

# LIFE INSURANCE

## A Strategy for Transferring Your Wealth



After years of building a sizable estate — the value in your home, vehicles, investments, business interests, retirement plans, etc. — your focus is now on conserving assets and minimizing taxes. Your objectives are most likely twofold:

- 1) To maximize the amount of income you have for your needs before and during retirement.
- 2) To maximize the legacy you leave to your heirs.

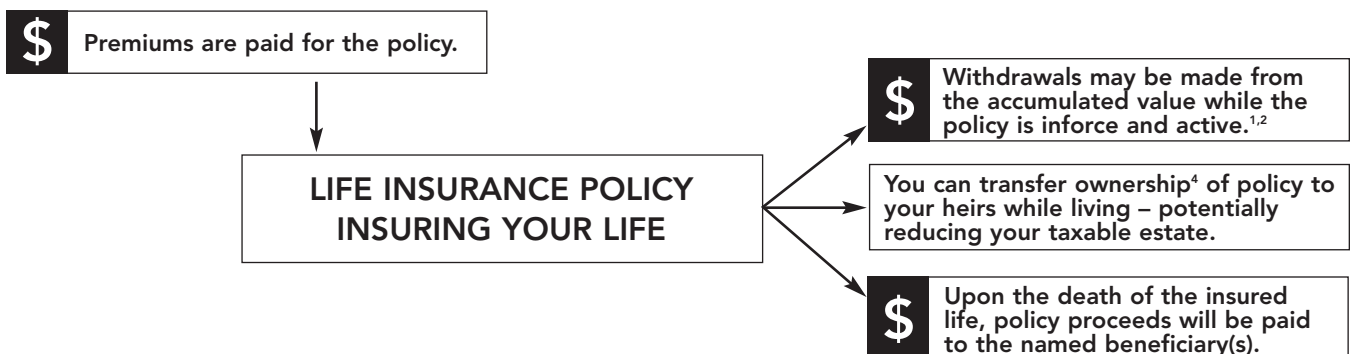
### LIFE INSURANCE OFFERS A STRATEGY FOR TRANSFERRING YOUR WEALTH

With life insurance, you can transfer part of your wealth — your estate — to heirs. Consider these two options:

#### OPTION ONE — LIFE INSURANCE ON YOUR LIFE

Money or income not needed to maintain your current standard of living can be used to fulfill your wealth-transfer desire. Consider the following:

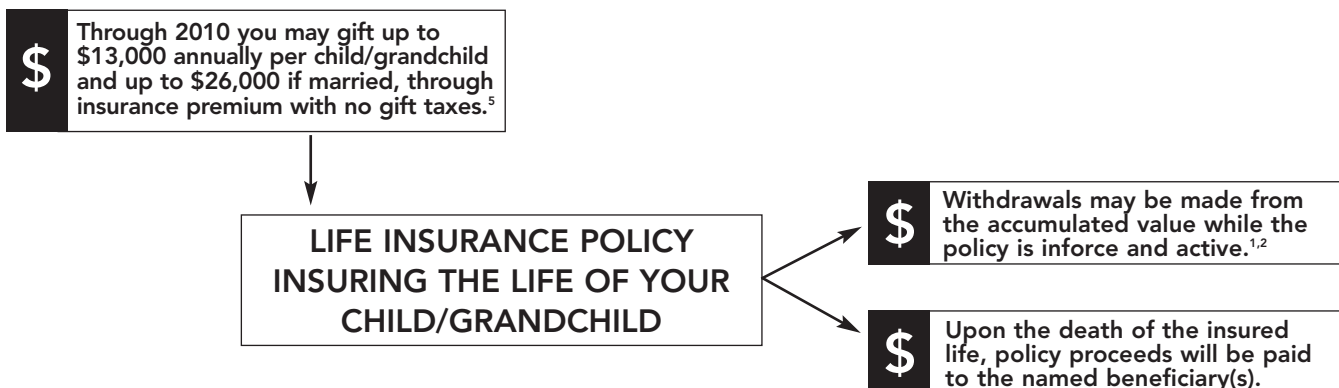
- The policy proceeds<sup>1</sup> paid to your loved ones upon your death may be fully excludable from federal income tax — your beneficiary(s) can receive the proceeds income tax-free.
- A portion of the accumulated value can be withdrawn while you're living for financial needs or to supplement retirement income. Any loans or partial withdrawals may reduce the death benefit and are subject to applicable income tax.<sup>2</sup>
- Potential growth of your policy's accumulated value is on a tax-deferred basis.<sup>2</sup> This means you don't pay income tax on any growth in the policy until the funds are withdrawn.
- Ownership of the policy can be transferred to your heirs during your life, thus moving money out of your estate, which may help to reduce any applicable estate transfer taxes.<sup>3,4</sup>
- Upon your death, the policy proceeds that are paid directly to your beneficiary(s) are not subject to probate or public disclosure in most states.



## OPTION TWO — LIFE INSURANCE ON YOUR CHILD'S OR GRANDCHILD'S LIFE

Money or income not needed to maintain your current standard of living can be used to fulfill your wealth-transfer desire by paying premiums on a life insurance policy, insuring your children or grandchildren.

- Life insurance can help provide financial peace of mind to the family heirs.
- Lifetime gifts can minimize the potential for disagreement among family members after your death.
- Amounts necessary to pay life insurance premiums can be gifted to your heirs.<sup>5</sup>
- You can control ownership of the policy, and if you wish you may transfer ownership to your child when he/she is an adult.



Your agent can help you select an appropriate wealth-transfer option based on your particular situation. He or she offers a full line of products and services to help meet your specific needs and goals.



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- 1 The policy proceeds will be paid to the beneficiary only if premiums and loan interest are paid as required, the policy is in force and the policy loans do not exceed the cash value.
- 2 Only applicable to policies that accumulate cash value and any loans or partial withdrawals may reduce the death benefit and are subject to applicable income tax.
- 3 Savings on income and/or estate taxes can result. The full tax advantages of certain gifts may not be realized if the donor dies within three years of making the gift. In addition, gift taxes may apply to the transfer of the policy.
- 4 Gifting issues will apply.
- 5 Through 2010 up to \$13,000 can be transferred to each heir annually with no gift taxes. Up to \$26,000 can be gifted annually by a married couple. As with any financial strategy, you should consult your tax and/or legal professional advisers before proceeding.

This material briefly highlights the wealth-transfer options available using a life insurance product from Farm Bureau Life Insurance Company. The contract is contained only in the policy. For more information about the life insurance products available and their benefits, including costs and the terms under which the policy may be continued in force, contact your Farm Bureau agent.

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