

# Giftgiving



## MetLife®

**M**any of you spend dozens or more hours each year working with tax advisors to help reduce your annual income tax. Yet the largest tax of all is the federal estate tax.

With proper planning, you may be able to find strategies that help reduce federal estate taxes. In turn, you may be able to save a large percentage of your estate.

Today, it is more important than ever to protect your assets from significant loss due to estate taxes. In fact, the top federal estate tax rate is 46% (in 2006) and will remain at 45% from 2007 through 2009. Although existing law repeals federal estate taxes for one year (in 2010), they are scheduled to return in 2011 with a top bracket of 55%. There are some very positive reasons for developing an estate plan; among them are the following:

- Help reduce the amount of taxes that will have to be paid
- Be sure that your assets are distributed the way you want, to whom you want, when you want and in the amount you want
- Provide the actual dollars needed for estate settlement expenses at a minimum cost

### Determining your Objectives

Your objectives determine everything. Even tax planning must take a back seat to carrying out your wishes and goals. Be sure you are clear about how you want your assets to be used, as well as who shall have the use of them. Following may be some of your objectives:

- Maximizing the enjoyment of your assets during lifetime
- Providing for you and your family in the appropriate manner
- Preserving asset values
- Controlling your family's future
- Reducing taxes and expenses



Are you losing another year of tax-free gifting to family?

### Giftgiving to Family

Lifetime gifts to family members or other individuals can effectively reduce your estate while providing real personal satisfaction. You are entitled to transfer up to \$12,000\* per person without incurring any federal gift tax; and spouses together may donate up to \$24,000.\* These annual gifts may be in addition to any direct tuition or medical payments made on behalf of another person.

Giftgiving during your lifetime reduces your estate in the amount of the value of the gift. Giftgiving also avoids estate tax on any subsequent appreciation and income earned on the asset, making it a leveraged strategy.

### Leverage Your Gifts with Life Insurance

You may be able to multiply your gifts to family by using your allowable gift exclusion amount to purchase life insurance for family members. The life insurance death benefit may help ensure that sufficient cash is available when estate taxes are due, thus reducing or even eliminating estate shrinkage. A life insurance death benefit generally is not subject to income tax and possibly estate tax if properly owned. It can also provide leverage – a relatively small amount of dollars used to pay premiums may create a significant death benefit.

\* This amount is indexed each year for inflation.

## Make Sure Your Life Insurance Policy Is Properly Owned

Life insurance proceeds are generally exempt from income tax. However, they are subject to estate tax if you own the policy or have rights in the policy. To avoid increasing your estate tax liability with the very method you choose to pay it, implement one of the following plans:

1. Have your children purchase and own the policy. (They could pay premiums with gifts you have made to them, which fall within the allowable annual gifting amount.)

2. Have a trustee of an irrevocable trust purchase the policy. (The trustee may pay premiums with amounts you have gifted to the trust, using your and your spouse's annual gifting amount limits.)

The latter choice, using an irrevocable life insurance trust, is among the most common strategies used today. As long as the trust is properly drafted and funded, the proceeds of the policy can be received by heirs without any estate tax liability. This liquidity can help ensure that many of your assets are preserved for distribution. ■

This document is designed to provide introductory information on the subject matter. MetLife Investors does not provide tax and legal advice.

**Pursuant to IRS Circular 230, MetLife is providing you with the following notification: The information contained in this document is not intended to (and cannot) be used by anyone to avoid IRS penalties. This document supports the promotion and marketing of insurance products. You should seek advice based on your particular circumstances from an independent tax advisor.**

Variable universal life insurance (VUL) is underwritten by MetLife Investors Insurance Company on Policy Form Series CLP001 and CP002 and MetLife Investors Insurance Company of California on Policy Form Series CCP00104 and CCP00204. Guarantee Advantage Universal Life (GAUL) is issued by MetLife Investors USA Insurance Company on Policy Form Series 5E-30-04 and, in New York, only by Metropolitan Life Insurance Company, New York, 200 Park Avenue, New York, NY 10166 on Policy Form Series 1E-30-04-NY. Legacy Advantage Survivorship Universal Life (LASUL) is issued by MetLife Investors USA Insurance Company on Policy Form Series 5E-32-05 and, in New York, only by Metropolitan Life Insurance Company on Policy Form Series 1E-32-05-NY. Universal Advantage Universal Life (UAUL) is issued by MetLife Investors USA Insurance Company on Policy Form Series 5E-31-05 and, in New York, only by Metropolitan Life Insurance Company on Policy Form Series 1E-31-05-NY. Corporate owned life insurance (COLI) is issued by New England Life Insurance Company on Policy Form Series NEV-14. All guarantees are based on the claims paying ability of the issuing insurance company. Products are distributed by MetLife Investors Distribution Company (MetLife Investors), 5 Park Plaza, Suite 1900, Irvine, CA 92614. November 2005.

Prospectuses for variable life insurance issued and/or distributed by a MetLife Investors insurance company, and for the investment portfolios offered thereunder, are available from MetLife Investors. The prospectuses contain information about the contract's features, risks, charges and expenses, and the investment objectives, risks and policies of the underlying portfolios, as well as other information about the underlying fund choices. Clients should read the prospectuses and consider this information carefully before investing. Product availability and features may vary by state.

MetLife Investors variable life insurance has limitations. There is no guarantee that any of the variable investment options in this product will meet their stated goals or objectives. The account value is subject to market fluctuations so that, when withdrawn or annuitized, it may be worth more or less than its original value. All product guarantees are based on the claims-paying ability of the issuing insurance company.

For a non-MEC policy, income taxes are due upon withdrawal, only to the extent that they exceed basis. For a MEC policy, income taxes are due upon withdrawal and if withdrawn before age 59½, a 10% penalty tax may apply. Loaned amounts are generally not subject to income taxation.

Loans or withdrawals will decrease the cash value and death benefit.

Life insurance is medically underwritten, so all candidates should be in reasonably good health. You should not cancel your current coverage until your new coverage is in force. Surrender charges may be due on an exchange of one contract for another. A change in policy may require an examination. Surrenders may be taxable. There may be partial and/or full surrender charges for early withdrawal from life insurance.

• Not A Deposit • Not FDIC-Insured • Not Insured By Any Federal Government Agency  
• Not Guaranteed By Any Bank Or Credit Union • May Go Down In Value

**have you met life today?®**

**MetLife®**

**MetLife Investors Distribution Company**  
5 Park Plaza, Suite 1900  
Irvine, CA 92614