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## Producer Perspective

### Two-year Estate Tax Window Slows Big Gifts

The new \$5 million [gift tax exemption](#) has triggered a lot of interest in nudging the ultra-wealthy to make large gifts between now and the end of 2012. That's when the high lifetime exemption limit will end. But not all wealthy people want to make big gifts, says John O'Grady, a partner in O'Grady Law Group, San Francisco, CA. "Some just don't want to part with their cash."

### Connecticut Tax Hikes Target Rich in Death, Too

Recently, Connecticut effectively [increased death taxes](#) when it reduced its estate tax and gift tax thresholds from \$3.5 million to \$2 million, retroactive to Jan. 1, 2011.

### The Next Step in Alternatives

[Private placement insurance](#) can act as a tax-advantaged wrapper for hedge funds and other alternative investments. As the nation recovers from the Great Recession and stability returns to the markets, high net worth investors are once again returning to alternative investments — usually hedge funds. But as they maneuver their way through a low-return market, wealthy investors are becoming ever more conscious of their tax burdens and the impact a good tax management strategy can have on their investment returns. One tax management solution, in fact, has come to be recognized by some high net worth investors as a perfect complement to their hedge fund investments: private placement insurance — in the form of both life insurance and annuities.

### Gifts on the Clock

Key provisions in the 2010 tax relief act are particularly advantageous to families with \$10 million to \$20 million in wealth. The lifetime tax exemption on gifts — which had been \$1 million — jumped to \$5 million, making it possible for couples to give away \$10 million without incurring any gift tax. But since these new limits expire at the end of 2012, the clock is ticking for people looking to make use of what may be a [temporary tax advantage](#).

### How Portability of the Estate Tax Exclusion Will Affect Estate Planning

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 made the estate and gift tax [portable](#) between spouses; that is, it increases the applicable estate and gift exclusion amount for a surviving spouse by the amount of the unused exclusion amount of the deceased spouse (for spouses dying after 2010 and before 2013). This should make estate planning much simpler for most married couples. However, it does require an election by the estate of the first-to-die spouse.

### Independent B/Ds Gain Annuity Market Share

[Independent broker/dealers \(IBDs\)](#) are raising some eyebrows as they gain some market share in individual annuity sales, according to data starting in 2006. In the variable annuity market, for instance, IBDs were the top distributors in 2010 with a 30 percent market share, according to LIMRA's 2010 annuity survey. Career agents came in second with a 24 percent share.

### Seeking Business, States Loosen Captive Insurance Rules

Vermont and a handful of other states, including Utah, South Carolina, Delaware and Hawaii, are aggressively remaking themselves as destinations of choice for the kind of complex private insurance transactions once done almost exclusively offshore. Roughly 30 states have passed some type of law to allow companies to set up special insurance subsidiaries called [captives](#), which can conduct Bermuda-style financial wizardry right in a policyholder's own backyard.

### Willis Re Enters Life Reinsurance Brokerage Business

**Willis Re** is entering the life reinsurance brokerage business to advise the life insurance and annuity industries on how to reduce their risks and cost-effectively manage capital. Willis Re, the reinsurance arm of global insurance broker Willis Group (NYSE: WSH), said it formed the life solutions group in response to the growing needs of the market. It will initially focus on North America and provide capital management and advisory services.

Expand the Whole Life Conversation by Telling the "Real" Story Behind Total Returns  
The economic turmoil that began in 2008 is a very strong reminder that, even in volatile markets, **whole life** insurance is capable of augmenting a portfolio two ways: through its provision of a death benefit unequalled by any other investment class (and unaffected by volatile market value adjustments) and its generation of cash values that can be used to create a steady increase in asset value equal to that produced by high quality bonds. Now, three years later, the time has come to take the argument in favor of whole life's fundamental place in financial portfolios a step further: to refine its role as the core of your clients' portfolios — guaranteed protection that simultaneously generates a return.

### Life Insurance Policy Valuation

A realistic **policy valuation** is not easy to come by. Valuations can be far from expectations and vary widely depending on carrier and circumstance. This article discusses the differences between valuations of policies related to income tax and those related to estate and gift tax. It also discusses the role of interpolated terminal reserve and the issues surrounding valuing no-lapse guarantee and multi-year term policies.

### Financial Planner Slapped with Suit

An Indianapolis insurance brokerage disciplined for unauthorized legal practice might now face millions of dollars in claims from more than 4,000 former clients. One former client, Richard Kennard, filed a class-action **suit** March 16 in Marion Superior Court against United Financial Systems, which in 2002 sold him a \$2,500 estate-planning package, along with two annuities.

## Client Perspective

### Shutting Out the Kids from the Family Fortune

Wellington R. Burt was a rich timber baron from Saginaw, MI. He died in 1919 with a multi-million-dollar fortune — one of America's largest at the time. Now, 21 years since the death of the last grandchild, the \$100 million fortune is finally being **distributed**.

### Deficit Crisis Threatens Once-untouchable Tax Breaks

In the effort to cut the federal budget deficit, reforming the tax code seems to be an area of common ground among Democrats and Republicans. Reducing or eliminating long-cherished **tax breaks** would undoubtedly trigger major clashes among affected consumers, companies and advocacy groups. The fact that such battles may be waged anyway is a telling sign of how serious the deficits have become, and how difficult it is to reach agreement on other solutions to the problem.

### Many Unprepared for Wealth Transfer, According to Survey

History's largest transfer of wealth could turn out to be a messy process that leaves many members of the next generation disappointed, results of a new **survey** seem to indicate. While the wealthy are taking many of the right actions to manage their money, they're not addressing the more complex human and emotional factors that influence its management and use, according to a nationwide survey sponsored by U.S. Trust, Bank of America Private Wealth Management, a unit of Bank of America (BAC).

### Life Expectancy Providers Develops Life Expectancy Estimation Standard

Life Expectancy Providers, a group for companies in the longevity forecasting field, released the first version of a **best practices document**. The document provides definitions, formats and procedural guidelines concerning matters such as privacy, fraud, confidentiality, client reports and reports comparing actual to expected performance. The document also provides guidelines for estimating incurred but not reported claims.

### Betting on Death: Life Settlement Investments Are Risky Business

The concept sounds ghoulish, but so-called life settlements have attracted increasing numbers of **investors**. In 2008, they purchased policies with a face value of as much as \$12 billion, according to a

2010 Government Accountability Office study. At the same time, however, state securities regulators have moved to shut down at least a half-dozen life settlement companies based or operating in Texas. In the past two years alone, they say, 2,200 investors have placed \$220 million at risk. Other Texas-related federal actions add hundreds more investors and tens of millions of dollars to the toll.

#### Nearly 60 Percent of Parents Provide Financial Support to Adult Children

According to a recent poll by *ForbesWoman* and the National Endowment for Financial Education, about 59 percent of U.S. non-students between the ages of 18 and 39 received **financial support** from their parents. The reasons for continued support are varied, as are the effects on parents' financial situation.

#### Estate Planning for Women (and the Men Who Love Them)

In general, **estate planning** affects women more profoundly than men, and they should take a much larger role in the planning process. This article goes on to explain the reasons women should have, at minimum, an equal share in planning. Portability, tax dowries, wills versus living trusts, and other planning topics are discussed.

#### Much Uncertainty Remains About Estate Tax and Planning

There is still much **uncertainty** around the estate-tax overhaul, despite Congress's eleventh-hour decision in December to let the estates of people who died in 2010 choose between the 2010 and 2011 systems. Also, the Internal Revenue Service has not yet issued Form 8939, which is necessary to file estate taxes.

#### More People Expect to Work Longer, Survey Finds

A **survey** from the Transamerica Center for Retirement Studies found that 39 percent of respondents expect to work beyond age 70, if they retire at all. More people said the economic downturn will drive them to work further into their twilight years, according to the survey. "If you expect to live to 95 and you retire at 75 vs. 65, that gives you 10 additional years to generate income and save, and 10 fewer years that you need to save for. It's a wonderful opportunity to help workers bridge their savings," said Catherine Collinson, president of the center.

#### 4,000 U.S. Millionaires Pay No Income Tax for 2010

Among U.S. households that have no federal income tax liability for last year, 14,000 had incomes from \$500,000 to \$1 million, and 4,000 made more than \$1 million. The one thing most of the **richest Americans** who pay no taxes have in common is that they use tax breaks that disproportionately benefit the wealthy, experts said.

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