

BRIDGE® | A CASE STUDY

Tax advantages of a 1035 exchange, retirement savings and long-term care benefits when needed



Meet Carol

Age: 70

Retirement assets:

\$250,000 Non-qualified annuity

- \$100,000 cost basis
- \$150,000 gain (taxable)

Concerns:

- Position assets more tax-efficiently with a 1035 exchange
- Obtain guaranteed¹ long-term care benefits after being declined for traditional long-term care insurance
- Avoid burdening her children for assistance as she ages

Let's look at the numbers

What if Carol had accessed the funds from the previous annuity for long-term care expenses without completing a 1035 exchange?

Now, let's see how using a 1035 exchange to convert a Non-qualified annuity to Bridge would help.

Without a 1035 exchange — Accessing funds

Total withdrawal	\$250,000
Taxable portion	\$150,000
Tax rate	22%
Tax owed	\$33,000
Net proceeds after tax	\$217,000

With 1035 exchange — Bridge at issue

Initial premium	\$250,000
Underwriting class	Secure
Coverage Ratio election*	135%
Initial Benefit Base	\$337,500

*Selected level based on monthly benefit necessary to cover anticipated expenses to facilitate aging at home

Five years later — claim submitted

After five years of active participation in the NeverStop® Health Coaching & Rewards Program, which helped Carol support a healthy and independent lifestyle, she developed a health condition requiring long-term care services. At age 75, she was no longer able to perform two of six activities of daily living, which meant she qualified for long-term care benefits. She filed a claim and submitted a plan of care from her doctor.

Because she had used a 1035 exchange to convert her Non-qualified annuity to Bridge, her assets grew on a tax-deferred basis, and she had access to tax-free² long-term care benefits and easy claims — no receipts or invoices required.

Bridge at claim	
Benefit Base	\$391,255
NeverStop Wellness Credits	\$1,739
Total Benefit Base at claim	\$392,994
Guaranteed monthly benefit	\$6,550

Balance your benefits and premium preservation

Your financial professional can help you find the right balance between anticipated long-term care benefits and the value of your annuity account.



¹ Must pass annuity suitability requirements. Guarantees are based on the claims-paying ability of EquiTrust Life Insurance Company.

² Subject to daily IRS maximum.

Benefits may be increased to 5% annually for additional fee. NeverStop Wellness Credits are not guaranteed and subject to verified participation. Examples are based on a non-guaranteed credited rate of 3.0%. Contract issued on Form Series ICC12-ET-EIA-2000(01-12) or ET-EIA-2000(12-21). Long-Term Care Rider issued on ET-LTC(01-24). NeverStop Wellness Rider issued on ET-WEL(01-24). This document briefly highlights EquiTrust Life Insurance Company's Bridge annuity contract's Long-Term Care Rider. For complete product details including costs and coverage, any exclusions, reductions or limitations, and the terms under which the contract may be continued in force, contact your financial professional. EquiTrust does not offer investment advice to any individual and this material should not be construed as investment advice to you or your specific situation. Products underwritten, issued and distributed by EquiTrust Life Insurance Company, West Des Moines, Iowa.