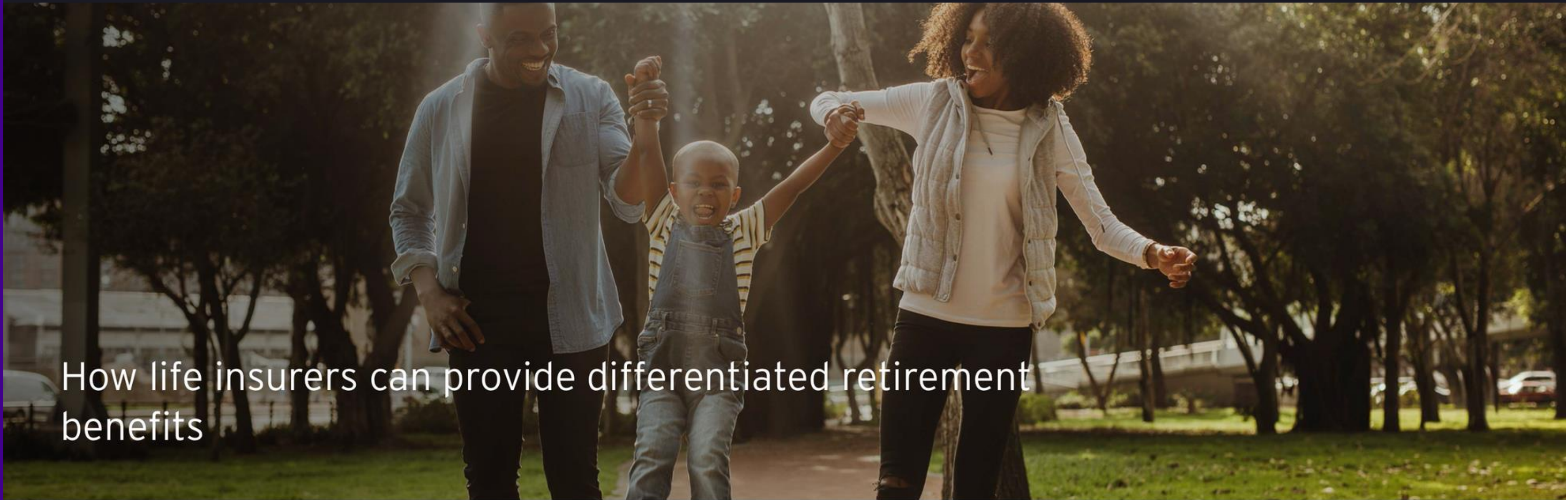




Washington Report

LIMRA Advanced Sales Forum
2024

Alex Kim
Vice President, Public Policy
Finseca



How life insurers can provide differentiated retirement benefits



By **EY Americas**

Multidisciplinary professional services organization

6 minute read
25 Feb 2021

Related topics

[Insurance](#)

[Financial Services](#)

"a recent study by EY showed that applying just 30 cents of each dollar of savings to term/permanent life insurance or annuities yields better returns than investment-only options."



Fin•sec•a

Financial Security for All

We are the home of the top financial security professionals.



M Financial Group™

nights of Columbus



Finseca's Value

ELEVATE

- Elevation of the Brand and Reputation of the Profession
- A Voice in the Media Sharing the Story of Our Noble Work
- Proactive Thought Leadership on Legislative and Regulatory Issues Impacting Finseca's Members
- Financial Security Thought Leadership Addressing the Economic Challenges Facing Consumers
- Driving Diversity, Equity and Inclusion Within the Profession



as of 5/10/24

ACCELERATE

- The Finseca Daily
- The Finseca Policy (Federal and State Updates)
- The Washington Report
- Resource Library of Carefully Curated Insights to Make Your Job Easier and Simpler
- Secrets of My Success Video Series
- Finseca Focus



ADVOCATE

- Protect the Tax Treatment of Life, Annuities, Retirement
- Preserve the Business Model (DOL, SEC, NY187, CA SB263, NAIC 275)
 - Protect Commissions,
 - Reduce Regulatory Burden,
 - 1099 Protections,
 - Recruitment and Diversity
- SECURE 1.0 and 2.0 Passage
- 199A Protection*
- Expanding Opportunities to Serve More Americans (i.e. LTC)



*This provision expires 12/31/25

EDUCATE

- EY 2.0
- Do Well By Doing Good
- E-books and White Papers
- Consumer Facing Financial Literacy Resources
- Research-based Studies on Financial Security



Finseca Priorities 2024



Standards of Conduct

- Defeat DOL
- CA SB 263
- NY 187
- NAIC 275



**Federal Tax
2025**

State

- Recruitment,
Retention, &
Diversity
- Long Term Care



The Hits Keep Coming



United States
Department
of Labor

200
Constitution Avenue NW

Visitor's Entrance at 3rd and C Street NW

 Accessible Entrance at 3rd and C Street NW

**Your commissions are
Junk Fees**

**State regulation is
inadequate**

as of 5/10/24



DOL Fiduciary Rule Timeline

DEC 12-13, 2023



DOL hosted two days of hearings

JAN 2, 2024



Deadline to submit comments to DOL

APR 23, 2024



DOL Releases Final Rule

SEPT 23, 2024



Effective Date

DOL Fiduciary 3.0 Key Takeaways



The rule seeks to make everybody they can a fiduciary under ERISA.

01



commissions are not allowed unless you have a workable exception: Prohibited Transactions Exemption (PTE)

02



84-24 no longer an option for most career advisors

03



PTE 2020-02 Based in securities

04

Impact of NY 187:



Data reported by Life Annuity Specialist showed a decline in the number of people covered by individual life insurance. For example, in 2021, the new policy count in New York stood at 362,207, down 15% from the 2018 total, the year before the rule took effect. But the policy count nationally increased by 3% over the same period.¹



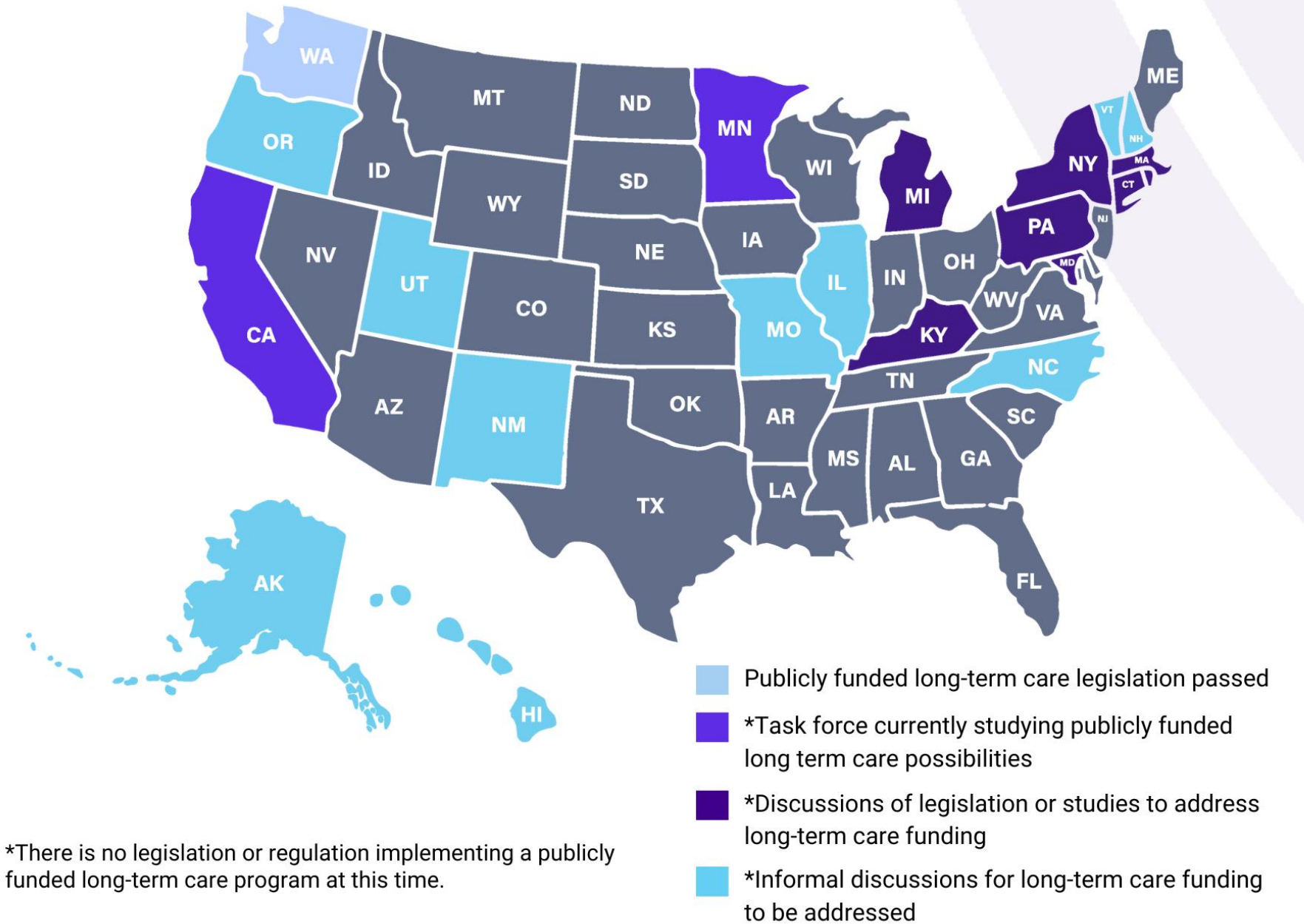
From 2019 to 2021, life insurance premiums from individuals climbed 11.5% across the United States but only 3.6% in New York, based on S&P Capital IQ Pro data. Meanwhile, retail annuity premiums rose 8.9% nationwide over the same period but dropped 4.2% in New York.²



According to MIB, the life insurance industry leader in data collection and risk assessment, there was a 13% decrease in new life insurance applications from 2018 to 2022 in New York. In 2021 alone, NY saw a -3.16% decline in new life insurance applications from the prior year. At the same time, Connecticut saw a 5.87% increase in life insurance applications and a 3.39% increase nationally during that same timeframe.

Long Term Care States to Watch

Hint: All eyes on Washington....again.



Taxes

TAX PRIORITIES

Estate Tax and
Wealth Transfer
Policy

199A



**Tax Treatment of
Products**
Life Insurance,
Annuities, Deferral



COLI/BOLI-NQDC



**Carrier Taxation /
ACLI alignment**



Tax

“Build it in America”

“Small Business Jobs Act”

“Tax Cuts for Working Families Act”

=

“American Families and Jobs Act”

Tax Cuts & Jobs Act

sunsets after 2025

TAX 2025 SUPERBOWL

House W&M

65% Member Turnover
15 of 43 remain - only 5
GOP



Ambassadors



Education



**3.5 to 6 Trillion
Package**



Senate Finance

52% Member Turnover
13 of 27 remain



Tax Priorities

Key Provisions Expiring

- Lower Individual Rates & Increase Standard Exemption
- Increased Estate Tax Exemptions
- Child Tax Credit
- 199A Deduction for Pass Through Entities
- SALT Deduction Cap

increases the federal government's fiscal imbalance from **8.2 % to 9.4 %** of all future GDP

Buchanan, More Than 70 Colleagues Introduce Legislation to Make Republican Tax Cuts Permanent

Biden Proposes \$3.6 Trillion in Revenue Raisers

| Proposal | 10-year revenue effect |
|------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| Increase corporate tax rate to 28%, from 21% | \$1,349.9B |
| Raise the additional Medicare tax for high-income households to 5%, from 3.8%; change how tax applies to certain passthrough income | 797.0 |
| Impose 25% minimum tax on total income on wealthiest 0.01% of taxpayers | 502.7 |
| Overhaul international tax system, including increasing tax rate on US multinationals' foreign earnings to 21%, from 10.5% | 373.9 |
| Change taxation of capital gains income | 288.6 |
| Increase top marginal income tax rate to 39.6%, from 37%, for individuals earning more than \$400,000, or more than \$450,000 for joint filers | 245.9 |
| Increase excise tax on repurchase of corporate stock buybacks to 4%, from 1% | 166.0 |
| Adopt the undertaxed profits rule | 136.3 |
| Eliminate various fossil fuel tax incentives | 35.3 |
| Impose digital asset mining energy excise tax | 7.7 |
| Tax carried interest as ordinary income | 6.6 |

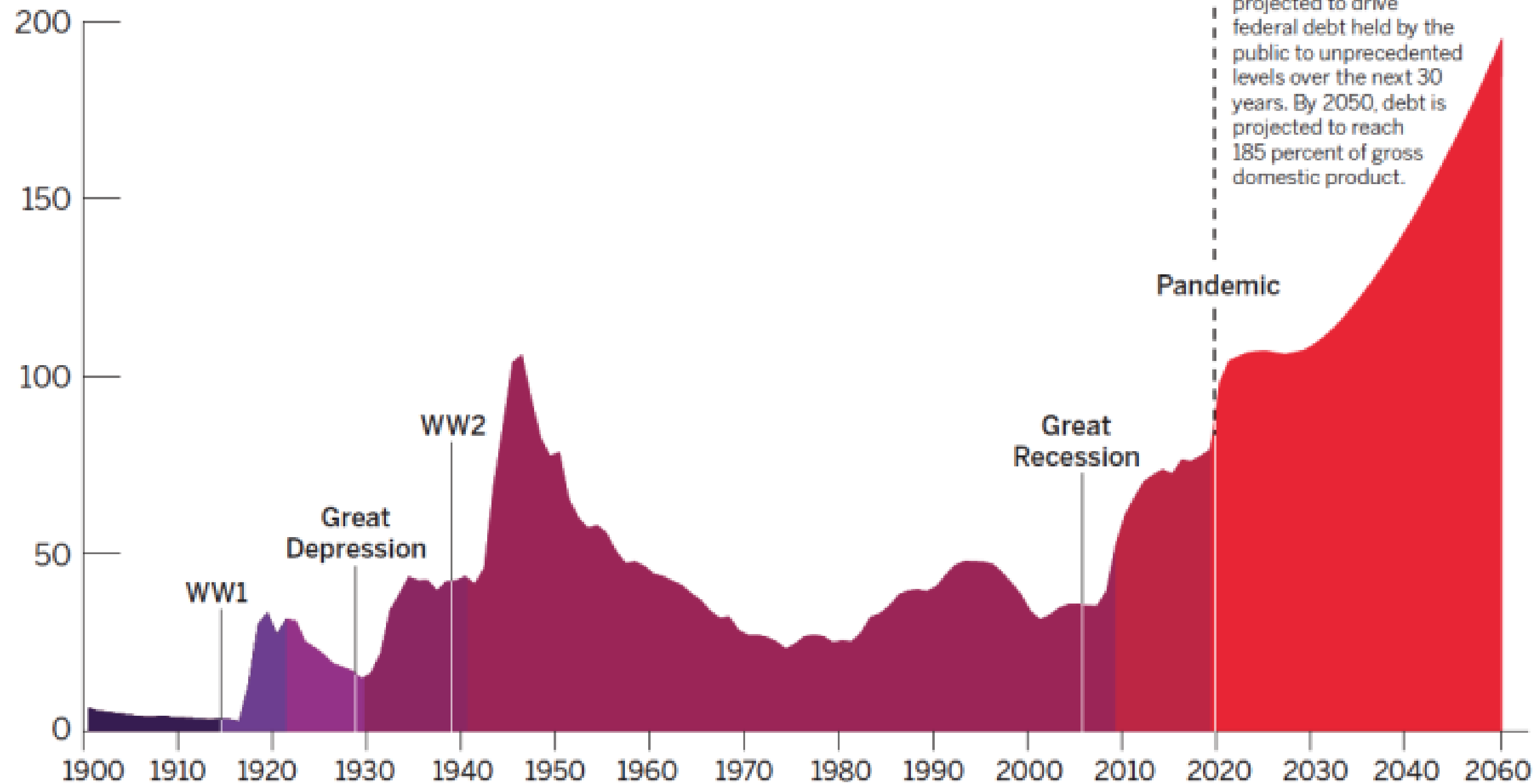
Note: Revenue estimates are from fiscal 2025 through 2034. High-income households are those with incomes more than \$400,000.
Sources: Fiscal 2025 budget request, table S-6; ["Biden Pitches \\$3 Trillion in Deficit Cuts in 2025 Budget Plan,"](#) Bloomberg Government

Wealth Transfer

Spiraling Debt Problem

Federal debt held by the public, 1900 to 2050

Percentage of Gross Domestic Product



Projected
Growing deficits are projected to drive federal debt held by the public to unprecedented levels over the next 30 years. By 2050, debt is projected to reach 185 percent of gross domestic product.

Source: Congressional Budget Office

WEALTH TRANSFER



Reagan v. Trump



Workers' Party



Populist anti-woke multi-nationals



GOP

DEATH TAX REPEAL ACT

LEGISLATION TO PERMANENTLY REPEAL THE FEDERAL ESTATE TAX, MORE COMMONLY KNOWN AS THE DEATH TAX.

Repeal of Estate Tax

JOHN THUNE
U.S. SENATOR, REPUBLICAN

For more information, visit www.thune.senate.gov

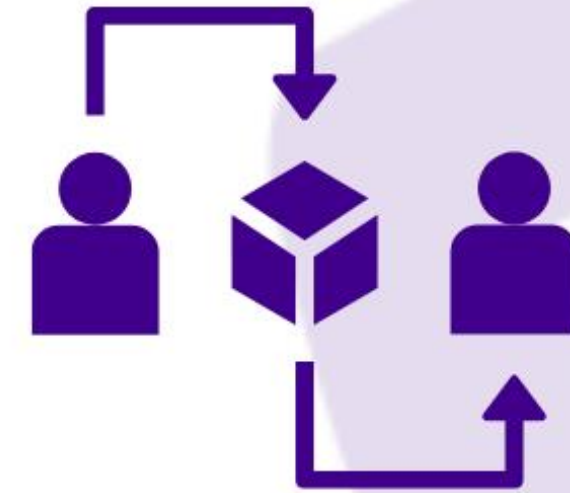
Buchanan, More Than 70 Colleagues Introduce Legislation to Make Republican Tax Cuts Permanent

Extension/
permanence

WEALTH TRANSFER

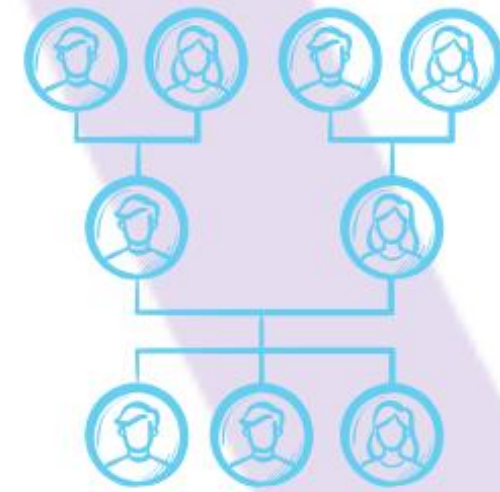


Not just rates and exemptions



Grantor Trust

For the 99.5% Act



Dynasty Trust

BBB



Wealth Taxes

JOHN THUNE
U.S. SENATOR FOR SOUTH DAKOTA

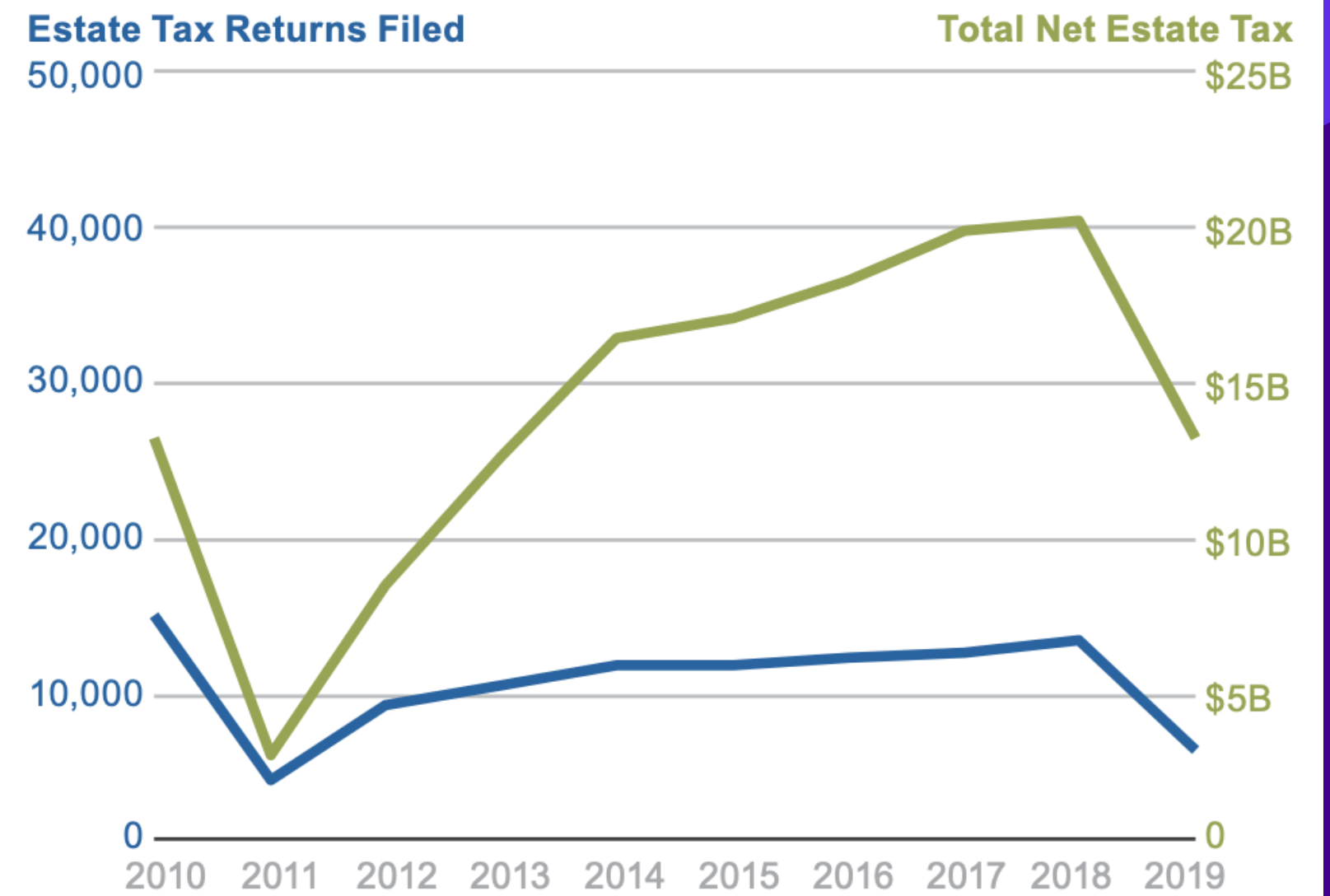
DEATH TAX REPEAL ACT

LEGISLATION TO PERMANENTLY REPEAL THE FEDERAL ESTATE TAX, MORE COMMONLY KNOWN AS THE DEATH TAX.

For more information, visit www.thune.senate.gov

Republican Priorities

Estate Tax Returns Filed and Total Net Estate Tax, 2010–2019



2024 Federal Estate Tax Exemptions

- \$13.61 million per individual,
- \$27.22 million per couple

Democrat Priorities

- Repeal Step Up In Basis
- Tax Capital Gains at Death (and at ordinary income tax rates)
- Billionaire's / Millionaire's Tax
- Mark to Market
- For the 99.5% Act (Rates & Exemptions Below)
- Grantor / Dynasty / GST / Valuation Reforms
- Wealth Taxes



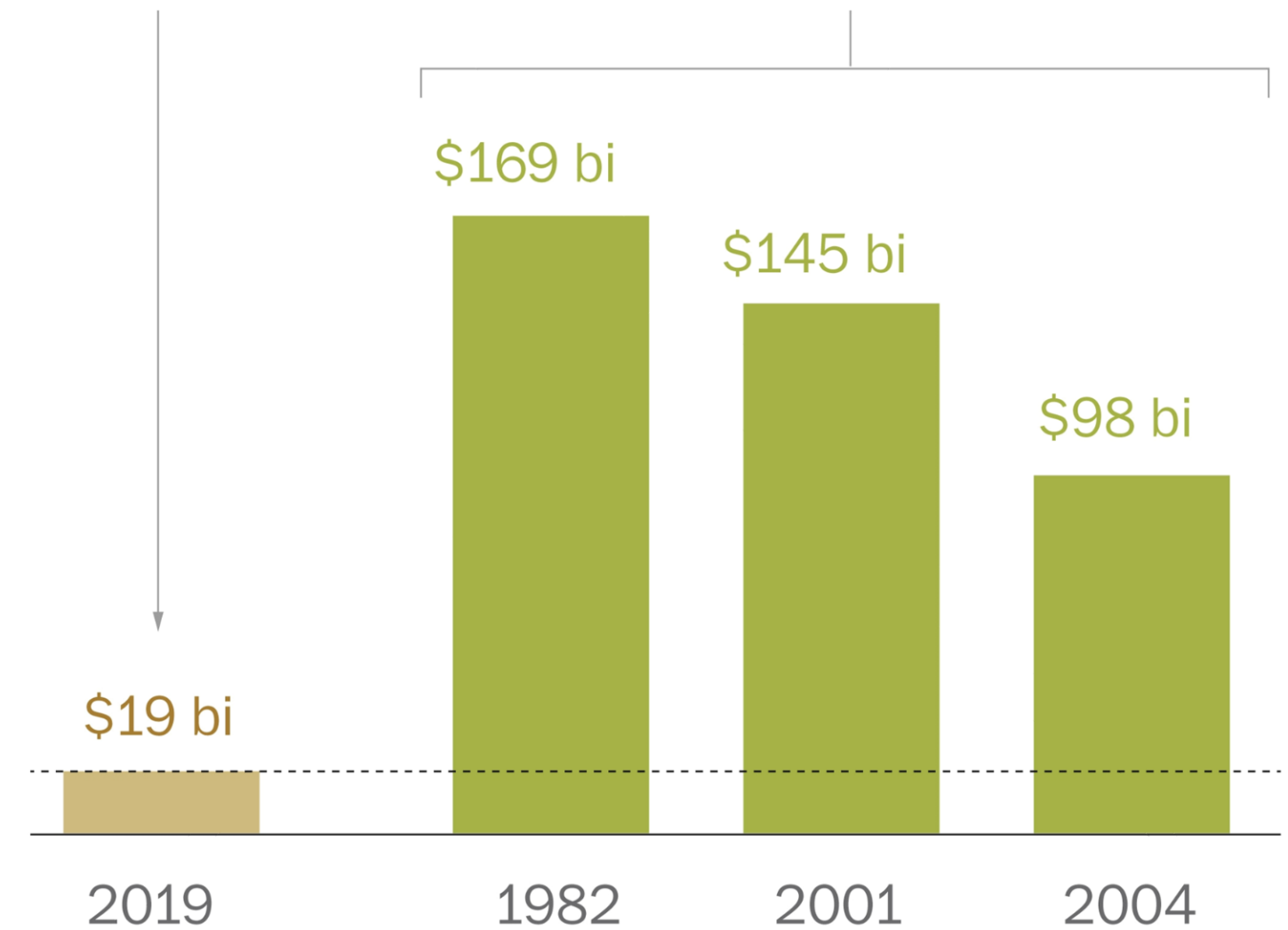
| Proposed Estate Tax Rates | |
|-----------------------------|---------------|
| Estate Value | Proposed Rate |
| \$3.5M up to \$10M | 45% |
| \$10M up to \$50M | 50% |
| \$50M up to \$1B | 55% |
| Assets of \$1B | 65% |
| Current maximum rate is 40% | |

Wealth Tax

Gains by reverting estate tax rules

Estate tax collected in 2019.

How much would be collected today under the tax rules that prevailed in previous years.



Source: Brookings Institution

Wealth Tax



Wealth Transfer in Crosshairs

- For the 99.5% Act
- Ultra-Millionaire Tax
- President Biden's Billionaire Tax
- Recent letter to Sec. of Treasury Yellen from Sens. Warren, Sanders and Whitehouse

Wyden Billionaires Tax



Purpose: "...require billionaires to pay taxes annually..."

WHO:

- ❖ Wealth/Assets - \$1 billion; OR
- ❖ Income - \$100 million; OR
- ❖ Trust (non-grantor) –
 - Assets - \$100 million; OR
 - Income - \$10 million

WHAT: Impose annual capital gains tax on unrealized gains

IMPACT: The legislation represents an assault on core tax treatment of life insurance, inside build-up and death benefits.

MARKETPLACES IMPLICATED: Wealth Transfer, PPLI, Executive Benefits, NQDC

Estimated to raise \$557 billion



2025 Election Will Dictate Wealth Transfer Policy for Next Decade



Unified Control by Republicans

- Repeal
- Current Exemptions

Unified Control by Democrats

- Myriad of Wealth Taxes
- Changes will include grantor trust reform

Divided Government

- Negotiated
Compromise

Possible Grantor Trust Reforms

MARCH 21, 2023

Warren, Van Hollen, Sanders, Whitehouse Urge Treasury to Crack Down on Ultra-Wealthy Abuse of Trusts to Dodge Taxes

More than Half of America's 100 Richest People Exploit Trusts to Pass on Billions Tax-Free

"The ultra-wealthy at the top of the socioeconomic ladder live by different rules than the rest of America, especially when it comes to our tax system."

BBB Approach

- Disregard Deemed Ownership for Purposes of Sales / Transfers
- All Assets included in Grantor Trusts subject to Estate Tax at Death of Grantor
- Grandfathering Ineffective

FY 2024 Budget & Green Book

- Disregard Deemed Ownership for Purposes of Sales / Transfers
- Payment of Income Tax by Grantor Subject to Gifting Rules
- No Mention of Grandfathering

The Third Branch of U.S. Government

Judicial – U.S. Supreme Court



Moore v. U.S.



“With the Moore vs. United States Case, the Supreme Court Could Unleash Chaos on Our Tax System”

Institute on Taxation and Economic Policy, 12/2023



Connelly v. U.S.



Chevron Doctrine

Loper Bright Enterprises v. Raimondo , Sec. of Commerce



Life Insurance Constantly Under Attack

as of 5/10/24

The Washington Post

BUSINESS

Senate report blasts high-end life insurance plans as \$40B 'tax dodge'

Democrats propose a crackdown on these policies, held by around 3,000 of the ultra-wealthy.



Democrats on tax legislation, even though passage in this polarized Congress, divided on everything from Ukraine aid to government spending, is unlikely. Any Democratic proposal to curtail these tax advantages would probably face opposition in the GOP-led House. Several Republicans questioning IRS Commissioner Danny Werfel last week spoke up for rich taxpayers and questioned the fairness of Werfel's stated intentions to pursue wealthy tax cheats.

The plans, called Private Placement Life Insurance (PPLI), stand apart from the life insurance policies that millions of Americans purchase to hedge against their own untimely death in retirement.

“

It's hard to draw the line there.”

-Steven Rosenthal, Tax Policy Expert

Private Placement Life Insurance is Life Insurance



PPLI is not for everyone. It is a complex, and tightly regulated life insurance product that requires sophistication on the part of advisor and client.

However, PPLI must follow the same requirements of all other life insurance:



Medical Underwriting



Accredited Investor Requirement

PLUS



Financial Underwriting



Investor Control



Diversification requirements

Congressional Focus: PPLI



Topline Takeaways

Represents a threat to the core tax treatment of all permanent life insurance.

Threat is greater due to upcoming tax and fiscal legislation, focus on reducing the deficit.

Requires an Act of Congress, signed by the President. Chair Wyden is drafting a bill.

Finseca will vigorously protect the appropriate tax treatment of **ALL life insurance.**

COLI/BOLI – NQDC

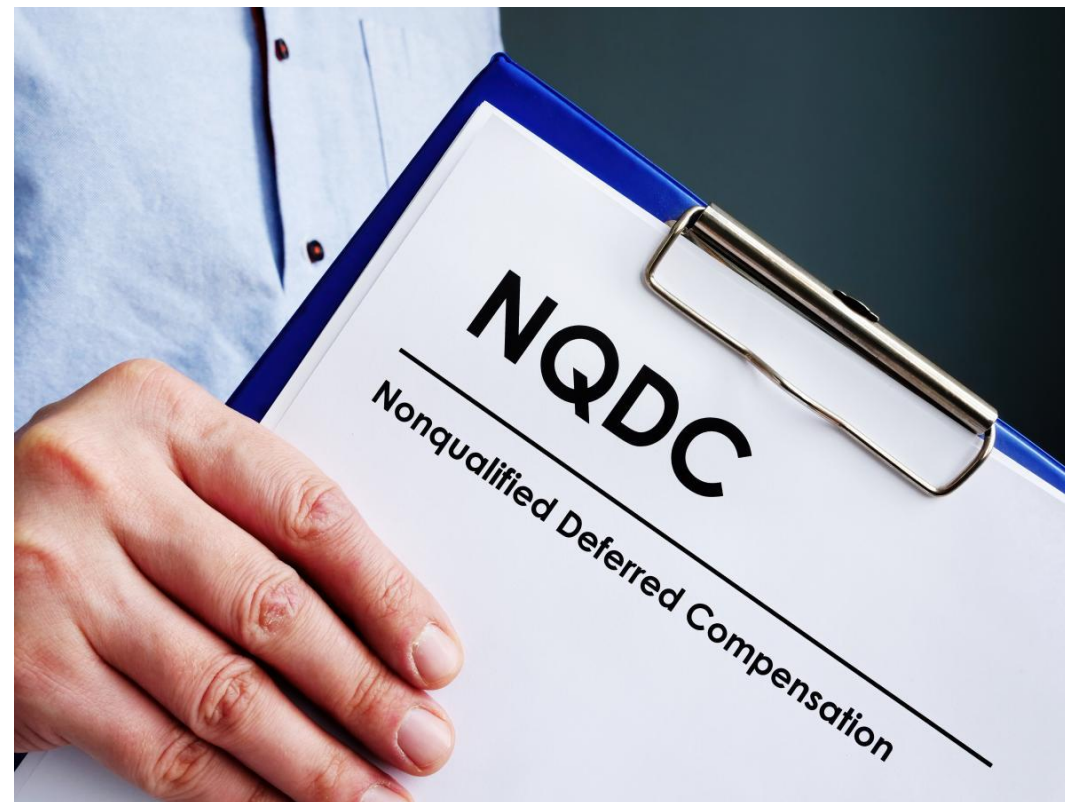
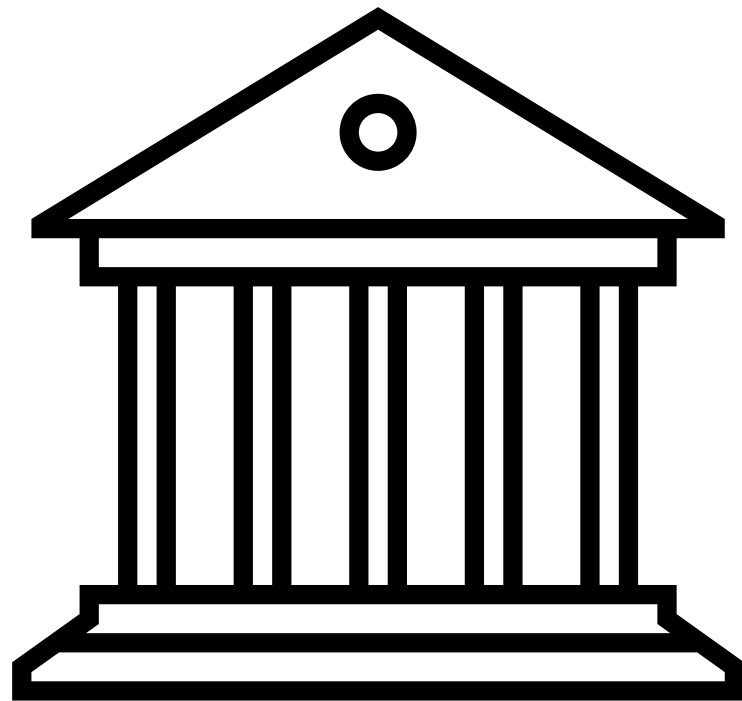
Issues on the radar:

- **Pro-rata interest expense disallowance**
- **Employers required to withhold tax on failed NQDC**

**Treasury – Anticipating Guidance –
RPS-TFV**



Policy Affecting COLI/BOLI Marketplace



Three MAJOR RISKS Of 1035s on inactive lives

1. Tax Risk – Triple Threat

- a) Gain on exchange is taxable
- b) Any subsequent inside build-up is taxable
- c) Death Benefit is taxable

2. Transaction Complexity – Insurable Interest & Privacy

3. Reputational Risk

Leads to Congressional Reexamination...



BASEL III



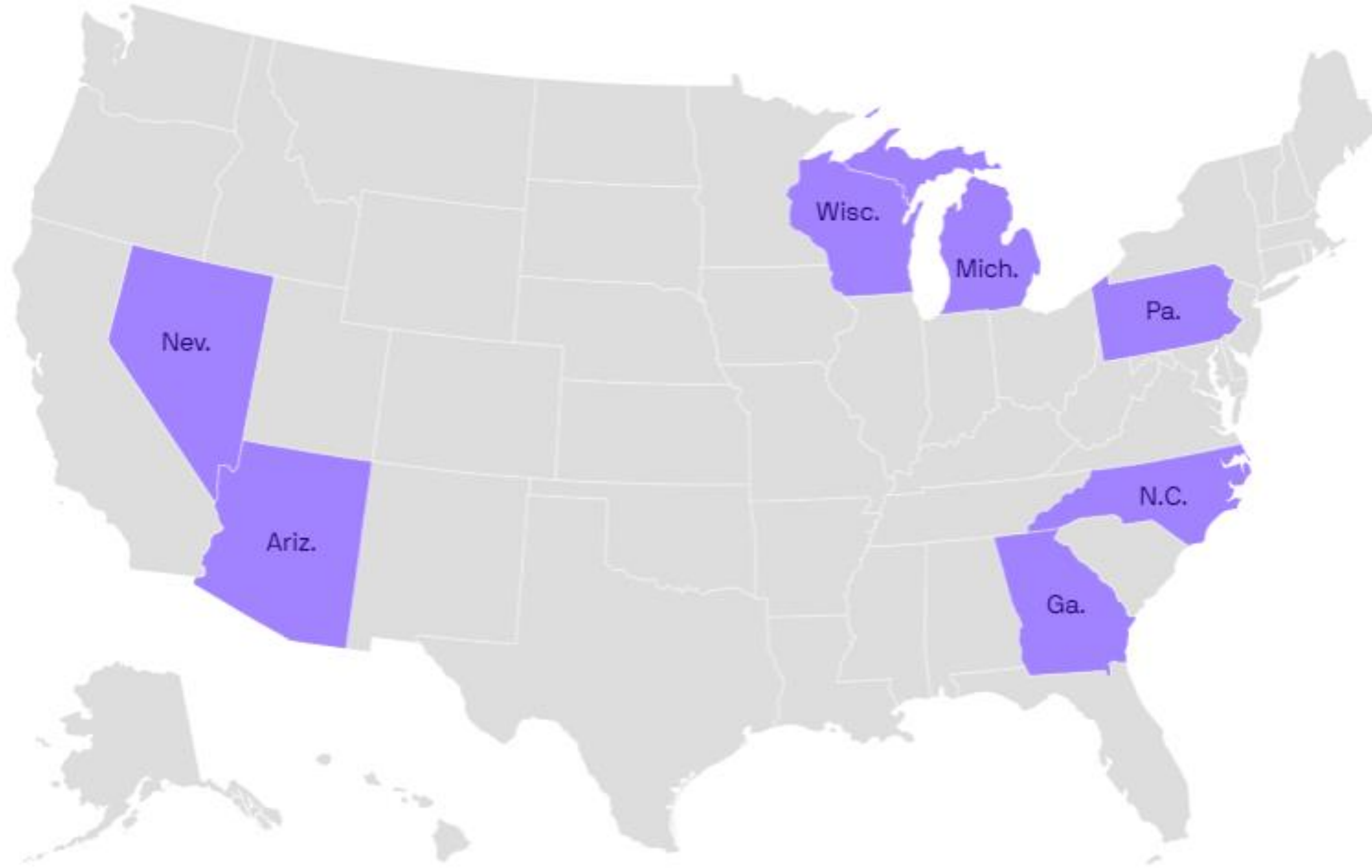
2024 Election



The Rematch: Trump vs. Biden



Third Party Candidates?



Data: Cook Political Report. Map: Axios Visuals

**Swing states
to decide the
2024
presidency**

It Comes Down To...

Arizona

2016

Trump wins by 91,234 votes (3.5%)

2020

Biden wins by 10,457 votes (.3%)

Georgia

2016

Trump wins by 211,141 votes (5.1%)

2020

Biden wins by 11,779 votes (.2%)

Nevada

2016

Trump loses by 27,202 votes (2.4%)

2020

Biden wins by 33,596 votes (2.4%)

Pennsylvania

2016

Trump wins by 44,292 votes (.7%)

2020

Biden wins by 80,555 votes (1.2%)

Wisconsin

2016

Trump wins by 22,748 votes (.8%)

2020

Biden wins by 20,682 votes (.6%)

Michigan

2016

Trump wins by 10,704 votes (.02%)

2020

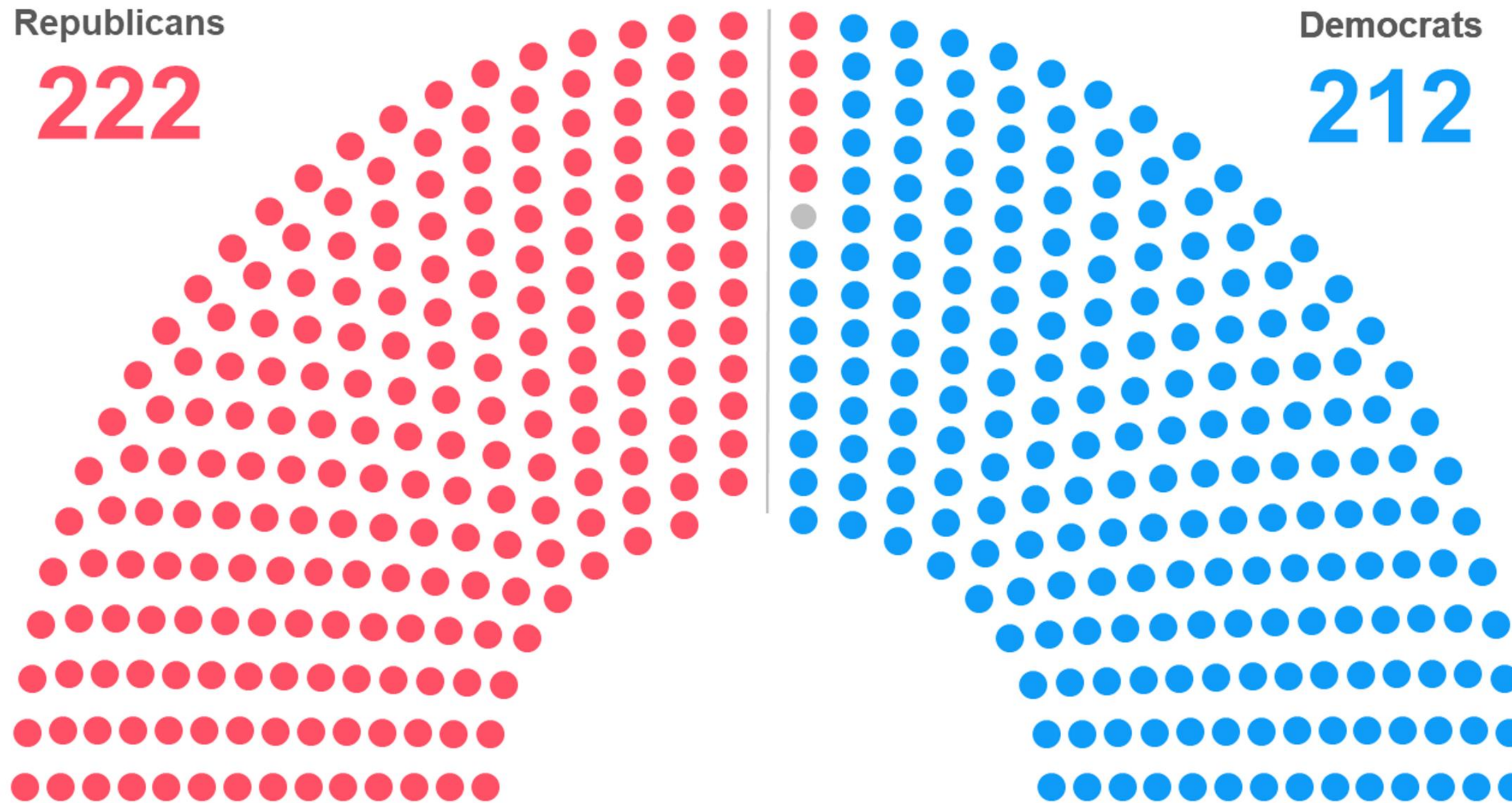
Biden wins by 154,188 votes (2.8%)

2024 House Margins are tight...

- Retirements (15)
- Redistricting (NY, NC, LA)
- 15 Seats Won by less than 2%
- Democrats defending 5 seats won by Trump
- Republicans defending 18 seats won by Biden



House Balance of Power for the 118th Congress



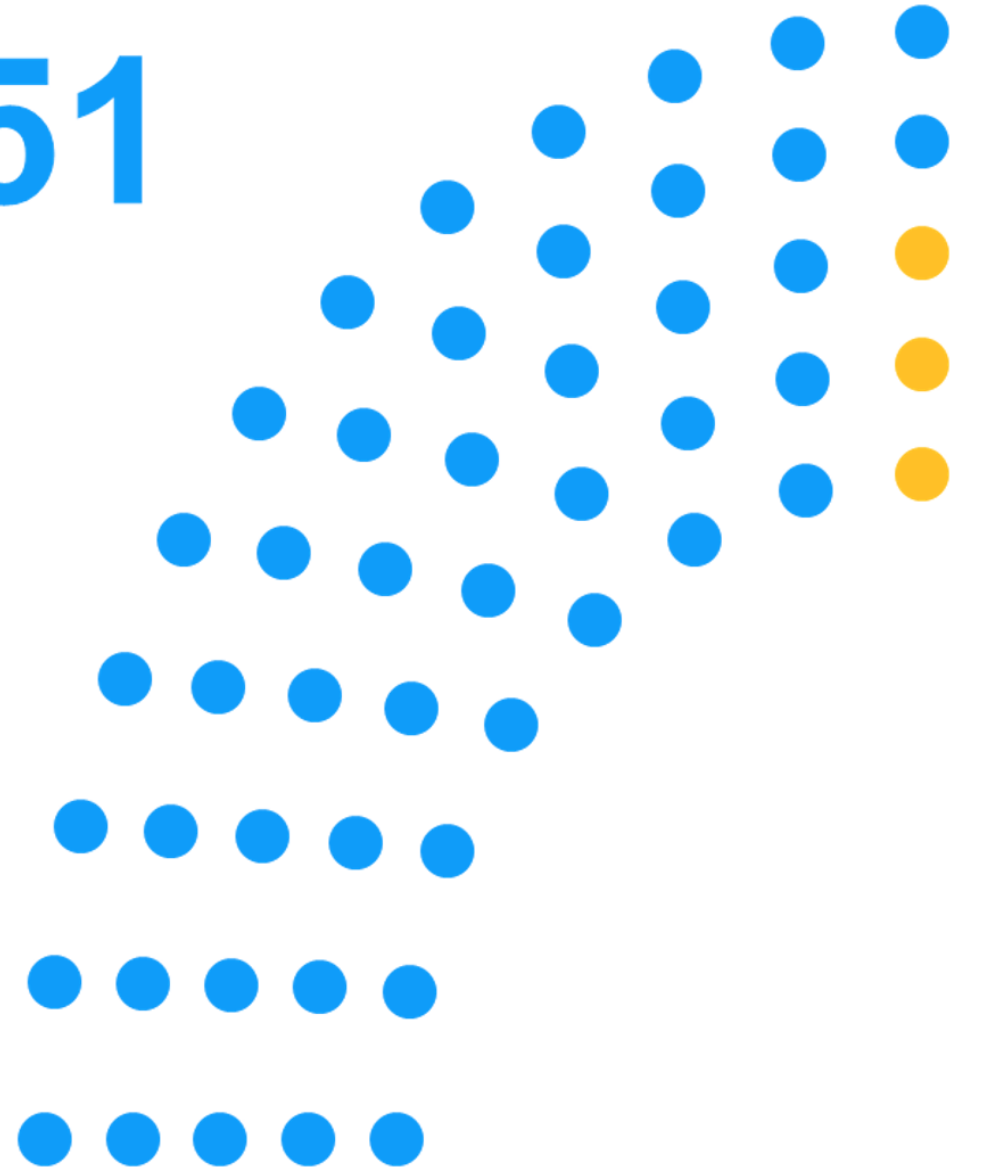
Note: Grey circle reflects vacancy for Donald McEachin (D-Va.), who died Nov. 28
3 Sources: Associated Press calls of races

Bloomberg Government

Senate Balance of Power for the 118th Congress

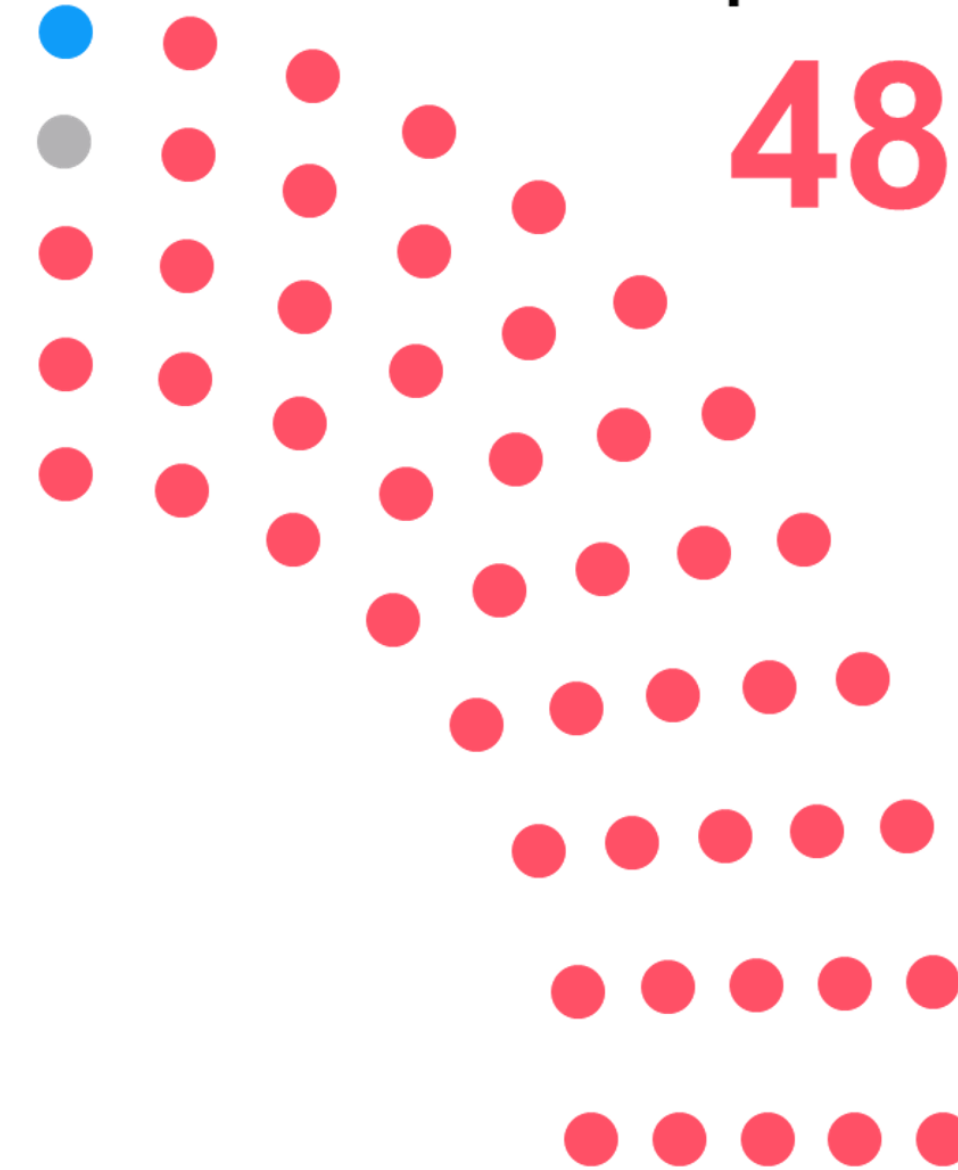
Democrats

51



Republicans

48



Source: Associated Press calls of races.

6 Note: Yellow dots are independents aligned with Democrats; grey dot is for vacancy caused by resignation of Ben Sasse (R-Neb.).

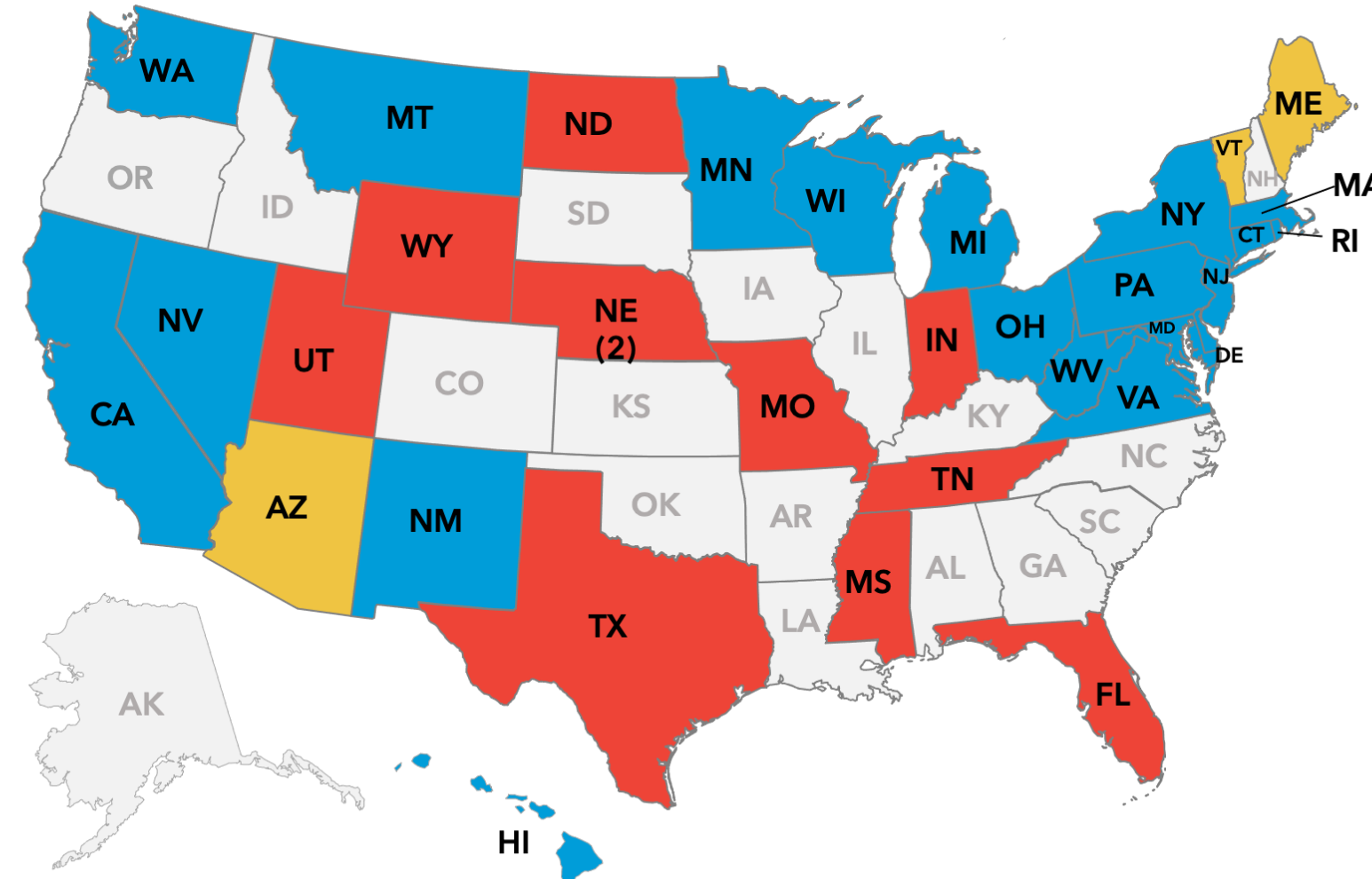
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2024 Senate

2024 Senate Races

Democrats defending more seats, including three in 2020 Trump states (Montana, Ohio, West Virginia)

■ Republican incumbent (11)
 ■ Democratic incumbent (20)
 ■ Independent incumbent (3)



Note: Nebraska will have two races in 2024, including a special election triggered by the resignation of Ben Sasse (R).
Source: Bloomberg Government

Bloomberg Government

Races to Watch:
WV

PA, OH, AZ, MT

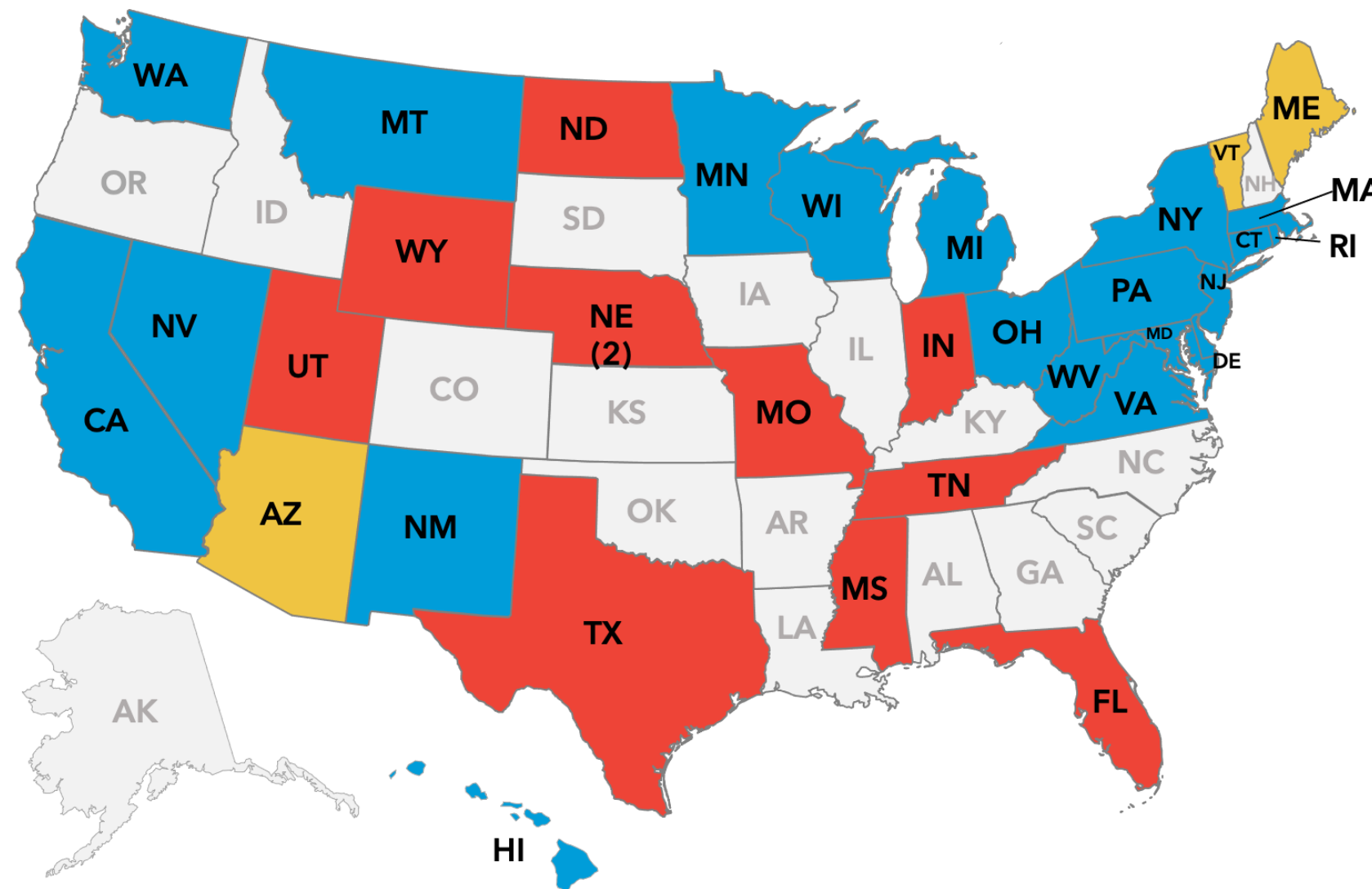
NV, MD, MI, WI

2024 Senate Map

2024 Senate Races

Democrats defending more seats, including three in 2020 Trump states (Montana, Ohio, West Virginia)

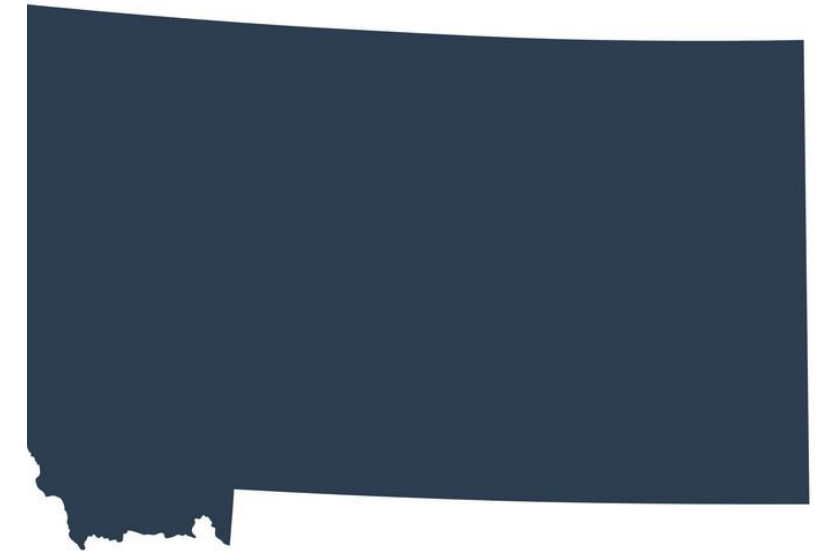
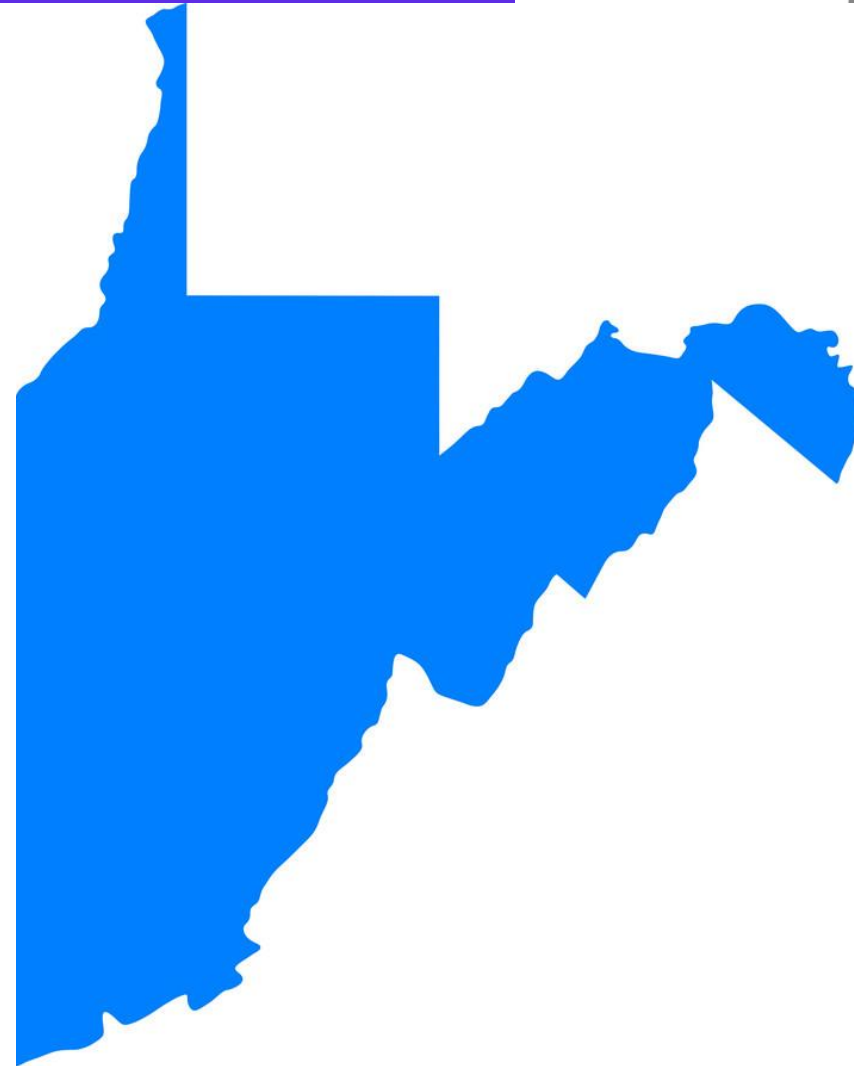
■ Republican incumbent (11) ■ Democratic incumbent (20) ■ Independent incumbent (3)



Note: Nebraska will have two races in 2024, including a special election triggered by the resignation of Ben Sasse (R).
Source: Bloomberg Government

Bloomberg Government

Elections



Your Questions