

Life Insurance:

A Powerful Tax and Estate Planning Tool

Life insurance is more than an income replacement strategy to protect your loved ones—it's also an effective way to transfer wealth to your heirs.

Maximize Wealth Transfer

Structured properly, a life insurance policy isn't considered part of an estate by the federal government, as payouts to policy beneficiaries upon your death are free of all income and estate taxes, which maximizes the wealth your loved ones could receive.

Despite this income tax-free death benefit, heirs of individuals whose estates exceed \$12.06 million in 2022 and \$12.92 million in 2023¹ (double those amounts for married couples) could be saddled with an estate tax liability that could significantly diminish the inheritance they will receive. Note that these estate tax exemptions sunset at the end of 2025 and are expected to be reduced by half starting in 2026.

If the estate you intend to pass to your loved ones exceeds the exemption amounts noted above, consider purchasing permanent life insurance to offset that potential estate tax liability. The proceeds of such a policy could cover the estate taxes at a substantial discount when compared to the insurance cost. Federal estate tax rates today on taxable amounts of over \$1 million top out at 40%.² Be aware that some states also have an estate tax.

Consider an ILIT

An irrevocable life insurance trust (ILIT) can be the ideal ownership structure for your life insurance. Your ILIT will own and be the beneficiary of the insurance and will need a trustee independent of the insured who will manage the policy. These trusts are typically funded with 1) annual exclusion gifts of \$16,000³ (for gifts made in 2022; increasing to \$17,000 in 2023³) per person per trust beneficiary or 2) lifetime gifts, loans or other methods depending on the makeup of your assets.

Take a Team Approach

Life insurance can be an effective income replacement and estate planning strategy for transferring wealth to loved ones.

At Mariner Wealth Advisors, our in-house insurance team has extensive experience designing, reviewing and implementing insurance solutions for clients. They can evaluate your current policies to help ensure they still meet your needs and goals for wealth transfer.



For more information visit: marinerwealthadvisors.com

¹ ["What's New: Estate and Gift Tax"](#)

² ["Instructions for Form 706"](#)

³ ["What's New: Estate and Gift Tax"](#)

All guarantees and benefits of an insurance policy are subject to the claims-paying ability of the issuing insurance company.

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