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Publication: *Success in Life* (an internal newsletter for Wells Fargo)
Audience: Life insurance sales representatives

Leaving a Great Legacy

When Jamie Zimmerman, a PCS financial consultant from Cedar Rapids, Iowa, set up a variable annuity six years ago, it was an ideal solution because his client, a couple with children, was concerned about possibly needing the money in the future. Now that they are older, however, their needs have changed. Accessibility is still a priority, but the couple would rather leave as much money as possible to their sons.

To maximize the couple's legacy, Zimmerman developed a wealth transfer strategy. He changed their variable annuity into an immediate annuity with a five-year payout, thus spreading tax liability out over the next five years. This payout is being used to fund a life insurance policy with a higher death benefit than their annuity. With the variable annuity, the couple's heirs would have received approximately $100,000 after taxes—the life insurance policy will give them about $325,000, and is generally not subject to income taxes or probate. Still, the couple has the security of knowing they can access the cash value of their policy in an emergency, because the life insurance policy is not owned by a trust.

As with most life insurance policies, the couple was required to pay the first year's premium up front. This opened two options. They could cash out the first fifth of their annuity in one lump sum and pay the tax consequences, or they could take out a loan to fund the first year of the life insurance policy, and use monthly annuity distributions to pay off the loan. The couple chose the latter.

Banker Andrea McVeigh wrote the loan, and Zimmerman handled the transfer to life insurance. Through teamwork, they're helping two long-standing customers realize their dream of leaving the largest possible legacy to their sons.