

WORRIED ABOUT ESTATE TAX UNCERTAINTY?



PACIFIC LIFE

Pacific Life Insurance Company

Consider a Life Insurance Policy with the Flexibility to Adjust

Life insurance can be a key element to an estate plan. The policy's death benefit provides liquidity at the insured's death that may be used to pay estate taxes¹ and help keep estate assets intact.

But What if the Federal Estate Tax Is Repealed or Significantly Reduced?

The future of estate tax will always be uncertain. Estate taxes tend to come and go with administrations. But taking a wait-and-see approach to buying life insurance can have very real costs.

Flexible Life Insurance Can Help.

If your estate tax liability changes, a flexible life insurance policy may help you adjust by lowering your death benefit amount, surrendering your policy for the cash surrender value, or restructuring your death benefit coverage for new needs. One flexible policy provision is the **Enhanced Policy Split Option Rider**² available at no additional cost with certain survivorship life insurance products from Pacific Life Insurance Company.

Potential Costs of Waiting to Buy Life Insurance

- You will get older, which may result in higher premiums.
- Your health may change, which may result in uninsurability or higher premiums.
- You may die with an estate tax liability, potentially forcing your estate to liquidate precious estate assets.

THE FLEXIBILITY OF CASH VALUE LIFE INSURANCE³

Financial Protection

A policy's death proceeds are paid to policy beneficiaries at the death of the insureds.

Financial Potential

A policy's cash value has the potential to grow, less policy charges.

Financial Features

A policy's optional riders expand the policy's flexibility.

¹ According to the American Taxpayer Relief Act of 2012, the 2017 federal estate, gift, and generation-skipping transfer (GST) tax exemption amounts are \$5,490,000 individual and \$10,980,000 joint (indexed for inflation); the maximum estate, gift and GST tax rates are 40%. Currently, 20 states have estate and/or inheritance taxes, some of which have rates as high as 20%. Source: U.S. Census Bureau; state statutes; Family Business Coalition at taxfoundation.org, Sept. 2015.

² Rider Form #R17ESO or ICC17 R17ESO, based on state of policy issue. Riders will likely incur additional charges and are subject to availability, restrictions, and limitations. When considering a rider, request a policy illustration from your life insurance producer to see the rider's impact on your policy's values.

³ Life insurance is subject to underwriting and approval of the application and will incur monthly policy charges.



Enhanced Policy Split Option (EPSO) Rider

Available with Certain Survivorship Life Insurance Policies from Pacific Life Insurance Company

If the federal estate tax is repealed or significantly reduced,⁴ this no-charge rider⁵ may help you restructure your life insurance coverage to adapt to changing estate tax planning needs.

- **Split Existing Policy into Two New Single Life Policies**—Within one year (365 days) of federal estate tax repeal or significant reduction,⁴ the rider allows you to split the original survivorship policy into two new single life policies (one on each insured).
- **No New Medical Underwriting Required**—As long as the original survivorship policy's face amount and cash value are evenly split among the two new single life policies, no new medical underwriting is required. Uneven splits are permitted, but will require new medical underwriting on the coverages beyond 50% of the original face amount.
- **Qualifying Conditions for Policy Split**—To split the policy, an applicable federal estate tax law change must have occurred within the last 365 days⁴ and the policy must be within its first five policy years (if older insured is 18–69 at policy issue) or first three policy years (if older insured is 70–79 at policy issue). Both insureds must be living with standard or better risk classes and the policy must not be in a lapse grace period.

⁴ Eligible rider exercise conditions are if the federal estate tax is repealed, the federal estate tax marital deduction is reduced or eliminated, or if the maximum estate tax rate is reduced to half of the rate it was at the time of policy issue date.

⁵ Rider is included at no additional cost with certain survivorship life insurance policies with standard or better insureds issue ages 18–79. There is no monthly rider charge and no charge to split the policy. However any gains in the policy will be subject to income taxation at the time of policy split.

Estate Liquidity Planning Example

The future of estate settlement costs is uncertain. One scenario may be that the estate tax is repealed, but replaced by capital gains tax at the first spouse's death. If so, two single life insurance policies may provide more flexible coverage because capital gains tax would apply at the death of a spouse.

With the EPSO Rider, you can split the existing survivorship life insurance policy for two new single life insurance policies so that death proceeds may cover a capital gains tax liability no matter who dies first.

About Replacing Your Life Insurance Policy

There are circumstances in which replacing your existing life insurance or annuity can benefit you. As a general rule, however, replacement is not in your best interest. Your life insurance producer can provide you detailed information as to how a replacement may affect your plan of insurance. You should make a careful comparison of the costs and benefits, including any applicable surrender charges, of your existing policy and the proposed policy to determine whether

replacement is in your best interest. Please note that the issue of a new policy will reinstate any applicable suicide exclusion and because policy charges are generally higher in the policy's early years, may negatively affect the amount of available cash value upon replacement. Additionally, not all policy benefits, investment options, or riders may be available on the new policy and may be lost as a result of replacement, including any no-lapse guarantee.

Remember, the decision to buy a life insurance policy should not be based solely on one policy feature, but on your life insurance needs. Request a personalized illustration from your life insurance producer to learn more about any associated rider costs and impacts to your policy's benefits.

Talk to your life insurance producer about this and other strategies to enhance the flexibility in your estate plan.

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