



Making your legacy more efficient.

When it comes to leaving a financial legacy to the next generation—some vehicles are more efficient than others.

Least Efficient

Most Efficient

Qualified Assets

- Traditional IRA
- 401(k)
- 403(b)
- 457
- Tax-sheltered annuity

- ✗ Must be fully liquidated within 10 years
- ✗ Fully taxable at ordinary income of recipient
- ✗ May also be subject to federal and state estate tax

Non-qualified Assets

- Non-qualified annuity
- Brokerage account
- CDs
- Savings account

- ⊖ Gains are usually taxable at ordinary income¹
- ⊖ Typically, no step-up in cost basis²
- ⊖ May also be subject to federal and state estate tax

Life Insurance³

- Whole life
- Universal life
- Variable universal life

- ✓ Generally tax-free death benefit (IRC 101 (a))
- ✓ Leveraged death benefit
- ✓ Cash value accumulation allows for asset liquidity prior to death
- ✓ May be eligible for dividends
- ✓ Not subject to estate taxation if kept outside of the insured's estate (ILIT)

¹ Mutual funds and other investments may be subject to long term capital gains if held longer than 12 months. Please consult with your tax advisor for more details.

² Some non-qualified accounts such as mutual funds or individual stocks may have a step-up in cost basis at the death of the account holder. Please consult with your tax advisor for more details.

³ The primary purpose of life insurance is to provide a death benefit. You can access cash value via loans or withdrawals through surrenders. Accessing cash value will reduce the available cash surrender value and death benefit. Certain tax advantages are no longer applicable to a life insurance policy if too much money is put into the policy during its first seven years, or during the seven-year period after a "material change" to the policy. If the cumulative premiums paid during the applicable seven-year period at any time exceed the limits imposed under the Internal Revenue Code, the policy becomes a "Modified Endowment Contract" or MEC. An MEC is still a life insurance policy, and death benefits continue to be tax free, but anytime you take a withdrawal from an MEC (including a policy loan), the withdrawal is treated as taxable income to the extent there is gain in the policy. In addition, if you are under 59½, a penalty tax of 10% could be assessed on those amounts and upon surrender of the policy.

Creating a legacy with life insurance.

While the value of other vehicles can be depleted by taxes, life insurance offers a death benefit that is always greater than the premiums you paid into it, making it an efficient way to transfer wealth to the next generation. Further, by repositioning assets from other vehicles into a life insurance policy, you may be able reduce—or eliminate—any inheritance taxes your loved ones may face.

Here's an example of how this can work:

- **Insureds:**

 - 50 year old female, preferred⁴
 - 50 year old male, preferred⁴
- **Policy Details:**

 - Custom Survivorship Whole Life⁵—\$1,000,000 face amount
 - 10-year pay period

Policy Year	Annual Premium	Cumulative Premiums	Guaranteed Cash Value*	Guaranteed Death Benefit*	Legacy Leverage
1	\$41,180	\$41,180	\$17,430	\$1,000,000	2,428%
10	\$41,180	\$411,800	\$432,350	\$1,000,000	243%
20	—	\$411,800	\$574,850	\$1,000,000	243%
30	—	\$411,800	\$739,250	\$1,000,000	243%
40	—	\$411,800	\$869,280	\$1,000,000	243%

Life Insurance

The primary role of life insurance is to provide a generally tax-free death benefit for the insured's heirs. This death benefit is often several times greater than the premiums required to secure it, giving a greater leverage to your legacy. Additionally, many permanent life insurance policies accumulate cash value, which the policy owner can use during his or her lifetime for other living needs—and may be eligible for dividends which, if declared, can contribute to the growth of both the cash value and the death benefit over time.

*All guarantees are based upon the claims paying ability of the issuer.

⁴ Other risk classes are available. Changes in assumptions will alter the premiums required and leverage.

⁵ In most jurisdictions, the policy form number for New York Life Custom Survivorship Whole Life is ICC18219-100P. New York Life Whole Life is ICC18217--50P and New York Life Universal Life is ICC19-319 51P. State variations may apply.

Taxpayers should always seek and rely on the advice of their own independent tax professionals. New York Life Insurance Company, its affiliates and subsidiaries, and agents and employees of any thereof, may not provide legal or tax advice.

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New York Life Insurance Company is the issuer of New York Life Whole Life. The Whole Life policy form number is ICC18271-50P (4/18).

New York Life Insurance Company

51 Madison Avenue
New York, NY 10010
www.newyorklife.com