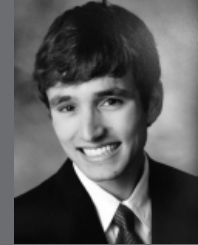




From the Desk of Adam Ziff
The Ziff Agency, LLC



Life Insurance Planning After The Tax Cuts and Jobs Act

The Tax Cuts and Jobs Act was signed into law by President Trump on December 22, 2017.

The Act brings direct changes to the tax treatment of insurance and significant indirect changes to planning with life insurance. These changes present new and interesting life insurance planning opportunities.

The Act imposes reporting requirements in the case of the purchase of an existing life insurance contract in a reportable policy sale and imposes reporting requirements on the payor in the case of the payment of reportable death benefits.

These reporting requirements apply to every person who acquires a life insurance contract, or any interest in a life insurance contract, in a reportable policy sale during the taxable year.

A reportable policy sale is the acquisition of an interest in a life insurance contract, directly or indirectly, if the acquirer has no substantial family, business or financial relationship with the insured (apart from the acquirer's interest in the life insurance contract). An indirect acquisition includes the acquisition of an interest in a partnership, trust or other entity that holds an interest in the life insurance contract.

Under the reporting requirement, the buyer reports information about the purchase to the Internal Revenue Service, the insurance company that issued the contract and the seller. When a reportable death benefit is paid under a life insurance contract, the payor insurance company is required to report information about the payment to the IRS and to the payee.

The Act also changes the calculation of tax basis in life insurance contracts. In Revenue Ruling 2009-13, the IRS had ruled that income recognized under IRC Section 72(e) on surrender to the life insurance company of a life insurance contract with cash value is ordinary income. In the case of sale of a cash value life insurance contract, the IRS ruled that the insured's (seller's) basis is reduced by the "cost of insurance" and the gain on sale of the contract is ordinary income to the extent of the amount that would be recognized as ordinary income if the contract were surrendered (the "inside buildup") and any excess is long-term capital gain.



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Current News:

Streamlining Life Insurance

Life insurance is undergoing a renaissance of sorts. The industry is slowly transforming from one entrenched in the old-age archaism of paper and manual processes to one embracing digital technology and artificial intelligence, which benefits consumers via a more enjoyable sales experience and better product pricing.

Now, rather than wait months to get a life insurance policy, some companies can issue fully underwritten policies — that is, those taking full medical history into account — within one to two weeks. A handful of more cutting-edge companies can issue them on the spot.

Companies have, within the last few years, digitized the application process and cut down on the number of questions they've had to ask consumers (which in turn leads to fewer follow-up questions). Insurers are now able to gather some consumer data such as prescriptions, credit and motor-vehicle information from third-party sources.

Required medical exams for life insurance policies are quickly becoming a thing of the past too, at least for some, due to the new concept of “accelerated underwriting,” which is slowly being embraced by life insurance companies across the country. People can now receive individually, lower priced policies quicker than ever before.

(Source: Investment News)

The Act overrules the above and provides that in determining the basis of a life insurance or annuity contract, no adjustment is made for mortality, expense or other reasonable charges incurred under the contract, known as “cost of insurance.” Gain on the sale of a term life insurance contract, without cash surrender value, is long-term capital gains under the ruling. This change specifically reverses the position of the IRS in Rev. Rul. 2009-13.

Practitioners should caution clients seeking to cancel existing coverage about the risks of a future administration changing the estate tax rules, yet again.

(Source: WealthManagement.com)

6 Reasons Why Millennials Should Buy Life Insurance

Many millennials are delaying traditional life experiences that 20 and 30-somethings in the past would have already achieved; such as getting married, buying a house or starting a family. Millennials now have a lot of various goals they wish to achieve, and it's those goals that are the reason they need to consider buying life insurance now.

As many millennials are starting to hit the traditional life milestones as well, now is the perfect time for them to start looking at policies, while they are young and healthy.

6 Reasons Millennials Should Consider:

1. Since they are younger and (hopefully) healthier than they will be in the future, it's unlikely life insurance policies will be cheaper for them than right now.
2. Should the worst happen, it can help cover burial and other final expenses.
3. Insurance can help their families and dependents replace lost income.
4. If they own a home, the insurance proceeds can help pay for home expenses and mortgage payments.
5. Insurance can also help protect co-signers of loans. Many millennials have student loans, and although federal student loans are discharged upon death, private loans are a different story. If a parent or spouse co-signed the loan they may be held accountable for the remaining balance.
6. If they are starting their own company or joining a small business, a key-man life insurance plan may be a great form of protection, as it can provide the company with funds to recover from an unexpected loss.

(Source: Investopedia)

The Underwriter's Corner: Underwriting Q & A

Case Study: A Case Study in the Importance of Working with an Insurance Expert

Proposed Insured:

- Male
- Age 46
- Seeking a \$5 Million 20-year term life insurance policy

Scenario:

- No tobacco use
- Build from exam 6'1", 211 lbs.
- Blood pressure 135/84
- Cholesterol 273, HDL 41, LDL 125
- Mother died of a stroke at 68
- History of Type II diabetes
- Diagnosed with Type II DM 2 years ago
- Taking Metformin
- HGB A1Cs from insurance and APS labs average 7.8
- Normal urine microalbumin

Initial Underwriting Rating:

Using normal underwriting criteria, the best class this proposed insured could qualify for is Table 2.

Premium Change Based on Carrier:

Most carriers would underwrite this case as Table 2, in fact almost every carrier would price this Table 2 based on Standard class rates. However, Legal & General America bases premiums for table-rated cases on Standard Plus rates, giving their OPTerm 20 product a significant price advantage for this specific proposed insured.

When purchasing a life insurance policy it is extremely important to consult with an expert who knows each life insurance company and which policy best fits your financial and medical situation.

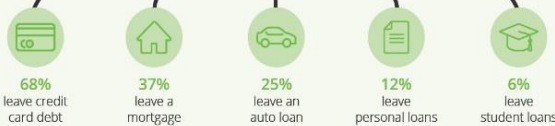
(Source: Legal & General America)

THE IMPORTANCE OF — Life Insurance —



73%

of Americans have outstanding debt when they die



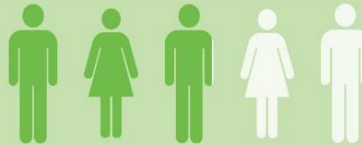
\$61,554

average amount of debt Americans left in 2016¹

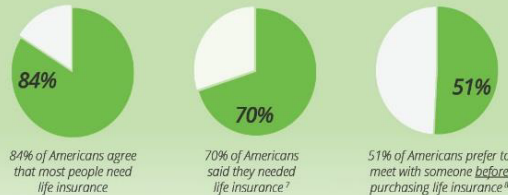
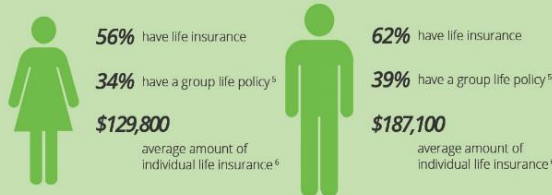
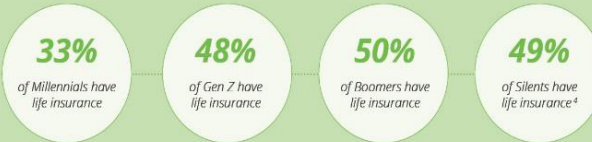
	\$25,391	<small>(average per American)</small>
	\$17,111	
	\$14,793	
	\$4,531	

Did you know?
Some federal student loans are eligible for cancellation if the borrower dies. Very few private loans will allow this.

Less than **3 in 5** Americans have any type of life insurance coverage?²



Of the 59% that do, 1/3 **only** have basic group coverage.³



(Source: Agency Blocc)

INSURANCE 101 Famous Estate Planning Failures



NAME: Whitney Houston

DIED: February 11, 2012

AGE: 48

CAUSE: Accidental Drowning

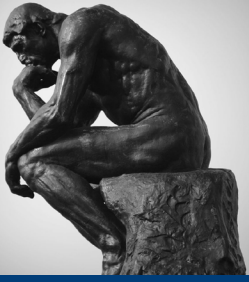
ESTATE BLUNDER: Underreporting royalties, residuals and image value to the IRS

It's been 6 years to the month since Whitney Houston's death. Just last month in January, 2018, Whitney Houston's estate has finally reached a deal with the IRS to pay \$2 million in taxes, which marks a huge victory for the estate considering the amount they originally owed.

Following her death, the IRS determined Whitney's estate had underreported the singer's royalties, residuals and value of her image by \$22.6 million. The IRS alleged that meant the estate owed them \$11 million.

Whitney's estate claimed the IRS was wrong in their value determination. They alleged the values they determined for her music royalties, digital performance royalties, motion picture and TV residuals, and publicity rights (which they valued at \$11.7 million) were all overvalued by the IRS, and claimed their tax returns were accurate. 6 years and \$2 million later Whitney's estate can finally start to move on from this.

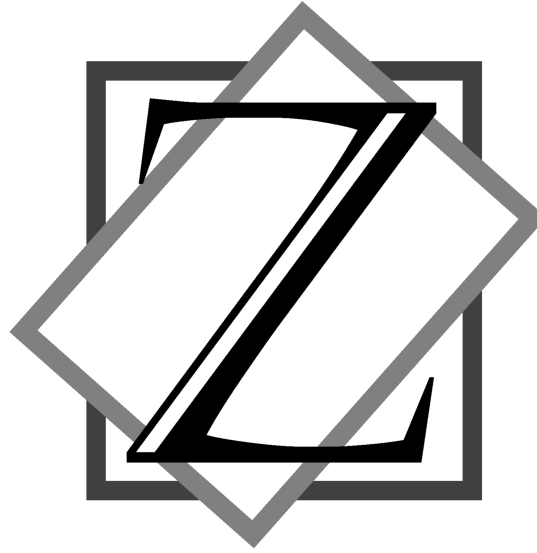
(Source: Accounting Today)



HERE'S A THOUGHT...

*"Your flaws are
perfect for the heart
that's meant to love
you."*

— Trent Shelton



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