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Know your story.



Ben Rainey | Partner



Frank Hirsch | Partner

Welcome to
**PPVA Deep Dive:
Maximizing
Charitable and
Financial Objectives
with PPVA**

Tuesday, March 12, 2024 | 9:30am – 10:30am MT
Available Via Video Conference

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CONVERSATION ROADMAP & MEETING REMINDERS

Conversation Roadmap

- What are Private Placement Variable Annuities (PPVA) and how do they work?

- Case Studies
 - Maximize charitable impact during lifetime and at death
 - 1035 exchanges from existing retail annuities
 - 1035 exchanges from traditional life insurance policies which have embedded losses

- Q&A
 - Raise your hand or interrupt us at any time if you have a question



Private Placement Life Insurance Deep Dive

To Watch PPLI Deep Dive #1:
Repurposing Existing Life
Insurance for PPLI

Scan the attached QR code
or [Click Here](#)



What is a PPVA?

WHAT IS A PPVA?

- ⊗ A PPVA is an institutionally priced annuity contract
 - Low fees and maximum flexibility; no surrender charges; unlimited contributions
 - Fully disclosed, transparent pricing
 - A PPVA is an account that high-net-worth families and individuals use to defer and/or eliminate income taxes on a portion of their investment portfolio

- ⊗ Investments managed by your RIA
 - Separately managed account
 - Funds custodied at Schwab, Fidelity, Pershing, etc.
 - Potential investments include the same securities used in a taxable account

- ⊗ Tax treatment
 - Unlimited deferrals of investment gains until death
 - No K-1 reporting
 - All withdrawals of earnings subject to ordinary income tax; LIFO treatment of gains
 - 10% penalty for withdrawals prior to age 59 1/2 but no RMDs

- ⊗ Complies with all relevant IRS code sections
 - These code sections cover all variable annuity products; there is no specific "PPVA code"



THE IDEAL CLIENT

A PPVA structure is ideal for high-net-worth individuals and families, particularly for those who are charitably inclined. A PPVA allows clients flexibility and access to their investments during their lifetime while maximizing the value given to charity at the end of their lives.

- ④ Common examples of beneficiaries of a charitable PPVA account include:
 - Family foundation
 - Donor advised funds
 - Alma mater
 - Hospitals
 - Medical research
 - Community funds and foundations

- ④ A PPVA can also be a valuable tax deferral tool for investments that are either tax inefficient or where the expected returns will be significant.
 - Private credit
 - Private equity
 - Venture capital
 - High yield bonds
 - Hedge funds
 - Fund of funds



- Tax-deferred investing
 - Highly attractive for any investments that generate a high amount of ordinary income
 - Fixed income
 - Private credit
 - Direct lending
 - High turnover active managers
 - Pre-migration tax-deferral to save on income tax today before planning to retire to a state with no state income tax

- Charitable planning
 - Funds earmarked for future charitable gifting can be invested tax-efficiently today while maintaining control of the funds - revocable charitable planning

- Tax-efficient grantor trust planning
 - The annuity will block income tax owed by the grantor



- ⊗ Considerations
 - Cash premiums only
 - No "in-kind" transfers allowed
 - Investor control
 - Must give discretionary investment authority to advisor
 - Owner can be involved in creating an Investment Policy Statement which provides guidelines for the investments within the account
 - Cannot direct specific trades
 - Potential for turning long term capital gains into ordinary income

- ⊗ Flexible benefits
 - Revocable planning allows you to change your mind at any time
 - Leave a PPVA to your kids/grandkids
 - Change your charitable bequest
 - Split the beneficiaries
 - Deposit additional funds at any time
 - As your balance sheet grows, so can your charitable impact
 - Easy "off-ramp"
 - Surrender the contract at any time for all your money back, paying income tax on the gains



WHERE DOES IT BREAK?

- ⊗ Client violates investor control
 - Webber case
- ⊗ 817(h) - Diversification requirements of investment portfolio



Case Study #1:
Maximizing Charitable Impact

- Current Situation
 - Mr. and Mrs. Smith recently sold their family business for \$200M. They have five children. As their first priority, they constructed an estate plan to efficiently pass assets to the next generation and beyond. Although the Smiths are charitably inclined, they would prefer to construct a meaningful end of life charitable plan which will also help reduce their estate tax obligations.

- Goals and Objectives
 - Maximize charitable contribution at death
 - Retain control of funds during lifetime
 - Maintain flexibility
 - Reduce estate taxes

- Issues and Challenges
 - Irrevocable commitments
 - Distribution regulations
 - Income tax deductions vs. estate tax deduction

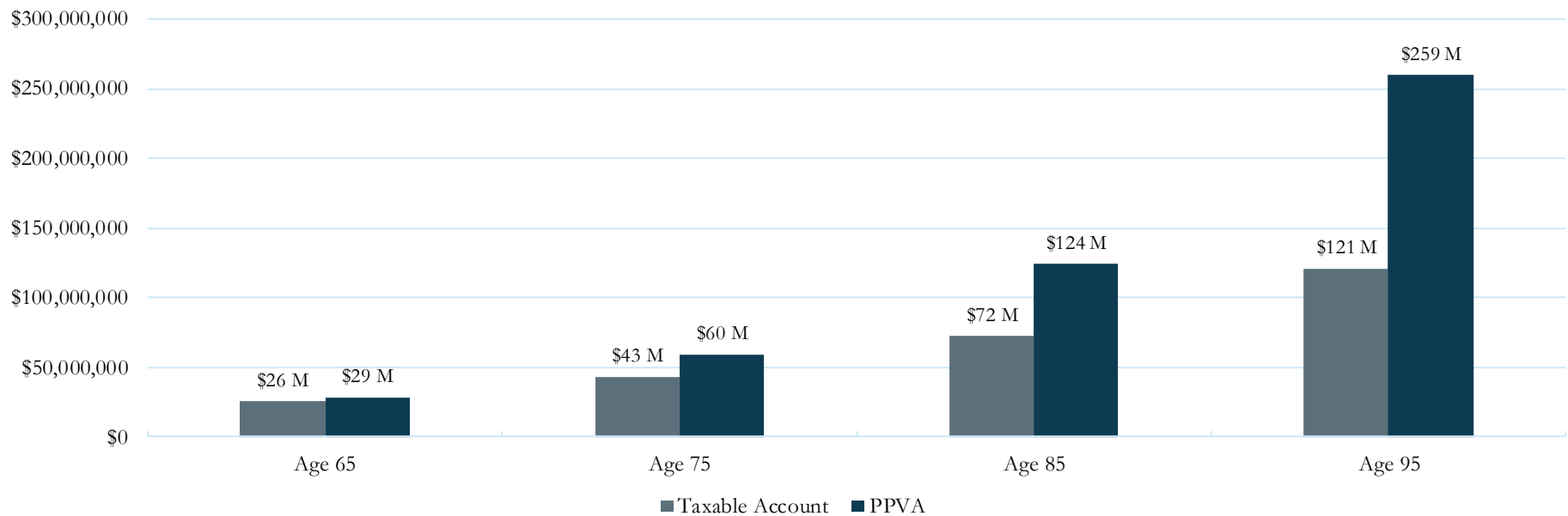
- Assumptions
 - Illinois resident
 - Funding: \$20M
 - Assumed growth: 8.00%
 - Effective tax rate: 34.00%



IMPACT OF PPVA TO CHARITY

<i>Charitable Planning</i>	Taxable Account	PPVA Account	PPVA Advantage	Total Increase to Charitable Impact
Gross Return	8.00%	8.00%	N/A	
Net Return*	5.28%	7.59%	2.31%	87.55%
Total Charitable Impact*	\$88,937,059	\$166,805,184	\$77,868,125	

PPVA vs. Taxable Account: Total Charitable Impact



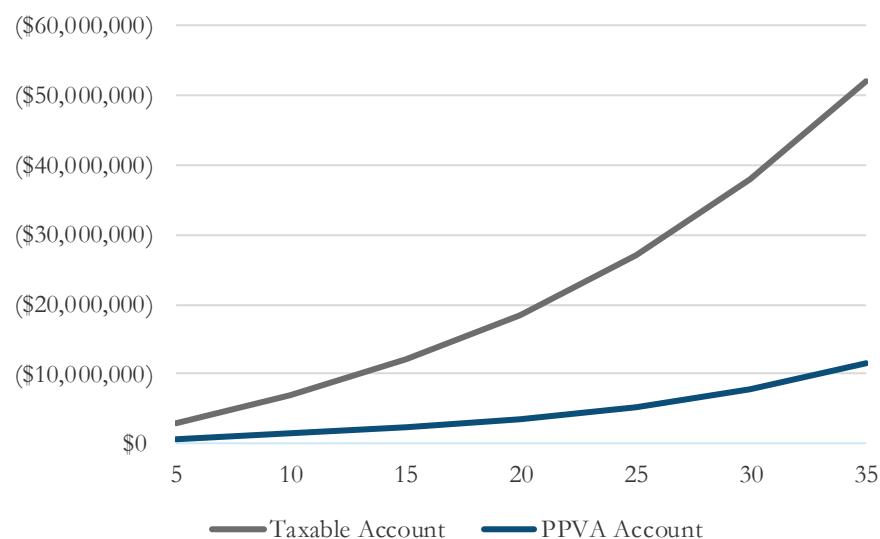
* At Life Expectancy (Age 89) - Net of policy charges/taxes



Comparing the Costs			
Year	Taxable Account Cumulative Cost	PPVA Account Cumulative Cost	PPVA Account Cumulative Cost Savings
5	(\$3,022,606)	(\$568,534)	\$2,454,072
10	(\$6,932,048)	(\$1,329,748)	\$5,602,300
15	(\$11,988,525)	(\$2,194,345)	\$9,794,180
20	(\$18,528,578)	(\$3,443,091)	\$15,085,487
25	(\$26,987,489)	(\$5,246,668)	\$21,740,821
30	(\$37,928,255)	(\$7,851,590)	\$30,076,665
35	(\$52,079,054)	(\$11,613,904)	\$40,465,150

- ⊗ Taxable account expenses consist of all income and capital gains taxes incurred
- ⊗ PPVA expenses consist of M&E charges and state/federal premium taxes. Taxation on liquidation and distributions are incurred outside of the contract, see next slide
- ⊗ Additional taxes may be incurred upon liquidation.
- ⊗ Investment management fees are assumed to be the same for both the taxable account and PPVA assets

Cumulative Expense Analysis



TAXABLE ACCOUNT VS. PPVA ACCOUNT

Carrier Product Design Rate of Return		Taxable Account					PPVA Account					PPVA Advantage
		Tax Rate Assumptions: Effective Rate 34.00% See Taxable Account Projection Slide For More Information					Axcelus Financial Variable Annuity Single Premium					
		<i>Gross: 8.00% - Net: 5.28%</i>					<i>Gross: 8.00%</i>					
EOY		Annual	Annual	Annual	Net	Net to	Annual	Annual	Annual	Net	Net to	
Age	Year	Investment	Yield	Income	to	Charity	Investment	Yield	Cost	To	Charity	IRR
				Tax	Charity	IRR				Charity	IRR	
61	1	\$20,000,000	\$1,600,000	(\$543,963)	\$21,056,037	5.28%	\$20,000,000	\$1,594,767	(\$124,204)	\$21,470,564	7.35%	\$414,527
62	2	\$0	\$1,684,483	(\$572,685)	\$22,167,835	5.28%	\$0	\$1,714,758	(\$99,302)	\$23,086,020	7.44%	\$918,185
63	3	\$0	\$1,773,427	(\$602,924)	\$23,338,339	5.28%	\$0	\$1,843,778	(\$106,774)	\$24,823,023	7.47%	\$1,484,684
64	4	\$0	\$1,867,067	(\$634,759)	\$24,570,647	5.28%	\$0	\$1,982,504	(\$114,808)	\$26,690,720	7.48%	\$2,120,073
65	5	\$0	\$1,965,652	(\$668,276)	\$25,868,023	5.28%	\$0	\$2,131,669	(\$123,446)	\$28,698,943	7.49%	\$2,830,920
66	6	\$0	\$2,069,442	(\$703,562)	\$27,233,903	5.28%	\$0	\$2,292,057	(\$132,734)	\$30,858,266	7.50%	\$3,624,363
67	7	\$0	\$2,178,712	(\$740,711)	\$28,671,903	5.28%	\$0	\$2,464,512	(\$142,721)	\$33,180,057	7.50%	\$4,508,154
68	8	\$0	\$2,293,752	(\$779,822)	\$30,185,834	5.28%	\$0	\$2,649,943	(\$153,459)	\$35,676,541	7.50%	\$5,490,707
69	9	\$0	\$2,414,867	(\$820,998)	\$31,779,702	5.28%	\$0	\$2,849,327	(\$165,006)	\$38,360,862	7.51%	\$6,581,160
70	10	\$0	\$2,542,376	(\$864,349)	\$33,457,730	5.28%	\$0	\$3,063,711	(\$167,294)	\$41,257,279	7.51%	\$7,799,549
71	11	\$0	\$2,676,618	(\$909,988)	\$35,224,360	5.28%	\$0	\$3,296,267	(\$148,469)	\$44,405,077	7.52%	\$9,180,717
72	12	\$0	\$2,817,949	(\$958,037)	\$37,084,272	5.28%	\$0	\$3,547,762	(\$159,796)	\$47,793,043	7.53%	\$10,708,771
73	13	\$0	\$2,966,742	(\$1,008,623)	\$39,042,391	5.28%	\$0	\$3,818,445	(\$171,988)	\$51,439,499	7.54%	\$12,397,108
74	14	\$0	\$3,123,391	(\$1,061,880)	\$41,103,902	5.28%	\$0	\$4,109,780	(\$185,110)	\$55,364,169	7.54%	\$14,260,267
75	15	\$0	\$3,288,312	(\$1,117,949)	\$43,274,265	5.28%	\$0	\$4,423,343	(\$199,234)	\$59,588,278	7.55%	\$16,314,013
80	20	\$0	\$4,253,107	(\$1,445,957)	\$55,970,984	5.28%	\$0	\$6,388,676	(\$287,755)	\$86,063,913	7.57%	\$30,092,929
85	25	\$0	\$5,500,973	(\$1,870,202)	\$72,392,933	5.28%	\$0	\$9,227,225	(\$415,608)	\$124,302,923	7.58%	\$51,909,990
89	29	\$0	\$6,758,123	(\$2,297,604)	\$88,937,059	5.28%	\$0	\$12,382,243	(\$557,714)	\$166,805,184	7.59%	\$77,868,125
90	30	\$0	\$7,114,965	(\$2,418,922)	\$93,633,102	5.28%	\$0	\$13,326,969	(\$600,266)	\$179,531,887	7.59%	\$85,898,785
95	35	\$0	\$9,202,503	(\$3,128,636)	\$121,105,160	5.28%	\$0	\$19,248,267	(\$866,970)	\$259,299,601	7.60%	\$138,194,441
Total at LE:		\$20,000,000		(\$35,509,334)			\$20,000,000		(\$7,251,324)			



BREAKDOWN OF EXPENSES

		PPVA Account					
		Axcelus Financial					
		Private Placement Variable Annuity					
		Current Charges					
EOY	Year	Annual Investment	Premium Tax Charge	WP Structuring Fee	M&E Charge	Total Annual Charges	Total Cumulative Charges
61	1	\$20,000,000	\$21,850	\$10,000	\$92,354	\$124,204	\$124,204
62	2	\$0	\$0	\$0	\$99,302	\$99,302	\$223,506
63	3	\$0	\$0	\$0	\$106,774	\$106,774	\$330,280
64	4	\$0	\$0	\$0	\$114,808	\$114,808	\$445,088
65	5	\$0	\$0	\$0	\$123,446	\$123,446	\$568,534
66	6	\$0	\$0	\$0	\$132,734	\$132,734	\$701,268
67	7	\$0	\$0	\$0	\$142,721	\$142,721	\$843,989
68	8	\$0	\$0	\$0	\$153,459	\$153,459	\$997,448
69	9	\$0	\$0	\$0	\$165,006	\$165,006	\$1,162,454
70	10	\$0	\$0	\$0	\$167,294	\$167,294	\$1,329,748
71	11	\$0	\$0	\$0	\$148,469	\$148,469	\$1,478,217
72	12	\$0	\$0	\$0	\$159,796	\$159,796	\$1,638,013
73	13	\$0	\$0	\$0	\$171,988	\$171,988	\$1,810,001
74	14	\$0	\$0	\$0	\$185,110	\$185,110	\$1,995,111
75	15	\$0	\$0	\$0	\$199,234	\$199,234	\$2,194,345
80	20	\$0	\$0	\$0	\$287,755	\$287,755	\$3,443,091
85	25	\$0	\$0	\$0	\$415,608	\$415,608	\$5,246,668
89	29	\$0	\$0	\$0	\$557,714	\$557,714	\$7,251,324
90	30	\$0	\$0	\$0	\$600,266	\$600,266	\$7,851,590
95	35	\$0	\$0	\$0	\$866,970	\$866,970	\$11,613,904
Total at LE:		\$20,000,000					

Taxation on liquidation and distributions are incurred outside of the contract.



CHANGE IN PLANS

Carrier Product Design Rate of Return		Taxable Account				PPVA Account				PPVA Advantage
		Tax Rate Assumptions: Effective Rate 34.00% See Taxable Account Projection Slide For More Information				Axcelus Financial Variable Annuity Single Premium				
		<i>Gross: 8.00% - Net: 5.28%</i>				<i>Gross: 8.00%</i>				
EOY		Annual	Account	After Tax	Net to	Annual	Account	After Tax	Net to	
Age	Year	Investment	Balance	Net to	Heirs	Investment	Balance	Net to	Heirs	
				Heirs	IRR			Heirs	IRR	
61	1	\$20,000,000	\$21,056,037	\$20,940,080	4.70%	\$20,000,000	\$21,470,564	\$20,797,781	3.99%	(\$142,299)
62	2	\$0	\$22,167,835	\$21,929,798	4.71%	\$0	\$23,086,020	\$21,674,166	4.10%	(\$255,632)
63	3	\$0	\$23,338,339	\$22,971,775	4.73%	\$0	\$24,823,023	\$22,616,490	4.18%	(\$355,285)
64	4	\$0	\$24,570,647	\$24,068,770	4.74%	\$0	\$26,690,720	\$23,629,716	4.26%	(\$439,055)
65	5	\$0	\$25,868,023	\$25,223,689	4.75%	\$0	\$28,698,943	\$24,719,177	4.33%	(\$504,512)
66	6	\$0	\$27,233,903	\$26,439,589	4.76%	\$0	\$30,858,266	\$25,890,609	4.40%	(\$548,980)
67	7	\$0	\$28,671,903	\$27,719,692	4.77%	\$0	\$33,180,057	\$27,150,181	4.46%	(\$569,511)
68	8	\$0	\$30,185,834	\$29,067,386	4.78%	\$0	\$35,676,541	\$28,504,523	4.53%	(\$562,862)
69	9	\$0	\$31,779,702	\$30,486,241	4.80%	\$0	\$38,360,862	\$29,960,768	4.59%	(\$525,473)
70	10	\$0	\$33,457,730	\$31,980,014	4.81%	\$0	\$41,257,279	\$31,532,074	4.66%	(\$447,940)
71	11	\$0	\$35,224,360	\$33,552,661	4.82%	\$0	\$44,405,077	\$33,239,754	4.73%	(\$312,907)
72	12	\$0	\$37,084,272	\$35,208,347	4.83%	\$0	\$47,793,043	\$35,077,726	4.79%	(\$130,621)
73	13	\$0	\$39,042,391	\$36,951,456	4.84%	\$0	\$51,439,499	\$37,055,928	4.86%	\$104,472
74	14	\$0	\$41,103,902	\$38,786,605	4.84%	\$0	\$55,364,169	\$39,185,062	4.92%	\$398,457
75	15	\$0	\$43,274,265	\$40,718,652	4.85%	\$0	\$59,588,278	\$41,476,641	4.98%	\$757,988
80	20	\$0	\$55,970,984	\$52,021,217	4.90%	\$0	\$86,063,913	\$55,839,673	5.27%	\$3,818,456
85	25	\$0	\$72,392,933	\$66,639,967	4.93%	\$0	\$124,302,923	\$76,584,336	5.52%	\$9,944,368
89	29	\$0	\$88,937,059	\$81,367,478	4.96%	\$0	\$166,805,184	\$99,641,812	5.69%	\$18,274,334
90	30	\$0	\$93,633,102	\$85,547,875	4.96%	\$0	\$179,531,887	\$106,546,049	5.73%	\$20,998,173
95	35	\$0	\$121,105,160	\$110,003,385	4.99%	\$0	\$259,299,601	\$149,820,034	5.92%	\$39,816,649
Total at LE:		\$20,000,000				\$20,000,000				

Consult Tax Professional



Case Study #2:
Exchange from Existing
Retail Annuities



EXCHANGE FROM EXISTING RETAIL ANNUITIES

- ⊗ Problems with retail annuities include:
 - Limited investment options
 - Poor investment performance
 - High product expenses
 - Product managed outside current investment relationship

- ⊗ Advantages of PPVA:
 - Institutional structure pricing
 - Investments managed by an approved wealth advisor
 - Access to Insurance Dedicated Funds
 - Lower cost registered funds

- ⊗ Ideal annuity replacement profile:
 - Greater than \$500k in value (one or multiple policies)
 - Accumulation focused
 - Annuities with income riders are better suited for retail-to-retail exchanges
 - All annuity types, variable, fixed, deferred, etc...
 - Up to age 85



Case Study #3:
Cost Basis Recovery from Traditional Life
Insurance Policies with Embedded Losses



COST BASIS RECOVERY

Ⓢ Cost Basis Recovery:

- §1035 exchange life policy into an annuity contract – carryover in cost basis
 - Must be a “like kind” exchange – same owner and same insured/annuitant
 - Transfer can be into any type of annuity (fixed, variable, private placement, indexed, immediate income)
 - §1035 exchange can result in reduction or elimination income tax on future gains
 - Growth up to the cost basis can be taken income-tax free
 - §1035 exchange of a second life/annuity policy with a gain can offset that tax liability
- Can be enhanced when a client has ability to add additional funds to the new annuity contract

Ⓢ Fact Pattern:

- Client, female, age 63 has a \$8,500,000 insurance policy with \$1,000,000 of cost basis and \$192,007 of cash surrender value
 - Funded at \$100,000/year for 10 years = \$1,000,000 cost basis
 - Client §1035 exchanges into an annuity contract and pays additional \$2,000,000 deposit
 - When monies are withdrawn, the owner can recapture the carryover in basis
 - Year 6 results in \$807,993 of cost basis being recovered
 - Total income-tax savings of **\$323,197!**
 - If policy was surrendered instead of exchanged, the client would have lost out on the \$807,993 of available cost basis (difference between cost basis and cash value)



COST BASIS RECOVERY

§1035 Exchange Zero Additional Premium

Year	Beginning Value	Growth	Ending Value	Recapture of Basis
1	\$ 192,007	\$ 11,520	\$ 203,527	\$ 11,520
2	\$ 203,527	\$ 12,212	\$ 215,739	\$ 23,732
3	\$ 215,739	\$ 12,944	\$ 228,683	\$ 36,676
4	\$ 228,683	\$ 13,721	\$ 242,404	\$ 50,397
5	\$ 242,404	\$ 14,544	\$ 256,949	\$ 64,942
6	\$ 256,949	\$ 15,417	\$ 272,366	\$ 80,359
7	\$ 272,366	\$ 16,342	\$ 288,708	\$ 96,701
8	\$ 288,708	\$ 17,322	\$ 306,030	\$ 114,023
9	\$ 306,030	\$ 18,362	\$ 324,392	\$ 132,385
10	\$ 324,392	\$ 19,464	\$ 343,855	\$ 151,848
11	\$ 343,855	\$ 20,631	\$ 364,487	\$ 172,480
12	\$ 364,487	\$ 21,869	\$ 386,356	\$ 194,349
13	\$ 386,356	\$ 23,181	\$ 409,537	\$ 217,530
14	\$ 409,537	\$ 24,572	\$ 434,109	\$ 242,102
15	\$ 434,109	\$ 26,047	\$ 460,156	\$ 268,149
16	\$ 460,156	\$ 27,609	\$ 487,765	\$ 295,758
17	\$ 487,765	\$ 29,266	\$ 517,031	\$ 325,024
18	\$ 517,031	\$ 31,022	\$ 548,053	\$ 356,046
19	\$ 548,053	\$ 32,883	\$ 580,936	\$ 388,929
20	\$ 580,936	\$ 34,856	\$ 615,792	\$ 423,785
21	\$ 615,792	\$ 36,948	\$ 652,740	\$ 460,733
22	\$ 652,740	\$ 39,164	\$ 691,904	\$ 499,897
23	\$ 691,904	\$ 41,514	\$ 733,419	\$ 541,412
24	\$ 733,419	\$ 44,005	\$ 777,424	\$ 585,417
25	\$ 777,424	\$ 46,645	\$ 824,069	\$ 632,062
26	\$ 824,069	\$ 49,444	\$ 873,513	\$ 681,506
27	\$ 873,513	\$ 52,411	\$ 925,924	\$ 733,917
28	\$ 925,924	\$ 55,555	\$ 981,480	\$ 789,473
29	\$ 981,480	\$ 58,889	\$ 1,040,368	\$ 807,993

Assumptions

Cost Basis in LI Policy	\$	1,000,000
Cash Value	\$	192,007
Additional Premiums	\$	2,000,000
Annuity Type		PPVA
Assumed ROR		6%

§1035 Exchange \$2,000,000 Additional Premium

Year	Beginning Value	Growth	Ending Value	Recapture of Basis	Tax Savings at 40%
1	\$ 2,192,007	\$ 131,520	\$ 2,323,527	\$ 131,520	\$ 52,608
2	\$ 2,323,527	\$ 139,412	\$ 2,462,939	\$ 270,932	\$ 108,373
3	\$ 2,462,939	\$ 147,776	\$ 2,610,715	\$ 418,708	\$ 167,483
4	\$ 2,610,715	\$ 156,643	\$ 2,767,358	\$ 575,351	\$ 230,140
5	\$ 2,767,358	\$ 166,042	\$ 2,933,400	\$ 741,393	\$ 296,557
6	\$ 2,933,400	\$ 176,004	\$ 3,109,404	\$ 807,993	\$ 323,197

The purpose of this analysis is informational only and does not take into account annual contract charges assessed by the insurance carrier.





Upcoming Private Placement Deep Dive

Deep Dive #3: Investment
Options for PPLI and PPVA:
SMAs and IDFs

Tuesday, April 23, 2024
Time: 9:30am – 10:30am MT



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- 📍 Visit www.wealthpoint.net for more information and to see our upcoming events
 - A copy of this recording and presentation will be published shortly in the Thought Leadership section of our website



Appendix

CASE STUDY #1: TAX ASSUMPTIONS

Current Portfolio - Tax Treatment

Assumptions

State	IL	Federal	State	NIT	City
OI/STCG Tax Rate*	45.75%	37.00%	4.95%	3.80%	0.00%
LTCG Tax Rate	28.75%	20.00%	4.95%	3.80%	0.00%

Portfolio Allocation	Investment Allocation	Investment Balance	Investment Assumption	Assumed Tax Treatment	Assumed Turnover	Assumed Tax Rate*
Fund I	25.00%	\$ 5,000,000	8.00%	Blended Rate (100% OI; 0% LTCG)	0.00%	45.75%
Fund II	17.50%	\$ 3,500,000	9.00%	Blended Rate (100% OI; 0% LTCG)	0.00%	45.75%
Fund III	15.00%	\$ 3,000,000	6.50%	Blended Rate (30% OI; 70% LTCG)	10.00%	15.74%
Fund IV	30.00%	\$ 6,000,000	9.00%	Blended Rate (80% OI; 20% LTCG)	5.00%	36.89%
Fund V	12.50%	\$ 2,500,000	6.00%	Blended Rate (20% OI; 80% LTCG)	15.00%	12.60%
Total/Weighted Average	100.00%	\$ 20,000,000	8.00%			

*Assumes the tax treatment of each fund, factors in the marginal ordinary and long-term capital gain tax rates and frequency of when they are incurred/realized.

Current Investment Portfolio Return & Tax Rate:

Portfolio Weighted Return	8.00%
Portfolio Weighted Tax Rate	34.00%
Portfolio Net Return	5.28%
Cost of Taxes	2.72%

Projection of Taxable Account

Investment	Gross Rate	Growth	Tax Rate	Taxes Incurred	Account Balance*
\$20,000,000	8.00%	\$1,600,000	34.00%	(\$543,963)	\$21,056,037

*Depending on ownership, account balance could be subject to estate or ordinary income taxes upon death or liquidation

- ☉ Tax assumptions are based off current federal, state and city tax rates along with the client's current investment portfolio information given to WealthPoint by the advisor team



IMPORTANT DISCLOSURES

This material is intended for informational purposes only and should not be construed as legal or tax advice and is not intended to replace the advice of a qualified attorney, tax advisor, personal investment advisor or retirement plan or employee benefit plan provider. This report is not intended as an offer or solicitation to purchase insurance or any other product. Any discussion of US tax matters contained herein is not intended to be used and cannot be used for purposes of avoiding US tax-related penalties.

The financial information included in this report has been taken from sources, which we believe to be reliable, but there is no guarantee as to its accuracy. All information provided should be confirmed to any official account statement and is not a replacement for any account statement or transaction confirmation issued by the custodian or investment/insurance provider. WealthPoint (WP) has made reasonable steps to accurately reproduce the information from your official account custodian statements. Differences in positions and valuations may occur due to the reporting dates used and differences in valuation sources and methods. Please contact the carrier or your financial representative if you have any questions about your statements. In the event of a discrepancy your official account statement valuations would prevail.

Nature of Services, and Responsibilities

The business advisory services, and possible resulting recommendations (estate planning solutions, need for liquidity planning, etc.) will vary in type and complexity, depending on a client's individual personal and business circumstances and goals. Services and responsibilities are outlined in our Proposal Letter and Relationship and Engagement Agreement. It is important that you provide accurate and complete responses to the questions asked by the WP Partner, that you review the information provided to you in the initial Instinct Verification, Decision Dialogue, financial modeling or other report, as well as any final report, and that you promptly inform the Partner of any subsequent changes to your situation or the information provided. You are solely responsible for the accuracy or completeness of the information you have provided, which may affect the results of any recommendations contained in the report. Information should be kept up to date, as results may vary over time and as assumptions change.

Methods of Analysis and Projection

Information collected is intended to project future financial scenarios to meet your future goals or liquidity requirements. Financial Projections and other information prepared by WP are based on assumptions provided by and/or reviewed with the client in their final report, are hypothetical in nature, do not reflect actual investment or business results and are not guarantees of future performance. Actual results will vary, perhaps to a significant degree.

- Personal Investments - WP uses simple aggregate growth rates to project personal investments and retirement accounts, and all inputs are either provided by the client or client's financial advisor/provider or are jointly agreed on by WP and the client. Return assumptions do not reflect the deduction of any commissions, fees or product charges that may apply to any particular investment, which may negatively impact returns.
- Insurance Illustrated Performance - All policy values used reflect current policy charges, current cost of insurance rates, current mortality and expense risk charges, average fund expenses and the stated hypothetical gross rate of return. The policy values are hypothetical for illustration purposes only and may not be used to project or predict investment results. Policy values will vary based on the actual performance of sub-account investments selected, actual insurance charges over the life of the plan and the timing of the premium payments. A WP illustration may utilize a supplemental illustration from an insurance provider, that is only part of the basic illustration and must be read in conjunction with the actual basic illustration. Please refer to the actual illustration for more information about the guaranteed elements of the policy and other important details.
- Business Income Statement, Cash Flow Statement and Balance Sheet – Current company financial statement information is provided by the client, as well as revenue and expense growth assumptions for future years. These assumptions are used to project future Net Income, and business valuation based upon an appropriate multiplier disclosed to the client.
- Personal Cash Flow – Cash flows are projected based on information obtained from the client (tax returns, personal financial statements, bank statements, W-2s, 1099s, K-1s, etc.). Future cash inflows and outflows are based on input from the client and the client's advisors.



IMPORTANT DISCLOSURES (CONT'D)

- Estate/Trust Cash Flow – Cash flows due to and from Trusts will be based on trust documents and financial information (tax returns, financial statements, etc.) obtained from the client.
- Personal Assets – In some situations, WP may project the value of an asset (i.e. real estate, other assets, etc.) based on input from the client and the client's advisors.
- Taxes – Taxes are being calculated in the analysis. However, WP does not provide tax advice and the tax calculations are for illustrative and hypothetical purposes only. The client should consult with their tax advisor to evaluate their tax situation.

Other Compensation

In addition to WP's business consulting services, and the fees charged to clients as outlined in the Relationship and Engagement Agreement, WP Partners are licensed agents to sell insurance. WP may receive fees from life insurance companies, if insurance is purchased through WP relationships. Any commissions or fees will be disclosed to you in any life insurance proposal and agreement. WP is a member firm of Partners Financial and has access to all insurance providers on their network. The needs and circumstances of the client will drive the choice of the insurance provider.

Insurance Product

An investment in variable life insurance is subject to fluctuating values of the underlying investment options and entails risk, including the possible loss of principal. The performance of your account will vary and you may receive more or less than the amount invested. Product guarantees, including the death benefit, are subject to the claims-paying ability of the issuing insurance company. Loans and partial withdrawals will decrease the death benefit and cash value and may be subject to policy limitations and income tax.

An insurer's financial strength rating represents an opinion by the issuing agency regarding the ability of an insurance company to meet its financial obligations to its policyholders and contract holders. A rating is an opinion of the rating agency only, and not a statement of fact or recommendation to purchase, sell or hold any security, policy or contract. These ratings do not apply to the safety or performance of any separate account.

Sub Account Performance Disclosures (for Variable Universal Life policies)

The fund performance data shown in this report that relates to variable life insurance policies was obtained through Morningstar and represents the individual net returns of the underlying funds shown in the report. Morningstar is a non-affiliated third party investment research and management firm that provides mutual fund information, news, commentary, portfolio analysis, comparison reporting and other services. Past performance does not guarantee future results. The fund performance data is being provided for informational purposes only and does not reflect the actual returns of the sub accounts in the variable component of the insurance policies that are invested in those funds, which may be lower or higher than the performance quoted due to the timing of cash flows, holding periods, sub account allocation changes, policy fees and other expenses. Policy fees or expenses include premium loads, cost of insurance, administration fees, mortality and expense risk charges, or any other charges that may be incurred under the policy. Policy returns would be significantly lower after all policy fees and expenses are deducted.

Securities offered through Kestra Investment Services LLC (Kestra IS), member FINRA/SIPC. Investment advisory services offered through Kestra Advisory Services, LLC (Kestra AS), an affiliate of Kestra IS. WealthPoint is a member firm of PartnersFinancial. Kestra IS and Kestra AS are not affiliated with WealthPoint, LLC or PartnersFinancial. WealthPoint, LLC is independently owned and operated.



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