



# **Delaware Tax Institute**

## **The Future of Life Insurance... Recent Changes You Need to Know**

**Moderator: Bill Denney**

### **Panelists:**

**Mike Albero**

**Albero, Kupferman & Associates**

**Todd Flubacher**

**Morris, Nichols, Arsht & Tunnell**

**Michael Niemann**

**Newton One**



**Michael A. Albero, CPA, MST**  
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Mike has over 20 years of public accounting experience serving clients in a variety of industries, including construction companies, auto dealerships, medical and legal professionals and not-for-profit organizations. In addition Mike specializes in tax mitigation and wealth preservation strategies for high net worth families and business owners.

Mike is a past President of the Delaware Society of CPA's. In addition, he is a former member of the governing council of the American Institute of Certified Public Accountants and serves on the Board of Directors of West End Neighborhood House as Past President and Treasurer. Mike is a graduate of Archmere Academy and Gettysburg College and obtained his Master's Degree in the area of taxation and financial planning from Widener University.

Mike founded Albero, Kupferman & Associates in November 1998 and currently serves as the managing partner of the firm. Mike is actively involved with various local organizations in Garnet Valley, Pennsylvania, where he resides with his wife and two boys.



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Todd is a partner with the Trusts, Estates and Tax Group of Morris, Nichols, Arsht & Tunnell, LLP in Wilmington, DE, where he represents numerous institutional fiduciaries, individuals and other attorneys in the areas of Delaware trust law and federal estate and gift taxation. His practice emphasizes the unique aspects of Delaware trust law, including the special advantages of Delaware trust administration, asset protection trusts, dynasty trusts, decanting, directed trusts and choice of law issues. Todd routinely petitions the Delaware Court of Chancery on behalf of clients, drafts, reviews and comments on Delaware trust agreements and renders Delaware trust law opinions. As a member of Morris Nichols' renowned Fiduciary Litigation practice, Todd also represents executors, trustees, and beneficiaries in connection with the full spectrum of trusts and estates litigation.

Todd is a Fellow of the American College of Trust and Estate Counsel. He is a member of the Estates and Trusts Section and Tax Section of the Delaware State Bar Association and is a former Chair of both Sections. He is also a member of the Tax, Real Property and Probate and Business Law Sections of the American Bar Association. Todd is a past President and member of the Board of Directors of the Estate Planning Council of Delaware. Todd is also a member of the Professional Advisory Committee of the Delaware Community Foundation, the Board of Trustees of the Grand Opera House and is Chair of its Planned Giving Committee. Todd is a recognized author on Delaware trust law and his articles have appeared in notable publications such as *Trusts & Estates* magazine and *Estate Planning* magazine, and he is a frequent presenter and panelist appearing before professional and business audiences. Todd was selected by his peers for inclusion in *The Best Lawyers in America*© 2014-2015 in the field of Trusts & Estates. He received his J.D., with honors, from the University of Maryland and his B.S., summa cum laude, from Drexel University.



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Michael F. Niemann is a Partner in Newton One, LLC, and joined the firm in March 2010 as the President of our Midwest Region. He previously had been Executive Vice President of an M Financial Firm in Saint Louis. Prior to joining Newton One, he led the local Family Wealth Planning Practices for two accounting firms, Arthur Andersen and Brown Smith Wallace, where he served many of the region's largest family businesses, wealthiest families and top executives. Michael also was the National Director of Advanced Planning for The Northern Trust Company based in Chicago, Illinois, serving many of the trust company's most prominent clients.

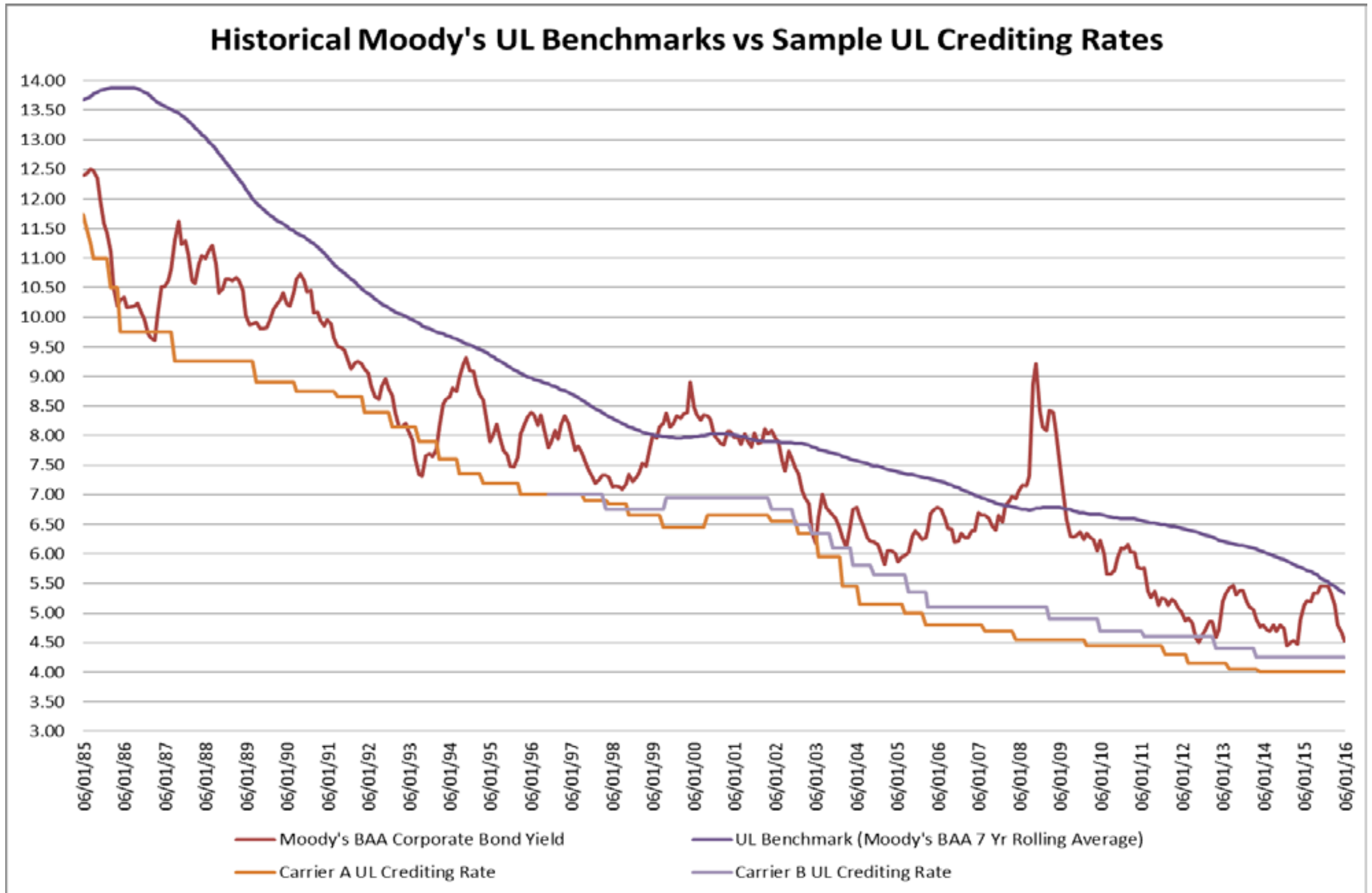
Michael is a Certified Public Accountant and is a member of the American Institute of Certified Public Accountants where he serves on the tax committee. He also is a member of the Missouri Society of CPAs and has served on the Personal Financial Planning committee. Michael is a member of the Million Dollar Round Table and is part of the Top of the Table and Court of the Table. He is a member of the Estate Planning Council of Saint Louis and serves on the planned giving committees for the Archdiocese of Saint Louis, the American Red Cross Saint Louis Chapter, Barnes Jewish Hospital Foundation, Saint Louis Children's Hospital, Saint Louis Variety and the Missouri Botanical Garden.

He holds a Bachelor of Science in Accounting and Investment Finance from the University of Southern California.

# Factors Impacting the Life Insurance Industry

- ◆ Declining interest rates
- ◆ Feds monetary policy: persistent low interest rates
- ◆ Medical advances
  - Lower mortality charges
  - Higher morbidity charges
- ◆ Fiscal policy changes
- ◆ Increased regulatory environment (Dodd Frank/DOL)

# Historically Declining Interest Rate Environment:



# THE WALL STREET JOURNAL

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<http://www.wsj.com/articles/surprise-your-life-insurance-rates-are-going-up-1449225000>

MARKETS

## Surprise: Your Life-Insurance Rates Are Going Up

Insurers are raising costs of 'universal life' coverage sold years ago, as they confront low interest rates



Flags carrying the AXA logo outside the insurer's headquarters in Cologne, Germany. The company's U.S. unit is among insurers raising rates on life-insurance policies sold years ago. PHOTO: DANIEL KALKER/PICTURE-ALLIAN CE/DP/ASSOCIATED PRESS

By LESLIE SCISM

Dec. 4, 2015 5:30 a.m. ET



# Carrier COI Increases

In 2015 and 2016, these insurance carriers announced COI increases for in-force universal life (UL) policies:

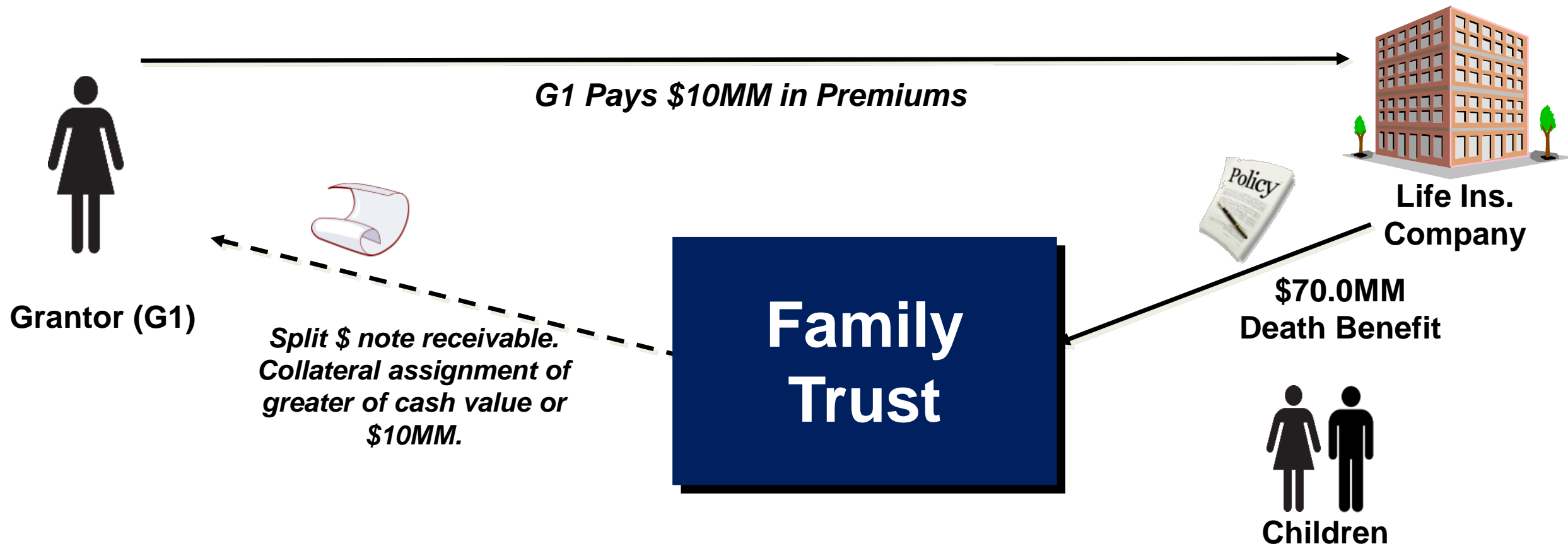




# Premium Finance: Suitable Client Characteristics

1. The client is high net worth, older, and/or has a significantly reduced life expectancy, who needs a large amount of insurance coverage.
2. The client doesn't currently have sufficient cash flow.
  - a) Does not want to liquidate valuable growing or appreciating assets.
  - b) Most wealth tied up in a business.
  - c) Can easily afford premiums, but is obtaining high returns on current wealth.
3. The client would be paying gift taxes on premium gifts for a trust owned policy because the lifetime exemption and annual exclusion have been fully used.

# Multi-Generational Split Dollar Arrangement



- A life insurance policy is purchased by the ILIT insuring the life of a family member in G2 or G3. The Grantor (G1) pays the annual premiums to the insurance company.
- The annual economic benefit cost is a gift to the ILIT unless it is reimbursed by the ILIT.
- Grantor is due the greater of the policy cash value or the premiums paid via a collateral assignment agreement tied to the life insurance policy.
- Under *Morrisette*, the value of the split dollar receivable may be substantially discounted.

# PPLI Introduction

- ◆ Wealth accumulation, tax efficiency, and asset protection are among the most critical financial concerns of ultra high net worth individuals.
- ◆ Private Placement Life Insurance (PPLI) is an inexpensive and flexible solution to these fundamental wealth management objectives.
- ◆ Investment options such as hedge funds, private equity and managed accounts may be wrapped within a PPLI policy.
  - Makes tax inefficient assets tax efficient.
    - PPLI – Tax deferral/elimination

# State Insurance Premium Tax Rates in the U.S.

<b>Alaska</b>	<b>10 bpts.</b>
Arizona	200 bpts.
California	235 bpts.
Connecticut	175 bpts.
<b>Delaware</b>	<b>0 bpts.</b>
<b>Florida</b>	<b>175 bpts.</b>
Georgia	225 bpts.
Hawaii	275 bpts.
<b>Illinois</b>	<b>50 bpts.</b>
Massachusetts	200 bpts.
Minnesota	22 bpts.
<b>Missouri</b>	<b>200 bpts.</b>
Nevada	350 bpts.
New Hampshire	100 bpts.
New Jersey	210 bpts.
<b>New York</b>	<b>200 bpts.</b>
Ohio	140 bpts.
Pennsylvania	200 bpts.
<b>South Dakota</b>	<b>8 bpts.</b>
Washington	200 bpts.
Wyoming	75 bpts.