

# TRANSFER FOR VALUE

One of the primary benefits of life insurance is its tax-free death benefit paid to the beneficiary of the policy. While a general principle, this is not always the case due to the Transfer for Value rule. This rule dictates that if a policy is at any point after issuance transferred for “valuable consideration” the proceeds must be included in the gross income of the beneficiary to the extent it exceeds the consideration and any additional premiums. However, even if transferred for value, there are exceptions to this rule per the chart below.

Policy Owner and Transferor	Transferee for Value	Tax Impact on Death Benefit
Anyone	Insured	Proceeds Exempt
Anyone	Partner of Insured	Proceeds Exempt
Anyone	Partnership in which Insured is a Partner	Proceeds Exempt
Anyone	Corporation in which Insured is a shareholder or officer	Proceeds Exempt
Anyone	Anyone whose basis is determined by reference to transferor’s basis	Proceeds Exempt
Anyone	Co-Stockholder of Insured	Proceeds Taxable
Anyone	Anyone Else	Proceeds Taxable

Exception to the Transfer for Value rule per IRC §101(a)(2)

We do not provide tax, accounting, or legal advice. Clients should consult their own independent advisors as to any tax, accounting, or legal statements made herein. Life insurance policies contain fees and expenses, including cost of insurance, administrative fees, premium loads, surrender charges, and other charges or fees that will impact policy values.