

# SPIA SOLUTIONS

FROM *Qualified Annuity Services, Inc.*

Single Premium Immediate Annuities

<b>PLANNING ISSUE: Minimize Estate Assets Upon Client's Death</b>	
<b>CLIENT BACKGROUND:</b>	
Client's Gender and Age:	Female, Age 71
State of Residence:	Arizona
Amount of Funds Available for Consideration:	\$1,400,000.00

## **THE PROCESS:**

1. Establish an Irrevocable Life Insurance Trust (ILIT).
2. Purchase a life insurance policy for the client, on which the ILIT is named the owner and the beneficiary of the policy.
3. Fund the ILIT by making annual gifts to the Trust.
4. Purchase a single premium immediate annuity as the funding vehicle for the ILIT.

## **QAS' SOLUTION:**

Product: Single Premium Immediate Annuity  
Purchase Consideration: \$1,233,395.40  
Annuitant: Female Age 71  
Option: Life Only  
Value of the SPIA: Annual Payments of \$135,000  
Excludible portion from tax - 61.3%  
Taxable equivalent rate of return - 14.4%

## **BENEFITS TO THE CLIENT:**

- ✓ Payments from the SPIA fund the ILIT, which in turn pays the \$70,000 annual premium for the life insurance policy. Payments are guaranteed to be made for the client's lifetime.
- ✓ In addition to funding the life insurance policy, payments from the SPIA also adequately cover the client's annual living expenses.
- ✓ Upon the client's death, proceeds from the insurance policy are paid to the ILIT and are not included in the individual's estate, since the ILIT is owner of the policy.
- ✓ The ILIT distributes \$1,000,000 to the client's beneficiaries as non-taxable death benefit.

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*Qualified Annuity Services does not give tax or legal advice. Any such information in this case study is merely our understanding of current interpretations of various tax laws and regulations. If you have any questions, we suggest you consult a professional tax advisor.*

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