

The Tax Benefit of the TEN99 Never Strategy

Tax & Income Diversification

Personal Pension Plan

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Priority: Stability, Predictability & Security; Getting off the Stock Market Roller Coaster!

“Peace of Mind”

Concern: Taxes on the growth, and Income of their Retirement Money. Can they afford to retire? What will be the impact of increasing tax rates with fewer deductions on their spendable income?

- Normal Guidelines / Demands:**
 - I do not want to lose money (**downside potential**)
 - I do not want to pay taxes again (**double taxation**)
 - I want a good rate of return (**upside potential**)
- Implement Tax Bracket Planning:** Minimizing taxes both now and when withdrawn. What if the Market Crashes?
You do not lose money; your accumulated values do not drop. The Power of Indexing, Stability to Security.
- One Solution:** Using the TEN99 NEVER strategy. Established with a properly designed and funded Indexed Universal Life Policy. **The Living benefits of this type of policy have benefits that no other financial vehicle can match.**

Index Universal Life (IUL) Policy: Is Designed Specifically to minimize taxes, most tax-free income.

- Indexing Strategy: Provides Stability, Predictability & Security**
 - The indexing strategy allows you to participate in potential double-digit gains when the market goes up but protects you from losses when the market declines.
 - Grow Your Money Tax Deferred and Access Tax Advantages for supplemental retirement cash flow.
 - Your money is not invested directly in the stock market.
 - This strategy provides you with a greater potential for gains and a safeguard against market downturns.
- Stability & Security & Taxes are primary reasons the wealthy use these accounts.**

Members of the World’s Richest Banking Families use these types of policies as a key component of their retirement and investment portfolio. Many of the Fortune 500 Companies Executives and Largest Banks invest Billions into Life Insurance. Billionaire Bill Gates and Warren Buffet have invested a combined 1.5 billion into this type of plan. **The New York Times has called it a “loophole” that makes it a more attractive way to save.**

 - John F. Kennedy, Franklin D. Roosevelt, Ronald Reagan, former Federal Chairman Ben Bernanke, John McCain, VP Joe Biden, Ray Kroc, and the list goes on. If it is good enough for these wealthy individuals, businesses, and Banks, you need to be taking advantage of it also. **The Wall Street Journal: “This program has become a tax shelter for the Rich...it gives the affluent tax advantages far beyond those available for the middle income through other traditional retirement plans.”**
- Why haven’t I heard of an IUL before?** The fact is, living benefits of life insurance are not part of the Traditional Wall Street way of investing. The reason it remains unknown has to do with the type of professional who might present it to you as a planning option. Financial advisors, Stock Brokers & Money Managers who are regulated by the Financial Industry Regulatory Authority (FINRA) their expertise is in accumulating assets, so you likely haven’t heard of an IUL from them. CPA and Accountants’ time is usually spent on 1099s, W-2s and all the other numbers, so income and tax diversification, nor a High Cash Value Life Insurance (IUL) isn’t part of their daily practice.

The Life Insurance Industry **Doesn't** emphasize income and tax diversification nor tax bracket planning to their Agents or other Financial Advisors. The thinking has been that Life Insurance only provides benefits when you die, that is no longer the case, The Living Benefits provides tax advantages not found in any other financial vehicle. Not to mention these policies **now provide long term care type benefits.**

Life Insurance has been considered an expense. However, **this isn't your normal life insurance policy, this is a highly efficient, tax-advantaged, high cash value contract designed to accumulate wealth on a tax-favored basis with a death benefit to complete the plan.** This is an asset that has been used for decades by the wealthy, banks and corporations. It provides a tax-advantaged, safe and more efficient savings vehicle that creates predictable income when you need it the most. **What is the best investment? The one that pays you the most when you need it the Most!**

Why isn't everyone using this plan? Most of the Individuals, Business Owners and Families with High Net Income & Net Worth who are made aware and understand the benefits **Are Using This Plan.** Not only is it one of the safest places to keep your retirement and investment funds, Tax Expert Ed Slott refers to it as the "Single Biggest Benefit in the Tax Code."

Fact: More than 217 major U.S. banks have contributed over \$143 Billion into these **TEN99 NEVER** Type plans. In recent years, more than 3,840 banks in the U.S. use Life Insurance as an investment.

- (1) This type of strategy has been used by our Firm since 1987. Kelm Financial Services, Inc. was instrumental in the structure and design of this form of the **TEN99 NEVER** strategy, including some of the best tax and insurance advisors inside and outside the insurance industry.

7. **Federal tax benefits of life insurance:** Listed here are several Federal Tax Benefits that give a significant competitive edge to cash value life insurance that no other financial vehicle can match.
 - **IRC Section 101(a)** provides that death benefits of life insurance are income tax free when paid to the policy beneficiary.
 - The policy can pay out tax-favored benefits to the policy owner before the death of the insured. For non-MEC policies, cash can be withdrawn from the policy tax free up to the adjusted cost basis (First in, First out-FIFO) **under IRC Section 72(e)(5).**
 - The policy can be structured to pay out **tax-free ongoing income** and to the policy owner in the form of policy loans. Loans will reduce the policy's cash value and may reduce the death benefit. This assumes the policy never lapses while the insured is still alive. The loan interest is repaid by the death proceeds.
 - Tax-Free withdrawals or loans are not subject to the 3.8% passive income tax under the Affordable Care Act (ACA). **Tax-free withdrawals or loans are not considered as income for purposes of calculating income taxes** on Social Security retirement benefits. Cash value life insurance is not considered to be a countable asset on the FAFSA application for college financial aid at public colleges.
 - The policy owner may receive an **Income Tax-Free advance** of some of the death benefit for certain long-term care expenses, chronic, or terminal illness under **IRC Section 7702(b)** or **IRC Section 101(g)**. These potential tax-free benefits depend on the design of the policy, which may or may not include certain long-term care type riders.
 - Growth of policy cash values in excess of the cost basis is tax deferred.
 - A policy in gain position can be exchanged tax-free directly to another insurance company under **IRC Section 1035(a)**. Often, this exchange can result in an equal or greater death benefit, lower or no future premiums, or a combination of both.

Resources Include: Palm Beach Investment Research. "702 Accounts", Ed Slott, Patrick Kelly, Douglas Andrew, Jake Thompson, Chris Kelm CFP®, including 30 years of experience in this field.

* Tax Free Distribution or Income are based on the use of partial surrenders and zero or low-cost loans and policy structured within the MEC guidelines with the policy remaining in force! Kelm Financial Services Inc. does not provide legal advice nor tax calculations, preparation or advice. Consult with a licensed professional in that field for additional information.

The tax benefit of the TEN99 Never Strategy



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