2017 TAX CUTS & JOBS ACT

What Advisors Should Know

The 2017 Tax Cuts & Jobs Act (TCJA) reverses the effects of IRS Revenue Ruling 2009-13 for taxation of life settlements transacted after Aug. 25, 2009. The ruling simplifies the process and eliminates the onerous IRS requirement that the tax basis of a policy be reduced by the cost of insurance. Removing this complex requirement provides more favorable tax treatment for seniors selling policies.

The TCJA doubles the estate tax exemption to **$11.2M for individuals and $22.4M for couples.** This increase in the exemption will reduce the number of U.S. estates subject to the Federal estate tax. If you have "**ultra high net worth**" clients, this may impact, or reduce the need for, the life insurance component of some estate plans.

What Clients Should Know

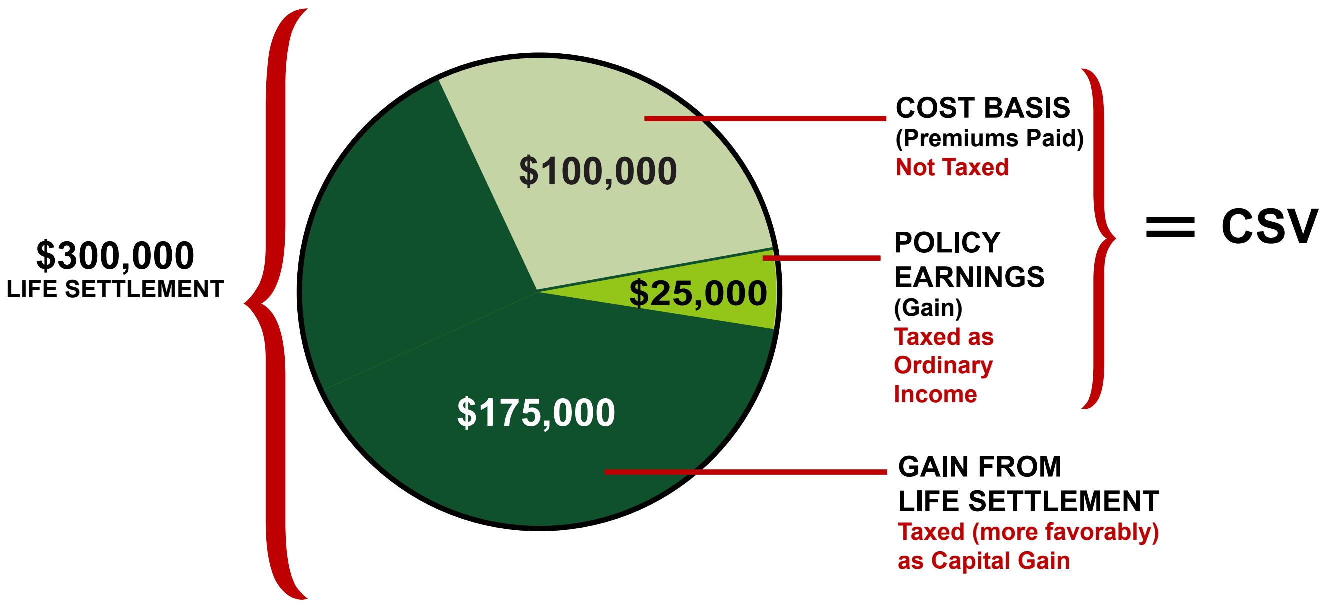
For clients owning life insurance policies that they no longer need or want, the TCJA has relevance in the following three ways:

1. Reduces tax consequences of life settlements
2. Retroactive for life settlements dating back to August 25, 2009*
3. Doubles the estate tax exemption to $11.2M for individuals and $22.4M for couples

*For clients who have sold their policies subsequent to August 25, 2009, advisors may want to suggest they consult their tax professionals to determine the implication of the retroactive IRS provision.

Life Settlement Tax Implications Following 2017 TCJA

Illustration is Based on Selling a $1 Million Life Insurance Policy for $300,000



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