

Strategic Insights



Every Dollar Counts: The Capital Transfer Strategy

Average, hardworking American families who invested wisely over the last four decades now find themselves “wealthy” by definition although many do not consider themselves to be wealthy.

Diligent saving habits combined with the growth of technology industries and the stock market have grown small savings accounts and modest investments into large accumulations of money.

Many of these “affluent” have managed to save a nice nest egg for retirement. Now, unfortunately, they

are faced with current income tax issues with those investments. Some may have even experienced some losses in the stock market over the past few years. Did you?

Regardless, if you have been successful in developing a good asset allocation plan, you have created and preserved wealth.

Tax Inefficient Assets

Some investments are what we call tax inefficient. They may be great vehicles for accumulating wealth, but they are tax inefficient for passing that wealth to your beneficiaries.

- Traditional IRAs require individuals to begin taking minimum distributions at age 70 ½. These distributions are taxable.
- The growth on Certificates of Deposit (CDs), mutual funds, and non-qualified annuities are taxable.
- When real estate is liquidated, the gains are taxable.

Many investors are paying taxes on investments they have no plan to use. They plan only to hold those investments for their children and/or grandchildren.



Tax Efficient Assets

Life insurance is a tax efficient asset as:

- Growth on the accumulation in the life insurance contract is tax deferred for one's lifetime.
- Death benefits are passed to beneficiaries income-tax free.

Capital Transfer Strategy

The Capital Transfer Strategy is the process of moving money from tax inefficient products to a tax efficient product.

The Capital Transfer concept, in its simplest form, is really nothing more than trading an asset such as cash in a bank account, CD, annuity or similar asset for a life insurance policy. It is a better way to pass along this wealth.

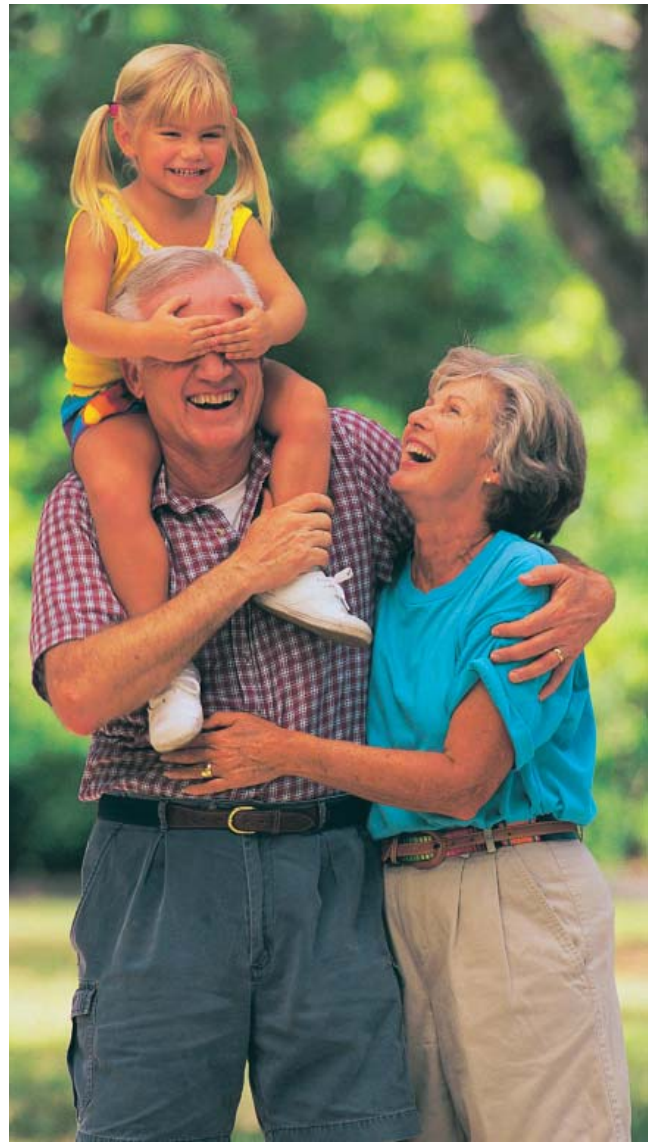
Why? Usually life insurance will produce a significantly better financial result. It's a method to maximize the value of any asset earmarked for distribution to beneficiaries.

Capital transfer planning works best for individuals who:

- Have reached retirement age
- Are living comfortably on retirement income, and
- Have earmarked certain assets for their heirs or charity.

Benefits of Capital Transfer Planning

Regardless of the asset, the tax-free death benefit of life insurance results in a superior outcome for beneficiaries.



The financial advantage varies according to the income tax treatment of the asset class and the interest rate earned. However, none of these other assets can provide a guaranteed death benefit.¹

Make Every Dollar Count!

¹ Not all life insurance death benefits are guaranteed.

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