



WEALTHPOINT®

Know your story.

Rethinking Asset “Location”

Mitigating Income Tax Drag

EPI

June 10, 2021

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TAX ADVANTAGES OF LIFE INSURANCE

- ④ Tax–deferred growth
 - Cash value growth is tax-deferred
 - Account value can grow unencumbered by income or capital gains taxes
- ④ Tax–free death benefit
 - Under §101(a)(1), life insurance death benefits are income tax free (unless policy was transferred for valuable consideration)
- ④ Tax-free access to cash value
 - Distributions from insurance policies are assessed on a FIFO basis
 - Partial surrenders up to cost basis are received without incurring income tax
 - Loans above and beyond cost basis are also received without incurring income tax
 - Contract must remain in-force to avoid becoming taxable income



WHAT IS PRIVATE PLACEMENT LIFE INSURANCE?

- ④ Think of PPLI as a vehicle that protects investments from income tax
 - Institutionally-priced life insurance product with access to institutional investments
 - Designed for investment performance, not death benefit
 - No surrender charges
- ④ Investments managed by your RIA
 - Separately Managed Account custodied at Charles Schwab or Fidelity
- ④ Tax-Efficient
 - Cash values (principal and earnings) can be accessed income tax-free
 - Death benefit is income tax-free may be structured estate tax-free
- ④ Complies with multiple IRC sections, including 101, 72, 817 & 7702
 - These code sections govern all life insurance products, not just PPLI
 - Settled income and estate tax treatment
- ④ Negates insurance carrier insolvency risk
 - Assets custodied at custodian of RIAs choice
 - Not an asset of the Insurance Carrier; thus, not subject to its creditors



\$11,709,474

**Total tax paid at life expectancy on \$5 million of assets assuming current tax rates*

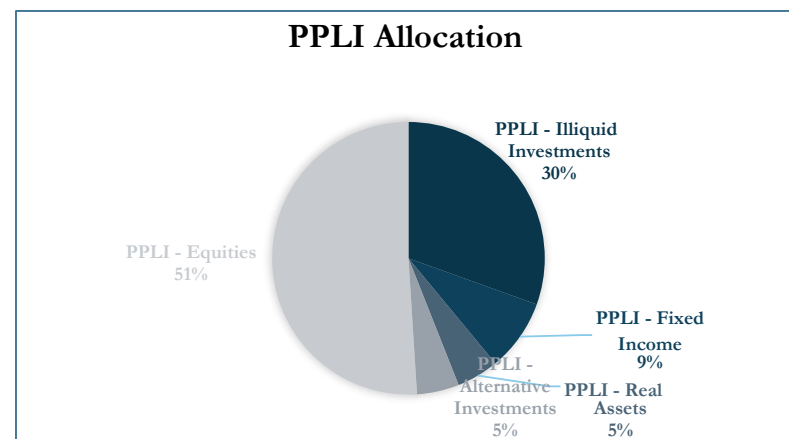
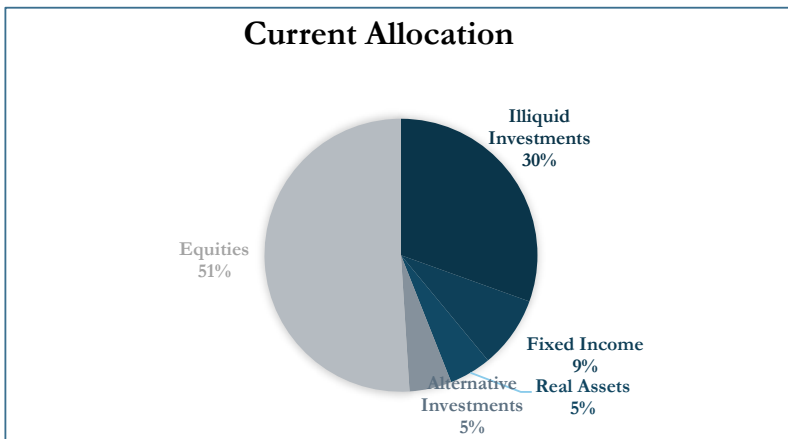
What does that cost you over your lifetime?

Investment Portfolio - PPLI Allocation Analysis - Overall Allocation - Market Return

Assumptions

OI/STCG Tax Rate*	45.35%	federal & state
LTCG Tax Rate	28.35%	federal & state

Fund	Investment Allocation	Investment Balance	Investment Return	Assumed Tax Treatment	Assumed Tax Rate	PPLI Allocation (%)	PPLI Allocation (\$)
Illiquid Investments	30.50%	\$ 1,525,000	7.98%	Blended Rate (20% ordinary income; 80% LTCG)	31.75%	100.0%	\$ 1,525,000
Fixed Income	8.50%	\$ 425,000	2.36%	Ordinary Income (82% Muni Bonds)*	8.00%	100.0%	\$ 425,000
Real Assets	5.00%	\$ 250,000	7.80%	Blended Rate (20% ordinary income; 80% LTCG)	31.75%	100.0%	\$ 250,000
Alternative Investments	5.00%	\$ 250,000	3.80%	Blended Rate (20% ordinary income; 80% LTCG)	31.75%	100.0%	\$ 250,000
Equities	51.00%	\$ 2,550,000	8.07%	Blended Rate (20% ordinary income; 80% LTCG)	31.75%	100.0%	\$ 2,550,000
Total	100.0%	\$ 5,000,000				Total	\$ 5,000,000



Current Investment Portfolio Return & Tax Rate:

Portfolio Weighted Return	7.33%
Portfolio Weighted Tax Rate	17.23%
Portfolio Net After-Tax ROR	6.07%
Projected Account Balance @ LE	\$ 61,250,574

Isolated PPLI Allocation Return & Tax Rate: Advantage

Weighted Return (PPLI Assets)	7.33%	-
Weighted Tax Rate (PPLI Assets)	0.00%	-17.23%
PPLI Death Benefit IRR @ LE	6.64%	0.57%
Projected Account Balance @ LE	\$ 73,997,718	\$ 12,747,144

- ⊗ Positioning higher taxed assets into Private Placement makes the most of the tax-efficient nature of the life insurance
 - Location change not an allocation change
- ⊗ Tax Rate Assumptions
 - Ordinary Income: 37% Federal and 4.63% Colorado
 - Capital Gains: 20% Federal, 4.63% Caolorado and 3.8% NIIT

* Ordinary income tax rate assumption does not include NIIT due to uncertain status of the type of total earned income for the client

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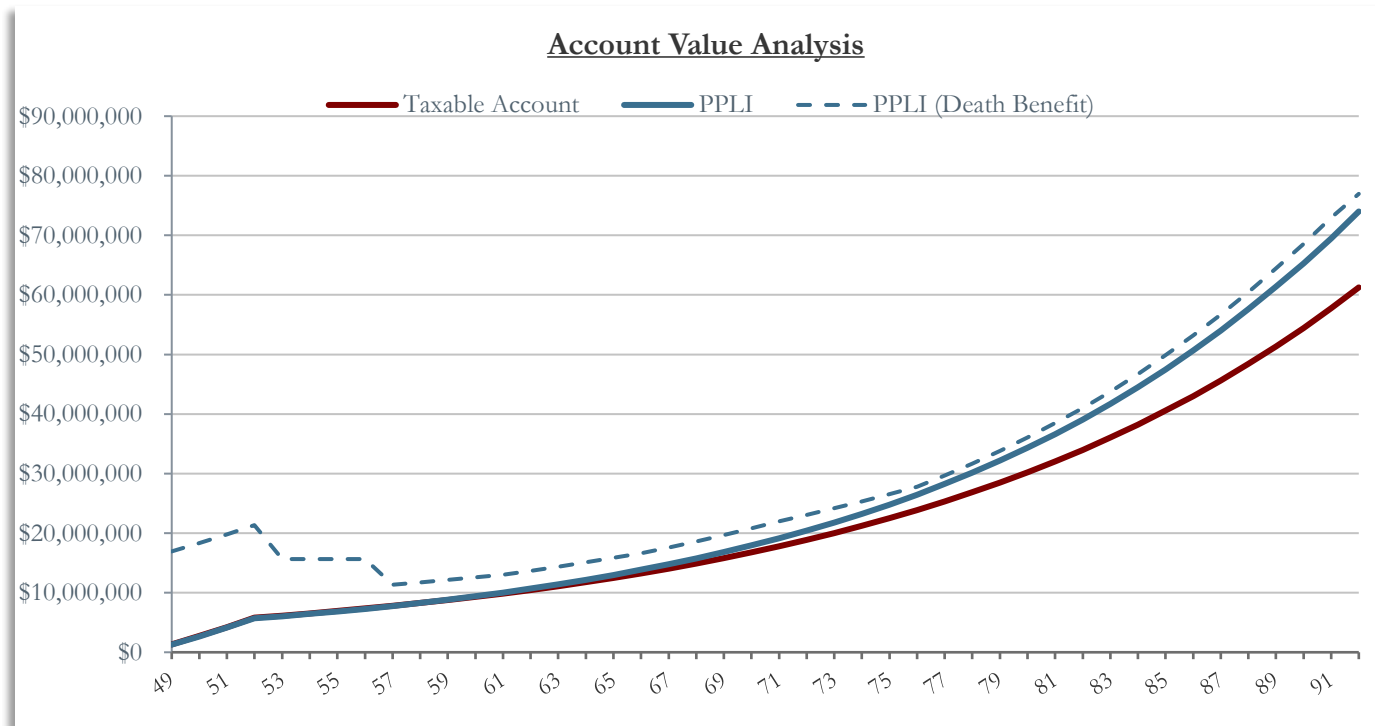
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Summary of Private Placement

	Annual Outlay	Cumulative Outlay	Account Value*	Death Benefit*	IRR**
Private Placement VUL	\$1,250,000	\$5,000,000	\$73,997,718	\$76,957,627	6.64%
Taxable Account	\$1,250,000	\$5,000,000	\$61,250,574	\$61,250,574	6.07%
PPLI Advantage			\$12,747,144	\$15,707,053	0.57%

* At Life Expectancy

** Combined benefit IRR of death benefit at Life Expectancy



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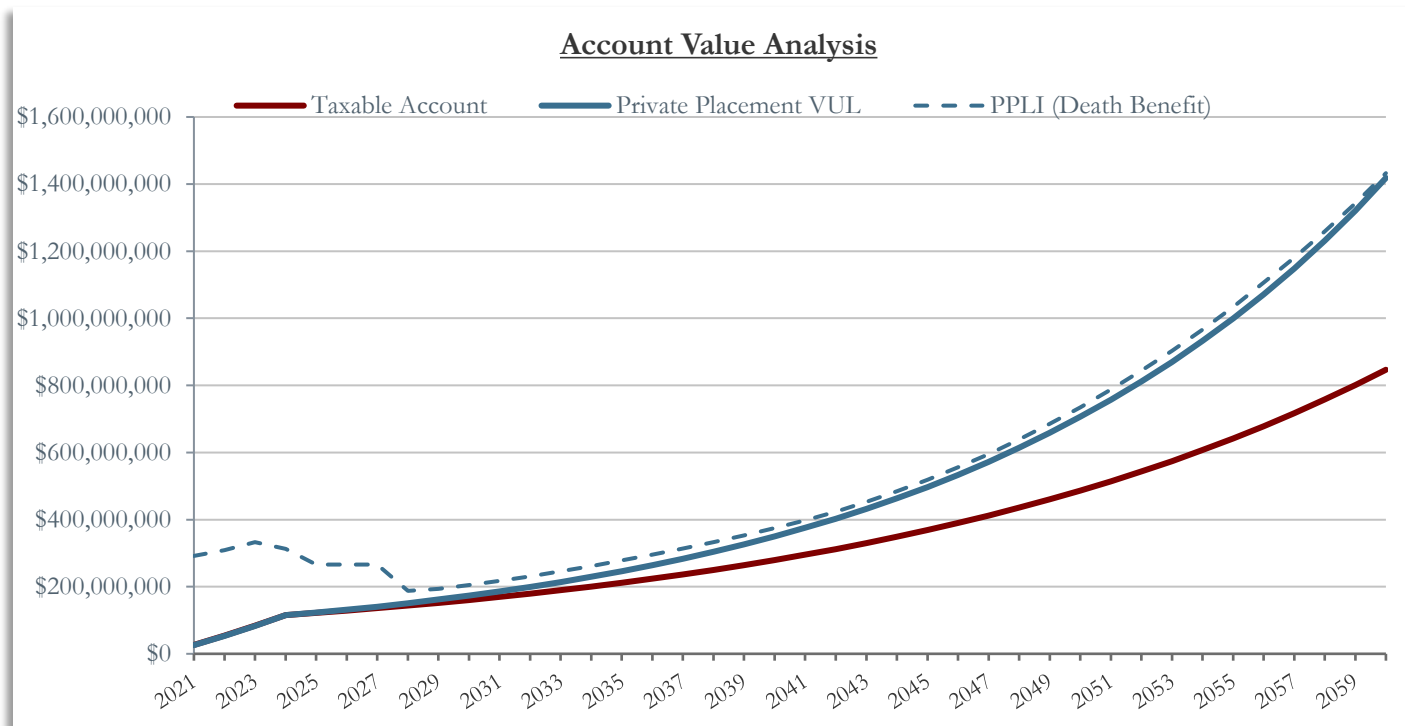
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ROR Summary - Today's Tax Rates								
Category	Large	Mid	Small	International	Alternative	Income		
LTCG Return	5.36%	9.18%	8.21%	4.59%	5.47%	3.63%		
OI Return	0.24%	0.18%	2.09%	0.25%	0.00%	4.26%		
Unrealized Return	5.13%	3.07%	0.00%	2.88%	1.21%	0.00%		
Gross ROR Historical	10.73%	12.43%	10.30%	7.72%	6.68%	7.89%		
Portfolio Amount	\$ 95,000,000	\$ 54,000,000	\$ 34,000,000	\$ 38,000,000	\$ 38,000,000	\$ 38,000,000	Total	\$ 297,000,000
Portfolio Weighting	31.99%	18.18%	11.45%	12.79%	12.79%	12.79%		100.00%
Forecast Return	8.00%	8.50%	8.50%	8.00%	6.50%	7.00%		
Forecast Weighted Return	2.56%	1.55%	0.97%	1.02%	0.83%	0.90%		7.83%
LTCG%	49.92%	73.84%	79.70%	59.44%	81.89%	45.97%		
OI%	2.25%	1.46%	20.30%	3.26%	0.00%	54.03%		
Capital Appreciation (unrealized gain)	47.84%	24.70%	0.00%	37.30%	18.11%	0.00%		
LTCG Tax Rate	30%	30%	30%	30%	30%	30%		
OI Tax Rate	45%	45%	45%	45%	45%	45%		
Annual Portfolio Turnover	5%	5%	5%	5%	5%	5%		
Turnover Realized as Gain	20%	20%	20%	20%	20%	20%		
Gross ROR	8.00%	8.50%	8.50%	8.00%	6.50%	7.00%		
Tax Incurred								
OI Tax	0.08%	0.06%	0.78%	0.12%	0.00%	1.70%		
LTCG Tax	1.20%	1.88%	2.03%	1.43%	1.60%	0.97%		
Tax Incurred from Turnover	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%		
Total Tax Owed	1.58%	2.24%	3.11%	1.84%	1.90%	2.97%		
Net ROR	6.42%	6.26%	5.39%	6.16%	4.60%	4.03%		
Gross Forecast Weighted Return	2.56%	1.55%	0.97%	1.02%	0.83%	0.90%		
Net Forecast Weighted Return	2.05%	1.14%	0.62%	0.79%	0.59%	0.52%		
Gross ROR - Entire Portfolio	7.83%							
Net ROR - Entire Portfolio	5.70%							

Summary of Values

	Annual Outlay	Cumulative Outlay	Total Taxes/ Charges	Account Value	AV IRR	Net to Heirs	DB IRR
Taxable Account	\$25,000,000	\$100,000,000	(\$279,033,365)	\$846,636,054	5.70%	\$846,636,054	5.70%
Private Placement VUL	\$25,000,000	\$100,000,000	(\$107,351,185)	\$1,418,286,776	7.12%	\$1,432,560,784	7.15%
PPLI Advantage			\$171,682,180	\$571,650,722	1.42%	\$585,924,730	1.45%

* Values through Age 90



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