

Life with MEC

An Annuity Alternative

We have read that the largest inter-generational transfer of wealth will be occurring over the next ten years. About 8 trillion dollars will pass to the “Baby Boomer” generation. Have you looked at alternatives?

Of course your client can put the money into a single premium annuity. This will give them tax-deferred growth and access to their cash.

Why not offer your client the above and the **power** of *tax-free transfer*?

Consider a 60-year-old male non-smoker in good health that has \$100,000 that he is willing to put aside. Assuming a 7% return in a single premium annuity and using current rates on the Altis I let’s look at what can happen.

Using the Altis I software select maximum face and input the premium first year changing to zero year two forward. The contract will be a modified endowment contract (MEC), but that is OK in this situation. The **death benefit** will still be **income tax free** to the beneficiary and any withdrawals will be no different than from an annuity. In the above scenario, the face amount would be \$350,000.

When death occurs, which is best?							
Year	Age	Altis I UL <i>Tax Free</i>	Annuity Value	-	Tax @36%	=	Net <i>After Tax</i>
5	65	\$350,000	\$140,255	-	\$ 14,492	=	\$ 125,763
10	70	\$350,000	\$196,715	-	\$ 34,718	=	\$ 161,997
15	75	\$350,000	\$275,903	-	\$ 63,325	=	\$ 212,578
20*	80	\$350,000	\$386,968	-	\$103,308	=	\$ 283,660

*Life expectancy for a male age 60 is 17.5 years.

The client’s concern is not cash accumulation. It is transfer of lump sums paid direct to a person’s heirs without probate or challenges. You can see that Altis I is the best vehicle. No IRS! No Hassles! Very Simple!!

Of course if you have client with a cash rich older policy, you may find that they can better utilize their money by putting it into the Altis I by a 1035 exchange. If the policy is under old rules the grandfather FIFO rules will be preserved and income tax free distributions by loans may be preserved.

This is a great opportunity for the right client. **Client wins!** On the annuity the agent may receive 4 or 5% commission one time. With Altis I the target premium is \$12,522 plus you will receive excess commissions on the balance. **Agent wins!**