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August 22, 2006

Strategic Insights - "Business Owner Solutions"

We are aware that our agent base works with a variety of clients that have varied income ranges and cover a wide spectrum of businesses; as such we would like to take this opportunity to inform you on the various options available to the business owner segment.

The below article briefly identifies solutions for business owners to grow their business through retirement and personal estate planning solutions as well as examines ways to successfully protect wealth and achieve long-term financial prosperity.

Business Organization Types

There are many ways a business can be structured. Some solutions work better for particular types of businesses. Generally, businesses are structured as one of the following six types:

1. Sole Proprietorship
2. Partnership – general or limited
3. Limited Liability Company
4. Sub S Corporation
5. Regular C Corporation
6. Professional Corporation - limited to licensed professionals

The chart below describes a number of **estate planning solutions** with a brief description of the objectives and the types of businesses appropriate for the plans.

Application	Description	Objective	Premium Payer	Business Types
Key Person	Protect business against loss at death of owner or key person.	Provide tax-free dollars to business so it can hire and train replacement.	Business - non-deductible premiums.	1,2,3,4,5,6
Buy-Sell Cross Purchase	Each owner obtains insurance on other owner(s) to buy their business interest at retirement or death.	Insurance proceeds buy business interest from deceased owner's estate.	Each owner pays for policy on life of other owners party to agreement.	2,3,4,5,6
Buy-Sell Entity Purchase	Business obtains insurance on the owners to redeem owner's business interest at retirement or death.	Insurance proceeds buy business interest from deceased owner's estate.	Business Entity	2,3,4,5,6
Sec. 303 Stock Redemption	Business obtains insurance on owner(s) to partially redeem stock from decedent's estate.	Provide tax-free dollars to business so it can hire and train replacement.	Corporation - nondeductible premiums	3,4,5,6

The following chart describes a number of **retirement planning solutions** with a brief description of the objectives and types of businesses appropriate for the plans.

Application	Description	Objective	Premium Payer	Business Types
Executive Bonus	Employer pays premiums for insurance on key people/owners.	A perk to retain valuable employees by providing permanent death benefits and a tax-deferred product for retirement.	Business - deductible as salary; employee reports premiums as taxable bonus.	1,2,3,4,5,6
Nonqualified Deferred Compensation	Promise to pay supplemental retirement income or death benefits to key employees.	Personal insurance held by business to informally fund business's obligations to pay benefits.	Corporation - nondeductible; benefits deductible as salary is paid.	3,4,5,6
Split Dollar - Endorsement	Employer buys insurance on employee's life premiums and death benefits shared.	Provide life insurance with business dollars at minimum cost to key employee.	Business; employee makes contribution equal to economic benefit.	3,4,5,6
Split Dollar Collateral Assignment	Employee buys insurance on own life premiums, death benefits, and cash values are shared with employer.	Provide life insurance with business dollars at minimum cost to key employee.	Business - nondeductible premiums; employee makes contribution equal to economic benefit. ¹	3,4,5,6

Life Insurance

Life insurance provides unique benefits as a funding vehicle for business owners. The following are some of the benefits provided by life insurance:

- Large, immediate death benefit value
- Tax-deferred accumulation of policy cash values
- Potential for tax-free withdrawals or loans if policy is not a Modified Endowment Contract (MEC)
- Highly valued by banks as business collateral
- Generally, death benefits are received income tax free (Alternative Minimum Tax exceptions)
- Affordable
- Premium payment flexibility

Business Owners have unique needs. Solve them with the unique benefits of life insurance!

This sales concept has been prepared to provide general information in regard to the subject matter covered. It should be used with the understanding that Columbus Life is not rendering legal, accounting or tax advice. Such services should be provided by your own advisors.

1New Regulations may impact taxation of benefits. You should consult with tax and legal advisors.

The information and content provided is general and educational in nature. It is not intended to be, and should not be construed as, legal or tax advice. Columbus Life does not provide legal or tax advice. Laws of a specific state or laws relevant to a particular situation may affect the applicability, accuracy, or completeness of this information. Federal and state laws and regulations are complex and are subject to change. Columbus Life makes no warranties with regard to the information or results obtained by its use. Columbus Life disclaims any liability arising out of any person's use of, or reliance on, the information. For specific tax information, consult your attorney or accountant.

August 22, 2006

Planning In An Environemnt of Estate Tax Uncertainty

Although current legislation gradually reduces estate taxes and increases the credit exemption equivalent with total repeal in 2010, a "sunset" provision in the tax law springs current law back into effect in 2011.xml:namespace prefix = o ns = "urn:schemas-microsoft-com:office:office" />

New legislation is being introduced this year that could eliminate estate taxes completely. **Yet, it is likely that if federal estate taxes are repealed, state death taxes and capital gains taxation will be increased.**

In this environment of tax uncertainty, clients need estate planning and funding vehicles that provide flexibility.

The Irrevocable Life Insurance Trust (ILIT)

An ILIT is a trust created for the purpose of owning and serving as beneficiary of a life insurance policy. By placing the policy in the trust, you remove it from your taxable estate.

When death benefit proceeds are paid, they are paid to the trust. The result is a death benefit that is passed through the trust to your trust beneficiaries according

to your instructions and unreduced by estate and income taxes.

In today's environment of estate tax uncertainty, flexibility can be built into the trust to direct distribution of the life insurance funds in the event that estate taxes are in fact repealed long term.

Another alternative is to structure the ILIT as a multi-generation trust. This allows for the life insurance proceeds to provide education and support for several generations in the event the proceeds are not needed for estate taxes.

The client is in effect able to create wealth.

However, the simple fact that the ILIT is irrevocable makes many clients choose not to have their insurance policy owned by the ILIT, at least until the outcome of estate taxes is more settled.

xml:namespace prefix = st1 ns = "urn:schemas-microsoft-com:office:smarts" />**Columbus Life's Solution**

The Estate Protection Benefit Rider

This no charge four-year term benefit protects a policyowner/insured from federal estate taxes that may be incurred when a life insurance policy is transferred to a third party or Irrevocable Life Insurance Trust within three years of such transfer.

The coverage is not convertible and will equal 125% of the base Specified Amount.

The Estate Protection Benefit is available only if neither life has a flat extra rating. In addition:

1. If the older insured is age 71-75, one life must be equal to or better than Table D (the other life must be standard), OR
2. If the older insured is less than age 71, one life must be equal to or better than Table H (the other life must be equal to or better than Table D).

Clients can elect to own their life insurance policies themselves. If they should die while estate taxes exist, the life insurance will increase the net value of their estate and result in additional taxation.

If not for the three year rule, it might be acceptable for clients to risk inclusion of the life insurance in their estate for a

short period to wait and see what new estate tax legislation may be passed.

What is the Three Year Rule?

If an existing life insurance policy is transferred to the ILIT, the insured must survive the transfer by at least three years. Otherwise, the death benefit will remain part of the insured's taxable estate. If a new policy is purchased, it is important that the trustee apply for the policy on behalf of the trust and that the trust own the policy and be named beneficiary.

Columbus Life's Solution

Survivorship life insurance meets a variety of challenges and offers a very important feature: it provides funds to your clients' beneficiaries when they are needed most - upon the second death of the joint insureds.

Survivorship life insurance is cost effective. Generally, the cost for survivorship life (written on two lives) is less expensive than buying two separate policies. In addition, survivorship life may provide life insurance benefits for insureds who would otherwise be ineligible for a single life policy.

The Estate Protection Benefit rider protects your clients' from the three year rule giving them time to carefully consider their options and have a trust drafted that meets all their needs.

August 22, 2006

Case Study: Foreign Residence and Travel

The life expectancy of individuals who spend a significant amount of time outside the United States may be affected by the conditions of the countries in which they reside or which they frequent. These conditions may include poor economic conditions, widespread disease, lower standards of public health and sanitation, lack of proper medical facilities and different cultural attitudes toward personal health and safety.

Therefore, underwriting generally takes into account the increased mortality risks that may be presented by Non-U.S. Residents, Short Term U.S. Residents and anyone who travels to a foreign country.

Short Term US Residents

A short-term resident is a person who has recently immigrated to the United States with the intention to remain in the United States on a permanent basis. It is important for a Short Term U.S. Resident to demonstrate an intent to stay in the United States.

Establishment of permanent residence with spouse and/or children and a history of steady employment are usually good indicators of such intention. This information will generally be secured by the underwriter during the client interview or by means of the paper application. A cover letter is particularly useful in these cases to help underwriting understand all the facts of the case. In some cases, underwriting may request proof of residence status such as a "green card" or other federal document establishing residency status. Applicants whose intention to remain in the U.S. appears genuine, who are eligible in other respects, are acceptable once U.S. residence is established for normal amounts of coverage commensurate with

their needs.

A medical examination is required within 6 months of entry into the United States for all cases where the standard of living and health care in the country of origin is not comparable to that of the United States (countries in the C-E categories).

Non US Residents

Non-U.S. Residents are individuals who do not have a full time permanent U.S. residence. They include individuals who reside outside the United States on a full or part-time basis. Citizenship is not a determining factor in defining a Non-U.S. Resident. A Non-U.S. Resident is an individual who:

- visits the U.S. for business or pleasure but maintains permanent residence outside of the U.S. An example may be a U.S. citizen who has moved to Germany, but returns to the U.S. periodically to visit family.
- Is expected to reside in the U.S. on a temporary basis. An example may be exchange students or individuals here on business or for professional or educational training.
- Resides in the U.S. on a part-time basis only.

When deciding whether a Non-U.S. Resident may qualify for life insurance in the United States, many factors are taken into account, including the country of residence.

All aspects of the insurance transaction **must** be completed in the U.S. including solicitation, completion of the application, medical examination, inspection and contract delivery. Make sure to allow adequate time to complete the underwriting process and policy delivery in the U.S. Do not solicit business, write applications or perform any functions in connection with securing insurance while you are visiting a foreign country.

Other specific compliance procedures apply to Life Insurance sales to non-US residents. The insurance regulations of some countries prevent their residents from purchasing life insurance outside of their native country.

There may also be U.S. government restrictions regarding life insurance sales with residents of some countries. For other countries, while there may not be legal or government restrictions preventing us from selling life insurance to their residents, the risks presented by those countries (i.e. crime, health and safety standards, political or economic instability, etc.) are considered too significant to

price.

There are many other countries whose residents may be written in the United States. The underwriting category for individuals who reside in these countries will vary dependent upon the risks involved.

Before submitting an application/worksheet for a Non U.S. Resident, an inquiry or advance phone call should be made to your underwriting contact or *The New Business Service Team* to determine any particular underwriting considerations you should be aware of, and the type of client information you need to provide. For example, some supplementary benefits (i.e. Living Needs Benefits, Waiver of Premium, etc.) may not be available to residents of all countries.

To expedite the Underwriting process, be sure to observe the following underwriting

guidelines:

- The proposed insured must spend enough time in the U.S. so that we can gather sufficient information to evaluate the risk and have adequate time to complete the underwriting process and policy delivery.
- ALL applicants must be inspected and medically examined. Blood tests, Motor Vehicle Reports (where available), EKGs and Chest X-Rays will be required based on normal age/amount rules. Attending Physician Statement (APS) records including foreign APS records will be requested in **ALL** cases.
- Expect delays in obtaining information. Obtaining information on a Non-U.S. Resident applying for insurance may be difficult, but every effort must be made to secure the required information. The closer the ties to the U.S., the better the chances of obtaining meaningful medical and financial information in a timely fashion.
- A W8 form is required for those individuals who cannot provide a social security number for the purposes of completing the tax certification.
- Individuals currently active in the military, police, government or judicial services within their resident country may not be considered for life insurance coverage. In addition, those with political or union leadership may be excluded as well. Those associated with diplomatic service may be considered on a case by case basis.
- Past and future travel patterns will be carefully reviewed. Additional ratings may be assessed for travel outside the resident country.
- Contracts to be owned by third party foreign persons or entities will seldom be acceptable since all aspects of the insurance transaction must be completed in the U.S.

Premiums should be paid annually (for ease of administration), in U.S. currency.

Once approval is granted by Underwriting, the application/worksheet should be submitted on a COD basis.

Foreign Travel

Foreign travel is defined as travel outside the United States. Individuals who travel outside the U.S. will be evaluated based on the country(ies) traveled to, the frequency of travel, their occupations, purpose of travel and length of time spent in those countries.

When submitting the application allow ample time before the Proposed Insured is to leave the United States to complete the underwriting requirements and deliver the contract. Underwriting will look closely at an individual who applies for life insurance immediately before taking a trip abroad. Approval of the application will depend on such factors as the country being visited, the purpose of the trip, the applicant's occupation, the need expressed for coverage, etc. For some cases, the purchase of life insurance may need to be postponed until the proposed insured returns

from his or her trip.

Applications on U.S. Residents with more extensive travel (more than 3 months per year) will be evaluated based on the following factors:

Country/Countries Visited

Nature of Housing or Accommodations

Occupation/Employer

March 14, 2006

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August 22, 2006

American National Releases New 'Lifetime Guaranteed' Universal Life: "ANICO LTG UL"!

American National Releases New 'Lifetime Guaranteed' Universal Life: "ANICO LTG UL"
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On xml:namespace prefix = st1 ns = "urn:schemas-microsoft-com:office:smarts" />July 10, 2006, American National introduced its new entrant into the guaranteed UL market with "ANICO LTG UL", a very competitive new universal life product offering a lifetime guarantee death benefit, for the lowest available premium, for life. The coverage is guaranteed for life as long as that designated premium is paid, and continues to be paid, at each policy anniversary date. A level Death Benefit (Option A) will be the only Death Benefit Option available.

The minimum face amount for the **ANICO LTG Universal Life** will be \$100,000, and there will be four premium bands:

- \$100,000 - \$249,999
- \$250,000 - \$499,999
- \$500,000 - \$999,999
- \$1,000,000 and over

It features six underwriting classifications:

- Preferred Plus Non-Nicotine User
- Preferred Non-Nicotine User
- Standard Plus Non-Nicotine User
- Standard Non-Nicotine User
- Preferred Nicotine User
- Standard Nicotine User

So is it competitive? You bet it is . . . check out these sample rates:

- Male, Age 55, Preferred Non-Nicotine, \$500,000: \$6,150
- Male, Age 65, Standard Non-Nicotine, \$500,000: \$13,200
- Male, Age 75, Standard Non-Tobacco, \$1,000,000: \$42,590
- Male, Age 63, Preferred Tobacco, \$1,500,000: \$45,514
- Male, Age 83, Standard Non-Tobacco, \$1,000,000: Avg. Premium = 71,694

Where's the 'Sweet-Spot'?

- Annually re-occurring premium cases
- Little or no lump-sum/1035 premium
- Older ages
- Great smoker rates
- \$500,000 Face or higher
- Oh yeh, and commissions . . . lifetime guaranteed premiums are fully commissionable generally thru age 75**AND**
- ANICO pays full commissions thru table 6!

Contact an ABS Representative today at 888-227-3131 to receive your product kit and software so you can start to run quotes and offer one of the most competitive new guarantee UL products in the industry.

July 02, 2004

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