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Mesirow Financial

Dana M. Mikstay, CLU[®], Senior Managing Director, Practice Leader
Brian K. Lazarz, CFP[®], Managing Director

“How can I use life insurance to preserve my family’s wealth?”

By Dana M. Mikstay and Brian K. Lazarz

The first step is to view life insurance as an asset class. Most individuals do not realize that many life insurance policies come with contractual guarantees, making it a strong planning tool. A million-dollar policy is a million-dollar policy—no matter the state of the economy or who is president.

Life insurance is a predictable asset for families in any wealth bracket. Because of longer life expectancies, product costs have come down, so less buys more. Even better, the tax bill signed last December provides affluent families with an easier way to use life insurance as a powerful leveraging tool.

Under the old law, in addition to an annual \$13,000 gift per beneficiary, you could give a total \$1 million free of gift tax. The new bill has increased this lifetime exemption to \$5 million per person. The caveat: You must give it away either in 2011 or 2012. It reverts back to \$1 million in 2013.

Wealthy individuals now have greater flexibility to give away more assets while they are living, and shifting a portion of this money to life insurance could more than triple the payout of a portion of those gifting dollars.


Here is an example of how life insurance can provide immediate leverage:

Let us assume during 2011 or 2012 you gift your children \$1 million and they invest it at a 5 percent return each year. It will take approximately 32 years to grow to \$4.6 million. At 8 percent, it will take approximately 20 years. And, there is no guarantee that your children will invest your gifts; they may want to spend the money now.

A 65-year-old healthy female can take that same \$1 million and gift it into a life insurance policy. The death benefit is \$4,612,418¹—beginning the very first year. If her 66-year-old husband is added to the policy, with nothing paid out until both are gone, that same \$1 million gift can be leveraged to \$5,631,290² of life insurance. If both spouses contribute \$1 million each into the same policy, the death benefit would be more than \$11 million³. You have just created an asset that leverages gifts immediately. In 20 years, the insurance benefit’s internal rate of return is 8 to 9 percent after tax. The pretax equivalent is 13 percent⁴—the gross return you must earn in other assets over 20 years to equal the leverage of life insurance.

Life insurance benefits are also free of income tax at payout. If you purchase life insurance in irrevocable life insurance trusts, the insurance is protected from estate taxes. Dynasty or legacy trusts, if designed properly, can keep life insurance assets from being included not only in your estate, but in descendants’ estates as well. These trusts are often used for gift planning and creditor protection.

One last important note: If you have older life insurance policies that were priced based on 1950 and 1980 mortality tables, they can be very expensive compared to today’s premiums. Many policies may be under water, meaning they will lapse soon because the policy performance was linked directly to mutual fund returns or high interest rate assumptions. And, as with any asset, you should review your insurance policies on a regular basis. New products with lower pricing and long-term guarantees can often provide more insurance.

Take advantage of this amazing opportunity for gifting in 2011 and 2012, and consider life insurance as the ultimate gift leverage for your children and future generations. 

¹ F,65, NS, Preferred, West Coast Life

^{2,3} F,65, NS, Preferred, M,66, NS, Preferred, Lincoln National Life

⁴ Assumes 40 percent income tax

“The new tax law makes it easier than ever to use life insurance as a powerful leveraging tool.”

– Dana M. Mikstay and Brian K. Lazarz

How to reach Dana M. Mikstay and Brian K. Lazarz

Please feel free to contact us at 312.595.8156.

IF I WEREN'T AN INSURANCE ADVISOR, I'D BE...

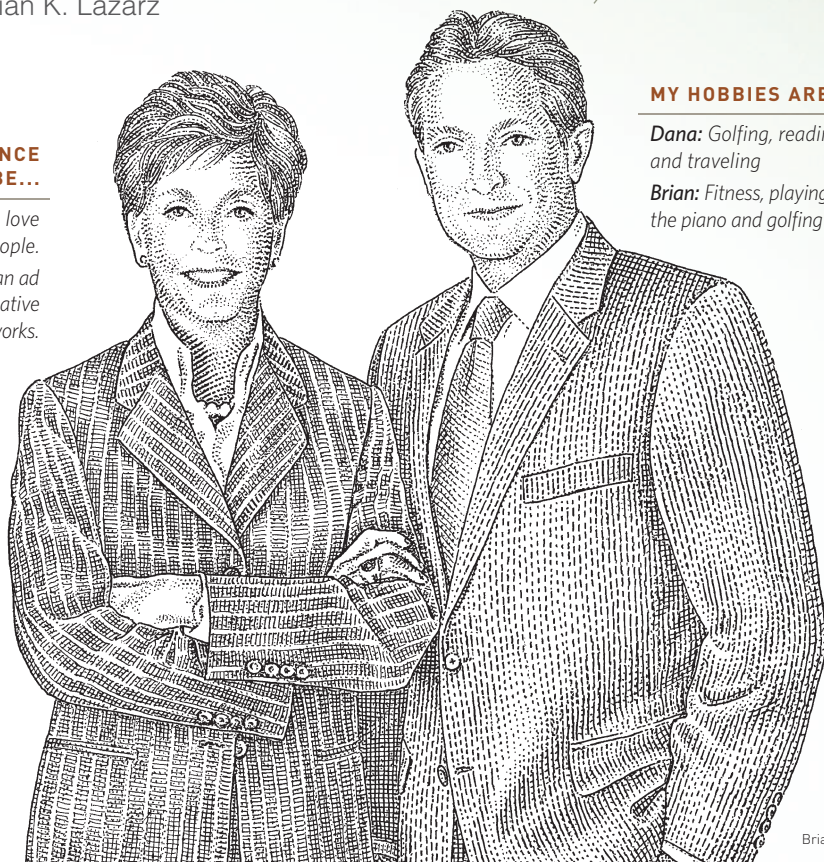
Dana: A history professor. I love educating people.

Brian: A creative director at an ad agency. I am intrigued by the creative process and how it works.

THE LAST BOOK I READ WAS...

Dana: Team of Rivals: The Political Genius of Abraham Lincoln, by Doris Kearns Goodwin

Brian: Open: An Autobiography, by tennis player, Andre Agassi



Dana M. Mikstay

Brian K. Lazarz

MY HOBBIES ARE...

Dana: Golfing, reading and traveling

Brian: Fitness, playing the piano and golfing

About Dana M. Mikstay and Brian K. Lazarz

Dana M. Mikstay, a senior managing director at Mesirow Financial, has more than 25 years of experience in the insurance industry. She oversees the daily operations of the company's life and disability insurance practice, delivering innovative insurance solutions that achieve the long-term goals of affluent individuals, families, closely held businesses, middle-market private and public companies, and high-profile individuals. She is an expert in the areas of corporate succession, estate tax and executive benefit planning. Ms. Mikstay is a Chartered Life Underwriter. Brian K. Lazarz is a managing director at Mesirow Financial, specializing in life and disability insurance planning for high net worth individuals, business owners and key executives. In the industry since 1986, Mr. Lazarz has extensive experience in estate planning, executive compensation and business succession planning. He also specializes in high-limit disability income coverage for executives and professional athletes. He holds a Certified Financial Planner designation.

Minimum Fee for Initial Meeting
None required

Largest Client Net Worth
Confidential

Insurance Services Experience
50 years

Certifications
Chartered Life Underwriter, Certified Financial Planner

Professional Services Provided
Insurance, life and disability planning

Website www.mesirowfinancial.com

Email dmikstay@mesirowfinancial.com
blazarz@mesirowfinancial.com



Dana M. Mikstay, CLU®
Senior Managing Director, Practice Leader

Brian K. Lazarz, CFP®
Managing Director

Mesirow Financial
353 North Clark Street
Chicago, IL 60654
Tel. 312.595.8156

Email: dmikstay@mesirowfinancial.com
blazarz@mesirowfinancial.com
www.mesirowfinancial.com

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The Worth Leading Wealth Advisor admittance process is based on, but not limited to, the Advisor's experience, education, fiduciary status, compliance record, wealth management services, methods of compensation and scope of current business. In order to be considered for the Worth Leading Wealth Advisors Program, financial professionals must be willing to provide complete and full disclosure to investors so that independent analysts from Paladin Registry can thoroughly screen and evaluate their credentials, ethics and business practices. Once admitted, Advisors pay a fee to be included. Investors and potential investors are solely responsible for the decision to select particular Advisors.


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About Mesirow Financial

Mesirow Financial is a diversified financial services firm headquartered in Chicago. Founded in 1937, it is an independent, employee-owned firm with more than 1,200 employees in locations across the country and in London. With expertise in Investment Management, Global Markets, Insurance Services and Consulting, Mesirow Financial strives to meet the financial needs of institutions, public sector entities, corporations and individuals. For more information about Mesirow Financial, visit its Web site at www.mesirowfinancial.com.