W&S Financial Group Distributors
A member of Western & Southern Financial Group

Annuities in Trusts

Creating a Legacy: A Case Study

Identify Client Objectives

Meet the Westons: Ann and Robert and their children, Jon and Julie. Over the years, Ann and Robert often talked about leaving a financial legacy for their heirs. Part of Robert's estate plan involved establishing a credit shelter trust upon his death to:

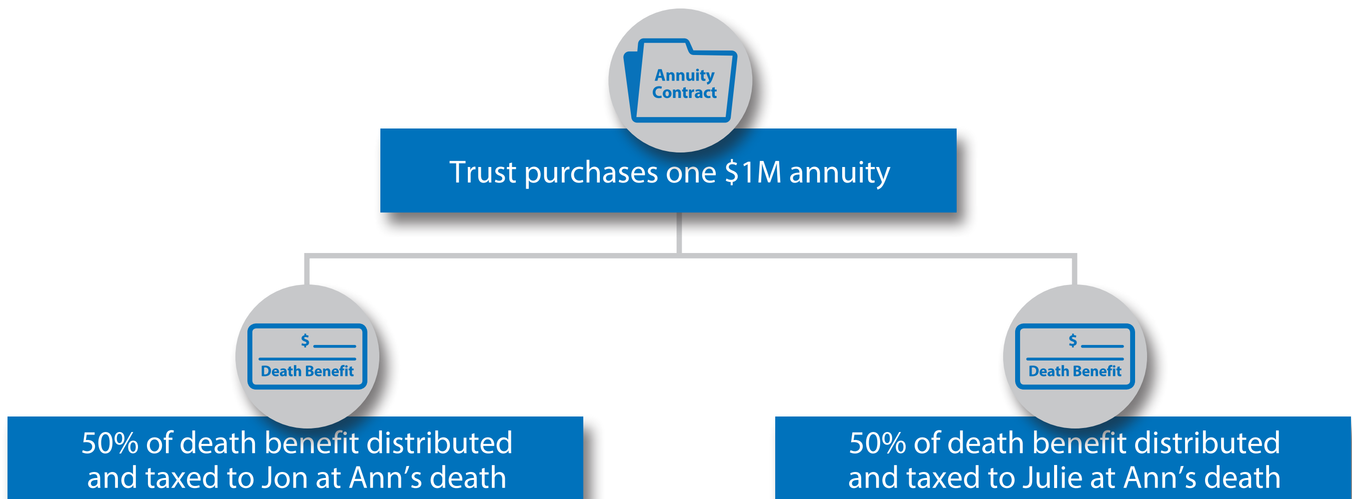
- minimize estate taxes by maximizing his estate tax exemption ($5.49 million in 2017)
- provide income for his surviving spouse Ann (income beneficiary) and
- maintain trust assets for his children (remainder beneficiaries).

Upon Robert's death, the trust is funded with $5.49 million in cash and other property. The trustee discusses with Ann the possibility of investing a portion of the assets in a nonqualified annuity. The trustee explains that the growth within a nonqualified annuity contract accumulates tax-free and would not be subject to the higher trust income taxes or the additional 3.8% net investment income tax; thus, the money that would otherwise go to pay taxes continues to work for her. The decision is made to invest $1 million in a nonqualified tax-deferred annuity. The trust will be the owner and beneficiary of the contract.

Consider Structuring Options

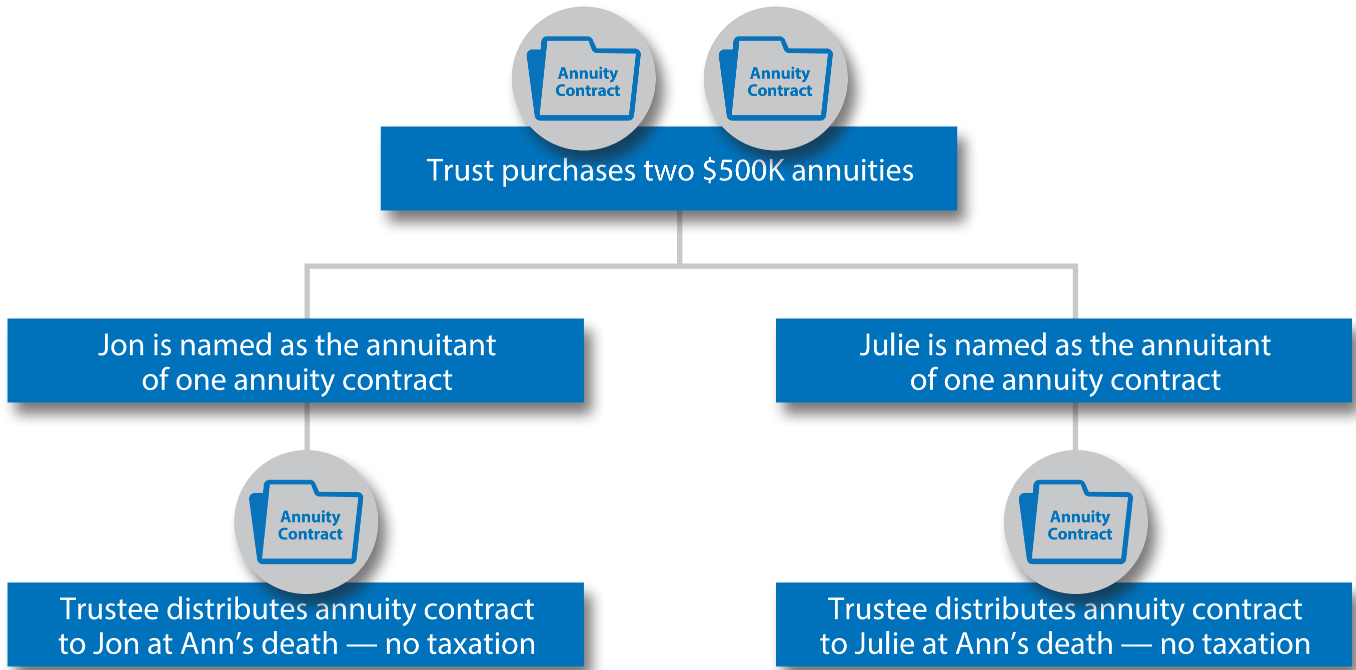
The next step to consider is who to designate as the annuitant:

Purchase one nonqualified annuity for $1 million with Ann as the annuitant. The death benefit will be paid on her death and must be distributed in a lump sum or over a period of no longer than five years. Distribution will be a taxable event to the trust (if retained) or to the children (if distributed).



(continued)

Purchase two annuities for $500,000 each with Jon named as the annuitant of one and Julie named as the annuitant of the other. At the death of Ann, the trustee can choose to distribute the annuities to the respective annuitants. This is not a taxable event.* Jon and Julie simply become the owner of their own contract. Each then can name a designated beneficiary. Jon and Julie each assumes the cost basis of the trust in their own nonqualified annuity and can continue the tax deferral.



Establish a Lasting Legacy

The decision to go with two separate nonqualified deferred annuity contracts with the children as the annuitants has the added benefit of allowing even further tax deferral and truly delivering on Robert's and Ann's wish to provide a financial legacy. Looking far ahead, upon the passing of the children someday, their designated beneficiaries can elect to stretch the tax deferral over their lifetimes.

Need help talking about trusts? Contact us. Or visit WSFinancialPartners.com

---

* While the distribution is tax neutral, there may be negative non-tax consequences, such as the termination of optional benefits and riders upon a change in ownership.

Annuities are issued by Integrity Life Insurance Company, Cincinnati, OH or National Integrity Life Insurance Company, Greenwich, NY. Integrity Life operates in DC and all states except NY, where National Integrity Life operates. W&S Financial Group Distributors, Inc. is an affiliated agency of the issuer. Issuer has sole financial responsibility for its products. All companies are members of Western & Southern Financial Group.

Interest rates are declared by the insurance company at annual effective rates, taking into account daily compounding of interest. Riders are optional and contain additional cost. Diversification may not protect against market risk. Payment of benefits under the annuity contract is the obligation of, and is guaranteed by, the insurance company issuing the annuity. Guarantees are based on the claims-paying ability of the insurer. Product approval, availability and features may vary by state. Earnings and pre-tax payments are subject to income tax at withdrawal. Withdrawals prior to age 59½ are generally subject to a 10% IRS penalty tax.

The tax information and estate planning information contained herein is general in nature, is provided for informational purposes only and should not be construed as tax or legal advice. Western & Southern member companies do not provide tax or legal advice. Western & Southern member companies cannot guarantee that such information is accurate, complete or timely. Laws of a particular state or laws that may be applicable to a particular situation may impact the applicability, accuracy or completeness of such information. Federal and state laws are complex and can change. Changes in such laws and regulations may have a material impact on pre- and/or after-tax results. Western & Southern member companies make no warranties with regard to such information or results obtained by its use. Western & Southern member companies disclaim any liability arising out of your use, or any tax position taken in reliance on, such information. Always consult a tax professional or attorney regarding your specific tax or legal situation.

No bank guarantee	Not a deposit	May lose value	Not FDIC/NCUA insured	Not insured by any federal government agency

© 2017 Western & Southern Financial Group. All rights reserved.