

## **Why use life insurance? Tax-free Death Benefit Advantage**

Life insurance has inherent advantages over other assets that can be passed on to heirs, such as IRAs and non-qualified investments. Namely, the death benefit is a predictable, defined sum of money, and generally passes to heirs income tax-free.

Also, policies purchased by older individuals for wealth transfer purposes can have an internal rate of return on the death benefit between 6 and 7 percent at life expectancy. When you factor in the tax-free nature of life insurance proceeds and that retirees often have a conservative risk tolerance, this can be an excellent rate of return. For clients with non-liquid assets like a second home or a family business, life insurance offers a way to more equally divide an estate among heirs who want the property or business and those who do not, while avoiding the problems associated with converting the assets into cash.