

Why Life Insurance is an Excellent Wealth Transfer Tool Due to Proposed Loss of Step Up in Basis

Legacy Investment Account

Life Insurance

			Inputs		Total Return	5.00%	39.60%	Federal Cap Gains Tax			39.60%				
			Growth Rate		Income Rate	3.80%	Medicare Surtax			3.80%					
			2.50%		2.50%	43.40%				43.40%					
Year	Age	Investment	Beginning Balance	Portfolio Growth	Portfolio Income	Taxes Due	Ending Balance	Basis Calculation	Cap Gains Exemption	Cap Gains Tax at Death	Net Value to Heirs	Premium Outlay	Basis Calculation	Net Value to Heirs	
1	60	\$ 199,679	\$ 199,679	\$ 4,992	\$ 4,992	(2,167)	\$ 207,496	\$ 204,671	\$ 1,000,000	\$ 0	\$ 207,496	\$ 199,679	\$ 199,679	\$ 5,000,000	
2	61	\$ 199,679	\$ 407,175	\$ 10,179	\$ 10,179	(4,418)	\$ 423,116	\$ 414,529	\$ 1,000,000	\$ 0	\$ 423,116	\$ 199,679	\$ 399,358	\$ 5,000,000	
3	62	\$ 199,679	\$ 622,795	\$ 15,570	\$ 15,570	(6,757)	\$ 647,178	\$ 629,778	\$ 1,000,000	\$ 0	\$ 647,178	\$ 199,679	\$ 599,037	\$ 5,000,000	
4	63	\$ 199,679	\$ 846,857	\$ 21,171	\$ 21,171	(9,188)	\$ 880,011	\$ 850,629	\$ 1,000,000	\$ 0	\$ 880,011	\$ 199,679	\$ 798,716	\$ 5,000,000	
5	64	\$ 199,679	\$ 1,079,690	\$ 26,992	\$ 26,992	(11,715)	\$ 1,121,960	\$ 1,077,300	\$ 1,000,000	(\$33,548)	\$ 1,088,412	\$ 199,679	\$ 998,395	\$ 5,000,000	
6	65	\$ 199,679	\$ 1,321,639	\$ 33,041	\$ 33,041	(14,340)	\$ 1,373,381	\$ 1,310,020	\$ 1,000,000	(\$134,549)	\$ 1,238,833	\$ 199,679	\$ 1,198,074	\$ 5,000,000	
7	66	\$ 199,679	\$ 1,573,060	\$ 39,327	\$ 39,327	(17,068)	\$ 1,634,646	\$ 1,549,025	\$ 1,000,000	(\$238,277)	\$ 1,396,369	\$ 199,679	\$ 1,397,753	\$ 5,000,000	
8	67	\$ 199,679	\$ 1,834,325	\$ 45,858	\$ 45,858	(19,902)	\$ 1,906,138	\$ 1,794,563	\$ 1,000,000	(\$344,840)	\$ 1,561,298	\$ 199,679	\$ 1,597,432	\$ 5,000,000	
9	68	\$ 199,679	\$ 2,105,817	\$ 52,645	\$ 52,645	(22,848)	\$ 2,188,260	\$ 2,046,887	\$ 1,000,000	(\$454,349)	\$ 1,733,911	\$ 199,679	\$ 1,797,111	\$ 5,000,000	
10	69	\$ 199,679	\$ 2,387,939	\$ 59,698	\$ 59,698	(25,909)	\$ 2,481,427	\$ 2,306,264	\$ 1,000,000	(\$566,919)	\$ 1,914,508	\$ 199,679	\$ 1,996,790	\$ 5,000,000	
11	70	\$ -	\$ 2,481,427	\$ 62,036	\$ 62,036	(26,923)	\$ 2,578,575	\$ 2,368,300	\$ 1,000,000	(\$593,842)	\$ 1,984,733	\$ -	\$ 1,996,790	\$ 5,000,000	
12	71	\$ -	\$ 2,578,575	\$ 64,464	\$ 64,464	(27,978)	\$ 2,679,526	\$ 2,432,764	\$ 1,000,000	(\$621,820)	\$ 2,057,706	\$ -	\$ 1,996,790	\$ 5,000,000	
13	72	\$ -	\$ 2,679,526	\$ 66,988	\$ 66,988	(29,073)	\$ 2,784,429	\$ 2,499,753	\$ 1,000,000	(\$650,893)	\$ 2,133,537	\$ -	\$ 1,996,790	\$ 5,000,000	
14	73	\$ -	\$ 2,784,429	\$ 69,611	\$ 69,611	(30,211)	\$ 2,893,440	\$ 2,569,363	\$ 1,000,000	(\$681,104)	\$ 2,212,336	\$ -	\$ 1,996,790	\$ 5,000,000	
15	74	\$ -	\$ 2,893,440	\$ 72,336	\$ 72,336	(31,394)	\$ 3,006,718	\$ 2,641,699	\$ 1,000,000	(\$712,498)	\$ 2,294,221	\$ -	\$ 1,996,790	\$ 5,000,000	
16	75	\$ -	\$ 3,006,718	\$ 75,168	\$ 75,168	(32,623)	\$ 3,124,431	\$ 2,716,867	\$ 1,000,000	(\$745,120)	\$ 2,379,311	\$ -	\$ 1,996,790	\$ 5,000,000	
17	76	\$ -	\$ 3,124,431	\$ 78,111	\$ 78,111	(33,900)	\$ 3,246,753	\$ 2,794,978	\$ 1,000,000	(\$779,020)	\$ 2,467,732	\$ -	\$ 1,996,790	\$ 5,000,000	
18	77	\$ -	\$ 3,246,753	\$ 81,169	\$ 81,169	(35,227)	\$ 3,373,863	\$ 2,876,147	\$ 1,000,000	(\$814,248)	\$ 2,559,615	\$ -	\$ 1,996,790	\$ 5,000,000	
19	78	\$ -	\$ 3,373,863	\$ 84,347	\$ 84,347	(36,606)	\$ 3,505,950	\$ 2,960,493	\$ 1,000,000	(\$850,854)	\$ 2,655,095	\$ -	\$ 1,996,790	\$ 5,000,000	
20	79	\$ -	\$ 3,505,950	\$ 87,649	\$ 87,649	(38,040)	\$ 3,643,208	\$ 3,048,142	\$ 1,000,000	(\$888,894)	\$ 2,754,314	\$ -	\$ 1,996,790	\$ 5,000,000	
21	80	\$ -	\$ 3,643,208	\$ 91,080	\$ 91,080	(39,529)	\$ 3,785,839	\$ 3,139,222	\$ 1,000,000	(\$928,423)	\$ 2,857,417	\$ -	\$ 1,996,790	\$ 5,000,000	
22	81	\$ -	\$ 3,785,839	\$ 94,646	\$ 94,646	(41,076)	\$ 3,934,055	\$ 3,233,868	\$ 1,000,000	(\$969,499)	\$ 2,964,556	\$ -	\$ 1,996,790	\$ 5,000,000	
23	82	\$ -	\$ 3,934,055	\$ 98,351	\$ 98,351	(42,684)	\$ 4,088,073	\$ 3,332,220	\$ 1,000,000	(\$1,012,183)	\$ 3,075,890	\$ -	\$ 1,996,790	\$ 5,000,000	
24	83	\$ -	\$ 4,088,073	\$ 102,202	\$ 102,202	(44,356)	\$ 4,248,121	\$ 3,434,422	\$ 1,000,000	(\$1,056,539)	\$ 3,191,582	\$ -	\$ 1,996,790	\$ 5,000,000	
25	84	\$ -	\$ 4,248,121	\$ 106,203	\$ 106,203	(46,092)	\$ 4,414,435	\$ 3,540,625	\$ 1,000,000	(\$1,102,631)	\$ 3,311,804	\$ -	\$ 1,996,790	\$ 5,000,000	
26	85	\$ -	\$ 4,414,435	\$ 110,361	\$ 110,361	(47,897)	\$ 4,587,260	\$ 3,650,985	\$ 1,000,000	(\$1,150,528)	\$ 3,436,732	\$ -	\$ 1,996,790	\$ 5,000,000	
27	86	\$ -	\$ 4,587,260	\$ 114,682	\$ 114,682	(49,772)	\$ 4,766,851	\$ 3,765,667	\$ 1,000,000	(\$1,200,299)	\$ 3,566,552	\$ -	\$ 1,996,790	\$ 5,000,000	
28	87	\$ -	\$ 4,766,851	\$ 119,171	\$ 119,171	(51,720)	\$ 4,953,474	\$ 3,884,838	\$ 1,000,000	(\$1,252,020)	\$ 3,701,454	\$ -	\$ 1,996,790	\$ 5,000,000	
29	88	\$ -	\$ 4,953,474	\$ 123,837	\$ 123,837	(53,745)	\$ 5,147,402	\$ 4,008,675	\$ 1,000,000	(\$1,305,765)	\$ 3,841,637	\$ -	\$ 1,996,790	\$ 5,000,000	
30	89	\$ -	\$ 5,147,402	\$ 128,685	\$ 128,685	(55,849)	\$ 5,348,923	\$ 4,137,360	\$ 1,000,000	(\$1,361,614)	\$ 3,987,309	\$ -	\$ 1,996,790	\$ 5,000,000	
31	90	\$ -	\$ 5,348,923	\$ 133,723	\$ 133,723	(58,036)	\$ 5,558,333	\$ 4,271,083	\$ 1,000,000	(\$1,419,650)	\$ 4,138,683	\$ -	\$ 1,996,790	\$ 5,000,000	
32	91	\$ -	\$ 5,558,333	\$ 138,958	\$ 138,958	(60,308)	\$ 5,775,942	\$ 4,410,042	\$ 1,000,000	(\$1,479,958)	\$ 4,295,984	\$ -	\$ 1,996,790	\$ 5,000,000	
33	92	\$ -	\$ 5,775,942	\$ 144,399	\$ 144,399	(62,669)	\$ 6,002,070	\$ 4,554,440	\$ 1,000,000	(\$1,542,627)	\$ 4,459,443	\$ -	\$ 1,996,790	\$ 5,000,000	
34	93	\$ -	\$ 6,002,070	\$ 150,052	\$ 150,052	(65,122)	\$ 6,237,051	\$ 4,704,492	\$ 1,000,000	(\$1,607,749)	\$ 4,629,302	\$ -	\$ 1,996,790	\$ 5,000,000	
35	94	\$ -	\$ 6,237,051	\$ 155,926	\$ 155,926	(67,672)	\$ 6,481,232	\$ 4,860,418	\$ 1,000,000	(\$1,675,421)	\$ 4,805,810	\$ -	\$ 1,996,790	\$ 5,000,000	
36	95	\$ -	\$ 6,481,232	\$ 162,031	\$ 162,031	(70,321)	\$ 6,734,972	\$ 5,022,449	\$ 1,000,000	(\$1,745,743)	\$ 4,989,229	\$ -	\$ 1,996,790	\$ 5,000,000	
37	96	\$ -	\$ 6,734,972	\$ 168,374	\$ 168,374	(73,074)	\$ 6,998,646	\$ 5,190,823	\$ 1,000,000	(\$1,818,817)	\$ 5,179,829	\$ -	\$ 1,996,790	\$ 5,000,000	
38	97	\$ -	\$ 6,998,646	\$ 174,966	\$ 174,966	(75,935)	\$ 7,272,643	\$ 5,365,789	\$ 1,000,000	(\$1,894,753)	\$ 5,377,890	\$ -	\$ 1,996,790	\$ 5,000,000	
39	98	\$ -	\$ 7,272,643	\$ 181,816	\$ 181,816	(78,908)	\$ 7,557,367	\$ 5,547,605	\$ 1,000,000	(\$1,973,661)	\$ 5,583,706	\$ -	\$ 1,996,790	\$ 5,000,000	
40	99	\$ -	\$ 7,557,367	\$ 188,934	\$ 188,934	(81,997)	\$ 7,853,238	\$ 5,736,540	\$ 1,000,000	(\$2,055,658)	\$ 5,797,580	\$ -	\$ 1,996,790	\$ 5,000,000	