2025 ADVANCED SALES FORUM

Explore, Inquire, Innovate

Dancing The Tax Tango: Taxes Then and Now

LIMRA LOMA

Navigate With Confidence

Steve Parrish
JD,AEP,RICP,CLU,ChFC

Professor of Practice and Scholar in Residence

The American College of Financial Services

Dancing the Tax Tango: Taxes Then, Now and in the Future

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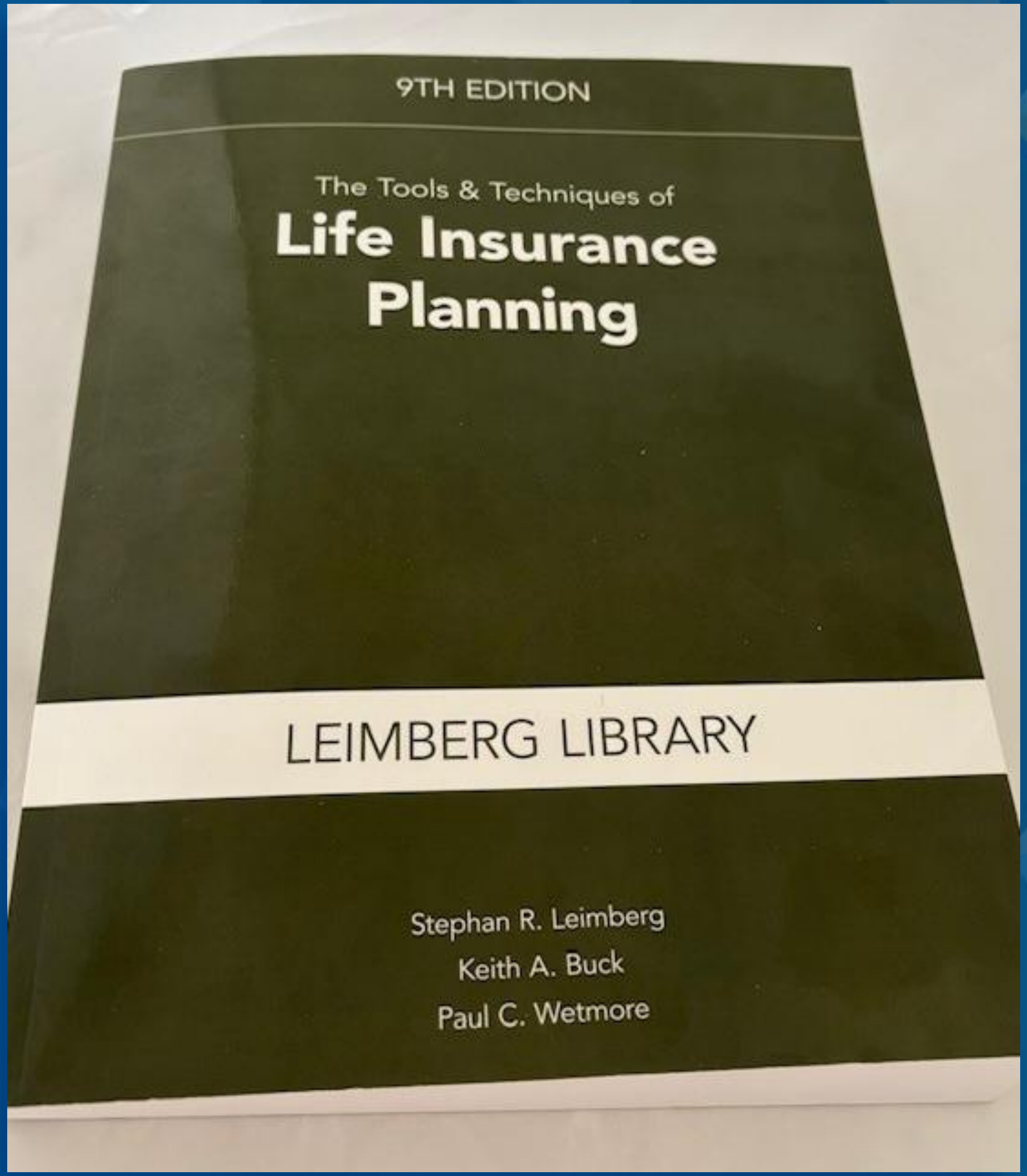

Taxes and Life Insurance Planning

THEN

NOW

IN THE FUTURE

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OBBB: Just another tax law?

Chronological Chart of Federal Tax Laws (1981–TCJA)

Year	Formal Name	Nickname
1981	Economic Recovery Tax Act of 1981	ERTA / Kemp-Roth Tax Cut
1982	Tax Equity and Fiscal Responsibility Act of 1982	TEFRA
1984	Deficit Reduction Act of 1984	DRA
1986	Tax Reform Act of 1986	TRA 1986
1990	Omnibus Budget Reconciliation Act of 1990	OBRA 1990
1993	Omnibus Budget Reconciliation Act of 1993	OBRA 1993
1997	Taxpayer Relief Act of 1997	TRA 1997
2001	Economic Growth and Tax Relief Reconciliation Act of 2001	EGTRRA / Bush Tax Cuts
2003	Jobs and Growth Tax Relief Reconciliation Act of 2003	JGTRRA / Second Bush Tax Cuts

OBBB: Just another tax law?

Chronological Chart of Federal Tax Laws (1981–TCJA)

Year	Formal Name	Nickname
2010	Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010	Tax Relief Act of 2010 (or TRUIRJCA)
2012	American Taxpayer Relief Act of 2012	ATRA
2017	Tax Cuts and Jobs Act of 2017	TCJA

KEEPING IT IN PERSPECTIVE:
In 2024, the IRS collected $5.1 trillion. This revenue represents approximately 96% of all government funding

MAJOR TAX LAW "*Then ....*"

- **TRA1976** – combined estate and gift taxes; added GSTT; carryover basis
- **ERTA 1981**: *biggest tax cut in U.S. history* - 70% to 50% top bracket; 28% to 20% cap gains; unlimited marital deduction; estate tax from 70% down to 50%; accelerated depreciation; ESOPs
- **TEFRA 1982**: *biggest tax increase in U.S. history** - fun facts:
  - Repealed some personal income tax rates that hadn't gone into effect yet from ERTA
  - A crackdown on underreporting of tips received by those who earn tips as part of income
- **TRA 1986**: 50% to 33% top bracket (15 to 4 brackets); Q plan nondiscrimination rules; AMT increase
- **OBRA 1990**: 28% to 31% (28% max cap gains); PAYGO approach; "No New Taxes!"
- **TRA 1993**: 36% and 39.6% brackets; 35% corps; retroactive to beginning of year
- **EGTRRA 2001**: 35% max; Roth accounts, catchups, etc.; sunset 12/31/10; **JGTRRA** in 2003;
- **TRUIRJCA 2010:** Fiscal Cliff: sunset extension
- **ATRA 2012**: "permanent" tax rates; 39.6% (20% cap gain) max; 40% on estates over $5MM.
- **TCJA 2017**: 37%; 21% corporate rates; 199A 20% flow-through; doubling estate exemption; sunset 12/31/26

****Adjusted for inflation***

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One-offs "*Then …*"

AJCA 2005: 409A; → NQDC

PPA 2006: 101(j) & 7702 → Life & LTC

ESA & **AARA** (Great Recession): $600 rebate; FICA 4.2% for 2 years; business stimulus

DEBT AND DEFICITS

CARES Act (COVID) : $1,200 rebates; PPP for business

CAA 2021 changes to 7702 → Whole Life

SECURE ACT 2019 & **SECURE 2.0 2022** → Annuities

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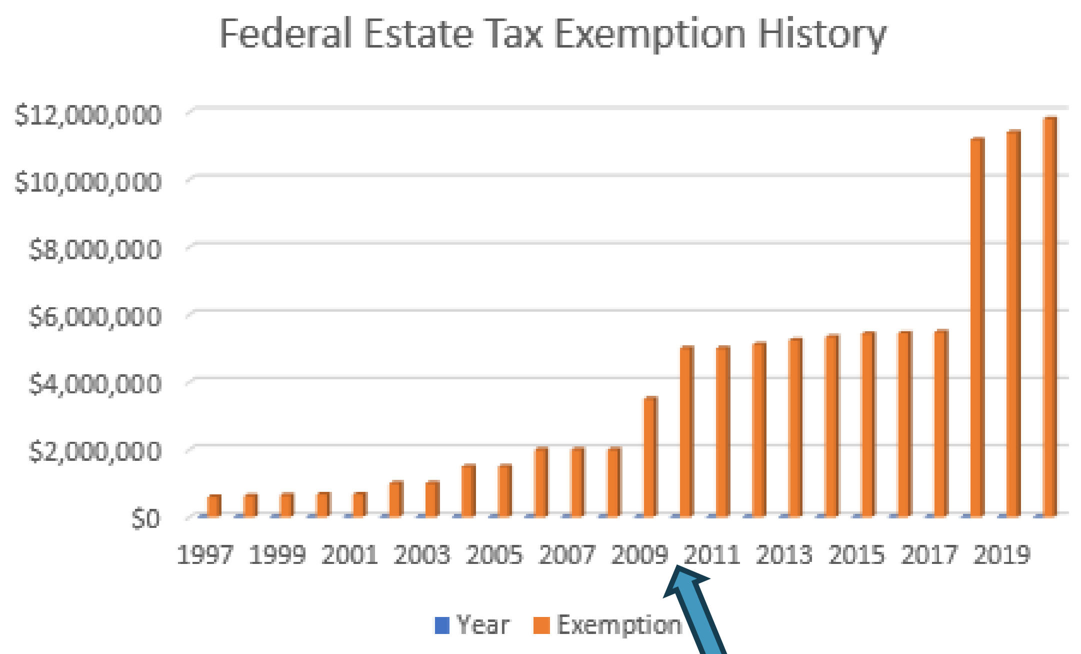
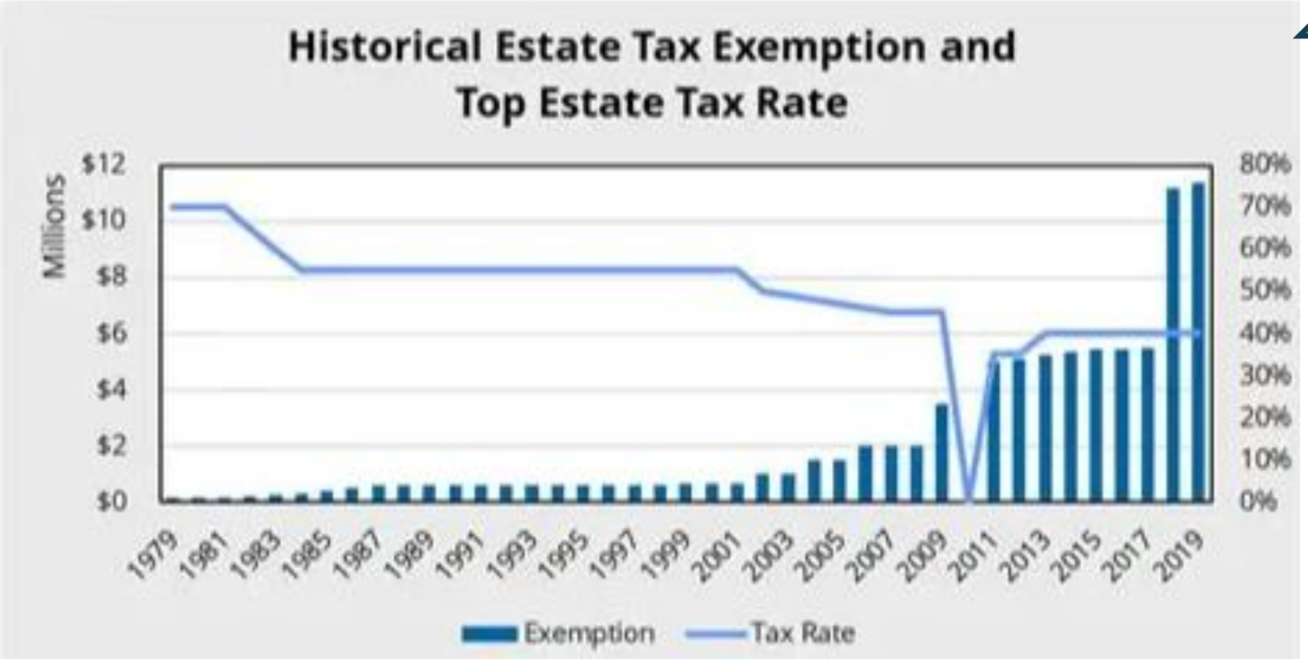
ESTATE TAXES “*Then ....*”





Year	Number of estate tax returns[11]	Tax filings as a percentage of adult deaths
1934	8,655	0.88%
1976	139,115	7.65%
1982	34,426	1.81%
1999	53,819	2.30%
2001	50,456	2.14%
2003	27,309	1.14%
2008	14,626	0.60%
2009	5,668	0.24%
2010	0 (Repealed)	
2011	4,415	0.18%
2019	2,129	0.08%

PLANNING CONCEPTS *"Then to Now …"*

- *GONE*: RLR, Ch. Rev. Split $, 419, Captives, STOLI
- Crummey v. Comm. 1968
- GRATs emerge post-*Walton* 2000
- IDGTs emerge in 2000s
- Generational split dollar (*Levine)* 2022
- FLPs (*Powell*), SCINs, SLATs
- Stock Redemption (*Connelly*)

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NOW

Rank	Provision	Estimated10-Year Tax Reduction	Notes
1	Permanent extension of individual TCJA ordinary income tax rate cuts	~$2.7 trillion	Makes lower rates for all brackets permanent
2	Permanent increase in standard deduction (TCJA and further enhancement)	~$900 billion	Includes both TCJA and new $750/$1,500 boost
3	Permanent increase in child tax credit (TCJA + increase to $2,200)	~$400 billion	Raises CTC to $2,200, inflation-adjusted
4	Permanent Section 199A 20% pass-through deduction	~$350 billion	For qualified business income
5	Permanent increase in estate and gift tax exemption to $15M/$30M	~$200 billion	Indexed for inflation, prevents sunset
6	Temporary increase in SALT deduction cap to $40,000 (2025-2029)	~$142 billion	Phases out above $500,000 income, reverts to $10,000
7	Permanent repeal of personal exemptions	~$120 billion	Maintains TCJA elimination
8	Permanent $750,000 mortgage interest deduction limit	~$100 billion	Maintains TCJA limit
9	Permanent repeal of Pease limitation on itemized deductions	~$90 billion	Removes phaseout for high earners
10	Permanent increase in AMT exemption and phaseout thresholds	~$80 billion	Maintains TCJA changes, resets inflation base
11	Permanent restoration of immediate expensing for domestic R&D	~$70 billion	Retroactive for small businesses
12	Permanent 100% bonus depreciation for short-lived investments	~$65 billion	For equipment and certain structures
13	Temporary deduction for up to $25,000 in tip income (2025-2028)	~$60 billion	For traditionally tipped workers

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TAXES NOW – OBBB and our markets

- Permanent Lifetime Exemption
- Permanent Lower Income Tax Rates
- Fewer sunsets coming up
- Economic
  - Increased wealth divide
  - Deficits and Inflation(?)
  - Demographic – *work force* and *graying of America*

"***The tax system has changed so often and in so many ways over the decades that infusing more flexibility into planning seems prudent for most clients***."

Martin Shenkman

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HEAD WINDS (👎)versus TAIL WINDS (👍) for advanced sales

- Estate Tax limited to HNW & UHNW 👎
- Life Settlements 👍
- QLACs & life income annuities 👍
- Life insurance in retirement planning 👍 👎
- In-plan annuities 👍
- Indexed Universal Life 👎
- Whole Life and PPLI 👍

HOT Advanced Sales MARKETS/OPPORTUNITIES

HNW/UHNW: Intergenerational & Private Split $, PPLI, multiple non-grantor trusts, IDGTs & GRATs

SMALL BUSINESS PLANNING:

- *Topics*: QOZs, QSBS, 100% bonus depreciation, PTET & entity selection
- *Opportunities*: Exec Benefits, Q plans, post-Connelly exit planning, Key Person

RETIREMENT PLANNING: QLACs, annuities, LIRP, life insurance as an asset class, incorporate estate planning

ESTATE PLANNING: *Income* tax & *asset protection* focus, life ins. as step-up, community property, unwinding trusts, GPOAs

FEE BASED PLANNING

WealthManagement.com

It's Time for Some Agents to Go Upscale

Competition in a crowded space calls for a new approach to plan design.

Charles L. Ratner
June 25, 2025

4 Min Read

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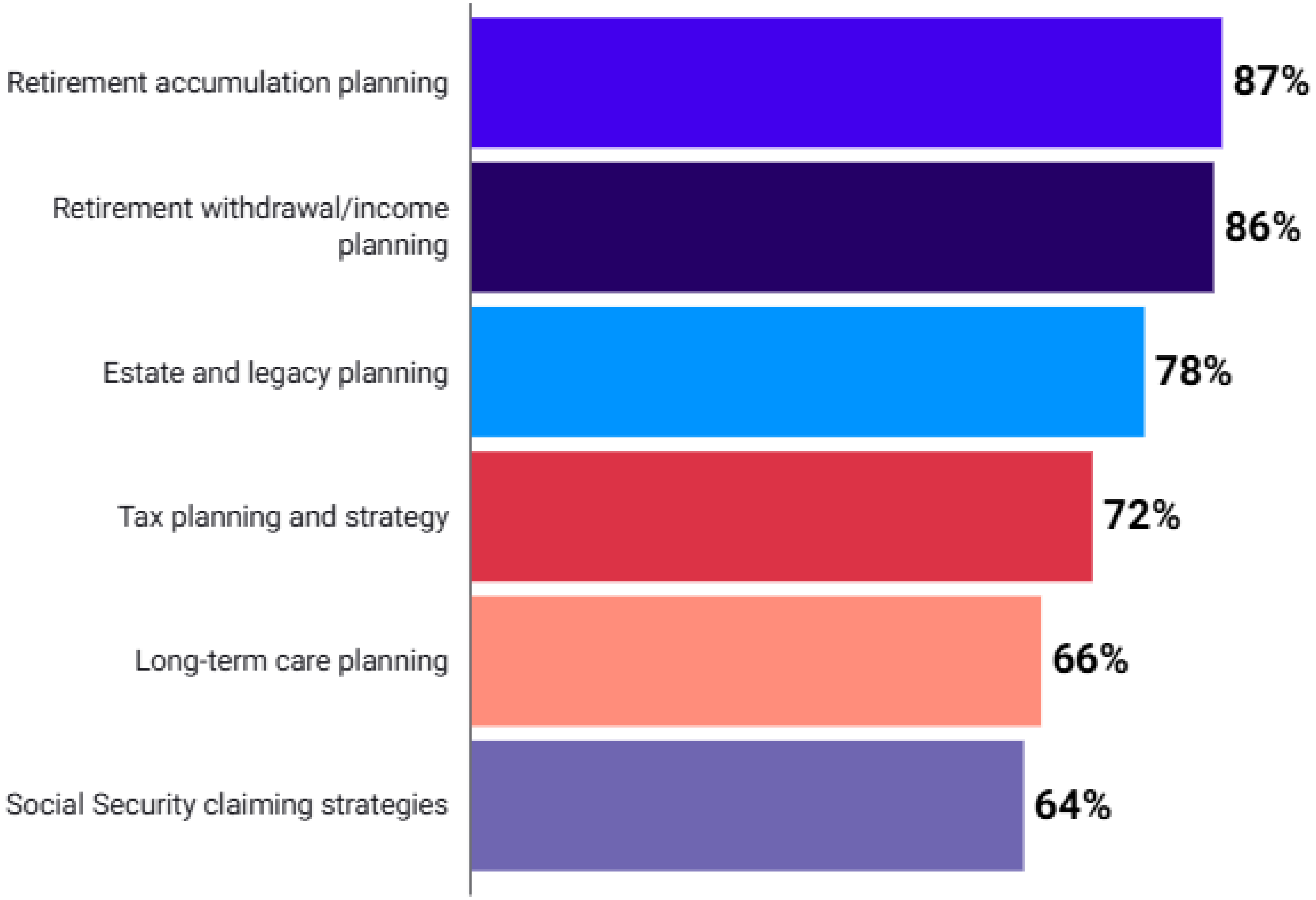
Services Offered

% Advisors Who Focus on Financial Planning



The findings indicate that when clients receive broad and specialized financial planning services — *including those for which advisors attain specialized knowledge* — they exhibit less dramatic shifts in their feelings and behaviors, compared to those who rely on their advisors solely for investment management. In turn, advisors who focus on financial planning also feel less anxious about their practice than those focused on investment management.

Advising Through Uncertainty Study. The American College of Financial Services. 2025.

Life Insurance as an asset class

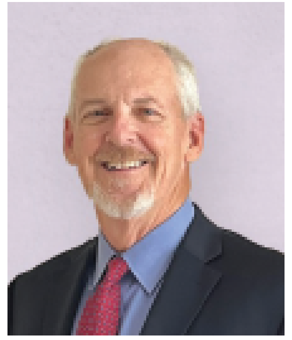
ED SLOTT'S August 2025

IRA ADVISOR

Tax & Estate Planning for Your Retirement Savings

Life Insurance May Beat Inherited IRAs

Guest IRA Expert



Steve Parrish, JD, RICP®, ChFC®, CLU®, RHU®, AEP®

The American College of Financial Services

King of Prussia, PA

Accounts such as 401(k)s and IRAs may be excellent vehicles for retirement accumulation but often they pose problems in leaving an inheritance. Many individuals, especially if they

Indeed, the stretch IRA has largely been replaced with the 10-year rule, making such accounts costly and inefficient holdings for passing wealth to the next generation. Fortunately, this does not mean workers have to accept the tax expense of leaving IRAs to their heirs. An appealing alternative has emerged: using life insurance as a bequest in lieu of inherited tax-deferred accounts.

NOTE: Because tax-deferred accounts come in many forms — traditional IRAs, 401(k)s, 403(b)s, and others — for simplicity I will just refer to post-death holdings as inherited IRAs.

dollars once the paychecks cease, to minimize taxes. This strategy does not, however, avoid taxes; these IRA owners are merely transferring the tax burden to their beneficiaries.

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The SECURE Act has made these transfers particularly costly if the beneficiaries are their descendants. Adult children and grandchildren typically will be classified as non-eligible

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ISSUE: With an affluent age 65 couple, continue to invest IRA for legacy or use distributions from IRA to purchase VUL life insurance?

- Withdraw $40,000 each year from the IRA for a <u>*net*</u> $31,200 cash available each year.
- $31,200 annual premium for a Joint/Survivor policy.
- $1M death benefit policy.

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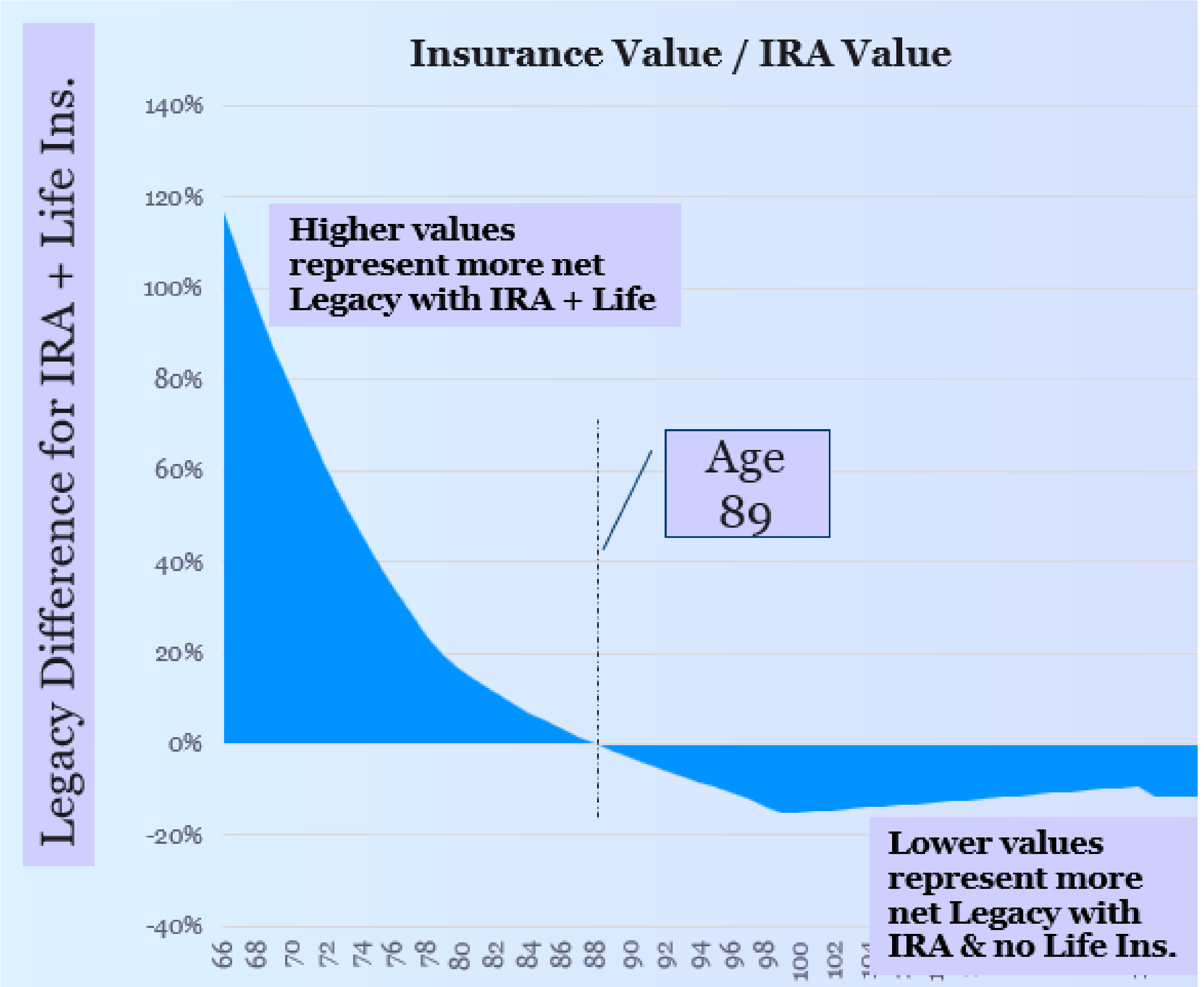
Life Insurance as an asset class



<u>*Assuming 6% Net Return:*</u>

- IRA-only strategy will generate about $2.7 million *($1.3 million from the taxable account and $1.4 million from the IRA*).
- With life insurance: $3.4 million *($2.2 million from life insurance, remainder from the reduced IRA*). A 25% increase in gross assets

- After 10 years, beneficiary will have roughly $5.3 million. *On a purely financial basis, the combo life insurance and IRA strategy yields $1.3 million more than the IRA-only strategy.*
- **PLUS**: a known bequest, liquidity, avoiding excess taxes (IRMAA), etc.

Thank You

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