



Estate Tax Repeal Hedge Plan

Have you been finding some of your wealthy clients are taking a wait and see attitude towards the purchase of survivorship life insurance coverage because of the estate tax repeal legislation?

If so, Prudential has a solution.

Facts: Assume your clients, both age 55 and in good health, have accumulated a net worth of over \$7,500,000. Their attorney has advised them that under the current estate tax laws they can expect to incur taxes and expenses at the surviving spouse's death of \$2,000,000. Your clients are hesitant to proceed with the purchase of a survivorship policy because they heard that the estate tax was repealed in the 2001 legislation. While you have explained to your clients the legislation only repeals estate tax for one year in 2010; and given their current age and good health it is likely they will live past the repeal, they are still hesitant. You want to know what Prudential can do to overcome the estate tax repeal objection.

Solution: At Prudential, a convertible term insurance policy can be changed to a survivorship policy during the conversion period. Consequently, one simple solution is to have the trust initially apply for term insurance coverage. When the client feels more confident that they will be subject to estate tax (and during the conversion period) the term coverage can be changed on an attained age basis to a survivorship policy.

With the Term Elite[®] policy, at the time of the policy change, the client receives a premium credit. This credit is then applied to the purchase of the survivorship policy. The premium credit is commissionable and is generally equal to the prior year's premium excluding the cost of any rating extras. Thus, from a cost standpoint, the client may be in

nearly the same position they would have been in if the purchase of the survivorship policy had not been delayed a year.

Alternatively, Term Essential[®] provides even more competitive premiums and can also be changed to survivorship; however, the conversion period may be shorter and the insured does not receive a premium credit towards the purchase of the survivorship policy.

There are two ways the term purchase can be structured. Assuming the client needs \$2,000,000 of survivorship coverage, one option is to have the trust purchase the full \$2,000,000 of term coverage for one of the insureds. If this option is elected, the individual not covered by the term insurance will need to show proof of insurability at the time of policy change. If applicable, the premium credit in this situation will generally be based on \$1,000,000 of coverage.

The other option is to have the trust purchase \$1,000,000 of term coverage on each of the proposed insureds. If this option is elected, the individuals will be able to acquire \$2,000,000 of survivorship coverage without the need to show proof of insurability at the time of policy change. If applicable, the premium credit will generally be based on \$2,000,000 of coverage.

Benefits:

- Client receives immediate insurance protection.
- The insured client locks into the underwriting classification.
- You may be able to finalize the sale.

In this time of uncertainty, our term and survivorship life insurance products provide you flexibility worth considering for your hesitant estate clients.

ILLUSTRATION EXCERPT ON NEXT PAGE.

Term Elite and Term Essential are issued by Pruco Life Insurance Company in all states except New York and New Jersey where they are issued by Pruco Life Insurance Company of New Jersey. Both are Prudential Financial companies located in Newark, NJ. Each is solely responsible for its own financial condition and contractual obligations.

This training material has been prepared to assist our licensed financial professionals. It is designed to provide general information in regard to the subject matter covered. It should be used with the understanding that Prudential is not rendering legal, accounting or tax advice. Such services should be provided by the client's own advisors.

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Prudential  Financial

Basic Ledger Statement – Excerpt of Comparative Values
\$2,000,000 PruLife® SUL Protector, Type A (Fixed) Death Benefit - Cash Value Accumulation Test
Male 55 & Female 55 - Both Preferred Best

Year	Insureds' <u>Ages</u>	Annual Premium Outlay	Non-guaranteed Results Based On: Illustrated Interest Rate 5.70% for 20 years, then 6.05%* thereafter and Current Charges			GUARANTEED ¹ Results Based On: Minimum Interest Rate of 3.00% & Maximum Charges	
			Contract Fund	Cash Value	Death <u>Benefit</u>	Cash Value	Death Benefit
1	55/55	14105	6889	0	2000000<	0	2000000<
2	56/56	14105	14094	0	2000000<	0	2000000<
3	57/57	14105	21773	8128	2000000<	3293	2000000<
4	58/58	14105	29791	17446	2000000<	9940	2000000<
5	59/59	14105	38153	27107	2000000<	16317	2000000<
6	60/60	14105	47606	37860	2000000<	22324	2000000<
7	61/61	14105	57444	48348	2000000<	27182	2000000<
8	62/62	14105	67659	59212	2000000<	31368	2000000<
9	63/63	14105	78232	70435	2000000<	34659	2000000<
10	64/64	14105	89143	81996	2000000<	36796	2000000<
	Total	141050					
11	65/65	14105	106305	99808	2000000<	37488	2000000<
12	66/66	14105	124089	118241	2000000<	36412	2000000<
13	67/67	14105	142479	137281	2000000<	33215	2000000<
14	68/68	14105	161453	156905	2000000<	27485	2000000<
15	69/69	14105	180969	177070	2000000<	18687	2000000<
16	70/70	14105	200720	197471	2000000<	6117	2000000<
17	71/71	14105	220769	218170	2000000<	0	2000000<
18	72/72	14105	240959	239010	2000000<	0	2000000<
19	73/73	14105	261101	259801	2000000<	0	2000000<
20	74/74	14105	280979	280329	2000000<	0	2000000<
	Total	282100					
21	75/75	14105	301430	301430	2000000<	0	2000000<
22	76/76	14105	321370	321370	2000000<	0	2000000<
23	77/77	14105	340614	340614	2000000<	0	2000000<
24	78/78	14105	358969	358969	2000000<	0	2000000<
25	79/79	14105	376222	376222	2000000<	0	2000000<
26	80/80	14105	391928	391928	2000000<	0	2000000<
27	81/81	14105	405666	405666	2000000<	0	2000000<
28	82/82	14105	416934	416934	2000000<	0	2000000<
29	83/83	14105	425215	425215	2000000<	0	2000000<
30	84/84	14105	430010	430010	2000000<	0	2000000<
	Total	423150					

< Indicates the **No Lapse Guarantee¹** will be in effect for the entire policy year.

* This includes a non-guaranteed additional excess interest amount in years 21 and later.

¹ All guarantees are based on the claims-paying ability of the issuer. PruLife SUL Protector is issued by Pruco Life Insurance Company, except in New York where the issuer is Pruco Life Insurance Company of New Jersey. Both Pruco Life companies are located at 213 Washington St., Newark. All are Prudential Financial companies. Each is solely responsible for its own financial condition and contractual obligations.

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