

From: Richard Kahn <[REDACTED]>
To: "jeffrey E." <jeevacation@gmail.com>
Subject: Fwd: Annuity Conversation
Date: Tue, 28 Feb 2017 19:39:51 +0000
Attachments: Predetermined_Death_Benefit_Form.pdf

attached are some thoughts on annuities and life insurance based on a conversation i had with a NY Life agent

----- Forwarded message -----

From: Jarad Minsky <[REDACTED]>
Date: Mon, Feb 27, 2017 at 7:57 PM
Subject: Annuity Conversation
To: Richard Kahn <[REDACTED]>

Hi Rich,

I wanted to follow up from our conversation on annuity options for someone with the date of birth of 01/20/1953. I know we mainly talked about annuities but think there might be another way of accomplishing what we discussed. I'll lay out both scenarios and can go deeper into either one if you'd like, let me know your thoughts.

Goals

- (1) Generate a guaranteed income stream for the life of the intended beneficiary
- (2) Minimize taxation today for the donor of the gift
- (3) Start this income stream at the death of the donor

Option 1 – Invest in a deferred variable annuity

- The donor would open a variable annuity and name the intended recipient as beneficiary which has no effect on the donor's taxes.
- With such a long time horizon, it seems to make more sense to invest it in the stock market than lock in a low interest rate now with a fixed or income annuity.
- All growth from the account is tax deferred while the donor is alive.
- At death, the owner can mandate how the account is paid out to the beneficiary. The attached form as an example of how this can be done.

- The gain in the annuity will be taxed to the beneficiary which will vary based on which payout option is selected by the owner.
- The value of the annuity would however be included in the donor's taxable estate

Option 2 – Buy a life insurance policy

- Create an irrevocable life insurance trust which would be the owner and beneficiary of a life insurance policy.
- Instruct the trustee or use the attached form to mandate how the proceeds are distributed to the beneficiary at death.
- The death benefit would be excluded from donor's taxable estate and paid tax free to the trust.
- Gifting rules allow \$14,000 of the annual insurance premium to be given tax free but anything over that amount would be taxable (assuming the lifetime exemption has been used).
- If there are multiple beneficiaries, then that \$14,000 excluded from taxes could be increased based on how many beneficiaries are involved.
- With a preferred rating, it might cost a 64 year old \$10,000/year for \$1,000,000, \$49,500/year for \$5,000,000 and \$99,000/year for \$10,000,000 of 20 year term coverage. 20 year term is the longest duration term a 64 year old can purchase.
- Assuming the same rating, it would cost about \$22,000 a year for \$1,000,000, about \$107,500 for \$5,000,000 and about \$215,000 for \$10,000,000 of current assumption universal life that is projected to last through age 100 (based on current insurance and interest rates).

If you'd like me to modify anything from above or go in another direction with the stated goals, then I'd be happy to make some adjustments. I look forward to your feedback and seeing if either option is a good fit.

Best Regards,

Jarad Minsky

Financial Adviser

Doyle & Minsky Financial, LLC

55 Accord Park Drive - Suite 202

Rockland, MA 02370

Phone [REDACTED]

Fax [REDACTED]

[REDACTED]

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