Intro to Legacy Planning – Life Insurance vs. Annuity Death Benefits

Howard: Disclosure: The opinions voiced in this show *Financial Edge* are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult with your attorney, accountant, and financial advisor or tax advisor prior to investing. Securities offered through LPL Financial, Member FINRA/SIPC. Investment advice offered through NewEdge Advisors, LLC dba Silver Edge Financial Group, a registered investment advisor and separate entity from LPL Financial.

Michael Bass:
"*Good morning, and welcome to another episode of Financial Edge with Silver Edge Financial Group, where we bring clarity to the complexities of financial planning. I'm Michael Bass, and I'm joined, as always, by my co-host and skilled financial professional, Howard Silver.*"

Howard Silver:
"*Good morning, Michael, and good morning to all our listeners. Welcome to the newcomers, welcome back to our previous listeners, and thank you to everyone who reached out to learn more or share their feedback. Reminder, you can contact us directly by calling 561-300-0090 to schedule a no-obligation in-person or virtual consultation or visit www.silveredgefg.com. You can also send me an email at howard@silveredgefg.com. Today's discussion is one that gets to the heart of legacy planning. We're going to explore two critical tools in the financial planning toolkit: life insurance and annuities. Specifically, we'll examine their roles in ensuring financial security for your loved ones and how they compare when it comes to legacy planning.*"

Michael Bass:
"*That's right, Howard. Life insurance and annuities may seem straightforward at first glance, but when you dig into their features and the dynamic ways they can be used, the picture becomes much more dynamic. Whether you're looking to pursue an independent future, provide a tax-free inheritance, or create a financial safety net for future generations, these tools have something to offer.*"

Howard Silver:
"*And, Michael, we'll also revisit a very exciting topic—Registered Index-Linked Annuities, or RILAs—specifically the advisory share class RILAs. These have transformed how people think about annuities, with features like no fees, no surrender charges, and the ability to lock in gains. They're a game-changer in both retirement and legacy planning, and we'll break down why.*"

Michael Bass:
"*So, whether you're new to financial planning or looking to optimize your current strategies, stay tuned. By the end of today's show, you'll have a clear understanding of how life insurance and annuities can work for you and your loved ones. Before diving deeper into strategies and applications, let's take a step back and cover the basics. Howard, can you walk us through what life insurance and annuities are at their core and how they function as financial tools?*"

Howard Silver: "*Security, Michael. At their core, both life insurance and annuities are about creating financial stability, but they achieve it in very different ways. Let's start with life insurance. At its simplest, life insurance is a contract between an individual and an insurance company. You pay premiums, and in* *return, the insurance company promises to provide a lump-sum payment—known as the death benefit—to your beneficiaries when you pass away. It's essentially a financial safety net for your loved ones.*"

Michael Bass: "*And there are different types of life insurance, correct? How do they differ in structure and purpose?*"

Howard Silver: "*That's right, Michael. The two primary categories are **term life insurance** and **permanent life insurance.** Term life insurance provides coverage for a specific period, such as 10, 20, or 30 years. It's straightforward and affordable, making it ideal for people who need coverage during key life stages—like raising kids or paying off a mortgage. If the policyholder passes away during the term, the beneficiaries receive the death benefit. But if they outlive the term, the coverage ends, unless it's renewed, or converted to permanent coverage. [Please keep in mind that insurance companies along determine insurability and some people may be deemed uninsurable because of health reasons, occupation, and lifestyle choices.] If you currently have any term policy, we can help you determine what those conversion options are and how they work. Just call us directly at 561-300-0090 to schedule a no-obligation in-person or virtual consultation or visit www.silveredgefg.com* "

Michael Bass: "*So, term life is like renting coverage for a set period. What about permanent life insurance?*"

Howard Silver: "*Exactly, Michael. Permanent life insurance, as the name implies, provides lifelong coverage as long as premiums are paid. There are several types of permanent life insurance, but the most common are **whole life** and **universal life.** Whole life insurance offers a fixed premium, guaranteed death benefit, and a cash value component that grows over time. It's a great option for those who want predictability and a combination of insurance and savings.*"

Michael Bass: "*And universal life? How does it differ from whole life?*"

Howard Silver: "*Universal life insurance is more flexible. You can adjust the death benefit and premium payments to better align with your financial situation, within certain limits. It also has a cash value component, but the growth depends on the interest rates set by the insurer or, in the case of indexed universal life or variable universal life policies, the performance of specific market indexes, or the mutual funds held by the policy. [Variable Universal Life Insurance/Variable Life Insurance policies are subject to fees and charges. Policy values will fluctuate and are subject to market risk and to possible loss of principal. Guarantees are based on the claims paying ability of the issuer.]*"

Michael Bass: "*So, in summary, term life is simple and cost-effective, while permanent life offers more longevity and flexibility, with a savings component built in. What about annuities? Let's shift gears to that side of the discussion.*"

Howard Silver: "*Annuities, Michael, are financial products designed primarily for retirement income. At their core, they're contracts between an individual and an insurance company. You pay a lump sum or series of payments, and in return, the insurer promises to provide periodic income payments either for a fixed period or for the rest of your life. It's essentially the opposite of life insurance—instead of creating wealth for others after you're gone, annuities focus on ensuring you don't outlive your savings.*"

Michael Bass: "*And like life insurance, there are different types of annuities, correct?*"

Howard Silver: "*That's right. Annuities come in several forms, tailored to meet different needs. The main types are* ***fixed annuities, variable annuities,*** *and* ***indexed annuities.*** *Fixed annuities provide guaranteed payments, making them ideal for people seeking stability and predictability. Variable and indexed annuities allow your payments to fluctuate based on the performance of investments, which means there's potential for higher returns but also more risk. [Fixed annuities are suitable for long-term investing, such as retirement investing. Gains from tax-deferred investments are taxable as ordinary income upon withdrawal. Guarantees are based on the claims paying ability of the issuing company. Withdrawals made prior to age 59 ½ are subject to a 10% IRS penalty tax and surrender charges may apply. Variable Annuities are suitable for long-term investing, such as retirement investing. Withdrawals prior to age 59 ½ may be subject to tax penalties and surrender charges may apply. Variable annuities are subject to market risk and may lose value.]*"

Michael Bass: "*What about indexed annuities? And how do Registered Index-Linked Annuities—or RILAs—fit into this picture?*"

Howard Silver: "*Indexed annuities strike a balance between growth potential and safety. Their returns are linked to a market index, like the S&P 500, but they also provide downside protection. Now, RILAs, or Registered Index-Linked Annuities, take this a step further. RILAs allow policyholders to participate in market gains up to a certain cap, but they also offer predefined limits on how much you can lose in a downturn. Unlike traditional annuities, RILAs allow you to participate in market growth while shielding you from heavy losses. Imagine participating with very high upside capture on the S&P 500 with the ability to lock in gains every week throughout the year with the ability to jump back into the market the next day. Locking in gains so frequently in financial investments is incredible because it provides investors with the assurance that their accumulated profits are secure and won't be lost due to market downturns. This is particularly significant for those with substantial embedded gains, as their biggest concern is the potential reversal of these gains. By locking in gains, investors can preserve their portfolio's value and avoid the anxiety of losing their profits. Additionally, in the context of annuities, locking in gains can be done without triggering tax consequences, offering a tax-deferred advantage. That means the right RILA can provide tax-deferred growth while allowing investors to avoid triggering taxes when buying and selling within the annuity. How nice is that? That after years of gains in a portfolio, clients don't have to worry about going backwards. [The S&P 500 is a stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States. Indexes are unmanged and cannot be invested in directly.]*"

Michael Bass: "*I think that's truly remarkable. Previously, we touched on a specific type of RILA—the advisory share class RILA. Can you revisit that and explain its unique features?*"

Howard Silver: "*Absolutely, Michael. Advisory share class RILAs are revolutionizing how people think about annuities. These RILAs typically come with no fees and no surrender charges, making them incredibly attractive for investors who value flexibility. One of their standout features is the ability to lock in gains. That means any market gains you experience are secured, and your future income or death benefit is recalculated based on those gains. This ensures that you're always building on a higher baseline, even if the market takes a dip.*"

Michael Bass: "*That's a huge advantage. So, advisory share class RILAs not only protect against losses but also solidify any growth you achieve, all without traditional annuity drawbacks like surrender charges or high fees?*"

Howard Silver: "*Exactly, Michael. They're an incredible tool for retirement income and legacy planning, and we're seeing more and more people turn to them as a modern, flexible alternative to traditional annuities.*"

Michael Bass: "*And annuities also come with different payout structures, right?*"

Howard Silver: "*Exactly, Michael. When it comes to payouts, you can choose between an* ***immediate annuity,*** *which starts paying income right away, or a* **deferred annuity,** *which allows your money to grow tax-deferred until you're ready to start withdrawals. This flexibility is one of the key reasons annuities appeal to retirees.*"

Michael Bass: "*So to sum it up, life insurance is about protecting and transferring wealth to loved ones, while annuities are about creating a steady income stream for the policyholder. But with riders and customizations, they can overlap in legacy planning, right?*"

Howard Silver: "*Exactly. The lines between these products blur when you start adding features like death benefit riders or long-term care riders to annuities. They become versatile tools that address both retirement and legacy goals. Understanding the basics is the first step toward tailoring these products to meet your specific needs. Call us at 561-300-0090 to schedule a no-obligation in-person or virtual consultation or visit www.silveredgefg.com to learn more. [Riders are additional guarantee options that are available to an annuity or life insurance contract holder. While some riders are part of an existing contract, many others may carry additional fees, charges and restrictions, and the policy holder should review their contract carefully before purchasing. Guarantees are based on the claims paying ability of the issuing insurance company.]*"

Michael Bass: "*Howard, let's really dig into the nuances here. We've touched on the basics of life insurance and annuities, but let's explore what sets them apart when it comes to legacy planning. Can you elaborate?*"

Howard Silver: "*Absolutely, Michael. Life insurance and annuities both play vital roles in legacy planning, but they address different aspects of financial security. Life insurance is the cornerstone of wealth transfer. At its core, it's about ensuring that your loved ones are taken care of financially when you're gone. The death benefit is paid directly to beneficiaries and—here's the part people love—it's typically tax-free. That's incredibly powerful for efficiently transferring wealth.*"

Michael Bass: "*That tax-free component really stands out, Howard. For someone trying to ensure their loved ones are financially secure, life insurance seems almost like a no-brainer. But the variety of life insurance options out there—whole life, term life, universal life—it can feel overwhelming. How does someone choose the right policy?*"

Howard Silver: "*It does depend on the individual's goals and circumstances. Term life insurance is straightforward and cost-effective. It provides coverage for a set period, which makes it ideal for young families or people who need high coverage during specific stages of life, like when they're raising kids or paying off a mortgage. Whole life insurance, on the other hand, is more of a permanent solution. It not only provides a death benefit but also builds cash value over time. That cash value can be used as a* *financial resource during your lifetime.*"

Michael Bass: "*Whole life sounds like a more comprehensive tool, but it's also more expensive, isn't it?*"

Howard Silver: "*It is. But for someone with long-term wealth transfer goals or those looking for a combination of insurance and investment, it's often worth the cost. Then you have universal life insurance, which offers flexibility. Policyholders can adjust their premiums and death benefits within certain parameters, making it a great choice for people whose financial needs might change over time. For instance, if someone inherits a large sum of money or sells a business, they can recalibrate their policy to reflect their new financial situation.*"

Michael Bass: "*So, for someone looking at long-term wealth transfer, life insurance seems like the ideal tool. But not everyone qualifies for traditional life insurance. What happens when health or age becomes a barrier?*"

Howard Silver: "*That's a challenge we see often, Michael. And it's where annuities come into play. While life insurance focuses squarely on wealth transfer, annuities are primarily designed for retirement income. However, with certain riders—like a death benefit rider—annuities can serve a dual purpose. They allow clients to secure income during their lifetime and still leave something behind for beneficiaries. This makes annuities an excellent option for individuals who don't qualify for life insurance due to health conditions or age restrictions.*"

Michael Bass: "*So the key advantage of using annuities in legacy planning is accessibility?*"

Howard Silver: "*Exactly. With annuities, there's no medical underwriting. That means health isn't a factor, which makes them a great workaround for clients who might not qualify for life insurance. And when you add features like a death benefit or long-term care rider, annuities become incredibly versatile. They're no longer just about retirement income; they become a tool for legacy planning as well.*"

Michael Bass: "*It sounds like you're essentially adding features to the annuity, like you would with an insurance policy.*"

Howard Silver: "*That's exactly right. Riders are either optional benefits you can attach to an annuity contract for an additional cost, or many annuities have robust death benefits, chronic care and/or long-term-care options at no extra charge. What's often overlooked about annuities is how their underlying investment methodologies can enhance returns and, in turn, amplify the death benefits. Annuities aren't just about passing money on to beneficiaries—they're about creating wealth and growing a legacy. With certain types of annuities, like indexed or variable annuities, policyholders have the opportunity to leverage market-linked growth, which can significantly increase the value of the annuity over time. For example, returns could be tied to the performance of a market index, like the S&P 500, or a basket of mutual funds offering the potential for growth while providing downside protection. Some contracts also include features like high watermarks, which allow clients to benefit from either a minimum guaranteed rate of return or the maximum value of the contract on any anniversary. Now, take this a step further with death benefit riders that automatically adjust based on the contract's accumulated value. In some cases, certain annuities use leveraged strategies where gains are amplified to boost the overall estate value. What's powerful here is the idea of creating a legacy, not just passing it on.*"

Michael Bass: " *When you think about how an enhanced death benefit can take a modest initial investment and grow it into something exponentially larger for your beneficiaries—it almost sounds too good to be true! These strategies turn annuities into powerful wealth-creation tools, not just safety nets. The idea that you can generate outsized returns while securing both your lifetime income and your legacy? That's a total game-changer in financial planning! That long-term care component also seems especially important given rising healthcare costs.*"

Howard Silver: "*It's huge, Michael. Healthcare expenses can deplete savings faster than most people realize, leaving little behind for loved ones. That's why annuities with long-term care riders are so valuable. They give clients the flexibility to address healthcare needs without eroding their legacy plans. With annuities, clients can generate significant investment returns during their lifetime, ensuring they have the resources they need for retirement, long-term care, or other financial goals. And when the time comes, what's left isn't just a sum of money—it's a carefully built legacy designed to protect and provide for the next generation. A reminder that If you or someone you know have challenges regarding insurance or legacy planning, call us at 561-300-0090 to schedule a no-obligation in-person or virtual consultation or visit www.silveredgefg.com to learn more.*"

Michael Bass: "*Let's shift gears and talk about strategies for different types of clients. High-net-worth individuals often have complex legacy goals, like covering estate taxes or funding charitable endeavors. How do life insurance and annuities fit into the picture for them?*"

Howard Silver: "*For high-net-worth clients, life insurance can be a strategic powerhouse. One of the most effective tools we use is the irrevocable life insurance trust, or ILIT. By placing a life insurance policy into an ILIT, the death benefit is kept outside of the taxable estate, which can save heirs millions in estate taxes. It's a way to ensure your legacy isn't diminished by the taxman.*"

Michael Bass: "*What about annuities for this demographic? Do they have a role in more complex estate plans?*"

Howard Silver: "*Absolutely, Michael. Annuities are often used as part of a broader strategy. For instance, a high-net-worth individual nearing retirement might use an annuity to guarantee lifetime income while earmarking other assets for their heirs. Annuities can also be structured to fund charitable giving or provide income for surviving spouses. It's especially important to note how annuities can be a game-changer for individuals with chronic illnesses who may not qualify for traditional life insurance. Because most annuities don't require medical underwriting, they offer a practical and accessible solution. With options like long-term care or death benefit riders, annuities can provide both financial security for future healthcare expenses and a way to leave a legacy for loved ones. It's a versatile tool that ensures clients with health challenges can still take control of their financial and legacy planning. Let me give you a hypothetical example of how annuities can make a significant difference for an uninsurable relative. [This is a hypothetical example and is not representative of any specific investment. Your results may vary.] Imagine a man named David, who's 58 years old and has a history of heart disease. Due to his health condition, he's unable to qualify for traditional life insurance, leaving him concerned about how he can provide for his wife and children after he's gone. David works with Silver Edge Financial Group and discovers that an annuity with a death benefit rider could be the solution he's been looking for. He invests a lump sum into the annuity, which not only provides him with guaranteed income during his lifetime but* *also secures a death benefit for his family. Should David pass away, his wife and children will receive a levered up, lump sum payout from the annuity, ensuring financial security for them despite David's health challenges. On top of that, David chooses to add a long-term care rider to the annuity, giving him access to funds if he ever requires assisted living or nursing care. This protects his family from the financial burden of unexpected healthcare costs while still preserving a legacy for them. For someone like David, who might otherwise have limited options, annuities offer a lifeline that addresses both his immediate and long-term concerns.*"

Michael Bass: "*Let's bring it down to earth for everyday investors. How do life insurance and annuities play out for people who aren't managing multi-million-dollar estates?*"

Howard Silver: "*For everyday investors, the focus is often on meeting immediate and future needs. Life insurance is incredibly efficient for covering things like funeral expenses, debts, or providing financial security for a spouse or children. Term life insurance, for example, is affordable and provides a substantial safety net during critical years.*"

Michael Bass: "*And if someone is leaning toward annuities?*"

Howard Silver: "*Annuities make a lot of sense as people approach retirement. They're ideal for those who want to ensure they don't outlive their money while also leaving a legacy. A fixed annuity with a death benefit rider can provide guaranteed income during their lifetime and still pass remaining funds to heirs. It's a way to achieve both stability and legacy planning in one product.*"

Michael Bass: "*Howard, let's talk about long-term care planning. It's a growing concern for many people. How do life insurance and annuities address this issue?*"

Howard Silver: "*This is a critical area, Michael. Long-term care costs can derail even the best legacy plans if they aren't accounted for. Many life insurance policies now offer long-term care riders that allow policyholders to access part of the death benefit to cover qualified healthcare expenses. It's a way to address both needs with one product.*"

Michael Bass: "*And annuities with LTC riders?*"

Howard Silver: "*They work similarly but with their own set of advantages. Annuities with LTC riders allow policyholders to draw on their account for healthcare costs, often at an accelerated rate. There is also usually an income multiplier with annuities. For example, if the guaranteed income is $125k per year you'd get $250k per year for 5 to 10 years depending on the contract.*"

Michael Bass: "*Howard, we've covered a lot, but let's take some listener questions to bring more clarity. Here's one: 'If I'm in my 30s, should I start with life insurance or an annuity?'*"

Howard Silver: "*Great question. At that age, life insurance is usually the best choice. It's more cost-effective and focuses squarely on wealth transfer. Locking in a term life policy early ensures you have coverage when you need it most—during your working and family-raising years.*"

Michael Bass: "*What about annuities for someone that young?*"

Howard Silver: "*Annuities typically become more relevant as retirement approaches. Their primary focus is income generation, which isn't as critical in your 30s. However, there are exceptions. For someone with unique goals, like uninsurability or a desire to diversify income sources early, an annuity could still play a role.*"

Michael Bass: "*Here's another: 'What's the biggest mistake people make in legacy planning?'*"

Howard Silver: "*The biggest mistake is underestimating healthcare costs. Long-term care expenses can quickly erode savings and disrupt even the best legacy plans. That's why incorporating LTC benefits—whether through life insurance or annuities—is so crucial. It provides a safety net that protects both the individual and their heirs.*"

Michael Bass: "*Howard, this has been an incredibly thorough discussion. Life insurance and annuities are both powerful tools, but their strengths lie in different areas. Life insurance offers a straightforward and tax-efficient way to transfer wealth, while annuities—and specifically RILAs—provide income stability and flexibility for both retirement and legacy planning.*"

Howard Silver: "*That's right, Michael. The key is understanding your goals and finding the right combination of tools to meet them. Whether it's the simplicity of term life insurance, the flexibility of universal life, the growth potential of advisory share class RILAs, long-term-care options for those who are uninsurable, or those looking to enhance their estate, there's a solution for everyone. To our listeners, if you're ready to start planning your legacy, reach out to us at Silver Edge Financial Group. Call us at 561-300-0090 or visit www.silveredgefg.com.*

Michael Bass:
"*Before we wrap up, Howard, let's talk about something exciting that we've introduced recently at Silver Edge Financial Group—a partnership with Wealth.com. This platform takes legacy planning to the next level by integrating financial products like life insurance and annuities into a comprehensive estate planning solution.*"

Howard Silver:
"*That's right, Michael. Legacy planning isn't just about choosing the right financial products—it's about ensuring your wishes are honored and your assets are transferred smoothly. Wealth.com makes it easy for clients to create a customized estate plan, whether they're starting from scratch or refining an existing one. It's a seamless way to set up trusts, designate beneficiaries, and make informed decisions about your legacy.*"

Michael Bass:
"*One of the standout features of Wealth.com is its ability to simplify complex decisions. For example, it helps clients determine the best way to incorporate tools like life insurance or annuities into their estate plans while factoring in estate taxes, charitable giving, and even family dynamics.*"

Howard Silver:
"*And the beauty of this platform is that it's designed for everyone. Whether you're managing a high-net-worth estate or ensuring your family's basic financial security, Wealth.com provides clarity and confidence. It empowers clients to see how everything fits together—the financial products, the legal*

structures, and their personal goals."

Michael Bass:
"*So, if you've been putting off estate planning because it feels overwhelming, this partnership with Wealth.com might be just what you need. It brings the expertise of Silver Edge Financial Group together with cutting-edge estate planning technology to make the process straightforward and accessible.*"

Howard Silver:
"*Exactly, Michael. And the best part is that it's not just about what happens after you're gone—it's about creating a roadmap for your financial security today while protecting your family's future. Combining tools like life insurance, annuities, and long-term care riders with a platform like Wealth.com is the ultimate legacy planning strategy.*"

Michael Bass:
"*Howard, this partnership truly adds value to what Silver Edge offers. If our listeners are ready to take the next step, visit our website or give us a call at 561-300-0090 to learn more about how Wealth.com can enhance your legacy plan.*"

Howard Silver:
"*And remember, whether you're planning for retirement income, long-term care, or wealth transfer, Silver Edge Financial Group is here to help you every step of the way. We'll ensure your legacy plan is as comprehensive and effective as it can be.*"

Michael Bass:
"*Thank you, Howard. To all our listeners, don't wait to secure your legacy—start today. Call us at 561-300 -0090 or visit www.silveredgefg.com. And as always, join us next week for another episode of Financial Edge. Until then, take care of yourselves and your financial futures.*"

Howard Silver: *[Fixed and Variable annuities are suitable for long-term investing, such as retirement investing. Gains from tax-deferred investments are taxable as ordinary income upon withdrawal. Guarantees are based on the claims paying ability of the issuing company. Withdrawals made prior to age 59 ½ are subject to a 10% IRS penalty tax and surrender charges may apply. Variable annuities are subject to market risk and may lose value.]*

[Riders are additional guarantee options that are available to an annuity or life insurance contract holder. While some riders are part of an existing contract, many others may carry additional fees, charges and restrictions, and the policy holder should review their contract carefully before purchasing. Guarantees are based on the claims paying ability of the issuing insurance company.]

[Please keep in mind that insurance companies along determine insurability and some people may be deemed uninsurable because of health reasons, occupation, and lifestyle choices.]