

# Legacy building

## with Midland National® Life Insurance Company

Help gain financial protection and potentially maximize the money you pass along to beneficiaries.

There comes a time when you may need to think about the future generations of your family. You have worked hard, accomplished your goals, and accumulated funds to support a comfortable retirement. Along with your careful planning, maybe you would like to set aside funds to pass along to your children or grandchildren.

Whether the amount is a little or a lot, wouldn't it be nice to help ensure those funds are passed along in a tax-efficient manner? This would help maximize the money you will provide to your beneficiaries. Life insurance provides death benefit protection and can help increase the value of the funds you pass along to beneficiaries. Legacy building is simply a strategy using life insurance to pass along money to your beneficiaries in a way that's most favorable for them and for you.

### Why life insurance?

There are a number of advantages of using life insurance as part of a legacy building strategy:

- **Immediate death benefit protection.** From the start, you gain death benefit protection to be paid out to your beneficiaries upon death.
- **Income tax-free transfer to beneficiaries.** When you pass away, the death benefit passes generally income tax-free to beneficiaries.<sup>1</sup>
- **Leverage.** With life insurance, your premium payments can provide a larger death benefit immediately after issue. For example, if you purchase a \$250,000 life insurance policy, that full amount would be paid as a death benefit once your policy is put in force.<sup>2</sup> For example if your first premium payment is \$1,500, those dollars are leveraged immediately into the full \$250,000 death benefit. Premium dollars purchase the full death benefit amount that would be available upon death.
- **Accelerated Death Benefit Endorsement.** If funds are needed due to a qualifying illness, you may be able to accelerate a portion of the death benefit.<sup>3</sup> These funds may be used for any purpose.

### Who can benefit?

There are a few items to consider before deciding on a legacy-building strategy using life insurance. Importantly, legacy building should only be considered if you have funds available to support yourself throughout retirement. Those who have money already set aside for beneficiaries typically consider a legacy-building strategy.

Here are a few questions to help you determine if the strategy is right for you:

- Do you have a death benefit need?
- Are you within the retirement ages of 55-75?
- Do you have children, grandchildren, or an organization you'd like to benefit?
- Are you holding funds designated to leave to beneficiaries?
- Have you named your beneficiaries joint owners of your assets?
- Do you have an annuity you'd like to pass along to beneficiaries or are you taking required minimum distributions from an account such as an Individual Retirement Account (IRA)?<sup>4</sup>
- Are you looking for ways to find tax-advantaged solutions to transfer funds?<sup>1</sup>

## How Does it Work?

When properly structured, a legacy-building strategy offers you death benefit protection and can help maximize the funds you leave to those you care about.

1. Locate the funds that you would like to pass along to your beneficiaries. These funds represent assets you don't plan to use for retirement. The funds may currently be held in an annuity, IRA, savings or checking accounts.<sup>4</sup>
2. The designated funds are then used to purchase a life insurance policy. This may immediately increase the amount available in the form of a death benefit. Consult your agent about methods of using funds to purchase a life insurance policy.
3. If you are diagnosed with a qualifying illness, the accelerated death benefit endorsement can provide financial assistance.<sup>3</sup>
4. The death benefit proceeds from the life insurance policy are passed along to beneficiaries upon your death – passing along a legacy.

## Considerations

It is important to explore your options and to work with your agent to gain a clear picture of your needs. The goal is to help you decide on an appropriate direction. There are costs with life insurance. Permanent life insurance policies require monthly deductions, which include the cost of insurance, expense charges, and potentially other charges. These deductions may reduce the cash value of the policy. Additional premiums may be necessary to continue the desired death benefit, depending on funding.

## Next Steps

Think about your financial assets and whether you have an opportunity to maximize the wealth you leave behind. Talk to your agent about how life insurance could help you build a legacy.

1. Neither Midland National nor any of its agents, employees or representatives is authorized to give tax or legal advice. Please consult with and rely on a qualified tax or legal advisor before entering into or paying additional premiums with respect to such arrangements or commencing any charitable giving plan.

2. This example assumes no policy loans or acceleration of benefits have been taken.

3. Accelerated death benefits are subject to eligibility requirements. The death benefit will be reduced by the amount of the death benefit accelerated. Since benefits are paid prior to death, a discount will be applied to the death benefit accelerated. As a result, the actual amount received will be less than the amount of the death benefit accelerated. An administrative fee is required at time of election. ACCELERATED DEATH BENEFITS ARE NOT LONG TERM CARE INSURANCE NOR IS IT INTENDED TO REPLACE LONG TERM CARE INSURANCE.

4. Removing funds from a qualified plan, including an Individual Retirement Account, may result in a taxable income distribution. Removing funds from an annuity may result in surrender charges and/or income taxes.

**Texas Residents:** Receipt of acceleration-of-life-insurance benefits may affect your, your spouse's or your family's eligibility for public assistance programs such as medical assistance (Medicaid), Aid to Families with Dependent Children (AFDC), supplementary social security income (SSI), and drug assistance programs. You are advised to consult with a qualified tax advisor and with social service agencies concerning how receipt of such a payment will affect you, your spouse's and your family's eligibility for public assistance.

Life insurance policies have terms under which the policy may be continued in force or discontinued. Permanent life insurance requires monthly deductions to pay the policy's charges and expenses, some of which will increase as the insured gets older. These deductions may reduce the account value of the policy. Current cost of insurance rates and current interest rates are not guaranteed. Therefore, the planned periodic premium may not be sufficient to carry the contract to maturity. For costs and complete details, call or write Midland National Life Insurance Company, Administrative Office, One Sammons Plaza, Sioux Falls, SD 57193. Telephone (800) 923-3223.

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