

VIRTUAL ESTATE & SUCCESSION PLANNING

THURSDAY, JULY 21, 2022



Introduction:

- Life insurance can be an integral part of succession planning for the family farm while still living.
- I want to ask you questions.
- When I say the words “life insurance” what do you think of?

Chronic Illness - Did you know that life insurance could assist you with both death AND chronic illness protection?

Why is chronic illness protection important?

- A chronic disease is a condition lasting three months or longer. It can be treated, but it cannot be cured.
- About 42 million Americans are limited in their usual activities due to one or more chronic health conditions.¹
- Sadly, Indiana has higher rates of chronic diseases than the national median.
- In 2010, almost 50% of Hoosier adults reported having a history of heart disease, stroke, cancer or chronic lower respiratory disease, like asthma.²
- Other chronic conditions include Alzheimer's, dementia, kidney disease, diabetes, arthritis and COPD.

The Chronic Illness Infographic

68%

of adults older than age 65 have two or more chronic conditions.³



90%

of the nation's \$4.1 trillion annual health care expenditures are for people with chronic and mental health conditions.⁴

Seven of the top 10 causes of death in 2020 were chronic diseases. Two of these chronic diseases—heart disease and cancer—together accounted for nearly 40% of all deaths.⁵



41.8 million caregivers provide care for someone aged 50 years or older.⁶

15.5 million care for someone who has Alzheimer's or other dementia.⁷



Approximately $\frac{1}{4}$ of people with chronic conditions have one or more daily activity limitations.⁸

Activities of daily living include:



bathing



continence



dressing



Alzheimer's or dementia



toileting



eating



transferring

▶▶ Are you aware that life insurance could assist you with death and chronic illness protection? ◀◀

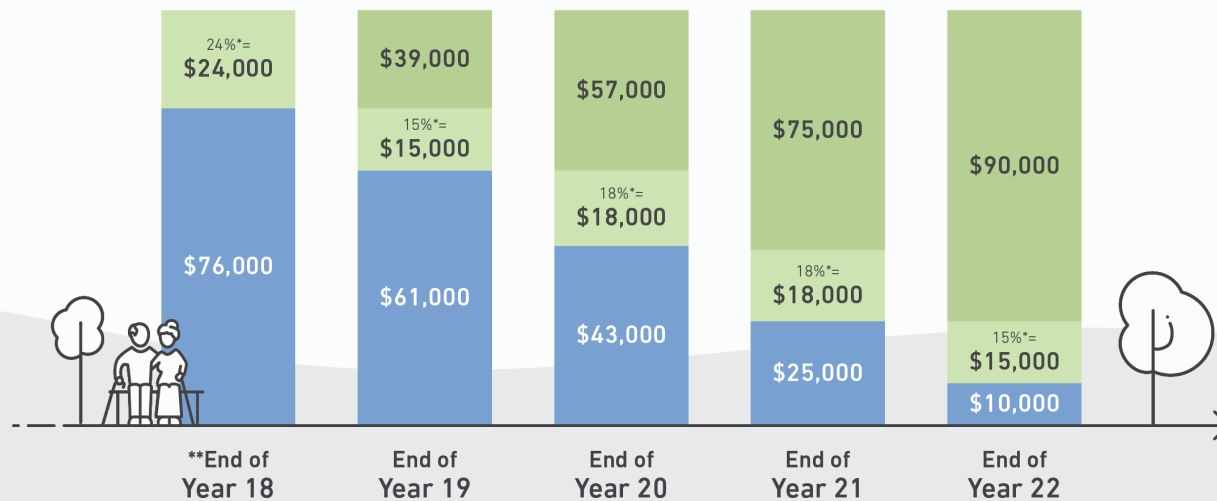
A Story about Sue and John

How does the Chronic Illness Benefit work?

\$100,000 WHOLE LIFE DEATH BENEFIT POLICY

WITH CHRONIC ILLNESS RIDER

Below is an example of a \$100,000 life insurance, and how we would "accelerate" the initial death benefit. In this diagram, beginning in year 18** of the life insurance policy, if the insured was diagnosed with a chronic illness, the insured could receive a **total of \$90,000 income tax-free** in accelerated death benefit.



KEY: Acceleration % | Total Accelerated Death Benefit | Remaining Death Benefit

*Acceleration % range 12-24% annually, with the flexibility to select the percentage each benefit period, subject to lifetime maximum. Expense charges apply. Indiana Farm Bureau Insurance agents do not provide tax advice. Speak with your tax advisor for guidance.

Contact your Indiana Farm Bureau Insurance agent for details about this plan.

2. Terminal Illness - Did you know that if you are terminally ill, your life insurance policy can be accelerated, and the death benefit could be distributed to you lump sum?

Terminal Illness

- A Story of what accelerated death benefit meant to a cancer patient and his wife.
- $350,000 \times 94\% = \mathbf{\$329,000}$ **income tax free.**

The traditional view of Life Insurance

- Life insurance is the perfect tool to assist in the wealth transfer strategy of succession planning for the family farm.



Fair is not always equal.

- Story about two brothers that work on the farm
- Their sister who chose Education as her profession and is a schoolteacher in Ohio
- What the family agreed to



Use the Unified Gift and Estate Tax Credit while you are alive

- Unified Gift and Estate Tax Credit=
\$12,060,000 per person
- Annual Exclusion=\$16,000
- Stepped Up Basis



Ownership of life insurance is key

- Ownership of your life insurance can be one of your adult children
- Irrevocable Trust



Beneficiaries on a life insurance policy

- Life Insurance proceeds pass by contract, they will go directly to your Beneficiaries bypassing probate, outside of the will.
- Living Trust



How does the beneficiary receive the life insurance proceeds?

- Lump sum
- Income for years to come
- Story about a Mom and her two beneficiaries
- Immortality and control from the grave



The Beneficiary Assistance Program

Beneficiary Assistance



A Beneficiary Needs Analysis Work Sheet

Name Insured: _____ **Policy Numbers:** _____

Final Expenses = _____

- Can be paid directly to the funeral home, or
- Can be received by the beneficiary to pay the funeral home.

Emergency Lump Sum Amount = _____

- How much money do you want to set aside that is easily accessible to you?
- It is your safety net; it can be used when or however you need. One option is to deposit it into a savings account at your local bank.
- Accessibility and your peace of mind is key.

Monthly Income = _____ **for how many years** _____

- How much monthly income do you need to remain in a similar lifestyle?
- How long will you need this income to continue?

Interest Income Guaranteeing the Principal = _____

- If you are not sure what your future needs may be, how much of the death proceeds, if any, do you want to place in a guaranteed interest income settlement option which periodically distributes the interest to you?
- This settlement option also provides the peace of mind that you have the flexibility and access to request any or all of the remaining proceeds/principal whenever needed!

Annuity = _____ **(tax deferred growth with a guaranteed interest rate)**

- This is designed for a longer savings perspective (three years or longer, depending on which annuity product you chose).
- Typically used to accumulate money on a tax deferred basis.
- At a future date, you elect to supplement your income by placing the annuity on a settlement option to receive an income stream.

Life Insurance = _____ **(leaving a tax free income inheritance for your heirs)**

- Would you like to leave an income tax free inheritance for your children/heirs?
- How much would you like to leave each child/heir? _____
- Have you considered leaving a legacy to your favorite charity? If so, how much would you like to leave? _____

Did you know life insurance could provide both living and death benefits?

- **Our goal for today:**
- You walk away with a different perspective or view of life insurance.
- That life insurance can assist you in all stages of your life....when you need it most.