

# Life Insurance—A Pivotal Tool for Your Wealth Transfer Plans



At the end of 2025, more favorable federal estate tax laws currently in place could expire—cutting the current federal estate and gift-tax exemption in half.<sup>1</sup> This could mean higher taxes for more people in 2026. Even though an estate value may fall below the exemption threshold, many still need careful planning to help reduce or eliminate unnecessary expenses, delays, probate or legal issues, taxes, or other challenges.

## Life Insurance Can Help

A wealth transfer planning strategy using life insurance may offer simplicity in an otherwise complex environment impacted by taxes. It can be a tax-advantaged and effective way to help you ensure your legacy lives on by helping to offset potential estate taxes and accomplish your other important financial goals.

## 3 Benefits of Using Life Insurance as a Wealth Transfer Tool

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<b>Tax-Free Proceeds<sup>2</sup></b>	<b>Cash-Value Assets</b>	<b>Planning Ease</b>
Death benefit proceeds are paid income tax-free to beneficiaries and provide the liquidity to help:	Cash value life insurance offers the potential to accumulate cash value over time to help you:	Life insurance as part of a well-structured wealth transfer strategy may help you:
Pay for estate taxes and help preserve your estate's value	Count it as an asset on balance sheet and other financial reporting	Leverage assets to be used in a trust
Ensure a smooth business transfer	Enjoy a potential source of tax-free <sup>3</sup> supplemental income for an unplanned need or opportunity	Provide creditor protection if structured properly <sup>4</sup>
Equalize your inheritance left to heirs when passing a combination of illiquid and other assets	Gain greater flexibility through tax-deferred cash value growth potential	Leave a financial legacy to heirs without the costs and delays of probate
Pay for final expenses, medical, and funeral expenses	Skip or suspend premiums as long as the cash value is sufficient to pay ongoing policy charges	Leave a financial legacy in a tax-efficient way

**Talk with your financial professional today about the many ways life insurance may help your financial well-being and wealth planning needs.**

In order to sell life insurance products, a financial professional must be a properly licensed and appointed life insurance producer.

<sup>1</sup>"How to Prepare for Upcoming Estate Tax Law Changes," Kiplinger, Dec. 18, 2023.

<sup>2</sup>For federal income tax purposes, life insurance death benefits generally pay income tax-free to beneficiaries pursuant to IRC Sec. 101(a)(1). In certain situations, however, life insurance death benefits may be partially or wholly taxable. Situations include, but are not limited to: the transfer of a life insurance policy for valuable consideration unless the transfer qualifies for an exception under IRC Sec. 101(a)(2)(i.e. the transfer-for-value rule); arrangements that lack an insurable interest based on state law; and an employer-owned policy unless the policy qualifies for an exception under IRC Sec. 101(j).

<sup>3</sup>For federal income tax purposes, tax-free income assumes, among other things: (1) withdrawals do not exceed tax basis (generally, premiums paid less prior withdrawals); (2) policy remains in force until death (any outstanding policy debt at time of lapse or surrender that exceeds the tax basis will be subject to tax); (3) withdrawals taken during the first 15 policy years do not cause, occur at the time of, or during the two years prior to, any reduction in benefits; and (4) the policy does not become a modified endowment contract. See IRC Sec. 72, 7702(f)(7)(B), 7702A. Any policy withdrawals, loans, and loan interest will reduce policy values and may reduce benefits.

<sup>4</sup>State law may provide life insurance and annuities with certain asset protection benefits. As a general rule, a debtor may not transfer property with the intent to avoid debt due to his creditors. The laws governing asset protection, however, are complex and the consequences of poor planning may be both civil and criminal penalties. Anyone contemplating an asset protection plan should not undertake such without the advice of legal counsel.

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The primary purpose of life insurance is to provide death benefit protection in the event of the insured's death.

Life insurance is subject to underwriting and approval of the application and will incur monthly policy charges.

Pacific Life Insurance Company's Home Office is located in Omaha, NE.

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