trust purchase the full \$2,000,000 of term coverage for one of the insureds. If this option is elected, the individual not covered by the term insurance will need to show proof of insurability at the time of policy change. If applicable, the premium credit in this situation will generally be based on \$1,000,000 of coverage.

The other option is to have the trust purchase \$1,000,000 of term coverage on each of the proposed insureds. If this option is elected, the individuals will be able to acquire \$2,000,000 of survivorship coverage without the need to show proof of insurability at the time of policy change. If applicable, the premium credit will generally be based on \$2,000,000 of coverage.

Benefits:

- ◆ Client receives immediate insurance protection.
- ◆ The insured client locks into the underwriting classification.
- ◆ You may be able to finalize the sale.

In this time of uncertainty, our term and survivorship life insurance products provide you flexibility worth considering for your hesitant estate clients.

ILLUSTRATION EXCERPT ON NEXT PAGE.

Term Elite and Term Essential are issued by Pruco Life Insurance Company in all states except New York and New Jersey where they are issued by Pruco Life Insurance Company of New Jersey. Both are Prudential Financial companies located in Newark, NJ. Each is solely responsible for its own financial condition and contractual obligations.

QUESTIONS? CALL ADVANCED MARKETING

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Basic Ledger Statement – Excerpt of Comparative Values

\$2,000,000 PruLife® SUL Protector, Type A (Fixed) Death Benefit - Cash Value Accumulation Test

Male 55 & Female 55 - Both Preferred Best

			Non-guaranteed Results Based On: Illustrated Interest Rate 5.85% for 20 years, then 6.20%* thereafter and Current Charges			GUARANTEED ¹ Results Based On: Minimum Interest Rate of 3.00% & Maximum Charges	
Year	Insureds' Ages	Annual Premium Outlay	Contract Fund	Cash Value	Death Benefit	Cash Value	Death Benefit
1	55/55	14105	6902	0	2000000<	0	2000000<
2	56/56	14105	14133	0	2000000<	0	2000000<
3	57/57	14105	21848	8203	2000000<	3293	2000000<
4	58/58	14105	29917	17572	2000000<	9940	2000000<
5	59/59	14105	38345	27299	2000000<	16317	2000000<
6	60/60	14105	47881	38134	2000000<	22324	2000000<
7	61/61	14105	57820	48724	2000000<	27182	2000000<
8	62/62	14105	68157	59710	2000000<	31368	2000000<
9	63/63	14105	78876	71079	2000000<	34659	2000000<
10	64/64	14105	89956	82809	2000000<	36796	2000000<
Total		141050					
11	65/65	14105	107319	100821	2000000<	37488	2000000<
12	66/66	14105	125341	119493	2000000<	36412	2000000<
13	67/67	14105	144019	138812	2000000<	33215	2000000<
14	68/68	14105	163308	158160	2000000<	27485	2000000<
15	69/69	14105	183195	179297	2000000<	18687	2000000<
16	70/70	14105	203371	200122	2000000<	6117	2000000<
17	71/71	14105	223900	221301	2000000<	0	2000000<
18	72/72	14105	244632	242682	2000000<	0	2000000<
19	73/73	14105	265380	264081	2000000<	0	2000000<
20	74/74	14105	285937	285287	2000000<	0	2000000<
Total		282100					
21	75/75	14105	307161	307161	2000000<	0	2000000<
22	76/76	14105	327964	327964	2000000<	0	2000000<
23	77/77	14105	348166	348166	2000000<	0	2000000<
24	78/78	14105	367587	367587	2000000<	0	2000000<
25	79/79	14105	386022	386022	2000000<	0	2000000<
26	80/80	14105	403039	403039	2000000<	0	2000000<
27	81/81	14105	418231	418231	2000000<	0	2000000<
28	82/82	14105	431114	431114	2000000<	0	2000000<
29	83/83	14105	441190	441190	2000000<	0	2000000<
30	84/84	14105	447981	447981	2000000<	0	2000000<
Total		423150					

< Indicates the **No Lapse Guarantee**¹ will be in effect for the entire policy year.

* This includes a non-guaranteed additional excess interest amount in years 21 and later.

¹ All guarantees are based on the claims-paying ability of the issuer. PruLife SUL Protector is issued by Pruco Life Insurance Company, except in New York where the issuer is Pruco Life Insurance Company of New Jersey. Both Pruco Life companies are located at 213 Washington St., Newark. All are Prudential Financial companies. Each is solely responsible for its own financial condition and contractual obligations.

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