Case Study

A Gift from the Heart

How Guardian's 10 Pay Whole Life Insurance Provides Options

People with significant assets who want to provide for their children or grandchildren often want to decide the best, most tax-advantaged way to pass on a legacy. Fortunately, gifting life insurance premiums to a child, within the government's gifting limits, remains a viable strategy and satisfies multiple planning objectives.[1]

Typical 10 Pay Whole Life Clients Include:

- Affluent clients with substantial income and assets who would like to gift to children or grandchildren, especially for a limited time
- Individuals who want guaranteed lifetime protection for themselves, along with a limited payment period
- Grandparents or parents who want to help with future college costs
- Clients who must start taking minimum distributions from an IRA
- Affluent individuals who wish to minimize their taxable estate through gifting

Strategy

Guardian's 10 Pay Whole Life (WL) is a participating policy that has the potential to earn annual dividends.[2] It has a guaranteed level premium and is fully paid up after 10 years. As a high premium, high cash value policy, it can create a substantial asset that may be accessed for living benefits as well as providing a cash resource for beneficiaries.[3]

Depending on the face amount, the annual premium for an insured child or grandchild could typically fall within the IRS's Annual Exclusion limit ($13,000 per person in 2011). The Uniform Transfers to Minors Act (UTMA) or Uniform Gifts to Minors Act (UGMA) can be used to facilitate ownership by a minor, if needed.

The policy may also be purchased with discounted dollars through Guardian's Pre-Paid Premium Program — a solid strategy for parents or grandparents.

Advantages

- **Fully paid in a decade**— Guardian's 10 Pay WL policy is paid up after 10 annual premium payments, and provides guaranteed coverage for a lifetime.
- **Grounded asset**— When purchased for a child or grandchild, it offers an affordable, secure financial foundation for the future.
- **Locked-in protection**— Some unique options and riders custom-tailored to 10 Pay WL provide ways to enhance coverage and/or lock in insurability.[4]
- **Tax-deferred growth**— Gifting the premium to a child or grandchild helps to protect estate assets from tax erosion and secure a legacy for the next generation.

[1] Guardian, its subsidiaries, agents or employees do not give tax or legal advice.

[2] Dividends are not guaranteed. They are declared annually by Guardian's Board of Directors.

[3] Policy withdrawals, loans and loan interest will reduce policy benefits.

[4] Riders may incur additional costs. If the Lifetime Paid-Up Additional Rider (LPUA) is exercised every year and after the policy is paid up, the policy may be considered a Modified Endowment Contract (MEC) under IRS regulations.

Generation Timeline

1. Grandparent purchases $1 million policy on 5-year-old grandchild, gifting premium annually for 10 years.
2. Grandchild, age 18, enters college, and cash values from paid-up policy help supplement college costs with four annual withdrawals.
3. Child marries and uses some of the cash value as a down payment on a condo.
4. Grandparents have reduced size of taxable estate, ensuring that a legacy is intact for future generations.

Why Guardian 10 Pay WL?

Ten Pay Whole Life is a unique product that integrates well with many personal and business planning strategies, and Guardian is a sound choice among the few companies that offer this type of plan. Guardian offers numerous advantages, including:

- Exceptional policy performance
- The strength and stability of a mutual company[5]
- Ratings that were reaffirmed in 2010 by Fitch, Moody's, A.M. Best, and Standard & Poor's
- A history of giving back to policyholders through dividends since 1868[6]

Contact your Guardian representative or your local Guardian agency today to learn more.

[5] Financial information for The Guardian Life Insurance Company of America as of 12/31/10 on a statutory basis: Admitted Assets= $33.1 Billion; Liabilities = $28.7 Billion (including $25.1 Billion of Reserves); and Surplus = $4.4 Billion.

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