



Life

A World of Future Opportunity or...

These materials are not intended to be used to avoid tax penalties, and were prepared to support the promotion or marketing of the matter addressed in this document. The taxpayer should seek advice from an independent tax advisor.



Advantages

As the chart below illustrates, the first three options for paying estate taxes may be impossible and are often impractical. Only the fourth option, life insurance, potentially enables you to pay estate taxes with pennies on the dollar. Life insurance provides cash for a predictable and certain need which will arise at some unpredictable moment.

Advantages of paying estate taxes with life insurance and proper planning:

- Provides liquidity at a fraction of the overall cost.
- Assures that payment of the benefit is prompt.
- Grants a possibility of income and estate tax-free proceeds.
- Grants a possibility that proceeds may not be subject to probate.
- Avoids the problems created by the other options.



Effective Cost Per \$1.00, \$500,000 Estate Tax Payment

Year	Cash	Borrowed funds ¹	Liquidated assets ²	Life insurance ³ (Discounted Dollars)
1	100.0 cents	166.12 cents	?	1.2 cents
2	100.0 cents	166.12 cents	?	2.5 cents
3	100.0 cents	166.12 cents	?	3.7 cents
4	100.0 cents	166.12 cents	?	4.9 cents
5	100.0 cents	166.12 cents	?	6.1 cents
6	100.0 cents	166.12 cents	?	7.4 cents
7	100.0 cents	166.12 cents	?	8.6 cents
8	100.0 cents	166.12 cents	?	9.8 cents
9	100.0 cents	166.12 cents	?	11.1 cents
10	100.0 cents	166.12 cents	?	12.3 cents
15	100.0 cents	166.12 cents	?	18.4 cents
20	100.0 cents	166.12 cents	?	24.6 cents

¹ Assumes \$500,000 borrowed with terms of equal installments for 10 years at 6% interest, compounded monthly.

² It is impossible to predict the cost of liquidating assets, as this depends on the type of asset and the time-frame involved.

³ Based on ING Guaranteed Premium Survivorship Universal Life premiums for male and female, preferred, both age 65. Annual premium is \$6,143 with a \$500,000 face amount.

Premiums calculated to provide coverage to youngest insured's age 100, based on current interest rate of 5.05% and current mortality charges. Guaranteed interest rate is 4.00%.

Financial Uncertainty

You've worked hard for the wealth you have accumulated, expecting to leave your family financially secure. Unfortunately, that dream is easily shattered. Consider what happened to the estates of these famous Americans.

Conrad Hilton

Owner of Hilton Hotel Chain

Mr. Hilton's estate was valued at almost \$200 million. Estate settlement costs were over \$105 million, most of which were federal estate taxes, payable in cash. His heirs received only 47% of his fortune. Although that was still a substantial amount, imagine writing a check to Uncle Sam for \$100 million!

Jessica Savitch

NBC News Anchorwoman

Ms. Savitch left a \$2,175,463 estate. After paying the settlement costs (over a third of which were federal estate taxes), her heirs ended up with less than half of her estate. With proper planning, the devastation of her estate could have been prevented. Though you may not have accumulated Conrad Hilton's vast wealth or even Jessica Savitch's more modest fortune, you could still be subject to the estate tax if your taxable estate exceeds \$1,500,000 in 2005 and \$2,000,000 in 2006. Could you write a check today for 50% of the value of everything you own? If not, a well designed estate plan is critical in order to preserve your wealth for your heirs.

A Wealth Transfer Plan will assist you in determining the extent that estate settlement costs will reduce your estate, and developing a strategy to help ensure your family's financial security.

Estate Expenses

What will happen to your assets at death? First, everything you own becomes a part of your estate. Then, estate expenses must be paid before your heirs receive the remaining assets, if any.



Probate Cost

(Pro/bat) - the judicial determination of the validity of a will.

After the final expenses (funeral, burial, medical expenses and debts) have been paid, probate expenses must be paid. Below is a typical* example of a statutory attorney's and executor's fees for probating an estate:

Statutory Formula:

- 4% on the first \$15,000
- 3% on the next \$85,000
- 2% on the next \$900,000
- 1% on the amount over \$1,000,000

Example.

Probate Assets	Total Fees
\$100,000	\$3,150
\$250,000	\$6,150
\$500,000	\$11,150
\$750,000	\$16,150
\$1,000,000	\$21,150
\$2,000,000	\$31,150
\$3,000,000	\$41,150
\$4,000,000	\$51,150
\$5,000,000	\$61,150
\$10,000,000	\$111,150

How Estate Taxes Are Paid

Because estate taxes can be the largest portion of the settlement costs, let's focus on how these taxes will be paid. Estate taxes are generally due and payable in cash within nine months from the date of death.

Because the IRS only accepts cash, there are four primary ways to pay these taxes:

- Pay with available cash
- Borrow the funds
- Liquidate assets
- Use life insurance

* Note: Not applicable in all states. Rates may differ by state. Please consult your legal advisor.

Your Estate

Non-Liquid



The IRS doesn't take a portion of your liquid, semi-liquid and non-liquid assets

Federal Estate Tax

The federal estate tax is an excise tax on the right to transfer property. The following conditions apply:

- The gross estate includes the fair market value of *all* assets owned by the decedent.
- The Economic Growth and Tax Relief Reconciliation Act of 2001 changed the estate tax applicable to taxable estates. Under the Act the unified credit exemption amount (the amount that can be passed to your heirs free of estate taxes) increases gradually until the year 2010, when the estate tax is repealed. However, for deaths occurring in 2011 and thereafter, the credit exemption amount is substantially reduced back to \$1 million due to the sunset provision of the Act.
- Transfers between spouses generally qualify for the Unlimited Marital Deduction and are free of current estate tax.
- The estate tax is generally due and payable, in cash, within nine months from the date of death.



Federal Estate Tax Table.

Calendar Year	Estate Tax Exemption	Highest Estate Tax Rate
2005	\$1.5 million	47%
2006	\$2.0 million	46%
2007	\$2.0 million	45%
2008	\$2.0 million	45%
2009	\$3.5 million	45%
2010	No estate tax	0%
2011	\$1.0 million	55% + 5% Surtax
2012 + thereafter unless Congress does something to extend Act	\$1.0 million	55% + 5% Surtax



The IRS just wants cash

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