Creating a Larger 'Self-Completing' Juvenile Savings Pool

CASE STUDY

You probably already realize the benefit of giving the gift of whole life insurance to a child or young adult. But how do you maximize that policy as a savings vehicle? Here's one way — design your policy with a special combination of options to create a larger tax-advantaged savings pool in addition to valuable death benefit protection.

Case: Parents want to give a meaningful and memorable gift to their son and maximize the gift's "living benefits."

Planning Objectives:

- Provide a long-term asset for their child that will lay a solid financial foundation for his future.
- Set aside a financial resource that may be used for their son's future goals, such as education expenses, on a tax-favored basis.

Planning Strategy:

- The parents purchase a Guardian 20 Pay Whole Life policy with a $1 million face amount on the life of their son.
- The policy is purchased with an important "option" and two important riders:
  - **Dividend Option Q**, an option that blends term insurance in your same whole life policy and is available on Guardian juvenile policies, can create additional funding opportunities that would otherwise not be possible due to MEC considerations.[1,2] Option Q allows the payer to contribute more premiums on a juvenile policy than one without the rider, which in turn creates greater tax-advantaged cash accumulation in the policy — improving long-term savings goals.
  - **The Guaranteed Insurability Option rider**[3] allows for the purchase of additional life insurance on the child's life at designated dates in the future without providing evidence of insurability.
  - **The Applicant Waiver of Premium rider** waives premiums coming due after the death or disability of the parent who applied for the insurance.[4] This rider ensures that premiums will be paid by Guardian until the policy becomes paid-up. On any policy anniversary after the insured's age 5, but prior to age 25, this rider may be exchanged without evidence for a Waiver of Premium rider on the insured.
- The parents' thoughtful gift has accomplished the following:
  - Given their son a paid-up life insurance policy in 20 years.
  - Locked in future insurability of the child.
  - Created a significant, tax-advantaged savings pool for education — and beyond.

Top Reasons to Gift Life Insurance to a Child

- Life insurance is designed to grow and accumulate in value over the long term; its value will never decrease as long as premiums are paid and there are no loans or withdrawals.
- Gifting life insurance leverages dollars to provide a significant legacy for a child's future use.
- It's an intelligent strategy in estate planning.
- It establishes a financial foundation that will endure.
- It creates a future cash resource for things such as college tuition payments, seed money for a new business, or a deposit for a new home.[5]

GUARDIAN®

Why 20 Pay Whole Life insurance?

- Tax-deferred cash accumulation[6] and income tax-free death benefit
- Level, predictable premiums
- Fully paid-up in 20 years
- Not affected by market fluctuations

Guardian's suite of policy riders and options lets you design a financial strategy that can add value and flexibility for the long term.

Interested in giving a gift of a lifetime?
Discuss the possibilities with your
local Guardian representative.

GUARDIAN®

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Policy Form No. 12-L20

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1 A Modified Endowment Contract (MEC) is a type of life insurance contract that is subject to last-in-first-out (LIFO) ordinary income tax treatment, similar to distributions from an annuity. The distribution is also subject to a 10% tax penalty on the gain portion of the policy if the owner is under age 59½. The death benefit is generally income tax free.
2 Guardian, its subsidiaries, agents, and employees do not provide tax, legal, or accounting advice. Consult your tax, legal, or accounting professional regarding your individual situation.
3 These riders incur an additional premium. Rider form numbers 09-GIO L10 and 01-R17.
4 Rider available only with 10 Pay and 20 Pay Whole Life policies at issue ages 0–5 for the insured and ages 15-55 for the applicant.
5 Policy benefits are reduced by any outstanding loan or loan interest and/or withdrawals. Dividends, if any, are affected by policy loans and loan interest. Withdrawals above the cost basis may result in taxable ordinary income. If the policy lapses, or is surrendered, any loans considered gain in the policy may be subject to ordinary income taxes. If the policy is a Modified Endowment Contract (MEC), loans are treated like withdrawals, but as gain first, subject to ordinary income taxes. If the policy owner is under age 59½, any taxable withdrawal is also subject to a 10% tax penalty.
6 Dividends are not guaranteed. They are declared annually by Guardian's Board of Directors.