

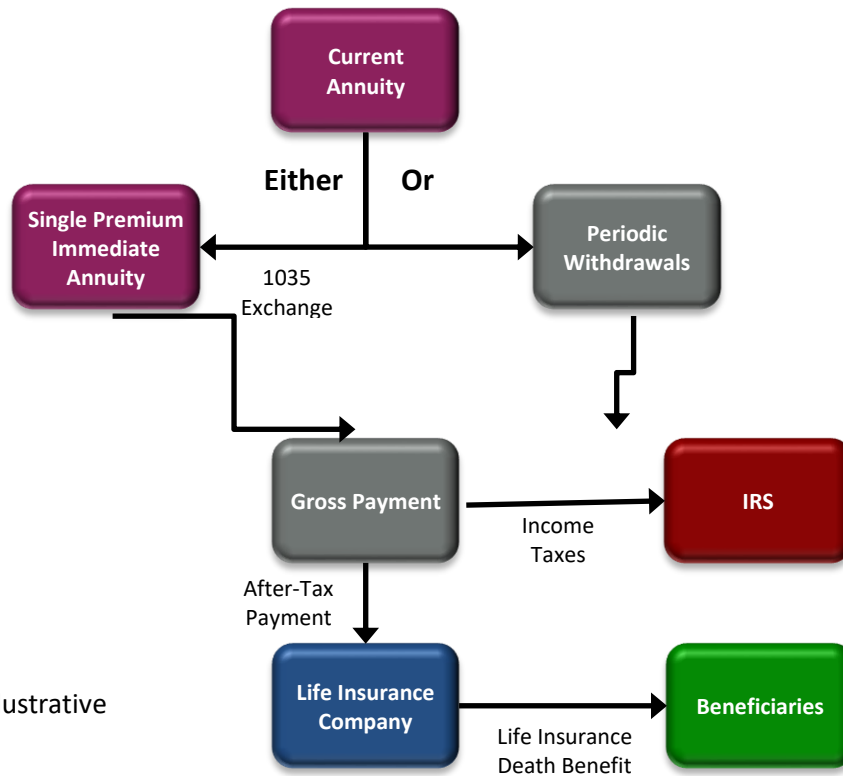
Capitas Financial: Annuity Maximization

Strategy: A strategy designed to maximize the after-tax amount left to beneficiaries by repositioning an annuity that is no longer needed for income in order to maintain the current standard of living.

Annuity Maximization is simply an asset repositioning strategy. The first step is to utilize the annuity to fund the life insurance. The client has two choices. They can:

1. **Convert the annuity to a Single Premium Immediate Annuity (SPIA).** Choosing this method can provide a consistent, predictable stream of income to fund a life insurance policy that cannot be outlived.
2. **Take withdrawals.** Clients who are unwilling to give up their annuity may instead take withdrawals from it to fund a life insurance policy. This way, the client can still maintain control of the asset and taxes can still be minimized since the value of the annuity in the estate will be reduced by the withdrawals. However, depending on the specific annuity contract, withdrawals may be subject to surrender charges or a 10% additional tax if taken prior to age 59½.

How It Works



*Example shown for illustrative purposes.

Potential Advantages:

- Potentially could provide a higher net amount to the beneficiaries.
- Income tax-free access to life insurance cash values via withdrawals and loans (if properly structured).
- Death Benefit is income tax-free and potentially estate tax-free (if properly owned).

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